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**For Immediate Release**

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Notice Concerning the Revision of Management Performance Forecast for  
Fiscal Period Ending January 2017 (FP13) and  
the Management Performance Forecast for Fiscal Period Ending July 2017 (FP14)

Advance Residence Investment Corporation (ADR) announced its decision to revise its management performance forecast for FP January 2017 (FP13: from August 1, 2016 to January 31, 2017), which was originally announced on March 11, 2016 as follows. In addition, ADR also announced its management performance forecast for FP July 2017 (FP14: from February 1, 2017 to July 31, 2017) as follows.

1. The Revision of Management Performance Forecast for FP January 2017 (FP13: from August 1, 2016 to January 31, 2017)

(1) The Revision of the Management Performance Forecast

	Operating Revenue (million yen)	Operating Income (million yen)	Ordinary Income (million yen)	Net Income (million yen)	Earnings per Unit <sup>(Note 1)</sup> (yen)	Dividend per Unit <sup>(Note 2)</sup> (yen)	Dividend per Unit in Excess of Earnings (yen)
Previous Forecast	15,296	7,493	5,980	5,980	4,600	4,859	-
<b>Revised Forecast (B)</b>	<b>15,399</b>	<b>7,663</b>	<b>6,210</b>	<b>6,210</b>	<b>4,600</b>	<b>4,859</b>	<b>-</b>
Difference (B) – (A)	103	169	230	230	-	-	-
Percentage Change	0.7%	2.3%	3.8%	3.8%	-	-	-

(Note 1) Earnings per is calculated by dividing the net income by the number of outstanding issued units at the end of the fiscal period and rounded down to the nearest integer.

Forecasted number of investment units issued and outstanding at end of period:

Revised Forecast 1,350,000 units

Previous Forecast 1,300,000 units

(Note 2) The dividend includes payout from the retained earnings for temporary difference adjustment (RTA). The payouts from the RTA are 336 million yen (259 yen per unit) for the previous forecast and 349 million yen (259 yen per unit) for the revised forecast.

## (2) Reasons for the Revision

ADR revised its management performance forecast for FP January 2017, which was originally announced on March 11, 2016, because of ADR's board's decision today to issue new investment units through public offering as announced in the press release dated today titled, "Notice Concerning Issuance of New Investment Units through Public Offering and Secondary Distribution of Investment Units". Additionally, the revision is due to the decision to acquire properties as announced in the press releases titled "Notice Concerning Acquisition of Investment Asset (RESIDIA Senri-Banpakukoen)" dated August 25, 2016 and "Notice Concerning Acquisition of Investment Assets (RESIDIA Mishuku and Two Other Properties)" dated today.

## 2. The Management Performance Forecasts for FP July 2017 (FP14: from February 1, 2017 to July 31, 2017)

	Operating Revenue (million yen)	Operating Income (million yen)	Ordinary Income (million yen)	Net Income (million yen)	Earnings per Unit <sup>(Note 1)</sup> (yen)	Dividend per Unit <sup>(Note 2)</sup> (yen)	Dividend per Unit in Excess of Earnings (yen)
Forecast for the FP July 2017	15,709	7,723	6,386	6,385	4,730	4,979	-

(Note1) Earnings per unit is calculated by dividing the net income by number of outstanding issued units at the end of the fiscal period and rounded down to the nearest integer.

Forecasted number of investment units issued and outstanding at end of FP July 2017: 1,350,000 units.

(Note2) Amount of payout from the RTA will be 3.36 million yen (249 yen per unit).

## Notes

- \* Figures less than the stated units are rounded down and percentages are rounded to one decimal place (the same hereafter).
- \* As dividend per unit includes payouts from retained earnings, it will differ from the forecasted earnings per unit.
- \* The figures in the above forecasts are current forecasts based on the assumptions listed in the following section titled "3. Assumptions Underlying the Revision of Management Performance Forecasts for FP January 2017 and Management Performance Forecasts for FP July 2017". Therefore, the forecast figures may differ from the actual operating revenue, operating income, ordinary income, net income and dividend per unit, due to future acquisitions or dispositions, developments in the real estate market, changes in other circumstances surrounding ADR. Moreover, the forecasts do not guarantee the dividend amounts to be paid.
- \* ADR may revise the forecasts when a disparity of more than a certain level from the above forecasts is anticipated.

