

For Translation Purposes Only

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For Immediate Release

United Urban Investment Corporation
 Ikuo Yoshida
 Executive Officer
 (Securities Code: 8960)

Asset Management Company:
 Japan REIT Advisors Co., Ltd.
 Norimasa Gaun
 President and CEO

Inquiries:
 Kenichi Natsume
 Chief Financial Officer
 TEL: +81-3-5402-3680

Notice Concerning Acquisition of Property (Chatle Otemachi S・N)

United Urban Investment Corporation (“United Urban”) hereby announces that Japan REIT Advisors Co., Ltd. (“JRA”), the asset management company to which United Urban entrusts asset management services, decided today to acquire a property as set forth below.

1. Acquisition of the Property

United Urban will acquire the following real estate (the “Asset to be Acquired” (Note 1)).

Property Number	Type of Use (Note 2)	Property Name	Location	Scheduled Acquisition Price (Note 3)	Estimated NOI Yield (Note 4)	Estimated NOI Yield After Depreciation (Note 5)	Scheduled Acquisition Date
D29	Residential Properties (apartment)	Chatle Otemachi S・N	Kitakyushu, Fukuoka	¥3,398 million	5.4%	4.0%	July 3, 2018

(Notes)

- The Asset to be Acquired is composed of two buildings. For the details, please refer to “2. Details of Acquisition” below.
- “Type of Use” determined by United Urban is shown. For the details, please refer to “(1) Reason for Acquisition” of “2. Details of Acquisition” below. As for words shown in parentheses, of the types indicated on the real estate register, the primary type is shown.
- “Scheduled Acquisition Price” excludes acquisition costs, property taxes, city planning taxes and consumption taxes and other costs.
- “Estimated NOI Yield” is calculated by (the “Annualized Estimated NOI” / the acquisition price) and expressed as a percentage rounded to first decimal place. “NOI (Net Operating Income)” means the figure equal to an amount subtracting rental expenses (excluding depreciation and amortization) from rental revenues. “Annualized Estimated NOI” means the estimated NOI for 1 year from the acquisition by United Urban, which is calculated based on the terms and conditions of leasing after the acquisition by United Urban.
- “Estimated NOI Yield After Depreciation” is calculated by ((i) an amount deducting “Estimated Depreciation and Amortization” from “Annualized Estimated NOI” / (ii) the acquisition price) and is described as a percentage rounded to first decimal place. “Estimated Depreciation and Amortization” means the estimated depreciation and amortization for 1 year after the acquisition by United Urban, which is calculated under the straight-line method by applying the depreciation ratio to be derived for each depreciable asset of the Asset to be Acquired in accordance with the useful life thereof, based on the accounting policy of United Urban.

2. Details of Acquisition

(1) Reason for Acquisition

In accordance with the basic asset-management policy and its investment approach prescribed in its Articles of Incorporation, United Urban will acquire the Asset to be Acquired for the purpose of further enhancing its portfolio. In making the decision to acquire the Asset to be Acquired, the following aspects (from 1. to 3.) were highly attractive.

1. Location

Kitakyushu City, where the Asset to be Acquired locates, has developed as a city of heavy industry representing Japan with ex-National Yawata Steel Works (now: Yawata Works of Nippon Steel & Sumitomo Metal Corporation) which started its operation in 1901 as its core. In recent years, the city's main industry has been shifted to the processing industry with high value-added such as automotive products or environmental products. With neighboring Shimonoseki City of Yamaguchi Prefecture etc., the city constitutes "Kanmon Urban Area".

The Asset to be Acquired is located in Otemach, Kokurakita-ku, Kitakyushu City, the city center and the southwest to Kokura Station. In Otemachi area, there are government offices including the city office, department stores, supermarkets, large hospitals, large parks and highway ramps. It is a popular residential area in Kokura due to its convenience in living and the number of residents and households have been increasing. In addition, family-type rental apartments like the Asset to be Acquired have rarity because most of the apartments are built for sale in the area.

