

Supplementary Explanatory Materials

for the "Notice Concerning the Acquisition of Silent Partnership Interests in Domestic Real Estate" Dated October 18, 2024



Activia Properties Inc.

(Code: 3279/API)

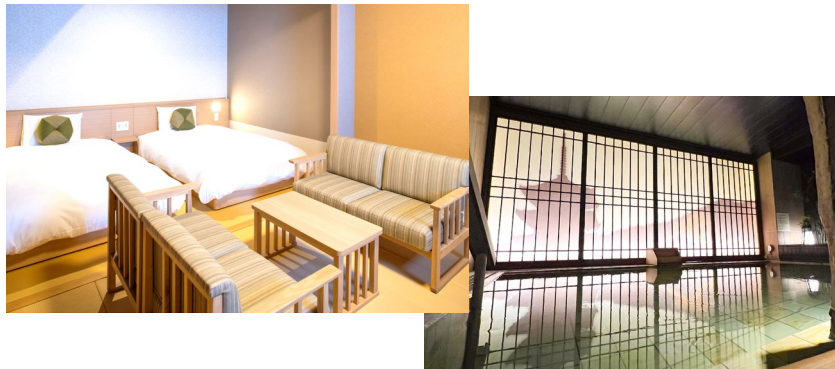


TLC REIT Management Inc.

Overview of Silent Partnership Interest and Underlying Assets (Onyado Nono Kyoto Shichijo)

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1. Overview of the Underlying Assets Onyado Nono Kyoto Shichijo



- Located at a **7-minute walk from Kyoto Station**, this upper-middle-class hotel features a natural hot spring bath.
- **High convenience and comfort** catering to domestic and international travel demand as well as business use.
- Stable operations by Kyoritsu Maintenance Co., Ltd., which operates the "Dormy Inn" brand.
- Built in 2020 with a 20-year long-term fixed lease, **contributing to portfolio quality and stability** from the time of inclusion.

Completion Date	January 2020	The map shows the hotel's location in Kyoto, Japan. It is situated near the Karasuma Shichijo intersection, a 7-minute walk from JR Kyoto Station (Exit A5). The hotel is located on Higashinoto Street, between Takakura Street and Shioji-dori Street. The map also shows the Nidec Kyoto Tower and the Kyoto Station Bus Terminal.
Usage	Hotel	
Hotel Name	Natural Hot Spring Renka no Yu Onyado Nono Kyoto Shichijo	
Appraisal Value	¥24,300 million	
Total Floor Area / Number of Guest Rooms	16,831.82m ² / 467 rooms	

2. Overview of the Silent Partnership Interest

Godo Kaisha Kyoto Investment	
(Assets) Real estate trust beneficiary rights, etc. ¥23,900 million	(Liabilities) Senior loan: ¥13,300 million Junior loan: ¥2,000 million Mezzanine loan: ¥2,500 million (Net Assets) Silent partnership interest: ¥6,100 million

Investment by API:
¥300 million (4.9%)
Expected Investment
Dividend Yield (*):
5.7%

* Average for a 3-year investment period.

1

Securing external growth opportunities for **"future dividend enhancement"** by utilizing the sourcing capabilities of the asset management company to pipeline third-party properties.

2

Utilizing available funds to gain **revenue from investment dividends**.

3

The investment period is expected to be **2 to 4.5 years, during which the acquisition of underlying assets will be considered as part of a medium- to long-term growth strategy.**

