

September 6, 2016

**For Immediate Release**

Advance Residence Investment Corporation  
Securities Code: 3269  
1-105 Kanda-Jinbocho, Chiyoda-ku, Tokyo  
Kenji Kousaka, Executive Director

Asset Management Company:  
AD Investment Management Co., Ltd.  
Kenji Kousaka, President

Inquiries:  
Tomoyuki Kimura, Director, General Manager  
Corporate Management Department  
TEL. +81-3-3518-0480

Notice Concerning Issuance of New Investment Units through Public Offering and  
Secondary Distribution of Investment Units

Advance Residence Investment Corporation (ADR) announced that the following resolution concerning the issuance of new investment units and secondary distribution of investment units was passed at a meeting of its board of directors held today.

1. Public Offering of New Investment Units (public offering)

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|--|---|
| (1) Total Number of Investment Units To Be Offered | 47,500 units  |
| (2) Issue Price (Offering Price)                   | <p>To be determined.</p> <p>The issue price (offering price) for the public offering, shall be determined at the meeting of the board of directors of ADR to be held on any one of the days (hereafter, “pricing date”) between September 14, 2016 (Wednesday) and September 20, 2016 (Tuesday) based on the indicative price range; that being the closing price of the investment units of ADR (hereafter, ADR investment units) at Tokyo Stock Exchange, Inc. (TSE) on the pricing date (when there is no closing price on the pricing date, the closing price on the most recent day preceding the pricing date) multiplied by a factor between 0.90 and 1.00 (rounded down to the nearest one yen), taking into consideration the demand for ADR investment units and other factors.</p> |
| (3) Paid-in Amount (Issue Value)                   | <p>To be determined.</p> <p>The paid-in amount (issue value) shall be determined at the meeting of the board of directors to be held on the pricing date. The paid-in amount (issue value) is the amount per ADR investment unit that ADR is to receive from the underwriters indicated in (5) below as the payment for new investment units.</p>   |
| (4) Total Paid-in Amount (Total Issue Amount)      | To be determined.   |

- (5) Offering Method
- The offering shall be a public offering in which all ADR investment units subject to the public offering shall be underwritten by the following companies (hereafter, collectively referred to as the “Underwriters”):
- Mizuho Securities Co., Ltd.  
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.  
(above two companies are hereafter, collectively referred to as the “Joint Lead Managers”)  
SMBC Nikko Securities Inc.  
Nomura Securities Co., Ltd.  
Daiwa Securities Co., Ltd.  
Okasan Securities Co., Ltd.  
Tokai Tokyo Securities Co., Ltd.
- (6) Detail of Underwriting Agreement
- The Underwriters shall pay ADR the total issue amount on the payment date indicated in (10) below, and the difference between the total issue amount (offering price) and total paid-in amount (total issue amount) shall be the proceeds for the Underwriters. There shall be no underwriting fee paid by ADR.
- (7) Book Building Period
- from September 12, 2016 (Monday) to the pricing date
- (8) Unit of Application
- One unit or more in multiples of one unit
- (9) Application Period
- From September 15, 2016 (Thursday) to September 16, 2016 (Friday)
- The above application period may be moved down in consideration of the demand and other factors. The latest that the application period may be moved down to shall be September 21, 2016 (Wednesday) to September 23, 2016 (Friday).
- (10) Payment Date
- September 23, 2016 (Friday)
- The above payment date may be moved down in consideration of the demand and other factors. The latest that the payment date may be moved down to shall be September 28, 2016 (Wednesday).
- (11) Delivery Date
- The next business day of the payment date
- (12) The issue price (offering price), paid-in amount (issue value) and other matters necessary for this issuance of new investment units shall be decided at the meeting of the board of directors to be held on a later date. However, changes prior to official decisions shall be left to the discretion of the executive director.
- (13) Each of the items above shall be subject to the condition that the Securities Registration Statement filed in accordance with *the Financial Instruments and Exchange Law* takes effect.

