

**For Immediate Release**

Advance Residence Investment Corporation  
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Notice Concerning Acquisition of Investment Assets (RESIDIA Kotoen and RESIDIA Tamatsukuri)

ITOCHU REIT Management Co., Ltd. (IRM), the asset management company to which Advance Residence Investment Corporation (ADR) entrusts the management of its assets, today announced its decision to have ADR acquire an asset located in Japan (hereafter, the “Acquisition”) as detailed below as part of ADR’s growth strategy.

1. Details of the Acquisition

IRM decided on the following acquisition pursuant to the asset management targets and policies stipulated in the Articles of Incorporation of ADR, with a view to steady increase in asset size and diversification and enhancement of the portfolio.

| Name of the Assets-To-Be-Acquired <sup>1</sup><br>(Assets)         | RESIDIA Kotoen<br>(Real estate)                               | RESIDIA Tamatsukuri<br>(Real estate) |
|--|---|--------------------------------------|
| Proposed Acquisition Price <sup>2</sup><br>(Price/Appraisal ratio) | 500 million yen<br>(93.6%)                                    | 1,920 million yen<br>(93.2%)         |
| Real Estate Appraisal Value <sup>3</sup>                           | 534 million yen   | 2,060 million yen                    |
| NOI Yield <sup>4</sup>   | 4.7%  | 4.5%                                 |
| Yield after Depreciation <sup>5</sup>                              | 3.9%  | 3.7%                                 |
| Building Age <sup>6</sup>  | 7.1 years   | 7.5 years                            |
| Seller   | Not disclosed   |                                      |
| Scheduled Contract Date  | September 16, 2022  |                                      |
| Scheduled Acquisition Date   | September 28, 2022  | February 1, 2023                     |
| Acquisition Financing<br>(Payment Method)                          | Borrowings and cash on hand<br>(lump-sum payment on delivery) |                                      |
| Collateral   | None  |                                      |

(Note 1) The names of the assets-to-be-acquired are scheduled to change after acquisition by ADR, and the names after the change are stated. The names of the properties as of today are “AMARE Kotoen” and “AMARE Nagahoridori,” respectively.

(Note 2) “Proposed Acquisition Price” refers to the purchase price stated in the real estate transaction agreements for the asset-to-be-acquired and does not include various expenses required for the acquisition such as taxes and public dues.

(Note 3) “Appraisal Value” of the asset-to-be-acquired is as of July 11, 2022.

(Note 4) “NOI Yield” is calculated as follows: annualized NOI stated in the appraisal document at the time of the acquisition of the asset-to-be-acquired and calculated using direct capitalization method ÷ proposed acquisition price x 100. The calculated yield is rounded to the first decimal place.

(Note 5) “Yield after Depreciation” is calculated as follows: (annualized NOI stated in the appraisal document at the time of acquisition of the asset-to-be-acquired and calculated using direct capitalization method – annual depreciation cost) ÷ proposed acquisition price x 100. The calculated yield is rounded to the first decimal place. As is the case with the existing portfolio of ADR, the depreciation cost of the assets-to-be-acquired is calculated by ADR, using the straight-line method under certain assumptions and estimated at 4,085 thousand yen p.a. for RESIDIA Kotoen and 16,395 thousand yen p.a. for RESIDIA Tamatsukuri respectively.

(Note 6) “Building Age” is the age of the building as of the date of this document and is rounded to the first decimal place.

On acquiring these properties, ADR recognized the following property attributes:

| No. | Property Name       | Property Attributes  |
|-----|---------------------|--|
| 1   | RESIDIA Kotoen      | <ul style="list-style-type: none"> <li>The property is located an 8-minute walk from Kotoen Station on the Hankyu Imazu Line and has easy access to Nishinomiya-Kitaguchi Station, a major terminal station, making it convenient for daily life.</li> <li>Kwansei Gakuin University and Kobe College are located nearby, and the area is convenient for commuting to and from work and school, so need is anticipated from university students and staff.</li> </ul>                              |
| 2   | RESIDIA Tamatsukuri | <ul style="list-style-type: none"> <li>The property is a 7-minute walk from Tamatsukuri Station on the JR West Osaka Loop Line, and has access to Tamatsukuri Station on the Osaka Metro Nagahori Tsurumi-ryokuchi Line and Imazato Station on the Osaka Metro Sennichimae Line and Imazatosuji Line, providing convenient access to key areas in Osaka, including Shinsaibashi and Hommachi.</li> <li>All units are 2LDK-type, which is rare, and solid family demand can be expected.</li> </ul> |

Map of the Asset-To-Be-Acquired:

(1) RESIDIA Kotoen



(2) RESIDIA Tamatsukuri



\*The maps in this press release are partially processed from Geospatial Information Authority of Japan “Geospatial Information Authority Map Vector”.

