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For Immediate Release

Advance Residence Investment Corporation
(Securities Code: 3269)

1-105 Kanda-Jinbocho, Chiyoda-ku, Tokyo
Kenji Kousaka, Executive Director

Asset Management Company:
AD Investment Management Co., Ltd.
Kenji Kousaka, President

Inquiries:
Tomoyuki Kimura, Director, and Deputy CFO
Corporate Management Department
TEL. +81-3-3518-0480

Notice Concerning Acquisition of Investment Asset
(RESIDIA Hijiyama-Koen)

AD Investment Management Co., Ltd. (ADIM) the asset management company to which Advance Residence Investment Corporation (ADR) entrusts the management of its assets announced its decision today to have ADR acquire an asset in Japan (hereafter, the “Acquisition”) as detailed below as part of ADR’s growth strategy.

1. Details of the Acquisition

ADIM decided on the following acquisition pursuant to the target and policy of asset management as stipulated in its Articles of Incorporation of ADR, to increase the asset under management and build a portfolio that earns stable income through diversified investment in all regions and in all apartment unit types.

Name of the Property ^(Note 1)	Proposed Acquisition Price ^(Note 2)	Building Age ^(Note 3)	NOI Yield ^(Note 4)	Yield after Depreciation ^(Note 5)
RESIDIA Hijiyama-Koen (CREST Hijiyama)	663,000 thousand yen	21.4 year	6.1 %	4.9 %

(Note 1) The name of the property is scheduled to be changed after the acquisition is completed to the name listed above. The name before the change is shown in parentheses.

(Note 2) “Proposed acquisition price” indicates the purchase price for the property entered in the real estate transaction agreement, which is exclusive of the various expenses required in the acquisition of the property (taxes and public dues, etc).

(Note 3) The building age is the age of the building as of today, rounded at the second decimal point.

(Note 4) The “NOI Yield” is calculated using the figures in the acquisition appraisal of the asset-to-be-acquired. The calculation is as follows; “Total annualized NOI ÷ Total acquisition price × 100”. The calculated yields are rounded at the second decimal point.

(Note 5) The “Yield after depreciation” is calculated using the figures in the acquisition appraisal of asset-to-be-acquired. The calculation is as follows; “(Annualized NOI listed on the appraisal at the time of acquisition – depreciation) ÷ acquisition price × 100”. The calculated yield is rounded at the second decimal point. Depreciation of the asset-to-be-acquired asset is calculated using same straight-line method as the portfolio and expect depreciation of 7,991 thousand yen per annum.

The real estate acquisition market continues to be very competitive. Property prices continues to be inflated, with limited new supply of good quality properties in good location, especially, for centrally located properties in major cities where stable rental demands can be expected.

Under such an environment, ADR has succeeded in acquiring a scarce property by using ADIM's own sourcing network. The property is a women only studio apartment located in Hiroshima. With a population of approximately 1.2 million people, Hiroshima is the largest ordinance-designated city in the Chugoku region.

On deciding to acquire the asset, ADR highly rated the attributes of the asset as listed below.

- The property is located with easy access to public transportation. It is a 10-minute walk from JR Sanyo Line and Sanyo Bullet Train Hiroshima Station, 2-minute walk from Hiroshima Dentetsu Minami Line Dambara 1-chome Station.
- The area around Hiroshima Station, which is within walking distance from the property, is undergoing urban redevelopment and the area can be expected to further develop with the accumulation of city functions. The property also has easy access to the city center. It is located only about 1.3km away from Hatchobori intersection, the city center of Hiroshima.
- There are many daily facilities such as convenience stores and restaurants nearby. Therefore, the property can expect demands from singles and students who are commuting to the city center.
- Although building is over 20 years of age, the property is maintained and managed in good condition since the large-scale repair that was undertaken in 2014.

