

J-REIT Rating Report

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Japan Prime Realty Investment Corp.

New Rating
Corporate Credit Rating
A-/Stable/A-2

Rationale

On Oct. 29, 2003, Standard & Poor's assigned its 'A-' long-term and 'A-2' short-term corporate credit ratings to Japan Prime Realty Investment Corp. (JPR). The outlook on the long-term rating is stable.

Major Rating Factors

Strengths

- ❖ The highly conservative structure of Japanese real estate investment trusts (J-REIT);
- ❖ JPR's relatively strong business position and conservative financial profile;
- ❖ The high quality of its real estate portfolio, which generates a stable income stream; and
- ❖ The expertise of the asset management firm, Tokyo Realty Investment Management Inc. (TRIM).

Concerns

- ❖ JPR's moderately aggressive growth strategy;
- ❖ The sizable portion of retail properties in its portfolio;
- ❖ Single tenant concentration risk in its portfolio; and
- ❖ The relatively weak credit profiles of some of JPR's sponsor institutions.

A corporate credit rating (or issuer credit rating) represents a current opinion of an obligor's credit-worthiness, in other words, its overall ability to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, and it is not a recommendation to buy or sell any securities or stocks issued by JPR.

This rating report is based on information as of Oct. 29, 2003.

Rating Analysis

Rating approach for J-REITs.

Standard & Poor's published its rating approach for J-REITs in May 2001, in an article entitled "Rating Policy for Japanese Real Estate Investment Trusts." The above rating has been assigned in accordance with the approach outlined in this article.

Credit characteristics of a J-REIT corporation.

J-REIT corporations are governed by various sets of legal requirements under the Investment Trust Law, which was revised in November 2000. The business purpose of J-REIT corporations is limited to the acquisition, holding, and selling of cash-flow generating properties. The entities are prohibited from engaging in other business and are subject to strict disclosure requirements. J-REIT corporations are required to outsource all aspects of their real estate investment and asset management functions to an external asset management company. They are also prohibited from having their own office or hiring employees. As a result, although they carry a corporation name, in essence they are more like Special Purpose Companies (SPC), similar to those used in securitization transactions. Hence, the operations of J-REIT corporations are likely to be more predictable than those of public corporations. Under the current interpretation of the Investment Trust Law, J-REITs may be precluded from engaging in development projects, which sets them apart from REITs in other countries, such as U.S. REITs or Australian Property Trusts. In general, development projects give REITs the opportunity for future income and growth, but at the same time expose them to construction risk and completion risk.

Corporate credit ratings.

Standard & Poor's rating analysis of J-REIT corporations takes into account two major aspects of a given company: its business profile and its financial profile.

In assessing a J-REIT corporation's business profile, Standard & Poor's evaluates its operating strategy and management policies by considering its market position, asset quality, diversification of assets in its portfolio, stability of cash flow, and investment strategy.

In assessing a J-REIT corporation's financial profile, Standard & Poor's evaluates its financial health by considering its financial strategy, profitability, capital structure, cash flow protection, and financial flexibility.

Business Profile

Business foundation and Market position.

Established in September 2001 and listed on the Tokyo stock exchange in June 2002, JPR currently ranks as the third-largest J-REIT corporation in terms of asset volume and market capitalization. The company's sponsors are Tokyo Tatemono Co. Ltd. (not rated), Yasuda Mutual Life Insurance Co. (BBB+/Negative/A-2), Yasuda Real Estate Co. Ltd (not rated), Taisei Corp. (B+/Stable/—), and Sompo Japan Insurance Inc. (AA-/Negative/—).^{*} Between them, these companies own a combined 19.5% of JPR, as well as 100% of Tokyo Realty Investment Management Inc., the asset manager of JPR.

^{*}Ratings are as of Oct. 29, 2003.

