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Japan Prime Realty Investment Corporation
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(Securities Code: 8955)

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Notice Concerning Property Acquisition (Conclusion of Contract) **“Shinagawa Canal Bldg. (additional ownership)”**

Japan Prime Realty Investment Corporation (JPR) announced that Tokyo Realty Investment Management, Inc., the asset management company to which JPR entrusts management of its assets, today decided to implement acquisition of a property, as described below.

Details

1. Details of the Acquisition

(1)	Property Name	Shinagawa Canal Bldg. (additional ownership interest: 4.6%)
(2)	Asset Type	Real estate
(3)	Asset Class	Office
(4)	Planned Acquisition Price	171 million yen
(5)	Appraisal Value	182 million yen (as of January 15, 2019)
(6)	NOI Yield	4.9%
(7)	NOI Yield after Depreciation	3.8%
(8)	Contract Date	February 14, 2019
(9)	Planned Acquisition Date	March 8, 2019
(10)	Seller	JA Zen-Noh Meat Foods Co., Ltd.
(11)	Funding	Cash on hand
(12)	Payment Method	Lump-sum payment at the time of delivery

(Note 1) “Planned Acquisition Price” excludes acquisition costs, property taxes, city planning taxes and consumption taxes.

(Note 2) For the formula used to calculate “NOI Yield” and “NOI Yield after Depreciation,” please refer to “9. Estimated Cash Flows” below.

2. Reason for Acquisition

The additional acquisition will be conducted under the operational and investment standards established in the operational guidelines of JPR for the purpose of upgrading and expanding the portfolio in central Tokyo.

The property is located in the east exit area of Shinagawa Station where further development can be expected as the starting station for the Chuo Shinkansen Project using Superconducting Maglev System. It is an office building jointly developed by Tokyo Tatemono Co., Ltd., one of the sponsors, and JA Zen-Noh Meat Foods Co., Ltd. in 2008. JPR already owns ownership interest of 45.6% in the property (for the 5th to 7th floors) and holds the preferential purchasing right over other unit ownership holders. By acquiring additional interest equivalent to 4.6% (for the 8th floor), JPR will have the majority of ownership interest (50.2%) in the property. As such, it is anticipated that the asset value will be further improved and the management and operation efficiency will be enhanced going forward.

Ownership Interest in the Property

Floor 8 (entire floor)	Portion to be acquired:	4.6%	} Total ownership interest of JPR after the acquisition: 50.2%
Floors 5-7	Portion already owned by JPR:	45.6%	
Floors 1-4	Portion owned by other right holders:	49.8%	

3. Details of Property for Acquisition

(1) Property Name, Location, etc.	
Property Name	Shinagawa Canal Bldg. (additional ownership interest: 4.6%)
Location	33-12-2 Konan, Minato-ku, Tokyo
Asset Type	Real estate
(2) Land, Building	
Asset Class	Office
Type of Structure	S with flat roof B1/8F
Type of Ownership	Land: Ownership (ownership interest: 4.6%) Building: Unit ownership (8th floor)
Site Area	Land: Total Site Area: 828.82 m ² (exclusive area) Building: Gross Floor Area: 5,216.21 m ² (entire building)
Completion Date	July 31, 2008 (10 years since completion)
Architecture and Design/Construction	Shimizu Corporation / Shimizu Corporation
Probable Maximum Loss (PML)	5.3% (Sompo Risk Management Inc.)
(3) Price, etc.	
Planned Acquisition Price	171 million yen
Appraisal Value (Appraisal Date)	182 million yen (as of January 15, 2019)
Appraiser	Japan Real Estate Institute
Collateral	None
(4) Status of Leasing	
Number of Tenants	—
Rent Revenue, common charges (Annual)	— million yen

Lease and Guarantee Deposits	— million yen
Total Leasable Floor Space / Total Leased Floor Space	— m ² / — m ²
Occupancy Rate	— %
⑤ Remarks	Each of the other co-owners shall have a preferential purchasing right for the interest, such as discussing in advance with other co-owners ahead of any third party.

