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**For Immediate Release**

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**Notice Concerning Acquisition of Investment Assets**  
**<<RESIDIA Nakanobu II and 3 other properties>>**

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 assets (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.

No.	Property number	Names of assets to-be-acquired	Type of asset	Proposed acquisition price (Note 1)
(1)	P-108	RESIDIA Nakanobu II	Beneficiary interests in trust (planned) <sup>(Note 2)</sup>	¥ 917 million
(2)	P-109	RESIDIA Ochanomizu II	Beneficiary interests in trust (planned) <sup>(Note 2)</sup>	¥ 821 million
(3)	C-84	RESIDIA Bunkyo-Hongo III	Beneficiary interests in trust (planned) <sup>(Note 2)</sup>	¥ 1,655 million
(4)	C-85	RESIDIA Shin-Okachimachi II	Beneficiary interests in trust (planned) <sup>(Note 2)</sup>	¥ 4,650 million
Total of 4 properties				¥ 8,043 million

(Note 1) “Proposed acquisition price” indicates the purchase price for the property entered in the trust beneficiary interests disposition contract, which is exclusive of the various expenses required in the acquisition of the concerned properties (taxes and public dues, etc.)

(Note 2) The assets to-be-acquired are scheduled to be placed in trust upon the acquisition by ADR.

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 the Tokyo 23 Wards, and have a yield that will contribute in improving the existing ADR's portfolio yield, because supply of newly developed rental residential properties has not been enough to alleviate the shortage.

Under such an environment, ADR has succeeded in acquiring the properties which were constructed by ADR's sponsor ITOCHU Corporation and located in the investment area category of "Tokyo 23 Wards." <sup>(Note 3)</sup>. The average age of the assets to-be-acquired is 1.3 year <sup>(Note 4)</sup> much younger than that of the existing properties in the portfolio at 10.1 year <sup>(Note 4)</sup>, we believe that the acquisition will benefit unitholders' value.

(Note3) The yield after depreciation of the assets to-be-acquired is 4.0% calculated by dividing the total annualized appraisal NOI at acquisition minus total depreciation, by the total acquisition price. Depreciation of the assets to-be-acquired is estimated to be 55,343 thousand yen per annum calculated using same straight-line method as the portfolio and certain assumptions. The yield after depreciation for the existing portfolio in Tokyo 23 Wards at the end of July 2015 is 4.2% 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.

(Note4) Building ages of the assets to-be-acquired are calculated based on the scheduled acquisition dates. The average building age of the existing portfolio is calculated based on the date of this disclosure. Both ages are rounded at the second decimal point.

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

No.	Property Names	Attributes of properties
(1)	RESIDIA Nakanobu II	It is a 1-minute walk from the property to Toei Asakusa Line Nakanobu Station, 2-minute walk to Tokyu Oimachi Line Nakanobu Station and 6-minute walk to Tokyu Ikegami line Ebara-Nakanobu Station giving tenants good access to Shinagawa Station which is a terminal station as well as a commercial and a business center. The location is convenient with shopping district and other facilities such as convenient stores within walking distance. Demand can be expected from single professionals commuting to business centers.
(2)	RESIDIA Ochanomizu II	It is a 5-minute walk from the property to Tokyo Metro Ginza Line Suehirocho Station, and by transferring at Nihonbashi Station to Tokyo Metro Tozai Line it is 10 minutes to Otemachi Station giving tenants good access to major business center. There are many convenient facilities such as convenience stores, restaurants and household goods stores within walking distance. Demand can be expected from singles and DINKs commuting to business centers.
(3)	RESIDIA Bunkyo-Hongo III	It is a 5-minute walk from the property to Tokyo Metro Marunouchi Line and Toei Oedo Line Hongo-Sanchome Station, 7-minute walk to JR Chuo Line Ochanomizu Station. It is 5-minutes by train from the nearest station to Otemachi Station, giving tenants good access to the major business center. In addition to the convenience store located on the 1 <sup>st</sup> floor, there are many convenient facilities such as restaurants, supermarkets, banks and hospitals within walking distance. Demand can be expected from singles and DINKs commuting to business centers.
(4)	RESIDIA Shin-Okachimachi II	It is a 3-minute walk from the property to Toei Oedo Line Shin-Okachimachi Station. From the station, it is 15-minute to Tokyo Station by transferring to JR Keihin-Tohoku Line at Akihabara Station giving tenants good access to major business centers. In addition to the supermarket located on 1 <sup>st</sup> to 3 <sup>rd</sup> floors, the location is convenient with shopping district and other facilities such as convenient stores within walking distance. Demand can be expected from singles and DINKs commuting to business centers.

