

For Immediate Release

Real Estate Investment Trust Securities Issuer:
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 (Securities Code : 3269)
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Notice Concerning Acquisition of Real Estate Trust Beneficiary Interest in Japan
(RESIDIA Bunkyo-HongoIV)

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

1. Summary of the Acquisition

IRM decided on the following acquisition pursuant to the target and policy of asset management as stipulated in the Articles of Incorporation of ADR, for steady increase in asset size, diversification and enhancement of the portfolio.

Property Name (Type of asset)	RESIDIA Bunkyo-HongoIV (Beneficiary Interests in Trust)
Acquisition Price ^(Note 1) (Price / Appraisal ratio)	2,252 million yen (90.8%)
Appraisal Value ^(Note 2)	2,480 million yen
NOI Yield ^(Note 3)	4.1%
Yield after Depreciation ^(Note 4)	3.4%
Building Age ^(Note 5)	6.1years
Seller	ITOCHU Corporation (quasi co-ownership interests 60%, Acquisition Price 1,351 million yen) ITOCHU Property Development, Ltd. (quasi co-ownership interests 40%, Acquisition Price 900 million yen)
Broker Availability	None
Scheduled Contract Date	February 28, 2024
Scheduled Acquisition Date	April 18, 2024 or a date to be separately agreed upon with the seller
Acquisition Financing (Payment Method)	Borrowings and cash on hand (Lump-sum payment on delivery)

(Note 1) “Acquisition Price” refers to the purchase price written in the beneficiary transfer agreements for the asset-to-be-acquired and does not include various expenses needed for the acquisition such as taxes and public dues.

(Note 2) “Appraisal Value” of the asset-to-be-acquired is as of December 1, 2023.

(Note 3) “NOI Yield” is calculated as follows: annualized NOI written in the appraisal document at the time of the acquisition of the asset-to-be acquired and calculated using direct capitalization method / acquisition price x 100. The calculated yield is rounded at the second decimal point.

(Note 4) “Yield after Depreciation” is calculated as follows: (annualized NOI written in the appraisal document at the time of the acquisition of the asset-to-be-acquired and calculated using direct capitalization method – annual depreciation cost) / acquisition price x 100. The calculated yield is rounded at the second decimal point. As in 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 15,784 thousand yen a year.
 (Note 5) "Building Age" is the age of the building as of the date of this document and is rounded at the second decimal point.

2. Reason for the Acquisition

IRM decided on the following acquisition pursuant to the target and policy of asset management as stipulated in the Articles of Incorporation of ADR, for steady increase in asset size and diversification and enhancement of the portfolio. The decision to acquire this property was based on an evaluation of Features of the Property, etc., as stated in "3. Summary of the Asset-To-Be-Acquired".

In the real estate trading market, the supply of new, high-quality rental housing in good locations is limited, and the trading prices of properties in central metropolitan areas, where stable rental demand can be expected, continue to remain high, creating a difficult acquisition environment.

In this environment, ADR has decided to acquire the property developed by IRM's sponsors, ITOCHU Corporation and ITOCHU Property Development, Ltd. The Building Age of the Asset-To-Be-Acquired is 6.1 years, which is much lower than the average Building Age of the entire portfolio of 17.0 years ^(Note6) as of the fiscal period ended January 31, 2024.

(Note 6) The Average Building Age for the entire portfolio is the weighted average Building Age of the properties in the portfolio, weighted by Acquisition Price and rounded to the second decimal place.

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

Property Name		RESIDIA Bunkyo-HongoIV	Property Number	T-190
Type of asset		Beneficiary Interests in Trust		
Trustee		Sumitomo Mitsui Trust Bank, Limited (planned)		
Trust Contract Period		From April 18, 2024 to April 30, 2034 (planned)		
Address		7-2-2 Hongo, Bunkyo-ku, Tokyo		
Land	Type of Ownership	Ownership	Zoning	Commercial district
	Land Area	315.43 m ²	FAR / Building Coverage Ratio	600%/80%
Building	Structure / Floors	Reinforced concrete structure with a flat-topped roof; 15 stories		
	Type of Ownership	Ownership	Use	Apartment, store
	Total Floor Space	1,633.73 m ²	Construction Completion Date	January 12, 2018
	Building Designer	KAI Architects & Associates Inc.		
	Structural Engineer	Beams Design Consultant Co.,Ltd.		
	Construction Contractor	Daiichikogyo Co.,Ltd. Tokyo Branch		
	Building Certification Agency	j.e.support Co.,Ltd.		
Building Inspection Agency	j.e.support Co.,Ltd.			
Collateral	None			
Appraisal value	2,480,000 thousand yen	Appraisal date	as of December 1, 2023	
Appraiser	Japan Real Estate Institute			
Property Management Company	ITOCHU Urban Community Co., Ltd.(planned)			

