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For Translation Purposes Only

For Immediate Release

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Notice Concerning Revisions to Internal Rules (JPR Asset Management Guidelines) at Asset Management Company

Japan Prime Realty Investment Corporation (JPR) is scheduled to submit for approval partial amendments to the Articles of Incorporation (the “Proposal”) to the General Meeting of Unitholders of JPR scheduled on September 5, 2019, to add hotel (urban accommodation facilities) to its investment target. JPR announces that Tokyo Realty Investment Management Inc. (TRIM), a registered asset management company retained by JPR to provide asset management services, decided to revise the JPR Asset Management Guidelines, which is its internal rule, at its Board of Directors’ meeting held today (the “Revisions”). For details of the Proposal, please refer to “Notice Concerning Partial Amendments to the Articles of Incorporation and Appointment of Board of Directors” dated today.

Details

1. Purpose and Overview of Revisions

(1) Purpose of Revisions

With the fundamental concept of “investment in urban commercial real estate,” JPR strategically built a portfolio by setting superior office buildings (urban commercial facilities) and retail properties found in thriving commercial areas (urban retail properties) as its investment targets. Office building, which is a major asset of JPR, complements revenue stability in combination with retail properties for part of the portfolio as the rent and operational status change according to the corporate performance and real estate leasing market condition.

While a significant change in the business environment surrounding retail properties including the expansion of the e-commerce market and progress in the declining birthrate and aging of the population has been seen in recent years, “urban retail properties found in thriving commercial areas,” an investment target of JPR, remain favorable with the combination of their inherent ability to attract customers and demand for inbound tourism in a stable manner due to the increase in the number of foreign visitors to Japan. Therefore, the degree of attention that should be paid to urban retail properties as a target of real estate investment is further increasing, and acquisition at a fair price is difficult.

On the other hand, the number of foreign visitors to Japan is expected to further increase due to the policy of promoting Japan as a Tourism-Oriented Country including the holding of the 2020 Tokyo Olympic Games and Expo 2025 Osaka, and demand for hotels is expected to further expand in the



future.

In particular, we believe that hotels located in thriving commercial areas in central Tokyo and core regional cities are an appropriate investment target as assets complementing revenue stability since they are highly competitive and are able to secure demand in a stable manner.

TRIM decided to revise the Articles of Incorporation and the JPR Asset Management Guidelines, judging that the addition of hotels (urban accommodation facilities) to the investment target of JPR complies with the management policy of JPR intending to stabilize revenue with its office and retail portfolio and will lead to the sustainable growth of JPR and enhancement of unitholder value with the increase in acquisition opportunities.

Moreover, with regard to actual acquisition of individual properties, JPR intends to secure stability of revenue and reduce risks by concluding a lease agreement based principally on long-term fixed rent with an outside specialty company with a track record and capability in hotel operation. In addition, there will be no change in JPR's investment stance to place importance on office buildings in Tokyo even after the Revisions, and JPR will promote sustainable growth of unitholder value by continuing to make selective investments going forward.

(2) Overview of Revisions

	Before revisions		After revisions
Basic policy on investment	Investment in urban commercial real estate		[No change]
Asset class of investment target	Office buildings (urban commercial facilities)		[No change]
	Retail properties		<u>Urban retail properties, etc.</u> Retail properties (<u>urban retail properties</u>) <u>Hotels (urban accommodation facilities)</u>
Portfolio management standards			
By asset class	Office buildings	70-90%	[No change]
	Retail properties	10-30%	<u>Urban retail properties, etc.</u> 10-30% Retail properties (<u>urban retail properties</u>) <u>Hotels (urban accommodation facilities)</u>
By location	Tokyo	80-90%	[No change]
	Other cities	10-20%	[No change]

2. Major Revisions

(1) Basic policy

Before revisions	After revisions
With the fundamental concept of “investment in urban commercial real estate,” the Investment Corporation shall invest primarily in real estate, which comprises superior urban office buildings	With the fundamental concept of “investment in urban commercial real estate,” the Investment Corporation shall invest primarily in real estate, which comprises superior urban office buildings



