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For Immediate Release

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Notice Concerning Disposition of Investment Asset <<Tokyo Student-House Hiyoshidai>>

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 dispose an asset (hereafter, the “Disposition”) as follows, as part of its growth strategy.

Additionally, ADR has released a notice on a decision of acquiring 13 properties (hereafter, the “Acquisition”) (the disposition and acquisition together, hereafter the “Replacement”). (Please refer to today’s press release titled, “Notice Concerning Acquisition of Investment Assets <<RESIDIA Nerima and 12 other properties>>”).

1. Reason for the Disposition

For the purpose of enhancing the revenue-generating potential of the portfolio in an aim to “achieve stable earnings over the medium and long term”, ADR intends to replace assets depending on the situation.

As part of such efforts, ADR decided on the Disposition after comprehensive consideration of the real estate market trends, earnings forecasts, changes in asset value, portfolio composition and other factors.

With the building age of 45.7 years as of today, by far the oldest property in the portfolio (average building age of the whole portfolio is 9.6 years as of today), maintaining the competitiveness has been one of the most important agenda for this operational asset (a student dormitory). Therefore we have completed earthquake proofing, renovation works for common space as well as on the individual rooms to maintain the competitiveness of the asset. But to maintain the medium to long-term profitability of the portfolio we have continued to contemplate on variety of options for the asset going forward such as, further equipment upgrades, repair works, reconstruction or disposal with a more efficient usage of cash in mind and effect on the operations. Under such background, with an expected disposal price of 30% above book value which will produce estimated expected capital gains of 857 million yen, expected NOI^(Note1) from the Acquisition mentioned earlier being more than the loss of NOI expected from the disposal and the prospect of rise in net income, we have concluded that this Replacement will contribute to raise the investor's value and reserve a sufficient amount of acquisition capacity.

(Note1) NOI (Net Operating Income) is calculated as follows,

NOI = Rental revenue (real estate) - Expenses from property leasing Rental expenses + Depreciation

2. Summary of the Disposition

(i) Summary of the Disposition

S-1 Tokyo Student-House Hiyoshidai

(1)	Asset to be disposed	Beneficiary interests in trust (please refer to (11) below for the disposition method)
(2)	Name of asset	Tokyo Student-House Hiyoshidai
(3)	Date of acquisition of asset	March 30, 2006 (date on which the asset was acquired by former investment corporation before the merger)
(4)	Proposed Disposition price	3,800,000,000yen (exclusive of the amount of reimbursement of the pro rata portion of the amount equivalent to real property tax and urban planning tax, as well as consumption tax and local consumption tax)
(5)	Appraisal value or estimated value	3,800,000,000 yen (as of July 31, 2014)
(6)	Book value(estimated)	2,953,347,704yen (as of October 31, 2014)
(7)	Difference between proposed disposition price and book value	846,652,296yen (difference between (4) and (6) above)
(8)	Agreement date	November 28, 2014
(9)	Scheduled delivery date	January 28, 2015
(10)	Buyer	Please refer to “4. Buyer Profile” below.
(11)	Disposition method	Disposition of the concerned beneficiary interests in trust to the buyer indicated in (10) above at the same time that the proceeds are paid on the Disposition Execution Date

(ii) Summary of the Asset to be Disposed

S-1 Tokyo Student-House Hiyoshidai

Name of asset	Tokyo Student-House Hiyoshidai	
Type of qualified asset	Beneficiary interests in trust	
Location	1-1, Minowacho, Kohoku-ku, Yokohama-shi, Kanagawa	
Land	Type of ownership	Proprietary ownership
	Zoning	Quasi-residential district Category 1 low-rise exclusive residential district
	Site area	4,706.63 m ²
	FAR / Building coverage ratio	200%/60%, 100%/50%
Building	Type of ownership	Proprietary ownership
	Use	Dormitory
	Total floor area	15,245.05 m ²
	Construction completion date	March 1969
	Structure	RC with flat roof ; 9F/B1F
	No. of leasable units	920 units

