

JCR Affirmed A-/Stable and J-1 Rating on Mori Building

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

Rationale

- (1) Mori Building Co., Ltd. is a major real estate developer established in 1959. Its properties locate mainly in Minato Ward, Tokyo, including key projects of "ARK Hills" and "Roppongi Hills." It also engages in projects in China, where it developed the superhigh-rise "Shanghai World Financial Center." It is now developing "Toranomon-Roppongi Area Project" (to be completed in 2012) and also takes part in "Loop Road (Kanjo) No.2 Project" (to be completed in 2014) as a partner of the Tokyo Metropolitan Government in a joint public-private sector.
- (2) Its earnings are on a recovery path and a certain level of earnings will be maintained. That said, earnings of its mainstay leasing business are not recovering as fast as projected, which is an issue of concern. While the occupancy rate has bottomed out, downward pressure for rent remains strong, indicating it will take some time for the earnings to fully recover. JCR will keep an eye on occupancy rates and rent levels of existing properties as well as contribution to earnings by new properties.
- (3) Stagnant earnings of the leasing business are made up by the property sales business. In the current fiscal year ending in March, earnings will be supported by domestic property sale and also by sale of part of floors in Shanghai World Financial Center. The Company sells self-developed properties which bear unrealized gains, realizing smaller earnings fluctuation risks compared to general turnover-type property sales business with rotating purchase and sale. It also brings benefits of reducing financial burdens by promoting fund recovery. On the other hand, it is also true that property sale will result in lower unrealized gains and future leasing earnings, and the earnings are less stable compared to those of the leasing business. The Company's task for earnings is to establish more stable earnings structure by enhancing the leasing business over the medium term, and that is an important point for future ratings.
- (4) The Company's financial structure is stable as unrealized gains on its properties act as financial buffer, and that supports evaluation of the Company's financial base. That said, there are concerns that leasing market stagnates and unrealized gains have been decreasing due to property sale, and JCR will keep monitoring these trends. The Company's task for the financial aspect is to reduce interest-bearing debts. With urban redevelopment as its core business, the Company develops many long-term projects by itself or through SPCs. Given its burden for funding these new projects, the Company needs to keep a balance between fund recovery through property sale and investments. The Company has sold part of floors in Shanghai World Financial Center to use the proceeds to repay project loans, indicating its strong recognition of financial soundness. JCR considers the Company's financial structure will not likely deteriorate at this moment.

Rating

Issuer: Mori Building Co., Ltd.

<Affirmation>

Senior debts: A- Outlook: Stable

Issues	Amount (bn)	Issue Date	Due Date	Coupon	Rating
bonds no.1	Y13	Feb. 26, 2010	Feb. 26, 2013	1.62%	A-
bonds no.2	Y20	Apr. 28, 2010	Apr. 26, 2013	1.39%	A-
bonds no.3	Y10	Oct. 27, 2010	Oct. 25, 2013	1.04%	A-
bonds no.4	Y10	Oct. 27, 2010	Oct. 27, 2015	1.44%	A-
bonds no.5	Y15	Aug. 2, 2011	Aug. 2, 2016	1.23%	A-
bonds no.6	Y16	Nov. 9, 2011	Nov. 7, 2014	0.92%	A-
bonds no.7	Y4	Nov. 9, 2011	Nov. 9, 2018	1.66%	A-

Shelf Registration: preliminary A-

Maximum: Y100 bn

Valid: two years effective from February 8, 2011

Issues	Amount (bn)	Issue Date	Due Date	Dividend Payment Rate	Rating
Class I Preferred Stock	Y102.5	Mar. 19, 2008	No maturity	(Note 1)	BBB
Class II Preferred Stock	Y7.5	Mar. 19, 2008	No maturity	(Note 2)	BBB

(Note 1) 1-month Euroyen LIBOR + 3.0% till fiscal year through March 31, 2008, 12-month Euroyen LIBOR + 3.0% till fiscal year through March 31, 2013, 4-month Euroyen LIBOR + 3.0% for period from April 1, 2013 to July 31, 2013, 8-month Euroyen LIBOR + 4.2% for period from August 1, 2013 to March 31, 2014, and 12-month Euroyen LIBOR + 4.2% for fiscal years in and beyond fiscal year through March 31, 2015.

(Note 2) 4.272% till fiscal year through March 31, 2013, 4.272% for period from April 1, 2013 to July 31, 2013, 8-month Euroyen LIBOR + 4.2% for period from August 1, 2013 to March 31, 2014, 12-month Euroyen LIBOR + 4.2% for fiscal years in and beyond fiscal year through March 31, 2015

CP: J-1

Maximum: Y10 billion

Outline of the method for the determination of the credit rating is posted as "Rating Methodology (Corporate)" on JCR's home page (<http://www.jcr.co.jp>). The rating methodology is subject to additions and changes. In such cases, however, these additions and changes are shown in chronological order. Please check the release date of this press release against that of the rating methodology (i.e., the date when such methodology became effective) and then refer to the rating methodology above.

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