3. Assumptions Underlying the Revision of Management Performance Forecasts for FP January 2017 and the Management Performance Forecasts for FP July 2017

Items	Assumptions
Calculation Period	<ul style="list-style-type: none"> <li>• FP January 2017: from August 1, 2016 to January 31, 2017 (184 days)</li> <li>• FP July 2017: from February 1, 2017 to July 31, 2017 (181 days)</li> </ul>
Assets Under Management	<ul style="list-style-type: none"> <li>• In addition to the current ADR holdings of 255 properties, ADR assumes complete the acquisitions in the following five properties (hereafter, “Assets-to-be-acquired”) as indicated below. <ul style="list-style-type: none"> <li>(1) P-110 RESIDIA Mishuku : acquisition date, October 20, 2016 <sup>(note1)</sup></li> <li>(2) C-86 RESIDIA Kameido : acquisition date, April 18, 2017 <sup>(note2)</sup></li> <li>(3) C-87 RESIDIA Koenji : acquisition date, April 18, 2017 <sup>(note2)</sup></li> <li>(4) R-72 RESIDIA Senri-Fujishirodai : acquisition date, March 29, 2017</li> <li>(5) R-73 RESIDIA Senri-Banpakukoen : acquisition date, November 30, 2016 <sup>(note3)</sup></li> </ul> <p>(Note1) The actual acquisition is expected between October 3, 2016 to October 20, 2016, but for the forecasting purpose October 20, 2016 is set as the acquisition date.</p> <p>(Note2) The actual acquisitions are expected between March 29, 2017 to April 18, 2017, but for the forecasting purpose April 18, 2017 is set as the acquisition date.</p> <p>(Note3) The actual acquisition is expected between November 11, 2016 to November 30, 2016, but for the forecasting purpose November 30, 2016 is set as the acquisition date.</p> </li> <li>• Other than the listed acquisitions above, no other acquisitions nor dispositions are expected until the end of FP July 2017.</li> <li>• The actual number of properties under management may vary due to acquisitions or dispositions made during the forecasted periods.</li> <li>• The period average of month end occupancy rates are expected to be, 96.2% for FP January 2017 and 96.3% for FP July 2017.</li> </ul>
Operating Income	<ul style="list-style-type: none"> <li>• Rent revenues for the properties currently held by ADR are estimated based on historical data and by taking into account the current leasing conditions. Rent revenues for the assets-to-be-acquired are estimated by taking into account of the current market environment and the properties’ competitiveness and other factors.</li> <li>• No delinquencies or non-payment by tenants are assumed in the forecasts of operating revenue.</li> </ul>

