November19, 2002

JAPAN REAL ESTATE INVESTMENT CORPORATION
ANNOUNCEMENT OF SECOND FISCAL PERIOD RESULTS

1. Summary of Financial Results

On November 19, 2002, Japan Real Estate Investment Corporation (“JRE”, TSE: 8952) has announced financial results of its second fiscal period ended September 30, 2002.

For the second fiscal period, JRE reported gross revenues of 7,910 million yen, operating profits of 3,386 million yen, recurring profits of 2,898 million yen and net income of 2,897 million yen, or 12, 853 yen per unit.

As of September 30, 2002, JRE’s total asset balance was 185, 397 million yen and its net worth was 115,049 million yen, or 510,424 yen per unit. On its balance sheet, JRE bore interest bearing debt of 54, 000 million yen.

2. Current Status

(1) General Overview of the Current Period

JRE was listed on the Tokyo Stock Exchange (“TSE”) on September 10, 2001, and as of the end of its first fiscal period on March 31, 2002 had acquired 24 properties at a total acquisition price of 144,697 million yen, laying the foundation for its portfolio of real estate assets. During the six-month period under review, ended September 30, 2002, JRE issued additional shares and corporate bonds, and continued its acquisition of properties in order to ensure steady growth.

(2) Results of Operations

① Issuance of Additional Shares and Corporate Bonds

The Japanese economy during the period under review showed signs of further stagnation due to such factors as the slowdown in the U.S. economy and the delays in resolving the bad debt problem in Japan. In the market for leased office space as well, the demand for existing floor space weakened owing to continued corporate integration. In such a market environment, the general expectation is that increased competition will allow those with relative merit in the market to stand out, and the profitability gap between properties will widen. More information on properties being put up for sale is therefore expected to come from individuals and companies that do not specialize in office space leasing.

With this state of affairs in mind, JRE determined that making financial preparations for property acquisition was an urgent matter in terms of its growth over the medium term. As a result, JRE became the first J-REIT to make an additional public share offering (65,000 shares) after its initial listing. This generated approximately 30.9 billion yen on May 8, 2002, increasing JRE’s capital to a level in line with expectations for the growth of JRE’s portfolio of real estate assets. With this base JRE’s financing options such as borrowings have been enhanced. JRE also became the first J-REIT to issue corporate bonds for qualified investors (June 21, 2002). While further diversifying JRE’s methods of financing, this also raised 25 billion yen in capital. These corporate bonds received credit ratings of A+ from Standard & Poor's, and A2 from Moody's Investors Service.

JRE has used this capital to repay 40 billion yen in short-term borrowings made for the acquisition of properties during the previous term, (full amount repaid on June 24, 2002), and efforts to acquire new properties.

② Property Management and Administration

JRE, during the period under review, conducted a meticulous examination of many different properties being offered for sale, considering them from all angles in terms of earnings stability and returns in order to assess their value. JRE then acquired those properties that it determined on the whole would be worthy investments. The three properties acquired during the term are the MD Kanda Building (May 31; 9,520 million yen), the Burex Kyobashi Building (June 22; 5,250 million yen), and the Kandabashi Park Building (August 15; 4,810 million yen).

As a result, at the end of the period under review on September 30, 2002 JRE's portfolio consisted of 27 office buildings, acquired for a total of 164,277 million yen, with total leasable floor space of 215,928m^2 and a total of 339 tenants. For the purchase of the additional properties JRE made short-term borrowings of 5.0 billion yen on August 15, bringing its total borrowings to 29.0 billion yen (24.0 billion yen in long-term borrowings), with outstanding issues of corporate bonds totaling 25.0 billion yen.

In terms of operations, in addition to the highly competitive strength of the properties acquired, systematic management has allowed us to maintain an average occupancy rate of almost 94% for the period (95.3% at the end of the term).

(3) Performance

The operations outlined above resulted in gross revenues of 7,910 million yen, and operating profits of 3,386 million yen. Recurring profits, excluding interest expenses, operating and administrative costs, and amortization expenses related the issuing of additional shares and corporate bonds, was 2,898 million yen. Net income was 2,897 million yen. JRE's policy with regard to cash distributions is to issue dividends of approximately 100% of taxable income, in accordance with Article 67-15 of the Special Taxation Measures Law of Japan applicable to J-REITs. The dividend for the period under review was 12,853 yen per share.