2. Building

The building of the Asset to be Acquired (the "Building") is a rental apartment composed of two buildings, S building (15 floors, 84 units) and N building (15 floors, 70 units). All 154 units are built for families, and most of its types are 3LDK and 4LDK. The averaged area per room including other types (such as 1LDK and 2LDK) is about 78m². The Building excels in its specifications comparable to apartments for sale, such as large bathrooms, toilets equipped with bidet function, open kitchens, walk-in closets (a part) and 161 parking lots.

3. Tenants, etc.

About 80% of units are leased under the name of corporation such as TOTO LTD., pharmaceutical companies, hospitals and financial institutions for their employees and their families who have been transferred to Kitakyushu City. The average occupancy ratio has been kept in the higher 90% range, and the stable operation can be expected from now on.

(2) Summary of Acquisition

- | | |
|--------------------------------|--|
| 1. Asset to be Acquired | : Real estate |
| 2. Property Name | : Chatle Otemachi S · N |
| 3. Scheduled Acquisition Price | : ¥3,398 million |
| 4. Scheduled Agreement Date | : July 3, 2018
(conclusion of the sale and purchase agreement of real estate) |
| 5. Scheduled Acquisition Date | : July 3, 2018 (transfer of proprietary ownership) |
| 6. Seller | : Individual |
| 7. Financing | : Borrowing (scheduled) (Note) |
| 8. Scheduled Date of Payment | : July 3, 2018 |

(Note) Please refer to the press release "Notice Concerning Debt Financing" dated today for details of the borrowing.

(3) Outline of the Property

Property Name	Chatle Otemachi S · N	
Type of the Asset	Real estate	
Location	Lot number (Note 1)	22-2 · 3 · 9 · 10 · 11 Otemachi, Kokurakita-ku, Kitakyushu, Fukuoka
	Residential	S Building: 10-20 Otemachi, Kokurakita-ku, Kitakyushu, Fukuoka N Building: 10-18 Otemachi, Kokurakita-ku, Kitakyushu, Fukuoka
Access	Approximately 16-minute walk from Nishi-Kokura Station (JR Kagoshima Main Line etc.) Approximately 13-minute walk from Tanga Station (Kitakyushu Monorail)	
Type (Note 1)	Apartment (154 units)	
Site Area (Note 1)	Land	3,516.04 m ²
	Building	Total 12,599.91 m ² S Building: 6,836.47 m ² N Building: 5,763.44 m ²
Structure and Scale (Note 1)	S Building: SRC 15F N Building: SRC 15F	

Type of Ownership	Land	Proprietary Ownership
	Building	Proprietary Ownership
Completion Date (Note 1)	August 2008	
Initial Building Owner	Ukishiro Co., Ltd.	
Constructor	Kyutetsu Corporation	
Scheduled Acquisition Price	¥3,398 million	
Appraisal Value	¥3,490 million	
Date of Value Estimate	June 1, 2018	
Appraisal Agency (Appraisal Method)	Appraisal by Japan Real Estate Institute	
Probable Maximum Loss (PML)	1% (S Building: 1%, N Building: 1%)	
Collateral	None	
Special Notations	None	
Details of Tenant (as of July 1, 2018)		
Total Number of Tenants	150	
Security Deposit	¥18 million	
Total Rental Revenues (yearly)	¥218 million	
Total Leasable Floor Space	12,040.28 m ²	
Total Leased Floor Space	11,761.34 m ²	
Occupancy Ratio	97.7%	
Reference		
Estimated Annualized NOI (Note 2)	¥185 million	
Estimated NOI Yield (Note 2)	5.4%	

(Notes)

- Each piece of information in the “Location (Lot number),” “Type,” “Site Area,” “Structure and Scale” and “Completion Date” is described as it appears on the real estate register.
- For the definition of “NOI (Net Operating Income)” and “Estimated Annualized NOI”, please refer to Note 4 of “1. Acquisition of the Property” above. The estimated occupancy ratio is 96.0%.

