Activia Properties Inc.

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FOR IMMEDIATE RELEASE

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Notice of Acquisition and Disposition of Assets and Lease Contract with New Tenants

Activia Properties Inc. ("API") announces that TLC REIT Management Inc.("TRM"), to which API entrusts its asset management operations, decided to acquire (the "Acquisition") and lease an asset (the "Lease"), and dispose of an asset (the "Disposition") (hereinafter the Acquisition and the Disposition are collectively referred to as the "Replacement") today.

Under Article 201-2 of the Act on Investment Trusts and Investment Corporations ("ITA") and the internal rules regarding transactions with related parties of TRM, TRM has obtained API's approval for the above transactions at API's board of directors meeting. Details are as follows.

1. Overview of the Replacement

(1) Overview of the Acquisition

①	Property name	:	Ebisu Prime Square
②	Asset to be acquired	:	The 51% co-ownership trust beneficiary interest in a property (Ebisu Prime Square) as a trust asset (the "Anticipated Asset")
③	Acquisition price	:	¥30,700 million (excluding expenses for the acquisition, consumption tax, etc.)
④	Date of purchase contract	:	November 29, 2019 (plan)
⑤	Date of acquisition	:	January 10, 2020 (plan)
⑥	Seller of property	:	Rouge LLC
⑦	Funds for acquisition	:	Borrowings (plan) (Note)
⑧	Settlement method	:	Total amount to be paid at the time of delivery

(Note) Details of the borrowings will be announced upon determination.

(2) Overview of the Disposition

① Property name	:	A-PLACE Shinbashi Ekimae
② Asset to be disposed of	:	The trust beneficiary interest in a property (A-PLACE Shinbashi Ekimae) as a trust asset (the "Asset to be Disposed of")
③ Disposition price	:	¥21,000 million (excluding expenses for the disposition, consumption tax, etc.)
④ Book value (Note)	:	¥20,824 million
⑤ Difference between anticipated disposition price and book value	:	¥175 million
⑥ Date of sales contract	:	November 29, 2019 (plan)
⑦ Date of delivery	:	March 19, 2020 (plan)
⑧ Acquirer of property	:	ASUNARO Limited Liability Company
⑨ Purpose of use of funds raised by the Disposition	:	Funds will be used for repayment of the borrowing related to the Acquisition and for distributions (plan)
⑩ Settlement method	:	Total amount to be received at the time of delivery

(Note) Anticipated book value as of March 19, 2020.

2. Reasons of the Acquisition, the Lease and the Disposition

In accordance with the subjects and policies of asset management stipulated in its bylaws, API will conduct the Replacement with aim to reinforce its portfolio. Following the Replacement, the portfolio will consist of 44 properties with an approximate anticipated total acquisition price of ¥509.2 billion (plan) which will contribute to increase our unitholder value through DPU and NAV growth.

Furthermore, API judges that the lessees of the Anticipated Asset satisfy the criteria for the selection of tenants stated in the "Report on the Management Structure and System of the Issuer of Real Estate Investment Trust Units and Related Parties" set by TRM on August 30, 2019.

For the details of the Acquisition, the Lease and the Disposition, please see below.

(1) Acquisition and Lease of Ebisu Prime Square

① Location

The property is a 6-minute walk from Ebisu Station on JR lines and the Tokyo Metro lines with a direct access to central Tokyo such as Shibuya, Shinjuku, Roppongi and other areas. The Ebisu area enjoys good location where office demand from diverse companies such as technologies firms and foreign capital companies can be anticipated and is well known and popular for commercial and residential purposes as it is adjacent to Daikanyama and Hiroo areas lined with high-end residences and apparel shops.

API holds three office buildings namely TLC Ebisu Building, A-PLACE Ebisu Minami and A-PLACE Ebisu Higashi, and all of them contribute to increase the profitability of our portfolio with high occupancy and ability to lead to internal growth.

② Characteristics of the property

The property is a multi-use complex with an aesthetic unity of stone architecture consisting of an office building with a standard floor area of approximately 300 tsubo enabling several layouts, a residential tower of total 62 condominiums of diverse types and a commercial building, extended in approximately 4,000 tsubo site area with a taste of European townscape. The office building, a 22-story skyscraper facing a main street,

enjoys high visibility and rarity value in the area. The property will belong in the "Tokyo Office Properties" as over 70% of the contracted rent of the property is derived from office.

API considers that the property will be a key property in the greater Shibuya area (Note), one of API's target areas, and contribute to strengthen its portfolio.

