



# 13<sup>th</sup> Period

2016.8.1 ~ 2017.1.31

## Earnings Presentation



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TSE Ticker Code	: 3269
Abbreviation	: ADR
Fiscal Period End	: End of January & July
Main Sponsor	: Itochu Corporation
Asset Type	: Residential

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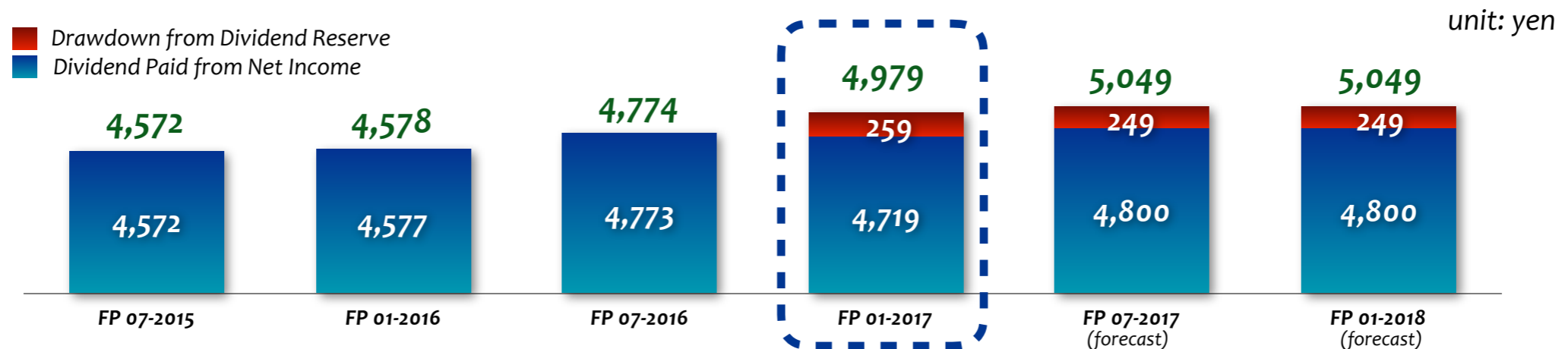
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# Executive Summary

## Maintained High Occupancy, Lowered Financial Costs

**Dividend per Unit\*** **4,979** yen chg. from initial forecast +120 yen chg. from last period +205 yen

Begin **259** yen per Dividend Drawdown from the Largest Dividend Reserve\*\* Among J-REIT ( **33.5** billion yen outstanding)



### Two New Acquisitions Totaling 3.2 bn yen

Asset Under Management **257** properties **436.9** billion yen

### Lowered Financial Cost through Refinancing

Average Interest Rate **1.02%** chg. from previous FP -0.03%pt

### Firm Occupancy Especially in Tokyo 23 Wards

Average Period Occupancy **96.5%**  
 NOI Yield & Yield after Depreciation\*\*\* **5.7%** & **4.5%**

### Generated Growth Potential through Public Offering

Lowered Total Asset LTV **49.6%** chg. from previous FP -2.6%pt  
 Acquisition Capacity **30** billion yen over (as of July 2017)  
 NAV per Unit **230,621** yen

\* Dividend per unit might be abbreviated as DPU and earnings per unit as EPU, hereafter.

\*\* Dividend Reserve is booked under the accounting item Reserve for Temporary Difference Adjustment.

\*\*\* The yields are calculated by dividing the annualized NOI or annualized NOI after depreciation by total book value at the end of the period.

# Results for Fiscal Period ended Jan. 2017

from August 1, 2016 to January 31, 2017



	(1)	(2)	(2)-(1)	Notes		(3)	(2)-(3)	Notes	
	13th FP Forecast	13th FP Results				12th FP Results			
	Initial Forecast as of Sept. 6, 2016	Results for FP January 2017	Changes			Results for FP July 2016	Changes		
Revenue	15,399 (257 properties) Period avg. occupancy 96.2%	15,504 (257 properties) Period avg. occupancy 96.5%	+104	Increases from higher occupancy, etc. Increase in key money revenue, etc.	+87 +17	15,444 (255 properties) Period avg. occupancy 96.8%	+60	Asset Acquisitions and Dispositions Incr. from 2016/7 & 2017/1 acquisition Decrease from 2016/7 disposition Same Store Incr. from contract chgs. to pass-through Off-season decreases in key money & renewal fee income	+136 -13 +50 -114
Operating Income	7,663 (Depreciation: 2,596) (Property taxes: 836)	7,801 (Depreciation: 2,593) (Property taxes: 836)	+138	Leasing Expenses Decrease in utility costs Decrease in leasing expenses G & A Expenses Increases in management fees due to higher profits	+18 +37 -21	7,727 (Depreciation: 2,568) (Property taxes: 823)	+73	Leasing Expenses Off-season decrease in fees Net effect of buy/sell of RE in 2016/7 & 2017/1 G & A Expenses Incr. in mgt. fees due to incr. in AUM Consumption tax settlement cost incr.	+118 -66 -19 -16
Ordinary Income	6,210 (Funding cost*: 1,432)	6,371 (Funding cost*: 1,410)	+161	Decrease in funding costs due to lower interest rate	+22	6,206 (Funding cost*: 1,510)	+165	Decrease in funding costs due to repayment of loans	+92
Net Income	6,210	6,371	+161			6,205	+165		
Drawdown of Reserve**	349	350	+0.7	Reserve after dividend: 33.2 bn yen		0	+350	Reserve after dividend: 33.5 bn yen	
Dividend Amount	6,559	6,721	+162			6,206	+515		
EPU (yen)	4,600	4,719	+119	Units issued and outstanding 1,350,000 units		4,773	-54	Units issued and outstanding 1,300,000 units	
Per Unit Drawdown of Reserve** (yen)	259	259	-			0	+259		
Dividend per unit (yen)	4,859	4,979	+120			4,774	+205		
Total Asset LTV	49.7%	49.6%	-0.1 pt			52.2%	-2.6 pt		

\* Funding costs include interest payments for loans and bonds as well as other finance fees.

\*\* "Reserve" means "Reserve for Temporary Difference Adjustment".

P-22 RESIDIA Shinjuku East



***Internal Growth***

# Rents to Continue Rise in FP Jan. 2017

## Replacements **+1.1%**

## Renewals **+0.6%**

### Replacements\*

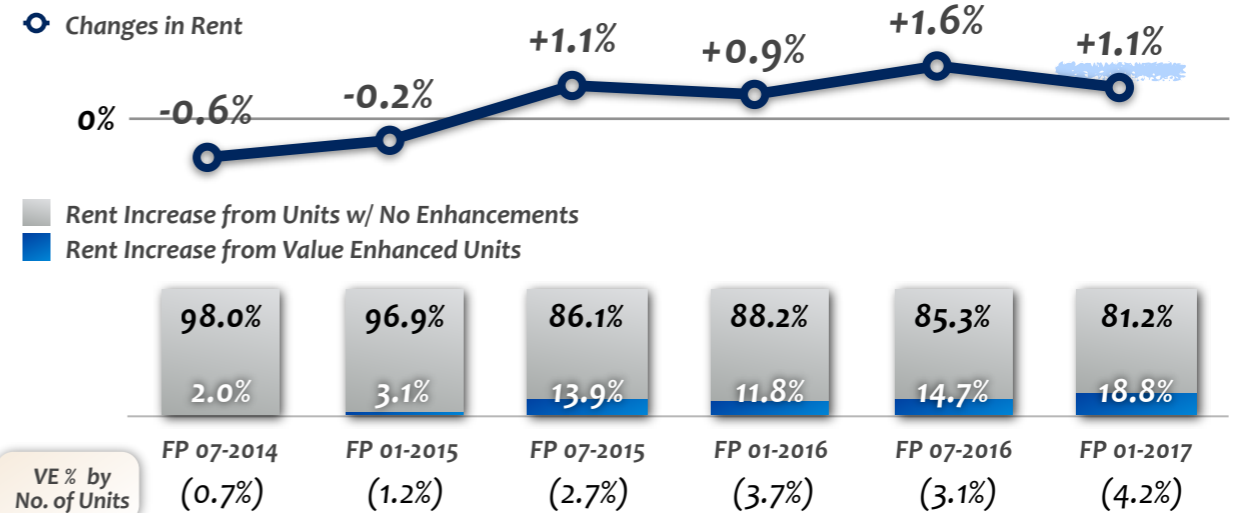
in million yen

	No. of Units	Ratio	Old Rent	New Rent	Difference	% Change
Increase	836 units	48.7%	111	116	+5.2	+4.69%
Unchanged	296 units	17.2%	33	33	-	-
Decrease	585 units	34.1%	69	66	-2.9	-4.24%
<b>Total</b>	<b>1,717 units</b>	<b>100.0%</b>	<b>213</b>	<b>215</b>	<b>+2.2</b>	<b>+1.08%</b>

Net Rent Change by Location

Tokyo Central 7 Wards **+1.1%**  
Metropolitan Area **+0.3%**  
Central Tokyo **+2.2%**  
Major Regional Cities **-0.5%**

### Contributions of Value Enhanced Units to Rent Rise



### Renewals\*

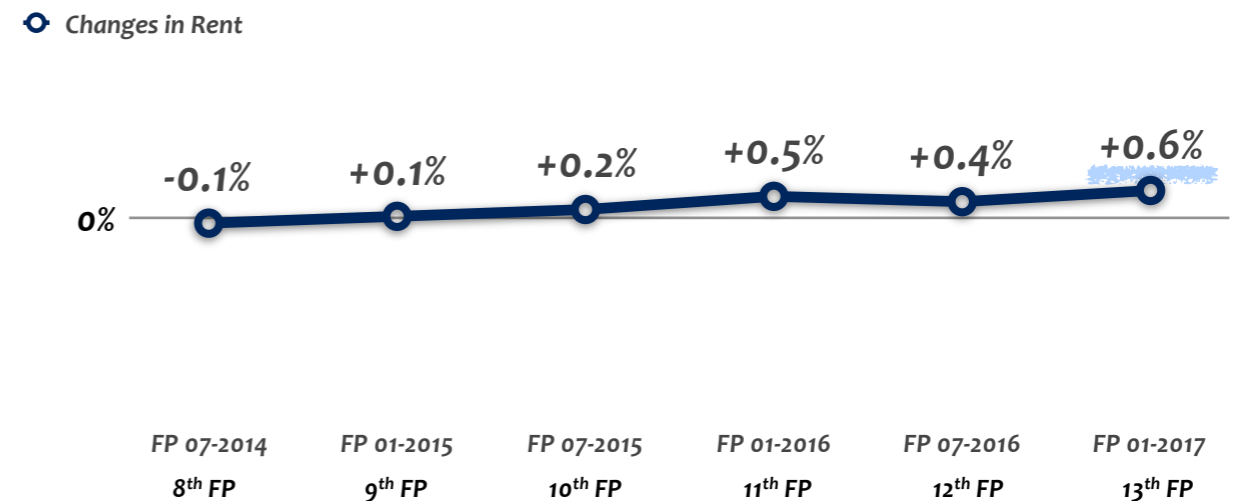
in million yen

	No. of Units	Ratio	Old Rent	New Rent	Difference	% Change
Increase	652 units	27.6%	82	84	+1.7	+2.16%
Unchanged	1,705 units	72.1%	201	201	-	-
Decrease	7 units	0.3%	1	1	-0.09	-7.34%
<b>Total</b>	<b>2,364 units</b>	<b>100.0%</b>	<b>285</b>	<b>287</b>	<b>+1.6</b>	<b>+0.59%</b>

Net Rent Change by Location

Tokyo Central 7 Wards **+0.7%**  
Metropolitan Area **+0.6%**  
Central Tokyo **+0.7%**  
Major Regional Cities **+0.2%**

### Gradual Increase in Renewal Rents

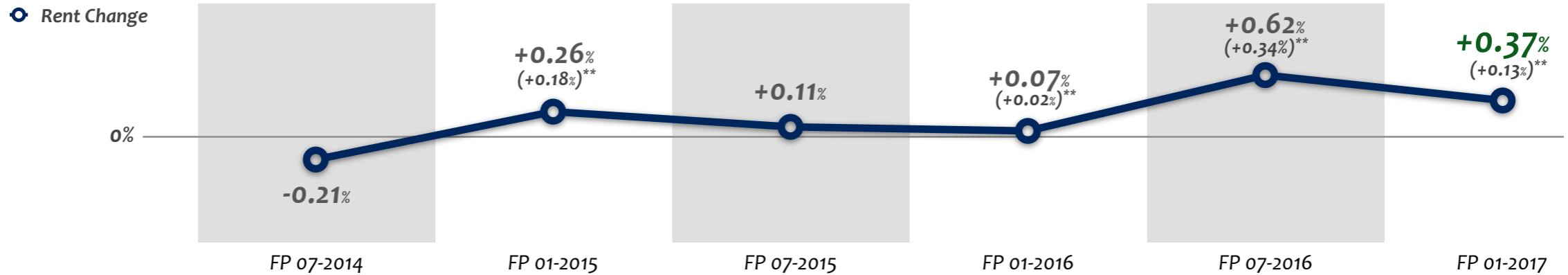


\* Rent change for pass-through units that had tenant replacement or contract renewal.

# Steady Portfolio Rent Growth

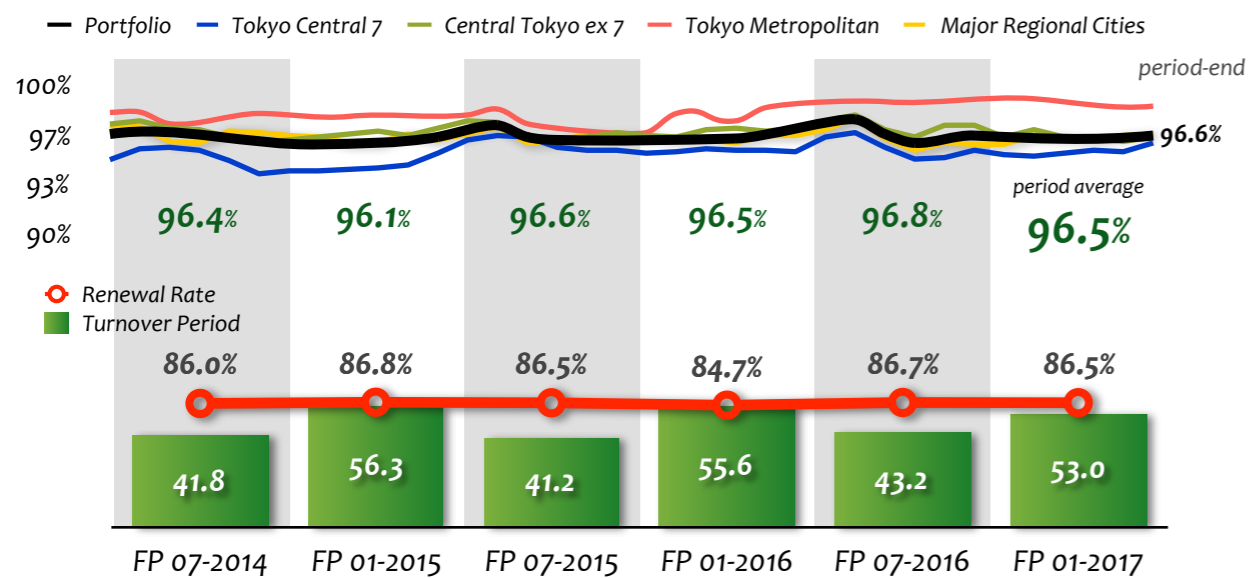
## Portfolio Rent Rise

Fifth Consecutive Period Rise in Rent

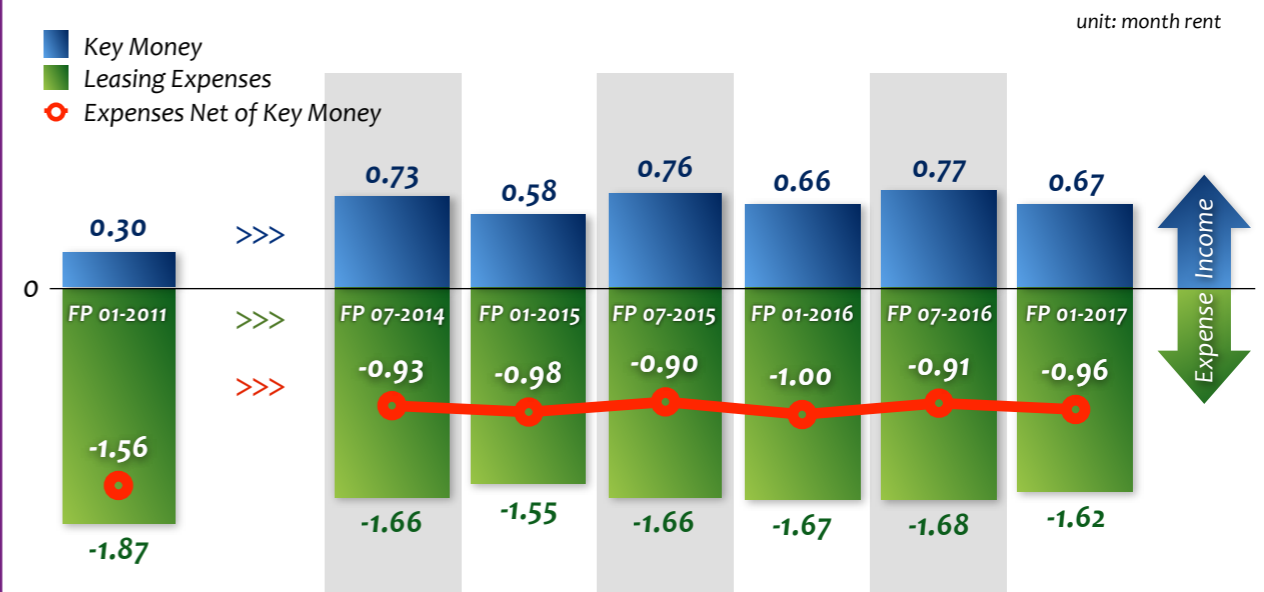


\* Change in unit rent between the start and the end of the period for all properties held throughout the period.  
 \*\* Excluding the effect of change in contract type from rent-guarantee to pass-through.

## Occupancy, Renewal Rate & Turnover



## Leasing Related Income and Expenses



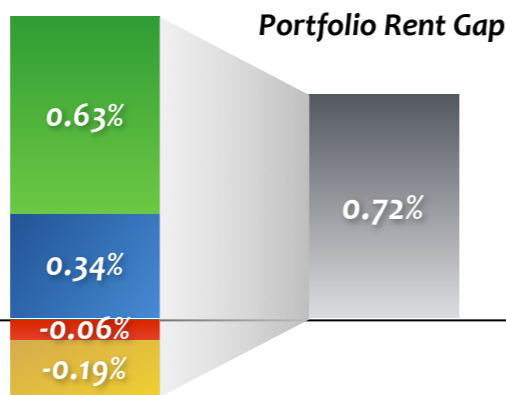
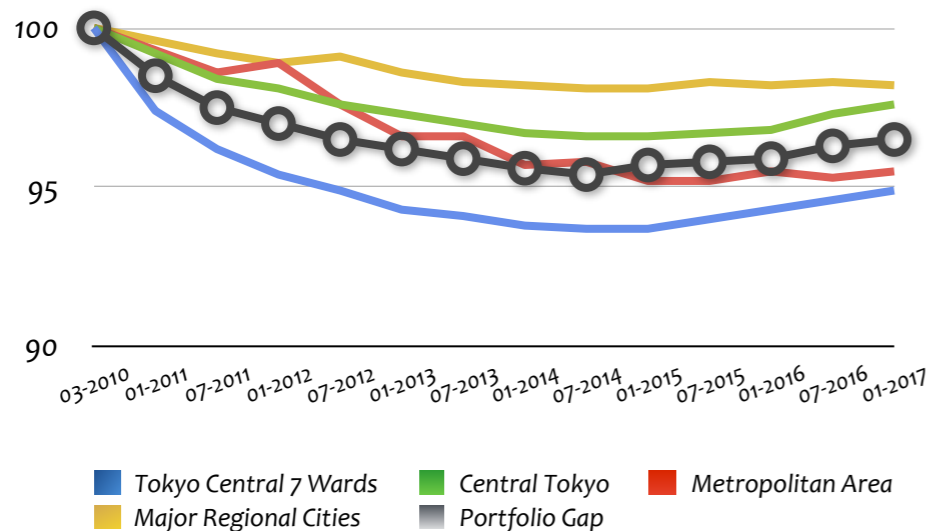
unit: month rent

# Rent Trend & Rent Gap

Potential Portfolio Rent Increase\* **+0.72%**

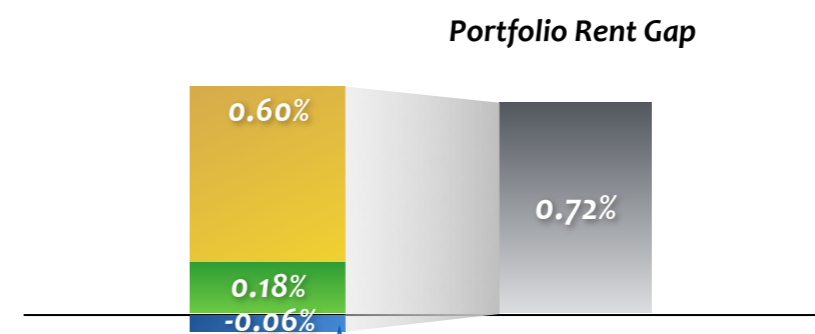
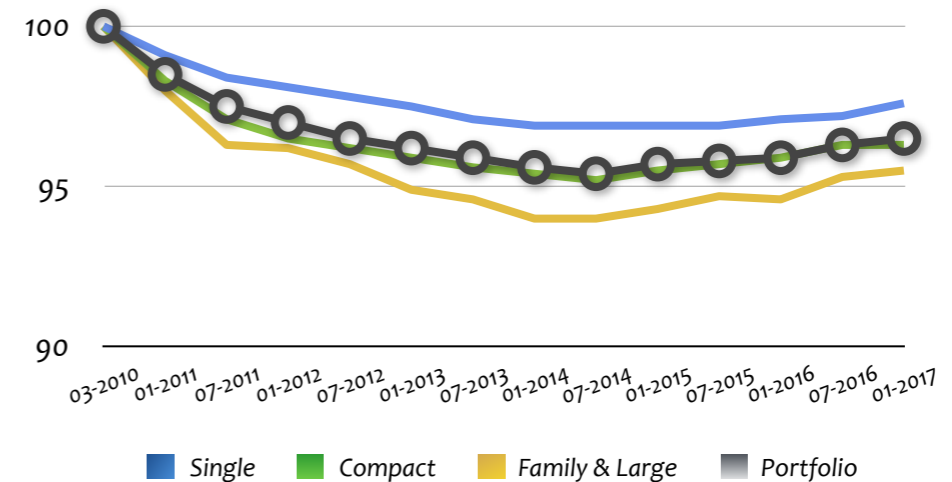
## By Location

- ✓ Rent increases are spreading from Tokyo Central 7 Wards to Central Tokyo
- ✓ Rent trends in Osaka and Kobe continue to show weakness



## By Unit Type

- ✓ Rent trends for Compact, Family & Large type units in 23 wards of Tokyo are strong
- ✓ Continued demands are expected for the above units from DINKs who prefer to live close to their workplaces



Although Single units in Tokyo 23 Wards had a positive rent gap, it resulted in a negative gap due to the gaps in other areas.

\* The potential portfolio rent increase is estimated by calculating the gap between the unit rent of new tenants of FP Jan. 2017 (treating the rents as approximation of market rent) and unit rent of existing tenants, aggregated for the whole portfolio for leasing contracts that are pass-throughs. The calculation is made on each property and by each unit type for properties held at the end of FP Jan. 2017.