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

(1) RESIDIA Kotoen



(2) RESIDIA Tamatsukuri





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

|  |   |   |
|--|---|---|
| Property Number  | R-084   | R-085   |
| Name of Asset-To-Be-Acquired                               | RESIDIA Kotoen  | RESIDIA Tamatsukuri                                     |
| Address  | 2-15-8 Danjo-machi, Nishinomiya City, Hyogo   | 1-4-21 Tamatsu, Higashinari-ku, Osaka-shi, Osaka        |
| <b>Land</b>  |   |   |
| Type of Ownership  | Proprietary ownership   | Proprietary ownership                                   |
| Area   | 626.00 m <sup>2</sup>   | 934.17 m <sup>2</sup>                                   |
| Zoning   | Category 1 medium-to-high-rise exclusive residential districts / Category 2 medium-to-high-rise exclusive residential districts | Commercial districts                                    |
| FAR / Building Coverage Ratio                              | 150%/60% / 200%/60%   | 400%/80%  |
| <b>Building</b>  |   |   |
| Type of Ownership  | Proprietary ownership   | Proprietary ownership                                   |
| Total Floor Space  | 1,155.62 m <sup>2</sup>   | 4,040.67 m <sup>2</sup>                                 |
| Structure / Floors   | Reinforced concrete with flat roof / 5 floors   | Reinforced concrete with flat roof / 11 floors          |
| Use  | Multi-family housing  | Multi-family housing                                    |
| Construction Completion Date                               | July 31, 2015   | March 31, 2015  |
| Building Inspector   | Nihon Kakunin Architectures Inspection Center Co., Ltd.   | Nihon Kakunin Architectures Inspection Center Co., Ltd. |
| Building Designer  | Eito Architects Co., Ltd.   | Architectural Planning Institute Co., Ltd.              |
| Structural Engineer  | FRAMEWORX Co., Ltd.   | Akazawa Design Office Co., Ltd.                         |
| Construction Contractor                                    | Nihon Kensetsu Co., Ltd.  | Kurimoto Construction Industry, Ltd.                    |
| Trustee  | -   | -   |
| Trust Contract Period                                      | -   | -   |
| Property Management Company <sup>7</sup>                   | Haseko Livenet Co., Ltd.  | Haseko Livenet Co., Ltd.                                |
| Master Lessee  | Haseko Livenet Co., Ltd.  | Haseko Livenet Co., Ltd.                                |
| Master Lease type  | Pass-through  | Pass-through  |
| <b>Summary of Building Conditions Investigation Report</b> |   |   |
| Investigator   | Tokio Marine dR Co., Ltd.   | Tokio Marine dR Co., Ltd.                               |
| Investigation Date   | July 11, 2022   | July 11, 2022   |
| Emergency Repair Costs                                     | -   | -   |
| Short-term Repair Costs (within 1 year)                    | -   | -   |
| Long-term Repair Costs (next 12 years)                     | 19,030 thousand yen   | 65,046 thousand yen                                     |
| Building Replacement Price                                 | 273,000 thousand yen  | 959,000 thousand yen                                    |
| Earthquake PML   | 4.8%  | 8.7%  |
| <b>Lease Conditions</b>                                    |   |   |
| Point in Time  | As of August 31, 2022   | As of August 31, 2022                                   |
| Total Tenants  | 1   | 1   |
| Leasable Units   | 31  | 50  |
| Leased Units   | 31  | 50  |
| Leasable Floor Area  | 949.24 m <sup>2</sup>   | 3,462.70 m <sup>2</sup>                                 |
| Leased Area  | 949.24 m <sup>2</sup>   | 3,462.70 m <sup>2</sup>                                 |
| Occupancy Rate (based on floor area)                       | 100.0%  | 100.0%  |
| Monthly Rent   | 2,419 thousand yen  | 7,692 thousand yen                                      |
| Deposits, Guarantees, etc.                                 | 1,954 thousand yen  | 8,438 thousand yen                                      |
| <b>Number of Units by Type</b>                             |   |   |
| Single   | 26  | 0   |
| Compact  | 0   | 0   |
| Family   | 5   | 50  |
| Large  | 0   | 0   |
| Dormitory  | 0   | 0   |
| Other  | 0   | 0   |
| <b>Other Relevant Information</b>                          |   |   |
|  | 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 in the above table.  
<https://www.adr-reit.com/en/ir/news/>

