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To All Concerned Parties

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Notice Concerning Acquisition of Assets

Japan Rental Housing Investments Inc. (hereafter referred to as the “Investment Corporation”) hereby announces that Daiwa Real Estate Asset Management Co. Ltd. (hereafter referred to as the “Asset Manager”), the asset manager of the Investment Corporation, has resolved to acquire the asset described below (hereafter collectively referred to as the “Acquisition”). Details are provided below.

I. Summary and Reasons for the Acquisition

[Asset to be acquired]

The property to be acquired will be completed in August this year. The planned acquisition date for the property is August 27, 2019. (Note 1). Considering that certain features of the property to be acquired—including its profitability, its location in Three Major Metropolitan Area, and the fact that it is a new building—will help improve the quality of the Investment Corporation’s portfolio, the Asset Manager has decided to make the acquisition. For details, please refer to the following.

Name of Property (Note 2)	Region	Property Type	Anticipated Acquisition Price (A) (JPY thousand) (Note 3)	Appraisal Value (as of Feb 2019) (B) (JPY thousand) (Note 4)	Difference Between Anticipated Acquisition Price and Appraisal Value (B)-(A) (JPY thousand) ((A)/(B))
Gran Casa Urayasu	Three Major Metropolitan Areas (Urayasu city, Chiba)	Studio	886,041	921,000	34,958 (96.2%)

(Note 1) The completion of the building of the property is specified as an assumption in the sales agreement so as to avoid development risk, etc.

(Note 2) The asset to be acquired has not been completed as of today and the planned property name at the time of the acquisition by the Investment Corporation is indicated.

(Note 3) Anticipated Acquisition Price does not include acquisition expenses, adjustments to property tax and city planning tax, and consumption tax and local consumption tax. The price is rounded down to the nearest thousand yen. The same applies hereinafter.

(Note 4) We conduct appraisals of buildings etc. yet to be completed based on the real estate appraisal standard. The building of the property was not completed at the time of appraisal, and we conducted an appraisal, assuming that construction work will be completed according to the working drawing etc. and use and profit generation will become possible.

(Note 5) The ratio shown with bracket in “Difference between Anticipated Acquisition Price and Appraisal Value” shows the result of dividing the anticipated acquisition price by the appraisal value (rounded off to the first decimal).

(1) Location

The property is a new apartment located at a 5-minute walk from Urayasu Station on the Tokyo Metro Tozai Line and mainly targets single workers. With its excellent proximity to central Tokyo, approximately 20-25 minutes to Otemachi Station on the Tokyo Metro Tozai Line, Urayasu Station is surrounded by supermarkets, drugstores, restaurants and many other facilities, offering an excellent living environment for single workers commuting to central Tokyo and generating stable demand from corporations as well.

(2) Building equipment

The property has a 6-story reinforced concrete structure and offers tenants a comfortable living environment with highly functional equipment and facilities in both the common use space and the private area.

With the Acquisition and the acquisition of other asset to be acquired, the size of the Investment Corporation's total asset is expected to be 224.4 billion yen for the 191 portfolio properties (acquisition price base), total of 12,857 units.

(Note) The above assets to be acquired include one building to be acquired announced on April 11, 2019 and another one announced on May 31, 2019 and the said assets to be acquired are scheduled to be acquired around September 2019 and on October 29, 2019, respectively.

