



# NEWS RELEASE

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## R&I View: Japan Rental Housing Investments, Prospect Reit Investment To Merge Many uncertainties at present; eyes on future developments

Japan Rental Housing Investments Inc. (JRH, Sec. Code: 8986, Issuer Rating: BBB-) announced on February 26 that it signed a basic agreement on its merger with Prospect Reit Investment Corp. (PRI, Sec. Code: 8969). Along with this announcement, JRH revealed its plan to issue new investment units worth 5 billion yen through private offerings on the day immediately preceding the effective date of the merger and repay part of the debts it would take over from PRI. The conclusion of a merger agreement is scheduled for March, and the merger is expected to take effect in July.

JRH improved its fundraising conditions through large-scale refinancing deals in 2009. Furthermore, the private offerings of 6 billion yen and the redemption of bonds totaling 7.8 billion yen reduced its debt ratio. As a next step, JRH expressed its intention to consider expanding the fund size through the resumption of new property acquisition and potential mergers with other REITs. The aforementioned announcement is in line with the strategies it had already stated. By adding PRI's properties to its portfolio, JRH will be able to increase the percentage of properties located in the Tokyo area. While the debt ratio of PRI is higher than that of JRH, JRH will prevent an increase in its debt ratio by implementing the private offerings mentioned above.

Meanwhile, the fundraising environment for PRI, with which JRH will merge, is not necessarily favorable. Since the majority of PRI's debts will become due prior to the planned merger date, PRI's refinances appear to affect the success or failure of the merger plan. At present, there are many uncertainties over the feasibility of the merger and its details. R&I will therefore take necessary actions as appropriate going forward, depending on the progress of the merger process.

The primary rating methodologies applied to this rating are provided at "R&I J-REIT Rating Methodology" and "Basic Methodologies for R&I's Credit Rating". The methodologies are available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

<http://www.r-i.co.jp/eng/rating/st/methodology.html>

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