## 2. Acquisition Summary

No.	(1)	(2)
Name of property	RESIDIA Nakanobu II	RESIDIA Ochanomizu II
Asset to be acquired	Beneficiary interests in trust (planned)	Beneficiary interests in trust (planned)
Proposed acquisition price	¥ 917 million	¥ 821 million
Real estate appraised value	¥ 980 million	¥ 885 million
Current titleholder	ITOCHU Corporation	ITOCHU Corporation
Previous titleholder	–	–
Scheduled agreement date	February 22, 2016	February 22, 2016
Scheduled acquisition date	April 14, 2016	April 14, 2016
Acquisition financing	Funds procured by borrowing <sup>(Note 5)</sup> or cash on hand (planned)	Funds procured by borrowing <sup>(Note 5)</sup> or cash on hand (planned)
Payment method	Pay entire amount upon delivery	Pay entire amount upon delivery
Collateral	Not Scheduled	Not Scheduled

No.	(3)	(4)
Name of property	RESIDIA Bunkyo-Hongo III	RESIDIA Shin-Okachimachi II
Asset to be acquired	Beneficiary interests in trust (planned)	Beneficiary interests in trust (planned)
Proposed acquisition price	¥ 1,655 million	¥ 4,650 million
Real estate appraised value	¥ 1,740 million	¥ 4,980 million
Current titleholder	ITOCHU Corporation	ITOCHU Corporation
Previous titleholder	–	NTT Urban Development Corporation
Scheduled agreement date	February 22, 2016	February 22, 2016
Scheduled acquisition date	March 24, 2016	March 24, 2016
Acquisition financing	Funds procured by borrowing <sup>(Note 5)</sup> or cash on hand (planned)	Funds procured by borrowing <sup>(Note 5)</sup> or cash on hand (planned)
Payment method	Pay entire amount upon delivery	Pay entire amount upon delivery
Collateral	Not Scheduled	Not Scheduled

(Note5) Details on borrowings will be disclosed when finalized.

### 3. Summary of the Assets to-be-acquired

No.	(1)	(2)
Property number	P-108	P-109
Name of the assets to-be-acquired	RESIDIA Nakanobu II	RESIDIA Ochanomizu II
Address	2-9-6 Higashi-Nakanobu, Shinagawa-ku, Tokyo	2-9-5 Soto-Kanda, Chiyoda-ku, Tokyo

Land		
Type of ownership	Proprietary ownership	Proprietary ownership
Site area	305.47 m <sup>2</sup> *	178.57 m <sup>2</sup>
Zoning	Commercial zone	Commercial zone
FAR / Building coverage ratio	400% / 80%	600% / 80%, 500% / 80%

\*including private road burden (approx. 23 m<sup>2</sup>)  
and private road setback (approx. 12 m<sup>2</sup>)

Building		
Type of ownership	Proprietary ownership	Proprietary ownership
Total floor area	1,190.48 m <sup>2</sup>	1,046.14 m <sup>2</sup>
Structure / Floors	RC with flat roof, 13F	RC with flat roof, 10F
Use	Apartment	Apartment
Construction completion date	April, 2014	March 2015
Confirmation inspection agency	CENTER OF INTERNATIONAL ARCHITECTURAL STANDARD	JAPAN ERI CO.,LTD.
Building architect	KYORITSU CONSTRUCTION CO.,LTD.	GODA KOUMUTEN CO.,LTD.
Structural architect	KYORITSU CONSTRUCTION CO.,LTD. Sheep Structural Engineering Laboratory Co.Ltd.	CROSS Factory
Construction contractor	KYORITSU CONSTRUCTION CO.,LTD.	GODA KOUMUTEN CO.,LTD.

Trustee	Sumitomo Mitsui Trust Bank, Limited (Planned)	Sumitomo Mitsui Trust Bank, Limited (Planned)
Contract Term	April 14, 2016 to April 30, 2026	April 14, 2016 to April 30, 2026
Property Manager	ITOCHU Urban Community Ltd.	ITOCHU Urban Community Ltd.
Master lessee	ITOCHU Urban Community Ltd.	ITOCHU Urban Community Ltd.
Master Lease type	Pass-through	Pass-through

Summary of Building Conditions Survey Report		
Surveyor	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Tokio Marine & Nichido Risk Consulting Co., Ltd.
Survey date	November 18, 2015	November 20, 2015
Emergency repair costs	-	-
Short-term repair costs (within 1 year)	-	-
Long-term repair costs (next 12 years)	¥ 10,334 thousand	¥ 8,488 thousand
Building replacement price	¥ 257,000 thousand	¥ 220,000 thousand