II. Details of Anticipated Properties

◇ Overview of the Property				
Category of anticipated property for acquisition	Real estate			
Location (Note 1)	(Residential indication) (undecided), Toudaijima, Urayasu-city, Chiba (Lot number) 1-1391-3, 1-1391-4 Toudaijima, Urayasu-city, Chiba			
Land	Type of ownership	Proprietary ownership	Use Area (Note 2)	Category 1 residential district
	Area (Note 1)	513.67m ²	FAR/Building coverage ratio (Note 3)	200% / 60%
Building	Type of ownership	Proprietary ownership	Use (Note 1)	Condominium
	Floor space (Note 1)	1,250.54m ²	Completion date (Note 1)	August, 2019 (planned)
	Structure type (Note 1)	RC, 6-story building		
No. of leasable units by type	47 units (1K: 47 units)			
Building Promoter	Urata, Inc.		Architect	GUY PLANNING Corporation
Building Contractor	Urata, Inc.		Verification Agency	Urban residence evaluation center, Inc.
Property management company (planned)	SHIMIZU COMPREHENSIVE DEVELOPMENT, Inc.			
Master lease party (planned)	G.K. Japan Rental Housing		Type of master lease (planned)	Pass through
◇ Property Lease Summary (Note 4)			◇ Property Engineering Report Summary (Note 8)	
Number of tenants (Note 5)	1		Engineering report company	ERI Solution, Co., Ltd.
Leasable area (Note 6)	997.74m ²		Date of report	June 13, 2019
Leased area	-		Priority repairs	-
Monthly rent (Note 7)	3,852 thousand		Near-future repairs (1 year)	-
Lease and guarantee deposits	-		Far-future repairs (2~12 years)	14,250 thousand
Occupancy ratio	-		Probable maximum loss (PML)	6.5%
Special Note: This building is not completed at the time of the contract conclusion. Assuming that the building will be completed, the Investment Corporation will acquire the property after the building is completed.				
Collateral: None				

(Note 1) In the Location, Area, Floor space, Structure type, Use, and Completion date fields, information is entered based on the registry and engineering report. In the Structure type field, the following abbreviations are used: SRC (steel reinforced concrete), RC (reinforced concrete), S (steel construction).

(Note 2) In the "Use Area" column, the class of Use Area under Article 8, Paragraph 1, Item 1 of the City Planning Act (Law No. 100, 1968, including later amendments) is listed.

(Note 3) Figures for "FAR" in the "FAR/Building coverage ratio" column show, as indicated in Article 52 of the Building Standards Act (Law No. 201 of 1950, including later amendments) (hereafter the "Building Standards Act"), the ratio of the sum of the floor space of the building to the land area, and the upper limit as determined by city planning according to the use area. Figures for "building coverage ratio" show, as indicated in Article 53 of the Building Standards Act, the ratio of the building area to the land area, and the upper limit as determined by city planning according to the use area.

(Note 4) Figures and information in the "Property Lease Summary" column are as of June 1, 2019 for the anticipated properties.

(Note 5) If a master lease agreement is planned to be concluded with a master lease company, the number of tenants is 1.

(Note 6) "Leasable area" shows the leasable area of the anticipated properties as of June 28, 2019, excluding area used by storage spaces, parking spaces, custodian's areas, signboards, vending machines, antennas and other spaces leased to the lessee in addition to their main use, or other areas leased for the maintenance and supervision of the relevant property (including loan for use). Furthermore, leasable area is calculated using the center line of the wall, and includes the meter boxes and pipe spaces allotted to each unit.

(Note 7) The number in the Monthly rent field is monthly rental income (rent, common area charge, income from parking facilities, etc.) based on the estimated appraisal value and other data on June 1, 2019 for the property to be acquired. Moreover, no leasing activities are scheduled to be conducted at the seller. The buyer plans to start leasing activities before the acquisition but it is anticipated that there is sufficient possibility that tenants can be secured at an early stage after completion due to the supply-demand environment of new apartments within Bunkyo Ward. There is a plan to achieve a high occupancy rate at an early stage after the acquisition with the Asset Manager's high operational capability.

(Note 8) The figures in the "Property Engineering Report Summary" column are rounded down to the thousands, and the ratios are rounded to the first decimal. Furthermore, earthquake PML data was acquired from Tokyo Marine & Nichido Fire Insurance in June 2019.

III. Profile of the Counterparty

The seller of the asset to be acquired is a domestic company, whose name is not disclosed because the seller's consent has not been obtained. There are no capital, human, or business relationships between the Investment Corporation or the Asset Manager and the seller. The seller is not related party of the Investment Corporation or the Asset Manager.

The seller does not fall under the category of interested persons under the Order for Enforcement of the Act on Investment Trusts and Investment Corporations, nor does it fall under the category of interested party, etc. under the internal rules on dealings with interested parties of the Asset Manager.

