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For Translation Purposes Only
For Immediate Release

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Notice Concerning Operating Forecasts for the Fiscal Periods Ending June 30, 2017 and December 31, 2017

Japan Prime Realty Investment Corporation (JPR) today announced its operating forecasts for the fiscal periods ending June 30, 2017 (January 1, 2017 – June 30, 2017) and December 31, 2017 (July 1, 2017 – December 31, 2017), as described below.

Details

1. Operating Forecasts for the Fiscal Period Ending June 30, 2017 (January 1, 2017 – June 30, 2017)

	Operating Revenues (millions of yen)	Operating Income (millions of yen)	Ordinary Income (millions of yen)	Net Income (millions of yen)	Distribution per Unit (excluding exceeding profit distribution per unit) (yen)	Exceeding Profit Distribution per Unit (yen)
Fiscal Period Ending June 30, 2017	15,101	7,743	6,800	6,800	7,140	—

Notes:
1. Forecast units outstanding as of June 30, 2017: 923,000 units
2. The forecast figures in the above table are calculated based on the "Assumptions for the Operating Forecasts for the Fiscal Periods Ending June 30, 2017 and December 31, 2017" in the Attachment 1. Accordingly, actual operating revenues, operating income, ordinary income, net income and distribution per unit may fluctuate due to additional acquisition or sale of specified assets, changes in the operating environment and other factors occurring in the future. Moreover, these forecasts should not be construed as a guarantee of the amount of distribution per unit.
3. Figures in yen have been rounded down to the unit.

2. Operating Forecasts for the Fiscal Period Ending December 31, 2017 (July 1, 2017 – December 31, 2017)

	Operating Revenues (millions of yen)	Operating Income (millions of yen)	Ordinary Income (millions of yen)	Net Income (millions of yen)	Distribution per Unit (excluding exceeding profit distribution per unit) (yen)	Exceeding Profit Distribution per Unit (yen)
Fiscal Period Ending December 31, 2017	15,009	7,562	6,646	6,646	7,200	—

Notes:
1. Forecast units outstanding as of December 31, 2017: 923,000 units
2. The forecast figures in the above table are calculated based on the "Assumptions for the Operating Forecasts for the Fiscal Periods Ending June 30, 2017 and December 31, 2017" in the Attachment 1. Accordingly, actual operating revenues, operating income, ordinary income, net income and distribution per unit may fluctuate due to additional acquisition or sale of specified assets, changes in the operating environment and other factors occurring in the future. Moreover, these forecasts should not be construed as a guarantee of the amount of distribution per unit.
3. Figures in yen have been rounded down to the unit.

Note: This document is a press release for a public announcement regarding operating forecasts for the fiscal periods ending June 30, 2017 and December 31, 2017, and has not been prepared for the purpose of soliciting any investment. We request readers to undertake investment decisions at their own judgment after having read carefully the prospectus and notice of amendments (if issued) for the issuance of new investment units and secondary offering prepared by JPR.

[Attachment 1]

Assumptions for the Operating Forecasts for the Fiscal Periods Ending June 30, 2017 and December 31, 2017