(Note 1) All amounts less than one million yen are rounded down. Ownership interest and site area are rounded to the second decimal place and other ratios are rounded to the first decimal place.

(Note 2) The descriptions for “Asset Class,” “Type of Structure” and “Completion Date” are as indicated in the registry.

(Note 3) “Total Site Area” represents the overall area of the property as indicated in the registry. The registered area the portion equivalent to the ownership interest JPR plans to acquire is 37.74 m².

(Note 4) “Gross Floor Area” represents the overall floor space of the property as indicated in the registry. The registered floor space of the 8th floor of which JPR plans to acquire is 166.66 m².

(Note 5) There are no relevant items for “Rent Revenue / Common Charges (Annual),” “Lease and Guarantee Deposits,” “Total Leased Floor Space” and “Occupancy Rate,” as the relevant section is used by JA Zen-Noh Meat Foods Co., Ltd., the seller, on its own as of the contract date.

Furthermore, after acquiring the property, JPR plans to solicit lessees and lease the section to third parties other than the seller. In that case, “Total Leaseable Floor Space” will be 169.93 m².

4. Seller Profile

Company Name	JA Zen-Noh Meat Foods Co., Ltd.
Head Office Address	2-12-33 Konan, Minato-ku, Tokyo
Representative	Takehiro Fukuda, President and Representative Director
Paid-in Capital	2,880 million yen (as of December 31, 2018)
Principle Activities	1. Sale of agricultural and livestock products and processed goods. 2. Processing of meat and manufacturing of processed meat products
Establishment	June 1, 2006
Net Assets	Undisclosed as the consent of the seller was not obtained.
Total Assets	Undisclosed as the consent of the seller was not obtained.
Major Shareholders and Ratio of Shareholding	Undisclosed as the consent of the seller was not obtained.
Relationship with JPR and Asset Management Company	
Capital Relationship	JPR and/or TRIM have no capital relationships to be indicated with the concerned party.
Personnel Relationship	JPR and/or TRIM have no personnel relationships to be indicated with the concerned party.
Business Relationship	JPR and/or TRIM have no business relationships to be indicated with the concerned party.
Related Part or Not	The concerned company does not fall within the definition of a related party of JPR and the asset management company.
Other	The concerned company does not fall within the scope of either the “related parties” as defined in the Order for the Act on Investment Trusts and Investment Corporations or an “interested party” as stipulated in the rules and regulations prescribed by JPR’s Board of Directors.

5. Profile of Previous Owners

The description of the seller is omitted as it has no special interest in JPR and TRIM.

6. Sales Agent

(1) Brokerage Company: Tokyo Tatemono Real Estate Sales Co., Ltd.

Company Name	Tokyo Tatemono Real Estate Sales Co., Ltd.
Head Office Address	4-16 Yaesu 1-chome, Chuo-ku, Tokyo
Representative	Masami Kamo, President and Representative Director

Paid-in Capital	4,321 million yen (as of December 31, 2018)
Principle Activities	Real estate business
Establishment	January 25, 1954
Relationship with JPR and Asset Management Company	
Capital Relationship	JPR and/or TRIM have no capital relationships to be indicated with the concerned party.
Personnel Relationship	JPR and/or TRIM have no personnel relationships to be indicated with the concerned party.
Business Relationship	For the fiscal period ended December 31, 2018, there were no transactions related to consigned brokerage between the concerned company and JPR and/or the asset management company other than the subject transactions.
Related Party or Not	The concerned company does not fall within the definition of a related party of JPR. Tokyo Tatemono Co., Ltd., a shareholder of TRIM, has equity interest in the concerned company and the concerned company falls within the definition of a related party of the asset management company.
Other	Tokyo Tatemono Co., Ltd., a shareholder of TRIM, has equity interest in the concerned company and the concerned company falls within the scope of an “interest party” as stipulated in the rules and regulations prescribed by JPR’s Board of Directors and “interest parties, etc.” defined in the Order for the Enforcement of the Act on Investment Trusts and Investment Corporations. Accordingly, JPR’s Board of Directors has provided its authorization before entering into an agreement with the concerned party.

