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**For Immediate Release**

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Notice Concerning Acquisition of Investment Assets  
(RESIDIA Kunitachi II and RESIDIA Nishi-tenma)

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 assets 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 acquisitions pursuant to the target and policy of asset management as stipulated in the Articles of Incorporation of ADR, for the steady increase in asset size and diversification and enhancement of the portfolio.

Name of The Asset-To-Be-Acquired <sup>(Note 1)</sup>	RESIDIA Kunitachi II (Real Estate)	RESIDIA Nishi-tenma (Real Estate)
Proposed Acquisition Price (Price / Appraisal Ratio) <sup>(Note 2)</sup>	795 million yen (90.3%)	2,950 million yen (95.5%)
Real Estate Appraisal Value <sup>(Note 3)</sup>	880 million yen	3,090 million yen
NOI Yield <sup>(Note 4)</sup>	4.8%	5.0%
Yield after Depreciation <sup>(Note 5)</sup>	4.0%	3.9%
Building Age <sup>(Note 6)</sup>	6 years	22 years
Seller	Not disclosed	
Scheduled Contract Date	September 29, 2021	
Scheduled Acquisition Date	October 1, 2021, or a date to be separately agreed with the seller	October 7, 2021, or a date to be separately agreed with the seller
Acquisition Financing (Payment Method)	Cash-on-hand (full payment upon transfer)	Loans and Cash-on-hand (full payment upon transfer)
Collateral	None	None

(Note 1) The names of the assets-to-be-acquired are scheduled to be changed after acquisition by ADR, and the names after the change are stated. As of the date of this document, their names are Étoile Endo (RESIDIA Kunitachi II) and Rivage Nishitenma (RESIDIA Nishi-tenma).

(Note 2) “Proposed Acquisition Price” refers to the purchase price written in the real estate purchase contract for the asset-to-be-acquired and does not include the various expenses needed for the acquisition such as taxes and public dues.

(Note 3) “Appraisal Value” of the assets-to-be-acquired are as of August 1, 2021.

(Note 4) “NOI Yield” is calculated as the “annualized NOI written in the appraisal document at the time of the acquisition of the assets-to-be

acquired and calculated using direct capitalization method / proposed acquisition price x 100". The calculated yield is rounded to the second decimal point. Annual NOI figures for the appraisal of RESIDIA Nishi-tenma are based on the assumption that renovation work will be carried out in the exclusive areas.

(Note 5) "Yield after Deprecation" is calculated as the "(annualized NOI written in the appraisal document at the time of the acquisition of the asset-to-be-acquired and calculated using the direct capitalization method – annual depreciation cost) / proposed acquisition price x 100". The calculated yield is rounded to the second decimal point. As with the existing portfolio of ADR, the depreciation costs of the assets-to-be-acquired are calculated using the straight-line method based on certain assumptions and estimated at 6,189,000 yen a year for RESIDIA Kunitachi II and 32,045,000 yen for RESIDIA Nishi-tenma.

