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Notice Concerning Series of Measures Including Asset Replacements

Japan Prime Realty Investment Corporation (JPR) today announced its decision to implement a series of measures including asset replacements based on its investment stance on asset management as stipulated in JPR's Articles of Incorporation.

Details

1. Purpose of Series of Measures Including Asset Replacements

Due to the credit crunch in the global financial market triggered by the U.S. subprime issue last year, there has been great turmoil in the Japanese financial and real estate markets. The J-REIT market, which had posted steady growth, also faces unprecedented difficulty with significant declines in investment unit prices.

On the other hand, although there are destabilizing factors in the office building leasing market such as rising vacancy rates and some rent declines, the office buildings owned by JPR are solid, and revenues from retail properties located in front of stations fare strongly.

However, changes in revenues are expected depending on the property due to changes in economic conditions and supply and demand trends in the leasing market.

JPR decided to implement asset replacements and other measures in order to minimize the impact of changes in the leasing market, and aims to maintain and expand stable revenues based on the judgment that building an excellent portfolio is indispensable for the recovery of unit holders' value and the establishment of a foundation for future growth in the medium and long term.

In implementing the series of asset replacements, etc., JPR will obtain support from its sponsor companies to take a new step toward the next stage, specifically for the measures outlined below.

JPR will seek to increase the ratio of office buildings in the Tokyo metropolitan area, build a more stable portfolio with growth potential and maximize investment value.

2. Details of Series of Measures Including Asset Replacements

In order to achieve the objectives above, JPR will take the specific measures outlined below.

- (1) Sale of regional retail property “Strasse Ichibancho” (Sendai), whose vacancy has been prolonged due to drastic change in the economic environment
- (2) Sale of existing equity and cancellation of planned acquisition of additional equity in regional property “Meieki Nichome Kaihatsu Special Purpose Company Preferred Securities” (Nagoya), which has been hit by huge changes in the real estate market
- (3) Sale of “Meiji Yasuda Life Osaka Umeda Building” with the intention of lowering the ratio of regional properties and maintaining scheduled cash distribution.
- (4) Acquisition of super high-rise office building “Olinas Tower” with the intention of increasing the ratio of investment in the Tokyo metropolitan area and strengthening profitability
- (5) Financing for a series of asset replacements and realization of the future stability and growth potential of JPR

*Please refer to “Notice Concerning Property Sale (Conclusion of Agreement) (Preferred Equity of 3% in Meieki Nichome Kaihatsu Special Purpose Company Preferred Securities),” “Notice Concerning Cancellation of Property Acquisition (Preferred Equity of 12% and 25% in Meieki Nichome Kaihatsu Special Purpose Company Preferred Securities,” “Notice Concerning Property Sale (Strasse Ichibancho),” “Notice Concerning Property Sale (Meiji Yasuda Life Osaka Umeda Bldg.)” and “Notice Concerning Property Acquisition (Conclusion of Contract) (Olinas Tower)” announced today and “Notice Concerning Borrowings” dated June 23, 2009 for details.

3. Outlook

For changes in the operating forecast for the period ending June 2009 due to the series of measures outlined above, please refer to “Notice Concerning Revisions to Operating Forecasts for the Fiscal Period Ending June 30, 2009” announced today.

* Reference: Changes in portfolio’s diversification of property use and area

(1) Property Use

	As of December 2008	As of June 2009 (planned)
Office Properties	64.5%	68.1%
Retail Properties	35.5%	31.9%
Total	100.0%	100.0%

(2) Area

	As of December 2008	As of June 2009 (planned)
Tokyo metropolitan Area	73.2%	79.0%
Regional Area	26.8%	21.0%
Total	100.0%	100.0%

[Attachment]

Portfolio after implementing measures (1) through (4) of Section 2. above

Attachment

Portfolio after implementing measures (1) through (4) in Section 2. above as of June 30, 2009 (planned)

