

July 18, 2019

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 July this year. The planned acquisition date for the property is August 30, 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 Kitaurawa	Three Major Metropolitan Areas (Saitama city, Saitama)	Family	2,490,000	2,590,000	100,000 (96.1%)

(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

Located a six-minute walk from Kita Urawa Station on the JR Keihin Tohoku Line, the property is a newly built condominium targeting single families. Kita Urawa Station offers excellent access to central terminal stations, because it takes no more than 30 minutes to arrive at Ikebukuro Station and approximately 40 minutes to arrive at Tokyo Station. The area surrounding Kita Urawa Station features QUEEN’S ISETAN, Maruetsu and other supermarkets and Heiwa Dori shopping street between the station and the property, providing a good living environment and ensuring stable supply of residential needs.

On the east side of the station are Saitama Prefectural Urawa High School, Saitama City Urawa Junior High School and High School; Urawa Lutheran Elementary School, Junior High School and High School; and many cram schools for students. There are also bus depots on the west side of the station, including one that goes to Saitama University. As a famous educational city, Urawa has high demand for residential land and an increasing number of high-rise condominiums have been built in the past several years in the peripheral areas around Kita Urawa Station.

(2) Building equipment

With a six-story, steel reinforced, concrete structure, the property has been developed for allotment as family residences, offering units ranging from 2LDK+S to 4LDK. A disaster emergency stockpiling warehouse is installed in the common use area, while the private area features walk-in closets, multi-purpose closets, dish washers, Thin and Economical System (TES) floor heating units for the living and dining rooms and other easy-to-use, ample facilities with functional beauty. Moreover, an exclusive garden is attached to each residence unit on the first floor. The property offers quality residences for tenants to lead comfortable lives.

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 226.9 billion yen for the 192 portfolio properties (acquisition price base), total of 12,910 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 another one announced on June 28, 2019 and the said assets to be acquired are scheduled to be acquired around August 1, 2019 and on October 29, 2019 and on August 27, 2019, respectively.

Furthermore, as stated in the reference materials for the financial results for the 26th fiscal period (fiscal period ended March 31, 2019), which were disclosed on May 21, 2019, the Investment Corporation is working to replace 10 to 15% of properties in the entire portfolio, prioritizing the improvement of portfolio quality. As the first project in this initiative, as of April 11, 2019, it decided to transfer 10 properties and acquire one property, followed by its decision to acquire two properties. As shown in the chart below, the Acquisition is expected to commensurate with the size of the transfer of the aforementioned 10 properties.

	Disposed Assets (10 properties) (Announced on April 11, 2019)	Assets to be Acquired (4 properties) (Announced on April 11, 2019 and May 31, 2019 and June 28, 2019 and July 18, 2019)
Property Names	willDo Ishizuecho (Niigata City) willDo Sasaguchi (Niigata City) Ark Heim Niigata (Niigata City) Johanna Mansion (Maebashi City) Joyful Sayama (Sayama City) Lumiere Hachioji (Hachioji City) willDo HonChiba (Chiba City) Maison Flora (Kobe City) willDo Temmabashi (Osaka City) willDo SakaisujiHommachi (Osaka City)	Serenite Umeda Reflet (Osaka City) Gran Casa Honkomagome (Bunkyo Ku) Gran Casa Urayasu (Urayasu City) Gran Casa Kitaurawa (Saitama City)
Disposition Date or Planned Acquisition Date	April 25, 2019	August 1, 2019, October 29, 2019 August 27, 2019, August 30, 2019
Disposition Price or Acquisition Price	JPY 4,500 million	JPY 6,024 million
Total Appraisal Value (Note 1)	JPY 4,065 million	JPY 6,271 million
Total NOI (Note 2)	JPY 272 million	JPY 265 million
Average Building Age (Note 3)	24.2 years	New Construction
Total Gain/Loss on Disposition (Note 4)	JPY 130 million	

(Note 1) With regard to appraisal values, appraisal values as of the end of September 2018 are shown for disposed assets, while appraisal values for properties yet to be completed are shown based on the Real Property Appraisal Standards for newly acquired assets because the buildings of the subject properties are still under construction as of the date of value.

