

October 31, 2006

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For Immediate Release

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**Notice Concerning Response to Failure by Asset Management Company
in Confirming Engineering Report**

Japan Prime Realty Investment Corporation (JPR) today announced that Tokyo Realty Investment Management, Inc. (TRIM), its asset management company, has reported JPR on a failure to confirm some items in the engineering report prepared at the time of JPR's acquisition of Tokyo Tatemono Honmachi Building. The asset management company failed to confirm whether repairs and other recommended items were properly reflected in the estimate for repairs and maintenance expenses addressed in the engineering report. JPR has decided to accept TRIM's response to this issue, as described below.

Details

1. How this Fact was Found

The fact described above was found through the process of internal investigations conducted by TRIM since July 2006 on all properties acquired by JPR (including those already sold).

2. Details of the Failure to Confirm the Engineering Report

Estimate amount of 10,380,000 yen presumed at the time of preparing the estimate for repairs and maintenance expenses for the conveying facility (mechanical parking lot) at Tokyo Tatemono Honmachi Building.

3. Overview of the Property, its Acquisition Price, etc.

Name: Tokyo Tatemono Honmachi Building
Location: 4-8, Honmachi 3-chome, Chuo-ku, Osaka-shi, Osaka
Site Area: 1,432.64m²
Total Floor Space: 14,619.52m²
Structure/Floors: SRC B3/9F
Acquisition Date: November 16, 2001
Acquisition Price: 4,150,000,000 yen
Seller: Tokyo Tatemono Co., Ltd.
9-9, Yaesu 1-chome, Chuo-ku, Tokyo
President and Representative Director: Makoto Hatanaka

*Tokyo Tatemono Co., Ltd. is a shareholder of JPR's asset management company and falls within the scope of interested parties as defined by JPR's Board of Directors. Accordingly, TRIM obtained an approval of JPR's Board of Directors in advance when the property was purchased.

Furthermore, Tokyo Tatemono also fell within the scope of related parties as defined in the Enforcement Order for Investment Trusts and Investment Corporations Law when the property was acquired. It does not fall within the category at present, however.

4. Future Actions

(1) TRIM reported the finding to its supervising authorities immediately after it the fact was found through the process described above. After considered the issue, TRIM has concluded that this fact had an influence on the acquisition price JPR paid for acquiring the property in question. Accordingly, TRIM has decided that it will pay JPR for this influence the equivalent of 8,498,000 yen^(note) deemed to have accrued in accounting due to the above fact.

(Note)

Tokyo Tatemono Honmachi Building

Influence on acquisition price, etc.: 8,498,000 yen

(This figure was obtained by adding an amount equivalent to interests levied in the passed period to the calculated amount deemed to affect the acquisition price.)

(2) Taking this failure seriously, TRIM has newly setup a "due diligence sub-committee" within the firm to further reinforce the acquisition review system and conduct more elaborate investigations through the due diligence phase. The activities that the sub-committee will carry out include detailed investigations on the content of engineering reports, confirmation of appraisal reports, discovery of problems with regards to acquisitions, verification of the

validity of solutions and improvement measures for such problems.

Moreover, as a rule, engineering reports will be newly acquired for each property for which a specified period has passed since it was acquired. This measure aims to contribute to periodical appraisals and valuations after acquisitions.

5. Impact on JPR's Performance

The impact of this incident on JPR's portfolio management is fairly small, and it will not cause JPR to change its operating forecasts for the 10th fiscal period ending December 2006.