



## Press Release

### Structured Finance Ratings & Research

For immediate release

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#### ***S&P Assigns 'A-' Rating to Japan Prime Realty Investment Corp.'s Proposed ¥22 Billion First, Second, and Third Senior Unsecured J-REIT Bonds***

**Tokyo, Jan. 29, 2004** – Standard & Poor's Ratings Services said today that it had assigned its 'A-' rating to Japan Prime Realty Investment Corp.'s (JPR) proposed ¥10 billion first senior unsecured note due February 2008, ¥7 billion second senior unsecured note due February 2010, and ¥5 billion third senior unsecured note due February 2014. At the same time, the 'A-' long-term and 'A-2' short-term corporate credit ratings on JPR were affirmed. The outlook on the long-term rating is stable.

The ratings reflect JPR's above-average business position and relatively conservative financial profile. The company currently ranks within the top-tier group of Japanese real estate investment trust funds (J-REITs). It owns a high-quality portfolio of office and retail properties, and its sponsors have strong real estate expertise in Japan. JPR has a conservative capital structure, and solid coverage measures supported by above-average profitability.

These strengths are partly offset by concerns regarding the unseasoned market in which JPR operates, as well as the company's relatively aggressive growth strategy, the relatively weak credit profiles of some of its sponsor companies, and tenant concentration risk in JPR's portfolio. In addition, the company's strategy of dividing its investments between office properties (80%) and retail properties (20%) may increase the complexity of managing the portfolio, especially given the higher operational risks typical for retail properties. However these concerns are offset to some degree by the limited proportion of retail properties within the portfolio, and by the diversification benefits expected from the presence of both office and retail properties. The company's current retail properties are well located and have a high sales volume, which further mitigates these subsector concerns.

As of the latest fiscal period ending December 2003, JPR owns 32 properties, of which 28 are office buildings and four are retail properties. In January 2004, JPR announced the purchase of Dojima Building (located in Osaka) for ¥2.1 billion. Standard & Poor's expects that JPR will continue to accumulate portfolio assets and achieve its ¥300 billion external growth target by the end of 2006.

JPR will repay part of its current outstanding secured bank borrowings, totaling ¥20 billion, using the proceeds from the proposed bond issue, which will improve the company's overall financial flexibility. Upon the issuance of the proposed bonds, the proportion of JPR's portfolio net operating income (NOI) that is encumbered by secured bank borrowing will decline from 74.5% to 46.3% (modestly below Standard & Poor's 50% threshold for rating unsecured debt one notch below the corporate credit rating). The company appears committed to pursuing an unsecured borrowing strategy, and has the ability to further unencumber its portfolio through the acquisition of additional

unencumbered properties. Standard & Poor's expects JPR's use of secured borrowings to be moderate, and encumbered NOI to remain below 50% of total NOI. As a result, Standard & Poor's makes no distinction between the corporate credit rating and the senior unsecured debt ratings at this time.

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