

Sep 12, 2011

R&I Places on the Rating Monitor With View to Upgrading: Advance Residence Investment Corp.

Rating and Investment Information, Inc. (R&I) has announced the following:

ISSUER: Advance Residence Investment Corp.
Issuer Rating: (A), With View to Upgrading

RATIONALE:

Advance Residence Investment Corp. (ADR) is a real estate investment trust (REIT) specializing in residential investment. It was established in March 2010 through the merger of former ADR and Nippon Residential Investment Corp. The REIT's main sponsors are Itochu Corp. and Itochu Property Development, Ltd. With assets of approximately 340 billion yen (including those ADR plans to acquire and sell), ADR is the largest residential REIT in Japan.

R&I has placed the rating for ADR on the Rating Monitor with a view to upgrading, reflecting R&I's view that the debt structure has continuously improved and is expected to improve further going forward.

Since the previous review (in May), with collateral for all ADR's assets released, the REIT has aggressively worked to shift to long-term funds with maturity between four and seven years. In September, ahead of any other REIT, ADR issued the bonds of 10 billion yen for the first time since the Great East Japan Earthquake. The average remaining term to maturity of debts exceeds two years and diversification of due dates has proceeded to some extent. Some problems R&I has identified with respect to the debt structure, such as shortness of average remaining term to maturity, concentration of repayment dates and a burden of bond redemption, are being solved. ADR is also reducing the financial cost by repaying high-interest debts that ADR took over from Nippon Residential Investment and by making new borrowing on relatively favorable terms.

As the occupancy rate of its properties has been at the level of 96%, cash flow is highly stable. ADR has steadily made progress in asset reshuffle capitalizing on surplus funds generated by gain on negative goodwill, aiming at enhancing the portfolio quality and yield.

While ADR's rating is on the Rating Monitor, R&I will focus on ADR's financial strategy and funding policy going forward.

The primary rating methodologies applied to this rating are provided at "Basic Methodologies for R&I's Credit Rating" and "Rating Methodology for J-REIT". The methodologies are available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

<http://www.r-i.co.jp/eng/cfp/about/methodology/index.html>

R&I RATINGS:

ISSUER: Advance Residence Investment Corp. (Sec. Code: 3269)
Issuer Rating
RATING: (A), With View to Upgrading

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Credit ratings are R&I's opinions on an issuer's general capacity to fulfill its financial obligations and the certainty of the fulfillment of its individual obligations as promised (creditworthiness) and are not statements of fact. Further, R&I does not state its opinions about any risks other than credit risk, give advice regarding investment decisions or financial matters, or endorse the merits of any investment. R&I does not undertake any independent verification of the accuracy or other aspects of the related information when issuing a credit rating and makes no related representations or warranties. R&I is not liable in any way for any damage arising in relation to credit ratings (including amendment or withdrawal thereof). As a general rule, R&I issues a credit rating for a fee paid by the issuer. For details, please refer to <http://www.r-i.co.jp/eng/policy/policy.html>.

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| Unsec. Str. Bonds No.7 | Issue Date Feb 09, 2007 | Maturity Date Feb 09, 2012 | Issue Amount (mn) JPY 12,000 |
| RATING: | (A), With View to Upgrading | | |
| Unsec. Str. Bonds No.9 | Issue Date Sep 13, 2007 | Maturity Date Sep 13, 2011 | Issue Amount (mn) JPY 10,000 |
| RATING: | (A), With View to Upgrading | | |
| Unsec. Str. Bonds No.10 | Issue Date Sep 13, 2007 | Maturity Date Sep 13, 2012 | Issue Amount (mn) JPY 4,800 |
| RATING: | (A), With View to Upgrading | | |
| Unsec. Str. Bonds No.1 | Issue Date Nov 21, 2007 | Maturity Date Nov 21, 2011 | Issue Amount (mn) JPY 5,000 |
| RATING: | (A), With View to Upgrading | | |
| Unsec. Str. Bonds No.2 | Issue Date Nov 21, 2007 | Maturity Date Nov 21, 2012 | Issue Amount (mn) JPY 5,000 |
| RATING: | (A), With View to Upgrading | | |