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February 26, 2025

For Immediate Release

Real Estate Investment Trust Securities Issuer:
Advance Residence Investment Corporation
(Securities Code：3269)
1-105 Kanda-Jinbocho, Chiyoda-ku, Tokyo
Representative: Wataru Higuchi, Executive Director

Asset Management Company:
ITOCHU REIT Management Co., Ltd.
Representative: Junichi Shoji, Representative Director, President & CEO
Inquiries: Isao Kudo, Executive Officer
(TEL. +81-3-6821-5483)

Notice Concerning Acquisition of Real Estate in Japan (RESIDIA Minamisunamachi)

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

Property Name (Note 1) (Type of asset)	RESIDIA Minamisunamachi (Real estate)
Acquisition Price (Note 2) (Price / Appraisal ratio)	705 million yen (92.2%)
Appraisal Value (Note 3)	765 million yen
NOI Yield (Note 4)	4.3%
Yield after Depreciation (Note 5)	3.8%
Building Age (Note 6)	18.0 years
Seller	DEAR LIFE CO., LTD.
Broker Availability	None
Scheduled Contract Date	February 26, 2025
Scheduled Acquisition Date	March 6, 2025
Acquisition Financing (Payment Method)	Borrowings and cash on hand (Lump-sum payment on delivery)

(Note 1) The name of the asset-to-be-acquired is scheduled to be changed after acquisition by ADR, and the names after the change are stated. The name of the property as of today is "DeLCCS Minamisuna".

(Note 2) "Acquisition Price" is the amount stated in the real estate transaction contract for the acquired asset (excluding various expenses required for acquisition (brokerage fees, taxes and public dues, etc.)).

(Note 3) "Appraisal Value" of the asset-to-be-acquired is as of February 1, 2025.

(Note 4) "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 5) "Yield after Deprecation" 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 3,568 thousand yen a year.

(Note 6) "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".

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

Property Name		RESIDIA Minamisunamachi		Property Number	T-192
Type of asset		Real estate			
Address		3-4-3 Minamisuna, Koto-ku, Tokyo			
Land	Type of Ownership	Ownership		Zoning	Quasi-Residential District
	Land Area	276.13 ㎡		FAR / Building Coverage Ratio	400%/60%
Building	Structure / Floors	Reinforced concrete structure with a flat-topped roof; 8 stories			
	Type of Ownership	Ownership		Use	Apartment, store
	Total Floor Space	968.60 ㎡		Construction Completion Date	February 28, 2007
	Building Designer	Do Best Home Co., Ltd. First Class Architect Office			
	Structural Engineer	Do Best Home Co., Ltd. First Class Architect Office			
	Construction Contractor	Do Best Home Co., Ltd.			
	Building Certification Agency	Koto-ku			
	Building Inspection Agency	Koto-ku			
Collateral		None			
Appraisal value		765,000 thousand yen		Appraisal date	as of February 1, 2025
Appraiser		JLL Morii Valuation & Advisory K.K.			
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, 2025
	Leasable Units	29			
	Leased Units	25			
	Leasable Floor Area	829.29 ㎡		Occupancy Rate (based on floor area)	86.1%
	Leased Area	713.69 ㎡			
	Total Monthly Rent	2,353 thousand yen			
	Deposits, Guarantees, etc.	2,626 thousand yen			

Number of Units by Type (Excluding Operated Rental Residence)	Single	Compact	Family	Large	Other
	24	2	0	0	3

Number of Operated Rental Residence	0

Features of the Property	
	・This property is located just 9 minutes on foot from Minamisunamachi Station on the Tokyo Metro Tozai Line, and 13 minutes on foot from Toyocho Station. It offers easy access to the major terminal station Otemachi Station, approximately 13 minutes away from Minamisunamachi Station. ・The surrounding area boasts a rich natural environment with spacious parks such as the Sendai Horikawa River Park, Tokyo's largest waterside park, and Minamisunamachi Sanchome Park. Additionally, there are a range of lifestyle amenities, including the discount supermarket OK, Aeon Style Minamisunamachi which sells organic and imported foods, Topirec Plaza, the charming Sunamachi Ginza Shopping Street, and Sunamo Shopping Center, which features a variety of major retail chains. ・Due to its excellent access to central Tokyo and its comfortable residential environment, this property is expected to see consistent rental demand, particularly from single individuals who prioritize ease of commute and quality living spaces.
Special affairs	
	None

Summary of Building Conditions Investigation Report			
Investigator	Tokio Marine dR Co., Ltd.	Investigation Report Date	February 10, 2025
Emergency Repair Costs	-		
Short-term Repair Costs (within 1 year)	-		
Long-term Repair Costs (within 12 years)	34,415 thousand yen		
Building Replacement Price	278,000 thousand yen		

Summary of Earthquake Risk Analysis			
Investigator	Tokio Marine dR Co., Ltd.	Investigation Report Date	February 10, 2025
Probable Maximum Loss Ratio（PML)	7.6%		

Matters concerning Earthquake Resistance, etc.
The validity of structural calculation documents 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.