2. Acquisition Summary

Property Number	R-75
Name of The Asset-To-Be-Acquired	RESIDIA Hijiyama-Koen (Beneficiary Interests in Trust)
Proposed Acquisition Price (appraisal ratio)	663,000 thousand yen (93.8%)
Real Estate Appraisal Value	707,000 thousand yen
Current Titleholder	Not disclosed
Scheduled Contract Date	June 28, 2018
Scheduled Acquisition Date	July 18, 2018 or a date to be separately agreed upon with the seller (no later than July 31, 2018)
Acquisition Financing	Cash-on-hand
Payment Method	Full payment on delivery
Collateral	None

3. Summary of The Asset-To-Be-Acquired

Property Number	R-75
Name of The Asset-To-Be-Acquired	RESIDIA Hijiya-Koen
Address	Residential : 1-2-2 Dambara-cho, Minami-ku, Hiroshima-city, Hiroshima prefecture Office: 1-2-15 Dambara-cho, Minami-ku, Hiroshima-city, Hiroshima prefecture

Land	
Type of Ownership	Proprietary ownership
Site Area	549.62m ²
Zoning	Neighborhood commercial zone
FAR / Building Coverage Ratio	400% / 80%

Building	
Type of Ownership	Proprietary ownership
Total Floor Area	2,070.73 m ²
Structure / Floors	Reinforced concrete with flat roof / 9 floors
Use	Multi-family housing / store
Construction Completion Date	February, 1997
Building Inspector	Hiroshima Building Director
Building Designer	Oobayashi Corporation Hiroshima Branch First-class architect office
Structural Engineer	Oobayashi Corporation Hiroshima Branch First-class architect office
Construction Contractor	Oobayashi Corporation Hiroshima Branch

Trustee	Sumitomo Mitsui Trust Banking Corporation (planned)
Trust Contract Period	TBD
Property Manager	ITOCHU Urban Community Ltd.
Master Lessee	ITOCHU Urban Community Ltd.
Master Lease type	Pass-through

Summary of Building Conditions Investigation Report	
Investigator	Tokio Marine & Nichido Risk Consulting Co., Ltd.
Investigation Date	March 16, 2018
Emergency Repair Costs	-
Short-term Repair Costs (within 1 year)	-
Long-term Repair Costs (next 12 years)	¥ 75,109 thousand
Building Replacement Price	¥ 486,000 thousand

Earthquake PML	5.9%
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Lease Conditions	
Point in Time	as of June 28, 2018
Total Tenants	1
Leasable Units	81 (including 1 office unit)
Leased Units	81
Leasable Floor Area	1,843.24 m ²
Leased Floor Area	1,843.24 m ²
Occupancy Rate (based on floor area)	100 %
Monthly Rent (including common service charges)	¥ 4,112 thousand
Deposits, Guarantees, etc.	¥ 11,020 thousand

Number of Units by Type	
Single	80
Compact	0
Family	0
Large	0
Dormitory	0
Other	1

Special Notation	
	None

* Please refer to "Notes and definitions on items on the tables in the press releases for asset acquisition" on ADR's website for details on items on the above table (<http://www.adr-reit.com/en/financial/>).

