

Disclaimers

This document has been prepared solely for the purpose of providing U.K. and Dutch investors with certain information under Article 23 of the European Alternative Investment Fund Managers Directive (European Directive 2011/61/EU) (the “AIFMD”) as implemented in their respective jurisdictions. Accordingly, you should not use this document for any other purpose.

Netherlands

The units of Japan Rental Housing Investments Inc. (“JRHI” or the “AIF”) are being marketed in the Netherlands under Section 1:13b of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*, or the “Wft”). In accordance with this provision, Mi-Casa Asset Management Inc. (the “AIFM”) has submitted a notification with the Dutch Authority for the Financial Markets. The units of JRHI will not, directly or indirectly, be offered, sold, transferred or delivered in the Netherlands, except to or by individuals or entities that are qualified investors (*gekwalificeerde beleggers*) within the meaning of Article 1:1 of the Wft, and as a consequence neither the AIFM nor JRHI is subject to the license requirement pursuant to the Wft. Consequently, neither the AIFM nor JRHI is subject to supervision of the Dutch Central Bank (*De Nederlandsche Bank*) or the Netherlands Authority for Financial Markets (*Autoriteit Financiële Markten*, the “AFM”) and this Article 23 AIFMD Prospectus is not subject to approval by the AFM. No approved prospectus is required to be published in the Netherlands pursuant to Article 3 of the European Directive 2003/71/EC (the EU Prospectus Directive) as amended and implemented in Netherlands law. The AIFM is solely subject to limited ongoing regulatory requirements as referred to in Article 42 of the AIFMD.

United Kingdom

Units of JRHI are being marketed in the United Kingdom pursuant to Article 59 of the United Kingdom Alternative Investment Fund Managers Regulations 2013. In accordance with this provision, the AIFM has submitted a notification with the Financial Conduct Authority (the “FCA”) in the United Kingdom.

For the purposes of the United Kingdom Financial Services and Markets Act 2000 (“FSMA”) JRHI is an unregulated collective investment scheme which has not been authorized by the FCA.

Accordingly, any communication of an invitation or inducement to invest in JRHI may be made to persons in the United Kingdom only if the communication falls within one or more of the categories of exempt financial promotions under the Financial Services and Markets Act (Financial Promotion) Order 2005 (the “Order”), such as financial promotions communicated to:

- (1) persons who are investment professionals, as defined in article 19 of the Order;
- (2) persons who are certified high net worth individuals, as defined in article 48 of the Order;
- (3) persons who are high net worth companies, unincorporated associations, or other entities listed in article 49 of the Order; or
- (4) persons who are certified sophisticated investors, as defined in article 50 of the Order,

or if the communication is made to persons to whom such an invitation or inducement may otherwise lawfully be communicated. The distribution of this document to any person in the United Kingdom in circumstances not falling within one of the above categories is not permitted and may contravene FSMA. No person falling outside those categories should treat this document as constituting a promotion to him, or act on it for any purposes whatever.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) no offer of units of JRHI may be made to the public in that Relevant Member State except in circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of units shall require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive, or a supplement to a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression “an offer of units to the public” in relation to any units in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the units to be offered so as to enable an investor to decide to purchase or subscribe the units, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

Article 23 (1)(a)	
Objectives of the AIF	The objective of Japan Rental Housing Investments Inc. (“JRHI”) is to make stable distributions of profits to its unitholders over the medium to long term through JRHI’s basic policy of achieving sustainable growth and improving the quality of its portfolio in accordance with its portfolio composition policies.
Investment strategy	<p>JRHI invests in real estate-related properties for residential use throughout Japan. In particular, JRHI believes that it can generate stable earnings by investing in rental apartment properties from two categories, studio rental apartment properties and family rental apartment properties. Studio rental apartment properties are rental apartment buildings that consist primarily of studio units, which JRHI believes are attractive to households consisting of one or two people with no children. Family rental apartment properties are rental apartment buildings that consist primarily of units with one or more bedrooms, which JRHI believes are attractive to households consisting of families with children.</p> <p>JRHI has set non-binding portfolio composition target ratios under which 50-80% of JRHI’s portfolio by acquisition price is to consist of studio rental apartments and 20-50% is to consist of family rental apartments. In order to achieve geographic diversification, JRHI has also set non-binding geographic target ratios under which 30-70% of its portfolio by acquisition price is to be located in the 23 wards of Tokyo, 30-60% is to be located in three major metropolitan areas of Japan (the greater Tokyo area (excluding the 23 wards of Tokyo), the greater Nagoya area and the greater Osaka area), and 0-25% is to be located in certain other major cities in Japan. JRHI may exceed such target ratios from time to time or for specific periods of time in order to secure especially competitive properties or in response to real estate market conditions or other circumstances.</p> <p>In addition, under its present management strategy, JRHI targets properties with an acquisition price of generally at least ¥1 billion that are either located in the Tokyo metropolitan area, with an emphasis on the 23 wards of Tokyo, or are large-scale properties located in other major cities. Moreover, JRHI seeks to improve the quality of its portfolio through selective dispositions of mostly, relative to its current portfolio, older and smaller properties located outside the Tokyo metropolitan area, especially properties with disposition prices of generally less than ¥500 million.</p>
Types of assets the AIF may invest in	Real property, real property equivalents such as land leasehold rights and surface rights, real property based securities and trust beneficiary interests in real property.
Techniques it may employ and all associated risks	<p>JRHI aims to increase unitholder value by investing in real estate-related properties for residential use throughout Japan, in particular studio rental apartment properties and family rental apartment properties. The principal risks with respect to investment in JRHI are as follows:</p> <ul style="list-style-type: none"> • adverse conditions in the Japanese economy; • JRHI’s potential inability to acquire properties to execute its growth and investment strategy in a manner that is accretive to earnings; • JRHI’s exclusive focus on rental apartments;