(Note) The current owner of this property is not the domestic company that is the seller (hereinafter referred to as “Company A”) but another domestic company (hereinafter referred to as “Company B”). Company A has designated the Investment Corporation as a party to whom the ownership will be transferred by exercising the right to designate the party to whom the ownership will be transferred as provided for in the sales agreement with Company B. The ownership of this property is to be transferred directly from Company B to the Investment Corporation at the same time as the payment of the sales price to Company A by the Investment Corporation on the payment date stated in VIII below. In addition, the Investment Corporation, Company A and Company B have agreed on the direct transfer of the ownership.

There are no capital, human or business relationships between the Investment Corporation or the Asset Manager and Company A or Company B, and Company A and Company B are not a related party of the Investment Corporation or the Asset Manager. In addition, Company A and Company B do not fall under the category of interested persons, etc. under the Order for Enforcement of the Act on Investment Trusts and Investment Corporations, nor do they fall under the category of interested party under the internal rules on conflict of interest of the Asset Manager.

IV. Profile of the Property Seller

The seller of the anticipated property is not classified as a special related party of the Investment Corporation and the Asset Manager.

V. Profile of Brokerage

The broker for the assets to be acquired of is a domestic company, whose name is not disclosed because the broker has not agreed on the disclosure of its name etc. There are no capital, human, or business relationships between the Investment Corporation or the Asset Manager and the broker. The broker is not a related party of the Investment Corporation or the Asset Manager.

The broker does not fall under the category of interested persons under the Order for Enforcement of the Act on Investment Trusts and Investment Corporations. Nor does it fall under the category of interested party, etc. under the internal rules on dealings with interested parties of the Asset Manager.

VI. Funds for Acquisition

Own funds or loans

VII. Settlement Method

For the asset to be acquired, Lump-sum settlement at the time of acquisition.

VIII. Acquisition Schedule

- Decision of Acquisition and Conclusion of Purchase Agreement : June 28, 2019
- Payment and Delivery : August 27, 2019 (However, confirmation of the fulfillment of the assumptions specified in the sales agreement is a condition upon the acquisition of properties)

IX. Impact on the Investment Corporation’s Finances if Forward Commitment, etc. is Not Able to be Met

The Purchase Agreement for the asset to be acquired fall under the category of forward commitments, etc. (future-dated Purchase Agreements where settlement and delivery take place a month or more after the conclusion of the contract, and other similar contracts) provided for in the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.

Under the Purchase Agreement, if the contract is cancelled due to the Investment Corporation’s failure to perform the obligations specified in the contract, the Investment Corporation shall promptly pay 80 million yen as a penalty. However, the Investment Corporation has ample funds of its own, and Investment Corporation considers that the Purchase Agreement is not likely to have a significant adverse effect on the Investment Corporation’s finances and distributions.

X. Rotation Rule between the Investment Corporation and Daiwa Residential Private Investment Corporation

The property to be acquired will be completed in an odd-numbered year in the Western calendar, and the Investment Corporation is given priority.

XI. Forecasts

The Acquisition will have only a slight impact on the asset management condition in the fiscal period ending September 30, 2019 (from April 1, 2019 to September 30, 2019) and the fiscal period ending March 31, 2020 (from October 1, 2019 to March 31, 2020), and there is no change in the asset management forecast.

XIII. Property Appraisal Summary (Note)

Property Name	Gran Casa Urayasu
Appraisal Value	JPY 921,000,000
Appraiser	DAIWA REAL ESTATE APPRAISAL CO.,LTD.
Date of Appraisal	June 1, 2019