Table 1

Sponsorship breakdown of JPR and TRIM

		Tokyo Tatemono	Yasuda Life	Yasuda Estate	Taisei	Sompo Japan	Others	Total
Ownership of JPR	# units	39,300	38,000	5,000	1,500	0	346,200	430,000
	% shares	9.1	8.8	1.2	0.3	0	80.5	100
Ownership of TRIM	% shares	26	24	20	20	10	0	100

While these sponsors do not have a direct relationship with JPR's management, their credit standing plays an important role in determining JPR's credit quality, as they are closely involved in the business operations of JPR through the provision of human resources, real estate expertise, and funding support. Standard & Poor's conducted a comprehensive analysis of various aspects of the sponsors, including their real estate management capabilities, credit profiles, and commitment to JPR, which are reflected in the ratings on JPR. While concerns exist over the relatively low credit profiles of some of the sponsors, Standard & Poor's believes that risks are mitigated by the fact that the sponsors generally have high capabilities in real estate management, and some of them have strong credit profiles.

Asset Quality

JPR owns a portfolio of 32 properties, of which 28 are office buildings and four are retail properties. The aggregate acquisition value is about ¥139.6 billion, and the total appraisal value is ¥138.7 billion. The aggregate net rentable area is 66,153 tsubo, and there are 344 tenants, which shows good diversification. Office buildings in the portfolio generally benefit from attractive locations, sound building structures, and facilities with strong resistance to earthquakes in their respective sub markets. The credit profiles of tenants are also generally sound. All four retail properties are well located and generate high sales volumes. JPR's assets are relatively new, with an average age of 12 years, and are well maintained. Standard & Poor's believes that the good condition of JPR's assets reflects the high property management capabilities of TRIM.

Property Legal Ownership

JPR owns 17 assets in the portfolio under a fee simple ownership structure. The remaining 15 properties are held under other contract types, including condominium ownership and co-ownership. Partly owned assets are generally less liquid than properties held under a fee simple structure. While these assets comprise a relatively high proportion of JPR's portfolio, they are still within an acceptable range. In addition, JPR plans to increase its stakes in these properties, which is also regarded as a positive factor. For example JPR increased its condominium ownership stake in Shin-Koujimachi Building (Chiyoda-ku, Tokyo) from 49% at the time of acquisition to 70% about a year later. In addition, the company took full ownership of Kuraray Nissei Building (Kita-ku, Osaka) two months after purchasing a 65.8% co-ownership stake in the land and 55.3% in the building.

Age of Buildings and Maintenance

Most of JPR's assets were built after 1981, when a new construction code with more stringent anti-earthquake standards was introduced. The exceptions are Yasuda Life Ikebukuro Building (built in 1980), Tokyo Tatemono Honmachi Building (built in 1970), and Asahi Life Takamatsu Second Building (built in 1981). However, all three of

these buildings have been through seismic reinforcements, and structural appraisal reports verify that their level of earthquake resistance is as good as for properties built under the new standard. In addition to seismic reinforcements, the entrance and common space of the Yasuda Life Ikebukuro Building have recently been refurbished and individual air conditioning systems introduced. In general, all the properties are well maintained through appropriate capital expenditure. Some properties are equipped with office automation (OA) floors and individual air conditioning units. Some of the properties in regional areas do not have OA floors, but the management company is willing to supply these facilities if demand arises.

Occupancy Rate / Rent Level

Most of the assets in the portfolio have above-average occupancy rates for their respective markets, with current average occupancy at approximately 92%. It is important to note that this level of occupancy has been achieved with rental rates that are in line with market rent levels. Standard & Poor's examined the actual rent paid to JPR by the respective tenants by examining the rent roll for each property, and determined that the rent levels were consistent with sub-market rents.

In Japan, it is still common practice for lease agreements to expire in two years, with tenants allowed to vacate the premises by giving six months notice to the landlord/owner. Therefore, property owners in Japan are exposed to higher rent reduction risk caused by the economic environment, compared to owners in western countries, where long-term fixed rent lease agreements are common. However, Standard & Poor's believes that JPR has limited exposure to such risk, as its properties have above-average occupancy rates, with rents consistent with sub-market levels. This good performance is attributable primarily to the high quality of the portfolio assets and JPR's high leasing capability.

Diversification and Stability

JPR's portfolio has generated high and stable cash flow. While the portfolio is well diversified by property price range, tenant concentration risk is a slight concern.

Property type/geographical diversification.

The portfolio consists of 28 office buildings, accounting for about 73% of the portfolio on an acquisition value basis, and four retail properties, accounting for 27%. These buildings are spread nationwide. One of the main characteristics of JPR's portfolio is the division of the company's investment strategy between office and retail investments. Generally, retail properties have higher operational risks compared to office properties. Despite the diversification benefits, managing a portfolio that consists of both property types tends to be more complicated than managing one containing only office buildings.

