



NEWS RELEASE

Jan 28, 2011

R&I Affirms AA, Stable: Japan Real Estate Investment Corp.

Rating and Investment Information, Inc. (R&I) has announced the following.

ISSUER: Japan Real Estate Investment Corp. (Sec. Code: 8952)
Issuer Rating

R&I RATING: AA (Affirmed)
RATING OUTLOOK: Stable

RATIONALE:

Japan Real Estate Investment Corp. (JRE) is a real estate investment trust (J-REIT) that was listed in September 2001, specializing in investments in office buildings. Its sponsors are Mitsubishi Estate Co., Ltd., The Dai-ichi Life Insurance Co., Ltd. and Mitsui & Co., Ltd. Mitsubishi Estate is the largest sponsor among them.

JRE has created a quality portfolio through investments in competitive large office buildings mainly located in central Tokyo. The ratio of properties located in central three wards of Tokyo is as high as 53.8% of the total on an acquisition value basis. Capitalizing on strong ties with sponsors and its own network established through the past transactions, the REIT is steadily moving ahead with property acquisition. With its asset size amounting to more than 640 billion yen as of end-January 2011, JRE maintains one of the strongest business bases in the industry. In March 2010, JRE acquired a 23% share of co-ownership of Tokyo Opera City Building for 22.4 billion yen, in addition to the acquisition in September 2005, raising its ownership percentage of the building to 31%. In February 2011, it plans to acquire Osaki Front Tower for 12.3 billion yen.

The occupancy rate of its property portfolio was 92% at end-November 2010. Although the rate is stagnating at low levels compared to the past due to a slump in the office building leasing market, the declining trend is nearing an end. Meanwhile, since the rents for its properties are still somewhat higher than the market average, falls in unit rent prices at a time of rent revision or tenant's move-in and move-out will likely continue. While its cash flow level is expected to remain solid backed by the strong competitiveness of its properties, well-diversified portfolio, and its asset manager and sponsors with high investment capability, R&I will keep close eyes on earnings recovery, as the considerable number of new office buildings will be supplied in the future in Tokyo's 23 wards.

The debt to total assets ratio was 41.3% at end-September 2010, but its leverage management policy with the target set at the 30% range remains unchanged. JRE has raised capital through public offerings six times in the past, with an investment unit price comfortably exceeding net asset per unit. While the term-end appraisal value is falling, the pace of decline is slowing. It still exceeds the book value by 2.9% as of end-September 2010.

JRE's loans are mostly long-term fixed-rate loans, all of which are extended by 20 domestic financial institutions, mainly mega banks and trust banks, without security or guarantee. With sound relationships with its creditor banks, JRE can borrow on relatively favorable terms. The REIT also ensures sufficient liquidity with a committed line of credit of 25 billion yen (all unused as of January 2011) with 4 major banks. In addition, it has worked to lengthen the maturity profile and diversify means of financing by issuing 5-year corporate bonds worth 10 billion yen in April and July 2010, respectively.

The Rating Outlook is Stable. Despite the sluggish office building leasing market, R&I expects the cash flow level of JRE's portfolio to remain firm. Moreover, its conservative leverage management policy and strong financing ability will likely underpin the current high rating.

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The primary rating methodologies applied to this rating are provided at "R&I J-REIT Rating Methodology" and "Basic Methodologies for R&I's Credit Rating". The methodologies are available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

<http://www.r-i.co.jp/eng/sf/about/methodology/index.html>

<http://www.r-i.co.jp/eng/cfp/about/methodology/index.html>

R&I RATINGS:

ISSUER:

Japan Real Estate Investment Corp. (Sec. Code: 8952)

ISSUER RATING:

AA (Affirmed)

RATING OUTLOOK:

Stable

ISSUE:

Preliminary Rating for the Shelf Registration (Bonds)

Issue Amount: Yen 100,000 million (Shelf Amount)

Issue Period: Two years from Aug 16, 2009

R&I RATING:

AA (Affirmed)

LONG-TERM ISSUE RATING:

Unsec. Str. Bonds No.4

Issue Date

Sep 29, 2005

Redemption

Sep 29, 2025

Issue Amount (mn)

Yen 10,000

Unsec. Str. Bonds No.5

Jun 18, 2007

Jun 18, 2012

Yen 10,000

Unsec. Str. Bonds No.6

Jun 18, 2007

Jun 18, 2014

Yen 15,000

Unsec. Str. Bonds No.7

Apr 23, 2010

Apr 23, 2015

Yen 10,000

Unsec. Str. Bonds No.8

Jul 23, 2010

Jul 23, 2015

Yen 10,000

R&I RATING:

AA (Affirmed)

A preliminary rating is assigned when a provisional credit rating is needed for an individual obligation on which final terms have not been determined. A credit rating finally assigned may differ from the preliminary rating depending on, among others, the details of the actual contract of the individual obligation.

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