Advance Residence Investment Corporation

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For Immediate Release

Real Estate Investment Trust Securities Issuer:
Advance Residence Investment Corporation
(Securities Code：3269)
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Notice Concerning Disposition of Domestic Real Estate Trust Beneficiary Interests and Domestic Real Estate

≪KC21 Building and 2 other properties≫

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 dispose of assets (hereafter, the "Disposition") as detailed below.

1. Summary of the Disposition

Property Name	KC21 Building	RESIDIA Hirosedori	RESIDIA Shirakabe West
Type of Specified Asset	Real estate	Beneficiary interests in trust	Real estate
Disposition Price	1,352 million yen	782 million yen	1,020 million yen
Appraisal value or survey price [Note1]	1,020 million yen	781 million yen	1,020 million yen
Book Value[Note2]	788 million yen	412 million yen	679 million yen
Difference between Disposition Price and Book Value	563 million yen	369 million yen	340 million yen
Counterparty	NSD Co., Ltd.	Tagajo Housing Center Co., Ltd.	Ascot Corp.
Broker Availability	Yes		
Scheduled Contract Date	June 25, 2025		
Scheduled Disposition Date	July 4, 2025	July 8, 2025	July 10, 2025
Payment Method	Full payment on delivery		

(Note 1) "Appraisal values or survey prices" is as of January 31, 2025.

(Note 2) "Book value" is the estimated amount as of each anticipated disposition date.

2. Reason for the Disposition

ADR is promoting a capital policy aimed at optimizing capital efficiency and enhancing unitholder returns, taking into consideration the current capital market environment, such as capital costs and investment unit prices.

This disposition involves the strategic sale of assets located in a major regional city that have unrealized gains, with the aim of realizing profits and enhancing unitholder returns by allocating a portion of the proceeds to distributions.

The decision to implement this disposition was made following a comprehensive evaluation of factors such as supply and demand trends in the relevant areas and the future profitability of the assets. The total disposition price is 3,154 million yen, which exceeds both the book value (1,880 million yen) and the appraisal value or survey price (2,821 million yen). As a result, this disposition is expected to generate a gain on sale of approximately 1,155 million yen [Note3].

The funds obtained from this disposition will be flexibly allocated to initiatives aimed at enhancing unitholder value, including the return of a portion of the gain as distributions to unitholders, the acquisition of t own investment units in response to market conditions, and funding for future property replacement.

The final amount to be distributed as dividends will be determined after further examination and announced at the time of the financial results disclosure.

(Note 3) Gain on sale is a reference figure calculated at the present time as the difference between the planned disposition price and the book value plus disposal-related expenses, and may differ from the actual gain on sale.

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3. Details of Assets to be Disposed

No.	(1)	(2)	(3)
Property Number	R-013	R-038	R-027
Property Name	KC21 Building	RESIDIA Hirosedori	RESIDIA Shirakabe West
Location	5-1 Shimizu-koji, Wakabayashi-ku, Sendai City, Miyagi	5-13 Tatemachi, Aoba-ku, Sendai City, Miyagi	18-7, Hanano 1-chome, Higashi-ku, Nagoya City, Aichi
Land			
Type of Ownership	Ownership	Ownership	Ownership
Land Area	681.53 ㎡	336.72 ㎡	1,475.70 ㎡
Zoning	Commercial Districts	Commercial Districts	Category 1 Residential Districts Category 2 Residential Districts
FAR/Building Coverage Ratio	500%80%	500%/80%	200%/60%
Building			
Type of Ownership	Ownership	Ownership	Ownership
Total Floor Space	3,184.19 ㎡	1,776.35 ㎡	2,863.16 ㎡
Structure / Floors	Residential, office, and retail building: 11-story steel reinforced concrete structure with a flat roof. Parking facility: One-story steel-frame structure with galvanized steel sheet roof.	Reinforced concrete structure with a flat-topped roof; 10 stories	Reinforced concrete structure with a flat-topped roof; 8 stories
Use	Residential, office, store, and parking	Residential, parking, and bicycle parking area	Residential
Construction Completion Date	March 1997	February 2010	May 2005
Trustee	-	Sumitomo Mitsui Trust Bank, Limited	-
Trust Contract Period	-	Until March 10, 2031	-
Lease Conditions			
Point in Time	as of May 31, 2025		
Total Tenants	1	1	1
Leasable Units	79	63	33
Leased Units	74	63	32
Leasable Floor Area	2,716.11 ㎡	1,564.29 ㎡	2,709.97 ㎡
Leased Area	2,541.35 ㎡	1,564.29 ㎡	2,633.83 ㎡
Occupancy Rate (based on floor area)	93.6%	100%	97.2%
Total Monthly Rent	5,578 thousand yen	3,498 thousand yen	5,076 thousand yen
Deposits, Guarantees, etc.	9,836 thousand yen	3,498 thousand yen	5,310 thousand yen
Number of Units by Type (Excluding Operated Rental Residence)			
Single	67	-	-
Compact	4	-	-
Family	5	-	26
Large	-	-	7
Other	3	-	-
Number of Operated Rental Residences	-	63	-
Special affairs	None	None	None

