Japan Prime Realty Investment Corporation

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Japan Prime Realty Investment Corporation
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Notice Concerning Acquisition and Sale of Properties (Conclusion of Contracts) (Acquisition of The Royal Park Canvas Nagoya and Sale of JPR Ueno East Bldg.)

Japan Prime Realty Investment Corporation ("JPR") announced that Tokyo Tatemono Realty Investment Management, Inc. ("TRIM"), the asset management company to which JPR entrusts the management of its assets, today decided to acquire a property and to sell a property, as described below. (hereinafter the acquisition of The Royal Park Canvas Nagoya is the "Acquisition" and the sale of JPR Ueno East Bldg. is the "Sale" and the Acquisition and the Sale are the "Asset Replacement.")

Details

I. Purpose of the Asset Replacement and Overview of Transactions

1. Purpose of the Asset Replacement

JPR decided to acquire a hotel very close to Nagoya Station due to its potential for future growth on the back of recovery of inbound demand, and to also sell an old office building, as part of a growth strategy focusing on DPU growth. Through the Asset Replacement, JPR will achieve improvement in portfolio quality and profitability, return a portion of the gain on sale to unitholders as distribution, and also raise the DPU over the medium and long term by internally reserving the remaining amount as a "reserve for reduction entry under special provisions for property replacement" and then reversing this reserve each fiscal period.

JPR will continue striving for improvement in unitholder value through external growth and the acquisition of capital gain driven by strategic asset replacement, as well as internal growth driven by rent increases.

2. Acquisition of The Royal Park Canvas Nagoya (hereinafter "the Property for Acquisition")

The Property for Acquisition is situated in the Meieki area in the heart of Nagoya, conveniently located a five-minute walk from JR Nagoya Station and a three-minute walk from Nagoya Subway Station. Nagoya Station is the largest terminal station in the Chubu region. The surrounding area of the Property for Acquisition is not only a business hub that houses many company headquarters and branches but also a commercial hub lined with department stores and many commercial facilities. In addition, Nagoya serves as a hub for many tourist destinations in the Hokuriku Region such as Gifu, Toyama and Kanazawa and, because of the convenience of its location, Nagoya is able to capture not only business demand but also tourism demand, including inbound tourism.

The Property for Acquisition is a premium accommodation-oriented hotel opened in 2013. It has 153 guestrooms and since the guestrooms are spacious with an average area of approximately 19 m^2 and 96 rooms are double/twin or larger rooms, it meets accommodation demand not only for business use but also for tourism including inbound tourism. The Property for Acquisition offers excellent convenience, for example, situated at the exit of Uni Mall, an underground mall which connects to Nagoya Station, and the first floor of the hotel houses a convenience store.

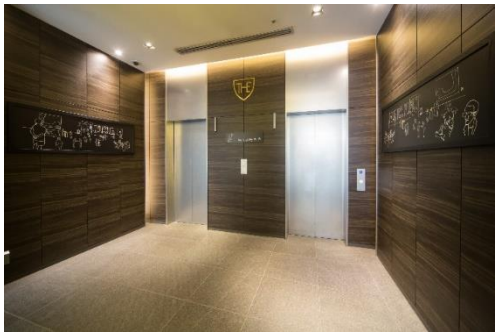
Mitsubishi Estate Hotels & Resorts Co., Ltd., which is the hotel operator, has experience of operating hotels for

