September 20, 2024

Japan Prime Realty Investment Corporation
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Supplementary Material on the Following Press Release Announced on September 20, 2024

- Notice Concerning Acquisition and Sale of Properties (Conclusion of Contracts) (Acquisition of The Royal Park Canvas Nagoya and Sale of JPR Ueno East Bldg.)
- Notice Concerning Revisions to Operating Forecasts for the Fiscal Period Ending June 30, 2025

JPR

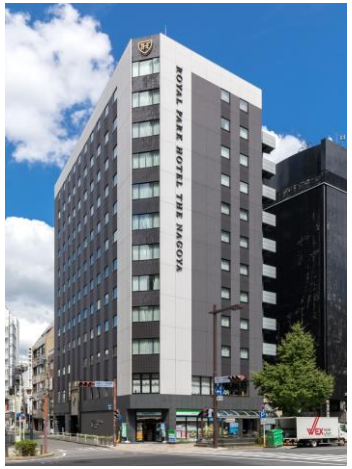
Japan Prime Realty Investment Corporation

Overview of Transactions

Acquire a hotel very close to Nagoya Station with upside potential reflecting the recovery of inbound tourism and transfer an aged office building. Through strategic asset replacement, JPR will improve its portfolio quality and profitability and will raise distributions per unit (DPU).

Overview of Transactions

Asset to be acquired



Asset replacement

Asset to be sold



The Royal Park Canvas Nagoya

Acquisition Price	6,500 million yen
Appraisal Value	6,780 million yen
Asset Class	Hotel
Rent type of Hotel	Fixed and variable rents
Planned Acquisition Date	October 9, 2024

JPR Ueno East Bldg.

Sale Price	6,150 million yen
Appraisal Value	5,870 million yen
Asset Class	Office
Planned Gain on Sale*1	2,887 million yen
Planned Sale Date	January 10, 2025

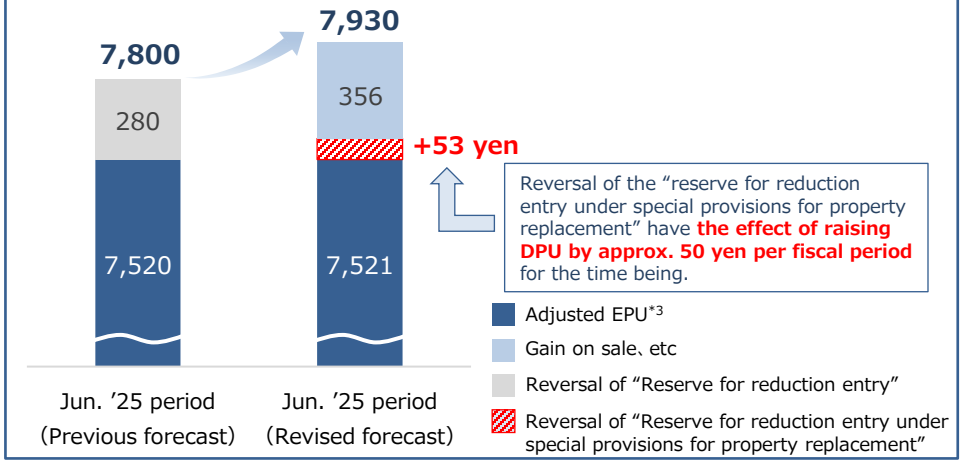
*1. Of the 2,887 million yen gain on the sale of real estate, 2,502 million yen will be retained internally as a "reserve for reduction entry under special provisions for property replacement"
*2. "NOI" is net operating income, while "NCF" is net cash flow income stated in the appraisal report.
*3. "Adjusted EPU" is the amount of net income per unit less gains or losses on sales, etc.

Effect of the Asset Replacement

	Asset to be acquired	Asset to be sold	Change
Building age	10 years	31 years	-
NOI*2	267 million yen	231 million yen	+35 million yen
NCF*2	260 million yen	207 million yen	+53 million yen
Planned Gain on Sale	-	2,887 million yen*1	-

Impact on Distribution (DPU)

- **Return a portion of the gain on sale to unitholders as distributions**
- **Since the "reserve for reduction entry under special provisions for property replacement" will be reversed along with the depreciation of replaced assets, it will contribute to raising DPU over the medium and long term.**



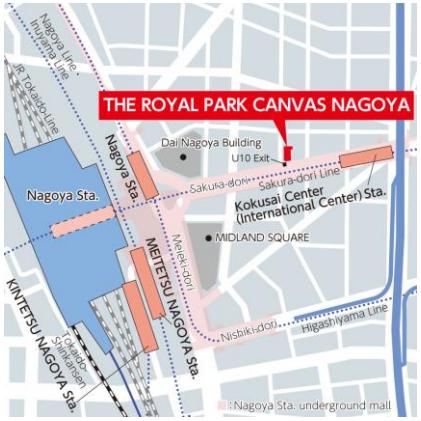
The Royal Park Canvas Nagoya

Acquire an urban hotel very close to Nagoya Station facing Sakura Dori. JPR aims to realize upside potential in the future by utilizing fixed and variable rents.