# Maintaining the Competitiveness of Properties

## Value Enhancement (VE) Works

In value enhancement works, floor plans and kitchens are renovated to current style thereby making it possible to aggressively pursue rent increases

Track Record  
Since the Merger

No. of Value Enhanced Units:	<b>223</b> units
No. of Units Leased-out*:	<b>189</b> units
% Increase in Rents*:	<b>10.8%</b>

\* Increase in rents are calculated for the 189 units leased out as of Feb. 23, 2017, dividing the first contracted monthly rent after VE works by the most recent rent before the VE works.

## Large-scale Repairs

Repair works are carried out at around 15 years intervals on roofings, exteriors and entrances to maintain the basic functionality of the buildings

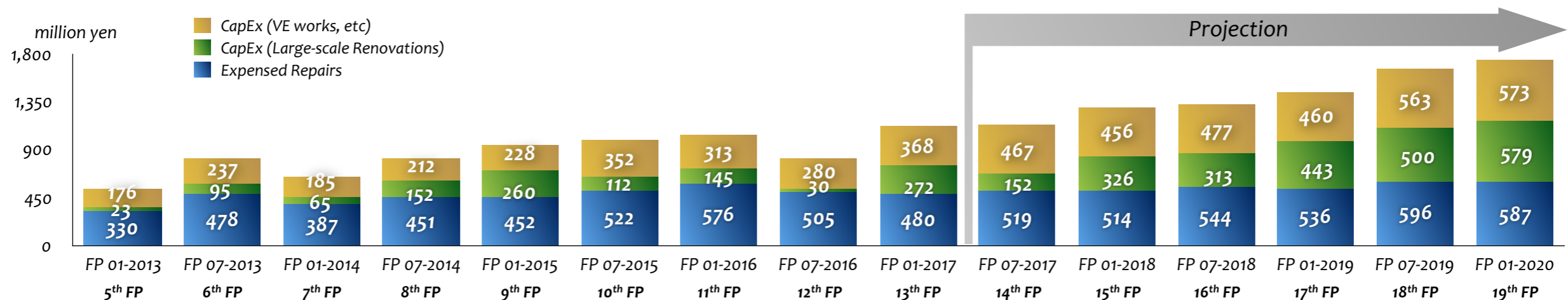
Track Record  
Since the Merger

No. of Properties:	<b>23</b> properties
Total Investment:	<b>1,137</b> million yen
Ave. Cost per Property	<b>49</b> million yen

## Daily Maintenance

Restoration on kitchen & bathroom equipments, walls and etc. are carried out between tenant replacements

## Works Are Scheduled with Cash Management in Mind



# Large-Scale Repairs

Works Completed in FP January 2017

Properties Repaired during January 2017  
Total Expenditure

**4** properties  
**282** million yen

C-35 RESIDIA Bunkyo Otowa 14 years old

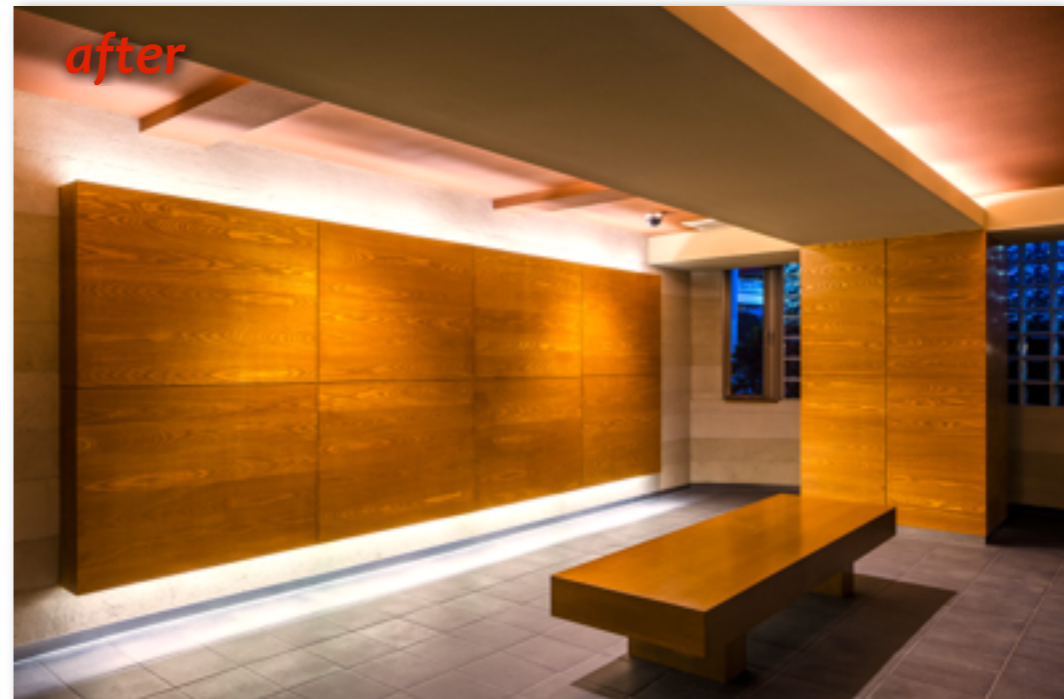
## Exterior Repairs / More Stylish Entrance



### Construction Cost

**103** million yen

- Exterior repair
- Roof waterproofing
- Installing LED Lighting in common space



# Value Enhancement Works

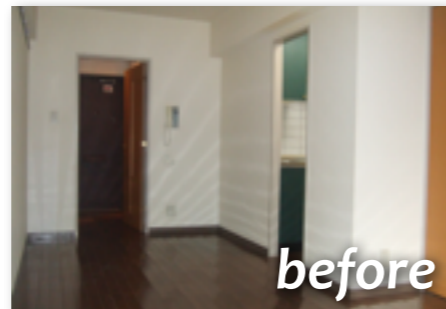
Examples of Works Completed During FP January 2017

No. of Value Enhancement Implemented  
Average Increase in Monthly Rent

**34** units of **11** properties  
**+20.6%\***

## P-26 RESIDIA Meguro

Building Age **17** years old  
Floor Plan 1 BR + Kitchen to Studio  
Construction Cost **2.9** million yen  
Increase in Monthly Rent **+13.5%**  
Projected Recuperation Period\*\* **7** years



## P-53 RESIDIA Roppongi Hinokichokoen

Building Age **17** years old  
Floor Plan 1 BR + Kitchen + Den  
Construction Cost **4.4** million yen  
Increase in Monthly Rent **+30.1%**  
Projected Recuperation Period\*\* **9** years



\* Increase in monthly rents are calculated for the 13 units leased out as of Feb. 23, 2017, dividing the newly contracted monthly rent by the previous rent.

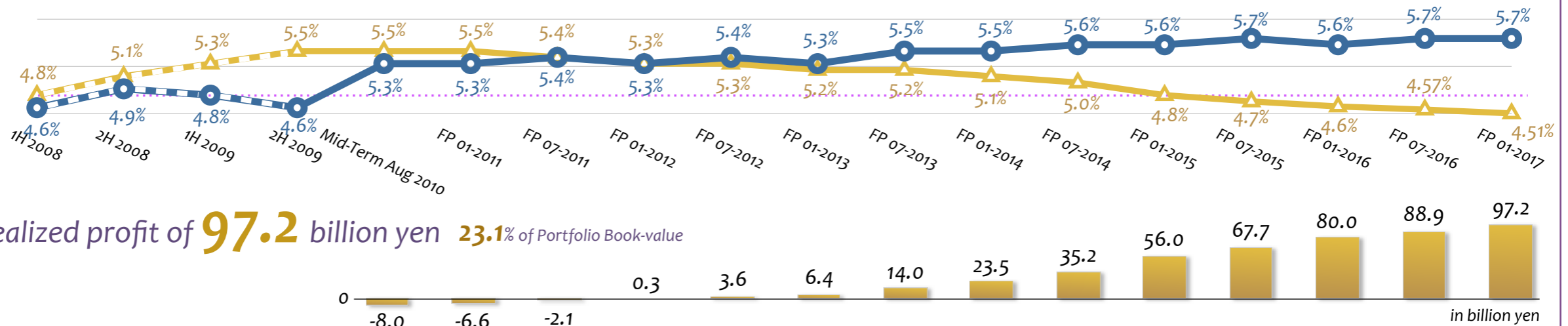
\*\* Projected Recuperation Periods are periods projected to recuperate the value enhancement cost, which is calculated as total cost minus renovation costs and equipment replacements due to aging.

# Appraisal Value

## Appraisal Direct Cap Rate • Unrealized Profit and Loss

● Book-value NOI Yield  
▲ Appraisal Direct Cap Rate

### Record Low Cap Rate



Unrealized profit of **97.2 billion yen** **23.1%** of Portfolio Book-value

\* Book value NOI yield is calculated as follows. The total of actual NOI of properties at the end of each period are annualized according to the actual number of days of operation divided by the total book value at end of each periods.  
\* Dotted line expresses the periods that are before the merger.

## Appraisal Summary of FP January 2017 End

\* For assets acquired during the FP Jan. 2017, appraisal value at the time of acquisition is used as the previous appraisal value.

	Appraisal		Appraisal NCF		Direct Cap Rate		Actual NOI Yield	Unrealized Profit and Loss (million yen)		
	in million yen	diff vs last FP	in million yen	diff vs last FP	in million yen	diff vs last FP		FP Jan. '17	Book Value (a)	Difference from the appraisal (b)
Tokyo Central 7 Wards	197,075	+2,257	8,502	-25	4.25%	-0.06pt	5.1%	165,367	31,707	19.2%
Central Tokyo ex. 7 Wards	169,598	+2,691	7,553	+6	4.40%	-0.06pt	5.7%	135,205	34,392	25.4%
<b>Tokyo 23 Wards Total</b>	<b>366,673</b>	<b>+4,948</b>	<b>16,055</b>	<b>-18</b>	<b>4.32%</b>	<b>-0.06pt</b>	<b>5.4%</b>	<b>300,572</b>	<b>66,100</b>	<b>22.0%</b>
Tokyo Metropolitan	48,027	+365	2,366	-2	4.90%	-0.04pt	6.4%	38,270	9,756	25.5%
Major Regional Cities	103,244	+886	5,212	-32	5.00%	-0.07pt	6.6%	81,874	21,369	26.1%
<b>Portfolio Total</b>	<b>517,944</b>	<b>+6,199</b>	<b>23,634</b>	<b>-53*</b>	<b>4.51%</b>	<b>-0.06pt</b>	<b>5.7%</b>	<b>420,717</b>	<b>97,226</b>	<b>23.1%</b>

### Rise in Appraisal Value

**171** properties  
out of **257** properties  
value decreased in 20 properties  
of which 14 properties was due to  
increase in expense from  
ER reassessment

### Properties with Unrealized Loss

Total unrealized loss  
**1.0 billion yen**  
in **5** properties

\* -67 million yen impact on appraisal NCF is from changes in ER reassessment on repair expenses and capital expenditure.

Rise in Appraisal Value +6.19billion yen

=

NCF Impact -1.17billion yen

+

DCR Impact +7.36billion yen



# ***External Growth***

# Acquisitions in FP Jan. & July 2017

Acquired Recently Built Properties Mostly in Tokyo 23 Wards and Mainly from Sponsor's Pipeline

Properties Acquired Through Sponsor's Pipeline

Third Party (Negotiated Transaction)



	Acquired RESIDIA Mishuku Tokyo Central 7 Wards	Acquiring in April RESIDIA Kameido Central Tokyo ex 7	Acquiring in April RESIDIA Koenji Central Tokyo ex 7	Acquired RESIDIA Senri-Banpakukoen Major Regional Cities	Acquiring in March RESIDIA Senri-Fujishirodai Major Regional Cities	Total
Acquisition Price	1,159 million yen	2,988 million yen	1,380 million yen	2,124 million yen	1,430 million yen	9,081 million yen
NOI Yield*	4.8%	4.7%	4.7%	5.2%	5.7%	5.0%
Yield after Depreciation	4.1%	4.1%	4.0%	3.8%	4.6%	4.1%
Leasable Units	42 units	129 units	58 units	68 units	90 units	387 units
Completion	April 2015	October 2013	March 2015	October 2005	March 2017 (planned)	n.a.
Building Age**	1.8 years	3.3 years	1.9 years	11.3 years	Not Completed	4.3 years

\* NOI yield of acquired properties are calculated by dividing the annualize NOI for FP Jan. 2017 by each book values at the end of the FP. NOI yield of acquiring properties are calculated by dividing NOI listed on the appraisal reports at the time of the acquisition announcements by each acquisition prices.

\*\* Listed building ages are as of January 31, 2017.

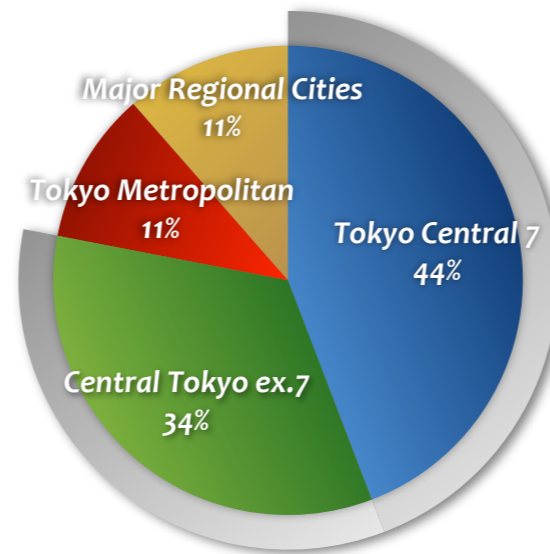
# Preparing for Future External Growth

Sponsor Pipeline **30** properties **48.5** bn yen

## Properties Developed by Itochu Group

### Developments mostly in the Tokyo 23 Wards

	No. of Properties	No. of Units	Expected Size
Tokyo Central 7	14 properties	721 units	21.4 bn yen
Central Tokyo ex.7	10 properties	625 units	16.4 bn yen
Tokyo Metropolitan	2 properties	439 units	5.1 bn yen
Major Regional Cities	4 properties	372 units	5.5 bn yen
<b>Total</b>	<b>30 properties</b>	<b>2,157 units</b>	<b>48.5 bn yen</b>
as of Jan. 2017			
Land Plots Waiting for Building Permit	6 properties		8.8 bn yen

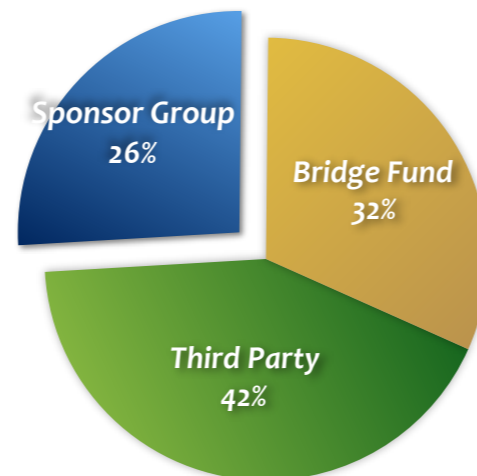
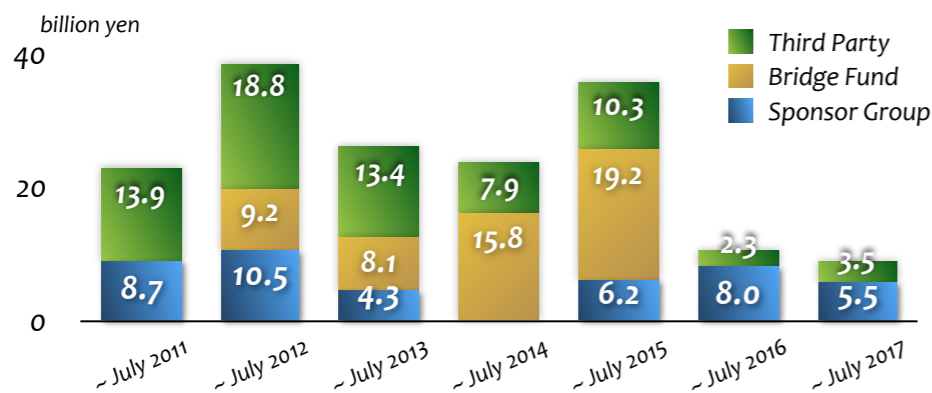


### Properties Developed by the Sponsor



## Sourcing Track Record

### Sourcing Track Record on Yearly Bases



### Kept clear of the over-competitive market

Total No. of Leads in FP Jan. 2017 **652**  
of which NDAs were signed **29**  
of which LOI sent **0**

# Note

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# ***Finances***

# Building a Stable Financial Base

## Key Figures on Debts

Lowered LTV Through Public Offering

	FP 07-2016	Loan / Bond Ratio	FP 01-2017	Loan / Bond Ratio
<b>Loans</b>	192.3 bn yen	82%	190.2 bn yen	85%
(Short-term loans)	-	-	-	-
<b>Bonds</b>	41.5 bn yen	18%	33.5 bn yen	15%
<b>Debt Outstanding</b>	233.8 bn yen	100%	223.7 bn yen	100%
<b>Total Asset LTV</b>	52.2%		49.6%	
<b>Appraisal LTV</b>	46.0%		43.2%	

## Debt Financing FP Jan. 2017

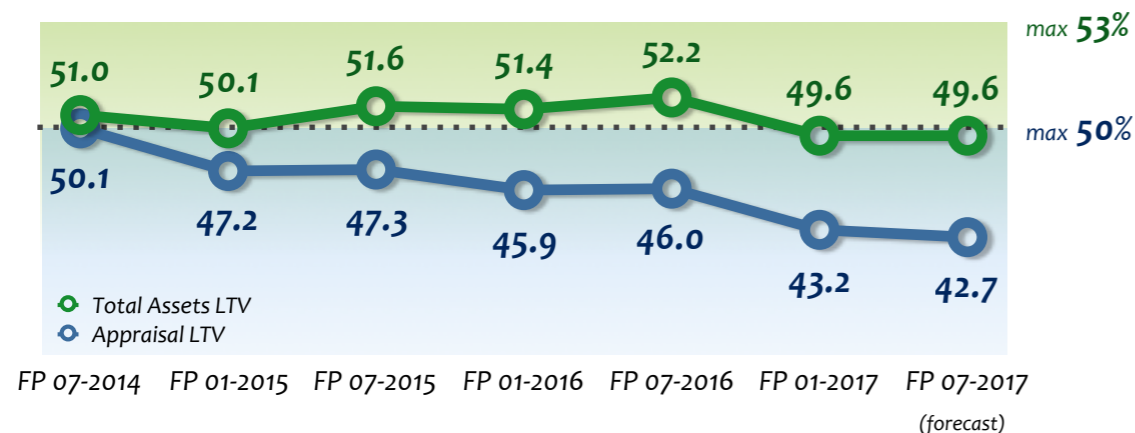
Lowered Financing Cost While Financing in Longer Debts

	Repayments	Debt Financing
<b>Total Amount</b>	11.8 bn yen	11.5 bn yen
<b>Average Interest Rate</b>	0.92%	0.46%
<b>Average Initial Duration</b>	5.7 years	9.1 years

\* Loans repaid using funds procured from equity financing and bond issuance are excluded.  
\* Debts procured and repaid during the same period and Loans that had it's floating interest rate fixed are excluded.

## LTV Management

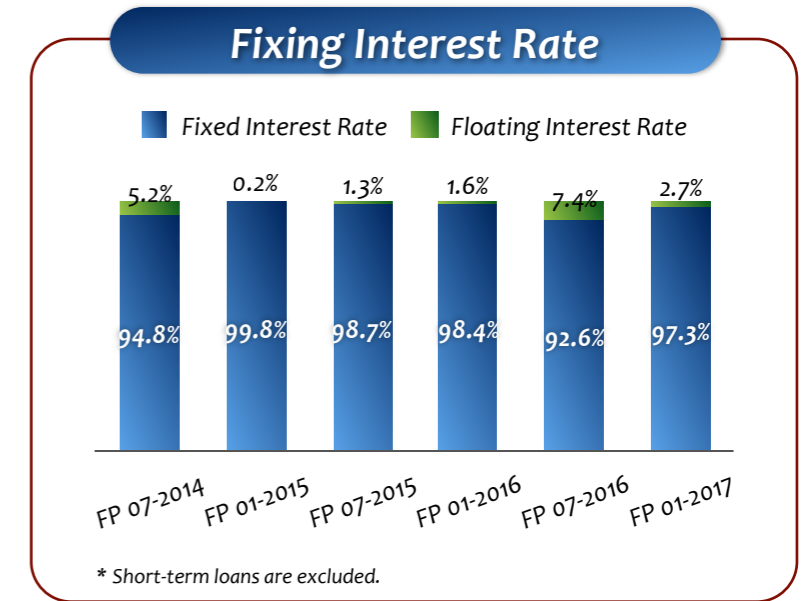
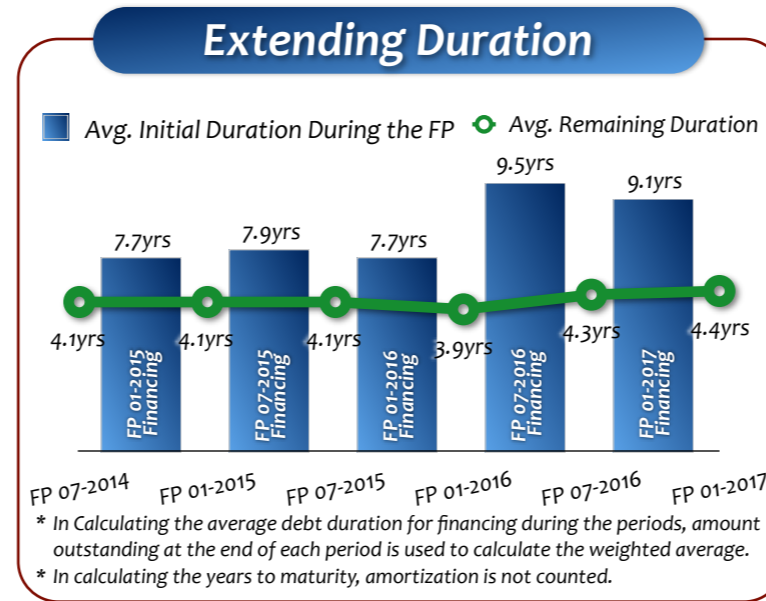
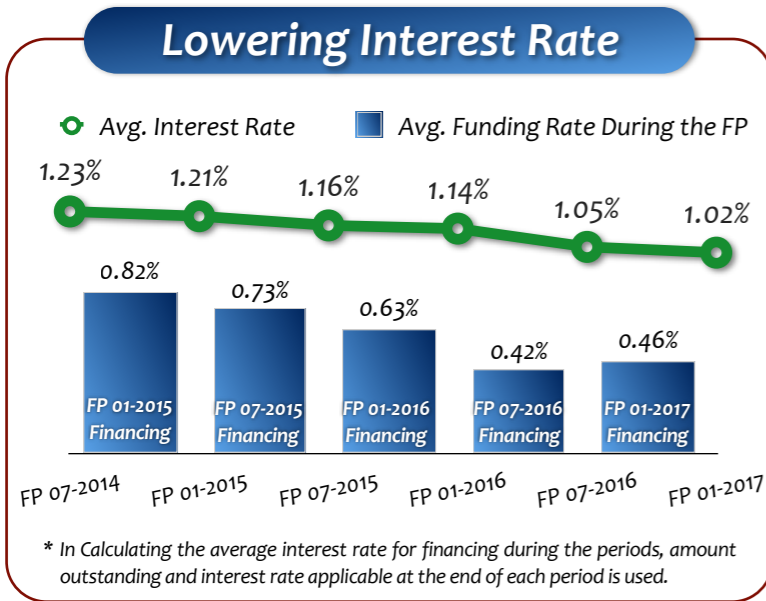
Maximum leverage will be 50% for Appraisal LTV, 53% for Total Assets LTV