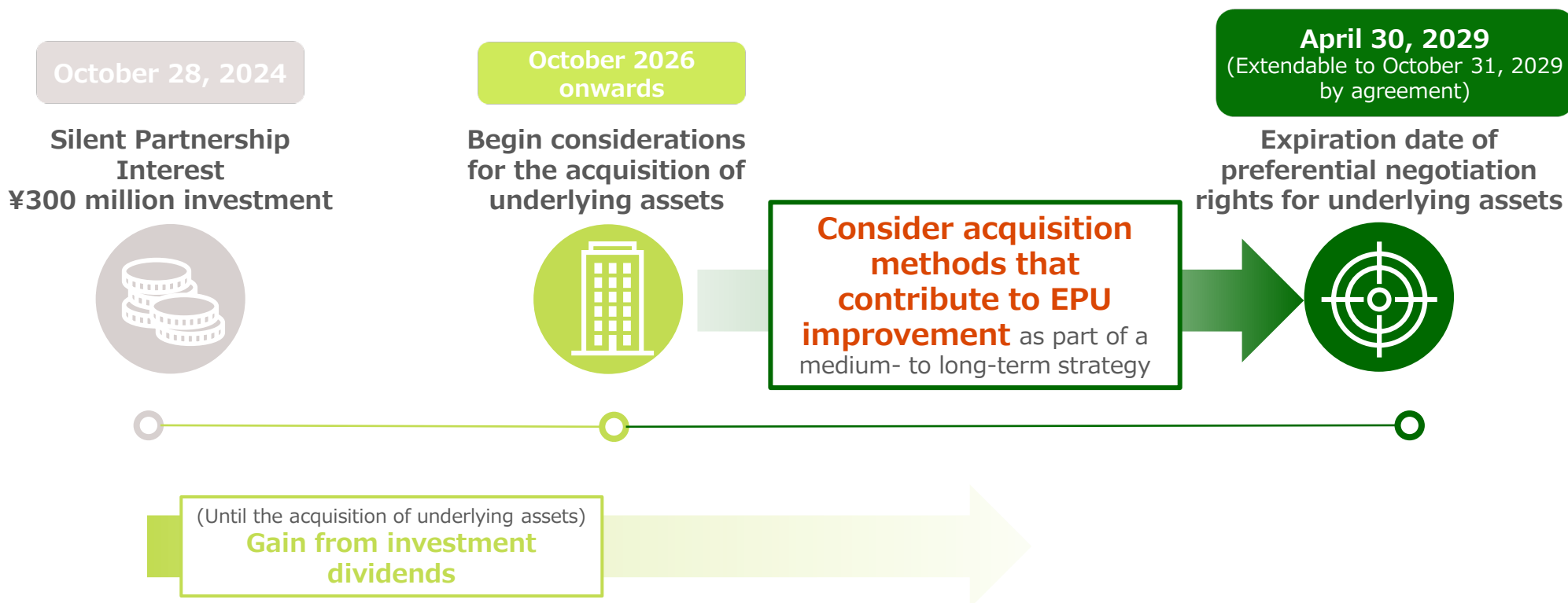
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By securing a pipeline of relatively new properties that can contribute to long-term stable revenue, **we aim to enhance the portfolio's stability and quality in the future.**

The Initiative's Expected Schedule

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- The investment is expected to last between 2 years and up to the maturity of the fund, **allowing revenue from investment dividends** during the investment period.
- The acquisition of underlying assets will be **considered as part of a medium- to long-term strategy to improve EPU**.

