

For Immediate Release

Advance Residence Investment Corporation
Securities Code : 3269
1-105 Kanda-Jinbocho, Chiyoda-ku, Tokyo
Takeshi Takano, Executive Director

Asset Management Company:
AD Investment Management Co., Ltd.
Takeshi Takano, President

Inquiries:
Hirosi Kawakami, Managing Director, CFO
TEL. +81-3-3518-0480

Notice Concerning Acquisition of Investment Asset
(RESIDIA Nishi-Koyama and Five Other Properties)

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 assets located in Japan (hereafter, the “Acquisitions”) as detailed below as part of ADR’s growth strategy.

1. Details of the Acquisitions

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

No.	Property Number	Property Name	Proposed Acquisition Price ^(Note 1)	Building Age ^(Note 2)	NOI Yield ^(Note 3)	Yield after Depreciation ^(Note 4)
(1)	P-113	RESIDIA Nishi-Koyama	1,671 million yen	1.6 years	4.7%	4.1%
(2)	P-114	RESIDIA Minami-Shinagawa II	2,120 million yen	3.9 years	4.7%	4.1%
(3)	P-115	RESIDIA Kagurazaka II	1,110 million yen	3.1 years	4.6%	4.2%
(4)	C-90	RESIDIA Ikegami II	1,074 million yen	3.0 years	4.8%	4.1%
(5)	C-91	RESIDIA Sasazuka III	1,361 million yen	0.6 years	4.6%	4.0%
(6)	R-79	RESIDIA Sendai-Kamisugi	1,409 million yen	0.5 years	5.3%	4.1%
Total/Average ^(Note 5)			8,745 million yen	2.2 years	4.8%	4.1%

- (Note 1) The “Proposed Acquisition Price” indicates the purchase price for the property listed 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 2) The “Building Age” is the age of the building as of today, rounded at the second decimal point.
- (Note 3) 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 Proposed Acquisition Price × 100”. The calculated yields are rounded at the second decimal point.
- (Note 4) The “Yield after Depreciation” is calculated using the figures in the acquisition appraisal of asset-to-be-acquired. The calculation is as follows; “(Total Annualized NOI listed on the appraisal at the time of acquisition – depreciation) ÷ Total acquisition price × 100”.
The calculated yield is rounded at the second decimal point. Depreciation of the asset-to-be-acquired is calculated using same straight-line method as the portfolio and expect depreciation of 9,668 thousand yen (RESIDIA Nishi-Koyama), 14,031 thousand yen (RESIDIA Minami-Shinagawa II), 5,137 thousand yen (RESIDIA Kagurazaka II), 6,913 thousand yen (RESIDIA Ikegami II), 8,244 thousand yen (RESIDIA Sasazuka III), and 16,203 thousand yen (RESIDIA Sendai-Kamisugi) per annum.
- (Note 5) The average building age, NOI yield, and yield after depreciation are the weighted average of the proposed acquisition price, rounded at the second decimal point.

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

Under such an environment, ADR has succeeded in acquiring recently built properties located in the 23 wards of Tokyo and a property located in the center of Sendai, Miyagi Prefecture, which were developed by ITOCHU Corporation, the sponsor of ADIM. ADR has also succeeded in acquiring recently built properties located in the 23 wards of Tokyo from a third party. The average building age of the six properties to be acquired is 2.2 years, which is well below the average age of our entire portfolio ^(Note 6) of 13.2 years as of the end of FP July 2019, the average yield after depreciation is 4.1% and the proposed acquisition price is 85.8% of appraisal value. Therefore, we believe that these acquisitions contribute to the improvement of unitholders’ value.

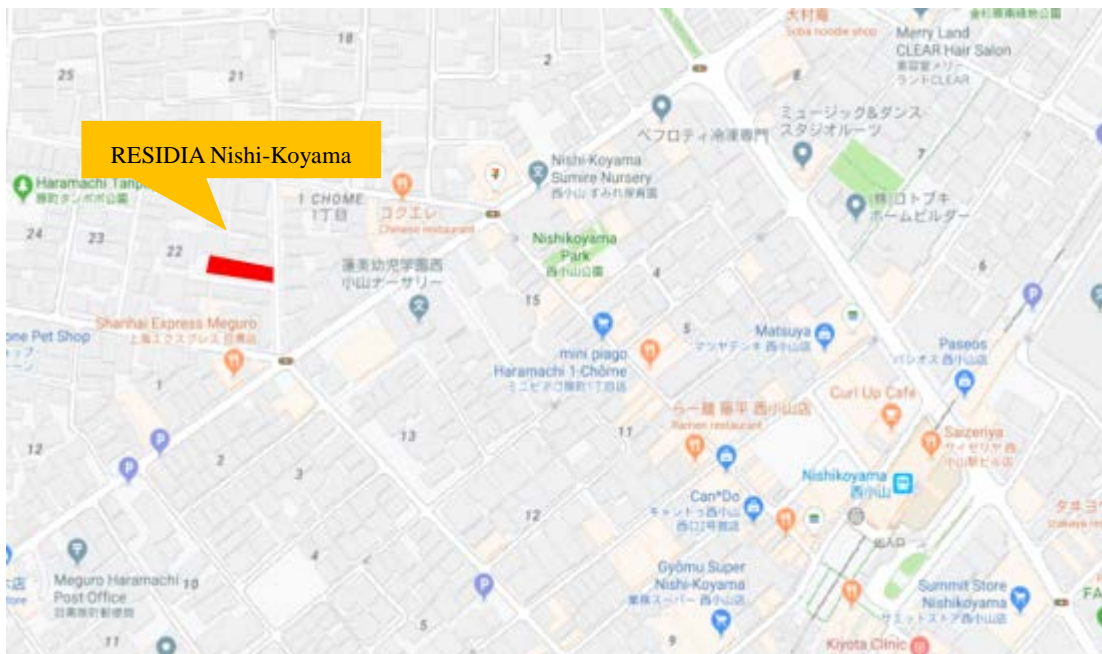
- (Note 6) The average building age of entire portfolio is the weighted average of the acquisition price, rounded at the second decimal point

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

No.	Property Name	Property Profile
(1)	RESIDIA Nishi-Koyama	The property is a 5-minute walk from “Nishi-Koyama” station on the Tokyu Meguro Line, and has relatively good access to “Shinagawa” station (approximately 18 minutes), which is a major station. In addition, it is close to the shopping district and various convenient facilities that are located within walking distance. It is highly convenient not only for families but also for singles.
(2)	RESIDIA Minami-Shinagawa II	The property is a 7-minute walk from “Aomono-Yokocho” station on the Keikyu Line, which is a limited express and express stop, and from the station to “Shinagawa” station, it takes approximately 4 minutes. In addition to the convenience store on the first floor of the property, there are various facilities such as daily goods stores in the vicinity, so it is highly convenient for singles and DINKS.