Master Lessee	ITOCHU Urban Community Co., Ltd. (planned)			Master Lease type	Pass-through
Lease Conditions					
Total Tenants	1		Point in Time	As of January 31, 2024	
Leasable Units	38				
Leased Units	38				
Leasable Floor Area	1,503.39 m ²		Occupancy Rate (based on floor area)	100%	
Leased Area	1,503.39 m ²				
Total Monthly Rent	9,180 thousand yen				
Deposits, Guarantees, etc.	16,440 thousand yen				
Number of Units by Type (Excluding Operational Rental Residence)	Single	Compact	Family	Large	Other
	9	23	5	0	1
Number of Operated Rental Residence	0				
Features of the Property					
<ul style="list-style-type: none"> • This property is located a 2-minute walk from Hongo Sancho Station on the Toei Oedo Line and a 4-minute walk from Hongo Sancho Station on the Tokyo Metro Marunouchi Line, and has good access to major terminals such as Shinjuku Station and Tokyo Station, so it is expected to attract wide demand from single adults, DINKs and families who work in the area. • The first floor of this property is occupied by a convenience store, making the property convenient for daily life. 					
Other Relevant Information					
None					
Summary of Building Conditions Investigation Report					
Investigator	Tokio Marine dR Co., Ltd.		Investigation Report Date	January 22, 2024	
Emergency Repair Costs	-				
Short-term Repair Costs (within 1 year)	-				
Long-term Repair Costs (within 12 years)	28,449 thousand yen				
Building Replacement Price	425,000 thousand yen				
Summary of Earthquake Risk Analysis					
Investigator	Tokio Marine dR Co., Ltd.		Investigation Report Date	January 22, 2024	
Probable Maximum Loss Ratio (PML)	4.9%				
Matters concerning Earthquake Resistance, etc.					
This property has been notified of the structural calculation conformity assessment by the designated structural calculation inspection institute in accordance (Away Building Evaluation Network Inc.) with the revision of the Building Standard Act that came into effect in June 2007.					

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 the above table. (<https://www.adr-reit.com/en/ir/news/>)

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

Beneficiary Interests in Trust transfer agreements (hereafter, the “Agreement”) for the asset-to-be-acquired constitutes a forward commitment, etc.^(Note) 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) 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.

5. Summary of the Seller

(1) ITOCHU Corporation (quasi co-ownership interests 60%)

Trade Name	ITOCHU Corporation
Location	3-1-3 Umeda, Kita-ku, Osaka-shi, Osaka
Representative	Keita Ishii, President and Chief Operating Officer
Principal business	ITOCHU is involved in domestic trading, import/export, and overseas trading of various products such as textile, machinery, metals, energy, chemicals, food, general product, realty, information, insurance, logistics, construction, and finance, as well as business investment in Japan and overseas.
Capital	253,448 million yen
Data of establishment	December 1, 1949
Total assets	13,111,652 million yen (as of March 31, 2023)
Total capital	5,463,627 million yen (as of March 31, 2023)
Large shareholders and Shareholding ratio	The Master Trust Bank of Japan, Ltd. (16.25%) etc. (as of March 31, 2023)
Relationship with ADR or IRM	
Capital relations	As of the end of January 2024, the said company owns 2.4% of ADR's outstanding investment units. In addition, the said company is a shareholder of IRM and falls under the category of an interested party, etc. of ADR as defined in the Law Concerning Investment Trusts and Investment Corporations.
Personnel relations	As of today, one IRM's executives and employees is seconded from the said company.
Business relations	The following is a summary of specified asset sales transactions, etc. for the fiscal period ended January 31, 2024. Bought amount 2,862 million yen /Sold amount 0 yen
Related parties' status	The said company is not a related party of ADR. The said company is the parent company of IRM and falls under the category of a related party.

