

September 20, 2019

To All Concerned Parties

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**Notice Concerning Acquisition of Assets (AS Residence Chiyoda, (Temporary name) Sengoku 4-chome PJ)**

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]

Considering that certain features of the property to be acquired—including its profitability, its location in Three Major Metropolitan Areas—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	Region	Property Type	Anticipated Acquisition Price (A) (JPY thousand) (Note 3)	Appraisal Value (as of August and September 2019) (B) (JPY thousand)	Difference Between Anticipated Acquisition Price and Appraisal Value (B)-(A) (JPY thousand) ((A)/(B))
AS Residence Chiyoda (Note 1)	Three Major Metropolitan Areas (Nagoya city, Aichi)	Studio	959,000	961,000	2,000 (99.8%)
(Temporary name) Sengoku 4-chome PJ (Note 2)	23 wards of Tokyo (Bunkyo, Tokyo)	Family	1,480,000	1,510,000	30,000 (98.0%)
Total			2,439,000	2,471,000	32,000 (98.7%)

(Note 1) The Name of Property will be changed to “Gran Casa Chiyoda” on November 1, 2019.

(Note 2) The property to be acquired will be completed in December this year. The planned acquisition date for the property is April 10, 2020. The Name of Property will be changed to “Gran Casa Bunkyo Sengoku”.

(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) 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) AS Residence Chiyoda**

**Characteristic of Property**

Located a six-minute walk from Kamimaezu Station on the Nagoya Municipal Subway Meijo Line and Tsurumai Line, the property is a condominium with a thirteen-story, steel reinforced, concrete structure mainly targeting single workers. Within walking distance of Sakae-ku, a commercial district in Nagoya, the property provides a good living environment and ensures the stable supply of needs from single persons commuting to central Nagoya and corporations.

**(2) (Temporary name) Sengoku 4-chome PJ**

**Characteristic of Property**

Located at a place where residents can use two stations on two train lines: a four-minute walk from Sengoku Station on the Toei Mita Line, from which it is a ten-minute ride to Otemachi Station without transferring, and a twelve-minute walk from Sugamo Station on the JR Yamanote Line providing direct access to main terminal stations, the property offers excellent access to all the important destinations in central Tokyo. It is a new building with a ten-story, steel reinforced, concrete structure and was initially developed as a condominium apartment building, meeting a wide range of needs from single persons, DINKS, families, etc. In addition, Bunkyo-ku where the property is located is a residential district enjoying strong preference because of a number of universities, education facilities and historical and cultural facilities located in the ward.

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 229.3 billion yen for the 194 portfolio properties (acquisition price base), total of 13,013 units.

(Note) The above assets to be acquired include one building to be acquired announced on May 31, 2019 and the said asset to be acquired is scheduled to be acquired on October 29, 2019.

## II. Details of Anticipated Properties

### (1) AS Residence Chiyoda

◇ Overview of the Property			
Category of anticipated property for acquisition	Trust beneficiary interests	Trust Company	Sumitomo Mitsui Trust Bank, Limited
Location (Note 1)	(Residential indication) 2-2-27 Chiyoda, Naka-ku, Nagoya-city, Aichi (Lot number) 2-208-2 Chiyoda, Naka-ku, Nagoya-city, Aichi		
Land	Type of ownership	Proprietary ownership	Use Area (Note 2)
	Area (Note 1)	383.87m <sup>2</sup>	FAR/Building coverage ratio (Note 3)
Building	Type of ownership	Proprietary ownership	Use (Note 1)
	Floor space (Note 1)	2,401.41m <sup>2</sup>	Completion date (Note 1)
	Structure type (Note 1)	RC, 13-story building	
No. of leasable units by type	72 units (1K: 72 units)		
Building Promoter	G.K. ASN First	Architect	Mirai Sekkei-Sha Co., Ltd.
Building Contractor	Konoike Construction Co., Ltd. Nagoya Branch	Verification Agency	Kakunin Service Co., Ltd.
Property management company (planned)	HASEKO LIVENET, 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)	1,796.88m <sup>2</sup>	Date of report	September 6, 2019
Leased area	1,796.88m <sup>2</sup>	Priority repairs	-
Monthly rent (Note 7)	4,611 thousand	Near-future repairs (1 year)	-
Lease and guarantee deposits	2,942 thousand	Far-future repairs (2~12 years)	26,250 thousand
Occupancy ratio	100%	Probable maximum loss (PML)	6.5%
Special Note: Although there are several findings indicated in the engineering report, etc., an agreement has been reached with the seller to the effect that corrective measures will be taken under the seller's own responsibility and at the seller's own expense.			
Collateral: None			

