

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

**Advance Residence Investment Corporation**  
**Questions & Answers at the Presentation Meeting**  
**Concerning the Results of the Fiscal Period Ended July 2024 (FP 07-2024)**

Date & Time: From 17:00 to 17:30, Wednesday, September 18, 2024

Presenter: Isao Kudo,  
Executive Officer,  
ITOCHU REIT Management Co., Ltd.

**Q1. What was the response to the “rent rise measures (rent rise challenge based on the assumption the occupancy rate will decline and key money will decrease)” implemented mainly in single and compact type units in the 23 wards of Tokyo during the FP 07-2024? If the occupancy rate has not declined as a result of these measures, what are your future plans, such as further rent rise?**

A1. Single type units were more sensitive to the reduction of key money, and in the FP 07-2024, “rent rise measures” were implemented in 65% of singles in the 23 wards of Tokyo at the time of replacement and about trial for compact units. Going forward, the company will continue to take on the challenge, focusing on singles. As a result, there was no decrease in occupancy rate due to this measure.

**Q2. The portfolio rent increase potential rose to 7.1% in the FP 07-2024 (+4.2 points from the previous period), but to what extent was this due to “rent rise measures”? (Page 20)**

A2. The replacement rent fluctuation rate for the 23 wards of Tokyo was +9.6% for the FP 07-2024 (page 17), but the replacement rent fluctuation rate for single and compact units was as follows.

Overall: +8.4% for units with one month's key money, +11.5% for units with no key money.

Single type only: +6.2% for units with one month's key money, +11.8% for units with no key money.

**Q3. Regarding the profit and loss of the living room remodeling project, it is currently negative, but can we assume that the negative margin will shrink and turn positive in the future? Also, how do you expect construction costs to rise? (Page 12)**

A3. As rent rise accumulate, the negative margin will shrink. Construction costs are estimated at the level of the FP 07-2024's actual results. In phases where construction costs rise, we will carefully monitor the balance with the rent rise rate.

**Q4. Regarding forecast of the replacement rent increase and trend of longer average turnover period. (pages 16 and 19)**

A4. The renewal rent increase is increasing due to the effects of the rent rise measures, and it is assumed that the current level will continue for the time being. The average turnover period is trending towards longer, but plans are being made assuming that the current level will continue.

**Q5. Regarding the factors and background behind the rise in the negotiation rate at the time of renewal. (Page 19)**

A5. Because we have asked the property management company to raise the rent when the contract is renewed. Also, because the current rent is rising, the number of tenants who are subject to renewal and have a rent gap is increasing, so the situation is favorable for negotiations.

**Q6. Is there any impact on the cost of the living room remodeling project due to inflation? Also, is there any impact on remodeling project plans due to the longer of the average turnover period?**

A6. There is a trend towards rising unit prices for not only remodeling project, but also restoration work. While it is necessary to expect a certain degree of cost rise, we will continue to check unit prices and review specifications to control the overall construction cost. Currently, there are around 2,000 units each FP (around 1,100 units in the 23 wards of Tokyo), and around 300 units of these are for remodeling project work, so unless the move-out status rate drops significantly, we will not change our plans.

**Q7. Can we expect a rise in ROI in the future due to the accumulation of experience in the living room remodeling project?**

A7. We will continue to make improvements in order to achieve higher rent rise than the current status and to keep up with the rising cost of construction. We will also carry out remodeling work on vacant units of each type in order.

**Q8. What is the current situation regarding the yield of acquired properties? What is the difference in yield between sponsor properties and market properties? (Page 24)**

A8. In the current market, the yield for properties in the center of Tokyo remains at a severe level and shows no change, and there is also no change in the amount of information on new properties. In addition, from the perspective understanding the business of ADR, etc., sponsor properties can be acquired under more favorable conditions than the market.

- ▶ *This document is for informational purposes only and it is not intended as investment advice, or an offer or solicitation for the purchase or sale of any financial product. If one should invest in financial products it should be by one's own judgment and responsibility.*
- ▶ *To purchase investment units or investment corporation bonds of ADR, please contact your own securities company.*
- ▶ *The information provided in this document does not necessarily conform to the Financial Instruments and Exchange Act, the law concerning investment trusts and investment corporations, the related laws such as the Building Land and Building Transaction Business Law, and the Tokyo Stock Exchange Listing Regulations.*
- ▶ *The content of this document contains forward-looking statements, but such statements do not guarantee future performances.*
- ▶ *We make every effort to be accurate, but we do not guarantee the accuracy nor guarantee the certainty of the content. In addition, please understand beforehand that the contents may be changed or deleted without notice.*