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For Immediate Release

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Notice Concerning An Asset Replacement
(acquiring RESIDIA Otemachi-Kita, disposing RESIDIA Kyobashi) and
Dispositions of RESIDIA Kameyama and Residia Ryokuchikoen

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 make an asset replacement and dispositions (the Transaction) as detailed below as part of ADR's growth strategy.

1. Details of the Transactions

(1) Details of the Asset Replacement

After careful deliberation on a proposal to sell RESIDIA Kyobashi and buy an asset from the counterparty, ADIM judged that the asset replacement will, i) contribute in rejuvenating the portfolio through the acquiring asset's younger building age, ii) increase operations income, and therefore the asset replacement to be beneficial to the unitholders' value and came to a decision to accept the proposal.

	Acquisition	Disposition
Property Name	RESIDIA Otemachi-Kita ¹	RESIDIA Kyobashi
Location	Chiyoda-ku, Tokyo	Chuo-ku, Tokyo
Type of Asset	Beneficiary Interests in Trust	Real Estate
Building Age ²	1. 3years	15. 5years
Acquisition / Disposition Price ³	1,520million yen	1,560million yen
Appraisal Value ⁴	1,890million yen	1,560million yen
NOI Yield ⁵	4. 7%	4. 2%
Yield after Depreciation ⁶	4. 3%	3. 2%
Book Value ⁷	-	1,117million yen
Difference Between Disposition Price and Book Value	-	442million yen
Counterparty	The Sankei Building Company, Limited	
Scheduled Contract Date	March 25, 2020	
Scheduled Settlement Date	June 1, 2020 or a date to be separately agreed upon with the Counterparty (no later than June 30, 2020)	
Payment Method	full payment on delivery/ cash-on-hand	

The NOI Yield and the Yield after Depreciation for the asset-to-be-disposed are calculated based on disposition price. The NOI Yield is 5.9%, and Yield after Depreciation is 4.5%, if the calculations are based on book value.

(2) Details of the Dispositions

- 1) RESIDIA Kameyama is a 12-minute walk from Kameyama Station on the JR Kansai Main Line. We have decided to dispose the property because the entire property is leased up by one specific company for its own use, and therefore the property has very little upside potential in profitability as well as being a difficult property to find new tenants if the company decides to terminate the contract in the future. Although the loss of 477 million yen is expected from this transaction, we will minimize the impact on the dividend by offsetting the loss with the gains on sale of RESIDIA Kyobashi and RESIDIA Ryokuchikoen.
- 2) RESIDIA Ryokuchikoen is a 17-minute walk from Momoyamadai Station on the Kita-Osaka Express Railway. We have decided to dispose the property because, as of end of January 2020, yield after depreciation on a book value basis of 3.4% is significantly lower than the average yield of 5% for the properties located in major regional cities in our portfolio and the long distance from the station is a competitive disadvantage for the property and therefore we cannot not expect much improvement in profitability in the near future.

Property Name	RESIDIA Kameyama	RESIDIA Ryokuchikoen
Location	Kameyama, Mie Prefecture	Toyonaka, Osaka Prefecture
Type of Asset	Beneficiary Interests in Trust	Beneficiary Interests in Trust
Disposition Price	1,000million yen	957million yen
Appraisal Value ⁴	1,180million yen	957million yen
NOI Yield ⁵	8. 5%	4. 7%
Yield after Depreciation ⁶	6. 3%	3. 2%
Book Value ⁷	1,477million yen	857million yen
Difference Between Disposition Price and Book Value	▲477million yen	99million yen
Counterparty	Focus Co. Ltd.	not disclosed
Scheduled Contract Date	March 25, 2020	March 26, 2020
Scheduled Settlement Date	March 26, 2020	March 27, 2020
Payment Method	full payment on delivery	

The NOI Yield and Yield after Depreciation for the assets to be disposed are calculated based on the disposition prices. The NOI yield is 5.8%, and Yield after Depreciation is 4.3% for RESIDIA Kameyama, and 5.2% and 3.6% for RESIDIA Ryokuchikoen respectively.

