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**For Immediate Release**

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**Notice Concerning Revision of Management Performance Forecast for 8th Fiscal Period Ending July 2014 and Management Performance Forecast for 9th Fiscal Period Ending January 2015**

Advance Residence Investment Corporation (ADR) announced its decision to revise its management performance forecast for the fiscal period ending July 2014 (8th fiscal period: from February 1, 2014 to July 31, 2014) that was originally announced on September 9, 2013 as follows. In addition, ADR also announced its management performance forecast for the fiscal period ending January 2015 (9th fiscal period: from August 1, 2014 to January 31, 2015) as follows.

**1. Revision of Management Performance Forecast for Fiscal Period Ending July 2014 (8th Fiscal Period: from February 1, 2014 to July 31, 2014)**

**(1) Revised Management Performance Forecast**

	Operating revenue (Millions of Yen)	Operating income (Millions of Yen)	Ordinary income (Millions of Yen)	Net income (Millions of Yen)	Earnings per unit <sup>(Note)</sup> (Yen)	Dividend per unit (Yen)	Dividend per unit in excess of earnings (Yen)
Previous forecast Consumption tax rate @5%	13,683	6,902	5,333	5,332	4,300	4,500	—
Previous forecast Consumption tax rate @8% (A)	13,683	6,849	5,280	5,279	4,257	4,500	—
Revised forecast (B)	14,542	7,388	5,760	5,759	4,430	4,500	—
Amount of variation (B) – (A)	859	539	480	480	173	—	—
Rate of variation	6.3%	7.9%	9.1%	9.1%	4.1%	—	—

(Note) Earnings per unit is calculated by dividing the net income by number of outstanding issued units at the end of each fiscal period and rounded down to the nearest integer.

Fiscal period Ending July 2014 : Forecasted number of investment units issued and outstanding at end of period: 1,300,000 units

\*Previous Forecast : Forecasted number of investment units issued and outstanding at end of period: 1,240,000 units at that time

## (2) Reasons for the Revision

ADR revised its management performance forecast for the fiscal period ending July 2014, which was originally announced on September 9, 2013, because net revenue has improved due to the additional acquisition of six properties (RESIDIA Nakaochiai, RESIDIA TOWER Sendai, RESIDIA Takashimadaira, RESIDIA Shimurasakaue, RESIDIA Shimurasakaue II, RESIDIA Shimurasakaue III) since the announcement. Furthermore, ADR has decided to acquire another 11 properties using the funds procured through the public offering which ADR's board of directors have passed the resolution in the meeting held on January 9, 2014, as announced in the press release titled "Notice Concerning Issuance of New Investment Units through Public Offering and Secondary Distribution of Investment Units" dated today.

However, the performance forecast for the prior fiscal period ending January 2014 (7th Fiscal Period: from August 1, 2013 to January 31, 2014) will remain unchanged.

## 2. Management Performance Forecasts for Fiscal Period Ending January 2015 (9th Fiscal Period: from August 1, 2014 to January 31, 2015)

	Operating revenue (Millions of Yen)	Operating income (Millions of Yen)	Ordinary income (Millions of Yen)	Net income (Millions of Yen)	Earnings per unit <sup>(Note)</sup> (Yen)	Dividend per unit (Yen)	Dividend per unit in excess of earnings (Yen)
Forecast for the fiscal period ending January 2015	14,479	7,328	5,760	5,759	4,430	4,500	-

(Note) Earnings per unit is calculated by dividing the net income by number of outstanding issued units at the end of each fiscal period and rounded down to the nearest integer.

Fiscal period Ending January 2015: Forecasted number of investment units issued and outstanding at end of period: 1,300,000 units

### [Notes]

- Figures less than the stated units are rounded down and percentages are rounded to one decimal place (the same hereafter).
- As dividend per unit includes drawdown of retained earnings, it is different from forecasted earnings per unit.
- The above figures of revised forecasts and forecasts are the current forecasts calculated based on "3. Assumptions Underlying Revision of Management Performance Forecasts for 8th Fiscal Ending July 2014 Period and Management Performance Forecasts for 9th Fiscal Period Ending January 2015" below. Accordingly, the actual operating revenue, operating income, ordinary income, net income and dividend per unit may vary due to future acquisition or sale of real estate, etc., developments in the real estate market, etc., changes in other circumstances surrounding ADR and other factors. Moreover, the above forecasts are not a guarantee of the dividend amount.
- ADR may revise the forecasts if a disparity of more than a certain level from the above forecasts is anticipated.