## 2. Secondary Distribution of Investment Units (Secondary Distribution Via Over-Allotment)

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|--|---|
| (1) Distributor  | Mizuho Securities Co., Ltd.   |
| (2) Number of Investment Units To Be Distributed   | <p>2,500 units</p> <p>The secondary distribution via over-allotment shall be a secondary offering by Mizuho Securities Co., Ltd. implemented separate from the public offering. The distribution shall take into consideration the demand and other factors of the public offering. The above number of investment units to be distributed indicates the maximum number of investment units that can be distributed through the secondary offering via over-allotment. This number may be reduced or the secondary offering itself may not take place at all depending on demand and other factors.</p> |
| (3) Distribution Price   | <p>To be determined.</p> <p>The distribution price shall be determined at the meeting of the board of directors to be held on the pricing date. The distribution price shall be the same price as the issue price (offering price) of the public offering.</p>  |
| (4) Total Distribution Amount  | To be determined.   |
| (5) Distribution Method  | Mizuho Securities Co., Ltd. will borrow from ADR unitholder (ITOCHU Corporation), a maximum of 2,500 ADR investment units to implement a secondary distribution, taking into consideration the demand and other factors of the public offering.   |
| (6) Units of Application   | One unit or more in multiples of one unit   |
| (7) Application Period   | Shall be same as the application period of the public offering.   |
| (8) Delivery Date  | Shall be same as the delivery date of the public offering.  |
| (9) The distribution price and other matters necessary for this secondary distribution of investment units shall be decided at the meeting of the board of directors to be held on a later date. However, changes prior to official decisions shall be left to the discretion of the executive director. |   |
| (10) If the public offering is canceled, this issuance of new investment units by way secondary distribution via over-allotment shall also be canceled.  |   |
| (11) Each of the items above shall be subject to the condition that the Securities Registration Statement filed in accordance with <i>the Financial Instruments and Exchange Law</i> takes effect.   |   |

## 3. Issuance of New Investment Units to be Offered by Way of Third-Party Allotment

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|---|--|
| (1) Number of Investment Units To Be Offered    | 2,500 units                                |
| (1) Allottee and Number of Units To Be allotted | 2,500 units to Mizuho Securities Co., Ltd. |

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|--|--|
| (3) Paid-in Amount<br>(Issue Value)  | To be determined.<br><br>Distribution price shall be determined at the meeting of the board of directors to be held on the pricing date. Furthermore, the paid-in amount (issue value) shall be the same as the paid-in amount (issue value) of the public offering. |
| (4) Total Paid-in Amount<br>(Total Issue Amount)   | To be determined.  |
| (5) Units of Application   | One unit or more in multiples of one unit  |
| (6) Application Period<br>(Application Deadline)   | October 18, 2016 (Tuesday)   |
| (7) Payment Date   | October 19, 2016 (Wednesday)   |
| (8) ADR investment units with no applications within the application period (application deadline) indicated in (6) above, shall not be issued.  |  |
| (9) The paid-in amount (issue amount) and other matters necessary for this issuance of new investment units by way of third-party allotment shall be determined at the meeting of the board of directors to be held on a later date. |  |
| (10) If the public offering is canceled, this issuance of new investment units by way of third-party allotment shall also be canceled.   |  |
| (11) Each of the items above shall be subject to the condition that the Securities Registration Statement filed in accordance with the Financial Instruments and Exchange Law takes effect.  |  |

## <Reference>

### 1. About the Secondary Distribution via Over-Allotment

- (1) Upon the public offering, depending on the demand for ADR investment units, Mizuho Securities Co., Ltd. may carry out a secondary distribution of ADR investment units by borrowing a maximum of 2,500 units from ADR's unitholder, ITOCHU Corporation (hereafter, the "secondary distribution via over-allotment"), separately from the public offering. The maximum number of units borrowed shall be the maximum number of investment units to be distributed through the secondary distribution via over-allotment. This number may be reduced or the secondary distribution via over-allotment itself may not take place at all depending on the demand for ADR investment units and other factors.

To enable Mizuho Securities Co., Ltd. to acquire ADR investment units it requires to return after carrying out the secondary distribution via over-allotment, ADR's board of directors passed a resolution at the meeting held on September 6, 2016 (Tuesday) to issue ADR investment units totaling 2,500 units through a third-party allotment with Mizuho Securities Co., Ltd. as the allottee (hereafter, the "third-party allotment") and October 19, 2016 (Wednesday) as the payment deadline.

The third-party allotment is an option (hereafter, the "green shoe option") which ADR grants to Mizuho Securities Co., Ltd. with October 14, 2016 (Friday) as the exercise date.