## Credit Ratings

JCR **AA** (Stable)  
R&I **A+** (Stable)

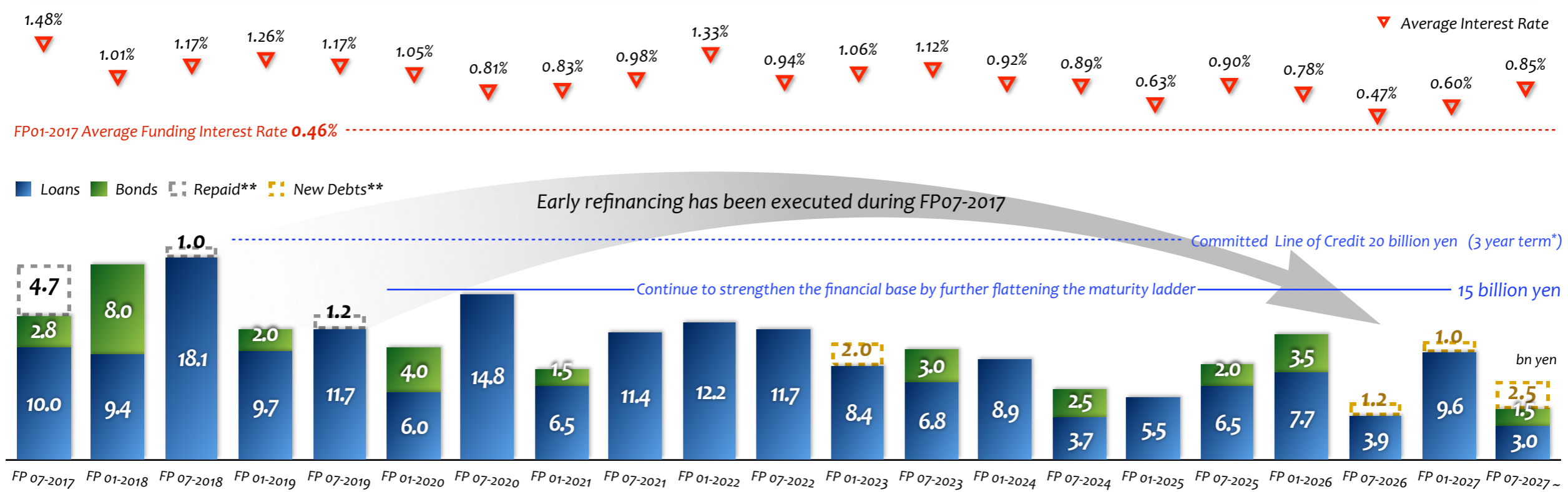
# Duration Extended, Ratio of Fixed Interest Debts Increased and Maturity Diversified While Financing Cost Lowered



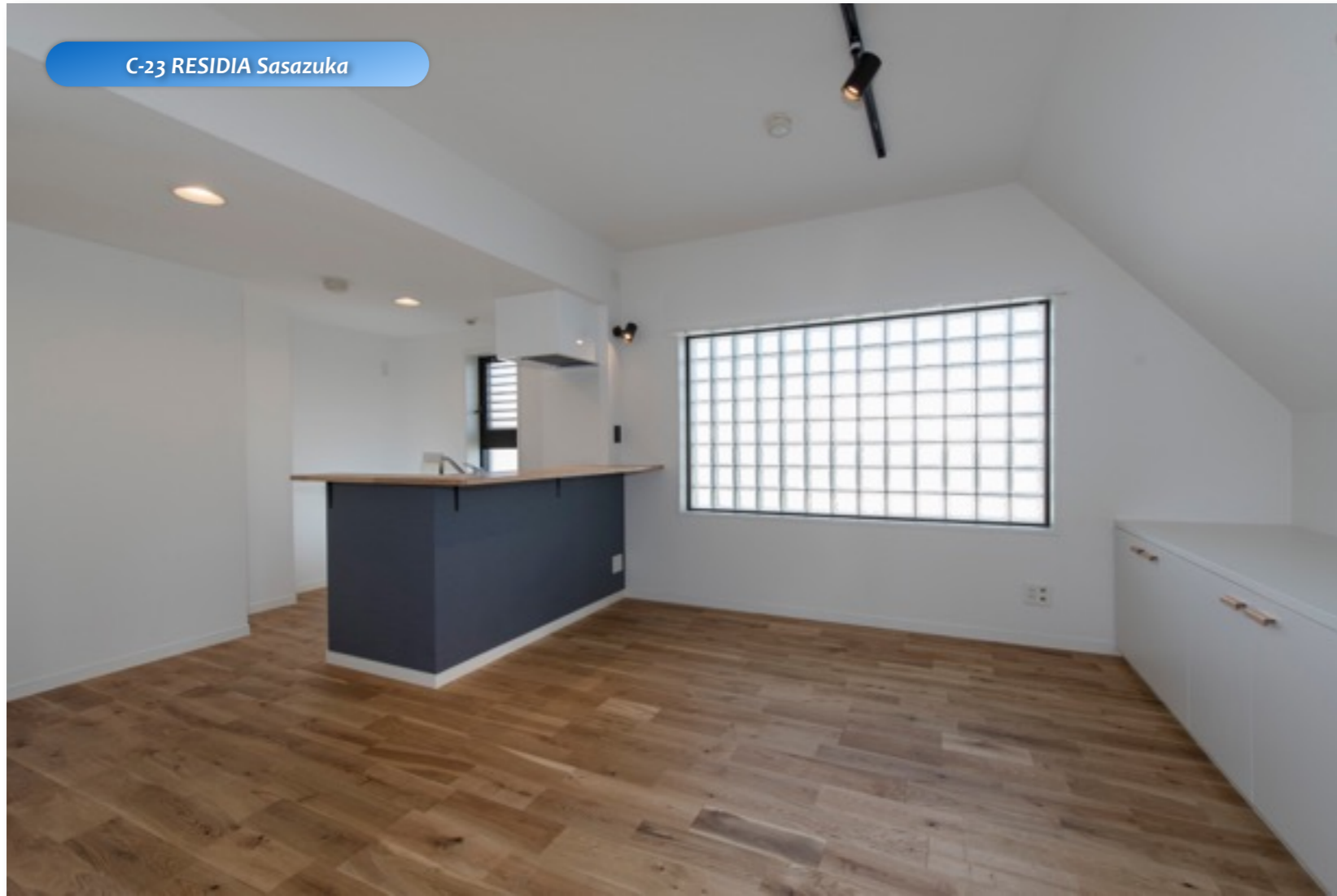
## Diversifying Duration, Setting Up a Committed Line of Credit

Rounded down to the nearest 100 million yen

as of end of FP 01-2017



\* Contract expiration of loan drawdown is April 2019. However the contract is renewed every year to maintain the remaining drawdown term to 2 to 3 years.  
\*\* Includes refinance contracts signed as of February 2017.



# ***Management Policies & Earnings Guidance***

# Drawdown of Reserve

## Maximum 50 years (100 Fiscal Period) Drawdown Begins

Reserve for Temporary Difference Adjustment  
(Dividend Reserve)

Largest Among J-REITs **33.2 billion yen**  
(after FP Jan. 2017 dividend payout)

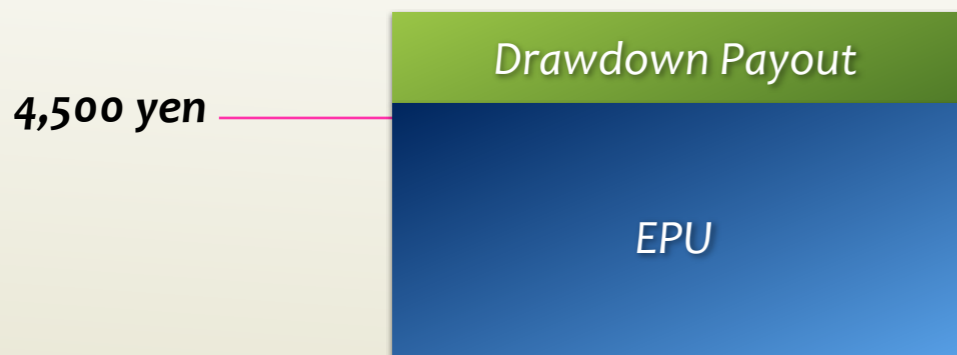


Responding to the 2015 Tax Revision\*  
Starting FP Jan. 2017 Drawdown Payout of At Least

**335** million yen per FP  
equivalent to **248** yen per units  
@ 1,350,000 units (as of FP Jan. 2017)

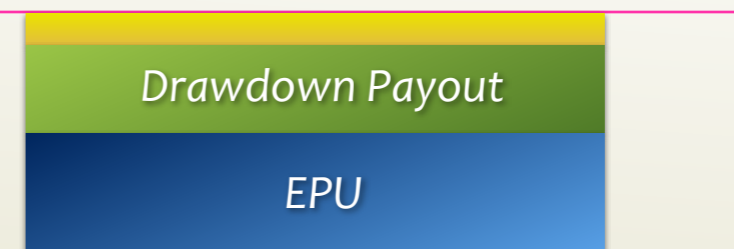
## DPU Floor of 4,500 yen To Be Maintained\*\*

EPU+Drawdown Payout  $\geq$  4,500 yen



EPU+Drawdown Payout  $<$  4,500 yen

Increase drawdown to offset deficit



\* Retained earnings of negative goodwill (booked as reserve for temporary difference adjustment) that resulted from merger must be drawdown within 50 years in a predetermined method.

\*\* The actual dividends will be decided by the ADR's board based on a comprehensive consideration of such factors as increase/decrease in portfolio rent and occupancy, level of cash reserves, level of LTV, debt costs.

# Earnings Guidance for FP July 2017 & Jan. 2018

	(1)	(2)	(2)-(1)	Notes	(3)	(3)-(2)	Notes	in million yen	
	13th FP Results	14th FP Forecast			15th FP Forecast				
	Results for FP January 2017	Forecast for FP July 2017 <small>(announced Mar. 10, 2017)</small>	Changes		Forecast for FP January 2018 <small>(announced Mar. 10, 2017)</small>	Changes			
<b>Revenue</b>	15,504 <small>(257 properties) Period avg. occupancy 96.5%</small>	15,755 <small>(260 properties) Period avg. occupancy 96.4%</small>	+251	<b>Newly Acquired Assets</b> Increases from FP2017/1&2017/7 acquisitions +143 <b>Same Store</b> Peak season increase +108	15,709 <small>(260 properties) Period avg. occupancy 96.3%</small>	-46	<b>Newly Acquired Assets</b> Full period contribution from 2017/7 acquisitions +82 <b>Same Store</b> Off-peak decrease of key money, etc -128		
<b>Operating Income</b>	7,801 <small>(Depreciation: 2,593) (Property taxes: 836)</small>	7,819 <small>(Depreciation: 2,637) (Property taxes: 849)</small>	+18	<b>Leasing Expenses</b> Increases from FP2017/1&2017/7 acquisitions -43 Peak season increase -123 Increase in depreciations -45 <b>GA Expenses</b> Incr. in consumption tax settlement -22	7,787 <small>(Depreciation: 2,659) (Property taxes: 862)</small>	-32	<b>Leasing Expenses</b> Off-peak decrease in fees +77 Full period impact from 2017/7 acquisitions -14 Depreciation & property tax incrs. -28 <b>GA Expenses</b> Mgmt fee & Cons. tax settlement increase -21		
<b>Ordinary Income</b>	6,371 <small>(Funding cost*: 1,410)</small>	6,480 <small>(Funding cost*: 1,333)</small>	+108	Decrease in interest pay't from refinancing & debt reduction +75 No one-off costs from public offering +13	6,480 <small>(Funding cost*: 1,305)</small>	-	Decrease in interest pay't from refinancing & debt reduction +32		
<b>Net Income</b>	6,371	6,480	+108		6,480	-			
<b>Drawdown of Reserve**</b>	350	336	-13	Reserve after dividend: <b>32.8bn yen</b>	336	-	Reserve after dividend: <b>32.5bn yen</b>		
<b>Dividend Amount</b>	6,721	6,816	+94		6,816	-			
<b>EPU (yen)</b>	4,719	4,800	+81	Units issued and outstanding <b>1,350,000 units</b>	4,800	-	Units issued and outstanding <b>1,350,000 units</b>		
<b>Per Unit Drawdown of Reserve** (yen)</b>	259	249	-10		249	-			
<b>Dividend per unit (yen)</b>	4,979	5,049	+70		5,049	-			
<b>Total Asset LTV</b>	49.6%	49.6%	0.0pt		49.5%	-0.1pt			

\* Funding costs include interest payments for loans and bonds as well as other finance fees.

\*\* "Reserve" means "Reserve for Temporary Difference Adjustment".

# DPU Growth Driver

## Emphasis on DPU & NAV/Unit Growth While Responding to Changes in Business Environment

### Internal Growth

Pursue Rent Increase While Controlling Leasing Expenses

### External Growth

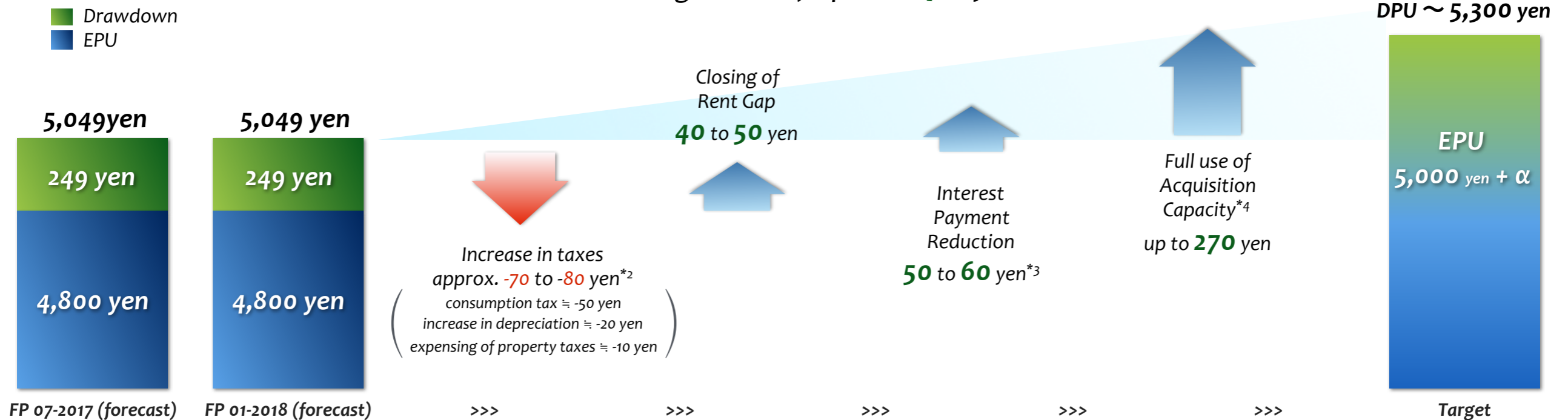
Acquisition Mainly by Sponsor Sourcing and Negotiated Transactions, Thereby, Avoiding the Heated Market

### Finance Policy

Long-term Fixed Interest Rate Borrowing, Maturity Diversification & Reduce Funding Cost

Aiming to reach EPU of 5,000 yen +  $\alpha$ , DPU of up to 5,300 yen, through rent increase, lower financing cost and utilization of acquisition capacity

Total DPU growth of up to +270 yen



Assumptions are that the issued and outstanding amount of 1,350,000 ADR units will be unchanged, and that the amount of effects of various events on EPU and DPU are estimation by ADR using certain assumptions.

\*<sup>1</sup> Used the assumptions in the earnings guideline disclosed in the FP01-2017 Tanshin (Japanese Preliminary Fiscal Report). Consumption tax rate is assumed to be raised from 8% to 10%. Restoration works expected to be executed in FP07-2018 & 01-2019 are included in the calculation of depreciation projection.

\*<sup>2</sup> Assumption of EPU/DPU growth from closing the rent gap is made referring to rent gap, turnover figure, lease contract term leasing costs of FP01-2017 Interest payment reduction is based on the assumption that debts maturing in FP07-2018 & FP01-2019 will be refinanced with an average interest rate of 0.8%.

\*<sup>3</sup> Acquisition capacity is calculated using total asset LTV of 53% as a limit where acquisitions are financed solely on debts. Calculation is made on forecast figures of total assets and outstanding interest bearing debts for FP01-2018. The contributions to the EPU and DPU are calculated using yield after depreciation of assets acquired in FP01-2017 & FP07-2017 assets to be acquired, funding cost and G & A expense projections for FP07-2018 to FP01-2019.

S-19 RESIDIA Kichijoji



# *Appendix*



# The Largest\* Portfolio Among Residential J-REITs

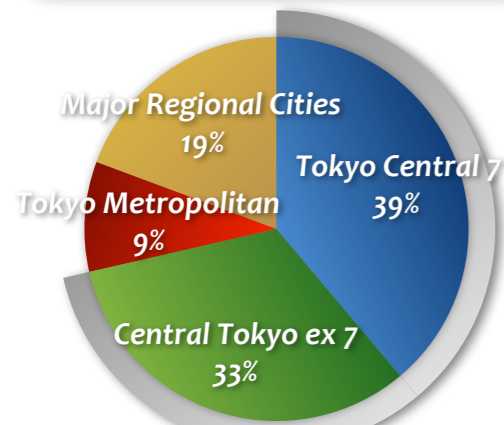
\* According to data collected by ADIM from the latest disclosures made by each residential J-REITs as of Mar. 10, 2017.



	Number of Properties	Total Leasable Area	Leasable units	Assets Under Management (Acquisition Price)
as of Jan. 31, 2017	<b>257</b> properties	<b>773,464</b> m <sup>2</sup>	<b>20,565</b> units	<b>436.9</b> billion yen
as of Apr. 18, 2017**	<b>260</b> properties	<b>781,760</b> m <sup>2</sup>	<b>20,842</b> units	<b>442.7</b> billion yen

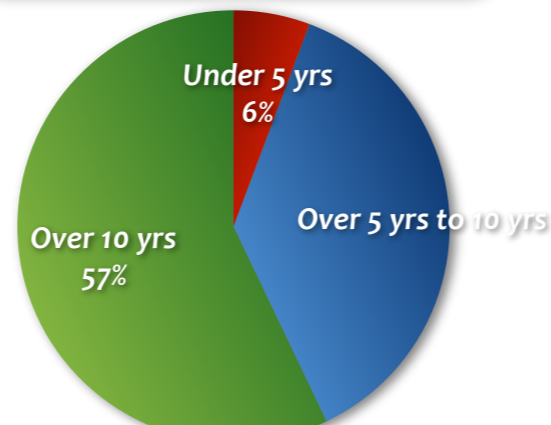
\*\* Three assets scheduled to be acquired in FP July 2017 are included.

## Investment Location (by acquisition price as of April 18, 2017)



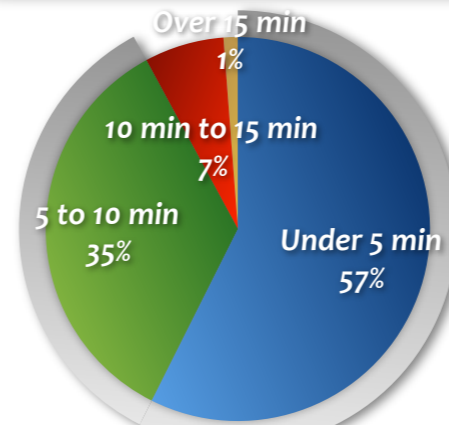
Tokyo 23 Wards **71%**

## Building Age (by acquisition price as of Jan. 31, 2017)



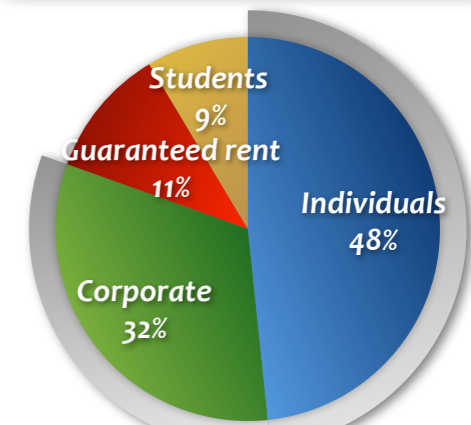
Weighted Average Age **10.8** yrs  
(Incl. assets-to-be acquired)

## Walking Minutes to Train Station (by acquisition price as of April 18, 2017)



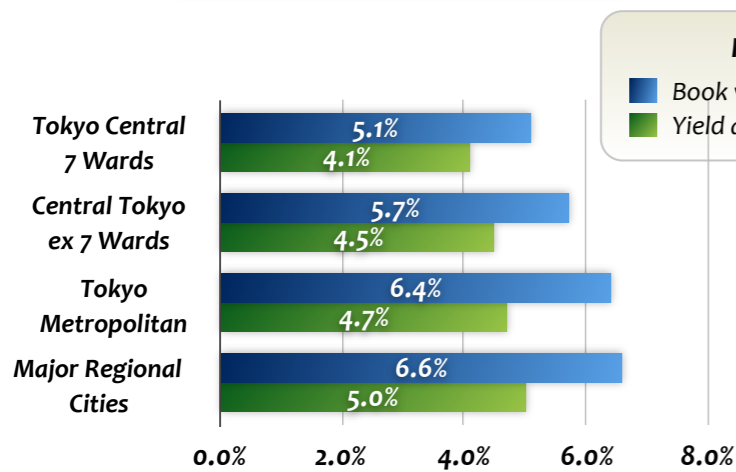
Under 10 min **92%**

## Tenant Category (by no. of units as of Jan. 31, 2017)



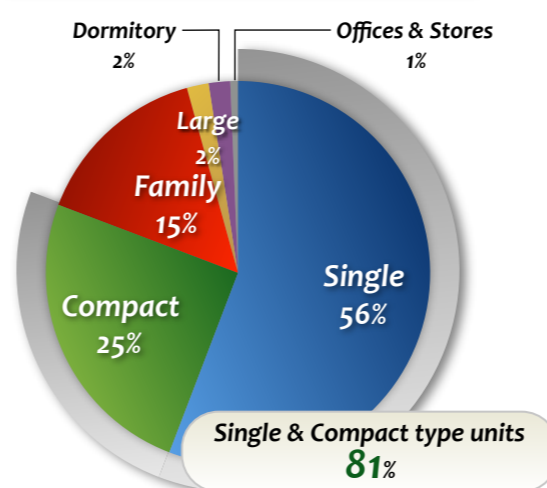
Pass-through contract tenants **80%**

## NOI Yields (%)\*\*\* by location (as of Jan. 31, 2017)



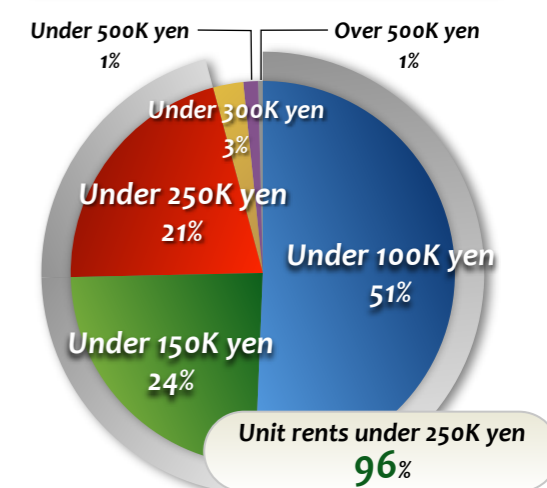
**Portfolio Yield**  
 Book value NOI yield **5.7%**  
 Yield after Depreciation **4.5%**

## Unit type (by no. of units as of Apr. 18, 2017)



Single & Compact type units **81%**

## Rents (by no. of units as of Jan. 31, 2017)



Unit rents under 250K yen **96%**

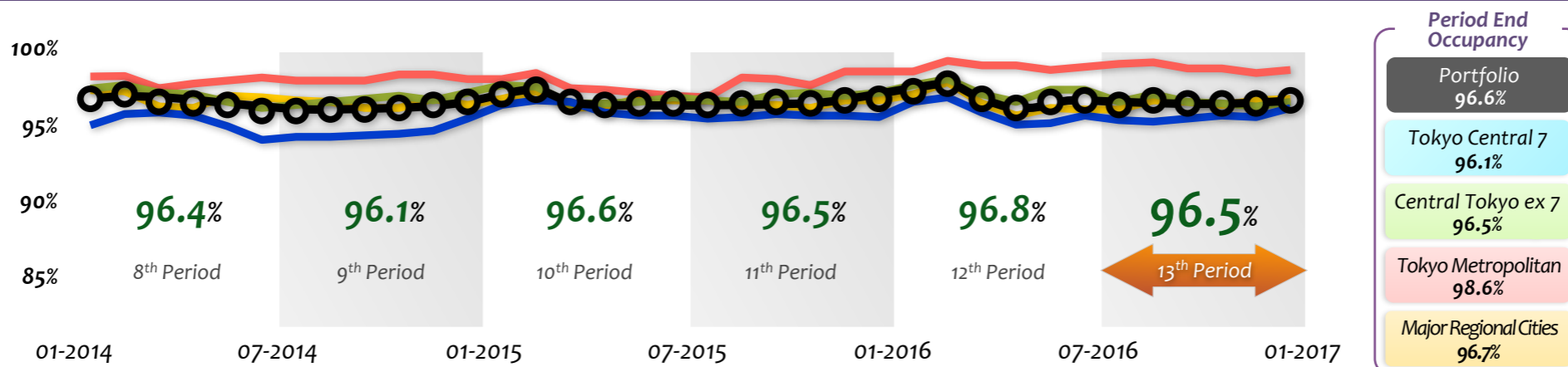
\*\*\* Book value NOI is calculated as "annualized NOI" ÷ "book value at the end of FP2017/1". NOI is annualize according to actual number of days of operation for each property during FP2017/1. Yield after Depreciation is calculated as (annualized NOI - depreciation) ÷ book value as of end of FP2017/1.