3. Outlook for the Next Period

(1) General Operational Outlook

There is concern that demand in the market for leased office space in the greater Tokyo metropolitan area (which includes Tokyo, Kanagawa Prefecture, Chiba Prefecture and Saitama Prefecture) will be adversely affected as businesses respond to the lack of economic recovery by continuing to consolidate offices and otherwise reduce their office space utilization. On the supply side, it is predicted that the so-called "year 2003 problem"—which refers to an expected increase in supply of new, large-scale buildings, particularly in central Tokyo—will gradually elicit a general downturn in the market. Demand is also weakening in regional urban centers, as the centralization of commerce in Tokyo continues.

Worsening conditions in the market for leased office space also underscore the relative merits of the market, in that an increasing polarization between office buildings with rising occupancy rates and those with falling occupancy rates is expected to emerge. It is thought that these factors, combined with the movement toward the adoption of impairment accounting, will lend renewed strength to the trend toward the contraction of corporate assets. This leads to forecasts that the market will see a large and continuous flow of office buildings offered for sale.

① Property Acquisition

In light of the above analysis, JRE has adopted the following policies to guide its acquisition of properties to improve both profitability and stability of earnings.

i. Because the early acquisition of information is vital, JRE is strengthening its existing real estate information channels, and is developing new channels through which to obtain information on available properties.

ii. In its acquisition activities, JRE will conduct due diligence, being meticulous in its investigation and consideration of the economic factors, physical condition, and legal status of potential acquisitions. Through this heightened attention to the utility of potential acquisitions, JRE will be highly selective in its investments. JRE is targeting buildings that meet or exceed new earthquake-resistance standards and which will be able to remain competitive over the medium to long term.

iii. The general target for regional diversity of property ownership, in accordance with JRE's property-acquisition policies, is for 60% to 70% to be located in the greater Tokyo metropolitan area, with the remainder located in other regional urban centers. It is possible, however, that future trends in office demand may cause us to diverge from the above ratio, and increase the proportion of JRE's holdings in the greater Tokyo metropolitan area.

The timing of property acquisition cannot be ascertained in advance. Therefore, JRE's policy is to fund property acquisition with short-term loans, then to refinance utilizing various funding methods, including corporate bonds, taking into account trends in financial markets at the time. When effecting such a loan, it is JRE's policy to minimize funding costs by negotiating with several qualified institutional investors before settling on a lender.

② Property Administration

Because a weakening in the market for leased office space is forecast, it is also predicted that it will be difficult for JRE to increase its rental revenues. Further, occupancy rates in some properties may decline. In response to these business conditions, JRE has adopted the following policies:

i. Strengthen JRE's relationship of trust with existing tenants

At September 30, 2002, JRE had contracts with seven property management companies for the administration of its properties. In almost all cases, these firms were managing their respective buildings before JRE acquired them, and so they have long-established relationships with the tenants. Further strengthening these relationships will allow us to anticipate tenant needs, heightening tenant satisfaction and reducing turnover.

ii. Fill vacancies promptly

In cooperation with the property management companies mentioned above, JRE seeks the best tenants for its properties in consideration of their location and other characteristics, working energetically to fill vacancies as rapidly as possible. JRE is also working to uncover latent demand for expansion of floor space among JRE's existing tenants.

iii. Promote fixed and long-term lease contracts
To assure future revenues, JRE is working to gradually shift to fixed lease contracts and long-term lease contracts.

iv. Reduce administrative costs
JRE promotes healthy competition among the seven property management companies it employs, encouraging them to improve their administrative structures and re-evaluate costs. JRE's target is to achieve a 5% reduction in management fees and utility expenses for all properties within three years of their acquisition.

(2) Performance Forecasts
In JRE's third six-month period (ending March 31, 2003), gross revenues are forecast at 8,300 million yen, recurring profits at 3,200 million yen, and net income at 3,200 million yen. JRE also expects to pay cash dividends of 14,300 yen per share. Actual figures for gross revenues, recurring profits, net income and cash dividends may vary due to changes in these operating conditions.

The forecasts for the six-month period ending September 30, 2003 are for gross revenues of 8,300 million yen, recurring profits of 3,000 million yen, and net income of 3,000 million yen. Cash dividends for the same period are forecast at 13,600 yen Per share.

