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Notice Concerning Cancellation of Property Acquisition

Japan Prime Realty Investment Corporation (JPR) today announced its decision to cancel the acquisition of an asset as follows in relation to “KM Fukugo Building (tentative name)” (hereafter, the “property”) which was announced in the press release “Notice Concerning Property Acquisition (Conclusion of Contract)” dated March 30, 2007.

Details

1. Background and Reasons for Cancellation of Acquisition

1) Reasons for initially deciding on the acquisition of the property

Osaka City Kitahama area where the property is located is one of the largest business districts in Osaka with a concentration of financial institutions and other companies, and in recent years the area has seen many condominium developments with an increasing population trend. The property was expected to have high demand for retail facilities since the residence building being developed in an integrated manner with the property is a large project with 465 units in total, and the property is directly connected to the subway entrance, and at the time of conclusion of contract, tenants for floors 3 to 6 had already been determined. Therefore, JPR evaluated the property as a retail facility with competitive advantages.

In addition, JPR had minimized the risks regarding building completion or delays in schedule by making the completion of the property a condition for the property acquisition.

2) Reasons for canceling the acquisition of the property

In March 2007 when JPR decided on the acquisition of the property, financial, real estate, J-REIT and retail markets were steadily growing, but due to the credit crunch in the global financial market triggered by the subprime issue in the U.S., major disruptions also occurred in the Japanese real estate market. Currently, the J-REIT market (unit prices) is experiencing stagnation and the financing environment is also worsening.

The impact of the disruption in the financial market is beginning to be felt at the consumption and commerce levels in Japan. In the Osaka area, there has been a large drop in sales at department stores since last spring, leading to reorganization in the industry, and the area's commercial environment and tenant's leasing environment have drastically changed.

Under such conditions, it has become clear that there is a large difference between the assumed NOI at the time of contract and the currently assumed NOI, and therefore, there is also a large difference between the acquisition price and appraisal value by an appraiser. Thus, JPR studied market recovery and the required time for recovery, but the environment does not allow for objective and practical forecasts and in consideration of the recent fund-raising environment, after conducting various negotiations with the seller, JPR concluded that the cancellation of the agreement would be in the best interests of investors even though it would require a payment of a penalty, and cancelled the acquisition agreement with the consent of the seller. However, the sellers of the property, Sanyo Homes Co., Ltd. and nine other companies, are third parties that do not fall within the scope of interested parties.

2. Penalty in Relation to the Cancellation of Acquisition

With the canceling of the acquisition of the property, JPR has reached an agreement with the sellers to pay a penalty to the sellers of 1,900,000,000 yen, equivalent to 20% of the transaction amount (9,500,000,000 yen) stipulated in the transaction agreement. Therefore, an agreement for the cancellation was concluded and the penalty was paid to the sellers.

In addition, the stipulation in the transaction agreement of a penalty equivalent to 20% of the transaction amount is binding on both parties and is not a condition specific to real estate transactions, and therefore, it is considered reasonable.

In addition, brokerage fees of the property will occur separately, but due to request of the sales agent, the brokerages fees are not indicated. The sales agent is a third party not falling within the scope of interested parties.

3. Outlook

As for the operating forecast for the 15th Fiscal Period (January 1, 2009 - June 30,

2009), please refer to the “14th Fiscal Period Results (July 1, 2008 - December 31, 2008)” announced today.

Due to the payment of the above penalty and brokerage fees, we regret that the dividends for 15th Fiscal Period will decrease greatly.

[Attachment] Real estate portfolio

JPR's real estate portfolio (as of February 17, 2009)

