



Advance Residence Investment Corporation (ADR)

4th Fiscal Period

(Fiscal Period Ended Dec. 2007)

Analyst Meeting Presentation



AD Investment Management Co., Ltd.
<http://www.adim.co.jp/>

Advance Residence Investment Corporation
<http://www.adr-reit.com/en/>

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This material may contain statements on future operating results, plans, business objectives and strategies of the company. However, such forward looking statements are based on current assumptions regarding future events and business environment. There is no guaranty that such assumptions are correct.

Actual results are influenced by various factors and may significantly differ from our assumptions.

This material is based on Japanese GAAP unless otherwise stated.

This material was not created for the purpose of soliciting investment in the company. Investments should be based on your own judgment and responsibility.



Advance Residence Investment Corporation (ADR)

Business Results



Dividend per unit: ¥13,523; Net assets per unit: ¥490,666

- ◆ Dividend up 8.2% from the ¥12,500 forecast as of previous business results announcement

Acquired 9 properties and sold 2 properties during period
→ ¥71.3 bn in portfolio size as of end of 4th period (up 24.2%)

- ◆ Acquired 9 properties (¥15.3 bn), centering on 4 Artis properties (¥9.8 bn) developed by ITOCHU support line companies
- ◆ Sold Chester House Kudanshita and Piarejyu F (gain on sale: ¥129 mm)

Issued ADR's first publicly offered investment corporation bonds → Procured ¥10 bn)

- ◆ First Series: 4 years; ¥5 bn (6-month LIBOR + 0.60%; coupon rate after floating-to-fixed interest rate swap: 1.797%)
- ◆ Second Series: 5 years; ¥5 bn (coupon rate: 2.03%)
- ◆ Proceeds applied to early repayment of loans that have floating interest rates

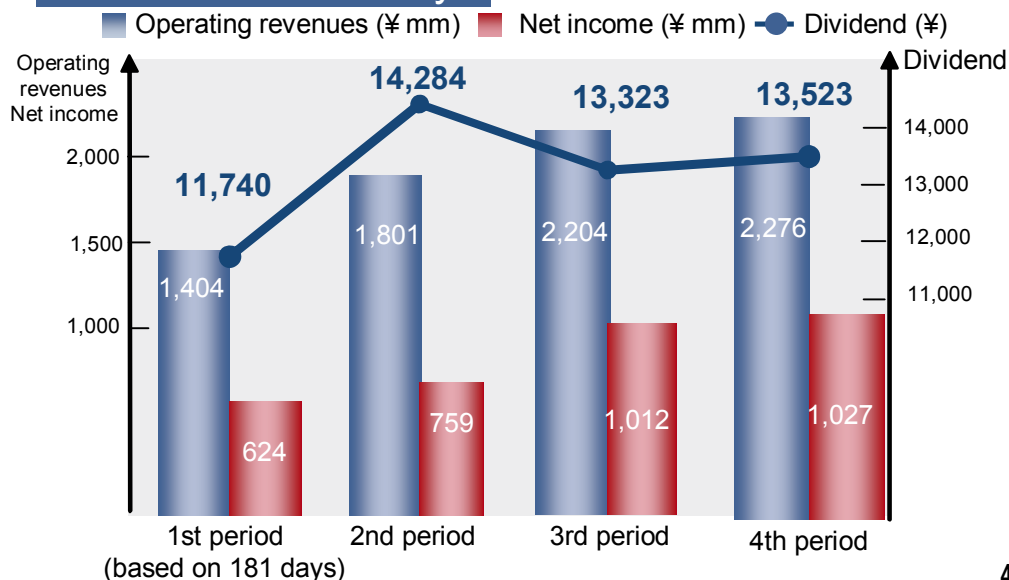
4th period financial highlights

Dividend per unit for 4th period exceeded forecast by 8.2%

4th period performance

	Comparison of 4th period performance and forecasts				5th period forecast
	Forecast	Performance	Variance	Variance (%)	
Operating revenues	¥2,196 mm	¥2,276 mm	¥80 mm	3.6%	¥2,596 mm
Operating income	–	¥1,221 mm	–	–	–
Ordinary income	¥951 mm	¥1,028 mm	¥77 mm	8.1%	¥951 mm
Net income	¥950 mm	¥1,027 mm	¥77 mm	8.1%	¥950 mm
Dividend per unit	¥12,500	¥13,523	¥1,023	8.2%	¥12,500

Performance history



Causes of variance from forecasts

- ◆ Operating revenues exceeded initial forecasts by ¥80 mm due in part to acquisitions of T&G Negishi Mansion, Artis Shin-Yokohama, Artis Kitashinagawa and Belle Scene Minamiikuta that were yet to be factored into initial forecasts
- ◆ Interest income and refundable consumption taxes were more than estimated, leading to net income being ¥77 mm higher

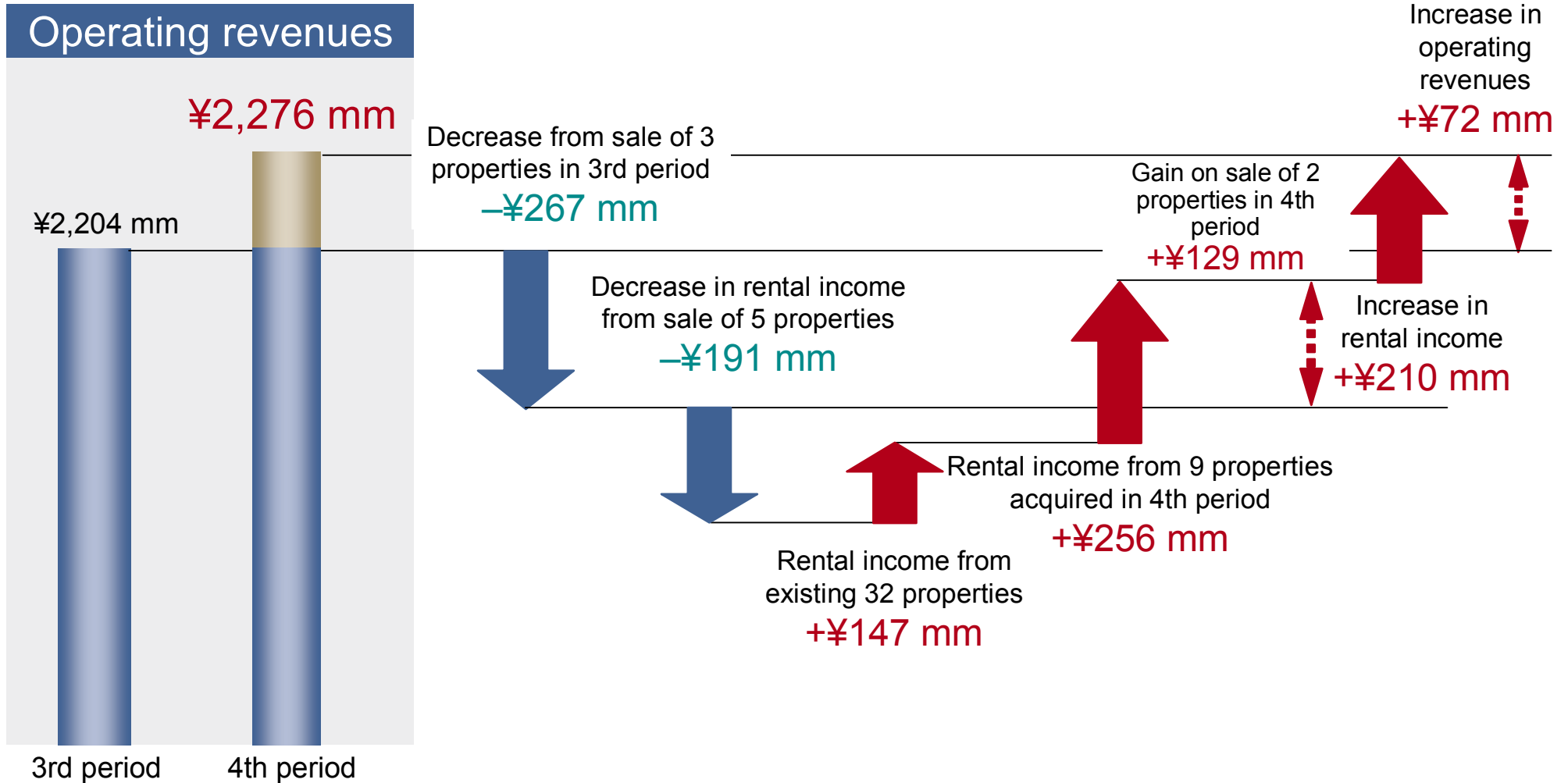
Underlying assumptions for 5th period

- ◆ Assuming the portfolio will be comprised of the 41 properties in the portfolio as at the end of the 4th period plus the 7 properties that have been acquired or are to be acquired in the 5th period to total 48 properties
- ◆ Borrowing ¥5.3 bn in short-term debt
- ◆ Average occupancy rate of properties expected to be 95.0% during the period

*Monetary amounts are rounded down to the nearest million yen. Accordingly, the amounts do not necessarily add up to the total.

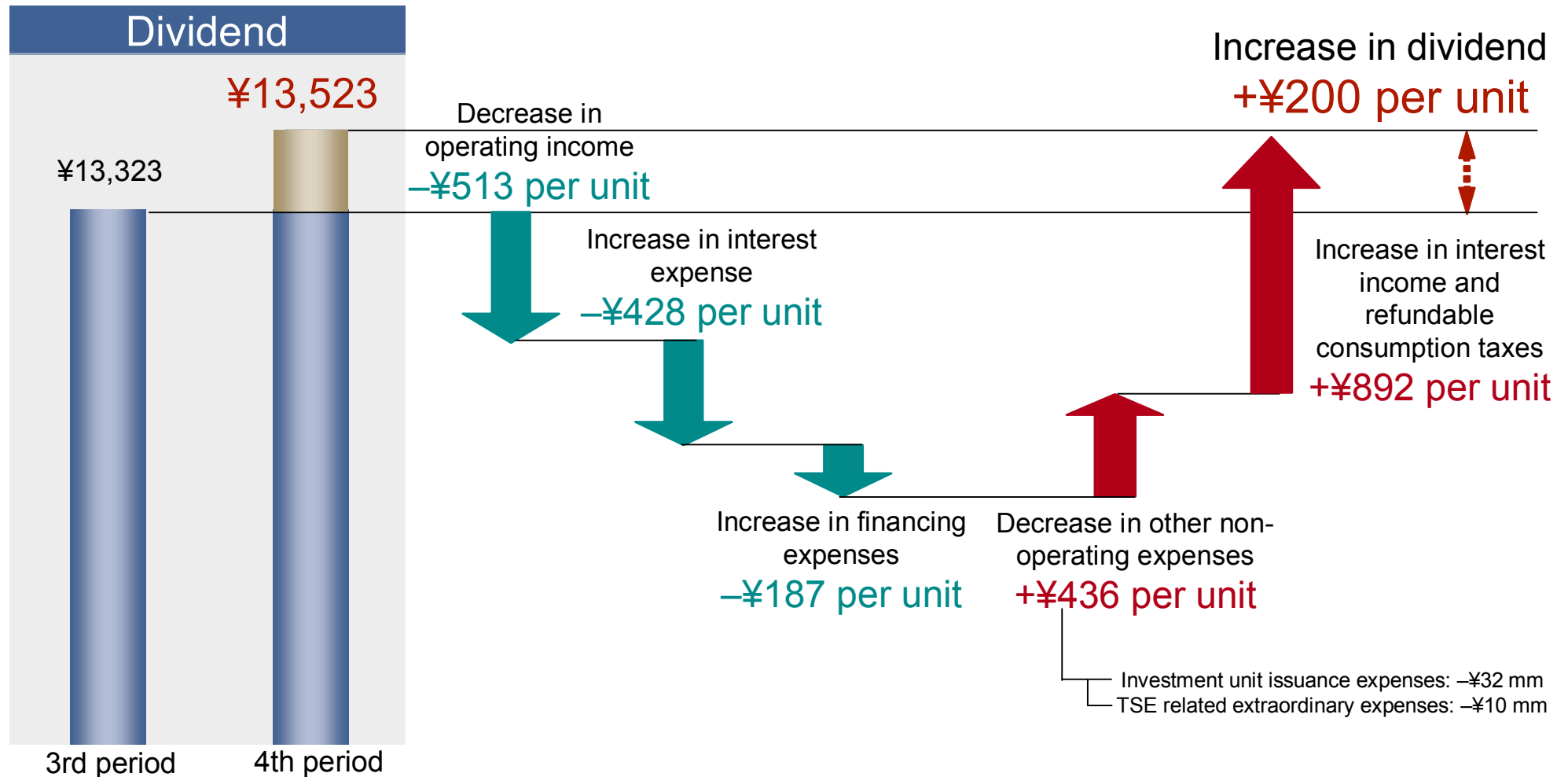
*Percentage figures are rounded to one decimal place.

