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For Immediate Release

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Notice Concerning Acquisition of Investment Asset (RESIDIA Nakano-Fujimidai)

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 located 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 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.

Name of The Asset-To-Be-Acquired (Note 1)	RESIDIA Nakano-Fujimidai (Beneficiary Interests in Trust)
Proposed Acquisition Price (Price / Appraisal ratio) (Note 2)	1,684 million yen (93.6%)
Real Estate Appraisal Value (Note 3)	1,800 million yen
NOI Yield (Note 4)	4.7%
Yield after Depreciation (Note 5)	4.1%
Building Age (Note 6)	10.6 years
Seller	Nomura Real Estate Building Co., Ltd.
Scheduled Contract Date	September 29, 2020
Scheduled Acquisition Date	December 1, 2020 or a date to be separately agreed upon with the Counterparty
Acquisition Financing (Payment Method)	debt and cash-on-hand (full payment on delivery)
Collateral	none

(Note 1) The name of the property is scheduled to be changed after the acquisition is completed to the name listed. The name of the property is currently “Arendal Kamisaginomiya”

(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) Appraisal Date is August 31, 2020

(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 is calculated using same straight-line method as the portfolio and expect depreciation of 10,032 thousand yen per annum.

(Note 6) The building age is the age of the building as of today, rounded at the second decimal point.

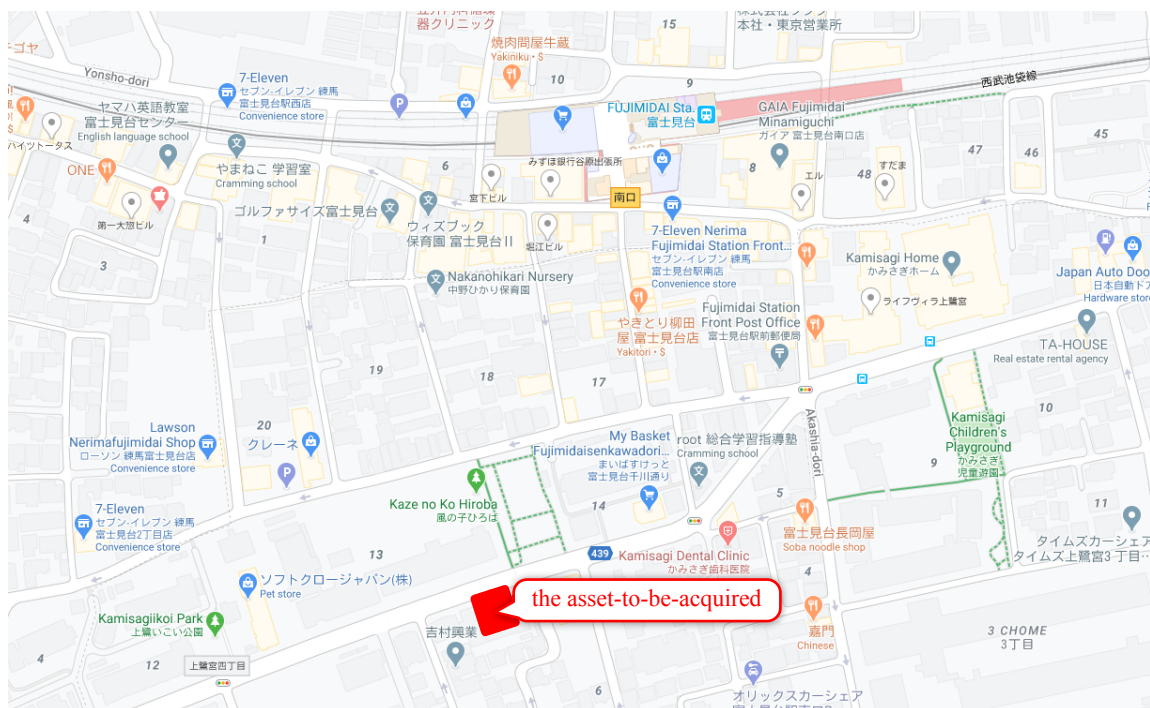
The real estate acquisition market continues to be very competitive with prices inflated and new supply of good quality properties in good location limited, especially, for centrally located properties in major cities where stable rental demands can be expected.