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

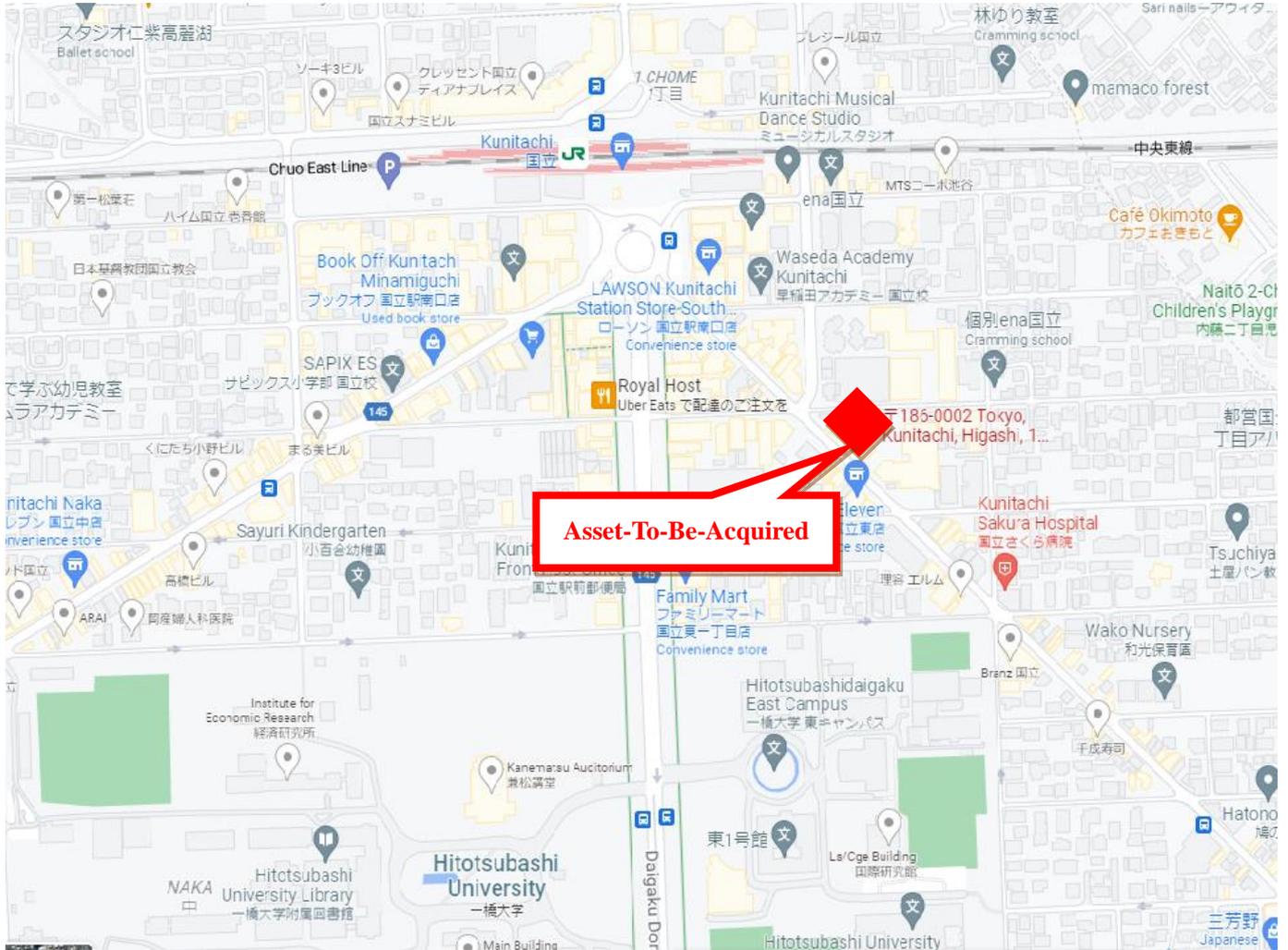
A tough real estate market continues for buyers due to a limited new supply of high-quality residential rental properties in good locations and the continuing elevated prices of centrally located properties in major cities that attract stable rental demand.

In this environment, ADR were able to finalize a deal to acquire a relatively large single-type (1K, approximately 29 square meters) residential rental property in Kunitachi City, Tokyo at an acquisition price equivalent to 90.3% of the appraisal value and NOI yield of 4.8%, and a family-type (2LDK, approximately 58 square meters) residential rental property in Osaka City, Osaka at an acquisition price equivalent to 95.5% of the appraisal value and NOI yield of 5.0%.

On acquiring these properties, ADR recognized the following attributes of the property:

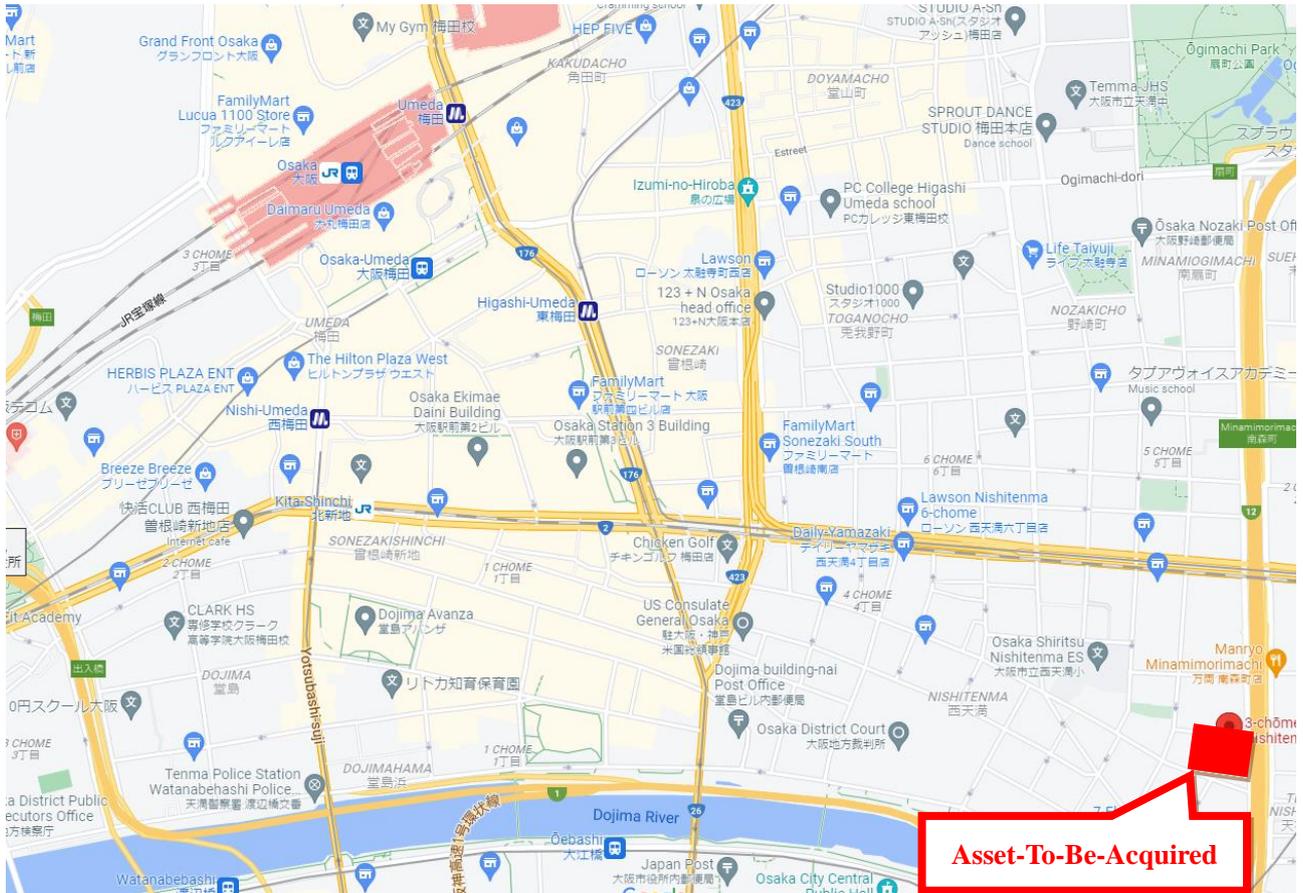
No.	Property Name	Property Attribute
1	RESIDIA Kunitachi II	<ul style="list-style-type: none"> <li>• Conveniently located within a four-minute walk from JR Chuo Line's Kunitachi Station and in a shopping district.</li> <li>• Kunitachi Station is approximately 30 minutes to the business and commerce center of Shinjuku Station and approximately 4 minutes to Tachikawa Station. ADR can attract the needs of single people commuting to work to the city center (Shinjuku) and around Tachikawa. Hitotsubashi University is also within a five-minute walk, and student demand can also be expected.</li> </ul>
2	RESIDIA Nishi-tenma	<ul style="list-style-type: none"> <li>• Three lines are accessible with a five-minute walk to Osaka Metro Tanimachi Line and Sakaisuji Line Minamimorimachi Station, a six-minute walk to JR Tozai Line Osaka Tenmangu Station, and a seven-minute walk to Keihan Nakanoshima Line Naniwabashi Station. Conveniently located with the Tenjinbashisuji Shopping Street, the longest shopping arcade in Japan, a three-minute walk on the east side.</li> <li>• Close vicinity to business areas including Umeda, Kitahama, and Nakanoshima, which are all approximately a 20-minute walk.</li> <li>• A rare family-type property with a nursery school on the first floor and is expected to attract families.</li> <li>• Although the building is 22 years old, it has been maintained well including a large-scale renovation of the common area, and further property value improvement can be expected with renovation of the exclusive areas after acquisition.</li> </ul>