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4. Summary of the Counterparty

(1) KC21Building

Name		NSD Co., Ltd.
Address		39-3 Kuruma, Aza, Kamiayashi, Aoba-ku, Sendai City, Miyagi
Representative		Fumimaro Ito, Representative Director
Principal business		Ownership, management, purchase and sale, and leasing of real estate
Capital		10 million yen (as of June 25, 2025)
Data of establishment		September 30, 1981
Total assets		Not disclosed
Total capital		Not disclosed
Major shareholders and Shareholding ratio		Not disclosed
Relationship with ADR and IRM		
	Capital relations	None
	Personnel relations	None
	Business relations	None
	Related parties' status	None

(2) RESIDIA Hirosedori

Name		Tagajo Housing Center Co., Ltd.
Address		2-40-40 Higashi-Tanaka, Tagajo City, Miyagi
Representative		Yoshitaka Wagatsuma, Representative Director
Principal business		Purchase, sale, leasing, brokerage, and management of real estate
Capital		25 million yen (as of June 25, 2025)
Data of establishment		July 10, 1968
Total assets		Not disclosed
Total capital		Not disclosed
Major shareholders and Shareholding ratio		Not disclosed
Relationship with ADR and IRM		
	Capital relations	None
	Personnel relations	None
	Business relations	None
	Related parties' status	None

（3） RESIDIA Shirakabe West

Name		Ascot Corp.
Address		3-1-30 Jingumae, Shibuya-ku, Tokyo
Representative		Takeshi Nakabayashi, President and Representative Director
Principal business		Businesses related to the purchase, sale, leasing, brokerage, appraisal, management, and consulting of real estate
Capital		10,867 million yen (as of December 31, 2024)
Data of establishment		April 1999
Total assets		79,245million yen (as of December 31, 2024)
Total capital		28,366 million yen (as of December 31, 2024)
Major shareholders and Shareholding ratio		Daito Trust Construction Co., Ltd. (100%) (as of April 30, 2025)
Relationship with ADR and IRM		
	Capital relations	None
	Personnel relations	None
	Business relations	None
	Related parties' status	None

5. Summary of Brokerage

The brokerage is not considered a party with a special interest in ADR or IRM; therefore, the disclosure is omitted.

6. Outlook

The effect of the Disposition on the management performance forecasts for the fiscal period July 2025 (30th Fiscal Period: February 1, 2025 to July 31, 2025) and the fiscal period January 2026 (31th Fiscal Period: August 1, 2025 to January 31, 2026) is minor. Therefore, the forecasts remain unchanged.

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7. Summary of Appraisal Report or Survey Report

(1) R-013 KC21Building

Appraisal value or survey price, etc	1,020,000 thousand yen
Appraiser	DAIWA REAL ESTATE APPRAISAL CO., LTD.
Appraisal date	as of January 31, 2025

(thousand yen)