Items	Assumptions												
Operating Expenses	<ul style="list-style-type: none"><li>• Within the rent business expenses, which is a major component of operating expenses, except for depreciation, expense items, such as property management fees are forecasted based on historical data adjusted for variables.</li><li>• ADR estimates depreciations to be 2,596 million yen for FP January 2017 and 2,636 million yen for FP July 2017, where the calculation are based on the straight-line method inclusive of ancillary expenses.</li><li>• ADR expects the property taxes and urban planning taxes (PT&amp;UT) it will record as expenses will be 836 million yen for FP January 2017 and 847 million yen for FP July 2017. The PT&amp;UTs for the first calendar year of new acquisitions will not be accounted as expenses. Former titleholders of the acquired assets are reimbursed by ADR for the pro rata portions of the PT&amp;UT for those assets, based on the number of days of ownership and the amounts equivalent to the reimbursement will be recorded as cost of acquisition. Therefore, the expensing of PT&amp;UTs for the six properties acquired after January 2016 and the five assets-to-be acquired are scheduled to start as follows.</li></ul>												
	<table><tr><td></td><td>Expensing Starting Fiscal Period <sup>(Note1)</sup></td><td>PT&amp;UT Estimate for 2016 <sup>(Note2)</sup> (for reference)</td></tr><tr><td>Six Properties Acquired in 2016 <sup>(Note3)</sup></td><td>FP July 2017</td><td>30 million yen</td></tr><tr><td>Two Assets-to-be-acquired in 2016 <sup>(Note4)</sup></td><td>FP July 2017</td><td>14 million yen</td></tr><tr><td>Three Assets-to-be-acquired in 2017 <sup>(Note5)</sup></td><td>FP July 2018</td><td>21 million yen <sup>(Note6)</sup></td></tr></table>		Expensing Starting Fiscal Period <sup>(Note1)</sup>	PT&UT Estimate for 2016 <sup>(Note2)</sup> (for reference)	Six Properties Acquired in 2016 <sup>(Note3)</sup>	FP July 2017	30 million yen	Two Assets-to-be-acquired in 2016 <sup>(Note4)</sup>	FP July 2017	14 million yen	Three Assets-to-be-acquired in 2017 <sup>(Note5)</sup>	FP July 2018	21 million yen <sup>(Note6)</sup>
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	(Note1) Three month equivalent amount of PT&UT will be accounted as expense on the first fiscal period and six month equivalent thereafter.												
	(Note2) The full year amount of PT&UT for 2016 is estimated using the actual figures in 2016 and estimated full year amount of tax on amortized assets.												
	(Note3) The six properties are RESIDIA Nakanobu II, RESIDIA Ochanomizu II, RESIDIA Bunkyo-Hongo III, RESIDIA Shin-Okachimachi II, RESIDIA Funabashi III and RESIDIA Sakae.												
	(Note4) The two assets-to-be-acquired are RESIDIA Mishuku and RESIDIA Senri-Banpakukoen.												
(Note5) The three assets-to-be-acquired are RESIDIA Kameido, RESIDIA Koenji and RESIDIA Senri-Fujishirodai.													
(Note6) RESIDIA Senri-Fujishirodai, which is scheduled to be acquired on March 29, 2017, where the construction of the building is expected to be completed in March 2017; the estimation of PT&UT is made for the completed building.													
<ul style="list-style-type: none"><li>• Building repair expenses are estimated for the amount necessary for the respective fiscal periods. However, actual repair expenses for the fiscal period may differ significantly from the forecasted amounts due to the possibility of urgent need of repairs for unexpected building damages.</li></ul>													
Non-operating Expenses	<ul style="list-style-type: none"><li>• The interest and other borrowing related expenses are estimated to be 1,432 million yen for the FP January 2017 and 1,334 million yen for FP July 2017.</li><li>• A one-off expense of 20 million yen for the FP January 2017 is expected relating to the public offering that was decided at the meeting of its board of directors on September 6, 2016.</li></ul>												