(2) Brokerage fee

The brokerage fee to be paid to the above-indicated sales agent is scheduled to be 5 million yen (excluding consumption tax, etc.) in total.

7. Property Management Company

Company Name	Tokyo Tatemono Co., Ltd.
Head Office Address	9-9 Yaesu 1-chome, Chuo-ku, Tokyo
Representative	Hitoshi Nomura, President and Representative Director
Paid-in Capital	92,451 million yen (as of December 31, 2018)
Principal Activities	Real estate business
Establishment	October 1, 1896
Consolidated Net Assets	356,578 million yen (as of December 31, 2018)
Consolidated Total Assets	1,451,584 million yen (as of December 31, 2018)
Major Shareholders and Shareholding Ratios (as of June 30, 2018)	The Master Trust Bank of Japan, Ltd. (Trust Account): 8.91% Japan Trustee Services Bank, Ltd. (Trust Account): 5.32% State Street Bank and Trust Company: 2.75% Sompo Japan Nipponkoa Insurance Inc.: 2.42%
Relationship with JPR and the Asset Management Company	
Capital Relationship	As of the fiscal period ended December 31, 2018, Tokyo Tatemono Co., Ltd. owns investment units of JPR equivalent to 3.17% of the investment units issued and outstanding. In addition, the concerned company owns 52% of the shares issued and outstanding of TRIM
Personal Relationship	As of the fiscal period ended December 31, 2018, 11 of the officers and employees of TRIM (excluding part-time directors) are those seconded from the concerned company.
Business Relationship	Other than the subject transactions, there have been no transactions regarding asset acquisition or sale between the concerned company and JPR and/or TRIM as of the fiscal period ended December 31, 2018.

Related Party or Not	The concerned company does not fall within the definition of a related party of JPR. The concerned company is another interested party of TRIM and falls within the definition of a related party of TRIM.
Other	The concerned company falls within the scope of interested parties as defined in the rules of JPR's Board of Directors as well as of related parties as defined in the Enforcement Order for the Act on Investment Trusts and Investment Corporations. Accordingly, JPR's Board of Directors has provided its authorization before entering into an agreement with the concerned company.

8. Outlook

As for the operating forecasts for fiscal period ending June 30, 2019 and fiscal period ending December 31, 2019, please refer to the "Financial Report for the 34th Fiscal Period Results (July 1, 2018 - December 31, 2018)" separately announced today.

9. Estimated Cash Flows

(1) Operating Revenues	¥12 million
(2) Operating Expenses (excluding depreciation)	¥4 million
(3) NOI ((1) - (2))	¥8 million
(4) NOI Yield ((3) / planned acquisition price)	4.9%
(5) Depreciation	¥1 million
(6) Profits ((3) - (5))	¥6 million
(7) NOI Yield after Depreciation ((6) / planned acquisition price)	3.8%
(8) Occupancy Rate	96.0%

(Note 1) The above figures represent the average annual values for the 10-year period after the property becomes stably operated through leasing.

(Note 2) "Operating Revenue" is calculated based on the assumed "Occupancy Rate."

(Note 3) Tax and public dues included in "Operating Expenses" are valued based on standard taxable values for Fiscal 2018.

(Note 4) "Depreciation" is an approximate calculation based on present conditions.

10. Overview of Appraisal Report

Property Name	Shinagawa Canal Bldg. (additional ownership)
Appraisal Value	¥182 million
Appraiser	Japan Real Estate Institute
Appraisal Date	January 15, 2019
Types of Value	Fair value

Item	Amount (thousand yen)	General Outline
Appraisal Value by Capitalization Method	¥182,000	Adjusted using the values of the direct capitalization method and DCF method.
Appraisal Value by Direct Capitalization Method	¥182,000	Valued by capitalizing net cash flow using the capitalization rate.