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- the geographic concentration of JRHI's portfolio in the greater Tokyo area;
- competition for tenants which may adversely affect JRHI's ability to retain its current tenants, find new tenants and achieve favorable rents;
- potential increases in prevailing market interest rates which could increase JRHI's interest expense and result in a decline in the market price of its units;
- large potential losses if any of JRHI's properties incur damage from a natural or man-made disaster;
- illiquidity in the real estate market which may limit JRHI's ability to grow or adjust its portfolio;
- the possibility that JRHI may not close future property acquisitions;
- defects relating to JRHI's properties;
- reliance on experts for appraisals and engineering, environmental, seismic and other reports, which are subject to significant uncertainties;
- loss of rental revenues in the event of lease terminations, decreased lease renewals, default by tenants, or rent reductions or refunds;
- the possibility that buildings JRHI owns may violate earthquake resistance or other building codes, and that buildings may collapse in even minor earthquakes or may be required to be strengthened or demolished by JRHI at significant expense;
- master lease agreements which expose JRHI to the risk of becoming an unsecured creditor of its master lessees in the event of their insolvency;
- any inability to obtain financing for future acquisitions, or any restrictions on JRHI's activities under its financing arrangements;
- the possibility of a downgrading of JRHI's credit ratings;
- JRHI's dependence on the performance of service providers to which it is required to assign various key functions;
- the possibility that the level of support JRHI receives from the real estate companies with whom it has concluded business collaboration agreements may fall short of expectations;
- JRHI's dependence on the efforts of key personnel of Mi-Casa Asset Management Inc. (the "Asset Manager");
- the possibility that failure to satisfy a complex series of requirements pursuant to Japanese tax regulations may disqualify JRHI from certain taxation benefits; and
- the possibility that JRHI's ownership rights in some of its properties may be declared invalid or limited.

In addition, JRHI is subject to potential risks related to:

- JRHI's liability for any unforeseen loss, damage or injury suffered by a third party at its properties;
- adverse consequences if JRHI's rental revenues decline while most of its operating expenses are fixed;
- contractual penalties and market risks to which JRHI may be exposed if JRHI enters into forward commitment contracts;
- JRHI's reliance on industry and market data that are subject to significant uncertainties;