Items	Assumptions
Period	Fiscal period ending June 30, 2017: January 1, 2017 to June 30, 2017 (investment period: 181 days) Fiscal period ending December 31, 2017: July 1, 2017 to December 31, 2017 (investment period: 184 days)
Property Portfolio	・In addition to the 63 properties which are held by JPR as of December 31, 2016, it is assumed that JPR is scheduled to acquire Tokyo Square Garden on February 1 and April 4, 2017 and implement a transfer of Fukuoka Bldg and JPR Hakata-chuo Building on April 14, 2017. ・In practice, these assumptions may vary due to such events as the acquisition of additional properties or the sale of existing properties, other than the above.
Operating Revenues	・Real estate rental revenues are calculated on the basis of the lease contracts effective as of December 31, 2016, with considerations given to the market environment, competitiveness of the properties, status of tenants and other factors. Furthermore, the assumed period-average occupancy rate at the end of each month is 98.1% for the fiscal period ending June 30, 2017 and 98.6% for the fiscal period ending December 31, 2017. ・For operating revenues, JPR assumes that rents will be paid on time and that no tenants will fail or decline to pay rents. ・JPR is scheduled to transfer Fukuoka Bldg and JPR Hakata-chuo Building and appropriate capital gains of 209 million yen to operating revenues in the fiscal period ending June 30, 2017. (Please refer to “Distribution per Unit (Excluding Exceeding Profit Distribution Per Unit)” below.)
Operating Expenses	・Among rental expenses, which are the principal operating expenses, outsourcing expenses and other expenses excluding depreciation are calculated based on historical data, reflecting variable factors of expenses and considering the information as of December 31, 2016. Outsourcing expenses are assumed to be 576 million yen for the fiscal period ending June 30, 2017 and 588 million yen for the fiscal period ending December 31, 2017. ・For property taxes and city planning taxes, the amount attributed to the respective fiscal period has been calculated out of the levied tax amount, and is assumed to be 2,062 million yen for the fiscal period ending June 30, 2017 and 2,042 million yen for the fiscal period ending December 31, 2017. In general practice, the property taxes and city planning taxes levied on properties acquired are settled after prorating for the period with the previous owner at the time of acquisition, but JPR includes the amount equivalent to such settlement in the acquisition costs for the property. Accordingly, the property taxes and city planning taxes related to Tokyo Square Garden which is scheduled to be acquired by JPR in the fiscal period ending June 30, 2017 will be appropriated as expenses from the fiscal period ending June 30, 2018. ・For expenditures for the repair and maintenance of buildings, the amount expected to be required in the respective fiscal periods has been recorded. However, the expenditures for repair and maintenance for the respective fiscal periods could differ significantly from the estimated amount, as expenditures may arise due to damage to the building caused by unexpected factors, etc., and because the variance in amounts generally tends to grow from year to year and repair expenses do not arise regularly. ・Depreciation is calculated using the straight line method, including incidental expenses and additional future capital expenditures, and is assumed to be 1,914 million yen for the fiscal period ending June 30, 2017 and 1,935 million yen for the fiscal period ending December 31, 2017, respectively.
Non-Operating Revenues	・As for major non-operating revenues, JPR assumes income on settlement of management association accounts to be 35 million yen for the fiscal period ending June 30, 2017 and 2 million yen for the fiscal period ending December 31, 2017.
Non-Operating Expenses	・As for major non-operating expenses, JPR assumes interest paid, fees related to loan agreement, interest on investment corporation bonds and amortization of investment corporation bond issuance costs etc. to be 949 million yen for the fiscal period ending June 30, 2017 and 902 million yen for the fiscal period ending December 31, 2017. ・It is assumed that the cost of the issuance of new investment units scheduled to be implemented in January 2017 will be 48 million yen, and 8 million yen will be amortized in the fiscal periods ending June 30, 2017 and December 31, 2017, respectively.

