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For Immediate Release

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Notice Concerning Acquisition of Investment Asset

<<RESIDIA Senri-Fujishirodai >>

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

1. Details of the Acquisition

ADIM decided on the following acquisition pursuant to the target and policy of asset management as stipulated in its Articles of Incorporation of ADR, to increase the asset under management and build a portfolio that earns stable income through diversified investment in all regions and in all apartment unit types.

Property number	Name of the asset-to-be-acquired ^(Note 1)	Type of asset	Proposed acquisition price ^(Note 3)
R-72	RESIDIA Senri-Fujishirodai	Beneficiary interests in trust (planned) ^(Note 2)	1,430,000,000 yen

(Note 1) The property is planned to be named as listed by the time the building is completed in March 2017. The construction of the asset is scheduled to start in July 2016.

(Note 2) The asset to-be-acquired is scheduled to be placed in trust upon the acquisition by ADR

(Note 3) “Proposed acquisition price” indicates the purchase price for the property entered in the real estate transaction agreement, which is exclusive of the various expenses required in the acquisition of the concerned property (taxes and public dues, etc.)

The real estate acquisition market continues to be very competitive. The difficulty in acquiring properties is especially acute for properties that have been recently built, located in the major regional city and have a yield that will contribute in improving ADR's portfolio yield. This is also because supply of newly developed rental residential properties has not been enough to alleviate the shortage.

Under such an environment, by using ADIM's sourcing network ADR has succeeded in acquiring a newly built property. Although the asset-to-be-acquired is scheduled to be completed in March 2017, and therefore it is what one might call "a development project," ADIM have decided acquire the asset before completion because of the following terms. Settlement will only be executed if the interim and final inspections performed under presence of ADIM and outside specialist, have results that are reasonably satisfactory for ADIM. Additionally the master-lease to be signed is a rent guaranteed agreement and therefore a stable income can be expected. Even though the asset-to-be-acquired will be a newly built property ADR expects to acquire the property at around 9.5% discount to the appraisal value.

ADR positively evaluated the asset's attributes listed below.

- * Although, the 14-minute walk from the property to Hankyu Senri Line Kitasenri Station is on the long side, it is augmented with a 5-minute bus ride from the nearest Hankyu Bus bus stop "Kita-Shoubousyomae" to the station. The accessibility to Osaka's city center is standard, where the train ride from the nearest station to Hankyu Umeda Station is about 30 minutes.
- * There are many convenient facilities nearby such as corner stores and super-market. Moreover with one of Japan's largest commercial complex "EXPOCITY" which opened in November 2015 as well as a park with rich greenery "EXPO '70 Commemorative Park", the neighborhood is a good residential area.
- * A newly built high quality property targeted towards singles such as this property is scarce within this quiet residential area where majority of the properties are targeted towards families, corporate housings or detached houses. And by having EXPOCITY and other institutions such as Osaka University Hospital and Osaka University Suita Campus in the neighborhood the property can be expected to have a long-term stable demand for its residential units.

2. Acquisition Summary

Name of property	RESIDIA Senri-Fujishirodai
Asset to be acquired	Beneficiary interests in trust (planned)
Proposed acquisition price	1,430,000,000 yen
Real estate appraised value	1,580,000,000 yen
Current titleholder	Not disclosed
Scheduled agreement date	June 29, 2016
Scheduled acquisition date	March 29, 2017 ^(Note 4)
Acquisition financing	Funds procured by borrowing ^(Note 5) or cash on hand (planned)
Payment method	Pay entire amount upon delivery
Collateral	Not Scheduled

(Note 4) The listed date is the expected acquisition date as of today. The actual date might change depending on the progress of the construction.

(Note 5) Details on borrowings will be disclosed when finalized.