(Note) The greater Shibuya area is Shibuya and its surrounding areas with distinctive characteristics connected to each other in multiple aspects, including Ebisu, Aoyama, Omotesando, Harajuku, Daikanyama, etc., attracting a considerable worldwide attention as a "mix-city" combining modern entertainment, work, and housing.

(2) Disposition of A-PLACE Shinbashi Ekimae

Since acquisition at IPO in June 2012, API has operated A-PLACE Shinbashi Ekimae, formerly named Shinbashi Place, as one of stable and profitable properties in API's portfolio. The whole building had been leased to a tenant since the commencement of operation by API in June 2012, though it has departed in May 2018. And we succeeded to lease to new tenants all ten floors without down-time, taking advantage of the prime location of property, which is one-minute walk from Shinbashi Station.

Although, the renovation work after the former tenant's departure included specification change as the building had been designed to the tenant, and following the work, the property has suffered decrease in total leasable area and profitability.

API deems therefore that it would be reasonable to dispose of the property as replacement to Ebisu Prime Square with aim to increase distributions per unit through improvement in the profitability of portfolio and to wipe out the unrealized loss on asset.

3. Overview of the Anticipated Asset and the Asset to be Disposed of

(1) Outline of the Anticipated Asset and the scheduled lease

Property name		Ebisu Prime Square
Specified asset category		Trust beneficiary interest
Trustee		Mizuho Trust & Banking Co., Ltd.
Trust establishment date		March 21, 2001
Trust maturity date		April 30, 2024
Transportation		6-minute walk from Ebisu Station on the JR Yamanote Line and Saikyo Line, Shonan-Shinjuku Line and the Tokyo Metro Hibiya Line
Location (address)		① 1-39, Hiroo 1-chome, Shibuya-ku, Tokyo ② 1-40, Hiroo 1-chome, Shibuya-ku, Tokyo ③ 1-7, Hiroo 1-chome, Shibuya-ku, Tokyo
Land	Location	48-2, 48-5, Hiroo 1-chome, Shibuya-ku, Tokyo (Note 1)
	Building to land ratio	70.00% (Note 2)
	Plot ratio	471.90%
	Usage restrictions	Category 2 residential district
	Land area	12,179.49 m^2 (Note 1)
	Ownership	Ownership (51% co-ownership interest)
Building	Completion date	January 31, 1997 (Note 1)
	Structure	① Steel frame, reinforced concrete, steel-framed reinforced concrete / 22 floors above and 3 floor underground ② Reinforced concrete / 2 floors above and 2 floors underground ③ Steel-framed reinforced concrete, reinforced concrete / 13 floors above and 2 floors underground (Note 1)
	Registered usage	① Office, retail and parking ② Retail and parking ③ Residence, sport club and parking (Note 1)
	Gross floor area	67,581.00 m^2 (Note 1) (Note 3)
	Parking facilities	211 vehicles

	Ownership	Ownership (51% co-ownership interest)
Property management company		(Office, retail) Tokyu Community Corp. (plan) (Note 4) (Residence) Tokyu Housing Lease Corporation (Note 4)
Master lessee		(Office, retail) Tokyu Community Corp. (pass-through)(plan) (Note 4) (Residence) Tokyu Housing Lease Corporation (pass-through)(plan) (Note 4)
Acquisition price		¥30,700 million
Appraisal value (Date of value estimate)		¥31,000 million (October 1, 2019)
Appraisal agency		JLL Morii Valuation & Advisory K.K.
Earthquake PML		1.7% (According to an earthquake PML report of Sompo Risk Management Inc.)
Hypothecation		None
Lease overview (Note 6)		
	Total leasable area	18,063.02 m^2 (Note 5)
	Total leased area	17,578.15 m^2 (Note 5)
	Occupancy rate	97.3%
	Number of tenants	100
	Annual rent	¥1,457 million (Note 5)
	Expected NOI	¥1,148 million (Note 5)
	Tenant leasehold and security deposits	¥1,095 million (Note 5)
Remarks		Holders of the co-ownership interests in the property will agree the following: If a holder of the co-ownership interest in the property has intention to dispose of the interest, the party shall notify in advance other co-owners of its intention and, upon consent, may sell the interest to the co-owner with purchase intention. If there is no mutual consent and the said co-owner agrees that the disposition is held to a third party, the holder shall notice once again other co-owners the condition of the disposition. And in the case there is a co-owner who has intention to acquire the interest under the same condition, the interest is to be sold to the co-owner.