<p>(urban commercial facilities), retail properties located in thriving commercial <u>areas</u>, multi-use facilities (among facilities having multiple use, those primarily used for superior office buildings (urban commercial facilities) and those primarily used for retail properties and located in thriving commercial <u>areas</u>) and the land on which they are located as well as in asset-backed securities that have such real estate as their primary investments. In addition, in light of the returns and risks of these investment targets, the Investment Corporation shall make it a basic policy to invest not only in Tokyo but attempt to diversify into other regional cities so as to maximize the advantages of portfolio management. Moreover, the Investment Corporation shall diversify investments in terms of both tenants and properties, taking into account the amount of investment per property, and shall thereby seek to achieve stable medium- and long-term growth. The investment ratios for respective categories shall be as provided in 3. Portfolio Management Standards as target figures for the foreseeable future. Furthermore, of the multi-use facilities, those primarily used for superior office buildings (urban commercial facilities) shall be deemed as office buildings and those primarily used for retail properties and located in thriving commercial <u>areas</u> shall be deemed as retail properties, and the following standards shall be applied to them respectively.</p>	<p>(urban commercial facilities), retail properties (<u>urban retail properties</u>) located in thriving commercial <u>areas</u>, <u>hotels (urban accommodation facilities) (urban retail properties and urban accommodation facilities referred together as “urban retail properties, etc.”; the same shall apply hereafter)</u>, <u>urban</u> multi-use facilities (among facilities having multiple use, those primarily used for superior office buildings (urban commercial facilities) and those primarily used for <u>urban</u> retail properties, <u>etc.</u> and located in thriving commercial <u>areas</u>) and the land on which they are located as well as in asset-backed securities that have such real estate as their primary investments. In addition, in light of the returns and risks of these investment targets, the Investment Corporation shall make it a basic policy to invest not only in Tokyo but attempt to diversify into other regional cities so as to maximize the advantages of portfolio management. Moreover, the Investment Corporation shall diversify investments in terms of both tenants and properties, taking into account the amount of investment per property, and shall thereby seek to achieve stable medium- and long-term growth. The investment ratios for respective categories shall be as provided in 3. Portfolio Management Standards as target figures for the foreseeable future. Furthermore, of the <u>urban</u> multi-use facilities, those primarily used for superior office buildings (urban commercial facilities) shall be deemed as office buildings and those primarily used for retail properties (<u>urban retail properties</u>) and <u>hotels (urban accommodation facilities)</u> and located in thriving commercial <u>areas</u> shall be deemed as <u>urban</u> retail properties, <u>etc.</u>, and the following standards shall be applied to them respectively.</p>
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(2) Portfolio management standards

① Asset class (allocation ratio between office buildings and urban retail properties, etc.)

Before revisions	After revisions
<p>(Target level) As the allocation ratio between office buildings and retail properties, office buildings will be approximately from 70% to 90% and retail properties will be approximately from 10% to 30%</p>	<p>(Target level) As the allocation ratio between office buildings and <u>urban</u> retail properties, <u>etc.</u>, office buildings will be approximately from 70% to 90% and <u>urban</u> retail properties, <u>etc.</u> will be approximately from 10% to</p>



<p>of the managed portfolio, based on acquisition price. (Reason) The Company shall build a portfolio consisting mainly of office buildings with high revenue stability and incorporate some retail properties in which a relatively high profitability can be expected. However, the allocation ratio of retail properties shall remain at a low level. Moreover, upon the selection of the business type of retail properties, decisions shall be made after careful survey and analysis on the economic and corporate environment surrounding the said retail properties while eyeing the diversifying consumer trend.</p>	<p>30% of the managed portfolio, based on acquisition price. (Reason) The Company shall build a portfolio consisting mainly of office buildings with high revenue stability and incorporate some <u>urban</u> retail properties, <u>etc.</u> in which a relatively high profitability can be expected. However, the allocation ratio of <u>urban</u> retail properties, <u>etc.</u> shall remain at a low level. Moreover, upon the selection of the business type of retail properties <u>among urban retail properties, etc.</u>, decisions shall be made after careful survey and analysis on the economic and corporate environment surrounding the said retail properties while eyeing the diversifying consumer trend.</p>
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②Location (allocation ratio between Tokyo and other cities)