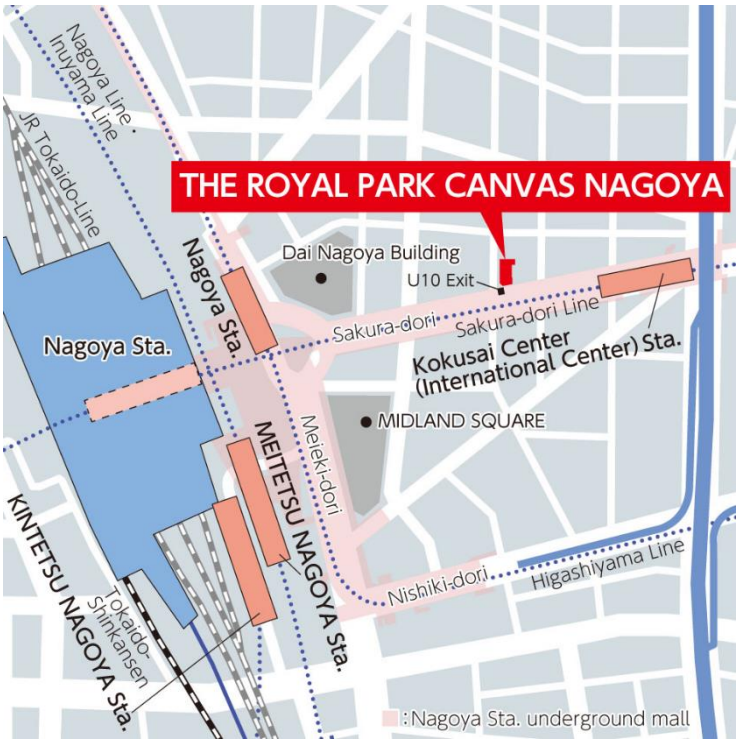
more than 35 years and currently operates 24 hotels of full-service-type hotels and premium accommodation-oriented hotels, "THE" series, across the nation. The "Canvas" brand to which the Property for Acquisition belongs is a brand line of this "THE" series and prides itself on the hotel's high-quality feel and high service quality that stem from knowhow gained from the operation of full-service hotels for many years.











3. Sale of JPR Ueno East Bldg. (hereinafter "the Property for Sale")

The Property for Sale has made a stable revenue contribution as part of JPR's portfolio but will struggle to maintain profitability and competitiveness in the future due to its age. On the other hand, given that there is a considerable unrealized gain on the Property for Sale, JPR judged that realization of the unrealized gain through the Sale and return of the gain on sale to unitholders over the medium and long term would be in the interests of unitholders.

JPR plans to internally reserve 2,502 million yen of the 2,887 million yen gain on sale of the Property for Sale as a "reserve for reduction entry under special provisions for property replacement" (Article 2, Paragraph 2, Item 28 of the Regulations on Accounting of Investment Corporations) by utilizing the "special provisions for taxation in cases of replacement of specified assets" (Article 65-7 of the Act on Special Measures Concerning Taxation). The reserve for reduction entry under special provisions for property replacement will be reversed according to the depreciation of replaced assets and returned to unitholders as distributions each fiscal period and this is expected to help raise distributions per unit (DPU).

Ⅱ. Overview of the Acquisition

(i)	Property Name	The Royal Park Canvas Nagoya
(ii)	Asset Type	Beneficiary interest in real estate
(iii)	Asset Class	Hotel
(iv)	Acquisition Price	6,500 million yen
(v)	Appraisal Value	6,780 million yen
(vi)	NOI Yield	4.1%
(vii)	NOI Yield after Depreciation	3.6%
(viii)	Contract Date	September 20, 2024
(ix)	Planned Acquisition Date	October 9, 2024
(x)	Seller	Domestic specific purpose company
(xi)	Financing for Acquisition	Loans and own funds

(xii)	Settlement Method	Lump-sum payment at the time of delivery
(xiii)	Brokerage	None

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

(Note 2) "NOI Yield" is NOI divided by the acquisition price and is rounded to the first decimal place. "NOI" is net operating income stated in the real estate appraisal report.

(Note 3) "NOI Yield after Depreciation" is NOI after depreciation divided by the acquisition price and is rounded to the first decimal place. "NOI after Depreciation" is NOI less forecast depreciation.

(Note 4) Details of the loans, which form part of the financing will be notified at a later date once determined.

Ⅲ. Overview of the Sale

(i)	Property Name	JPR Ueno East Bldg.
(ii)	Asset Type	Real estate
(iii)	Asset Class	Office
(iv)	Sale Price	6,150 million yen
(v)	Appraisal Value	5,870 million yen
(vi)	Planned Book Value	2,849 million yen
(vii)	Planned Gain on Sale	2,887 million yen
(viii)	Contract Date	September 20, 2024
(ix)	Planned Sale Date	January 10, 2025
(x)	Buyer	Domestic specific purpose company
(xi)	Settlement Method	Lump-sum payment at the time of delivery
(xii)	Brokerage	None

(Note 1) All amounts less than one million yen have been rounded down.

