日本賃貸住宅投資法人
Japan Rental Housing Investments Inc.

March 26, 2014

To All Concerned Parties

REIT Issuer:
Japan Rental Housing Investments Inc.
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Notice Concerning Acquisition of Asset (Silent Partnership Equity Interest)

Japan Rental Housing Investment Inc. (hereafter referred to as the "Investment Corporation") hereby announces its decision today to acquire the following asset (silent partnership equity interest) (hereafter, the "Acquisition"). Details are provided below.

1. Overview of the Acquisition

(1) Asset scheduled to be acquired:	Equity interest in silent partnership investing in real estate beneficiary interest in trust
(2) Name of Property:	Silent partnership equity interest in GK JFT
(3) Real estate in trust:	Gransys Tenmabashi (Chuo-ku, Osaka city, Osaka) Daygran Tsurumi (Tsurumi-ku, Osaka city, Osaka)
(4) Investment amount:	JPY 230,000,000 (15% of total silent partnership equity interest)
(5) Date of conclusion of sales contract:	March 26, 2014
(6) Date of acquisition:	March 31, 2014 (Scheduled)
(7) Acquisition funds:	Own funds

2. Reason for Acquisition

In order to distribute stable profits to investors over the long term, the Investment Corporation will aim for continued growth of the asset size and increase of the portfolio's quality by (1) acquiring new properties in the Tokyo metropolitan area centering on the 23 wards of Tokyo, as well as new regional top-class properties outside the Tokyo metropolitan area (over JPY 1bn per property as a general), and (2) selling primarily small (below JPY 500mn per property as general.)

The Investment Corporation has determined that the relevant two properties, which are located in Osaka City, would fit its investment management policy mentioned above because they allow expectations for large demand as apartments for singles with superior location and other factors. Accordingly, the Investment Corporation has decided on the Acquisition on the condition that it is granted preferential acquisition rights (total acquisition price of 5,080 million yen when the rights are executed; for more details, please refer to 3. Details of the Properties, (1) Outline of the Silent Partnership below.) In addition, as a result of the Acquisition, the Investment Corporation will receive distribution of profits during

the equity investment period from the silent partnership operator with rental revenues from the two properties and other income used as the source of distribution. Furthermore, the Investigation Corporation has no obligation to acquire the above two properties.

Furthermore, the property characteristics, etc. of the real estate in trust are as described below.

Name of Properties	Property Characteristics, etc.
Gransys Tenmabashi	The property stands near Tenmabashi Station on the Osaka Municipal Subway and is located in an administrative and business district in central Osaka. Having 166 units in total (1K: 28 units; 1LDK: 136 units: Shop and Office: 2 units), the property is a studio-type condominium that is anticipated to attract demand mainly from single, working adults, etc.
Daygran Tsurumi	The property is a studio-type condominium having 79 units in total (1R: 55 units; 1K: 19 units; 1LDK: 3 units: Shop: 2 units). It features not only good access to the business and commercial areas of central Osaka areas, but also excellent convenience and living environment with Tsurumi Ryokuchi Park and large commercial facilities, etc. in the surrounding area.

3. Details of the Properties

(1) Outline of the Silent Partnership

<table>
<tr><td>Name of operator</td><td>GK JFT</td></tr>
<tr><td>Silent partnership agreement valid for</td><td>10 years from March 26, 2014</td></tr>
<tr><td>Total amount of equity investment in silent partnership</td><td>JPY 1,528 million</td></tr>
<tr><td>Outline of the silent partnership agreement</td><td>Outline of the investment in the silent partnership
<table><tr><td colspan="2">GK JFT</td></tr><tr><td rowspan="2">Real estate beneficiary interest in trust, etc.
JPY 5,328 million
(Note 1)</td><td>Non-recourse loan
JPY 3,800 million</td></tr><tr><td>Equity investment in silent partnership, etc.
JPY 1,528 million (Note 2)</td></tr></table>(Note 1) GK JFT is scheduled to acquire trust beneficiary interest in real estate in trust on March 31, 2014. The total appraisal value of the underlining real estate is JPY 5,180 million (as of March 1, 2014).
(Note 2) The Investment Corporation is scheduled to invest JPY 230 million (15%) of the equity investment in GK JFM, etc. Moreover, there are no relations of interests to be noted between the other investors of the silent partnership and the Investment Corporation or the Asset Management Company.
(Note 3) There is no relation of interest to be noted between GK JFT's asset manager and the Investment Corporation or the Asset Management Company.