#### 4. Appraisal Report Summary

##### (1) RESIDIA Kotoen

| Name of Property                     | RESIDIA Kotoen                      | Appraisal Date   | July 11, 2022        |
|--------------------------------------|-------------------------------------|--|----------------------|
| Appraiser                            | JLL Morii Valuation & Advisory K.K. | Appraisal Value  | 534,000 thousand yen |
| Appraisal Items                      | Appraised Value<br>(thousand yen)   | Basis  |                      |
| Income Capitalization Approach Value | 534,000                             | Estimated the income value of the subject property by relating the income value obtained by the DCF method to the income value obtained by the direct capitalization method.   |                      |
| Direct Capitalization Price          | 544,000                             |  |                      |
| Total Potential Income               | 31,814                              |  |                      |
| Rent Income                          | 29,352                              | Estimated the rent, etc., based on the existing lease contracts and examples of leases on similar properties.  |                      |
| Other Income                         | 2,462                               | Estimated by referring to the actual rent, etc.  |                      |
| Total Effective Income               | 29,808                              |  |                      |
| Losses from Vacancies, etc.          | 2,006                               | Estimated by taking into account the standard vacancy rate and the supply-demand balance based on the existing contract, as well as the individual characteristics of the subject property.  |                      |
| Losses from Delinquencies            | 0                                   | Not recorded as secured by security deposits, etc.   |                      |
| Expenses from rental business        | 6,424                               |  |                      |
| Maintenance and Management Fees      | 1,320                               | Estimated by taking into account the individual characteristics of the subject property, with reference to the standard level of similar properties.   |                      |
| Utilities Costs                      | 345                                 | Estimated based on the actual amounts of past fiscal years, with reference to the standard of similar properties.  |                      |
| Management Commission Fees           | 718                                 | Estimated the rate with reference to the standard of similar properties.   |                      |
| Taxes and Public Dues                | 1,972                               | Land: Estimated by taking into account the fluctuation rate of land prices, etc., with the actual results of past fiscal years as the standard.<br>Buildings: Estimated by using the actual results of previous years as the standard, taking into account age-related depreciation, and referring to the age-related reduction ratio.<br>Depreciable assets: Estimated by taking into account age-related depreciation. |                      |
| Non-life Insurance Premium           | 56                                  | Insurance Premiums: Appropriate insurance premiums based on the insurance contract were recorded.<br>Appropriate insurance premiums based on the insurance contract were recorded.   |                      |
| Leasing Expenses                     | 998                                 | Appraisal based on the assumption of payment at the time of tenant replacement, taking into account local practices and the subject property's move-out rate, with reference to the existing lease conditions and lease conditions of similar properties.  |                      |
| Repair Costs                         | 971                                 | Allocation of restoration expenses, with reference to the level of similar properties and taking into account the actual results of previous years and the move-out rate, as well as repair expenses, taking into account the annual average of repair and renewal expenses, etc. in ER.   |                      |
| Other Expenses                       | 44                                  | Actual community association fees were recorded.   |                      |
| Net Operating Income                 | 23,384                              |  |                      |
| Earnings from Deposits               | 21                                  | Estimated by comprehensively considering the interest rate procured and the investment yield of the real estate, etc.  |                      |
| Capital Expenditures                 | 1,110                               | Allocation of repair expenses, taking into account the annual average of repair and renewal expenses, etc. in ER.  |                      |
| Net Cash Flow DCF Price              | 22,295                              |  |                      |
| Cap Rate                             | 4.1%                                | Estimated by taking into account the discount rate and the risk of fluctuations in income and principal.   |                      |
| DCF Price                            | 523,000                             |  |                      |
| Discount Rate                        | 3.9%                                | Estimated by comprehensively taking into account market trends, while considering risk factors related to the regional and individual characteristics of the subject property, in addition to the standard base cap rate.  |                      |
| Terminal Cap Rate                    | 4.3%                                | Estimated by adding the cap rate disparity ratio to the cap rate, taking into account the uncertainty of the forecasted fluctuation of net income at a future point in time, the future deterioration of the building, and the risk of selling the property.   |                      |
| Cost Approach Value                  | 457,000                             |  |                      |
| Land Ratio                           | 64.2%                               |  |                      |
| Building Ratio                       | 35.8%                               |  |                      |
| Other Matters of Consideration       |                                     |  |                      |
| None                                 |                                     |  |                      |