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Interest-Bearing Debt Ratio	・The interest-bearing debt ratio as of today stands at 43.8%, with interest-bearing debt of 188,960 million yen (comprised of 7,000 million yen in short-term debt, 147,460 million yen in long-term debt and 34,500 million yen in investment corporation bonds). ・It is assumed that JPR will use the proceeds it will receive from the issuance of investment units through public offering and third-party allotment in accordance with the secondary offering (over-allotment), to be implemented in January 2017, for the funds for acquisition of Tokyo Square Garden and part (maximum of 2,000 million yen) of the repayment of borrowings (maximum of 7,000 million yen). ・It is assumed that borrowings of 7,000 million yen will be repaid in the fiscal period ending June 30, 2017. ・It is assumed that all borrowings whose repayment dates will arrive during the respective fiscal periods will be refinanced, except for the above-mentioned repayment and scheduled payment of 166 million yen. ・As for the investment corporation bonds, for which redemptions are planned in the respective periods, the redemption cost is assumed to be secured through debt and issuance of investment corporation bonds. ・Due to the above, the ratio of interest-bearing debts are projected to be 40.7% at end of the fiscal period ending June 30, 2017 and 40.7% at end of the fiscal period ending December 31, 2017. ・The following formula is used in calculating the ratio of interest-bearing debt to total assets in this table. Ratio of interest-bearing debt to total assets = Expected total interest-bearing debt / Expected total assets x 100
Total Units Outstanding	・It is assumed that the number of investment units outstanding as of the end of the fiscal periods ending June 30, 2017 and December 31, 2017 will be 923,000 units, comprising the 873,000 units outstanding as of January 6, 2017 plus maximum 50,000 new investment units scheduled to be issued through public offering in January 2017 and through third-party allotment. ・Furthermore, it is assumed that 2,400 units, which is the maximum number of investment units to be additionally issued through third-party allotment, will be fully issued. ・Other than the above, it is assumed that there will be no investment units additionally issued through the end of the fiscal period ending December 31, 2017.
Distribution per Unit (Excluding Exceeding Profit Distribution Per Unit)	・As for distribution per unit, it is assumed that all revenues will be distributed based on the distribution methods provided in the Articles of Incorporation of JPR. ・Moreover, capital gains of 209 million yen to be acquired through the transfer of Fukuoka Bldg and JPR Hakata-chuo Building in the fiscal period ending June 30, 2017 are assumed to be reserved internally as deposits for advanced depreciation utilizing the Special Measures in Case Land and Other Property is Acquired in Advance in 2009 or 2010 (Special Taxation Measures Law, Article 66-2) for stable management and distribution in the future. ・There is the possibility that the distribution per unit may vary due to various factors including variation of rental revenue due to transfer of assets under management and tenants moving out, and unpredicted repairs and maintenance.
Exceeding Profit Distribution Per Unit	・Distribution exceeding the profit (exceeding profit distribution per unit) is currently not assumed.
Others	・It is assumed that there will be no changes in legislation, taxation, accounting standards, regulations applying to publicly listed companies, rules and requirements imposed by the Investment Trusts Association, Japan etc. that will impact the aforementioned forecasts. ・It is also assumed that there will be no unexpected material changes in general economic and the real estate market conditions.

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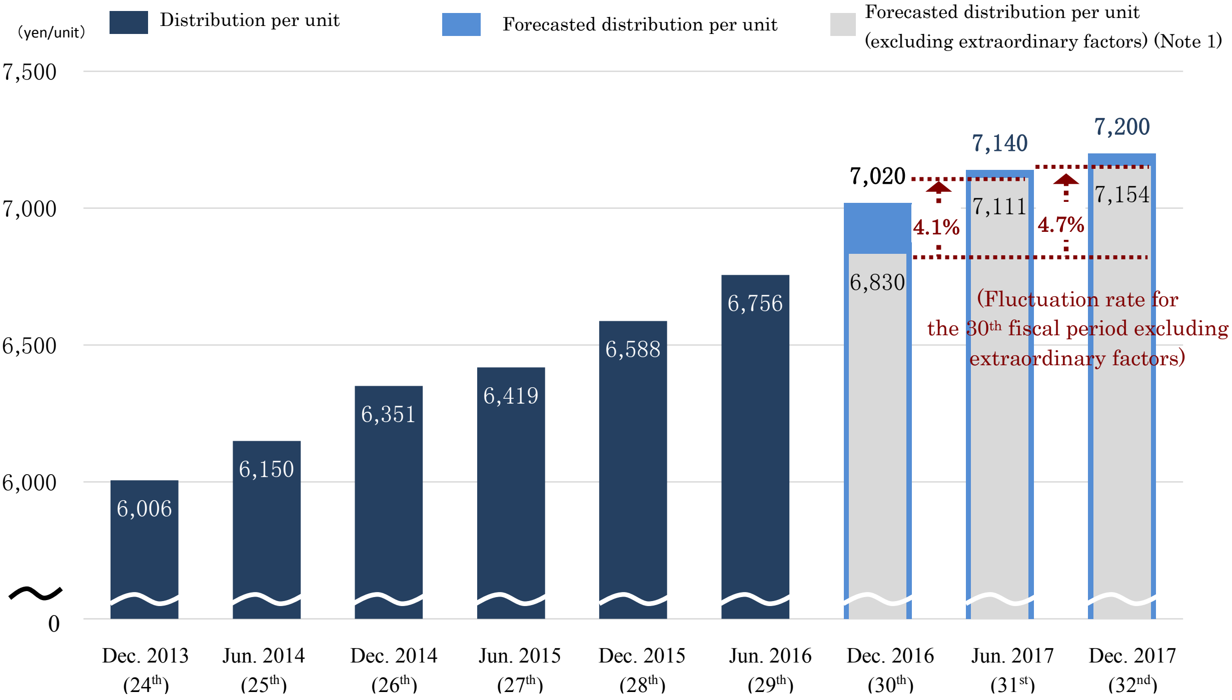
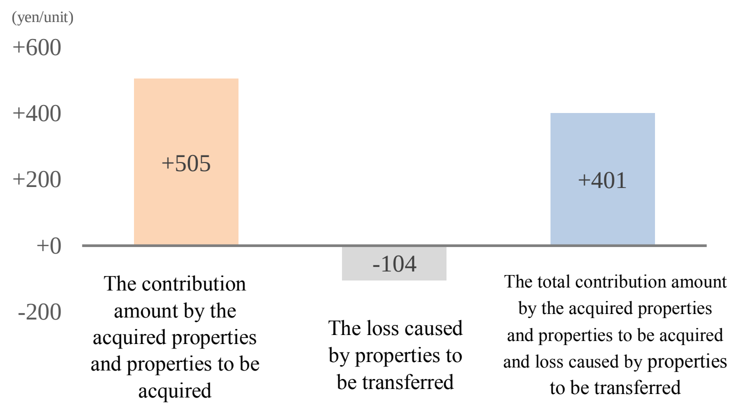
[Attachment 2]