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	<ul style="list-style-type: none"> • the possibility that the environmental assessments of JRHI’s properties made prior to acquisition may not have uncovered all environmental liabilities, while Japanese laws subject property owners to strict environmental liability; • the possibility that a high loan-to-value (“LTV”) ratio may increase JRHI’s exposure to changes in interest rates; • potential impairment losses relating to JRHI’s properties and adverse tax effects upon recognizing impairments; • risks associated with JRHI’s investments in Japanese anonymous associations; • risks associated with JRHI’s holding interests in properties through investing in preferred securities of special purpose companies; • potential conflicts of interest between JRHI and the Asset Manager or Daiwa Securities Group Inc. (the “Sponsor”); • strict supervision by the regulatory authorities of J-REITs and their asset managers; • Japanese tax authorities’ potential disagreement with the interpretations of the Japanese tax laws and regulations JRHI used for prior periods, which may force JRHI to pay additional taxes for those periods; • the possibility that JRHI may not be able to benefit from reductions in certain real estate taxes enjoyed by qualified J-REITs; • the possibility that changes in Japanese tax laws may significantly increase JRHI’s tax burden; • JRHI’s expected treatment as a “passive foreign investment company” for U.S. federal income tax purposes; • the possibility that unitholders may be subject to U.S. Foreign Account Tax Compliance Act (FATCA) withholding tax after 2016; • the risk that JRHI may lose its rights in a property it owns or intends to acquire if the purchase of the property is recharacterized as a secured financing; • the risk that JRHI’s leasehold or subleasehold rights in underlying land may be terminated or may not be asserted against a third party in some cases; • risks associated with properties for which third parties hold leasehold interests in the land and own the buildings on such land; • the possibility that rights relating to properties in the form of compartmentalized ownership interests may be affected by the intentions of other owners; • the possibility that rights relating to properties in the form of property co-ownership may be affected by the intentions of other owners; • JRHI’s properties being subject to preferential negotiation rights, rights of first refusal or other similar rights held by third parties; • the possibility that tax increases or adverse changes in applicable laws may affect JRHI’s potential liabilities relating to its properties and operations; • the cost of complying with regulations applicable to the properties in JRHI’s portfolio; • the possibility that JRHI, which owns many of the properties in its portfolio through trust beneficiary interests, may suffer losses as a trust beneficiary; • the possibility that the Alternative Investment Fund Managers Directive may negatively affect JRHI’s ability to market its units in the EEA and increase its compliance costs associated with the marketing of its units in the EEA; and
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	<ul style="list-style-type: none"> the possibility that JRHI’s units may be deemed to constitute “plan assets” for ERISA purposes, which may lead to the rescission of certain transactions, tax or fiduciary liability and JRHI’s being held in violation of ERISA requirements.
Any applicable investment restrictions	<p>JRHI is subject to investment restrictions under Japanese laws and regulations, including the Act on Investment Trusts and Investment Corporations (the “ITA”) and the Financial Instruments and Exchange Act (the “FIEA”). These restrictions require that JRHI must invest primarily in specified assets as defined in the ITA. Specified assets include, but are not limited to, securities, real estate, leaseholds of real estate, and surface rights (<i>chijō-ken</i>) (i.e. the right to use land for the purpose of having a structure on it), as well as trust beneficiary interests in securities, real estate, leaseholds of real estate and surface rights.</p> <p>Furthermore, under the listing rules of the Tokyo Stock Exchange, any listed J-REIT such as JRHI must invest substantially all of its assets in real estate, real estate-related assets and liquid assets as provided by the listing requirements. Real estate in this context includes, but is not limited to, real estate, leaseholds of real estate, surface rights, and trust beneficiary interests in these assets, and real estate-related assets in this context include, but are not limited to, anonymous association (<i>tokumei kumiai</i>) interests in investments in real estate. A J-REIT that lists its units on the Tokyo Stock Exchange must also comply with the Investment Trusts Association, Japan rules, which require the J-REIT to invest more than 50% of its assets in real estate and asset backed securities that are backed primarily by real estate, which includes, but is not limited to, real estate, leaseholds of real estate, surface rights or trust beneficiary interests in real estate, and surface rights or leaseholds of land.</p> <p>Pursuant to the ITA, investment corporations may not independently develop land for housing or to construct buildings, but may outsource such activities in certain circumstances.</p> <p>The basic investment policy of JRHI is set out in JRHI’s articles of incorporation. Moreover, the Asset Manager has established asset management guidelines to provide more detailed policies based on this basic policy. However, the Asset Manager may amend or revise the asset management guidelines it has established without a vote of JRHI’s unitholders to the extent permitted in JRHI’s articles of incorporation.</p>
Circumstances in which the AIF may use leverage	<p>JRHI may borrow funds or issue bonds for such purposes as property acquisitions, property repair or improvement, repayment of tenant leasehold and security deposits, payment of JRHI’s expenses and repayment of JRHI’s indebtedness.</p>
The types and sources of leverage permitted and associated risks	<p>JRHI currently has outstanding short- and long-term loans as well as outstanding bonds. All of JRHI’s currently outstanding borrowings are unsecured and unguaranteed and are subject to fixed, hedged floating, or unhedged floating interest rates. JRHI borrows only from institutional investors as defined in the Special Taxation Measures Act (assuming that JRHI’s tenant leasehold and security deposits are not loans for this purpose).</p> <p>JRHI’s debt financing arrangements may contain affirmative and negative covenants, including covenants that require maintaining specific financial ratios or levels of cash reserves, restrict distributions to unitholders or require posting collateral as security. Financial and other covenants may limit JRHI’s operational flexibility and distribution</p>

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	<p>amounts to unitholders. Breach of any such covenants contained in debt instruments could require JRHI to post additional collateral or result in the acceleration of these debt instruments. In addition, JRHI's cash flow may be insufficient to meet its required principal and interest payments, which may trigger events of default that also entitle lenders to require JRHI to collateralize its properties or demand that the entire outstanding balance be paid.</p> <p>In the event of an increase in interest rates, to the extent that JRHI has debt with unhedged floating interest rates or JRHI takes out new debt, JRHI's interest payments may increase, which could reduce the amounts available for cash distributions to unitholders. Higher interest rates may also limit JRHI's capacity for short-and long-term borrowings, which would limit JRHI's ability to acquire properties. Even if JRHI maintains a conservative LTV ratio, JRHI's interest expense or exposure to changes in interest rates could increase due to macroeconomic factors or market conditions beyond JRHI's control.</p>
Any restrictions on leverage	Under JRHI's articles of incorporation, JRHI has an internal limit of ¥1 trillion on the aggregate principal amount of borrowings and bonds outstanding.
Any restrictions on collateral and asset reuse arrangements	No applicable arrangements.
Maximum level of leverage which the AIFM is entitled to employ on behalf of the AIF	JRHI has set an upper limit of 60% as a general rule for its LTV ratio. JRHI may, however, temporarily exceed this limit as a result of new property acquisitions or the timing of the issuance of new investment units.
Article 23(1) (b)	
Procedure by which the AIF may change its investment strategy / investment policy	<p>Changes to JRHI's basic investment policy require an amendment of its articles of incorporation. Such amendment requires a quorum of a majority of the total issued units and at least a two-thirds vote of the voting rights represented at a general meeting of unitholders. Unitholders should note, however, that unitholders who do not attend and do not exercise their voting rights at a general meeting of unitholders are deemed to be in agreement with proposals submitted at such meeting, except in the case of proposals for which contrary proposals are also submitted at the meeting.</p> <p>Additionally, the asset management guidelines of the Asset Manager, which provide the details of the basic policies set forth in JRHI's articles of incorporation, may be amended or revised by the Asset Manager without a vote of JRHI's unitholders, to the extent permitted under JRHI's articles of incorporation.</p>
Article 23(1) (c)	
Description of the main legal implications of the contractual relationship entered into for the purpose of investment, including jurisdiction, applicable law, and the existence	<p>JRHI has entered into the following asset management and business collaboration agreements, each of which is governed by Japanese law:</p> <ul style="list-style-type: none"> • Asset management agreement dated October 7, 2005 between JRHI and the Asset Manager • Business collaboration agreement dated March 17, 2006 among JRHI, the Asset Manager and TAKARA Co., LTD.