(2) ITOCHU Property Development, Ltd. (quasi co-ownership interests 40%)

Trade Name	ITOCHU Property Development, Ltd.
Location	2-9-11 Akasaka, Minato-ku, Tokyo
Representative	Norio Matsu, President
Principal business	Apartment and house construction and sales, real estate operation, management, and consulting, etc.
Capital	10,225 million yen
Data of establishment	December 1, 1997
Total assets	-
Total capital	-
Large shareholders and	ITOCHU Corporation (100%)

Shareholding ratio	
Relationship with ADR or IRM	
Capital relations	The said company holds 20.0% of IRM's outstanding shares and is a support line company of ADR.
Personnel relations	As of today, one IRM's executives and employees is seconded from the said company.
Business relations	The following is a summary of specified asset sales transactions, etc. for the fiscal period ended January 31, 2024. Bought amount 5,781 million yen / Sold amount 0 yen
Related parties' status	The said company is not a related party of ADR. The said company is the subsidiary of parent company ITOCHU Corporation (100%) and falls under the category of a related party.

6. Status of seller

Status of Property Owners, etc.	Previous owner, etc.	The time before last owner, etc.
Company Name / Name	ITOCHU Corporation (quasi co-ownership interests 60%) ITOCHU Property Development, Ltd. (quasi co-ownership interests 40%)	Other than those with a special interest
Special Interests. Relationship with a certain person	Interested parties as defined in the internal rules of IRM	-
Background and reason for acquisition, etc.	Rental residence development objectives	-
Acquisition Price	Omitted for development purposes	-
Acquisition period	(Land) September 2015 (Building) January 2018	-

7. Interest of IRM in the Asset-To-Be-Acquired

- (1) In conducting transactions with interested parties as described in 6. Seller Status (Acquisition of properties from parties with special relationships) above, IRM has followed the required procedures in accordance with the provisions of IRM's internal rules "Rules on Transactions with Interested Parties.
- (2) Of the above assets-to-be-acquired, ADR has agreed that, the master lease and property management services will be entrusted to ITOCHU Urban Community Co., Ltd. which is an interested party of the IRM. Therefore, necessary procedures are scheduled to be taken in accordance with internal rules regarding the conclusion of a building lease and management operation consignment agreement, etc. with the company.

8. Broker Profile

Not applicable.

9. Outlook

The impact of this Acquisition on the earnings forecasts for the 28th fiscal period (from February 1, 2024 to July 31, 2024), published in the Brief Summary of Kessan Tanshin (Financial Report) dated September 12, 2023, will be negligible, and no change will be made to the forecast.

10. Summary of the Appraisal Report

Property name	RESIDIA Bunkyo-HongoIV
Appraisal Value	2,480,000 thousand yen
Appraiser	Japan Real Estate Institute
Appraisal date	as of December 1, 2023

(thousand yen)