Area	Type	Property Name	Location	Acquired	Acquisition Price (yen in millions) (Note1)	% of Total (Note2)
Tokyo CBDs	Office	Kanematsu Bldg.	Chuo-ku, Tokyo	Dec. 2001	16,276	5.5%
	Office	Kanematsu Bldg. Annex	Chuo-ku, Tokyo	Dec. 2001	2,874	1.0%
	Office	JPR Ningyo-cho Bldg.	Chuo-ku, Tokyo	Nov. 2001	2,100	0.7%
	Office	Shin-Kojimachi Bldg.	Chiyoda-ku, Tokyo	Nov. 2001 Nov. 2002 Nov. 2004	2,420	0.8%
	Office	JPR Crest Takebashi Bldg.	Chiyoda-ku, Tokyo	Jun. 2002	4,000	1.3%
	Office	MS Shibaura Bldg.	Minato-ku, Tokyo	Mar. 2003	11,200	3.8%
	Office	Gotanda First Bldg.	Shinagawa-ku, Tokyo	Jul. 2003	2,920	1.0%
	Office	Fukuoka Bldg.	Chuo-ku, Tokyo	Oct. 2003 Apr. 2005	2,920	1.0%
	Office	JPR Ichigaya Bldg.	Chiyoda-ku, Tokyo	May 2004	5,100	1.7%
	Office	Oval Court Ohsaki Mark West	Shinagawa-ku, Tokyo	Jun. 2004	3,500	1.2%
	Office	Shinjuku Square Tower	Shinjuku-ku, Tokyo	Jul. 2004 Sep. 2008	10,180	3.4%
	Office	BYGS Shinjuku Bldg.	Shinjuku-ku, Tokyo	Nov. 2004 Apr. 2005	11,821	4.0%
	Office	Across Shinkawa Bldg. Annex	Chuo-ku, Tokyo	Nov. 2004	710	0.2%
	Office	Shinjuku Center Bldg.	Shinagawa-ku, Tokyo	Mar. 2008	21,000	7.1%
	Office	Minami Azabu Bldg.	Minato-ku, Tokyo	Jul. 2008	3,760	1.3%
	Office	Shinagawa Canal Bldg. (Note3)	Minato-ku, Tokyo	Dec. 2008	1,870	0.6%
	Office	Sendagaya Yonchome Bldg. (tentative name) (Note4)	Shibuya-ku, Tokyo	May. 2010 (planned)	15,050 (Note5)	5.1%
	Retail	JPR Shibuya Tower Records Bldg.	Shibuya-ku, Tokyo	Jun. 2003	12,000	4.0%
	Retail	JPR Daikanyama	Shibuya-ku, Tokyo	Oct. 2004	2,160	0.7%
	Retail	JPR Jingumae 432	Shibuya-ku, Tokyo	Mar. 2006	4,460	1.5%
Retail	Shinjuku Sanchome East Bldg.	Shinjuku-ku, Tokyo	Mar. 2007 Apr. 2008	2,740	0.9%	
Retail	Yurakucho Ekimae Building (Yurakucho Itocia)	Chiyoda-ku, Tokyo	Aug. 2008	3,400	1.1%	
Subtotal					142,461	47.9%
Greater Tokyo	Office	Arca East	Sumida-ku, Tokyo	Nov. 2001	5,880	2.0%
	Office	JPR Chiba Bldg.	Chiba, Chiba	Dec. 2001	2,350	0.8%
	Office	JPR Yokohama Nihon Odori Bldg.	Yokohama, Kanagawa	Nov. 2001	2,927	1.0%
	Office	Shinyokohama 2nd Center Bldg.	Yokohama, Kanagawa	Sep. 2002	920	0.3%
	Office	Kawaguchi Center Bldg.	Kawaguchi, Saitama	Feb. 2004	8,100	2.7%
	Office	JPR Ueno East Bldg.	Taito-ku, Tokyo	Mar. 2004	3,250	1.1%
	Office	Tachikawa Business Center Bldg.	Tachikawa, Tokyo	Sep. 2005 Feb. 2007	3,188	1.1%
	Office	Rise Arena Bldg.	Toshima-ku, Tokyo	Mar. 2007	5,831	2.0%
	Office	Yume-ooka Office Tower	Yokohama, Kanagawa	Jul. 2007	6,510	2.2%
	Retail	Tanashi ASTA	Nishitokyo, Tokyo	Nov. 2001	10,200	3.4%
	Retail	The Cupo-la Main Bldg.	Kawaguchi, Saitama	Mar. 2006	2,100	0.7%
	Retail	JPR Musashikosugi Bldg.	Kawasaki, Kanagawa	Sep. 2006	7,260	2.4%
	Retail	Musashiurawa Shopping Square	Saitama, Saitama	Mar. 2007	4,335	1.5%
	Retail	Kawasaki Dice Bldg.	Kawasaki, Kanagawa	Apr. 2007	15,080	5.1%
	Subtotal					77,931

