May 20, 2003

JAPAN REAL ESTATE INVESTMENT CORPORATION
ANNOUNCEMENT OF THIRD FISCAL PERIOD RESULTS

1. Summary of Financial Results

On May 20, 2003, Japan Real Estate Investment Corporation ("JRE," TSE: 8952) has announced the financial results of its third fiscal period, ended March 31, 2003.

For the third fiscal period, JRE reported gross revenues of 8,500 million yen, operating profits of 3,687 million yen, recurring profits of 3,259 million yen and net income of 3,258 million yen, or 14,455 yen per share.

As of March 31, 2003, JRE's total asset balance was 200,022 million yen and its net worth was 115,410 million yen, or 512,026 yen per unit. On its balance sheet, JRE bore interest-bearing debt of 66,800 million yen.

2. Current Status

(1) Overview of Operations, September 10, 2001－September 30, 2002

JRE was listed on the Tokyo Stock Exchange ("TSE") on September 10, 2001. JRE had acquired 24 properties during its first fiscal period, ended March 31, 2002, and acquired three properties during its second fiscal period, ended September 30, 2002, for a total of 27 properties. JRE steadily expanded revenues by increasing asset scale while maintaining an average occupancy rate of almost 94% during these periods.

(2) Results of Operations

① Property Management and Acquisition

During the period under review, deflation tightened its hold on the Japanese economy against a backdrop of lingering uncertainty on the future of the economy, dampened consumer spending and restrained corporate capital investment.

In the market for leased office space, companies streamlined their branch offices to further integrate and reduce costs, and the demand/supply gap for floor space worsened. In the Tokyo metropolitan area in particular, there were concerns for an increase in overall vacancy rates and a fall in rents due to the so-called year 2003 problem (when the supply of new office space is to peak). An examination of properties, however, reveals a clear distinction between those able to maintain or improve occupancy rates and those losing their tenants, resulting in a disparity in revenues as well. Under these operating conditions, JRE was able to maintain an occupancy rate of

94.4% as of March 31, 2003, as a result of its highly competitive properties, robust management of existing tenants and efforts to attract new tenants.

Facing restructuring and the introduction of asset-impairment accounting, companies are trimming assets, leading to a deluge of market information on properties for sale. JRE, after meticulously examining this data on properties for sale to determine fair value, acquired properties from the standpoint of stabilizing overall revenues and expected rates of return. During the fiscal period under review, JRE acquired the Kokusai Iidabashi Building for 5,000 million yen on October 31, 2002, and changed the property's name to Genki Medical Plaza on April 1, 2003. The Company purchased da Vinci Harajuku for 4,885 million yen on November 22, 2002. JRE acquired a 33.87238% stake in the Kanazawa Park Building for 1,700 million yen on March 3, 2003, increasing its ownership to 89.0% from the 55.12762% stake acquired on February 28, 2002. On March 14, 2003, JRE acquired the Aoyama Crystal Building for 7,680 million yen. As a result, as of March 31, 2003, JRE's portfolio consisted of 30 office buildings, acquired for a total of 183,542 million yen, with total leasable floor space of 236,693 m^2 and a total of 359 tenants.

② Capital Procurement

Some of these additional properties were acquired through loans and other interest-bearing debt. During the fiscal period under review, JRE raised capital through short-term borrowings. As of March 31, 2003, JRE's total borrowings were 41.8 billion yen (of which long-term borrowings were 24.0 billion yen), with outstanding issues of corporate bonds totaling 25.0 billion yen.

JRE has received the following issuer credit ratings.

Rating Agency	Issuer Credit Rating
Standard & Poor's	Long-term: A+; Short-term: A-1; Outlook: Stable
Moody's Investors Service	Rating: A2; Outlook: Stable

③ Shareholders' Meeting Held

JRE held its second shareholders' meeting on March 28, 2003, the first such meeting since the Company's listing. At the shareholders' meeting, resolutions were passed without modification to proposals for changes to regulations including the lowering of the rate of asset management compensation paid to Japan Real Estate Asset Management Co., Ltd., and for the appointment of an executive director and supervisory directors.

Performance

The operations outlined above resulted in gross revenues of 8,500 million yen (+7.5% compared with the previous fiscal period) and operating profits of 3,687 million yen (+8.9%). Recurring profits, excluding interest expenses, operating and administrative costs, were 3,259 million yen (+12.5%) and net income totaled 3,258 million yen (+12.5%).

