Supplementary Materials on Press Releases announced today

November 29, 2019

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

"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"

TLC REIT Management Inc.

Activia Properties Inc.

(Securities Code: 3279/API)

Portfolio balance improvement ✖ **Enhance capacity for internal growth** ✖ **Return to greater Shibuya area**

Outline of asset replacement

Anticipated Asset

TO-18 Ebisu Prime Square
(51% co-ownership interest)



Replace-ment

Asset to be disposed

TO-17 A-PLACE Shinbashi Ekimae



Anticipated acquisition price (Note 1) (Appraisal NOI yield) (Note 2)	¥30,700 million (3.7%)
Appraisal value (Note 1)(Note 3)	¥31,000 million
Expected NOI (Note 1)(Note 4)	¥1,148 million
NOI yield after depreciation (Note 5)	3.1%

Anticipated disposition price	¥21,000 million
Assumed book value (Note 6)	¥20,824 million
Appraisal value (Note 3)	¥20,200 million
Expected NOI (Note 4)	¥635 million
NOI yield after depreciation (Note 5)	2.6%

Improve NOI yield after depreciation

Wipe out unrealized loss on asset

Effect from asset replacement

1 DPU improvement +¥157/unit (Note 7)

- ✓ Increase in DPU by **+¥157**/unit is estimated as **benefit from replacement** for the period ending Nov. 2020 (the 18th Period) when Ebisu Prime Square starts to fully contribute

2 -11% rent gap (Note 8) +¥ 76/unit (Note 9)

- ✓ Office rent uptrend continues thanks to **concentration of tech companies** in the area
- ✓ Recently some **cases with contracted rent higher than market rent** have been seen

3 Increased ratio of greater Shibuya area 33.1% (Note 10)

- ✓ **Ratio of properties in greater Shibuya area** in Tokyo Office Properties **increased by approximately 14%** after acquisition of Ebisu Prime Square which will be **the flagship property in Ebisu area**

