November 20, 2008

JAPAN REAL ESTATE INVESTMENT CORPORATION
ANNOUNCEMENT OF FOURTEENTH FISCAL PERIOD RESULTS

1. Summary of Financial Results

In the 14th fiscal period (six months ended September 30, 2008), Japan Real Estate Investment Corporation ("JRE") recorded operating revenues of 19,805 million yen, down 23.1% compared with the previous period. Despite an increase in both revenues and earnings in its mainstay property leasing business, this decline is mainly attributable to the absence of extraordinary factors such as dividends received totaling 7,935 million yen on its preferred capital contribution from Harumi Front Tokutei Mokuteki Kaisha recorded in the previous fiscal period. On the earnings front, operating income declined 31.0% to 9,807 million yen. After deducting expenses for interest payments on loans and other costs, ordinary income contracted 34.7% to 8,449 million yen, and net income decreased by the same percentage to 8,448 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 benefits 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, JRE accordingly declared a cash dividend of 19,072 yen per unit.

2. Results of Operations

(1) Property Management and Acquisition

During the period under review, market sentiment toward the Japanese economy was increasingly characterized by concerns in connection with the downturn in both corporate-sector earnings and capital investment. This was attributable to the impact of destabilized global financial markets, triggered by the subprime loan crisis in the United States, and the impact of a slowdown in the global economy.

Amid growing uncertainty toward future economic and real estate market conditions, trends within the market for leased office space were mixed. Demand for corporate office space mainly in central Tokyo, for example, remained firm, despite an upswing in vacancy rates as tenants adopted a "wait-and-see" attitude. Vacancy rates also rose in certain regional cities.

Under these circumstances, JRE maintained a high occupancy rate of 96.1% at the end of the period under review reflecting the high quality of its existing properties held and efforts to upgrade building facilities through refurbishment to maintain and enhance functions, while engaging in vigorous activities to attract new tenants. At the same time, JRE improved portfolio profitability by implementing upward rent revisions and finely tuned, customer-oriented building management policies.

Turning to the property market, property prices polarized against the backdrop of the prudent stance toward financing adopted by domestic and overseas banking facilities in response to the subprime loan crisis. In this context, some investors have become less willing to invest in small- and medium-sized buildings, while investment from well-financed institutional investors both in Japan and overseas remains robust for competitive prime properties.

In this market environment, JRE undertook the acquisition of competitive properties to further strengthen the quality of its portfolio. Specifically, JRE acquired two properties: The land and building adjacent to the Ryoshin Ginza East Mirror Building (in Chuo Ward, Tokyo), acquired for 1,800 million yen on July 4, 2008 for the purpose of building extension, and the Shin-Fujita Building (in Osaka City), acquired for 24,000 million yen on September 1, 2008. As a result, JRE's properties as of September 30, 2008 consisted of 54 office buildings with a total acquisition price of 542,969 million yen. Total leasable space was 508,296 m^2 (approximately 153,759 *tsubo*), with a total of 970 tenants.*

* The number of properties, total acquisition price, total leasable space and the number of tenants do not include the land and building adjacent to the Ryoshin Ginza East Mirror Building acquired for the purpose of building extension.

(2) Finance Activities

JRE procured 14,000 million yen on April 24, 2008 and 3,000 million yen on June 13, 2008 in long-term loans for the redemption of its second investment corporation bond (10,000 million yen) on April 30, 2008, while refinancing short-term loans to long-term loans. Furthermore, JRE procured 22,000 million yen in total in both short- and long-term loans for the acquisition of the Shin-Fujita Building. As a result of these finance activities, as of September 30, 2008, JRE's total interest-bearing debt amounted to 199,500 million yen, consisting of long-term loans of 126,500 million yen (including the current portion of 7,000 million yen), short-term loans of 28,000 million yen, and investment corporation bonds of 45,000 million yen.

As of September 30, 2008, JRE's long-term, fixed-interest debt ratio[1] stood at 86.0%, and the loan-to-value (LTV) ratio[2] was 36.7%. As these results indicate, JRE has been able to maintain a sound and conservative financial standing.

