



Advance Residence Investment Corporation

Earnings Presentation

11th Fiscal Period ended January 31, 2016






August 1, 2015 to January 31, 2016



Index



The Largest Portfolio Among Residential J-REITs	3
Solid Track Record, Solid Growth	4-5
Executive Summary of 11 th Fiscal Period Results	6-7
Internal Growth	8-14
External Growth	15-18
Finances	19-21
Management Policies & Earnings Guidance	22-25
Appendix	27-54

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

The purpose of this material is to present you with an update on the financial performance of Advance Residence Investment Corporation (the “Corporation”). We do not intend to conduct any advertising or solicitation with respect to any units of the Corporation in connection with this material. Nothing in this material should be regarded as an offer to sell or a solicitation of an offer to buy, a recommendation to sell or buy, or a direct or indirect offer or placement of, any units of the Corporation, except for the purpose of meeting certain requirements under the European Alternative Investment Fund Managers Directive (European Directive 2011/61/EU)(the “AIFMD”) as described below.

***Disclaimer for Dutch Investors :** The prospectus containing the information required under Article 23(1) and (2) of the AIFMD as implemented in the Netherlands is available at [<http://www.adr-reit.com/en/financial/en/financial/sonota/>].*

Any reproduction or use of this material other than for its intended purpose is prohibited without prior permission.

The Largest* Portfolio Among Residential J-REITs

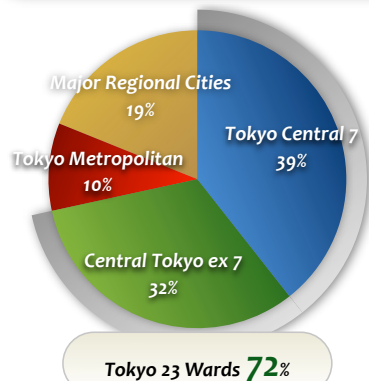
* According to data collected by ADIM from the latest disclosures made by each residential J-REITs as of Jan. 31, 2016.



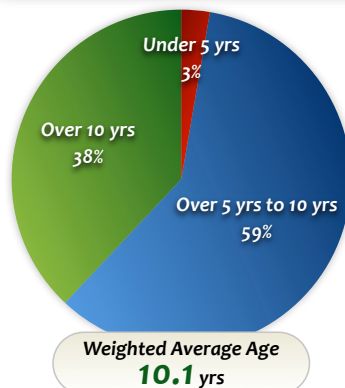
	Number of Properties	Total Leasable Area	Leasable units	Assets Under Management (Acquisition Price)
as of Jan. 31, 2016	251 properties	760,453 ㎡	20,231 units	425.8 billion yen
as of Apr. 14, 2016**	255 properties	769,415 ㎡	20,451 units	433.8 billion yen

** Four assets-to-be-acquired as of March 11, 2016 are included.

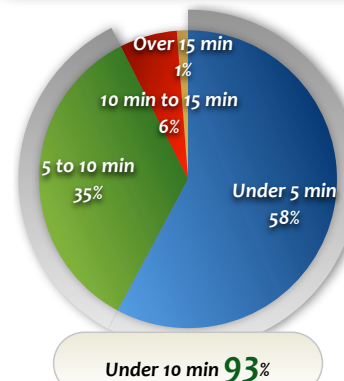
Investment Location
(by acquisition price as of April 14, 2016)



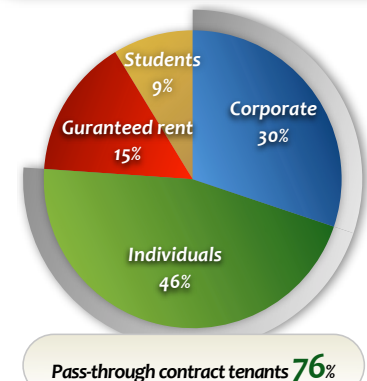
Building Age
(by acquisition price as of Jan. 31, 2016)



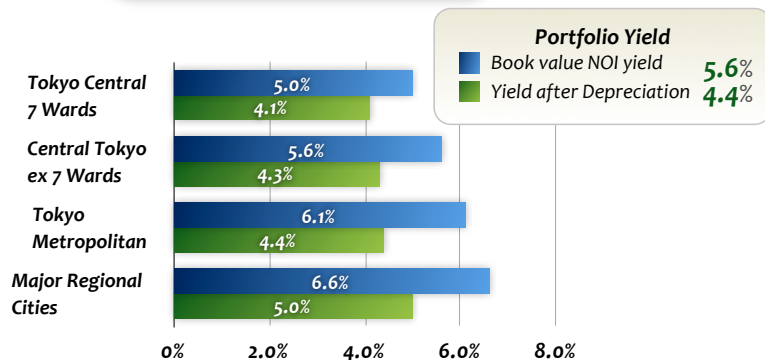
Walking Minutes to Train Station
(by acquisition price as of April 14, 2016)



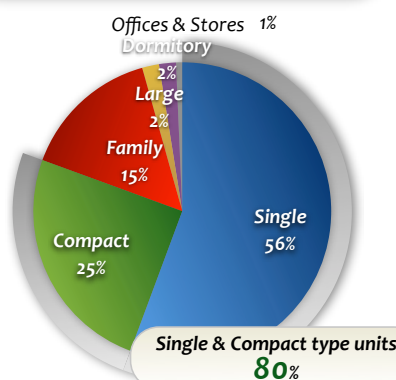
Tenant Category
(by no. of units as of Jan. 31, 2016)



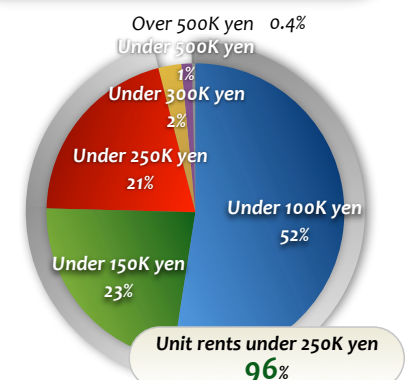
NOI Yields (%)* by location**
(as of Jan. 31, 2016)



Unit type
(by no. of units as of Jan. 31, 2016)



Rents
(by no. of units as of Jan. 31, 2016)

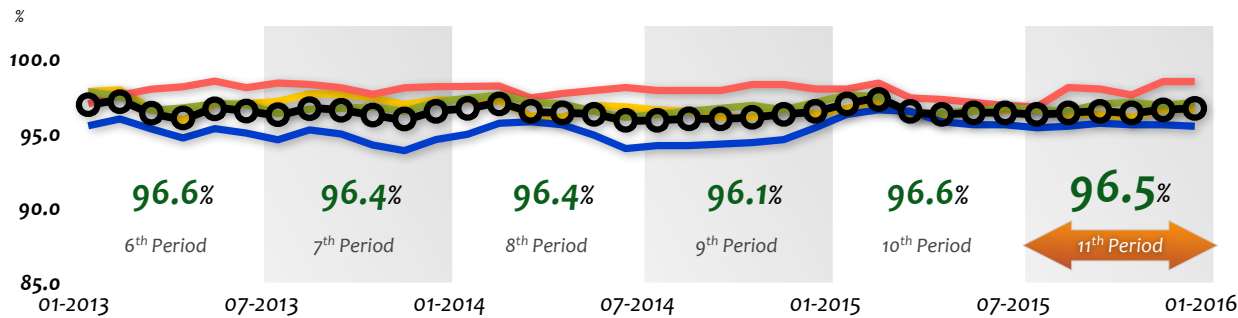


*** Book value NOI is calculated as "annualized NOI" ÷ "book value at the end of FP2016/1". NOI is annualized according to actual number of days of operation for each property during FP2016/1. Yield after Depreciation is calculated as (annualized NOI - depreciation) ÷ book value as of end of FP2016/1.