(Note 1) The data is based on the registry.
(Note 2) The figure includes the margin since the buildings receive the margin due to the fire-resistant buildings on fire prevention district.
(Note 3) Total gross floor areas of the three buildings.
(Note 4) Tokyu Community Corp. and Tokyu Housing Lease Corporation to which API outsources master lessee and property management, are related parties of TRM under "Rules Regarding Related-party Transactions", the internal rules of TRM. Therefore, in accordance with the Rules Regarding Related-party Transactions, TRM has obtained resolution at the compliance committee and the investment committee, following deliberation of each committee.
(Note 5) The figures provided reflect our anticipated *pro rata* share of the 51% co-ownership interest
(Note 6) The figures are estimates at the anticipated date of acquisition (January 10, 2020) as of November 29, 2019.

(2) Outline of the Asset to be Disposed of

Property name		A-PLACE Shinbashi Ekimae
Specified asset category		Trust beneficiary interest
Trustee		Mitsubishi UFJ Trust and Banking Corporation
Trust establishment date		Land: March 30, 2005 / June 29, 2006 Building: May 15, 2008
Trust maturity date		June 30, 2022
Transportation		1-minute walk from Shinbashi Station on the JR Tokaido Line, Yamanote Line, Keihin Tohoku Line and Yokosuka Line, the Tokyo Metro Ginza Line, the Toei Asakusa Line and the Tokyo Waterfront New Transit Waterfront Line (Yurikamome)
Location (address)		12-9, Shinbashi 1-chome, Minato-ku, Tokyo
Land	Location	14-1, Shinbashi 1-chome, Minato-ku, Tokyo (Note 1)
	Building to land ratio	100.00% (Note 2)

	Plot ratio	800.00%
	Usage restrictions	Commercial district
	Land area	1,001.39 m^2 (Note 1)
	Ownership	Ownership
Building	Completion date	April 25, 2008 / partial demolition and extension on May 14, 2018 (Note 1)
	Structure	Steel frame, steel-framed reinforced concrete /10 floors above and 1 floor underground (Note 1)
	Registered usage	Retail, office and parking (Note 1)
	Gross floor area	8,541.44 m^2 (Note 1)
	Parking facilities	34 vehicles
	Ownership	Ownership
Property management company		Tokyu Community Corp.
Master lessee		Tokyu Community Corp. (pass-through)
Disposition price		¥21,000 million
Appraisal value (Date of value estimate)		¥20,200 million (May 31, 2019)
Appraisal agency		Daiwa Real Estate Appraisal Corp.,
Earthquake PML		6.8% (According to an earthquake PML report of Sompo Risk Management Inc.)
Hypothecation		None
Lease overview (Note 3)		
	Total leasable area	6,484.57 m^2
	Total leased area	6,484.57 m^2
	Occupancy rate	100.0%
	Number of tenants	6
	Annual rent	¥781 million
	Expected NOI	¥635 million
	Tenant leasehold and security deposits	¥600 million
Remarks		Not applicable

(Note 1) The data is based on the registry.
(Note 2) The figure includes the margin since the building receives the margin due to the fire-resistant building on fire prevention districts.
(Note 3) As of November 29, 2019.

4. Profile of the seller and acquirer

(1) Outline of the seller (Ebisu Prime Square)

Name	Rouge LLC
Address	Nihonbashi 1-chome Building, 4-1, Nihonbashi 1-chome, Chuo-ku, Tokyo
Management	Akira Sugai
Amount of capital	¥1 million
Establishment	July 20, 2007
Net assets	- (Note)
Total assets	- (Note)
Major shareholder	- (Note)
Business description	1. Acquisition, possession and disposal of real estate trust beneficiary interest 2. Acquisition, possession, disposal, leasing and management of real estate 3. Acquisition, possession and disposition of shares and interests of corporations of which the purpose is related to each item listed above 4. Any other related businesses to each item listed above

Relationships with API and TRM		
	Capital relationship	Rouge LLC is a SPC, in which Tokyu Land Corporation, the 100% parent company of TRM, holds anonymous association (*tokumei kumiai*) interests.
	Personnel relationship	None
	Business relationship	None
	Related party status	Rouge LLC is not a related party of API but is a related party of TRM under TRM's internal policies. Also, Rouge LLC is a related party defined under the ITA.

(Note) Not disclosed because the seller approval was not obtained.