■ Major factors to increase/decrease in operating revenues (compared to 3rd period)



*Rounded down to the nearest million yen. Accordingly, the amounts do not necessarily add up to the total.

Major factors to increase/decrease in dividends (compared to 3rd period)







*Rounded down to the nearest yen. Accordingly, the amounts do not necessarily add up to the total.

Acquisitions in the 4th period ①

Anticipated portfolio size at end of 4th period: ¥ 71.3 bn

the Tokyo metropolitan area

	P-16 Artis Kita- shinagawa	C-13 Artis Ningyocho	C-14 Artis Omorihigashi	C-17 T&G NEGISHI MANSION
				
Location	Shinagawa-Ward Kitashinagawa	Chuo-Ward, Nihonbashi Ningyocho	Ota-Ward, Omorihigashi	Taito-Ward, Negishi
Acquisition price	¥2,720 mm	¥3,180 mm	¥1,980 mm	¥856 mm
Leasable units	120 units	137 units	81 units	28 units
Occupancy rate	100.0%	100.0%	56.9%	97.1%
Completion	Feb. 2007	Jan. 2007	Aug. 2007	Dec. 2005
Property source	Developed by ITOCHU support line company	Developed by ITOCHU support line company	Developed by ITOCHU support line company	Acquired from company other than ITOCHU support line company
Acquisition date	30 Nov. 2007	5 Jul. 2007	3 Sep. 2007	21 Sep. 2007
Cap rate (N.B.3)	4.7%	4.9%	5.1%	4.8%

(N.B.1) Because fractional amounts of less than a million yen are rounded down, the sum of the amounts may differ from the total.

(N.B.2) Cap rates are pursuant to the real estate appraisal report or survey report for the respective real estate in trust at the time of acquisition.

(N.B.3) Based on appraisal value at acquisition

Acquisitions in the 4th period ②

Tokyo metropolitan area exclusive of Tokyo 23 wards and Major regional cities

	S-4 DUO Station Higashi Matsudo No. II	S-5 Artis Shin-Yokohama	S-6 Belle Scene Minamiikuta	R-8 Grand Court Kameyama	R-9 Zeus Ryokuchi PREMIUM
					
Location	Chiba Pref., Matsudo City	Yokohama City Kouhoku-Ward	Kawasaki City Tama-Ward	Mie Pref., Kameyama City	Osaka, Toyonaka City
Acquisition price	¥1,100 mm	¥1,920 mm	¥1,050 mm	¥1,610 mm	¥979 mm
Leasable units	44 units	131 units	46 units	182 units	44 units
Occupancy rate	54.5%	100.0%	91.1%	100.0%	100.0%
Completion	Apr. 2007	Jan. 2007	Oct.1998	Feb. 2007	May 2007
Property source	Acquired from company other than ITOCHU support line company	Developed by ITOCHU support line company	Acquired from company other than ITOCHU support line company	Acquired from company other than ITOCHU support line company	Owned by ITOCHU support line company
Acquisition date	3 Aug. 2007	30 Nov. 2007	11 Dec.2007	31 July 2007	3 Sep. 2007
Cap rate (N.B.3)	5.5%	5.3%	5.1%	6.2%	5.4%

Acquisitions

- 9 properties for ¥15.3 bn
- 5 out of 9 are “Artis” series (¥9.8 bn)

Dispositions

- 2 properties: Chester House Kudanshita, Piarejyu F
- Disposition price: ¥1,684 million
(excluding expenses and taxes)

Portfolio size

- At end of 4th period: ¥71.3 bn (up 24.2%)
- Increase in 4th period: ¥17.0 bn

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(N.B.3) Based on appraisal value at acquisition

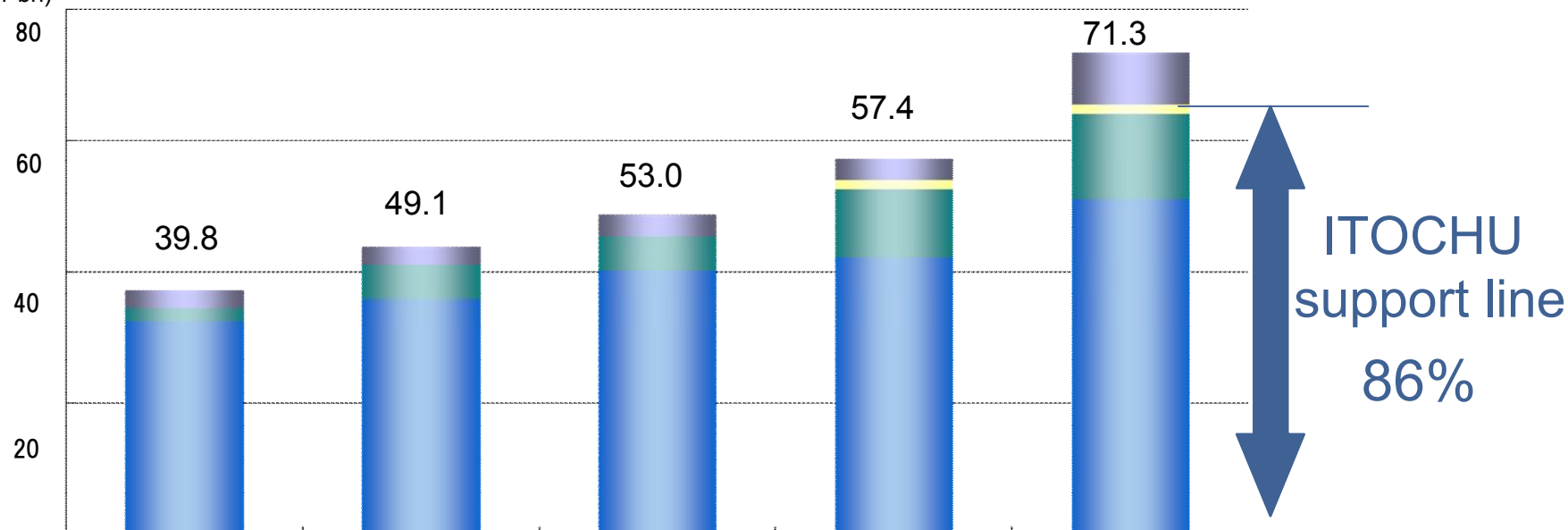
History of portfolio size

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86% of acquired properties sourced from ITOCHU support line companies

Portfolio size based on acquisition prices (¥ bn)

■ ITOCHU Corporation
 ■ ITOCHU Property Development
 ■ Noel
 ■ Company other than ITOCHU support line company



	Time of listing	At end of 1st period (30 June 2006)	At end of 2nd period (31 Dec. 2006)	At end of 3rd period (30 June 2007)	At end of 4th period (31 Dec. 2007)	Total
ITOCHU Corporation	¥37.9 bn (N.B.)	¥3.4 bn	¥4.4 bn	¥1.9 bn	¥8.7 bn	¥56.5 bn (N.B.)
ITOCHU Property Development	¥1.9 bn	¥3.1 bn	¥0 bn	¥5.2 bn	¥1.9 bn	¥12.3 bn
Noel	¥0 bn	¥0 bn	¥0 bn	¥1.4 bn	¥0 bn	¥1.4 bn
Other than ITOCHU support line company	¥0 bn	¥2.8 bn	¥0.5 bn	¥0 bn	¥4.6 bn	¥7.9 bn

(N.B.) Includes the 6 properties worth ¥6.9 bn that ADR sold.

*Properties developed or owned by SPCs on which ITOCHU Corporation, ITOCHU Property Development or Noel has a certain degree of influence, such as being entrusted with asset management services or making tokumei kumiai (silent partnership) investments, are included as properties sourced from the respective support line company

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*Percentage figures are rounded to one decimal place.

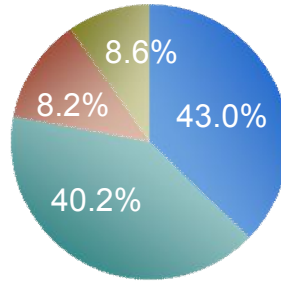
Portfolio diversification

Geographic location

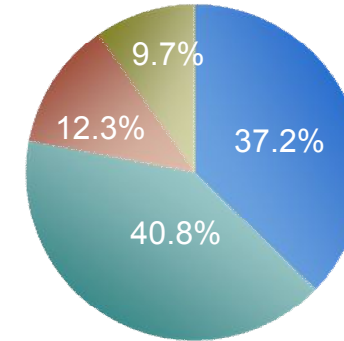
- Tokyo 7 central wards
- Tokyo 23 wards exclusive of central 7 wards
- Tokyo metropolitan area (exclusive of Tokyo 23 wards)
- Major regional cities

(Ratios are calculated based on acquisition prices)

At end of 3rd period



At end of 4th period

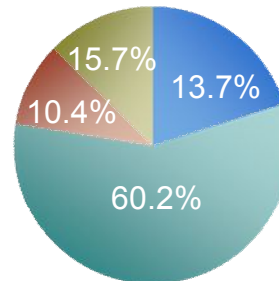


Building age

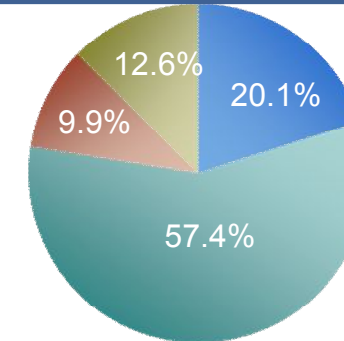
- Up to 1 year
- Over 1 year and up to 5 years
- Over 5 years and up to 10 years
- Over 10 years

(Ratios are calculated based on acquisition prices)

At end of 3rd period



At end of 4th period

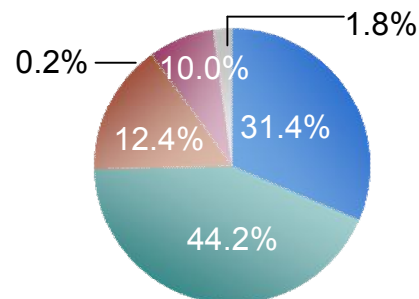


Unit type

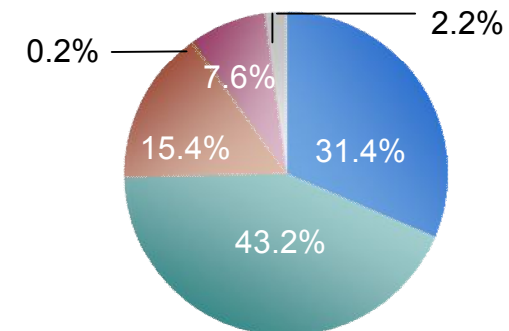
- Single type
- Compact type
- Family type
- Large type
- Dormitory type
- Other

(Ratios are calculated based on leasable area)

At end of 3rd period



At end of 4th period





Advance Residence Investment Corporation (ADR)
ADR's strategy



Growth strategies based on collaboration with ITOCHU Group

“Artis” series

- ◆ “Artis” series rental apartment brand planned, developed and managed through ITOCHU Group’s collective strength
- ◆ Concept of sustaining medium-to-long term competitiveness as rental apartments

External growth

- ◆ Steady growth backed by ITOCHU support line and active leveraging of pipeline support companies
- ◆ Accelerated acquisitions after the follow-on offering. Active investments in assets generating stable returns (including properties in regional areas)

Organic growth

- ◆ Promotion of collaborations with ITOCHU Urban Community
- ◆ Greater satisfaction through enhanced tenant services and support

Financial strategy

- ◆ Proactive pursuit of sound financial standing (promote long-term loans/fixed interest rates)
- ◆ Ensure diversified fund procurement through issuance of investment corporation bonds

External growth

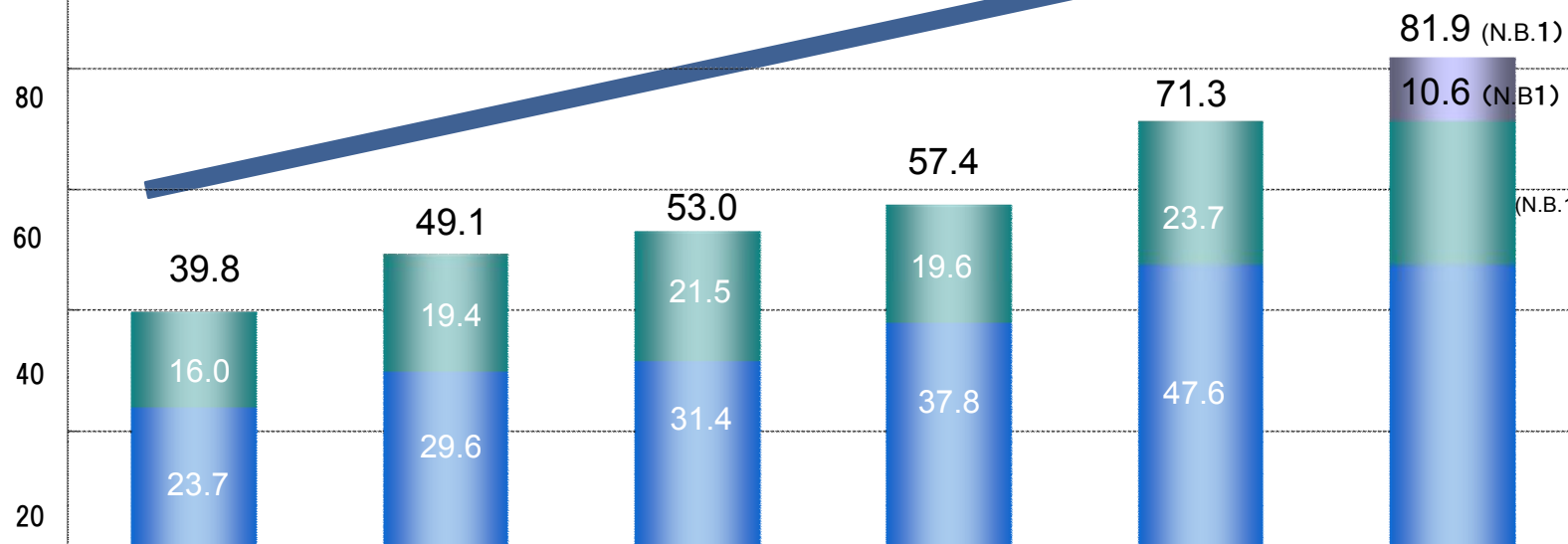
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Aim to achieve portfolio size of ¥100 bn by 2008

Portfolio size based on acquisition prices (¥bn)

■ "Artis" series
 ■ Non "Artis" series
 ■ Additional acquisitions

100



(N.B.1) Figures for 5th period are based on announced properties.