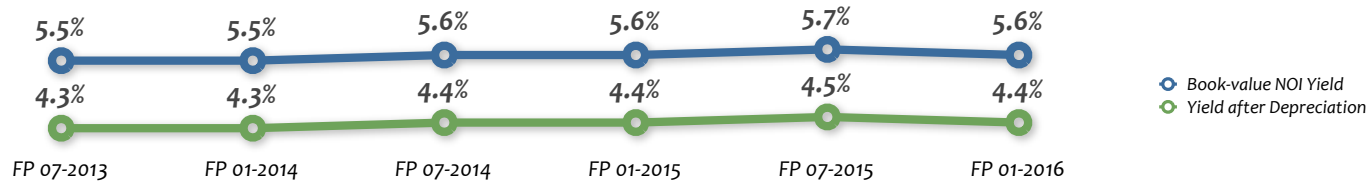
Solid Track Record, Solid Growth

Increasing EPS by Implementing Various Measures

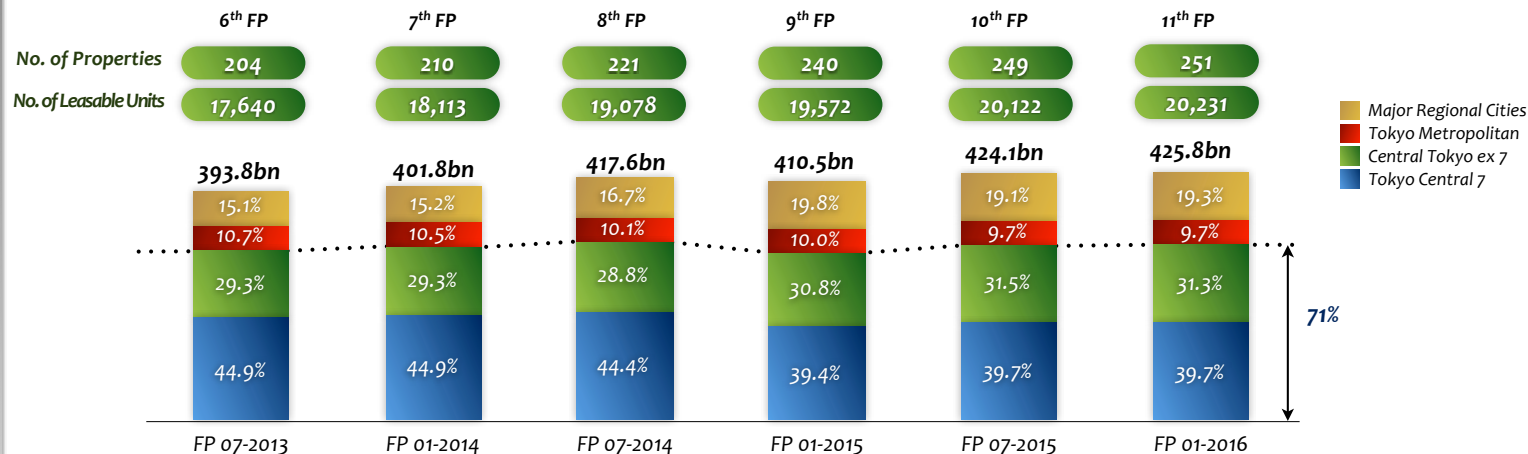
○ Portfolio — Tokyo Central 7 — Central Tokyo ex 7 — Tokyo Metropolitan — Major Regional Cities



Maintaining High Occupancy Rate



Stable Yield Levels

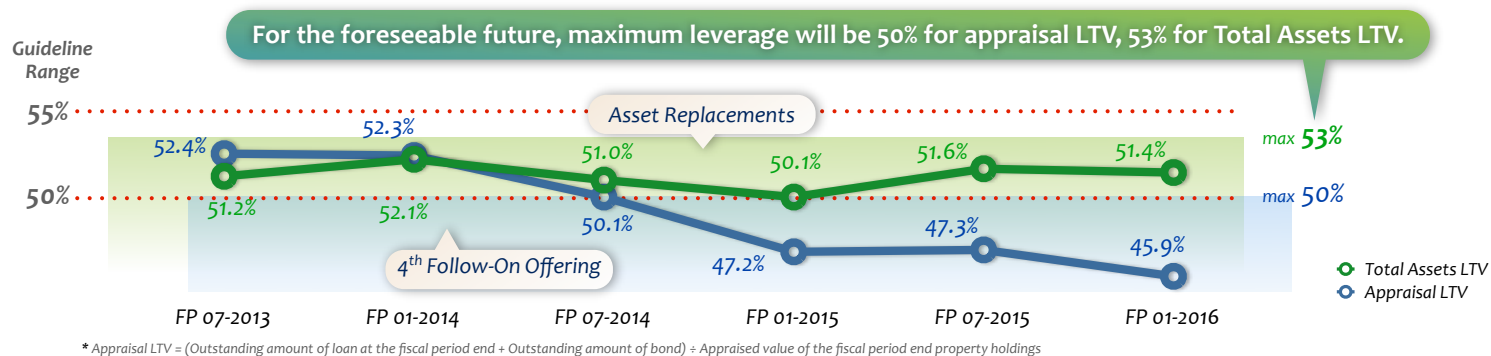


The Largest Portfolio Among Residential J-REITs

Topping 425 bn yen

Liabilities

LTV

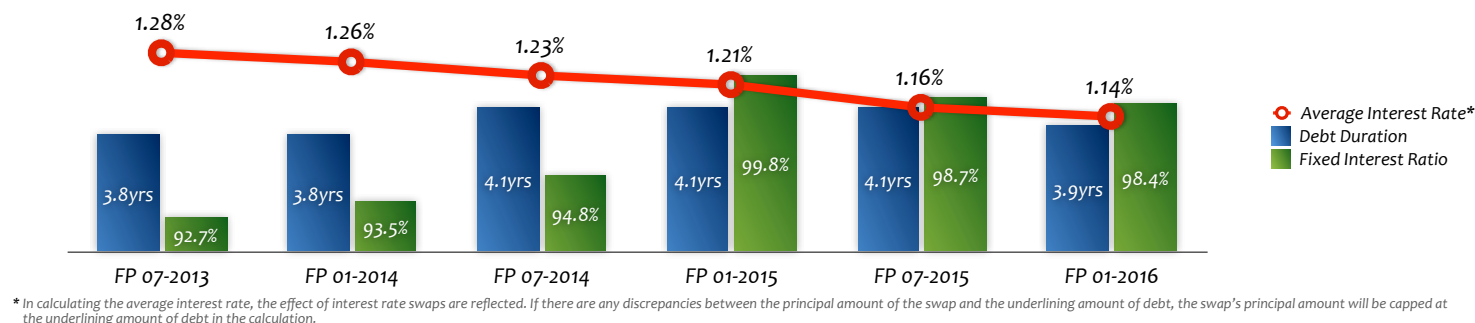


Lowered LTV Range to Maintain Flexibility in Preparation for Future Financial Volatility

Acquisition Capacity
(@ Total Assets LTV of 53%) approx.

7.0 bn yen
(estimate for FP ending July 2016)

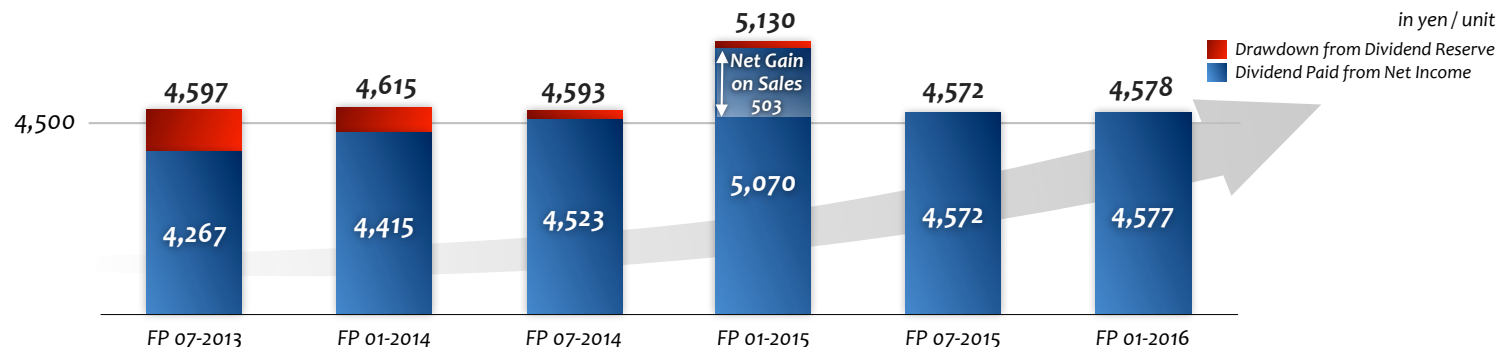
Debts



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

Equities

Dividends

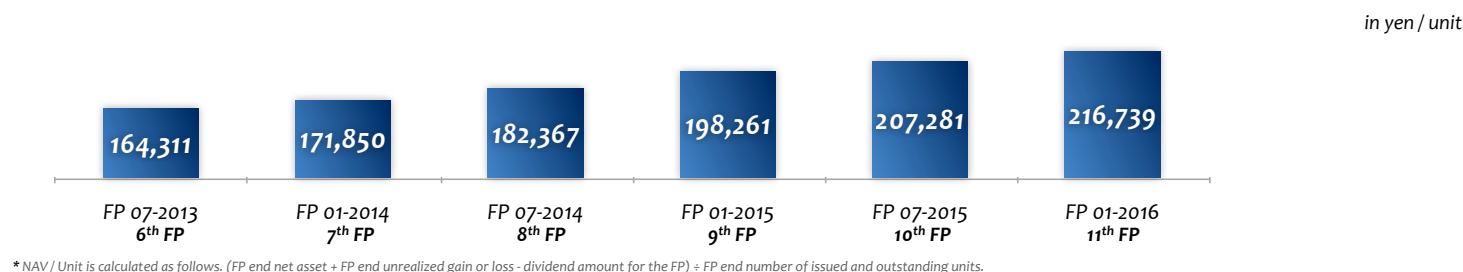


Steadily Growing EPU

Outstanding Dividend Reserve

33.5 bn yen
(after FP Jan. 2016)