The Calculation period:
The calculation periods are every quarter. The quarters are March 1 to the end of May, June 1 to the end of August, September 1 to the end of November and December 1 to the end of February in the next year. However, the first calculation period will be from the date of first execution of equity investment to the end of May 2014, and in addition, in case of termination of the silent partnership agreement, the termination date will be the last day of the calculation period.

Distribution of profits and losses:
Profits or losses from the silent partnership will be attributed to the silent partnership equity interest holders according to their equity interest. If losses are generated in the silent partnership, the operator may deduct the amount attributable to the silent partnership equity interest holders from the investment amount of the silent</td></tr>
</table>

<table>
<tr><td></td><td>partnership equity interest holders. However, even if the total amount of loss attributable to the silent partnership equity interest holders exceeds the total investment amount, the silent partnership equity interest holders will only bear losses within the amount of investment. The first fiscal year of the silent partnership shall be from the first investment payment date to February 28, 2014 and the successive fiscal years shall be from March 1 to the end of February in the next year each year. However, the operator may modify the fiscal year as appropriate at their discretion.</td></tr>
<tr><td>Outline of preferential acquisition rights</td><td>Outline of first refusal rights granted through acquisition of silent partnership equity interests
<table><tr><td>Description of first refusal rights</td><td>First refusal rights for trust beneficiary interest in real estate in trust or real estate in trust (see (2) below), scheduled to be acquired by the operator on March 31, 2014, for the price indicated in “First refusal rights price terms” below. However, conditions other than the price must also be agreed to.</td></tr><tr><td>Exercise period of first refusal rights</td><td>From March 31, 2014 to September 30, 2015
However, the transfer execution date must be during the period of September 30, 2014 to December 31, 2015.</td></tr><tr><td>First refusal rights price terms</td><td>JPY 5,080,000,000
Price breakdown: (not including consumption tax and regional consumption tax)
Gransys Tenmabashi: JPY 4,050,000,000
Daygran Tsurumi: JPY 1,030,000,000</td></tr></table></td></tr>
</table>

(2) Overview of Real Estate in Trust

The overview of the real estate in trust concerning the trust beneficiary interest in real estate which is the operating asset of the silent partnership in which the Investment Corporation is scheduled to acquire equity interest is as follows. Furthermore, as indicated in "2. Reasons for Acquisition" above, though the Investment Corporation will be granted first refusal rights for the trust beneficiary interest, there is no guarantee the Investment Corporation will execute its first refusal rights and acquire the trust beneficiary interest.

① Gransys Tenmabashi

Category of property	Trust beneficiary interest	Scheduled acquisition date	March 31, 2014
Trust company	Mitsubishi UFJ Trust and Banking Corporation	Trust agreement period	From March 31, 2014 To the end of March, 2024

Unique Features of the Property

The property is located an approximately 1-minute walk from Tenmabashi Station on the Osaka Municipal Subway Tanimachi Line. Having 15 stories with a reinforced concrete structure, it is a condominium for single persons and is composed of 1K to 1LDK units. It is in an administrative and business district, and features good access to major business areas such as Umeda and Yodoyabashi as well as to commercial districts. The nearest station has a large-scale commercial facility in its building, providing good convenience to the property. The living environment is also favorable, as the property is within walking distance to Osaka Castle Park and Japan Mint, which are famous for cherry blossoms. The property is relatively newly-built (slightly less than 7 years since completion) and anticipated to attract demand mainly from working adults.