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 「LEFOND PROGRES Otemachi-Kita」

2. “Building Age” is the age of the properties at the time of the scheduled acquisition and disposition dates.
3. “Acquisition Price” indicates the purchase price for the property entered in the real estate transaction agreement, which is exclusive of the various expenses (taxes and public dues, etc) required in the acquisition of the property.
4. The date of the “Appraisal Value” for the asset-to-be-acquired is February 1, 2020, and January, 31 2020 for the asset-to-be-disposed.
5. “NOI Yield” is calculated as follows.
For asset-to-be-acquired; NOI Yield = Annualized NOI Listed on the Appraisal ÷ Acquisition Price x 100%, rounded at the 2nd decimal point
For asset-to-be-disposed; NOI Yield = Actual NOI for FP 2019/7 & FP 2020/1 ÷ Disposition Price x 100%, rounded at the 2nd decimal point
6. “Yield after Depreciation” is calculated as follows.
For asset-to-be-acquired;
Yield after Depreciation = (Annualized NOI on the acquisition appraisal report – depreciation) ÷ acquisition price × 100%, rounded at the 2nd decimal point, the expected depreciation of the asset-to-be-acquired is 6,961 thousand yen per annum calculated using the straight-line method
For asset-to-be-disposed;
Yield after Depreciation = (Actual NOI for FP 2019/7 & FP 2020/1 - Actual Depreciation for FP 2019/7 & FP 2020/1) ÷ Disposition Price x 100%, rounded at the 2nd decimal point
7. “Book values” are as of Scheduled Settlement Dates.

2. Details of the Results of the Transaction and Future Outlook

The effects of the transaction are as listed on the table below. Since the effects of the transaction to the management performance for the fiscal periods ending July 2020 and January 2021 are negligible, the forecasts for the fiscal periods remain unchanged.

	The Asset Replacement	The Dispositions	difference
Change in NOI ⁸	6million yen	-130million yen	-123million yen
Change in Income from Rental Business ⁹	15million yen	-93million yen	-78million yen
Difference Between Disposition Price and Book Value	442million yen	-377million yen	64million yen
Expected Gain or Loss on Sales (inclusive of expenses)	430million yen	-439million yen	-9million yen

Note 8. To calculate the “Change in NOI”, the NOI figures listed in the appraisal reports are used for the assets-to-be acquired. Actual NOIs for FP2019/7 & FP2020/1 are used for the assets-to-be-disposed.

9. “Change in Income from Rental Business” is calculated as follows;

For asset-to-be-acquired;

Income from Rental Business = annualized NOI listed on the appraisal report at the time of acquisition - depreciation

For asset-to-be-disposed;

Income from Rental Business = Actual NOI for FP 2019/7 & FP 2020/1 - Actual Depreciation for FP 2019/7 & FP 2020/1.

3. Summary of the Acquisition

(1) Summary of the Assets-to-be-acquired

Property Number	P-116
Name of the Asset-To-Be-Acquired	RESIDIA Otemachi-Kita
Address	1-16-1 Uchikanda, Chiyoda-ku, Tokyo

Land	
Type of Ownership	Proprietary ownership
Site Area	226.48㎡
Zoning	Commercial area
FAR / Building Coverage Ratio	600%/80%

Building	
Type of Ownership	Proprietary ownership
Total Floor Area	1,473.81㎡
Structure / Floors	Reinforced concrete flat roof 13 stories
Usage	Multi-family housing
Construction Completion Date	March, 2019
Building Inspector	Fuji Architecture Center Co., Ltd.
Building Designer	Iks-Ark Urban Design First Class Architect Office
Structural Engineer	Ena Design Consultant First Class Architect Office
Construction Contractor	Link Trust Co., Ltd.

Trustee	Sumitomo Mitsui Trust Bank, Limited(planned)
Trust Contract Period	The end of June, 2030 (planned)
Property Manager	ITOCHU Urban Community 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	January 10, 2020
Emergency Repair Costs	-
Short-term Repair Costs (within 1 year)	-
Long-term Repair Costs (next 12 years)	¥8,822 thousand
Building Replacement Price	¥351,000 thousand

Seismic PML	3.2%
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Lease Conditions	
Point in Time	as of February 29, 2020
Total Tenants	1
Leasable Units	39 units
Leased Units	39 units
Leasable Floor Area	1,273.73 m ²
Leased Floor Area	1,273.73 m ²
Occupancy Rate (based on floor area)	100.0%
Monthly Rent (including common service charges)	¥7,479 thousand
Deposits, Guarantees, etc.	¥7,009 thousand

Breakdown of Residential Unit Type	
Single	19units
Compact	20units
Family	-
Large	-
Dormitory	-
Other	-