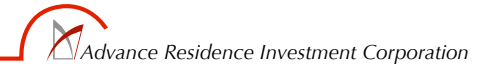
Net Asset Value



Increasing NAV per Unit

Executive Summary

Committed in Delivering Strong and Stable Dividend



Results for Fiscal Period ended Jan. 31, 2016

Increase in Revenue, Profits and Dividend
Due to Rise in Occupancy and Lower Funding Cost

Dividend per Unit* **4,578**yen chg. from initial forecast **+48**yen chg. from last period **+6**yen

* Dividend per Unit might be abbreviated as DPU hereafter.

Negative Goodwill Drawdown Policy

Drawdown of at least **335**million yen per FP
starting **FP Jan. 2017**

Equivalent to completely drawing down 33.5 billion yen
outstanding in 100 Fiscal Periods or in 50 years' time

Fiscal Highlights

**Succeeded in Raising Rents, Maintained High Occupancy
while Acquiring Two Recently Built Properties**

Internal Growth

**Maintaining High Occupancy
while Succeeding to Raise Rents**

Average Period Occupancy	96.5%	<small>increase from forecast</small> +0.2%pt
Portfolio Rent Change	+0.13%	<small>previous FP actual</small> +0.12%
from Tenant Replacements	+1.75%	+1.34%
from Contract Renewals	+0.53%	+0.21%

External Growth

**Acquired Two Recently Built Properties
Using Own Sourcing Network**

No. of Properties	2 properties
Acquisition Price	1.7 billion yen
NOI Yield	5.3%

Fund Raising Activities

**Lowered Financing Cost While Maintaining
Duration and Fixed Interest Rate Debt Ratio**

Average Interest Rate	1.14%	<small>chg. on pervious FP</small> -0.02%pt
Average Duration	3.9 years	-0.2 years
Fixed Interest Rate Debt Ratio	98.4%	-0.3%pt

Results for Fiscal Period ended Jan. 2016

from August 1, 2015 to January 31, 2016



	(1) 11th FP Forecast	(2) 11th FP Results	(2)-(1)			(3) 10th FP Results	(2)-(3)			in million yen
	Initial Forecast as of Sept. 8, 2015	Results for FP January 2016	Changes	Notes		Results for FP July 2015	Changes	Notes		
Revenue	15,015 (250 properties) Period avg. occupancy 96.3%	15,082 (251 properties) Period avg. occupancy 96.5%	+66	Increase in occupancy Income from penalty Increases in key money & renewal fee income	+33 +12 +21	14,998 (249 properties) Period avg. occupancy 96.6%	+83	Full period contribution from 2015/7 acquisition Contribution from 2016/1 acquisition Decrease in dividend from SPC Off-peak decreases in key money & renewal fee income	+176 +19 -33 -77	
Operating Income	7,454 (Depreciation: 2,529) (Property taxes: 811)	7,489 (Depreciation: 2,531) (Property taxes: 811)	+34	Leasing Expenses Increase due to rise in occupancy Decrease in utility expenses G & A Expenses Increases in management fees due to higher profits	-15 +27 -39	7,501 (Depreciation: 2,501) (Property taxes: 760)	-11	Leasing Expenses Off-peak decreases in leasing expenses Increase in property taxes from 2014 acquisitions G & A Expenses Increase in consumption tax settlement loss	+109 -51 -46	
Ordinary Income	5,889 (Funding cost*: 1,560)	5,951 (Funding cost*: 1,539)	+62	Decrease in funding costs due to repayment of loans and bonds	+22	5,945 (Funding cost*: 1,546)	+6	Decrease in funding costs due to refinancing	+18	
Net Income	5,889	5,951	+62			5,944	+6			
Drawdown of Retained Earnings**	0	0	-	Retained earnings after dividend: 33.5 bn yen		0	-	Retained earnings after dividend: 33.5 bn yen		
Dividend Amount	5,889	5,951	+62			5,943	+7			
EPU (yen)	4,530	4,577	+47	Units issued and outstanding 1,300,000 units		4,572	+5	Units issued and outstanding 1,300,000 units		
Dividend per unit (yen)	4,530	4,578	+48			4,572	+6			
FFO per Unit (yen)	6,476	6,524	+48			6,497	+27			
FFO Payout Ratio	70.0%	70.2%	+0.2 pt			70.4%	-0.2 pt			
Appraisal LTV	47.4%	45.9%	-1.5 pt			47.3%	-1.4 pt			

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

** "Retained Earnings" means "Dividend Reserve".



Internal Growth

Three Consecutive Fiscal Period Rise in Rent

Rent Rise Seen in Both Tenant Replacements & Renewals

* Rent change for pass-through units that are both occupied at the beginning and the end of the period.

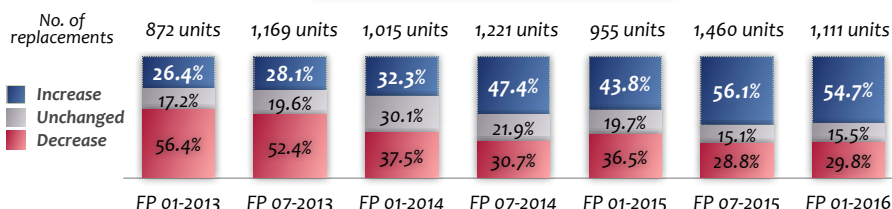
Tenant Replacements*

FP Jan. 2016 Results

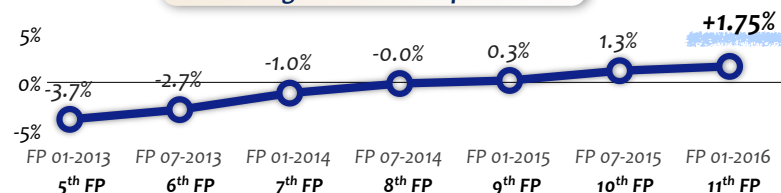
	No. of Units	Ratio	Old Rent	New Rent	Difference	% Change
Increase	608 units	54.7%	79	83	+3	+4.98%
Unchanged	172 units	15.5%	20	20	-	-
Decrease	331 units	29.8%	37	35	-1	-4.18%
Total	1,111 units	100.0%	137	140	+2	+1.75%

Tokyo Central 7 Wards +1.44% Central Tokyo +3.17% Metropolitan Area +0.65% Major Regional Cities -0.04%

Share of Rent Change (by no. of units)



Rent Changes in Tenant Replacements



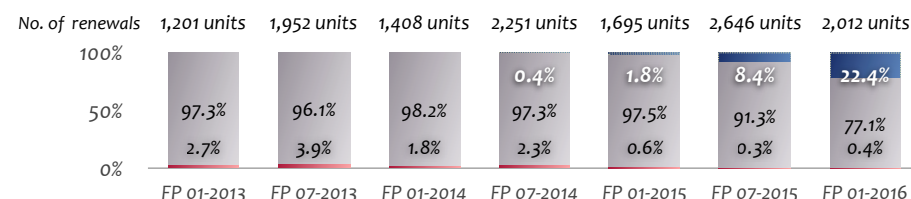
Renewals*

FP Jan. 2016 Results

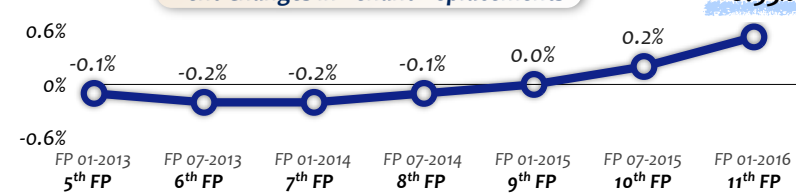
	No. of Units	Ratio	Old Rent	New Rent	Difference	% Change
Increase	451 units	22.4%	62	63	+1.3	+2.20%
Unchanged	1,552 units	77.1%	183	183	-	-
Decrease	9 units	0.4%	1	1	-0.05	-3.35%
Total	2,012 units	100.0%	248	249	+1.3	+0.53%