The geographical location of the properties is appropriately weighted to the Kanto region, especially to Tokyo. The geographical breakdown in terms of acquisition value is as follows:

Kanto region: about 60.0% (of which Tokyo central area represents 40%)

Others: 40% of which

Osaka; 18%

Fukuoka: 6.0%

Nagoya: 3%

JPR's geographic concentration in Tokyo is mitigated by the stability of the Tokyo office market. Tokyo is one of the major markets in the international financial community. It has exhibited high tenant demand for office space, and continues to do so, partly because of the centralization of both economic and political functions in the city. Therefore, Standard & Poor's does not regard asset concentration in Tokyo as an immediate negative factor.

Property value diversification.

The top four properties in the portfolio represent about 38% of the total acquisition value. Kanematsu Building (Chuo-ku Tokyo) currently comprises 11.7% of the asset value, followed by Kuraray Nissei Building (Kita-ku Osaka, 9.3%), Jinnan 1-chome Building (Shibuya-ku Tokyo, 8.6%), and MS Shibaura Building (Minato-ku Tokyo, 8.0%). Other assets comprise between 0.6% to 7.3 % of the total acquisition value.

There is no concentration risk in the portfolio in terms of value, with the largest property accounting only for 11.7%.

The portfolio has 344 tenants in total. Tenant concentration risk is a factor as Seiyu Ltd. (B+/Negative/—), a general retailer and a major tenant in two retail properties in the portfolio, represents about 20% of the total NRA. This risk is mitigated to some extent as these two well-located retail properties rank highly in terms of sales among all of Seiyu's Japan-based stores. In addition, tenant concentration is expected to decline to a modest degree as the company acquires more properties.

Standard & Poor's Underwriting Value

Standard & Poor's underwrote the individual cash flows and property values for all the properties after conducting onsite inspections of the top 22 buildings in JPR's asset portfolio of 32 properties. Based on its results, Standard & Poor's assessed the total portfolio value as being about ¥131.7 billion. The purpose of Standard & Poor's underwriting was to confirm that JPR had acquired these assets at the appropriate prices. Standard & Poor's underwriting value was 94.3% of JPR's acquisition cost, and about 94.9% of its portfolio appraisal value. As the discrepancies between Standard & Poor's and JPR were within 5%-6%, Standard & Poor's concluded that JPR's purchase cost was at an appropriate level.

Standard & Poor's used a direct capitalization method (DCM) to underwrite JPR's portfolio, as it does for CMBS securitization deals. Individual property values using DCMs are obtained by dividing stabilized net cash flow (NCF) over the next few years by a cap rate. The cap rate is defined as the investor's required rate of return on a particular asset. The rate is derived by adding a risk premium specific to each property—such as location, property age, building structure, legal ownership status, or marketability—and a risk premium specific to Japan's real estate market to the risk free rate. Standard & Poor's applied cap rates ranging from 5.25%-8.0% (5.25% for the Kanematsu Building) upon underwriting JPR's portfolio value (see individual collateral descriptions below for more details).

Operating Strategy / Management

Investment strategy

JPR's investment strategy is to invest in high-quality office and retail properties throughout Japan.

Asset type: JPR divides its investments between office (80%) and retail (20%) properties. The company has no plans to invest in other types of properties.

Geographical diversification: JPR will invest 60% of its portfolio in assets in the Kanto region, including Tokyo, and 40% in other regions.

Investment style:

JPR mainly invests in a “buy and hold” style, under which it holds assets over the long term. However, the company sometimes invests in “value up” properties, subject to certain conditions. A value up property has an occupancy ratio of less than 80% when it is acquired and comes with the potential for improved profitability and asset value if additional capital injections are made, the ability to attract tenants is enhanced, and increased efficiency in property management is achieved. Selling value up properties is one way in which to realize the appreciation in value.

The conditions for investing in value-up properties are:

- ❖ The targeted property meets the investment criteria set by JPR.
- ❖ The aggregate amount of value up properties in the portfolio does not exceed 15% of the total value.
- ❖ The average occupancy rate of the portfolio as a whole after the addition of a value up property does not fall below 90%.

