

Rating Assigned To ORIX JREIT Series 1 Unsecured Bond

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TOKYO (Standard & Poor's) Feb. 18, 2010--Standard & Poor's Ratings Services today assigned its 'A-' rating to ORIX JREIT Inc.'s (OJR; A-/Stable/A-2) proposed ¥12 billion Series 1 unsecured bonds, due Feb. 25, 2013. The rating reflects OJR's relatively strong business position and moderately conservative financial profile.

OJR ranks highly among the listed Japanese real estate investment trusts (J-REITs) in terms of asset size and it is a diversified REIT. The company's portfolio features five types of property assets: office buildings, distribution facilities, hotels, retail properties, and residential properties. As such, it commands high market recognition, backed by the strong brand recognition of its sponsor, ORIX Corp. (A-/Negative/--).

As of Aug. 31, 2009 (end of the 15th fiscal term), OJR owned 49 properties, most of which are located in metropolitan areas (Tokyo, Kanagawa, Saitama, and Chiba) and the rest in other areas of Japan. OJR's relatively high-quality portfolio, with a total portfolio purchase price of about ¥277.6 billion, consists of well-maintained and well-managed properties with high occupancy rates, and generates stable cash flow.

OJR's current strategy is to ensure that 80% or more of its portfolio investment is allocated to office buildings, with the remainder mainly allocated to highly versatile distribution facilities leased under medium- or long-term contracts designed to secure stable cash flow. OJR was partially constrained by concerns over its hotel investments and its relatively aggressive investment strategy in relation to the acquisition of new asset types. However, such concerns were mitigated somewhat by the clarification of

the company's investment policy. Nevertheless, we see some risk factors. In particular, rental revenues have declined amid severe real estate market conditions, mirroring a decrease in rent levels, and the unrealized profit on the company's portfolio (the difference between the portfolio's appraisal value and book value) has also declined, although it stood at about 1.7% (versus portfolio book value) as of the end of the 15th fiscal term.

OJR has a relatively conservative financial profile, and maintains strong liquidity at hand and relatively high financial flexibility. OJR's financial policy is to maintain its debt-to-capital ratio within a range of 40% to 50% (OJR's definition). As of Aug. 31, 2009, the company's debt-to-capital ratio (interest-bearing debt/(interest-bearing debt + total net assets) according to Standard & Poor's definition) stood at about 47%. Although debt-to-capital ratio will increase due to the issuance of this J-REIT bond, OJR intends to maintain appropriate leverage control. We intend to focus on the usage of the funds from J-REIT bond issuance, and how the company maintains its current cash flow protection, as well as its profitability-related indicators amid difficult business conditions, since OJR's financial profile is considered somewhat weak relative to its business profile.

RELATED RESEARCH

"Rating Policy for Japanese Real Estate Investment Trusts", published May 9, 2001

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