Tokyo Central 7 Wards +0.78% Central Tokyo +0.54% Metropolitan Area +0.11% Major Regional Cities +0.12%

Share of Rent Change (by no. of units)

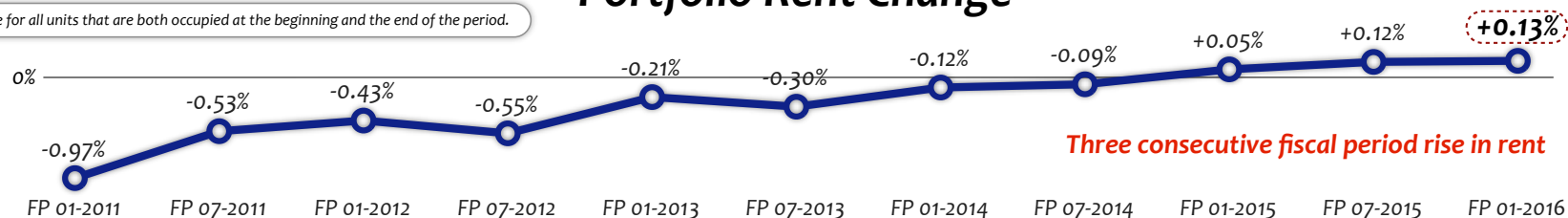


Rent Changes in Tenant Replacements



Portfolio Rent Change**

** Rent change for all units that are both occupied at the beginning and the end of the period.

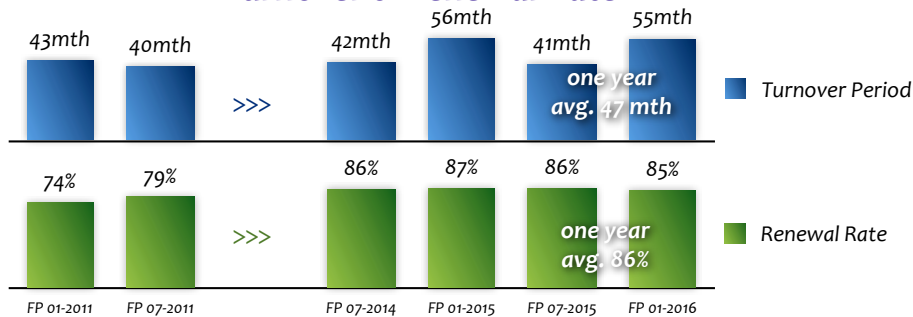


Three consecutive fiscal period rise in rent

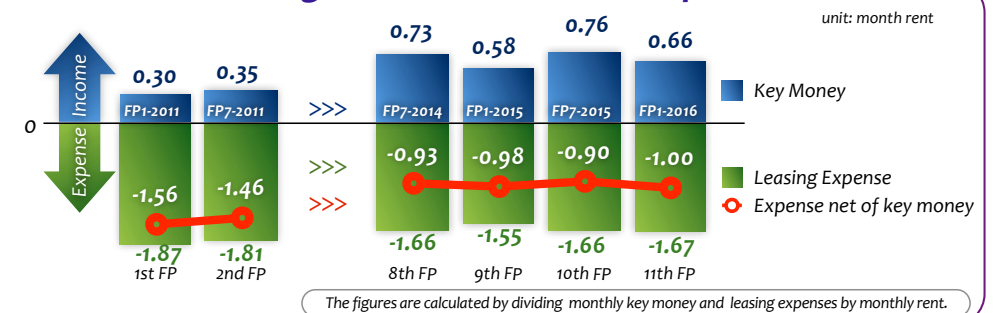
Achieving Internal Growth in the Residential Sector

Key Money Income Gradually Rising Year on Year

Turnover & Renewal Rate



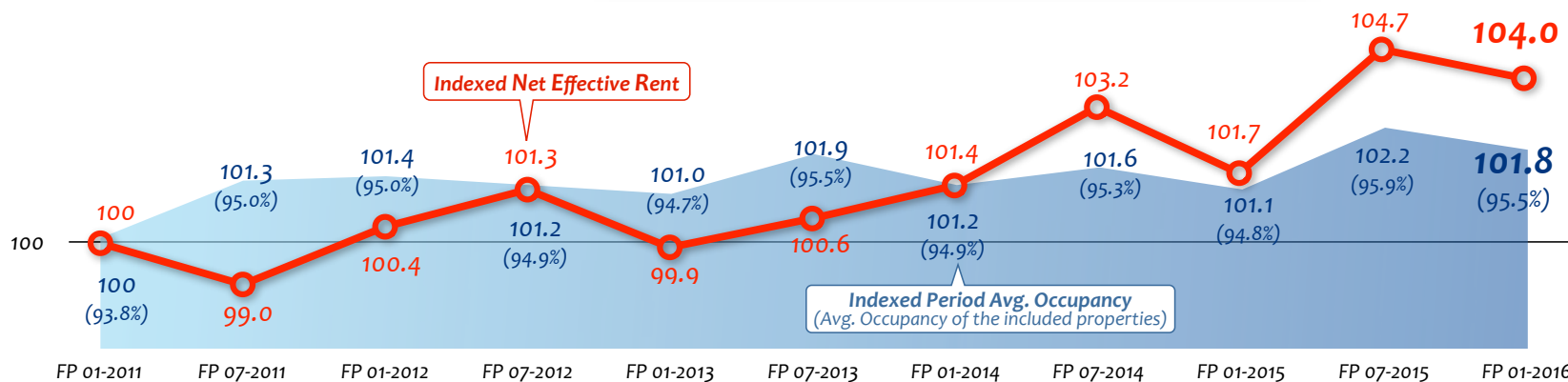
Leasing Related Income and Expenses



Promoting Internal Growth Through Improvement in Leasing Terms and Occupancy

Changes in Net Effective Rent (NER)

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



Achieving Internal Growth

Rise in NER

×

Improvement in Occupancy

- The 116 properties that are included in above charts are properties held since the start of the FY01-2011. 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, FY01-2011) 1,754, FY07-2011) 1,076, FY01-2012) 872, FY07-2012) 1,028, FY01-2013) 981, FY07-2013) 1,030, FY01-2014) 796, FY07-2014) 927, FY01-2015) 837, FY07-2015) 922, FY01-2016) 792.
- 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 FY01-2011 figure as 100.

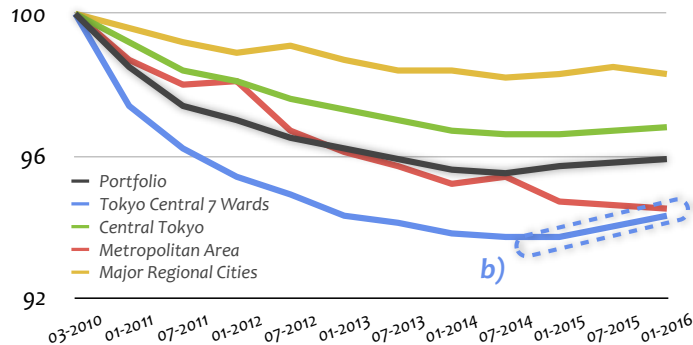
Changes in Rents & Rent Gaps

Rents Rebound Especially in Tokyo Central 7 Wards

* Rent change for pass-through units held at Jan. 31, 2016. Rent at March 31, 2010 indexed as 100.

Rent Change* by Region

- a) **+0.1pt rise** in rent index for the whole portfolio. **Third consecutive FP rise** in rent.
- b) There are **marked recovery** in rents in **Tokyo Central 7 Wards** where it saw the largest rent decline in the past especially in areas such as Shibuya, Roppongi, Azabu, etc.
- c) By being selective in the initial investments, rents for ADR's **regional portfolio are stable as a whole**. However, there are discrepancies between cities, specifically, Sendai is booming but Osaka is weak.

