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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 Acquisitions of "RESIDIA Kamata V and Kamata IV"
And Disposition of Investment Assets "RESIDIA Minami-Aoyama"

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 in Japan (hereafter, the "Acquisitions") and dispose an asset (hereafter, the "Disposition") as detailed below as part of ADR's growth strategy.

1. Details of the Acquisitions and the Disposition

ADIM decided on the following acquisitions and disposition 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.

(1) Details of the Acquisitions

No.	Property Number	Property Name	Type of Asset	Proposed Acquisition Price (Note 2)
1	C-88	RESIDIA Kamata V ^(Note 1) (Artis Kamata East)	Real Estate	2,283 million yen
2	C-89	RESIDIA Kamata IV	Real Estate	3,268 million yen
Total				5,551 million yen

(Note 1) The name of the property is scheduled to be changed after the acquisition is completed to the name listed above. The name before the change is shown in parentheses

(Note 2) "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 competition is especially acute in markets for recently built properties that are located within the 23 wards of Tokyo where a stable yield that will contribute in maintaining or improving the yield of ADR's existing portfolio can be expected. This is because the supply of recently developed rental residential properties have not been enough to alleviate the shortage.

Under such an environment, ADR succeeded in acquiring the scarce Tokyo 23 wards properties developed by ADR's sponsor ITOCHU Corporation and ITOCHU Property Development, Ltd. Because the average of age of the assets-to-be-acquired is 4.5 year ^(Note3) much younger than that of the existing properties in the portfolio, which the average age is 11.8 year ^(Note3), we believe that the acquisition will improve unitholders' value.

(Note3) Building ages of the assets to-be-acquired are calculated as of the scheduled acquisition dates. The average building age of the existing portfolio is calculated as of the date of this disclosure. Both figures are rounded at the second decimal point.

On deciding to acquire the assets, ADR highly rated the attributes of the assets as listed below.

- Both properties have good access to public transportation. Residia Kamata V is about 7 minute walk and Residia Kamata IV is about 5 minute walk from the Keihin Kyuko Main Line / Keikyu Kamata Station. From the station it takes about 9 minutes to the main terminal station, Shinagawa Station and 11 minutes to Haneda Airport Station.
- Rental demand from singles commuting to business centers and Haneda Airport can be expected, with both properties having many convenient daily-life facilities such as convenience stores, cafes and restaurants, supermarkets within walking distance as well as a mini-supermarket on the 1st floor of RESIDIA Kamata IV.

(2) Details of the Disposition

Property Number	Property Name	Proposed Disposition Price	Book Value ^(Note 4)	Appraisal Value ^(Note 4)
P-58	RESIDIA Minami-Aoyama	¥710 million	¥ 698 million	¥486 million

(Note 4) "Book Value" and "Appraisal Value" as of January 31, 2018.

ADIM has been contemplating on measures to take concerning the asset, such as, continue to hold and operate the asset or dispose the asset. This has been because the asset's yield after depreciation ^(Note 5) of 2.8% is lower than that of the average portfolio yield ^(Note 5) of 4.3% for the same area, and profitability is unlikely to improve in the future. Under such circumstances, with an offer to buy the asset at a price above its book value ADIM decided to dispose the asset.

(Note 5) Yield after depreciation = (FP 2018/1 Actual NOI (annualized) - FP 2018/1 Actual Depreciation (annualized)) ÷ Book Value as of end of FP 2018/1 × 100%

2. Acquisition Summary

Name of Property	RESIDIA Kamata V	RESIDIA Kamata IV
Asset To Be Acquired	Real Estate	Real Estate
Proposed Acquisition Price	2,283 million yen	2,988 million yen
Real Estate Appraised Value	2,440 million yen	3,190 million yen
Current Titleholder	ITOCHU Corporation ITOCHU Property Development, Ltd.	ITOCHU Corporation
Scheduled Contract Date	February 22, 2018	February 22, 2018
Scheduled Acquisition Date	March 3, 2018 or a date to be separately agreed upon with the seller (but no later than April 18, 2018)	March 3, 2018 or a date to be separately agreed upon with the seller (but no later than April 18, 2018)
Acquisition Financing	Loans and cash on hand	Loans and cash on hand
Payment Method	Full payment on delivery	Full payment on delivery
Collateral	None	None