Item		Details	Overview, etc.
Value indicated by income approach	JPY thousand	921,000	-
Value indicated by the Direct Capitalization Method	JPY thousand	945,000	-
(1) Total Operating Income: (a)-(b)	JPY thousand	47,243	-
(a)			
Rental revenues including common service fees	JPY thousand	45,585	Taking into account mid- to long-term competitiveness of the property based on the level and movements of new rents of similar properties in the same supply-demand area, posted assumed standardized revenues from the rental units and common service fees of the property.
Parking fees	JPY thousand	1,248	Taking into account mid- to long-term competitiveness of the property based on the lease cases existing in the same supply-demand area and their trends, posted standardized parking fees for the property. Posted motorcycle and bicycle parking fees, taking into account assumed vacancy rates of such parking space of the property based on lease cases, etc. existing in the same supply-demand area.
Other revenues	JPY thousand	1,842	Posted key money and other revenues by applying the number of months for each tenant based on assessed tenants change and vacancy rates. Posted renewal fee revenues based on the assessment of renewal rates by rental unit type.
(b)			
Losses from vacancies	JPY thousand	1,432	Posted loss from vacant units, etc. by assessing vacancy rates in relation to revenues from rental units that are deemed to be stable over a mid- to long-term period, common service fees and parking space revenues and by taking into account competitiveness, etc. of the property based on standardized vacancy rates of similar properties.
Bad debt losses	JPY thousand	0	Not posted because bad debt losses are deemed to be secured by key money, etc.
(2) Total Operating Expenses	JPY thousand	8,170	-
Operation costs	JPY thousand	1,653	Having judged that the scheduled building management operations would generally be standard, posted operation costs based on the scheduled values for contracts, after examining the level of operation costs of similar properties.
Utilities	JPY thousand	361	Posted utility costs by assessing the level of utility costs for similar properties.
Repairs and maintenance expense	JPY thousand	1,260	Based on the repair costs described in ER, the level of repair costs for similar properties was assessed and recorded as a reference. Assessed and posted tenant change costs, taking into account tenant change and vacancy rates.
Property management fees	JPY thousand	817	Having judged that the scheduled property management operations would generally be standard, posted property management fees based on the scheduled values for contracts, after examining the level of property management fees of similar properties.
Tenant promotion fees, etc.	JPY thousand	933	Posted secretarial costs associated with solicitation for new tenants for rental units and parking space by assessing the portion to which the assumed tenant change rate would apply, taking into account the level of secretarial costs associated with solicitation for new tenants of similar properties.
Taxes and public dues	JPY thousand	2,322	【Land】Assessed and posted taxes and public dues, taking into account the reduction or exemption of taxes and public dues for land for small-scale residences in reference to materials concerning the real estate acquisition tax, levels of burdens and land price movements. 【Property】Posted taxes and public dues, by assessing from a mid- to long-term perspective the assumed amount of taxes for the year which is 11 years after construction based on the replacement value of the planned building.
Nonlife insurance	JPY thousand	149	Assessed and posted non-life insurance premiums at an amount equivalent to 0.05% of the replacement value of the planned building in reference to the level of non-life insurance premiums for similar properties.
Other expenses	JPY thousand	672	Posted other total operating expenses for the property at an amount equivalent to 0.7% of the operating income.

English Translation

The following is an English translation of the original Japanese press release and is being provided for informational purposes only.

				Taking into account renewal rates, etc., posted renewal fees based on scheduled contracts.
(3) Net Operating Income (NOI): (1)-(2)	JPY thousand	39,073		-
(4) Lump-sum Investment Return	JPY thousand	36		By comprehensively taking into account the actual situation of investing lump sum paid, etc. from both investment and funding perspectives and assuming investment yields, posted an amount calculated by multiplying said assumed investment yields by an amount equivalent to assumed key money in custody, etc.
(5) Capital Expenditure	JPY thousand	377		Based on the renewal costs described in ER, we assessed and recorded the level of renewal costs of similar properties as a reference.
(6) Net Cash Flow (NCF): (3) + (4) - (5)	JPY thousand	38,732		-
(7) Capitalization Rate	(%)	4.1		-
Value Indicated by DCF Method	JPY thousand	910,000		-
Discount Rate	(%)	3.9		Assessed the discount rate, taking into account discount rates used in transactions of similar properties, comparison with yields from other financial instruments and so forth.
Terminal Capitalization Rate	(%)	4.3		Assessed terminal capitalization rate, taking into account factors such as the marketability of the property at the maturity of the holding period in relation to capitalization rate.
Value indicated by cost approach	JPY thousand	1,020,000		-
Land Ratio	(%)	66.2		-
Property Ratio	(%)	33.8		-

Other items of note by appraiser	None
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(Note) The building is not completed at the time of appraisal, and we have conducted an appraisal of the building etc. yet to be completed based on the real estate appraisal standard. The appraisal is on the assumption that construction work were completed according to the working drawing etc. and use and profit-making were possible at the time of appraisal.

