

For Immediate Release

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Notice Concerning Acquisition of Investment Asset

<<RESIDIA Yoyogi II >>

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 (hereafter, the “Acquisition”) in Japan as detailed below as part of ADR’s growth strategy.

1. Details of the 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 and build a 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) |
|-----------------|--|---------------|--|
| P-107 | RESIDIA Yoyogi II | Real Estate | 839,600,000 yen |

(Note 1) ADR is scheduled to change the property name after acquisition of the to-be-acquired asset. For the to-be-acquired asset that is scheduled to have their name changed, the name after the change is shown. The seller wishes not to disclose the current name.

(Note 2) “Proposed acquisition price” indicates the purchase price for the property entered in the real estate transaction agreement, which is exclusive of the various expenses required in the acquisition of the concerned property (taxes and public dues, etc.)

In the recent booming real estate market, we are witnessing increased number and types of players. This has amplified the continued difficulty in acquiring assets. The difficulty is especially acute for properties that have been recently built, located in city center of metropolise, and have a yield that will contribute in improving the existing ADR's portfolio yield. This is also because supply of newly developed rental residential properties has not been enough to alleviate the shortage.

Under such an environment, by using ADIM's own sourcing network ADR has succeeded in acquiring the property located in the Tokyo Central 7 Wards.

The property has a yield after depreciation of 4.4%^(Note 3), which is higher than the average of 3.9% for the existing properties in the portfolio which are located in the same Tokyo Central 7 Wards. Combined with the younger average age compared to the existing properties in the portfolio, we believe that the acquisition will benefit unitholders' value. Additionally, we will be acquiring the property at around 7.4%^(Note 3) discount to the appraisal value.

(Note3) The yield after depreciation of the to-be-acquired asset is calculated by dividing the total annualized appraisal NOI at acquisition minus total depreciation, by the acquisition price. Depreciation of the to-be-acquired asset is calculated using same straight-line method as the portfolio and expect depreciation of 3,447 thousand yen per annum. The yield after depreciation for the existing portfolio at the end of January 2015 is calculated by dividing the total annualized actual NOI minus total depreciation of each portfolio property by the total fiscal-end book value. Both figures are rounded at the second decimal point.

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

- * It is a 9-minute walk from the property to JR Yamanote Line Shinjuku Station having good access to commercial and business centers.
- * There are many convenient facilities around such as corner stores, supermarkets, department stores and banks.
- * It located in a quiet residential area behind a main street, therefore providing a relatively comfortable living condition.
- * The housing unit plans for the property are mostly 1K. Demand can be expected from young single professionals commuting to business centers.

2. Acquisition Summary

| | |
|-----------------------------|---|
| Name of property | RESIDIA Yoyogi II |
| Asset to be acquired | Real Estate |
| Proposed acquisition price | 839,600,000 yen |
| Real estate appraised value | 907,000,000 yen |
| Current titleholder | Not disclosed |
| Previous titleholder | - |
| Scheduled agreement date | August 25, 2015 |
| Scheduled acquisition date | September 14, 2015 |
| Acquisition financing | Funds procured by borrowing or cash on hand |
| Payment method | Pay entire amount upon delivery |
| Collateral | Not Scheduled |

3. Summary of the To-be-acquired Assets

| | |
|----------------------------------|----------------------------------|
| Property number | P-107 |
| Name of the to-be-acquired asset | RESIDIA Yoyogi II |
| Address | 3-15-7 Yoyogi, Shibuya-ku, Tokyo |

| Land | |
|-------------------------------|--|
| Type of ownership | Proprietary ownership |
| Site area | 468.76 m ² * |
| Zoning | Class II residential zone / Class II exclusive high and medium building residential zone |
| FAR / Building coverage ratio | 300% / 60% |

* Including set back (1.5 m²)

| Building | |
|--------------------------------|--------------------------------|
| Type of ownership | Proprietary ownership |
| Total floor area | 1,026.97 m ² |
| Structure / Floors | RC with flat roof, 4F / B1F |
| Use | Apartment |
| Construction completion date | January, 2008 |
| Confirmation inspection agency | K.K. UHEC |
| Building designer | K.K. MA Architectural Planning |
| Structural designer | K.K. Alex Architect's Office |
| Construction contractor | SATOHIDE CORPORATION |

| | |
|-------------------|-----------------------------|
| Trustee | - |
| Property Manager | ITOCHU Urban Community Ltd. |
| Master lessee | ITOCHU Urban Community Ltd. |
| Master Lease type | Pass-through |

| Summary of Building Conditions Investigation Report | |
|---|---|
| Investigator | Tokio Marine & Nichido Risk Consulting Co., Ltd. |
| Investigation date | July 14, 2015 |
| Emergency repair costs | - |
| Short-term repair costs (within 1 year) | - |
| Long-term repair costs (next 12 years) | ¥ 16,211 thousand |
| Building replacement price | ¥ 231,000 thousand |

