

For Immediate Release

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Notice Concerning Acquisition of Investment Assets (RESIDIA Kanda-Awajicho, RESIDIA Ogikubo III)

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 an asset located in Japan (hereafter, the “Acquisition”) as detailed below as part of ADR's growth strategy.

1. Details of the Acquisition

ADIM 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.

Name of The Asset-To-Be-Acquired	RESIDIA Kanda-Awajicho (Beneficiary Interests in Trust)	RESIDIA Ogikubo III ^(Note 1) (Beneficiary Interests in Trust)
Proposed Acquisition Price (Price / Appraisal ratio) ^(Note 2)	1,490 million yen (91.4%)	2,388 million yen (92.9%)
Real Estate Appraisal Value ^(Note 3)	1,630 million yen	2,570 million yen
NOI Yield ^(Note 4)	4.2%	4.3%
Yield after Depreciation ^(Note 5)	3.7%	3.8%
Building Age ^(Note 6)	6.2 years	6.1 years
Seller	ITOCHU Corporation	ITOCHU Property Development, Ltd.
Scheduled Contract Date	February 24, 2022	
Scheduled Acquisition Date	April 18, 2022 or a date to be separately agreed upon with the seller	
Acquisition Financing (Payment Method)	Borrowings (full payment on delivery)	
Collateral	None	

(Note 1) The name of the asset-to-be-acquired is scheduled to be changed after acquisition by ADR, and the name after the change is stated. As of the date of this document, its name is “Crevia Rxe Ogikubo”.

(Note 2) “Proposed Acquisition Price” refers to the purchase price written in the transaction agreement of beneficial interest in trust for the asset to-be-acquired and does not include various expenses needed for the acquisition such as taxes and public dues.

(Note 3) The appraisal date of the asset-to-be-acquired is January 1, 2022.

(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 / proposed acquisition price x 100. The calculated yield is rounded at the second decimal point

(Note 5) “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) / proposed acquisition price x 100. The

calculated yield is rounded at the second decimal point. As is the case with the existing portfolio of ADR, the depreciation cost of the asset-to-be-acquired is calculated at the time of acquisition using the straight-line method under certain assumptions and estimated at 6,299,000 yen and 12,656,000 yen a year respectively for RESIDIA Kanda-Awajicho and RESIDIA Ogikubo III.

(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.

A tough real estate market continues for buyers due to a limited new supply of good quality for-rental residential properties in good locations and the continuing elevated prices of centrally located properties in major cities which can attract a stable rental demand.

In this environment, ADR decided to acquire relatively new for-rental properties developed by ITOCHU Corporation and ITOCHU Property Development, Ltd., sponsors of ADIM. The average building age of the assets-to-be-acquired is 6.2 years, which is well below 15.4 years (Note7), the average building age of the entire portfolio as of the end of the fiscal period ended January 31, 2022.

