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Advance Residence Investment Corporation

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Notice Concerning Acquisition of Investment Asset (RESIDIA Ueno-Ikenohata)

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 asset in Japan as detailed below as part of ADR's growth strategy.

1. Details of Acquisition

ADIM decided on the following acquisition pursuant to the target and policy of asset management as stipulated in its Articles of Incorporation of ADR, to increase the asset under management of the portfolio that earns stable income through diversified investment in all regions and in all apartment unit types.

Property number	Name of the to-be-acquired asset ^(Note 1)	Type of asset	Proposed acquisition price ^(Note 2)
C-73	RESIDIA Ueno-Ikenohata (EDWIN Ikenohata)	Beneficiary interests in trust (planned) ^(Note 3)	¥1,700 million

^(Note 1) ADR is scheduled to change the property name after acquisition of the to-be-acquired asset. The scheduled name is shown above the name as of today shown in parentheses.

^(Note 2) "Proposed acquisition price" indicates the purchase price for the property entered in the trust beneficiary interests disposition contract, which is exclusive of the various expenses required in the acquisition of the concerned property (broker commission, taxes and public dues, etc.)

^(Note 3) The to-be-acquired asset is not placed in trust as of today, but it is scheduled to be placed in trust upon the acquisition by ADR.

Because of the recent booming real estate market, it continues to be very difficult to acquire assets which have been recently built, and have a yield that will contribute in improving the existing portfolio's yield.

Under such an environment, ADR was able to acquire the property by utilizing unique advantages of having a sponsor, that is a trading house, Itochu Corporation. ADR was able to acquire the property from one of the Itochu group companies K.K. Edwin. The property has a yield after depreciation of 4.7%* which is higher than the average yield 4.5%* for properties located in Tokyo 23 Wards in the existing portfolio at the end of July 2014.

ADR evaluated the asset's attributes listed below in deciding to acquire the asset.

- The property is approximately 6-minute walk from Nezu Station on the Tokyo Metro Chiyoda Line, giving tenants good access to the major business district or commercial districts in central Tokyo.
- This property is also located in walking distance from convenient stores, super-markets, banks and public facilities such as the Ueno Park, making it convenient for daily living.
- The housing unit plans for the property are mostly 1K and 1DK. The property can expect demands mainly

from singles and DINKs that commute to central Tokyo due to its accessibility and convenience for living.. Additionally, due to the proximity to Tokyo University we also expect demand as a second house from the employees of the university such as the faculties and university hospital medical doctors.

* The yield after depreciation of the to-be-acquired asset is calculated by dividing the annualized appraisal NOI at acquisition minus depreciation, by the acquisition price. Depreciation of the to-be-acquired asset is calculated using same straight-line method as the portfolio and expect a depreciation of 10,067 thousand yen per annum. The yield after depreciation for the existing portfolio at the end of January 2014 is calculated by dividing the total annualized actual NOI minus depreciation of each portfolio property by the total fiscal-end book value. Both figures are rounded at the second decimal point.

2. Acquisition Summary

C-73) RESIDIA Ueno-Ikenohata

Name of property	RESIDIA Ueno-Ikenohata
Asset to be acquired	Beneficiary interests in trust (planned)
Proposed acquisition price	¥1,700 million
Seller	K.K. Edwin
Scheduled agreement date	November 7, 2014
Scheduled acquisition date	November 12, 2014
Acquisition financing	Funds procured by borrowing or cash on hand.
Payment method	Pay entire amount upon delivery