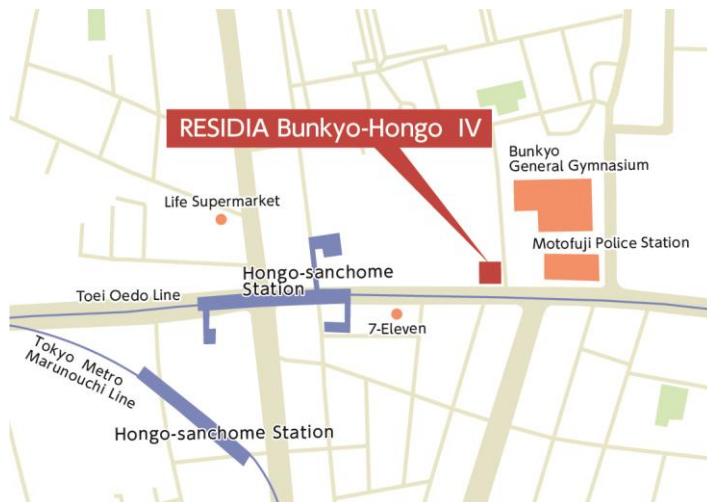
Items	Value	Summary
Income Capitalization Approach Value	2,480,000	Estimated the income value of the subject property by relating the income value obtained by the DCF method to the income value obtained by the direct capitalization method.
Direct Capitalization Price ((6)/(7))	2,500,000	
(1) Total Potential Income	109,630	
Total Potential Income	113,908	
Rental income	110,662	Appraised, taking into account the rent based on the current lease agreement and the rent that would be paid if the subject property were newly leased, etc.
Other income	3,246	Renewal fee income is recorded based on an assessment of the average annual turnover rate of tenants and the average contract period.
Losses from Vacancies, etc.	4,278	Recorded after assessing a stable mid- to long-term Occupancy rate level based on the occupancy status and supply-demand trends of similar properties, as well as the occupancy status and future trends for the subject property.
Losses from Delinquencies	0	The Company determined that no recording is required, taking into account the situation of the lessee and other factors.
(2) Expenses from rental business	17,969	
Maintenance and Management Fees	4,776	The amount is recorded in consideration of the individual characteristics of the subject property, with reference to the actual amount in past fiscal years and the level of similar properties.
Utilities Costs	1,000	The amount is recorded with reference to the actual results of past fiscal years and taking into consideration the level of similar properties and the individual characteristics of the subject property.
Repair Costs	1,281	In addition to the restoration costs based on the level of restoration costs normally incurred and the lessor's share of such costs, repair and maintenance costs were recorded by taking into consideration the actual amounts in previous years, the level of similar properties, and the annual average of repair and renewal costs in engineering reports, etc.
Property Manager Fees	1,863	Recorded with reference to the remuneration rate based on the terms of the scheduled contract, etc., and taking into consideration the remuneration rate for similar properties and the individual characteristics of the subject property.
Leasing Expenses	3,542	Administrative fees required when recruiting new tenants, with reference to contract terms and lease terms of similar properties, and advertising expenses, etc., with reference to actual results of previous years, and renewal fees, etc., taking into account the average annual replacement rate and occupancy rate, etc.
Taxes and Public Dues	4,287	Recorded based on tax and public dues related documents, etc.
Insurance Premium	90	Recorded in consideration of premiums based on insurance policies and premium rates for buildings similar to the subject building.
Other Expenses	1,130	Internet usage fees, town council fees, etc. are recorded.
(3) Net Operating Income (NOI, (1)-(2))	91,661	
(4) Earnings from Deposits	159	Appraised by multiplying the amount obtained by multiplying the occupancy rate by the number of months of stable security deposits over the medium to long term, and then by the assumed investment yield of 1.0%.
(5) Capital Expenditures	1,660	Appraised, taking into account the level of Capital Expenditures of similar properties, Building Age, and the average annual amount of repair and renewal expenses in the engineering report, etc.
(6) Net Cash Flow DCF Price ((3)+(4)-(5))	90,160	
(7) Cap Rate	3.6%	Appraised by adding/subtracting the spread resulting from the subject property's location, building conditions, and other conditions to/from the standard yield of each area, and also by taking into account future uncertainties and transaction yields on similar properties, etc.
DCF price	2,450,000	
Discount Rate	3.4%	Appraised by comprehensively taking into account the individual characteristics of the subject property, etc., with reference to the investment yields, etc., in transactions with similar properties.
Terminal Cap Rate	3.7%	Appraised by comprehensively considering future trends of investment yields, riskiness of the subject property as an investment, general forecasts of future economic growth rates, and trends of real estate prices and rents, etc., with reference to the transaction yields of similar properties.
Cost Approach Value	1,700,000	
Land ratio	76.1%	
Building Ratio	23.9%	
Other items considered by the appraiser in the appraisal		None

Appendix

Appendix 1. Photos of the Asset-To-Be-Acquired



Appendix 2. Map of the Asset-To-Be-Acquired: 7-2-2 Hongo, Bunkyo-ku, Tokyo



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 280 rental apartments located mostly in central Tokyo and in other major cities throughout Japan (AUM over 480 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/>