

Rating Action: Office Building Fund of Japan, Inc.

MOODY'S ASSIGNS A3 ISSUER RATING TO OFFICE BUILDING FUND OF JAPAN INVESTMENT CORPORATION

Tokyo, May 30, 2002 -- Moody's Investors Service has today assigned its A3 issuer rating to Office Building Fund of Japan Investment Corporation (NBF). The rating outlook is stable.

The A3 rating reflects NBF's structural characteristics as a J-REIT, such as limited business scope, leadership position, expected sourcing and managing ability, and high Debt Service Coverage Ratio (DSCR) based on stabilized cash flow. Moody's took a hybrid approach between structured and fundamental for the rating. The rating agency did static analysis of the portfolio and its capital structure, as well as qualitative analysis such as potential movement (positive or negative) in its portfolio and capital structure, cash flow stability and management skills.

Moody's says that these positive factors are partially offset by concentration in top two properties, uncertainty about the de-levering strategy in the growth phase of the fund, and limited management track record at Office Building Fund Management Japan, Ltd. (NBFM). However, those concerns are mitigated by more diversity through expected acquisitions in the near future (mid term target: 300bil yen by 2003, 500bil yen by 2005), NBFM's discipline for investment eligibility, integrated asset management policy & procedures, and expertise from sponsors.

In the current portfolio overview, NBF owns 26 properties and Moody's evaluated the portfolio at 227 billion yen, and noted that NBF holds the largest assets among listed J-REITs. High quality buildings in Tokyo, which are the core of the portfolio, represent one characteristic of the portfolio and the portfolio now maintains a high occupancy ratio. With regard to diversification, the top two properties cover 40% of the portfolio value and roughly 75% value is located in Tokyo. The portfolio also contains many buildings that are leased to a large company as its headquarters, and the top three tenants cover roughly 26% of the leased area in the portfolio. Should these large tenants move, it would affect future occupancy volatility. However Moody's considers that the Tokyo market is most liquid and stable and that such concentration could be mitigated by its expansion plan, which Moody's believes is achievable because of sponsors' sourcing ability, and by owner friendly long term leasing to credit tenants (NKK Corporation (Baa3) and GlaxoSmithKline (Aa2)). It is expected that the capex of the average young age portfolio would be covered by depreciation over the next 10 years. NBF's growth strategy is supported by a sophisticated property management style and by strong sourcing ability - as demonstrated by the fact that more than 70% of the properties have been purchased not from sponsors, but from the market. NBF announced that it would invest in under-construction projects up to 10% of the portfolio when portfolio exceed 300bil yen, but detail investment guidelines have not yet been revealed. Moody's will carefully monitor the investment strategy, the risk/return profile and its portfolio diversity.

As for financials, strong DSCR was roughly 13 times in the first fiscal year (December 2001) due to a low funding cost of about 1% on average in the first half. Almost all their current debt is long term loans by financial institutions, but lender and maturity ladder are well diversified. NBF declared average leverage would be between 40-50%, which makes DSCR strong even taking into account the risk of interest rate spiking. The de-levering after acquisitions will be mainly accomplished through Public Offering, but availability has not yet been confirmed and the de-levering frequency would be highly affected by the actual speed of portfolio growth. Moody's employed its scenario analysis and assumed the expected return from the portfolio, based on NBF's investment strategy and financials that are the function of leverage and interest rate. In the base case (40-50 Loan to Moody's Value (LTV) at debt cost of less than 3%) where the de-levering operation at growth phase will be successfully managed, DSCR will be 4.4 or higher. Even in a stress case (60 LTV and debt cost of 6%) where the de-levering operation will not work and high leverage will be locked, DSCR will be at least roughly 1.8. Moody's expects that NBF will maintain reasonable financial flexibility in secured and unsecured funding for refinancing.

NBF is a listed Japanese Real Estate Investment Trust (September 2001) which focuses on investing and managing office buildings. NBFM is the asset management company specially established for NBF, and

sponsored by Mitsui Fudosan Co., Ltd. (Baa3), Sumitomo Life Insurance Company (Ba1) and 6 other sponsors. Mitsui Fudosan Co., Ltd. and Sumitomo Life Insurance Company hold 43% and 35% of share of NBFM respectively. The eight sponsors hold a total of 14.8% in NBF.

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