(2) Outline of the acquirer (A-PLACE Shinbashi Ekimae)

Name	ASUNARO Limited Liability Company	
Address	Tokyo Kyodo Accounting Office, 1-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo	
Management	Masakazu Hongo	
Amount of capital	¥100 thousand	
Establishment	October 8, 2019	
Net assets	- (Note)	
Total assets	- (Note)	
Major shareholder	- (Note)	
Business description	1. Acquisition, possession, disposal, lease and management of real estate 2. Acquisition, possession and disposal of real estate trust beneficiary interest 3. Any other related businesses to each item listed above	
Relationships with API and TRM		
	Capital relationship	ASUNARO Limited Liability Company is a SPC, in which Tokyu Land Corporation, the 100% parent company of TRM, holds anonymous association (*tokumei kumiai*) interests.
	Personnel relationship	None
	Business relationship	None
	Related party status	ASUNARO Limited Liability Company is not a related party of API but is a related party of TRM under TRM's internal policies.

(Note) Not disclosed because the acquirer approval was not obtained.

5. Status of the sellers

Acquisition of property from related parties, including special purpose companies (subsidiary companies) managed by related parties are described below. The following table indicates (1) company name, (2) relationship with the specially related parties and (3) transaction history, reasons for acquisition.

Property name (Location)	Previous owner, etc.	Second Previous owner, etc.	Third Previous owner, etc.
	(1), (2), (3) Acquisition (disposition) price Timing of acquisition (disposition)	(1), (2), (3) Acquisition (disposition) price Timing of acquisition (disposition)	(1), (2), (3) Acquisition (disposition) price Timing of acquisition (disposition)
(TO-18) Ebisu Prime Square (1-7, 1-39, 1-40, Hiroo 1-chome, Shibuya-ku, Tokyo)	(1) Rouge LLC (2) Rouge LLC is a SPC owned by Tokyu Land Corporation, the parent company of TRM, and for which TLC Capital Management Inc., a related party of TRM, provides asset management services (3) Acquired for the purpose of investment	(1) Godo Kaisha Pionelo (2) Godo Kaisha Pionelo is a SPC owned by Tokyu Land Corporation, the parent company of TRM and provides asset management services (3) Acquired for the purpose of investment	Persons other than specially related parties
	Omitted as the holding period was longer than one year	Omitted as the holding period of the previous owner, etc. was longer than one year	-
	April 2014	December 2013	-

6. Outline of intermediary

Not applicable

7. Schedule of the Replacement (plan)

(1) Schedule of the Acquisition

Determination of acquisition	November 29, 2019
Conclusion of purchase contract	November 29, 2019
Payment date	January 10, 2020
Acquisition date	January 10, 2020

(2) Schedule of the Disposition

Determination of disposition	November 29, 2019
Conclusion of sales contract	November 29, 2019
Payment reception date	March 19, 2020
Disposition date	March 19, 2020

8. Transaction with related parties

(1) Acquisition of asset

The previous owner, etc. of the Anticipated Asset is a subsidiary or similarly related party of Tokyu Land Corporation, the parent company of TRM. Such party is a related party as provided for in Article 201 of ITA, Article 123 of the Enforcement Ordinance of ITA and the "Rules Regarding Related-party Transactions", the internal rules of TRM. Therefore, TRM carried out the appropriate procedures as provided for in the rules concerning transactions with related parties in connection with the acquisition of the Anticipated Property from the party, including obtaining API's approval for the above transaction at API's board of directors meeting.

(2) Disposition of asset

The acquirer of the Asset to be Disposed of is a SPC which will be partially funded by Tokyu Land Corporation. Such party is a related party as provided for in Article 201 of ITA, Article 123 of the Enforcement Ordinance of ITA and the "Rules Regarding Related-party Transactions", the internal rules of TRM. Therefore, TRM carried out the appropriate procedures as provided for in the rules concerning transactions with related parties in connection with the disposition of the Asset to be Disposed of to the party, including obtaining API's approval for the above transaction at API's board of directors meeting.

(3) Conclusion of lease agreement and property management agreement

For the office and retail portion of the Anticipated Property, the trustee and Tokyu Community Corp. will enter into lease agreement and property management agreement, and for the residence portion, the trustee and Tokyu Housing Lease Corporation will hold the existing lease agreement and property management agreement.

Tokyu Community Corp. and Tokyu Housing Lease Corporation are wholly owned subsidiaries of Tokyu Fudosan Holdings Corporation, which is the parent company of Tokyu Land Corporation. The entities fall into interested party as defined by Article 201 of ITA and Article 123 of Order for Enforcement of ITA as well as "Rules Regarding Related-party Transactions", the internal rules of TRM. Therefore, TRM has carried out the appropriate procedures as provided for in the rules concerning transactions with related parties in order that the trustee shall outsource the property management and master lease services to the parties.