Development projects.

JPR has no intention to invest in development projects that carry construction and completion risks.

Property age:

JPR will invest in buildings constructed after 1981 under the new construction code. Otherwise, it will acquire properties with similar seismic resistance and structural characteristics to those constructed under the new code.

Target yield:

JPR will invest in office buildings with an NOI yield of between 4.5% and 7%.

Property size:

JPR will invest in properties with a total building area of more than 3,300 square meters (equivalent to about 1,000 tsubo) and an NRA of more than 330 square meters (equivalent to about 100 tsubo) for each standard floor. For retail properties, JPR will make decisions for each individual property according to the standard size for the relevant business type, in addition to regional characteristics and market area.

Internal growth strategy

JPR's main goals are to maximize cash flow by enhancing profitability and cutting costs. In order to increase profitability, JPR is trying to improve occupancy ratios of existing properties as well as to pursue a ‘value up’ property strategy. In terms of cost reductions, the company is making such efforts in the areas of outsourcing, property management, capital expenditure, and water and energy bills. JPR reviewed its outsourcing terms and successfully reduced relevant costs by about 4.7% in the latter half of 2002. As of June 2003, the company had already achieved its general target of cutting costs by 3% for the whole of 2003. JPR has also introduced a group management system, whereby each property manager manages all the properties in each designated sub market. The company has successfully cut costs by 22.8% on a contract basis by appointing Tokyo Tatemono to manage Fukuoka Third and Fourth Buildings, Takamatsu Second Building, and SK Hiroshima Building. With regard to capital expenditure, JPR is

trying to increase the efficiency of its renovation process to reduce costs. In terms of water and energy bills, the company has successfully cut costs by replacing an electricity supplier at the Tanashi Asta building. Standard & Poor's regards the company's aggressive approach to achieving internal growth as a positive factor.

External growth strategy

JPR aims to increase the size of its portfolio by 2.27 times from the current ¥131.7 billion (Standard & Poor's underwriting value) to ¥300 billion by the end of 2006. This external growth strategy is considered moderately aggressive, as JPR will have to acquire new properties worth ¥56.1 billion each year to achieve its goal. This would translate into a growth rate of 30% on an annual basis. JPR aims to preserve the current structure of the portfolio by property type (80% office and 20% retail), as well as by geographic diversification (60% in the Kanto area and 40% in other areas). JPR is pursuing a strategy of generating more cash flow from its portfolio by adding large, high-quality properties located in the Tokyo metropolitan area, as well as by investing in selected retail properties with stable cash flow. Furthermore, JPR plans to invest in strictly selected properties located in suburban areas of Tokyo and regional cities to increase the profitability of its portfolio. Standard & Poor's believes that these acquisition plans are attainable, given JPR's bargaining power, underpinned by its relatively strong brand recognition. Nevertheless, the company's financial risks could increase if its debt leverage is pushed up to support the aggressive acquisition of properties.

Property Management

Currently, JPR outsources property and leasing management for its 32 properties to Tokyo Tatemono, Yasuda Real Estate, The Yasuda Building Management Corp., Sompo Japan Building Management Inc., and Asahi Real Estate Management Inc. These companies are also sponsors of JPR, or affiliates of its sponsor companies, which raises concerns over conflicts of interest. JPR recognizes this issue and has introduced a property manager appraisal system (PM appraisal system) with the assistance of a think tank to increase transparency in selection criteria for property managers. JPR also expects that this PM appraisal system will help raise the quality of property management and reduce costs. Standard & Poor's believes that the introduction of the PM appraisal system and the group management system will help JPR to build an efficient property management system.

Insurance/Earthquake Risk

Fire and general liability insurance is attached to all assets. According to the seismic report provided by JPR, the portfolio PML and the average PML of all the properties are both low, at around 4.40% and 10.2% respectively.

