

Corporate & Government Ratings & Research

For immediate release

Media Contact: Tokyo Pressroom
Tel: (81) 3-4550-8411
Fax: (81) 3-4550-8740
Marunouchi Kitaguchi Bldg. 28F, 1-6-5 Marunouchi
Chiyoda-ku, Tokyo 100-0005
tokyo1pressroom@standardandpoors.com

S&P: Japan Prime Realty Investment's Series 17 And 18 Unsecured Bonds Assigned 'A' Ratings

Tokyo, May 17, 2013--Standard & Poor's Ratings Services today said that it has assigned its 'A' ratings to Japan Prime Realty Investment Corp.'s (JPR; A/Stable/A-1) proposed ¥5.0 billion series 17 unsecured bonds, due May 31, 2018, and to its proposed ¥2.0 billion series 18 unsecured bonds, due May 31, 2023 (see list below).

Our ratings on JPR reflect its relatively strong business position in the Japanese REIT (J-REIT) market, underpinned by the real estate management and development capabilities of its sponsors, including Tokyo Tatemono Co. Ltd., Taisei Corp., and Meiji Yasuda Life Insurance Co. The ratings also reflect the high quality of JPR's midsize property portfolio, as well as its adequate liquidity on hand and financial flexibility. Considering the high quality of JPR's property portfolio, we believe that the J-REIT will continue to generate generally stable cash flows.

On the other hand, we see risk factors that may constrain JPR's credit quality. Its profitability measures and interest coverage indicators remain weak for the current ratings on JPR, because Japan's office leasing market has yet to recover in earnest. In addition, it holds a relatively low proportion of properties under fee simple (full) ownership.

As of April 30, 2013, JPR owned a portfolio of 46 office buildings--one with a fixed-term leasehold for commercial use ("sokochi")--and 14 retail properties throughout Japan. The total acquisition value of these properties is about ¥398.6 billion. As J-REITs continue to enjoy favorable funding conditions, JPR is able to complement its profitability and cash flow and enhance its portfolio through property acquisitions. Yet, we expect JPR's profitability measures and financial indicators to be slow to recover, given that Japan's office leasing market remains sluggish.

RELATED CRITERIA AND RESEARCH

- Key Credit Factors: Global Criteria For Rating Real Estate Companies, June 21, 2011
- 2008 Corporate Criteria: Analytical Methodology, April 15, 2008
- Rating Policy For Japanese Real Estate Investment Trusts, May 9, 2001

RATINGS ASSIGNED

Japan Prime Realty Investment Corp.

Issue	Rating
Series 17, ¥5.0 bil. 0.65% bonds due May 31, 2018	A
Series 18, ¥2.0 bil. 1.46% bonds due May 31, 2023	A

A Japanese-language version of this media release is available on Standard & Poor's Research Online at www.researchonline.jp, or via CreditWire Japan on Bloomberg Professional at SPCJ <GO>. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at spcapitaliq.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

Analytical Contacts:

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

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

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(81) 3-4550-8411
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