

JRHI News Release

Japan Rental Housing Investment Inc. ANNOUNCES SIXTH FISCAL PERIOD RESULTS

Tokyo, Japan, May 25, 2009
Takao Sakuma
Executive Director of JRHI

Japan Rental Housing Investment Inc. (hereinafter “JRHI”, also referred to in Japan as “ Japan Rental Housing toshi-hojin”, Securities Code: 8986) today announced its financial results for the Sixth Fiscal Period, commencing October 1, 2008 and ending March 31, 2009).

SIXTH FISCAL PERIOD Highlights

PERFORMANCE FOR THE SIXTH FISCAL PERIOD (October 1, 2008 –March 31, 2009)

(1) Business Results

	(Millions of yen; rounded down, %; rounded)							
	Operating Revenue	Percentage Change	Operating Income	Percentage Change	Ordinary Income	Percentage Change	Net Income	Percentage Change
Sixth Fiscal Period	3,577	-3.4%	1,436	-13.8%	810	-20.2%	758	-25.2%
Fifth Fiscal Period	3,702	-1.8%	1,666	-7.7%	1,014	-27.3%	1,013	-27.3%

	(Yen; rounded down, %; rounded)						
	Net Income per Unit	Return on Unitholders' Equity (ROE)	(Reference) Annualized	Ordinary Income to Total Assets	(Reference) Annualized	Ordinary Income to Operating Revenues	
Sixth Fiscal Period	4,526	1.3%	2.5%	0.7%	1.4%	22.7%	
Fifth Fiscal Period	9,174	1.9%	3.7%	0.9%	1.7%	27.4%	

Notes:

- Net income per unit is calculated by dividing net income by the average number of investment units for the fifth and sixth fiscal period. The average number of investment units for the fifth and sixth fiscal periods were as follows:
Sixth fiscal period :167,477 units (no change in the number of units for the period)
Fifth fiscal period : 110,482 units (weighted-average number of units for the period)
- Significant changes in accounting policies : accounting procedure for funding cost
From the sixth fiscal period accounting procedure for funding costs of a loan was changed from cash basis on recognition at payment point to actual basis on recognition over the loan period.
- “Percentage Change” figures indicate the rates of the increase or decrease compared with the previous fiscal period.
- Return on unitholders' equity and ordinary income to total assets are calculated using the average of the fiscal period beginning balances and ending balances with unitholders' equity and total assets.
- Annualized percentage figures for the sixth fiscal period
= Percentage figures for the sixth fiscal period / Number of actual asset management days for the sixth fiscal period (182days) × 365 days
Annualized percentage figures for the fifth fiscal period
= Percentage figures for the fifth fiscal period / Number of actual asset management days for the fifth fiscal period (183days) × 365 days
- Except financial statements, figures are rounded down to the nearest million (except Net Income per Unit), figures are rounded down to the nearest yen (Net Income per Unit) and percentage's figures are rounded to the nearest first decimal place.

DISTRIBUTIONS

In order to receive favorable tax treatment available to J-REITs under the Special Taxation Measures Law, we must distribute in excess of 90% of our distributable income as defined in the Special Taxation Measures Law, which differs slightly from retained earnings under Japanese GAAP. Our articles of incorporation require that we make cash distributions to our unitholders of our retained earnings as of the end of each fiscal period in at least such amount. Our articles of incorporation generally permit us to distribute cash to our unitholders in excess of retained earnings only if such amount does not exceed the amount of our retained earnings and depreciation on our fixed assets for the relevant fiscal period. However, in the event that the amount of retained earnings and depreciation on our fixed assets for the relevant fiscal period does not exceed 90% of our distributable income as defined in the Special Taxation Measures Law, then our articles of incorporation permit up to 91% of our distributable income as defined in the Special Taxation Measures Law to be distributed. Any amount distributed in excess of the amount of retained earnings and depreciation on our fixed assets for the relevant fiscal period is likely to create complex Japanese tax issues, especially for Japanese resident individual unitholders.

The following table sets forth information concerning our distributions for the sixth and fifth fiscal period.

<u>Fiscal Period</u>	<u>Distribution per unit</u>	<u>Total distribution (In Thousands, rounded down)</u>	<u>Total distribution as a percentage of distributable income under Special Taxation Measures Law (%)</u>	<u>Total distribution as a percentage of retained earnings under Japanese GAAP (%)</u>
Sixth Fiscal Period	4,527	758,168	100%	100%
Fifth Fiscal Period	6,052	1,013,570	100%	100%

JRHI Portfolio Profile:

Our intention was to focus all of our resources on managing the existing 131 properties (total acquisition price :JPY 101,976 million, total leasable area : 276,754.57m²) without acquiring or disposing any properties.