	Time of listing	At end of 1st period (30 June 2006)	At end of 2nd period (31 Dec. 2006)	At end of 3rd period (30 June 2007)	At end of 4th period (31 Dec. 2007)	At end of 5th period (30 June 2008) (N.B.1)
Total number of properties	25 properties	29 properties	33 properties	34 properties	41 properties	48 properties (N.B.1)
Leasable units	1,778 units	2,930 units	3,116 units	3,218 units	3,958 units	4,535 units (N.B.1)
Occupancy rate	—	96.5%	97.7%	96.5%	95.3%	—
NOI yield	—	5.5%	5.8%	5.8%	5.2%(N.B.2)	—

*NOI yield = Annualized NOI ÷ Property acquisition price; NOI = Rental income - Rental expenses + Depreciation and amortization
 *Monetary amounts are rounded down to the nearest million yen. Accordingly, the amounts do not necessarily add up to the total.
 *Percentage figures are rounded to one decimal place.

(N.B.2) The NOI yield factors in the negative NOI resulting from recording rental income calculated on a daily basis and rental expenses calculated on a monthly basis for the 2 properties sold on 4 July 2007. (The NOI yield exclusive of these 2 properties is 5.5%.)

Acquisitions in the 5th period

	P-17 PLEIADE YOYOGINOMORI	C-16 Artis Kinshicho	S-7 PLEIADE CHOFU	S-8 PLEIADE KUNITACHI	S-8 PLEIADE KAWASAKI MOTOKI	R-10 GRASS HOPPER	R-11 Artis Kobe Port Island
							
Location	Shibuya-Ward, Yoyogi	Sumida-Ward, Kinshi	Chofu-City, Yagumodai	Kunitachi-City, Fujimidai	Kawasaki-City Kawasaki-Ward	Osaka-City Naniwa-Ward	Kobe-City Chuo-Ward
Acquisition price	¥732 mm	¥4,200 mm	¥1,143 mm	¥635 mm	¥668 mm	¥1,330 mm	¥1,890 mm
Leasable units	22 units	157 units	41 units	46 units	49 units	58 units	204 units
Completion	Mar. 2007	Nov. 2007	Mar. 2007	Apr. 2007	Mar. 2007	Apr. 2007	Mar. 2007
Property source	Developed by partner support line company(Noel)	Developed by ITOCHU support line company	Developed by partner support line company(Noel)	Developed by partner support line company(Noel)	Developed by partner support line company(Noel)	Owned by ITOCHU support line company	Developed by ITOCHU support line company
Acquisition date	29 Feb. 2008	21 Mar. 2008 (scheduled)	29 Feb. 2008	29 Feb. 2008	29 Feb. 2008	25 Jan. 2008	22 Feb. 2008
Cap rate	4.7%	4.8%	5.2%	5.3%	5.6%	5.5%	5.4%

Acquisitions

- 7 properties for ¥10.6 bn
- 7 out of 2 are “Artis” series (¥6.0 bn)

Dispositions

- None scheduled

Portfolio size

- At end of 5th period: ¥81.9 bn (up 14.9%)
- Increase in 5th period: ¥10.6 bn

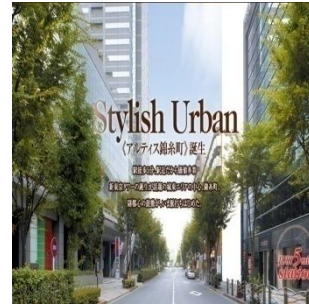
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(N.B.3) Based on appraisal value at acquisition

Property case example: Artis Kinshicho

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PLANNING

- ◆ High location potential encompassing office, retail and educational properties through redevelopments
- ◆ Primarily targeted at singles and DINKs working downtown who desire convenience in terms of both access and lifestyle

DEVELOPMENT

- ◆ 2-floor atrium entrance adds style to the residence
- ◆ Wide array of floor plans and color variations to cater to both singles and DINKs
- ◆ Enriched selection of facilities for private use to support comfortable living

MANAGEMENT

- ◆ Good progress in corporate as well as individual contracts
- ◆ Leasing strategy splitting tenant solicitation into 2 stages in view of the market
- ◆ Utilizes warehousing function of sponsor companies

[Property outline]






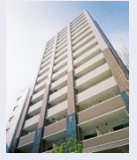





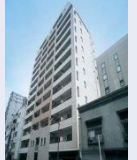





















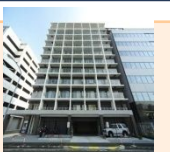





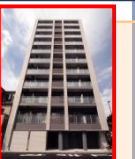




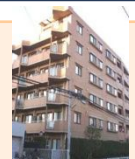



Location: 1-5-1 Kinshi, Sumida-ku, Tokyo
5-minute walk from JR Kinshicho Station
5-minute walk from Kinshicho Station on the Tokyo Metro Hanzomon Line

Acquisition price: ¥4,200 mm (exclusive of consumption taxes, etc.)
Appraised value: ¥4,270 mm (value appraised upon acquisition)

Leasable units: 157 units
Completion: Nov. 2007
Structure/Floors: RC; 13F

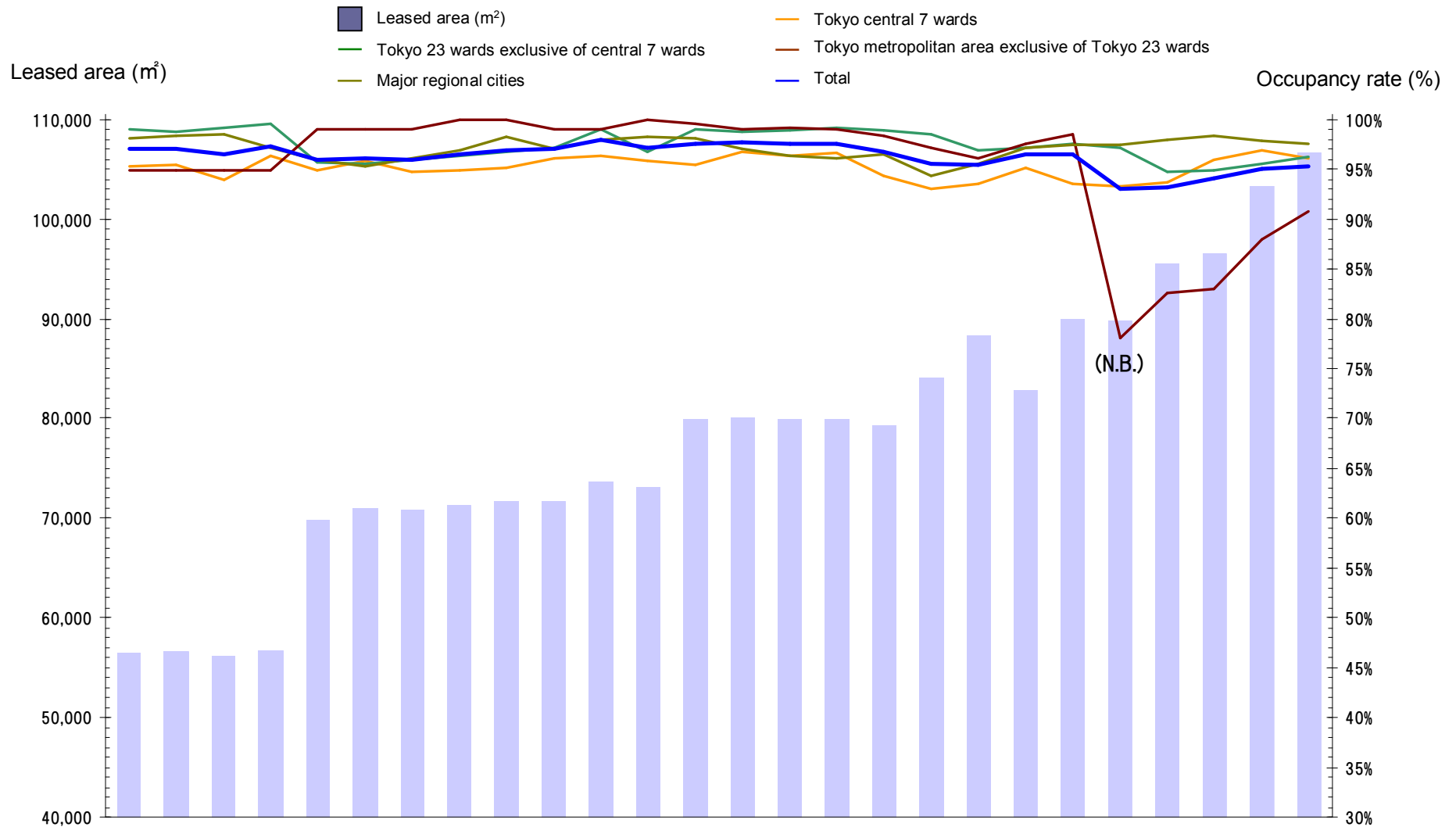
Portfolio at end of 5th period (anticipated)

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	Properties developed by ITOCHU support line company	Properties owned by ITOCHU support line company	Properties acquired from company other than ITOCHU support line company
Tokyo central 7 wards	 Artiscourt Akasakahinokicho  Artis Nakameguro  Artis Toritsudaigaku  Artis Sakurajosui  Artis Shimazuyama  Artis Kitashinagawa	 Artis Shibuyadaikanyama  Artis Ikejirihashi  Artis Shimoochiai  Apartments Tsurumaki  Crestcourt Azabujuban  Spacia Kudanshita  FELDBERG  PLEIADE YOYOGINOMORI	 Artis Hatagaya
Tokyo 23 wards exclusive of central 7 wards	 Artis Mitsukoshimae  Artis Kamata  Artis Uenokachimachi  Artis Ryogoku  Artis Higashiginza  Artis Ningyocho  Artis Omorihigashi  Artis Kinshicho	 Artis Ikebukuro  Artis Hongo  Maison Eclairée Ekoda  Artis Asakusabashi  Apre Parks Ueno  Residence Oyama	 Artis Bunkyoongo  T&G NEGISHI MANSION
Tokyo metropolitan area and Major regional cities	 Itopia Kyotogakuseikaikan  Artis Higashisakura  Artis Shinyokohama  Artis Kobe Port Island	 Hiyoshidai Gakusei Heights  Chester House Kawaguchi  PLEIADE CHOFU  PLEIADE KUNITACHI  PLEIADE KAWASAKI MOTOKI  HAUT DOMICILE NANGOGAI  Royal Nishihommachi  Zeus Ryokuchi PREMIUM  GRASS HOPPER	 Storkmansion Kashiwa  DUO Station HigashiMatsudo  Grand Court Kameyama  Belle Scene Minamiikuta