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<p>or not of any legal instruments providing for the recognition and enforcement of judgments in the territory where the AIF is established</p>	<ul style="list-style-type: none"> • Business collaboration agreement dated March 17, 2006 among JRHI, the Asset Manager and Miyoshi Real Estate Co., Ltd. • Business collaboration agreement dated October 31, 2008 among JRHI, the Asset Manager and MAINICHI COMNET Co., Ltd. • Business collaboration agreement dated November 25, 2008 among JRHI, the Asset Manager and HASEKO LIVENET, Inc. <p>The Asset Manager has entered into the following support agreement with the Sponsor, which is governed by Japanese law:</p> <ul style="list-style-type: none"> • Sponsor support agreement dated December 11, 2015 between the Asset Manager and Daiwa Securities Group Inc. <p>Additionally, JRHI has entered into purchase and sale agreements with sellers and buyers in connection with the acquisition or disposition of properties, as well as trust agreements with major Japanese trust banks pursuant to which JRHI holds some of the properties in its portfolio in the form of trust beneficiary interests.</p>
Article 23(1) (d)	
<p>The identity of the AIFM, AIF's depository, auditor and any other service providers and a description of their duties and the investors' rights thereto</p>	<ul style="list-style-type: none"> • Asset Manager (AIFM): Mi-Casa Asset Management Inc. • Auditor: Grant Thornton Taiyo LLC • Custodian: Mitsubishi UFJ Trust and Banking Corporation (“MUTB”) • General administrators: MUTB, Mi-Casa Asset Management Inc. • Transfer agent: MUTB • Special account administrators: Mizuho Trust & Banking Co., Ltd. • Administrator for bonds: The Bank of Tokyo-Mitsubishi UFJ, Ltd. <p>The Asset Manager’s duties include management of JRHI’s properties, handling complaints received from third-parties, responsibility for JRHI’s financial affairs (including planning and budgeting functions and management of debt and equity issuances to fund JRHI’s acquisitions), disclosure of information about JRHI and investor relations activities, preparation and delivery of reports pursuant to the ITA, and other related services based on JRHI’s individual requests.</p> <p>The FIEA provides that the Asset Manager owes JRHI a fiduciary duty and must conduct its activities as asset manager in good faith. The FIEA also prohibits the Asset Manager from engaging in certain specified conduct, including entering into transactions outside the ordinary course of business or with interested parties of the Asset Manager that are contrary to or violate JRHI’s interests. Pursuant to the ITA, JRHI’s unitholders have the right to approve the execution or termination of the asset management agreement at a general meeting of unitholders, except in specific cases set forth under the ITA.</p> <p>The auditor’s responsibilities include preparing an audit report on JRHI’s financial statements for each of JRHI’s fiscal periods.</p> <p>Other service providers owe contractual obligations under their respective agreements with JRHI. The custodian provides custodial services for JRHI’s assets, the general administrators provide services such as administration of accounting matters and</p>

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	<p>assistance with preparation of disclosure documents, the transfer agent provides services such as administration and custody of the unitholders' register, calculation of distributions and preparation of voting ballots for general meetings of unitholders, the special account administrators provide services in connection with the administration of JRHI's special accounts, and the administrator for bonds provides services related to JRHI's bonds.</p> <p>Unitholders do not have direct rights against the Asset Manager, auditor, custodian, general administrators, transfer agent, special account administrators or administrator for bonds.</p>
Article 23(1) (e)	
Description of how the AIFM complies with the requirements to cover professional liability risks (own funds / professional indemnity insurance)	Not applicable.
Article 23(1) (f)	
Description of any delegated management function such as portfolio management or risk management and of any safekeeping function delegated by the depositary, the identification of the delegate and any conflicts of interest that may arise from such delegations	<p>Not applicable.</p> <p>There is no delegation of such functions beyond the Asset Manager, which is responsible for portfolio and risk management, and the asset custodian, which is responsible for safekeeping activities.</p>
Article 23(1) (g)	
Description of the AIF's valuation procedure and pricing methodology, including the methods used in valuing hard-to-value assets	<p>JRHI values its assets pursuant to the ITA, the Ordinance on Accountings of Investment Corporations and the valuation rules of the Investment Trusts Association, Japan, and in accordance with generally accepted accounting principles in Japan applicable to J-REITs. As a J-REIT, JRHI may only use the valuation methods prescribed in the rules of the Investment Trusts Association, Japan. The asset evaluation methods and standards used in specific cases are set forth in JRHI's articles of incorporation and depend on the type of asset and the purpose of the valuation.</p> <p>Hard-to-value assets include assets such as equity interests in real estate anonymous associations (<i>tokumei kumiai</i>) and beneficiary interests in trusts of money principally invested in real estate anonymous associations, as well as tenant leasehold and security deposits. Future cash flows of hard-to-value assets are difficult to estimate. JRHI values hard-to-value assets differently depending on the asset, but pursuant to the valuation</p>