During the period from the day after the end date of the application period for the public offering and secondary distribution via over-allotment to October 14, 2016 (Friday) (hereafter, the "syndicate cover transaction period"), Mizuho Securities Co., Ltd. may acquire ADR investment units on the Tokyo Stock Exchange up to the number of investment units it had distributed through the secondary distribution via over-allotment (hereafter, the "syndicate cover transaction"), for the purpose of returning the borrowed investment units. The ADR investment units that Mizuho Securities Co., Ltd. acquires in the syndicate cover transaction will all be allocated to returning the borrowed investment units. During the syndicate cover transaction period, Mizuho Securities Co., Ltd. may not perform, any syndicate cover transaction or end the syndicate cover transaction with acquired number of ADR investment units less than the number of investment units distributed as the secondary distribution via over-allotment, at its own discretion.

- (2) Additionally, Mizuho Securities Co., Ltd. may conduct stabilization operation in conjunction with the public offering and secondary distribution via over-allotment. All or some of the ADR investment units acquired through the said stabilization operation may be allocated to returning the borrowed investment units.

In this case, the number of investment units Mizuho Securities Co., Ltd. will exercise the green shoe option will be the remaining number of units from subtracting the number of units acquired from the syndicate cover transaction and stabilization operation, which are appropriated in returning the borrowed ADR investment units, from the number of ADR investment units distributed in the secondary distribution via over-allotment. Therefore, there will be instances where all or part of the right to be allotted with the investment units to be issued in the third-party allotment will be forfeited. As a result the number of investment units ultimately issued through the third-party allotment will decrease or the issue itself will not take place at all.

Whether or not the secondary distribution via over-allotment will take place and the number of investment units to be distributed in the case that the secondary distribution via over-allotment takes place is determined on the pricing date. If no secondary distribution via over-allotment is to take place, the above mentioned borrowing of ADR investment units from ADR unitholders by Mizuho Securities Co., Ltd. will not take place. Accordingly, no green shoe option will be granted to Mizuho Securities Co., Ltd., it will not accept the third-party allotment and there will be no applications, which will mean there will be no issuance of new investment units by way of the third-party allotment. Moreover, no syndicate cover transaction will be performed on the TSE.

- (3) Mizuho Securities Co., Ltd. shall consult with Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. regarding the transactions described above before it conducts the transactions.

### 2. Changes in Total Number of Investment Units Issued and Outstanding Due to This Issuance of New Investment Units

Total number of investment units issued and outstanding at present..... 1,300,000 units

Increase in number of investment units due to issuance of new investment units through public offering ..... 47,500 units

Total number of investment units issued and outstanding after issuance of new investment units through public offering..... 1,347,500 units

Increase in number of investment units due to issuance of new investment units by way of third-party allotment ..... 2,500 units <sup>(Note)</sup>

Total number of investment units issued and outstanding after issuance of new investment units by way of third-party allotment ..... 1,350,000 units <sup>(Note)</sup>

<sup>(Note)</sup> If all the scheduled new investment units by way of the third-party allotment are issued.

### 3. Purpose and Reason for the Issuance

After reviewing the outlook on real estate and financial market and taking into consideration of the current level of loan-to-asset (LTV), ADR's earnings per unit, dividend per unit and other factors, decision was made to raise funds by issuing new investment units. The proceed will be used to enhance the revenue-generating capacity of the portfolio through new acquisition of specified assets (refers to the assets listed in Article 2, Paragraph 1 of the Investment Trusts and Investment Corporations Law; the same hereafter), while also paying heed to ADR's LTV level (the ratio of interest-bearing liabilities), levels of net income per investment unit, dividend per unit level and other factors.

### 4. Amount, Use and Expenditure Schedule of the Procured Funds

#### (1) Amount of Procured Funds (Estimated Net Proceeds)

13,244,300,000 yen <sup>(note1)</sup> (maximum)

(Note1) It is the sum total of the estimated proceeds from the public offering, 12,582,085,000 yen and the estimated maximum proceeds from the issuance of new investment units by way of the third-party allotment, 662,215,000 yen.

(Note2) The above amount is the estimated amount calculated based on the closing price on the TSE as of August 26, 2016 (Friday).

#### (2) Specific Use and Expenditure Schedule of the Procured Funds

The procured funds from the public offering, totaling 12,582,085,000 yen <sup>(Note1)</sup> will be used to early repay existing loan <sup>(Note2)</sup>, repayment of new loan <sup>(Note3)</sup> and partly fund the acquisition of the specified assets <sup>(Note4)</sup> that ADR is scheduled to acquire.

Additionally, the procured funds from, the issuance of new investment units by way of third-party allotment that was decided on the same day as the public offering, totaling a maximum of 662,215,000 yen <sup>(Note1)</sup>, will be used to part fund the acquisition of the specified assets <sup>(Note4)</sup> that ADR is scheduled to acquire.