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. Summary of the Seller

Name	DEAR LIFE CO., LTD.
Address	Hulic Kudan Building 2F, 1-13-5 Kudan-kita, Chiyoda-ku, Tokyo
Representative	Yukihiro Abe, Representative Director and President
Principal business	Real Estate Business
Capital	4,125 million yen (as of September 30, 2024)
Data of establishment	November 1, 2004
Total assets	47,063 million yen (as of September 30, 2024)
Total capital	25,075 million yen (as of September 30, 2024)
Major shareholders and Shareholding ratio	Dearness Co.,Ltd. (36.07%) (as of September 30, 2024)
Relationship with ADR and IRM	
Capital relations	None
Personnel relations	None
Business relations	None
Related parties' status	None

5. Status of the Seller

This acquisition does not fall under transactions with parties having special interests in ADR or IRM, therefore, the disclosure is omitted.

6. Transactions with Interested Parties, etc.

ITOCHU Urban Community Co., Ltd., which is scheduled to be the master lease and property management company for the asset-to-be-acquired, falls under the category of an interested party under the IRM's internal rules. Therefore, IRM has gone through the necessary deliberation, resolution and other procedures as stipulated in the internal rules.

7. Summary of the brokerage

Not applicable.

8. Outlook

The impact of this Acquisition on the earnings forecasts for the 30th fiscal period (from February 1, 2025 to July 31, 2025), published in the Brief Summary of Financial Results dated September 17, 2024, will be negligible, and no change will be made to the forecast.

Advance Residence Investment Corporation

9. Summary of the Appraisal Report

Property name	RESIDIA Minamisunamachi
Appraisal Value	765,000 thousand yen
Appraiser	JLL Morii Valuation & Advisory K.K.
Appraisal date	as of February 1, 2025

(thousand yen)

Items	Value	Summary
Income Capitalization Approach Value	765,000	The income value is estimated by prioritizing the price derived from the DCF method while also considering the price from the direct capitalization method for comparison.
Direct Capitalization Price ((6)/(7))	802,000	
(1) Total Potential Income	37,939	
Total Potential Income	39,537	
Rental income	39,419	Rental income is assessed based on current conditions and expected mid-to-long-term stability.
Other income	118	The actual performance is deemed reasonable and recorded accordingly.
Losses from Vacancies, etc.	1,598	The assessment considers standard vacancy rates, supply-demand balance, and the unique characteristics of the subject property.
Losses from Delinquencies	0	Amounts secured by deposits and similar instruments are excluded from calculations.
(2) Expenses from rental business	7,908	
Maintenance and Management Fees	1,728	The valuation references the levels of comparable properties.
Utilities Costs	361	The actual performance is considered reasonable based on comparable properties and is recorded accordingly.
Repair Costs	1,491	Restoration costs are determined by considering comparable properties, actual costs, and turnover rates. Additionally, repair and renewal costs are assessed based on the annual average amount stated in the engineering report.
Property Manager Fees	1,041	Expense rates are evaluated and recorded with reference to the levels of comparable properties.
Leasing Expenses	1,126	Tenant replacement costs are assessed based on regional practices and the turnover rate of the subject property.
Taxes and Public Dues	1,487	Land: Assessed based on actual performance, with consideration of land price trends and fluctuation rates. Building: Evaluated using actual performance as a basis, factoring in age-related depreciation and reference to age-based depreciation adjustment rates. Depreciable assets: Assessed with consideration of age-related depreciation.
Insurance Premium	63	Insurance premiums are recorded based on reasonable judgments derived from the insurance contract.
Renewal fee	371	Turnover rates are considered in the assessment.
Other Expenses	240	A contingency reserve is recorded.
(3) Net Operating Income (NOI, (1)-(2))	30,031	
(4) Earnings from Deposits	32	The valuation of security deposits is determined by deducting the amount corresponding to vacant units from the total deposit amount under full occupancy, then applying a specified yield.
(5) Capital Expenditures	2,008	Repair and renewal costs are recorded based on the annual average amount stated in the engineering report.
(6) Net Cash Flow DCF Price ((3)+(4)-(5))	28,055	
(7) Cap Rate	3.5%	The discount rate is determined by incorporating the risks associated with income and capital fluctuations.
DCF price	749,000	
Discount Rate	3.3%	The base cap rate is assessed comprehensively, considering market trends and risk factors related to the regional and unique characteristics of the subject property.
Terminal Cap Rate	3.7%	The terminal cap rate is determined by incorporating uncertainties in future net income fluctuations, building deterioration, and disposition risks, while considering the spread relative to the capitalization rate.
Cost Approach Value	644,000	
Land ratio	88.4%	
Building Ratio	11.6%	
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: 3-4-3 Minamisuna, Koto-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 490 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/