

ORIX JREIT Inc.'s ¥5 Billion Unsecured Bonds Rated 'A-'

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TOKYO (Standard & Poor's) Aug. 6, 2010--Standard & Poor's Ratings Services today assigned its 'A-' rating to ORIX JREIT Inc.'s (OJR; A-/Stable/A-2) proposed ¥5 billion series 2 unsecured bonds, due August 2014. The rating reflects OJR's relatively strong business position and moderately conservative financial profile.

OJR is highly recognized in the J-REIT market for its diverse asset portfolio, backed by the strong brand recognition of its sponsor, ORIX Corp. (A-/Negative/--). OJR's portfolio consists mostly of office buildings and distribution facilities, as well as hotel, retail properties, and residential properties. As of July 31, 2010, the company owned 52 properties with a total purchase price of about ¥300.9 billion.

With the office leasing market remaining tough, OJR aims to maintain cash flow stability and profitability by leveraging its strengths as a diversified J-REIT. To this end, the company invests in retail and distribution facilities that would likely fetch a reasonable return on investment and are leased under medium- to long-term contracts with fixed rents. OJR's relatively high-quality portfolio, which consists of well-maintained and well-managed properties with high occupancy rates, mostly generates stable cash flow.

OJR has a moderately conservative financial profile and maintains relatively high financial flexibility, given that all its interest-bearing debt is unsecured. As of the end of July 2010, OJR's debt-to-capital ratio (according to OJR's definition) stood at about 51%, which is at the high end of the range set under the company's financial policy, and we regard this as a potential risk factor. Yet, we believe that this risk is mitigated to a certain degree by the company's track record in leverage control.

OJR has been hit by tough market conditions. In particular, its rental revenues have fallen, its profitability-related indicators and financial measures, which include interest coverage-related indicators, have weakened, and its liquidity has declined because it has used some of its own funds to finance its acquisitions. We therefore intend to focus on the extent to which the company is able to improve its financial profile.

RELATED CRITERIA AND RESEARCH

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

RATING ASSIGNED

ORIX JREIT Inc.	Rating
Unsecured J-REIT bonds (Series 2)	A-

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