



February 14, 2020

For Translation Purpose Only**For Immediate Release**

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Notice Concerning Property Acquisition (Conclusion of Contract) “Sencity Bldg.”

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

Details

1. Acquisition Details

(1) Property Name	Sencity Bldg. (ownership interest: 12.4%)
(2) Asset Type	Real estate
(3) Asset Class	Office
(4) Acquisition Price	13,870 million yen
(5) Appraisal Value	14,600 million yen
(6) NOI Yield	4.9%
(7) NOI Yield after Depreciation	3.9%
(8) Contract Date	February 14, 2020
(9) Planned Acquisition Date	March 27, 2020
(10) Seller	Taisei-Yuraku Real Estate Co., Ltd.
(11) Funding	Fund procurement through issuance of new investment units
(12) Payment Method	Lump-sum payment at the time of delivery

(Note 1) “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 “10. Estimated Cash Flows” below.

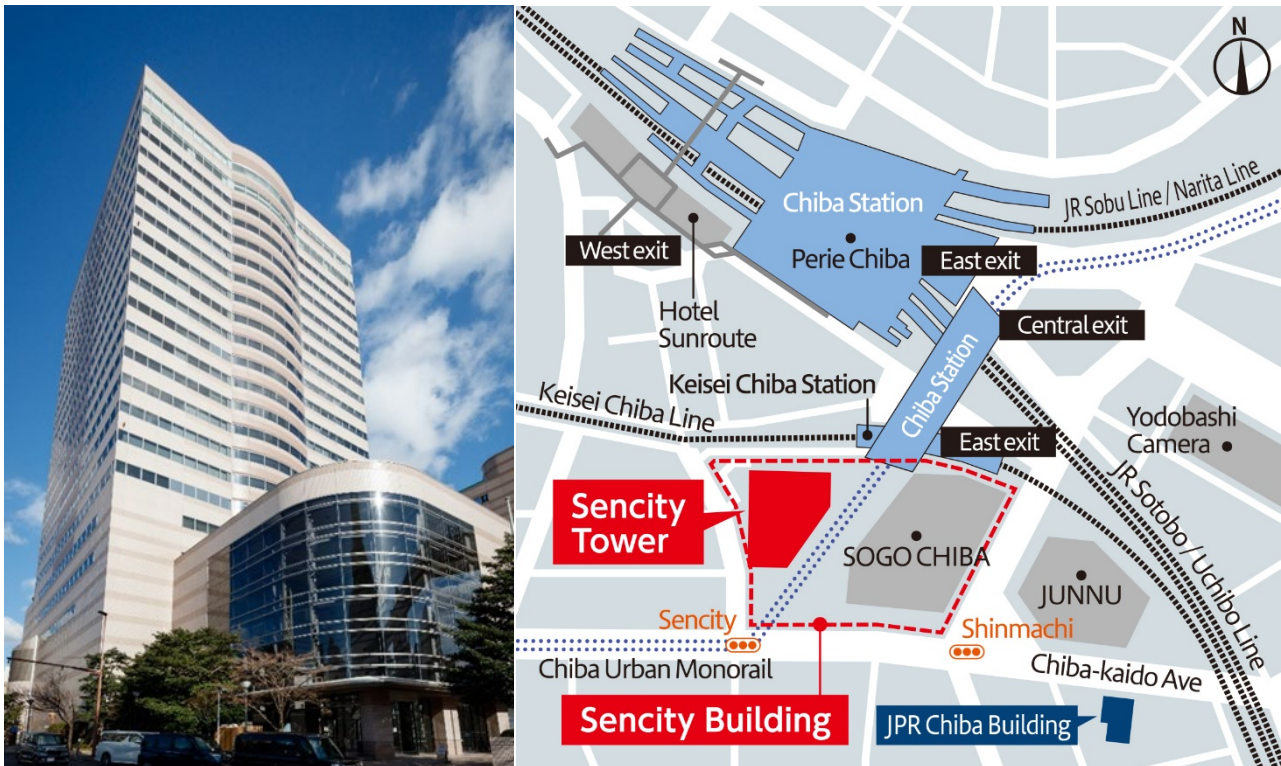
(Note 3) The ownership interest displayed under “Property Name” indicates the portion of co-ownership interest in Sencity Bldg. (hereinafter may be referred to as the “property”) owned by JPR based on the management bylaws.