No.	Property Name	Property Profile
(3)	RESIDIA Kagurazaka II	The property is a 9-minute walk from “Iidabashi” station on the JR Chuo Sobu Line, Tokyo Metro Tozai Line, and others. Access to public transport is very good taking approximately 8 minutes to “Tokyo” station and approximately 6 minutes to “Otemachi” station from “Iidabashi” station. In addition to the convenience store on the first floor of the property, there are convenient facilities such as Kagurazaka shopping districts and hospitals in the vicinity. It is highly convenient for singles and DINKS who commute to central Tokyo.
(4)	RESIDIA Ikegami II	The property is an 8-minute walk from “Ikegami” station on the Tokyu Ikegami Line, and has relatively good access to “Shinagawa” station (approximately 20 minutes). In addition to the convenience store on the first floor of the property, there are various facilities such as daily goods stores in the vicinity, it is highly convenient for singles and DINKS.
(5)	RESIDIA Sasazuka III	The property is a 5-minute walk from “Daitabashi” station on the Keio Line, and approximately 8 minutes from the station to “Shinjuku” station, which is a terminal station. Since there are various convenient facilities such as daily goods stores in the vicinity, it is highly convenient for singles and DINKS who mainly commute to the Shinjuku area.
(6)	RESIDIA Sendai-Kamisugi	The property is an 8-minute walk from “Kotodai-Koen” station on the Sendai Municipal Subway Namboku Line, and approximately 3 minutes from the station to “Sendai” station. In addition, the commercial and business areas are within walking distance. It is highly convenient for singles who mainly value the good access to central Sendai.