## (2) RESIDIA Tamatsukuri

| Name of Property                     | RESIDIA Tamatsukuri                   | Appraisal Date  | July11, 2022           |
|--------------------------------------|---------------------------------------|---|------------------------|
| Appraiser                            | JLL Morii Valuation & Advisory K. K   | Appraisal Value   | 2,060,000 thousand yen |
| Appraisal Items                      | Appraised Value<br>(Thousands of yen) | Basis   |                        |
| Income Capitalization Approach Value | 2,060,000                             | Estimated the income value of the subject property by relating the income value obtained by the DCF method to the income value obtained by the direct capitalization method.  |                        |
| Direct Capitalization Price          | 2,140,000                             |   |                        |
| Rent Income                          | 110,876                               |   |                        |
| Other Income                         | 101,819                               | Estimated the rent, etc., based on the existing lease contracts and examples of leases on similar properties.   |                        |
| Total Effective Income               | 9,057                                 | Estimated by referring to the actual rent, etc.   |                        |
| Losses from Vacancies, etc.          | 106,164                               |   |                        |
| Losses from Delinquencies            | 4,712                                 | Estimated by taking into account the standard vacancy rate and the supply-demand balance based on the existing contract, as well as the individual characteristics of the subject property.   |                        |
| Expenses from rental business        | 0                                     | Not recorded as secured by security deposits, etc.  |                        |
| Maintenance and Management Fees      | 18,840                                |   |                        |
| Utilities Costs                      | 2,076                                 | Estimated by taking into account the individual characteristics of the subject property, with reference to the standard level of similar properties.  |                        |
| Management Commission Fees           | 880                                   | Estimated based on the actual amounts of past fiscal years, with reference to the standard of similar properties.   |                        |
| Taxes and Public Dues                | 2,555                                 | Estimated the rate with reference to the standard of similar properties.  |                        |
| Non-life Insurance Premium           | 5,957                                 | Land: Estimated by taking into account the fluctuation rate of land prices, etc., with the actual results of past fiscal years as the standard.<br>Buildings: Estimated by using the actual results of previous years as the standard, taking into account age-related depreciation, and referring to the age-related reduction ratio.<br>Depreciable assets: Estimated by taking into account age-related depreciation.<br>Insurance Premiums: Appropriate insurance premiums based on the insurance contract were recorded. |                        |
| Leasing Expenses                     | 195                                   | Appropriate insurance premiums based on the insurance contract were recorded.   |                        |
| Repair Costs                         | 3,557                                 | Appraisal based on the assumption of payment at the time of tenant replacement, taking into account local practices and the subject property's move-out rate, with reference to the existing lease conditions and lease conditions of similar properties.   |                        |
| Other Expenses                       | 3,384                                 | Allocation of restoration expenses, with reference to the level of similar properties and taking into account the actual results of previous years and the move-out rate, as well as repair expenses, taking into account the annual average of repair and renewal expenses, etc. in ER.  |                        |
| Net Operating Income                 | 236                                   | Internet communication expenses.  |                        |
| Earnings from Deposits               | 87,324                                |   |                        |
| Capital Expenditures                 | 76                                    | Estimated by comprehensively considering the interest rate procured and the investment yield of the real estate, etc.   |                        |
| Net Cash Flow DCF Price              | 3,794                                 | Allocation of repair expenses, taking into account the annual average of repair and renewal expenses, etc. in the ER.   |                        |
| Cap Rate                             | 83,606                                |   |                        |
| DCF Price                            | 3.9%                                  | Estimated by taking into account the discount rate and the risk of fluctuations in income and principal.  |                        |
| Discount Rate                        | 2,020,000                             |   |                        |
| Terminal Cap Rate                    | 3.7%                                  | Estimated by comprehensively taking into account market trends, while considering risk factors related to the regional and individual characteristics of the subject property, in addition to the standard base cap rate.   |                        |
| Building Ratio                       | 4.1%                                  | Estimated by adding the cap rate disparity ratio to the cap rate, taking into account the uncertainty of the forecasted fluctuation of net income at a future point in time, the future deterioration of the building, and the risk of selling the property.  |                        |
| Cost Approach Value                  | 1,580,000                             |   |                        |
| Land Ratio                           | 62.2%                                 |   |                        |
| Building Ratio                       | 37.8%                                 |   |                        |
| Other Matters of Consideration       |                                       |   |                        |
| None                                 |                                       |   |                        |

