

May 31, 2019

To All Concerned Parties

REIT Issuer: Japan Rental Housing Investments Inc.
4-17-33 Minami Aoyama, Minato-ku, Tokyo 107-0062
Ikuo Shoda, Executive Director
(Securities Code: 8986)
Asset Manager: Daiwa Real Estate Asset Management Co. Ltd.
Toshio Fukushima, President and Chief Executive Officer
Inquiries: Seiji Kimoto, Deputy Chief Corporate Division Officer
Tel: +81-3-6757-9680

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 September this year. The planned acquisition date for the property is October 29, 2019. (Note 1). Considering that certain features of the property to be acquired—including its profitability, its location in 23 wards of Tokyo, 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 Honkomagome	23 wards of Tokyo (Bunkyo ku, Tokyo)	Studio	1,500,000	1,540,000	40,000 (97.4%)

(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

Bunkyo Ward where the property is located has many educational institutions including The University of Tokyo. It is known as a ward with an enriched educational environment as indicated in the data (Note 1) showing that it has the highest percentage of students entering national and private junior high schools, which is 45.3%, among the 23 wards of Tokyo, and has developed with an aim to become a cultural town as the “the capital of culture”. Cultural facilities such as Toyo Bunko Museum (7-minute walk), which houses approximately 1 million books, and Mori Ogai Memorial Museum (16-minute walk) as well as Rikugien Garden (6-minute walk), which is designated as a special place of scenic beauty, are located in the surrounding area of the property, and the area offers a calm residential environment where people can feel close to the culture and nature. On the other hand, Bunkyo Ward has the second smallest supply area of new residences for-sale and houses for rent in the 23 wards of Tokyo following Chiyoda Ward (Note 2) and is an area where new residences are very scarce.

The property consists mainly of 1LDK units and mainly targets singles and DINKS. It is a 7-minute walk from Honkomagome Station on the Tokyo Metro Nanboku Line, a 10-minute walk from Komagome Station on the JR Yamanote Line and a 10-minute walk from Sengoku Station on the Toei Mita Line, offering excellent access to central Tokyo by using 3

stations and 3 lines. It is situated in a highly convenient location for commuting and everyday life where supermarkets, retail facilities and public and medical facilities concentrate within a 10-minute walk distance.

(Note 1) Calculated from the data in “Fiscal 2018 Public School Statistics Survey Report” prepared by the Tokyo Metropolitan Board of Education

(Note 2) Calculated from the data in “2018 Survey of Building Construction Starts” prepared by the Ministry of Land, Infrastructure, Transport and Tourism

(2) Building equipment

The property is a new property for sale with a 15-story reinforced concrete structure. The fourth floor and above have enriched security such as having an exclusive EV hall for 2 units on each floor. It has facilities and specifications focusing on functionality and design.

With the Acquisition, the total asset size is expected to be 223.5 billion yen for the 190 portfolio properties (acquisition price base, total of 12,810 units.)

(Note) The asset to be acquired announced on April 11, 2019 is included, and the said asset to be acquired is scheduled to be acquired in around September 2019.

II. Details of Anticipated Properties

O-4-156 Gran Casa Honkomagome

◇ Overview of the Property				
Category of anticipated property for acquisition	Real estate			
Location (Note 1)	(Residential indication) (undecided), Honkomaegome, Bunkyo-ku, Tokyo (Lot number) 230-4 Honkomagome, Bunkyo-ku, Tokyo			
Land	Type of ownership	Proprietary ownership	Use Area (Note 2)	Commercial districts Category 1 medium-to-high-rise exclusive residential district
	Area (Note 1)	240.69m ²	FAR/Building coverage ratio (Note 3)	600% / 80% 300% / 60%
Building	Type of ownership	Proprietary ownership	Use (Note 1)	Condominium
	Floor space (Note 1)	1,748.33m ²	Completion date (Note 1)	September, 2019 (planned)
	Structure type (Note 1)	RC, 15-story and underground 1-story building		
No. of leasable units by type	30 units (1LDK: 16 units, 1LDK: 14 units)			
Property management company (planned)	HASEKO LIVENET, Inc. (planned)			
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)	1,358.68m ²		Date of report	May 23, 2019
Leased area	-		Priority repairs	-
Monthly rent (Note 7)	6,305 thousand		Near-future repairs (1 year)	30 thousand
Lease and guarantee deposits	-		Far-future repairs (2~12 years)	16,970 thousand
Occupancy ratio	-		Probable maximum loss (PML)	4.5%
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 May 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 May 31, 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 May 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 May 2019.

