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For Immediate Release

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Follow-up Summary of the Property Replacements

Because Advance Residence Investment Corporation (ADR) announced today its decision to additionally acquire nine properties in the press release titled “Notice Concerning Acquisition of Investment Assets (RESIDIA Minami-Shinagawa and 8 Other Properties),” ADR would like to give a follow-up on the press release titled “Summary of the Property Replacements” dated December 25, 2014. The follow-up in the attachment will comprehensively detail the significance and the expected effects on the performance of the fund from the series of replacement executed or announced during the fiscal period ending January 2015 (the asset replacements).

Please refer to the attachment “The Effect of the Property Replacements”.

ADR will announce management performance for fiscal period ending January 2015 and forecasts for fiscal period ending July 2015 and January 2016 after reviewing forecast assumptions in March 12, 2015, when announcing the results for the fiscal period result ending January 2015.

<Attachment>

- The Effect of the Property Replacements

* 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.

The Effect of the Property Replacements

January 29, 2015

Advance Residence Investment Corporation

Improvement in the quality of portfolio


	Acquisitions	Dispositions
Number of properties	34	6
Total acquisition price ^(Note 1)	35.8 bn yen	29.3 bn yen
NOI yield ^(Note 2)	5.7%	4.4%
Yield after depreciation ^(Note 3)	4.7%	3.5%
Unrealized profit and loss ^(Note 4)	Profit: 3.5 bn yen	Loss: 4.0 bn yen
Building Age ^(Note 5)	6.8 yrs	17.4 yrs

Announced Today

Replaced Assets

Property replacements
executed in FP Jan 2015


Acquisition : 25 Properties
Disposition : 6 Properties

 Refer to Page 2 for details

To-be-Acquired Assets

Properties to be acquired
in FP July 2015

Acquisition : 9 Properties

 Refer to Page 3 for details

Acquisition

25 Properties 22.2 billion yen ^(Note 1)

Recently Built and High yield profitability

Ex. RESIDIA Shin-Osaka



^(Note 6) Annualized NOI **1.32** bn yen

^(Note 2) NOI Yield **5.9** %

^(Note 5) Building Age **7.3** yrs

Disposition

6 Properties 29.3 billion yen ^(Note 1)

Aged or Relatively Low Yield

Ex. Tokyo Student-House Hiyoshidai



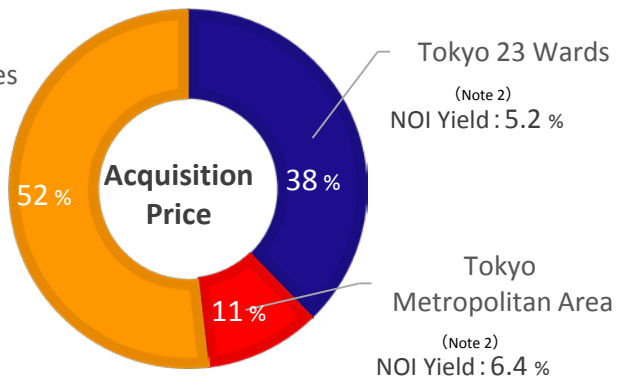
^(Note 6) Annualized NOI **1.24** bn yen

^(Note 2) NOI Yield **4.4** %

^(Note 5) Building Age **17.4** yrs

Major Regional Cities

^(Note 2) NOI Yield : 6.4 %



Disposed property	Building age ^(Note 5)	NOI Yield ^(Note 2)
Tokyo Student-House Hiyoshidai	45.9 yrs	11.0 %
RESIDIA Azabujuban	15.2 yrs	4.2 %
Motoazabu Place	14.0 yrs	3.2 %
RESIDIA TOWER Roppongi	8.9 yrs	3.6 %
RESIDIA Yoyogikoen	16.5 yrs	4.1 %
RESIDIA Daikanyama-Sarugakucho /Daikanyama Parkside Village	17.0 yrs	3.9 %

Avoiding Competition using Various Sources

- Sourcing properties from sponsors
- Utilizing Bridge Funds
- Utilizing ADR's own sourcing routes

Executed Dispositions

by taking advantage of the Active Market

Total Gains on Sales is estimated to be 692 million yen
(532 yen per unit)

Aiming to improve EPS managing Acquisition capacity

Appraisal LTV
after the Property Replacement
50.1%
(Note 7)