### 3. Assumptions Underlying Revision of Management Performance Forecasts for 8th Fiscal Period Ending July 2014 and Management Performance Forecasts for 9th Fiscal Period Ending January 2015

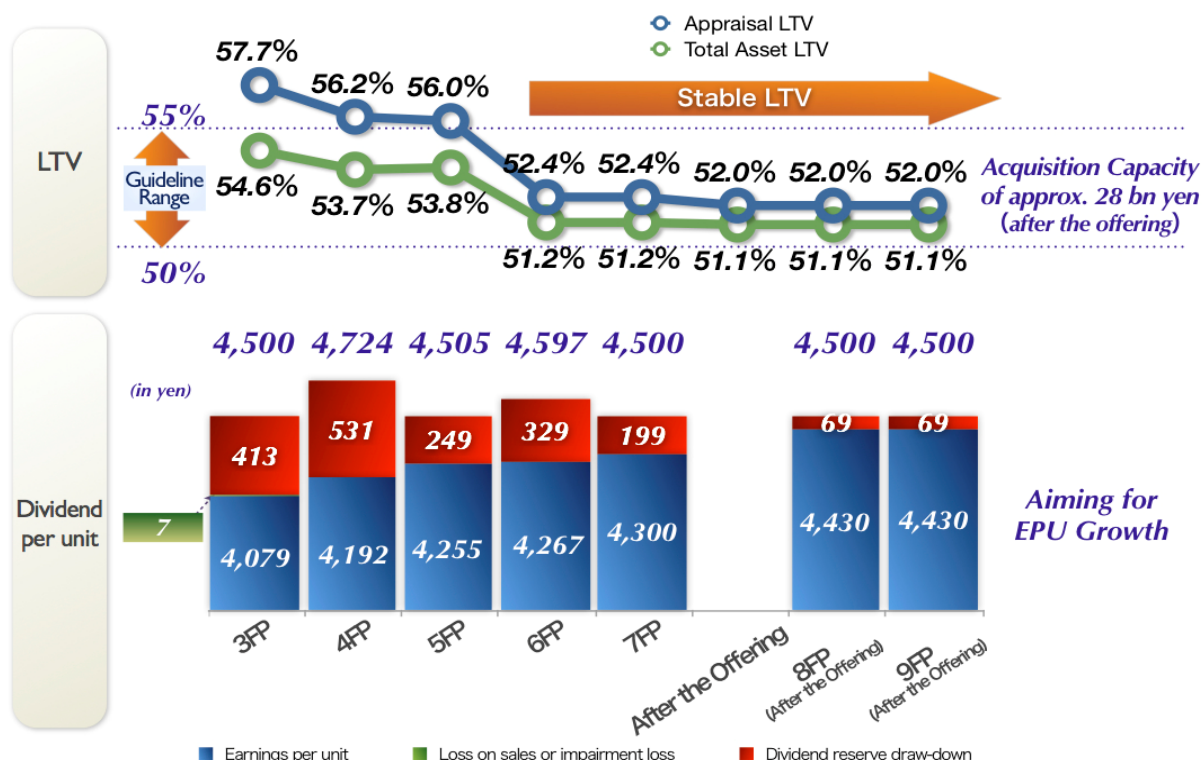
Item	Assumptions
Calculation period	<ul style="list-style-type: none"> <li>8th fiscal period: from February 1, 2014 to July 31, 2014 (181 days)</li> <li>9th fiscal period: from August 1, 2014 to January 31, 2015 (184 days)</li> </ul>
Assets under management	<ul style="list-style-type: none"> <li>In addition to the current ADR holdings of 210 properties and the equity interest in the silent partnership which invest in real estate and real estate trust beneficiary interests (excluding the equity interest in the silent partnership which will be redeemed due to the ADR's acquisition of its assets), ADR assumes to newly acquire 11 properties (hereafter, "<i>To-be-acquired Assets</i>") as announced in the "Notice Concerning Acquisition of Investment Assets (RESIDIA Nakameguro II and 10 other properties)" dated today. Furthermore, ADR expects month-end occupancy rates will average 96.2% over the 8th fiscal period and 96.2% over the 9th fiscal period.</li> <li>In forecasting the management performance of the 8th and 9th fiscal period, ADR assumes there will be no changes in assets under management due to acquisitions or dispositions, after acquiring the <i>To-be-acquired Assets</i>, till the end of the 9th fiscal period.</li> <li>The actual number of properties under management may vary due to acquisitions or dispositions made during the forecasted periods.</li> </ul>
Operating revenue	<ul style="list-style-type: none"> <li>Rent revenue for the assets currently held by ADR is estimated based on historical data and by taking into account the leasing conditions. Rent revenue for the <i>To-be-acquired Assets</i> is estimated by taking into account of the current market environment and the properties' competitiveness and other factors.</li> <li>ADR assumes there are no delinquencies or non-payment by tenants in the calculation of operating revenue.</li> <li>Dividend from the equity interest in the silent partnership is estimated by assuming that the properties under management will maintain a stable occupancy.</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>Rent business expenses constitute a principal component of operating expenses. Rent business expenses excluding depreciation such as property management fees are calculated based on historical data and assumed factors that may cause expenses to fluctuate.</li> <li>ADR estimates depreciations to be ¥2,447 million for the 8th fiscal period and ¥2,448 million for the 9th fiscal period, where the calculation are based on the straight-line method inclusive of ancillary expenses.</li> <li>ADR expects the fixed property tax and urban planning tax it will record as expenses will be ¥705 million for the 8th fiscal period and ¥750 million for the 9th fiscal period. The current titleholder of the <i>To-be-acquired Assets</i> is reimbursed by ADR for the pro rata portion of fixed property tax and urban planning tax, based on the number of days of ownership. The amount equivalent to the reimbursement is not recorded as expenses but is included in the cost of acquisition. Therefore, the property tax and the urban planning tax for FY 2015 for the <i>To-be-acquired Assets</i> will be accounted as cost from fiscal period ending July 2015.</li> <li>Building repair expenses are estimated for the amount necessary for the respective fiscal period. However, actual repair expenses for the fiscal period may differ significantly from the forecasted amounts due to unforeseen expenses such as urgent repair expenses arising due to unexpected building damages.</li> </ul>