JRE's credit ratings as of September 30, 2008 were as follows.

Rating Agency	Credit Rating
Standard & Poor's Rating Services	Long-term: AA-; Short-term: A-1+; Outlook: Stable
Moody's Investors Service Inc.	Rating: Aa3; Outlook: Stable*
Rating and Investment Information, Inc.	Rating: AA; Outlook: Stable

* On June 6, 2008, Moody's Investors Service Inc. raised JRE's rating from A1 to Aa3.

Notes:

1. Long-term, fixed-interest debt ratio = Ratio of long-term, fixed-interest debt including the current portion of long-term loans to interest-bearing debt
2. LTV ratio = Ratio of interest-bearing debt to total assets

3. Outlook

(1) Operating Environment

The U.S. subprime loan crisis that occurred in the summer of 2007 triggered the current turmoil in the global economy. Meanwhile, Japan is evidently facing a decelerating economy, after enjoying the longest postwar period of economic expansion—expansion that has continued since 2002. The real estate industry also experienced a rapidly deteriorating fund-raising environment on the back of shrinking investment funds, and it is going through an intensive adjustment period. Therefore, it is difficult to foresee future trends. Along with major cities in other regions, vacancy rates in the 23 wards of Tokyo began to increase in the rental office market.

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 be 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 competitions.

In the real estate market, banking facilities have adopted a more prudent stance toward financing for the real estate sector. In this context, we believe that both the soundness of JRE's financial standing and its ability to procure funds are increasingly the key strategies for acquiring prime properties.

a. Property Management

In accordance with the aforementioned, JRE expects the relative merits of properties to become increasingly evident reflecting area differences between central Tokyo, metropolitan areas and regional cities. Therefore, JRE adheres to the following management policies in order to maintain and improve earnings.

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

As of September 30, 2008, JRE had contracts with 11 property management companies. Most of these companies were already managing their respective buildings before JRE acquired them and have thus 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 floor space and raise rent levels. In addition, we are endeavoring to raise rent levels for those tenants whose rents are significantly below market.

(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 multiple property management companies to follow. These companies are also revamping their management systems and cost structures on an ongoing basis.

b. 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 while 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 its properties to be located within the Tokyo metropolitan area, with the remaining 30% or less located in other major cities.

Under these policies, JRE will continue to acquire highly competitive properties while also considering suitable timing for the replacement of assets 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 maintaining a sound and conservative financial standing and monitoring trends in financial markets. When procuring a loan, we are guided by prudent and stable financial policies. Working to minimize funding costs, we also negotiate with several qualified institutional investors before determining the various components that encompass loan procurement.

(2) Performance Forecasts

For the 15th fiscal period (October 1, 2008 to March 31, 2009), JRE forecasts operating revenues of 20,280 million yen, operating income of 9,640 million yen, ordinary income of 8,150 million yen and net income of 8,150 million yen. We plan to declare a cash dividend of 18,410 yen per unit.

For the 16th fiscal period (April 1, 2009 to September 30, 2009), JRE forecasts operating revenues of 20,580 million yen, operating income of 9,470 million yen, ordinary income of 7,900 million yen and net income of 7,900 million yen. We plan to declare a cash dividend of 17,830 yen per unit.

The above estimates for the 15th and 16th periods are based on assumptions of the portfolio consisting of 54 properties as of September 30, 2008. Estimates are subject to change in accordance with the acquisition or sale of other properties. The estimates are also based on the 443,000 investment units outstanding as of September 30, 2008 and on the assumption that the loan-to-value (LTV) ratio will be at around the 30%–40% level on March 31, 2009 and September 30, 2009.