Items	Assumptions															
Interest Bearing Debts	<ul style="list-style-type: none"><li>Although the outstanding amount of interest bearing debts as of the date of this publication is 233,864 million yen, the following is expected to be executed:<ul style="list-style-type: none"><li>(i) borrowing 8 billion yen on September 9, 2016 to finance a redemption of existing bond (8 billion yen) maturing on September 12, 2016,</li><li>(ii) repayment of the 8 billion loan with the proceeds from the issuance of new investment units through public offering that was decided at a meeting of its board of directors today,</li><li>(iii) a total amount of 1,500 million yen of early repayment on September 30, 2016, of loans with a maturity date of November 30, 2016, with the proceeds from the issuance of new investment units through public offering that was decided at a meeting of its board of directors today.</li></ul></li><li>All interest-bearing debts that will be maturing after today other than the ones mentioned above, will be fully refinanced with new loans or through bond issuance.</li><li>As a result, the outstanding amount of interest bearing debts and the loan-to-value (LTV) at the end of the following fiscal periods will be respectively;<div>End of FP January 2017: 224,364 million yen, around 49.7%</div><div>End of FP July 2017: 224,364 million yen, around 49.7%</div></li><li>The LTVs are calculated as follows.<div>LTV = (interest bearing debts ÷ total assets) x 100</div></li></ul>															
Number of Investment Units Issued and Outstanding	<ul style="list-style-type: none"><li>In addition to the current 1,300,000 investment units issued and outstanding, a total of 50,000 units is be issued through public offering of new investment units (47,500 units) and through the third-party allotment (up to 2,500 units) during FP January 2017, bringing the outstanding issued units to 1,350,000 units.</li><li>ADR assumes no additional investment units will be issued until the end of FP July 2017.</li></ul>															
Dividend per Unit	<ul style="list-style-type: none"><li>Dividend (dividend per unit) are calculated according to ADR’s cash dividend policy set forth in <i>the Articles of Incorporation</i>. In the calculation, ADR assumes it will, in principle, distribute the entire amount of its net income for the respective fiscal period.</li><li>Payout of 335 million yen or more per fiscal period of retained earnings for temporary differences adjustment (RTA: 33.5 billion yen outstanding as of today) is assumed starting on FP January 2017.</li><li>Dividend for the respective fiscal periods are forecasted to be as follows.<table><tr><th></th><th>Net Income (million yen)</th><th>RTA (million yen)</th><th>Total Dividend Amount (million yen)</th><th>Dividend per Unit (yen)</th></tr><tr><td>Dividend for FP January 2017</td><td>6,210</td><td>349</td><td>6,559</td><td>4,859</td></tr><tr><td>Dividend for FP July 2017</td><td>6,385</td><td>336</td><td>6,721</td><td>4,979</td></tr></table></li><li>The dividend per unit may vary due to various factors, including changes in assets under management, fluctuations in rent income associated with tenant replacement, and unexpected repairs.</li></ul>		Net Income (million yen)	RTA (million yen)	Total Dividend Amount (million yen)	Dividend per Unit (yen)	Dividend for FP January 2017	6,210	349	6,559	4,859	Dividend for FP July 2017	6,385	336	6,721	4,979
	Net Income (million yen)	RTA (million yen)	Total Dividend Amount (million yen)	Dividend per Unit (yen)												
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Items	Assumptions												
Dividend in Excess of Earnings per Unit	<ul style="list-style-type: none"><li>• ADR is currently not scheduled to pay out dividends in excess of earnings (dividends in excess of earnings per unit).</li></ul>												
Other	<ul style="list-style-type: none"><li>• On each Fiscal period is based on consumption tax rate is 8%.However consumption tax will be raised to 10%, the above estimated income and dividend per unit will change as below.</li></ul> <p>(Reference Material) The Influence of Changes in Consumption Tax Rate to FP July 2017</p> <table><tr><th>Tax Rate after April 2017</th><th>Net Income (million yen)</th><th>Dividend per Unit (yen)</th></tr><tr><td>8% (A)</td><td>6,385</td><td>4,979</td></tr><tr><td>10% (B)</td><td>6,343</td><td>4,947</td></tr><tr><td>Differences (B) - (A)</td><td>-42</td><td>-32</td></tr></table> <p>* Assuming that there will be a consumption tax hike from April 2017, the effect of the hike on ADR’s operation for FY July 2017 will be for four months (from April 2017, to July 2017).</p> <ul style="list-style-type: none"><li>• It is assumed that there will be no other amendments in legislation, taxation, Japanese GAAP, listing requirements and the Investment Trusts Association regulations that might affect the above forecasts.</li><li>• It is assumed that there will be no unforeseen critical changes in the general economic conditions and in the real estate markets.</li></ul>	Tax Rate after April 2017	Net Income (million yen)	Dividend per Unit (yen)	8% (A)	6,385	4,979	10% (B)	6,343	4,947	Differences (B) - (A)	-42	-32
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\* 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/>