Earthquake PML	3.9%	4.1%
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Lease Conditions		
Point in time	as of January 31, 2016	as of January 31, 2016
Total Tenants	1	1
Leasable units	44	28
Leased units	40	27
Leasable floor area	1,006.02 m <sup>2</sup>	932.90 m <sup>2</sup>
Leased floor area	902.99 m <sup>2</sup>	906.79 m <sup>2</sup>
Occupancy rate (based on floor area)	89.8%	97.2%
Monthly rent (including common service charges)	¥ 4,020 thousand	¥ 3,922 thousand
Deposits, guarantees, etc.	¥ 3,731 thousand	¥ 3,688 thousand

Breakdown of residential unit type		
Single	40	19
Compact	4	5
Family	-	4
Large/Dormitory/Other	-	-

Special Notation		
	Part of the land (approx. 54 m <sup>2</sup> ) is within the boundary of city planning zone for future road (Radial Route No.1, planned width 30m). The road development is not decided yet and there are no details on when the development will start nor how much of the property will be expropriated. As such, there are possibilities that the building will become non-compliant with the building code due to future expropriation when the development actually starts.	Part of the land's surface right is held by Tokyo Metro Co., Ltd. for the purpose of laying a subway line.

No.	(3)	(4)
Property number	C-84	C-85
Name of the assets to-be-acquired	RESIDIA Bunkyo-Hongo III	RESIDIA Shin-Okachimachi II
Address	3-5-8 Hongo, Bunkyo-ku, Tokyo	2-8-7 Kojima, Taito-ku, Tokyo

Land		
Type of ownership	Proprietary ownership	Proprietary ownership
Site area	294.64 m <sup>2</sup>	1,104.15 m <sup>2</sup>
Zoning	Commercial zone	Commercial zone
FAR / Building coverage ratio	600% / 80%	600% / 80%

Building		
Type of ownership	Proprietary ownership	Proprietary ownership
Total floor area	2,025.09 m <sup>2</sup>	6,843.89 m <sup>2</sup>
Structure / Floors	RC with flat roof, 13F	RC with flat roof, B1F/12F
Use	Apartment	Apartment, Store
Construction completion date	July, 2014	March 2015
Confirmation inspection agency	Japan Constructive Inspect Association	JAPAN ERI CO.,LTD.
Building architect	KOKUNE Corporation	MATSUO CONSTRUCTION CO.,LTD.
Structural architect	KOKUNE Corporation	K.K. Kanda Tetsuyochi Architectural Office
Construction contractor	KOKUNE Corporation	MATSUO CONSTRUCTION CO.,LTD.

Trustee	Sumitomo Mitsui Trust Bank, Limited (Planned)	Mitsubishi UFJ Trust and Banking Corporation (Planned)
Contract Term	March 24, 2016 to March 31, 2026	March 24, 2016 to March 31, 2026
Property Manager	ITOCHU Urban Community Ltd.	ITOCHU Urban Community Ltd.
Master lessee	ITOCHU Urban Community Ltd.	ITOCHU Urban Community Ltd.
Master Lease type	Pass-through	Pass-through

Summary of Building Conditions Survey Report		
Surveyor	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Tokio Marine & Nichido Risk Consulting Co., Ltd.
Survey date	November 18, 2015	November 20, 2015
Emergency repair costs	-	-
Short-term repair costs (within 1 year)	-	-
Long-term repair costs (next 12 years)	¥ 18,471 thousand	¥ 39,623 thousand
Building replacement price	¥ 417,000 thousand	¥ 1,420,000 thousand

Earthquake PML	4.7%	1.9%
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Lease Conditions		
Point in time	as of January 31, 2016	as of January 31, 2016
Total Tenants	1	1
Leasable units	48 (Store 1 unit included)	100 (Store 1 unit included)
Leased units	47	95
Leasable floor area	1,631.73 m <sup>2</sup>	5,392.13 m <sup>2</sup>
Leased floor area	1,591.26 m <sup>2</sup>	5,249.29 m <sup>2</sup>
Occupancy rate (based on floor area)	97.5%	97.4%
Monthly rent (including common service charges)	¥ 7,738 thousand	¥ 20,829 thousand
Deposits, guarantees, etc.	¥ 15,935 thousand	¥ 119,758 thousand