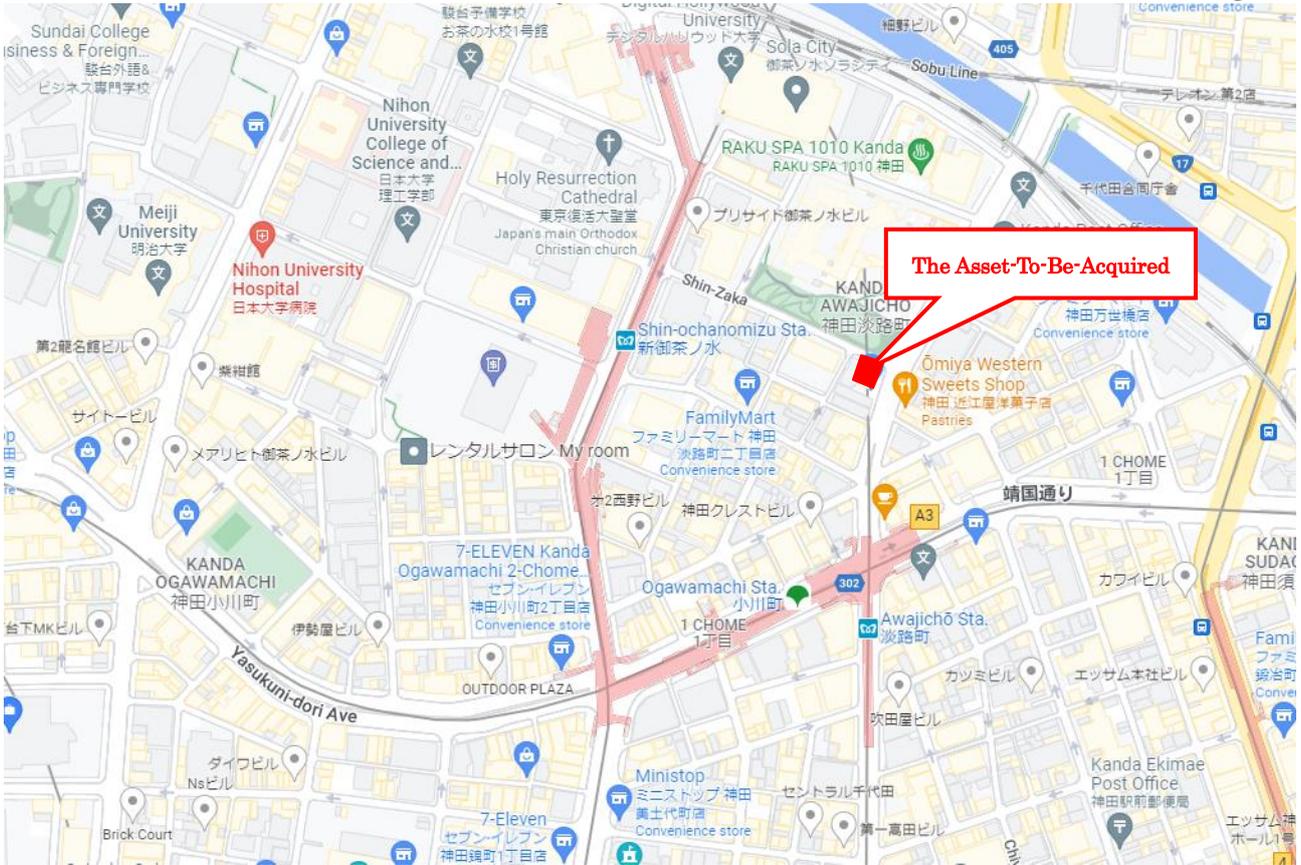
(Note 7) The average building age of the entire portfolio is the acquisition price-weighted average, rounded at the second decimal point.

On acquiring these properties, ADR has highly rated the following attributes of the properties:

No	Name of Property	Attributes
1	RESIDIA Kanda-Awajicho	<ul style="list-style-type: none"> • Good access to transport facilities as the property is a two-minute walk from Awajicho Station on the Tokyo Metro Marunouchi Line and Ogawamachi Station on the Toei Shinjuku Line, with Tokyo Station, a main terminal, being a four-minute ride from Awajicho Station on the Tokyo Metro Marunouchi Line. • Good location for a residential property having various convenient facilities such as supermarkets, convenience stores, and drug stores despite being located in a business district, with good access to an entertainment district, being within walking distance (8-minute walk) to Akihabara.
2	RESIDIA Ogikubo III	<ul style="list-style-type: none"> • Good access to transportation facilities as the property is a six-minute walk from Ogikubo Station, the starting station on the Tokyo Metro Marunouchi Line and five-minute walk from Ogikubo Station on the JR Chuo line, with Shinjuku Station in Tokyo’s subcenter being about a 10-minute ride from Ogikubo Station on rapid trains of the JR Chuo Line. • The driveway to the property is flourishing with various convenient facilities and entertainment facilities, in addition to commercial facilities in station buildings.