Overview of the Property

Location (Note 1)	(Residential indication) 1-2-12, Shimamachi, Chuo-ku, Osaka city, Osaka (Lot number) 1-21-2, Shimamachi, Chuo-ku, Osaka city, Osaka			
Land	Type of ownership	Proprietary ownership	Use Area (Note 2)	Commercial district
	Land area (Note 1)	1,256.91 m^2	FAR / Building coverage ratio (Note 3)	800% / 80%
Building	Type of ownership	Proprietary ownership	Use (Note 1)	Condominium, Store, Parking
	Floor space (Note 1)	8,122.36 m^2 112.93 m^2	Completion date (Note 1)	May 30, 2007
	Type of structure (Note 1)	RC, 15-story building with flat roof S, 1-story building with zinc-coated steel roof		
Number of leasable units by type	166 units (1K: 28 units, 1LDK: 136 units, Store, Office: 2 units)			

Property Appraisal Summary (Note 4)		**Tenants Details** (Note 5)	
Appraiser	Japan Real Estate Institute	Number of tenants (Note 6)	1
Date of appraisal	March 1, 2014	Leasable area (Note 7)	6,749.31 ㎡
Appraisal value	JPY 4,100,000 thousand	Leased area	6,360.91 ㎡
Value calculated using the direct capitalization method	JPY 4,150,000 thousand	Monthly rent (Note 8)	JPY 22,170 thousand
Gross operating revenue	JPY 290,321 thousand	Lease deposits and guarantee Deposits	JPY 18,459 thousand
Gross operating expenses	JPY 59,987 thousand	Occupancy ratio (unit base)	93.98%
Net operating income (NOI)	JPY 230,334 thousand	Occupancy ratio (area base) (Note 9)	94.25%
Lump-sum investment return	JPY 530 thousand	**Engineering Report Summary** (Note 10)	
Capital expenditure	JPY 2,758 thousand		
Net cash flow (NCF)	JPY 228,106 thousand	Engineering report company	ERI SOLUTION CO., LTD.
Overall capitalization rate	5.5%	Date of research	March 19, 2014
Value indicated by DCF Method	JPY 4,050,000 thousand	Priority repairs	—
Discount rate	5.3%	Near-future repairs (within a year)	JPY 360 thousand
Terminal capitalization rate	5.7%	Far-future repairs (2-12 year timeline)	JPY 32,580 thousand
Value indicated by cost Approach	JPY 2,890,000 thousand	Probable maximum loss (PML)	11.4%
Collateral (Note 11)	None		

Special Note: None

② Daygran Tsurumi

Category of property	Trust beneficiary interest	Scheduled acquisition date	March 31, 2014
Trust company	Mitsubishi UFJ Trust and Banking Corporation	Trust agreement period	From March 31, 2014 To the end of March, 2024

Unique Features of the Property

The property is located an approximately 4-minute walk from Imafuku-Tsurumi Station on the Osaka Municipal Subway Nagahori Tsurumi-ryokuchi Line. Having 12 stories with a reinforced concrete structure, it is a condominium for single persons and is composed of 1K to 1LDK units. The property is in a highly convenient residential area with a good living environment, having the Flower Expo Memorial Park Tsurumi Ryokuchi and large-scale commercial facilities. Moreover, the property, which is relatively newly-built (seven years since completion), enjoys good access to the business and commercial areas in central Osaka. As such, it is anticipated to attract demand mainly from working adults.

Overview of the Property

Location (Note 1)	(Residential indication) 4-3-19, Tsurumi, Tsurumi-ku, Osaka city, Osaka			
	(Lot number) 4-20-2, 4-20-7, 4-20-11, Tsurumi, Tsurumi-ku, Osaka city, Osaka			
Land	Type of ownership	Proprietary ownership	Use Area (Note 2)	Quasi-residential districts, Category 1 residential area
	Land area (Note 1)	1,065.06 m²	FAR / Building coverage ratio (Note 3)	300%, 200% / 80%, 80%
Building	Type of ownership	Proprietary ownership	Use (Note 1)	Condominium, Store, Bicycle parking, Parking
	Floor space (Note 1)	2,769.93 m²	Completion date (Note 1)	March 22, 2007
	Type of structure (Note 1)	RC, 12-story building with flat roof		
Number of leasable units by type	79 units (1R: 55 units, 1K: 19 units, 1LDK: 3 units, Store: 2unit)			