(4) The Seller’s Profile

The seller is an individual. Details of the seller are not disclosed as the relevant consent has not been obtained. As of today, the seller falls under neither the category of “interested parties, etc.” (the “Interested Party”) under the Act on Investment Trusts and Investment Corporations of Japan (Act No. 198 of 1951, as amended) nor the category of the sponsor/stakeholder (“Sponsor/Stakeholder”) under the self-imposed rules (rules for conflicts of interest) of JRA. In addition, United Urban and JRA have no significant capital ties, personal relationships and transactions with the seller, and the seller does not fall under a related party of United Urban and JRA.

(5) Aspects of the Owners of the Property and Others

The Asset to be Acquired will not be acquired from special related parties of United Urban or JRA.

(6) Outline of Intermediary

1. Outline of Broker

Company Name	Sanko Office Management
Address	4-6-1 Ginza, Chuo-ku, Tokyo
Representative	President & CEO: Hajime Miyo
Principal Business	Real estate brokerage etc.
Capital	¥100 million (as of June 1, 2018)
Date of Foundation	December 2011
Relationship with United Urban or JRA	
Capital Ties	There are no significant capital ties.
Personal Relationship	There are no significant personal relationships.
Business Relationship	There are no significant business relationships.
Standing to Related Party	Sanko Office Management falls under neither the category of the Related Party nor the category of Sponsor/Stakeholder.

2. Details and Amount of Brokerage

The amount of commission is not disclosed, due to unavoidable circumstances where the consent for the disclosure has not been obtained from the broker. The amount of commission for the broker is an amount less than the upper limit (3% of the acquisition price plus 60,000 yen (excluding consumption taxes) stipulated in the Building Lots and Buildings Transaction Business Act).

- (7) Transactions with Interested Party and Sponsor/Shareholder
Not applicable.

3. Method of Settlement and Acquisition Schedule

- (1) Method of Settlement

As of today, the payment to the Seller will be a lump-sum payment upon the delivery of the Property, using borrowing.

- (2) Acquisition Schedule

The schedule for acquisition of the Asset to be Acquired is as follows.

Decision of acquisition	July 2, 2018
Conclusion of sale and purchase agreement of real estate (scheduled)	July 3, 2018
Transfer of proprietary ownership (scheduled)	
Payment (scheduled)	

4. Outlook of Operating Condition

Acquisition of the Asset to be Acquired affects in the range of insignificance for disclosure regulated by Tokyo Stock Exchange. Therefore, United Urban will disclose the forecast of financial result for the thirtieth fiscal period (period ending November 30, 2018) by Summary of Financial Report for the fiscal period ended May 31, 2018 dated July 13, 2018.

5. Summaries of Appraisal Report

Appraisal Value	¥3,490,000 thousand
Appraisal Agency	Japan Real Estate Institute
Date of Value Estimate	June 1, 2018

(thousands of yen, unless otherwise indicated)

