



Moody's changes to positive Japan Real Estate Investment Corporation's A1 rating outlook

Tokyo, May 16, 2007 -- Moody's Investors Service has changed its outlook on the A1 issuer rating and senior unsecured long-term debt rating of Japan Real Estate Investment Corporation (JRE) to positive from stable.

The rating action reflects Moody's view that: [1] progress has been made on JRE's portfolio quality; [2] the company's financial risk has become more predictable due to its expansion of asset size and accumulation of leverage management experience; [3] JRE's asset management company, Japan Real Estate Asset Management Co., Ltd., has demonstrated a good ability to acquire and manage high-quality real estate properties in cooperation with its sponsor companies, including Mitsubishi Estate Co., Ltd. (Mitsubishi Estate); and [4] JRE is likely to keep a leading position in the Japanese real estate investment trust (J-REIT) market.

JRE's assets have grown to about JPY 440 billion on an acquisition price basis, and the company has raised the priority of internal growth over external growth after having achieved its asset size goal of JPY 300 billion, in line with its growth policy. Moody's notes that JRE also has a policy to be strictly selective in investment for external growth so that it invests in high-quality and competitive properties.

JRE has steadily realized stable portfolio cash flow through enhancing portfolio quality, by maintaining high occupancy rates at existing properties and acquiring competitive properties such as Kitanomaru Square in February 2006, as well as the head office of Mitsubishi UFJ Trust & Banking, through asset exchange with Mitsubishi Estate, in March 2007.

As per its financial strategy, JRE has conservatively controlled its leverage, basically in the 30-40% range, through several public offerings. As its LTV swings are becoming more stable accordingly with the portfolio expansion, the predictability of its financial risk has been improving.

Moody's expects that JRE will continue to implement a stable portfolio strategy, using its system of cooperation with its sponsor companies, including Mitsubishi Estate. Moody's also views that the company will maintain its conservative financial strategy, as well as its leverage level basically in the 30-40% range. Moody's will continue to observe JRE's portfolio and financial strategies.

Japan Real Estate Investment Corporation is a listed J-REIT, focused on investment in and management of high-quality office buildings. Its revenues totaled about JPY 15.6 billion in the fiscal half-year ended September 2006.

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