Area	Type	Property Name	Location	Acquired	Acquisition Price (yen in millions) (Note1)	% of Total (Note2)
Other Cities	Office	Niigata Ekinan Center Bldg.	Niigata, Niigata	Nov. 2001	2,140	0.7%
	Office	Meiji Yasuda Life Osaka Umeda Bldg.	Osaka, Osaka	Dec. 2001	8,300	2.8%
	Office	Tokyo Tatemono Honmachi Bldg.	Osaka, Osaka	Nov. 2001	4,150	1.4%
	Office	JPR Hakata Bldg.	Fukuoka, Fukuoka	Nov. 2001	2,900	1.0%
	Office	JPR Naha Bldg.	Naha, Okinawa	Nov. 2001	1,560	0.5%
	Office	Sompo Japan Sendai Bldg.	Sendai, Miyagi	Jun. 2002	3,150	1.1%
	Office	Sompo Japan Wakayama Bldg.	Wakayama, Wakayama	Jun. 2002	1,670	0.6%
	Office	Tenjin 121 Bldg.	Fukuoka, Fukuoka	Jun. 2002	2,810	0.9%
	Office	JPR Nagoya Sakae Bldg.	Nagoya, Aichi	Sep. 2003	4,550	1.5%
	Office	JPR Dojima Bldg.	Osaka, Osaka	Jan. 2004	2,140	0.7%
	Office	JPR hakata Chuo Bldg.	Fukuoka, Fukuoka	Jun. 2004	1,920	0.6%
	Office	Mitsubishi UFJ Lease & Finance Nagoya Head Office Bldg.	Nagoya, Aichi	Mar. 2005	4,137	1.4%
	Office	Meieki Nichome Kaihatsu Tokutei Mokuteki Kaisha Preferred Securities (Note6) (Note7)	Nagoya, Aichi	Nov. 2007 Apr. 2009(planned) May. 2010(planned)	1,983 (Note8)	0.7%
	Retail	JPR Umeda Loft Bldg.	Osaka, Osaka	May 2003 Jul. 2003	13,000	4.4%
	Retail	Strasse Ichibancho	Sendai, Miyagi	Feb. 2005	4,200	1.4%
	Retail	Benetton Shinsaibashi Bldg.	Osaka, Osaka	May 2005	5,430	1.8%
	Retail	Housing Design Center Kobe	Kobe, Hyogo	Sep. 2005	7,220	2.4%
	Retail	JPR Chayamachi Bldg.	Osaka, Osaka	Aug. 2006	6,000	2.0%
Subtotal					77,260	26.0%
Total					297,652	100.0%

(Note 1) The "Acquisition Price" is the amount identified in the purchase agreement and does not include acquisition costs and consumption tax.

(Note 2) Percentages are rounded to the first decimal point.

(Note 3) JPR changed the name of the building from the Konan Nichome Building (tentative name) to Shinagawa Canal Building on March 19 2008.

(Note 4) JPR concluded a contract to purchase Sendagaya Yonchome Building on June 30, 2008. However, the acquisition date is scheduled to be in May 2010.

(Note 5) The acquisition price is subject to revision at the maximum of 16,500 million yen based on a predetermined formula in the event profitability improves as a result of efforts by the seller to attract tenants, etc.

(Note 6) Meieki Nichome Kaihatsu Special Purpose Company is a Tokutei Mokuteki Kaisha based on the Law Concerning Asset Securitization. As of April 2010, JPR will acquire 40.0% of the issued preferred securities of the TMK.

(Note 7) Regarding Meieki Nichome Kaihatsu Special Purpose Company preferred securities, an agreement on the transfer of preferred securities was concluded as of November 9, 2007. The acquisition of the preferred securities will be conducted on November 9, 2007 (acquired), April 2009 (planned) and April 2010 (planned).

(Note 8) Among the three acquisitions indicated in (Note 7), the acquisition price for April 2010 is not yet determined at this time. Therefore, the acquisition price for April 2010 is not included in this acquisition price.