Acquisition Capacity
(Note 7) **28.3** bn yen

To-be-Acquired Assets
in FP July 2015


Candidate for Acquisition
In Future

Announced Today

Recently Built
and located in Tokyo 23 Wards

9 properties **13.6** (Note 1) bn yen

Ex. Chester Court Ochanomizu



(Note 6) Annualized NOI **0.7** bn yen
(Note 2) NOI Yield **5.2%**
(Note 5) Building age **6.0** yrs



Developed by ITOCHU Group Properties
(Note 8)

25 properties
mainly in Tokyo 23 wards

Direct Sourcing from Market

Information Rich Sourcing Networks

About 100 cases of property information every month

The Effect of the Property Replacements

Portfolio	As of July 31, 2014	Property Replacements in FP Jan 2015		As of Jan 31, 2015	To-be-acquired Assets	After the Property Replacement
		Acquisition	Disposition			
No. of properties	221	+ 25	- 6	= 240	+ 9	= 249 (+ 28)
Asset under management ^(Note 1)	417.6 bn yen	+ 22.2 bn yen	- 29.3 bn yen	= 410.5 bn yen	+ 13.6 bn yen	= 424.1 bn yen (+ 6.5 bn yen)
NOI Yield ^(Note 2)	5.6 %	+ 5.9 %	- 4.4 %	= 5.7 %	+ 5.2 %	= 5.7 % (+ 0.1pt)
Yield after depreciation ^(Note 3)	4.4 %	+ 4.8 %	- 3.5 %	= 4.5 %	+ 4.5 %	= 4.5 % (+ 0.1pt)
Unrealized profit and loss ^(Note 4)	35.2 bn yen	+ 2.3 bn yen (Profit)	- Δ 4.0 bn yen (Loss)	= 41.6 bn yen	+ 1.2 bn yen (Profit)	= 42.8 bn yen (+ 7.5 bn yen)
Building Age ^(Note 5)	9.4 yrs	+ 7.3 yrs	- 17.4 yrs	= 9.2 yrs	+ 6.0 yrs	= 9.3 yrs (Δ 0.1 yrs)

Other Key Performance Indicators	FP July 2014	FP Jan 2015 Revised Forecast		FP Jan 2015 (Estimate)	After the Property Replacement
		Acquired 16 Properties	Disposed 1 property		
NAV per unit ^(Note 4)	182,367 yen	183,081 yen	Acquired 9 Properties	187,236 yen	188,163 yen (+5,796 yen)
Appraisal LTV ^(Note 7)	50.1 %	51.3 %	Disposed 5 properties	48.7 %	50.1 % (-)
Earnings per unit	4,523 yen	5,100 yen *			
Dividend per unit	4,593 yen	5,130 yen *			

- Management performance for FP Jan 2015 will be announced in March 12, 2015.
- The management performance forecast for FP ending July 2015 remains unchanged from the published forecast because the effect of the property replacement will be small.
- An official forecast for FP ending July 2015 will be announced on March 12, 2015.

* Figures from the revised forecast announced on November 28, 2014 is listed in the FP Jan 2015 revised forecast for earnings per unit and dividend per unit. The figures should not constitute as cruising speed figures. Because the figures include one-off gains from sales. There has also been additional 18 property acquisitions and 5 property dispositions since the announcements of the forecast.

※Monetary amounts are rounded down. Other figures are rounded at the second decimal place.