Operating Revenue	¥12,490	Valued by deducting loss from vacancies from potential gross cash flow.
	Potential Gross Cash Flow	¥13,006
Loss from Vacancies	¥516	Recorded loss from vacancies by estimating the occupancy rate level that will be stable over the medium to long term, based on the state of occupancy of similar properties, supply and demand trends and the past state of occupancy and future trends of the target property.
Operating Expenses	¥3,987	Total of the following 7 items.
Maintenance Expenses and Property Management Fee	¥1,489	Valued based on the maintenance expenses levels and compensation rates, etc. of similar properties, with reference to the compensation rates, etc. under the terms and conditions of the planned contract.
Utilities Expenses	¥900	Valued based on actual amounts, etc.
Repairs and Maintenance	¥162	Valued based on future operation plans, expense levels of similar properties and engineering reports, etc.
Tenant Solicitation Expenses	¥76	Recorded the annual average amount estimated on the basis of the assumed rollover period of tenants.
Tax and Public Dues	¥1,335	Recorded based on the materials related to tax and public dues.
Insurance Premium	¥25	Valued with reference to the estimated insurance premium and the insurance premium rates, etc. of similar properties.
Other Expenses	¥0	None.
Net Operating Income	¥8,503	Calculated by deducting operating expenses from operating revenue.
Profit through Management of Temporary Deposits, Etc.	¥93	Valued by multiplying the amount, which is obtained by taking into account the number of months for temporary deposits in new leases and the state of occupancy, by the management yield (1.0%).
Capital Expenditure	¥390	Valued by taking into account the building age, annual average amount of replacement expenses in engineering reports and other factors.
Net Cash Flow	¥8,206	Valued by adding and subtracting profit through management of temporary deposits, etc. and capital expenditures to and from net operating income.
Capitalization Rate	4.5%	Valued by taking into account the location, building and terms and conditions of the contracts, etc.
Appraisal Value through Discounted Cash Flow (DCF) Method	¥181,000	
Discount Rate	3.8%	Valued by comprehensively taking into account the individuality, etc. of the target property, with reference to the investment returns in transactions of similar properties.
Terminal Capitalization Rate	4.3%	Valued by taking into account the deterioration of building from aging, uncertainty in the leasing market trends and a decrease in liquidity, etc.
Appraisal Value by Cost Method	¥183,000	
Land Ratio	73.5%	Indicated the ratio to the combined value of the land and building by percentage, rounded to the first decimal place.
Building Ratio	26.5%	Indicated the ratio to the combined value of the land and building by percentage, rounded to the first decimal place.
Other Items Considered upon Appraisal	None in particular	

<Attachment>

【Reference 1】 Photograph of Shinagawa Canal Bldg.

【Reference 2】 Location map

【Reference 3】 Real estate portfolio after the acquisition of the property

【Reference 1】 Photograph of Shinagawa Canal Bldg.