Item	Assumptions
Non-operating expenses	<ul style="list-style-type: none"> <li>ADR estimates interest expenses and borrowing related expenses to be in the amount of ¥1,604 million for the 8th fiscal period and ¥1,560 million for the 9th fiscal period.</li> <li>As a one-off expense for the 8th fiscal period, ADR expects ¥11 million in expenses associated with the public offering decided at a meeting of its board of directors on January 9, 2014.</li> </ul>
Interest-bearing liabilities	<ul style="list-style-type: none"> <li>ADR assumes that the interest-bearing liabilities it will hold at the end of the 8th fiscal period to be ¥222.1 billion and the 9th period to be ¥222.1 billion.</li> <li>New loans of ¥4,196 million is expected in February 2014 to fund part of the acquisition of <i>To-be-acquired Assets</i>.</li> <li>ADR assumes all loans due onwards of January 9, 2014 to be refinanced with loans, and assumes all investment corporation bonds maturing onwards of January 9, 2014 excluding early repayment (¥440 million scheduled on January 2014) using funds from cash on hand and amortization to be redeemed by using funds from issuance of investment corporation bonds or by funds from loans.</li> <li>As a result, ADR expects the loan-to-value at the end of both fiscal periods, fiscal period ending on July 2014 and fiscal period ending on January 2015 to be about 51.1%.</li> <li>In these forecasts, the loan-to-value (ratio of interest-bearing liabilities) is calculated using the following formula:  <math display="block">\text{Loan-to-value (Ratio of interest-bearing liabilities)} = \frac{\text{Total amount of interest-bearing liabilities}}{\text{Total assets}} \times 100</math> </li> </ul>
Number of investment units issued and outstanding	<ul style="list-style-type: none"> <li>In addition to the current 1,240,000 investment units issued, ADR expects total of 60,000 units will be issued through and through public offering of new investment units (58,000 units) and the third-party allotment (up to 2,000 units), totaling 1,300,000 units.</li> <li>ADR assumes no additional investment units will be issued until the end of the 9th fiscal period.</li> </ul>
Dividend per unit	<ul style="list-style-type: none"> <li>Dividend (dividend per unit) are calculated according to ADR's cash dividend policy set forth in the Articles of Incorporation. In the calculation, ADR assumes it will, in principle, distribute the entire amount of its net income for the respective fiscal period.</li> <li>For the 8th fiscal period, ADR assumes it will distribute in addition to net income of ¥5,759 million, ¥90 million from the dividend reserve, making a total distribution of ¥5,850 million (dividend per unit: ¥4,500). For the 9th fiscal period, ADR assumes it will distribute in addition to net income of ¥5,759 million, ¥90 million from the dividend reserve, making a total distribution of ¥5,850 million (dividend per unit: ¥4,500).</li> <li>The dividend per unit may vary due to various factors, including changes in assets under management, fluctuations in rent income associated with tenant replacement, and unexpected repairs.</li> <li>Earnings per unit is calculated by dividing the net income by number of outstanding issued units at the end of each fiscal period and rounded down to the nearest integer.</li> </ul>
Dividend in excess of earnings per unit	<ul style="list-style-type: none"> <li>ADR is currently not scheduled to pay out dividends in excess of earnings (dividend in excess of earnings per unit).</li> </ul>