< Overview of the outsourcing contractors >

(Office, retail)

Name		Tokyu Community Corp.
Address		10-1, Yoga 4-chome, Setagaya-ku, Tokyo
Management		President, Saiga Katsuhide
Amount of capital		¥ 1,653 million
Established		April 8, 1970
Business description		1. Condominium life support 2. Building management 3. Reform business 4. Environmental service and services to assist elderly
Relationships with API and TRM		
	Capital relationship	Tokyu Community Corp. is a wholly owned subsidiary of Tokyu Fudosan Holdings which is the 100% parent company of the Tokyu Land Corporation, a 100% parent company of TRM.
	Personnel relationship	Certain personnels have been seconded to TRM from Tokyu Community Corp.

	Business relationship	The trustee has contracted the building maintenance agreements and the lease agreements and/or the property management agreements with Tokyu Community Corp. for some properties with the trust beneficiary interests held by API.
	Related party status	Tokyu Community Corp. is not a related party of API but is a related party of TRM under TRM's internal rules. Also, Tokyu Community Corp. is a related party defined under ITA.

(Residence)

Name		Tokyu Housing Lease Corporation
Address		3-1, Nishi Shinjuku 2-chome, Shinjuku-ku, Tokyo
Management		President, Katsushi Miki
Amount of capital		¥ 100 million
Established		April 1, 2014
Business description		1. Property management and tenant leasing 2. Corporate rental housing management 3. Support business related to rental housing
Relationships with API and TRM		
	Capital relationship	Tokyu Housing Lease Corporation is a wholly owned subsidiary of Tokyu Fudosan Holdings which is the 100% parent company of the Tokyu Land Corporation, a 100% parent company of TRM.
	Personnel relationship	None
	Business relationship	None
	Related party status	Tokyu Housing Lease Corporation is not a related party of API but is a related party of TRM under TRM's internal rules. Also, Tokyu Housing Lease Corporation is a related party defined under ITA.

9. Item regarding forward commitment contracts, etc.

(1) Anticipated Asset and Asset to be Disposed of under forward commitment contracts, etc. (Note)

<Anticipated Asset>

Property No.	Property name	Date of purchase contract	Scheduled acquisition date
TO-18	Ebisu Prime Square	November 29, 2019	January 10, 2020

<Asset to be Disposed of>

Property No.	Property name	Date of sales contract	Scheduled disposition date
TO-17	A-PLACE Shinbashi Ekimae	November 29, 2019	March 19, 2020

(Note) A forward commitment contract is defined as "a postdated purchase and sale contract under which settlement and delivery shall be made at least one month after the conclusion of the contract, or any other contract similar thereto".

(2) Impact on API's finance when forward commitment contracts cannot be executed

With respect to the purchase and sale contracts pertaining to the acquisition of the Anticipated Asset and the disposition of the Asset to be Disposed of, in case there are any violations by API, a seller or an acquirer concerning the provisions which have a material adverse effect on the achievement of the purpose of the purchase and sale contract, API, the seller or the acquirer can urge the seller, the acquirer or API, as applicable, to fulfill the obligation in a fixed period of time. When the seller, the acquirer or API does not correct the violations within that time frame, API, the seller or the acquirer may cancel the contract and make a claim to the seller, the acquirer or API for the penalty equivalent to up to 5% of the sale or purchase price.

However, the purchase contract pertaining to the acquisition of the Anticipated Asset into which API has entered contain certain clauses stating that API, as the acquirer, will be able to acquire the Anticipated Asset by paying the total acquisition price, only when the financing to fund for the anticipated acquisition has been completed. If such financing is not completed as of March 31, 2020, the contract will expire, which would render the above penalty clause invalid. Thus, API does not anticipate that the failure to execute of the contract due to a lack of financing will have a material negative impact on its financial condition. Also, API does not anticipate that the conditions stipulated in the contract pertaining to the Disposition will have a material impact on its financial condition as it is a seller for the disposition of the Asset to be Disposed of and has no funding risk that the acquirer assumes for fulfillment of payment obligation.

10. Outlook

With regard to the impact of the Replacement on the management performance of API for the fiscal period ending May 31, 2020 (The 17th fiscal period, from December 1, 2019 to May 31, 2020) and the fiscal period ending November 30, 2020 (The 18th fiscal period, from June 1, 2020 to November 30, 2020), please refer to "Notice Concerning Revision to Forecast of Management Performance for the Fiscal Period Ending May 31, 2020 and Forecast of Management Performance for the Fiscal Period Ending November 30, 2020" announced as of today.

