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## Outlook On ORIX JREIT Revised To Stable From Positive

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-- Amid a difficult business environment, it may take some time for ORIX JREIT (OJR) to improve its financial profile to a level that would support an upgrade.

-- We are revising the outlook on our long-term issuer credit rating on OJR to stable from positive.

-- We are also affirming our long- and short-term issuer credit ratings on the company, based on our opinion that OJR will likely keep generating stable profits and maintain a relatively high asset quality.

TOKYO (Standard & Poor's) June 11, 2009--Standard & Poor's Ratings Services today revised its outlook on the long-term issuer credit rating on ORIX JREIT Inc. (OJR) to stable from positive. The outlook revision reflects Standard & Poor's view that it may take some time for the company to improve its financial profile to a level that would support an upgrade, following the company's announcement that it is forecasting weaker profit amid a difficult business environment, especially in financing. At the same time, Standard & Poor's affirmed its long- and short-term issuer credit ratings on the company at 'A-' and 'A-2', respectively. The outlook assesses the potential direction of a long-term rating over the medium term (typically six months to two years).

Standard & Poor's has been scrutinizing whether OJR could reinforce its financial profile, which is considered weak relative to its business profile, while it implements a clearer investment policy. OJR's financial policy is to maintain the company's debt-to-capital ratio between 40% and 50%. In the 13th and 14th fiscal terms (from March 1, 2008, through Feb. 28, 2009), OJR's debt-to-capital ratio (total debt/total debt+ net assets, according to Standard & Poor's definition) was approximately between 46% and 47%. Until equity markets recover, the ratio may hover at the higher end of the company's financial policy. In addition, there is a possibility that earnings may decline, as OJR announced, due to the weak outlook for the rental property market. An upgrade would require the company to clearly improve its financial profile. However, it may take some time for the company to improve its financial profile, such as interest coverage, capital structure, and profitability, amid the current difficult business environment.

OJR has established a property portfolio of about ¥277.6 billion (based on purchase price) as of May 31, 2009, and enjoys high recognition in the market as a diversified REIT, backed by the strong brand power of its sponsor, ORIX Corp. (A-/Negative/--). The average occupancy rate of the portfolio stood at about 97.4%, and the portfolio generates stable cash flow. As a result of the acquisition and sale of properties in the portfolio, the quality, property age, and diversity have all been improved. OJR has converted all of its debts into unsecured debts, which is helping to improve its financial flexibility.

The affirmation of the rating and outlook revision to stable is based on Standard & Poor's expectations that OJR will generate stable profits, while maintaining relatively high asset quality supported by its sponsor-related companies. An upgrade would require the company to implement a clearer investment policy while reinforcing its financial profile, which is considered weak relative to its business profile, as it maintains steady external growth. Given a rise in OJR's debt-to-capital ratio and potential downward pressure on its rental income amid a difficult business environment, Standard & Poor's will scrutinize any improvements in OJR's financial profile.

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