(Note 4) “Appraisal Value” is based on the appraisal date as at January 1, 2020.

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2. Reason and Purpose for Acquisition

JPR will acquire from a subsidiary of Taisei Corporation, Ltd., the sponsor of JPR, a large-scale high-rise office building directly connected to Chiba Station.



Chiba Station is a key transportation base with several JR lines, the Keisei Electric Railway Chiba Line and the Chiba Urban Monorail, and the area surrounding the station is a busy area with concentration of retail, cultural and entertainment facilities among others.

Sencity Bldg. enjoys the rare location directly connected to Chiba Station. The building is a complex that includes Sencity Tower, a large-scale high-rise office building (23 stories with a floor plate of 352 tsubos) and Sogo Chiba, a large-scale retail facility. These characteristics allow for excellent convenience resulting from an integrated development.

Sencity Tower demonstrates overwhelming superiority of location and size in the area surrounding Chiba Station, and boasts not only convenience but also the name recognition and landmark quality to stand as the rarest office building in the area. JPR recognizes the property as being extremely competitive in terms of the demand from a wide range of tenants including major companies operating in the Chiba area looking for branch offices, tenants who need a fixed base and tenants who receive frequent visitors (end users).

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Rare location directly connected to Chiba Station



Entrance with openness



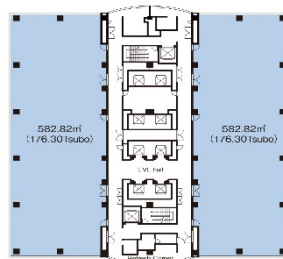
Elevator hall



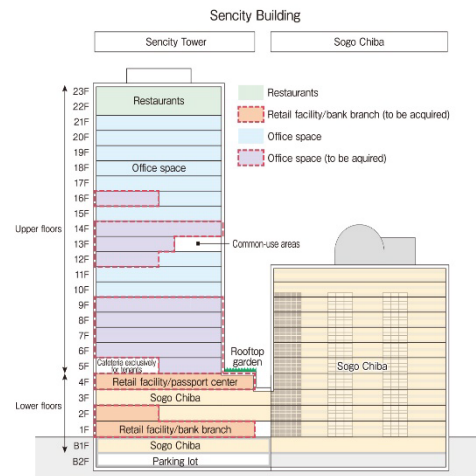
352 tsubos per floor, regular-shaped space with no pillars



<Standard floor plan>



<Conceptual view of cross-section>



The portion to be acquired is a number of partial sectional ownership interests in upper floors (from the fifth floor to the twenty-third floor) and lower floors (from the first basement floor to the fourth floor) of Sencity Tower. For details, please refer to <Conceptual view of cross-section> above and “3. Details of Property for Acquisition” below.

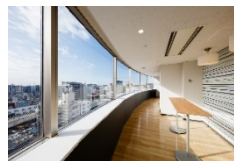
Sencity Garden



Rooftop Garden



Refresh Corner



Cafeteria exclusively for tenants



The property is equipped with office worker-friendly common-use facilities that have been made possible through the integrated development, including “Sencity Garden,” a relaxing garden space with greenery on the first floor and the first basement floor, the pleasantly spacious “Rooftop Garden” on the fifth floor, and a cafeteria on the fifth floor that is exclusively for tenants (approx. 270 seats) and offers a wide range of menus.