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 14,455 yen per share.

3. Outlook for the Next Period

(1) General Operational Outlook

With no recovery in the domestic economy, there is concern that lackluster conditions will continue in the market for leased office space in the Tokyo metropolitan area, owing to a persistent weakening of demand and the so-called year 2003 problem concerning an oversupply of new office space. On the back of globalization and advancements in information technology, office needs are expected to become more complex and diverse. In areas outside of Tokyo, the market for office space is expected to remain on a downtrend, as corporate restructuring and the concentration of offices in Tokyo and other primary cities continue.

In such an operating environment, although the real estate market continues to soften, a closer look at individual properties reveals an increasing bipolarization between office buildings with rising occupancy rates and those with falling occupancy rates. It is becoming more necessary to provide services in tune with demand, and provide added value by distinguishing from competitive office buildings.

In a liquid real estate market, it is expected that the trend will strengthen for selling real estate to write off non-performing loans and adopt asset-impairment accounting. JRE believes that these conditions present a favorable environment for acquiring prime properties.

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 business with 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, centering on properties able to generate stable revenues over the long term. JRE is targeting buildings with structures that meet or exceed new earthquake-resistance standards and that will be able to remain competitiveness 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 Tokyo metropolitan area, with the remainder located in other regional urban centers. It is possible, however, that future trends in office demand may cause JRE to diverge from the above ratio, and increase the proportion of its 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

With the continued weakening of the market for leased office space, it is unlikely there will be an increase in 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

As of March 31, 2003, 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 JRE to anticipate tenant needs and provide tailored services, 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 vacant properties and soon-to-be vacant properties in consideration of their location and other characteristics, and works energetically to fill vacancies as rapidly as possible. JRE is also working to uncover latent demand for expansion of floor space among its existing tenants.

iii. Promote fixed- and long-term lease contracts

To assure future revenues, JRE is working to gradually shift to fixed- 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 revaluate 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 fourth six-month period (ending September 30, 2003), gross revenues are forecast at 8,800 million yen, recurring profits at 3,300 million yen, and net income at 3,300 million yen. JRE also expects to pay cash dividends of 14,500 yen per share. Actual figures for gross revenues, recurring profits, net income and cash dividends may vary due to changes in operating conditions.

Assuming that JRE realizes its aforementioned forecasts for the fourth fiscal period, estimates for its fifth fiscal period (ending March 31, 2004) are gross revenues of 8,400 million yen, recurring profits of 3,100 million yen, net income of 3,100 million yen, and cash dividends of 14,000 yen per share.

After closing its books for the fiscal period under review, JRE issued its second and third corporate bonds April 30, 2003, as a part of efforts to diversify capital procurement. JRE raised 10.0 billion yen from each bond issuance. These corporate bonds received credit ratings of A+ from Standard & Poor's and A2 from Moody's Investors Service.

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JAPAN REAL ESTATE INVESTMENT CORPORATION

STATEMENT OF INCOME AND RETAINED EARNINGS

For the Period from October 1, 2002 to March 31, 2003

(In millions of yen)

Item	2nd Period (183days)	3rd Period (182 days)			Change	% Change
		Existing 27 properties	Additional 3 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	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		

JAPAN REAL ESTATE INVESTMENT CORPORATION

BALANCE SHEET

As of March 31, 2003

(In millions of yen)

ASSETS

Item	As of Sept. 30, 2002	As of March. 31, 2003	Change over Previous Period
Current Assets			
Cash and entrusted cash	19,990	15,459	△ 4,531
Other current assets	175	196	21
Total Current Assets	20,165	15,656	△ 4,509
Fixed Assets Property and equipment (Including entrusted property and equipment)			
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
Total Property and Equipment	164,644	183,578	18,934
Intangible Assets			
Lease hold rights and entrusted lease hold rights	444	726	282
Total Intangible Assets	444	726	282
Investments and Others			
Long-term prepaid expenses, etc.	71	61	△ 10
Total Investments and Others	71	61	△ 10
Total Fixed Assets	165,160	184,366	19,206
Deferred Assets			
Bond issuance expenses	70	—	△ 70
Total Deferred Assets	70	—	△ 70
Total Assets	185,397	200,022	14,625