Item	Details	Grounds
Income approach price	3,490,000	—
Price by Direct Capitalization Method	3,520,000	—
(1) Total profit (Effective total profit: 1+2+3+4-5-6)	242,336	—
1. Potential total profit (rental revenues, common area charges)	223,781	Assessed a unit value level of rent, etc. that can be received stably over the medium to long term based on the rent levels received under the current lease agreements, the levels of rents and common area charges of the subject property in case the new rents are assumed to take place and the quality of the current lessees; and recorded rental revenues and common area charges as calculated based on the unit value level thus assumed.
2. Utility revenues	0	No utility revenues to be charged to the lessee.
3. Parking revenues	21,264	Assessed a unit value level of charges that can be received stably over the medium to long term based on the average charges under the current lease agreements and the level, etc. of charges in case the new renting of parking lot is assumed to take place; and recorded parking revenues as calculated based on the unit value level thus assumed. Parking revenues for motorcycles is assessed based on the medium to long term prospect taking account of occupancy ratio.
4. Other revenues	7,370	Assumed the number-of-month-equivalent key money that will be received from individual tenants, annual average tenant replacement rate and average contract period; and recorded key money based on the above. Revenue from utility pole fee and etc. is recorded as other revenues.
5. Losses from vacancies	10,079	Assessed an occupancy ratio level that will remain stable over the medium to long term based on the occupancy status and the supply and demand trends of competing or alternative, etc. real estates with similar features in a comparable area within the same sphere of supply and demand, and past occupancy status of and future prospects; and recorded the losses from vacancies, etc. as calculated based on the occupancy ratio level thus assumed. As to parking revenues for motorcycles and other revenues, revenues are assumed based on medium- to long-term estimate and thus losses from vacancies, etc. are not recorded.
6. Bad debt losses	0	Judged that no bad debt losses in view of the circumstances, etc. of lessees.
(2) Total expenses (7+8+9+10+11+12+13+14)	51,482	—
7. Administrative and maintenance fees	7,000	Recorded the administrative and maintenance fees comprising cleaning expenses, equipment management costs, security costs, etc. by taking into account the individualities of the Property in reference to prior actual performance, administrative and management fees of similar real estates.
8. Utilities	3,300	Recorded utility expenses by taking into account utilities of similar real estate and the individualities, etc. of the Property with reference to prior actual amounts in the process of the assessment of utilities for common areas.
9. Repairs	7,633	Recorded restitution fees based on the level of restitution fees per room that will ordinarily arise in correlation with tenant replacement, the proportion of the lessor's burden, average timing of expense payment, degree of restitution and other factors. Also recorded by taking into account the actual results of the past fiscal year, the level of expenses for similar properties, the annual average amounts of costs for repairs in the relevant engineering report and other factors in the process of assessment of repairs.
10. Property and other tax	20,155	Recorded in accordance with documents related to taxes and other public charges.
11. Property Management Fee	5,881	Recorded such fee in reference to the fee rate under the terms and conditions set forth in the agreement to be concluded, by taking into account the fee rates for similar real estates and the individualities, etc. of the subject property.
12. Advertising expenses for tenants, etc.	7,156	Recorded the administrative fees associated with advertising and contracting new tenants with reference to current agreement terms, lease terms of similar properties in the area. Also

			recorded the commission fees needed for advertising and the advertisement fees calculated by actual results of the previous fiscal year.
	13. Casualty insurance	357	
	14. Other expenses	0	No other expenses to be recorded under other expenses.
	(3) Net operating income (NOI: (1)-(2))	190,854	—
	(4) Operating profit of lump-sum money	173	Based on the required number-of-month-equivalent lease deposits for the current lease terms and new lease contracts as appraised; and calculated an operating profit of lump-sum money by multiplying the assumed number-of-month-equivalent lease deposits as adjusted for the occupancy ratio by an investment yield. Moreover, we assessed 1.0% as being the appropriate investment yield from the perspective of fund management during the period of deposit, by taking into account the level of interest rate, etc. of both sides of investment and procurement.
	(5) Capital expenditures (including routine repairs)	7,896	The update fee to maintain the building actually occurs irregularly. In here, assumed to accumulate expected expenses on average every fiscal period, and assessed capital expenditures, taking into account the level of capital expenditure, the age for similar real estates and the annual average amount of renewal costs in the relevant engineering report.
	(6) Net cash flow (NCF: (3)+(4)-(5))	183,131	—
	(7) Cap rate	5.2%	Assessed based on a real-estate investment yield set for each area, by adjusting it with the spreads arising from location requirements, standing of the building and other conditions for the subject property and by taking into account any future uncertainties and yields from similar real estate deals, etc.
	Price by Discounted Cash Flow method	3,460,000	—
	Discount rate	5.0%	—
	Terminal cap rate	5.4%	—
	Cost approach price	3,060,000	Land ratio: 40.1%, Building ratio: 59.9%
	Other specific matters the appraisal agency has paid attention in appraising the property		None

【Attached Materials】

1. Portfolio Summary
2. Photo and Map

Reference Material 1
Portfolio Summary

As of July 3, 2018 (Scheduled)

[Distribution by Type of Use]