Furthermore, the property has ample facilities to accommodate tenant needs, including 298 parking spaces exclusively for tenants and emergency power generation facilities capable of providing electricity for 72 hours to support business continuity plan (BCP), allowing for main building functions such as elevators and toilets to remain available in times of large-scale disaster.

3. Details of Property for Acquisition

① Property Name/Location, etc.	
Property Name	Sencity Bldg.
Location	1000, Shinmachi, Chuo-ku, Chiba-shi, Chiba, etc.
Asset Type	Real estate
② Land/Buildings	
Asset Class	Office / Retail
Type of Structure	SRC with flat roof, B2/23F

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Type of Ownership	Land: Ownership (co-ownership) Building: Sectional Ownership
Site Area	Land: Total Site Area 20,054.15 m ² (entire area) Building: Gross Floor Area 158,663.55m ² (entire building)
Completion Date	April 6, 1993 (26 years since completion)
Architecture and Design / Construction	Urban Dynamics Institute, TAKAHA / Taisei Corporation, Ltd. and Mitsui Construction Co., Ltd. JV.
Probable Maximum Loss (PML)	2.46% (Sompo Risk Management Inc.)
③ Price, etc.	
Acquisition Price	¥13,870 million
Appraisal Value (Appraisal Date)	¥14,600 million (as of January 1, 2020)
Appraiser	Japan Real Estate Institute
Collateral	None
④ Status of Leasing	
Number of Tenants	71
Rent Revenue, common charges (Annual)	¥882 million
Lease and Guarantee Deposits	¥1,285 million
Total Leasable Floor Space/ Total Leased Floor Space	13,212.98 m ² / 13,097.22 m ²
Occupancy Rate	99.1%
Remarks	None in particular

(Note 1) All amounts less than one million yen have been rounded down, and all rates have been rounded to the first decimal place.

(Note 2) "Location" indicates the residential address.

(Note 3) The information in "Asset Class", "Type of Structure" and "Completion Date" is as indicated in the registry.

(Note 4) "Total Site Area" is as indicated in the registry. The registered area equivalent to the ratio of the ownership interest to be acquired by JPR is 2,226.85 m².

(Note 5) "Gross Floor Area" is as indicated in the registry. The registered exclusive area to be acquired by JPR is 13,290.06 m².

(Note 6) Number of tenants indicate the expected total number of tenants based on the lease agreement for the building for office, retail, and other uses as of the contract date. As to the property, JPR will lease the lower floors (from the first basement floor to the fourth floor) and the upper floors (from the fifth floor to the twenty-third floor) to Taisei-Yuraku Real Estate Co., Ltd. in a lump sum, respectively, and Taisei-Yuraku Real Estate Co., Ltd. will sublease the sections to be subleased to sublessees.

Of the building, JPR will conclude with Taisei-Yuraku Real Estate Co., Ltd. a pass-through master lease agreement for the portion on the lower floors it plans to acquire. Of the building, JPR will conclude with Taisei-Yuraku Real Estate Co., Ltd., a master lease agreement for the portion on the upper floors, under which the portion to be acquired by JPR will be leased along with the portion owned by other sectional owners of upper floors (excluding certain partial portion) is to be subleased to third parties pursuant to agreements among owners. The total amount of rent income, etc. from the exclusive areas on the upper floors will be distributed to sectional owners in accordance with the proportions set by the master lease agreement.

(Note 7) "Rent Revenue, common charges (Annual)," "Lease and Guarantee Deposits" and "Total Leasable Floor Space/Total Leased Floor Space" indicate, based on the lease agreement concluded with Taisei-Yuraku Real Estate Co., Ltd. for the building with office and retail spaces as of the contract date, amounts corresponding to the areas JPR plans to acquire this time and the ownership interest area for the lower floors; and the sum of amounts or area multiplied by ratio of cumulative numbers corresponding to the ownership interest area JPR plans to acquire this time for the upper floors. "Rent Revenue (Annual)" indicates rent to be paid by Taisei-Yuraku Real Estate Co., Ltd., which is the annualized amount calculated by subtracting the common charge equivalent from monthly rent the company receives from a sublessee, based on the sublease agreement as of the date of the contract. "Total Leasable Floor Space/Total Leased Floor Space" are rounded to the second decimal place.