(Note 2) With regard to NOI, aggregate value of actual results for the fiscal periods ended September 30, 2018 and March 31, 2019, are shown for disposed assets, while assumed appraisal NOI is shown for newly acquired assets.

(Note 3) Building age of the disposed assets as of April 11, 2019.

(Note 4) Total gain/loss on disposition was calculated by subtracting the estimated book value as of April 25, 2019, and sales expenses from the disposition price and estimated settlement amount of property tax and city planning tax.

## II. Details of Anticipated Properties

◇ Overview of the Property				
Category of anticipated property for acquisition	Real estate			
Location (Note 1)	(Residential indication) (undecided) 3 Kitaurawa, Kitaurawa-ku, Saitama-city, Saitama			
	(Lot number) 3-111-1 Kitaurawa, Kitaurawa-ku, Saitama-city, Saitama			
Land	Type of ownership	Proprietary ownership	Use Area (Note 2)	Commercial districts Category 1 medium-to-high-rise exclusive residential district
	Area (Note 1)	1,954.74m <sup>2</sup>	FAR/Building coverage ratio (Note 3)	200% / 60%
Building	Type of ownership	Proprietary ownership	Use (Note 1)	Condominium
	Floor space (Note 1)	4,452.36m <sup>2</sup>	Completion date (Note 1)	July, 2019 (planned)
	Structure type (Note 1)	RC, 6-story building		
No. of leasable units by type	53 units (2LDK+S: 1 unit, 3LDK: 48 units, 4LDK: 4 units)			
Building Promoter	TOKYU LAND CORPORATION		Architect	Ssocial Archi Architecture Office
Building Contractor	ICHIKEN Co., Ltd. Tokyo Branch		Verification Agency	Bureau Veritas Japan Co., Ltd.
Property management company (planned)	Tokyu Housing Lease Corporation			
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)	3,850.96m <sup>2</sup>		Date of report	July 11, 2019
Leased area	-		Priority repairs	-
Monthly rent (Note 7)	10,756 thousand		Near-future repairs (1 year)	-
Lease and guarantee deposits	-		Far-future repairs (2~12 years)	43,850 thousand
Occupancy ratio	-		Probable maximum loss (PML)	8.0%
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 July 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 July 18, 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 July 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 Saitama city. 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 July 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.

#### 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

Not applicable.

#### 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 : July 18, 2019
- Payment and Delivery : August 30, 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 10% of the entire sales price 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 Kitaurawa		
Appraisal Value	JPY 2,590,000,000		
Appraiser	DAIWA REAL ESTATE APPRAISAL CO.,LTD.		
Date of Appraisal	July 1, 2019		

Item		Details	Overview, etc.
Value indicated by income approach	JPY thousand	2,590,000	-

English Translation

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

Value indicated by the Direct Capitalization Method		JPY thousand	2,620,000	-
(1) Total Operating Income: (a)-(b)		JPY thousand	133,296	-
(a)	Rental revenues including common service fees	JPY thousand	129,079	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	5,832	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	4,130	Posted key money and other revenues by applying the number of months for each tenant based on assessed tenants change and vacancy rates. Renewal fee revenue was assessed and recorded, based on the consideration of renewal ratios and vacancy ratios.
(b)	Losses from vacancies	JPY thousand	5,746	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	23,479	-
Operation costs		JPY thousand	3,192	Posted operation costs by assessing the level of operation costs for similar properties.
Utilities		JPY thousand	1,387	Posted utility costs by assessing the level of utility costs for similar properties.
Repairs and maintenance expense		JPY thousand	4,520	Recorded, based on the conclusion that the average long-term repair expenses per annum described in the engineering report were appropriate. Assessed and posted tenant change costs, taking into account tenant change and vacancy rates.
Property management fees		JPY thousand	1,937	Posted property management fees by assessing the level of property management fees for similar properties.
Tenant promotion fees, etc.		JPY thousand	3,229	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	8,364	【Land】Assessed and recorded by assuming that any reduction or exemption of taxation and levels of tax burdens concerning land for small residences and land price trends are based on the tax registered book for fiscal year 2019. 【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 10 years after construction based on the replacement value of the planned building.
Nonlife insurance		JPY thousand	293	Assessed and posted non-life insurance premiums at an amount equivalent to 0.03% 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	555	Assessed and recorded by assuming that maintenance and management fees, incidental costs and other miscellaneous expenses per rentable floor area are 40 yen/tsubo per month.
(3) Net Operating Income (NOI): (1)-(2)		JPY thousand	109,816	-
(4) Lump-sum Investment Return		JPY thousand	103	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	2,454	Recorded based on the conclusion that the average long-term renewal costs per annum described in the engineering report were appropriate.
(6) Net Cash Flow (NCF): (3) + (4) - (5)		JPY thousand	107,465	-
(7) Capitalization Rate		(%)	4.1	-
Value Indicated by DCF Method		JPY thousand	2,570,000	-
Discount Rate		(%)	3.8	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	3,330,000	-
Land Ratio		(%)	66.2	-
Property Ratio		(%)	33.8	-