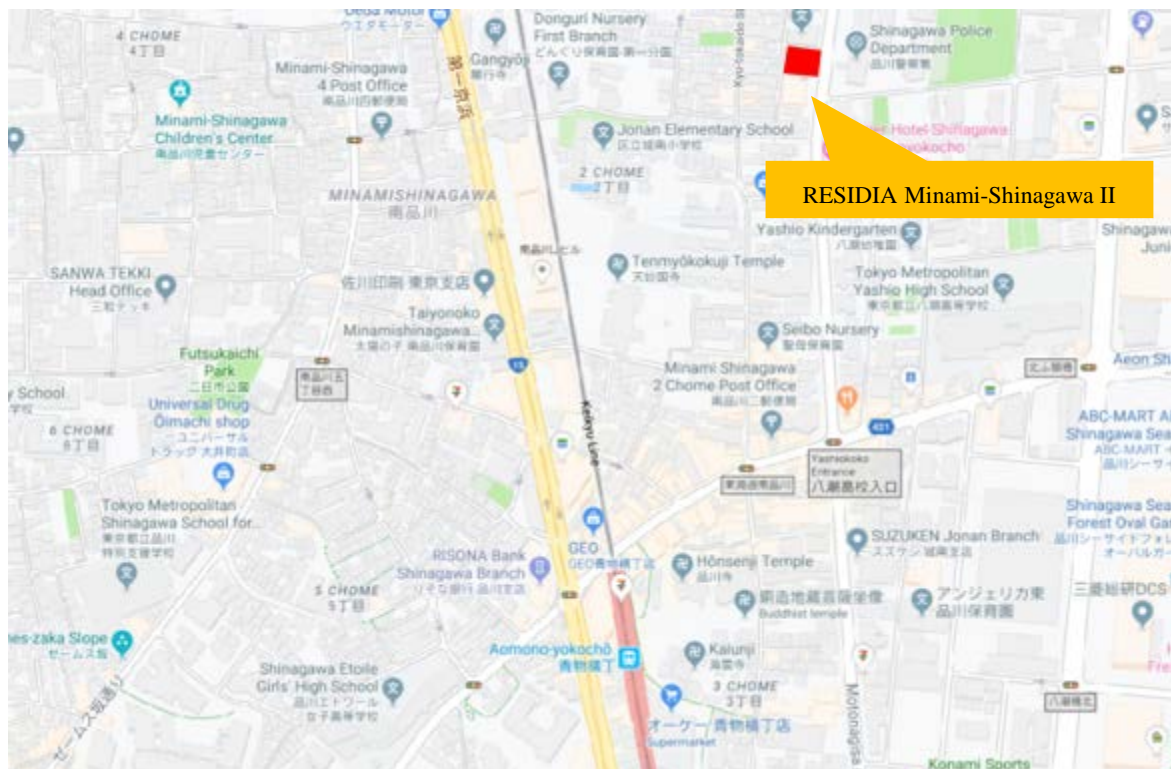
(1) P-113 RESIDIA Nishi-Koyama



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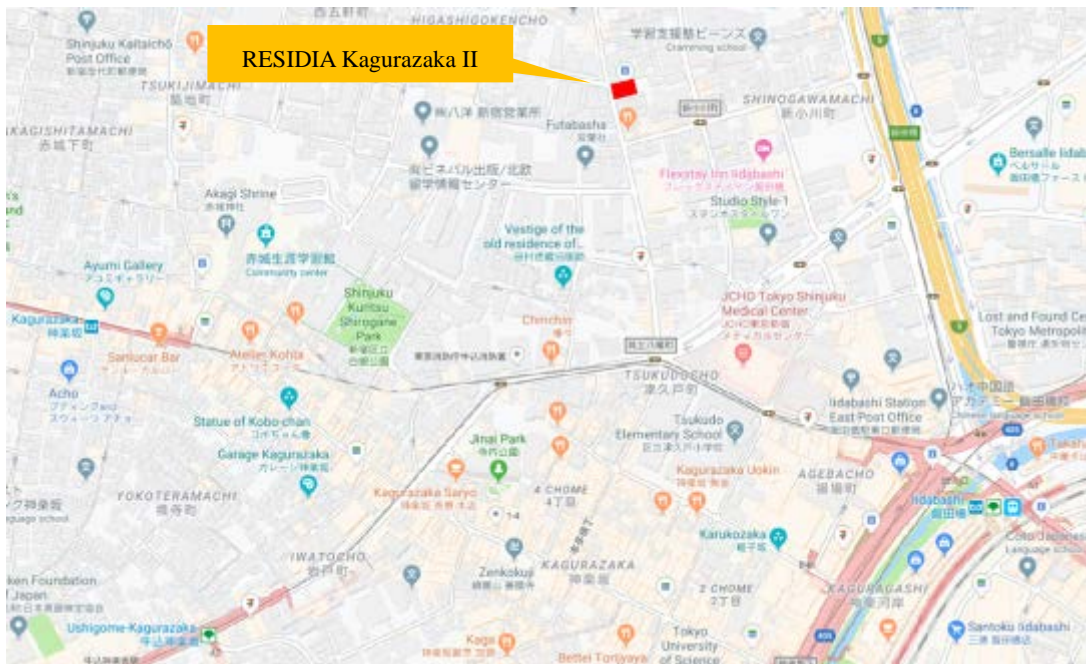
(2) P-114 RESIDIA Minami-Shinagawa II



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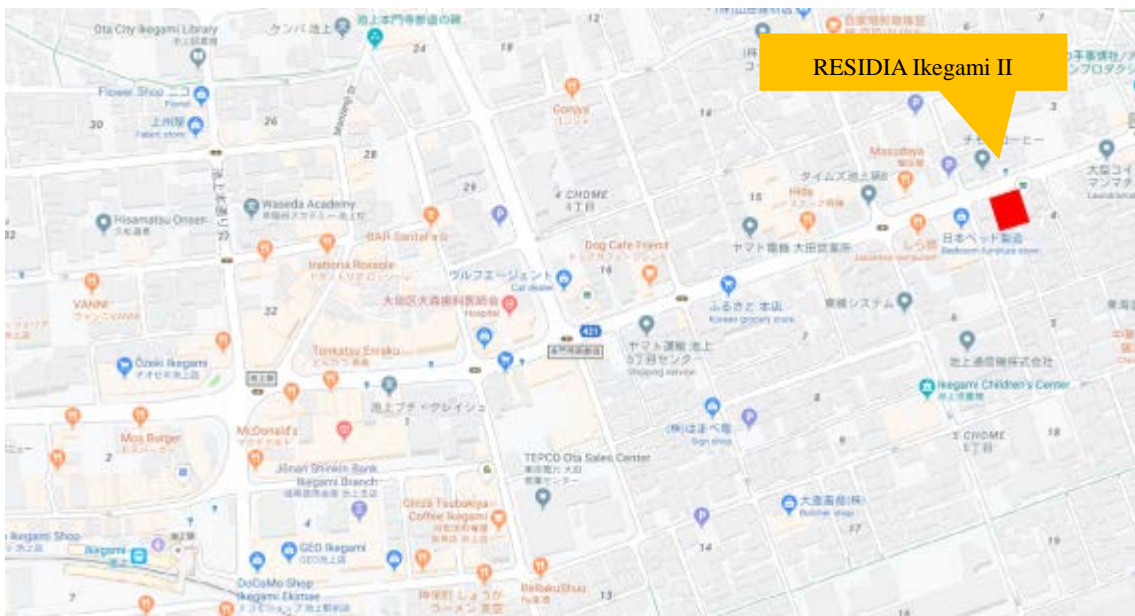
(3) P-115 RESIDIA Kagurazaka II



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(4) C-90 RESIDIA Ikegami II



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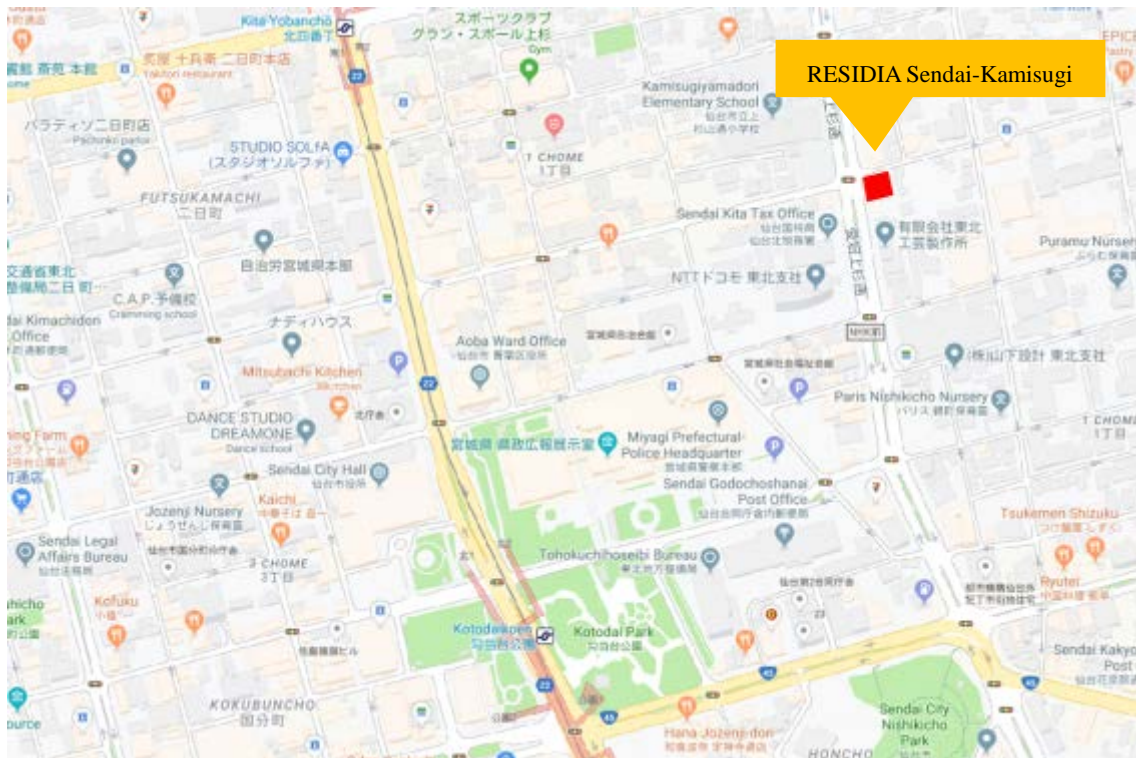
(5) C-91 RESIDIA Sasazuka III