# Solid Growth, Solid Track Record

## Aiming to Realize Long-term Stable Dividends

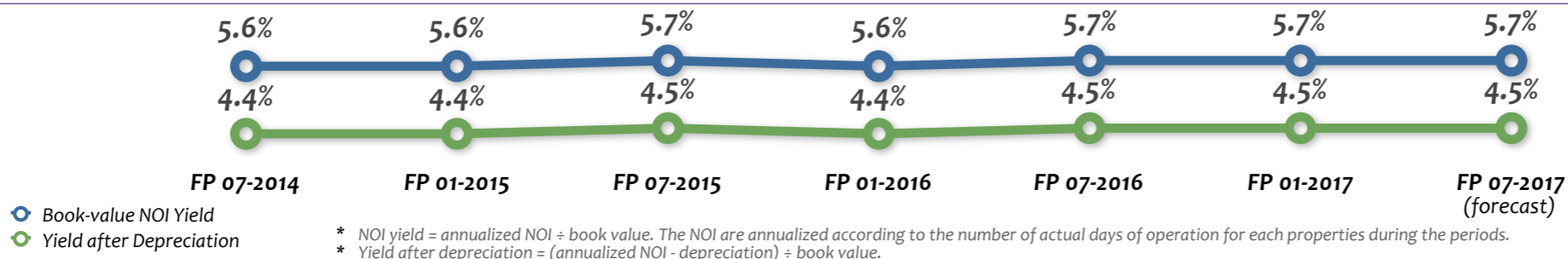
Assets

Occupancy



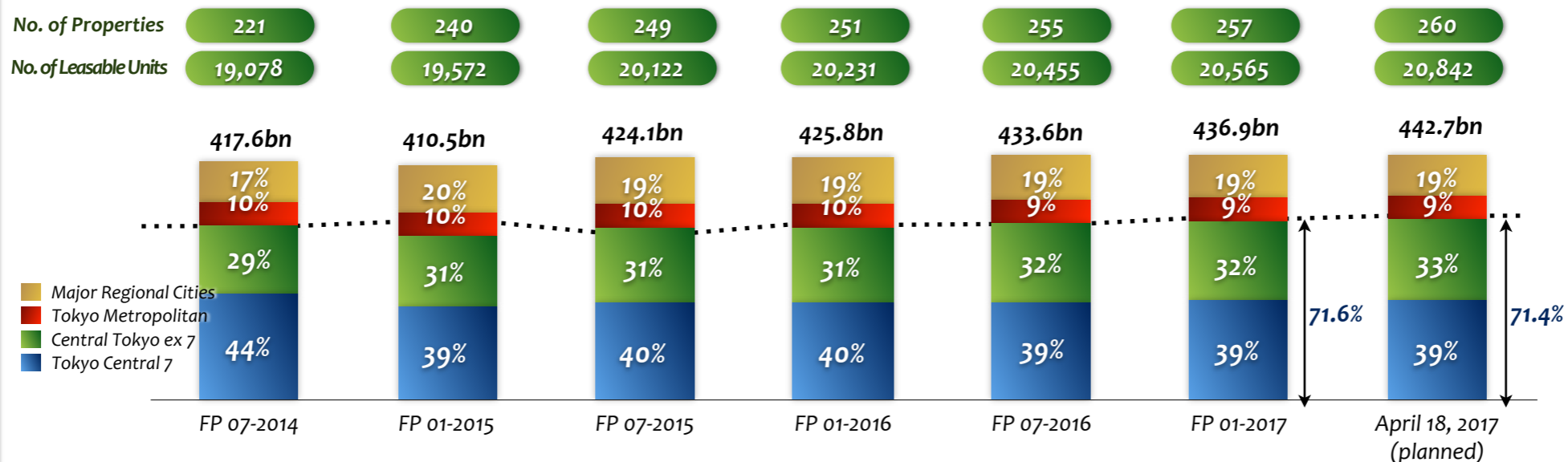
Maintaining High Occupancy Rate

Yield



Stable Yield Levels

AUM

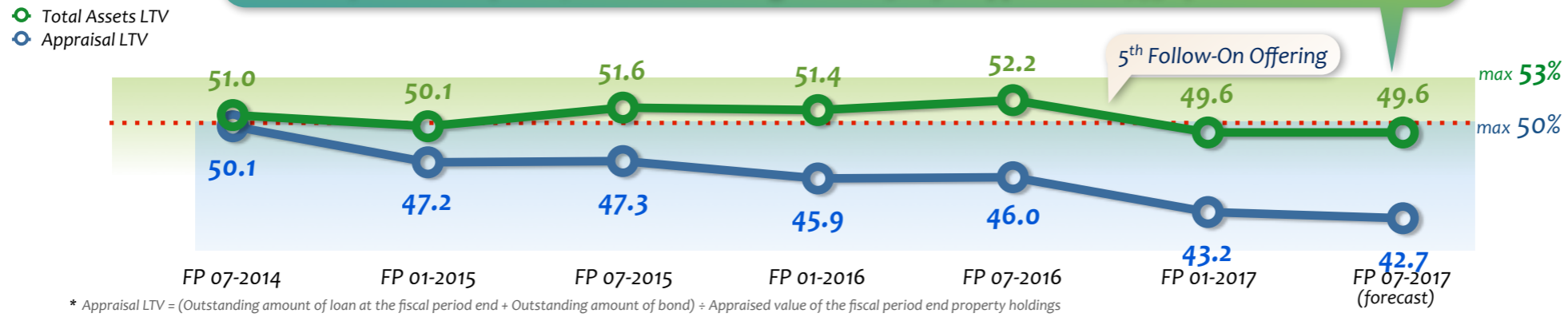


The Largest Portfolio Among Residential J-REITs

Topping 440 bn yen  
(as of April 18, 2017)

# Liabilities

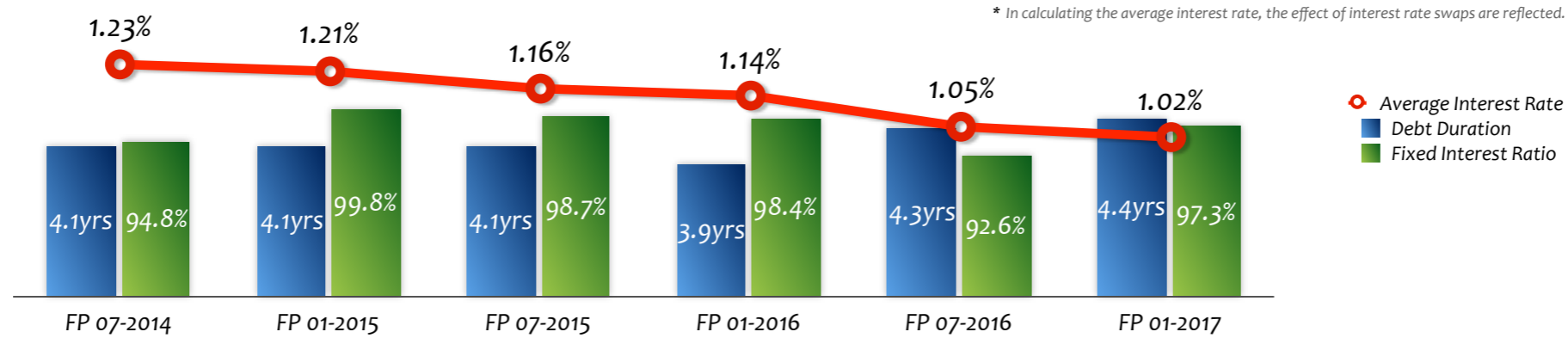
## LTV



Lowered LTV Range to Maintain Flexibility in Preparation for Future Financial Volatility

Acquisition Capacity  
(@ Total Assets LTV of 53%)  
**over 30.0 bn yen**  
(estimate for FP ending July 2017)

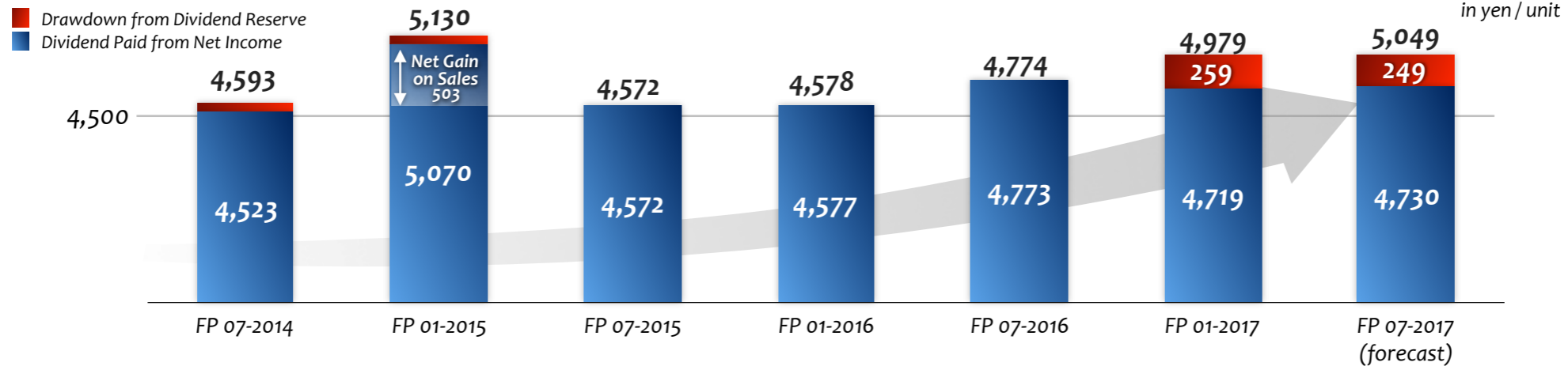
## Debts



Lowered Interest Rate While Extending Duration and Maintaining Fixed Interest Rate Debt Ratio

# Equities

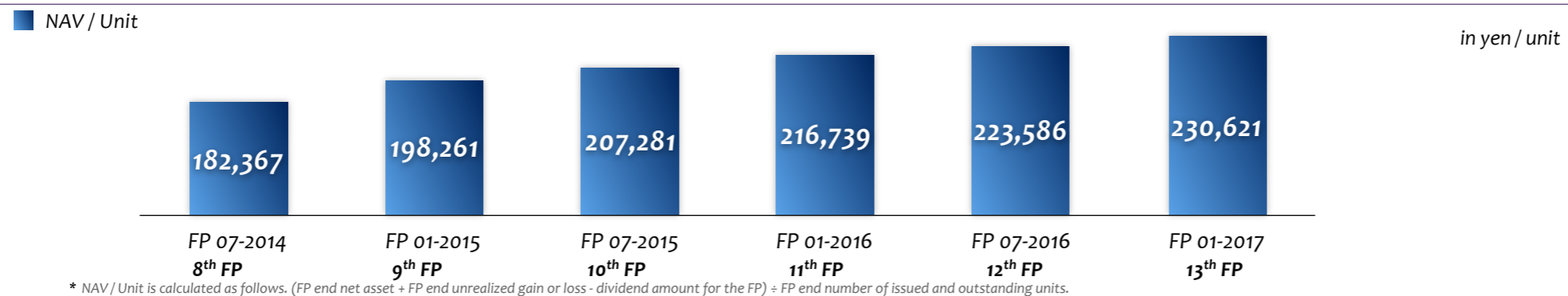
## Dividends



Steadily Growing EPU

Outstanding Dividend Reserve  
**33.2 bn yen**  
(after FP Jan. 2017 dividend)

## Net Asset Value



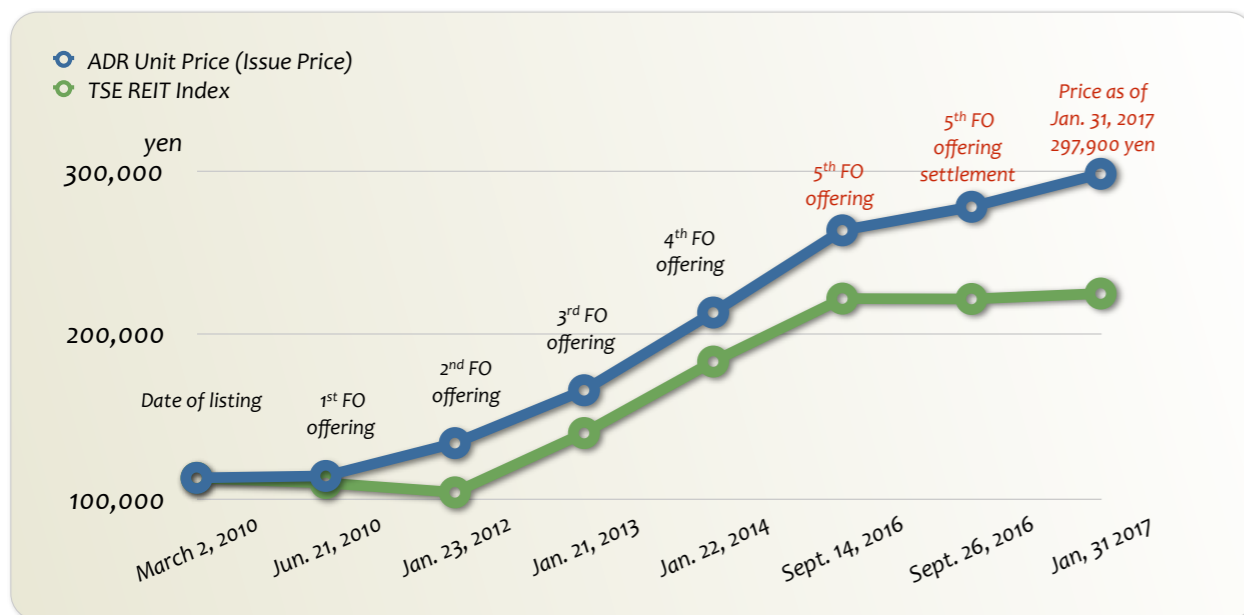
Increasing NAV per Unit

# Enhance Unit-holders' Value through Public Offering

## Equity Finance History

	The 3 <sup>rd</sup> Follow-On Public Offering	The 4 <sup>th</sup> Follow-On Public Offering	The 5 <sup>th</sup> Follow-On Public Offering
Launch Date	Jan. 8, 2013	Jan. 9, 2014	Sept. 6, 2016
Issue Price	165,945 yen	213,330 yen	263,445 yen
No. of Units Issued (including third-party allotment)	140,000 units	60,000 units	50,000 units
Amount Raised	22.4 billion yen	12.3 billion yen	12.7 billion yen
Assets Acquired	12 properties, 21.6 bn yen	11 properties, 15.8 bn yen	5 properties, 9.0 bn yen

## Unit Price Movement After Equity Financing



\*TSE REIT Index is re-indexed by using Advance Residence's March 2, 2010 closing price of 112,500 yen as base.

## The Effects of the Follow-On Offering

### All Key Figures Improve Due to Premium Priced Offerings



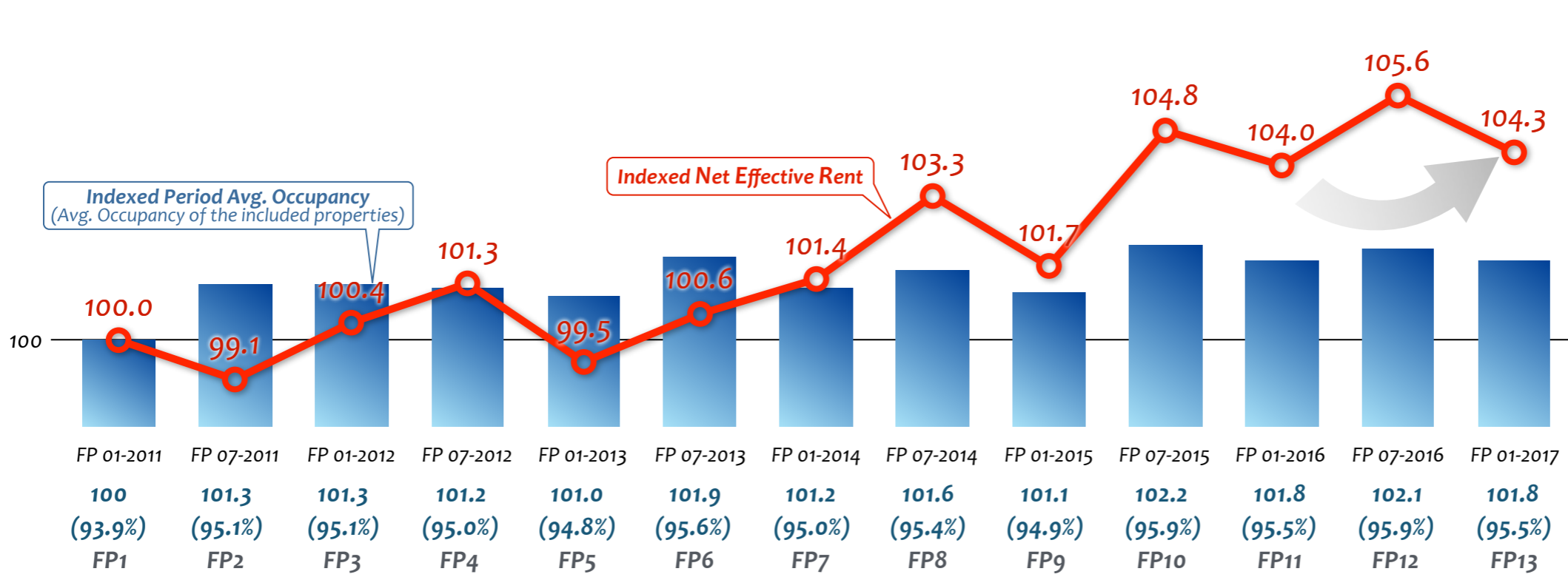
# Achieving Internal Growth in the Residential Sector

## Changes in Net Effective Rent (NER)

NER rose **0.3pt** against the comparable off-peak period an year ago

$$\text{NER} = \text{Monthly Rent} + (\text{Key Money} - \text{Leasing Expense}) \div 24 \text{ months}$$

Achieving Internal Growth



► Net Effective Rent Index is calculated as monthly rental of new contracts and common fees plus key Money Income divided by 24 month, minus leasing related expenses divided by 24 month and weighted averaged by each 116 properties rentable space for each fiscal period and indexed by using the FP01-2011 figure as 100.  
 ► The 115 properties that are included in above charts are properties held since the start of the FP01-2011. Following properties are excluded from the calculation. 1) Properties with guaranteed rent or properties where the whole building is let to one tenant. This is because fluctuation in "key money" and 'leasing related expenses do not effect ADR's rental income from those properties. 2) Properties targeted for Expats, where there are no key money practices.  
 ► Number of new contracts for each fiscal period is as follows, FP01-2011) 1,748, FP07-2011) 1,074, FP01-2012) 870, FP07-2012) 1,026, FP01-2013) 981, FP07-2013) 1,024, FP01-2014) 794, FP07-2014) 924, FP01-2015) 835, FP07-2015) 918, FP01-2016) 788, FP07-2016) 918, FP01-2017) 784.