(1) T-179 RESIDIA Kanda-Awajicho

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(2) T-180 RESIDIA Ogikubo III

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2. Summary of The Asset-To-Be-Acquired

Property Number	T-179	T-180
Name of The Asset-To-Be-Acquired	RESIDIA Kanda-Awajicho	RESIDIA Ogikubo III
Address	2-3 Kanda-Awajicho, Chiyoda-ku, Tokyo	1-23-17 Kamiogi, Suginami-ku, Tokyo
Land		
Type of Ownership	Proprietary ownership	Proprietary ownership
Site Area	221.10 m ²	576.14 m ²
Zoning	Commercial zone	Commercial zone
FAR / Building Coverage Ratio	600%/80%	400%/80%
Building		
Type of Ownership	Proprietary ownership	Proprietary ownership
Total Floor Area	1,449.37 m ²	2,665.86 m ²
Structure / Floors	Reinforced concrete with flat roof / 12 floors	Reinforced concrete with flat roof / 11 floors with one basement floor
Use	Multi-family housing, store	Multi-family housing, store
Construction Completion Date	December 11, 2015	January 12, 2016
Building Inspector	Urban Housing Evaluation Center	JAPAN ERI Co., Ltd.
Building Designer	Freecs Co., Ltd.	Matsuo Construction Co., Ltd./Fukosha Co., Ltd.
Structural Engineer	Atlas Sekkei Co., Ltd.	Kanda Tetsuyoshi Sekkei Kobo Co., Ltd.
Construction Contractor	Maruun Kensetsu Co., Ltd.	Matsuo Construction Co., Ltd.
Trustee	Mitsubishi UFJ Trust and Banking Corporation (planned)	Mitsubishi UFJ Trust and Banking Corporation (planned)
Trust Contract Period	From April 18, 2022 to April 30, 2032	From April 18, 2022 to April 30, 2032
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 dR Co., Ltd.	Tokio Marine dR Co., Ltd.
Investigation Date	December 14, 2021	December 14, 2021
Emergency Repair Costs	-	-
Short-term Repair Costs (within 1 year)	-	-
Long-term Repair Costs (next 12 years)	¥23,501 thousand	¥40,572 thousand
Building Replacement Price	¥342,000 thousand	¥612,000 thousand
Earthquake PML	5.3%	4.6%
Lease Conditions		
Point in Time	As of January 31, 2022	As of January 31, 2022
Total Tenants	1	1
Leasable Units	28	58
Leased Units	27	57
Leasable Floor Area	1,230.59 m ²	2,194.15 m ²
Leased Floor Area	1,188.79 m ²	2,168.31 m ²
Occupancy Rate (based on floor area)	96.6%	98.8%
Monthly Rent (including common service charges)	¥6,204 thousand	¥10,275 thousand
Deposits, Guarantees, etc.	¥16,875 thousand	¥19,202 thousand
Number of Units by Type		
Single	7	31
Compact	14	26
Family	6	0
Large	0	0
Dormitory	0	0
Other	1	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 the above table (<https://www.adr-reit.com/en/financial/news/archives/category/bukken>)