Conflicts of Interest

Under the J-REIT system, a company's entire operation must be outsourced to third party companies, which tends to increase the potential for conflicts of interest between J-REIT corporations and these third parties. Standard & Poor's confirmed that JPR has introduced adequate measures to mitigate these potential conflicts. For instance, the board members of JPR consist of lawyers and accountants, third parties that have no relation to either sponsors or property managers. In addition, all plans made by TRIM related to property acquisition, sales, and refurbishments are required to be reviewed by a compliance committee in advance. The committee, with the help of an additional lawyer invited from outside of the company, reviews each plan to see whether potential conflicts of interest exist. Furthermore, JPR has adopted an agreement with TRIM and the property managers whereby their fees are based on their performance. Through this arrangement, JPR has succeeded in aligning the economic interests of the third parties to whom it outsources, with those of investors.

Dividend Policy and Growth Strategy

According to Japanese tax law, in order to enjoy exemption from corporate tax, a J-REIT corporation must distribute more than 90% of its distributable profit to the unit holders as dividends. Compliance with this rule is one of JPR's policies. Because of this, J-REIT corporations such as JPR cannot retain much profit internally, and have to rely on external borrowings or equity issues to increase their asset bases and achieve external growth. Internal growth strategies are likely to involve plans to maximize portfolio cash flow, either by increasing monthly rents or by reducing operating costs through efficient management of properties. However, companies like JPR, which already have high-quality assets with stable cash flows, may face some constraints on potential for internal growth.

Financial Profile

Standard & Poor's examined JPR's leverage and capital structure, in terms of both its loan-to-value (LTV) ratio and its debt-to-capital ratio. The debt-to-capital ratio is based on the book value of assets, which appears on JPR's balance sheet, while the LTV ratio is based on Standard & Poor's underwriting value of the properties.

Debt-to-capital ratio= interest bearing liabilities (long-term loans + short term loans + debentures) / total capital (interest bearing liabilities + shareholder's capital)

LTV Ratio = interest bearing liabilities (long-term loans + short term loans + debentures) / (Standard & Poor's underwriting value of property portfolio – outstanding balance of security deposit)

The LTV ratio is based on Standard & Poor's underwriting value, and therefore reflects the market value of the portfolio. The security deposit was excluded from the denominator, because for J-REITS, it is not always common practice to set aside such liabilities in an escrowed reserve account in cash, unlike in CMBS deals. Instead, it will be funded through the company's working capital. (For any J-REIT corporations that fully set aside the security deposit liability in cash in an escrow account, there is no need to subtract the security deposit in the above calculation).

Financial policy.

JPR's financial policy is relatively conservative. The company's management expects to maintain a debt-to-capital ratio averaging between 35% and the higher 40% range. Nevertheless, leverage could periodically rise to 50%, as the company pursues its growth strategy by using debt to acquire additional properties. Following new acquisitions, the company is expected to raise additional equity, returning the leverage level to a more moderate range. This strategy has worked in the past for JPR (After the company was listed in June 2002, it raised equity through a public offering in July 2003 and through the allocation of new shares to a third party in August 2003). JPR's conservative investment criteria and underwriting procedures also offset concerns about its capital structure.

Profitability

Third fiscal term (ended June 2003) results:

Income was generated by a portfolio of 30 properties. EGI (effective gross income) was ¥5,264 million with NOI (net operating income) of about ¥3,605 million. Net profit was about ¥1,990 million, with net profit per unit at ¥6,873.

Fourth fiscal term (ended December 2003):

Income estimates are based on 34 properties. EGI is estimated to be ¥6,128 million, NOI about ¥4,229 million, net profit about ¥2,408 million, and net profit per unit ¥5,737.

ROA (per annum) based on end-of-term data was 2.8% for the third term and is expected to be 3% in the fourth term. ROE (p.a.) was 6.8% for the third term and is expected to be 5.4% in the fourth term. Since JPR's policy is to distribute more than 90% of its distributable profit, the ROE should approximate to the return on investment at the property level, as expressed by the cap rate. JPR's eligible cap rates for newly acquired assets are 4.5%-7%. Standard & Poor's underwriting cap rate for all the properties is 6.44% on a weighted average basis, which is consistent with the actual ROE.

Capital Structure

JPR's capital structure is currently conservative, although leverage levels are expected to be somewhat volatile, given the pace of debt-financed acquisitions. The company's current capital structure consists of ¥89.114 billion in equity, ¥39.566 billion in secured long-term loans, and ¥12.9 billion in secured short-term loans. These debt instruments are attractively priced, which supports the company's very strong coverage measures to a moderate extent.