Property Appraisal Summary (Note 4)		**Tenants Details** (Note 5)	
Appraiser	Japan Real Estate Institute	Number of tenants (Note 6)	1
Date of appraisal	March 1, 2014	Leasable area (Note 7)	2,454.41 ㎡
Appraisal value	JPY 1,080,000 thousand	Leased area	2,333.98 ㎡
Value calculated using the direct capitalization method	JPY 1,080,000 thousand	Monthly rent (Note 8)	JPY 6,089 thousand
Gross operating revenue	JPY 79,952 thousand	Lease deposits and guarantee Deposits	JPY 8,993 thousand
Gross operating expenses	JPY 16,485 thousand	Occupancy ratio (unit base)	94.94%
Net operating income (NOI)	JPY 63,467 thousand	Occupancy ratio (area base) (Note 9)	95.09%
Lump-sum investment return	JPY 177 thousand	**Engineering Report Summary** (Note 10)	
Capital expenditure	JPY 931 thousand		
Net cash flow (NCF)	JPY 62,713 thousand	Engineering report company	ERI SOLUTION CO., LTD.
Overall capitalization rate	5.8%	Date of research	March 19, 2014
Value indicated by DCF Method	JPY 1,070,000 thousand	Priority repairs	—
Discount rate	5.6%	Near-future repairs (within a year)	JPY 270 thousand
Terminal capitalization rate	6.0%	Far-future repairs (2-12 year timeline)	JPY 11,420 thousand
Value indicated by cost Approach	JPY 980,000 thousand	Probable maximum loss (PML)	11.3%
Collateral (Note 11)	None		
Special Note: None			

(Note 1) Figures and information in the columns "Location (lot number)," "Land area," "Floor space," "Type of structure," "Use" and "Completion date" are as per the registry of the property. In the column "Type of structure," "SRC" indicates "steel reinforced-concrete," "RC" indicates "reinforced-concrete" and "S" indicates "steel."

(Note 2) Figures and information in the column "Area classification" is from the zoning type indicated by Article 8-1-1 of the City Planning Law.

(Note 3) Figures and information in the column "FAR/Building coverage ratio," FAR uses the ratio of the floor area of the building versus the land area as stipulated in Article 52 of the Building Standards Law, and the figures designated for use and area in city planning. The building coverage ratio uses the building area versus the land area as stipulated in Article 53 of the Building Standards Law, and the figures designated for use and area in city planning.

(Note 4) Figures and information in the column "Property Appraisal Summary" are as per the report by the appraisal firm with respect to the real estate in trust based on the Act on Real Estate Appraisal (Law No. 152 of 1963, including revisions thereafter) and Real Estate Appraisal Standards. Furthermore, for details of items, please refer to "(Reference Material I) Property Appraisal Summary of Real Estate in Trust" below. Net earnings (NCF) = Net earnings from rentals (NOI) + one-time asset management gains – capital expenditure. The numbers are rounded off to the nearest thousand yen and ratios are rounded off to the first decimal place.

(Note 5) Figures and information in the column "Tenants details" are based on the information as of January 31, 2014 of the real estate in trust based on materials provided by the operator.
(Note 6) Figures and information in the column "Number of tenants" are entered as one tenant when Investment Corporation retains a master lease agreement with the Master Lease Company.
(Note 7) Leasable area is the area that can be leased in the building of the real estate in trust as of January 31, 2014. The areas that are leased in association with the main purpose of lessees, including warehouses, parking facilities, the building manager's office, signs, automatic vending machines and antennas, and the areas that the lessor leases to maintain the building (including areas with respect to which the lessor grants temporary use under loan-for-use agreements) are excluded. Moreover, the leasable area is the area enclosed by the center line of the wall, and includes areas for the meter boxes and pipe space allocated to each residential unit.
(Note 8) Monthly rent (rent, common service fees and parking fees) in the column "Monthly rent" are based on information as of January 31, 2014 concerning the properties to be acquired. The numbers are rounded off to the nearest thousand yen.
(Note 9) Figures in the column "Occupancy ratio (area base)" are calculated from the "Leased area" number divided by the "Leasable area" number and shown as a percentage rounded off to the first decimal place.
(Note 10) Figures in the column "Engineering report summary" are rounded off to the nearest thousand yen, and ratios are rounded off to the first decimal place. The figures for the earthquake PML was received from Tokyo Marine & Nichido Risk Consulting Co., Ltd. in February 2014.
(Note 11) A right of pledge is scheduled to set with the operator as the pledger and the non-recourse lenders as the pledgees concerning the trust beneficiary interest in real estate in trust