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	5.2%
	Office	Kanematsu Bldg. Annex	Chuo-ku, Tokyo	Dec. 2001	2,874	0.9%
	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	3.6%
	Office	Gotanda First Bldg.	Shinagawa-ku, Tokyo	Jul. 2003	2,920	0.9%
	Office	Fukuoka Bldg.	Chuo-ku, Tokyo	Oct. 2003 Apr. 2005	2,920	0.9%
	Office	JPR Ichigaya Bldg.	Chiyoda-ku, Tokyo	May 2004	5,100	1.6%
	Office	Oval Court Ohsaki Mark West	Shinagawa-ku, Tokyo	Jun. 2004	3,500	1.1%
	Office	Shinjuku Square Tower	Shinjuku-ku, Tokyo	Jul. 2004 Sep. 2008	10,180	3.2%
	Office	BYGS Shinjuku Bldg.	Shinjuku-ku, Tokyo	Nov. 2004 Apr. 2005	11,821	3.8%
	Office	Across Shinkawa Bldg. Annex	Chuo-ku, Tokyo	Nov. 2004	710	0.2%
	Office	Shinjuku Center Bldg.	Shinagawa-ku, Tokyo	Mar. 2008	21,000	6.7%
	Office	Minami Azabu Bldg.	Minato-ku, Tokyo	Jul. 2008	3,760	1.2%
	Office	Shinagawa Canal Bldg.	Minato-ku, Tokyo	Dec. 2008	1,870	0.6%
	Office	JPR Sendagaya Yonchome Bldg. (Note3)	Shibuya-ku, Tokyo	May. 2010 (planned)	15,050 (Note4)	4.8%
	Retail	JPR Shibuya Tower Records Bldg.	Shibuya-ku, Tokyo	Jun. 2003	12,000	3.8%
	Retail	JPR Daikanyama	Shibuya-ku, Tokyo	Oct. 2004	2,160	0.7%
	Retail	JPR Jingumae 432	Shibuya-ku, Tokyo	Mar. 2006	4,460	1.4%
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	45.3%

Greater Tokyo	Office	Arca East	Sumida-ku, Tokyo	Nov. 2001	5,880	1.9%
	Office	JPR Chiba Bldg.	Chiba, Chiba	Dec. 2001	2,350	0.7%
	Office	JPR Yokohama Nihon Odori Bldg.	Yokohama, Kanagawa	Nov. 2001	2,927	0.9%
	Office	Shinyokohama 2nd Center Bldg.	Yokohama, Kanagawa	Sep. 2002	920	0.3%
	Office	Kawaguchi Center Bldg.	Kawaguchi, Saitama	Feb. 2004	8,100	2.6%
	Office	JPR Ueno East Bldg.	Taito-ku, Tokyo	Mar. 2004	3,250	1.0%
	Office	Tachikawa Business Center Bldg.	Tachikawa, Tokyo	Sep. 2005 Feb. 2007	3,188	1.0%
	Office	Rise Arena Bldg.	Toshima-ku, Tokyo	Mar. 2007	5,831	1.9%
	Office	Yume-ooka Office Tower	Yokohama, Kanagawa	Jul. 2007	6,510	2.1%
	Office	Olinas Tower	Sumida-ku, Tokyo	June. 2009 (planned)	31,300	10.0%
	Retail	Tanashi ASTA	Nishitokyo, Tokyo	Nov. 2001	10,200	3.2%
	Retail	The Cupo-la Main Bldg.	Kawaguchi, Saitama	Mar. 2006	2,100	0.7%
	Retail	JPR Musashikosugi Bldg.	Kawasaki, Kanagawa	Sep. 2006	7,260	2.3%
	Retail	Musashiurawa Shopping Square	Saitama, Saitama	Mar. 2007	4,335	1.4%
	Retail	Kawasaki Dice Bldg.	Kawasaki, Kanagawa	Apr. 2007	15,080	4.8%
	Subtotal					109,231
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			
	Office	Tokyo Tatemono Honmachi Bldg.	Osaka, Osaka	Nov. 2001	4,150	1.3%
	Office	JPR Hakata Bldg.	Fukuoka, Fukuoka	Nov. 2001	2,900	0.9%
	Office	JPR Naha Bldg.	Naha, Okinawa	Nov. 2001	1,560	0.5%
	Office	Sompo Japan Sendai Bldg.	Sendai, Miyagi	Jun. 2002	3,150	1.0%
	Office	Sompo Japan Wakayama Bldg.	Wakayama, Wakayama	Jun. 2002	1,670	0.5%
	Office	Tenjin 121 Bldg.	Fukuoka, Fukuoka	Jun. 2002	2,810	0.9%
	Office	JPR Nagoya Sakae Bldg.	Nagoya, Aichi	Sep. 2003	4,550	1.4%
	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	1.3%
	Office	Meieki Nichome Kaihatsu Tokutei Mokuteki Kaisha Preferred Securities (Note6) (Note7)	Nagoya, Aichi		(Note8)	
	Retail	JPR Umeda Loft Bldg.	Osaka, Osaka	May 2003 Jul. 2003	13,000	4.1%
	Retail	Strasse Ichibancho	Sendai, Miyagi			
	Retail	Benetton Shinsaibashi Bldg.	Osaka, Osaka	May 2005	5,430	1.7%
	Retail	Housing Design Center Kobe	Kobe, Hyogo	Sep. 2005	7,220	2.3%
Retail	JPR Chayamachi Bldg.	Osaka, Osaka	Aug. 2006	6,000	1.9%	
Subtotal					62,777	20.0%
Total					314,469	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 Sendagaya Yonchome Building (tentative name) to JPR Sendagaya Building on May 2009.

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

(Note 4) 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.