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(6) R-79 RESIDIA Sendai-Kamisugi



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2. Acquisition Summary

Property Number	P-114	P-115	C-91	R-79
Name of The Asset-To-Be-Acquired	RESIDIA Minami-Shinagawa II	RESIDIA Kagurazaka II	RESIDIA Sasazuka III	RESIDIA Sendai-Kamisugi
Type of Asset	Real Estate	Real Estate	Real Estate	Real Estate
Proposed Acquisition Price (vs. Appraisal Value)	2,120 million yen (85.1%)	1,110 million yen (81.6%)	1,361 million yen (86.1%)	1,409 million yen (92.7%)
Real Estate Appraisal Value ^(Note 7)	2,490 million yen	1,360 million yen	1,580 million yen	1,520 million yen
Seller	ITOCHU Corporation			
Scheduled Contract Date	September 10, 2019			
Scheduled Acquisition Date	March 23, 2020 or a date to be separately agreed upon with the Seller (no later than April 22, 2020)			
Acquisition Financing	Proceeds from issuance of new investment units (planned)			
Payment Method	Full payment on delivery			
Collateral	None			

Property Number	P-113	C-90
Name of The Asset-To-Be-Acquired	RESIDIA Nishi-Koyama	RESIDIA Ikegami II
Type of Asset	Beneficiary Interests in Trust	Beneficiary Interests in Trust
Proposed Acquisition Price (vs. Appraisal Value)	1,671 million yen (83.6%)	1,074 million yen (86.6%)
Real Estate Appraisal Value ^(Note 7)	2,000 million yen	1,240 million yen
Seller	Not disclosed	
Scheduled Contract Date	September 10, 2019	
Scheduled Acquisition Date	November 1, 2019	
Acquisition Financing	Proceeds from issuance of new investment units (planned)	
Payment Method	Full payment on delivery	
Collateral	None	

(Note 7) Appraisal Date is July 1, 2019.

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

No.	(1)	(2)
Property Number	P-113	P-114
Name of The Asset-To-Be-Acquired	RESIDIA Nishi-Koyama	RESIDIA Minami-Shinagawa II
Address	1-22-3 Haramachi, Meguro-ku, Tokyo	2-15-10 Minami shinagawa, Shinagawa-ku, Tokyo

Land		
Type of Ownership	Proprietary ownership (the private road burden (lot number 1217-1) is a 3/5th share.)	Proprietary ownership
Site Area	1,013.48m ² (not include the area equivalent to the shared interest in the private road burden) ^(#1)	743.91m ² ^(#2)
Zoning	Neighborhood commercial district, Category 1 residential district	Quasi-industrial districts
FAR / Building Coverage Ratio	300%/80%, 200%/60%	300%/60%

Building		
Type of Ownership	Proprietary ownership	Proprietary ownership
Total Floor Area	2,514.87m ²	2,549.22m ²
Structure / Floors	Reinforced concrete with flat roof / 4 floors	Reinforced concrete with flat roof / 8 floors
Use	Multi-family housing	Multi-family housing / Stores
Construction Completion Date	January, 2018	October, 2015
Building Inspector	Urban Residential Evaluation Center Co., Ltd.	JAPAN ERI Co., Ltd.
Building Designer	GODA KOUMUTEN Co., Ltd	GODA KOUMUTEN Co., Ltd
Structural Engineer	CROSS Factory Co., Ltd	CROSS Factory Co., Ltd
Construction Contractor	GODA KOUMUTEN Co., Ltd	GODA KOUMUTEN Co., Ltd

Trustee	Sumitomo Mitsui Trust Bank, Limited	-
Trust Contract Period	to April 20, 2028	-
Property Manager	ITOCHU Urban Community Ltd.	ITOCHU Urban Community Ltd.
Master Lessee	ITOCHU Urban Community Ltd.	ITOCHU Urban Community Ltd.
Master Lease type	Pass-through	Pass-through

Summary of Building Conditions Inspection Report		
Inspector	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Tokio Marine & Nichido Risk Consulting Co., Ltd.
Inspection Date	June 27, 2019	June 27, 2019
Emergency Repair Costs	-	-
Short-term Repair Costs (within 1 year)	-	-
Long-term Repair Costs (next 12 years)	20,810 thousand yen	26,322 thousand yen
Building Replacement Price	542 million yen	557 million yen

Earthquake PML	6.4%	9.4%
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Lease Conditions		
Point in Time	July 31, 2019	July 31, 2019
Total Tenants	1	1
Leasable Units	56	83
Leased Units	56	82
Leasable Floor Area	1,875.51m ²	2,127.59m ²
Leased Floor Area	1,875.51m ²	2,107.30m ²
Occupancy Rate (based on floor area)	100.0%	99.0%
Monthly Rent (including common service charges)	7,921 thousand yen	9,806 thousand yen
Deposits, Guarantees, etc.	7,349 thousand yen	17,084 thousand yen

Number of Units by Type		
Single	35	72
Compact	8	10
Family	13	0
Large	0	0
Dormitory	0	0
Other	0	1

Special Notation		
	None	None

(#1) Includes a portion of private road burden of approximately 17.39m².