Special Notation	None
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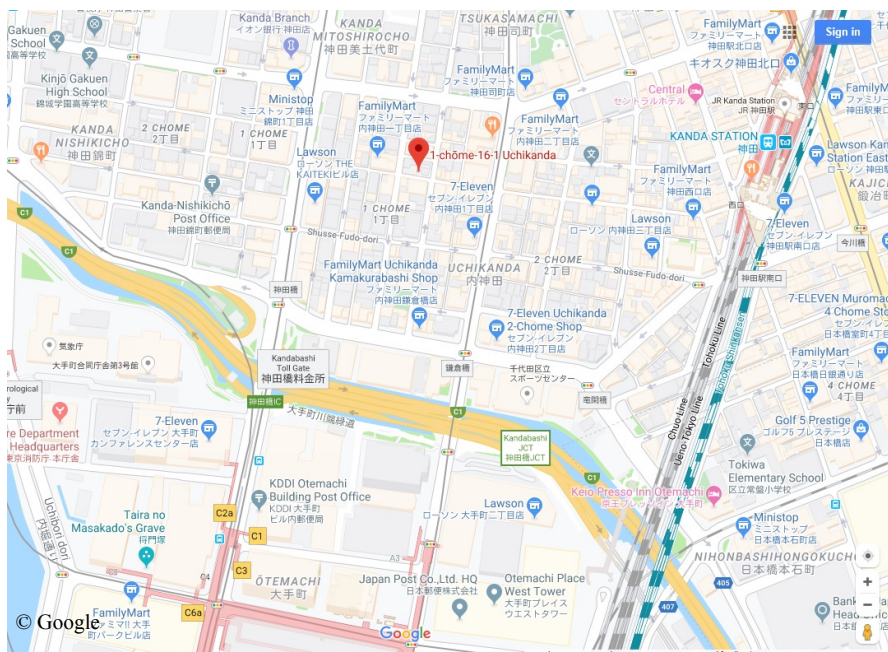
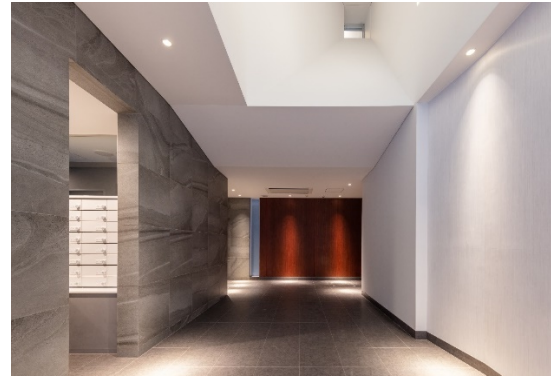
※ Please refer to “Notes and definitions on items on the tables in the press releases for asset acquisition” on ADR’s website for details on items on above table. (https://www.adr-reit.com/en/financial/news/notice_aquisition_e.pdf)

(2) Summary of Appraisal Report (monetary unit: thousand yen)

Name of Property	RESIDIA Otemachi-Kita	Appraisal Date	February 1, 2020
Appraiser	DAIWA REAL ESTATE APPRAISAL CO., LTD.	Appraisal Value	1,890,000,000 yen
Appraisal Items		Appraised Value	Basis
Income Capitalization Approach Value		1,890,000	Income capitalization value is estimated using DCF method along with direct capitalization method for verification.
Direct Capitalization Price		1,930,000	
Total Potential Income		90,282	
Rent Income		89,443	Estimated from average rent based on the current lease agreement and from rent and common expense revenue if newly leased.
Other Income		838	Estimated renewal fee income
Total Effective Income		86,704	
Losses from Vacancies, etc.		3,577	Referred to similar properties to estimate the medium to long-term stabilized vacancy rate.
Bad Debts Losses		0	Taking into account of tenant situation, no losses was assumed.
Expenses from Rental Business		14,512	
Maintenance and Management Fees		3,498	Estimated by referring to similar properties based on the scheduled PM contract.
Utilities Costs		924	Estimated by referring to cost of similar properties
Management Commission Fees		2,575	Estimated by referring to similar properties based on the scheduled PM contract.
Taxes and Public Dues		2,938	Estimated tbased on the actual amount in FY2019.
Non-life Insurance Premiums		84	Estimated based on property tax evaluation certificate and similar properties
Leasing Expenses		2,516	Estimated by referring to cost of similar properties.
Repair Costs (including restoration fees)		1,474	Estimated by referring to engineering reports, similar examples cost of restoration to original state. 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.
Other Expenses		500	Estimated by referring to past income statements.
Net Operating Income		72,191	
Earnings from Deposits		67	Assessed the investment yield, and the amount calculated by multiplying this by the amount of the security deposit, etc.
Capital Expenditures		983	Estimated by referring to ER and similar cases
Net Cash Flow		71,276	
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		1,870,000	
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%	Added a premium on future risks.
Cost approach value		1,960,000	
Land Ratio		80.1%	
Building Ratio		19.9%	
Other Matters of Consideration			
None			