During the term, we faced an unexpected need to change property management (“PM”) companies from a group company of re-plus inc., our previous sponsor company, following its bankruptcy. During this transition period, leasing activities temporarily slowed. As a result, the occupancy ratio on a leasable area basis as of the end of December fell to 90.9% of our overall portfolio.

Soon after December, to improve the situation, Mi-Casa Asset Management Inc. (the “Asset Management Company”), which operates on behalf of JRHI, restructured its organization. In addition, the new PM and leasing companies that were engaged placed brief but intensive stress on our leasing operations. As a result, the occupancy ratio as of the end of fiscal period in Hokkaido, Tohoku and Koshinetsu area improved to 90.7%, up from 85.0% as of the end of December. The ratio in the Kinki area improved 96.7%, up from 89.9%. For our total portfolio, the occupancy ratio improved to 93.2%, up from 90.9%. Nonetheless, leasing premium properties in central Tokyo still is in a difficult situation.

Another impact of the bankruptcy of re-plus inc. was the failure of the rent guarantee system

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for late rent. As a result, certain rent receivables remained uncollected. We subsequently took steps to reduce uncollected rent by setting aside reserves to cover uncollected rent and by making it a principle to secure a joint guarantor for new tenants, or by utilizing several rent guarantee companies as an alternative to a joint guarantor.

Financing:

We are convinced that the following are essential actions to enable us to continue to invest in rental apartments nationwide and achieve a stable distribution of profits over the long term:

1. Strengthen our financial structure by reducing interest-bearing debt, seeking long-term funding and diversifying the due date of borrowings through refinancing.
2. Build the capacity to acquire properties to take advantage of suitable asset management opportunities and benefit from stable rental demand.

During the sixth fiscal period, we repaid a portion of our borrowings through refinancing and partially retired investment corporation bond by purchase with the proceeds of the third party allotment of investment units that was undertaken in the fifth fiscal period. We could reduce interest-bearing debt by 9,911 million.

As a result, interest-bearing debt including investment corporation bonds as of the end of the sixth fiscal period became 51,530 million, the ratio of interest-bearing debt to period-end total assets was 45.4%, and the ratio of long-term interest-bearing debt was 41.9%.

Financial Statements for the fifth fiscal period

Balance Sheets As of September 30, 2008 and March 31, 2009

	Thousands of yen		Thousands of U.S.dollars (Note)
	September 30, 2008	March 31, 2009	March 31, 2009
Assets			
Current assets:			
Cash and bank deposits (including trust accounts)	¥17,181,178	¥7,573,330	\$77,098
Rental receivables	90,098	219,336	2,233
Prepaid expenses	54,176	143,928	1,465
Deferred tax assets	4,168	26,371	269
Other current assets	600	1,672	17
Allowance for doubtful accounts	(9,720)	(43,900)	(447)
Total current assets	<u>17,320,500</u>	<u>7,920,737</u>	<u>80,635</u>
Property and equipment (including trust accounts); at cost			
Land	46,470,211	46,470,211	473,076
Buildings and structures	61,348,901	61,476,977	625,847
Machinery and equipment	283,512	283,795	2,889
Tools, furniture and fixtures	41,282	44,476	453
	<u>108,143,906</u>	<u>108,275,459</u>	<u>1,102,265</u>
Less: accumulated depreciation	(2,769,759)	(3,544,252)	(36,081)
Net property and equipment	<u>105,374,147</u>	<u>104,731,207</u>	<u>1,066,184</u>
Investments and other assets:			
Leasehold for land	546,284	546,284	5,561
Lease deposits	10,133	10,183	104
Long-term prepaid expenses	102,498	55,267	563
Reserve fund for repair	254,312	260,775	2,655
Deferred tax assets	10,690	-	-
Bond issuance costs	30,064	17,964	183
Others	847	815	7
Total investments and other assets	<u>954,828</u>	<u>891,288</u>	<u>9,073</u>
Total assets	<u>¥123,649,475</u>	<u>¥113,543,232</u>	<u>\$1,155,892</u>

Note: The U.S. dollar amounts have been translated at ¥98.23 = US\$1.00, the rate of exchange prevailing on March 31, 2009.