JAPAN REAL ESTATE INVESTMENT CORPORATION

BALANCE SHEET

As of March 31, 2003

(In millions of yen)

LIABILITIES

Item	As of Sept. 30, 2002	As of March. 31, 2003	Change over Previous Period
Liabilities			
Current Liabilities			
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
Total Current Liabilities	7,092	20,476	13,384
Long-term Liabilities			
Investment Corporation Bond	25,000	25,000	0
Long-term borrowings	24,000	24,000	0
Deposits from tenants	14,255	15,135	880
Total Long-term Liabilities	63,255	64,135	880
Total Liabilities	70,347	84,611	14,264
Unitholders' Equity			
Unitholders' capital	112,152	112,152	0
Retained earnings	2,897	3,258	361
Total Unitholders' Equity	115,049	115,410	361
Total Liabilities and Unitholders' Equity	185,397	200,022	14,625

JAPAN REAL ESTATE INVESTMENT CORPORATION

PORTFOLIO SUMMARY

As of March 31, 2003

Area		Name	Appraisal Value at End of Period	Acquisition Price	Year Built	Net Rentable Areas (㎡)	Occupancy Rate
Tokyo Metro-politan Area	23 Wards	Mitsubishi Soken Building	28,000 million	27,267 million	1970	18,006	96.3%
		Kodenmacho Shin-Nihonbashi Building	3,140 million	3,173 million	1991	3,897	100.0%
		Shiba 2-chome Daimon Building	4,890 million	4,859 million	1984	9,622	86.1%
		Cosmo Kanasugibashi Building	2,760 million	2,808 million	1992	4,062	100.0%
		Takanawadai Building	2,810 million	2,738 million	1991	4,091	100.0%
		JTS Building	1,500 million	1,362 million	1991	3,383	100.0%
		Omori-Eki Higashiguchi Building	5,220 million	5,123 million	1989	7,708	98.6%
		Otsuka Higashi-Ikebukuro Building	3,530 million	3,541 million	1987	7,114	94.6%
		Ikebukuro 2-chome Building	1,520 million	1,728 million	1990	2,186	88.8%
		Shibuya Cross Tower	34,400 million	34,600 million	1976	28,547	100.0%
		MD Kanda Building	9,620 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	4,900 million	4,810 million	1993	3,687	100.0%
	Excluding 23 Wards	Saitama Urawa Building	2,570 million	2,574 million	1990	4,510	91.1%
		Kawasaki Isago Building	3,190 million	3,375 million	1990	6,831	100.0%
		Ericsson Shin-Yokohama Building	3,180 million	3,000 million	1992	6,964	100.0%
Other Major Cities		Sendai Honcho Honma Building	2,940 million	2,924 million	1991	5,829	100.0%
		Niigata Ishizuecho Nishi-Bandaibashi Building	854 million	1,010 million	1984	4,383	82.9%
		Kanazawa Minamicho Building	1,200 million	1,331 million	1987	3,773	88.4%
		Kanazawa Park Building (55.12762%)	3,202 million	2,880 million	1991	13,030	91.2%
		Nagoya Hirokoji Building	15,000 million	14,533 million	1987	21,590	93.1%
		Kyoto Shijo Kawaramachi Building	2,380 million	2,650 million	1982	6,800	72.6%
		Midosuji Daiwa Building	14,400 million	14,314 million	1991	20,449	91.4%
		Fukusuke Sakaisujihonmachi Building	2,300 million	2,264 million	1992	5,337	91.6%
		Kobe Itomachi Building	1,180 million	1,436 million	1989	3,478	85.1%
		Hinode Tenjin Building	3,750 million	3,657 million	1987	5,944	98.7%
		Tosei Tenjin Building	1,420 million	1,550 million	1992	4,080	76.7%
Properties Acquired in the 3rd Period		Genki Medical Plaza	5,450 million	5,000 million	1985	4,791	100.0%
		da Vinci Harajuku	4,960 million	4,885 million	1987	3,051	100.0%
		Aoyama Crystal Building	7,430 million	7,680 million	1982	4,916	100.0%
		Kanazawa Park Building (33.87238%)	1,968 million	1,700 million	1991	8,006	91.2%
Total			**184,704**	**183,542**		**236,693**	**94.4%**