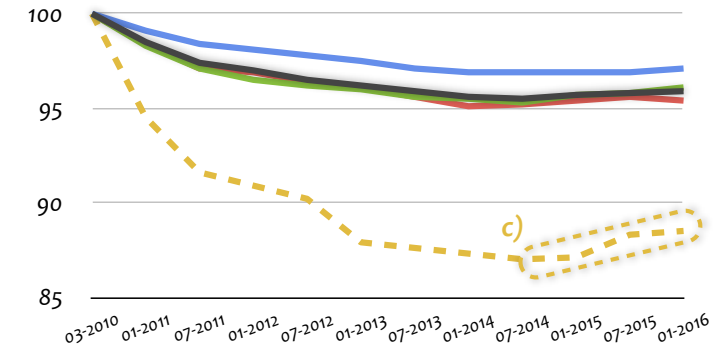


Recent Change in Rent for the Whole Portfolio

2014/7 2015/1 2015/7 2016/1
95.5 → 95.7 → 95.8 → 95.9

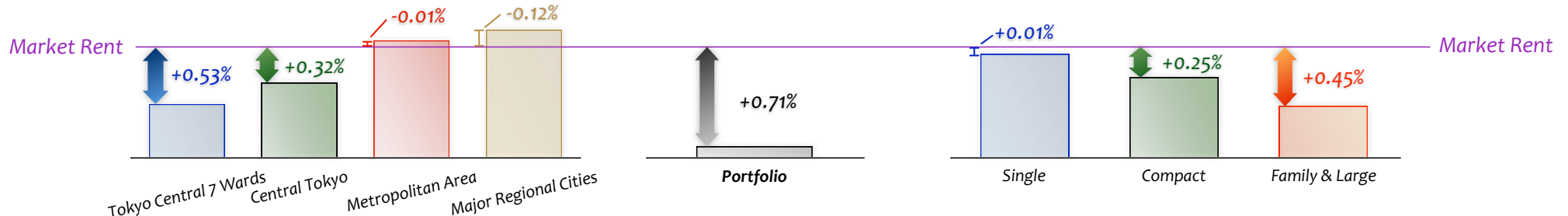
Rent Change* by Type of Unit

- a) **Rents rose** in all types of units.
- b) There was also rent rise in Single type units where volume in demand is largest and rents stable.
- c) Although the number of units held by ADR is small, Large type units where the rent declined the most in the past, saw a significant uptick.



Rent Gaps for the Whole Portfolio +0.71%

Upward Rent Changes Can Be Expected Mainly in Tokyo 23 Ward at the Time of Tenant Replacements



A rent gap is a gap between the unit rent of new tenants of FP Jan. 2016 (treating this current rent 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. 2016. A +0.71% gap means that, if the gap is to be closed by rise in existing tenants' rents, then the portfolio rent will rise by +0.71%.

Large-Scale Repairs & Conversion Works

Examples of Works Completed in FP July 2015

Large-scale Renovation Executed in the FP Jan. 2016

C-18 RESIDIA Kami-Ikebukuro

Building Age
14 yrs

Total Cost :
37,200 thousand yen

C-47 RESIDIA Kasai

Building Age
16 yrs

Total Cost :
44,800 thousand yen

R-11 RESIDIA Tenjinbashi

Building Age
16 yrs

Total Cost :
58,600 thousand yen

Before and After of “R-11 RESIDIA Tenjinbashi”

before

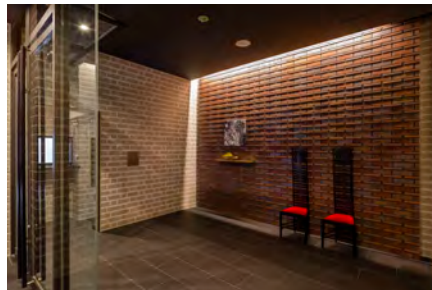


after

- Exterior wall repairs • Tile peeling prevention • Entrance upgrades



- LED lightings in common area
- Entrance hall upgrades

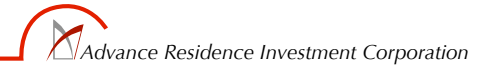


- Hallway floor sheet upgrades
- Unit door refurbishment



Equipment Renewals and Upgrades

Examples of Works Completed in FP January 2016



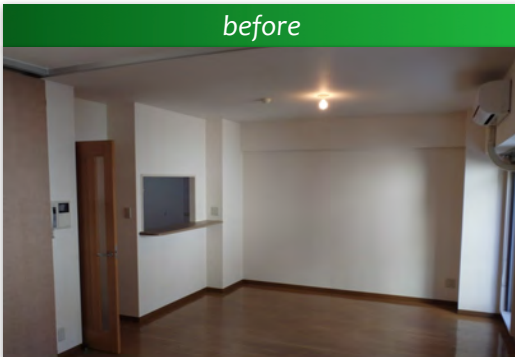
30 units of 9 properties received equipment renewals and upgrades - Average Monthly Rent +18.5%

P-53 RESIDIA Roppongi-Hinokichokoen

Building Age
16 yrs

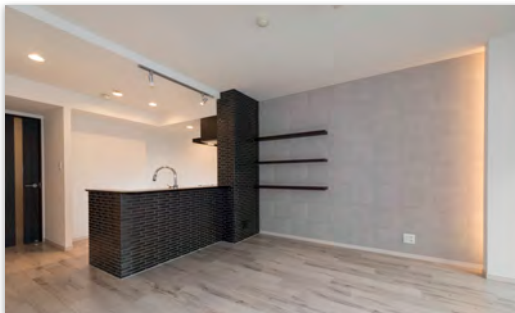
Total Cost : 5,080 thousand yen
Upgrades : 1,844 thousand yen
Increase in Monthly Rent : up **28.2%**
Projected Recuperation Period : 6 years

before



after

Open kitchen conversion making the living-dinning room feel more spacious

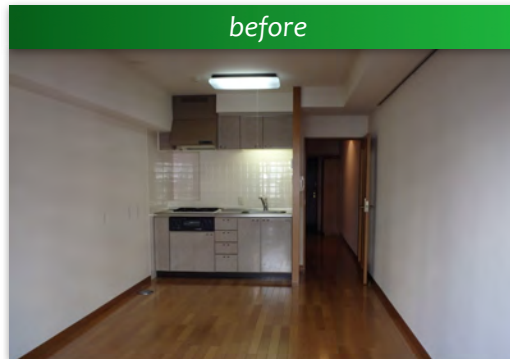


C-46 RESIDIA Mejiro

Building Age
17 yrs

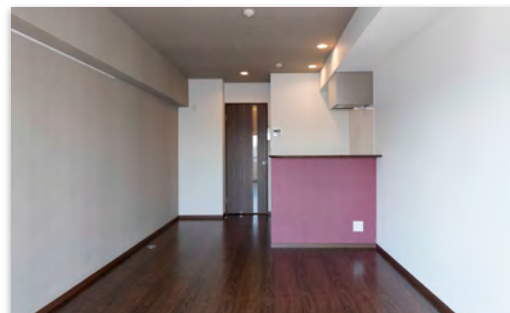
Total Cost : 3,310 thousand yen
Upgrades : 1,200 thousand yen
Increase in Monthly Rent : up **22.0%**
Projected Recuperation Period : 9 years

before



after

Conversion to a more compact and modern design kitchen



P-73 RESIDIA Shibaura

Building Age
24 yrs

Total Cost : 3,780 thousand yen
Upgrades : 1,075 thousand yen
Increase in Monthly Rent : up **11.0%**
Projected Recuperation Period : 8 years

before



after

Converted to a better 2DK floor plan by Japanese to western style room change & kitchen relocation



*Projected Recuperation Periods are periods projected to recuperate the upgrade cost. The percentage increase in monthly rent is the ratio of rent against the assumed asking rent for non-upgraded units.

Maintaining the Competitiveness of Properties

By Scheduling and Executing Proper Measures Property's Competitiveness Can be Maintained

Daily Maintenance

Restoration works carried out at the time of every tenant replacement

First REIT management company to be registered as First-Class-Architect Office

Large-scale Renovation

Works carried out at around 15 years intervals

Track Record Since the Merger (excluding disposed properties)

No. of Properties: **18** properties

Total Investment: **871** million yen

Per Property Investment: **48** million yen

Equipment Renewals and Upgrade Works

Upgrades considered at the time of kitchen & bathroom equipment renewals (at around 15 years intervals)

Track Record Since the Merger (excluding disposed properties)

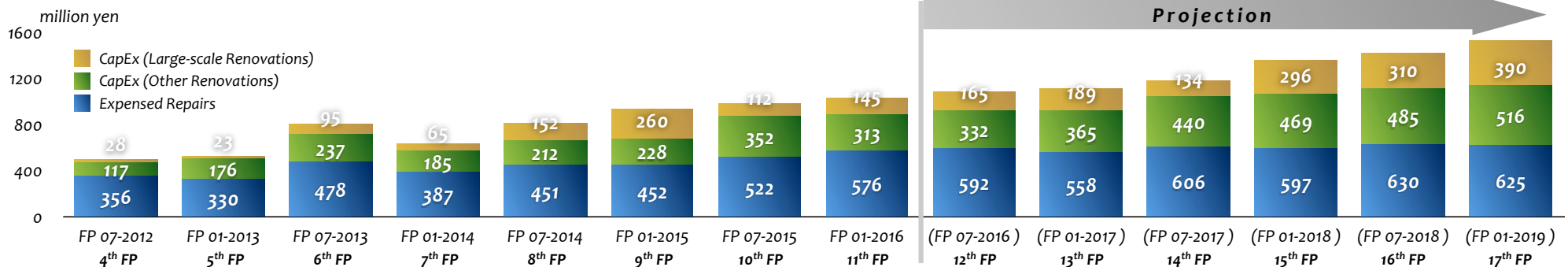
as of Mar. 7, 2016

No. of Upgraded Units: **138** units

No. of Units Leased-out: **129** units

% Increase in Rent: **14.7**%

10 Year Planned Works: Maximum 43 billion Yen < 10 Year Total Projected Depreciation





External Growth

New Acquisitions Execute or Announced

Acquired Properties Through Our Own Sourcing Network and from the Sponsor's Pipeline