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	rules of the Investment Trusts Association, Japan or in accordance with generally accepted accounting principles in Japan applicable to J-REITs.
Article 23(1) (h)	
Description of the AIF's liquidity risk management, including redemption rights in normal and exceptional circumstances and existing redemption arrangements with investors	<p>Net cash provided by operating activities constitutes JRHI's primary source of liquidity to fund distributions, interest payments on outstanding loans payable, fees to the Asset Manager and other service providers, property taxes, repairs and maintenance, and capital expenditures for its properties in the ordinary course of business. JRHI is required to set aside reserves for repairs and maintenance.</p> <p>However, JRHI's ability to use its cash flows from operations to finance property acquisitions is severely limited because JRHI is generally required, subject to certain internal reserves that JRHI may establish as a reserve for reduction in the period in which it purchases a property, to distribute in excess of 90% of its distributable profits for each fiscal period to its unitholders in order to maintain its favorable tax treatment under the Special Taxation Measures Act. Therefore, JRHI depends on outside financing in order to finance property acquisitions, including borrowings from financial institutions, equity financing and bond issuances. By financing its property acquisitions only after it identifies acquisition candidates, JRHI seeks to limit the amount of its cash and deposits for which it has no immediate use.</p> <p>JRHI considers the receipt of tenant leasehold and security deposits in evaluating its liquidity needs.</p> <p>JRHI controls liquidity-related risk by observing an upper limit of 60% as a general rule for its LTV ratio, combining short- and long-term debt, diversifying repayment and maturity dates, evaluating the availability of commitment lines and maintaining a proper balance between debt subject to fixed and floating interest rates. JRHI has an internal limit of ¥1 trillion on the aggregate principal amount of borrowings and bonds outstanding.</p> <p>Because JRHI is a closed-end investment corporation, unitholders are not entitled to request the redemption of their investment.</p>
Article 23(1) (i)	
Description of all fees, charges and expenses and a maximum amount which is directly / indirectly borne by the investors	<p><u>Directors' compensation:</u> JRHI's articles of incorporation provide that JRHI may pay its executive directors up to ¥800,000 per director per month and its supervisory directors up to ¥500,000 per director per month.</p> <p><u>Asset management, acquisition and disposition Fees:</u> JRHI pays the Asset Manager asset management, acquisition and disposition fees as follows:</p> <ul style="list-style-type: none"> • <i>Asset Management fees.</i> JRHI pays the Asset Manager asset management fees, which are comprised of type 1 management fees and type 2 management fees as described below: <ul style="list-style-type: none"> • Type 1 management fee: JRHI pays to the Asset Manager a type 1 management fee for each calculation period, which is the three-month period ending on the final day of March, June, September or December of each year, payable after the end of each calculation period. This type 1 management fee

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is up to 0.50% of the amount of total assets as presented on the balance sheet (prepared in accordance with Japanese GAAP) as of the end of the immediately preceding fiscal period on an annualized basis, based on the number of days in that calculation period and on a 365-day year basis, and rounded down to the nearest yen.

- **Type 2 management fee:** The type 2 management fee is up to 3.0% of the distributable amount (before the deduction of the type 2 management fee) as of the end of the immediately preceding fiscal period. The type 2 management fee is due by the end of the month that follows the month in which the financial statements are approved by JRHI’s board of directors.
- **Acquisition fees.** For each new property JRHI acquires, the Asset Manager receives an acquisition fee of up to 1.0% of the purchase price. The purchase price is the amount stated in the purchase and sale agreement and excludes expenses and national and local consumption taxes in connection with the acquisition. The acquisition fee is due by the end of the month immediately following the month of the acquisition. Acquisition fees are capitalized as part of the purchase price of the relevant property.
- **Disposition fees.** For each property JRHI disposes of, the Asset Manager receives a disposition fee of up to 0.5% of the disposition price. The disposition price is the amount stated in the purchase and sale agreement and excludes expenses and national and local consumption taxes in connection with the disposition. The disposition fee is due by the end of the month immediately following the month of the disposition.

Custodian fee:

JRHI pays custodian fees to MUTB for each calculation period, which is the three-month period that ends on the last day of March, June, September or December of each year. The amount of custodian fees payable for each calculation period is determined based on JRHI’s total assets recorded on the balance sheet for the immediately preceding fiscal period up to the amount calculated using the table below, plus national and local consumption taxes.