Item	Assumptions
Other	<ul style="list-style-type: none"> <li>• Increase in consumption tax rate is taken into account in the forecast. The estimated effect of the rise for each period is as below. <ul style="list-style-type: none"> <li>- Fiscal period ending July 2014 For the four months from April to July 2014, the consumption tax rate will rise to 8% from 5%. The estimated effect of the rise will be 66 million yen (50 yen per unit)</li> <li>- Fiscal period ending January 2015 The consumption tax rate will be 8% for the full six month period. The estimated effect of the rise will be 101 million yen (77 yen per unit)</li> </ul> </li> <li>• ADR assumes that there will be no other amendments in legislation, taxation, Japanese GAAP, listing requirements and the Investment Trusts Association regulations, that might affect the above forecasts.</li> <li>• ADR assumes there will be no unforeseen material changes in the general economic conditions and in the real estate markets.</li> </ul>

<Reference>

(1) Stable Loan-to-value and Dividend per Unit



Based on ADR's basic management policy of "realization of stable distribution of earnings over the long-term," ADR will continue to utilizing one of ADR's strong point, the dividend reserve, and continue to payout stable dividends. At the same time, ADR aims to achieve a growth in EPU<sup>(note)</sup> through external growth, internal growth and through disciplined financing strategy.

(note) Earnings per unit is calculated by dividing the net income by number of outstanding issued units at the end of each fiscal period and rounded down to the nearest integer.

\*1 "Loss on sales or impairment loss" is calculated by dividing the sum of loss on sales and impairment loss of each period by the number of outstanding issued unit at the end of each period and rounded down to the nearest integer.

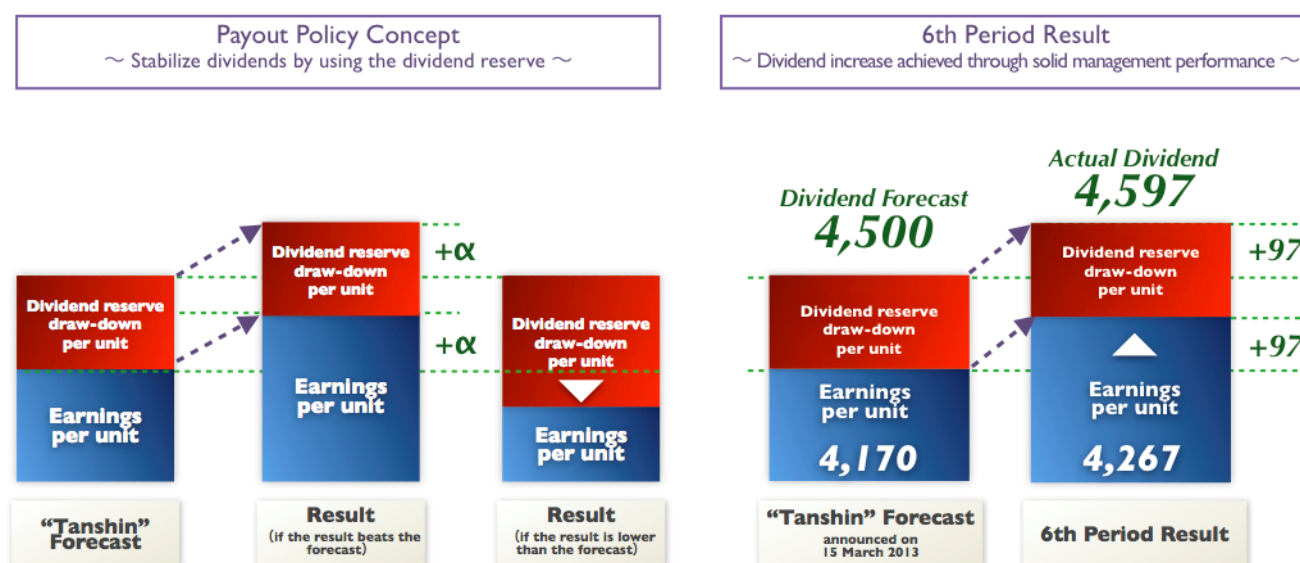
\*2 The 7th Period numbers are based on forecast figures disclosed in "the Tansin" for the fiscal period ending July 2013 which was published on September 9, 2013.