Organic growth

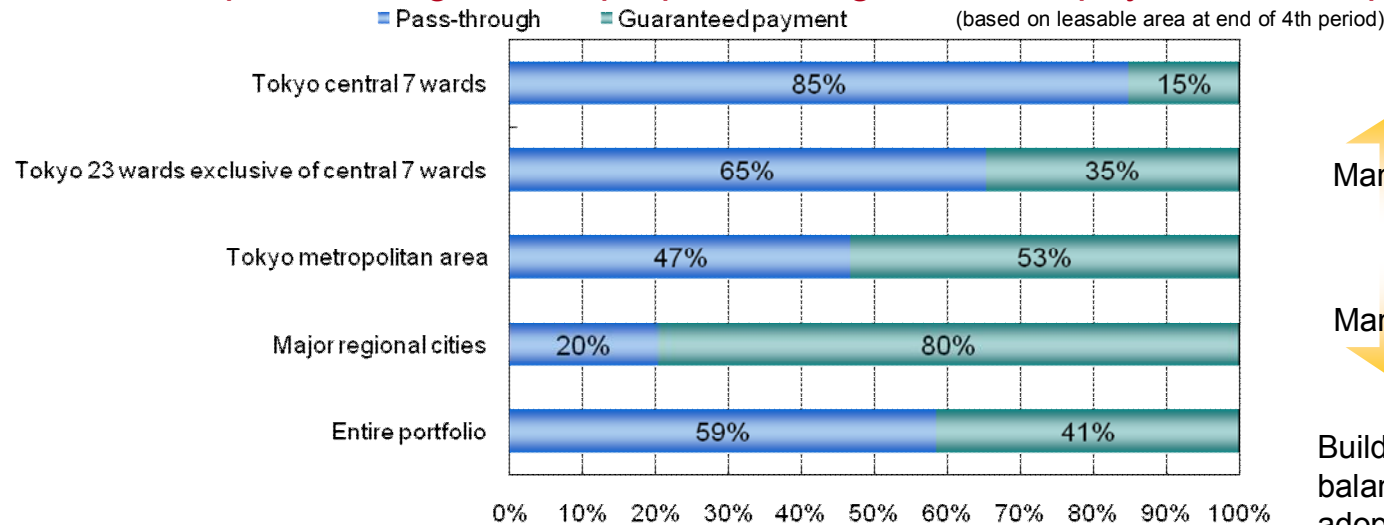
Occupancy rate hovers at high levels since listing (95.3% at end of Dec. 2007)



(N.B.) Due to acquiring DUO Station Higashimatsudo No. II on 3 Aug. 2007 at a stage when it was not yet occupied.

State of rent revisions

Ratio of pass-through lease properties to guaranteed payment lease properties



(N.B.) In the above ratios, calculations are based on the master lease type being guaranteed payment even if a master lease agreement is a pass-through lease in the case that all units are subleased to a tenant.

Management in pursuit of upward revisions

Management focused on stability

Building a portfolio with a view to strike a balance between growth and stability by adopting approaches in line with the investment area and property characteristics

Rent trends during 4th period

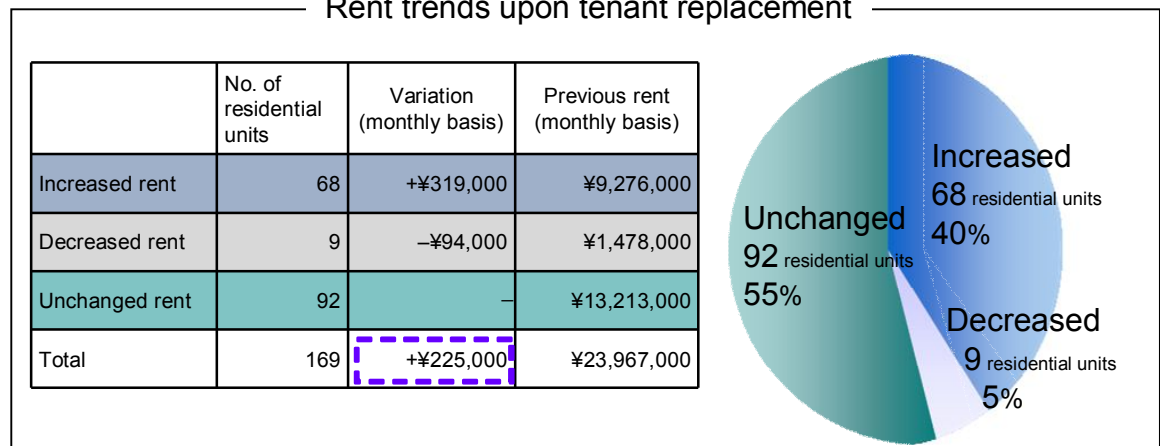
Rent increased at about 40% of the 169 residential units upon tenant replacement (new contracts)



Revenues up by about 1% from previous rent

Rent remained unchanged at all of the 169 residential units subject to contract renewal

Rent trends upon tenant replacement



Case examples of renovations

Crestcourt Azabujuban

The image of the entrance was improved by rebuilding the façade to give it a higher grade appearance and thereby enhancing the real estate value.



Before



Contract rent before renovation
¥9.63 mm per month
(when fully occupied)

After



Marketed rent after renovation
¥10.09 mm per month
(when fully occupied)

Aug. 2007
Renovation completed



(upon tenant replacement)
Up by approx. 5%
→
Increase of ¥0.46 mm



*Actual results
(end of Aug. 2007 → end of Dec. 2007)
3 tenant replacements leading to ¥31,000 increase

Hiyoshidai Gakusei Heights

Producing brightness and spaciousness that makes the building look much younger really is. Well-received by existing occupants as well as potential occupants.

Before



After



State of application	(No. of terminated contracts at end of Mar.)	(Applications as at 11 Feb.)	(Rate of improvement)	
This year:	(Expected) 379 contracts	235 contracts	62%	
Last year:	(Results) 490 contracts	212 contracts	43%	→ 100% occupancy as at 1 Apr.

Banking syndicate expanded: Drawdown on 25 Jan. 2008

- 2 main banks Aozora Bank and The Sumitomo Trust & Banking joined by Mizuho Corporate Bank to establish structure of 3 main banks
 - Development Bank of Japan and Resona Bank newly join, expanding banking syndicate (from structure of 8 banks to 10 banks)
- Arranged 4-year loan of ¥5.5 bn and 5-year loan of ¥4.5 bn for syndicated loans of ¥10.0 bn in total, which was signed on 23 Jan. 2008

	Lenders	Amount (¥ bn)	Interest rate (%)	Drawdown date	Repayment deadline	Repayment method	Remarks
4-year	Aozora Bank, Ltd.	0.5	1.485 (N.B.)	25 Jan. 2008	25 Jan. 2012	Lump sum repayment at maturity	No collateral or guarantee
	Shinsei Bank, Ltd.	1.0					
	Development Bank of Japan	1.0					
	Mitsubishi UFJ Trust and Banking Corporation	1.0					
	Resona Bank, Ltd.	1.0					
	The Oita Bank, Ltd.	0.5					
The Hachijuni Bank, Ltd.	0.5						
5-year	The Sumitomo Trust & Banking Co., Ltd.	1.0	1.675 (N.B.)	25 Jan. 2008	25 Jan. 2013	Lump sum repayment at maturity	No collateral or guarantee
	Aozora Bank, Ltd.	1.5					
	Development Bank of Japan	1.0					
	Resona Bank, Ltd.	1.0					

(N.B.) The loan interest rates shown are the fixed real interest rates based on the interest rate swap agreements entered into for the purpose of fixing the interest rates.

Short-term availability line limit doubled

- Limit of short-term availability line with 3 main banks doubled from ¥10 bn to ¥20 bn, further reinforcing the structure for conducting flexible property acquisitions

Aozora Bank, Ltd.
The Sumitomo Trust & Banking Co., Ltd.
Mizuho Corporate Bank, Ltd.

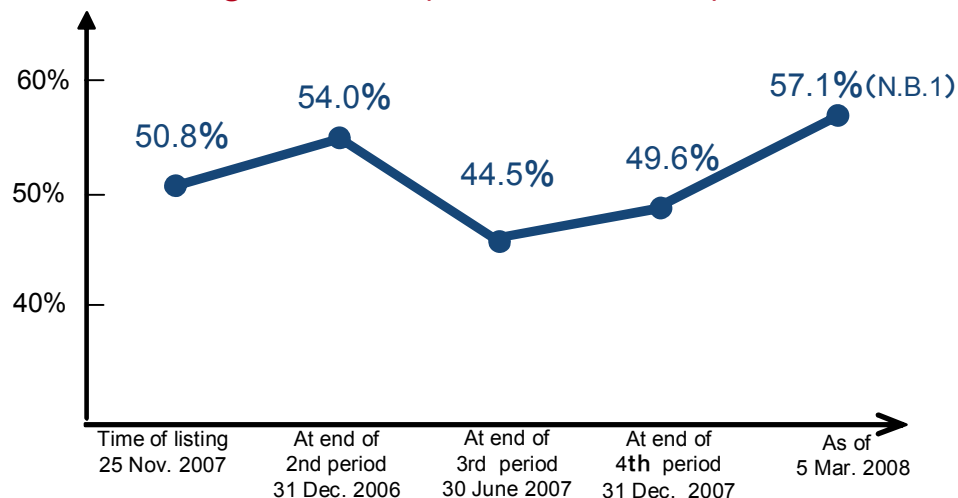
Financial Strategy ②

Financial indicators as of 5 Mar. 2008

- Interest-bearing debt ¥48.2 bn
- LTV (Loan To Value) 57.1 % (N.B.1)
- Ratio of long-term debt 80.0%
- Ratio of fixed-rate debt 80.0%
- Weighted average cost of debt 1.50%
- Issuer rating by R&I A (Stable)

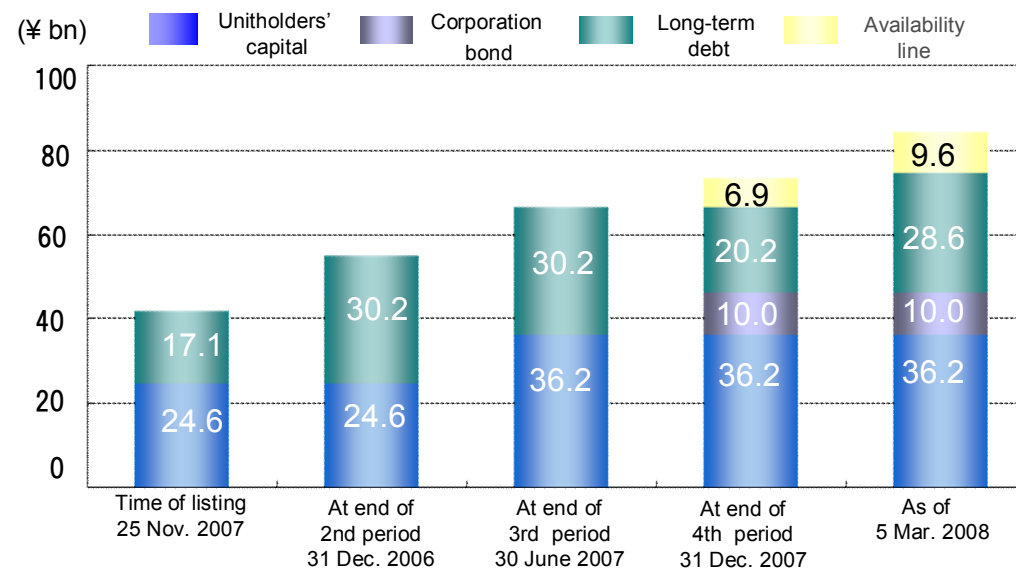
Unsecured/unguaranteed loan from time of listing

Change of LTV (Loan To Value)

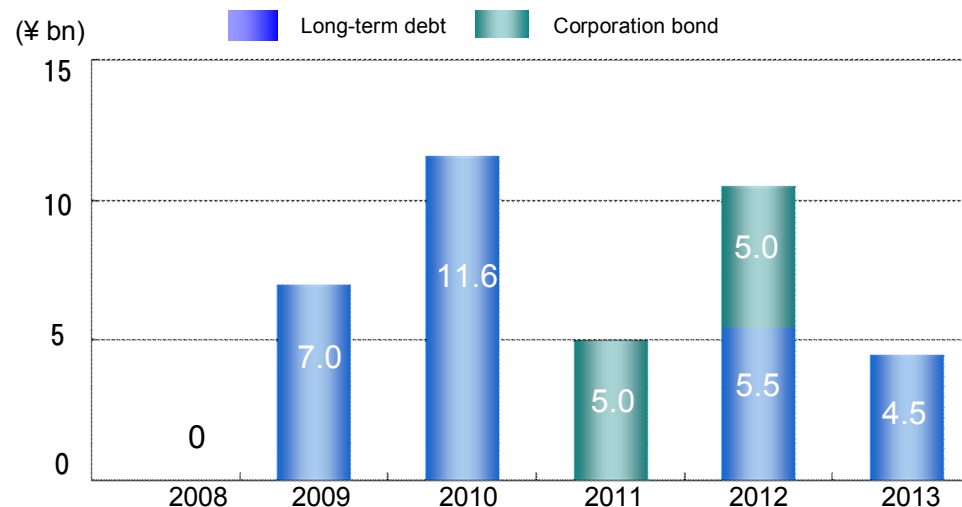


(N.B.1) Total interest-bearing debt / (Total interest-bearing debt + Unitholders' capital) x 100%