Breakdown of residential unit type		
Single	26	65
Compact	21	22
Family	-	12
Large	-	-
Dormitory	-	-
Other	1	1

Special Notation		
	None	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. Appraisal Report Summary

(1) P-108 RESIDIA Nakanobu II

as of December 1, 2015

Real estate appraiser	Japan Real Estate Institute	Real estate appraisal value	¥ 980 million
Appraisal item		Appraised value (¥'000)	Basis
Income capitalization approach value		980,000	Income capitalization approach value was appraised using both DCF method and direct capitalization method.
	Direct capitalization price	995,000	
	Total potential profit	57,771	
	Rent income	55,226	Estimation of mid to long-term stabilized rent from leasable units and parking spaces.
	Other income	2,545	Income from key money and renewal fee.
	Total effective profit	54,986	
	Losses from vacancies, etc.	2,785	Estimated mid to long-term stabilized vacancy rate by referring to that of comparable properties.
	Bad debts losses	0	Taking in to account of current tenants' conditions, no losses were assumed.
	Expenses from rental business	10,690	
	Maintenance and management fees	2,300	Estimated using historical figures, planned expenses, referring to costs of comparable properties and adjusting for specific characteristics of the property.
	Utilities costs	670	Estimated using historical figure, referring to costs of comparable properties and adjusting for specific characteristics of the property.
	Management commission fees	1,051	Estimated by referring to the planned contract terms, PM fees on comparable properties and adjusting for specific characteristics of the property.
	Taxes and public dues	3,160	Estimated using 2015 tax base.
	Non-life insurance premiums	59	Estimated by referring to premium quotation and premiums for comparable properties.
	Leasing expenses	2,669	Administration fees for tenant recruitments, contract signings and contract renewals are estimated by referring to the schedule contract terms and that of comparable properties. Half of monthly rent is assumed as leasing fee rate. Historical figures are used to estimate advertising expense. Half of Renewal fee income is assumed as renewal fee rate. The total leasing expense is estimated using the above figures adjusted by annual average tenant replacement rate and occupancy rate.
	Repair costs	702	Restoration costs are estimated by referring to average cost per unit. Repair costs are estimated using historical figures, costs at comparable properties and annual average repair and restoration expenses listed in the engineering report,.
	Other expenses	79	Accounted neighborhood association fees.
	Net Operating Income	44,296	
	Operating profit from deposits	80	Assumed 2% per annum yield on deposits.
	Capital expenditures	603	Estimated by referring to the level of capital expenditures in comparable properties, age of the building and annual average of restoration expense listed on the engineering report.
	Net Cash Flow	43,773	
Cap rate	4.4%	Estimated by adding an yield spread appropriate to the locality and the specific feature of the property and referring to yields of comparable properties.	
DCF Price		965,000	
	Discount rate	4.2%	Estimated by referring to yields of comparable properties and comprehensively taking account of the specific characteristics of the property.
	Terminal cap rate	4.6%	Estimated by comprehensively taking in to account of future changes in investment yield, investment risk analysis of the property, general forecast economic growth and real estate price and rent trends.
Cost approach value		930,000	
	Land ratio	72.1%	
	Building ratio	27.9%	
Other matters of consideration			
None			