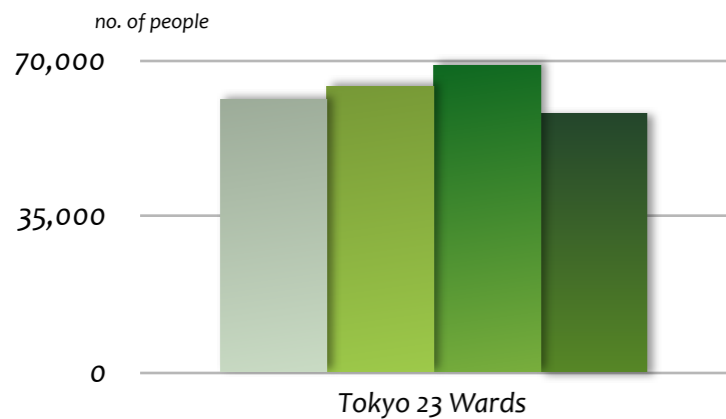
# Internal Migration Statistics

## Migration Statistics of Major Cities in Japan

### Population Inflow to Central Tokyo and Major Regional Cities Continues

#### Tokyo 23 Wards

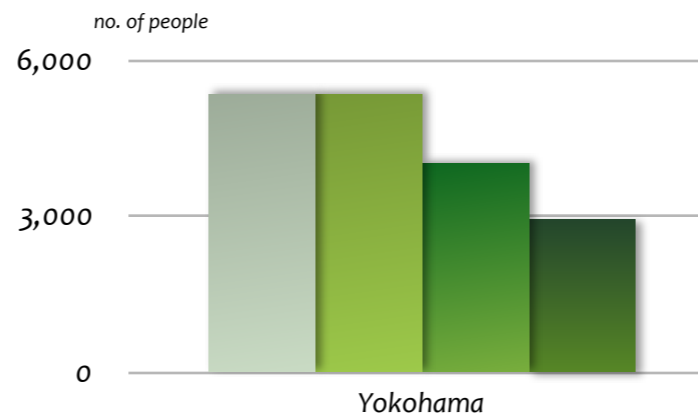
ADR's Investment Ratio 71%



2013 2014 2015 2016

#### Tokyo Metropolitan Area City

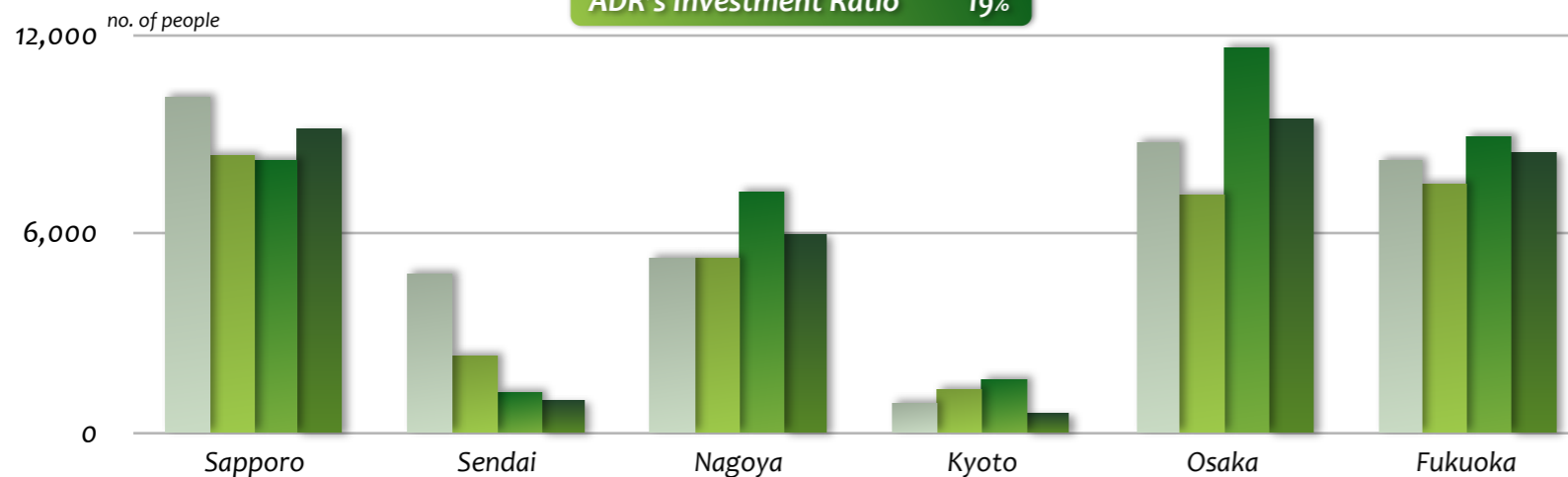
ADR's Investment Ratio 9%



Yokohama

#### Major Regional Cities

ADR's Investment Ratio 19%



## Tokyo's Population Inflow by Age Group

### Net Inflow is Pre-dominantly Younger Generation

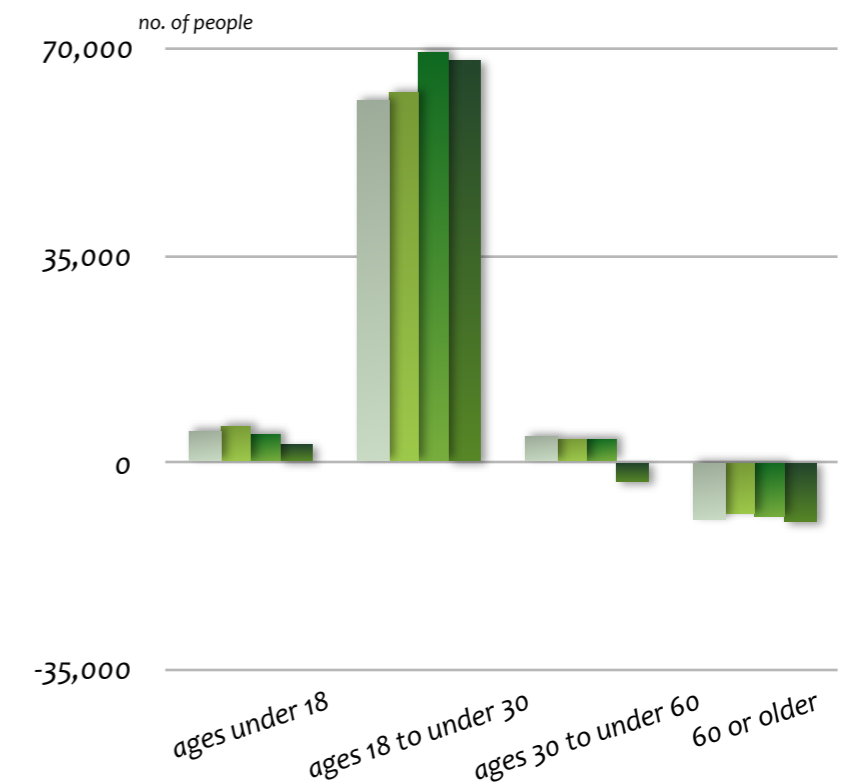
#### Tokyo Prefecture

ADR's Investment Ratio\* 48%

\* The ratio is for number of single and compact type units in Tokyo 23 wards.

### Residential Needs of Younger Generation

#### Single & Compact Type Units



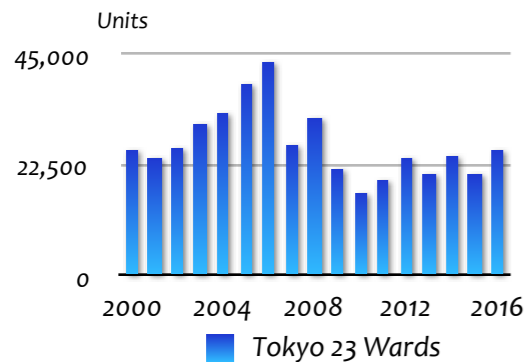
Note: Figures for "ADR's Investment Ratio" include the three properties planned to be acquired in FP July 2017 and the ratios are based on acquisition price.

Source: "2016 Report on Internal Migration in Japan" Statistics Bureau, Ministry of Internal Affairs and Communications; "2016 Report on Internal Migration" Statistics Division

# Housing Starts

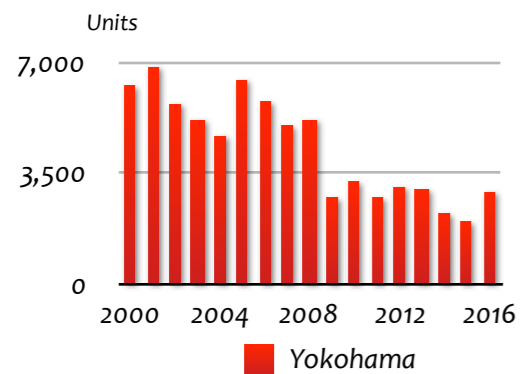
## Housing Starts Shows No Sign of Large Upswing

### Tokyo 23 Wards



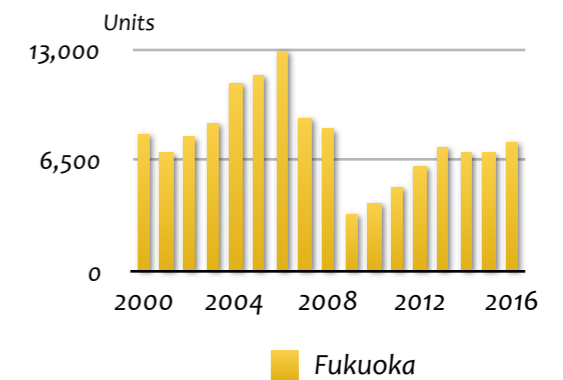
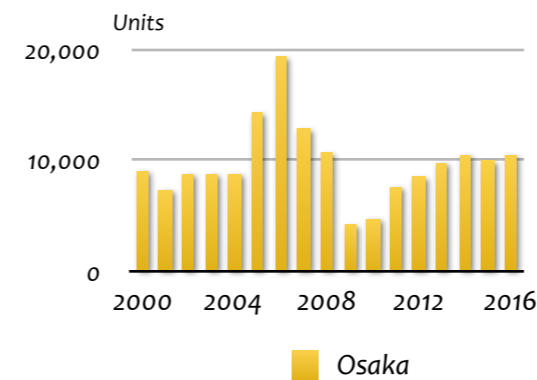
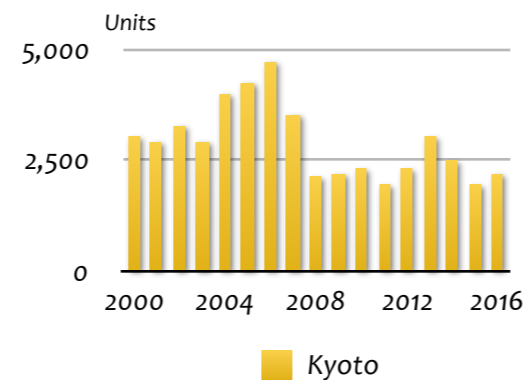
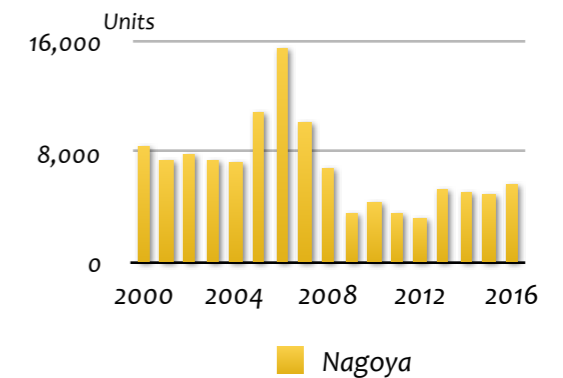
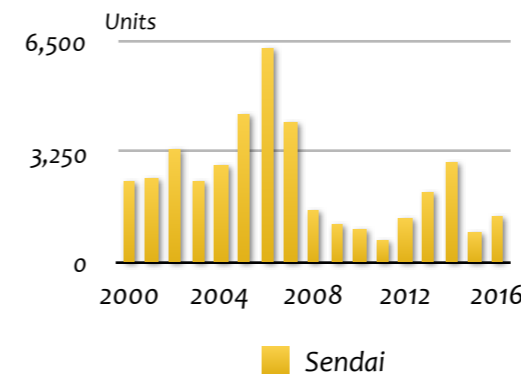
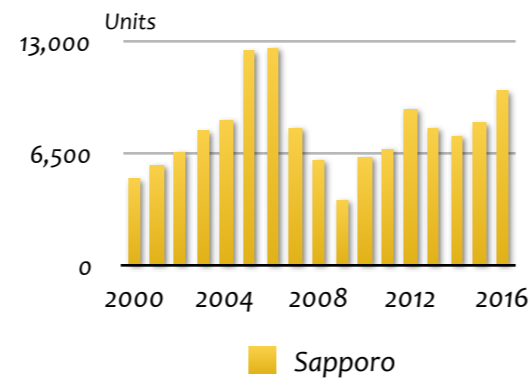
ADR's Investment Ratio in the Region  
71%

### Tokyo Metropolitan Area



ADR's Investment Ratio in the Region  
9%

### Major Regional Cities



ADR's Investment Ratio in the Region  
19%

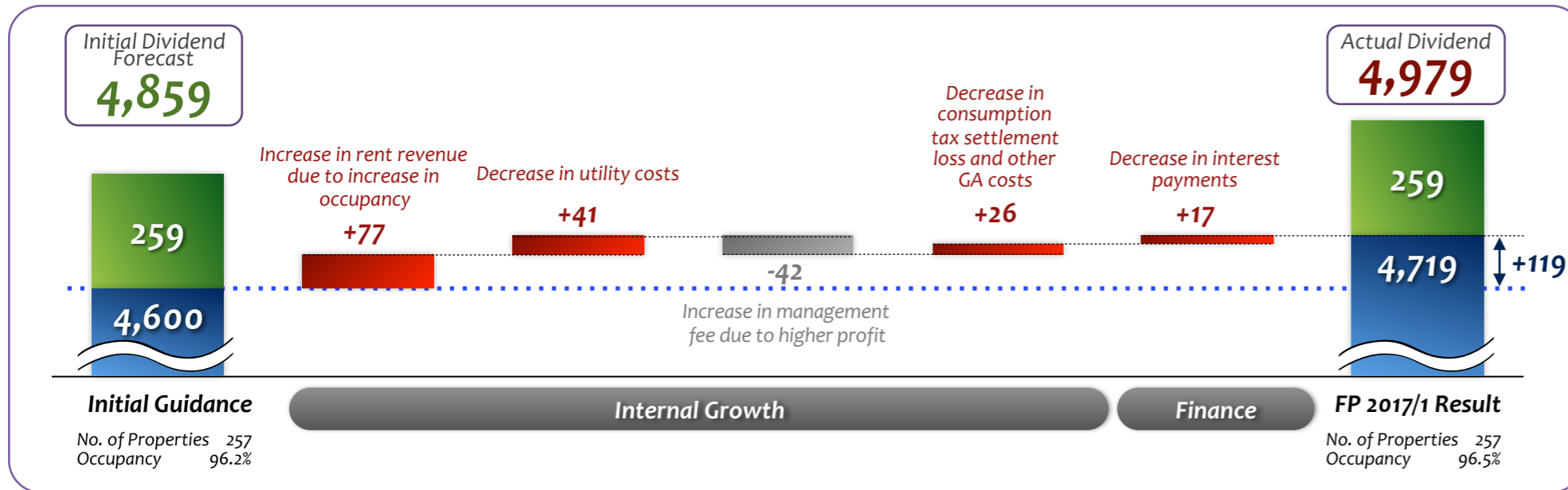
Source: Ministry of Land, Infrastructure, Transportation and Tourism, Policy Bureau, Information Policy Division, Construction Statistics Office "Housing Starts" (RC and SRC Construction Rented Collective Housing) (2016)

# Results for Fiscal Period ended Jan. 2017

from August 1, 2016 to January 31, 2017

## Maintained High Occupancy, Decreased Funding Cost

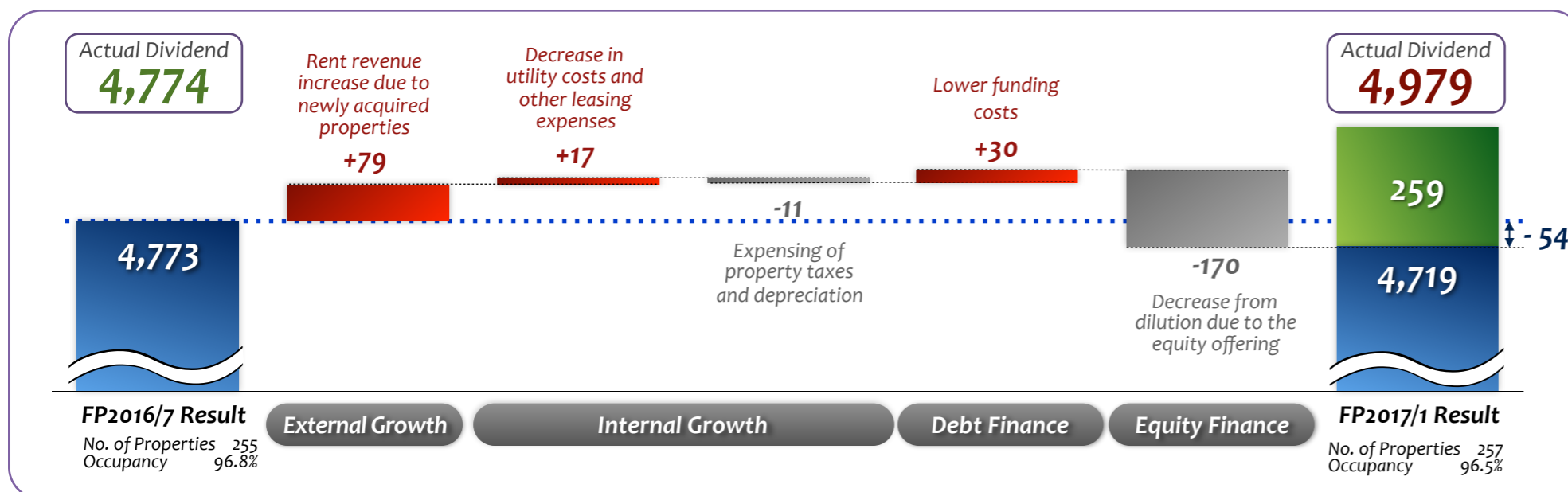
### Changes from Initial Earnings Guidance (per unit yen)



in million yen

	Initial Guidance	FP Jan. 2017 Results	diff
Revenue	15,399	15,504	+104
Operating income	7,663	7,801	+138
Ordinary income	6,210	6,371	+161
Net income	6,210	6,371	+161
Earnings per unit (yen)	4,600	4,719	+119
Dividend per unit (yen)	4,859	4,979	+120

### Changes from Previous Fiscal Period July 2016 Earnings (per unit yen)



in million yen

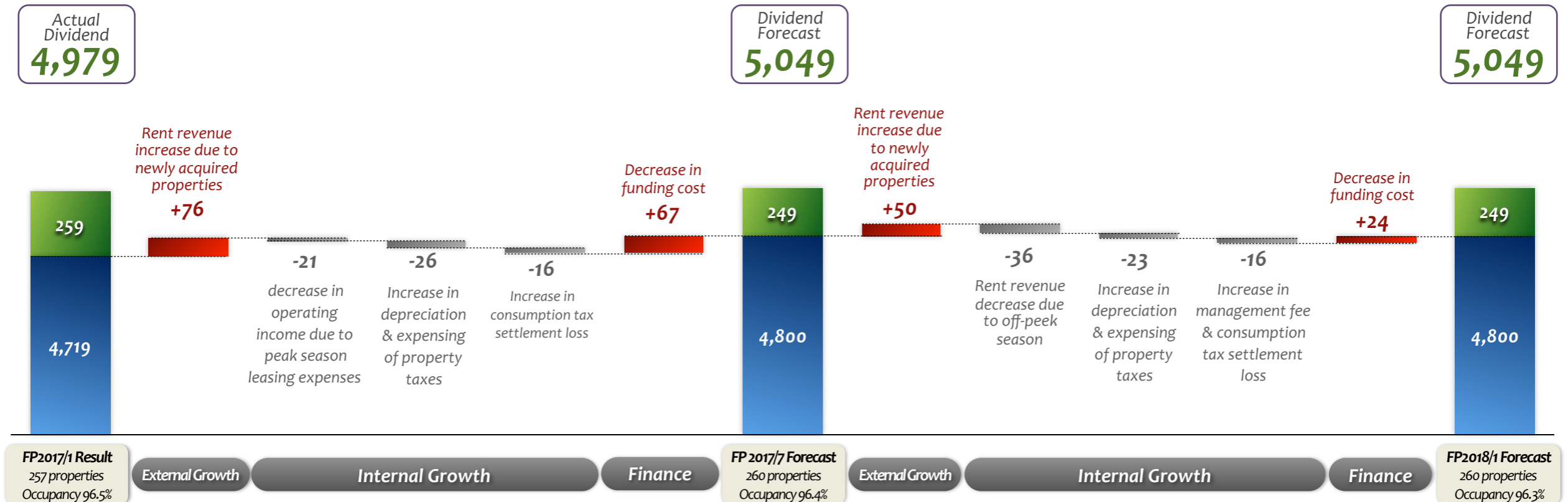
	FP Jul. 2016 Results	FP Jan. 2017 Results	diff
Revenue	15,444	15,504	+60
Operating income	7,727	7,801	+73
Ordinary income	6,206	6,371	+165
Net income	6,205	6,371	+165
Earnings per unit (yen)	4,773	4,719	-54
Dividend per unit (yen)	4,774	4,979	+205



# Earnings Guidance for FP July 2017 & Jan. 2018

With the Solid Growth in EPU, DPU Is Likely to Top 5,000

in per unit yen



Retained earnings of at least **335** million yen will be drawn down every FP

+

The draw downs will be used to stabilize dividends

in million yen	FP 2017/1 Result (a)	FP 2017/7 Forecast (b)	diff (b-a)	FP 2018/1 Forecast (c)	diff (c-b)
Revenue	15,504	15,755	+251	15,709	-46
Operating income	7,801	7,819	+18	7,787	-32
Ordinary income	6,371	6,480	+108	6,480	-
Net income	6,371	6,480	+108	6,480	-
Earnings per unit (yen)	4,719	4,800	+81	4,800	-
Drawdown of Reserve (yen)	259	249	-10	249	-
Dividend per unit (yen)	4,979	5,049	+70	5,049	-

# Building a High Quality Portfolio

as of April. 18, 2017

## Acquisitions and Dispositions Since the Merger

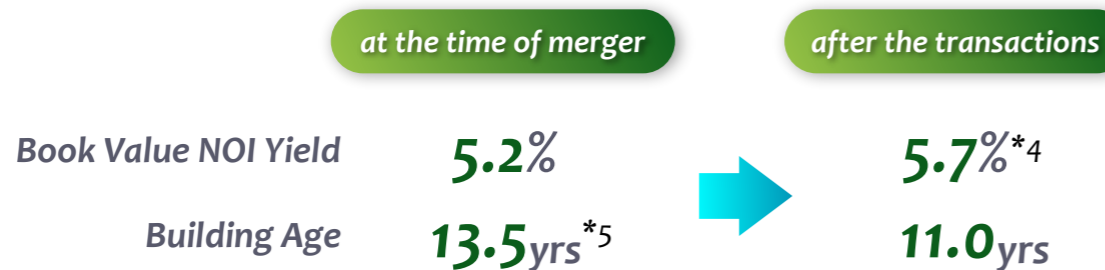
	Acquisitions	Dispositions
No. of Properties	115	43
Total Value (Acquisition Price)	166.3 bn yen	69.6 bn yen
Weighted Average NOI Yield	5.8%* <sup>1</sup>	4.6%* <sup>2</sup>
Weighted Average Building Age* <sup>3</sup>	4.8 yrs	13.3 yrs

## Acquisition Focused on Single-type Units

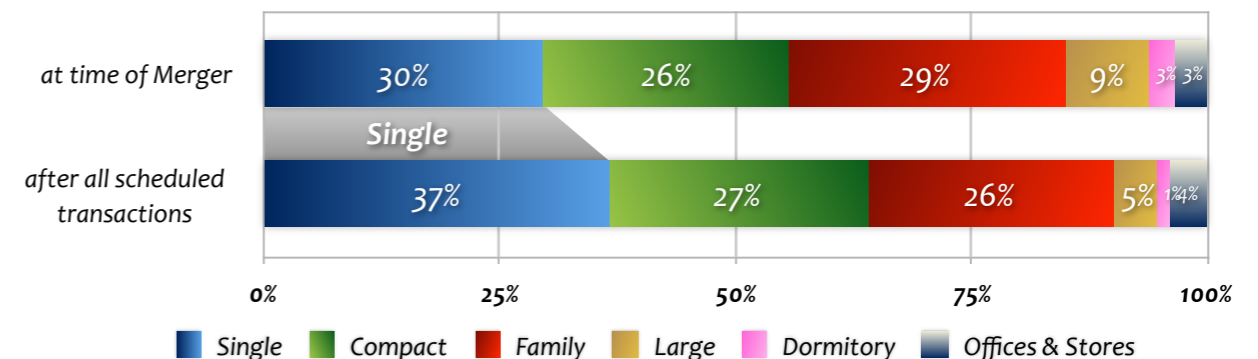
in number of residential units

	Single	Compact	Family	Large	Dormitory	Others	Total
Tokyo Central 7 Wards	+858	+2	-39	-169	0	-1	+651
Central Tokyo ex 7	+1,893	+719	+433	+13	0	+13	+3,071
Tokyo 23 Wards	+2,751	+721	+394	-156	0	+12	+3,722
Tokyo Metropolitan	+440	+10	-105	0	-748	-4	-407
Major Regional Cities	+1,807	+1,098	+323	+63	0	0	+3,291
Other Regions	+2,247	+1,108	+218	+63	-748	-4	+2,884
<b>Total</b>	<b>+4,998</b>	<b>+1,829</b>	<b>+612</b>	<b>-93</b>	<b>-748</b>	<b>+8</b>	<b>+6,606</b>

## Improving Yield and Reducing Average Age



## Unit type Investment Ratio (by leasable area)



## Balanced and Diversified Acquisition Sources

Transactions since the Merger	The Sponsor Group* <sup>6,7</sup>	Bridge Funds* <sup>8</sup>	Third party and Others	Total
No. of Properties	25	42	48	115
Total Acquisition Value (bn yen)	43.4	52.4	70.5	166.3
Share of Sources	26.1%	31.5%	42.4%	100.0%

The figures in this slide are all based on data as of April 18, 2017.