## 5. Financial Impact on ADR in the Event of Failure to Fulfill Forward Commitment, etc.

The real estate sales transaction agreement (hereafter, the “Agreement”) for the asset-to-be-acquired (RESIDIA Tamatsukuri) constitutes a forward commitment, etc.<sup>7</sup> by an investment corporation defined in the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc. published by the Financial Services Agency.

The Agreement provides that if ADR or the seller violates a provision of the Agreement, the counterparty has the right to terminate the Agreement and claim an amount equivalent to 20% of the transaction price of the asset-to-be-acquired as penalty.

However, ADR is not obliged to pay penalties to the seller for the expiration or cancellation of the Agreement except where ADR is at fault.

(Note 7) Refers to a postdated sales agreement under which payment and property delivery shall be made at least one month after the conclusion of the agreement, or any other agreement similar thereto.

## 6. Seller Profile

The seller is a Japanese stock company. Its details are not disclosed based on the seller’s wishes. The seller does not constitute a party that has a particular vested interest in ADR or IRM.

## 7. Property Titleholder (for transactions with parties with special interest)

Omitted. Property not acquired from parties with special interest.

## 8. Matters Concerning Earthquake Resistance

### (1) RESIDIA Kotoen

The validity of structural calculation document has been examined by a third-party inspector. ADR has obtained the 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.

#### Third-Party Inspector Profile

|                              |   |
|------------------------------|---|
| Trade name                   | Tokio Marine dR Co., Ltd.   |
| Head Office Location         | 1-5-1 Otemachi, Chiyoda-ku, Tokyo   |
| Representative               | Taizo Shimakura, President and Chief Executive Officer  |
| Capital                      | 100 million yen   |
| Large shareholder            | Tokio Marine Holdings, Inc.   |
| Principal business           | 1. Examination, research, provision of information, diagnosis, consulting, seminars, publications, and training on safety, disaster prevention, health, environment, product safety, and information management, etc.<br>2. Contracting of corporate and other business and administration such as in relation to safety, disaster prevention, health, environment, product safety, and information management.<br>3. Design, implementation, and supervision of construction work, civil engineering work, equipment work, soil contamination removal work, etc.<br>4. Market data gathering and analysis, risk measurement, due diligence including corporate value calculation, etc. |
| Relationship with ADR or IRM | None  |

(2) RESIDIA Tamatsukuri

In accordance with the revised Building Standard Act enacted in June 2007 and has received a structural calculation conformity assessment notification.

9. Broker Profile

Omitted. The broker does not have any special interest with ADR or IRM.

10. Outlook

The impact of this Acquisition on the earnings forecasts for the 25th fiscal period (from August 1, 2022 to January 31, 2023) and the 26th fiscal period (from February 1 to July 31, 2023), published in the Brief Summary of Kessan Tanshin (Financial Report) dated September 14, 2022, will be negligible, and no change will be made to the forecast.

**About Advance Residence Investment Corporation**

Advance Residence Investment Corporation is the largest J-REIT specializing in residential properties and is managed by ITOCHU REIT Management Co., Ltd. (IRM), the asset management company of the ITOCHU Group, investing in over 270 rental apartments located mostly in central Tokyo and in other major cities throughout Japan (AUM over 460 billion yen). ADR can be expected have a stable dividend in the long-term and can be considered as a defensive J-REIT, on back of the stable income from residential assets and with the largest dividend reserve among J-REITs.

**"Advance" is the common brand name of the real estate investment corporation managed by ITOCHU REIT Management Co., Ltd.**

ADR's website: <https://www.adr-reit.com/en/>

IRM's website : <https://www.itc-rm.co.jp/en/>