III. Due Diligence Information

Property Name	Building Promoter	Architect	Building Contractor	Verification Agency	Inspection Agency
Gran Casa Honkomagome	NIHON HOUSE HOLDINGS CO., LTD.	DEN Architecture Design Office	Urata Co., Ltd.	HOUSEPLUS ARCHITECTURAL INSPECTION, inc.	(Note)

(Note) All of the anticipated properties have received approval notices of their structural calculation suitability from an approved structural calculation review agency under the amended Building Standards Act (June 2007, implementation), so no additional investigation by a third-party has been performed.

IV. 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.

V. 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.

VI. 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.

VII. Funds for Acquisition

Own funds or loans

VIII. Settlement Method

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

IX. Acquisition Schedule

- Decision of Acquisition and Conclusion of Purchase Agreement : May 31, 2019
- Payment and Delivery : October 29, 2019 (However, confirmation of the fulfillment of the assumptions specified in the sales agreement is a condition upon the acquisition of properties)

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

The sales contract for the asset to be acquired fall under the category of forward commitments, etc. (future-dated sales contracts 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 sales contract, 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 sales contract is not likely to have a significant adverse effect on the Investment Corporation's finances and distributions.

XI. 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 Christian calendar, and the Investment Corporation is given priority.

XII. Forecasts

The Acquisition will have only a slight impact on the asset management condition in the fiscal period ending September 30, 2019 (April 1, 2019 to September 30, 2019) and the fiscal period ending March 31, 2020 (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 Honkomagome
Appraisal Value	JPY 1,540,000,000
Appraiser	Japan Real Estate Institute
Date of Appraisal	May 1, 2019

Item	Details	Overview, etc.	
Value indicated by income approach	JPY thousand	1,540,000	-
Value indicated by the Direct Capitalization Method	JPY thousand	1,570,000	-
(1) Total Operating Income: (a)-(b)	JPY thousand	75,665	-
(a)			
Rental revenues including common service fees	JPY thousand	74,477	Assessed the level of unit price for rent, etc. that can be received consistently over the medium to long term based on the level of rents and common service fees, assuming new rental contracts for the property, and posted rental revenues and common service fees (hereinafter "Rental Revenues, Etc.") based on the assessment.
Parking fees	JPY thousand	485	Assessed the level of unit price for use fees that can be received consistently over the medium to long term based on the level of new use fees, assuming new parking space lease agreements, and posted parking fees based on the assessment. Posted motorbike and bicycle parking fees based on projections in the medium to long term by considering the occupancy rate.
Other revenues	JPY thousand	3,879	Assessed the contracted number of months for each tenant, the average rate at which tenants change annually, and the average contract term, and posted key money, renewal fees, etc. based on the assessment. No revenues that should be posted as other revenues.
(b)			
Losses from vacancies	JPY thousand	3,176	Assessed the consistent level of medium- to long-term occupancy rate by use based on occupancy rates and supply-demand trends of similar properties that have replacement competition relationships and other relationships in similar areas in the same supply-demand area, the occupancy rates of the property in the past, and expected future trends, and posted losses from vacancies based on the level of occupancy rate. Assessed motorbike and bicycle parking fees based on projections in the medium to long term and posted no losses from vacancies.
Bad debt losses	JPY thousand	0	Determined that bad debt losses do not need to be posted in consideration of the situation of tenants.
(2) Total Operating Expenses	JPY thousand	14,625	-
Operation costs	JPY thousand	3,800	Posted operation costs, which consist of cleaning, facilities management, and security costs, etc., considering operation costs for similar properties and the individuality of the property.
Utilities	JPY thousand	650	Assessed utility costs for the common use space, considering utility costs for similar properties and the individuality of the property.
Repairs and maintenance expense	JPY thousand	1,103	Posted restoration costs based on standard restoration costs by apartment usually incurred when tenants change, the proportion of the tenant's burden, the average period for restoration costs, and the degree of restoration, etc. Assessed and posted repair costs, considering the level for similar properties.
Property management fees	JPY thousand	1,295	Assessed and posted property management fees, commission fees paid to a contractor that supervises tenant management and building management, etc., considering rates for similar properties and the individuality of the property, etc.
Tenant promotion fees, etc.	JPY thousand	2,956	Posted secretarial costs associated with looking for new tenants, the conclusion of contracts, and renewal of contracts with tenants, using rent conditions for similar properties in neighboring assets, etc. As for commission for rental agents, posted advertising expenses, etc. assessed based on commission necessary for looking for new tenants and results of similar properties. As for renewal fees, posted compensation paid to contractors for the conclusion of contract renewal, etc., considering the average rate at which tenants change annually and the occupancy rate, etc.
Taxes and public dues	JPY thousand	4,206	Assessed based on the appraised value for fiscal 2018 and considering special measures for being a small-scale residence. Assessed based on building replacement costs (does not include relief measures for new residences).
Nonlife insurance	JPY thousand	219	Posted non-life insurance premiums, considering premium rates for properties similar to the property, etc.
Other expenses	JPY thousand	396	Posted internet use fees, etc. as other expenses.
(3) Net Operating Income (NOI): (1)-(2)	JPY thousand	61,040	-
(4) Lump-sum Investment Return	JPY thousand	60	Assessed the stable number of months for which deposits are paid in the medium to long term as shown in the appendix based on the number of months for new contracts and multiplied the calculation result (number of months) by the occupancy rate, then assessed the lump-sum investment return by multiplying the abovementioned calculation result by the investment return. Assessed the