Total assets	Fee calculation method
¥10 billion or less.....	¥7,000,000
Over ¥10 billion and not more than ¥50 billion.....	¥7,000,000 + (Total assets - ¥10 billion) × 0.050%
Over ¥50 billion and not more than ¥100 billion.....	¥27,000,000 + (Total assets - ¥50 billion) × 0.040%
Over ¥100 billion and not more than ¥200 billion....	¥47,000,000 + (Total assets - ¥100 billion) × 0.035%
Over ¥200 billion and not more than ¥300 billion....	¥82,000,000 + (Total assets - ¥200 billion) × 0.030%
Over ¥300 billion and not more than ¥500 billion....	¥112,000,000 + (Total assets - ¥300 billion) × 0.025%
Over ¥500 billion.....	¥162,000,000 + (Total assets - ¥500 billion) × 0.020%

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Notwithstanding the above, if unitholders' capital recorded on the balance sheet for the fiscal period immediately preceding the first day of the calculation period did not exceed ¥500 million, the custodian fees for the calculation period are ¥150,000 plus national and local consumption taxes. However, if unitholders' capital first surpassed ¥500 million during the calculation period, the custodian fees shall be the sum of (i) ¥150,000 prorated based on the number of days from the beginning of the calculation period until the day on which unitholders' capital first surpassed ¥500 million and (ii) an amount calculated in accordance with the table above based on the amount of unitholders' capital as of the day on which unitholders' capital first surpassed ¥500 million and prorated based on the number of days from such day until the end of the calculation period, plus national and local consumption taxes.

If the fees as set out above become inadequate due to a change in economic conditions or otherwise, such fees may be revised by agreement between MUTB and JRHI upon mutual consultation.

General administrator fee (MUTB):

JRHI pays general administration fees to MUTB for each calculation period, which is the three-month period ending on the last day of March, June, September or December of each year. The amount of general administration fees payable for each calculation period is determined based on the total assets recorded on JRHI's balance sheet for the immediately preceding fiscal period up to the amount calculated using the table below, plus national and local consumption taxes.

Total assets	Fee calculation method
¥10 billion or less.....	¥11,000,000
Over ¥10 billion and not more than ¥50 billion.....	¥11,000,000 + (Total assets - ¥10 billion) × 0.080%
Over ¥50 billion and not more than ¥100 billion.....	¥43,000,000 + (Total assets - ¥50 billion) × 0.060%
Over ¥100 billion and not more than ¥200 billion....	¥73,000,000 + (Total assets - ¥100 billion) × 0.055%
Over ¥200 billion and not more than ¥300 billion....	¥128,000,000 + (Total assets - ¥200 billion) × 0.040%
Over ¥300 billion and not more than ¥500 billion....	¥168,000,000 + (Total assets - ¥300 billion) × 0.035%
Over ¥500 billion.....	¥238,000,000 + (Total assets - ¥500 billion) × 0.030%

Notwithstanding the above, if unitholders' capital recorded on the balance sheet for the fiscal period immediately preceding the first day of the calculation period did not exceed ¥500 million, the general administration fee for the calculation period is ¥240,000 plus national and local consumption taxes. However, if unitholders' capital first surpassed ¥500 million during the calculation period, the general administration fee is the sum of (i) ¥240,000 prorated based on the number of days from the beginning of the calculation period until the day on which unitholders' capital first surpassed ¥500 million and (ii) an amount calculated in accordance with the table above based on the amount of unitholders' capital as of the day on which unitholders' capital first surpassed ¥500 million

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and prorated based on the number of days from such day until the end of the calculation period, plus national and local consumption taxes.

If the fees as set out above become inadequate due to a change in economic conditions or otherwise, such fees may be revised by agreement between MUTB and JRHI upon mutual consultation.

General administrator fee (Asset Manager):

JRHI pays to the Asset Manager an administrative service fee of ¥900,000 per six-month period for services relating to administration of meetings of the board of directors. In addition, JRHI pays to the Asset Manager an administrative service fee of ¥200,000 per meeting for services relating to the administration of unitholders' meetings.

Transfer agent fee:

JRHI pays MUTB transfer agency fees up to the amounts described below, or as determined upon consultation between JRHI and MUTB.

- Standard fees:

Monthly standard fees are equal to one sixth of the total amount of fees calculated in the manner below. There is a minimum monthly fee of ¥220,000.

Number of unitholders	Fees per unitholder
Up to 5,000 Unitholders.....	¥390
Over 5,000 and up to 10,000.....	¥330
Over 10,000 and up to 30,000.....	¥280
Over 30,000 and up to 50,000.....	¥230
Over 50,000 and up to 100,000.....	¥180
Over 100,000.....	¥150

- Other fees:

JRHI pays to MUTB fees for various other transfer agency services, including fees in connection with the calculation and payment of distributions, notices, voting ballots for general unitholders' meetings and certificates and investigations.

Special Account Administrator Fee (Mizuho Trust & Banking Co., Ltd.):

JRHI pays fees to Mizuho Trust & Banking Co., Ltd. for services rendered in connection with the administration of its special accounts up to the amounts described below, or as determined upon consultation between JRHI and Mizuho Trust & Banking Co., Ltd.