(3) Properties' Characteristics, Photos, etc.

Property Name	Characteristics
RESIDIA Otemachi-Kita	The property has good access to public transportation. It is about 5-minute walk from Yamanote Line “Kanda Station” and 7-minute walk from Tokyo Metro Marunouchi Line “Otemachi Station”. Since the property is located within walking distance from Tokyo’s prime business center, Marunouchi and Otemachi, rental demand is expected from singles working for businesses with offices in the area. In addition, there are restaurants, supermarkets and other convenient facilities providing daily necessities in the neighborhood.



4. 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 asset-to-be-acquired might constitute a forward commitment or similar agreement (Note 10) 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.

However, this agreement requires that the settlement and delivery of RESIDIA Kyobashi to be performed at the same time. Which means the transaction will be settled by ADR being the recipient of the net proceeds, since the proceeds from the sale of RESIDIA Kyobashi will exceed the acquisition price of the assets to be acquired. Therefore, there are minimal risk for ADR to be obliged to pay the penalty for failing to fulfill the commitment due to lack of funds.

Note 10. Refers to a postdated purchase and sales 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.

5. Counterparty Profile

(1) P-115 RESIDIA Otemachi-Kita and C-24 RESIDIA Kyobashi

Trade name	THE SANKEI BUILDING CO., LTD.
Head Office Location	1-7-2 Otemachi, Chiyoda-ku, Tokyo
Representative	Kazunobu Iijima, President & CEO
Principal business	Real-estate leasing, Real-estate brokerage, Construction, Planning and Contracting
Capital	28,120million yen
Date of the establishment	June 11, 1951
Large shareholder	Fuji Media Holdings, Inc. (as of March, 2019)
Relationship with ADR or ADIM	
Equity, Personnel and Business Relations	There are no equity, personnel or business relations between the counterparty and ADR or ADIM required to be stated.
Related parties status	The counterparty and its related persons or companies do not apply as a related party to ADR or to ADIM.

(2) R-5 RESIDIA Kameyama

Trade name	Focus Co. Ltd.
Head Office Location	1-12-15 Toranomom, Minato-ku, Tokyo
Representative	Masato Emura President
Principal business	Real-estate Leasing and Management, Energy Business, Private Equity Investment Business
Capital	100million yen
Date of the establishment	February 2, 2009
Relationship with ADR or ADIM	
Equity, Personnel and Business Relations	There are no equity, personnel or business relations between the counterparty and ADR or ADIM required to be stated.
Related parties status	The counterparty and its related persons or companies do not apply as a related party to ADR or to ADIM.

(3) The counterparty of RESIDIA Ryokuchikoen is a domestic company whose name and detail are not disclosed according to their wishes. The counterparty does not constitute parties having particular vested interest in ADR or ADIM.

6. Broker Profile

- (1) ADR did not utilize a broker for the replacement transaction.
 (2) R-5 RESIDIA Kameyama

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	20,000 million yen (as of April 1, 2019)
Brokerage Fee	Not disclosed according to their wishes.
Relationship with ADR or ADIM	None

- (3) The broker for RESIDIA Ryokuchikoen is a domestic company whose name and detail are not disclosed according to their wishes. The counterparty does not constitute parties having particular vested interest in ADR or ADIM.

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

N.A. Property is not acquired from parties with special interest.

8. 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.