(Note1) The procured funds will be deposited in a financial institution until the expenditure.

(Note2) Please refer to the press release announced today titled "Notice Concerning Early Repayment of Loan".

(Note3) Please refer to the press release announced today titled "Notice Concerning Debt Financing and Redemption of Bond".

(Note4) For details on the specified assets that ADR is scheduled to acquire, please refer to the press release announced on June 29, 2016 "Notice Concerning Acquisition of Investment Asset (RESIDIA Senri-Fujishirodai)", on August 25, 2016 "Notice Concerning Acquisition of Investment Asset (RESIDIA Senri-Banpakukoen)", and today "Notice Concerning Acquisition of Investment Asset (RESIDIA Mishuku and Two Other Properties)".

### 5. Designated Allocation

Not applicable

### 6. Future Prospects

Future prospects are as presented in the "Notice Concerning the Revision of Management Performance Forecast for 13th Fiscal Period Ending January 2017 and the Management Performance Forecast for 14th Fiscal Period Ending July 2017" dated today.

## 7. Management Performance and Equity Financing Over Past Two Fiscal Periods

### (1) Management Performance Over Past Three Fiscal Periods

	Fiscal Period ended July 2015	Fiscal Period ended January 2016	Fiscal Period ended July 2016
Earnings per Unit	4,572 yen	4,577 yen	4,773 yen
Dividend per Unit	4,572 yen	4,578 yen	4,774 yen
Payout Ratio	100.0%	100.0%	100.0%
Net Assets per Unit	159,733 yen	159,739 yen	159,935 yen

(Note) The listed earnings per unit are calculated by dividing the net income by weighted average outstanding number of units by number of days

### (2) Recent Investment Unit Prices ( in yen)

#### (i) Unit Price Over Past Three Fiscal Periods

	Fiscal Period ended July 2015	Fiscal Period ended January 2016	Fiscal Period ended July 2016
Open	296,600	271,800	263,000
High	311,500	281,900	301,500
Low	269,200	225,300	251,600
Close	270,500	260,500	284,600

#### (ii) Unit Price Over Past Six Months

	April 2016	May 2016	June 2016	July 2016	August 2016	September 2016 <sup>(Note)</sup>
Open	283,000	288,700	281,600	278,000	283,600	275,500
High	301,500	296,100	288,700	298,600	293,700	277,100
Low	276,800	275,000	251,600	275,500	273,100	271,700
Close	291,800	280,500	275,300	284,600	276,000	272,800

(Note) The investment unit prices for September 2016 show prices as of September 5, 2016.

#### (iii) Investment Unit Prices on Business Day Preceding Issuance Resolution Date

	September 5, 2016
Open	273,300
High	273,900
Low	271,700
Close	272,800

### (3) Equity Financing Over Past Three Fiscal Periods

None



## 8. Other (Restrictions on Sale or Additional Issuance)

### (1) Restrictions on Sale

ITOCHU Corporation is a unitholder of ADR, holding 34,800 units of ADR investment units as of today. ITOCHU Corporation has reached an agreement with the Joint Lead Managers concerning the public offering; not to sell, grant collateral, lend (except for lending them to Mizuho Securities Co., Ltd. for the Secondary Distribution via Over-Allotment) and such, ADR investment units held prior to the public offering for the period up to the corresponding date six months from the payment date of the public offering without prior written approval from the Joint Lead Managers.

AD Investment Management Co., Ltd. is a unitholder of ADR holding 400 units of ADR investment units as of today. AD Investment Management Co., Ltd. has reached an agreement with the Joint Lead Managers concerning the public offering; to not sell, grant collateral, lend, ADR investment units held prior to the public offering for the period up to the corresponding date six months from the payment date of the public offering without prior written approval from the Joint Lead Managers.

### (2) Restrictions on Additional Issuance

ADR has reached an agreement with the Joint Lead Managers concerning the public offering that ADR will not engage in an issuance of new investment units (except for this issuance of new investment units through the public offering and the third-party allotment or issuance due to investment unit split) for the period up to the corresponding date six months from the payment date of the public offering without prior written approval from the Joint Lead Managers.

In either of (1) or (2) cases, all or part of the restrictions may be cancel or relaxed by the Joint Lead Managers discretion or with an agreement between the Joint Lead Manager and the relevant unitholder.

\* 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 and Transport Press Club, and the Ministry of Land, Infrastructure and Transport Press Club for Construction Publications.

\* URL: <http://www.adr-reit.com/en/>