English Translation

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

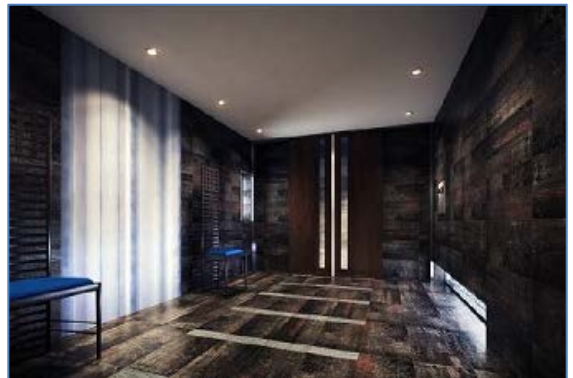
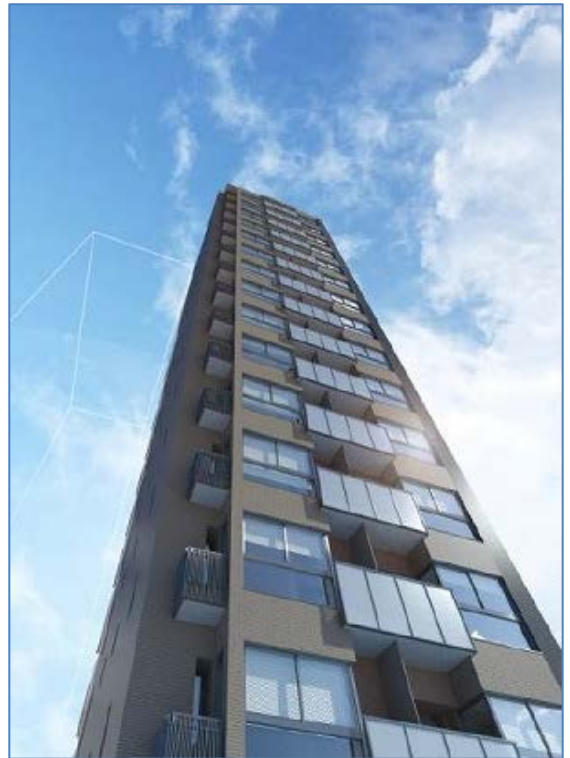
				appropriate investment return in fund management during the deposit period at 1.0%, considering interest rates in both fund management and financing, etc.
(5) Capital Expenditure	JPY thousand	1,423		Renewal costs necessary for maintaining the functions of the building are usually incurred irregularly. However, decided to accumulate expected average expenditures in each fiscal period and assessed renewal costs, considering the level of capital expenditure for similar properties, the building age, and the average annual repair and renewal cost according to engineering reports, etc.
(6) Net Cash Flow (NCF): (3) + (4) - (5)	JPY thousand	59,677		-
(7) Capitalization Rate	(%)	3.8		Assessed the capitalization rate by adding spread attributable to the conditions of the property, including its location and building, to (or subtracting the spread from) the standard rate set by the research institute for each region and considering uncertainty and rates for similar properties, etc. (refer to the body text).
Value Indicated by DCF Method	JPY thousand	1,500,000		-
Discount Rate	(%)	3.5		-
Terminal Capitalization Rate	(%)	3.9		-
Value indicated by cost approach	JPY thousand	1,750,000		-
Land Ratio	(%)	75.0		-
Property Ratio	(%)	25.0		-