History of fundraising activities



Staggered maturities of interest-bearing debt





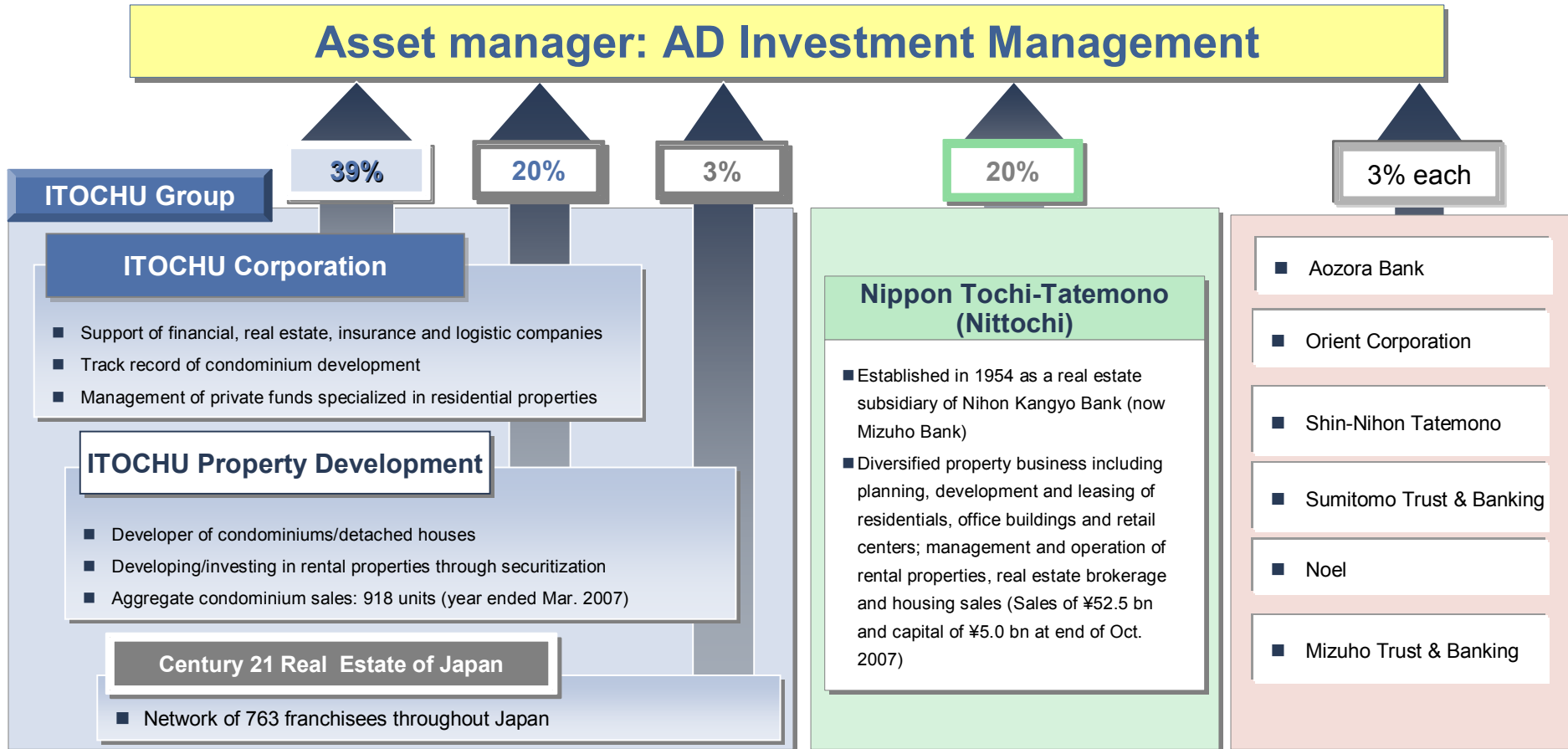
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Appendix



Sponsors = asset manager shareholders

62% investment by ITOCHU Group

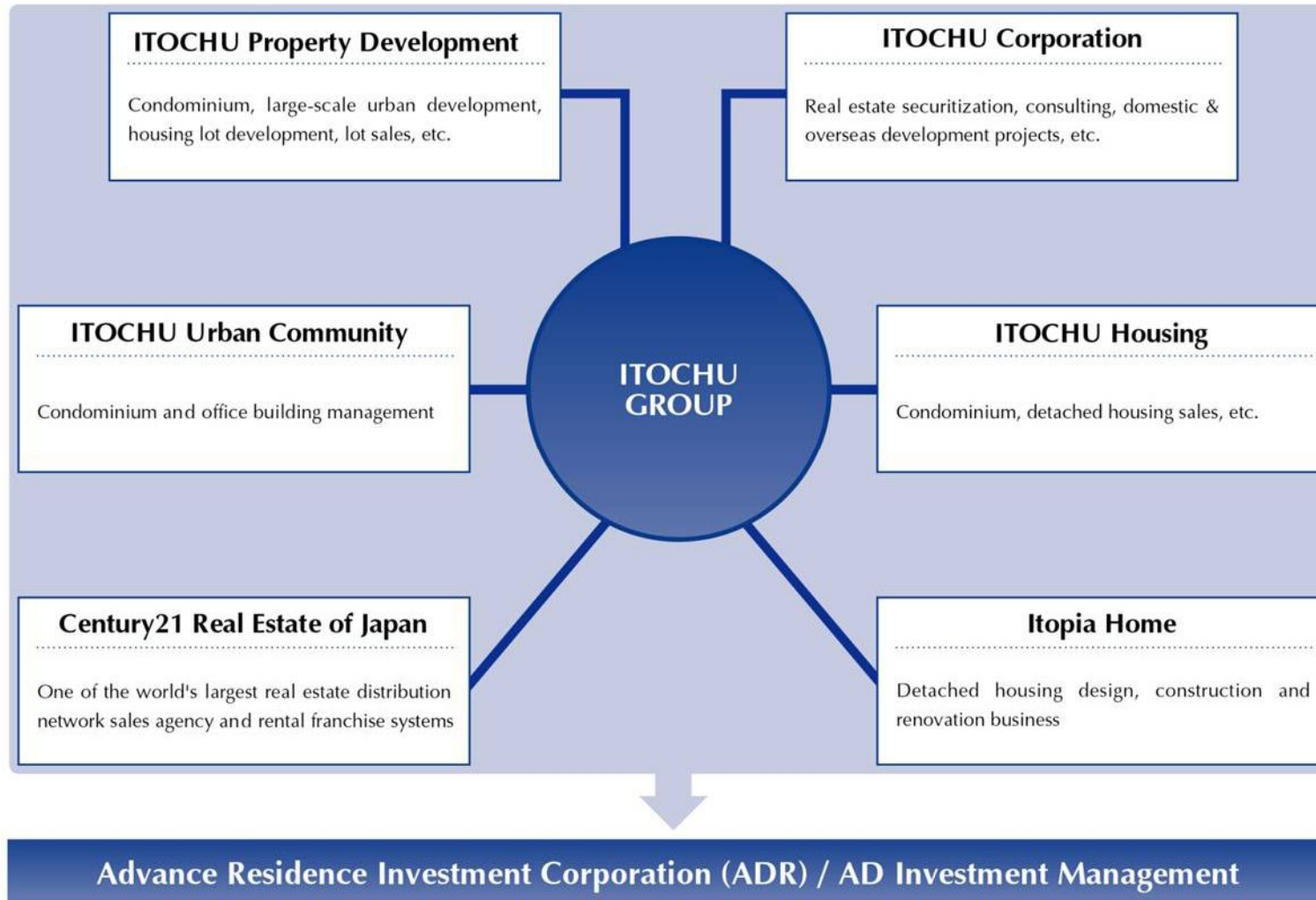


Commitment for support by ITOCHU Group and other sponsors

■ ITOCHU Group's real estate business

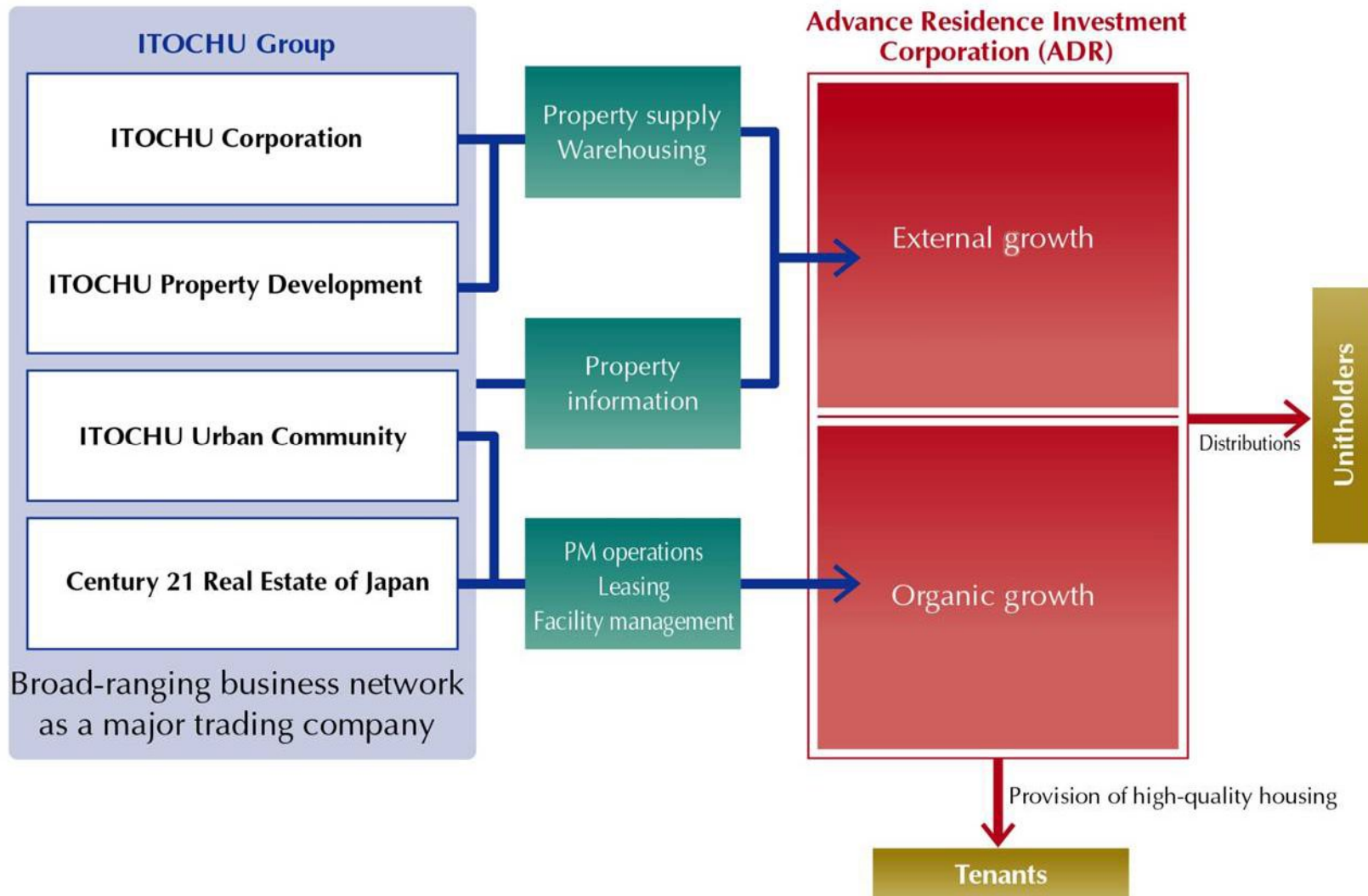
Advance Residence Investment Corporation