JPR's debt-to-capital ratio, ranging from 35% to the high 40s will translate into an LTV ratio of 37.5% to the low 50s. An LTV ratio of this range is considered extremely conservative, since it would satisfy the leverage levels required for the 'AA' and 'AAA' rated segments of standard CMBS transactions, which involve perfect bankruptcy remote SPC structures. However, the bankruptcy remoteness of J-REIT corporations is considered to be imperfect and weak compared to that of SPCs used in CMBS transactions. Also, J-REIT portfolios are not as static as CMBS pools, since J-REITs are likely to buy and sell properties over the long term. These factors may place certain constraints on the rating level of a J-REIT corporation in comparison to the ratings achievable in a CMBS transaction.

Cash Flow Protection

JPR has a well-diversified portfolio with above average occupancy rates, which produces a stable rental revenue stream. Cash flow protection is strong, with the debt-service coverage ratio (DSCR) expected to remain above 2x on average, using Standard & Poor's conservative stressed constant interest rate of 6%. At present, EBITDA interest coverage, based upon currently attractive actual financing costs, is 10x. The company is expected to maintain a strong debt servicing ability, even if future interest rates rise.

Liquidity at hand

JPR's liquidity at hand and short- and long-term funding capabilities are high. In addition, retained earnings after dividend payments are sufficient to cover necessary capital expenditure for property maintenance and renovations. As of the end of June 2003, JPR has cash and deposits of about ¥19.1 billion, and there are no concerns over its ability to make short-term payments related to its operations, including the repayment of security deposits.

Financial Flexibility

Although most of its assets are encumbered, JPR has maintained solid financial flexibility, supported by its sound relationships with banks. The company also has some sponsors in the financial sector with reasonably strong credit quality. Standard & Poor's J-REIT rating analysis includes a review of loan agreements to examine any financial covenants or triggers, which may severely constrain an issuer's financial flexibility. Standard & Poor's identified several restrictions and triggers embedded in JPR's loan agreements, but concluded that none of these covenants are likely to materially affect the company's financial flexibility. With more than 50% of the company's net operating income encumbered, the rating on any unsecured note issue would be one notch lower than the corporate credit rating.

Outlook: Stable

JPR's well-diversified portfolio and high-quality assets should provide for a stable income stream and sustainable profitability, despite the company's plan to make some investments in more volatile retail properties, and its exposure to tenant concentration risk. With the support of its sponsors, JPR is expected to maintain a moderate financial profile as the company pursues acquisitions and portfolio growth. The rating anticipates that although JPR's leverage may vary throughout this portfolio growth period, average leverage is expected to remain in the moderate range indicated.

Description of Major Assets

Kanematsu Building

Address: 2-14-1 Kyobashi, Chuo-ku, Tokyo

Construction completed: February 1993

Structure of the property: 13 floors and two basement floors used as offices

Public transportation: A nine minute walk from JR Tokyo station

Legal ownership structure:

Land: co-ownership status (JPR owns 79.4%)

Building: co-ownership status (JPR owns 79.4%)

Property appraisal value: ¥15.6 billion

Standard & Poor's underwriting value: ¥13.941 billion

Rentable Area: 2,407 tsubo

Occupancy rate: 92.4%

Number of Tenants: 10

Anchor tenants: A foundation, a manufacturer, and a financial institution

Standard & Poor's assessment: This property is located south of JR Tokyo station in the Yaesu/Nihonbashi/Kyobashi area, which is highly convenient for Takaramachi station on the Asakusa subway line and Kyobashi station on the Ginza subway line. The area is an office and commercial district containing multiple headquarters of large companies. Although the buildings in the area tend to be old, this property is relatively new and well maintained. It has a relatively large standard floor size of more than

300 tsubo and adequate facilities including OA floors and individual air conditioning units to meet the demands of modern tenants. This area was designated as an urban area in need of urgent redevelopment (toshi saisei kinkyuu seibi chiku) by the government last year, and many buildings are expected to be rebuilt in future. Nevertheless, the property is likely to maintain strong competitiveness within this area.