3. Summary of the asset-to-be-acquired

Property number	R-72
Name of the asset-to-be-acquired	RESIDIA Senri-Fujishirodai
Address (Lot number)	1-103-30 Fujishirodai, Suita-city, Osaka

Land	
Type of ownership	Proprietary ownership
Site area	2,035.55 m ² (note 6)
Zoning	Class 1 medium-to-high-rise residential zone
FAR / Building coverage ratio	200% / 60%

Building	
Type of ownership	Proprietary ownership
Total floor area	3,524.18 m ² (planned) (note 7)
Structure / Floors	RC, 5F (note 7)
Use	Apartment
Construction completion date	March, 2017 (planned)
Confirmation inspection agency	Osaka Building Disaster Prevention Center
Building designer	PREGIO Co., Ltd.
Structural designer	K.K. Osaka Hikari Engineering 1 st Class Qualified Architect Office
Construction contractor	Kurimoto Construction Industry, Ltd (planned)

Trustee	Sumitomo Mitsui Trust Bank, Limited (planned)
Contract Term	TBD
Property Manager	Basis Corporation. (planned)
Master lessee	ITOCHU Urban Community Ltd. (planned)
Master Lease type	Guaranteed payment (planned)

Summary of Building Conditions Investigation Report	
Investigator	Tokio Marine & Nichido Risk Consulting Co., Ltd.
Investigation date	June 15, 2016
Emergency repair costs	-
Short-term repair costs (within 1 year)	-
Long-term repair costs (next 12 years)	¥ 25,940 thousand
Building replacement price	¥ 751,000 thousand

Earthquake PML	5.2%
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Lease Conditions (planned)	
Point in time	as of March 29, 2017
Total Tenants	1
Leasable units	90
Leased units	90
Leasable floor area	3,034.56 m ²
Leased floor area	3,034.56 m ²
Occupancy rate (based on floor area)	100.0%
Monthly rent (including common service charges)	¥ 7,272 thousand ^(note 8)
Deposits, guarantees, etc.	¥ 7,272 thousand

(Note 6) A land exchange is planned for part of the land of the property between a neighboring land with a site area of 1.0 m² owned by the city of Suita. Due to the exchange, the registration of part of the land will be subdivided. After the subdivision the site area is expected to change to 2,033.37 m².

(Note 7) The figure listed is based on building certificate. The figure might differ from the figure on the registration upon completion.

(Note 8) Although the listed fixed monthly rent is 7,272 thousand yen from August 2017, the monthly rent from the time of acquisition to July 2017 will be less than the listed amount to compensate for the lease-up period. Specifically, April 2017 will be 1,454 thousand yen, May 2017 will be 2,908 thousand yen, June 2017 will be 5,090 thousand yen and finally July 2017 will be 6,544 thousand yen.

Breakdown of residential unit type (planned)	
Single	-
Compact	90
Family	-
Large	-
Dormitory	-
Other	-

Special Notation	
	None

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

4. Summary of the Appraisal Report (monetary unit: ¥ thousand)

Name of property	RESIDIA Senri-Fujishirodai		Real estate appraised date	June 6, 2016
Real estate Appraiser	DAIWA REAL ESTATE APPRAISAL CO.,LTD.		Real estate appraised value	1,580,000,000 yen
Appraisal item		Appraised value	Basis	
Income Capitalization Approach value		1,580,000	Although DCF method was determined to be more appropriate, direct capitalization method was also used to confirm the appraisal value.	
	Direct capitalization price	1,650,000		
	Total potential profit	106,371		
	Rent income	102,976	Estimation of medium to long-term stabilized rent, common service fee income and parking fee income.	
	Other income	3,394	Estimation of income from key money and electric pole site charge.	
	Total effective profit	101,889		
	Losses from vacancies, etc.	4,481	Estimated using standard vacancy rate but adjusted for specific characteristics of the property.	
	Bad debts losses	0	No losses was assumed due to deposits and guarantees.	
	Expenses from rental business	20,984		
	Maintenance and management fees	3,060	Estimated by referring to the cost of comparable properties and current quotation.	
	Utilities costs	1,652	Estimated by referring to the cost of comparable properties.	
	Management commission fees	2,954	Estimated by referring to PM fees on comparable properties.	
	Taxes and public dues	8,037	Taxes and duties on land were estimated by referring to land price assessment for property tax (road tax rating) and exemptions for small-scale residential land site with a medium to long term perspective. Taxes and duties on the building were estimated by referring to replacement cost as well as the property tax on depreciable assets with a medium to long term perspective.	
	Non-life insurance premiums	174	Listed the quotation, determining it to be reasonable by referring to premiums for comparable properties.	
	Leasing Expenses	2,726	Estimated by using expected replacement rate and referring to the leasing cost of comparable properties.	
	Repair costs (including restoration fees)	1,782	Referred to repair costs on the engineering report and repair costs for comparable properties and estimated the repair cost to be 0.12% of replacement cost. The tenant replacement cost was estimated using replacement rates and vacancy rates of comparable properties.	
	Other expenses	595	Listed maintenance cost and other miscellaneous cost. Materials on community fees were also used to estimate the cost.	
	Net Operating Income	80,905		
	Operating profit from deposits	271	Assuming 2% per annum yield on deposits.	
	Capital expenditures	2,102	Estimated by referring to the level of capital expenditures in comparable properties and annual average of restoration expense listed on the engineering report.	
	Net Cash Flow	79,074		

