

November 29, 2023

For Immediate Release

Advance Residence Investment Corporation  
Securities Code: 3269  
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Notice Concerning Disposition of Real Estate Trust Beneficiary Interest in Japan  
(RESIDIA Kita-Shinagawa)

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 pursuant to the asset management targets and policies stipulated in the Articles of Incorporation of ADR, based on comprehensive consideration of matters including stable earnings and the state of the real estate market.

1. Details and Reason of the Disposition

We decided to sell this property after comprehensively taking into account the fact that there is a high risk of loss of earnings stability in the future due to the approved urban planning project "Keihin Kyuko Main Line (between Sengakuji Station and Shimbamba Station) Continuous Elevated Intersection Project" in the area including this property. We are considering retaining part of the gain on sale from the Disposition as reserves.

Property Name	RESIDIA Kita-Shinagawa
Location	1-3-6 Kita-Shinagawa, Shinagawa-ku, Tokyo
Type of Specified Asset	Real estate trust beneficiary interest
Disposition Price	2,900 million yen
Appraisal Value <sup>Note1</sup>	2,870 million yen
NOI Yield <sup>Note2</sup>	4.6%
Book Value <sup>Note3</sup>	2,344 million yen
Difference between Disposition Price and Book Value	555 million yen
Counterparty	Not disclosed
Scheduled Contract Date	November 29, 2023
Scheduled Disposition Date	April 1, 2024
Payment Method	Full payment on delivery

Note 1. “Appraisal Value” is as of July 31, 2023.

Note 2. “NOI Yield” is calculated based on disposition price as follows: “(Average actual annual NOI in the period from January 2021 to July 2023) ÷ estimated disposition price × 100.” The calculated yield is rounded to the second decimal place.

Note 3. “Book value” is the estimated price as each of the Scheduled Settlement Date.

## 2. Summary of Disposition

Property Number	T-008
Property Name	RESIDIA Kita-Shinagawa
Type of Specified Asset	Real estate trust beneficiary interest
Trustee	Sumitomo Mitsui Trust Bank, Limited
Trust Contract Period	Until February 28, 2025
Date of initial acquisition	November 30, 2007
Address	1-3-6 Kita-Shinagawa, Shinagawa-ku, Tokyo

Land	
Type of Ownership	Property ownership
Area	777.25 m <sup>2</sup>
Zoning	Neighborhood commercial district, Category 1 residential districts
FAR/Building Coverage Ratio	400%/80%, 300%/60%

Building	
Type of Ownership	Property ownership
Total Floor Area	3,891.12 m <sup>2</sup>
Structure/Floors	Reinforced concrete with flat roof/15 floors
Use	Residence
Construction Completion Date	February 2007

Lease Conditions	
Point in Time	As of October 31, 2023
Total Tenants	1
Leasable Units	120
Leased Units	120
Leasable Floor Area	2,897.99 m <sup>2</sup>
Leased Floor Area	2,897.99 m <sup>2</sup>
Occupancy Rate (based on floor area)	100.0%
Monthly Rent	12,106 thousand yen
Deposits, Guarantees, etc.	12,610 thousand yen

Number of Units by Type (Excluding Operational Rental Housing)	
Single	106
Compact	14
Family	-
Large	-
Other	-

Number of Operational Rental Housing Units	-
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Other Relevant Information	
	<p>The closing of the Disposition is the condition precedent that either (i) or (ii) below is done with respect to the notification by ADR, the seller, to the Tokyo Metropolitan Government as of November 29, 2023 (scheduled).</p> <p>(i) ADR does not receive a notice of purchase from the Tokyo Metropolitan Government as stipulated in Article 67, Paragraph 2 of the Law until December 29, 2023.</p> <p>(ii) ADR receives notice from the Tokyo Metropolitan Government that it will not purchase this property.</p>