- \*<sup>1</sup> Weighted average NOI yield of acquisitions = Total annual NOI as entered on the appraisal of acquisitions ÷ Total of the acquisition prices × 100%
- \*<sup>2</sup> Weighted average NOI yield of dispositions = Total actual annual NOI ÷ Total of the historical acquisition prices × 100
- \*<sup>3</sup> Weighted average building age is acquisition price weighted average as of the time of acquisition or disposition. Properties that will be acquired between after FP2017/1 to April 18, 2017, where the scheduled acquisition date have a range in the date, the most latest date is used to calculate the average age.
- \*<sup>4</sup> The following figures are used to calculate the Book Value NOI Yield. Annualized NOI ÷ FP2017/1 end book value, where the NOI is annualized using the actual days in operation during the FP2017/1. For the asset acquired after end of FP2017/1 to April 18, 2017, the appraisal NOI is used for annualized NOI and the acquisition price is used for book value.
- \*<sup>5</sup> Weighted Average age of buildings held at the time of merger as of April 18, 2017.
- \*<sup>6</sup> The **Sponsor Group** applies to Itochu Corporation, who is the parent company of ADR's asset management company, and its subsidiaries.
- \*<sup>7</sup> The assets acquired from the **Sponsor Group** includes 19 properties developed by the **Sponsor Group** and 6 properties which were not developed but warehoused according to Advance Residence's request. The 19 properties' acquisition price total is 34.2 billion yen. The 6 properties' acquisition price total is 9.1 billion yen.
- \*<sup>8</sup> Bridge Funds are property funds which are often TK and where ADR has a right of first refusal on the assets under management.

# Portfolio Diversification Policy

Investment Regions*1	Investment ratio*2
<b>Tokyo 23 Wards</b>	70 ~ 100%
Tokyo Central 7 Wards	
Central Tokyo ex 7 Wards	
<b>Other Regions</b>	0 ~ 30%
Tokyo Metropolitan (ex. Tokyo 23 Wards)	
Major Regional Cities	

Unit types	Investment ratio*3
Single	~ 50%
Compact	20 ~ 40%
Family	20 ~ 40%
Large	~ 10%

■ In addition to the above, we invest in the following unit type.

Unit types	Investment ratio*3
Dormitory	up to 20%

\* Note

- Of the Tokyo 23 Wards, Chiyoda, Shibuya, Shinjuku, Meguro, Setagaya and Shinagawa wards are classified as Tokyo Central 7 Wards and the remaining wards are classified as Central Tokyo. Other Regions are Tokyo Metropolitan Area (Tokyo Metropolitan excluding the Tokyo 23 Wards, prefectures of Kanagawa, Saitama and Chiba) and Major Regional Cities.
- Investment ratios are calculated based on acquisition price.
- Investment ratios are calculated based on leasable area.

## Unit-type Definition

Number of Bedrooms	~30m <sup>2</sup>	~40m <sup>2</sup>	~50m <sup>2</sup>	~60m <sup>2</sup>	~70m <sup>2</sup>	~80m <sup>2</sup>	~90m <sup>2</sup>	over 90m <sup>2</sup>
<b>Studio</b>	S	S	C	C	L	L	L	L
<b>1 Bedroom</b>	S	C	C	C	L	L	L	L
<b>2 Bedroom</b>	-	C	C	F	F	F	F	L
<b>3 Bedroom</b>	-	-	F	F	F	F	F	L
<b>4 Bedroom ~</b>	-	-	-	-	F	F	F	L

### Floor plan

**Studio** 1R, 1K, STUDIO  
**1 Bedroom** 1DK, 1LDK  
**2 Bedroom** 2DK, 2LDK, 1LDK+S  
**3 Bedroom** 3DK, 3LDK, 2LDK+S  
**4 Bedroom ~** 4DK, 4LDK, 3LDK+S, or units with more rooms

### Dormitory Type Units

The units share common bathrooms and laundry spaces within in the property  
 Life & Senior House Kohoku 2, College Court Tanashi and Cofump Hiyoshi are categorized as Dormitory type due to their characteristics

### Unit types

**S = Single Type Units** mostly for singles  
**C = Compact Type Units** mostly for singles, couples or small families  
**F = Family Type Units** mostly for families  
**L = Large Type Units** mostly for foreign executives

# Senior Housing Market

## Investment Policy

### Risk Premium Consideration

Considering operational risks and possibility of issues arising from operator collecting upfront lump-sum payment from tenants, certain amount of risk premium must be accounted.

With the recent rise in price, reasonably priced properties are currently non-existent.

### Preference Towards RSHSS

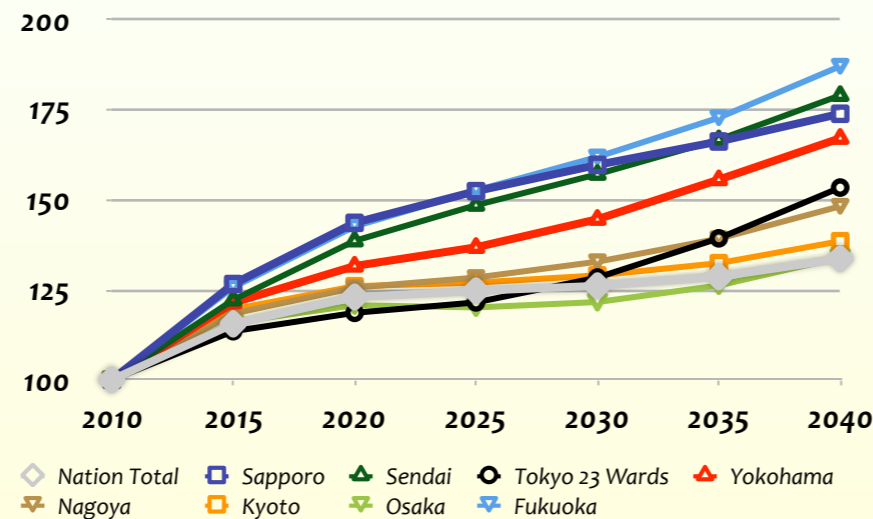
Between private nursing home and Registered Senior Housing with Supportive Services (RSHSS), RSHSS are the preferred type of asset.

They are easier to convert to regular rental multifamily residence and are more stable to operate having an affordable move-in fee (2 month deposit) and a relatively low rent burden.

## Growing Senior Housing Market

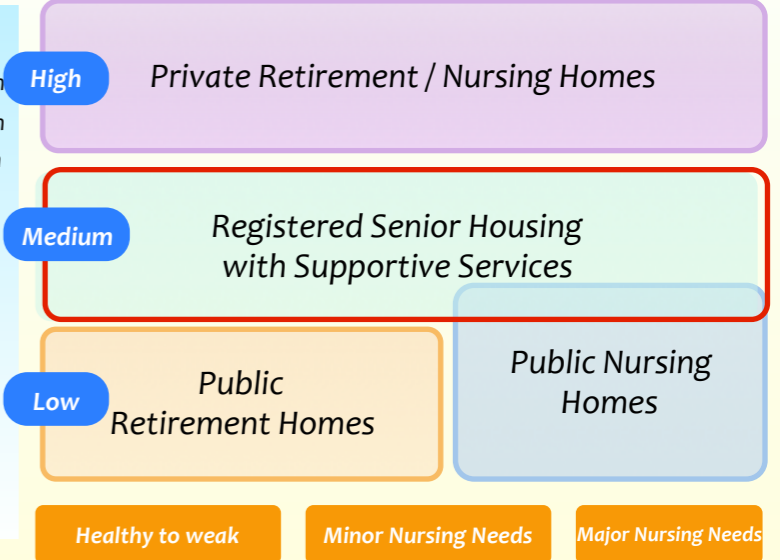
### Population trend of 65 years or older

(Indexed using 2010 figure as 100)



### Level of Out-of-pocket Monthly Burden

500K yen and above  
400K to 500K yen  
300K to 400K yen  
250K to 300K yen  
160K to 250K yen  
130K to 160K yen  
100K to 130K yen  
60K to 100K yen



## Senior Housing Holdings

### S-29 Cocofump Hiyoshi

FP 01-2017 Actual NOI Yield **6.7%**



	Advantages	Specifics
Location	Residential area	8 min walk from Yokohama Subway Green line, Hiyoshi-Honcho Station
Feature	Facilities to provide medical	Day service, home nursing, pharmacy, nursing office, medical
Rent Contract	Low upfront payment,	Pay only 2 mth. deposit upfront
Size	Larger than minimum 500	Acquisition price: 1,050 million yen
Operator	Part of TSE 1st Sect. listed Group	Gakken Cocofump Corporation*

### S-22 Life & Senior House Kohoku 2

FP 01-2017 Actual NOI Yield **7.7%**



Area	Tokyo Metropolitan
Location	Yokohama, Kanagawa
Acquisition price	1,670 million yen
No. of rentable units	78 units
Operator	Seikatsu Kagaku Un-Ei Co.,Ltd.

\* Gakken Cocofump Corporation is a leading operator of Registered Senior Housing with Supportive Services (RSHSS), operating 81 RSHSS as of Feb. 27, 2017.

# Dormitories and Student Apartments

as of Apr. 18, 2017

No. of properties	Actual NOI yield*	Occupancy (Residential portion)	No of rentable units	Total of acquisition price	Investment ratio of portfolio
<b>19</b> properties	<b>6.3%</b>	<b>100%</b> <small>* due to guaranteed rent contracts</small>	<b>1,709</b> units	<b>18,099</b> million yen	<b>4.1%</b>

\* Actual NOI yield = FP July 2016 actual annualized NOI ÷ book value × 100%.

## Dormitories


## Student apartments

No. of dormitories serving breakfast and dinner **2** properties

Student apartments are normal apartments but where the new tenants are on the whole exclusively students.


**17** properties

**R-2 RESIDIA Imadegawa**  
Actual NOI yield **6.8%**



Location	Kyoto, Kyoto
No of units	154 units
Completion	Feb. 1999


**S-11 TOKYO Student-House Wako**



Actual NOI yield **6.7%**


Location	Wako, Saitama
No of units	127 units
Completion Date	Apr. 1990

**P-3 RESIDIA Nakameguro**  
Actual NOI yield **6.1%**




Location	Meguro-ku, Tokyo
No of units	88 units
Completion	Feb. 2005

**C-66 RESIDIA Takashimadaira**  
Actual NOI yield **5.5%**




Location	Itabashi-ku, Tokyo
No of units	45 units
Completion	Feb. 2007

**C-74 RESIDIA Nerima**  
Actual NOI yield **5.7%**




Location	Nerima-ku, Tokyo
No of units	34 units
Completion	Mar. 2005

**R-8 RESIDIA Kobe Port Island**  
Actual NOI yield **6.5%**




Location	Kobe, Hyogo
No of units	404 units
Completion	Mar. 2007/Feb. 2008

**P-85 RESIDIA Komazawa**  
Actual NOI yield **6.1%**



Location	Setagaya-ku, Tokyo
No of units	59 units
Completion	Oct. 2008

**C-67 RESIDIA Shimurasakaue**  
Actual NOI yield **5.4%**




Location	Itabashi-ku, Tokyo
No of units	44 units
Completion	Feb. 2007

**C-77 RESIDIA Ogikubo II**  
Actual NOI yield **5.0%**



Location	Suginami-ku, Tokyo
No of units	36 units
Completion	Mar. 2007

**R-38 RESIDIA Hirose-dori**  
Actual NOI yield **8.0%**



Location	Sendai, Miyagi
No of units	63 units
Completion	Feb. 2010

**S-23 College Court Tanashi**



Actual NOI yield **7.8%**


Location	Nishi-Tokyo, Tokyo
No of units	91 units
Completion Date	Feb. 2010

**C-28 RESIDIA Oji**  
Actual NOI yield **6.2%**




Location	Kita-ku, Tokyo
No of units	61 units
Completion	Feb. 2005

**C-68 RESIDIA Shimurasakaue II**  
Actual NOI yield **5.6%**




Location	Itabashi-ku, Tokyo
No of units	94 units
Completion	Mar. 2007

**S-15 RESIDIA Okurayama**  
Actual NOI yield **6.5%**




Location	Yokohama, Kanagawa
No of units	64 units
Completion	Mar. 1998

**R-60 RESIDIA Okayama-Ekimae**  
Actual NOI yield **5.9%**




Location	Okayama, Okayama
No of units	108 units
Completion	Mar. 2004

**C-50 RESIDIA Shin-Itabashi**  
Actual NOI yield **6.4%**




Location	Itabashi-ku, Tokyo
No of units	67 units
Completion	Aug. 2009

**C-69 RESIDIA Shimurasakaue III**  
Actual NOI yield **5.6%**



Location	Itabashi-ku, Tokyo
No of units	36 units
Completion	Mar. 2007

**S-30 RESIDIA Sagamihara**  
Actual NOI yield **6.6%**



Location	Sagamihara, Kanagawa
No of units	111 units
Completion	May 2004

**R-61 RESIDIA Kyoto-Okazaki**  
Actual NOI yield **6.0%**



Location	Kyoto, Kyoto
No of units	23 units
Completion	Mar. 2005

# Measures to Reduce Rent Declines Caused by Aging

## Rents Decline due to Aging

Supply of new properties

Equipments become obsolete

Quality decline due to wearing

Change in tenants' needs

Gradual decline in Competitiveness

## Measures taken to prevent or reduce rent declines

### Building Maintenance

Daily Cleaning

Equipment Maintenance

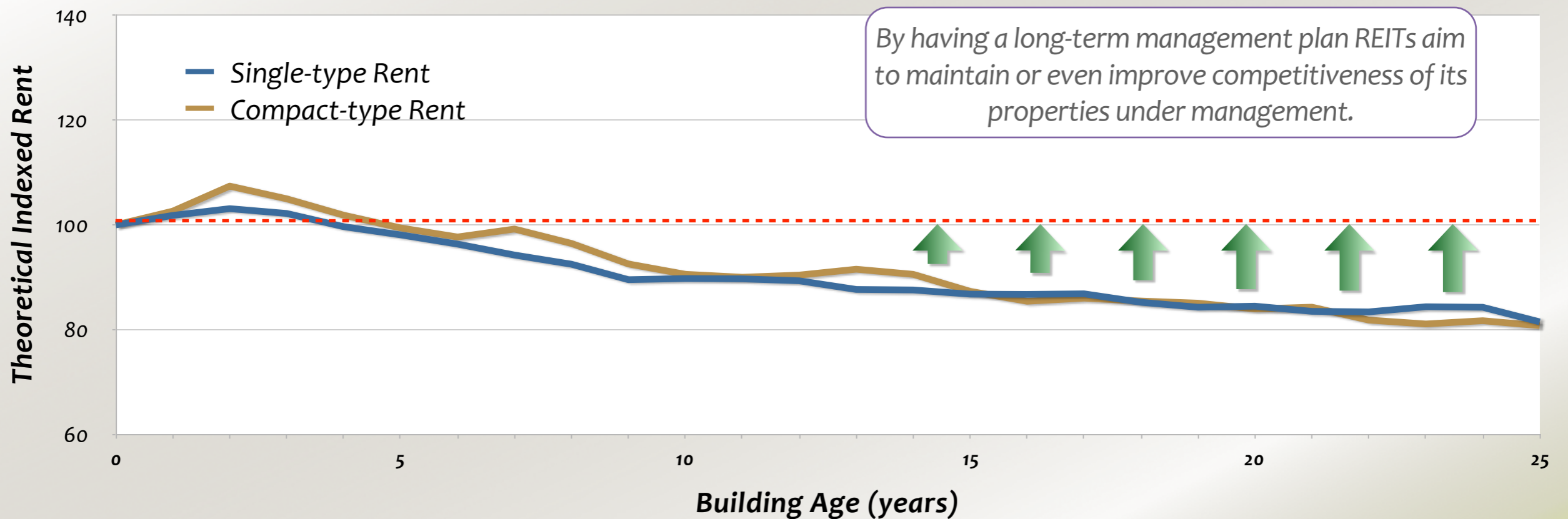
Daily Repairs

### Timely Capital Expenditures

Large-scale renovations of common areas and exteriors

Renovations of individual apartment units

Providing living environment matching the tenants' needs



\* Figures are indexed theoretical rent categorized by year and building age using actual rents provided by At Home Co., Ltd., of which Sumitomo Mitsui Trust Research Institute Co., Ltd. statistically processed using hedonic method.  
 \* Analysis was conducted separately between rent data from single-type units (18m<sup>2</sup> to 30m<sup>2</sup>) and compact-type units (30m<sup>2</sup> to 60m<sup>2</sup>) of apartment in 23 wards of Tokyo.

# Renovation Examples in ADR's Properties

By taking proper measures competitiveness can be maintained

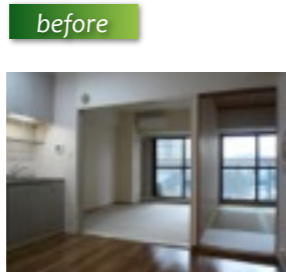
## Examples of Measures Taken

### P-73 RESIDIA Shibaura

Common area renovation  
Cost: 128 million yen

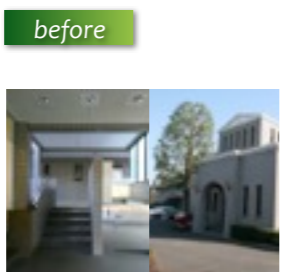


Individual apartment unit upgrading renovations  
Cost: 3,490 thousand yen/unit

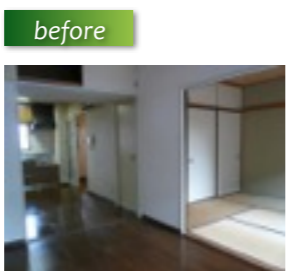


### S-19 RESIDIA Kichijoji

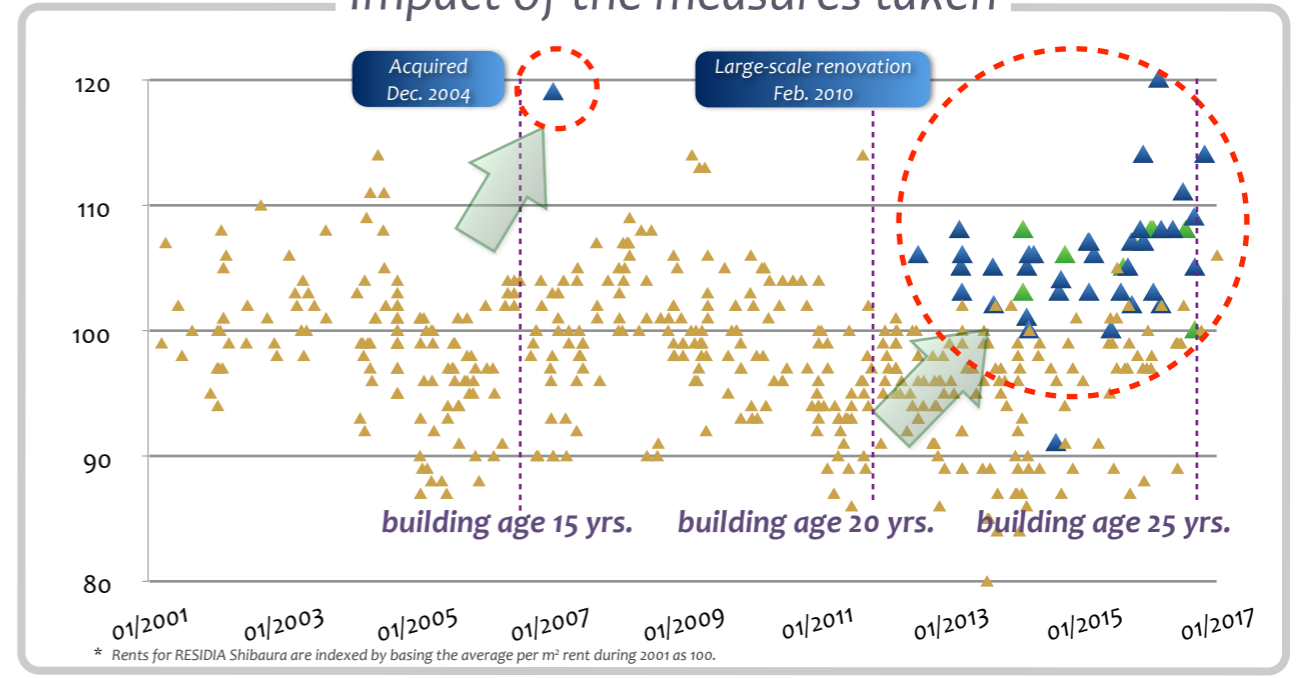
Common area renovation  
Cost: 32 million yen



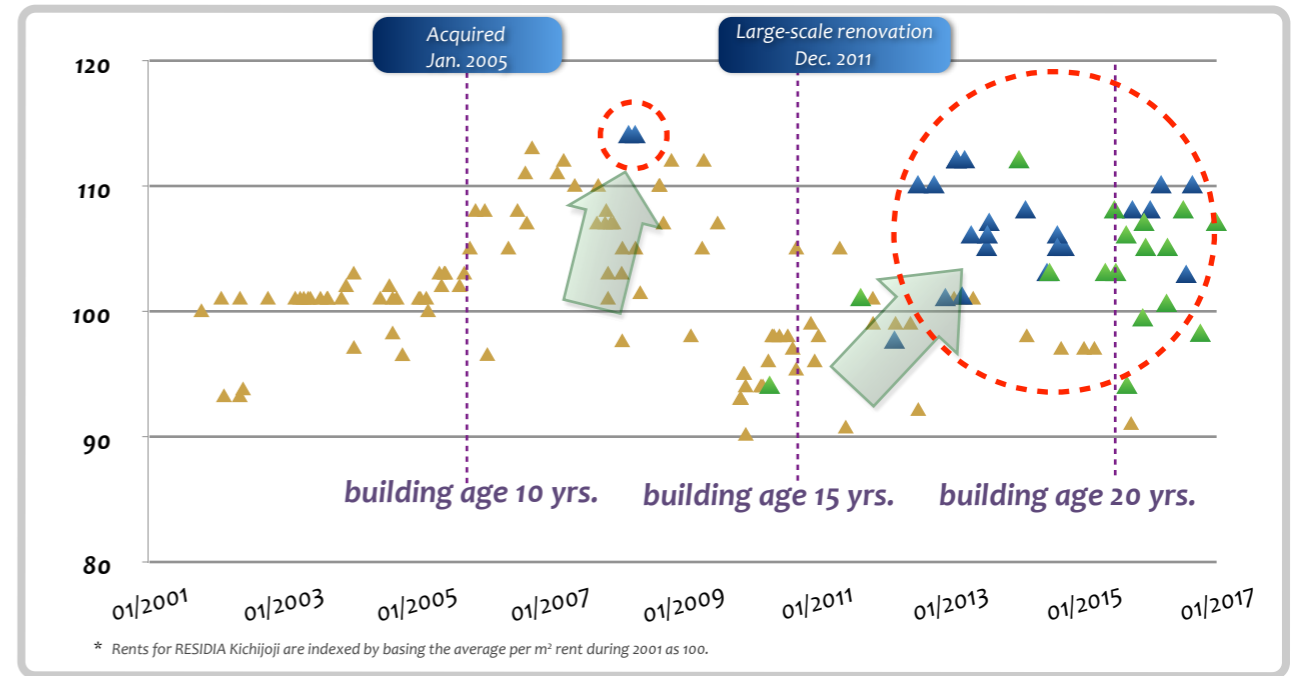
Individual apartment unit upgrading renovations  
Cost: 3,680 thousand yen/unit