English Translation

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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/>

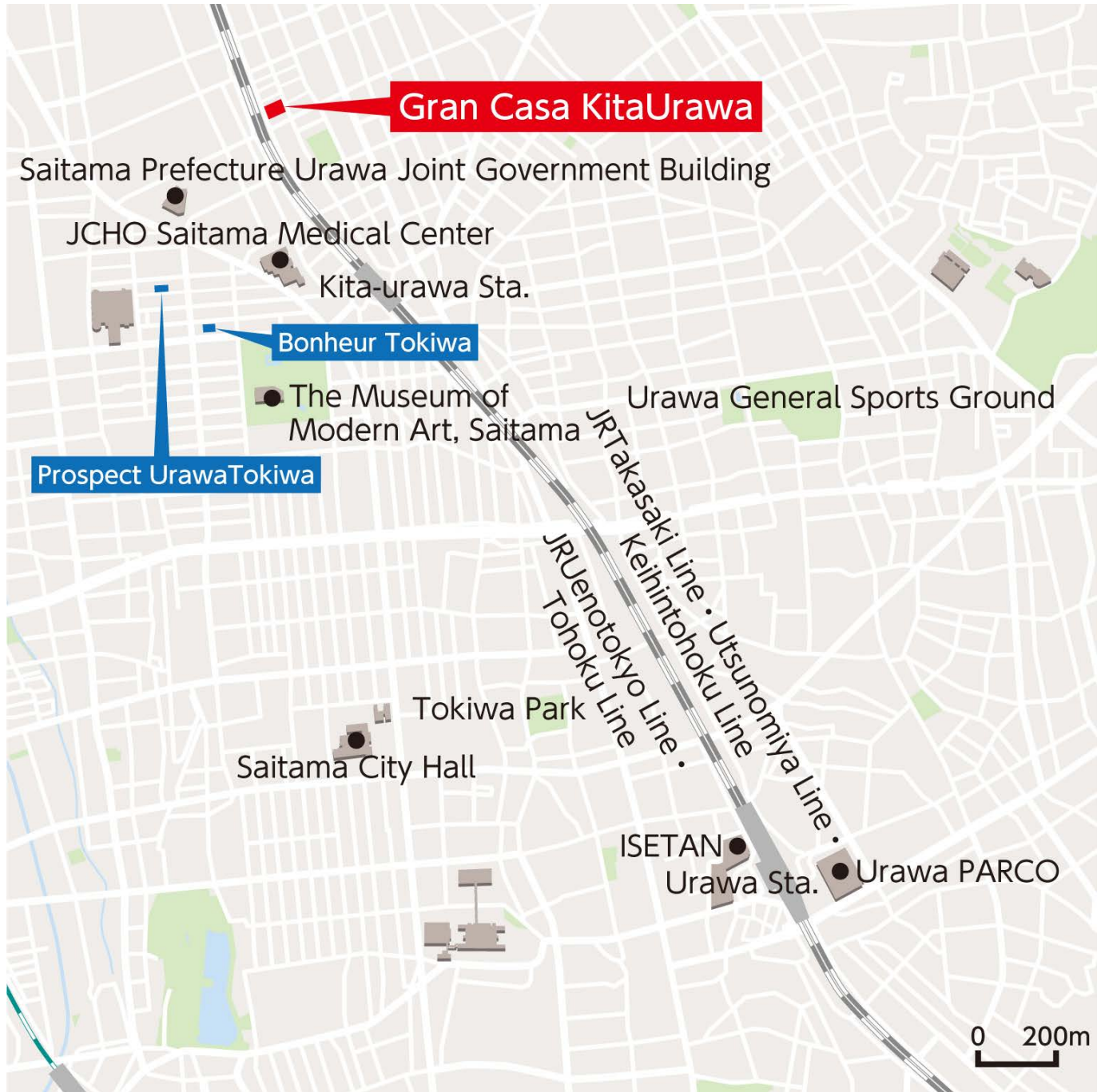
**(Reference Material 1) Perspective Drawing of the Asset to be Acquired**