Acquisitions Executed in FP Jan. 2016

Acquisitions Using Own Sourcing Network



Tokyo Central 7 Wards

RESIDIA Yoyogi II



Major Regional Cities

RESIDIA Sakae

Location	Shibuya-ku, Tokyo	Naka-ku, Nagoya
Access	9 min. walk from JR Yamanote Line Shinjuku Station	8 min. walk from Meijo Line Yabacho Station
Acquisition Price	839 million	868 million
NOI Yield	4.8%	5.7%
Building Age	7.7 years	8.1 years
Leasable Units	31 units	77 units
Seller	Third-party	

Acquisitions to be Executed in FP July. 2016

Recently Built Sponsor Developed Properties Located within the Tokyo 23 Wards



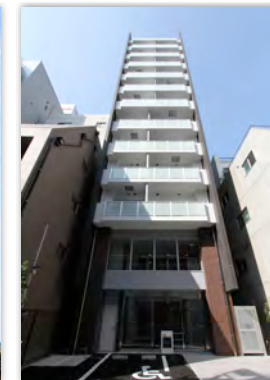
Tokyo Central 7 Wards

RESIDIA Nakanobu II



Tokyo Central 7 Wards

RESIDIA Ochanomizu II



Central Tokyo ex 7

RESIDIA Bunkyo-Hongo III



Central Tokyo ex 7

RESIDIA Shin-Okachimachi II

Location	Shinagawa-ku, Tokyo	Chiyoda-ku, Tokyo	Bunkyo-ku, Tokyo	Taito-ku, Tokyo
Access	1 min. walk from Asakusa Line Nakanobu Station	5 min. walk from Ginza Line Suehirocho Station	5 min. walk from Marunouchi Line Hongo-3chome Station	3 min. walk from Oedo Line Shin-Okachimachi Station
Acquisition Price	917 million	821 million	1,655 million	4,650 million
NOI Yield	4.8%	4.9%	4.7%	4.6%
Building Age	2.0 years	1.1 years	1.7 years	1.1 years
Leasable Units	44 units	28 units	48 units	100 units
Seller	Itochu Corporation			

* Acquisition prices are rounded down to the nearest million. The appraisal prices at the time of acquisitions are listed.
 * NOI yields = appraisal NOI ÷ acquisition price × 100%
 * Listed building ages are as of the date of the acquisition of each property.

Preparing for Future External Growth

External Growth Achieved Mainly Through Sponsor's Pipeline

Itochu Group Development Examples

Developments mostly in the Tokyo 23 Wards Total **19** properties **1,610** planned units approx. **30** billion yen

Tokyo Central 7		Central Tokyo ex.7		Tokyo Metropolitan		Osaka	
Location	Planned Units	Location	Planned Units	Location	Planned Units	Location	Planned Units
① Shimouma, Setagaya-ku	41	⑨ Minami-Kamata, Ota-ku	110	⑯ Nakahara-ku, Kawasaki	391	⑱ Toyotsucho, Suita	137
② Minami-Shinagawa, Shinagawa-ku	83	⑩ Kameido, Koto-ku	129	1 properties	391	⑲ Toyotsucho, Suita	60
③ Kanda-Awajicho, Chiyoda-ku	28	⑪ Kamata, Ota-ku	149			⑳ Oyodo-minami, Kita-ku, Osaka	84
④ Sangenjaya, Setagaya-ku	70	⑫ Koenji-minami, Suginami-ku	58			3 properties	281
⑤ Mita, Minato-ku	27	⑬ Kamiogi, Suginami-ku	58				
⑥ Meguro, Meguro-ku	51	⑭ Koishikawa, Bunkyo-ku	43				
⑦ Soto-Kanda, Chiyoda-ku	35	⑮ Ikegami, Ota-ku	42				
⑧ Shin-Ogawamachi, Shinjuku-ku	23	7 properties	589				
8 properties	358						



Land Plots Waiting for Building Permit

Total **6** properties

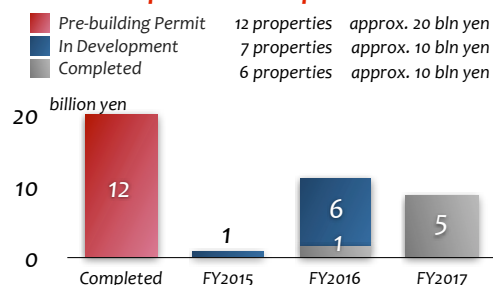
Completed properties are indicated in red letters.



Completion Photo of
⑩ Kameido, Koto-ku project

Building Completion Schedule and Volume

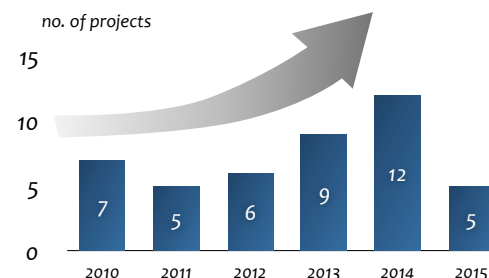
Pipeline, More than 20 billion yen of Completed Developments



Rental Residence Development Track Record

(Based on signing date of land plot transaction contract)

The Sponsor is Consistently Acquiring Land plots for Development



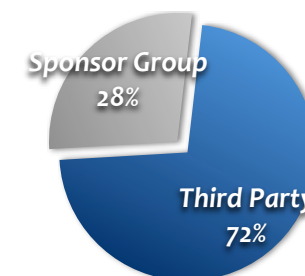
* FY: Fiscal year ending March in the following calendar year.

Sourcing from Third parties

Property Source since the Merger

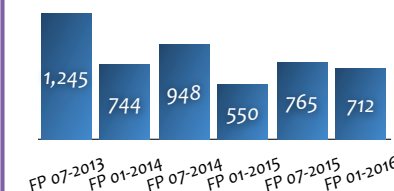
(based on acquisition price)

72% from third parties



* Original sellers to the bridge fund are re-categorized to either "Sponsor Group" or "Third Party"

Changes in Volume of Trading Information



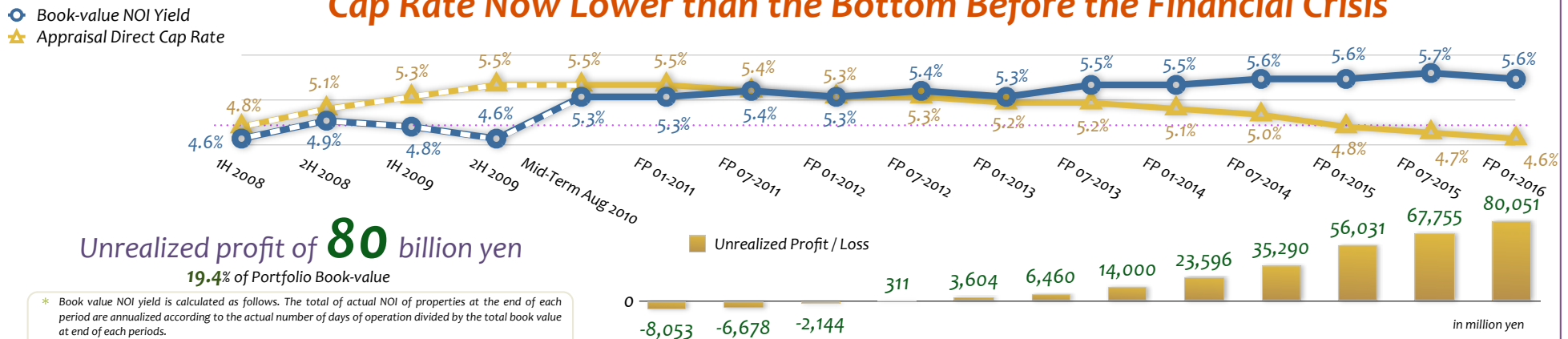
* "Itochu Group Development Examples" are rental apartment property developments by Itochu Corporation and Itochu Property Development Ltd. as of Feb. 15, 2016 and listed above as a reference. As such, ADR is under no obligation to acquire the properties.

