

For Immediate Release

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Notice Concerning Acquisition of Investment Asset (RESIDIA Kyoto-Mibu)

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 Kyoto-Mibu (Beneficiary Interests in Trust)
Proposed Acquisition Price (Price / Appraisal ratio) ^(Note 2)	614 million yen (91.9%)
Real Estate Appraisal Value ^(Note 3)	669 million yen
NOI Yield ^(Note 4)	5.1%
Yield after Depreciation ^(Note 5)	4.1%
Building Age ^(Note 6)	16.4 year
Seller	Not disclosed
Scheduled Contract Date	June 28, 2021
Scheduled Acquisition Date	June 29, 2021 or a date to be separately agreed upon with the seller
Acquisition Financing (Payment Method)	Cash-on-hand (full payment on delivery)
Collateral	None

(Note 1) The name of the asset-to-be-acquired is scheduled to be changed after acquisition by ADR. As of the date of this document, its name is Novel Saiin.

(Note 2) “Proposed Acquisition Price” refers to the purchase price written in the transaction agreement of beneficial interest in trust for the asset-to-be-acquired and does not include various expenses needed for the acquisition such as taxes and public dues.

(Note 3) The appraisal date of the asset-to-be-acquired is April 28, 2021.

(Note 4) “NOI Yield” is calculated as follows: annualized NOI written in the appraisal document at the time of the acquisition of the asset-to-be-acquired and calculated using direct capitalization method / proposed acquisition price x 100. The calculated yield is rounded at the second decimal point.

(Note 5) “Yield after Depreciation” is calculated as follows: (annualized NOI written in the appraisal document at the time of the acquisition of the asset-to-be-acquired and calculated using direct capitalization method – annual depreciation cost) / proposed acquisition price x 100. The calculated yield is rounded at the second decimal point. As is the case with the existing portfolio of ADR, the depreciation cost of the asset-to-be-acquired is calculated using the straight-line method under certain assumptions and estimated at 6,025,000 yen a year.

(Note 6) “Building Age” is the age of the building as of the date of this document and is rounded at the second decimal point.

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In this environment, we have successfully finalized a deal to acquire a for-rental residential property in Kyoto City, Kyoto Prefecture at an acquisition price equivalent to 91.9% of the appraisal value and NOI yield of 5.1%. All of the units in the property are compact type (1DK, approximately 30 square meters).

- Good location for a residential property in proximity to various convenient facilities such as supermarkets, convenience stores, restaurants, and drug stores.
- Good access to transport facilities as the property is a nine-minute walk from Hankyu Saiin Station, which is approximately 13 minutes from the Kyoto Station terminal.

The Asset-To-Be-Acquired
RESIDIA Kyoto-Mibu

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



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

Property Number	R-81
Name of The Asset-To-Be-Acquired	RESIDIA Kyoto-Mibu
Address	44-29 Mibu-shimomizochō, Nakagyo-ku, Kyoto City, Kyoto

Land	
Type of Ownership	Proprietary ownership
Site Area	889.56m ²
Zoning	Semi-industrial area
FAR / Building Coverage Ratio	200% / 60%

Building	
Type of Ownership	Proprietary ownership
Total Floor Area	1,629.15 m ²
Structure / Floors	Reinforced concrete with flat roof / 5 floors
Use	Multi-family housing
Construction Completion Date	February, 2005
Building Inspector	Kyoto Organization of Confirmation and Inspection
Building Designer	DAIITOSIKEIKAKU Co., Ltd.
Structural Engineer	NOBI Construction Office
Construction Contractor	JDC Corporation

Trustee	Sumitomo Mitsui Trust Banking Corporation (planned)
Trust Contract Period	From June 29, 2021, to June 30, 2031 (Planned)
Property Manager	K.K. Nakagawa Komuten. (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	April 28, 2021
Emergency Repair Costs	-
Short-term Repair Costs (within 1 year)	-
Long-term Repair Costs (next 12 years)	¥ 52,954 thousand
Building Replacement Price	¥ 371 million