【Reference 2】 Location map



【Reference 3】 Real estate portfolio after the acquisition of the property

Asset	Type	Property No.	Property Name	(Planned) Acquisition Price (yen in millions)	% Investment Ratio	Investment Ratio by Area		
Tokyo CBDs	Office	A-1	Kanematsu Bldg.	16,276	3.7%	56.3%		
		A-2	Kanematsu Bldg. Annex	2,874	0.7%			
		A-3	JPR Ningyo-cho Bldg.	2,100	0.5%			
		A-4	Shin-Kojimachi Bldg.	2,420	0.6%			
		A-5	JPR Crest Takebashi Bldg.	4,000	0.9%			
		A-6	MS Shibaura Bldg.	11,200	2.6%			
		A-7	Gotanda First Bldg.	2,920	0.7%			
		A-9	JPR Ichigaya Bldg.	5,100	1.2%			
		A-10	Oval Court Ohsaki Mark West	3,500	0.8%			
		A-11	Shinjuku Square Tower	14,966	3.4%			
		A-12	BYGS Shinjuku Bldg.	15,121	3.5%			
		A-13	Across Shinkawa Bldg. Annex	710	0.2%			
		A-14	Shinjuku Center Bldg.	21,000	4.8%			
		A-15	Minami Azabu Bldg.	3,760	0.9%			
		A-16	Shinagawa Canal Bldg.	2,041	0.5%			
		A-17	Rokubancho Bldg.	2,800	0.6%			
		A-18	JPR Harajuku Bldg.	8,400	1.9%			
		A-19	Tokyo Tatemono Kyobashi Bldg.	5,250	1.2%			
		A-20	JPR Nihonbashi Horidome Bldg.	5,100	1.2%			
		A-21	JPR Sendagaya Bldg.	15,050	3.5%			
		A-22	GINZA Sanawa Bldg.	3,400	0.8%			
		A-23	The Otemachi Tower (land with leasehold interest)	36,000	8.3%			
		A-24	Science Plaza · Yonbancho Plaza	2,660	0.6%			
		A-25	Shibadaimon Center Building	4,220	1.0%			
		A-26	Tokyo Square Garden	18,400	4.2%			
		Tokyo CBDs	Retail	A-1	JPR Shibuya Tower Records Bldg.		12,000	2.8%
A-3	JPR Jingumae 432			4,275	1.0%			
A-4	Shinjuku Sanhome East Bldg.			2,740	0.6%			
A-5	Yurakucho Ekimae Building (Yurakucho Itocia)			3,400	0.8%			
A-6	JPR Ginza Namiki-dori Building			10,100	2.3%			
A-7	FUNDES Suidobashi			3,250	0.7%			
Greater Tokyo	Office			B-1	Arca East	5,880	1.4%	28.2%
		B-2	JPR Chiba Bldg.	2,350	0.5%			
		B-3	JPR Yokohama Nihon Odori Bldg.	2,927	0.7%			
		B-5	Shinyokohama 2nd Center Bldg.	1,490	0.3%			
		B-6	Kawaguchi Center Bldg.	8,100	1.9%			
		B-7	JPR Ueno East Bldg.	3,250	0.7%			
		B-8	Tachikawa Business Center Bldg.	3,188	0.7%			
		B-9	Rise Arena Bldg.	5,831	1.3%			
		B-10	Yume-ooka Office Tower	6,510	1.5%			
		B-11	Olinas Tower	31,300	7.2%			
		B-12	Tokyo Tatemono Yokohama Building	7,000	1.6%			
		B-13	Omiya Prime East	6,090	1.4%			
		Greater Tokyo	Retail	B-1	Tanashi ASTA	10,200	2.3%	
	B-3			The Cupo-la Main Bldg.	2,100	0.5%		
	B-4			JPR Musashikosugi Bldg.	7,254	1.7%		
	B-5			Musashiurawa Shopping Square	4,335	1.0%		
	B-6			Kawasaki Dice Bldg.	15,080	3.5%		
	Other Cities			Office	C-1	Niigata Ekinan Center Bldg.	2,140	
		C-4	Tokyo Tatemono Honmachi Bldg.		4,150	1.0%		
C-7		JPR Hakata Bldg.	2,900		0.7%			
C-9		JPR Naha Bldg.	1,560		0.4%			
C-12		Sompo Japan Sendai Bldg.	3,150		0.7%			
C-13		Sompo Japan Wakayama Bldg.	1,670		0.4%			
C-14		Tenjin 121 Bldg.	2,810		0.6%			
C-17		JPR Dojima Bldg.	2,140		0.5%			
C-19		JPR Nagoya Fushimi Bldg.	4,137		1.0%			
C-20		Yakuin Business Garden	10,996		2.5%			
C-21		JPR Shinsaibashi Bldg.	5,430		1.2%			
Other Cities		Retail	C-1	JPR Umeda Loft Bldg.	13,000	3.0%	15.5%	
			C-4	Housing Design Center Kobe	7,220	1.7%		
			C-5	JPR Chayamachi Bldg.	6,000	1.4%		
Total				435,221	100.0%			

(Note 1) The “(Planned) Acquisition Price” does not include acquisition costs.

(Note 2) The “(Planned) Acquisition Price” is rounded down to the nearest million yen and percentages are rounded to the first decimal place.