Balance Sheets
As of September 30, 2008 and March 31, 2009

	Thousands of yen		Thousands of U.S.dollars
	September 30, 2008	March 31, 2009	(Note) March 31, 2009
Liabilities and Net assets			
Liabilities:			
Current liabilities:			
Accounts payable	¥170,953	¥203,065	\$2,067
Short-term borrowings	15,643,133	5,832,000	59,371
Current portion of long-term loans	16,101,152	16,101,152	163,913
Current portion of bonds	-	8,000,000	81,442
Accrued expenses	379,134	367,651	3,743
Income taxes payable	4,837	15,784	161
Rents received in advance	263,481	284,708	2,898
Consumption taxes payable	5,015	9,810	100
Other current liabilities	45,643	51,493	523
Total current liabilities	<u>32,613,348</u>	<u>30,865,663</u>	<u>314,218</u>
Long-term liabilities:			
Long-term loans	21,597,191	21,597,191	219,864
Bonds	8,100,000	-	-
Leasehold and security deposits received	784,472	777,982	7,920
Total long-term liabilities	<u>30,481,663</u>	<u>22,375,173</u>	<u>227,784</u>
Total liabilities	<u>63,095,011</u>	<u>53,240,836</u>	<u>542,002</u>
Net assets:			
Unitholders' capital			
Aggregated amounts of investments:			
Units authorized : 2,000,000 units			
Units issued and outstanding :			
167,477 units for September 30, 2008 and			
March 31, 2009	59,557,332	59,557,332	606,305
Retained earnings	1,013,621	758,187	7,718
Valuation and translation adjustments:			
Unrealized losses on hedging derivatives, net of taxes	(16,489)	(13,123)	(133)
Total net assets	<u>60,554,464</u>	<u>60,302,396</u>	<u>613,890</u>
Total liabilities and net assets	<u>¥123,649,475</u>	<u>¥113,543,232</u>	<u>\$1,155,892</u>

Note: The U.S. dollar amounts have been translated at ¥98.23 = US\$1.00, the rate of exchange prevailing on March 31, 2009.

Statements of Income

For the six months ended September 30, 2008 and March 31, 2009

	Thousands of yen		Thousands of U.S.dollars (Note)
	September 30, 2008	March 31, 2009	March 31, 2009
Revenues:			
Rental revenues	¥3,702,780	¥3,577,809	\$36,423
Operating expenses:			
Property - related expenses	1,578,938	1,640,238	16,698
Asset management fees	232,100	229,100	2,332
Officers' remuneration	5,400	8,300	84
Asset custody fees	15,363	16,515	168
Administrative service fees	36,693	36,816	375
Auditor's fee	11,000	11,000	112
Provision for doubtful accounts	8,850	34,181	348
Bad debt losses	-	1,681	17
Other	147,537	163,452	1,665
	2,035,881	2,141,283	21,799
Operating income	1,666,899	1,436,526	14,624
Other income (expenses):			
Interest income	1,760	2,362	24
Interest expenses	(494,643)	(449,112)	(4,572)
Finance - related costs	(55,131)	(214,128)	(2,180)
Redemption gains on bonds	-	47,000	478
Issuance costs of new units	(104,636)	-	-
Amortization of bond issuance costs	(11,893)	(12,100)	(123)
Restructuring expense	-	(30,432)	(310)
Prior period adjustments	-	(19,134)	(195)
Other, net	12,574	(298)	(2)
	(651,969)	(675,842)	(6,880)
Income before income taxes	1,014,930	760,684	7,744
Income taxes			
Current	5,161	16,243	165
Deferred	(3,805)	(13,696)	(139)
	1,356	2,547	26
Net income	¥1,013,574	¥758,137	\$7,718

Note: The U.S. dollar amounts have been translated at ¥98.23 = US\$1.00, the rate of exchange prevailing on March 31, 2009.