11. Outline of appraisal reports

(1) The Anticipated Asset

Property name	Ebisu Prime Square
Appraisal value	¥31,000 million
Appraisal agency	JLL Morii Valuation & Advisory K.K.
Date of value estimate	October 1, 2019

			Amount (Note 1) (million yen)	Remarks
Capitalization			31,000	Estimated by the DCF method and the direct capitalization method.
Value by the direct capitalization method			31,400	
	Operating revenue		1,708	
		Potential gross income	1,785	Estimated based on receivable rent, etc. for mid-to-long term.
		Loss (e.g. vacancy)	77	Estimated based on operational level for mid-to-long term.
	Operating expense		577	
		Maintenance expenses	152 (Note 2)	Assessed based on the past records.
		Property management fee		
		Utility expenses	239	Estimated based on the past records.
		Repair expenses	29	Estimated based on the annual average of repair expenses on the Engineering Report (ER).
		Leasing expenses	18	Recorded the amount equivalent to one month rent revenue.
		Taxes and public dues	120	Estimated based on the past records.

	Insurance	2	Estimated with replacement cost of building.
	Other expenses	13	Estimated based on the past records.
NOI (Net Operating Income)		1,130	
Investment income from temporary deposits		9	Estimated with investment yield as 1%.
Capital expenditure		71	Estimated based on the annual average of capital expenditure on the Engineering Report (ER).
NCF (Net Cash Flow)		1,068	
Capitalization rate		3.4%	Estimated with reference to discount rate with profitability and the fluctuation risk of principal.
Value by the DCF method		30,500	
Discount rate		3.2%	Estimated with reference to a comparison with transaction cases of similar real estates, yield/ interest (rate) of financial asset and the result of investor's analysis.
Terminal capitalization rate		3.6%	Estimated with reference to capitalization rate with uncertainty of the future, deterioration of the building, etc.
Value by the cost method		31,000	
Land ratio		91.9%	
Building ratio		8.1%	

Other facts which the appraisal agency have taken into account for the appraisal report	Nothing in particular

(Note 1) Based on our anticipated *pro rata* share of the co-ownership interest (51%).

(Note 2) By disclosing maintenance expenses and property management fee separately, the other businesses of the entrusted companies with operations for both building management and property management could be influenced. As a result, it could impede API's efficient outsourcing and harm the value for API's investors. Thus, the above shows the sum of maintenance expenses and property management fee.

(2) The Asset to be Disposed of

Property name	A-PLACE Shinbashi Ekimae
Appraisal value	¥20,200 million
Appraisal agency	Daiwa Real Estate Appraisal Co., Ltd.
Date of value estimate	May 31, 2019

		Amount (million yen)	Remarks
Capitalization		20,200	Estimated by the DCF method and the direct capitalization method.
Value by the direct capitalization method		20,700	
Operating revenue		923	
	Potential gross income	961	Estimated based on receivable rent, etc. for mid-to-long term.
	Loss (e.g. vacancy)	37	Estimated based on operational level for mid-to-long term.
Operating expense		172	
	Maintenance expenses	39 (Note)	Estimated based on cases of similar real estates.
	Property management fee		
	Utility expenses	35	Estimated based on the past records.
	Repair expenses	6	Estimated based on the annual average of repair expenses on the Engineering Report (ER).

	Leasing expenses	6	Recorded the amount equivalent to one month rent revenue.
	Taxes and public dues	76	Estimated based on the past records.
	Insurance	0	Estimated with replacement cost of building.
	Other expenses	8	Budgeted as operating reserve, etc.
NOI (Net Operating Income)		751	
Investment income from temporary deposits		6	Estimated with investment yield as 1.0%.
Capital expenditure		10	Estimated based on the annual average of capital expenditure on the Engineering Report (ER).
NCF (Net Cash Flow)		746	
Capitalization rate		3.6%	Estimated based on transaction cases of similar real estates, with reference to discount rate with profitability and the fluctuation risk of principal.
Value by the DCF method		20,000	
	Discount rate	3.3%	Estimated with reference to a comparison with discount rate in transaction cases of similar real estates, yield/ interest (rate) of financial asset, etc.
	Terminal capitalization rate	3.7%	Estimated based on capitalization rate with reference to marketability when the holding period by API terminates.
Value by the cost method		17,600	
	Land ratio	91.5%	
	Building ratio	8.5%	

Other facts which the appraisal agency have taken into account for the appraisal report	Nothing in particular

(Note) By disclosing maintenance expenses and property management fee separately, the other businesses of the entrusted companies with operations for both building management and property management could be influenced. As a result, it could impede API's efficient outsourcing and harm the value for API's investors. Thus, the above shows the sum of maintenance expenses and property management fee.