Income Statement for the 14th Period

(In millions of yen; Dividend per unit in yen)

Term	13th Period (Mar 31, 2008)	→ Change →		14th Period (Sep 30, 2008)	← Change ←		14th Period (Sep 30, 2008)
Actual/Forecast	Actual	(amount)	(%)	Actual	(amount)	(%)	Initial Forecast (*1)
Operating Revenues	25,743	-5,937	-23.1%	19,805	235	1.2%	19,570
Property-related Revenues	17,807	1,997	11.2%	19,805	235	1.2%	19,570
Rental Revenues	17,761			19,716			
Non-rental Revenues	45			89			
Gain on Transfer of Properties (*2)	-	0		-	-		-
Dividends Earned	7,935	-7,935	-100.0%	-	-		-
Operating Expenses	11,524	-1,526	-13.2%	9,998	-41	-0.4%	10,040
Property-related Expenses (*3)	5,609	22	0.4%	5,632	-117	-2.0%	5,750
Property Management Expenses	1,925	126	6.6%	2,052			
Property Management Costs	1,831			2,001			
Brokerage Fees, etc.	94			51			
Utilities Expenses	1,201	250	20.9%	1,452			
Property and Other Taxes	1,338	170	12.8%	1,509			
Casualty Insurance	37	4	10.7%	41			
Repairing Expenses	991	-479	-48.4%	511			
Other Expenses	114	-50	-43.7%	64			
NOI (*4)	12,197	1,975	16.2%	14,173	363	2.6%	13,810
Depreciation	3,068	492	16.0%	3,560	60	1.7%	3,500
Property-related Profits and Losses (*4)	9,129	1,483	16.2%	10,612	302	2.9%	10,310
Gross Operating Income	17,065	-6,452	-37.8%	10,612	302	2.9%	10,310
Administrative Expenses	2,846	-2,041	-71.7%	805	25	3.3%	780
Asset Management Fees	2,574	-2,042	-79.3%	531	11	2.2%	520
Other Administrative Expenses	272			273			
Operating Income	14,218	-4,411	-31.0%	9,807	287	3.0%	9,520
Non-operating Revenues	33			50			
Interest Income	33			38			
Other Non-operating Revenues	0			12			
Non-operating Expenses	1,305			1,408			
Interest Expense	773	196	25.5%	970	-21	-1.6%	1,400
Interest Expense on Investment Corporation Bonds	438	-30	-7.0%	408			
Amortization of Investment Corporation Bond Issuance Cost	20			10			
Other Non-operating Expenses	72			19			
Ordinary Income	12,946	-4,496	-34.7%	8,449	339	4.2%	8,110
Income before Income Taxes	12,946			8,449			
Income Taxes	0			0			
Net Income	12,945	-4,496	-34.7%	8,448	338	4.2%	8,110
Retained Earnings at Period-end	12,945			8,448			
FFO (*5)	8,078	3,931	48.7%	12,009			
Dividend per Unit	29,223	-10,151	-34.7%	19,072	762	4.2%	18,310

*1 The initial forecast means the 14th Period performance forecast announced on May 15, 2008.
*2 Gain on sale of properties＋Gain on exchange of properties
*3 Excluding Depreciation
*4 Excluding Gain on transfer of properties and Dividends earned
*5 Net income＋Depreciation – Gain on transfer of properties – Dividends earned

Balance Sheet for the 14th Period

(In millions of yen)

Item	13th Period-end (Mar 31, 2008)	14th Period-end (Sep 30, 2008)	Change	Reason for change
Assets				
Ⅰ Current Assets				
Cash and Bank Deposits	13,124	15,069	1,945	
Other Current Assets	9,621	319	-9,302	Decreased due to receipt of the dividend receivables from Harumi Front TMK, etc.
Total Current Assets	22,746	15,389	-7,357	
Ⅱ Fixed Assets				
Property and Equipment				
Buildings (including those held in trust)	182,535	194,209	11,674	Increased due to acquisition of properties and capital expenditure, etc.
Structures (including those held in trust)	1,979	2,223	243	
Machinery and Equipment (including that held in trust)	2,862	2,893	31	
Land (including that held in trust)	336,310	351,928	15,618	
Accumulated Depreciation	-23,832	-27,392	-3,560	
Total Property and Equipment	499,856	523,862	24,006	
Intangible Assets				
Leasehold rights, etc. (including those held in trust)	3,519	3,519	0	
Total Intangible Assets	3,519	3,519	0	
Investments and Other Assets				
Investment Securities	1,272	2	-1,270	Decreased due to retirement of the preferred capital contribution into Harumi Front TMK
Long-term Prepaid Expenses, etc.	28	42	13	
Total Investments and Other Assets	1,301	45	-1,256	
Total Fixed Assets	504,677	527,427	22,750	
Ⅲ Deferred Assets				
Deferred Investment Corporation Bond Issuance Costs	114	103	-10	
Total Deferred Assets	114	103	-10	
Total Assets	527,537	542,920	15,382	