(3) Outline of Operator of Silent Partnership

Name		GK JFT
Location		2-9-1 Nihonbashi, Chuo-ku, Tokyo
Representative		Representative employee: general incorporated association JSL Operational executor: Shingo Kaminaga
Main Business		1. Transaction, ownership, leasing, management of real estate, and brokerage of such 2. Ownership and transaction of trust beneficiary interest 3. All business incidental to the above
Paid-in Capital		JPY 300,000
Date of Establishment		February 17, 2014
Relation with the Investment Corporation and Asset Management Company		
	Capital relationship	There is no capital relationship to be noted between the Investment Corporation or the Asset Management Company and the operator. Moreover, there is no capital relationship to be noted between related parties or associated companies of the Investment Corporation or the Asset Management Company and related parties or associated companies of the operator.
	Personnel relationship	There is no personnel relationship to be noted between the Investment Corporation or the Asset Management Company and the operator. Moreover, there is no personnel relationship to be noted between related parties or associated companies of the Investment Corporation or the Asset Management Company and related parties or associated companies of the operator.
	Business relationship	There is no business relationship to be noted between the Investment Corporation or the Asset Management Company and the operator. Moreover, there is no business relationship to be noted between related parties or associated companies of the Investment Corporation or the Asset Management Company and related parties or associated companies of the operator.
	Applicability to related parties	The operator does not fall under the category of related party of the Investment Corporation or the Asset Management Company. Moreover, the related parties or associated companies of the operator do not fall under the category of related party of the related parties or associated companies of the Investment Corporation or the Asset Management Company.

4. Transaction with Interested Parties, etc.

None

5. Profile of Brokerage

None

6. Date of Acquisition

March 26, 2014 Determination of acquisition and conclusion of silent partnership agreement

March 31, 2014 Equity investment in silent partnership (scheduled)

March 31, 2014 Transfer of real estate trust beneficiary interest to the operator of the silent partnership (scheduled)

7. Forecasts

There is minimal impact from this acquisition on asset management conditions for the fiscal period ending March 31, 2014 (October 1, 2013 to March 31, 2014), and we have thus left our forecasts unchanged.

日本賃貸住宅投資法人
Japan Rental Housing Investments Inc.

【Reference Material】

I. Property Appraisal Summary of Real Estate in Trust

Property Name			Gransys Tenmabashi	Daygran Tsurumi
Appraisal Value		(JPY)	4,100,000,000	1,080,000,000
Appraiser		-	Japan Real Estate Institute	Japan Real Estate Institute
Date of Appraisal		-	March 1, 2014	March 1, 2014
Value indicated by income approach		(JPY)	4,100,000,000	1,080,000,000
Value indicated by the Direct Capitalization Method		(JPY)	4,150,000,000	1,080,000,000
(1) Total Operating Income (a-b)		(JPY)	290,321,000	79,952,000
a	Rental revenues including common service fees	(JPY)	269,706,000	74,911,000
a	Parking fees	(JPY)	20,196,000	2,802,000
a	Other revenues	(JPY)	14,518,000	5,638,000
b	Losses from vacancies	(JPY)	14,099,000	3,399,000
b	Bad debt losses	(JPY)	0	0
(2) Total Operating Expenses		(JPY)	59,987,000	16,485,000
Operation costs		(JPY)	10,660,000	2,030,000
Utilities		(JPY)	7,000,000	2,600,000
Repairs and maintenance expense		(JPY)	4,602,000	1,752,000
Property management fees		(JPY)	8,285,000	1,903,000
Tenant promotion fees, etc.		(JPY)	14,297,000	2,597,000
Taxes and public dues		(JPY)	13,706,000	5,306,000
Nonlife insurance		(JPY)	667,000	200,000
Other expenses		(JPY)	770,000	97,000
(3) Net Operating Income (NOI): (1) - (2)		(JPY)	230,334,000	63,467,000
(4) Lump-sum Investment Return		(JPY)	530,000	177,000
(5) Capital Expenditure		(JPY)	2,758,000	931,000
(6) Net Cash Flow (NCF) : (3) + (4) – (5)		(JPY)	228,106,000	62,713,000
(7) Capitalization Rate		(%)	5.5	5.8
Value Indicated by DCF Method		(JPY)	4,050,000,000	1,080,000,000
Discount Rate		(%)	5.3	5.6
Terminal Capitalization Rate		(%)	5.7	6.0
Value indicated by cost approach *Figures less than a thousand have been rounded off		(JPY)	2,890,000,000	980,000,000
Land portion		(%)	39.6	40.7
Building portion		(%)	60.4	59.3