Type of Use	Number of Properties (Note 1)	(Scheduled) Acquisition Price (Note 2)	
		Amount (millions of yen)	Ratio
Retail Properties	35	188,000	30.7%
Office Buildings	36	201,765	33.0%
Hotels	16	127,927	20.9%
Residential Properties	21	45,916	7.5%
Others	12	48,408	7.9%
Total	117	612,015	100.0%

[Distribution by Geographical Location]

Location (Note 3)	Number of Properties	(Scheduled) Acquisition Price (Note 2)	
		Amount (millions of yen)	Ratio
6 Central Wards of Tokyo	26	129,977	21.2%
23 Wards of Tokyo	13	52,408	8.6%
Tokyo Metropolitan Area	31	197,302	32.2%
Other Regions	47	232,329	38.0%
Total	117	612,015	100.0%

(Notes)

- Each of “maricom-ISOGO / SYSTEM PLAZA YOKOHAMA (Site),” a retail property/office building complex and “Shin-Osaka Central Tower” and “SS30”, an office building/hotel complex have been counted as one property for each type of use, while counted as one property in the total row, respectively. Therefore, the number of properties of each type does not add up to the total.
- Figures have been rounded to the nearest unit. There is the possibility the aggregated figures shown are not the same as the actual figures. The percentage is shown by rounding down to the nearest digit and there is the possibility that the aggregated figures are not the same as the actual total figures.
- The definition of geographical investment location is as set forth below.

Tokyo Metropolitan Area (Note a)			Other Regions (Note b)
Six Central wards of Tokyo	23 wards of Tokyo	Tokyo metropolitan area	Major Japanese cities including government designated cities (excluding those in Tokyo Metropolitan Area) and the surrounding areas thereof
Chiyoda-ku, Minato-ku, Chuo-ku, Shinjuku-ku, Shibuya-ku, and Shinagawa-ku	23 wards of Tokyo except for six central wards of Tokyo	Tokyo metropolitan area excluding 23 wards of Tokyo	

(Notes)

- Tokyo Metropolitan Area refers to Tokyo as well as Kanagawa, Chiba, Saitama, Ibaraki, Gunma, Tochigi and Yamanashi prefectures.
- “Osaka Area: Osaka Prefecture, Kyoto Prefecture and Hyogo Prefecture”, “Nagoya Area: Aichi Prefecture, Mie Prefecture and Gifu Prefecture” and, “Other cities: excluding Tokyo Metropolitan Area, Osaka Area or Nagoya Area”.

- Property to be acquired contained in the above charts is as follows:

Type of Use	Type	Location	Property Name	Scheduled Acquisition Date	Acquisition Price	
					Amount (millions of yen)	Ratio
Residential Properties	Apartment	Other Regions (Other)	Chatle Otemachi S・N	July 3, 2018	3,398	0.6%

- United Urban acquired “the adjacent site to the b roppongi” for constructing an extension of “the b roppongi” (the building with leasehold was acquired as of November 18, 2016, and the land was acquired as of January 13, 2017.). Then “the adjacent site to the b roppongi” is recognized as a property associated with “the b roppongi”. Therefore, acquisition of “the adjacent site to the b roppongi” is not reflected on above “Summary of Portfolio”.
- “Himonya Shopping Center”’s acquisition price as of July 3, 2018 is ¥7,497 million, which corresponds to 49% of its initial acquisition price (¥15,300 million).
- In addition to the properties in the above chart, United Urban has an asset as follows:

Type of the Asset and Asset Name etc.	Outline of the Asset	Acquisition Date	Scheduled Acquisition Price (millions of yen)	
Preferred equity securities of Tenjin 123 Project TMK	1,130 units	Apr. 21, 2016	74	Total: 93
	367 units	Oct. 3, 2016	18	
Preferred equity securities of KICAM Musashimurayama TMK	5 units	Oct. 12, 2017	50	

- The latest information about United Urban’s portfolio is disclosed on United Urban’s website.
http://www.united-reit.co.jp/eng_cms/portfolio/port_list.html

Reference Material 2

Photo and Map

[Photo]



[Map]