4. Summary of Appraisal Report (monetary unit: thousand yen)

Name of Property	RESIDIA Hijiyama - Koen	Appraisal Date	June 1, 2018
Appraiser	Japan Real Estate Institute.	Appraisal Value	707,000 thousand yen
Appraisal Items	Appraised Value	Basis	
Income Capitalization Approach Value	707,000	Income capitalization value is estimated using DCF method along with direct capitalization method for verification.	
Direct Capitalization Price	712,000		
Total Potential Income	56,054		
Rent Income	55,049	Estimated from average rent based on the current lease agreement and from rent and common expense revenue if newly leased.	
Other Income	1,005	Key money estimated from assessing the number of months to be received from individual residents and the average annual replacement rate of the tenants and the average contract term.	
Total Effective Income	53,929		
Losses from Vacancies, etc.	2,125	Referred to similar properties and past operating status to estimate the medium to long-term stabilized vacancy rate.	
Losses from Delinquencies	0	Secured by deposit, no losses are assumed.	
Expenses from Rental Business	13,331		
Maintenance and Management Fees	1,476	Estimated by referring to past income statements and fees at similar properties .	
Utilities Costs	2,100	Estimated by referring to past income statements and costs at similar properties.	
Management Commission Fees	1,589	Estimated by referring to the fee rates listed in the contract and to fees at similar properties.	
Taxes and Public Dues	3,074	Estimated based on property tax evaluation certificate and other documents	
Non-life Insurance Premiums	109	Estimated based on the insurance premium for the property and similar properties.	
Leasing Expenses	2,359	Administration fees on leasing, contract signing for new tenants and tenant renewals were estimated by referring to contract terms and fees in similar properties in the neighborhood. Leasing expenses were estimated by looking at how much is needed in leasing to new tenants and actual advertising cost for the past year.	
Repair Costs	2,624	Estimated repair costs by looking at the restitution cost per unit, percentage of cost borne by tenants, average expensing timing and level of restitution needed. Repair cost were estimated basing on actual figures for the past FY, cost in similar properties and referring to average annual repair and renewal costs listed in the engineering report.	
Other Expenses	0	No other expenses were included.	
Net Operating Income	40,598		
Earnings from Deposits	115	Assumed 1% per annum, by taking into consideration both investment yield and financing cost.	
Capital Expenditures	4,381	Estimated by referring to the level of capital expenditures in similar properties, building age and annual average of restoration expense listed on the engineering report.	
Net Cash Flow DCF Price	36,332		
Cap Rate	5.1%	The cap rate is estimated by adding the yield spread determined by locality, specifications and age of the building to the base yield as well as referring to actual cap rates in deals for similar properties.	
DCF Price	702,000		
Discount Rate	4.8%	The discount rate is estimated by comparing the discount rate used in actual deals for similar properties and reflecting the individual characteristics of the property.	
Terminal Cap Rate	5.2%	Added a premium on future risks.	
Cost Approach Value	419,000		
Land Ratio	61.5%		
Building Ratio	38.5%		
Other Matters of Consideration			
None			

5. Financial Impact on ADR in the Event of Failure to Fulfill Forward Commitment or Similar Agreement

Real estate sales transaction agreement (hereafter, “the Agreement”) for the assets-to-be-acquired will possibly constitute a forward commitment or similar agreement ^(Note 6) by an investment corporation as stipulated in “*The Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.*” by the Financial Services Agency.

In the event of a violation of provisions in the Agreement by ADR or the seller, the counterparty shall have the right to terminate the Agreement and claim an amount equivalent to 20% of the purchase price of the property as penalty.

However, under the Conveyance Agreement there is a condition precedent whereby ADR is required to procure funds for acquiring the asset-to-be-acquired. Therefore, if ADR cannot procure the acquisition fund the Conveyance Agreement will be annulled or can be terminated by ADR notifying the seller, and except where ADR is at fault, ADR is not obliged to pay the penalty.

(Note 6) Refers to a postdated purchase and sales agreement under which payment and property delivery shall be made at least 1 month after the conclusion of the agreement, or any other agreement similar thereof.

6. Seller Profile

The seller of the property is a domestic company whose name and details are not disclosed according to their wishes. The seller does not constitute a party having particular vested interest in ADR or ADIM.

7. Property Titleholder (for transactions with parties with special interest)

Omitted. Property is not acquired from parties with special interest.

8. Matters Concerning Earthquake Resistance

The validity of structural calculation document on the asset-to-be-acquired has been examined by a third-party inspector, Tokio Marine & Nichido Risk Consulting Co., Ltd. ADR has obtained the inspection results stating that no intentional manipulations, falsifications or other corruptions in the structural calculation document were found and that the structural calculation is deemed to have been performed in accordance with the law.