(Note 8) "Occupancy Rate" indicates total leased floor space as a percentage of total leasable floor space.

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4. Seller Profile

Company Name	Taisei-Yuraku Real Estate Co., Ltd.	
Head Office Address	13-1, Kyobashi 3 chome, Chuo-ku, Tokyo	
Representative	Hiroyuki Hamanaka, President and Chief Executive Officer	
Paid-in Capital	10,000 million yen (as of December 31, 2019)	
Principal Activities	Real estate business	
Establishment	October 1, 1971	
Consolidated Net Assets	72,501 million yen (as of March 31, 2019)	
Consolidated Total Assets	161,683 million yen (as of March 31, 2019)	
Major Shareholders and Shareholding Ratios	Taisei Corporation, Ltd.: 100%	
Relationship with JPR and the Asset Management Company		
Capital Relationship	JPR and/or TRIM have no capital relationships to be indicated with the concerned party.	
Personal Relationship	JPR and/or TRIM have no personal relationships to be indicated with the concerned party.	
Business Relationship	Other than the subject transactions, there is no transaction regarding asset acquisition or sale between the concerned company and JPR and/or TRIM in the fiscal period ending June 30, 2020. In addition, JPR outsources services as the property management company to the concerned party with respect to one property owned by JPR as of the end of the fiscal period ended December 31, 2019.	
Related Party or Not	The concerned company does not fall within the definition of a related party of JPR. Taisei Corporation, Ltd., a shareholder of TRIM, has a stake in the concerned company and the concerned company 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.	

5. Profile of Previous Owners

Owner	Previous Owner, etc.	Owners before Previous Owner, etc.
Company Name	Taisei-Yuraku Real Estate Co., Ltd.	Parties with which no special interest relationship exists
Relationship with Parties Having Special Interest Relationship	Refer to "4. Seller Profile" above	—
Background and Reason of Acquisition	Acquisition for the purpose of development	—
Acquisition Price	Omitted as the property has been owned for more than a year	—
Acquisition Date	September, 1993 (Newly constructed) to March, 2001	—

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6. Sales Agent

No agent is involved in the acquisition and sale of the relevant properties.

7. Property Management Company: Taisei-Yuraku Real Estate Co., Ltd.

For the overview of Taisei-Yuraku Real Estate Co., Ltd., please refer to “4. Seller Profile” earlier in this document.

8. Matters with Respect to Forward Commitments, etc.

The acquisition of property is considered to be a forward commitment, etc. (a contract to sell or purchase at a future date, with payment settlement and property delivery to occur on a date one month or later from the contract date) and the amount equivalent to 20% of the scheduled acquisition amount of the asset should be paid as penalties of purchase agreement if forward commitment, etc. cannot be implemented.

However, since JPR has concluded commitment line agreements with financial institutions, it is possible to pay for the property even if the planned fund procurement is not completed as scheduled. Therefore, JPR believes that it is highly unlikely that JPR’s finances, etc. will be gravely impacted.

9. Outlook

As for the operating forecasts for the fiscal period ending June 30, 2020 and fiscal period ending December 31, 2020, please refer to the “Financial Report for the 36th Fiscal Period Results (July 1, 2019 – December 31, 2019)” and “Notice Concerning Revisions to Operating Forecasts for the Fiscal Period Ending June 30, 2020 and Operating Forecasts for the Fiscal Periods Ending December 31, 2020” separately announced today.