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.

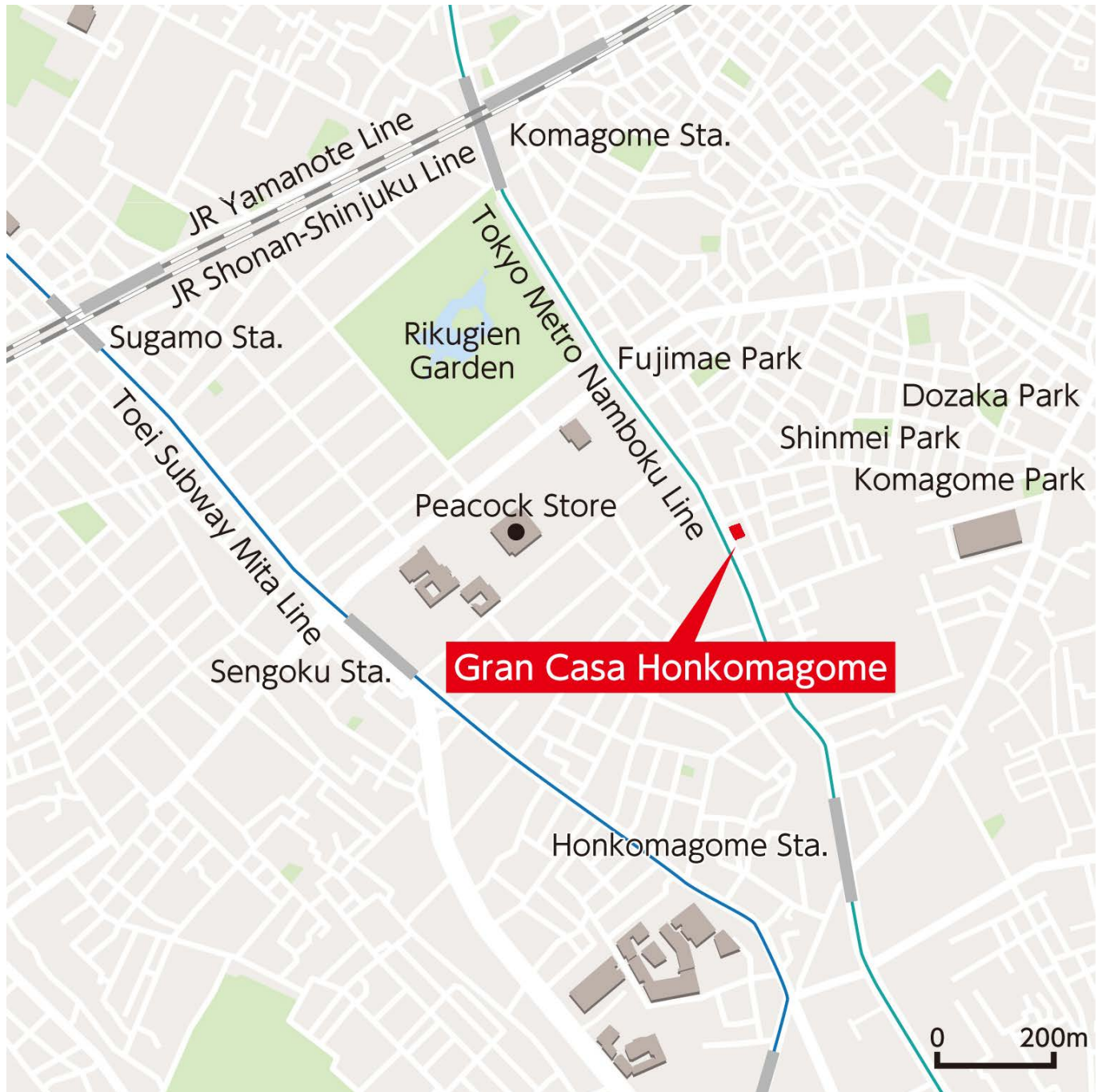
*URL: <http://www.jrhi.co.jp/en/>

(Reference Material 1) Anticipated Photograph 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 (Note1)	Acquisition of Property	After the Acquisition
Total Number of Owned Properties	189 properties	1 property	190 properties
Total Number of Leasable Units	12,780 units	30 units	12,810 units
Total Leasable area	513,073.79 m ²	1,358.68 m ²	514,432.47 m ²
Average Age of Buildings (Note2)	15.16 years	-	15.16 years

(Note1) It includes 1 asset to be announced on April 11, 2019, and the asset to be acquired is scheduled to be acquired around September 2019. The same is true below.

(Note2) The average age of buildings is estimated at the weighted average of the building ages of the properties using (anticipated) acquisition prices. The building ages as of the date of this notice are used.

<Asset Size etc.>

	Before the Acquisition	Acquisition of Property	After the Acquisition
Total (Anticipated) Acquisition Price (Note 1)	JPY 222.0 billion	JPY 1.5 billion	JPY 223.5 billion
Total Book Value (a) (Note 2)	JPY 212.7 billion	JPY 1.5 billion	JPY 214.2 billion
Appraisal Value (b) (Note 3)	JPY 261.9 billion	JPY 1.5 billion	JPY 263.5 billion
Ratio (a) / (b) × 100%	81.2%	97.4%	81.3%
Average (Anticipated) Acquisition Price per Property (Note 1)	JPY 1.17 billion	JPY 1.50 billion	JPY 1.17 billion
