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Japan Prime Realty's Proposed ¥3 Billion Unsecured Bonds Assigned 'A' Rating

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TOKYO (Standard & Poor's) May 16, 2008--Standard & Poor's Ratings Services today assigned its 'A' rating to Japan Prime Realty Investment Corp.'s (JPR) proposed ¥3 billion 10th senior unsecured bonds, due May 2011. At the same time, Standard & Poor's affirmed its 'A' long-term and 'A-1' short-term corporate credit ratings on JPR. The outlook on the long-term rating is stable. Standard & Poor's also affirmed its ratings on JPR's outstanding senior unsecured bonds, series 2 to 9, with an aggregate issue amount of ¥51.5 billion. The series 1 bonds have already been redeemed.

JPR holds a leading position in the Japan real estate investment trust (J-REIT) market. The company's sponsors are Tokyo Tatemono Co. Ltd. (NR), Meiji Yasuda Life Insurance Co. (A-/Positive/A-1), Taisei Corp. (BBB-/Stable/--), Sompo Japan Insurance Inc. (AA-/Stable/--), and Yasuda Real Estate Co. Ltd. (NR). 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 April 2008, JPR held in its property portfolio 36 office buildings and 14 retail properties throughout Japan, equivalent to a total purchase price of about ¥275.1 billion. In addition to these properties, the company holds preferred stock in Meieki Nichome Kaihatsu TMK, equivalent to

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¥0.34 billion. In March 2008, JPR also acquired a co-ownership stake in Shinjuku Center Building worth ¥21 billion, which became the largest asset in its property portfolio. In April 2008, it acquired an additional co-ownership stake in Shinjuku 3-chome East Building for ¥2.2 billion. JPR also plans to acquire condominium ownership of Shinagawa Canal Building for ¥1.87 billion in December 2008, as well as KM Fukugo Building (tentative name) for ¥9.25 billion in March 2009. JPR's portfolio has been diversifying, with the top four properties making up about 24% of the total value of the company's portfolio as of April 30, 2008. Occupancy rates are high at 97.6% as of March 31, 2008, serving as a stabilizing factor for JPR's cash flows.

In JPR's 12th fiscal period (ended Dec. 31, 2007), its debt-to-capital ratio (interest-bearing debt/(interest-bearing debt + unitholders' capital) according to Standard & Poor's definition) was about 38.3%. The ratio is expected to be in the low-40% range in the 13th fiscal period (ending June 30, 2008) upon its acquisition of a co-ownership stake in Shinjuku Center Building and additional ownership in Shinjuku 3-chome East Building. As the company has a track record of three equity issues since listing on the Tokyo Stock Exchange in June 2002, Standard & Poor's expects JPR to maintain its debt leverage ratio at a conservative level in the low-40% range under sound leverage control. 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 maintains relatively high financial flexibility, given that secured debt comprised about 7.4% of its total interest-bearing debt as of April 30, 2008, while the rest of its loans are unsecured.

The outlook on the long-term corporate credit rating is stable. JPR is expected to stably increase its income through steady external growth, as it has close ties with its sponsors, and through sound internal growth. As JPR expands its portfolio, Standard & Poor's will continue to examine whether the company can maintain its financial profile, including its capital structure and its debt repayment capacity, and whether it can control leverage at a conservative level in the low-40% range with low fluctuation levels, during the process of expanding its portfolio.

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