



# NEWS RELEASE

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## R&I Upgrades to AA-, Stable: Tokyu REIT Inc.

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

**ISSUER:** Tokyu REIT Inc. (Sec. Code: 8957)  
Issuer Rating

**R&I RATING: AA- (Upgraded from A+)**  
RATING OUTLOOK: Stable

### **RATIONALE:**

Tokyu REIT Inc. (TRE) is a real estate investment trust (REIT) listed on the Tokyo Stock Exchange since September 2003. Its assets consist of 19 properties valued at 171.7 billion yen (based on acquisition value). TRE is a general trust fund consisting of office buildings and commercial facilities in five of metropolitan Tokyo's central wards and areas along the Tokyu railway lines. Its sponsors are Tokyu Corp. and Tokyu Land Corp.

In recognition of TRE's high-quality portfolio consisting of outstanding properties in central Tokyo areas, the investment management expertise of its major sponsors, and conservative financial policy, R&I had been placing TRE's Rating Outlook as Positive. R&I since then has confirmed that the trust has further enhanced its competitive edge in the expanding J-REIT market through recent steady external growth and a growing track record of over three years, and has accordingly upgraded its rating to AA-.

Since R&I assigned a rating to the J-REIT, the pace of investment has slowed due to the severe environment for property acquisition and TRE's strict investment standards. Despite this environment, however, TRE has managed to expand its portfolio with the acquisition of three properties at a total of 18.9 billion yen: Shonan Mall FILL (limited proprietary land rights), CONZE Ebisu, and Tokyu REIT Hatchobori Building.

Thanks to its steady external growth and growing track record, the trust is boosting its competitiveness particularly in funding areas in the J-REIT industry, which has expanded to 41 trust funds, and is establishing a prominent position for itself in the investment unit market with an aggregate market value of over 200 billion yen.

Debt to total assets at the end of January 2007 was extremely low at 35%. In terms of the composition of its liabilities, TRE is making efforts to lengthen the duration of loans, diversify lenders, and spread repayment dates by introducing long-term funds from insurers, government institutions, and affiliated financial institutions. TRE also plans to continue to maintain conservative management of the fund in this way in the future as a deterrent to interest rate risk and refinance risk.

The Rating Outlook is Stable. TRE is aiming for asset scale of 300 billion yen but does not plan to overextend itself simply to expand asset scale and has no intentions to change its strict investment standards. Taking advantage of its strong relationship with its sponsors, it plans to aim for stable growth.

**Rating and Investment Information, Inc.** Nihonbashi 1-chome Bldg., 1-4-1, Nihonbashi, Chuo-ku, Tokyo 103-0027, Japan  
Structured Finance Rating Division TEL. 03-3276-3406-3428 FAX. 03-3276-3429 EMAIL sfdept@r-i.co.jp Homepage <http://www.r-i.co.jp>

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**R&I RATINGS:**

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RATING OUTLOOK: Stable

Issuer Rating is an R&I's opinion regarding an issuer's overall capacity to repay its entire financial obligation, and it will be assigned to all issuers. The rating of individual obligations (i.e. bonds and loans etc.) includes the prospect of recovery and reflects the terms and conditions of the agreement and it may be lower or higher than Issuer Rating.