10. Estimated Cash Flows

(1) Operating Revenues	¥1,014 million
(2) Operating Expenses (excluding depreciation)	¥329 million
(3) NOI ((1)-(2))	¥685 million
(4) NOI Yield ((3)/acquisition price)	4.9%
(5) Depreciation	¥148 million
(6) Profits ((3)-(5))	¥537 million
(7) NOI Yield after Depreciation ((6)/acquisition price)	3.9%
(8) Occupancy Rate	96.0%

(Note 1) Excluding special factors during the fiscal year the property was acquired, the above figures represent the average annual figures for the 10-year period following acquisition.

(Note 2) “Operating Revenues” is calculated based on the “Occupancy Rate” which takes into account changes in the rental situation following acquisition.

(Note 3) Tax and public dues included in “Operating Expenses” are valued based on standard taxable values for Fiscal 2019.

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

(Note 5) “Occupancy Rate” indicates the figures concerning the sublessee of the lessee

11. Overview of Appraisal Report

Property Name	Sencity Bldg.
Appraisal Value	¥14,600 million
Appraiser	Japan Real Estate Institute
Appraisal Date	January 1, 2020
Types of Value	Fair value

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Item	Amount (thousand yen)	General Outline
Appraisal Value by Capitalization Method	¥14,600,000	Adjusted using the values of the direct capitalization method and DCF method.
Appraisal Value by Direct Capitalization Method	¥14,700,000	Valued by capitalizing net cash flow using the capitalization rate.
Operating Revenue	¥1,024,087	Valued by deducting loss from vacancies from potential gross cash flow.
Potential Gross Cash Flow	¥1,065,882	Estimated a stable revenue amount based on the terms and conditions of the planned master lease agreement and the current contracts and expected rent amounts and actual amounts of past fiscal years, etc., and taking into account the new rent levels and future trends.
Loss from Vacancies	¥41,795	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	¥281,313	Total of the following 7 items.
Maintenance Expenses and Property Management Fee	¥39,855	Valued based on the maintenance expenses levels and compensation rates, etc. of similar properties, with reference to the actual amounts of past fiscal years and the compensation rates, etc. based on the terms and conditions of the planned contract.
Utilities Expenses	¥135,000	Valued based on actual amounts, etc.
Repairs and Maintenance	¥51,089	Valued based on actual amounts of past fiscal years as well as the future operation plans, expense levels of similar properties and engineering reports, etc.
Tenant Solicitation Expenses	¥7,593	Recorded the annual average amount estimated on the basis of the assumed rollover period of tenants.
Tax and Public Dues	¥46,522	Recorded based on the materials related to tax and public dues.
Insurance Premium	¥1,254	Valued with reference to the insurance premium and the insurance premium rates, etc. of similar properties.
Other Expenses	¥0	None.
Net Operating Income	¥742,774	Calculated by deducting operating expenses from operating revenue.
Profit through Management of Temporary Deposits, Etc.	¥12,446	Valued by multiplying the amount, which is obtained by taking into account the number of months for temporary deposits in the terms and conditions of the current contracts and new leases and the state of occupancy, by the management yield (1.0%).
Capital Expenditure	¥123,885	Valued by taking into account the building age, annual average amount of replacement expenses in engineering reports and other factors.
Net Cash Flow	¥631,335	Valued by adding and subtracting profit through management of temporary deposits, etc. and capital expenditures to and from net operating income.
Capitalization Rate	4.3%	Valued by taking into account the location, building and terms and conditions of the contracts, etc.
Appraisal Value through Discounted Cash Flow (DCF) Method	¥14,400,000	
Discount Rate	4.0%	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	4.5%	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	¥9,040,000	

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Land Ratio	73.0%	Indicated the ratio to the combined value of the land and building by percentage, rounded to the first decimal place.
Building Ratio	27.0%	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 Real estate portfolio after the acquisition of the property