Under such an environment, ADR has succeeded in deciding to acquire a property for students which is conveniently located within a 3-minute walk from the nearest station in Nakano-ku, Tokyo.

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

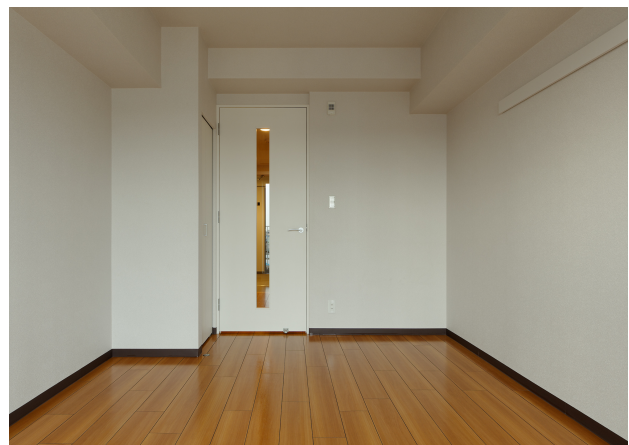
- The property is a 3-minute walk from Seibu Ikebukuro Line Fujimidai Station and has a good access to the terminal station, Ikebukuro Station, and demand is expected for students and working people who mainly go to Ikebukuro and Shinjuku.
- There are convenient living facilities such as supermarkets, convenience stores and restaurants in the surrounding area, making it a good residential neighborhood.

2. Maps of the Asset-To-Be-Acquired (4-6-13 Kamisaginomiya, Nakano-ku, Tokyo)



©Google

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



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

Property Number	C-92
Name of The Asset-To-Be-Acquired	RESIDIA Nakano-Fujimidai
Address	4-6-13 Kamisaginomiya, Nakano-ku, Tokyo

Land	
Type of Ownership	Proprietary ownership
Site Area	999.62m ²
Zoning	First-class residential area, First-class low-rise residential area
FAR / Building Coverage Ratio	300% / 60%, 150% / 50%

Building	
Type of Ownership	Proprietary ownership
Total Floor Area	2,596.74 m ²
Structure / Floors	Reinforced concrete with flat roof / 6 floors
Use	Dormitory
Construction Completion Date	March, 2010
Building Inspector	Bureau Veritas Japan Co., Ltd.
Building Designer	Fujita Corporation First Class Architect Office
Structural Engineer	Fujita Corporation First Class Architect Office
Construction Contractor	Fujita Tokyo Branch

Trustee	Mitsubishi UFJ Trust and Banking Corporation (Planned)
Trust Contract Period	From December 1, 2020 to December 31, 2030 (Planned)
Property Manager	NATIONAL STUDENTS INFORMATION CENTER CO., LTD. (Planned)
Master Lessee	ITOCHU Urban Community Ltd. (Planned)
Master Lease type	Pass-through

Summary of Building Conditions Investigation Report	
Investigator	Tokio Marine & Nichido Risk Consulting Co., Ltd.
Investigation Date	August 4, 2020
Emergency Repair Costs	-
Short-term Repair Costs (within 1 year)	-
Long-term Repair Costs (next 12 years)	¥ 13,278 thousand
Building Replacement Price	¥ 570,000 thousand

Earthquake PML	6.7%
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Lease Conditions	
Point in Time	as of August 31, 2020
Total Tenants	1
Leasable Units	95
Leased Units	94
Leasable Floor Area	1,976.51 m ²
Leased Floor Area	1,955.83 m ²
Occupancy Rate (based on floor area)	99.0 %
Monthly Rent (including common service charges)	¥ 7,379 thousand
Deposits, Guarantees, etc.	¥ 7,570 thousand

Number of Units by Type	
Single	95
Compact	0
Family	0
Large	0
Dormitory	0
Other	0

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 (<https://www.adr-reit.com/financial/bukken/>)