### (2) (Temporary name) Sengoku 4-chome PJ

◇ Overview of the Property			
Category of anticipated property for acquisition	Real Estate	Trust Company (planned)	-
Location (Note 1)	(Residential indication) (undecided) 4 Sengoku, Bunkyo-ku, Tokyo (Lot number) 4-94-11 Sengoku, Bunkyo-ku, Tokyo		
Land	Type of ownership	Proprietary ownership	Use Area (Note 2)
	Area (Note 1)	357.49m <sup>2</sup>	FAR/Building coverage ratio (Note 3)
Building	Type of ownership	Proprietary ownership	Use (Note 1)
	Floor space (Note 1)	1,534.27m <sup>2</sup>	Completion date (Note 1)
	Structure type (Note 1)	RC and S, 10-story and underground 1-story building	
No. of leasable units by type	31 units (1LDK: 10 units, 2LDK: 20 units, Retail Store: 1 unit)		
Building Promoter	Bliss Co., Ltd.	Architect	Neo Sekkei Co., Ltd.
Building Contractor	Kashiwagi Construction Co., Ltd.	Verification Agency	J Architecture Inspection Center Co., Ltd.

Property management company (planned)	HASEKO LIVENET, 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)	1,333.39m <sup>2</sup>	Date of report	September 2, 2019
Leased area	-	Priority repairs	-
Monthly rent (Note 7)	5,945 thousand	Near-future repairs (1 year)	-
Lease and guarantee deposits	-	Far-future repairs (2~12 years)	12,430 thousand
Occupancy ratio	-	Probable maximum loss (PML)	5.5%
Special Note: The road on the southeastern side of the subject lot falls under city planning road (Loop No. 4 Line with a planned road width of 25 meters) and is designated as priority development line (Tokyo Municipal Government No. 19). A business decision has yet to be made and the time of the potential business implementation, the area of land expropriation and other details have not been determined. When a business decision is made, part of the southeastern portion of the subject lot (part of the store portion, parking lots, etc.) will be condemned and the building may be declared unfit.			
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) The figures and information in the “Property lease summary” column show estimated appraisal value, etc. as of September 1, 2019 for the property to be acquired and information such as rent roll as of the end of August 2019.
- (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 September, 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) Monthly rental income (rent, common area charge, income from parking facilities, etc.) is shown in the “Monthly rent” column (rounded down to the thousands), based on the estimated appraisal value, etc. as of September 1, 2019 for the property to be acquired and information such as the rent roll as of the end of August 2019. Please note that at the time of the acquisition of the property, the occupancy ratio which is a prerequisite to the above estimated figures may be lower than the estimated level.
- (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

#### (1) AS Residence Chiyoda

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.

#### (2) (Temporary name) Sengoku 4-chome PJ

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

No brokerage.

## VI. Funds for Acquisition

Own funds or loans

## VII. Settlement Method

### (1) AS Residence Chiyoda

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

### (2) (Temporary name) Sengoku 4-chome PJ

For the asset to be acquired, an amount equivalent to 10% of the total sales price (including consumption tax and local consumption tax) will be paid as a deposit at the time of conclusion of a purchase agreement and the remaining sales price will be settled at the time of the execution of the purchase.

## VIII. Acquisition Schedule

### (1) AS Residence Chiyoda

- Decision of Acquisition and Conclusion of Purchase Agreement : September 20, 2019
- Payment and Delivery : September 27, 2019

### (2) (Temporary name) Sengoku 4-chome PJ

- Decision of Acquisition, Conclusion of Purchase Agreement and Payment of Deposit : September 20, 2019
- Payment and Delivery : April 10, 2020

## 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 ((Temporary name) Sengoku 4-chome PJ) 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 20% 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.