3. Summary of the Assets-To-Be-Acquired

No.	(1)	(2)
Property Number	C-88	C-89
Name of the Asset-To-Be-Acquired	RESIDIA Kamata V	RESIDIA Kamata IV
Address	2-7-3 Minami Kamata, Ota-ku, Tokyo	4-44-10 Kamata, Ota-ku, Tokyo

Land		
Type of Ownership	Proprietary ownership	Proprietary ownership
Site Area	646.05m ²	966.58m ²
Zoning	Neighboring commercial area, Sub-industrial area	Class I residential zone, Neighboring commercial area
FAR / Building Coverage Ratio	400% / 80%, 200% / 60%	300% / 60%, 400% / 80%

Building		
Type of Ownership	Proprietary ownership	Proprietary ownership
Total Floor Area	3,122.08 m ²	4,379.34m ²
Structure / Floors	RC with flat roof / 12 floors	RC with flat roof / 14 floors
Use	Multi-family housing	Multi-family housing/Stores
Construction Completion Date	January, 2013	February, 2014
Building Inspector	Town Residency Evaluation Center Co., Ltd.	Japan ERI Co., Ltd.
Building Designer	Asanuma Corporation, Tokyo Head Office 1st Class Architect Office	Matsuo Construction Co., Ltd. 1st Class Architect Office
Structural Engineer	Asanuma Corporation, Tokyo Head Office 1st Class Architect Office	Matsuo Construction Co., Ltd. 1st Class Architect Office, Masuda design office
Construction Contractor	Asanuma Corporation, Tokyo Head Office	Matsuo Construction Co., Ltd.

Trustee	-	-
Trust Contract Period	-	-
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 Investigation Report		
Investigator	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Tokio Marine & Nichido Risk Consulting Co., Ltd.
Investigation Date	December 15, 2017	December 15, 2017
Emergency Repair Costs	-	-
Short-term Repair Costs (within 1 year)	-	-
Long-term Repair Costs (next 12 years)	¥32,490 thousand	¥46,343 thousand
Building Replacement Price	¥683,000 thousand	¥974,000 thousand

Earthquake PML	6.4%	4.7%
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Lease Conditions		
Point in Time	as of January 31, 2018	as of January 31, 2018
Total Tenants	1	1
Leasable Units	110	149 (including 1 store)
Leased Units	104	147
Leasable Floor Area	2,380.70 m ²	3,457.01 m ²
Leased Floor Area	2,260.70 m ²	3,416.45 m ²
Occupancy Rate (based on floor area)	95.0%	98.8%
Monthly Rent (including common service charges)	¥10,055 thousand	¥14,765 thousand
Deposits, Guarantees, etc.	¥10,629 thousand	¥25,844 thousand

Breakdown of Residential Unit Type		
Single	99	135
Compact	11	13
Family	-	-
Large	-	-
Dormitory	-	-
Other	-	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 for details on items on above table. (<http://www.adr-reit.com/en/financial/>)

