



Rating Action: **Moody's assigns A3 to JPR's series 17 and 18 bonds**

Global Credit Research - 17 May 2013

JPY7 billion of New Debt Securities Rated

Tokyo, May 17, 2013 -- Moody's Japan K.K. has assigned an A3 rating to the domestic unsecured bonds issued by Japan Prime Realty Investment Corporation (JPR).

The rating outlook is stable.

These are takedowns from JPR's JPY100 billion domestic shelf registration (effective November 8, 2011), which is rated (P) A3.

The bond issuances are:

- JPY5 billion, 17th Series of Unsecured Bond, due 2018
- JPY2 billion, 18th Series of Unsecured Bond, due 2023

RATINGS RATIONALE

JPR's A3 rating reflects stable cash flows from its diversified portfolio and its conservative financial management, backed by strong relationships with its lenders and the collaboration with its sponsors.

In February 2013, we changed JPR's rating outlook to stable from negative. The outlook reflects JPR's conservative financial policy, based on which it has steadily controlled its leverage and prolonged the tenor of its debt. It also takes into account JPR's access to a variety of funding sources, such as public offering of shares and bonds issuances.

Any improvement in the profitability of its portfolio and a decrease in leverage could lead to upward rating pressure.

For instance, if net-debt-to-EBITDA stays below 8.0x, debt-to-gross-asset remains below 45%, and liquidity coverage is above 100%, then JPR's rating could be upgraded.

Factors that could lead to a downgrade include: [1] deterioration in portfolio cash flows, [2] falling real estate prices, and [3] higher financial leverage.

For example, JPR's rating would be downgraded if net-debt-to-EBITDA and debt to-gross-asset remain above 10.0x and 50%, respectively.

The principal methodology used in this rating was the Global Rating Methodology for REIT's and Other Commercial Property Firms published in July 2010. Please see the Credit Policy page on www.moody's.com for a copy of this methodology.

Japan Prime Realty Investment Corporation (JPR) is a listed J-REIT that invests in and manages the office buildings and retail properties mainly located in Tokyo area. JPR owns 59 assets amounting to approximately JPY392.0 billion (as of December 2012). Its revenues totaled approximately JPY13.0 billion for the fiscal half-year ended December 2012.

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