Kuraray Nissei Building

Address: 16-7 Chaya-machi, Kita-ku, Osaka city

Construction completed: April 1990

Structure of the property: 8 floors and one basement floor, used as retail space

Public transportation: A four minute walk from Umeda station on the Hankyu line

Legal ownership structure: fee simple ownership status

Property appraisal value: ¥12.6 billion

Standard & Poor's underwriting value: ¥10.547 billion

Rentable Area: 5,622 tsubo

Occupancy rate: 100%

Number of Tenants: 1

Anchor tenants: A retailer

Standard & Poor's assessment: The property is located in the center of Chaya-machi, about 300 meters northeast of Umeda Station on the Hankyu line. While the recent slowdown of Osaka's property market is a concern, the southern half of this area is undergoing a redevelopment project to connect it with Umeda station through the construction of a series of retail properties. This is expected to attract even more commercial facilities. The current single tenant of the property is the Loft, a retailer selling household goods. This branch boasts one of the highest sales volumes for this chain in Japan, which shows the high commercial potential of this property. The current building structure should be able to accommodate other retailers, in case of a change of tenant.

Jinnan 1-chome Building

Address: 1-22-14 Jinnan, Shibuya-ku, Tokyo

Construction completed: February 1992

Structure of the property: Eight ground floors and three basement floors, used as retail space

Public transportation: A four minute walk from JR Shibuya station

Legal ownership structure: fee simple ownership

Property appraisal value: ¥12.0 billion

Standard & Poor's underwriting value: ¥11.035 billion

Rentable Area: 2,443 tsubo

Occupancy rate: 100.0%

Number of Tenants: 1

Anchor tenants: A music retailer

Standard & Poor's assessment: The property is located 300 meters north of JR Shibuya station. In terms of passenger numbers, this is the third-largest station in Tokyo after Shinjuku and Ikebukuro, with an average of 2 million passengers a day. The property is in a busy shopping district containing department stores, boutiques, and other fashion outlets. The current single tenant of the property is Tower Records, which is widely recognized as a landmark in the area. This branch of Tower Records

has the highest sales volume of all the branches in Japan, which shows the high commercial potential of this property. The current building structure should be able to accommodate other retailers, in case of a change of tenant.

MS Shibaura Building

Address: 4-13-23 Shibaura, Minato-ku Tokyo

Construction completed: February 1988

Structure of the property: 13 floors and two basement floors, used as office space

Public transportation: A nine-minute walk from JR Tamachi station

Legal ownership:

Land: ownership and ground lease arrangement (36% semi co-ownership)

Building: condominium ownership and co-ownership of condominium interest (57.9%)

Property appraisal value: ¥12.0 billion

Standard & Poor's underwriting value: ¥11.341 billion

Rentable Area: 4,364 tsubo

Occupancy rate: 93.2%

Number of Tenants: six

Anchor tenants: An accounting firm and a manufacturer

Standard & Poor's assessment: The property, facing Kyu Kaigan dori in the Shibaura area, is large, with a standard floor size of about 590 tsubo. Transportation is not so convenient, as the nearest station is a nine minute walk away. The surrounding area is a relatively new office district, containing offices of manufacturers and delivery companies. This large property is likely to be competitive within the area and generate stable demand.

Tanashi Asta

Address: 2-1-1 Tanashi-cho, Nishi Tokyo city, Tokyo

Construction completed: February 1995

Structure of the property: 17 floors and two basement floors, used as retail space

Public transportation: A one minute walk from Tanashi Station on the Seibu Shinjuku line

Legal ownership structure:

Land: co-ownership of 42.1%

Building: Condominium ownership of 52.9%

Property appraisal value: ¥10.860 billion

Standard & Poor's underwriting value: ¥10.807 billion

Rentable Area: 9,414 tsubo

Occupancy rate: 100%

Number of Tenants: one

Anchor tenants: A retailer

Standard & Poor's assessment: The property is a combination of retail premises and residential apartments located north of Tanashi Station. Retail space and specialty shops are located in the west wing, and a large-scale retailer, Seiyu, occupies the east wing. JPR owns the east wing. The area around Tanashi station is a busy commercial district second only to the Hibarigaoka station area in Nishi Tokyo. Access is convenient, with many bus routes covering the area in addition to the Seibu Shinjuku train line, which connects the area to Shinjuku in about 20 minutes. This branch of Seiyu ranks high in terms of sales volume in Tokyo, which shows the high commercial potential of this property.

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