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

Name of Property	RESIDIA Kamata V	Appraisal Date	January 1, 2018
Appraiser	Japan Real Estate Institute	Appraisal Value	2,440,000,000 yen
Appraisal Items	Appraised Value	Basis	
Income Capitalization Approach Value	2,440,000	Income capitalization value is estimated using DCF method along with direct capitalization method for verification.	
Direct Capitalization Price	2,480,000		
Total Potential Income	134,894		
Rent Income	130,071	Basing on tenant attributes, estimated tenable medium to long-term stabilized rents.	
Other Income	4,823	Estimated key money and renewal fee income, basing on individual tenant contract term, and estimate on average tenant replacement rate and average turnover period.	
Total Effective Income	128,573		
Losses from Vacancies, etc.	6,321	Referred to similar properties to estimate the medium to long-term stabilized vacancy rate.	
Bad Debts Losses	0	Taking into account of tenant situation, no losses was assumed.	
Expenses from Rental Business	20,315		
Maintenance and Management Fees	3,000	Estimated by referring to past fiscal year's figures and fees for similar properties.	
Utilities Costs	1,100	Estimated by referring to past fiscal year's figures, cost of similar properties and taking into account of property's specific characteristics.	
Management Commission Fees	2,479	Estimated by referring to planned contract fee terms, fees on similar properties and taking into account of property's specific characteristics.	
Taxes and Public Dues	6,243	Estimated the property tax basing on FY2017 taxable value. Estimate on depreciable asset tax was based on submitted materials.	
Non-life Insurance Premiums	152	Estimated basing on contract insurance premium for the property and referring to insurance premiums for similar properties.	
Leasing Expenses	5,269	Administration fees on leasing, contract signing for new tenants and tenant renewals were estimated by referring to contract terms and fees in similar properties in the neighborhood. Leasing expenses were estimated by looking at how much is needed in leasing to new tenants and actual advertising cost for the past FY leasable. Renewal fees were estimated by looking at how much fee is paid at the time of renewal and considering the expected turnover rate and vacancy rate.	
Repair Costs (including restoration fees)	1,892	Estimated repair costs by looking at the restitution cost per unit, percentage of cost borne by tenants, average expensing timing and level of restitution needed. Repair cost were estimated basing on actual figures for the past FY, cost in similar properties and referring to average annual repair and renewal costs listed in the engineering report.	
Other Expenses	180	Cable TV usage fee.	
Net Operating Income	10,258		
Earnings from Deposits	94	Assumed 1% per annum, by taking into consideration both investment yield and financing cost.	
Capital Expenditures	1,900	Estimated by referring to the level of capital expenditures in similar properties, building age and annual average of restoration expense listed on the engineering report.	
Net Cash Flow	106,452		
Cap Rate	4.3%	The cap rate is estimated by adding the yield spread determined by locality, specifications and age of the building to the base yield as well as referring to actual cap rates in deals for similar properties.	
DCF Price	2,400,000		
Discount Rate	4.1%	The discount rate is estimated by comparing the discount rate used in actual deals for similar properties and reflecting the individual characteristics of the property.	
Terminal Cap Rate	4.5%	Estimated by comprehensively considering future trends in investment yield, risk factors of the property as an investment, general forecast on economic growth and general price trend in the real estate market.	
Cost approach value	2,100,000		
Land Ratio	72.3%		
Building Ratio	27.7%		
Other Matters of Consideration			
None			

Name of Property	RESIDIA Kamata IV	Appraisal Date	January 1, 2018
Appraiser	Japan Real Estate Institute	Appraisal Value	3,460,000,000 yen
Appraisal Items	Appraised Value	Basis	
Income Capitalization Approach Value	3,460,000	Income capitalization value is estimated using DCF method along with direct capitalization method for verification.	
Direct Capitalization Price	3,510,000		
Total Potential Income	192,006		
Rent Income	183,413	Basing on tenant attributes, estimated tenable medium to long-term stabilized rents.	
Other Income	8,593	Estimated key money and renewal fee income, basing on individual tenant contract term, and estimate on average tenant replacement rate and average turnover period.	
Total Effective Income	183,215		
Losses from Vacancies, etc.	8,791	Referred to similar properties to estimate the medium to long-term stabilized vacancy rate.	
Bad Debts Losses	0	Taking into account of tenant situation, no losses was assumed.	
Expenses from Rental Business	29,688		
Maintenance and Management Fees	3,924	Estimated by referring to past fiscal year's figures and fees for similar properties.	
Utilities Costs	1,400	Estimated by referring to past fiscal year's figures, cost of similar properties and taking into account of property's specific characteristics.	
Management Commission Fees	3,402	Estimated by referring to planned contract fee terms, fees on similar properties and taking into account of property's specific characteristics.	
Taxes and Public Dues	10,355	Estimated the property tax basing on FY2017 taxable value. Estimate on depreciable asset tax was based on submitted materials.	
Non-life Insurance Premiums	218	Estimated basing on contract insurance premium for the property and referring to insurance premiums for similar properties.	
Leasing Expenses	7,634	Administration fees on leasing, contract signing for new tenants and tenant renewals were estimated by referring to contract terms and fees in similar properties in the neighborhood. Leasing expenses were estimated by looking at how much is needed in leasing to new tenants and actual advertising cost for the past FY leasable. Renewal fees were estimated by looking at how much fee is paid at the time of renewal and considering the expected turnover rate and vacancy rate.	
Repair Costs (including restoration fees)	2,631	Estimated repair costs by looking at the restitution cost per unit, percentage of cost borne by tenants, average expensing timing and level of restitution needed. Repair cost were estimated basing on actual figures for the past FY, cost in similar properties and referring to average annual repair and renewal costs listed in the engineering report.	
Other Expenses	124	Neighborhood association fee, telephone/power pole joint usage charge	
Net Operating Income	153,527		
Earnings from Deposits	251	Assumed 1% per annum, by taking into consideration both investment yield and financing cost.	
Capital Expenditures	2,703	Estimated by referring to the level of capital expenditures in similar properties, building age and annual average of restoration expense listed on the engineering report.	
Net Cash Flow	151,075		
Cap Rate	4.3%	The cap rate is estimated by adding the yield spread determined by locality, specifications and age of the building to the base yield as well as referring to actual cap rates in deals for similar properties.	
DCF Price	3,410,000		
Discount Rate	4.1%	The discount rate is estimated by comparing the discount rate used in actual deals for similar properties and reflecting the individual characteristics of the property.	
Terminal Cap Rate	4.5%	Estimated by comprehensively considering future trends in investment yield, risk factors of the property as an investment, general forecast on economic growth and general price trend in the real estate market.	
Cost approach value	3,320,000		
Land Ratio	72.5%		
Building Ratio	27.5%		
Other Matters of Consideration			
None			