Estimated value	3,800 million yen (time of reference for the survey: July 31, 2014)	
Appraiser	Chuo Real Estate Appraisal Co., Ltd.	
Tenant details	Total no. of tenants (Note 1)	1
	Monthly rent (Note 2)	28,892 thousand yen
	Deposits, etc. (Note 3)	0 yen
	Total leasable floor area (Note 4)	8,552.00 m ²
	Total leased floor area (Note 4)	8,552.00 m ²
	Occupancy rate(based on floor area) (Note 4)	100.00%(Note 5)

(Note 1) “Total no. of tenants” indicates the number of tenants as 1 if there is a master lease agreement executed with the master lessee.

(Note 2) “Monthly rent” indicates, in principle, the total amount of monthly rent (inclusive of common service charges (except for properties with guaranteed amount of rent where common service charges are not fixed), but exclusive of the monthly usage fees for parking space, trunk room and other ancillary facilities) entered in lease contracts, executed as of October 31, 2014. The amount is rounded down to the nearest thousand yen. In addition, the amount is exclusive of consumption taxes.

(Note 3) When the master lease type is “pass-through”, “Deposits, etc.” in principle, is the sum of the October 31, 2014 balance of deposits, and guarantees of each end tenants based on lease contracts executed between master lessees or titleholders of the respective real estate and real estate in trust and end tenants as of October 31, 2014. The amount is rounded down to the nearest thousand yen. However, when there is a portion that need not be returned as a result of covenants on deductions from deposits, and non-refundable deposits, in the respective lease contracts, the portion is deducted from the amount.

(Note 4) “Total leasable floor area” and “Total leased floor area” and “Occupancy rate” indicate the figures as at October 31, 2014.

(Note 5) “Occupancy rate” is based on the formula: “Total leased floor area” ÷ “Total leasable floor area”. The percentage is rounded to one decimal place.

3. Financial Impact on ADR in the Event of Failure to Fulfill Forward Commitment or Similar Agreement

The trust beneficiary conveyance agreement for the to-be-acquired (hereafter, the “Conveyance Agreement”) constitute a forward commitment or similar agreement ^(Note) by ADR as stipulated in the “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.” by the Financial Services Agency.

In the event of a violation of the provisions of the Conveyance Agreements by ADR or the buyer, the other party shall have the right to terminate the Conveyance Agreement and claim an amount equivalent to 10% of the agreed purchase price of the property as penalty for the termination of the agreement.

Except where ADR is at fault, ADR is not obliged to pay the penalty.

(Note) Refers to a postdated purchase and sales agreement under which payment and property delivery shall be made at least 1 month after the conclusion of the agreement, or any other agreement similar thereof.

4. Buyer Profile

Trade name	G.K. Hiyoshi Properties
Head office location	3-1-1 Marunouchi, Chiyoda-ku, Tokyo, inside Tokyo kyodo Accounting Office
Representative	Managing partner General incorporated association North Port Administrator Shuji Fujita
Principal business	i) Acquisition, possession, disposal, leasing and management of real estate ii) Acquisition, possession and disposal of beneficiary rights for real estate in trust iii) All business incidental to the above
Capital	100 thousand yen
Date of the establishment	October 15, 2014
Total Assets	The buyer wishes not to disclose the Total Assets
Net Assets	The buyer wishes not to disclose the Net Assets
Relationship with ADR or its asset management company	ITOCHU Corporation is a Support line company of ADR that holds 66.0% of the total number of shares issued and outstanding of ADIM, will invest over 50% to G.K. Hiyoshi Properties.

5. Broker Profile

No party acted as a broker

6. Related-Party Transactions

The procedures required in accordance with the provisions of the asset management company's bylaws "Related-Party Transaction Rules" have been performed for the related-party transaction outlined in "4. Buyer Profile" above.