## Impact of the measures taken



▲ Units w/ standard restoration work ▲ Units went under VE works ▲ Units having t/o more than twice after VE works



# Brand Strategy

## The Brand

RESIDIA

Residia is composed from the following words

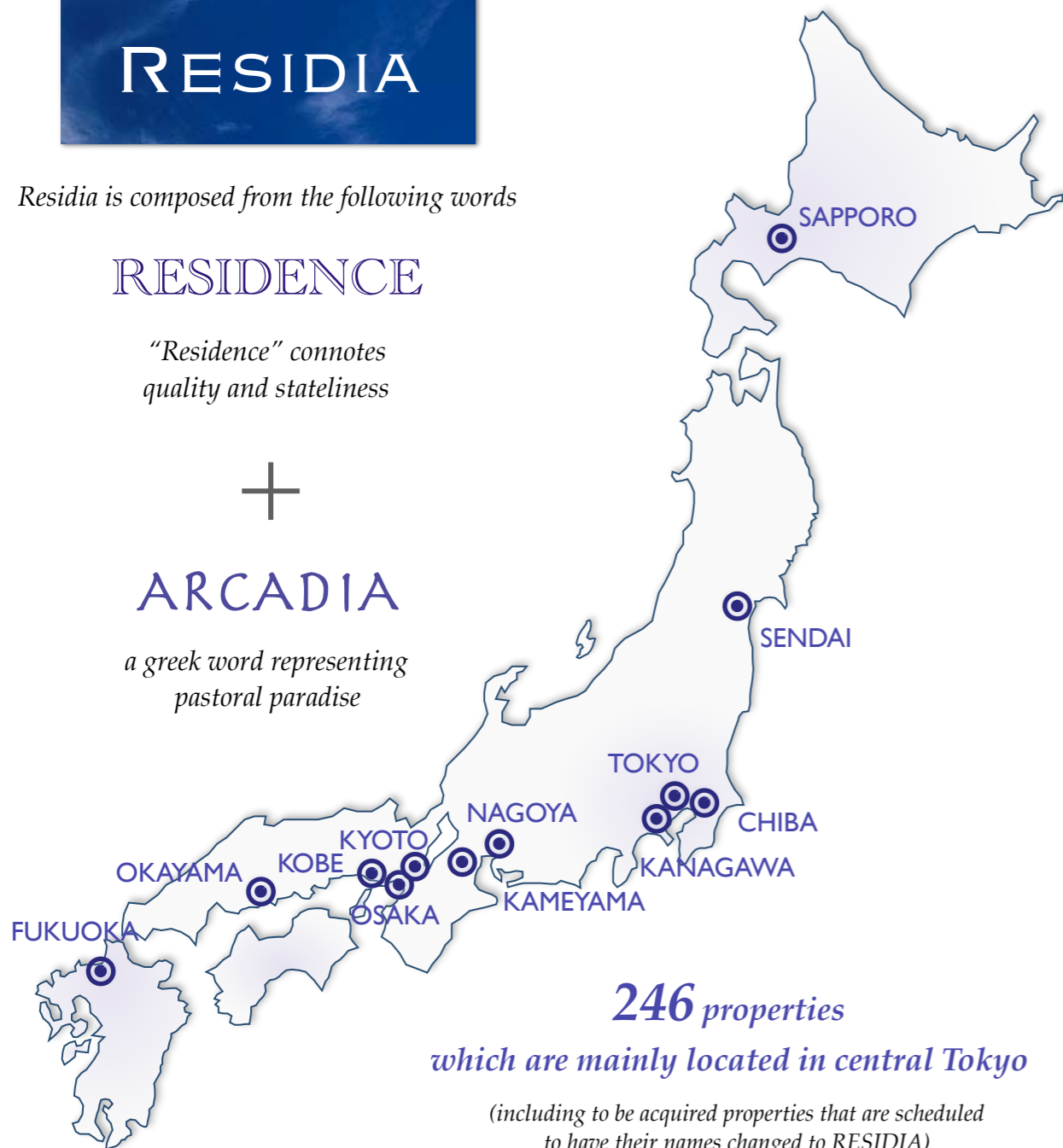
RESIDENCE

*“Residence” connotes quality and stateliness*

+

ARCADIA

*a greek word representing pastoral paradise*



## Tenant Services

### RESIDIA Customer Support

24hours, 7days a week, RESIDIA customer support for tenants. Providing housekeeping services (ex. cleaning) and emergency responses (ex. water leak, key lost), etc.

### Moving Support from RESIDIA to RESIDIA

If RESIDIA tenants move to other RESIDIA apartments, tenants do not have to pay key money nor broker fee. Therefore tenants can save moving cost and ADR can keep high occupancy.

**Handing out Emergency Kits** (only for tenants in Metropolitan Area properties)  
Handed out to any tenants who requested, provisions, helmets, portable toilet, etc.

### KAJITAKU ~Tenant Service~

“KAJITAKU” provides housekeeping services.



## Branding through Leasing Website & Building Signs



RESIDIA Shibuya Building Sign

RESIDIA Leasing Website <http://www.residia.jp/>



# Sustainability

## Mid to Long-term Measures to Retain & Increase Asset Value & Raise Unitholders Value

### Environmental Considerations

#### \* Installation of LED Lightings

Lightings for common area of **9** properties replaced with energy conserving LED.  
(LED lightings installed in **38** properties at the end of Jan. 2017)

#### \* Large-Scale Repairs and Equipment Renewals and Upgrades

Retain asset value, extend economic life and reduce carbon footprint through repairs, renewals and upgrades.

During the Fiscal Period July 2016 large-scale repairs done on **4** properties,  
value enhancement works on **34** units of **11** properties.

(Track record since the merger\*: large-scale repairs on **23** properties, upgrades on **18** properties **223** units)

\* as of Feb. 23, 2017, excluding disposed properties

### Contribution to the Community

#### \* Installation of Vending Machine w/ Donation Functionality

The vending machines are installed in **24** properties.

#### \* Installation of AEDs

AEDs that are open to public use are installed in **50** properties.

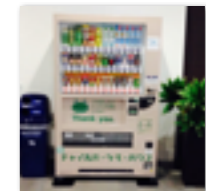
#### \* Emergency Maps

Emergency maps showing evacuation routes, available in common area of **256** properties.

#### \* Distributing Emergency Kits

Distributed **1,275** emergency kits to tenants.  
(the kit consists of emergency rations, helmets, portable toilets, etc.)

Vending Machine



AED



Emergency Map



Emergency Kits



### DBJ Green Building Certification

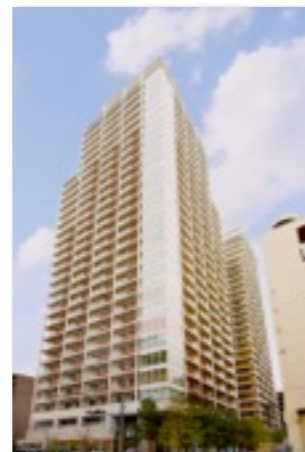
DBJ Green Building Awarded to **5** properties\*\*



DBJ Green Building  
2016

P-76 Park Tower Shibaura  
Bayward Urban Wing

Awarded the highest  
rank for having  
environmental &  
social awareness in  
2016



**NO.1** Highest Number of Residential Certificate Awarded \*\*\*

### Participated in GRESB Survey 2016

In 2016, ADR continued to participate in the GRESB Survey,  
after being the first residential J-REIT to participate in the survey in 2014.



2016 GRESB Survey Result

**Green Star**

GRESB is an industry-driven organization committed to assessing the sustainability performance of real estate portfolios (public, private and direct) around the globe. The dynamic benchmark is used by institutional investors to engage with their investments with the aim to improve the sustainability performance of their investment portfolio, and the global property sector at large.

\*\* The five properties are P-50 RESIDIA Nishi-Azabu, P-55 RESIDIA Tower Meguro-Fudomae, P-76 Park Tower Shibaura Bayward Urban Wing, C-65 RESIDIA Tower Kami-Ikebukuro and S-20 Pacific Royal Court Minato Mirai Ocean Tower.

\*\*\* Based on materials published by Development Bank of Japans as of Feb. 28, 2017 and consolidated by AD Investment Management Co., Ltd.

# Debt Structure

## The Lineup of 26 Lenders Including 3 Mega Banks, 3 Major Trust Banks

as of January 31, 2017

### Investment Corporation Bonds

Maturity Issue Date	3 yrs	5 yrs	7 yrs	10 yrs	12 yrs	15 yrs
2017/2	FP July 2017 Issuance	#26* 2.0 bn yen 0.18%				
2016/6						#25 3.0bn yen 0.90%
2015/10		#23 1.5 bn yen 0.326%		#24 1.5bn yen 0.846%		
2015/4				#22 2 bn yen 0.726%		
2014/4				#21 2.5 bn yen 1.04%		
2013/11					#20 2 bn yen 1.41%	
2013/4				#19 3 bn yen 1.32%		
2012/9		#17* 8 bn yen 0.87%	#18 4 bn yen 1.23%			
2012/4	#15* 4 bn yen 0.86%	#16 4 bn yen 1.08%				
2011/9		#13 8 bn yen 1.27%	#14 2 bn yen 1.68%			

First residential J-REIT to issue 10, 12 and 15 year bonds

\* #26 is excluded from the "Total Interest Bearing Debts" because it was issued after FP Jan. 2017 ended.  
\* #13 redeemed on Sept. 2016, #15 redeemed on April 2015, #17 redeemed on Sept. 2016.

### Loans

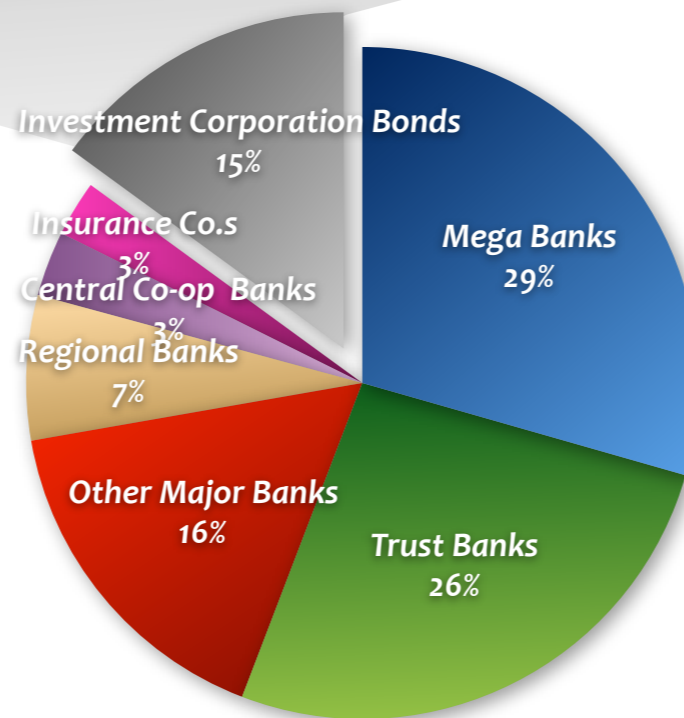
Lenders	Loan Outstanding (bn yen)	% share
Sumitomo Mitsui Trust Bank	31.1	16.4
The Bank of Tokyo-Mitsubishi UFJ	31.1	16.3
Mizuho Bank	18.1	9.5
Mitsubishi UFJ Trust & Banking	16.8	8.8
Sumitomo Mitsui Banking Corporation	16.5	8.7
Development Bank of Japan	13.7	7.2
Mizuho Trust & Banking	11.1	5.8
Aozora Bank	10.6	5.6
Resona Bank	8.1	4.3
The Norinchukin Bank	7.0	3.7
The Bank of Fukuoka	5.0	2.6
Shinsei Bank	4.2	2.2
Taiyo Life Insurance	3.0	1.6
The Nishi-Nippon City Bank	2.6	1.4
The Yamaguchi Bank	2.5	1.3
Tokio Marine & Nichido Fire Insurance	1.0	0.5
Mitsui Sumitomo Insurance	1.0	0.5
Nippon Life Insurance	1.0	0.5
The Gunma Bank	1.0	0.5
The Iyo Bank	1.0	0.5
The 77 Bank	1.0	0.5
The Kagawa Bank	0.5	0.3
The Tokyo Tomin Bank	0.5	0.3
The Hiroshima Bank	0.5	0.3
The Chugoku Bank	0.5	0.3
The Bank of Kyoto	0.5	0.3
<b>Total</b>	<b>190.2</b>	<b>100.0</b>

### Total Interest Bearing Debt

223.7 billion yen

### Committed Lines of Credit

Lenders	Term	Outstanding Amount (bn yen)
Sumitomo Mitsui Trust Bank, The Bank of Tokyo-Mitsubishi UFJ Mizuho Bank	3 yr	20.0



# Note

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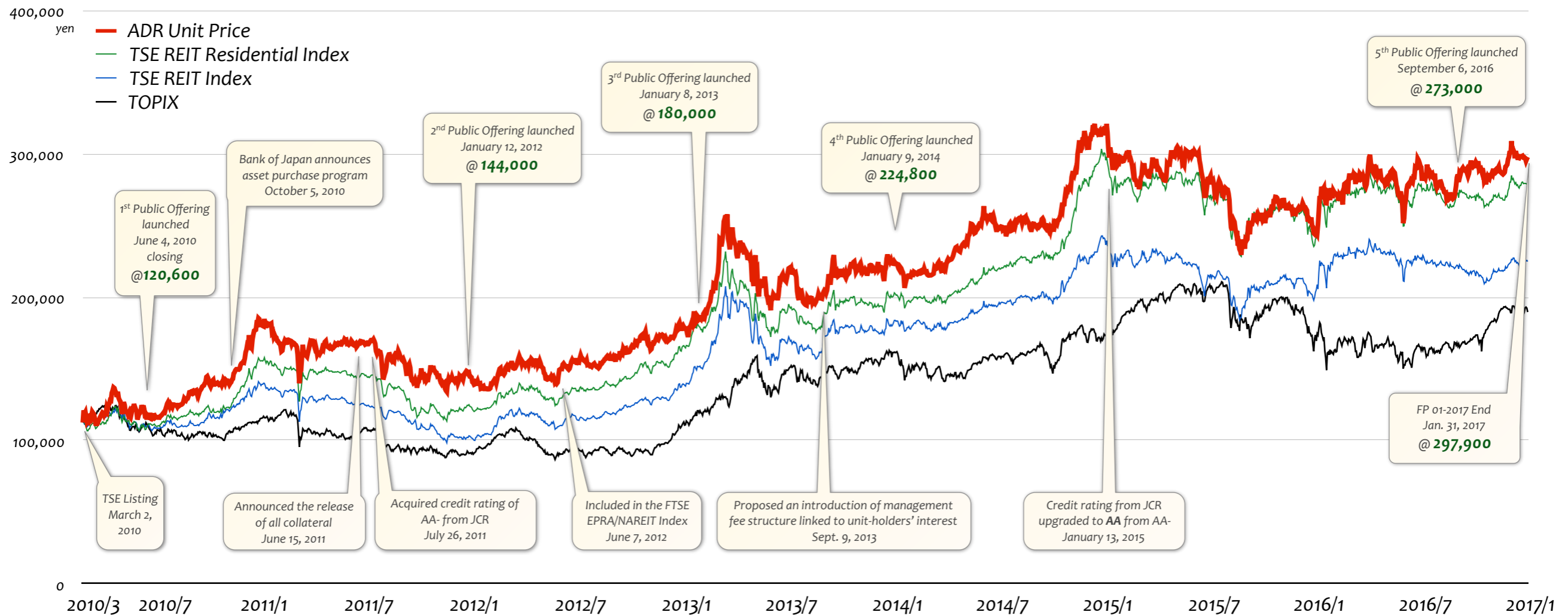
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# Unit Price Chart

Key Figures	FP 01-2011	FP 07-2011	FP 01-2012	FP 07-2012	FP 01-2013	FP 07-2013	FP 01-2014	FP 07-2014	FP 01-2015	FP 07-2015	FP 01-2016	FP 07-2016	FP 01-2017
Market capitalization	168.8 bn yen @172,300	158.9 bn yen @162,200	134.7 bn yen @137,500	168.1 bn yen @152,900	209.1 bn yen @190,100	245.6 bn yen @198,100	269.3 bn yen @217,200	319.1 bn yen @245,500	391.9 bn yen @301,500	351.6 bn yen @270,500	338.6 bn yen @260,500	369.9 bn yen @284,600	4,021 bn yen @297,900
Daily Average Trading volume	0.44 bn yen 3,247 units	0.31 bn yen 1,917 units	0.27 bn yen 1,907 units	0.46 bn yen 3,160 units	0.54 bn yen 3,208 units	1.29 bn yen 6,055 units	0.68 bn yen 3,174 units	0.62 bn yen 2,684 units	0.81 bn yen 2,922 units	0.92 bn yen 3,181 units	0.85 bn yen 3,344 units	1.26 bn yen 4,512 units	1.25 bn yen 4,389 units
LTV (Total assets base)	52.4%	53.5%	54.6%	53.7%	53.8%	51.2%	52.1%	51.0%	50.1%	51.6%	51.4%	52.2%	49.6%
NAV per Unit (yen)	152,749	154,360	156,459	155,966	158,313	164,311	171,850	182,367	198,261	207,281	216,739	223,586	230,621
BPS (yen)	159,564	156,548	156,140	152,689	152,440	153,020	152,821	155,220	155,160	155,161	155,161	155,161	158,601
Implied CAP rate	5.3%	5.5%	5.6%	5.4%	4.8%	4.7%	4.5%	4.3%	3.8%	4.1%	4.2%	4.1%	4.0%

\*NAV and BPS are ex-dividend figures



\* TOPIX, TSE REIT Index and TSE REIT Residential Index are re-indexed by using Advance Residence's March 2, 2010 closing price of 112,500 yen as base price.

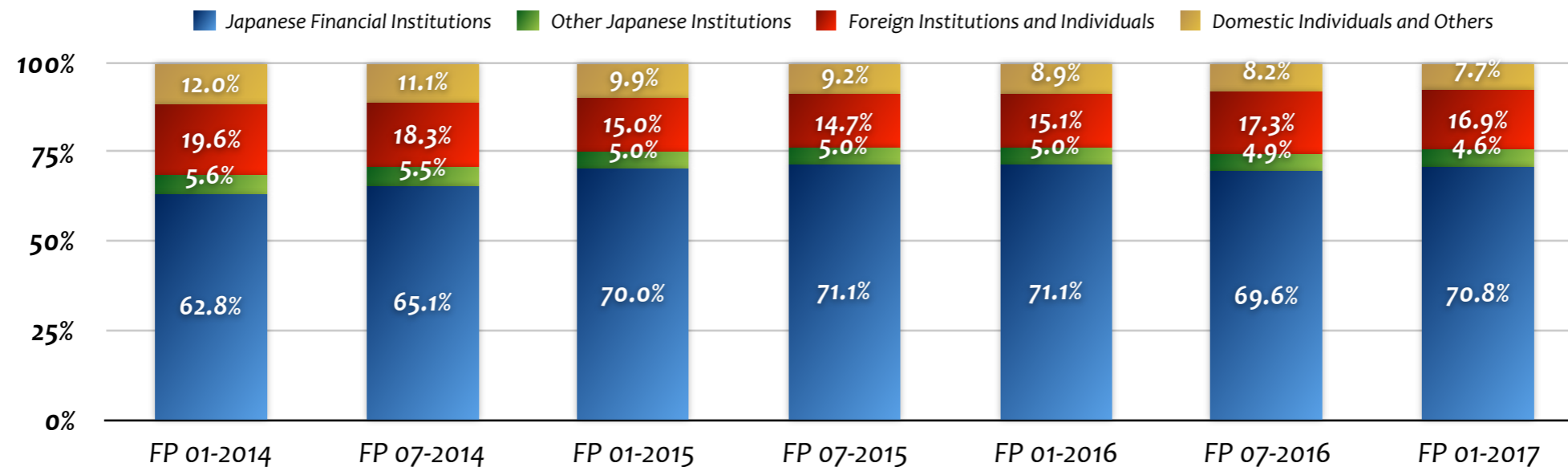
# Major Unitholders

## Increase in Trust Banks Ownership

as of January 31, 2017

	Number of Units		Number of Unitholders	
	Units	(%)	Unit-holders	(%)
Japanese Financial Institutions	955,595	70.8%	207	1.2%
Trust Banks	694,527	51.4%	15	0.1%
Regional Banks	141,731	10.5%	59	0.3%
Life Insurance	41,570	3.1%	8	0.0%
Securities Companies	26,935	2.0%	21	0.1%
Casualty Insurance	17,510	1.3%	7	0.0%
Credit Unions & Co-ops	16,005	1.2%	48	0.3%
Shinkin Banks	17,317	1.3%	49	0.3%
City Banks	0	0.0%	0	0.0%
Other Japanese Corporations	62,653	4.6%	259	1.5%
Foreign Corporations and Individuals	227,779	16.9%	275	1.6%
Domestic Individuals and Others	103,973	7.7%	16,417	95.7%
<b>Total</b>	<b>1,350,000</b>	<b>100.0%</b>	<b>17,158</b>	<b>100.0%</b>

Name of Unitholders	Holdings (units)	% share of issued and outstanding
Japan Trustee Services Bank, Ltd. (Tr. Acc.)	363,783	26.9%
The Master Trust Bank of Japan, Ltd (Tr. Acc.)	146,922	10.9%
Trust & Custody Services Bank, Ltd. (Securities Inv. Tr. Acc.)	85,449	6.3%
The Nomura Trust and Banking Co., Ltd. (Inv. Tr. Acc.)	51,126	3.8%
ITOCHU Corporation	34,800	2.6%
State Street Bank and Trust Company 505012	17,541	1.3%
Trust & Custody Services Bank, Ltd. (Cash in Tr. Taxable Acc.)	17,406	1.3%
State Street Bank - West Pension Fund Clients - Exempt 505233	16,449	1.2%
The Fuji Fire and Marine Insurance Co., Ltd.	14,382	1.1%
The Yamanashi Chuo Bank, Ltd.	12,666	0.9%
<b>Total</b>	<b>760,524</b>	<b>56.3%</b>



# Balance Sheet

Fiscal Period Ending January 31, 2017		in thousands yen
<b>Assets</b>		
Current assets		
Cash and deposits		17,772,257
Cash and deposits in trust		9,471,622
Operating accounts receivables		203,764
Prepaid expenses		351,386
Other		4,946
Allowance for doubtful accounts		△ 10,161
Current assets		27,793,815
Fixed assets		
Property, plant and equipment		
Buildings		63,802,834
Structures		17,366
Machinery and equipment		46,191
Tools, furniture and fixtures		99,179
Land		70,314,787
Buildings in trust		130,377,105
Structures in trust		95,002
Machinery and equipment in trust		84,428
Tools, furniture and fixtures in trust		268,775
Land in trust		152,459,428
Construction in progress		2,521
Property, plant and equipment		417,567,620
Intangible assets		
Leasehold right		1,071,902
Leasehold right in trust		2,078,265
Other		92
Intangible assets		3,150,260
Investments and other assets		
Securities investments		-
Long-term prepaid expenses		796,418
Guarantee deposits		523,518
Guarantee deposits in trust		1,026,585
Other		1,632
Investments and other assets		2,348,154
Fixed assets		423,066,035
Deferred assets		
Investment unit issuance expenses		7,173
Investment corporation bond issuance costs		100,759
Deferred assets		107,932
<b>Total Assets</b>		<b>450,967,784</b>