- (Note 1) Based on the acquisition price. Disposition amount uses appraisal price of February 2010 for properties held by Nippon Residential Investment Corporation before the merger.
- (Note 2) NOI Yield for FP Jan 2015 and after the property replacements are calculated as;
(Total Annualized Actual NOI for FP July 2014 Portfolio + Total Annual NOI listed in the appraisal of the acquired (to-be-acquired) properties at the time of acquisition - Total FP July 2014 Annualized Actual NOI for the disposed properties) \div (Book value of the portfolio at the end of FP July 2014 + Total Acquisition price of the acquired (to-be-acquired) properties - Book value of the disposed properties at the end of FP July 2014)
- (Note 3) The yield after depreciation of the acquired (to-be-acquired) assets are calculated by dividing the total annualized appraisal NOI at acquisition *minus* depreciation, by the total acquisition price.
Depreciation of the to-be-acquired assets are estimated using same straight-line method as the portfolio.
The yield after depreciation for the disposed properties is calculated by dividing the total FP July 2014 annualized actual NOI *minus* FP July 2014 annualized depreciation, by the total July 2014 fiscal-end book value of the disposed properties.
The yield after depreciation for the existing portfolio at the end of July 2014 is calculated by dividing the total annualized actual NOI *minus* annualized actual depreciation by the total July 2014 fiscal-end book value.
The yield after depreciation for FP January 2015 and after the property replacements uses the same figures and calculated by the same method mentioned above, adjusted by adding the figures for the acquired (to-be-acquired) properties and subtracting the figures for the disposed properties.
- (Note 4) NAV per Unit = (FP end net asset + FP end unrealized gain or loss - dividend amount for the FP) \div FP end number of issued and outstanding units.
The unrealized gain or loss for the existing portfolio at the end of July 2014 is calculated as follows. (FP end appraisal value - FP end book value)
The unrealized gain or loss for the to-be-acquired asset from the end of July 2014 is calculated as follows. (appraisal value at acquisition – acquisition price)
There is unrealized profit if the figure is positive. There is unrealized loss if the figure is negative.
- (Note 5) The building age for the acquired (to-be-acquired) properties are as of the acquisition date. The building age for the disposed properties are as of the disposition date. The average building age is an acquisition price (historical acquisition price) weighted average.
FP July 2014 building age is the historical price weighted building age of the total portfolio at the end of the fiscal period.
FP January 2015 building age is the historical price weighted building age of the total portfolio at the end of the fiscal period.
The Building age after the property replacements is a historical acquisition price weighted average age of the buildings as of April 14, 2015.
- (Note 6) The NOI listed for the acquired properties is the total sum of annual NOI listed in the appraisal at acquisition. The NOI listed for the disposed properties is the sum of the annualized actual NOI for FP July 2014.
- (Note 7) Appraisal LTV = (Outstanding amount of loans at the fiscal period end + Outstanding amount of bonds) \div Total appraisal value
Acquisition capacity is a maximum of asset that ADR can acquire at Appraisal LTV of 53%, using only debts. 53% is the upper limit of the guideline LTV of upper 40% to 53% which ADR would like to maintain for the time being.
- (Note 8) “Itochu Group development properties” are rental apartment property under development by Itochu Corporation and Itochu Property Development Ltd. as of this publication date. ADR is under no obligation to acquire the properties.

■ Press Release related to the Property Replacement

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|---|--------------------------|
| (1) Notice Concerning Acquisition of Investment Asset (RESIDIA Shin-Osaka) | announced on Apr.25 2014 |
| (2) Notice Concerning Acquisition of Investment Asset <<RESIDIA Machiya>> | announced on Sep.24 2014 |
| (3) Notice Concerning Acquisition of Investment Asset <<RESIDIA Ueno-Ikenohata>> | announced on Nov.7 2014 |
| (4) Notice Concerning Acquisition of Investment Assets <<RESIDIA Nerima and 12 other properties>> | announced on Nov.28 2014 |
| (5) Notice Concerning Acquisition of Investment Assets <<RESIDIA Takanawa-Katsurazaka and 8 other properties>> | announced on Dec.15 2014 |
| (6) Notice Concerning Acquisition of Investment Assets <<RESIDIA Minami-Shinagawa and 8 other properties>> | announced on Jan.29 2015 |
| (7) Notice Concerning Disposition of Investment Asset <<Tokyo Student-House Hiyoshidai>> | announced on Nov.28 2014 |
| (8) Notice Concerning Disposition of Investment Assets<<Motoazabu Place and 4 other properties>> | announced on Dec.25 2014 |
| (9) Notice Concerning The Revision of Management Performance Forecast and Dividend for the Fiscal Period Ending January 2015 (the Ninth FP) | announced on Nov.28 2014 |
| (10) Notice Concerning Early Repayment of Loans | announced on Dec.25 2014 |

- * This material contain forward looking statements on future operating results, plans, business objectives and strategies of the company.
- * Forward looking statements provide current expectations of future events based on number assumptions and include statement that do not directly relate to any historical or current facts. Forward looking statements are not guarantees of future performance and the company's actual results may differ significantly from the results discussed in the forward--looking statements.
- * This material is based on Japanese GAAP unless otherwise stated.
- * This material was not created for the purpose of soliciting investment in the company. Investments should be based on your own judgment and responsibility.