II. Exterior of Real Estate in Trust

① Gransys Tenmabashi



② Daygran Tsurumi



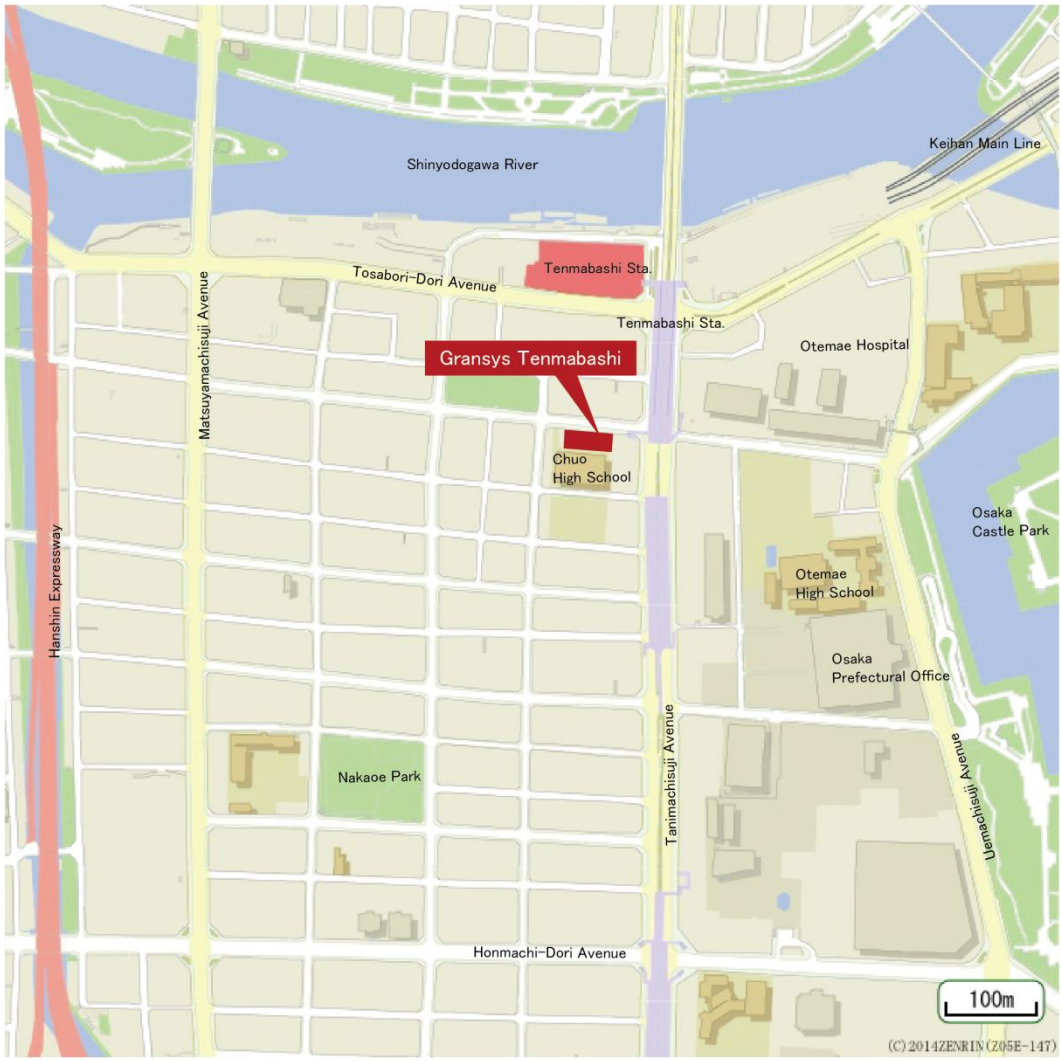
(Photographed from the northwest side)