XII. Property Appraisal Summary

Property Name		AS Residence Chiyoda		
Appraisal Value		JPY 961,000,000		
Appraiser		Tanizawa Sogo Appraisal Co., Ltd.		
Date of Appraisal		August 1, 2019		
Item		Details	Overview, etc.	
Value indicated by income approach		JPY thousand	916,000	-
Value indicated by the Direct Capitalization Method		JPY thousand	979,000	-
(1) Total Operating Income: (a)-(b)		JPY thousand	56,961	-
(a)	Rental revenues including common service fees	JPY thousand	56,429	Rental revenues: Recurring revenues from renting, or outsourcing the management of, the entire property or its rooms (full occupancy is assumed) Revenues from common service fees: Revenues from collecting fees under agreements with tenants to cover expenses related to the common use space in recurring expenses for the operation and maintenance of the property (full occupancy is assumed)
	Parking fees	JPY thousand	1,500	Revenues from renting out the parking space of the property to the tenants etc. and revenues from renting out parking space by the hour (full occupancy is assumed)
	Other revenues	JPY thousand	742	Revenues from fees for the installation of facilities, including signs, antennas, vending machines, revenues from one-time payments that do not need to be returned, including key money and renewal fees, and other revenues
(b)	Losses from vacancies	JPY thousand	1,710	Reductions in revenues based on predictions of vacancies, intervals due to changes of tenants, etc.
	Bad debt losses	JPY thousand	0	Reductions in revenues based on predictions of bad debt
(2) Total Operating Expenses		JPY thousand	12,276	-
Operation costs		JPY thousand	1,704	Recurring expenses incurred for the maintenance of the property, including the management of the building and facilities, security, and cleaning
Utilities		JPY thousand	1,078	Expenses for electricity, waters, gas, local air-conditioning heat sources, etc. in property management
Repairs and maintenance expense		JPY thousand	2,189	Of expenses for repairs, improvements, etc. of the building and facilities, etc. of the property, recurring expenses for the usual maintenance and management of the building and facilities, etc. and for the restoration of the building and facilities, etc. that have been damaged
Property management fees		JPY thousand	1,294	Expenses related to the management of the property
Tenant promotion fees, etc.		JPY thousand	1,207	Expenses for intermediation, advertising, etc. while looking for new tenants and expenses incurred for renewals and extensions of rental contracts with tenants, etc.
Taxes and public dues		JPY thousand	3,602	Property tax (land, building, depreciation assets), city planning tax (land, building)
Nonlife insurance		JPY thousand	116	Expenses for fire insurance for the property, expenses for liability insurance that covers losses incurred by damage done to a third party etc. due to defects of the property and accidents in property management, etc.
Other expenses		JPY thousand	1,082	Expenses including land rent and exclusive road use fees
(3) Net Operating Income (NOI): (1)-(2)		JPY thousand	44,684	-
(4) Lump-sum Investment Return		JPY thousand	42	Adding returns on the investment of guarantees that are like deposits in nature, etc.
(5) Capital Expenditure		JPY thousand	1,662	Of expenditures for repairs, improvements, etc. of the building and accompanying facilities, etc. of the property, expenditures that are considered to have increased the value or durability of the building and facilities, etc.
(6) Net Cash Flow (NCF): (3) + (4) - (5)		JPY thousand	43,065	-
(7) Capitalization Rate		(%)	4.4	The capitalization rate has been assessed based on a comparison with rates in neighboring areas, similar areas in the same supply-demand area, etc. and in consideration of projections of changes in net income and the relationship with discount rates.
Value Indicated by DCF Method		JPY thousand	953,000	-
Discount Rate		(%)	4.5	Regarding the discount rate, the base yield for an apartment building was determined first using the build-up method, etc. based on the yields of financial products, and the discount rate was then assessed based on that base yield, taking into account individual risks associated with the subject property.
Terminal Capitalization Rate		(%)	4.6	Assessed terminal capitalization rate based on the capitalization rate, taking into account future unpredictability.
Value indicated by cost approach		JPY thousand	870,000	-
Land Ratio		(%)	60.0	-



Property Ratio	(%)	40.0	-
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Other items of note by appraiser	None
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Property Name	(Temporary name) Sengoku 4-chome PJ
Appraisal Value	JPY 1,510,000,000
Appraiser	Tanizawa Sogo Appraisal Co., Ltd.
Date of Appraisal	September 1, 2019