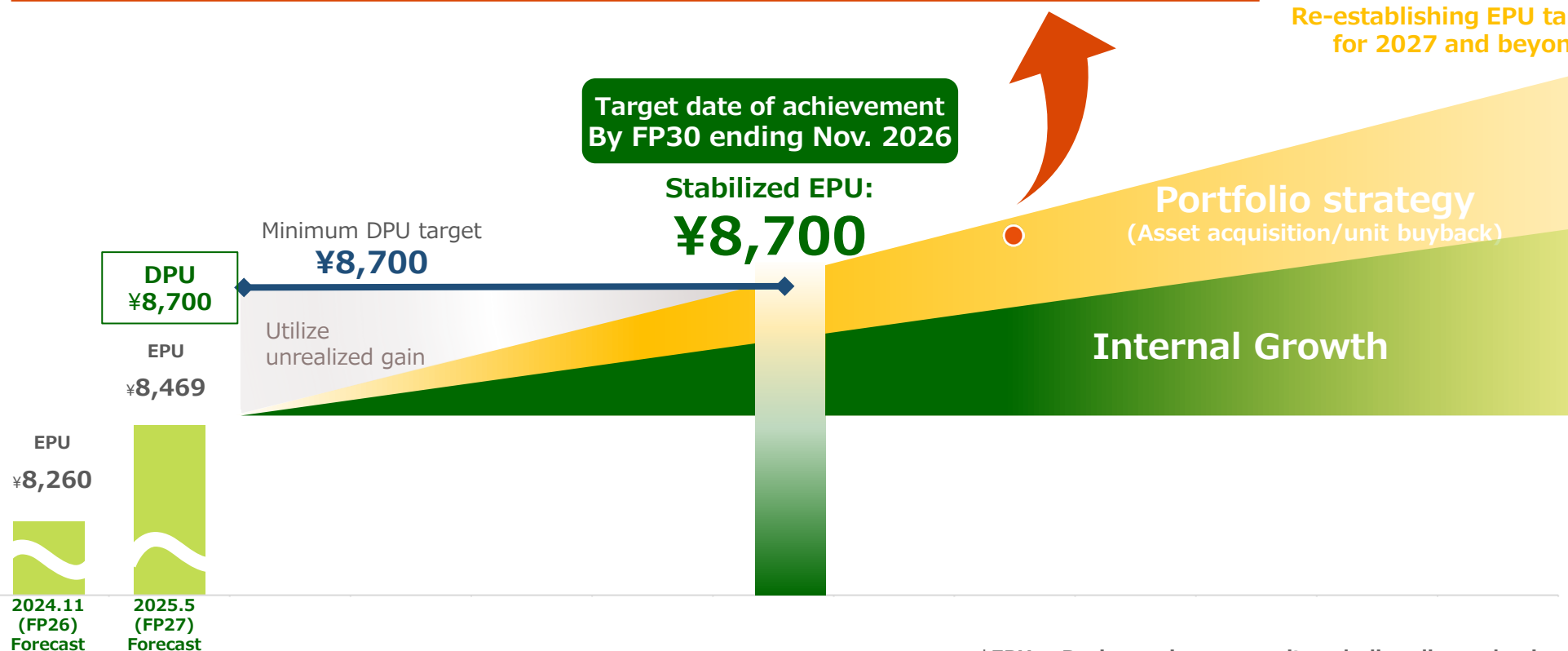


Positioning of this Initiative

- Securing external growth opportunities for **"further EPU growth"** beyond the target of cruising EPU (*).
- Achieving steady cruising EPU growth through internal growth of existing properties and aiming for further EPU growth **through portfolio strategy with a medium- to long-term perspective.**

Further EPU growth

Re-establishing EPU targets for 2027 and beyond



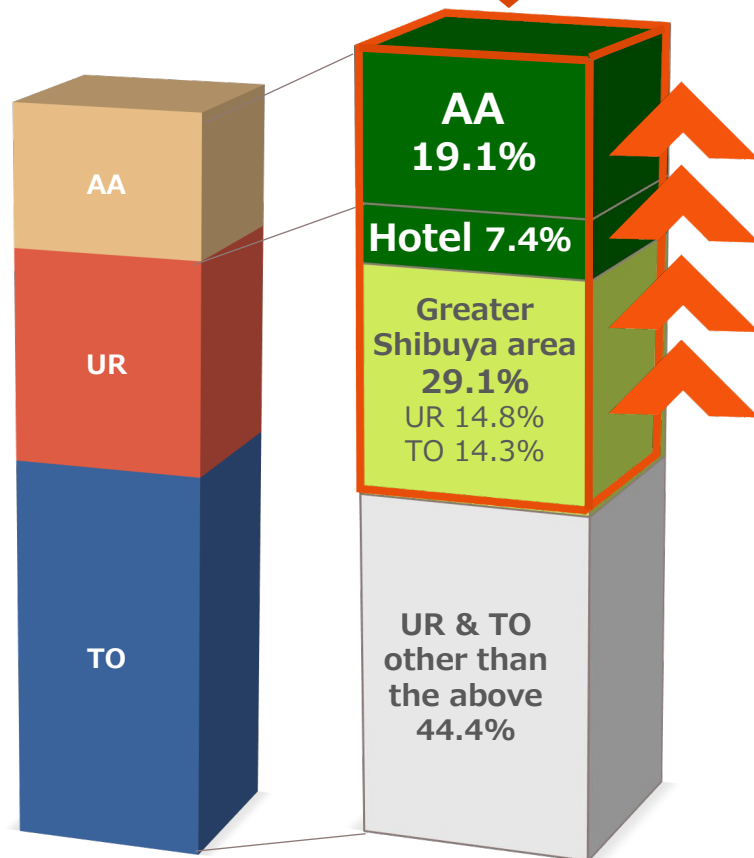
*EPU = Basic earnings per unit excluding disposal gain

Acquisition of Preferential Negotiation Rights for the Hotel Based on the Acquisition Criteria

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- **Intend to achieve mid- to long-term NOI growth through asset acquisition**, taking into consideration **growth potential, stability, and profitability**
- **Preferentially consider investments in the greater Shibuya area, hotels** with anticipated demand growth, and **Activia Account** Properties that contribute to improving portfolio profitability

Prioritize acquisitions



Greater Shibuya area



Sponsor Pipeline

Asset Manager's own network



Hotel



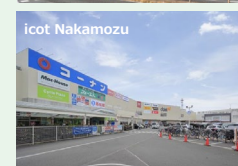
The underlying assets of this initiative

Onyado Nono Kyoto Shichijo



Sponsor Pipeline

Activia Account



- Consider future conversion to other uses and widening acquisition targets by leveraging the sponsor's development capabilities

Asset Manager's own network