3. Summary of the To-be-acquired Asset
C-73) RESIDIA Ueno-Ikenohata

Type of specified asset	Beneficiary interests in trust (planned)	Scheduled acquisition date	November 12, 2014	Proposed acquisition price	¥1,700 million
Property Outline					
Location	Address	2-1-43 Ikenohata, Taito-ku, Tokyo			
Land	Type of ownership	Proprietary ownership	Zoning	Commercial zone, Neighborhood commercial Zone	
	Site area	657.54m ²	FAR / Building coverage ratio	600%/80%, 300%/80%	
Building	Type of ownership	Proprietary ownership	Breakdown of residential unit type	Units	
	Total floor area	2,905.12m ²	Single type	60	
	Structure / Floors	RC with flat roof /11F	Compact type	10	
	Use	Apartment	Family type	-	
	Construction completion date	February 2004	Large type	1	
	Confirmation inspection agency	Taito Ward	Dormitory type	-	
	Building designer	K.K. Shin-Tokyo architect office	Other	-	
	Structural designer	K.K. Shin-Tokyo architect office	Trustee	Mitsubishi UFJ Trust and Banking Corporation (planned)	
	Construction contractor	ANDO Corporation	Property Manager	ITOCHU Urban Community Ltd. (planned)	
Previous titleholder		Not disclosed (unrelated party)	Master lessee	ITOCHU Urban Community Ltd. (planned)	
Current titleholder		K.K. Edwin.	Master lease type	Pass-through (planned)	
Summary of Real Estate Appraisal Report					
Real estate appraiser		Morii Appraisal & Investment Consulting Inc.	Appraised date	September 30, 2014	
Real estate appraised value		¥1,810 million	Cap rate	4.8%	
Direct capitalization price		¥1,840 million	Discount rate	4.6%	
DCF PRICE		¥1,770 million	Terminal cap rate	5.0%	
Income/Expenditures Assumed in Calculating Direct Capitalization Price (Monetary unit: ¥ thousand)			Lease Conditions (as of October 31, 2014)		
Appraisal item		Appraised value	Total tenants	1	
(A) Total potential profit	Subtotal	114,686	Leasable units	71	
	Rent income	110,413	Leased units	65	
	Other income	4,273	Leasable floor area	2,426.47m ²	
(B) Total effective profit	Subtotal	108,430	Leased floor area	2,207.54m ²	
	Losses from vacancies, etc.	6,256	Monthly rent (including common service charges)	¥7,845 thousand	
	Bad debts losses	0	Deposits, guarantees, etc.	¥9,344 thousand	
(C) Expenses from rental business	Subtotal	18,426	Occupancy rate (based on floor area)	91.0%	
	Maintenance and management fees	2,723	Summary of Building Conditions Investigation Report		

Utilities costs	1,321	Investigator	Tokio Marine & Nichido Risk Consulting Co., Ltd.
Management commission fees	3,125	Investigation date	October 2014
Taxes and public dues	4,855	Emergency repair costs	—
Non-life insurance premiums	141	Short-term repair costs (within 1 year)	—
Rental advertising costs	2,547	Long-term repair costs (next 12 years)	¥35,136 thousand
Repair costs (including restoration fees)	2,148	Building replacement price	¥ 521,000 thousand
Other expenses	1,566	Summary of Earthquake PML Assessment Report	
(D) Profit or loss from rental business = (B) – (C)	90,004	PML	3.8%
(E) Operating profit from deposits	163	Collateral	
(F) Capital expenditures	2,050	Not Scheduled	
(G) Net profit = (D) + (E) – (F)	88,117		
Special Notation			
N/A			

- As of October 31, 2014, construction work is scheduled to convert the common space party room on the first floor to a leasable residential unit (leasable floor area 60.27m²).
- The information on the above table are listed assuming the conversion work is completed.
- Therefore as of October 31, 2014, if the party room is excluded from the leasable floor area, the occupancy rate (based on floor area) will be 93.3%.

[Explanation of Entries in Foregoing Tables]

i) Explanation of “Property Outline”

- In principle, the entries are based on October 31, 2014
- “Type of Ownership” indicates the scheduled type of ownership, whether the property is going to be held as beneficiary interest in trust or as actual real estate.
- “Site area” for the land provides the area of the land as indicated in the registry. However, there are possibilities that the actual site areas of the property are not as indicated in the registry.
- “Zoning” for the land provides the zoning classification given in Article 8-1-1 of the City Planning Law.
- The “FAR / Building coverage ratio” for the land provides the designated FAR or building coverage ratio determined by city planning.
- “Total floor area,” “Structure / Floors,” “Use” and “Construction completion date” for the building are each pursuant to the entries indicated in the registry for the property. However, “Use” column provides the primary use out of the types indicated in the registry for the real estate in trust. “Total floor area” column provides the floor area of the overall building (excludes floor area of annexed buildings).
- “Breakdown of residential unit type” lists the types of residential units based on the following classification. Store, office and other uses apart from residential units are shown under “Other.”