- Special account administration fees:

These fees are based on the total number of accounts (investors) as of the end of the relevant month and are calculated according to the table below. There is a minimum special account administration fee of ¥35,000 per month.

	Number of accounts (investors)	Fees per account (investor)
	Up to 5,000 accounts (investors).....	¥150
	Over 5,000 and up to 10,000.....	¥140
	Over 10,000 and up to 30,000.....	¥130
	Over 30,000 and up to 50,000.....	¥120
	Over 50,000 and up to 100,000.....	¥110
	Over 100,000.....	¥100

• Other fees:

JRHI pays to Mizuho Trust & Banking Co., Ltd. fees for other special accounts administration services, including fees for confirmation of requests for transfers and handling brokerage and transfer services.

Bond Administration Fee:
JRHI pays fees to The Bank of Tokyo-Mitsubishi UFJ, Ltd. for services related to bonds, including a maximum standard service fee of ¥16,000,000.

Auditor Fee:
JRHI may pay Grant Thornton Taiyo LLC up to ¥30 million per fiscal period. The board of officers is responsible for determining the actual compensation amount.

Article 23(1) (j)

Description of the AIFM's procedure to ensure fair treatment of investors and details of any preferential treatment received by investors, including detailing the type of investors and their legal or economic links with the AIF or AIFM

Under Article 77 paragraph 4 of the ITA, which applies the requirements of Article 109 paragraph 1 of the Companies Act of Japan to investment corporations, investment corporations are required to treat unitholders equally depending on the number and content of units held. In addition, upon liquidation, the allotment of residual assets to unitholders is required to be made equally depending on the number of units held under Article 77 paragraph 2 item 2 and Article 158 of the ITA.

Article 23(1) (k)

The latest annual report referred to in Article 22(1)

Not applicable. (The English language semiannual reports of JRHI are, however, available at [http://www.jrhi.co.jp/en cms/ir/doc.html](http://www.jrhi.co.jp/en/cms/ir/doc.html))

Article 23(1) (l)

The procedure and conditions for the issue and sale of the units

JRHI is authorized under its articles of incorporation to issue up to 5,000,000 units. JRHI's units have been listed on the Tokyo Stock Exchange since June 22, 2006. Secondary market sales and transfers of units will be conducted in accordance with the rules of the Tokyo Stock Exchange. Unit prices on the Tokyo Stock Exchange are determined on a real-time basis by the equilibrium between bids and offers. The Tokyo Stock Exchange sets daily price limits, which limit the maximum range of fluctuation within

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	a single trading day. Daily price limits are set according to the previous day's closing price or special quote.																								
Article 23(1) (m)																									
Latest net asset value of the AIF or latest market price of the unit or share of the AIF	JRHI's unit's latest market price is publicly available at the Tokyo Stock Exchange or from financial information vendors (including Reuters, which can be viewed at http://www.reuters.com/finance/stocks/overview?symbol=8986.T)																								
Article 23(1) (n)																									
Details of the historical performance of the AIF, where available	<p>The units of JRHI were listed on the Tokyo Stock Exchange on June 22, 2006. The most recent five fiscal periods' performance of the units is as follows.</p> <table border="1"> <thead> <tr> <th>Fiscal period</th> <th>Total Assets (JPY millions)</th> <th>Total Net Assets (JPY millions)</th> <th>Net Assets per unit (JPY)</th> </tr> </thead> <tbody> <tr> <td>18th Fiscal Period (October 1, 2014 to March 31, 2015)</td> <td>205,076</td> <td>95,409</td> <td>64,682</td> </tr> <tr> <td>19th Fiscal Period (April 1, 2015 to September 30, 2015)</td> <td>220,713</td> <td>107,748</td> <td>65,697</td> </tr> <tr> <td>20th Fiscal Period (October 1, 2015 to March 31, 2016)</td> <td>228,703</td> <td>107,426</td> <td>65,501</td> </tr> <tr> <td>21st Fiscal Period (April 1, 2016 to September 30, 2016)</td> <td>228,642</td> <td>107,487</td> <td>65,538</td> </tr> <tr> <td>22nd Fiscal Period (October 1, 2016 to March 31, 2017)</td> <td>228,904</td> <td>107,962</td> <td>65,858</td> </tr> </tbody> </table>	Fiscal period	Total Assets (JPY millions)	Total Net Assets (JPY millions)	Net Assets per unit (JPY)	18th Fiscal Period (October 1, 2014 to March 31, 2015)	205,076	95,409	64,682	19th Fiscal Period (April 1, 2015 to September 30, 2015)	220,713	107,748	65,697	20th Fiscal Period (October 1, 2015 to March 31, 2016)	228,703	107,426	65,501	21st Fiscal Period (April 1, 2016 to September 30, 2016)	228,642	107,487	65,538	22nd Fiscal Period (October 1, 2016 to March 31, 2017)	228,904	107,962	65,858
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Article 23(1) (o)																									
Identity of the prime broker, any material arrangements of the AIF with its prime brokers, how conflicts of interest are managed with the prime broker and the provision in the contract with the depositary on the possibility of transfer and reuse of AIF assets, and information about any transfer of liability to	No applicable prime broker.																								

