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Notice Concerning Operating Forecasts for the Fiscal Period Ending December 31, 2018

Japan Prime Realty Investment Corporation (JPR) today announced its operating forecasts for the fiscal period ending December 31, 2018 (July 1, 2018 – December 31, 2018), as detailed below.

Details

1. Operating Forecasts for the Fiscal Period Ending December 31, 2018 (July 1, 2018 – December 31, 2018)

	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 2018	15,536	7,564	6,711	6,711	7,270	—

Notes:

1. Forecast units outstanding as of December 31, 2018: 923,000 units
2. The forecast figures in the above table are calculated based on the “Assumptions for the 34th Fiscal Period Forecast (July 1, 2018 to December 31, 2018)” in the Attachment. 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 of less than one unit have been rounded down.

Attachment

Assumptions for the 34th Fiscal Period Forecast (July 1, 2018 to December 31, 2018)

	Assumptions
Period	Fiscal period ending December 31, 2018 (34th fiscal period): July 1, 2018 to December 31, 2018 (investment period: 184 days)
Property Portfolio	<ul style="list-style-type: none"> The number of properties is assumed to be 62 properties owned by JPR as of June 30, 2018. Moreover, the assumed period-average occupancy rate at end of month is 99.0% for the 34th fiscal period. In practice, this assumption may vary due to such events as acquisition of additional properties or sale of existing properties.
Operating Revenues	<ul style="list-style-type: none"> Real estate rental revenues are calculated on the basis of the lease contracts effective as of the end of June 30, 2018, with consideration given to the market environment, competitiveness of the properties, status of negotiations with tenants and other factors. For operating revenues, JPR assumes rents will be paid on time and that no tenants will fail or decline to pay rents.
Operating Expenses	<ul style="list-style-type: none"> 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 June 30, 2018. Outsourcing expenses are assumed to be 600 million yen. For property taxes and city planning taxes, the amount attributed to the relevant fiscal period is calculated out of the levied tax amount, and is assumed to be 2,209 million yen. 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. For expenditures for the repair and maintenance of buildings, the amount expected to be required in the relevant fiscal period has been recorded. However, the expenditures for repair and maintenance for the fiscal period 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. Depreciation is assumed to be 1,951 million yen.
Non-Operating Expenses	<ul style="list-style-type: none"> As for major non-operating expenses, JPR assumes 843 million yen for interest paid, fees related to loan arrangement, interest expenses on investment corporation bonds and amortization of investment corporation bond issuance costs, etc.
Non-Operating Revenues	<ul style="list-style-type: none"> As for major non-operating revenues, JPR assumes income on settlement of management association accounts to be 3 million yen.
Interest-Bearing Debt	<ul style="list-style-type: none"> The ratio of interest-bearing debt to total assets as of June 30, 2018 stands at 40.6%, with interest-bearing debts of 181,120 million yen (comprised of 153,620 million yen in long-term loans payable and 27,500 million yen in investment corporation bonds). It is assumed that all borrowings for which repayment will arrive during the 34th fiscal period will be refinanced, except for scheduled repayment of 100 million yen for the fiscal period. It is assumed that funds for redemption of investment corporation bonds whose redemption date will arrive during the relevant fiscal periods will be secured through debt or issuance of investment corporation bonds. Due to the above, the ratio of interest-bearing debt to total assets is expected to be 40.6% at the end of the 34th fiscal period. 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	<ul style="list-style-type: none"> The total number of investment units issued and outstanding is 923,000 units as of June 30, 2018, and it is assumed that no additional investment units will be issued.
Distribution per Unit (Excluding Exceeding Profit Distribution Per Unit)	<ul style="list-style-type: none"> For distribution per unit, it is assumed that all revenues will be distributed based on the distribution methods provided in the Articles of Incorporation. 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	<ul style="list-style-type: none"> Distribution exceeding the profit (exceeding profit distribution per unit) is currently not assumed.
Others	<ul style="list-style-type: none"> 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 that will impact the aforementioned forecast. It is also assumed that there will be no unexpected material changes in general economic and real estate market conditions.