Real estate appraiser	Japan Real Estate Institute		Real estate appraisal value	¥ 885 million
Appraisal item			Appraised value (¥'000)	Basis
Income capitalization approach value			885,000	Income capitalization approach value was appraised using both DCF method and direct capitalization method.
	Direct capitalization price		897,000	
	Total potential profit		50,245	
	Rent income		48,348	Estimation of mid to long-term stabilized rent from leasable units.
	Other income		1,897	Income from key money and renewal fee.
	Total effective profit		48,235	
	Losses from vacancies, etc.		2,010	Estimated mid to long-term stabilized vacancy rate by referring to that of comparable properties.
	Bad debts losses		0	Taking in to account of current tenants' conditions, no losses were assumed.
	Expenses from rental business		8,333	
	Maintenance and management fees		1,988	Estimated using historical figures, planned expenses, referring to costs of comparable properties and adjusting for specific characteristics of the property.
	Utilities costs		550	Estimated using historical figure, referring to costs of comparable properties and adjusting for specific characteristics of the property.
	Management commission fees		928	Estimated by referring to the planned contract terms, PM fees on comparable properties and adjusting for specific characteristics of the property.
	Taxes and public dues		2,209	Estimated fixed asset and city planning tax using 2015 tax base. Estimated depreciable asset tax from presented material.
	Non-life insurance premiums		51	Estimated by referring to premium quotation and premiums for comparable properties.
	Leasing expenses		2,053	Administration fees for tenant recruitments, contract signings and contract renewals are estimated by referring to the schedule contract terms and that of comparable properties. Half of monthly rent is assumed as leasing fee rate. Historical figures are used to estimate advertising expense. Half of Renewal fee income is assumed as renewal fee rate. The total leasing expense is estimated using the above figures adjusted by annual average tenant replacement rate and occupancy rate.
	Repair costs		494	Restoration costs are estimated by referring to average cost per unit. Repair costs are estimated using historical figures, costs at comparable properties and annual average repair and restoration expenses listed in the engineering report,.
	Other expenses		60	Accounted neighborhood association fees.
	Net Operating Income		39,902	
	Operating profit from deposits		73	Assumed 2% per annum yield on deposits.
	Capital expenditures		495	Estimated by referring to the level of capital expenditures in comparable properties, age of the building and annual average of restoration expense listed on the engineering report.
	Net Cash Flow		39,480	
Cap rate		4.4%	Estimated by adding an yield spread appropriate to the locality and the specific feature of the property and referring to yields of comparable properties.	
DCF Price		873,000		
Discount rate		4.2%	Estimated by referring to yields of comparable properties and comprehensively taking account of the specific characteristics of the property.	
Terminal cap rate		4.6%	Estimated by comprehensively taking in to account of future changes in investment yield, investment risk analysis of the property, general forecast economic growth and real estate price and rent trends.	
Cost approach value			840,000	
Land ratio			71.1%	
Building ratio			28.9%	
Other matters of consideration				
None				

Real estate appraiser	Japan Real Estate Institute		Real estate appraisal value	¥ 1,740 million
Appraisal item			Appraised value (¥'000)	Basis
Income capitalization approach value			1,740,000	Income capitalization approach value was appraised using both DCF method and direct capitalization method.
	Direct capitalization price		1,760,000	
	Total potential profit		98,745	
	Rent income	95,619	Estimation of mid to long-term stabilized rent from leasable units and parking spaces.	
	Other income	3,126	Income from key money and renewal fee.	
	Total effective profit		94,491	
	Losses from vacancies, etc.	4,254	Estimated mid to long-term stabilized vacancy rate by referring to that of comparable properties.	
	Bad debts losses	0	Taking in to account of current tenants' conditions, no losses were assumed.	
	Expenses from rental business		16,111	
	Maintenance and management fees	3,703	Estimated using historical figures, planned expenses, referring to costs of comparable properties and adjusting for specific characteristics of the property.	
	Utilities costs	850	Estimated using historical figure, referring to costs of comparable properties and adjusting for specific characteristics of the property.	
	Management commission fees	1,688	Estimated by referring to the planned contract terms, PM fees on comparable properties and adjusting for specific characteristics of the property.	
	Taxes and public dues	5,134	Estimated using 2015 tax base.	
	Non-life insurance premiums	93	Estimated by referring to premium quotation and premiums for comparable properties.	
	Leasing expenses	3,384	Administration fees for tenant recruitments, contract signings and contract renewals are estimated by referring to the schedule contract terms and that of comparable properties. Half of monthly rent is assumed as leasing fee rate. Historical figures are used to estimate advertising expense. Half of Renewal fee income is assumed as renewal fee rate. The total leasing expense is estimated using the above figures adjusted by annual average tenant replacement rate and occupancy rate.	
	Repair costs	1,146	Restoration costs are estimated by referring to average cost per unit. Repair costs are estimated using historical figures, costs at comparable properties and annual average repair and restoration expenses listed in the engineering report,.	
	Other expenses	113	Accounted neighborhood association fees.	
	Net Operating Income		78,380	
	Operating profit from deposits		311	Assumed 2% per annum yield on deposits.
	Capital expenditures		1,077	Estimated by referring to the level of capital expenditures in comparable properties, age of the building and annual average of restoration expense listed on the engineering report.
Net Cash Flow		77,614		
Cap rate		4.4%	Estimated by adding an yield spread appropriate to the locality and the specific feature of the property and referring to yields of comparable properties.	
DCF Price			1,720,000	
	Discount rate		4.2%	Estimated by referring to yields of comparable properties and comprehensively taking account of the specific characteristics of the property.
	Terminal cap rate		4.6%	Estimated by comprehensively taking in to account of future changes in investment yield, investment risk analysis of the property, general forecast economic growth and real estate price and rent trends.
Cost approach value			1,680,000	
	Land ratio		72.7%	
	Building ratio		27.3%	
Other matters of consideration				
None				