	Cap rate	4.8%	Estimated by adjusting the base rate with a spread which takes account of locality and specific feature of the property and by referring to cap rates on appraisal reports of other J-REIT assets in the same region.
	DCF Price	1,555,000	
	Discount rate	4.6%	Estimated by referring to discount rate in deals of comparable properties and yields of other financial products.
	Terminal cap rate	5.0%	Estimated by referring to the marketability at the end of DCF term.
	Cost approach value	1,920,000	
	Land ratio	55.0%	
	Building ratio	45.0%	
Other matters of consideration			
<ul style="list-style-type: none"> Appraisal was made on a property which the construction has not started at the time of appraisal, June 6, 2016, and assuming that the building will be constructed as specified in the building plan obtained from the client and rentable. Although bulk letting is planned, from a medium to long-term perspective bulk letting is not assumed and standard multi-letting is applied in the direct capitalization method. 			

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

The trust beneficiary conveyance agreement for the assets to-be-acquired (hereafter, “the Agreement”) constitutes a forward commitment or similar agreement ^(Note 9) 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 provisions in the Agreement by ADR or the seller, the counterparty shall have the right to terminate the Agreement and claim an amount equivalent to 10% of the purchase price of the property as penalty.

Although there are no condition precedent that a funding needed for the purchase of the property by ADR is concluded, because ADR has an unused committed line of credit with a maximum credit facility of 20 billion yen which the facility is available to April 30, 2019, we believe the probability of ADR having to pay the agreement termination penalty due to its inability to raise the fund needed for the purchase is low.

(Note 9) 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

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

7. Status of Previous Owner

Because the acquisition is not from a party having particular vested interest, disclosure on the status of the previous owner is omitted.

8. Disclosures on Asset Management Company’s Vested Interest in the asset-to-be-acquired

ADR is scheduled to sign a master lease agreement with ITOCHU Urban Community Ltd., who is a Related Party of the Asset Management Company. Therefore, procedures required in accordance with the bylaws will be carried out in concluding the building lease and management agreement with them.

9. Matters Concerning Earthquake Resistance

On, June 6, 2016, the asset-to-be-acquired received an assessment based on the revised Building Standards Law of June 2007, that it conforms to the structural calculation regulation, where the assessment was carried out by a designated institution for the determination of structural calculation conformity.

10. Broker Profile

Trade name	Basis Corporation
Head office location	1-2-12 Shimamachi, Chuo-ku, Osaka-City, Osaka
Representative	Yuhei Ueyama, President and Representative Director
Capital	50 million yen
Commission	The broker wishes not to disclose the commission
Relationship with ADR or ADIM	None

11. Future Outlook

The acquisition has no effect on the management performance forecasts of fiscal periods ending July 2016 or January 2017, which were announced on March 11, 2016.

<Attachments>

Supplementary Materials

1. Supplementary Materials on Asset-to-be-acquired
2. Replacement of Properties Since the Merger (including the asset-to-be-acquired) [“Since the Merger” means since March 1, 2010, hereafter]

Reference Materials

1. Architectural Rendering of the Asset-to-be-acquired
2. Maps Indicating the Location of the Asset-to-be-acquire

* 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 Asset-to-be-acquired

■ Asset-to-be-acquired

Property	NOI Yield ^(Note1)	Yield after depreciation ^(Note2)
RESIDIA Senri-Fujishirodai	5.7 %	4.6 %

(Note1) The “NOI Yield” is calculated using the figures in the acquisition appraisal of asset-to-be-acquired. The calculation is as follows; “Total annualized NOI ÷ Total acquisition price × 100”. The calculated yield is rounded at the second decimal point.

(Note2) The “Yield after depreciation” is calculated using the figures in the acquisition appraisal of asset-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 asset-to-be-acquired is calculated using same straight-line method as the portfolio and the expected depreciation is 14,421 thousand yen per annum.