### 3. Summary of Appraisal Report

T-008 RESIDIA Kita-Shinagawa

As of July 31, 2023

Appraiser	Japan Real Estate Institute	Appraised value	2,870,000 thousand yen
Appraisal item	Appraised value (Thousand yen)	Basis	
Income Capitalization Approach Value	2,870,000	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	2,900,000		
Total Potential Income	152,148		
Rent Income	150,876	Calculated the standardized estimated rental income and common area fee income of the subject property based on the rent level of the current contract, the new rent level of similar properties in the same demand/supply zone and its trend and taking into account the subject property's competitiveness in the medium to long term.	
Other Income	1,272	Base station fees, vending machine revenues, and Utilities Costs revenues expected in the medium to long term.	
Total Effective Income	152,148		
Losses from Vacancies, etc.	0	Assuming that the current fixed-term building lease agreement will continue, the Occupancy rate for each use is set at 100%, and no vacancy or other losses will be recorded.	
Losses from Delinquencies	0	Considering the situation of the lessee and other factors, the Company decided not to record a bad debt loss.	
Expenses from Rental Business	18,889		
Maintenance and Management Fees	3,310	Maintenance and Management Fees are recorded with reference to actual amounts from previous years and similar properties, and taking into consideration the individual characteristics of the subject property.	
Utilities Costs	2,000	Utilities Costs are recorded with reference to actual amounts from previous years and similar properties, and taking into consideration the individual characteristics of the subject property.	
Management Commission Fees	1,800	Recorded in consideration of the individual characteristics of the subject property with reference to the remuneration rates based on the contract terms and conditions, etc., and with reference to the remuneration rates at similar properties.	
Taxes and Public Dues	7,645	Taxes and Public Dues are recorded by taking into consideration the contents of the data related to taxes and public dues, etc., and the burden adjustment measures.	
Non-life Insurance Premiums	198	Recorded in consideration of premiums based on insurance policies and premium rates for similar properties.	
Leasing Expenses	629	Assuming that the current fixed-term lease contract will be re-signed on the same terms and conditions at the expiration of the contract term, such re-signing fee is appraised and recorded equally over the contract period, which is the contract term, and recorded.	
Repair Costs	2,558	Recorded in repair costs, the actual repair and maintenance expenses of previous years, the level of similar properties, and the annual average amount of repair and maintenance expenses in engineering reports were taken into account. In addition, in recorded the repair expenses, the amount of actual repair expenses in previous years, the level of similar properties, and the average annual amount of repair and renewal expenses in the engineering report were taken into consideration.	
Other Expenses	749	Cable TV usage fees are recorded.	
Net Operating Income	133,259		
Earnings from Deposits	126	Recorded the number of months of stable deposit over the medium term based on the number of months of deposit under the current lease terms, and multiply this amount by the Occupancy rate, and then multiply the result by the investment yield to assess and appraise the investment income on the lump-sum payment.	
Capital Expenditures	5,969	Appraised and recorded, 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.	
Net Cash Flow	127,416		
Cap Rate	4.4%	Appraised by adding/subtracting the spread that attributes to the subject property's location, building conditions, and other conditions to the standard yield, and also by taking into account future uncertainties and transaction yields on similar properties, etc.	
DCF Price	2,830,000		
Discount Rate	4.2%	Appraised by comprehensively taking into account the individual characteristics of the subject property, etc., with reference to the investment cap rate, etc. of similar properties.	
Terminal Cap Rate	4.6%	Appraised by comprehensively taking into account future trends in investment yields, riskiness of the subject property, general forecasts of future economic growth rates, and trends in real estate prices and rents, etc., with reference to the transaction yields of similar properties.	
Cost Approach Value	1,830,000		
Land Ratio	72.0%		
Building Ratio	28.0%		
<b>Other Matters for Consideration</b>			
This property may offer land and buildings in the future as the urban planning project "Keihin Kyuko Main Line (between Sengakuji Station and Shimbamba Station) Continuous Elevated Intersection Project" progresses.			

#### 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 sold property constitutes a forward commitment, etc.<sup>Note6</sup> 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 buyer 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 sold property as penalty.

However, ADR is not obliged to pay penalties to the buyer for the expiration or cancellation of the Agreement except where ADR is at fault.

Note 4. Refers to a postdated transfer 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. Counterparty Profile

The counterparty for RESIDIA Kita-Shinagawa is a domestic listed company whose details are not disclosed according to its wishes. It does not constitute a party with any particular vested interest in ADR or IRM.

#### 6. Property Titleholder (for transactions with parties with special interest)

Omitted. Property not acquired from parties with special interest.

#### 7. Future Outlook

The effect of the Disposition on the management performance forecasts for the fiscal period January 2024 (27th Fiscal Period: August 1, 2023 to January 31, 2024) is minor. Therefore, the forecasts remain unchanged.

##### **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/>