JRE has acquired or has agreed to acquire two additional properties after the end of September. Details on these properties are as follows:

Kokusai Iidabashi Building

Transaction Summary
Type of Ownership: Land: Fee Simple/Leasehold, Building: Fee Simple
Acquisition price: 5,000 million yen
Acquisition date: October 31, 2002
Property Summary
Location: 3-6-5, Iidabashi, Chiyoda-ku, Tokyo
Area: <Land>: 1,052.80m^2, <Building>: 6,722.02m^2
Structure: One floor below ground, eight above
Built in: September 1985
Net Rentable area: 4,791m^2
Occupancy rate: 100%

da Vinci Harajuku

Transaction Summary
Type of Ownership: Fee Simple
Acquisition price: 4,885 million yen
Acquisition date: November 22, 2002
Property Summary
Location: 3-25-15, Jingu-mae, Shubuya-ku, Tokyo
Area: <Land>: 839.66m^2, <Building>: 4,359.20m^2
Structure: Two floors below ground, seven above
Built in: December 1987
Net Rentable area: 3,051m^2
Occupancy rate: 100%

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JAPAN REAL ESTATE INVESTMENT CORPORATION
STATEMENT OF INCOME AND RETAINED EARNINGS
For the Period from April 1, 2002 to September 30, 2002

(In millions of yen)

Item	1st Period (203 days)	2nd Period (183 days) Existing 24 properties	Additional 3 properties	Total	Change	% Change
Operating Revenues	6,492	7,553	357	7,910	1,417	21.8%
Rental revenues	6,427	7,532	357	7,889		
Other rental revenues	65	21	−	21		
Operating Expenses	1,759	2,672	27	2,699	940	53.4%
Property management fees	915	1,105	16	1,121		
Utility charges	493	759	10	769		
Property and other taxes	4	628	−	628		
Insurance expenses	15	20	0	20		
Maintenance expenses	321	152	0	152		
Other operating expenses	10	7	0	7		
NOI	4,732	4,881	330	5,211	479	10.1%
Depreciation	1,100	1,126	68	1,194		
Operating Profits	3,632	3,755	262	4,017	385	10.6%
Administrative expenses	671			630	△ 41	▲ 6.1%
Asset management fees	389			382		
Other administrative expenses	281			247		
Net Operating Profits	2,961			3,386	425	14.4%
Non-Operating Revenues	2			2		
Interest received	2			0		
Other non-operating revenues	0			2		
Non-Operating Expenses	559			491	△ 68	▲ 12.2%
Interest expenses	241			224		
Bond interest expenses	−			91		
Deferred start-up costs	90			−		
Deferred bond-issuance costs	−			70		
New unit-issuance costs	121			70		
Unit-listing expenses	74			−		
Other non-operating expenses	31			33		
Recurring Profits	2,405			2,898	493	20.5%
Gross Income	2,405			2,898	493	20.5%
Taxes	1			1		
Net Income	2,403			2,897	493	20.5%
Retained Earnings	2,403			2,897		
FFO (Net Income＋Depreciation)	3,503			4,091	588	16.8%
Dividend per unit	¥14,983			¥12,853		

JAPAN REAL ESTATE INVESTMENT CORPORATION

BALANCE SHEET

As of September 30, 2002

(In millions of yen)

ASSETS

Item	As of March 31, 2002	As of Sept. 30, 2002	Change over Previous Period
Current Assets			
Cash and entrusted cash	15,323	19,990	4,667
Other current assets	838	175	△ 663
Total Current Assets	16,162	20,165	4,003
Fixed Assets Property and equipment (Including entrusted property and equipment)			
Buildings	45,413	51,892	6,479
Structures	262	279	17
Machinery and equipment	944	1,036	92
Land	99,614	113,727	14,113
Accumulated depreciation	△ 1,100	△ 2,294	△ 1,194
Total Property and Equipment	145,135	164,644	19,509
Intangible Assets			
Entrusted lease hold rights	444	444	0
Total Intangible Assets	444	444	0
Investments and Others			
Long-term prepaid expenses, etc.	67	71	4
Total Investments and Others	67	71	4
Total Fixed Assets	145,647	165,160	19,513
Deferred Assets			
Bond issuance expenses	0	70	70
Total Deferred Assets	0	70	70
Total Assets	161,809	185,397	23,587

JAPAN REAL ESTATE INVESTMENT CORPORATION
BALANCE SHEET
As of September 30, 2002

(In millions of yen)