Items	Value	Summary
Income Capitalization Approach Value	1,020,000	The income approach value was principally based on the DCF method, with the result validated by comparison with the direct capitalization method.
Direct Capitalization Price ((6)/(7))	1,030,000	
(1) Total Potential Income	77,195	
Total Potential Income	81,831	
Rental income	71,813	Based on the current contract rent levels, the rent levels and trends of comparable properties in the same market area, and in consideration of the medium- to long-term competitiveness of the subject property, the standardized assumed rental income and common area charge income for the subject property were estimated.
Other income	10,018	Parking fees, key money, renewal fees, vending machine revenues, antenna and signboard fees, as well as utility income, were recorded as other income.
Losses from Vacancies, etc.	4,636	Based on the actual vacancy rate of the subject property and the typical vacancy rates of comparable properties, and taking into account the competitiveness and other factors of the subject property, a vacancy rate considered to be stable over the medium to long term was assessed against the rental income, and vacancy losses were recognized.
Losses from Delinquencies	0	As the amount is considered to be secured by deposits and other guarantees, it was determined that no provision is necessary.
(2) Expenses from rental business	19,971	
Maintenance and Management Fees	4,764	The current contract amount was deemed appropriate and recorded accordingly.
Utilities Costs	2,563	Recorded with reference to past years' results.
Repair Costs	3,084	Recorded based on the annual average amount of repair costs stated in the Building Condition Survey Report. In addition, tenant replacement costs were recorded, taking into consideration the tenant turnover rate.
Property Manager Fees	2,036	Recorded based on the current contract.
Leasing Expenses	1,781	The valuation references the levels of comparable properties.
Taxes and Public Dues	5,410	Assessed based on actual amounts, taking the level of burden into consideration.
Insurance Premium	131	Recorded based on the current actual amount.
Renewal Fee	0	
Other Expense	200	Recorded with reference to actual amounts.
(3) Net Operating Income (NOI, (1)-(2))	57,223	
(4) Earnings from Deposits	111	The operational yield was assessed comprehensively, taking into consideration both operational and procurement aspects, based on the actual management practices and other factors relating to the lump-sum payment.
(5) Capital Expenditures	9,985	Recorded based on the annual average renewal cost stated in the building condition survey report.
(6) Net Cash Flow DCF Price ((3)+(4)-(5))	47,349	
(7) Cap Rate	4.6%	The standard method is to determine the value through comparison with transaction cases of similar properties, taking individual factors into account and referring to interviews with investors and other relevant information.
DCF price	1,020,000	
Discount Rate	4.4%	Assessed based on the discount rates applicable to transactions of similar real estate and by comparing yields of other financial products.
Terminal Cap Rate	4.8%	Assessed with consideration given to the marketability of the subject property at the end of the holding period, in relation to the capitalization rate.
Other items considered by the appraiser in the appraisal		None

(2) R-038 RESIDIA Hirosedori

Appraisal value or survey price, etc	781,000 thousand yen
Appraiser	DAIWA REAL ESTATE APPRAISAL CO., LTD.
Appraisal date	as of January 31, 2025

(thousand yen)

Items	Value	Summary
Income Capitalization Approach Value	781,000	The income approach value was principally based on the DCF method, with the result validated by comparison with the direct capitalization method.
Direct Capitalization Price ((6)/(7))	794,000	
(1) Total Potential Income	49,520	
Total Potential Income	52,616	
Rental income	49,686	Based on the current contract rent levels, the rent levels and trends of comparable properties in the same market area, and in consideration of the medium- to long-term competitiveness of the subject property, the standardized assumed rental income and common area charge income for the subject property were estimated.
Other income	2,930	Parking fees, key money, utility pole site revenues were recorded as other income.
Losses from Vacancies, etc.	3,096	Based on the actual vacancy rate of the subject property and the typical vacancy rates of comparable properties, and taking into account the competitiveness and other factors of the subject property, a vacancy rate considered to be stable over the medium to long term was assessed against the rental income, and vacancy losses were recognized.
Losses from Delinquencies	0	As the amount is considered to be secured by deposits and other guarantees, it was determined that no provision is necessary.
(2) Expenses from rental business	11,864	
Maintenance and Management Fees	2,271	The valuation references the levels of comparable properties.
Utilities Costs	1,135	The valuation references the levels of comparable properties.
Repair Costs	1,686	Recorded based on the annual average amount of repair costs stated in the Building Condition Survey Report. In addition, tenant replacement costs were recorded, taking into consideration the tenant turnover rate.
Property Manager Fees	1,458	The valuation references the levels of comparable properties.
Leasing Expenses	1,376	The valuation references the levels of comparable properties.
Taxes and Public Dues	3,656	Assessed based on actual amounts, taking the level of burden into consideration.
Insurance Premium	129	Recorded based on the current actual amount.
Renewal Fee	0	
Other Expense	150	The valuation references the levels of comparable properties.
(3) Net Operating Income (NOI, (1)-(2))	37,655	
(4) Earnings from Deposits	36	The operational yield was assessed comprehensively, taking into consideration both operational and procurement aspects, based on the actual management practices and other factors relating to the lump-sum payment.
(5) Capital Expenditures	2,747	Recorded based on the annual average renewal cost stated in the building condition survey report.
(6) Net Cash Flow DCF Price ((3)+(4)-(5))	34,945	
(7) Cap Rate	4.4%	The standard method is to determine the value through comparison with transaction cases of similar properties, taking individual factors into account and referring to interviews with investors and other relevant information.
DCF price	775,000	
Discount Rate	4.4%	Assessed based on the discount rates applicable to transactions of similar real estate and by comparing yields of other financial products.
Terminal Cap Rate	4.6%	Assessed with consideration given to the marketability of the subject property at the end of the holding period, in relation to the capitalization rate.
Other items considered by the appraiser in the appraisal		None