(#2) Includes a setback portion of approximately 14.31m² and a sidewalk area of approximately 42.68m²

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No.	(3)	(4)
Property Number	P-115	C-90
Name of The Asset-To-Be-Acquired	RESIDIA Kagurazaka II	RESIDIA Ikegami II
Address	8-9 Shin-Ogawamachi, Shinjuku-ku, Tokyo	5-4-2, Ikegami, Ota-ku, Tokyo

Land		
Type of Ownership	Proprietary ownership (1/12 ownership of the private road burden, lot number 227-1)	Proprietary ownership
Site Area	396.69m ² (does not include the area equivalent to the interest in the private road burden)	436.36m ²
Zoning	Quasi-industrial districts	Neighborhood commercial district, Category 1 residential district
FAR / Building Coverage Ratio	300%/60%	300%/80%、200%/60%

Building		
Type of Ownership	Proprietary ownership	Proprietary ownership
Total Floor Area	1,091.12m ²	1,534.90m ²
Structure / Floors	Reinforced concrete with flat roof / 5 floors	Reinforced concrete with flat roof / 9 floors
Use	Multi-family housing / Stores	Multi-family housing / Stores
Construction Completion Date	August, 2016	September, 2016
Building Inspector	Urban Residential Evaluation Center Co., Ltd	JAPAN ERI Co., Ltd.
Building Designer	Freecs Co.,Ltd.	Matsuo Construction Co., Ltd
Structural Engineer	Atlas Design Co., Ltd.	S&F Planning Co., Ltd
Construction Contractor	Fuetsu Construction Co., Ltd.	Matsuo Construction Co., Ltd

Trustee	-	Sumitomo Mitsui Trust Bank, Limited
Trust Contract Period	-	to April 20, 2028
Property Manager	ITOCHU Urban Community Ltd.	ITOCHU Urban Community Ltd.
Master Lessee	ITOCHU Urban Community Ltd.	ITOCHU Urban Community Ltd.
Master Lease type	Pass-through	Pass-through

Summary of Building Conditions Inspection Report		
Inspector	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Tokio Marine & Nichido Risk Consulting Co., Ltd.
Inspection Date	June 24, 2019	June 27, 2019
Emergency Repair Costs	-	-
Short-term Repair Costs (within 1 year)	-	-
Long-term Repair Costs (next 12 years)	7,284 thousand yen	13,739 thousand yen
Building Replacement Price	234 million yen	345 million yen

Earthquake PML	4.3%	5.4%
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Lease Conditions		
Point in Time	July 31, 2019	July 31, 2019
Total Tenants	1	1
Leasable Units	23	42
Leased Units	20	42
Leasable Floor Area	898.65m ²	1,253.96m ²
Leased Floor Area	777.72m ²	1,253.96m ²
Occupancy Rate (based on floor area)	86.5%	100.0%
Monthly Rent (including common service charges)	4,467 thousand yen	5,304 thousand yen
Deposits, Guarantees, etc.	21,159 thousand yen	15,659 thousand yen

Number of Units by Type		
Single	8	34
Compact	13	7
Family	1	0
Large	0	0
Dormitory	0	0
Other	1	1

Special Notation		
	None	None

No.	(5)	(6)
Property Number	C-91	R-79
Name of The Asset-To-Be-Acquired	RESIDIA Sasazuka III	RESIDIA Sendai-Kamisugi
Address	1-6, Honan 1-chome, Suginami-ku, Tokyo	3-3-28 Uesugi, Aoba-ku, Sendai City, Miyagi Prefecture

Land		
Type of Ownership	Proprietary ownership	Proprietary ownership
Site Area	280.59m ²	638.13m ²
Zoning	Commercial districts	Commercial districts
FAR / Building Coverage Ratio	500%/80%	400%/80%

Building		
Type of Ownership	Proprietary ownership	Proprietary ownership
Total Floor Area	1,670.21m ²	2,597.53m ²
Structure / Floors	Reinforced concrete with flat roof / 13 floors	Reinforced concrete with flat roof / 14 floors
Use	Multi-family housing/Stores	Multi-family housing/Stores
Construction Completion Date	February, 2019	March, 2019
Building Inspector	J Architecture Inspection Center Co., Ltd.	JAPAN ERI Co., Ltd.
Building Designer	GODA KOUMUTEN Co., Ltd	M's Planning and Design Co., Ltd.
Structural Engineer	CROSS Factory Co.,Ltd	Dan structural design office
Construction Contractor	GODA KOUMUTEN Co., Ltd	Sato Kogyo Co., Ltd

Trustee	-	-
Trust Contract Period	-	-
Property Manager	ITOCHU Urban Community Ltd.	HASEKO LIVENET, Inc.
Master Lessee	ITOCHU Urban Community Ltd.	HASEKO LIVENET, Inc.
Master Lease type	Pass-through	Pass-through

Summary of Building Conditions Inspection Report		
Inspector	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Tokio Marine & Nichido Risk Consulting Co., Ltd.
Inspection Date	June 24, 2019	July 1, 2019
Emergency Repair Costs	-	-
Short-term Repair Costs (within 1 year)	-	-
Long-term Repair Costs (next 12 years)	11,672 thousand yen	24,985 thousand yen
Building Replacement Price	383 million yen	610 million yen

Earthquake PML	4.3%	2.4%
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Lease Conditions		
Point in Time	July 31, 2019	July 31, 2019
Total Tenants	1	1
Leasable Units	44	92
Leased Units	36	47
Leasable Floor Area	1,362.31m ²	2,427.32m ²
Leased Floor Area	1,144.20m ²	1,318.44m ²
Occupancy Rate (based on floor area)	84.0%	54.3% (*)
Monthly Rent (including common service charges)	5,795 thousand yen	4,328 thousand yen
Deposits, Guarantees, etc.	12,360 thousand yen	5,579 thousand yen

Number of Units by Type		
Single	35	91
Compact	8	0
Family	0	0
Large	0	0
Dormitory	0	0
Other	1	1

Special Notation		
	None	None

(*) The reason why the occupancy rate was low as of July 31, 2019, is because the building was completed on March 15, 2019 and leasing only started after the busy leasing season

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. (https://www.adr-reit.com/src/financial/notice_acquisition_e.pdf)

