

Advance Residence Investment Corporation
Questions & Answers at the Presentation Meeting
Concerning the Results of the Fiscal Period Ended January 2023

Date & Time: From 16:30 to 17:00, Friday, May 17, 2023

Presenter: Isao Kudo,

Executive Officer

ITOCHU REIT Management Co., Ltd.

Q1. What is the current situation and when do you expect a recovery in rents for single type units in the current fiscal period ending July 2023 compared to the previous fiscal period?

A1. Currently, the rent level for single type units tends to be a little stronger. Although we expect rent levels to improve in the current fiscal period, a full recovery is not expected until next spring or later, as the next fiscal period will be an off-season.

Q2: Is there any change in your policy regarding property acquisitions?

A2. Our basic intention remains the same. Considering the outlook for rent increase, we would like to invest mainly in units with slightly large living area. However, there is also a recovery trend for single type units, and we intend to proceed with investment while keeping an eye on the track record of each project. As for area diversification, our policy is to continue to invest at a ratio of 7 to 3 (Tokyo 23 wards : other areas), as before.

Q3: What is your stance on whether there will be any changes in the portfolio composition going forward?

A3. There are no major changes to our current policy, and we continue to aim for a balanced investment of single, compact, and family type units. Considering the properties on the market and development projects, it is expected that the ratio of acquisitions of properties with single type units will be slightly higher. Properties with single type units with small living area are one factor to be considered for sale, but priority will be given to properties with low yields and high repair cost potential.

Q4. Could you again provide some background on the new initiatives (expansion of individual apartment unit renovation works, the revision of depreciation method, and additional reversal of reserve for temporary difference adjustments)?

A4. We have been actively conducting renovation works for some time and have been considering this initiative while gradually building up a track record, since rents are expected to decline in the future. Since the age of our portfolio has exceeded 16 years, we have decided that this initiative should be undertaken over time at this timing, with an eye to the future.

Q5: How will the ratio of free cash flow (FFO) change if the amount of CAPEX becomes larger and additional reversal of the reserve for temporary difference adjustment is made?

A5. We are working to control CAPEX within the internal number of depreciations. We have made an estimate of FFO, and we consider that the level of FFO will remain almost the same, despite the decline in earnings.

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