Before revisions	After revisions						
<p>(Target level) As the allocation ratio between Tokyo (referred together as “Central Tokyo” and “Greater Tokyo” as defined below) and other cities, Tokyo will be approximately from 80% to 90% and other cities will be approximately from 10% to 20% of the managed portfolio, based on acquisition price. However, classification by asset class will not be conducted. The definition of area category is as shown in the table below.</p> <table border="1" data-bbox="339 1442 823 1727"> <tr> <td data-bbox="339 1442 531 1565">Central Tokyo</td> <td data-bbox="531 1442 823 1565">Chiyoda, Chuo, Minato, Shinjuku, Shinagawa and Shibuya Wards</td> </tr> <tr> <td data-bbox="339 1565 531 1688">Greater Tokyo</td> <td data-bbox="531 1565 823 1688">All other areas of Tokyo, and Chiba, Kanagawa and Saitama Prefectures</td> </tr> <tr> <td data-bbox="339 1688 531 1727">Other Cities</td> <td data-bbox="531 1688 823 1727">Other regions</td> </tr> </table> <p>(Reason) The Company will build a portfolio consisting mainly of real estate located in “Tokyo” with high revenue stability and incorporate some real estate located in “Other cities” in which relatively high profitability can be expected in general.</p>	Central Tokyo	Chiyoda, Chuo, Minato, Shinjuku, Shinagawa and Shibuya Wards	Greater Tokyo	All other areas of Tokyo, and Chiba, Kanagawa and Saitama Prefectures	Other Cities	Other regions	<p>(No change)</p>
Central Tokyo	Chiyoda, Chuo, Minato, Shinjuku, Shinagawa and Shibuya Wards						
Greater Tokyo	All other areas of Tokyo, and Chiba, Kanagawa and Saitama Prefectures						
Other Cities	Other regions						

(3) Investment standards

① Location

Before revisions		After revisions	
Three metropolitan areas	Core business districts in Tokyo as well as the cities of Yokohama, Kawasaki, Chiba, Saitama, Nagoya, Osaka, Kyoto and Kobe	Three metropolitan areas	Core business districts in Tokyo as well as the cities of Yokohama, Kawasaki, Chiba, Saitama, Nagoya, Osaka, Kyoto and Kobe
Ordinance-designated cities other than the three metropolitan areas	Core business districts in ordinance-designated cities including the cities of Sapporo, Sendai, Hiroshima, Fukuoka and Kitakyushu.	Ordinance-designated cities other than the three metropolitan areas	Core business districts in ordinance-designated cities including the cities of Sapporo, Sendai, Hiroshima, Fukuoka and Kitakyushu.
Other	Core cities including prefectural capitals with a population of 300,000 people or more in principle	Other	Core cities including prefectural capitals with a population of 300,000 people or more in principle
<p>Moreover, upon the decision of investments in retail properties, the Company will conduct a wide range of analysis on trade zone including population, demographics, number of households and average income after properly recognizing and setting the range of trade zone, and accurately understand the potential purchasing power and growth potential of the trade zone as well as judge the compatibility between tenant/business type and trade zone. In addition, from the perspective of competitiveness, it will survey and analyze various factors including the current status of competition, future plans to open rival stores in the neighboring area and room for future development.</p>		<p>Upon the decision of investments in retail properties, the Company will conduct a wide range of analysis on trade zone including population, demographics, number of households and average income after properly recognizing and setting the range of trade zone, and accurately understand the potential purchasing power and growth potential of the trade zone as well as judge the compatibility between tenant/business type and trade zone. In addition, from the perspective of competitiveness, it will survey and analyze various factors including the current status of competition, future plans to open rival stores in the neighboring area and room for future development.</p> <p><u>Upon the decision of investments in hotels, the Company will survey and analyze factors including location characteristics of each individual property as well as the status of competition and development plan in the neighborhood. In addition, hotels which will be the investment target shall be those located in thriving commercial areas and in which demand for business and tourism can be expected.</u></p>	