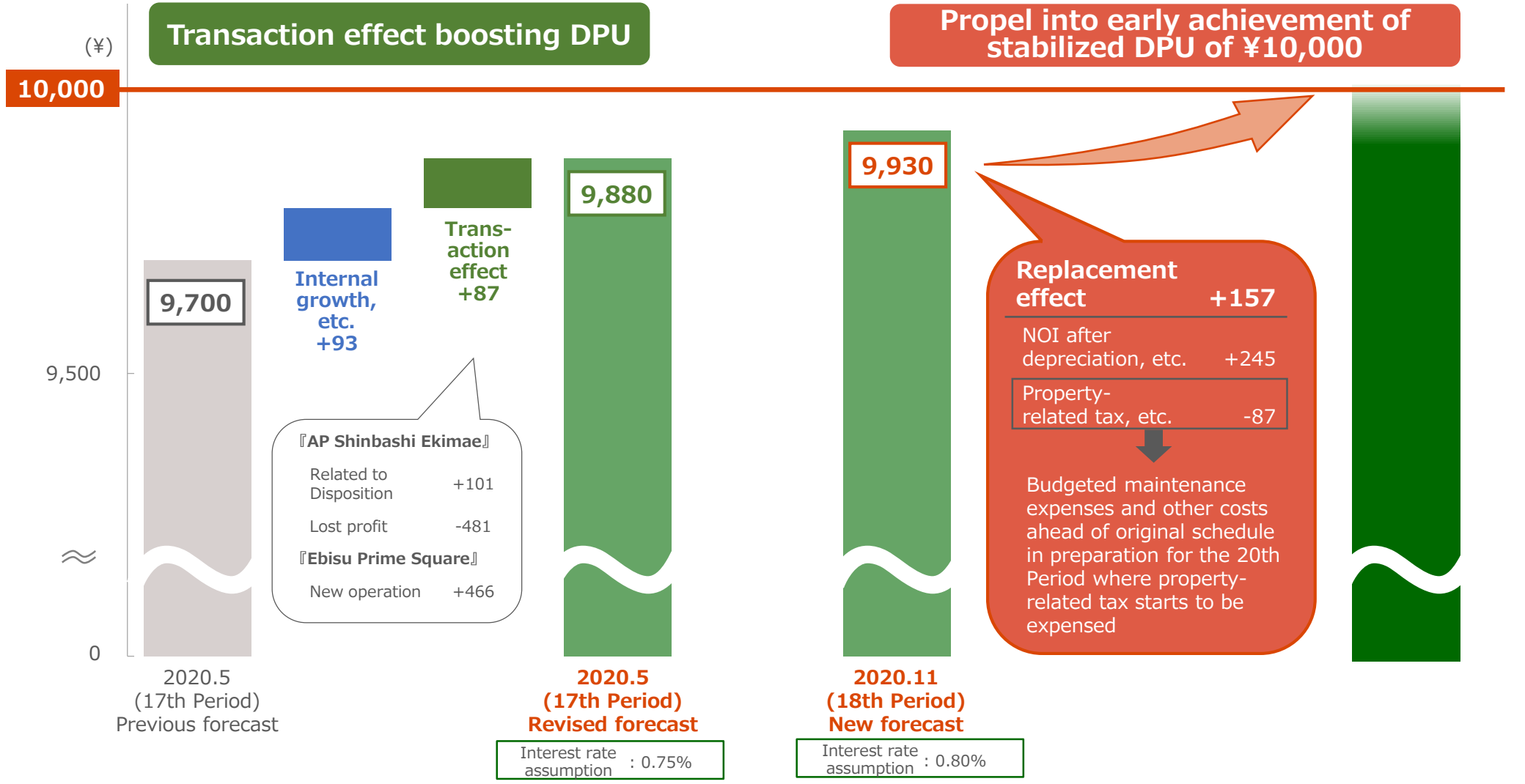
Leverage Sponsor support

- ✓ **Maximize benefit from transactions by acquisition of Ebisu Prime Square prior to disposition**

Operation period	2019		2020			
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
Ebisu Prime Square	Con-tract		Acqui-sition			
A-PLACE Shinbashi Ekimae	Con-tract				Dispo-sition	

Management Performance Forecast

- DPU forecast for the 17th Period revised to be **¥9,880** (**+1.9%** vs. 17th Period previous forecast)
  ⇒ Owing to internal growth mainly in office, etc. and **the transaction effect from the Replacement**
- DPU forecast for the 18th Period to be **¥9,930** (**+2.4%** vs.17th Period previous forecast)
  ⇒ Owing to **the effect from Replacement** in addition to stable internal growth



Note

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

(Note 2) Calculated by dividing the net operating income (¥1,130 million) based on direct capitalization method stated in the appraisal report as of October 1, 2019 by the acquisition price

(Note 3) "Appraisal Value" is represented by appraisal value stated in each of the appraisal reports as of October 1, 2019 for Ebisu Prime Square and as of May 31, 2019 for A-PLACE Shinbashi Ekimae

(Note 4) "Expected NOI" for Ebisu Prime Square is the estimated annual net operating income based on the present assumption and "Expected NOI" for A-PLACE Shinbashi Ekimae is the amount equal to two times the actual net operating income of the period ended May 2019 (the 15th Period)

(Note 5) "NOI yield after depreciation" for Ebisu Prime Square is calculated by dividing the amount equivalent to two times the expected net operating income for the period ending November 2021 (the 20th Period) where property-related tax starts to be expensed by the anticipated acquisition price of the property, and "NOI yield after depreciation" for A-PLACE Shinbashi Ekimae is calculated by dividing the amount equivalent to two times the actual net operating income for the period ended May 2019 (the 15th Period) divided by the acquisition price (¥20,500 million) of the property

(Note 6) Assumed value as of March 19, 2020

(Note 7) The estimated amount of increase in distributions per unit for the period ending November 2020 (the 18th Period) derived from benefit from property replacement

(Note 8) Simulated market-to-actual rent gap ratio of the office portion

(Note 9) Estimated amount of increase in distributions per unit when the market-to-actual rent gap of office portion is fully bridged (not taken into account the increase in costs such as management fee, etc.)

(Note 10) Based on the aggregate acquisition price of Tokyo Office Properties (TO)

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