9. Broker Profile

ADR did not utilize a broker for the acquisition.

10. Future Outlook

The effect of the Acquisition on the management performance forecasts for fiscal periods ending July 2018 and January 2019 is negligible. Therefore, the forecasts remain unchanged.

[Supplementary Materials]

1. Status of the Portfolio After the Acquisition

Asset Size (based on acquisition price)	447.6 billion yen
No. of Properties	263 properties
No. of Leasable Units	21,246 units
Total Leasable Floor Area	789,410.52 m ²

Area Diversification	Acquisition Price	Share of Investment
P (Tokyo Central 7 Wards)	169.5 billion yen	37.9%
C (Tokyo 23 Wards Exclusive of Central 7 Wards)	149.6 billion yen	33.4%
Tokyo 23 Wards	319.2 billion yen	71.3%
S (Tokyo Metropolitan Area)	41.5 billion yen	9.3%
R (Major Regional Cities)	86.9 billion yen	19.4%
Other Regions	128.4billion yen	28.7%
Total	447.6billion yen	100.0%

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

[Provisional Translation Only]

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Should there be any discrepancies between this translation and the Japanese original, the latter shall prevail.

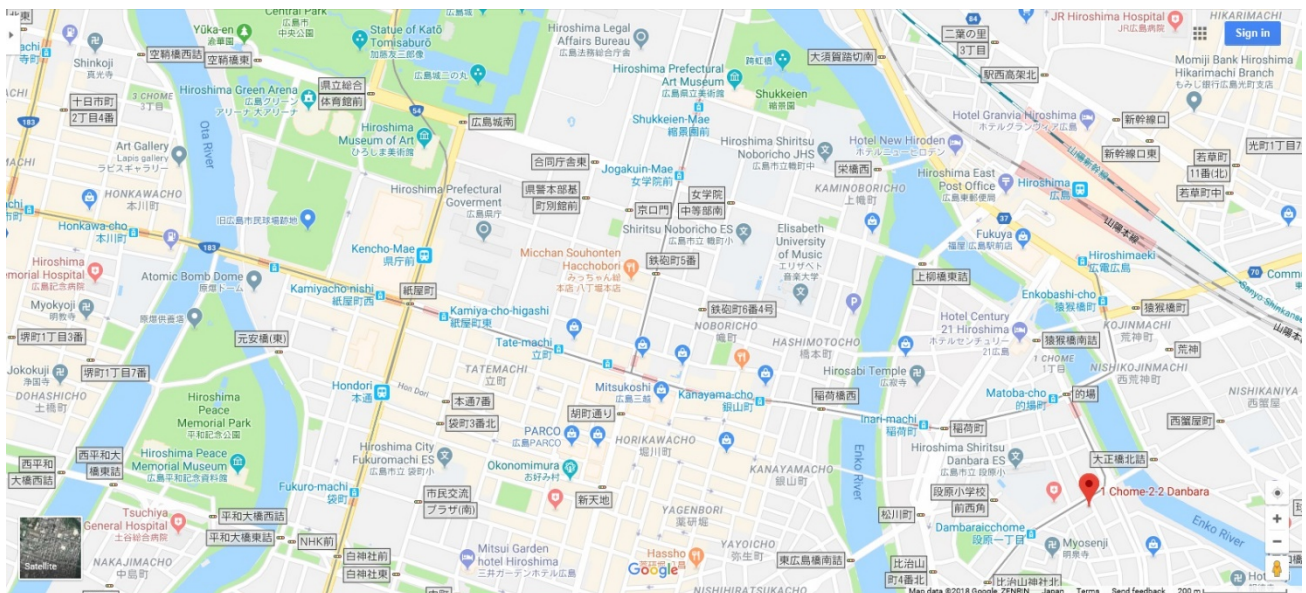
[Reference Material]

R-75) RESIDIA Hijiyama-Koen

Photo of the Asset-To-Be-Acquired



Map of the Asset-To-Be-Acquired



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