Real estate appraiser	Japan Real Estate Institute	Real estate appraisal value	¥ 4,980 million
Appraisal item		Appraised value (¥'000)	Basis
Income capitalization approach value		4,980,000	Income capitalization approach value was appraised using both DCF method and direct capitalization method.
Direct capitalization price	Total potential profit	5,030,000	
	Rent income	290,791	
	Other income	264,040	Estimation of mid to long-term stabilized rent from leasable units and parking spaces.
		26,751	Income from key money and renewal fee.
	Total effective profit	277,758	
	Losses from vacancies, etc.	13,033	Estimated mid to long-term stabilized vacancy rate by referring to that of comparable properties.
	Bad debts losses	0	Taking in to account of current tenants' conditions, no losses were assumed.
	Expenses from rental business	61,609	
	Maintenance and management fees	5,083	Estimated using historical figures, planned expenses, referring to costs of comparable properties and adjusting for specific characteristics of the property.
	Utilities costs	25,700	Estimated using historical figure, referring to costs of comparable properties and adjusting for specific characteristics of the property.
	Management commission fees	3,977	Estimated by referring to the planned contract terms, PM fees on comparable properties and adjusting for specific characteristics of the property.
	Taxes and public dues	16,516	Estimated fixed asset and city planning tax using 2015 tax base. Estimated depreciable asset tax from presented material.
	Non-life insurance premiums	327	Estimated by referring to premium quotation and premiums for comparable properties.
	Leasing expenses	7,792	Administration fees for tenant recruitments, contract signings and contract renewals are estimated by referring to the schedule contract terms and that of comparable properties. Half of monthly rent is assumed as leasing fee rate. Historical figures are used to estimate advertising expense. Half of Renewal fee income is assumed as renewal fee rate. The total leasing expense is estimated using the above figures adjusted by annual average tenant replacement rate and occupancy rate.
	Repair costs	1,950	Restoration costs are estimated by referring to average cost per unit. Repair costs are estimated using historical figures, costs at comparable properties and annual average repair and restoration expenses listed in the engineering report.,.
	Other expenses	264	Accounted neighborhood association fees.
	Net Operating Income		216,149
Operating profit from deposits		2,329	Assumed 2% per annum yield on deposits.
Capital expenditures		2,311	Estimated by referring to the level of capital expenditures in comparable properties, age of the building and annual average of restoration expense listed on the engineering report.
Net Cash Flow		216,167	
Cap rate		4.3%	Estimated by adding an yield spread appropriate to the locality and the specific feature of the property and referring to yields of comparable properties.
DCF Price		4,920,000	
Discount rate		4.1%	Estimated by referring to yields of comparable properties and comprehensively taking account of the specific characteristics of the property.
	Terminal cap rate	4.5%	Estimated by comprehensively taking in to account of future changes in investment yield, investment risk analysis of the property, general forecast economic growth and real estate price and rent trends.
Cost approach value		4,490,000	
Land ratio		65.4%	
Building ratio		34.6%	
Other matters of consideration			
None			

## 5. Financial Impact on ADR in the Event of Failure to Fulfill Forward Commitments or Similar Agreements

The trust beneficiary conveyance agreement for the assets to-be-acquired (hereafter, the “Conveyance Agreements”) constitutes a forward commitment or similar agreement<sup>(Note6)</sup> by an investment corporation 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 seller, the counterparty shall have the right to terminate the Conveyance Agreement and claim an amount equivalent to 20% of the purchase price of the property as penalty for the agreement termination.

However, under the Conveyance Agreement there is a condition precedent whereby ADR is obliged to procure funds for acquiring the assets to-be-acquired. Therefore, if ADR fails procure the acquisition fund the Conveyance Agreement will be cancelled determinably or can be terminated by ADR notifying the seller. Other than where ADR is liable, ADR is not obliged to pay the penalty upon the cancellation or termination of the Conveyance Agreement.

(Note6) 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.