NOI Yield (Note 4)	5.7%	4.1%	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) Book Value for Before the Acquisition is the value reported on the balance sheet for the fiscal period ended March 31, 2019 and the anticipated acquisition price of the asset to be acquired announced on April 11, 2019. Book Value for Acquisition of Property is the anticipated acquisition price of the Property.

(Note 3) 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 as of February 2019 of the asset to be acquired announced on April 11, 2019. Appraisal Value for Acquisition of Property is the appraisal value as of May 2019 of the Property.

(Note 4) NOI Yield is NOI divided by (anticipated) acquisition price. NOI for Before the Acquisition is the sum of the performance in the fiscal period ended September 30, 2018 and the performance in the fiscal period ended March 31, 2019 and the appraisal NOI as of February 2019 of the asset to be acquired announced on April 11, 2019. NOI for Acquisition of Property is the appraisal NOI as of May 2019 of the Property.

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

Rental Property Category	Before the Acquisition	Acquisition of Property	After the Acquisition
Studio	JPY 140.7 billion (63.4%)	JPY 1.5 billion (100.0%)	JPY 142.2 billion (63.6%)
Family	JPY 81.3 billion (36.6%)	-	JPY 81.3 billion (36.4%)

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

Region	Before the Acquisition	Acquisition of Property	After the Acquisition
23 Wards of Tokyo	JPY 91.7 billion (41.3%)	JPY 1.5 billion (100.0%)	JPY 93.2 billion (41.7%)
Three Major Metropolitan Areas	JPY 92.3 billion (41.6%)	-	JPY 92.3 billion (41.3%)
Other Major Cities	JPY 38.0 billion (17.1%)	-	JPY 38.0 billion (17.0%)