Full-service real estate business from consulting to developments

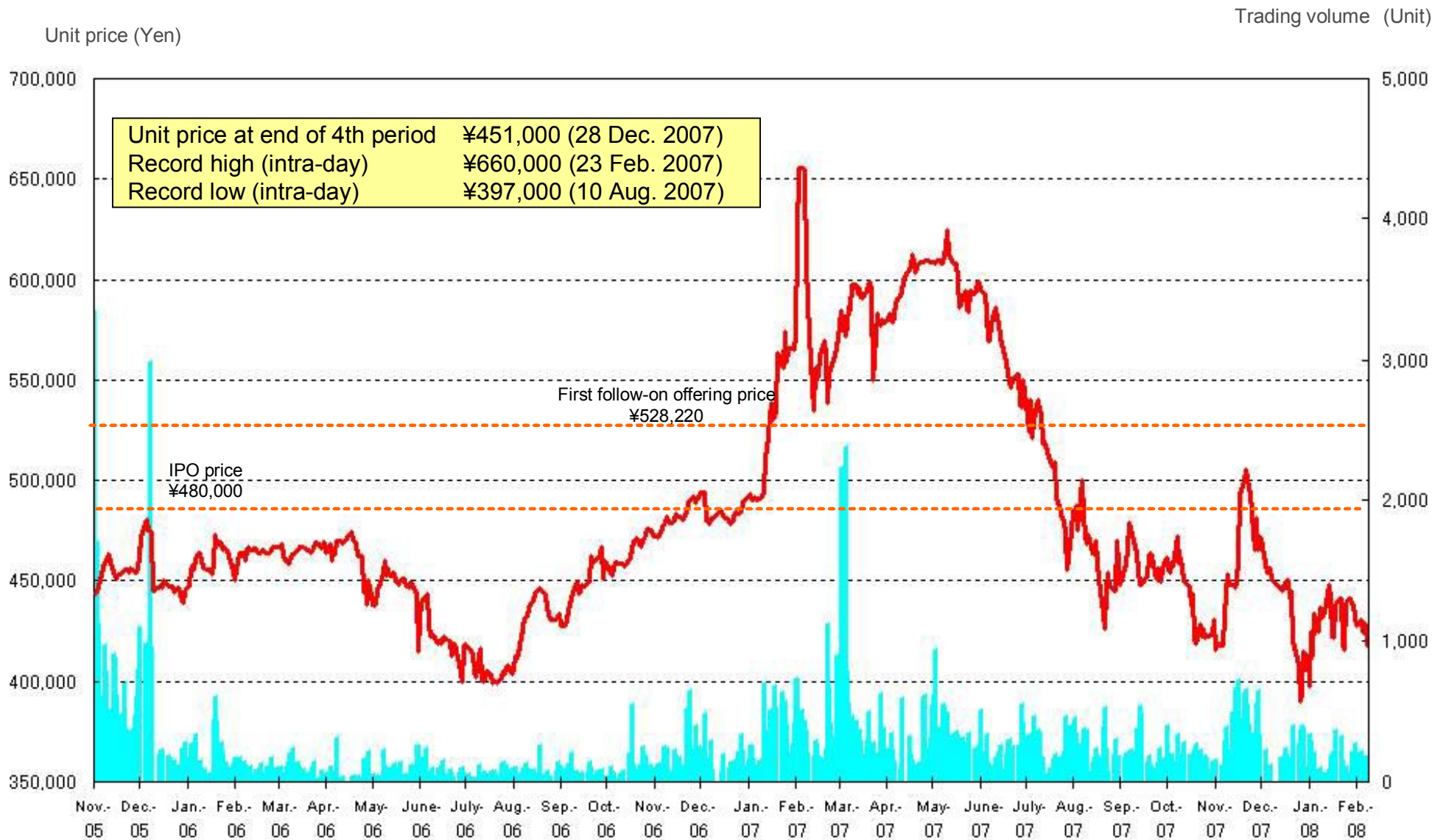


Synergy with ITOCHU Group

Cash flow growth leveraging ITOCHU Group's support



Unit price performance



Unitholder status

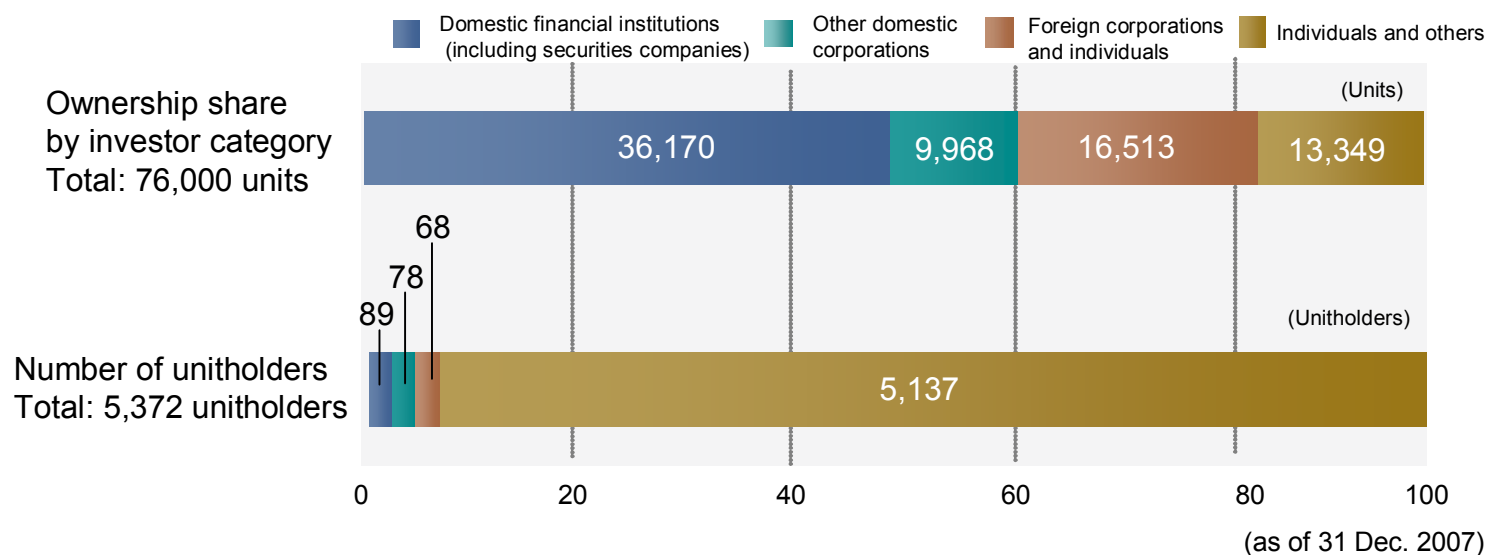
Investment unit ownership share by investor category

	Number of units held		Number of unitholders	
		(%) (N.B.2)		(%) (N.B.3)
Domestic financial institutions (including securities companies)	36,170	47.6	89	1.66
Other domestic corporations (N.B.1)	9,968	13.1	78	1.45
Foreign corporations and individuals	16,513	21.7	68	1.27
Individuals and others	13,349	17.6	5,137	95.62
Total	76,000	100.0	5,372	100.0

Major unitholders

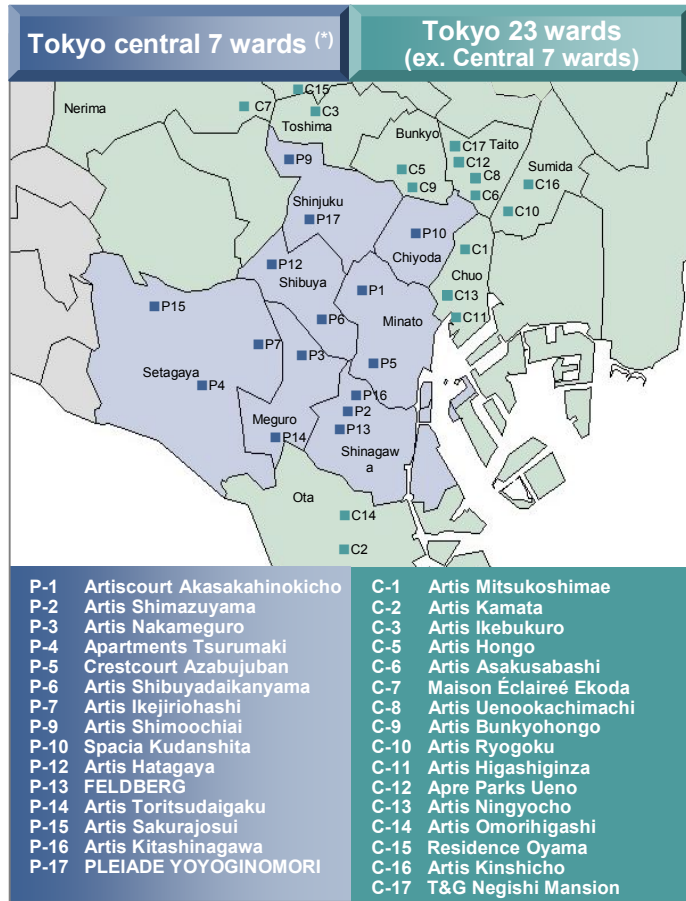
	Number of units held	% of total (N.B.3)
Japan Trustee Services Bank, Ltd.(trust account)	6,578	8.65
NikkoCiti Trust and Banking Corporation (investment trust account)	5,528	7.27
The Master Trust Bank of Japan, Ltd. (trust account)	3,988	5.24
ITOCHU Corporation	3,500	4.60
Sumitomo Mitsui Banking Corporation	2,325	3.05
AIG Star Life Insurance Co., Ltd. (regular account)	2,300	3.02
Goldman, Sachs & Co. (regular account)	2,269	2.98
The Nomura Trust and Banking Co., Ltd. (investment trust account)	1,945	2.55
Goldman Sachs International	1,583	2.08
Mellon Bank, N.A. Treaty Clients Omnibus	1,529	2.01

(N.B.1) Includes 70 units held under a nominal account of JASDEC.
 (N.B.2) Indicated ratios are rounded to the nearest first decimal place.
 (N.B.3) Indicated ratios are rounded down to the second decimal place.

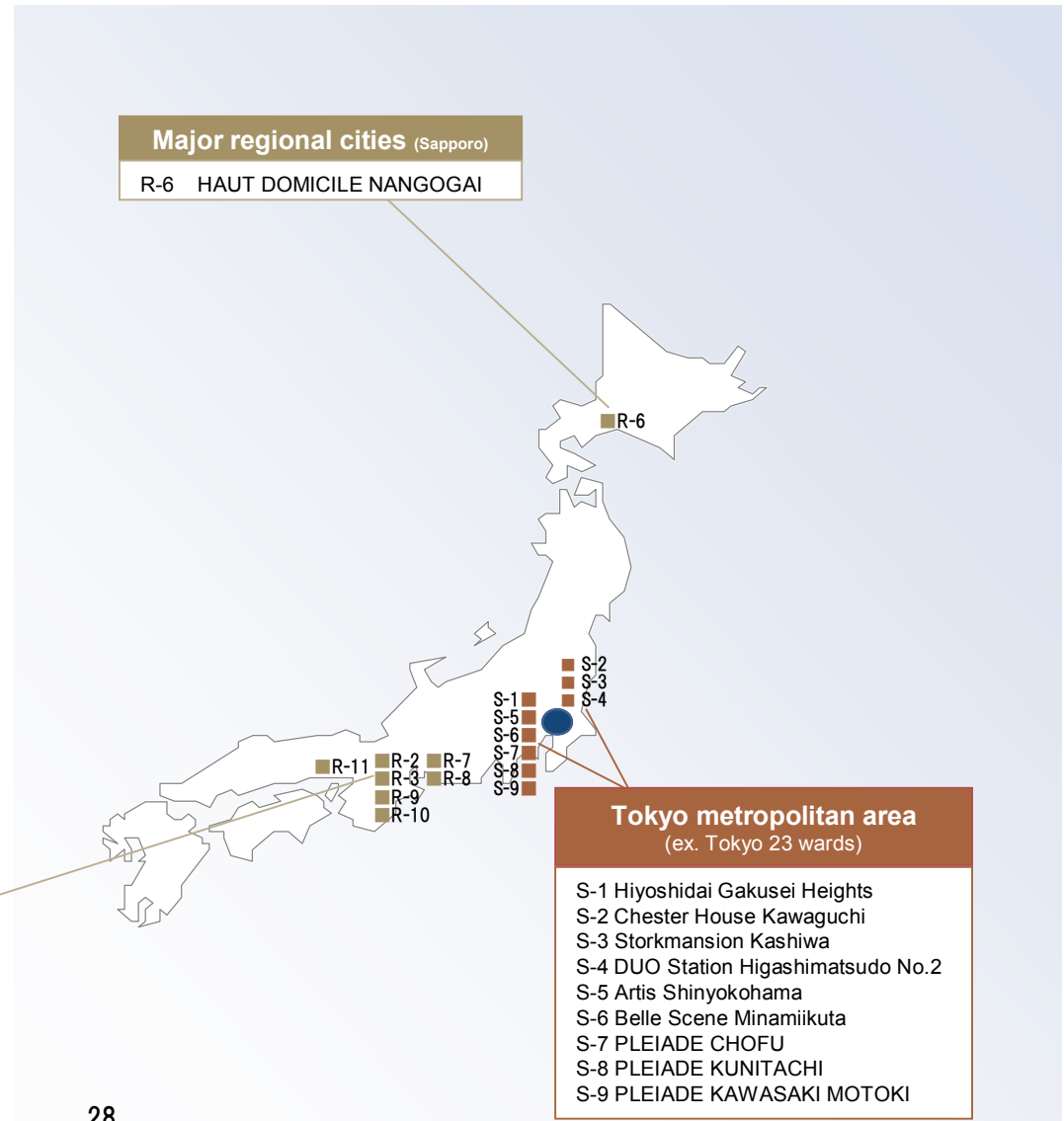


Portfolio – geographic overview

Portfolio focused on 23 wards of Tokyo



Major regional cities (Osaka, Kyoto)	
R-2	Royal Nishi-hommachi
R-3	Itopia Kyotogakuseikaikan
R-7	Artis Higashisakura
R-8	Grand Court Kameyama
R-9	Zeus Ryokuchi PREMIUM
R-10	GRASS HOPPER
R-11	Artis Kobe Port Island



(*) The Tokyo central 7 wards include Minato, Chiyoda, Shibuya, Shinjuku, Meguro, Setagaya and Shinagawa.