Item	Details	Overview, etc.
Value indicated by income approach	JPY thousand	1,510,000
Value indicated by the Direct Capitalization Method	JPY thousand	1,540,000
(1) Total Operating Income: (a)-(b)	JPY thousand	72,720
(a)		
Rental revenues including common service fees	JPY thousand	71,343
Parking fees	JPY thousand	948
Other revenues	JPY thousand	3,178
(b)		
Losses from vacancies	JPY thousand	2,749
Bad debt losses	JPY thousand	0
(2) Total Operating Expenses	JPY thousand	13,253
Operation costs	JPY thousand	3,678
Utilities	JPY thousand	480
Repairs and maintenance expense	JPY thousand	1,102
Property management fees	JPY thousand	1,043
Tenant promotion fees, etc.	JPY thousand	1,462
Taxes and public dues	JPY thousand	4,354
Nonlife insurance	JPY thousand	114
Other expenses	JPY thousand	1,018
(3) Net Operating Income (NOI): (1)-(2)	JPY thousand	59,467
(4) Lump-sum Investment Return	JPY thousand	88
(5) Capital Expenditure	JPY thousand	1,140
(6) Net Cash Flow (NCF): (3) + (4) - (5)	JPY thousand	58,416
(7) Capitalization Rate	(%)	3.8
Value Indicated by DCF Method	JPY thousand	1,500,000
Discount Rate	(%)	3.9
Terminal Capitalization Rate	(%)	4.0



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 cost approach	JPY thousand	1,370,000	-
Land Ratio	(%)	70.1	-
Property Ratio	(%)	29.9	-

Other items of note by appraiser	The subject matter is an appraisal of the building etc. yet to be completed.
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\*URL: <http://www.jrhi.co.jp/en/>

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

(1) AS Residence Chiyoda



(2) (Temporary name) Sengoku 4-chome PJ

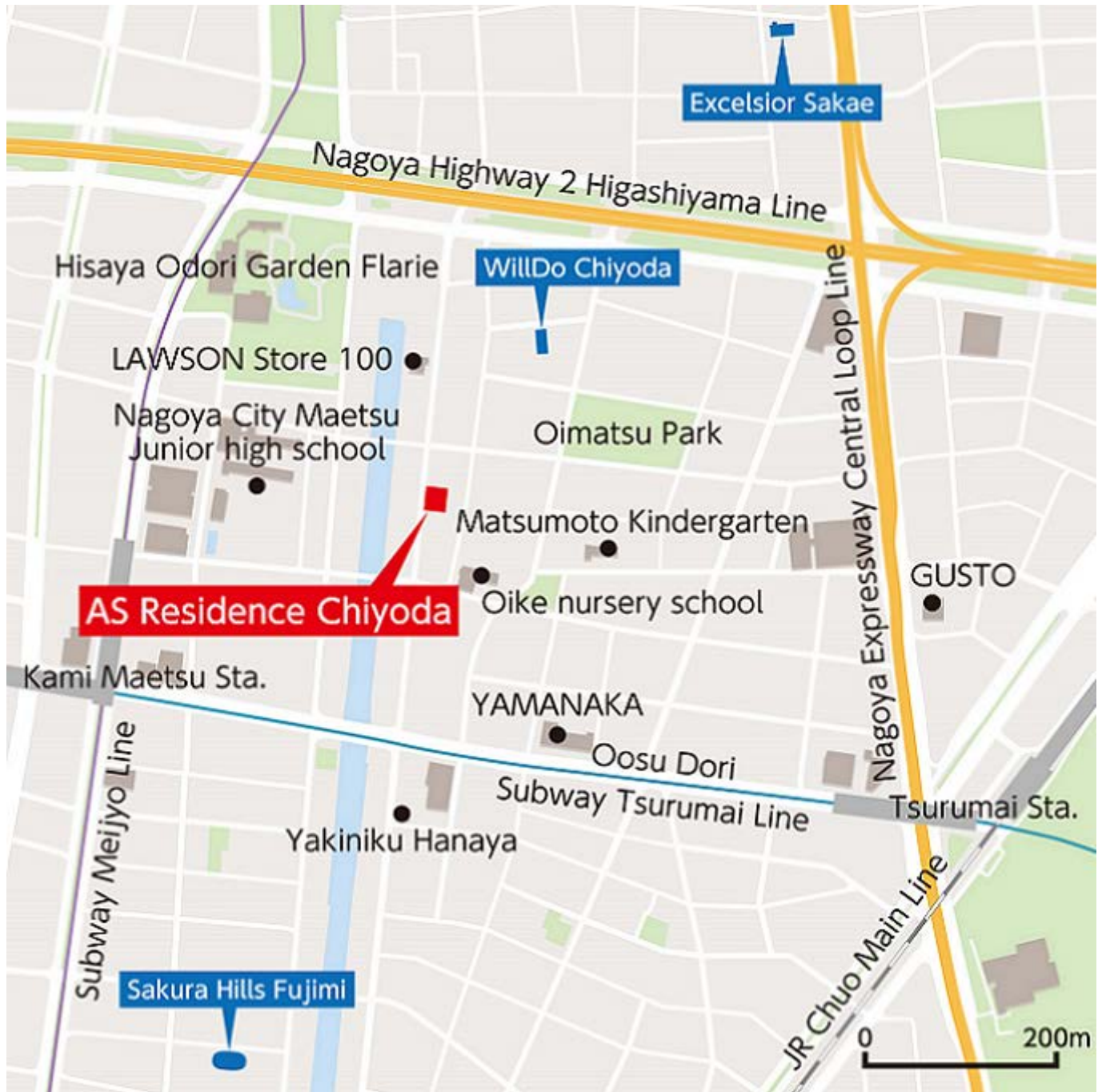
No Perspective Drawing because of under construction.