(Note 2) As of the date of this document, this property has not been changed to the trust beneficial right, but the Investment Corporation plans to execute with the trustee a trust agreement for real estate management and disposal of this property as the primary trust asset as of the date of delivery date, in order to transfer the trust beneficiary right to the transferee based on the said trust agreement for real estate management and disposal. The same will apply hereinafter.

(Note 3) "Sale Price" excludes property taxes, city planning taxes, and consumption taxes.

(Note 4) "Planned Book Value" indicates the assumed book value as of the planned sale date.

(Note 5) "Planned Gain on Sale" indicates the amount obtained by subtracting the planned book value and estimated sale expenses from the Sale Price.

Ⅳ. Details of the Property (The Royal Park Canvas Nagoya)

1. Details of Property for Acquisition

Property Name	The Royal Park Canvas Nagoya
Location	3-23-13, Meieki, Nakamura-ku, Nagoya-shi
Asset Type	Beneficiary interest in real estate
Trustee	Sumitomo Mitsui Trust Bank, Limited
Trust Period	November 30, 2023 to November 30, 2033
Asset Class	Hotel and parking
Type of Structure	Reinforced concrete flat-roofed 12-story structure
Type of Ownership	Land : Ownership Building: Ownership

Site Area	Land : Total Site Area 666.37 m^2 Building: Gross Floor Area 5,226.80 m^2
Completion Date	October 2013
Probable Maximum Loss (PML)	4.4% (Sompo Risk Management Inc.)
Acquisition Price	6,500 million yen
Appraisal Value (Appraisal Date)	6,780 million yen (As of August 1, 2024)
Appraiser	Japan Real Estate Institute
Collateral	None
Property Management Company	Best Property Co., Ltd.
Status of Leasing (including hotel)	
Number of Tenants	3
Rent Revenue, Common Charges (Annual)	Not disclosed
Lease and Guarantee Deposits	Not disclosed
Total Leasable Floor Space	5,185.05 m^2
Total Leased Floor Space	5,185.05 m^2
Occupancy Rate	100%
Hotel Contract and Operation Status	
Hotel Lessee	Mitsubishi Estate Co., Ltd.
Hotel Operator	Mitsubishi Estate Hotels & Resorts Co., Ltd
Type of Rent	Fixed rent: Not disclosed Variable rent: A certain percentage of the excess when revenue from hotel accommodation operations exceeds base amount
Leased Floor Space	4,965.65 m^2
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 on "Asset Class," "Type of Structure," "Site Area," and "Completion Date" is as stated in the registry.
(Note 4) The figures on "Status of Leasing (including hotel)" and "Hotel Contract and Operation Status" are as of the time of conclusion of relevant sales and purchase agreements.
(Note 5) "Rent Revenue, Common Charges (Annual)" and "Lease and Guarantee Deposits" are not disclosed because approval for disclosure is not acquired from the tenant. In addition, the types of rent are partially not disclosed as the consent of the tenants has not been obtained.
(Note 6) "Total Leasable Floor Space" and "Total Leased Floor Space" are the sum total of the agreed areas (excluding parking facilities) based on building lease agreements with the hotel lessee and store lessee.

2. Overview of Appraisal Report

Property Name	The Royal Park Canvas Nagoya
Appraisal Value	6,780 million yen
Real Estate Appraiser	Japan Real Estate Institute
Appraisal Date	August 1, 2024