<Exhibits>

Exhibit 1 Outline of building condition assessment report
Exhibit 2 Photographs of the anticipated asset, a map of the area
Exhibit 3 Portfolio after the Replacement

*Distribution of this material: This material is distributed to the Kabuto Club; the press club for the Ministry of Land, Infrastructure, Transport and Tourism; and the press club for construction trade newspapers at the Ministry of Land, Infrastructure, Transport and Tourism.
*Website of API: https://www.activia-reit.co.jp/en/

Exhibit 1 Outline of a building condition assessment report

Assessment company	HI International Consultant Co., LTD
Date of estimate	September 6, 2019
Short-term renovation expense (thousand yen) (Note 1) (Note 2)	¥44,217 thousand
Long-term renovation expense (thousand yen) (Note 1) (Note 3)	¥1,197,873 thousand

(Note 1) The short-term renovation expense and long-term renovation expense are based on the building condition assessment report and our anticipated pro rata share of the co-ownership interest (51%).

(Note 2) The short-term renovation expense is the total expense for renovations needed within 1 year of the date of the building condition assessment report.

(Note 3) The long-term renovation expense is the total expense for renovations needed within 12 years of the date of the building condition assessment report.

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Exhibit 2 Photographs of the anticipated asset, a map of the area













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Exhibit 3 Portfolio after the Replacement

Category	Property No.	Property name	Location	(Anticipated) Acquisition date	(Anticipated) Acquisition price (Millions of yen)	Investment ratio (%) (Note 1)
Urban Retail Properties	UR-1	Tokyu Plaza Omotesando Harajuku	Shibuya, Tokyo	June 13, 2012	45,000 (Note 2)	8.8
	UR-2	Tokyu Plaza Akasaka	Chiyoda, Tokyo	June 13, 2012	11,450 (Note 2)	2.2
	UR-3	Q plaza EBISU	Shibuya, Tokyo	June 13, 2012	8,430	1.7
	UR-5	Kyoto Karasuma Parking Building	Kyoto, Kyoto	June 13, 2012	8,860	1.7
	UR-7	Kobe Kyu Kyoryuchi 25Bankan	Kobe, Hyogo	December 19, 2013	21,330	4.2
	UR-8	A-FLAG SAPPORO	Sapporo, Hokkaido	December 19, 2013	4,410	0.9
	UR-9	A-FLAG SHIBUYA	Shibuya, Tokyo	December 19, 2013	6,370	1.3
	UR-10	Q plaza SHINSAIBASHI	Osaka, Osaka	December 16, 2015	13,350	2.6
	UR-11	A-FLAG KOTTO DORI	Minato, Tokyo	December 20, 2016	4,370	0.9
	UR-12	A-FLAG BIJUTSUKAN DORI	Minato, Tokyo	December 2, 2016	4,700	0.9
	UR-13	A-FLAG DAIKANYAMA WEST	Shibuya, Tokyo	January 6, 2017	2,280	0.4
	UR-14	A-FLAG KITA SHINSAIBASHI	Osaka, Osaka	December 1, 2017	4,725	0.9
	UR-15	DECKS Tokyo Beach	Minato, Tokyo	January 5, 2018	12,740 (Note 2)	2.5
	UR-16	Tokyu Plaza Ginza (Land)	Chiyoda, Tokyo	January 10, 2019	37,500 (Note 2)	7.4
	UR-17	Q plaza HARAJUKU	Shibuya, Tokyo	January 10, 2019	13,200 (Note 2)	2.6
	Subtotal				**198,715**	**39.0**
Tokyo Office Properties	TO-1	TLC Ebisu Building	Shibuya, Tokyo	June 13, 2012	7,400	1.5
	TO-2	A-PLACE Ebisu Minami	Shibuya, Tokyo	June 13, 2012	9,640	1.9
	TO-3	A-PLACE Yoyogi	Shibuya, Tokyo	June 13, 2012	4,070	0.8
	TO-4	A-PLACE Aoyama	Minato, Tokyo	June 13, 2012	8,790	1.7
	TO-5	Luogo Shiodome	Minato, Tokyo	June 13, 2012	4,540	0.9
	TO-6	TAMACHI SQUARE (Land)	Minato, Tokyo	June 13, 2012	2,338 (Note 3)	0.5
	TO-7	A-PLACE Ikebukuro	Toshima, Tokyo	June 13, 2012	3,990	0.8
	TO-8	A-PLACE Shinbashi	Minato, Tokyo	April 19, 2013	5,650	1.1
	TO-9	A-PLACE Gotanda	Shinagawa, Tokyo	January 10, 2014	5,730	1.1
	TO-10	A-PLACE Shinagawa	Minato, Tokyo	January 10, 2014	3,800	0.7
	TO-11	OSAKI WIZTOWER	Shinagawa, Tokyo	June 24, 2014	10,690	2.1
	TO-12	Shiodome Building (Note 4)	Minato, Tokyo	December 2, 2016	71,600 (Note 2)	14.1
	TO-13	A-PLACE Ebisu Higashi	Shibuya, Tokyo	July 29, 2015	7,072	1.4
	TO-14	A-PLACE Shibuya Konnoh	Shibuya, Tokyo	October 1, 2015	4,810	0.9
	TO-15	A-PLACE Gotanda Ekimae	Shinagawa, Tokyo	July 1, 2016	7,280	1.4
	TO-16	A-PLACE Shinagawa Higashi	Minato, Tokyo	March 16, 2017	18,800	3.7
	TO-18	Ebisu Prime Square	Shibuya, Tokyo	January 10, 2020(plan)	30,700 (Note 2)	6.0
	Subtotal				**206,900**	**40.6**
Subtotal of UR and TO					405,615	79.7