(Changes and forecasts of distribution per unit)



Breakdown of the impact on the forecasted distribution per unit for the fiscal period ending December 31, 2017 (32nd fiscal period) due to the properties acquired in the fiscal period ended December 31, 2016 (30th fiscal period) and properties scheduled to be acquired and transferred in the fiscal period ending June 30, 2017 (31st fiscal period). (Note 2)



(Note 1) As for the forecasted distribution per unit (excluding extraordinary factors) for the fiscal period ended December 31, 2016 (30th fiscal period), the cancellation penalty due to cancellation by tenants, income equivalent to expenses for restoration to original condition, loss on sales of real estate properties, etc. due to transfers of owned properties, and other factors in the period are excluded as extraordinary factors. In addition, as for the forecasted distribution per unit (excluding extraordinary factors) for the fiscal period ending June 30, 2017 (31st fiscal period) and fiscal period ending December 31, 2017 (32nd fiscal period), the revenues that temporary increased due to the inclusion of the property tax of Tokyo Square Garden in the acquisition costs are excluded as extraordinary factors.

(Note 2) "The contribution amount by the acquired properties and properties to be acquired" indicates the expected profits in rental businesses (+505 yen per unit) of the properties acquired in the fiscal period ended December 31, 2016 (30th fiscal period) (GINZA GATES and FUNDES Suidobashi) and properties to be acquired in the fiscal period ending June 30, 2017 (31st fiscal period) (Tokyo Square Garden) in the forecasted distribution per unit for the fiscal period ending December 31, 2017 (32nd fiscal period). Moreover, the revenues that temporarily increased due to the

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inclusion of the property tax of Tokyo Square Garden in the acquisition costs are excluded.

"The loss caused by properties to be transferred" indicates the loss of profits in rental businesses (-104 yen per unit, calculated from the expected profits in rental businesses for the fiscal period ended December 31, 2016 (30th fiscal period)) for the fiscal period ending December 31, 2017 (32nd fiscal period) caused by the properties scheduled to be transferred (Fukuoka Bldg and JPR Hakata-chuo Building) in the fiscal period ending June 30, 2017 (31st fiscal period).

"The total contribution amount by the acquired properties and properties to be acquired and loss caused by properties to be transferred" indicates the impacted amount (+401 yen per unit) combining the above amounts.

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