(In millions of yen)

Item	13th Period-end (Mar 31, 2008)	14th Period-end (Sep 30, 2008)	Change	Reason for change
Liabilities				
Ⅰ Current Liabilities				
Short-term Loans	23,000	28,000	5,000	Increased due to acquisition of properties
Current Portion of Long-term Loans	7,000	7,000	-	
Current Portion of Investment Corporation Bonds	10,000	-	-10,000	Decreased due to the redemption of the 2nd investment corporation bond
Rent Received in Advance	2,239	2,260	20	
Other Current Liabilities	5,767	2,142	-3,624	
Total Current Liabilities	48,007	39,402	-8,604	
Ⅱ Long-term Liabilities				
Investment Corporation Bonds	45,000	45,000	-	
Long-term Loans	92,500	119,500	27,000	Increased due to the financing for the property acquisition and the investment corporation bond redemption cost
Deposits Received from Tenants	31,483	32,966	1,483	Increased due to acquisition of properties, etc.
Total Long-term Liabilities	168,983	197,466	28,483	
Total Liabilities	216,990	236,869	19,879	
Net Assets				
Unitholders' Capital	297,601	297,601	-	
Retained Earnings	12,945	8,448	-4,496	
Total Net Assets	310,547	306,050	-4,496	
Total Liabilities and Net Assets	527,537	542,920	15,382	

Property Data

(In millions of yen)