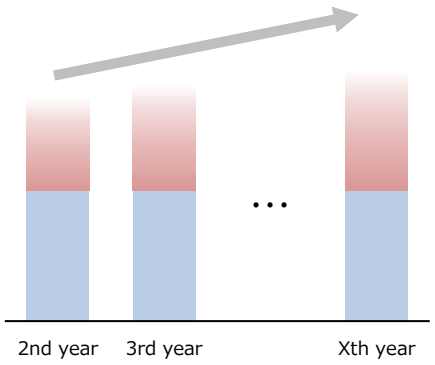
Acquisition date	October 9, 2024
Acquisition price	6,500 million yen
Appraisal value	6,780 million yen
Total rentable area/floors	5,185.05 ㎡/12F
Type of Ownership	Land･Building : Ownership
Building age	10 years
NOI yield*1	4.1%
After-depreciation yield*1	3.6%

Acquisition Highlights

- The property is located a five-minute walk from JR Nagoya Station and three minutes walk from Nagoya Subway Station. It is conveniently located in front of the exit of Unimall, an underground mall directly connected to the station and has a convenience store on the first floor of the building.
- The hotel has 153 guest rooms, and 96 are double/twin or larger rooms, which meets accommodation demand for business use and tourism including inbound tourism.
- Mitsubishi Estate Hotels & Resorts Co., Ltd., the hotel operator, is currently operating a total of 24 full-service hotels and premium accommodation-oriented hotels across the nation.
- Through the use of fixed and variable rents, JPR aims to realize upside potential in the future leveraging recovery of inbound tourism.

Adopt Fixed and Variable Rent Types

Image of rent trend



Variable rent:
By establishing ADR at adequate levels that reflect supply and demand, and capturing business and inbound demand leveraging the location characteristics and hotel brand, JPR aims to realize upside potential.

Fixed rent:
Stable revenue is ensured in long and fixed-term leasing.

*1 “NOI yield” and “after-depreciation yield” are figures calculated based on the net operating revenues indicated in the appraisal report.

Hotel market in Nagoya

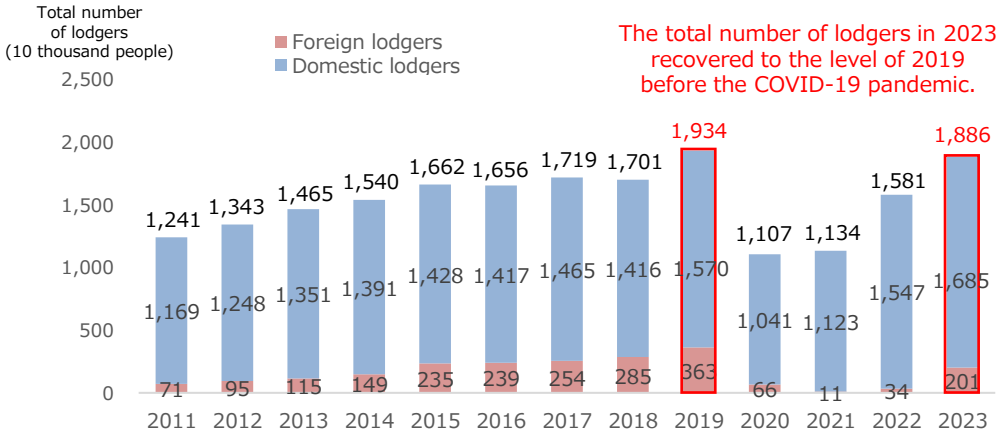
In the Nagoya's hotel market, the number of lodgers has recovered to the level of pre-COVID-19 pandemic, reflecting stable domestic business and tourist demand.
Going forward, further upside is expected due to the recovery of inbound demand from Chinese visitors, etc.

Geographical characteristics of Nagoya

- The largest business center in the Chubu district with a number of head offices and branch offices of corporate enterprises.
- Having good access to sightseeing locations in Gifu, Toyama, Kanazawa and other areas in the Hokuriku district, it enjoys demand on accommodation as a hub.

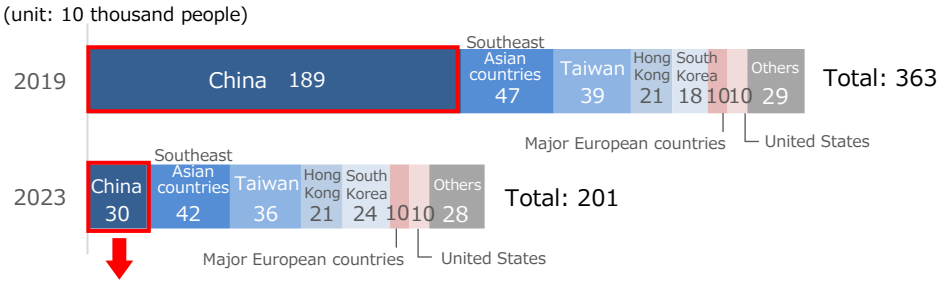


Change in total number of lodgers in Aichi Prefecture*1



Foreign lodgers in Aichi Prefecture by nations*1

There is a delay in the recovery of the number of Chinese lodgers, while lodgers from other countries and regions have recovered to the level of 2019 before the COVID-19 pandemic.



*1 Prepared by TRIM based on data from the "Overnight Travel Statistics Survey" by the Japan Tourism Agency.

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