*URL: <http://www.jrhi.co.jp/en/>



(Reference Material 1) Perspective Drawing of the Asset to be Acquired





(Reference Material 2) Location of the Asset to be Acquired



(Additional Material 1) Overview of Portfolio after the Acquisition

<Number of Properties etc.>

	Before the Acquisition	Acquisition of Property	After the Acquisition	Other Acquisition of Property (Note)
Total Number of Owned Properties	188 properties	1 property	189 properties	191 properties
Total Number of Leasable Units	12,723 units	47 units	12,770 units	12,857 units
Total Leasable area	511,417.41 m ²	997.74 m ²	512,415.15 m ²	515,445.73 m ²

(Note) The above assets to be acquired include one building to be acquired announced on April 11, 2019 and another one announced on May 31, 2019 and the said assets to be acquired are scheduled to be acquired around September 2019 and on October 29, 2019, respectively. The same is true below.

<Asset Size etc.>

	Before the Acquisition	Acquisition of Property	After the Acquisition	Other Acquisition of Property
Total (Anticipated) Acquisition Price (Note 1)	JPY 220.8 billion	JPY 0.8 billion	JPY 221.7 billion	JPY 224.4 billion
Appraisal Value (Note 2)	JPY 260.7 billion	JPY 0.9 billion	JPY 261.6 billion	JPY 264.4 billion
NOI Yield (Note 3)	5.7%	4.4%	5.7%	5.7%

(Note 1) Total (Anticipated) Acquisition Price and Average (Anticipated) Acquisition Price per Property are calculated based on the acquisition (Anticipated) price.

(Note 2) Appraisal Value for Before the Acquisition is the appraisal value as of the end of the fiscal period ended March 31, 2019 and the Appraisal Value for Acquisition of Property is the appraisal value as of June 2019. Appraisal Value for After the Acquisition of Other Assets To Be Acquired is Appraisal Value for After the Acquisition with the addition of the appraisal value as of February 2019 of the assets to be acquired announced on April 11, 2019 and the appraisal value as of May 2019 of the assets to be acquired announced on May 31, 2019.

(Note 3) NOI Yield is NOI divided by (anticipated) acquisition price. NOI for Before the Acquisition is the sum of the actual results in the fiscal period ended September 30, 2018 and the actual results in the fiscal period ended March 31, 2019. NOI for Acquisition of Property is the appraisal NOI as of June 2019. NOI for After the Acquisition of Other Assets To Be Acquired indicates NOI for After the Acquisition with the addition of the appraisal NOI as of February 2019 of the assets to be acquired announced on April 11, 2019 and the appraisal NOI for After the Acquisition as of May 2019 of the assets to be acquired announced on May 31, 2019.

<Amount and Rate of Investment by Type (Based on (Anticipated) Acquisition Price) >

Rental Property Category	Before the Acquisition	Acquisition of Property	After the Acquisition	Other Acquisition of Property
Studio	JPY 139.5 billion (63.2%)	JPY 0.8 billion (100.0%)	JPY 140.4 billion (63.3%)	JPY 143.1 billion (63.8%)
Family	JPY 81.3 billion (36.8%)	-	JPY 81.3 billion (36.7%)	JPY 81.3 billion (36.2%)

<Amount and Rate of Investment by Region (Based on (Anticipated) Acquisition Price)>

Region	Before the Acquisition	Acquisition of Property	After the Acquisition	Other Acquisition of Property
23 Wards of Tokyo	JPY 91.7 billion (41.5%)	-	JPY 91.7 billion (41.4%)	JPY 93.2 billion (41.5%)
Three Major Metropolitan Areas	JPY 91.1 billion (41.3%)	JPY 0.8 billion (100.0%)	JPY 92.0 billion (41.5%)	JPY 93.2 billion (41.5%)
Other Major Cities	JPY 38.0 billion (17.2%)	-	JPY 38.0 billion (17.1%)	JPY 38.0 billion (16.9%)