Earthquake PML	12.1%
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Lease Conditions	
Point in Time	as of May 31, 2021
Total Tenants	1
Leasable Units	45
Leased Units	44
Leasable Floor Area	1,353.60 m ²
Leased Floor Area	1,323.52 m ²
Occupancy Rate (based on floor area)	97.8 %
Monthly Rent (including common service charges)	¥ 3,027 thousand
Deposits, Guarantees, etc.	¥ 2,863 thousand

Number of Units by Type	
Single	0
Compact	45
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/en/financial/news/archives/category/bukken>)

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5. Appraisal Report Summary

Name of Property	RESIDIA Kyoto-Mibu	Appraisal Date	April 28, 2021
Appraiser	JLL Morii Valuation & Advisory K. K	Appraisal Value	669,000 thousand yen
Appraisal Items		Appraised Value	Basis
Income Capitalization Approach Value		669,000	Income capitalization approach value was appraised using both DCF method and direct capitalization method.
Direct Capitalization Price		685,000	
Total Potential Income		43,413	
Rent Income		38,817	Estimated from average rent based on the current lease agreement and from mid to long-term stabilized rent.
Other Income		4,596	Estimated using historical figures.
Total Effective Income		41,050	
Losses from Vacancies, etc.		2,363	Estimated using standard vacancy rate but adjusted for specific characteristics of the property.
Losses from Delinquencies		0	Not applicable. Secured through guaranteed deposit.
Expenses from Rental Business		9,910	
Maintenance and Management Fees		2,138	Estimated using the quote and by referring to the cost of comparable property.
Utilities Costs		442	Estimated using historical figures and by referring to the cost of comparable property.
Management Commission Fees		1,172	Estimated based on the presented data with reference to fees for similar properties.
Taxes and Public Dues		2,230	Land: estimated using historical figures and factoring in the rate of change. Building: estimated factoring in depreciation with age.
Non-life Insurance Premiums		96	Used the presented quote as it was considered appropriate.
Leasing Expenses		1,606	Referred to regional practices, turnover rate of the property and estimated by looking at how much is needed in leasing to new tenants.
Repair Costs		2,176	Repair costs: normalized amount of the quote in the engineering report which was deemed appropriate. Restoration costs to the original state: estimated factoring in the turnover rate and referring to similar properties.
Other Expenses		50	Resident association membership fee
Net Operating Income		31,140	
Earnings from Deposits		28	Assumed 1% per annum, by taking into consideration both investment yield and financing cost.
Capital Expenditures		3,089	Normalized amount of the quote in the engineering report which was deemed appropriate.
Net Cash Flow DCF Price		28,079	
Cap Rate		4.1%	Calculated by adding the fluctuation risk of income and principal to the discount rate.
DCF Price		653,000	
Discount Rate		3.9%	Estimated by referring to the yield of similar properties and comprehensively taking into account the market trend and risk factors related to the locality and specific attributes of the property.
Terminal Cap Rate		4.3%	Added a premium on future risks.
Cost Approach Value		385,000	
Land Ratio		68.9%	
Building Ratio		31.1%	
Other Matters of Consideration			
None			

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6. Seller Profile

The seller is a Japanese stock company. Its details are not disclosed based on the seller's wishes. The seller does not fall under a party that has a 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.

Third-party inspector Profile

Trade name	Tokio Marine & Nichido Risk Consulting Co., Ltd.
Head Office location	1-5-1 Otemachi, Chiyoda-ku, Tokyo
Representative	Shimakura Taizo, President and Chief Executive Officer
Capital	100 million yen
Large shareholder	Tokio Marine Holdings, Inc.
Principal business	building inspection and soil environmental assessment, etc.
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.

9. Broker Profile

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

10. Outlook

The impact of this acquisition on the performance forecast of the 22nd fiscal period will be negligible as the investment period is only for about a month during this period. Its impact on the performance forecast of the 23rd fiscal period will also be negligible, and no change will be made to the forecast.

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/>

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