Appraisal Value

- Cap-rate Compression & Increase in Unrealized Profit -

Appraisal Direct Cap Rate • Unrealized Profit and Loss

Cap Rate Now Lower than the Bottom Before the Financial Crisis



Unrealized profit of **80 billion yen**
19.4% 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.

Summary of End of FP January 2016 Appraisal

* For Assets acquired during the FP Jan. 2016, appraisal value at the time of acquisition is used as the previous appraisal value.

	Appraisal (in million yen)		Appraisal NCF (in million yen)		Direct Cap Rate (%)		Actual NOI Yield (%)	Unrealized Profit and Loss (million yen)		
	End of FP Jan. '16	diff vs last FP	End of FP Jan. '16	diff vs last FP	End of FP Jan. '16	diff vs last FP	End of FP Jan. '16	Book Value (a)	Difference from the appraisal (b)	(b)/(a)
Tokyo Central 7 Wards	189,263	+4,270	8,354	+13	4.35%	-0.10 pt	5.0%	163,655	+25,607	15.6%
Central Tokyo ex. 7 Wards	158,394	+3,383	7,218	+15	4.49%	-0.09 pt	5.6%	129,983	+28,410	21.9%
Tokyo 23 Wards Total	347,657	+7,653	15,573	+28	4.42%	-0.09 pt	5.3%	293,638	+54,018	18.4%
Tokyo Metropolitan	47,298	+710	2,388	-7	5.02%	-0.09 pt	6.1%	39,020	+8,277	21.2%
Major Regional Cities	98,290	+1,866	5,143	+1	5.18%	-0.10 pt	6.6%	80,534	+17,755	22.0%
Portfolio Total	493,245	+10,229	23,105	+21	4.62%	-0.10 pt	5.6%	413,193	+80,051	19.4%

Rise in Appraisal Value

232 properties
out of **251** properties
(decreased in 8 properties)

Properties with Unrealized Loss

Total unrealized loss
0.95 billion yen
in **6** properties
(Previous period 1.24 billion yen in 10 properties)

Rise in Appraisal Value +10.22billion yen

= NCF Impact +0.45billion yen

+ DCR Impact +9.77billion yen



Finances

Building A Stable Financial Base

Key Figures on Debts

	FP 07-2015	Loan / Bond Ratio	FP 01-2016	Loan / Bond Ratio
Loans	191.9 bn yen	83%	187.7 bn yen	83%
(Short-term loans)	-	-	-	-
Bonds	35.5 bn yen	17%	38.5 bn yen	17%
Debt Outstanding	227.4 bn yen	100%	226.2 bn yen	100%
Total Asset LTV	51.6%		51.4%	
Appraisal LTV	47.3%		45.9%	

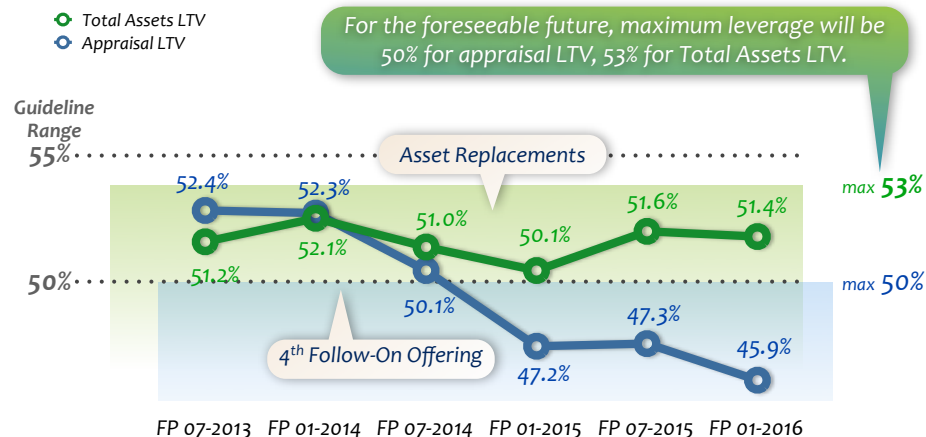
Debt Financing FP January 2016

Lowered Financing Cost While Financing in Longer Debts

	Repayments	Debt Financing
Total Amount	11.0 yen	9.8 bn yen
Average Interest Rate	1.02%	0.63%
Average Initial Duration	3.8 years	7.7 years

* Amortized debt repayments are included in the Total Amount of Repayments.

LTV Management



Credit Ratings

JCR **AA** (Stable)

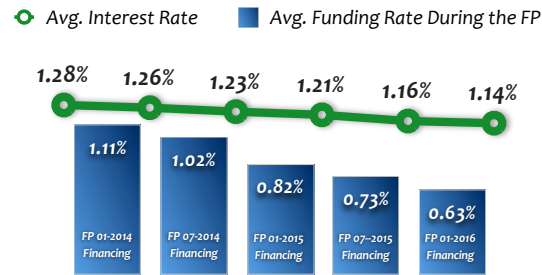
R&I **A+** (Stable)

Lengthened Duration, Increased Ratio of Fixed Interest Debts and Diversified Maturity While Lowering Financing Cost

Advance Residence Investment Corporation

* Debts procured during the period which were repaid during the same period are excluded.

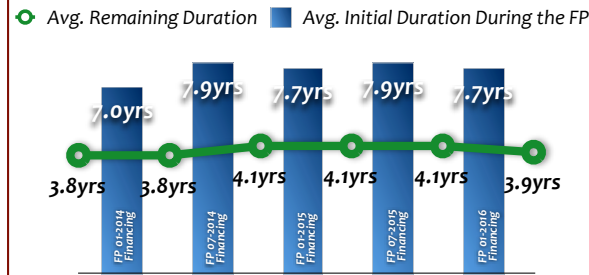
Average Interest Rate



FP 07-2013 FP 01-2014 FP 07-2014 FP 01-2015 FP 07-2015 FP 01-2016

* In Calculating the average interest rate for financing during the periods, amount outstanding and interest rate applicable at the end of each period is used.

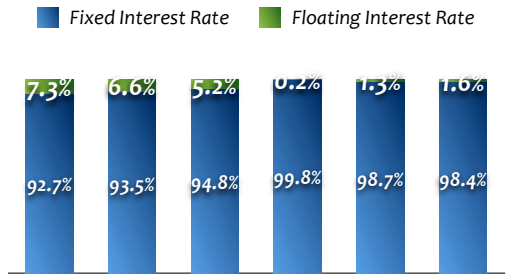
Debt Duration



FP 07-2013 FP 01-2014 FP 07-2014 FP 01-2015 FP 07-2015 FP 01-2016

* In Calculating the average debt duration for financing during the periods, amount outstanding at the end of each period is used to calculate the weighted average.
* In calculating the years to maturity, amortization is not counted.

Ratio of Fixed Interest Rate Debts



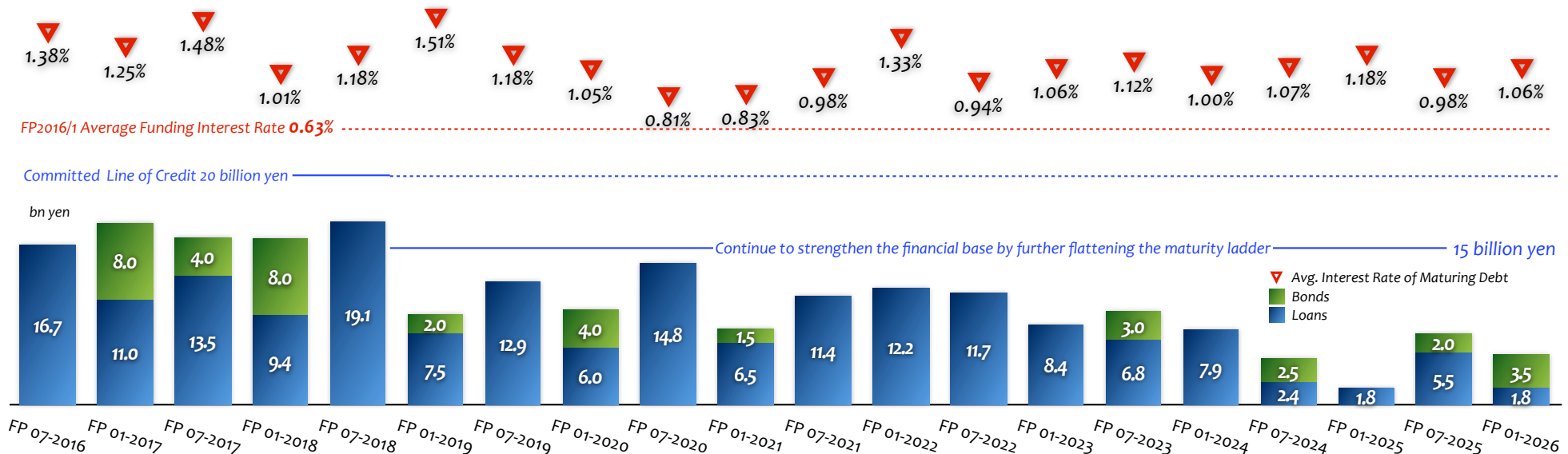
FP 07-2013 FP 01-2014 FP 07-2014 FP 01-2015 FP 07-2015 FP 01-2016

* Short-term loans are excluded.

