Advance Residence Investment Corporation

Questions & Answers at the Presentation Meeting

For the Results of the 10th Fiscal Period Ended July 2015

Time & Date: 15:30 – 16:30, September 9, 2015 (Wednesday)
Presenter: Kenji Kousaka, President, AD Investment Management Co., Ltd.

Q&As are listed in chronological order.

Q1. On slide nine, it shows that rent rose +0.12%, whereas in slide ten, rent rose 1.34% for 1,460 tenant replacement units. Why is there a large discrepancy between the two figures?

A1. On slide 11 portfolio rent index rose 0.2% points. This is for only pass-through rent units. Pass-through units are about 75% of the whole portfolio. If you include the remaining 25% which are rent guaranteed units, it will add up to the rent rise for the whole portfolio of +0.12% shown on slide nine.

> There is a discrepancy because, rent rise of tenant replacement units of +1.34% as shown on in slide 10, only includes units where tenants were replaced during the fiscal period totaling 1,460 units. On the other hand, rent rise for the whole portfolio includes every units that was occupied at the beginning and the end of the fiscal period which includes units which did not see any replacements or renewals and which adds up to 18,303 units.

Q2. You expect 43 billion yen in restoration and renovation cost in the coming ten years. How will it impact dividends?

A2. The cost of the works shown in the slide is what we expect in the coming ten years. When we actually decide whether to do the works it will be decided based on each property's and on each unit's prospective return on investment of the works.

Q3. Looking at the chart showing the completion schedule for Itochu group's development on slide 14, I see that there are no projects completing on fiscal year 2017. Does that mean that Itochu's acquisitions of land for development is not going well?

A3. Although they are not shown in the materials, there are several project lands that the group has acquired and which the constructions are scheduled to be completed in 2017. I would expect that they will continue to acquire land to maintain their business model of making annual outside sales of properties of 10 billion yen which includes sales to ADR.

Q4. How sure are you in acquiring Itochu's properties? At what cap rate do you wish to acquire those properties?

A4. The real estate market in Japan is rather heated at the moment. Therefore if Itochu was to sell its properties to third parties it is more likely that they will be able to get more on gains on sales than to sell to ADR. But Itochu also considers profits from subsidiary which it can consolidate. That means that there are certain advantages in selling properties to ADR.

Q5. Why is the rise in net income weaker than the rise in rent?

A5. It is because the management fee which ADR pays to the asset management company is linked to NOI and net income and dampens the rate of rise in net income compared to the rise in rent.

Q6. Are not there pitfalls in following an investment strategy of focusing on properties located in central Tokyo and single-type units in the long-run?

A6. Currently, we think the revenue from properties in central Tokyo and single-type units are the most stable and less cyclical. But in the future, due to expected shift in demographics there will be less younger generations who are the main targets for our centrally located single-type units. We keep a dialogue on the matter with our sponsors and timely adjust our investment strategy.