Fiscal Period Ending January 31, 2017		in thousands yen
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable		324,578
Current portion of investment corporation bond		12,000,000
Current portion of long-term loans payable		22,956,329
Accounts payable-other		1,330,850
Accrued expenses		151,770
Accrued consumption taxes		21,366
Advances received		66,297
Other		18,877
Current liabilities		36,870,070
Long-term liabilities		
Investment corporation bond		21,500,000
Long-term loans payable		167,318,000
Tenant leasehold and security deposits		1,225,772
Tenant leasehold and security deposits in trust		3,219,876
Long-term liabilities		193,263,649
<b>Liabilities</b>		<b>230,133,720</b>
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital, gross		127,690,098
Surplus		
Capital surplus		53,220,279
Reserve for dividend		33,552,162
Unappropriated retained earnings (undisposed loss)		6,371,523
Surplus		93,143,965
Unitholders' equity		220,834,064
<b>Net assets</b>		<b>220,834,064</b>
<b>Liabilities and net assets</b>		<b>450,967,784</b>

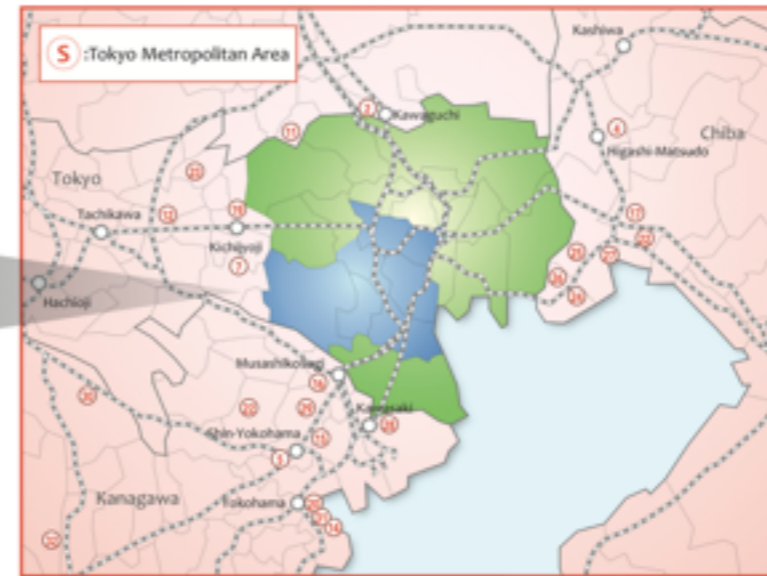
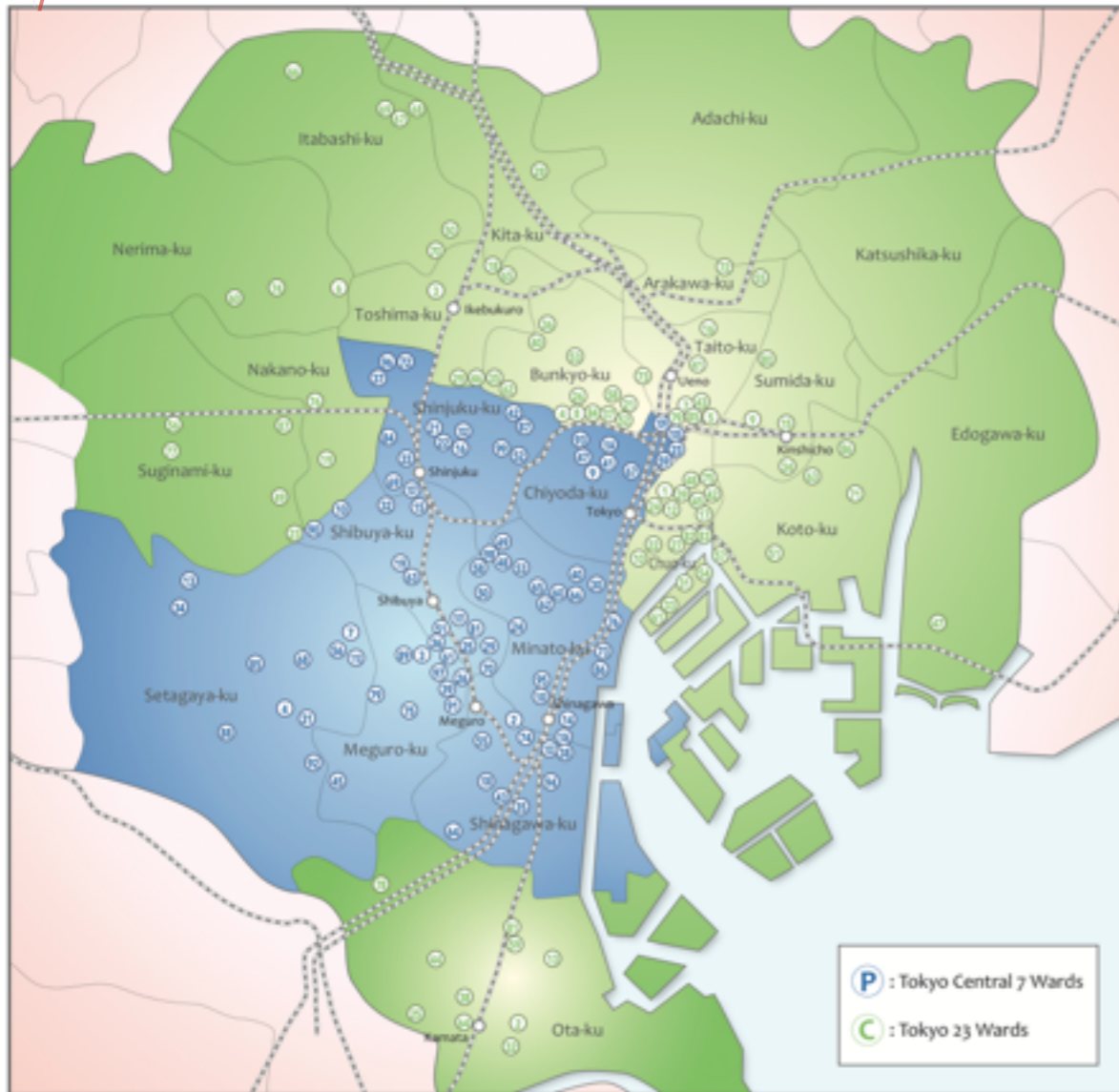
# Profit and Loss Statement

Fiscal Period Ending January 31, 2017 (from August 1, 2016 to January 31, 2017)		in thousands yen
Operating revenue		
Rent revenue-real estate		15,504,314
Dividend income		-
Gain on sales of real estate properties		-
Operating revenue		15,504,314
Operating expenses		
Expenses related to rent business		6,045,529
Loss on sales		-
Asset management fee		1,136,067
Asset custody fee		9,745
Administrative service fees		60,534
Directors' compensations		3,600
Taxes and dues		257,486
Provision of allowance for doubtful accounts		-
Bad debts expenses		26
Other operating expenses		189,733
Operating expenses		7,702,724
Operating income		7,801,590
Non-operating income		
Interest income		7,208
Interest on securities		9,691
Reversal of distributions payable		3,494
Claim compensation income		362
Other		2
Non-operating income		20,760
Non-operating expenses		
Interest expenses		998,854
Interest expenses on investment corporation bonds		187,808
Amortization of investment unit issuance expenses		2,516
Amortization of corporation bonds issuance expenses		14,764
Investment unit issuance expenses		23,071
Borrowing related expenses		223,341
Other		156
Non-operating expenses		1,450,513
Ordinary income		6,371,837
Income before income taxes		6,371,837
Income taxes-current		605
Income taxes		605
Net income		6,371,232
Retained earnings brought forward		291
Unappropriated retained earnings (undisposed loss)		6,371,523

Fiscal Period Ending January 31, 2017 (from August 1, 2016 to January 31, 2017)		in thousands yen
<b>A. Revenue from Property Leasing</b>		
Rental		
Rent income		13,823,691
Facility charge		728,212
Parking fee		441,475
Subtotal		14,993,378
Other revenues related to property leasing		
Income from leasing rights, etc.		68,658
Miscellaneous income		442,277
Subtotal		510,935
Total revenues from property leasing		15,504,314
<b>B. Rental Expenses</b>		
Taxes and Duties		836,580
Property management fees		1,068,122
Utilities		235,861
Repairs and maintenance		480,985
Insurance		25,170
Trust fee		69,683
Other rental expenses		735,571
Depreciation and amortization		2,593,555
Total rental expenses		6,045,529
<b>C. Operating Income from Property Leasing Activities (A-B)</b>		9,458,784

# Portfolio Map

as of April 18, 2017



**R** : Major Regional Cities



No. of Properties  
**260**  
 (including assets -to-be-acquired)









# Asset Management Company Profile

## Company Profile as of January 31, 2017

**Name:** AD Investment Management Co., Ltd.

**Address:** 17F Jimbocho Mitsui Bldg., 1-105 Kanda-Jimbocho, Chiyoda-ku, Tokyo

**Company Representative:** Kenji Kousaka, Representative Director and President

**Amount of Capital:** 300 million yen

**Type of Business:** Asset Management

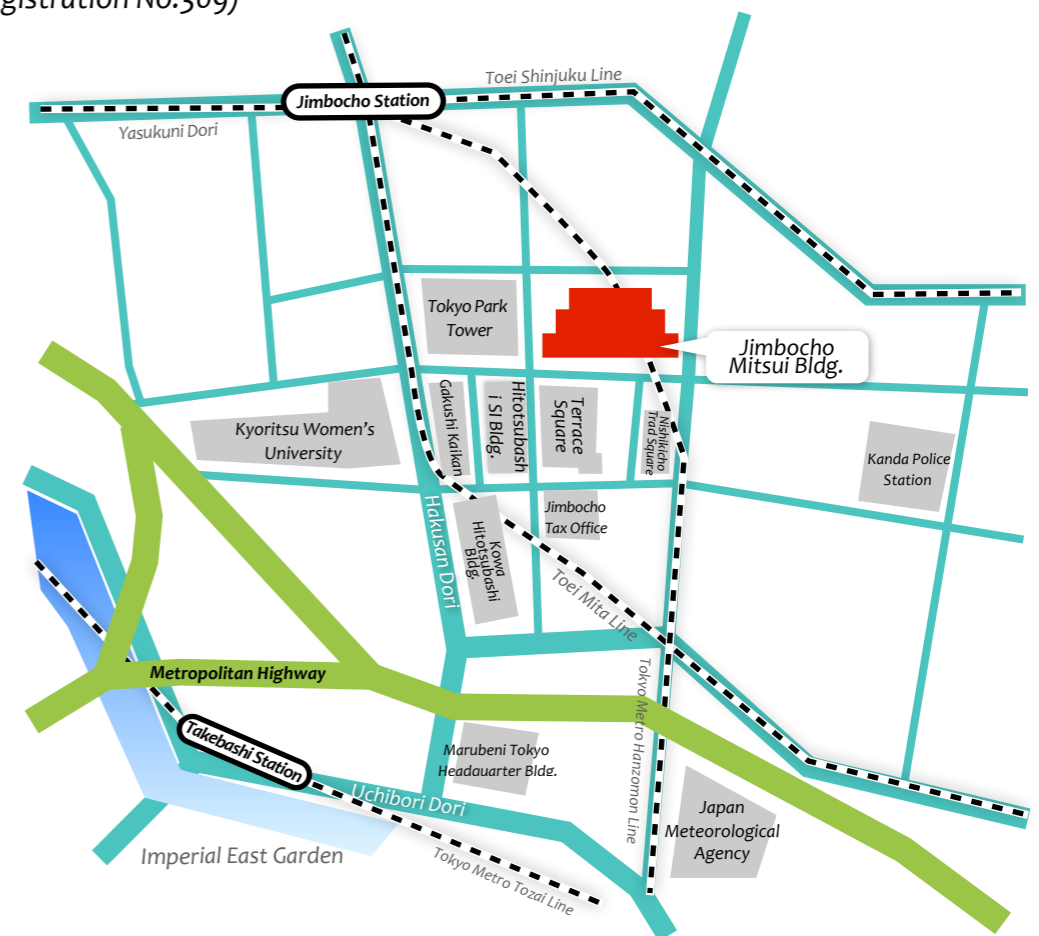
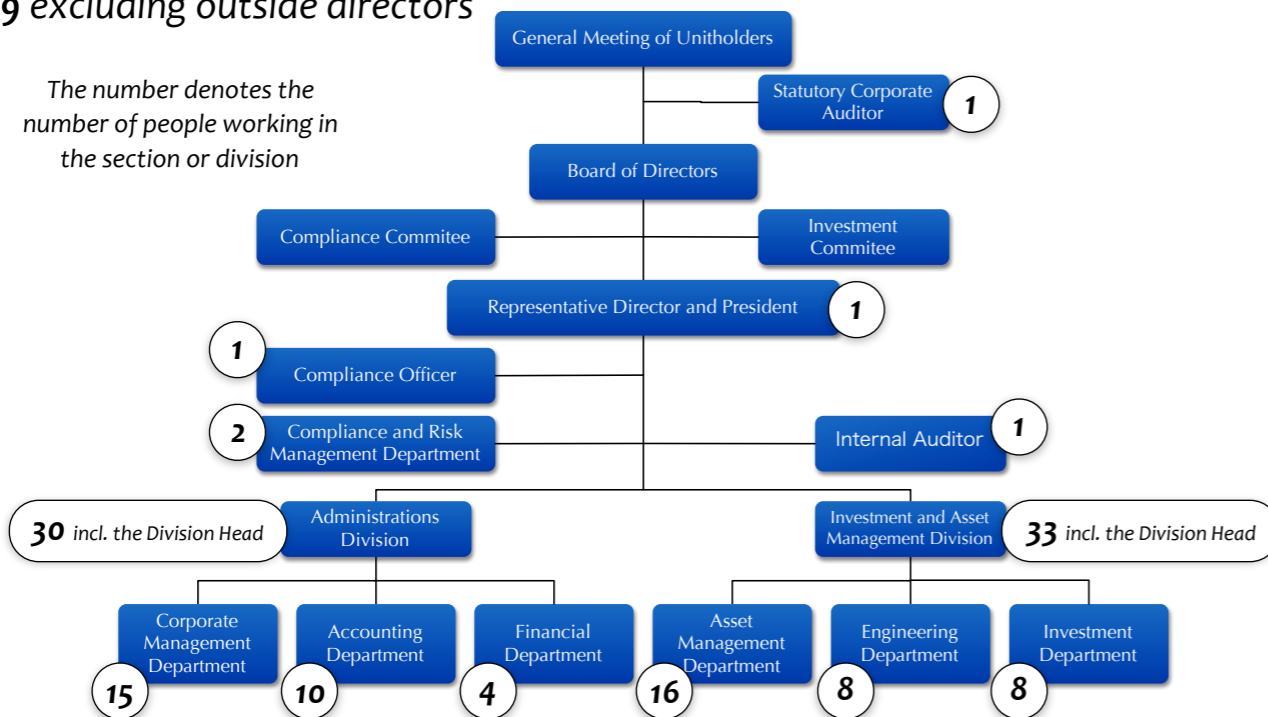
**History:**  
 March 1, 2010 Merges with Pacific Residential Corporation  
 May 17, 2005 Company name is changed to AD Investment Management Co., Ltd.  
 February 2, 2005 Established as Japan Residential Management Co., Ltd.

AD Investment Management Co., Ltd. <http://www.adim.co.jp/>  
 Advance Residence Investment Corporation <http://www.adr-reit.com/en/>

**Registrations and Licenses:** Real estate agent's license (The Governor of Tokyo (3) No.84325)  
 Approval for a discretionary transaction agent (Minister of Land, Infrastructure, Transport and Tourism Approval, No.37)  
 Registered for a financial instruments business (Kanto Local Finance Bureau registration No.309)  
 Registered as First-Class-Architect Office (The Governor of Tokyo No. 58856)

## Organizational Chart as of January 31, 2017

Total 69 excluding outside directors



# ADR's Website

[www.adr-reit.com/en](http://www.adr-reit.com/en)



The screenshot shows the homepage of the Advance Residence Investment Corporation website. At the top, there are navigation links for 'To Our Investors', 'RESIDIA Room Search (Japanese site)', and 'Asset Management Company (Japanese site)'. The main header includes 'Advance Residence Investment Corporation' and a language toggle for 'JAPANESE | ENGLISH'. Below this is a navigation menu with 'ABOUT US', 'PORTFOLIO', 'IR', and 'INVESTOR INFO'. The main content area features a large image of a modern building at night with the headline 'Largest reserves for dividends among J-REITs'. Below the headline is a table with financial data:

Occupancy	Dividend per unit	As of November 29, 2016	Reserve for dividends
January 96.6%	2017/1 result 4,979 yen	Assets under management 436.9 billion yen	Balance 33.5 billion yen
February 97.3%	2017/2 forecast 5,049 yen	Number of properties 257	Investment unit price (Securities code:1299)

Below the table is a 'News Headline' section with a 'Back Number' button. The news items listed are:

- 2017.3.13 **Notice** February 2017 occupancy rate has been updated
- 2017.3.10 **Notice** Information under Article 23 of European Alternative Investment Fund Managers Directive (AIFMD) for U.K. and Dutch Investors
- 2017.3.10 **Notice** Uploaded Brief Summary of Kessan Tanshin for the 13th Fiscal Period
- 2017.2.28 **Release** Notice Concerning Debt Financing Interest Rates
- 2017.2.22 **Release** Notice Concerning Debt Financing and Redemption / Repayment of Bond / Loan
- 2017.2.9 **Notice** January 2017 occupancy rate has been updated

At the bottom, there are three 'Topics' sections:

- The first topic shows a presentation material icon and states '12th Fiscal Period Presentation Material has been uploaded.'
- The second topic shows a photo of a man in a suit.
- The third topic shows a logo for 'ARES 東証 共創' and states 'ADR participated in "J-REIT Fair 2016" on November 26, 2016.'

## Uploaded Materials

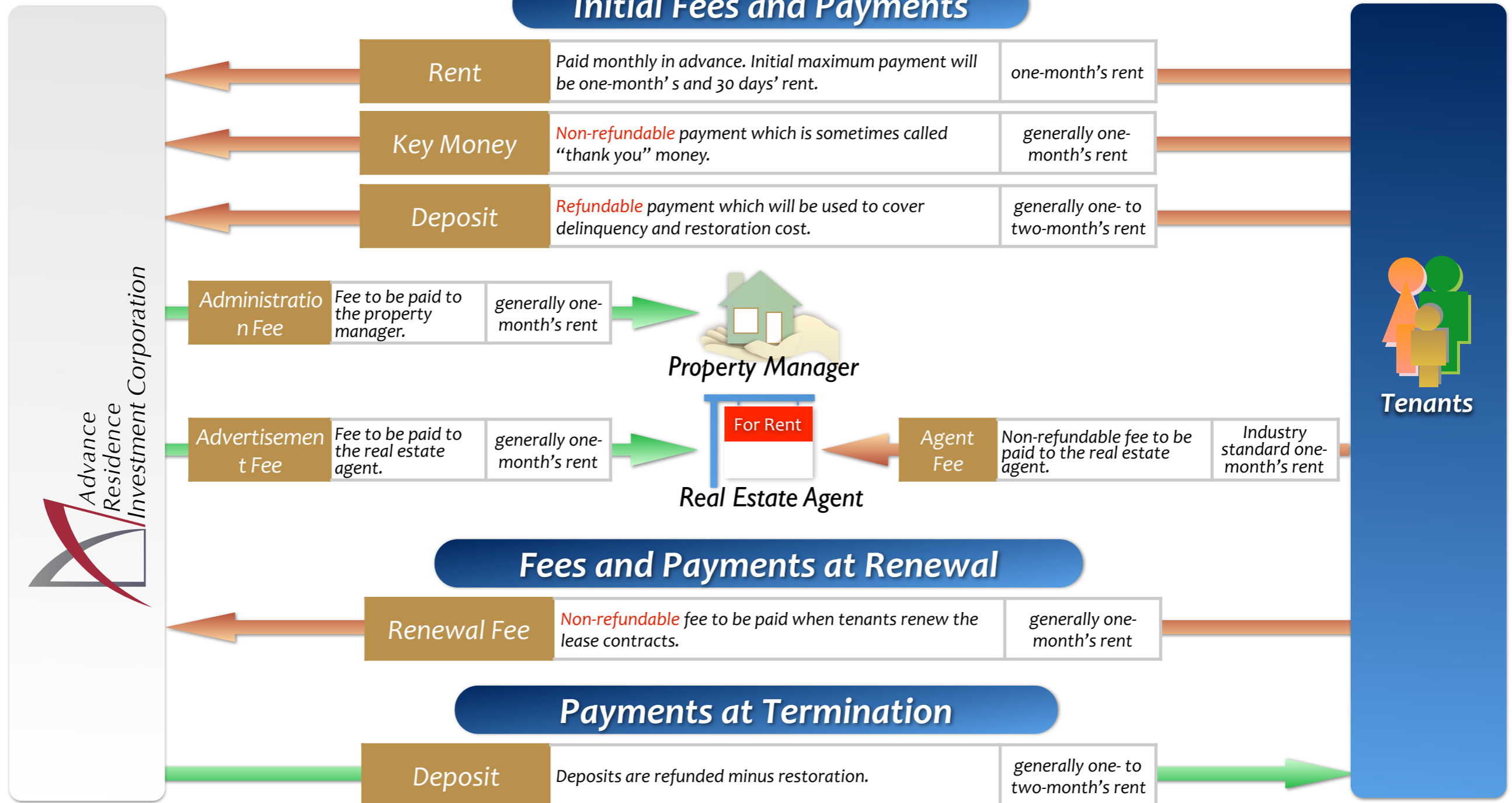
- ✓ Press releases
- ✓ Disclosure materials (ex. Semi-annual Reports, Earnings Presentations)
- ✓ Portfolio guidelines
- ✓ Details on property holdings
- ✓ Occupancies (updated monthly)
- ✓ Earning performance for each holdings
- ✓ Financing details, etc.

Some of the information are available as Excel spreadsheets.

# Japanese Real Estate Leasing Contract Practices

- Standard lease terms in Japan are mostly two years.
- Tenants are able to leave the leased space before contract expiration without paying for the remaining contract period.
- Japan's Lease Land and House Law makes raising rents of existing contracts almost impossible.

## Initial Fees and Payments



# Note

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*Advance Residence Investment Corporation*



## **Inquiries**



Investor Relations  
AD Investment Management Co., Ltd.



Tel            **+813-3518-0432**  
E-mail        **[ir@adr-reit.com](mailto:ir@adr-reit.com)**



*This material contains forward-looking statements on future operating results, plans, business objectives and strategies of the company.*

*Forward-looking statements provide current expectations of future events based on number of assumptions and include statements that do not directly relate to any historical or current facts. Forward-looking statements are not guarantees of future performance and the Company's actual results may differ significantly from the results discussed in the forward-looking statements.*

*This material is based on Japanese GAAP unless otherwise stated.*

*This material was not created for the purpose of soliciting investment in the company. Investments should be based on your own judgment and responsibility.*