## 6. Seller Profile

Trade name	ITOCHU Corporation
Head office location	3-1-3 Umeda, Kita-ku, Osaka-shi, Osaka
Representative	Masahiro Okafuji, President and Chief Executive Officer
Principal business	Wholesale, etc.
Capital	253,448 million yen
Date of the establishment	December 1, 1949
Total Assets	9,234,679 million yen (As of December 2015)
Net Assets	2,515,005 million yen (As of December 2015)
Large shareholder	Japan Trustee Services Bank, Ltd (Tr.Acc.) (As of September 30,2015)
Relationship with ADR or ADIM	
Equity relations	As of July 2015, the seller held 2.7% of the outstanding investment units of ADR. It is also a shareholder of ADIM and thus constitutes an interested party under <i>The Act on Investment Trusts and Investment Corporations</i> .
Personal relations	As of July 2015, there are two ADIM personnel that are seconded from the seller.
Business relations	Amount of assets dealt during the fiscal period ending July 2015 is as below. Purchase 4,547 million yen / Sale 0 yen
Related parties status	The seller is a parent company of ADIM as such it falls under the category of a related party of ADIM.

## 7. Property Titleholders (for transactions with parties with special relations)

- (1) P-108 RESIDIA Nakanobu II
- (2) P-109 RESIDIA Ochanomizu II
- (3) C-84 RESIDIA Bunkyo-Hongo III

Property titleholders		Current titleholder	Previous titleholder
	Name of company/individual	ITOCHU Corporation	-
	Relationship with party having particular vested interest	A related party as defined in the ADIM's bylaws	-
	Acquisition background, reason, etc.	To develop rental housing	-
	Acquisition price	-	-
	Delivery timing	-	-

### (4) C-85 RESIDIA Shin-Okachimachi II

Property titleholders		Current titleholder	Previous titleholder
	Name of company/individual	ITOCHU Corporation	Land: NTT Urban Development Corporation
	Relationship with party having particular vested interest	A related party as defined in the ADIM's bylaws	-
	Acquisition background, reason, etc.	Building: To develop rental housing	To develop rental housing
	Acquisition price	Not disclosed. Consent to disclose was not obtainable from previous titleholder.	-
	Delivery timing	Land: March 24, 2016 (planned)	-

\* The property was co-developed by ITOCHU Corporation and NTT Urban Development Corporation with an intent to sell the land and building as one upon completion.

\* No cost related to transactions between the current titleholder and the previous titleholder have been borne by ADR.

## 8. Disclosures on ADIM's Vested Interest in the Assets to-be-acquired

- (1) Upon transacting with parties with vested interest, who are listed in the above section, "Property Titleholders (for transactions with parties with special relations)," transaction approval procedures stipulated in ADIM's bylaws on "Rules Regarding Related Party Transactions" have been performed.
- (2) ADR is scheduled to sign a master lease agreement and delegate property management services regarding the assets to-be-acquired, to ITOCHU Urban Community Ltd. (IUC). IUC is a related party of ADIM. Accordingly, the procedures required in accordance with the bylaws are scheduled to be completed in concluding the building lease and management agreement with IUC.

## 9. Matters Concerning Earthquake Resistance

Of the assets to-be-acquired have received notice of structural calculation conformity from the designated institution for the determination of structural calculation conformity based on the revisions to the Building Standards Law enforced in June 2007.

## 10. Broker Profile

ADR did not utilize a broker for the acquisition.

## 11. Future Outlook

The effect on the management performance forecast ending January 2016 and that ending July 2016 announced on September 8, 2015 will be negligible. Therefore the forecast remains unchanged.

### <Attachments>

#### [Supplementary Materials]

1. Supplementary Materials on Assets To-Be-Acquired
2. Replacement of Properties Since the Merger to Date  
("Since the Merger" means since March 1, 2010, hereafter)

#### [Reference Materials]

1. Photos of the Assets To-Be-Acquired
2. Maps of the Assets To-Be-Acquired

\* 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 on Assets To-Be-Acquired

No.	Property	Proposed acquisition price	Building age (Note1)	NOI Yield (Note2)	Yield after depreciation (Note3)
(1)	RESIDIA Nakanobu II	¥ 917 million	2.0 year	4.8%	4.2%
(2)	RESIDIA Ochanomizu II	¥ 821 million	1.1 year	4.9%	4.2%
(3)	RESIDIA Bunkyo-Hongo III	¥ 1,655 million	1.7 year	4.7%	4.1%
(4)	RESIDIA Shin-Okachimachi II	¥ 4,650 million	1.1 year	4.6%	3.9%
Total or weighted average		¥ 8,043 million	1.3 year	4.7%	4.0%

(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 assets to-be-acquired. 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 assets to-be-acquired. 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 assets to-be-acquired is calculated using same straight-line method as the portfolio and expect depreciation of 55,343 thousand yen per annum.