Layout	Exclusive-use floor area							
	~30m ²	~40m ²	~50m ²	~60m ²	~70m ²	~80m ²	~90m ²	Over 90m ²
Studio	S	S	C	C	L	L	L	L
1 bedroom	S	C	C	C	L	L	L	L
2 bedroom		C	C	F	F	F	F	L
3 bedroom			F	F	F	F	F	L
4 bedroom					F	F	F	L

- S: Single type Primarily residential units designed for single-person households
 C: Compact type Primarily residential units designed for single-person households and small-family households (2 to 3 people)
 F: Family type Primarily residential units designed for family households
 L: Large type Primarily residential units designed for foreigners

- Studio 1R, 1K or studio
 1 bedroom 1DK or 1LDK
 2 bedroom 2DK, 2LDK, 1LDK+S, etc.
 3 bedroom 3DK, 3LDK, 2LDK+S, etc.
 4 bedroom 4DK, 4LDK, 3LDK+S, etc., or those with 5 or more rooms that are in ongoing use for living, working, gathering, leisure or other similar purposes

Dormitory type Residential units without bathrooms or facilities for installing washing machines within the units, but are covered for by making them available for use as shared facilities within the property (communal bathing, laundry, etc., spaces)

- Life & Senior House Kohoku II, Cocofump Hiyoshi and College Court Tanashi are categorised as Dormitory type due to their characteristics.
- “Units” provide the leasable units of the property categorised by the number of units of each type of residential unit that is leasable as of the date of this document based on information received from the current titleholder.
- “Current titleholder” names the holder as of the date of this document of the asset to be acquired whether in beneficiary interest in trust or the actual real estate. “Previous titleholder” names the party that transferred rights of the asset to be acquired to the current titleholder.
- “Trustee” indicates the trustee or the trustee to be indicated in the trust agreement for the asset to be acquired as of the date of this document.
- “Master lessee” names the lessee that, as of the date of this document, is scheduled to enter into a master lease agreement with the titleholder of the real estate or the real estate in trust.
- “Master lease type” indicates “Pass-through” when the master lease agreement states that the master lessee is to pay the same amount of rent as the rent due to be paid to the master lessee by end-tenants and “Guaranteed payment” when the master lease agreement states that the master lessee is to pay a guaranteed amount of rent, as of the date of this document. However, “Master lease type” indicates “Guaranteed payment” even if a master lease agreement is a pass-through lease in the case that a sublessee to which the master lessee subleases all units is to pay a guaranteed amount of rent to the master lessee.
- “Property manager” names the property manager that, as of the date of this document, is scheduled to be delegated to conduct property management services for the respective real estate or the real estate in trust. Where property management services are re-delegated, the property manager re-delegated to conduct property management services is shown.

ii) Explanation of “Summary of Real Estate Appraisal Report”

- The entries in each field of “Summary of Real Estate Appraisal Report” are pursuant to the entries in the appraisal report prepared by Morii Appraisal & Investment Consulting Inc. for the respective real estates or the real estate in trust.
- The monetary amounts are rounded down to the nearest million yen.
- ADR is not an interested party to Morii Appraisal & Investment Consulting Inc.

iii) Explanation of “Lease Conditions”

- In principle, the entries are based on October 31, 2014.
- If there is or scheduled to be a lease contract with a master lessee, the number of *Total tenants* will be indicated as “1.”
- “Leasable units” provide the number of leasable units of the real estate in trust or real estate as of the date of this document based on information received from the current titleholder. If the contract is a guaranteed payment contract, the “Leasable units” indicate the number of units which can be leased.
- “Leasable floor area” provides the leasable floor area of the real estate in trust or real estates (excluding leasable parking area) that ADR will acquire as of the date of this document based on information received from the current titleholder or which is indicated on the contracts or indicated on the plans.
- “Leased floor area” indicate the leased floor space. If the contract type is a path-through contract, the leased floor area indicates the actual total leased area to the end-tenants. If the contract type is a guaranteed payment contract, the leased floor area indicates the total leasable floor area. The entries are based on information received from the current titleholder or which is indicated on the contracts or indicated on the plans.
- “Monthly rent” provides the total sum of monthly rents as indicated in the lease contracts concluded by the end-tenants if the master lease is pass through type. In case the master lease “guaranteed payment type,” “Monthly rent” provides the total sum of monthly rents as indicated in the lease or sublease contract with guaranteed payment. Either includes fixed common fees, but excludes usage fees of affixed facilities such as monthly parking lots and trunk rooms. Monetary amounts less than thousand yen are rounded down, and consumption tax is excluded as well.
- “Deposits, guarantees, etc.” provides the total balance based on the lease contract with monetary amounts less than thousand yen rounded down. However, in case in the lease contracts there are special provision that allow nonreturnable deposits, such as cancellation deduction and amortization of security deposit, then the monetary amount is provided after the deduction.
- Occupancy rate is calculated as follows. “Leased area” ÷ “Leasable area” × 100

iv) Explanation of “Summary of Building Conditions Investigation Report”