Statements of Changes in Net Assets

For the six months ended September 30, 2008 and March 31, 2009

	Thousands of yen				
	Number of units	Unitholders' capital	Retained earnings	Unrealized gains (losses) on hedging derivatives, net of taxes	Total unitholders' equity
Balance as of March 31, 2008	97,477	¥47,307,332	¥1,395,138	(¥25,778)	¥48,676,692
Issuance of new units	70,000	12,250,000	-	-	12,250,000
Cash dividends paid	-	-	(1,395,091)	-	(1,395,091)
Net income	-	-	1,013,574	-	1,013,574
Unrealized gains on hedging derivatives, net of taxes	-	-	-	9,289	9,289
Balance as of September 30, 2008	167,477	59,557,332	1,013,621	(16,489)	60,554,464
Cash dividends paid	-	-	(1,013,571)	-	(1,013,571)
Net income	-	-	758,137	-	758,137
Unrealized gains on hedging derivatives, net of taxes	-	-	-	3,366	3,366
Balance as of March 31, 2009	167,477	¥59,557,332	¥758,187	(¥13,123)	¥60,302,396

	Thousands of U.S.dollars (Note)			
Balance as of March 31, 2008	\$481,598	\$14,203	(\$262)	\$495,539
Issuance of new units	124,707	-	-	124,707
Cash dividends paid	-	(14,202)	-	(14,202)
Net income	-	10,318	-	10,318
Unrealized gains on hedging derivatives, net of taxes	-	-	95	95
Balance as of September 30, 2008	606,305	10,319	(167)	616,457
Cash dividends paid	-	(10,319)	-	(10,319)
Net income	-	7,718	-	7,718
Unrealized gains on hedging derivatives, net of taxes	-	-	34	34
Balance as of March 31, 2009	\$606,305	\$7,718	(\$133)	\$613,890

Note: The U.S. dollar amounts have been translated at ¥98.23 = US\$1.00, the rate of exchange prevailing on March 31, 2009.

Statements of Cash Flows

For the six months ended September 30, 2008 and March 31, 2009

	Thousands of yen		Thousands of U.S.dollars (Note)
	September 30, 2008	March 31, 2009	March 31, 2009
Cash flows from operating activities:			
Income before income taxes	¥1,014,930	¥760,684	\$7,744
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation	753,907	774,525	7,885
Amortization of long-term prepaid expenses	40,030	40,241	410
Amortization of bond issuance costs	11,893	12,100	123
Issuance costs of new units	104,636	-	-
Interest income	(1,760)	(2,362)	(24)
Redemption gains on bonds	-	(47,000)	(478)
Interest expenses	494,643	449,113	4,572
Increase in allowance for doubtful accounts	8,850	34,181	348
Changes in assets and liabilities:			
Increase in prepaid expenses	-	(89,753)	(914)
Restructuring expenses	-	30,432	310
Prior period adjustments	-	19,134	195
Decrease (increase) in rental receivable	431	(128,372)	(1,307)
Decrease in consumption taxes refundable	73,799	-	-
Increase(decrease) in accounts payable	(78,719)	15,369	156
Increase (decrease) in accrued expenses	1,012	(17,940)	(183)
Increase(decrease) in rents received in advance	(160,713)	21,227	216
Other - net	(4,241)	23,229	236
Sub-total	2,258,698	1,894,808	19,289
Interest received	1,760	2,362	24
Interest paid	(494,413)	(442,655)	(4,506)
Restructuring expenses	-	(30,432)	(310)
Income taxes paid	(983)	(5,296)	(54)
Net cash provided by operating activities	1,765,062	1,418,787	14,443
Cash flows from investing activities:			
Purchases of property and equipment	(2,386,620)	(132,626)	(1,350)
Repayment of lease deposits received	(2,856)	(6,490)	(66)
Other-net	(15,951)	(7,631)	(78)
Net cash used in investing activities	(2,405,427)	(146,747)	(1,494)
Cash flows from financing activities:			
Proceeds from short-term borrowings	-	22,502,000	229,075
Repayments of short-term borrowings	-	(32,313,133)	(328,954)
Proceeds from issuance of new units	12,250,000	-	-
Payments of issuance costs of new units	(137,698)	-	-
Payments of issuance costs of bonds	2,139	-	-
Repayments on bond redemption	-	(53,000)	(540)
Cash dividends paid	(1,393,237)	(1,015,755)	(10,340)
Net cash (used in) provided by financing activities	10,721,204	(10,879,888)	(110,759)
Net increase(decrease) in cash and cash equivalents	10,080,839	(9,607,848)	(97,810)
Cash and cash equivalents at beginning of the fiscal period	7,100,339	17,181,178	174,908
Cash and cash equivalents at end of the fiscal period	¥17,181,178	¥7,573,330	\$77,098

Note: The U.S. dollar amounts have been translated at ¥98.23 = US\$1.00, the rate of exchange prevailing on March 31, 2009.

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