LIABILITIES

Item	As of March 31, 2002	As of Sept. 30, 2002	Change over Previous Period
Liabilities			
Current Liabilities			
Short-term borrowing	40,000	5,000	△ 35,000
Rent received in advance	998	1,219	221
Other current liabilities	730	873	143
Total Current Liabilities	41,728	7,092	△ 34,636
Long-term Liabilities			
Long-term borrowings	24,000	24,000	0
Investment Corporation Bond		25,000	25,000
Deposits from tenants	12,418	14,255	1,837
Total Long-term Liabilities	36,418	63,255	26,837
Total Liabilities	78,146	70,347	△ 7,799
Unitholders' Equity			
Unitholders' capital	81,260	112,152	30,892
Retained earnings	2,403	2,897	494
Total Unitholders' Equity	83,663	115,049	31,386
Total Liabilities and Unitholders' Equity	161,809	185,397	23,587

JAPAN REAL ESTATE INVESTMENT CORPORATION
PORTFOLIO SUMMARY
As of September 30, 2002

Area		Name	Appraisal Value at End of Period	Acquisition Price	Year Built	Net Rentable Areas (m²)	Occupancy Rate
Tokyo Metropolitan Area	23 Wards	Mitsubishi Soken Building	28,100 million	27,267 million	1970	18,006	96.3%
		Kodenmacho Shin-Nihonbashi Building	3,170 million	3,173 million	1991	3,897	100.0%
		Shiba 2-chome Daimon Building	4,890 million	4,859 million	1984	9,622	89.9%
		Cosmo Kanasugibashi Building	2,760 million	2,808 million	1992	4,062	83.2%
		Takanawadai Building	2,970 million	2,738 million	1991	4,091	100.0%
		JTS Building	1,330 million	1,362 million	1991	3,383	100.0%
		Omori-Eki Higashiguchi Building	4,980 million	5,123 million	1989	7,708	95.7%
		Otsuka Higashi-Ikebukuro Building	3,480 million	3,541 million	1987	7,114	98.6%
		Ikebukuro 2-chome Building	1,570 million	1,728 million	1990	2,186	88.9%
		Shibuya Cross Tower	34,500 million	34,600 million	1976	28,547	100.0%
	Excluding 23 Wards	Urawa Dai-Ichi-Seimei Life Dowa Kasai Building	2,690 million	2,574 million	1990	4,510	91.1%
		Kawasaki Isago Building	3,370 million	3,375 million	1990	6,831	93.1%
		Ericsson Shin-Yokohama Building	3,100 million	3,000 million	1992	6,964	100.0%
Other Major Cities		Sendai Honcho Honma Building	2,900 million	2,924 million	1991	5,829	100.0%
		Niigata Ishizuecho Nishi-Bandaibashi Building	911 million	1,010 million	1984	4,383	82.9%
		Kanazawa Minamicho Building	1,310 million	1,331 million	1987	3,773	88.4%
		Kanazawa Park Building	3,090 million	2,880 million	1991	13,030	93.3%
		Nagoya Hirokoji Building	14,900 million	14,533 million	1987	21,590	99.7%
		Kyoto Shijo Kawaramachi Building	2,470 million	2,650 million	1982	6,800	70.9%
		Midosuji Daiwa Building	14,400 million	14,314 million	1991	20,449	100.0%
		Fukusuke Sakaisujihonmachi Building	2,330 million	2,264 million	1992	5,337	91.6%
		Kobe Itomachi Building	1,310 million	1,436 million	1989	3,478	73.8%
		Hinode Tenjin Building	3,640 million	3,657 million	1987	5,944	100.0%
		Tosei Tenjin Building	1,530 million	1,550 million	1992	4,080	80.4%
Properties Acquired in the 2nd Period		MD Kanda Building	9,590 million	9,520 million	1998	6,334	100.0%
		Burex Kyobashi Building	5,040 million	5,250 million	2002	4,279	100.0%
		Kandabashi Park Building	4,920 million	4,810 million	1993	3,687	100.0%
		Total	165,251 million	164,277 million		215,928	95.3%

Properties to be Acquired in the 3rd Period	Kokusai Iidabashi Building	5,450million	5,000million	1985	4,791	100.0%
	da Vinci Harajuku	4,950million	4,885million	1987	3,051	100.0%