7. Future Outlook

The management performance forecasts is as described in the press release "Notice Concerning The Revision of Management Performance Forecast and Dividend for the Fiscal Period Ending January 2015 (the Ninth FP)" dated today.

<Attachments>

[Supplementary Materials]

- 1) Supplementary Material regarding the Replacement.
- 2) Status of Replacement of properties since the merger (as of today)

* 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>

[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 Material regarding the Replacement.

■ To-be-Disposed Asset

Property number	Property	Acquisition price	Building ages (Note1)	Actual NOI Yield (Note2)	Actual yield after depreciation (Note3)
S-1	Tokyo Student-House Hiyoshidai	¥3,420 million	45.9Years	9.6%	7.0%

(Note1) Building ages are calculated as of the scheduled disposition date and rounded at the second decimal point.

(Note2) Actual NOI Yield = Annualized actual NOI ÷ Acquisition price × 100

(Note3) Actual yield after depreciation = (Annualized actual NOI – Annualized actual Depreciation) ÷ Acquisition price × 100

■ To-be-Acquired Assets announced today

Property number	Property	Acquisition price	Building ages (Note4)	NOI Yield (Note5)	Yield after depreciation (Note6)
-	RESIDIA Nerima and other 12 properties	¥10,223 million	8.4Years	6.4%	5.0%

(Note4) Building ages are 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.

(Note5) The “NOI Yield” are calculated using the figures in the acquisition appraisal of to-be-Acquired Assets. The calculation are as follows; “Annualized NOI ÷ Acquisition price × 100”. The weighted average yields is calculated as follows; “Total annualized NOI ÷ Total acquisition price × 100”. The calculated yields are rounded at the second decimal point.

(Note6) The “Yield after depreciation” are calculated using the figures in the acquisition appraisal of to-be-Acquired Assets. The calculation is as follows; “(Annualized NOI - Depreciation) ÷ Acquisition price × 100”. The weighted average yields is calculated as follows; “(Total annualized NOI – Total Depreciation) ÷ Total acquisition price × 100”. Depreciation of to-be-Acquired Asset is calculated using same straight-line method as the portfolio as 145,978 thousand yen.

The calculated yields are rounded at the second decimal point.

(2) Status of Replacement of properties since the merger (as of today)

	Acquired assets (including the to-be-Acquired Assets)	Disposed assets (including the to-be-Acquired Asset)
Number of properties	85	37
Total acquisition price	¥126,814 million	¥42,808 million
Total deal value (a)	¥126,814 million	¥37,796 million
Appraisal (b)	¥136,450 million	¥40,590 million ^(note1)
Ratio (a) ÷ (b) × 100%	92.9%	93.1%
Weighted average NOI yield	6.1% ^(note2)	5.3% ^(note3)
Weighted average building age ^(Note 4)	4.7yrs.	12.7yrs.

(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 acquisition price × 100

(Note 3) Weighted average NOI yield of dispositions = Total annualized actual NOI ÷ Total historical acquisition price × 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	485	(20)	(25)	(54)	0	10	396
Tokyo 23 Wards Exclusive of Central 7 Wards	1,360	513	398	12	0	9	2,292
Tokyo Metropolitan Area	352	8	(72)	0	(748)	(1)	(461)
Major Regional Cities	1,704	964	263	55	0	0	2,986
Total	3,901	1,465	564	13	(748)	18	5,213

■ Status of the Portfolio After the Acquisition

Asset size (based on acquisition price)	429.9 billion yen
No. of properties	236 properties
No. of leasable units	19,449 units
Total leasable floor area	752,475 m ²

Area Diversification	Acquisition Price	Share of Investment
Total	429.9 billion yen	100.0 %
P (Tokyo Central 7 Wards)	185.4 billion yen	43.1 %
C (Tokyo 23 Wards Exclusive of Central 7 Wards)	123.6 billion yen	28.8 %
S (Tokyo Metropolitan Area)	40.6 billion yen	9.5 %
R (Major Regional Cities)	80.2 billion yen	18.7 %