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# Rating Assigned To Japan Prime Realty Unsecured Bond Series 11

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TOKYO (Standard & Poor's) March 5, 2010--Standard & Poor's Ratings Services today assigned its 'A' rating to Japan Prime Realty Investment Corp.'s (JPR; A/Stable/A-1) proposed ¥6.0 billion Series 11 unsecured bond, due March 12, 2015. The rating reflects JPR's relatively strong business position, and moderately conservative financial profile.

JPR has a leading position in the Japanese real estate investment trust (J-REIT) market, backed by the real estate development and management capabilities of its five sponsors, including Tokyo Tatemono Co. Ltd. (NR), Meiji Yasuda Life Insurance Co. (A-/Positive/A-1), and Taisei Corp. (NR). As of Dec. 31, 2009 (end of the 16th fiscal term), JPR owned a portfolio of 39 office buildings and 14 retail properties across Japan, with a total purchase price of about ¥310.6 billion. The company has proceeded to replace some assets within its portfolio to increase the share of office buildings located in Tokyo. Although difficult conditions have continued in the real estate leasing market, especially the office leasing market, the portfolio's average occupancy rate stood at a high 96.4% as of Dec. 31, 2009, indicating that the properties generate relatively stable cash flows. Nevertheless, there are risk factors: (1) JPR has a relatively high ratio of properties that are not held under fee-simple ownership; and (2) the market value of the company's portfolio has declined and led to an unrealized loss on the portfolio (the difference between the appraisal value and the book value of the portfolio), although the loss is small.

JPR aims to maintain its debt-to-capital ratio at between 35% and 50%. The company's debt-to-capital ratio (total interest-bearing debt, including "hoshokin liabilities"/total interest-bearing debt + total net assets, as defined by Standard & Poor's; "hoshokin" is a type of security deposit) stood at about 48.4% at the end of the 16th fiscal term. Since JPR plans to acquire JPR Sendagaya Building (Shibuya-ward, Tokyo; purchase price: about ¥15.1 billion to ¥16.5 billion) in May 2010, we see a risk that the leverage ratio may rise. Nevertheless, such risk is mitigated to a certain degree because the company, which launched a public equity offering in February 2010 for the first time in three years, will use part of the funds that it has raised to repay short-term debt. Standard & Poor's intends to monitor the company's growth strategy, as well as changes in its financial indices, such as cash flow protection and profitability, which have weakened as the leverage ratio increased.

The full report is available in Japanese on Standard & Poor's Research Online at www.researchonline.jp. An English-language report will be available to RatingsDirect on the Global Credit Portal subscribers at www.globalcreditportal.com and RatingsDirect subscribers at www.ratingsdirect.com. Ratings information can also be found on Standard & Poor's public Web site at www.standardandpoors.com.