9. Summary of Disposition

(1) Summary of the Assets-to-be-disposed

No.	(1)	(2)
Property No.	C-24	R-5
Property Name	RESIDIA Kyobashi	RESIDIA Kameyama
Address	2-8-4, Kyobashi , Chuo-ku, Tokyo	10-7, Minaminocho Kameyama City, Mie Prefecture

Land			
	Type of Ownership	Proprietary ownership	Proprietary ownership
	Site Area	266.57 m ² (Including 69 m ² the private road burden)	3,304.68 m ²
	Zoning	Commercial area	Neighborhood commercial area
	FAR / Building Coverage Ratio	700%/80%	300%/80%

Building			
	Type of Ownership	Proprietary ownership	Proprietary ownership
	Total Floor Area	1,895.54m ²	6,567.93m ²
	Structure / Floors	SRC with flat roof, 15F/B1F	RC with flat roof, 10F
	Usage	Multi-family housing	Multi-family housing
	Construction Completion Date	January 2005	February 2007

Trustee	-	Sumitomo Mitsui Trust Bank, Limited
Contract Term	-	to February 28, 2022

Lease Conditions			
	Point in Time	as of February 29, 2020	as of February 29, 2020
	Total Tenants	1	1
	Leasable Units	52 units	182 units
	Leased Units	52 units	181 units
	Leasable Floor Area	1,440.11 m ²	6,065.11 m ²
	Leased Floor Area	1,440.11 m ²	5,969.56 m ²
	Occupancy Rate (based on floor area)	100.0%	98.3%
	Monthly Rent (including common service charges)	¥ 6,333 thousand	¥ 8,565 thousand
	Deposits, Guarantees, etc.	¥ 13,000 thousand	¥ 1,198 thousand

Breakdown of residential unit type			
	Single	36 units	180 units
	Compact	16 units	-
	Family	-	-
	Large	-	-
	Dormitory	-	-
	Other	-	2 units

Special Notation	
	None

No.	(3)
Property No.	R-6
Property Name	RESIDIA Ryokuchikoen
Address	3-4-1 Nishi-izumioka Toyonaka City, Osaka Prefecture

Land	
Type of Ownership	Proprietary ownership
Site Area	1,255.90 m ²
Zoning	First-class middle-rise residential area
FAR / Building Coverage Ratio	200%/60%

Building	
Type of Ownership	Proprietary ownership
Total Floor Area	2,644.50 m ²
Structure / Floors	RC with flat roof, 7F/B1F
Usage	Multi-family housing
Construction Completion Date	May 2007

Trustee	Sumitomo Mitsui Trust Bank, Limited
Contract Term	to May 31, 2022

Lease Conditions	
Point in Time	as of February 29, 2020
Total Tenants	1
Leasable Units	44 units
Leased Units	42 units
Leasable Floor Area	2,391.35 m ²
Leased Floor Area	2,294.57 m ²
Occupancy Rate (based on floor area)	95.95%
Monthly Rent (including common service charges)	¥ 4,825 thousand
Deposits, Guarantees, etc.	¥ 6,014 thousand

Breakdown of residential unit type	
Single	-
Compact	34 units
Family	8 units
Large	-
Dormitory	-
Other	2 units

Special Notation	
	None

10. Summary of Appraisal Report (monetary unit: thousand yen)

(1) RESIDIA Kyobashi

Appraiser	DAIWA REAL ESTATE APPRAISAL CO., LTD.		Appraisal Value	1,560,000,000 yen
Appraisal Item	Appraised Value	Basis		
Income Capitalization Approach Value	1,560,000	Income capitalization value is estimated using DCF method along with direct capitalization method for verification.		
Direct Capitalization Price	1,580,000			
Total Potential Profit	85,995			
Rent Income	83,648	Based on the level of new rent and trends in similar buildings in the same supply and demand area, taking into account the long-term competitiveness of the target property.		
Other Income	2,347	Renewal fee income is calculated based on the renewal rate according to the rental type and taking into account PM fees. Ancillary income is calculated based on the actual amount.		
Total Effective Profit	80,976			
Losses from Vacancies, etc.	5,018	Recorded based on the vacancy rate of the target property and the standard vacancy rate of similar properties.		
Bad Debts Losses	0			
Expenses from Rental Business	15,803			
Maintenance and Management Fees	2,361	Estimated by referring to similar properties based on the present contract.		
Utilities Costs	1,150	Estimated by referring to past fiscal year's figures.		
Management Commission Fees	2,409	Based on the current contract amount and the level of similar real estate and recorded.		
Taxes and Public Dues	4,743	Based on the actual amount in FY2019, taking into account the (land) burden level.		
Insurance Premiums	100	Estimated basing on contract.		
Leasing Expenses	2,948	Estimated in consideration of tenant solicitation costs for similar real estate.		
Repair Costs	1,739	Estimated by referring to ER, similar examples cost of restoration to original state. 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.		
Other Expenses	350	Estimated by referring to past income statements.		
Net Operating Income	65,173			
Earnings from Deposits	131	Assumed 1% per annum, by taking into consideration both investment yield and financing cost.		
Capital Expenditures	2,094	Estimated by referring to annual average of restoration expense listed on the engineering report.		
Net Cash Flow	63,210			
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	1,550,000			
Discount Rate	3.9%	Based on comparisons with discount rates for transactions of similar real estate and yields on other financial instruments.		
Terminal Cap Rate	4.2%	Assessed in consideration of the marketability of the target real estate at the end of the holding period against the capitalization rate.		
Other Matters of Consideration				
Although the asset is currently subleased (rented) to a serviced apartment management company, the asset itself is comparable to a standard apartment house, and it is assumed that general multi-tenancy will be adopted in the medium to long term. Was determined to be appropriate. Therefore, in applying the direct capitalization method, appraiser decided to return standardized net revenues that are considered stable over the medium to long term, assuming that the subject real estate is leased by multi-tenants.				