Types of Value	Fair Value

Item	Amount (thousand yen)	General Outline
Appraisal Value by Capitalization Method	6,780,000	Price is adjusted by the direct capitalization method and the DCF method.
Appraisal Value by Direct Capitalization Method	6,860,000	Appraised by capitalizing net cash flow using the capitalization rate.
Operating Revenue	321,920	Calculated by deducting loss from vacancies from potential gross cash flow.
Potential Gross Cash Flow	323,430	Estimated a revenue amount that could be received in a stable manner in the medium and long term based on factors such as the level of rent based on the current lease agreement, the level of rent in the event of lease of the appraised property under a new agreement, and the attributes of lessees occupying the appraised property.
Loss from Vacancies	1,510	A loss from vacancies, etc. is recorded based on expected stable occupancy rates over the medium to long term. The occupancy rates are assessed based on occupancy and demand for similar properties, and past occupancy rates and expected trends for this property.
Operating Expenses	54,680	Sum total of the following seven items
Maintenance Expenses and Property Management Fee	7,478	Assessed with reference to actual amounts of past fiscal years and fees based on planned contract terms and conditions, and with reference to maintenance and management expenses and fee rates of similar properties.
Utilities Expenses	600	Assessed mainly based on actual amounts of past fiscal years.
Repairs and Maintenance	3,350	Assessed based on actual amounts of past fiscal years as well as future management and operation plans, the level of expenses of similar properties and engineering reports.
Tenant Solicitation Expenses	388	Recorded an average annual amount assessed based on the estimated length of tenancy.
Tax and Public Dues	42,484	Taxes and public dues were posted on the basis of materials related to them.
Insurance Premium	370	Assessed taking into consideration factors such as estimated premiums and insurance rates for the appraised building and similar buildings.
Other Expenses	10	Neighborhood association membership fees are recognized as other expenses.
Net Operating Income	267,240	Calculated as operating revenue minus operating expenses.
Profit through Management of Temporary Deposits, etc.	1,299	Assessed as amount that reflects current agreement terms, number of months of temporary deposit under new lease, and occupancy status multiplied by investment yield (1.0%).
Capital Expenditure	8,034	Assessed based on factors such as building age and annual average amount of renewal costs in the engineering report.
Net Cash Flow	260,505	Calculated as net operating income adjusted for profit through management of temporary deposits and capital expenditure.
Capitalization Rate	3.8%	Assessed taking into consideration factors such as location, building and current agreement terms and conditions.
Appraisal Value through the Discount Cash Flow (DCF) Method	6,690,000	
Discount Rate	3.6%	Appraised by comprehensively considering the individuality of the appraised property while also referencing the investment yields in transactions involving similar real properties.
Terminal Capitalization Rate	3.9%	Assessed by taking into consideration factors such as

		degradation of the building, uncertainty of rental market trends and decline in liquidity.
Appraisal Value by Cost Method	6,790,000	
Land Ratio	84.2%	Indicates the ratio to the total price of land and building by percentage, rounded to the first decimal place.
Building Ratio	15.8%	Indicates the ratio to the total price of land and building by percentage, rounded to the first decimal place.

Other Items Considered upon Appraisal	None in particular

Ⅴ. Details of the Property (JPR Ueno East Bldg.)

1. Details of Property for Sale

Property Name	JPR Ueno East Bldg.
Location	1-3-5, Matsugaya, Taito-ku, Tokyo
Asset Type	Real Estate
Asset Class	Office, retail and parking
Type of Structure	Steel frame and steel framed reinforced concrete flat-roofed 8-story structure with a 1-story basement
Type of Ownership	Land : Ownership Building: Ownership
Site Area	Land : Total Site Area 1,242.97 m^2 Building: Gross Floor Area 8,490.44 m^2
Completion Date	October 1992
Sale Price	6,150 million yen
Appraisal Value (Appraisal Date)	5,870 million yen (As of August 1, 2024)
Appraiser	Japan Real Estate Institute
Status of Leasing	
Number of Tenants	10
Rent Revenue, common charges (Annual)	332 million yen
Lease and Guarantee Deposits	277 million yen
Total Leasable Floor Space	6,454.89 m^2
Total Leased Floor Space	6,454.89 m^2
Occupancy Rate	100%
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 on "Asset Class," "Type of Structure," "Site Area," and "Completion Date" is as stated in the registry.
(Note 4) The information on "Status of Leasing" is as of the time of conclusion of relevant sales and purchase agreements.

2. Overview of Appraisal Report

Property Name	JPR Ueno East Bldg.
Appraisal Value	5,870 million yen

Real Estate Appraiser	Japan Real Estate Institute
Appraisal Date	August 1, 2024
Types of Value	Fair Value