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

Real estate sales transaction agreement (hereafter, “the Agreement 1”) for the assets-to-be-acquired and real estate sales transaction agreement (hereafter, “the Agreement 2”) for the asset-to-be-disposed might constitute a forward commitment or similar agreement ^(Note 6) 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 20% of the purchase price of the property as penalty.

However, under the Agreement 1 there is a condition precedent whereby ADR is required to procure funds for acquiring the asset-to-be-acquired. Therefore, if ADR cannot procure the acquisition fund the Conveyance Agreement will be annulled or can be terminated by ADR notifying the seller, and except where ADR is at fault, ADR is not obliged to pay the penalty.

And under the Agreement 2 there is a condition that ADR shall not be obliged to pay penalties to the transferee regarding the expiration or cancellation of this Agreement 2, except where ADR is at fault.

(Note 6) 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

(1) C-88 RESIDIA Kamata V, C-89 RESIDIA Kamata IV

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	ITOCHU is involved in domestic trading, import / export, and overseas trading of various such as textile, machinery, metals, minerals, energy, chemicals, food, general product, realty, information and communications technology, and finance, as well as business investment in Japan and overseas.
Capital	253,448 million yen
Date of the establishment	December 1, 1949
Total Assets	8,975,908 million yen (as of December, 2017)
Net Assets	2,741,012 million yen (as of December, 2017)
Total Net Assets	3,059,140 million yen (as of December, 2017)
Large shareholder	Japan Trustee Services Bank, Ltd. (Tr.Acc.) (As of December, 2017)
Relationship with ADR or ADIM	
Equity relations	As of January 2018, the seller held 2.6% 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 January 2018, there is no ADIM personnel that are seconded from the seller.
Business relations	Amount of assets dealt during the fiscal period ending January 2018 is as below. Purchase 0 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.

(2) C-88 RESIDIA Kamata V

Trade name	ITOCHU Property Development, Ltd
Head Office location	2-9-11 Akasaka, Minato-ku, Tokyo
Representative	Haruo Terasaka, President and Chief Executive Officer
Principal business	Apartment and house development and Sales, Real estate management and consulting, etc.
Capital	102,25 million yen
Date of the establishment	December 1, 1997
Total Assets	78,665 million yen (as of December, 2017)
Net Assets	10,911 million yen (as of December, 2017)
Total Net Assets	1,0912 million yen (as of December, 2017)
Large shareholder	ITOCHU Corporation (As of December, 2017)
Relationship with ADR or ADIM	
Equity relations	As of January 2018, the seller didn't hold 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 January 2018, there is an ADIM personnel that are seconded from the seller.
Business relations	Amount of assets dealt during the fiscal period ending January 2018 is as below. Purchase 0 yen / Sale 0 yen
Related parties status	The seller hold 19.4% of outstanding shares of ADIM and is a support line company of ADR..

7. Property Titleholder (for transactions with parties with special relations)

(1) C-88 RESIDIA Kamata V, C-89 RESIDIA Kamata IV

Properties titleholders	Current Titleholder	Previous Titleholder
Name of company/individual	ITOCHU Corportion	-
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	-	-

(2) C-88 RESIDIA Kamata V

Properties titleholders	Current Titleholder	Previous Titleholder
Name of company/individual	ITOCHU PROPERTY DEVELOPMENT, Ltd.	-
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	-	-

8. Disclosures on ADIM's Vested Interest Concerning the Asset-to-be-acquired

- (1) Upon transaction 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 Transaction" 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 transaction approval procedures stipulated in ADIM's bylaws on "Rules Regarding Related Party Transaction" will be performed..