(2) RESIDIA Kameyama

Appraiser	Japan Real Estate Institute		Appraisal Value	1,180,000,000 yen
Appraisal Item	Appraised Value		Basis	
Income Capitalization Approach Value	1,180,000		Income capitalization value is estimated using DCF method along with direct capitalization method for verification.	
Direct Capitalization Price	1,180,000			
Total Potential Profit	121,124			
Rent Income	116,062		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	5,062		Estimated renewal fee income and antenna income, basing on individual tenant contract term, and estimate on average tenant replacement rate and average turnover period.	
Total Effective Profit	118,241			
Losses from Vacancies, etc.	2,883		Referred to similar properties to estimate the medium to long-term stabilized vacancy rate.	
Bad Debts Losses	0		Taking into account of tenant situation, no losses was assumed.	
Expenses from Rental Business	30,060			
Maintenance and Management Fees	5,801		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	5,650		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	1,429		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	11,926		Estimated by taking into consideration the contents of the data on taxes and duties and the burden adjustment measures.	
Insurance Premiums	259		Estimated basing on contract insurance premium for the property and referring to insurance premiums for similar properties.	
Leasing Expenses	225		Pertaining to stores and offices, 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	2,470		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	2,300		CATV fee etc.	
Net Operating Income	88,181			
Earnings from Deposits	14		Assumed 1% per annum, by taking into consideration both investment yield and financing cost.	
Capital Expenditures	5,764		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	82,431			
Cap Rate	7.0%		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	1,170,000			
Discount Rate	6.8%		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	7.2%		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.	
Other Matters of Consideration				
None				

(3) RESIDIA Ryokuchikoen

Appraiser	Japan Real Estate Institute	Appraisal Value	957,000,000 yen
Appraisal Item		Appraised Value	Basis
Income Capitalization Approach Value		957,000	Income capitalization value is estimated using DCF method along with direct capitalization method for verification.
Direct Capitalization Price		968,000	
Total Potential Profit		64,470	
Rent Income		62,718	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		1,752	Estimated key money, renewal fee income and antenna income, basing on individual tenant contract term, and estimate on average tenant replacement rate and average turnover period.
Total Effective Profit		61,277	
Losses from Vacancies, etc.		3,193	Referred to similar properties to estimate the medium to long-term stabilized vacancy rate.
Bad Debts Losses		0	Taking into account of tenant situation, no losses was assumed.
Expenses from Rental Business		14,157	
Maintenance and Management Fees		2,230	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		1,100	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		1,627	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		4,189	Estimated by taking into consideration the contents of the data on taxes and duties and the burden adjustment measures.
Insurance Premiums		121	Estimated basing on contract insurance premium for the property and referring to insurance premiums for similar properties.
Leasing Expenses		2,398	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		1,873	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		619	Includes optical internet usage fees.
Net Operating Income		47,120	
Earnings from Deposits		48	Assumed 1% per annum, by taking into consideration both investment yield and financing cost.
Capital Expenditures		2,625	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		44,543	
Cap Rate		4.6%	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		945,000	
Discount Rate		4.4%	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		4.8%	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.
Other Matters of Consideration			
None			

[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.

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 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/>