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Notice Concerning Operating Forecasts for the Fiscal Period Ending December 31, 2016

Japan Prime Realty Investment Corporation (JPR) today announced its operating forecasts for the fiscal period ending December 31, 2016 (July 1, 2016 – December 31, 2016), as detailed below.

Details

1. Operating Forecasts for the Fiscal Period Ending December 31, 2016 (July 1, 2016 – December 31, 2016)

	Operating Revenues (millions of yen)	Operating Income (millions of yen)	Ordinary Income (millions of yen)	Net Income (millions of yen)	Distribution per Unit (excluding exceeding profit distribution per unit) (yen)	Exceeding Profit Distribution per Unit (yen)
Fiscal Period Ending December 2016	15,015	7,045	6,024	6,023	6,900	—

Notes:

- Forecast units outstanding as of December 31, 2016: 873,000 units
- The forecast figures in the above table are calculated based on the “Assumptions for the 30th Fiscal Period Forecast (July 1, 2016 to December 31, 2016)” in the Attachment. Accordingly, actual operating revenues, operating income, ordinary income, net income and distribution per unit may fluctuate due to additional acquisition or sale of specified assets, changes in the operating environment and other factors occurring in the future. Moreover, these forecasts should not be construed as a guarantee of the amount of distribution per unit.
- Figures of less than one unit have been rounded down.

Attachment
Assumptions for the 30th Fiscal Period Forecast (July 1, 2016 to December 31, 2016)

	Assumptions
Period	Fiscal period ending December 31, 2016 (30th fiscal period): July 1, 2016 to December 31, 2016 (investment period: 184 days)
Property Portfolio	<ul style="list-style-type: none"> • The number of properties is assumed to be 61 properties, or the 62 properties held by JPR as of the end of the 29th fiscal period less one property that JPR expects to sell. Furthermore, the assumed period-average occupancy rate at end of month is 97.8% for the 30th fiscal period. • Although no decision on the sale has been made as of today, it is assumed that the above-mentioned property JPR expects to sell will be sold during the 30th fiscal period. As such, part of the rental revenues and rental expenses of the property has been excluded from the forecast. • In practice, these assumptions may vary due to such events as the acquisition of additional properties or the sale of existing properties other than the above-mentioned property.
Operating Revenues	<ul style="list-style-type: none"> • Real estate rental revenues are calculated on the basis of the lease contracts effective as of the end of the 29th fiscal period, with consideration given to the market environment, competitiveness of the properties, status of negotiations with tenants and other factors. • For operating revenues, JPR assumes that rents will be paid on time and that no tenants will fail or decline to pay rents. • JPR assumes 622 million yen for cancellation charges received and income equivalent to expenses for restoration in accordance with contract cancellation by tenants.
Operating Expenses	<ul style="list-style-type: none"> • Among rental expenses, which are the principal operating expenses, outsourcing expenses and other expenses excluding depreciation are calculated based on historical data, reflecting variable factors of expenses and considering the information as of the end of the 29th fiscal period. Outsourcing expenses are assumed to be 547 million yen for the 30th fiscal period. • For property taxes and city planning taxes, the amount attributed to the relevant fiscal period has been calculated out of the levied tax amount, and is assumed to be 2,056 million yen for the 30th fiscal period. In general practice, the property taxes and city planning taxes levied on properties acquired are settled after prorating for the period with the previous owner at the time of acquisition, but JPR includes the amount equivalent to such settlement in the acquisition costs for the property. • For expenditures for the repair and maintenance of buildings, the amount expected to be required in the relevant fiscal period has been recorded. However, the expenditures for repair and maintenance for the fiscal period could differ significantly from the estimated amount, as expenditures may arise due to damage to the building caused by unexpected factors, etc., and because the variance in amounts generally tends to grow from year to year and repair expenses do not arise regularly. • Depreciation is calculated using the straight line method, including incidental expenses and additional future capital expenditures, and is assumed to be 1,888 million yen for the 30th fiscal period. • Although no decision on the sale has been made as of today, JPR assumes accrual of 349 million yen as loss on sale of real estate from the sale of a property it owns. The actual amount may vary depending on success or failure in closing the deal, sale price and delivery date and other conditions.
Non-Operating Expenses	<ul style="list-style-type: none"> • As for major non-operating expenses, JPR assumes 1,016 million yen for the 30th fiscal period for interest paid, fees related to loan agreement, interest expenses on investment corporation bonds and amortization of investment corporation bond issuance costs etc.

<p>Interest-Bearing Debt</p>	<ul style="list-style-type: none"> • The ratio of interest-bearing debt to total assets as of the end of the 29th fiscal period is projected to be 42.1%, with interest-bearing debt of 176,126 million yen (comprised of 134,626 million yen in long-term debt and 41,500 million yen in investment corporation bonds). • It is assumed that all borrowings whose repayment dates will arrive during the 30th fiscal period will be refinanced, except for scheduled repayment of 166 million yen. • It is assumed that funds for redemption of investment corporation bonds whose redemption dates will arrive during the 30th fiscal period will be secured through debt and issuance of investment corporation bonds. • Due to the above, the ratio of interest-bearing debt to total assets is expected to be 42.1% at the end of the 30th fiscal period. • The following formula is used in calculating the ratio of interest-bearing debt to total assets in this table. $\text{Ratio of interest-bearing debt to total assets} = \frac{\text{Expected total interest-bearing debt}}{\text{Expected total assets}} \times 100$
<p>Total Units Outstanding</p>	<ul style="list-style-type: none"> • The total number of investment units issued and outstanding is 873,000 units as of the end of the 29th fiscal period, and it is assumed that no additional investment units will be issued.
<p>Distribution per Unit (Excluding Exceeding Profit Distribution Per Unit)</p>	<ul style="list-style-type: none"> • As for distribution per unit, it is assumed that all revenues will be distributed based on the distribution methods provided in the Articles of Incorporation of JPR. • There is the possibility that the distribution per unit may vary due to various factors including variation of rental revenue due to transfer of assets under management and tenants moving out, and unpredicted repairs and maintenance.
<p>Exceeding Profit Distribution Per Unit</p>	<ul style="list-style-type: none"> • Distribution exceeding the profit (exceeding profit distribution per unit) is currently not assumed.
<p>Others</p>	<ul style="list-style-type: none"> • It is assumed that there will be no changes in legislation, taxation, accounting standards, regulations applying to publicly listed companies, rules and requirements imposed by the Investment Trusts Association, Japan etc. that will impact the aforementioned forecasts. • It is also assumed that there will be no unexpected material changes in general economic and real estate market conditions.