(1) S-035 RESIDIA Kunitachi II





(2) R-082 RESIDIA Nishi-tenma





## 2. Summary of The Assets-To-Be-Acquired

Property Number	S-035	R-082
Name of the asset-to-be-acquired	RESIDIA Kunitachi II	RESIDIA Nishi-tenma
Address	1-14-10 Higashi, Kunitachi City	3-3-21 Nishitenma, Kita-ku, Osaka City, Osaka
<b>Land</b>		
Type of Ownership	Proprietary ownership	Proprietary ownership
Site Area	323.00m <sup>2</sup>	1,345.28m <sup>2</sup>
Zoning	Commercial district · Neighboring Commercial district	Commercial district
FAR / Building Coverage Ratio	600% / 80%	400% / 80%
<b>Building</b>		
Type of Ownership	Proprietary ownership	Proprietary ownership
Total Floor Space	1,178.69m <sup>2</sup>	5,271.9m <sup>2</sup>
Structure / Floors	Reinforced concrete with flat roof / 10 floors	Steel framed reinforced concrete with flat roof / 14 floors
Use	Multi-family residence / retail	Multi-family residence/ office
Construction Completion Date	September 30, 2015	April 12, 1999
Building Inspector	Away Building Evaluation Network Inc.	Osaka City
Building Designer	Daiwa House Industry Co., Ltd.	Tanaka Architecture Office
Structural Engineer	Daiwa House Industry Co., Ltd.	Tanaka Architecture Office
Construction Contractor	Daiwa House Industry Co., Ltd.	Imanishi-Gumi Co., Ltd.
Trustee	-	-
Trust Contract Period	-	-
Property Manager	J.S.B. Co., Ltd. (planned)	RIO Consulting Co., Ltd. (planned)
Master Lessee	J.S.B. Co., Ltd. (planned)	ITOCHU Urban Community Ltd. (planned)
Master Lease Type	Pass-through	Pass-through
<b>Summary of Building Conditions Investigation Report</b>		
Investigator	Tokio Marine dR Co., Ltd.	Tokio Marine dR Co., Ltd.
Investigation Date	June 07, 2021	July 29, 2021
Emergency Repair Costs	-	-
Short-term Repair Costs (within 1 year)	-	-
Long-term Repair Costs (next 12 years)	13,403 thousand yen	151,444 thousand yen
Building Replacement Price	280 million yen	1,257 million yen
Earthquake PML	3.3%	5.9%
<b>Lease Conditions</b>		
Point in Time	as of August 31, 2021	as of August 31, 2021
Total Tenants	3	1
Leasable Units	29 units	80 units
Leased Units	29 units	76 units
Leasable Floor Area	1,101.19m <sup>2</sup>	4,707.56m <sup>2</sup>
Leased Floor Area	1,101.19m <sup>2</sup>	4,466.26m <sup>2</sup>
Occupancy Rate (based on floor area)	100%	94.9%
Monthly Rent (including common service charges)	3,420 thousand yen	10,617 thousand yen
Deposits, Guarantees, etc.	13,416 thousand yen	6,390 thousand yen
<b>Number of Units by Type</b>		
Single	26 units	0
Compact	0	0
Family	0	78 units
Large	0	0
Dormitory	0	0
Other	3 units	2 units
<b>Special Notation</b>		
	Part of the land (approximately 37 square meters) is located within the city planning road zone (Kunitachi Station East Line 3, 4, 6, planned width of 16 meters) for which planning decisions were made on October 5, 1961. However, it was not designated for priority development between FY2016 and FY2025, and development remains undetermined. The need to remove part of the building on sections subject to land expropriation may arise in the future.	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 in the above table.