9. Matters Concerning Earthquake Resistance

The validity of structural calculation document on the assets have been examined by a third-party inspector. ADR has obtained the following inspection results stating that no intentional manipulations, falsifications or other corruptions in the structural calculation document were found and that the structural calculation is deemed to have been performed in accordance with the law.

ADR received the notification of structural engineering inspection for the assets to-be-acquired from the designated structural inspection institute following "*the Building Standard Act*" enforced on June 2007.

10. Broker Profile

ADR did not utilize a broker for the acquisition.

11. Disposition Summary

Name of property	RESIDIA Minami-Aoyama
Asset-to-be-disposed	Beneficially Interests in Trust (planned*)
Proposed disposition price	¥ 710 million
Appraisal value	¥ 486 million
Buyer	Not disclosed
Scheduled agreement date	February 22, 2018
Scheduled disposition date	March 13, 2018 or a date to be separately agreed upon with the seller (but no later than March 30, 2018)
Payment method	Pay entire amount upon delivery

As of today, the asset-to-be-disposed is in the form of real estate, but we plan to put the asset in to trust and dispose it in the form of beneficiary interests in trust on the same date as the planned transfer date.

12. Summary of Asset-To-Be-Disposed

Property number	P-58
Name of the asset-to-be-acquired	RESIDIA Minami-Aoyama
Address	4-5-19, Minami-Aoyama, Minato-ku, Tokyo
Acquisition date	November 11, 2005 ^(Note 7)

(Note 7) Date on which the asset was acquired by the former investment corporation before the merger.

Land	
Type of ownership	Proprietary ownership
Site area	388.59 m ² ^(Note 8)
Zoning	Type 1 Middle-to-High Rise Residential Area
FAR / Building coverage ratio	200% / 60%

(Note 8) The site area includes the setback space of about 18.51 m². A shared private road (80.30 m²) is not included in the site area.

Building	
Type of ownership	Proprietary ownership
Total floor area	786.37m ²
Structure / Floors	RC with flat roof, slate roofing, Alloy plating steel plate spray 4F/B1F
Use	Apartment
Construction completion date	March 2005

Trustee	Mizuho Trust & Banking Co., Ltd (planned)
Contract Term	March 13, 2018 to March 31, 2028

Lease Conditions	
Point in time	as of January 31, 2018
Total Tenants	1
Leasable units	13 units
Leased units	10
Leasable floor area	782.33 m ²
Leased floor area	584.52 m ²
Occupancy rate (based on floor area)	74.7%
Monthly rent (including common service charges)	¥ 2,197 thousand
Deposits, guarantees, etc.	¥ 2,709 thousand

Breakdown of residential unit type	
Single	3
Compact	6
Family	2
Large	2
Dormitory	-
Other	-

Special Notation	
	None

13. Appraisal Report Summary

As of January 31, 2018

Real estate appraiser	Morii Appraisal & Investment Consulting Inc.	Real estate appraisal value	¥ 486 million
Appraisal item	Appraised value (¥'000)	Basis	
Income capitalization approach value	486,000	Appraised using both DCF method and direct capitalization method.	
Direct capitalization price	496,000		
Total potential profit	35,468		
Rent income	34,709	Estimated for mid-to-long-term stabilized rent from leasable units and parking lots.	
Other income	759	Income from key money, renewal fee, utilities fee, ATM fee and vending machine fee.	
Total effective profit	32,187		
Losses from vacancies, etc.	3,281	Estimated using standard vacancy rate but adjusted for specific characteristics of the property.	
Bad debts losses	0	Not applicable. Secured through guarantee deposits.	
Expenses from rental business	7,100		
Maintenance and management fees	1,200	Estimated using historical figures and by referring to the cost of comparable properties.	
Utilities costs	256	Estimated using historical figures and by referring to the cost of comparable properties.	
Management commission fees	786	Estimated using historical figures and by referring to the cost of comparable properties.	
Taxes and public dues	1,980	Assessed using historical figures adjusted for depreciation.	
Non-life insurance premiums	46	Estimated by referring to current cost.	
Leasing expenses	1,682	Estimated in consideration of regional practices and withdrawal rate of subject real estate	
Repair costs	1,066	Restoration costs are estimated by referring to average cost per unit and turnover rate. Repair costs are estimated using restoration expenses listed in the engineering report.	
Other expenses	84	Cable TV usage fee.	
Net Operating Income	25,087		
Earnings from Deposits	25	Estimated by considering comprehensively the financing costs and real estate investment yields.	
Capital expenditures	1,284	Estimated by referring to annual average of restoration expense listed on the engineering report.	
Net Cash Flow	23,828		
Cap rate	4.8%	Estimated by adding discount rate to revenue and principal fluctuation risk	
DCF Price	476,000		
Discount rate	4.5%	Basing on the interest rate trends of long-term government bonds, base yields of locations that can be determined to have the lowest risks and taking into consideration of the locality and characteristics of the property, estimated the rate by comprehensively assessing investor survey, examples from other REITs' investments and recent real estate market trends.	
Terminal cap rate	5.1%	Estimated the terminal cap rate by taking into consideration of volatility of future earnings, future deterioration of the building and the disposition risk.	
Other matters of consideration			
None			