\*3 "After the offering" means after the issuance of units announced in today's press release titled "Notice Concerning Issuance of New Investment Units through Public Offering and Secondary Distribution of Investment Units" and after the acquisition of to-be acquired Assets announced today in the press release titled "Notice Concerning Acquisition of Investment Assets (RESIDIA Nakameguro II and 10 other properties)."

## (2) ADR's Payout Policy

The payout policy for the 7th Period onwards will be same as the 6th Period. ADR will continue to stabilize dividends by using the dividend reserve. At the same time if the management performance is solid, dividends will be raised. The decision will be made by comprehensively considering the amount the actual EPS beat the forecast EPS announced in the prior period's "Tanshin" result report, changes in rent revenue, portfolio occupancy, amount of cash on hand, ADR's operating cost, financing cost and the outstanding amount of dividend reserve.

Eventhough the above policy is what ADR considers as an appropriate policy for this moment, ADR does not guarantee the amount of the dividends to be paid or that the dividends will keep rising in the future.





### (3) External Growth through equity interest in the silent partnership

The properties of the following two funds have been acquired through the execution of right of first refusal using the proceed from the public offering

**11** properties **15.8** bn yen **6.2%** **5.0%**  
 Right of First Refusal Price (excluding tax) Weighted Avg. NOI Yield Weighted Avg. Yield after Depreciation

Fund Name	RISING	RISING2
Expiration Date	2014/5/31	2014/8/30
No. of Properties	6 properties	5 properties
Right of First Refusal Price	8.6 bn yen	7.1 bn yen
Weighted Avg. NOI Yield	6.2%	6.3%
Weighted Avg. Yield after Depreciation	5.0%	5.0%

#### Executing the right of first refusal

The acquisition is expected to improve the portfolio's profitability

Acquired Right of First Refusal for Properties through equity interest in TK property funds

**19** properties **19.9** bn yen **6.0%** **4.9%**  
 Right of First Refusal Price Weighted Avg. NOI Yield Weighted Avg. Yield after Depreciation

Fund Name	RISING3	RISING4
Expiration Date	2014/11/30	2015/8/30
No. of Properties	13 properties	6 properties
Right of First Refusal Price	10.6 bn yen	9.2 bn yen
Weighted Avg. NOI Yield	6.5%	5.4%
Weighted Avg. Yield after Depreciation	5.1%	4.7%

#### Preparing for Future External Growth

Along with the public offering, ADR will exercise the rights of first refusal which it has obtained from acquiring equity interests in the silent partnerships in RISING and RISING2. By exercising the rights, ADR plans to acquire total of 11 properties owned by the silent partnerships using the proceeds from the public offering.

The NOI yield of the to-be-acquired 11 properties\*1 is 6.2% and the yield after depreciation is 5.0% which are both significantly above the comparable yield of ADR's portfolio for the fiscal period ending July 31, 2013 (the 6th fiscal period) which were 5.5% and 4.3% respectively. Therefore, ADR expects the acquisitions to be accretive and contribute in improving the profitability of the portfolio.

Even after the above exercise, ADR will continue to have rights of first refusal for total of 19 properties\*2 (total exercise price of 19.9 billion yen, NOI yield 6.0% and yield after depreciation 4.9%) held by two silent partnerships RISING3 and RISING4.

ADR will continue its external growth by acquiring high yielding properties through diverse methods, such as obtaining the rights of first refusals in properties held by property funds in similar fashion describe above, direct sourcing from the open market utilizing the wealth of information that ADR is able to collect, as well as acquiring properties developed by the sponsor.

\*1 Please refer to the press release titled, "Notice Concerning Acquisition of Investment Asset (RESIDIA Nakameguro II and 10 Other Properties)" dated today for details on the properties acquired by exercising the rights of first refusal.

\*2 Please refer press releases dated March 26, 2013 and June 26, 2013 and October 28, 2013 titled "Notice Concerning Acquisition of Investment Assets (Silent Partnership Equity Interests)" and "Notice Concerning Additional Acquisition of Investment Assets (Silent Partnership Equity Interests)" respectively, for details on the properties held by the two silent partnerships RISING3 and RISING4.



#### (4) Building a Stable Financial Foundation

ADR have been reducing financing cost through refinancing existing debts as well as extending debt durations and fixing interest payments from a stand point of achieving a stable dividend payment for the long-term. As a result, at the end the fiscal period ending July 31, 2013 (the 6th fiscal period) average debt duration has been extended to 3.8 years and the average interest payment rate has been lowered to 1.28%. ADR will continue to execute its financing with an objective to maintain or improve the stability of its financial foundation.