- The entries are based on the report from Tokio Marine & Nichido Risk Consulting Co., Ltd.

v) Explanation of “Special Notation”

“Special Notation” presents matters recognized to be of importance in association with the rights, use of the assets to be acquired, as well as matters recognized to be of importance in the consideration of the degree of impact on the appraised value, profitability and appropriation of the assets to be acquired, including the following items

- Significant burdens or limitations with regard to rights.
- Significant cases where there are architectural structures crossing the boundaries of the concerned real estate in trust and cases where there are issues with boundary confirmation and related arrangements.
- Significant agreements, arrangements made with co-owners and sectional owners

4. Seller Profiles

Trade name	K.K. Edwin
Head office location	3-27-6 Higashi-nippori, Arakawa-ku, Tokyo
Representative	Joji Otsuka, President
Principal business	Manufacturing and sales of the casual clothing such as jeans
Capital	Not disclosed*
Date of the establishment	February 27, 2006
Total Assets	Not disclosed*
Net Assets	Not disclosed*
Major Stock Holder	ITOCHU Corporation
Relationship with ADR or its asset management company	There are no capital, personnel or trading relationships that are required to be stated between ADR/ADIM and K.K.Edwin. K.K.Edwin is a subsidiary of ADIM’s parent company, ITOCHU Corporation.

* The seller is restructuring under Turnaround Alternative Dispute Resolution mediation and wishes not to disclose the figures.

5. Property Titleholders

Property titleholders	Current titleholder	Previous titleholder
Name of company/individual	K.K. Edwin	Non-related party
Relationship with party having particular vested interest	A related party as defined in the Asset Management Company's by laws	-
Acquisition backgrounds	Acquired for the purpose of rental housing ownership	-
Acquisition price (including other expenses)	Price listing omitted due to ownership period of over one year	-
Delivery timing	January 20, 2006	-

6. Disclosures on Asset Management Company's Vested Interest in the To-be-acquired asset

The procedures have been completed as defined in the Asset Management Company's bylaws for transactions listed in above "5. Property Titleholders" section and in the below "8. Broker Profile" section.

ADR is scheduled to sign a master lease agreement and delegate property management services for the the asset to ITOCHU Urban Community Ltd., which constitutes a Related Party of the Asset Management Company. Accordingly, the procedures required in accordance with the bylaws are scheduled to be completed in concluding the building lease and management agreement with ITOCHU Urban Community Ltd.

7. Matters Concerning Earthquake Resistance

For the to-be-acquired asset the validity of structural calculation documents on the asset has been examined by a third-party agency. ADR has obtained the following investigation result stating that no intentional manipulation, falsification or other corruption in the structural calculation documents were found and that the structural calculation is deemed to have been performed in accordance with law.

Trade name	K.K. Japan Architecture Inspection Center
Head office location	1-13-9 Shibuya, Shibuya-ku, Tokyo
Representative	Tomoyuki Tanno, President
Capital	50 million yen
Large shareholders	K.K. AKI Corporation
Principal business	Checking and inspecting of buildings based on the Building Standard Act and residential building performance evaluation services
Relationship with ADR or its asset management company	None

8. Broker Profile

Trade name	ITOCHU Corporation
Head office location	3-1-3 Umeda, Kita-ku, Osaka-shi, Osaka
Representative	Masahiro Okafuji, President and Chief Executive Officer
Capital	253,448 million yen
Commission	51,000,000 yen (exclusive of consumption tax and local consumption tax)

Relationship with ADR or its asset management company	ITOCHU Corporation is a shareholder of AD Investment Management Co., Ltd. asset manager of ADR and is considered to related party under the Law Concerning Investment Trust and Investment Corporation (Investment Trust Law).
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9. Future Outlook

The effect of the signing of the agreement to the management performance forecasts announced on September 8, 2014, in the 8th Fiscal Period *Tanshin* preliminary financial report ending January 2015 and the fiscal period ending July 2015 is negligible. Therefore the forecasts remain unchanged.



