

July 11, 2007

## Japan Prime Realty's Proposed ¥15 Billion Senior Unsecured Bonds Assigned 'A-' Rating

**Primary Credit Analyst:**

Yumi Oikawa, Tokyo (81) 3-4550-8775; yumi\_oikawa@standardandpoors.com

**Secondary Credit Analysts:**

Yuji Hashimoto, Tokyo (81) 3-4550-8275; yuji\_hashimoto@standardandpoors.com

Roko Izawa, Tokyo (81) 3-4550-8674; roko\_izawa@standardandpoors.com

TOKYO (Standard & Poor's) July 11, 2007--Standard & Poor's Ratings Services today assigned its 'A-' rating to Japan Prime Realty Investment Corp.'s (JPR) proposed ¥9 billion eighth senior unsecured bonds, due July 2012, and its ¥6 billion ninth senior unsecured bonds, due July 2014. At the same time, Standard & Poor's affirmed its 'A-' long-term and 'A-2' short-term corporate credit ratings on JPR. The outlook on the long-term rating is positive.

Standard & Poor's also affirmed its ratings on JPR's outstanding bonds: the ¥10 billion first senior unsecured bonds, due February 2008; the ¥7 billion second senior unsecured bonds, due February 2010; the ¥5 billion third senior unsecured bonds, due February 2014; the ¥10 billion fourth senior unsecured bonds, due November 2009; the ¥5 billion fifth senior unsecured bonds, due November 2011; the ¥5 billion sixth senior unsecured bonds, due November 2014; and the ¥4.5 billion seventh senior unsecured bonds due December 2026.

JPR holds a leading position in the Japan real estate investment trusts (J-REITs) market. The company's sponsors are Tokyo Tatemono Co. Ltd. (NR), Meiji Yasuda Life Insurance Co. (A-/Positive/A-1), Taisei Corp. (BB+/Stable/--), Sompo Japan Insurance Inc. (AA-/Stable/--), and Yasuda Real Estate Co. Ltd. (NR). Despite the severe environment for real estate acquisitions, JPR has acquired property steadily through collaboration with its sponsors, mainly Tokyo Tatemono and Taisei Corp. JPR's portfolio produces

stable cash flows as it comprises well-maintained office and retail properties that have high occupancy rates. The company's financial profile is relatively sound.

As of the end of the company's 11th six-month fiscal period (ended June 30, 2007), JPR held in its property portfolio 34 office buildings and 14 retail properties throughout Japan, equivalent to a total purchase price of about ¥245.4 billion. In addition to these properties, the company holds preferred stock in Kawasaki Dice TMK, equivalent to about ¥1.55 billion. During the 11th fiscal period, the company acquired additional ownership in Tachikawa Business Center Building for ¥2.3 billion, and acquired Shinjuku Sanhome East Building for ¥540 million, Musashiurawa Shopping Square for about ¥4.34 billion, Rise Arena Building for about ¥5.83 billion, and Kawasaki Dice Building for ¥15.08 billion. In addition, the company acquired Yume-ooka Office Tower for ¥6.51 billion as of July 2007, and will acquire KM Fukugo Building (tentative name) for ¥9.25 billion as of March 2009. In April 2007, JPR sold its Tsurumi Fuga 1 building and JPR Takamatsu Building. After selling the Tsurumi Fuga 1 building, the company's dependence on its largest tenant in terms of total rental revenues, Seiyu Ltd. (NR), decreased further from the 8.6% as of Dec. 31, 2006, and concerns over concentration in its largest tenants has been mitigated. JPR's portfolio has been diversifying, with the top four properties making up about 23% of the total value of the company's portfolio as of June 30, 2007, which is low. Occupancy rates are high at 98.9% as of May 31, 2007, serving as a stabilizing factor for JPR's cash flows.

In JPR's 10th fiscal period (ended Dec. 31, 2006), its debt-to-capital ratio (interest-bearing debt/(interest-bearing debt + unitholders' capital) according to Standard & Poor's definition) was about 47.9%. Due to a company equity issue in February 2007, this ratio decreased to the upper-30% level as of June 30, 2007. JPR has secured ample liquidity at hand to apply to its debt repayments, with ¥20 billion in unused commitment lines and good relationships with a number of financial institutions. JPR's financial flexibility is increasing, given that secured debt comprised about 15% of its total interest-bearing debt as of June 30, 2007, while the rest of its loans are unsecured.

The outlook on the long-term corporate credit rating is positive. JPR is expected to stably increase its income through steady external growth, as it has close ties with its sponsors, and to pursue internal growth through steady, modest rental rate increases. In terms of future rating upgrades, as the company expands its portfolio, Standard & Poor's will continue to examine whether the company can further improve its financial profile, including its capital structure and its capacity to cover future interest rate hikes, as it controls leverage at a conservative level in the low-40% range. The leverage level, as a normal operational base with low fluctuation, is set by taking into consideration both portfolio size and asset types.

A Japanese-language version of this media release is available on Standard & Poor's Research Online at [www.researchonline.jp](http://www.researchonline.jp), or via CreditWire Japan on Bloomberg Professional at SPCJ <GO>.



Copyright © 2007, Standard & Poor's, a division of The McGraw-Hill Companies, Inc. (S&P). S&P and/or its third party licensors have exclusive proprietary rights in the data or information provided herein. This data/information may only be used internally for business purposes and shall not be used for any unlawful or unauthorized purposes. Dissemination, distribution or reproduction of this data/information in any form is strictly prohibited except with the prior written permission of S&P. Because of the possibility of human or mechanical error by S&P, its affiliates or its third party licensors, S&P, its affiliates and its third party licensors do not guarantee the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. S&P GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P, its affiliates and its third party licensors be liable for any direct, indirect, special or consequential damages in connection with subscribers or others use of the data/information contained herein. Access to the data or information contained herein is subject to termination in the event any agreement with a third-party of information or software is terminated.

Analytic services provided by Standard & Poor's Ratings Services (Ratings Services) are the result of separate activities designed to preserve the independence and objectivity of ratings opinions. The credit ratings and observations contained herein are solely statements of opinion and not statements of fact or recommendations to purchase, hold, or sell any securities or make any other investment decisions. Accordingly, any user of the information contained herein should not rely on any credit rating or other opinion contained herein in making any investment decision. Ratings are based on information received by Ratings Services. Other divisions of Standard & Poor's may have information that is not available to Ratings Services. Standard & Poor's has established policies and procedures to maintain the confidentiality of non-public information received during the ratings process.

Ratings Services receives compensation for its ratings. Such compensation is normally paid either by the issuers of such securities or third parties participating in marketing the securities. While Standard & Poor's reserves the right to disseminate the rating, it receives no payment for doing so, except for subscriptions to its publications. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).

Any Passwords/user IDs issued by S&P to users are single user-dedicated and may ONLY be used by the individual to whom they have been assigned. No sharing of passwords/user IDs and no simultaneous access via the same password/user ID is permitted. To reprint, translate, or use the data or information other than as provided herein, contact Client Services, 55 Water Street, New York, NY 10041; (1) 212.438.9823 or by e-mail to: [research\\_request@standardandpoors.com](mailto:research_request@standardandpoors.com).