(2) Replacement of Properties Since the Merger

	Acquired assets (including the asset-to-be-acquired)	Disposed assets
Number of properties	111	43
Total acquisition price	¥158,726 million	¥69,607 million
Total deal value (a)	¥158,726 million	¥64,196 million
Appraisal (b) ^(note 1)	¥171,019 million	¥61,944 million
Ratio (a) ÷ (b) × 100%	92.8%	103.6%
Weighted average NOI yield	5.9% ^(note 2)	4.6% ^(note 3)
Weighted average building age ^(Note 4)	4.8 year	13.3 year

(Note 1) Appraisal values for *Acquired assets* are from appraisal reports at the time of the acquisitions and appraisal values for *Disposed assets* are from the latest appraisal reports at the time of the dispositions.

(Note 2) Weighted average NOI yield of *Acquired assets* = Total sum of annual NOI entered on the acquisition appraisals ÷ Total acquisition price × 100

(Note 3) Weighted average NOI yield of *Disposed assets* = Total sum of actual annual NOI ÷ Total sum of historical acquisition prices × 100

(Note 4) Weighted average building age is acquisition price weighted average as of the time of acquisition and disposition. The building age of RESIDIA Senri-Fujishirodai is enter as zero years as it has not been developed yet.

■ Increase / Decrease in No. of Units as the Result of Replacement of Trades (including the asset-to-be- acquired)

		Singles	Compacts	Families	Large	Dormitories	Others	Total
	Tokyo Central 7 Wards	817	1	-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	2,542	705	393	-157	0	10	3,493
	Tokyo Metropolitan Area	440	10	-105	0	-748	-4	-407
	Major Regional Cities	1,809	1,096	263	55	0	0	3,223
	Other Regions	2,249	1,016	158	55	-748	-4	2,816
	Total	4,791	1,811	551	-102	-748	6	6,309

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

Asset size (based on acquisition price)	435.0 billion yen
No. of properties	256 properties
No. of leasable units	20,545 units
Total leasable floor area	769,916.16 m ²

Area Diversification	Acquisition Price	Share of Investment
P (Tokyo Central 7 Wards)	170.8 billion yen	39.3 %
C (Tokyo 23 Wards Exclusive of Central 7 Wards)	139.7 billion yen	32.1 %
Tokyo 23 Wards	310.6 billion yen	71.4 %
S (Tokyo Metropolitan Area)	40.9 billion yen	9.4 %
R (Major Regional Cities)	83.4 billion yen	19.2 %
Other Regions	124.4 billion yen	28.6 %
Total	435.0 billion yen	100.0 %