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4. Appraisal Report Summary

(1) P-113 RESIDIA Nishi-Koyama

Name of Property	RESIDIA Nishi-Koyama	Appraisal Date	July 1, 2019
Appraiser	Japan Real Estate Institute	Appraisal Value	2,000,000 thousand yen
Appraisal Items	Appraised Value (thousand yen)	Basis	
Income Capitalization Approach Value	2,000,000	Income capitalization value is estimated using DCF method along with direct capitalization method for verification.	
Direct Capitalization Price	2,030,000		
Total Potential Income	100,596		
Rent Income	97,788	Based on the current rent and the assumed rent when newly rented, estimated the rent that can be stably received over the medium to long term.	
Other Income	2,808	Estimate on average tenant replacement rate and average turnover period.	
Total Effective Income	96,052		
Losses from Vacancies, etc.	4,544	Referred to similar properties to estimate the medium to long-term stabilized vacancy rate.	
Bad Debts Losses	-	Taking into account of tenant situation, no losses was assumed.	
Expenses from Rental Business	17,665		
Maintenance and Management Fees	2,100	Estimated by referring to past fiscal year's figures and fees for similar properties and taking into account of property's specific characteristics.	
Utilities Costs	700	Estimated by referring to past fiscal year's figures, cost of similar properties and taking into account of property's specific characteristics.	
Management Commission Fees	1,867	Estimated by referring to planned contract fee terms, fees on similar properties and taking into account of property's specific characteristics.	
Taxes and Public Dues	6,782	Estimate on depreciable asset tax was based on submitted materials.	
Insurance Premiums	125	Estimated basing on contract insurance premium for the property and referring to insurance premiums for similar properties.	
Leasing Expenses	3,806	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 FY leasable. Renewal fees were estimated by looking at how much fee is paid at the time of renewal and considering the expected turnover rate and vacancy rate.	
Repair Costs (including restoration fees)	1,317	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	968	Internet usage fee	
Net Operating Income	78,387		
Earnings from Deposits	71	Assumed 1.0% per annum, by taking into consideration both investment yield and financing cost.	
Capital Expenditures	1,214	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	77,244		
Cap Rate	3.8%	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	1,970,000		
Discount Rate	3.6%	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	4.0%	Estimated by comprehensively considering future trends in investment yield, risk factors of the property as an investment, general forecast on economic growth and general price trend in the real estate market.	
Cost approach value	2,130,000		
Land Ratio	73.8%		
Building Ratio	26.2%		
Other Matters of Consideration			
None			

(2) P-114 RESIDIA Minami-Shinagawa II

Name of Property	RESIDIA Minami-Shinagawa II	Appraisal Date	July 1, 2019
Appraiser	Japan Real Estate Institute	Appraisal Value	2,490,000 thousand yen
Appraisal Items	Appraised Value (thousand yen)	Basis	
Income Capitalization Approach Value	2,490,000	Income capitalization value is estimated using DCF method along with direct capitalization method for verification.	
Direct Capitalization Price	2,530,000		
Total Potential Income	123,779		
Rent Income	118,914	Based on the current rent and the assumed rent when newly rented, estimated the rent that can be stably received over the medium to long term.	
Other Income	4,865	Estimate on average tenant replacement rate and average turnover period.	
Total Effective Income	119,003		
Losses from Vacancies, etc.	4,776	Referred to similar properties to estimate the medium to long-term stabilized vacancy rate.	
Bad Debts Losses	-	Taking into account of tenant situation, no losses was assumed.	
Expenses from Rental Business	18,996		
Maintenance and Management Fees	4,020	Estimated by referring to past fiscal year's figures and fees for similar properties and taking into account of property's specific characteristics.	
Utilities Costs	750	Estimated by referring to past fiscal year's figures, cost of similar properties and taking into account of property's specific characteristics.	
Management Commission Fees	2,188	Estimated by referring to planned contract fee terms, fees on similar properties and taking into account of property's specific characteristics.	
Taxes and Public Dues	5,981	Estimate on depreciable asset tax was based on submitted materials.	
Insurance Premiums	115	Estimated basing on contract insurance premium for the property and referring to insurance premiums for similar properties.	
Leasing Expenses	4,343	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 FY leasable. Renewal fees were estimated by looking at how much fee is paid at the time of renewal and considering the expected turnover rate and vacancy rate.	
Repair Costs (including restoration fees)	1,533	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	106	Neighborhood association fee	
Net Operating Income	100,037		
Earnings from Deposits	166	Assumed 1.0% per annum, by taking into consideration both investment yield and financing cost.	
Capital Expenditures	1,536	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	98,667		
Cap Rate	3.9%	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	2,440,000		
Discount Rate	3.7%	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	4.1%	Estimated by comprehensively considering future trends in investment yield, risk factors of the property as an investment, general forecast on economic growth and general price trend in the real estate market.	
Cost approach value	2,300,000		
Land Ratio	72.9%		
Building Ratio	27.1%		
Other Matters of Consideration			
None			

(3) P-115 RESIDIA Kagurazaka II

Name of Property	RESIDIA Kagurazaka II	Appraisal Date	July 1, 2019
Appraiser	Japan Real Estate Institute	Appraisal Value	1,360,000 thousand yen
Appraisal Items	Appraised Value (thousand yen)	Basis	
Income Capitalization Approach Value	1,360,000	Income capitalization value is estimated using DCF method along with direct capitalization method for verification.	
Direct Capitalization Price	1,380,000		
Total Potential Income	62,116		
Rent Income	60,292	Based on the current rent and the assumed rent when newly rented, estimated the rent that can be stably received over the medium to long term.	
Other Income	1,824	Estimate on average tenant replacement rate and average turnover period.	
Total Effective Income	59,456		
Losses from Vacancies, etc.	2,660	Referred to similar properties to estimate the medium to long-term stabilized vacancy rate.	
Bad Debts Losses	-	Taking into account of tenant situation, no losses was assumed.	
Expenses from Rental Business	8,029		
Maintenance and Management Fees	1,842	Estimated by referring to past fiscal year's figures and fees for similar properties and taking into account of property's specific characteristics.	
Utilities Costs	320	Estimated by referring to past fiscal year's figures, cost of similar properties and taking into account of property's specific characteristics.	
Management Commission Fees	939	Estimated by referring to planned contract fee terms, fees on similar properties and taking into account of property's specific characteristics.	
Taxes and Public Dues	2,693	Estimate on depreciable asset tax was based on submitted materials.	
Insurance Premiums	49	Estimated basing on contract insurance premium for the property and referring to insurance premiums for similar properties.	
Leasing Expenses	1,650	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 FY leasable. Renewal fees were estimated by looking at how much fee is paid at the time of renewal and considering the expected turnover rate and vacancy rate.	
Repair Costs (including restoration fees)	500	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	36	Neighborhood association fee	
Net Operating Income	51,427		
Earnings from Deposits	208	Assumed 1.0% per annum, by taking into consideration both investment yield and financing cost.	
Capital Expenditures	425	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	51,210		
Cap Rate	3.7%	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	1,330,000		
Discount Rate	3.5%	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	3.9%	Estimated by comprehensively considering future trends in investment yield, risk factors of the property as an investment, general forecast on economic growth and general price trend in the real estate market.	
Cost approach value	1,290,000		
Land Ratio	80.3%		
Building Ratio	19.7%		
Other Matters of Consideration			
None			