14. Buyer Profile

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

15. Broker Profile

ADR did not utilize a broker for the disposition.

16. Related-Party Transactions

Omitted. Properties do not deposit to parties with special interest.

17. Future Outlook

Although the effect of the acquisitions and disposition on the management performance forecasts for fiscal periods ending July 2018 and January 2019 are negligible, they are currently being assessed and will be disclosed as soon as they are determined.

<Attachments>

[Supplementary Materials]

1. Supplementary Materials on Assets-To-Be-Acquired and Disposed
2. Replacement of Properties Since the Merger (as of today)
“Since the Merger” means since March 1, 2010, hereafter.
3. Photo of the Assets-To-Be-Acquired
4. Maps Indicating the Location of the Assets-To-Be-Acquired

* 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 and Disposed

Assets-To-Be-Acquired

No.	Property	Acquisition Price (million)	Building Age (Note1)	NOI Yield (Note2)	Yield after Depreciation (Note3)	The Reason for the Acquisition
(1)	RESIDIA Kamata V	¥ 2,283	5.1 year	4.7%	4.1%	To be able to acquire buildings with an average age of 4.5 years located in the 23 wards of Tokyo.
(2)	RESIDIA Kamata IV	¥ 3,268	4.0year	4.7%	4.0%	
Total or Weighted Average		¥5,551	4.5year	4.7%	4.1%	

(Note1) The building age is the age of the building as of today, rounded at the second decimal point.

(Note2) The “NOI Yield” is calculated using the figures in the acquisition appraisal of the asset-to-be-acquired. The calculation is 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 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 asset is calculated using same straight-line method as the portfolio and expect depreciation of 15,135 thousand yen(RESIDIA Kamata V) and 21,541 thousand yen(RESIDIA Kamata IV)per annum.

Assets-To-Be-Disposed

Property	Building age as of today (Note1)	NOI Yield (Note4)	Yield after depreciation (Note5)	The Reason for the Disposition
RESIDIA Minami- Aoyama	13.0 year	3.9 %	2.8 %	<ul style="list-style-type: none"> • The yield after depreciation is lower than the average yield of the area. • It is difficult to expect future revenue recovery. • to-be-disposed at a price above its book value

(Note4) NOI Yield = Total current NOI ÷ Book Value as of end of FP 2018/1 × 100%

(Note5) Yield after depreciation = (FP 2018/1 Actual NOI (annualized) - FP 2018/1 Actual Depreciation (annualized)) ÷ Book Value as of end of FP 2018/1 × 100%

2. Replacement of Properties since the Merger (as of today)

	Acquired Assets (including the assets-to-be-acquired)	Disposed Assets
Number of Properties	118	44
Total Acquisition Price	¥172,607 million	¥70,335 million
Total Deal Value (a)	¥172,607 million	¥64,906 million
Appraisal Value (b)	¥185,855 million	¥62,430 million (note 1)
Ratio (a) ÷ (b) × 100%	92.9 %	104.0 %
Weighted Average NOI yield	5.8 % (note 2)	4.6 % (note 3)
Weighted Average Building Age (Note 4)	4.8 year	13.3 year

(Note 1) "Appraisal Value" 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 dates.