Reference

Real estate portfolio after the acquisition of the property

Area	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	3.6%	53.7%
		A-2	Kanematsu Bldg. Annex	2,874	0.6%	
		A-3	JPR Ningyo-cho Bldg.	2,100	0.5%	
		A-4	Shin-Kojimachi Bldg.	2,420	0.5%	
		A-5	JPR Crest Takebashi Bldg.	4,000	0.9%	
		A-6	MS Shibaura Bldg.	11,200	2.5%	
		A-7	Gotanda First Bldg.	2,920	0.6%	
		A-9	JPR Ichigaya Bldg.	5,100	1.1%	
		A-10	Oval Court Ohsaki Mark West	3,500	0.8%	
		A-11	Shinjuku Square Tower	14,966	3.3%	
		A-12	BYGS Shinjuku Bldg.	15,121	3.3%	
		A-13	Across Shinkawa Bldg. Annex	710	0.2%	
		A-14	Shinjuku Center Bldg.	21,000	4.6%	
		A-15	Minami Azabu Bldg.	3,760	0.8%	
		A-16	Shinagawa Canal Bldg.	2,041	0.4%	
		A-17	Rokubancho Bldg.	2,800	0.6%	
		A-18	JPR Harajuku Bldg.	8,400	1.8%	
		A-20	JPR Nihonbashi Horidome Bldg.	5,100	1.1%	
		A-21	JPR Sendagaya Bldg.	15,050	3.3%	
		A-22	Ginza Sanwa Bldg.	3,400	0.7%	
		A-23	The Otemachi Tower (land with leasehold interest)	36,000	7.9%	
		A-24	Science Plaza • Yonbancho Plaza	2,660	0.6%	
		A-25	Shibadaimon Center Building	4,220	0.9%	
	A-26	Tokyo Square Garden	18,400	4.0%		
	A-27	JPR Kojimachi Bldg.	5,750	1.3%		
	Retail	A-1	JPR Shibuya Tower Records Bldg.	12,000	2.6%	
		A-3	JPR Jingumae 432	4,275	0.9%	
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	2.2%		
A-7		FUNDES Suidobashi	3,250	0.7%		
Greater Tokyo		Office	B-1	Arca East	5,880	1.3%
	B-2		JPR Chiba Bldg.	2,350	0.5%	
	B-3		JPR Yokohama Nihon Odori Bldg.	2,927	0.6%	
	B-5		Shinyokohama 2nd Center Bldg.	1,490	0.3%	
	B-6		Kawaguchi Center Bldg.	8,100	1.8%	
	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	1.4%	
	B-11		Olinas Tower	31,300	6.8%	
	B-12		Tokyo Tatemono Yokohama Building	7,000	1.5%	
	B-13		Omiya Prime East	6,090	1.3%	
	B-14		Sencity Bldg.	13,870	3.0%	
	Retail		B-1	Tanashi ASTA	10,200	2.2%
B-3		The Cupo-la Main Bldg.	2,100	0.5%		
B-4		JPR Musashikosugi Bldg.	7,254	1.6%		
B-5		Musashiurawa Shopping Square	4,335	0.9%		
B-6		Kawasaki Dice Bldg.	15,080	3.3%		
B-7		FUNDES Ueno	3,800	0.8%		
Other Cities		Office	C-1	Niigata Ekinan Center Bldg.	2,140	0.5%
	C-4		Tokyo Tatemono Honmachi Bldg.	4,150	0.9%	
	C-7		JPR Hakata Bldg.	2,900	0.6%	
	C-9		JPR Naha Bldg.	1,560	0.3%	
	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	0.9%	
	C-20		Yakuin Business Garden	10,996	2.4%	
	C-21		JPR Shinsaibashi Bldg.	5,430	1.2%	
	C-22		Minami Sembai Bldg.	3,750	0.8%	
	Retail	C-1	JPR Umeda Loft Bldg.	13,000	2.8%	
C-4		Housing Design Center Kobe	7,220	1.6%		
C-5		JPR Chayamachi Bldg.	6,000	1.3%		
Total				457,141	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.

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