<Attachments>

[Supplementary Materials]

1. Supplementary Materials regarding the to-be-acquired asset
2. Replacement of Properties Since the Merger (as of today)
("Since the Merger" means since March 1, 2010, hereafter)

[Reference Materials]

- Photo of the to-be-acquired asset
- Map of the location of the to-be acquired asset

[Supplementary Materials]

(1) Supplementary Materials regarding the to-be-acquired asset

Property	Building age (Note1)	NOI Yield (Note2)	Yield after depreciation (Note3)	Reason for the Acquisition
C-73) RESIDIA Ueno-Ikenohata	10.7 Years	5.3%	4.7%	Determined that the asset will contribute in improving the portfolio's earnings potential because the yield after depreciation is expected to exceed the actual average yield for the properties located in Tokyo 23 Wards of the existing portfolio.

(Note1) Building age is calculated as of the scheduled acquisition date and rounded at the second decimal point. The weighted average age is weighted using the planned acquisition price of the assets.

(Note2) The "NOI Yield" is calculated using the figures in the acquisition appraisal of to-be-acquired asset. The calculation is as follows; "Annualized NOI ÷ Acquisition price × 100". The calculated yields are rounded at the second decimal point.

(Note3) The "Yield after depreciation" is calculated using the figures in the acquisition appraisal of to-be-acquired asset. The calculation is as follows;

"(Annualized NOI listed on the appraisal at the time of acquisition minus depreciation) ÷ acquisition price × 100". Depreciation of to-be-acquired asset is calculated using same straight-line method as the portfolio. The calculated yields are rounded at the second decimal point.

(2) Replacement of Properties Since the Merger (as of today)

	Acquired assets (including the to-be-acquired assets)	Disposed assets
Number of properties	72	36
Total acquisition price	¥ 116,591 million	¥ 39,388 million
Total deal value (a)	¥ 116,591 million	¥ 33,996 million
Appraisal (b)	¥ 125,022 million	¥ 36,790 million (note1)
Ratio (a) ÷ (b) × 100%	93.3%	92.4%
Weighted average NOI yield	6.0% (note2)	4.9% (note3)
Weighted average building age (Note 4)	4.4yrs.	9.9yrs.

(Note 1) "Appraisal" is the sum of the last appraisal value of each properties at the time of sale.

(Note 2) Weighted average NOI yield of acquisitions = Total annual NOI as entered on the appraisal of acquisitions ÷ Total of the acquisition prices × 100%

(Note 3) Weighted average NOI yield of dispositions = Total actual annual NOI ÷ Total of the historical acquisition prices × 100

(Note 4) Weighted average building age is acquisition price weighted average as of the time of acquisition and disposition.

■ Increase / Decrease in No. of Units as the Result of Replacement of Trades

	Singles	Compacts	Families	Large	Dormitorie s	Others	Total
Tokyo Central 7 Wards	485	-20	-25	-54	0	10	396
Tokyo 23 Wards Exclusive of Central 7 Wards	1,338	502	398	12	0	8	2,258
Tokyo Metropolitan Area	241	-18	-72	0	172	-2	321
Major Regional Cities	1,390	522	236	55	0	-2	2,201
Total	3,454	986	537	13	172	14	5,176

■ Status of the Portfolio After the Acquisition

Asset size (based on acquisition price)	423.1 billion yen
No. of properties	224 properties
No. of leasable units	19,412 units
Total leasable floor area	730,205.87 m ²

Area Diversification	Acquisition Price	Share of Investment
Total	423.1 billion yen	100.0 %
P (Tokyo Central 7 Wards)	185.4 billion yen	43.8 %
C (Tokyo 23 Wards Exclusive of Central 7 Wards)	123.1 billion yen	29.1 %
S (Tokyo Metropolitan Area)	42.2 billion yen	10.0 %
R (Major Regional Cities)	72.3 billion yen	17.1 %

[Reference Material]

Photo of the to-be-acquired asset

C-73) RESIDIA Ueno-Ikenohata



Map of the location of the to-be acquired asset

C-73) RESIDIA Ueno-Ikenohata