Profit and loss statements

Advance Residence Investment Corporation

	3rd period (1 Jan. 2007 – 30 June 2007)		4th period (1 July 2007 – 31 Dec. 2007)		Variation	
	Amount (¥ K)	Share (%)	Amount (¥ K)	Share (%)	Amount (¥ K)	Rate (%)
	I. Operating revenues	2,204,175	100.0	2,276,711	100.0	72,535
Rental income	1,936,342		2,146,856			
Gain on sale of real estate properties	267,833		129,854			
II. Operating expenses	943,453	42.8	1,055,003	46.3	111,550	11.8
Rental expenses	700,691		769,747			
Asset management fees	170,064		203,024			
Asset custodian fees	6,352		7,025			
General administration fees	17,603		19,465			
Directors' compensation	1,200		1,440			
Other operating expenses	47,542		54,301			
Operating income	1,260,721	57.2	1,221,707		(39,014)	(3.1)
III. Non-operating revenues	24,601	1.0	92,425	4.1	67,824	275.7
Interest income	1,734		7,047			
Refundable consumption taxes	22,866		85,357			
Other non-operating revenues	-		20			
IV. Non-operating expenses	271,748	12.3	285,410	12.6	13,662	5.0
Interest expense	188,813		200,155			
Interest on investment corporation bonds	-		21,198			
Amortization of investment unit issuance expenses	13,603		14,804			
Amortization of investment corporation bond issuance expenses	-		2,058			
New investment unit public offering expenses	32,615		-			
Commission paid	10,822		-			
Financing expenses	25,892		40,119			
Other non-operating expenses	-		7,074			
Ordinary income	1,013,574	45.9	1,028,721	45.2	15,147	1.5
Income before income taxes	1,013,574	45.9	1,028,721	45.2	15,147	1.5
Current income taxes	1,010		987			
Deferred income taxes	(1)		1	0.1		
Net income	1,012,565	45.9	1,027,733	45.1	15,167	1.5
Unappropriated retained earnings	1,012,578		1,027,764		15,185	1.5

	3rd period (1 Jan. 2007 – 30 June 2007)		4th period (1 July 2007 – 31 Dec. 2007)	
	Amount (¥ K)	Amount (¥ K)	Amount (¥ K)	Amount (¥ K)
	A. Income from rental business	1,936,342	2,146,856	
Rental income	1,770,590	1,967,555		
Common service charges	24,294	31,387		
Utilities income	2,789	3,345		
Parking space income	51,610	61,760		
Other rental income	87,056	82,805		
B. Expenses from rental business	700,691	769,747		
Management fees	155,183	177,196		
Repair costs	47,091	31,590		
Utilities costs	17,650	19,209		
Taxes and public dues	50,492	50,469		
Non-life insurance premiums	6,129	6,791		
Trust fees	16,568	18,019		
Depreciation	386,572	434,910		
Other rental expenses	21,001	31,560		
C. Profit or loss from rental business	1,235,651	1,377,108		
Gain or loss on sale of real estate properties	267,833	129,854		
Income on sale of real estate properties	4,816,000	1,684,000		
Cost of sale of real estate properties	4,377,680	1,493,945		
Other sale expenses	170,483	60,200		

Balance sheets

Advance Residence Investment Corporation

Assets	3rd period (as of 30 June 2007)		4th period (as of 31 Dec. 2007)		Variation	
	Amount (¥ K)	Share (%)	Amount (¥ K)	Share (%)	Amount (¥ K)	Rate (%)
I. Current assets	9,381,781	13.8	1,954,610	2.6	(7,427,170)	(79.2)
Deposits	7,909,130		92,244		(7,816,886)	
Deposits in trust	1,355,555		1,631,290		275,734	
Accounts receivable – trade	60,957		66,456		5,498	
Accounts receivable – other	4,288		2,191		(2,097)	
Prepaid expenses	49,187		55,308		6,121	
Deferred tax assets	20		19		(1)	
Consumption taxes receivable	–		101,185		101,185	
Other current assets	2,640		5,915		3,274	
II. Fixed assets	58,501,715	86.1	72,851,109	97.3	14,349,394	24.5
1. Property and equipment	58,436,767	86.0	72,792,722	97.2	14,355,955	24.6
Buildings in trust	26,010,146		34,026,368		8,016,222	
Structures in trust	116,198		115,671		(527)	
Machinery and equipment in trust	122,605		118,298		(4,306)	
Tools, furniture and fixtures in trust	308,721		303,092		(5,628)	
Land in trust	31,879,025		38,229,240		6,350,215	
Other property and equipment	69		50			
2. Intangible assets	1,077	0.0	957	0.0	(119)	
3. Investments and other assets	63,870	0.1	57,429	0.1	(6,441)	
Long-term prepaid expenses	53,870		47,429		(6,441)	
Guarantee deposits	10,000		10,000		–	
III. Deferred assets	41,616	0.1	80,026	0.1	38,409	92.3
Investment unit issuance expenses	41,616		26,811		(14,804)	
Investment corporation bond issuance expenses	–		53,214		53,214	
Total assets	67,925,112	100.0	74,885,746	100.0	6,960,633	10.2

Liabilities	3rd period (as of 30 June 2007)		4th period (as of 31 Dec. 2007)		Variation	
	Amount (¥ K)	Share (%)	Amount (¥ K)	Share (%)	Amount (¥ K)	Rate (%)
I. Current liabilities	412,741	0.6	8,956,763	12.0	8,544,021	2,070.1
Accounts payable – trade	32,066		32,468		402	
Short-term debt	–		6,940,000		6,940,000	
Current portion of long-term debt	–		1,600,000		1,600,000	
Accounts payable – other	289,909		284,340		(5,569)	
Accrued expenses	39,812		54,516		14,704	
Income taxes payable	849		412		(436)	
Consumption taxes payable	36,782		6,130		(30,652)	
Rent received in advance	1		0		0	
Other current liabilities	13,320		38,894		25,574	
II. Long-term liabilities	30,236,898	44.5	28,638,324	38.2	(1,598,573)	(5.3)
Investment corporation bonds	–		10,000,000		10,000,000	
Long-term debt	30,200,000		18,600,000		(11,600,000)	
Long-term accounts payable	2,675		1,440		(1,234)	
Lease and guarantee deposits received in trust	34,223		36,884		2,661	
Total liabilities	30,649,640	45.1	37,595,088	50.2	6,945,447	22.7

Net assets	3rd period (as of 30 June 2007)		4th period (as of 31 Dec. 2007)		Variation	
	Amount (¥ K)	Share (%)	Amount (¥ K)	Share (%)	Amount (¥ K)	Rate (%)
Unitholders' capital	36,262,894	53.4	36,262,894	48.4	–	
Unappropriated retained earnings	1,012,578	1.5	1,027,764	1.4	15,185	0.0
Total net assets	37,275,472	54.9	37,290,658	49.8	15,185	0.0
Total liabilities and net assets	67,925,112	100.0	74,885,746	100.0	6,960,633	10.2

Statements of cash flows

Advance Residence Investment Corporation

	3rd period	4th period
	(1 Jan. 2007 – 30 June 2007)	(1 July 2007 – 31 Dec. 2007)
	Amount (¥ K)	Amount (¥ K)
I. Cash flows from operating activities		
Income before income taxes	1,013,574	1,028,721
Depreciation and amortization	386,591	434,929
Amortization of investment unit issuance expenses	13,603	14,804
Amortization of investment corporation bond issuance expenses	–	2,058
New investment unit public offering expenses	32,615	–
Interest income	(1,734)	(7,047)
Interest expense	188,813	200,155
Interest on investment corporation bonds	–	21,198
Decrease (Increase) in accounts receivable - trade	(13,705)	(5,498)
Decrease (Increase) in prepaid expenses	11,955	(6,121)
Decrease (Increase) in consumption taxes receivable	314	(101,185)
Increase (Decrease) in consumption taxes payable	36,782	(30,652)
Increase (Decrease) in accounts payable - trade	6,857	402
Increase (Decrease) in accounts payable - other	42,888	12,441
Increase (Decrease) in advances received	(309)	(0)
Decrease from sale of property and equipment	4,377,681	1,493,945
Decrease (Increase) in long-term prepaid expenses	19,548	6,441
Other	(550)	(3,390)
Interest received	1,734	7,047
Interest paid	(188,314)	(206,649)
Income taxes paid	(1,098)	(2,041)
Net cash provided by operating activities	5,927,249	2,859,559

	3rd period	4th period
	(1 Jan. 2007 – 30 June 2007)	(1 July 2007 – 31 Dec. 2007)
	Amount (¥ K)	Amount (¥ K)
II. Cash flows from investing activities		
Payments for purchase of property and equipment	(9,090,732)	(16,302,840)
Payments for purchase of intangible assets	(1,197)	–
Proceeds from lease and guarantee deposits received in trust	41,184	49,484
Payments for lease and guarantee deposits received in trust	(46,885)	(22,288)
Net cash used in investing activities	(9,097,630)	(16,275,644)
III. Cash flows from financing activities		
Proceeds from short-term debt	–	6,940,000
Repayment of long-term debt	–	(10,000,000)
Proceeds from issuance of investment corporation bonds	–	10,000,000
Payments for investment corporation bond issuance expenses	–	(55,272)
Proceeds from issuance of investment units	11,613,294	–
Payments for investment unit issuance expenses	(21,613)	–
New investment unit public offering expenses	(32,615)	–
Dividends paid	(758,600)	(1,008,559)
Other	(1,261)	(1,234)
Net cash provided by financing activities	10,799,202	5,874,933
IV. Net increase (decrease) in cash and cash equivalents	7,628,821	(7,541,152)
V. Cash and cash equivalents at beginning of period	1,635,864	9,264,686
VI. Cash and cash equivalents at end of period	9,264,686	1,723,534

State of borrowing ①

Short-term loans

	Category	Drawdown date	Balance at end of 3rd period (¥ mm)	Balance at end of 4th period (¥ mm)	Interest rate (%) (N.B.1)	Repayment deadline	Repayment method	Use of funds	Remarks
	Lender								
Short-term loans	The Sumitomo Trust & Banking Co., Ltd.	3 Sep. 2007	–	500	1.17	25 July 2008	Lump sum repayment at maturity	(N.B.2)	No collateral or guarantee
	Aozora Bank, Ltd.		–	500					
	The Sumitomo Trust & Banking Co., Ltd.	30 Nov. 2007	–	2,410	1.17	25 July 2008	Lump sum repayment at maturity	(N.B.2)	No collateral or guarantee
	Aozora Bank, Ltd.		–	2,410					
	The Sumitomo Trust & Banking Co., Ltd.	11 Dec. 2007	–	560	1.17	25 July 2008	Lump sum repayment at maturity	(N.B.2)	No collateral or guarantee
	Aozora Bank, Ltd.		–	560					
Subtotal				6,940	1.17				
Current portion of long-term loans	Aozora Bank, Ltd.	21 Nov. 2006	1,550	375	1.25	25 Nov. 2008 (part repaid early on 22 Nov. 2007)	Lump sum repayment at maturity	(N.B.3)	No collateral or guarantee
	The Sumitomo Trust & Banking Co., Ltd.		1,550	375					
	Mizuho Corporate Bank, Ltd.		1,500	363					
	Mitsubishi UFJ Trust and Banking Corporation		1,500	363					
	The Hachijuni Bank, Ltd.		500	121					
Subtotal			6,600	1,600	1.25				

(N.B.1) The interest rates shown are the loan interest rates of the respective loans rounded to two decimal places. The interest rates are exclusive of the financing fees paid to the abovementioned lenders.

(N.B.2) All funds were applied to the acquisition of real estate beneficiary interests in trust and to the payment of related costs.

(N.B.3) The funds were applied to the acquisition of real estate beneficiary interests in trust and to the payment of related costs, as well as to the repayment of short-term debt.