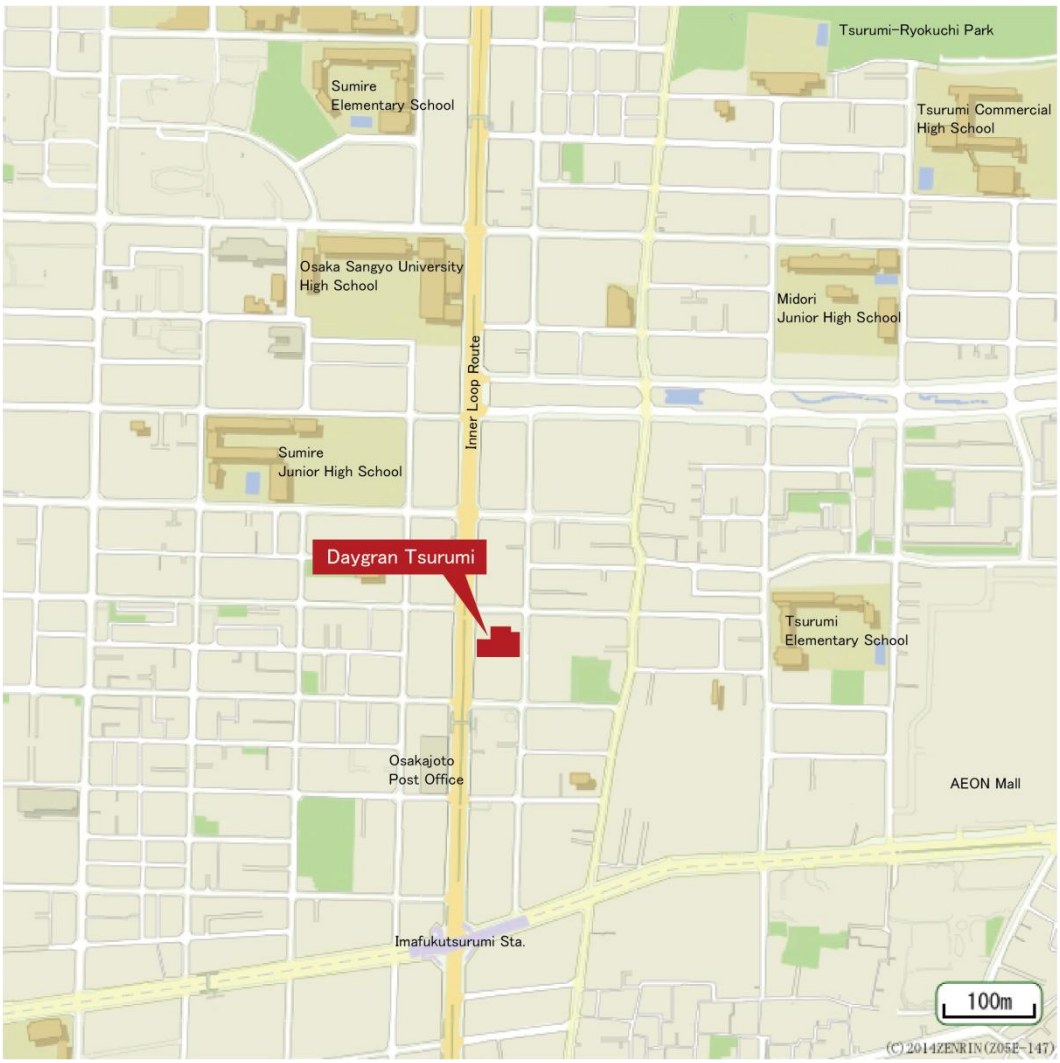
(Photographed from the southeast side)

III. Location of Real Estate in Trust

① Gransys Tenmabashi



② Daygran Tsurumi



Wide Area Map