**Entrance Schedule of the Asset to be Acquired**



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





**(Additional Material) Overview of Portfolio after the Acquisition**

<Number of Properties etc.>

	Own Properties as of today (a)	Acquisition of Property (b)	Other Acquisition of Property (Note) (c)	(a) + (b) + (c)
Total Number of Owned Properties	188 properties	1 property	3 properties	192 properties
Total Number of Leasable Units	12,723 units	53 units	134 units	12,910 units
Total Leasable area	511,417.41 m <sup>2</sup>	3,850.96 m <sup>2</sup>	4,028.32 m <sup>2</sup>	519,296.69 m <sup>2</sup>

(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 another one announced on June 28, 2019 and the said assets to be acquired are scheduled to be acquired around August 1, 2019 and on October 29, 2019 and on August 27, 2019, respectively. The same is true below.

<Asset Size etc.>

	Own Properties as of today (a)	Acquisition of Property (b)	Other Acquisition of Property (Note) (c)	(a) + (b) + (c)
Total (Anticipated) Acquisition Price (Note 1)	JPY 220.8 billion	JPY 2.4 billion	JPY 3.5 billion	JPY 226.9 billion
Appraisal Value (Note 2)	JPY 260.7 billion	JPY 2.5 billion	JPY 3.6 billion	JPY 267.0 billion
NOI Yield (Note 3)	5.7%	4.4%	4.3%	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 (a) is the appraisal value as of the end of the fiscal period ended March 31, 2019 and the Appraisal Value for (b) is the appraisal value as of July 2019 and the Appraisal Value for (c) is sum 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 and the appraisal value as of June 2019 of the assets to be acquired announced on June 28, 2019.

(Note 3) NOI Yield is NOI divided by (anticipated) acquisition price. NOI for (a) 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 (b) is the appraisal NOI as of July 2019. NOI for (c) is sum of the appraisal NOI as of February 2019 of the assets to be acquired announced on April 11, 2019 and the appraisal NOI as of May 2019 of the assets to be acquired announced on May 31, 2019 and the appraisal NOI as of June 2019 of the assets to be acquired announced on June 28, 2019.

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

	Own Properties as of today (a)	Acquisition of Property (b)	Other Acquisition of Property (Note) (c)	(a) + (b) + (c)
Studio	JPY 139.5 billion (63.2%)	-	JPY 3.5 billion	JPY 143.1 billion (63.1%)
Family	JPY 81.3 billion (36.8%)	JPY 2.4 billion	-	JPY 83.7 billion (36.9%)

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

	Own Properties as of today (a)	Acquisition of Property (b)	Other Acquisition of Property (Note) (c)	(a) + (b) + (c)
23 Wards of Tokyo	JPY 91.7 billion (41.5%)	-	JPY 1.5 billion	JPY 93.2 billion (41.1%)
Three Major Metropolitan Areas	JPY 91.1 billion (41.3%)	JPY 2.4 billion	JPY 2.0 billion	JPY 95.7 billion (42.2%)
Other Major Cities	JPY 38.0 billion (17.2%)	-	-	JPY 38.0 billion (16.7%)