| | |
|----------------|------|
| Earthquake PML | 8.4% |
|----------------|------|

| Lease Conditions | |
|---|-----------------------|
| Point in time | as of July 9, 2015 |
| Total Tenants | 1 |
| Leasable units | 31 |
| Leased units | 31 |
| Leasable floor area | 875.22 m ² |
| Leased floor area | 875.22 m ² |
| Occupancy rate (based on floor area) | 100% |
| Monthly rent (including common service charges) | ¥ 3,965 thousand |
| Deposits, guarantees, etc. | ¥ 4,346 thousand |

| Breakdown of residential unit type | |
|------------------------------------|----|
| Single | 21 |
| Compact | 10 |
| Family | - |
| Large | - |
| Dormitory | - |
| Other | - |

| | |
|------------------|------|
| Special Notation | None |
|------------------|------|

*Please refer to “Notes and definitions on items on the tables in the press releases for asset acquisition” on ADR’s website as detail of lists above. (<http://www.adr-reit.com/en/financial/>)

4. Summary of the appraisal report (Monetary unit: ¥ thousand)

| | | | |
|---|-----------------------------|-----------------------------|--|
| Real estate Appraiser | Japan Real Estate Institute | Real estate appraised value | 907,000,000 yen |
| Appraisal item | | Appraised value | Basis |
| Income Capitalization Approach value | | 907,000 | Income capitalization approach value was appraised using both DCF method and direct capitalization method. |
| Direct capitalization price | | 921,000 | |
| Total potential profit | | 51,169 | |
| Rent income | | 48,760 | Estimation of mid to long-term stabilized rent from leasable units and parking spaces and others. |
| Other income | | 2,409 | Income from key money, renewal fee and other fees. |
| Total effective profit | | 49,076 | |
| Losses from vacancies, etc. | | 2,093 | Estimated using standard vacancy rate but adjusted for specific characteristics of the property. |
| Bad debts losses | | 0 | No losses was assumed due to tenants' profile. |
| Expenses from rental business | | 8,601 | |
| Maintenance and management fees | | 1,375 | Estimated by referring to the cost of comparable property. |
| Utilities costs | | 550 | Estimated using historical figures and by referring to the cost of comparable property. |
| Management commission fees | | 1,169 | Estimated by referring to the current contract terms, terms on comparable property and adjusted for specific characteristics of the property. |
| Taxes and public dues | | 2,706 | Estimated using 2015 tax base. |
| Non-life insurance premiums | | 57 | Estimated by referring to premium estimate and premiums for comparable properties. |
| Leasing Expenses | | 2,069 | Estimated by referring to the applied terms in the property's current management contract and leasing terms for comparable property in the same neighborhood for new tenants recruitment and fees on contract renewal, assuming the leasing fee as half of monthly rent, used the historical figure for advertisement expense, estimated the renewal administration fee as half of renewal fee revenue, and used the average annual tenant turnover rate and occupancy rate. |
| Repair costs (including restoration fees) | | 617 | Estimated from engineering report, the cost for comparable property, historical cost and historical turnover rate. |
| Other expenses | | 58 | Internet service fees, CATV and other costs. |
| Net Operating Income | | 40,475 | |
| Operating profit from deposits | | 88 | Assuming 2% per annum yield on deposits. |
| Capital expenditures | | 946 | Estimated by referring to the level of capital expenditures in comparable properties, building age and annual average of restoration expense listed on the engineering report. |
| Net Cash Flow | | 39,617 | |
| Cap rate | | 4.3% | Estimated by taking account of market trend, locality and specific feature of the property. |
| DCF Price | | 893,000 | |
| Discount rate | | 4.1% | Estimated by taking account of market trend, locality and specific feature of the property. |
| Terminal cap rate | | 4.5% | Risk adjusted direct cap rate. |
| Cost approach value | | 878,000 | |
| Land ratio | | 82.2% | |
| Building ratio | | 17.8% | |
| Other matters of consideration | | | |
| None | | | |

5. Seller Profile

The seller of the property is a domestic company whose name and detail are not disclosed according to their wishes. The seller does not constitute parties having particular vested interest in ADR or ADIM.

6. Property Titleholders

Because the transaction is not with interested parties, there is no applicable matter to be disclosed.

7. Disclosures on Asset Management Company's Vested Interest in the To-be-Acquired Asset

Of the to-be-acquired asset, ADR is scheduled to sign a master lease agreement and delegate property management service 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.