State of borrowing ②

Long-term loans

	Category	Drawdown date	Balance at end of 3rd period (¥ mm)	Balance at end of 4th period (¥ mm)	Interest rate (%) (N.B.1)	Repayment deadline	Repayment method	Use of funds	Remarks
	Lender								
Long-term loans	Aozora Bank, Ltd.	25 Nov. 2005	1,700	–	–	25 Nov. 2008 (entire amount repaid early on 22 Nov. 2007)	Lump sum repayment at maturity	(N.B.3)	No collateral or guarantee
	The Sumitomo Trust & Banking Co., Ltd.		1,500	–					
	Shinsei Bank, Ltd.		1,000	–					
	The Hachijuni Bank, Ltd.		500	–					
	The Oita Bank, Ltd.		300	–					
	The Sumitomo Trust & Banking Co., Ltd.	25 Nov. 2005	1,600	1,600	1.25 (N.B.2)	25 Nov. 2009	Lump sum repayment at maturity	(N.B.3)	No collateral or guarantee
	Aozora Bank, Ltd.		1,600	1,600					
	Mizuho Corporate Bank, Ltd.		1,000	1,000					
	Mitsubishi UFJ Trust and Banking Corporation		2,000	2,000					
	The Sumitomo Trust & Banking Co., Ltd.	25 Nov. 2005	2,100	2,100	1.48 (N.B.2)	25 Nov. 2010	Lump sum repayment at maturity	(N.B.3)	No collateral or guarantee
	Aozora Bank, Ltd.		1,300	1,300					
	Mizuho Corporate Bank, Ltd.		500	500					
	Sumitomo Mitsui Banking Corporation		2,000	2,000					
	The Sumitomo Trust & Banking Co., Ltd.	20 Mar. 2006	400	400	1.66 (N.B.2)	25 Nov. 2009	Lump sum repayment at maturity	(N.B.3)	No collateral or guarantee
	Aozora Bank, Ltd.		400	400					
	Mizuho Corporate Bank, Ltd.	20 Mar. 2006	500	500	1.61 (N.B.2)	25 Nov. 2010	Lump sum repayment at maturity	(N.B.3)	No collateral or guarantee
	Sumitomo Mitsui Banking Corporation		1,700	1,700					
	The Sumitomo Trust & Banking Co., Ltd.	20 Mar. 2006	2,100	2,100	1.61 (N.B.2)	25 Nov. 2010	Lump sum repayment at maturity	(N.B.3)	No collateral or guarantee
Aozora Bank, Ltd.	1,400		1,400						
	Subtotal		23,600	18,600	1.45				
	Total		30,200	27,140	1.37				

(N.B.1) The interest rates shown are the loan interest rates of the respective loans rounded to two decimal places. The interest rates are exclusive of the financing fees paid to the abovementioned lenders.

(N.B.2) The interest rate shown is the interest rate based on the interest rate swap agreement entered into for the purpose of hedging the risk of interest rate fluctuations.

(N.B.3) The funds were applied to the acquisition of real estate beneficiary interests in trust and to the payment of related costs, as well as to the repayment of short-term debt.

■ Corporation bond (Acquired rating by R&I: A (Stable))

Summary	
Issue date	21 Nov. 2007
Underwriter	Mizuho Securities Co, Ltd.
Fiscal issuing and paying agent	Mizuho Corporate Bank, Ltd.
Use of funds	Repayment of loans

First Series Unsecured Investment Corporation Bonds	
Issue amount	¥ 5 bn
Interest rate	6 month Libor+0.60 _(N.B.1)
Maturity period	4 years
Redemption date	21 Nov. 2011

(N.B.1) fixed at 1.797% by entering the interest rate swap agreement

Second Series Unsecured Investment Corporation Bonds	
Issue amount	¥ 5 bn
Interest rate	2.03%
Maturity period	5 years
Redemption date	2012/11/21

Specialists carry out 5 types of economic, physical and legal examinations

Legal checks
MORI HAMADA & MATSUMOTO

Appraisal valuations
Japan Real Estate Institute
Chuo Real Estate Appraisal Co., Ltd.
Morii Appraisal & Investment Consulting Inc.

Appraisal valuations



Probable maximum loss (PML)
SOMPO JAPAN RISK MANAGEMENT, INC.

Engineering reports
SHIMIZU CORPORATION
JAPAN ERI CO., LTD.
Engineering & Risk Services Corporation

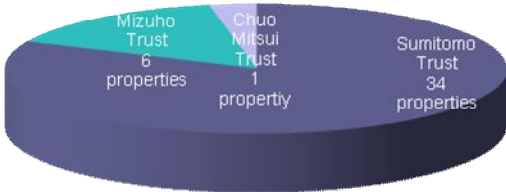
Engineering reports



Structural calculation sheet checks
KOZO KEIKAKU ENGINEERING Inc.
JAPAN ERI CO., LTD.
Confirmed that all 41 properties including those scheduled for acquisition meet the strength requirements under the Building Standards Law

Trustee due diligence
The Sumitomo Trust & Banking Co., Ltd.
Mizuho Trust & Banking Co., Ltd.
The Chuo Mitsui Trust & Banking Co., Ltd

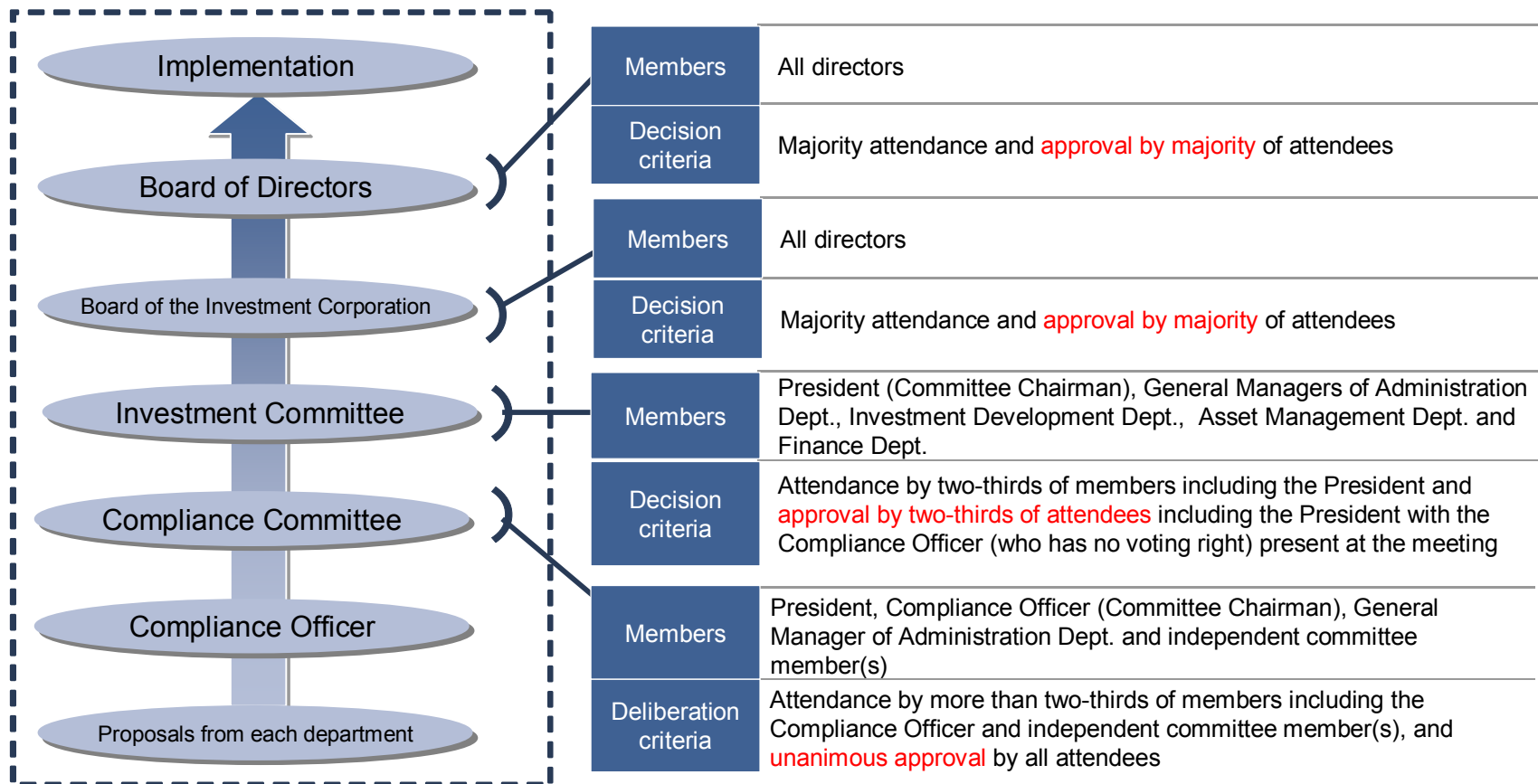
Trustee due diligence

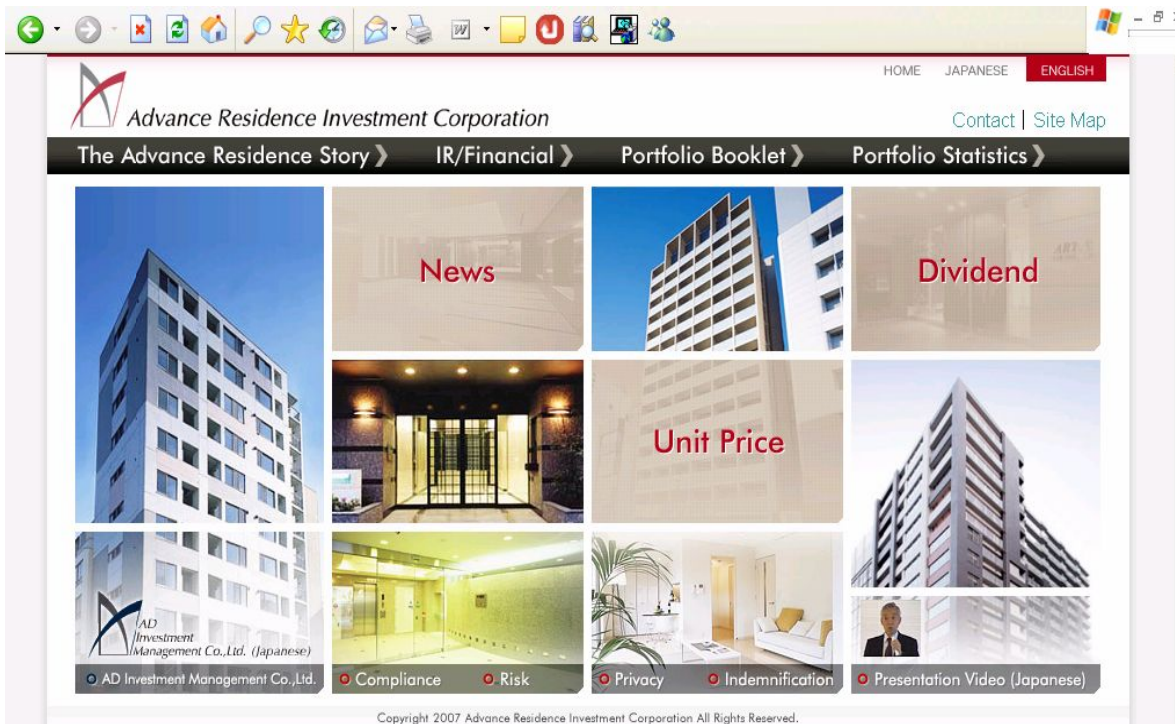


Managing conflicts of interest

Rigorous check system in place for related-party transactions and approved transaction under the investment guidelines

Related parties : (1) As defined under Article 15-(2)-1 of the Investment Trust Law
 (2) All voting right holders of the Asset Manager and its directors/officers
 (3) SPCs that are majority held by persons stated under (1) and (2) and thus may have significant influence on the company





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News Dividend Unit Price

AD Investment Management Co., Ltd. (Japanese)

AD Investment Management Co., Ltd. Compliance Risk Privacy Indemnification Presentation Video (Japanese)

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Advance Residence Investment Corporation

1 Artis Court Akasaka Hinokicho

- Located near the urbane, upscale area of Akasaka and entertainment city Roppongi.
- A location where residents can enjoy the lush, peaceful green of Nogizaka.
- A rich lifestyle with maximum convenience is offered by this residence.

Unit Types (by area)	
Single	13%
Compact	49%
Family	38%
Large	-
Dormitory	-
Other	-

Location	Akasaka, Minato Ward, Tokyo
Nearest station	A 6-minute walk from Akasaka Station on the Tokyo Metro Chiyoda Line
Site area	1,194.39m ²
Floors	14 floors/1 basement floor
Rentable units	111
Floor space	6,151.48m ²
Rentable area	4,602.70m ²

Completed	December 21, 2004
Acquisition price	4,930,000,000 yen
Master lease type	Pass through
PML	6.79%
Property manager	Mitsui Fudosan Housing Lease

ADR strives to provide information to unitholders in a transparent and timely manner by uploading an array of information and data on the ADR website, including documents that must be disclosed by law, press releases, information on business performance and information on properties in the portfolio.

URL <http://www.adr-reit.com/en/>