## (2) Replacements of Properties Since the Merger to Date

### Summary of Replacements of Properties Since the Merger to Date

	Acquired assets (including the assets to-be-acquired)	Disposed assets
Number of properties	109	42
Total historical acquisition price	¥156,676 million	¥68,725 million
Total transaction value (a)	¥156,676 million	¥63,356 million
Appraisal (b)	¥168,760 million	¥61,122 million <sup>(note 1)</sup>
Ratio (a) ÷ (b) × 100%	92.8%	103.7%
Weighted average NOI yield	5.9% <sup>(note 2)</sup>	4.6% <sup>(note 3)</sup>
Weighted average building age <sup>(Note 4)</sup>	4.8 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	813	5	-37	-170	0	-2	609
Tokyo 23 Wards Exclusive of Central 7 Wards	1,725	704	430	13	0	12	2,884
Tokyo 23 Wards	2,538	709	393	-157	0	10	3,493
Tokyo Metropolitan Area	398	10	-72	0	-748	1	-411
Major Regional Cities	1,809	1,006	263	55	0	0	3,133
Other Regions	2,207	1,016	191	55	-748	1	2,722
Total	4,745	1,725	584	-102	-748	11	6,215

### Status of the Portfolio After the Replacements (including the assets to-be-acquired)

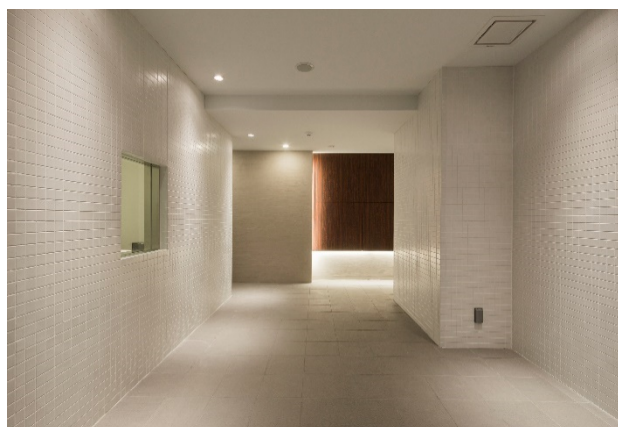
Asset size (based on acquisition price)	433.8 billion yen
No. of properties	255 properties
No. of leasable units	20,451 units
Total leasable floor area	769,415.93 m <sup>2</sup>

Area Diversification	Acquisition Price	Share of Investment
P (Tokyo Central 7 Wards)	170.8 billion yen	39.4 %
C (Tokyo 23 Wards Exclusive of Central 7 Wards)	139.7 billion yen	32.2 %
Tokyo 23 Wards	310.6 billion yen	71.6 %
S (Tokyo Metropolitan Area)	41.2 billion yen	9.5 %
R (Major Regional Cities)	82.0 billion yen	18.9 %
Other Regions	123.2 billion yen	28.4 %
Total	433.8 billion yen	100.0 %

[Reference Material]

1. Photos of the Assets to-be-acquired

(1) P-108 RESIDIA Nakanobu II





(2) P-109 RESIDIA Ochanomizu II

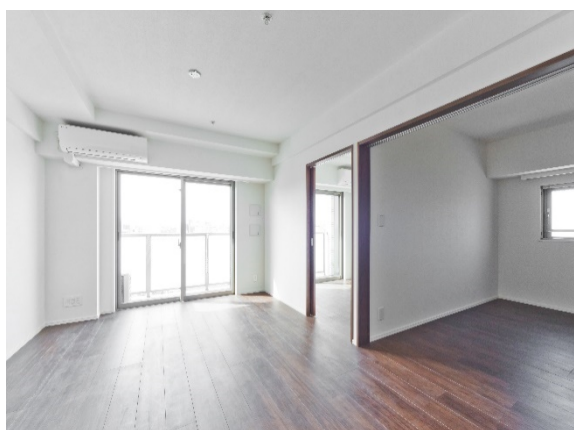




(3) C-84 RESIDIA Bunkyo-Hongo III



(4) C-85 RESIDIA Shin-Okachimachi II





## 1. Maps of the Assets to-be-acquired

### (1) P-108 RESIDIA Nakanobu II

2-9-6 Higashi-Nakanobu, Shinagawa-ku, Tokyo



### (2) P-109 RESIDIA Ochanomizu II

2-9-5 Sotokanda, Chiyoda-ku, Tokyo





### (3) C-84 RESIDIA Bunkyo-Hongo III

3-5-8 Hongo, Bunkyo-ku, Tokyo



### (4) C-85 RESIDIA Shin-Okachimachi II

2-8-7 Kojima, Taito-ku, Tokyo