3. Appraisal Report Summary

(1) RESIDIA Kanda-Awajicho

Price as of January 1, 2022

Appraiser	Japan Real Estate Institute		Appraisal Value	1,630,000 thousand yen
Appraisal Items		Appraised Value (thousands of yen)	Basis	
Income Capitalization Approach Value		1,630,000	Income capitalization approach value is appraised using a DCF price as standard value and verifying it with a direct capitalization price.	
Direct Capitalization Price		1,640,000		
Total Potential Income		77,801		
Rent Income		75,974	Based on the rent level of the current lease agreement as well as the new rent level and trend of comparable properties within the same supply and demand area, the expected standardized rent income and common service fee income are estimated in consideration of the medium- to long-term competitiveness of the target property.	
Other Income		1,827	Renewal fee income is estimated using the estimated renewal rate and taking into account the PM fee.	
Total Effective Income		74,259		
Losses from Vacancies, etc.		3,542	Losses from vacancies, etc. are estimated using the property's historical vacancy rates and the standard vacancy rate of comparable properties.	
Losses from Delinquencies		0	Not applicable. Secured through deposits, etc.	
Expenses from Rental Business		12,276		
Maintenance and Management Fees		2,500	Estimated based on the planned PM agreement, after verification with the maintenance and management fee level of comparable properties.	
Utilities Costs		640	Estimated based on historical figures and the utility cost level of comparable properties.	
Management Commission Fees		1,282	Estimated based on the planned PM agreement, after verification with the PM fee level of comparable properties.	
Taxes and Public Dues		4,232	Estimated based on the actual figure in FY2021, taking into account the burden rate.	
Non-life Insurance Premiums		85	Estimated based on the estimated insurance premiums, with reference to the non-life insurance premium level of comparable properties.	
Leasing Expenses		2,459	Estimated after considering tenant solicitation costs, etc. that are estimated based on the level of such costs of comparable properties.	
Repair Costs		1,078	Estimated based on the ER, after verification with the repair cost level of comparable properties. In addition, renewal fees are estimated, after taking into account the turnover rate and the vacancy rate.	
Other Expenses		0	Not applicable.	
Net Operating Income		61,983		
Earnings from Deposits		163	Recorded an amount obtained by estimating the rate of return and multiplying it by the amount of assumed deposits, etc.	
Capital Expenditures		1,371	Estimated by referring to the ER and the renewal cost level of comparable properties.	
Net Cash Flow DCF Price		60,775		
Cap Rate		3.7%	Estimated based on the investment return of properties for comparable use located in the lowest risk areas, by adding and subtracting spreads determined by location, building grade, building age, facility level, and other building conditions of the target property as well as the current rent level compared with market rents, rights, agreement terms, and other conditions.	
DCF Price		1,620,000		
Discount Rate		3.4%	Estimated using both the method of obtaining the rate through comparison with transactions in comparable properties and the method of obtaining it based on investment returns of financial assets, adjusted for the uniqueness of real property.	
Terminal Cap Rate		3.8%	Estimated based on the cap rate, after considering factors such as the impact that a possible increase in capital expenditures due to the building's deterioration with age, uncertainties in trading market trends, and passing of time may have on liquidity.	
Cost Approach Value		1,590,000		
Land Ratio		82.5%		
Building Ratio		17.5%		
Other Matters of Consideration				
None				

(2) RESIDIA Ogikubo III

Price as of January 1, 2022

Appraiser	Japan Real Estate Institute	Appraisal Value	2,570,000 thousand yen
Appraisal Items	Appraised Value (thousands of yen)	Basis	
Income Capitalization Approach Value	2,570,000	Income capitalization approach value is appraised using a DCF price as standard value and verifying it with a direct capitalization price.	
Direct Capitalization Price	2,580,000		
Total Potential Income	128,178		
Rent Income	123,547	Based on the rent level of the current lease agreement as well as the new rent level and trend of comparable properties within the same supply and demand area, the expected standardized rent income and common service fee income are estimated in consideration of the medium- to long-term competitiveness of the target property.	
Other Income	4,631	Other income such as key money is estimated based on the estimated tenant turnover and vacancy rate, applying the number of months' rent for key money, etc. Renewal fee income is estimated using the estimated renewal rate and taking into account the PM fee.	
Total Effective Income	122,513		
Losses from Vacancies, etc.	5,665	Losses from vacancies, etc. are estimated using the property's historical vacancy rates and the standard vacancy rate of comparable properties.	
Losses from Delinquencies	0	Not applicable. Secured through deposits, etc.	
Expenses from Rental Business	19,561		
Maintenance and Management Fees	4,080	Estimated base on the planned PM agreement, after verification with the maintenance and management fee level of comparable properties.	
Utilities Costs	800	Estimated based on historical figures and the utility cost level of comparable properties.	
Management Commission Fees	2,132	Estimated based on the planned PM agreement, after verification with the PM fee level of comparable properties.	
Taxes and Public Dues	5,946	Estimated based on the actual figure in FY2021, taking into account the burden rate.	
Non-life Insurance Premiums	149	Estimated based on the estimated insurance premiums, with reference to the non-life insurance premium level of comparable properties.	
Leasing Expenses	4,121	Estimated after considering tenant solicitation costs, etc. that are estimated based on the level of such costs of comparable properties.	
Repair Costs	1,781	Estimated based on the ER, after verification with the repair cost level of comparable properties. In addition, renewal fees are estimated, after taking into account the turnover rate and the vacancy rate.	
Other Expenses	552	Rents for parking lots in a distance location is recoded as other expenses.	
Net Operating Income	102,952		
Earnings from Deposits	197	Recorded an amount obtained by estimating the rate of return and multiplying it by the amount of assumed deposits, etc.	
Capital Expenditures	2,367	Estimated by referring to the ER and the renewal cost level of comparable properties.	
Net Cash Flow DCF Price	100,782		
Cap Rate	3.9%	Estimated based on the investment return of properties for comparable use located in the lowest risk areas, by adding and subtracting spreads determined by location, building grade, building age, facility level, and other building conditions of the target property as well as the current rent level compared with market rents, rights, agreement terms, and other conditions.	
DCF Price	2,560,000		
Discount Rate	3.6%	Estimated using both the method of obtaining the rate through comparison with transactions in comparable properties and the method of obtaining it based on investment returns of financial assets, adjusted for the uniqueness of real property.	
Terminal Cap Rate	4.0%	Estimated based on the cap rate, after considering factors such as the impact that a possible increase in capital expenditures due to the building's deterioration with age, uncertainties in trading market trends, and passing of time may have on liquidity.	
Cost Approach Value	2,350,000		
Land Ratio	78.0%		
Building Ratio	22.0%		
Other Matters of Consideration			
None			