Reference Material

1. Architectural Rendering of the Asset-to-be-acquired

R-72 RESIDIA Senri-Fujishirodai

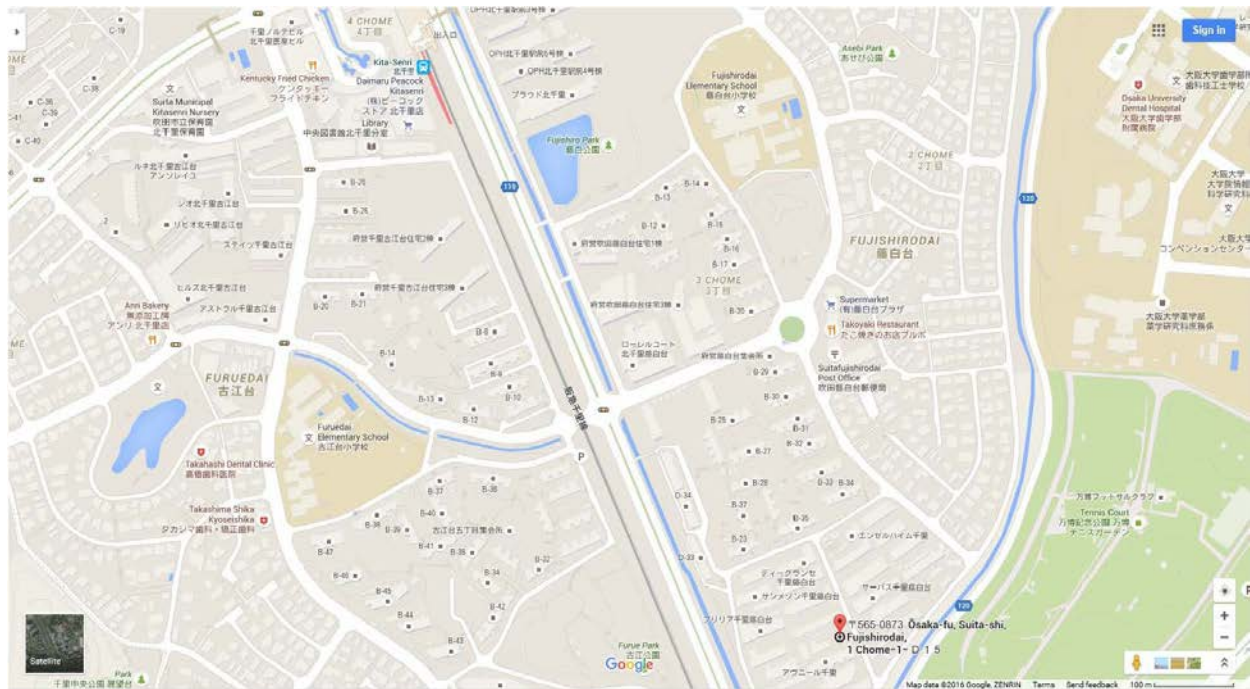


2. Maps Indicating the Location of the Asset-to-be-acquired

R-72 RESIDIA Senri-Fujishirodai

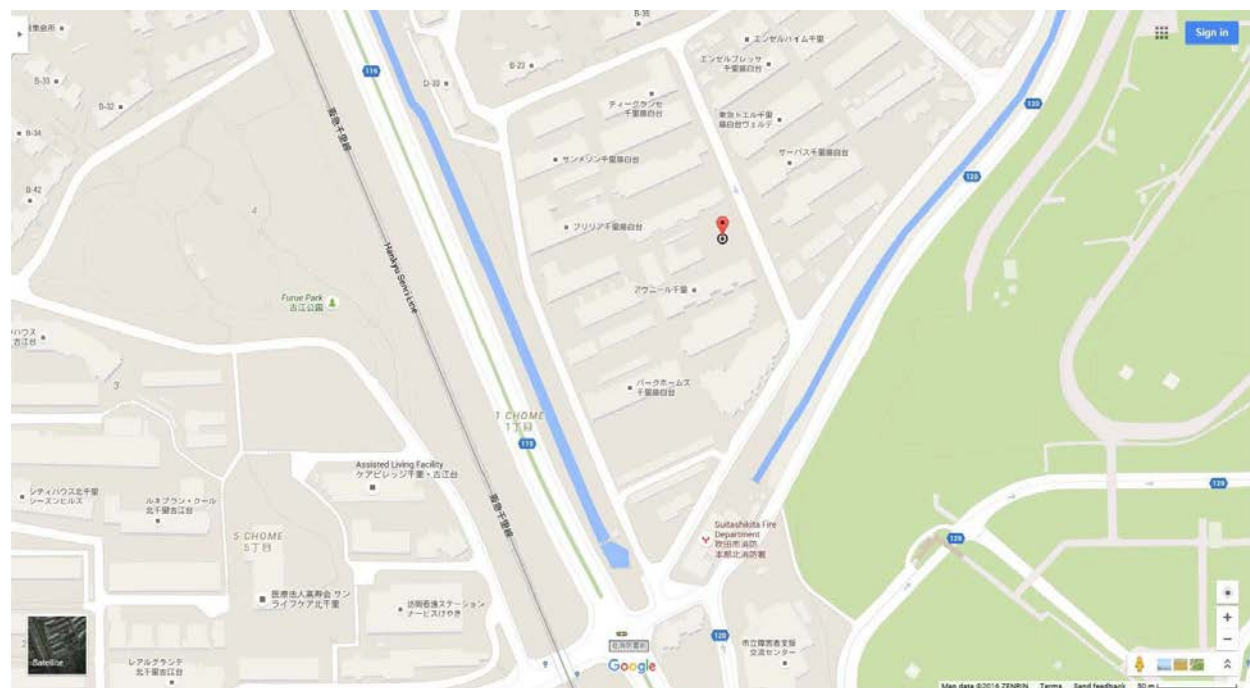
1-103-30 Fujishirodai, Suita-city, Osaka (Lot number)

【Wide-Area Map】



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【Detailed Map】



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