Activia Account Properties	AA-1	Amagasaki Q's MALL (Land)	Amagasaki, Hyogo	June 13, 2012	12,000	2.4
	AA-2	icot Nakamozu	Sakai, Osaka	June 13, 2012	8,500	1.7
	AA-4	icot Mizonokuchi	Kawasaki, Kanagawa	June 13, 2012	2,710	0.5
	AA-5	icot Tama Center	Tama, Tokyo	June 13, 2012	2,840	0.5
	AA-6	A-PLACE Kanayama	Nagoya, Aichi	June 13, 2012	6,980	1.4
	AA-7	Osaka Nakanoshima Building (Note 5)	Osaka, Osaka	December 19, 2014	11,100	2.2
	AA-8	icot Omori	Ota, Tokyo	December 19, 2013	5,790	1.1
	AA-9	Market Square Sagamihara	Sagamihara, Kanagawa	January 9, 2015	4,820	0.9
	AA-10	Umeda Gate Tower	Osaka, Osaka	September 21, 2016	19,000	3.7
	AA-11	A-PLACE Bashamichi	Yokohama, Kanagawa	October 6, 2016	3,930	0.8
	AA-12	Commercial Mall Hakata	Fukuoka, Fukuoka	January 5, 2018	6,100	1.2
	AA-13	EDGE Shinsaibashi	Osaka, Osaka	January 10, 2019	19,800	3.9
	Subtotal				**103,570**	**20.3**
Total					**509,185**	**100.0**

(Note 1) "Investment ratio" is ratio of (anticipated) acquisition price for each property to total acquisition price rounded to the first decimal place.

(Note 2) (Anticipated) Acquisition prices of "Tokyu Plaza Omotesando Harajuku", "Tokyu Plaza Akasaka", "DECKS Tokyo Beach", "Tokyu Plaza Ginza (Land)", "Q plaza HARAJUKU", "Shiodome Building" and "Ebisu Prime Building" are described based on their *pro rata* share (75%, 50%, 49%, 30%, 60%, 35% and 51%, respectively).

(Note 3) Acquisition price of "TAMACHI SQUARE (Land)" is based on the acquisition price of the land as of acquisition date (June 13, 2012).

(Note 4) The acquisition date of "Shiodome Building" is the date of the third acquisition. The first acquisition date was January 9, 2015, and the second acquisition date was December 16, 2016. The acquisition price is total amount of the first, the second and the third acquisition prices (¥31,300 million, ¥20,400 million and ¥20,900 million) and the investment ratio reflects total acquisition price.

(Note 5) The Acquisition date of "Osaka Nakanoshima Building" is the date of the second acquisition. The first acquisition date was January 25, 2013. The acquisition price of "Osaka Nakanoshima Building" is total amount of the first and the second acquisition prices (¥5,250 million and ¥5,850 million) and the investment ratio reflects the total acquisition price.