([https://www.adr-reit.com/src/financial/notice\\_acquisition\\_e.pdf](https://www.adr-reit.com/src/financial/notice_acquisition_e.pdf))

### 3. Appraisal Report Summary

(1) S-035 RESIDIA Kunitachi II

Value as of August 1, 2021

Appraiser	Daiwa Real Estate Appraisal Co., Ltd.	Appraisal value	880,000 thousand yen
Appraisal item	Appraised value (thousands of yen)	Basis	
Income Capitalization Approach Value	880,000	Income capitalization approach value was calculated using pricing with the direct capitalization method based on DCF method.	
Direct Capitalization Price	908,000		
Total Potential Income	46,892		
Rent Income	46,053	Based on the current contracted rent level and new rent levels of similar properties in the same supply and demand range, the estimated rent income and common service fee income, standardized for the subject properties, are estimated by taking into consideration the medium- to long-term competitiveness of the subject properties.	
Other Income	838	Other income such as key money is calculated assuming the number of months based on the estimated tenant turnover and vacancy rate. Renewal fee income is estimated by assuming the renewal rate and considering PM fees.	
Total Effective Income	45,203		
Losses from Vacancies, etc.	1,688	Estimated based on the actual vacancy rate and standard vacancy rates for similar properties.	
Losses from Delinquencies	0	Secured through guaranteed deposit and therefore not allocated.	
Expenses from Rental Business	7,345		
Maintenance and Management Fees	1,398	Estimated using maintenance and management fee levels for comparable properties and based on the expected PM agreement.	
Utilities Costs	599	Estimated based on levels of utilities cost of similar properties and figures from the past fiscal year.	
Management Commission Fees	1,032	Estimated by considering levels of PM fees for comparable properties and based on the expected PM agreement.	
Taxes and Public Dues	2,500	Assessed based on actuals in FY2021, taking into account the burden level.	
Non-life Insurance Premiums	65	Used the quoted estimate and referred to the levels of non-life insurance premiums for comparable properties.	
Leasing Expenses	1,025	Estimated considering the levels of leasing expenses at comparable properties.	
Repair Costs	673	Estimated based on the levels of repair costs for comparable properties based on the engineering report. Tenant turnover cost was estimated considering the turnover ratio and vacancy ratio.	
Other Expenses	50	Recorded as reserves.	
Net Operating Income	37,858		
Earnings from Deposits	146	Estimated the rate of return and applied the rate to the amount of assumed deposits.	
Capital Expenditures	784	Estimated by referring to the engineering report and the levels of renewal fees for comparable properties.	
Net Cash Flow DCF Price	37,221		
Cap Rate	4.1%	Estimated by assuming the yields of comparable properties located in an area with the lowest risk as the basis and adjusting the yield spread based on the subject property's locality and specific building features including grade, age, and level of facilities, and other conditions including the level of current rent compared to market rent, rights and obligations, and contract terms..	
DCF Price	868,000		
Discount Rate	3.9%	Estimated by comparing with transactions of similar properties and by incorporating specific attributes of the property in the yields of financial assets.	
Terminal Cap Rate	4.3%	Added a premium on future risks.	
Cost Approach Value	866,000		
Land Ratio	70.7%		
Building Ratio	29.3%		
Other Matters of Consideration			
None			