Area		Name	14th Period Appraisal Value (Sep 30, 08)	13th Period Appraisal Value (Mar 31, 08)	Amount of Difference	14th Period Book Value (Sep 30, 08)	14th Period Appraisal Value − Book Value	Acquisition Price
Tokyo 23 Wards	Chiyoda	Genki Medical Plaza	6,300	6,300	0	5,095	1,204	5,000
		Kitanomaru Square	88,600	88,600	0	80,013	8,586	81,555
		MD Kanda	12,100	12,100	0	9,070	3,029	9,520
		Kandabashi Park	6,520	6,520	0	4,576	1,943	4,810
		Nibancho Garden	17,600	17,600	0	14,168	3,431	14,700
		Mitsubishi UFJ Trust	50,200	50,000	200	30,404	19,795	44,700
		Burex Kojimachi	7,040	7,040	0	6,736	303	7,000
		Sanno Grand	30,700	30,700	0	21,655	9,044	20,900
		Yurakucho Denki	8,810	8,600	210	7,713	1,096	7,200
	Chuo	Kodenmacho	4,200	4,200	0	2,847	1,352	3,173
		Burex Kyobashi	7,150	7,070	80	5,024	2,125	5,250
		Ginza Sanwa	18,000	18,000	0	17,043	956	16,830
		Ryoshin Ginza EM	5,190	5,150	40	5,321	-131	5,353
		Harumi Center	26,300	26,300	0	26,698	-398	26,800
	Minato	Aoyama Crystal	9,300	9,230	70	7,535	1,764	7,680
		Shiba 2Chome Daimon	7,980	7,980	0	4,902	3,077	4,859
		Cosmo Kanasugibashi	3,910	3,910	0	2,552	1,357	2,808
	Shinjuku	Shinwa	9,890	9,890	0	7,742	2,147	7,830
		Tokyo Opera City	12,100	12,100	0	8,768	3,331	9,350
	Shinagawa	Takanawadai	2,840	2,840	0	2,592	247	2,738
		Higashi-Gotanda 1Chome	7,050	7,050	0	5,224	1,825	5,500
	Ota	Omori-Eki Higashiguchi	6,150	6,040	110	4,587	1,562	5,123
	Shibuya	Nippon Brunswick	9,570	9,570	0	6,817	2,752	6,670
		Yoyogi 1Chome	13,500	13,400	100	8,197	5,302	8,700
		da Vinci Harajuku	6,610	6,420	190	5,013	1,596	4,885
		Jingumae MS	16,200	16,100	100	11,935	4,264	12,200
		Shibuya Cross Tower	53,000	53,000	0	38,919	14,080	34,600
		Ebisu Neonato	5,710	5,710	0	3,789	1,920	4,100
	Nakano	Harmony Tower	13,600	13,600	0	8,392	5,207	8,500
	Toshima	Otsuka Higashi-Ikebukuro	4,000	4,000	0	3,545	454	3,541
		Ikebukuro 2Chome	1,650	1,650	0	1,623	26	1,728
		Ikebukuro YS	5,670	5,670	0	4,620	1,049	4,500
Other Areas	Hachioji	Hachioji First	6,170	6,170	0	5,526	643	5,679
	Saitama	Saitama Urawa	2,720	2,720	0	2,412	307	2,574
	Yokohama	MM Park	37,400	37,400	0	37,444	-44	37,400
	Kawasaki	Kawasaki Isago	3,360	3,360	0	2,905	454	3,375
		Musashi Kosugi STM	4,000	4,000	0	4,042	-42	4,000
	Sapporo	8･3 Square Kita	7,210	7,210	0	7,259	-49	7,100
	Sendai	Jozenji Park	1,130	1,130	0	1,027	102	1,000
		Sendai Honma	3,690	3,690	0	2,836	853	3,174
	Kanazawa	Kanazawa Park	6,590	6,590	0	4,336	2,253	4,580
	Nagoya	Nishiki Park	5,390	5,390	0	5,043	346	5,150
		Hirokoji Sakae	1,730	1,730	0	1,743	-13	1,680
		Nagoya Hirokoji	16,000	16,000	0	14,372	1,627	14,533
		Nagoya Misono	1,570	1,940	-370	1,571	-1	1,865
	Kyoto	Kyoto Kawaramachi	2,350	2,350	0	2,848	-498	2,650
	Osaka	Sakaisujihonmachi	4,840	4,840	0	3,892	947	4,164
		Midosuji Daiwa	19,100	19,100	0	13,584	5,515	14,314
	Okayama	Lit City	5,560	5,560	0	4,374	1,185	4,650
	Hiroshima	NHK Hiroshima	3,260	3,260	0	2,693	566	2,770
	Fukuoka	Tosei Tenjin	1,440	1,530	-90	1,386	53	1,550
		Tenjin Crystal	4,610	4,910	-300	4,766	-156	5,000
		Hinode Tenjin	3,940	3,940	0	3,514	425	3,657
Properties held as of the end of the 13th and 14th Periods, during which the shares of ownership remain unchanged		Tokyo 23 Wards	477,440	476,340	1,100	373,127	104,312	388,104
		Other Areas	142,060	142,820	-760	127,583	14,476	130,865
		Total (53 properties)	619,500	619,160	340	500,710	118,789	518,969

Property acquired during the 14th Period

Other Areas	Osaka	Shin-Fujita	25,200	–	–	24,793	406	24,000

54 properties held as of the end of the 14th Period

Tokyo 23 Wards	477,440	–	–	373,127	104,312	388,104
Other Areas	167,260	–	–	152,376	14,883	154,865
Total (54 properties)	644,700	–	–	525,503	119,196	542,969

*The appraisal value of the land and building adjacent to Ryoshin Ginza East Mirror Building at the end of the 14th Period is ¥1,170 million.