5. Appraisal Report Summary

Name of Property	RESIDIA Nakano-Fuimidai	Appraisal Date	August 31, 2020
Appraiser	Japan Real Estate Institute	Appraisal Value	1,800,000 thousand yen
Appraisal Items		Appraised Value	Basis
Income Capitalization Approach Value		1,800,000	Income capitalization approach value was appraised using both DCF method and direct capitalization method.
Direct Capitalization Price		1,820,000	
Total Potential Income		100,486	
Rent Income		94,706	Estimated from average rent based on the current lease agreement and from mid to long-term stabilized rent.
Other Income		5,780	Estimate on average tenant replacement rate and average turnover period.
Total Effective Income		96,452	
Losses from Vacancies, etc.		4,034	Referred to similar properties to estimate the medium to long-term stabilized vacancy rate.
Losses from Delinquencies		0	Taking into account of tenant situation, no losses was assumed.
Expenses from Rental Business		17,834	
Maintenance and Management Fees		1,914	Estimated by referring to estimated amount and fees for similar properties and taking into account of property's specific characteristics.
Utilities Costs		1,100	Estimated by referring to fees for similar properties and taking into account of property's specific characteristics.
Management Commission Fees		2,738	Estimated by referring to fees on similar properties and taking into account of property's specific characteristics.
Taxes and Public Dues		4,693	Estimate on depreciable asset tax was based on submitted materials.
Non-life Insurance Premiums		88	Estimated basing on contract insurance premium for the property and referring to insurance premiums for similar properties.
Leasing Expenses		5,213	Estimated by referring to the contract conditions and rental conditions of similar real estate, the advertising expenses required for recruiting new tenants, and the renewal fee considering the annual average replacement rate and occupancy rate.
Repair Costs		2,088	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, cost in similar properties and referring to average annual repair and renewal costs listed in the engineering report.
Other Expenses		0	Non-premises parking lot rental fee
Net Operating Income		78,618	
Earnings from Deposits		76	Assumed a stable number of months of funds over the medium to long term, multiply this by the occupancy rate, and multiply it by the assumed investment yield of 1.0%.
Capital Expenditures		2,362	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		76,332	
Cap Rate		4.2%	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		1,780,000	
Discount Rate		3.9%	Estimated by taking account of market trend, locality and specific feature of the property.
Terminal Cap Rate		4.3%	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		1,740,000	
Land Ratio		81.5%	
Building Ratio		18.5%	
Other Matters of Consideration			
None			

6. 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 constitute a forward commitment or similar agreement (Note 7) 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.

Acquisition of the assets to be acquired under this agreement is not subject to a special provision on the condition that ADR has completed the financing necessary for the acquisition of the assets to be acquired, but ADR has a commitment line frame of 20 billion yen (there is no balance as of the date of this document) with a borrowing period up to April 30, 2023, ADR will be able to pay the penalty for ADR is not being able to raise the acquisition funds. ADR believes that the possibility is low.

(Note 7) Refers to a postdated purchase and sales agreement under which payment and property delivery shall be made at least one month after the conclusion of the agreement, or any other agreement similar thereof.

7. Seller Profile

Trade name	Nomura Real Estate Building Co., Ltd
Head Office location	1-1-1 Shibaura, Minato-ku, Tokyo
Representative	Yoshida Yuukou, President and Chief Executive Officer
Principal business	1. Ownership and management of real estate and contract management 2. Buying and selling and leasing real estate 3. Management, operation and contract of welfare facilities such as dormitories and company housing
Capital	1,437,200 million yen
Date of the establishment	June 1, 1972
Total Assets	Not disclosed
Net Assets	Not disclosed
Total Net Assets	Not disclosed
Large shareholder	Nomura Real Estate Holdings, Inc. (as of March, 2020)

Relationship with ADR or ADIM		
	Equity, Personnel and Business Relations	There are no equity, personnel or business relations between the seller and ADR or ADIM required to be stated.
	Related parties status	The seller and its related persons or companies do not apply as a related party to ADR or to ADIM.

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

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

9. 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.

10. Broker Profile

Broker Name	Nomura Real Estate Development Co., Ltd.
Head Office Location	1-26-2, Nishishinjuku, Shinjuku-ku, Tokyo
Representative	Seiichi Miyajima, President and Representative Director
Capital	2,000 million yen
Brokerage Fee	Not disclosed according to their wishes.
Relationship with ADR or ADIM	None

11. Future Outlook

The effect of the acquisition on the management performance forecasts for fiscal periods ending January 2021 and July 2021 are negligible. Therefore, the forecasts remain unchanged.

About Advance Residence Investment Corporation

Advance Residence Investment Corporation is the largest residential J-REIT, investing in over 270 rental apartments located mostly in central Tokyo and in other major cities throughout Japan (AUM over 450 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]

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.