②Size

Before revisions	After revisions
<p>(Office) Investment will center on buildings with minimum total floor space of approximately 3,300 m² (approximately 1,000 tsubos). However, investment judgment will be made after comprehensively taking into consideration factors such as location characteristics, tenant business type and facility specifications of each individual property, and properties with smaller floor space than the above may be included.</p> <p>(Retail property) The Company will judge the appropriate size after taking into consideration future prospects of the area based on the location characteristics of each individual property, size of trade zone or the standard size of each business type.</p>	<p>(Office) (No change)</p> <p>(Urban retail property, etc.) <u>①Retail property</u> The Company will judge the appropriate size after taking into consideration future prospects of the area based on the location characteristics of each individual property, size of trade zone or the standard size of each business type.</p> <p><u>②Hotel</u> <u>The Company will make decisions for each property after comprehensively taking into consideration individual factors such as location characteristics of each individual property, future prospects of the area and means of transportation of guests based on the standard specification by business type.</u></p>

③Facility

Before revisions	After revisions
<p>(Office) The Company will make decisions for each property by carefully confirming such specifications as the shape and divisibility of leased floors, ceiling height, floor specification, capacitance and air-conditioning systems and comprehensively taking into consideration the location characteristics or the possibility of change after the acquisition.</p> <p>(Retail property) The Company will make decisions for each property after comprehensively taking into consideration individual factors such as location characteristics of each individual property, versatility as a retail property, potential for</p>	<p>(Office) (No change)</p> <p>(Urban retail property, etc.) <u>① Retail property</u> The Company will make decisions for each property after comprehensively taking into consideration individual factors such as location characteristics of each individual property,</p>



<p>conversion to other building use and means of transportation of visitors based on the standard specification of each business type.</p>	<p>versatility as a retail property, potential for conversion to other building use and means of transportation of visitors based on the standard specification of each business type.</p> <p><u>②Hotel</u></p> <p><u>The Company will make decisions for each property by also paying attention to the asset classification between the lessee and burden classification of repair and renewal expenses based on the standard specification by business type.</u></p>
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④ Tenant

Before revisions	After revisions
<p>(Office)</p> <p>In principle, a single tenant (parent company and its subsidiary are considered as a single tenant. The same applies hereafter.) shall occupy 50% or less of a property. Moreover, if a tenant occupies 50% or more, acquisition can be made after comprehensively taking into account such factors as tenant credibility, compatibility and replaceability.</p> <p>(Retail property)</p> <p>Upon tenant selection, the Company shall comprehensively take into account tenant credibility, profitability of individual stores and replaceability.</p>	<p>(Office)</p> <p>(No change)</p> <p>(<u>Urban retail property, etc.</u>)</p> <p><u>①Retail property</u></p> <p>Upon tenant selection, the Company shall comprehensively take into account tenant reliability, profitability of individual stores and replaceability.</p> <p><u>②Hotel</u></p> <p><u>The Company will adopt a lease method in principle and comprehensively take into account lease conditions, credibility of tenant (operator), capability to operate facilities and replaceability. Moreover, when the tenant and operator are different, the Company will also take into account the credibility of the said operator, capability to operate facilities and replaceability.</u></p>

3. Date of Revisions

September 5, 2019 (planned)

However, the Revisions are subject to the condition precedent that the Proposal will be approved at the General Meeting of Unitholders of JPR to be held on the same day.

4. Future Outlook

The revision to the JPR Asset Management Guidelines will have no impact on the operating



forecasts of JPR for the fiscal period ending December 31, 2019.