Item	Amount (thousand yen)	General Outline
Appraisal Value by Capitalization Method	5,870,000	Price is adjusted by the direct capitalization method and the DCF method.
Appraisal Value by Direct Capitalization Method	5,920,000	Appraised by capitalizing net cash flow using the capitalization rate.
Operating Revenue	354,275	Calculated by deducting loss from vacancies from potential gross cash flow.
Potential Gross Cash Flow	373,441	Estimated a stable revenue amount, taking into account new rent levels and future trends estimated based on the current contract terms and actual past figures, etc.
Loss from Vacancies	19,166	A loss from vacancies, etc. is recorded based on expected stable occupancy rates over the medium to long term. The occupancy rates are assessed based on occupancy and demand for similar properties, and past occupancy rates and expected trends for this property.
Operating Expenses	122,926	Sum total of the following seven items
Maintenance Expenses and Property Management Fee	38,537	Assessed with reference primarily to actual amounts of past fiscal years and rates based on agreement terms and conditions and also with reference to the level of management expenses and rates of similar properties.
Utilities Expenses	37,400	Assumed based on the actual results, etc.
Repairs and Maintenance	11,363	Assessed based on actual amounts of past fiscal years as well as future management and operation plans, the level of expenses of similar properties and engineering reports.
Tenant Solicitation Expenses	2,583	Recorded an average annual amount assessed based on the estimated length of tenancy.
Tax and Public Dues	32,328	Taxes and public dues were posted on the basis of materials related to them.
Insurance Premium	715	Assessed taking into consideration factors such as premiums and premium rates of similar buildings.
Other Expenses	0	No other expenses existed.
Net Operating Income	231,349	Calculated as operating revenue minus operating expenses.
Profit through Management of Temporary Deposits, etc.	2,992	Assessed as amount that reflects current agreement terms, number of months of temporary deposit under new lease, and occupancy status multiplied by investment yield (1.0%).
Capital Expenditure	27,310	Assessed based on factors such as building age and annual average amount of renewal costs in the engineering report.
Net Cash Flow	207,031	Calculated as net operating income adjusted for profit through management of temporary deposits and capital expenditure.
Capitalization Rate	3.5%	Assessed taking into consideration factors such as location, building and current agreement terms and conditions.
Appraisal Value through the Discount Cash Flow (DCF) Method	5,820,000	
Discount Rate	3.3%	Appraised by comprehensively considering the individuality of the appraised property while also referencing the investment yields in transactions involving similar real properties.
Terminal Capitalization Rate	3.6%	Assessed by taking into consideration factors such as

		degradation of the building, uncertainty of rental market trends and decline in liquidity.
Appraisal Value by Cost Method	4,860,000	
Land Ratio	75.9%	Indicates the ratio to the total price of land and building by percentage, rounded to the first decimal place.
Building Ratio	24.1%	Indicates the ratio to the total price of land and building by percentage, rounded to the first decimal place.

Other Items Considered upon Appraisal	None in particular

VI. Overview of the Other Party in the Asset Replacement

The buyer and the seller are domestic specific purpose companies. JPR has not disclosed detailed information about the buyer and the seller because it has not obtained their consent. Neither JPR nor TRIM has any capital, personal, or business relations to be stated with the buyer or the seller. Neither the buyer nor the seller is a related party of JPR or TRIM.

VII. Outlook

For details of the operating forecasts for the fiscal period ending June 30, 2025, which reflect the impact of the Asset Replacement, please refer to “Notice Concerning Revisions to Operating Forecasts for the Fiscal Period Ending June 30, 2025” released today.

Please note that the impact on the operating conditions for the fiscal period ending December 31, 2024, is minimal and that there is no revision to the operating forecasts for the fiscal period ending December 31, 2024.