4. 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 constitutes a forward commitment, etc. ^(Note 8) by an investment corporation defined in the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc. 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 8) 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. Seller Profile

(1) RESIDIA Kanda-Awajicho

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	11,178,432 million yen (as of end of March 2021)
Shareholders' equity	3,316,281 million yen (as of end of March 2021)
Total capital	3,870,240 million yen (as of end of March 2021)
Large shareholders	The Master Trust Bank of Japan, Ltd. (trust account) and others (as of end of March 2021)
Relationship with ADR or ADIM	
Equity relations	As of the July 31, 2021, the seller held 2.5% of the outstanding investment units of ADR. It is also a shareholder of ADIM and thus constitutes an interested party of an asset manager under the Act on Investment Trusts and Investment Corporations
Personnel relations	As of today, one of ADIM officers/employees is a secondee from the seller.
Business relations	Amount of specified assets dealt during the fiscal period ended July 2021 is as follows. Purchase: 0 yen / Sales: 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) RESIDIA Ogikubo III

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	-
Shareholders' equity	-
Total capital	-

Large shareholders	ITOCHU Corporation
Relationship with ADR or ADIM	
Equity relations	The seller is a stock company holding 20.0% of the outstanding shares of ADIM. It is also a support line company of ADR.
Personnel relations	As of today, one of ADIM officers/employees is a part-time director of the seller.
Business relations	Amount of specified assets dealt during the fiscal period ended July 2021 is as follows. Purchase: 0 yen / Sales: 0 yen
Related parties' status	The seller is not a related party of ADR.

6. Property Titleholders

(1) RESIDIA Kanda-Awajicho

Properties titleholders	Current Titleholder	Previous Titleholder
Name of company/individual	ITOCHU Corporation	-
Relationship with party having particular vested interest	A related party as defined in the ADIM's bylaws	-
Acquisition background, reason, etc.	To develop for-rental residential properties	-
Acquisition price	Omitted due to being for development purpose	-
Delivery timing	-	-

(2) RESIDIA Ogikubo III

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 for-rental residential properties	-
Acquisition price	Omitted due to being for development purpose	-
Delivery timing	-	-

7. 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 6, "Property Titleholders," 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.

8. Matters Concerning Earthquake Resistance

(1) RESIDIA Kanda-Awajicho and (2) RESIDIA Ogikubo III have been examined by a designated structural inspection institute in accordance with the revised Building Standard Act enacted in June 2007 and received a structural calculation conformity assessment notification.

9. Broker Profile

Not applicable.

10. Outlook

The impact of this acquisition on the earnings forecast for the 24th fiscal period (from February 1 to July 31, 2022), published in the Brief Summary of Kessan Tanshin (Financial Report) dated September 16, 2021, will be negligible, and no change will be made to the forecast.