(2) R-82 RESIDIA Nishi-tenma

Price as of August 1, 2021

Appraiser	Daiwa Real Estate Appraisal Co., Ltd.	Appraised value	3,090,000 thousand yen
Appraisal item	Appraised value (thousands of yen)	Basis	
Income Capitalization Approach Value	3,090,000	Income capitalization approach value was calculated using pricing with the direct capitalization method based on DCF method.	
Direct Capitalization Price	3,150,000		
Total Potential Profit	182,715		
Rent Income	176,426	Based on the current rent level, new rent level of comparable properties, estimated standardized rent income and common service fee income. Estimated by referencing actual amounts for antenna, electricity, vending machines, and resident association membership income.	
Other Income	6,289		
Total Effective Profit	173,979		
Losses from Vacancies, etc.	8,736	Estimated based on the actual vacancy and standard vacancy rate for similar properties.	
Losses from Delinquencies	0	Not applicable. Guaranteed through security deposits, etc.	
Expenses from Rental Business	27,152		
Maintenance and Management Fees	2,820	Estimated using level of maintenance and management fees for comparable properties and based on the planned PM agreement.	
Utility Costs	2,563	Estimated by referring to the past fiscal year's figures and level of cost for similar properties.	
Management Commission Fees	4,289	Estimated using the level of PM for comparable properties and based on the scheduled PM agreement.	
Taxes and Public Dues	9,407	Assessed based on the actual amount in 2021, taking into account the burden level.	
Non-life Insurance Premiums	328	Prepared using the presented quote and referring to the level of non-life insurance premiums for comparable properties.	
Leasing Expenses	3,896	Estimated considering the leasing expenses estimated based on the level for comparable properties.	
Repair Costs	3,347	Estimated based on the level of repairs costs for comparable properties based on the engineering report. Tenant turnover cost was estimated considering the turnover ratio and vacancy ratio.	
Other Expenses	500	Other expenses including delivery locker rental fee and resident association membership expense.	
Net Operating Income	146,827		
Earnings from Deposits	145	Calculated by assessing the investment yield and multiplying it by the assumed amount of security deposits.	
Capital Expenditures	11,374	Estimated by referring to the engineering report and the level of renewal fees for comparable properties.	
Net Cash Flow DCF Price	135,598		
Cap Rate	4.3%	Estimated by referring to the yields of comparable properties located in an area with the lowest risk and adjusting the yield spread based on the locality and the specific features of the property including the grade, age, and level of facilities, and other conditions including the level of current rent compared to market rent, rights and obligations, contract terms, and renovation costs.	
DCF Price	3,070,000		
Discount Rate	3.7%	Estimated by comparison with similar property transactions and by incorporating the specific attributes of the property in the yields of financial assets.	
Terminal Cap Rate	4.1%	Added a premium on future risks.	
Cost Approach Value	4,050,000		
Land Ratio	87.2%		
Building Ratio	12.8%		
Other Matters of Consideration			
None			

#### 4. Seller Profile

(1) S-35 RESIDIA Kunitachi II

The seller of the asset-to-be-acquired is an individual whose details are not disclosed according to the seller's wishes.

(2) R-82 RESIDIA Nishi-tenma

The seller is a domestic stock company whose details are not disclosed according to their wishes. The company does not fall under the category of a party having any particular vested interest in ADR or ADIM.

#### 5. Property Titleholder (for transactions with parties with special interest)

Omitted. Properties are not acquired from parties with special interests.

#### 6. Matters Concerning Earthquake Resistance

(1) RESIDIA Kunitachi II has been examined by a designated structural inspection institute in accordance with the revised Building Standard Act enacted in June 2007 and received a structural calculation conformity assessment notification.

(2) The validity of the structural calculation document on RESIDIA Nishi-tenma has been examined by a third-party inspector and has obtained 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 dR 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	<ol style="list-style-type: none"> <li>1. Examination, research, provision of information, diagnosis, consulting, seminars, publications, and training related to safety, disaster prevention, health, environment, product safety, and information management, etc.</li> <li>2. Contracting of business and administration conducted by corporations such as in relation to safety, disaster prevention, health, environment, product safety, and information management.</li> <li>3. Design, implementation, and supervision of construction work, civil engineering work, equipment work, soil contamination removal work, etc.</li> <li>4. Market data gathering and analysis, risk measurement, due diligence including corporate value calculation, etc.</li> </ol>
Relationship with ADR or ADIM	None



## 7. Broker Profile

### (1) S-035 RESIDIA Kunitachi II

Omitted. The broker does not have special interests in ADR or ADIM.

### (2) R-82 RESIDIA Nishi-tenma

Omitted. The broker does not have special interests in ADR or ADIM.

## 8. Outlook

The impact of these acquisitions on the management performance forecasts for the 23rd fiscal period ending January 31, 2022, and the 24th fiscal period ending July 31, 2022 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 to have a stable dividend in the long-term and can be considered as a defensive J-REIT, on the back of stable income from residential assets and with the largest dividend reserve among J-REITs. ADR's website: <https://www.adr-reit.com/en/>