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the prime broker that may exist	
Article 23(1) (p)	
Description of how and when periodic disclosures will be made in relation to leverage, liquidity and risk profile of the assets, pursuant to Articles 23(4) and 23(5)	The AIFM will disclose the matters described in Articles 23(4) and 23(5) periodically through JRHI's website and semi-annual report.
Article 23(2)	
The AIFM shall inform the investors before they invest in the AIF of any arrangement made by the depository to contractually discharge itself of liability in accordance with Article 21(13)	Not applicable.
The AIFM shall also inform investors of any changes with respect to depository liability without delay	Not applicable.
Article 23(4)(a)	
Percentage of the AIF's assets which are subject to special arrangements arising from their illiquid nature. The percentage shall be calculated as the net value of those assets subject to special arrangements divided by the net asset value of the AIF concerned	There are no assets that are subject to special arrangements arising from their illiquid nature.
Overview of any special arrangements, including whether they relate to side pockets, gates or other arrangements	There are no such special arrangements.
Valuation methodology applied to assets which are subject to such arrangements	There are no such special arrangements.

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How management and performance fees apply to such assets	There are no such special arrangements.
Article 23(4)(b)	
Any new arrangements for managing the liquidity of the AIF	Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time.
For each AIF that the AIFM manages that is not an unleveraged closed-end AIF, notify to investors whenever they make changes to its liquidity management systems (which enable an AIFM to monitor the liquidity risk of the AIF and to ensure the liquidity profile of the investments of the AIF complies with its underlying obligations) that are material in accordance with Article 106(1) of Regulation (EU) No 231/2013 (ie. there is a substantial likelihood that a reasonable investor, becoming aware of such information, would reconsider its investment in the AIF, including because such information could impact an investor's ability to exercise its rights in relation to its investment, or otherwise prejudice the interests of one or more investors in the AIF).	Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time.
Immediately notify investors where they activate gates, side pockets or similar special arrangements or where they decide to suspend redemptions	Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time.
Overview of changes to liquidity arrangements, even if not special arrangements	Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time.
Terms of redemption and circumstances where management discretion applies, where relevant	JRHI is a closed-end investment corporation and unitholders are not entitled to request the redemption of their investment.
Also any voting or other restrictions exercisable, the length of any lock-up or any provision concerning 'first in line' or 'pro-rating' on gates and suspensions shall be included	There are no voting or other restrictions on the rights attaching to units.
Article 23(4)(c)	
The current risk profile of the AIF and the risk management systems	The Asset Manager stipulates basic provisions of risk management in its risk management rules. The appropriateness and effectiveness of the Asset

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<p>employed by the AIFM to manage those risks</p>	<p>Manager's risk management systems are regularly reviewed and evaluated by the Asset Manager.</p> <p>The use of long-term loans and bonds to finance asset acquisitions and for other purposes gives rise to liquidity risks. JRHI controls such risks by observing an upper limit of 60% as a general rule for its LTV ratio, diversifying repayment and maturity dates, diversifying financing methods and lenders, maintaining a proper balance between debt subject to fixed and floating interest rates, retaining a certain amount of liquid cash deposits, and evaluating the availability of commitment lines.</p> <p>Some of JRHI's current loans have unhedged floating interest rates that are exposed to the risk of interest rate fluctuations. Moreover, JRHI may decide to take out further loans with unhedged floating interest rates in the future. JRHI, in order to reduce the impact caused by rising interest rates, closely monitors the movement of interest rates.</p> <p>Derivative transactions (interest rate swap transactions) may be used to hedge against the risks of increases in floating interest rates.</p> <p>JRHI's use of tenant leasehold and security deposits gives rise to liquidity risk since repayment of these deposits is triggered when tenants move out of JRHI's properties. This risk is controlled through such measures as preparing cash management plans and retaining cash and deposits sufficient to return deposits to tenants.</p>
<p>Measures to assess the sensitivity of the AIF's portfolio to the most relevant risks to which the AIF is or could be exposed</p>	<p>No such measures have been implemented.</p>
<p>If risk limits set by the AIFM have been or are likely to be exceeded and where these risk limits have been exceeded a description of the circumstances and the remedial measures taken</p>	<p>No such situation has occurred.</p>
<p>Article 23(5)(a)</p>	
<p>Any changes to the maximum amount of leverage which the AIFM may employ on behalf of the AIF, calculated in accordance with the gross and commitment methods. This shall include the original and revised maximum level of leverage calculated in accordance with Articles 7 and 8 of Regulation (EU) No 231/2013,, whereby the level of leverage shall be calculated as the relevant exposure</p>	<p>Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time.</p>

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divided by the net asset value of the AIF.	
Any right of the reuse of collateral or any guarantee granted under the leveraging agreement, including the nature of the rights granted for the reuse of collateral and the nature of the guarantees granted	No such right or guarantee exists.
Details of any change in service providers relating to the above.	Any new arrangements or change in applicable arrangements will be disclosed at an appropriate time.
Article 23(5)(b)	
Information on the total amount of leverage employed by the AIF calculated in accordance with the gross and commitment methods	The aggregate amount of interest-bearing debt (including bonds) was JPY 117,235 million as of December 31, 2015.

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