(4) C-90 RESIDIA Ikegami II

Name of Property	RESIDIA Ikegami II	Appraisal Date	July 1, 2019
Appraiser	Japan Real Estate Institute	Appraisal Value	1,240,000 thousand yen
Appraisal Items	Appraised Value (thousand yen)	Basis	
Income Capitalization Approach Value	1,240,000	Income capitalization value is estimated using DCF method along with direct capitalization method for verification.	
Direct Capitalization Price	1,260,000		
Total Potential Income	65,475		
Rent Income	63,648	Based on the current rent and the assumed rent when newly rented, estimated the rent that can be stably received over the medium to long term.	
Other Income	1,827	Estimate on average tenant replacement rate and average turnover period.	
Total Effective Income	63,000		
Losses from Vacancies, etc.	2,475	Referred to similar properties to estimate the medium to long-term stabilized vacancy rate.	
Bad Debts Losses	-	Taking into account of tenant situation, no losses was assumed.	
Expenses from Rental Business	11,918		
Maintenance and Management Fees	2,966	Estimated by referring to past fiscal year's figures and fees for similar properties and taking into account of property's specific characteristics.	
Utilities Costs	700	Estimated by referring to past fiscal year's figures, cost of similar properties and taking into account of property's specific characteristics.	
Management Commission Fees	1,085	Estimated by referring to planned contract fee terms, fees on similar properties and taking into account of property's specific characteristics.	
Taxes and Public Dues	4,207	Estimate on depreciable asset tax was based on submitted materials.	
Insurance Premiums	74	Estimated basing on contract insurance premium for the property and referring to insurance premiums for similar properties.	
Leasing Expenses	2,030	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 FY leasable. Renewal fees were estimated by looking at how much fee is paid at the time of renewal and considering the expected turnover rate and vacancy rate.	
Repair Costs (including restoration fees)	853	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	3	Telephon/power pole joint usage charge	
Net Operating Income	51,082		
Earnings from Deposits	152	Assumed 1.0% per annum, by taking into consideration both investment yield and financing cost.	
Capital Expenditures	802	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	50,432		
Cap Rate	4.0%	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	1,220,000		
Discount Rate	3.8%	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	4.2%	Estimated by comprehensively considering future trends in investment yield, risk factors of the property as an investment, general forecast on economic growth and general price trend in the real estate market.	
Cost approach value	1,120,000		
Land Ratio	72.2%		
Building Ratio	27.8%		
Other Matters of Consideration			
None			

(5) C-91 RESIDIA Sasazuka III

Name of Property	RESIDIA Sasazuka III	Appraisal Date	July 1, 2019
Appraiser	Japan Real Estate Institute	Appraisal Value	1,580,000 thousand yen
Appraisal Items	Appraised Value (thousand yen)	Basis	
Income Capitalization Approach Value	1,580,000	Income capitalization value is estimated using DCF method along with direct capitalization method for verification.	
Direct Capitalization Price	1,610,000		
Total Potential Income	80,933		
Rent Income	79,180	Based on the current rent and the assumed rent when newly rented, estimated the rent that can be stably received over the medium to long term.	
Other Income	1,753	Estimate on average tenant replacement rate and average turnover period.	
Total Effective Income	77,237		
Losses from Vacancies, etc.	3,696	Referred to similar properties to estimate the medium to long-term stabilized vacancy rate.	
Bad Debts Losses	-	Taking into account of tenant situation, no losses was assumed.	
Expenses from Rental Business	13,960		
Maintenance and Management Fees	3,366	Estimated by referring to past fiscal year's figures and fees for similar properties and taking into account of property's specific characteristics.	
Utilities Costs	760	Estimated by referring to past fiscal year's figures, cost of similar properties and taking into account of property's specific characteristics.	
Management Commission Fees	1,343	Estimated by referring to planned contract fee terms, fees on similar properties and taking into account of property's specific characteristics.	
Taxes and Public Dues	4,108	Estimate on depreciable asset tax was based on submitted materials.	
Insurance Premiums	80	Estimated basing on contract insurance premium for the property and referring to insurance premiums for similar properties.	
Leasing Expenses	2,634	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 FY leasable. Renewal fees were estimated by looking at how much fee is paid at the time of renewal and considering the expected turnover rate and vacancy rate.	
Repair Costs (including restoration fees)	843	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	826	Internet usage fee, neighborhood association fee	
Net Operating Income	63,277		
Earnings from Deposits	126	Assumed 1.0% per annum, by taking into consideration both investment yield and financing cost.	
Capital Expenditures	681	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	62,722		
Cap Rate	3.9%	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	1,550,000		
Discount Rate	3.7%	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	4.1%	Estimated by comprehensively considering future trends in investment yield, risk factors of the property as an investment, general forecast on economic growth and general price trend in the real estate market.	
Cost approach value	1,500,000		
Land Ratio	73.0%		
Building Ratio	27.0%		
Other Matters of Consideration			
None			