8. Matters Concerning Earthquake Resistance

Of 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 inspection results 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 the law.

| | |
|-------------------------------|--|
| Trade name | Tokio Marine & Nichido Risk Consulting Co., Ltd. |
| Head office location | 1-2-1 Marunouchi, Chiyoda-ku, Tokyo |
| Representative | Nariki Yasuda, President and Representative Director |
| Capital | 100 million yen |
| Large shareholders | Tokio Marine Holdings, Inc. |
| Principal business | <ol style="list-style-type: none"> 1. Investigation, research and consulting on safety, disaster prevention, hygiene, product liability and information security 2. Acting safety, disaster prevention, hygiene, product liability and information security for companies 3. Plan, execution and supervision of construction or removing polluted soil 4. Gathering and analysis on market information, measure of risks, due diligence of company value |
| Relationship with ADR or ADIM | None |

9. Broker Profile

A domestic corporation brokered the property. Details of the corporation are not disclosed according to their wishes. The broker does not constitute parties having particular vested interest in ADR or ADIM.

10. Future Outlook

The effect on the management performance forecast ending July 2015 and that ending January 2016 announced on March 12, 2015 will be negligible. Therefore the forecast remains unchanged.

<Attachments>

[Supplementary Materials]

1. Supplementary Materials after acquisition
2. Replacement of Properties Since the Merger (as of today)
("Since the Merger" means since March 1, 2010, hereafter)

[Reference Materials]

1. Photo of the to-be-acquired asset
- * The original Japanese version of this material is released today to the Kabuto Club (the press club of the Tokyo Stock Exchange), the Ministry of Land, Infrastructure, Transport and Tourism Press Club, and the Ministry of Land, Infrastructure, Transport and Tourism Press Club for Construction Publications.
 - * URL: <http://www.adr-reit.com/en/>

[Provisional Translation Only]

English translation of the original Japanese document is provided solely for information purposes.

Should there be any discrepancies between this translation and the Japanese original, the latter shall prevail.

[Supplementary Materials]

(1) Supplementary Materials after acquisition

■ To-be-Acquired Asset

| Property | Building age (Note1) | NOI Yield (Note2) | Yield after depreciation (Note3) |
|-------------------|-------------------------|----------------------|--|
| RESIDIA Yoyogi II | 7.7 year | 4.8% | 4.4% |

(Note1) Building age is calculated as of the scheduled acquisition date and rounded at the second decimal point.

(Note2) The “NOI Yield” are calculated using the figures in the acquisition appraisal of to-be-acquired assets. The calculation are as follows; “Total annualized NOI ÷ Total 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 – depreciation) ÷ acquisition price × 100”. The calculated yield is rounded at the second decimal point. Depreciation of the to-be-acquired asset is calculated using same straight-line method as the portfolio and expect depreciation of 3,447 thousand yen per annum.

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

| | Acquired assets (including the to-be-acquired assets) | Disposed assets |
|--|---|--------------------------|
| Number of properties | 104 | 42 |
| Total acquisition price | ¥147,764 million | ¥68,725 million |
| Total deal value (a) | ¥147,764 million | ¥63,356 million |
| Appraisal (b) | ¥159,218 million | ¥61,122 million (note 1) |
| Ratio (a) ÷ (b) × 100% | 92.8% | 103.7% |
| Weighted average NOI yield | 5.9% (note 2) | 4.6% (note 3) |
| Weighted average building age (Note 4) | 5.0 year | 13.1 year |

(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 | Dormitories | Others | Total |
|---|---------|----------|----------|-------|-------------|--------|-------|
| Tokyo Central 7 Wards | 754 | -4 | -40 | -170 | 0 | -3 | 537 |
| Tokyo 23 Wards Exclusive of Central 7 Wards | 1,635 | 660 | 418 | 13 | 0 | 10 | 2,736 |
| Tokyo Metropolitan Area | 398 | 10 | -72 | 0 | -748 | 0 | -412 |
| Major Regional Cities | 1,734 | 1,004 | 263 | 55 | 0 | 0 | 3,056 |
| Total | 4,521 | 1,670 | 569 | -102 | -748 | 7 | 5,917 |

■ Status of the Portfolio After the Replacements (including the to-be-acquired asset)

| | |
|---|---------------------------|
| Asset size (based on acquisition price) | 424.9 billion yen |
| No. of properties | 250 properties |
| No. of leasable units | 20,153 units |
| Total leasable floor area | 758,732.06 m ² |

| Area Diversification | Acquisition Price | Share of Investment |
|---|-------------------|---------------------|
| Total | 424.9 billion yen | 100.0 % |
| P (Tokyo Central 7 Wards) | 169.1 billion yen | 39.8 % |
| C (Tokyo 23 Wards Exclusive of Central 7 Wards) | 133.4 billion yen | 31.4 % |
| S (Tokyo Metropolitan Area) | 41.2 billion yen | 9.7 % |
| R (Major Regional Cities) | 81.1 billion yen | 19.1 % |

[Reference Material]

Photo of the to-be-acquired asset