[Attachment]
[Reference] Real Estate Portfolio after the Asset Replacement

Area	Asset Class	Property No.	Property Name	Acquisition Price (yen in millions)	Investment Ratio	Investment Ratio by Area
Central Tokyo	Office	A-1	Kanematsu Bldg.	16,276	3.1%	51.2%
		A-2	Kanematsu Bldg. Annex	2,874	0.5%	
		A-3	JPR Ningyocho Bldg.	2,100	0.4%	
		A-4	Shin-Kojimachi Bldg.	2,420	0.5%	
		A-6	MS Shibaura Bldg.	11,200	2.1%	
		A-9	JPR Ichigaya Bldg.	5,100	1.0%	
		A-10	Oval Court Ohsaki Mark West	3,500	0.7%	
		A-11	Shinjuku Square Tower	14,966	2.8%	
		A-12	BYGS Shinjuku Bldg.	15,121	2.9%	
		A-13	Across Shinkawa Bldg. Annex	710	0.1%	
		A-14	Shinjuku Center Bldg.	24,320	4.6%	
		A-15	Minami Azabu Bldg.	3,760	0.7%	
		A-16	Shinagawa Canal Bldg.	2,041	0.4%	
		A-17	Rokubancho Bldg.	2,800	0.5%	
		A-18	JPR Harajuku Bldg.	8,400	1.6%	
		A-20	JPR Nihonbashi-horidome Bldg.	5,100	1.0%	
		A-21	JPR Sendagaya Bldg.	15,050	2.8%	
		A-22	Ginza Sanwa Bldg.	3,400	0.6%	
		A-23	The Otemachi Tower (land with Leasehold Interest)	36,000	6.8%	
		A-24	Science Plaza - Yonbancho Plaza	2,660	0.5%	
		A-25	Shibadaimon Center Bldg.	4,213	0.8%	
		A-26	Tokyo Square Garden	18,400	3.5%	
		A-27	JPR Kojimachi Bldg.	5,750	1.1%	
		A-28	Otemachi Financial City North Tower	11,400	2.2%	
		A-29	Tokyo Tatemono Higashi-Shibuya Bldg.	11,300	2.1%	
		A-30	Ochanomizu Sola City	6,490	1.2%	
	Retail	A-1	JPR Shibuya Tower Records Bldg.	12,000	2.3%	
		A-3	JPR Jingumae 432	4,275	0.8%	
		A-4	Shinjuku Sanchome East Bldg.	2,740	0.5%	
		A-5	Yurakucho Ekimae Bldg. (Yurakucho Itocia)	3,400	0.6%	
		A-6	JPR Ginza Namiki-dori Building	10,100	1.9%	
		A-7	FUNDES Suidobashi	3,250	0.6%	
Greater Tokyo	Office	B-1	Arca East Bldg.	5,880	1.1%	32.8%
		B-2	JPR Chiba Bldg.	2,350	0.4%	
		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	1.5%	
		B-8	Tachikawa Business Center Bldg.	3,188	0.6%	
		B-9	Rise Arena Bldg.	13,131	2.5%	
		B-10	Yume-ooka Office Tower	6,510	1.2%	
		B-11	Olinas Tower	31,300	5.9%	
		B-12	JPR Yokohama Bldg.	7,000	1.3%	
		B-13	JPR Omiya Bldg.	6,090	1.2%	
		B-14	Sencity Bldg.	13,870	2.6%	
		B-15	Nakano Central Park East	28,800	5.4%	
	Retail	B-1	Tanashi ASTA	10,200	1.9%	
		B-3	Cupo-la Main Bldg.	2,100	0.4%	
		B-4	JPR Musashikosugi Bldg.	7,254	1.4%	
		B-5	Musashiurawa Shopping Square	4,335	0.8%	
		B-6	Kawasaki DICE Bldg.	15,080	2.9%	
		B-7	FUNDES Ueno	3,800	0.7%	
Other Cities	Office	C-1	Niigata Ekinan Center Bldg.	2,140	0.4%	16.0%
		C-9	JPR Naha Bldg.	1,560	0.3%	
		C-12	Sompo Japan Sendai Bldg.	3,150	0.6%	
		C-13	Sompo Japan Wakayama Bldg.	1,670	0.3%	
		C-14	Tenjin 121 Bldg.	2,810	0.5%	
		C-17	JPR Dojima Bldg.	2,140	0.4%	
		C-19	JPR Nagoya Fushimi Bldg.	4,137	0.8%	
		C-20	Yakuin Business Garden	10,996	2.1%	
		C-21	JPR Shinsaibashi Bldg.	5,430	1.0%	
		C-22	JPR Shinsaibashi West	3,750	0.7%	
		C-23	GRAND FRONT OSAKA (Umekita Plaza and South Building)	11,800	2.2%	
		C-24	GRAND FRONT OSAKA (North Building)	9,500	1.8%	
		C-25	JPR Dojima West	2,460	0.5%	
	Retail	C-4	Housing Design Center Kobe	7,220	1.4%	
		C-5	JPR Chayamachi Bldg.	6,000	1.1%	
		C-6	FUNDES Tenjin Nishi Dori	3,310	0.6%	
		C-7	The Royal Park Canvas Nagoya	6,500	1.2%	
Total				529,094	100.0%	

(Note 1) "Acquisition Price" does not include acquisition costs.
(Note 2) "Acquisition Price" is rounded down to the nearest million yen and percentages are rounded to the first decimal place.