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

(1) AS Residence Chiyoda





(2) (Temporary name) Sengoku 4-chome PJ



## (Additional Material 1) 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	191 properties	2 property	1 properties	194 properties
Total Number of Leasable Units	12,880 units	103 units	30 units	13,013 units
Total Leasable area	517,922.49 m <sup>2</sup>	3,130.27 m <sup>2</sup>	1,374.20 m <sup>2</sup>	522,426.96 m <sup>2</sup>

(Note) The above assets to be acquired include one building to be acquired announced on May 31, 2019 and the said asset to be acquired is scheduled to be acquired on October 29, 2019. 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 225.4 billion	JPY 2.4 billion	JPY 1.5 billion	JPY 229.3 billion
Appraisal Value (Note 2)	JPY 265.4 billion	JPY 2.4 billion	JPY 1.5 billion	JPY 269.4 billion
NOI Yield (Note 3)	5.7%	4.3%	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) Appraisal Value for (a) is sum of 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 assets to be acquired announced on April 11, 2019 and the appraisal value as of June 2019 of the assets to be acquired announced on June 28, 2019 and the appraisal value as of July 2019 of the assets to be acquired announced on July 18, 2019. Appraisal Value for (b) is the appraisal value as of August 2019 and as of September 2019. Appraisal Value for (c) is 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 (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 and the appraisal NOI as of February 2019 of the assets to be acquired announced on April 11, 2019 and the appraisal NOI as of June 2019 of the assets to be acquired announced on June 28, 2019 and the appraisal NOI as of July 2019 of the assets to be acquired announced on July 18, 2019. NOI for (b) is the appraisal NOI as of August 2019 and as of September 2019. NOI for (c) is the appraisal NOI 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) >

	Own Properties as of today (a)	Acquisition of Property (b)	Other Acquisition of Property (Note) (c)	(a) + (b) + (c)
Studio	JPY 141.6 billion (62.8%)	JPY 0.9 billion	JPY 1.5 billion	JPY 144.0 billion (62.8%)
Family	JPY 83.7 billion (37.2%)	JPY 1.4 billion	-	JPY 85.2 billion (37.2%)

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

Region	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 (40.7%)	JPY 1.4 billion	JPY 1.5 billion	JPY 94.6 billion (41.3%)
Three Major Metropolitan Areas	JPY 95.7 billion (42.5%)	JPY 0.9 billion	-	JPY 96.6 billion (42.1%)
Other Major Cities	JPY 38.0 billion (16.9%)	-	-	JPY 38.0 billion (16.6%)