■ Increase / Decrease in No. of Units as the Result of Replacements

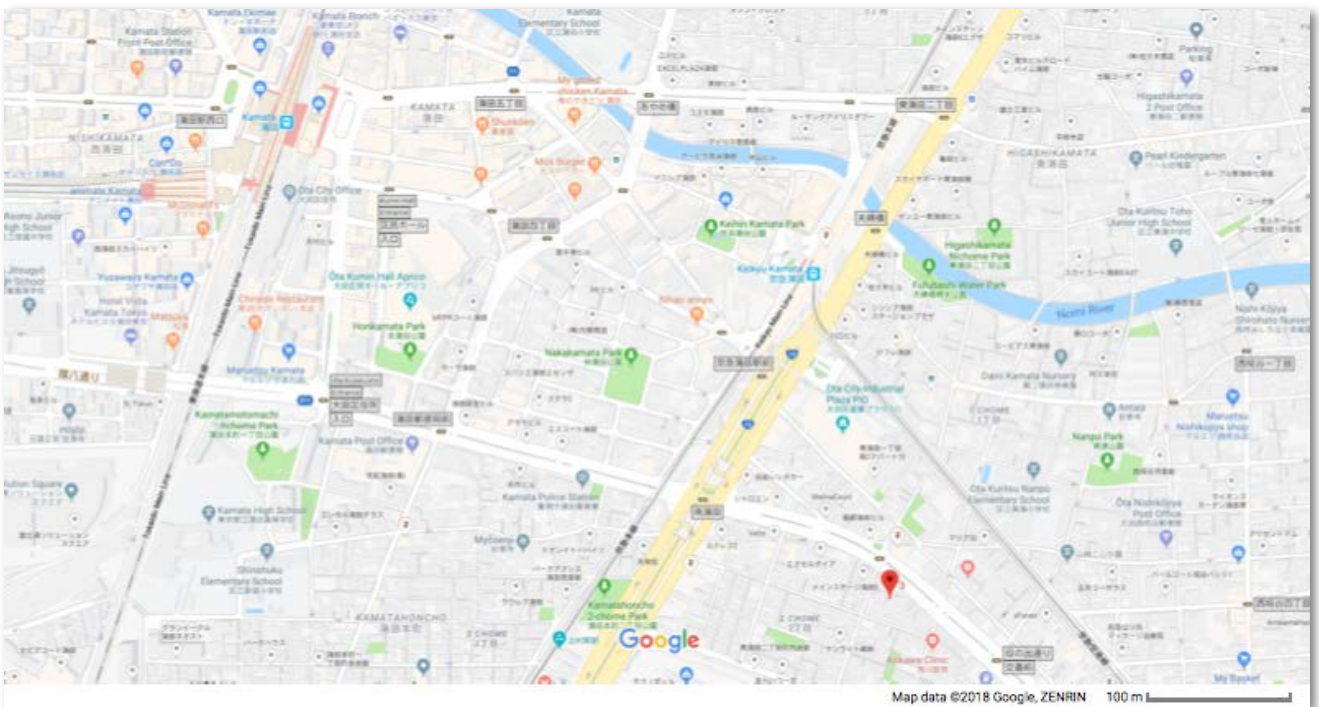
	Singles	Compacts	Families	Large	Dormitories	Others	Total
Tokyo Central 7 Wards	847	6	-46	-168	0	-1	638
Tokyo 23 Wards Exclusive of Central 7 Wards	2,154	716	435	11	0	14	3,330
Tokyo 23 Wards	3,001	722	389	-157	0	13	3,968
Tokyo Metropolitan Area	440	10	-105	0	-748	-4	-407
Major Regional Cities	1,806	1,144	323	63	0	1	3,337
Other Regions	2,246	1,154	218	63	-748	-3	2,930
Total	5,247	1,876	607	-94	-748	10	6,606

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

Asset Size (based on acquisition price)	448.2 billion yen
No. of Properties	262 properties
No. of Leasable Units	21,134 units
Total Leasable Floor Area	788,836.54 m ²

Area Diversification	Acquisition Price	Share of Investment
P (Tokyo Central 7 Wards)	171.2 billion yen	38.2 %
C (Tokyo 23 Wards Exclusive of Central 7 Wards)	149.6 billion yen	33.4 %
Tokyo 23 Wards	320.9 billion yen	71.6 %
S (Tokyo Metropolitan Area)	40.9 billion yen	9.1 %
R (Major Regional Cities)	86.2 billion yen	19.2 %
Other Regions	127.2 billion yen	28.4 %
Total	448.2 billion yen	100.0 %

3. Photos of the Assets-To-Be-Acquired
C-88 RESIDIA Kamata V



C-89 RESIDIA Kamata V