(6) R-79 RESIDIA Sendai-Kamisugi

Name of Property	RESIDIA Sendai-Kamisugi	Appraisal Date	July 1, 2019
Appraiser	Japan Real Estate Institute	Appraisal Value	1,520,000 thousand yen
Appraisal Items	Appraised Value (thousand yen)	Basis	
Income Capitalization Approach Value	1,520,000	Income capitalization value is estimated using DCF method along with direct capitalization method for verification.	
Direct Capitalization Price	1,520,000		
Total Potential Income	100,521		
Rent Income	96,532	Based on the current rent and the assumed rent when newly rented, estimated the rent that can be stably received over the medium to long term.	
Other Income	3,989	Estimate on average tenant replacement rate and average turnover period.	
Total Effective Income	94,328		
Losses from Vacancies, etc.	6,193	Referred to similar properties to estimate the medium to long-term stabilized vacancy rate.	
Bad Debts Losses	-	Taking into account of tenant situation, no losses was assumed.	
Expenses from Rental Business	19,775		
Maintenance and Management Fees	1,950	Estimated by referring to past fiscal year's figures and fees for similar properties and taking into account of property's specific characteristics.	
Utilities Costs	1,320	Estimated by referring to past fiscal year's figures, cost of similar properties and taking into account of property's specific characteristics.	
Management Commission Fees	2,541	Estimated by referring to planned contract fee terms, fees on similar properties and taking into account of property's specific characteristics.	
Taxes and Public Dues	6,554	Estimate on depreciable asset tax was based on submitted materials.	
Insurance Premiums	126	Estimated basing on contract insurance premium for the property and referring to insurance premiums for similar properties.	
Leasing Expenses	3,538	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 FY leasable. Renewal fees were estimated by looking at how much fee is paid at the time of renewal and considering the expected turnover rate and vacancy rate.	
Repair Costs (including restoration fees)	1,640	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	2,106	Non-premises parking lot rental fee	
Net Operating Income	74,553		
Earnings from Deposits	85	Assumed 1.0% per annum, by taking into consideration both investment yield and financing cost.	
Capital Expenditures	1,457	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	73,181		
Cap Rate	4.8%	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	1,510,000		
Discount Rate	4.5%	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	4.9%	Estimated by comprehensively considering future trends in investment yield, risk factors of the property as an investment, general forecast on economic growth and general price trend in the real estate market.	
Cost approach value	1,510,000		
Land Ratio	48.7%		
Building Ratio	51.3%		
Other Matters of Consideration			
None			

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

Sales and purchase agreement (hereafter, “the Agreement”) for the assets-to-be-acquired will constitute a forward commitment or similar agreement^(Note 8) by ADR 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 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 funds, the Agreement will be annulled or can be terminated by ADR by notifying the seller, and except where ADR is at fault, ADR is not obliged to pay the penalty.

(Note 8) Refers to a postdated sales and purchase 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. 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 Proposed Acquisition Price × 100”. The calculated yields are rounded at the second decimal point.

6. Seller Profile

- (1) P-114 RESIDIA Minami-Shinagawa II, P-115 RESIDIA Kagurazaka II, C-91 RESIDIA Sasazuka III, R-79 RESIDIA Sendai-Kamisugi

Trade name	ITOCHU Corporation
Head Office location	3-1-3 Umeda, Kita-ku, Osaka-shi, Osaka
Representative	Suzuki Yoshihisa, President and Chief Operating Officer
Principal business	ITOCHU Corporation is involved in domestic trading, import / export, and overseas trading of various such as textile, machinery, metals, minerals, energy, chemicals, food, general product, realty, information and communications technology, and finance, as well as business investment in Japan and overseas.
Capital	253,448 million yen
Date of the establishment	December 1, 1949
Total Assets	10,098,703 million yen (as of March, 2019)
Total Shareholders' Equity	2,936,908 million yen (as of March, 2019)
Total Equity	3,690,116 million yen (as of March, 2019)
Large shareholder	Japan Trustee Services Bank, Ltd. (Tr.Acc.) (as of March, 2019)
Relationship with ADR or ADIM	
Equity relations	As of the end of July 2019, the seller held 2.6% of the outstanding investment units of ADR. It is also a shareholder of ADIM and thus constitutes an interested party under <i>The Act on Investment Trusts and Investment Corporations</i> .
Personal relations	As of the end of July 2019, there is no ADIM personnel that are seconded from the seller.
Business relations	Amount of assets dealt during the fiscal period ended July 2019 is as below. Purchase 0 yen / Sale 0 yen
Related parties status	The seller is a parent company of ADIM as such it falls under the category of a related party of ADIM.

(2) P-113 RESIDIA Nishi-Koyama, C-90 RESIDIA Ikegami II

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

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

(1) P-114 RESIDIA Minami-Shinagawa II, P-115 RESIDIA Kagurazaka II, C-91 RESIDIA Sasazuka III, R-79 RESIDIA Sendai-Kamisugi

Properties titleholders	Current Titleholder	Previous Titleholder
Name of company/individual	ITOCHU Corporation	-
Relationship with party having particular vested interest	A related party as defined in the ADIM's rules	-
Acquisition background, reason, etc.	To develop rental housing	-
Acquisition price	(*)	-
Delivery timing	-	-

(*) The acquisition price is not listed because it is a property developed by the current titleholder.

(2) P-113 RESIDIA Nishi-Koyama, C-90 RESIDIA Ikegami II
Omitted. Property is not acquired from parties with special interest.

8. Disclosures on ADIM's Vested Interest Concerning the Asset-to-be-acquired

- (1) Upon transaction with parties with vested interest, who are listed in the above section, "Property Titleholders (for transactions with parties with special relations)," transaction approval procedures stipulated in ADIM's rules on "Rules Regarding Related Party Transaction" have been performed.
- (2) ADR is scheduled to execute a master lease agreement and delegate property management services regarding the assets-to-be-acquired (excluding RESIDIA Sendai-Kamisugi) to ITOCHU Urban Community Ltd. (IUC), who is a related party of ADIM. Accordingly, the transaction approval procedures stipulated in ADIM's rules on "Rules Regarding Related Party Transaction" will be performed.

9. Matters Concerning Earthquake Resistance

ADR received notifications that the structural calculation documents for the assets to-be-acquired conform to "the Building Standard Act" enacted on June 2007, from the designated structural inspection institute.

10. Broker Profile

No broker was employed in the transactions.

11. Future Outlook

Please refer to the “Notice Concerning the Revision of Management Performance Forecast for Fiscal Period Ending January 2020 (FP19) and the Management Performance Forecast for Fiscal Period Ending July 2020 (FP20)” dated September 10, 2019.

About Advance Residence Investment Corporation

Advance Residence Investment Corporation is the largest residential J-REIT, investing in over 260 rental apartments located mostly in central Tokyo and in other major cities throughout Japan (AUM over 400 billion yen). ADR can be expected have a stable dividend in the long-term and can be considered as a defensive J-REIT, on back of the stable income from residential assets and with the largest dividend reserve among J-REITs. ADR's website: <https://www.adr-reit.com/en/>

[Provisional Translation Only]

English translation of the original Japanese document is provided solely for information purposes.

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