Diversifying Duration, Setting Up a Committed Line of Credit

Rounded down to the nearest 100 million yen

as of end of FP 2016/1





Management Policies & Earnings Guidance

Drawdown of Reserve Account

Maximum 50 years (100 Fiscal Period) Drawdown

Drawdown Payout of At Least

335 million yen per FP

equivalent to **259** yen per units

@ 1,300,000 units (as of FP Jan. 2016)

- To stabilize dividend reserve will be used for such purpose as,

- To offset rent income loss due to redevelopments & repairs
- To offset rent income loss due to loss on sales or impairments
- To offset dilution due to increase in number of units
- To offset loss due to unforeseen events

- Schedule

FP July 2016

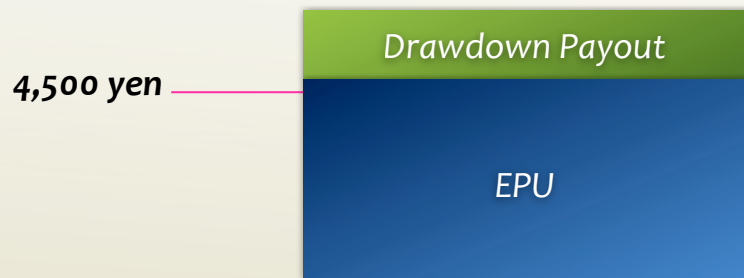
Dividend reserve transferred to Temporary Differences Adjustment Reserve Account

FP January 2017

Dividend for the FP will start including the additional dividend

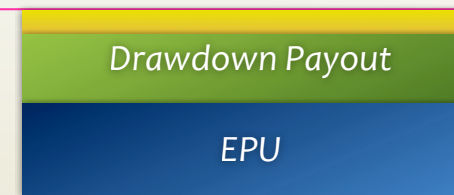
DPU Floor of 4,500 yen To Be Maintained

EPU+Drawdown Payout \geq 4,500 yen



EPU+Drawdown Payout $<$ 4,500 yen

Increase drawdown to offset deficit



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 2016 & Jan. 2017

	(1) 11th FP Results	(2) 12th FP Forecast	(2)-(1)			(3) 13th FP Forecast	(3)-(2)			in million yen
	Results for FP Jan. 2016	Forecast for FP July 2016 (announced Mar. 11, 2016)	Changes	Notes		Forecast for FP Jan. 2017 (announced Mar. 11, 2016)	Changes	Notes		
Revenue	15,082 (251 properties) Period avg. occupancy 96.5%	15,363 (255 properties) Period avg. occupancy 96.5%	+280	Newly Acquired Assets Full period contribution from FP2016/1&2016/7 acquisition +181 Same Store Peak season increase in rental income +10 Peak season increase in key money & renewal fee +88		15,296 (255 properties) Period avg. occupancy 96.4%	-66	Newly Acquired Assets Full period contribution from FP2016/7 acquisition +71 Same Store Off-peak decrease in rental income -19 Peak season increase in key money & renewal fee -118		
Operating Income	7,489 (Depreciation: 2,531) (Property taxes: 811)	7,509 (Depreciation: 2,573) (Property taxes: 825)	+20	Leasing Expenses Increase due to assets acquired in FP2016/1 & 2016/7 -46 Peak season increase -125 Increase in depreciation -29 Expensing of property taxes from 2015 acquisitions -13 GA Expenses Increase in G & A expenses -44		7,493 (Depreciation: 2,595) (Property taxes: 839)	-16	Leasing Expenses Increase due to assets acquired in FP2016/7 -14 Off-peak decrease +91 Increase in depreciation -16 Decrease in repairs +35 Expensing of property taxes from 2015 acquisitions -13 GA Expenses Increase in G & A expenses -31		
Ordinary Income	5,951 (Funding cost*: 1,539)	5,967 (Funding cost*: 1,538)	+15	Decrease in non-operating income	-4	5,980 (Funding cost*: 1,510)	+13	Decrease in funding costs	+29	
Net Income	5,951	5,967	+15			5,980	+13			
Drawdown of Retained Earnings**	0	0	-	Retained earnings after dividend: 33.5bn yen		336	-	Retained earnings after dividend: 33.2bn yen		
Dividend Amount	5,951	5,967	+15			6,316	+349			
EPU (yen)	4,577	4,590	+13	Units issued and outstanding 1,300,000 units		4,600	+10	Units issued and outstanding 1,300,000 units		
Dividend per unit (yen)	4,578	4,590	+12			4,859	+269			
FFO per Unit (yen)	6,524	6,569	+45			6,596	+27			
FFO Payout Ratio	70.2%	69.9%	-0.3pt			73.7%	+3.8pt			
Appraisal LTV	45.9%	46.7%	+0.8pt			46.7%	-			

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

** "Retained Earnings" means "Dividend Reserve" or after end of FP2016/7 "Temporary Differences Adjustment Reserve"

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

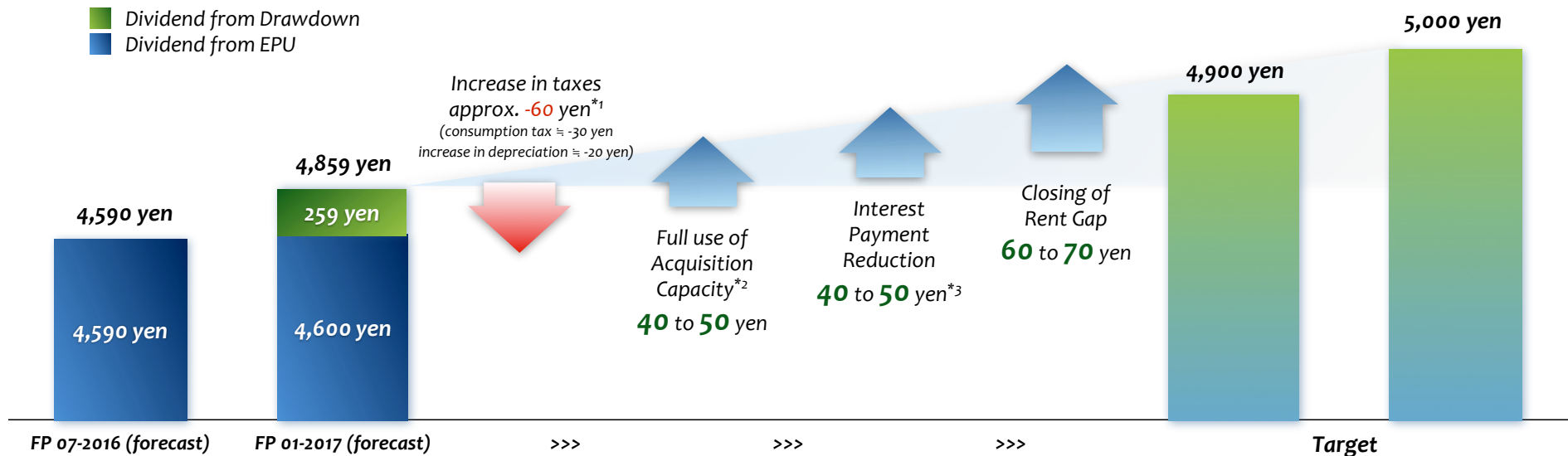
Acquisition Mainly by Sponsor
Sourcing and Negotiated Transactions,
Thereby, Avoiding the Heated Market

Finance Policy

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

DPU of 4,900 yen to 5,000 yen Through Property Acquisitions, Rent Increases and Interest Payment Reduction

Total DPU growth of around **100 yen**



*¹ Because forecast figures of FP Jan. 2016 and other assumptions such as that the number of outstanding units were to stay unchanged to calculate the figures, actual figures may differ. Depreciation on repairs and restoration work projected in FP2017/7 to FP2019/1.

*² 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 FP Jan. 2017.

*³ Interest payment reduction is based on the assumption that debts maturing in FP2017/7 & FP2018/1 will be refinanced with an interest rate equivalent to what was achieved in FP2016/1.

Note