(3) R-027 RESIDIA Shirakabe West

Appraisal value or survey price, etc	1,020,000 thousand yen
Appraiser	DAIWA REAL ESTATE APPRAISAL CO., LTD.
Appraisal date	as of January 31, 2025

(thousand yen)

Items	Value	Summary
Income Capitalization Approach Value	1,020,000	The income approach value was principally based on the DCF method, with the result validated by comparison with the direct capitalization method.
Direct Capitalization Price ((6)/(7))	1,030,000	
(1) Total Potential Income	65,237	
Total Potential Income	69,195	
Rental income	62,958	Based on the current contract rent levels, the rent levels and trends of comparable properties in the same market area, and in consideration of the medium- to long-term competitiveness of the subject property, the standardized assumed rental income and common area charge income for the subject property were estimated.
Other income	6,237	Parking fees, bicycle parking fees, key money, renewal fees, and internet usage fees were recorded as other income.
Losses from Vacancies, etc.	3,957	Based on the actual vacancy rate of the subject property and the typical vacancy rates of comparable properties, and taking into account the competitiveness and other factors of the subject property, a vacancy rate considered to be stable over the medium to long term was assessed against the rental income, and vacancy losses were recognized.
Losses from Delinquencies	0	As the amount is considered to be secured by deposits and other guarantees, it was determined that no provision is necessary.
(2) Expenses from rental business	15,500	
Maintenance and Management Fees	2,931	The current contract amount was deemed appropriate and recorded accordingly.
Utilities Costs	885	Recorded with reference to past years' results.
Repair Costs	2,121	Recorded based on the annual average amount of repair costs stated in the Building Condition Survey Report. In addition, tenant replacement costs were recorded, taking into consideration the tenant turnover rate.
Property Manager Fees	1,936	Recorded based on the current contract.
Leasing Expenses	1,425	The valuation references the levels of comparable properties.
Taxes and Public Dues	5,276	Assessed based on actual amounts, taking the level of burden into consideration.
Insurance Premium	124	Recorded based on the current actual amount.
Renewal Fee	0	
Other Expense	800	Recorded with reference to actual amounts.
(3) Net Operating Income (NOI, (1)-(2))	49,737	
(4) Earnings from Deposits	71	The operational yield was assessed comprehensively, taking into consideration both operational and procurement aspects, based on the actual management practices and other factors relating to the lump-sum payment.
(5) Capital Expenditures	7,511	Recorded based on the annual average renewal cost stated in the building condition survey report.
(6) Net Cash Flow DCF Price ((3)+(4)-(5))	42,297	
(7) Cap Rate	4.1%	The standard method is to determine the value through comparison with transaction cases of similar properties, taking individual factors into account and referring to interviews with investors and other relevant information.
DCF price	1,010,000	
Discount Rate	3.9%	Assessed based on the discount rates applicable to transactions of similar real estate and by comparing yields of other financial products.
Terminal Cap Rate	4.3%	Assessed with consideration given to the marketability of the subject property at the end of the holding period, in relation to the capitalization rate.
Other items considered by the appraiser in the appraisal		None

About Advance Residence Investment Corporation

Advance Residence Investment Corporation is one of the largest J-REITs specializing in residential properties, managed by ITOCHU REIT Management Co., Ltd. (IRM), the asset management company of the ITOCHU Group. It owns rental properties nationwide, primarily in the 23 wards of Tokyo. By leveraging the stability of residential assets and the largest reserve among J-REITs, ADR is expected to provide long-term, stable dividends, making it a highly defensive J-REIT.

"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/