

 *Activia Properties inc.*

Sustainability Report 2021

Activia Properties Inc.

June 2021

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Basic Policies of API

Basic Policies of Activia Properties Inc.

- 1 Focused investments in Urban Retail and Tokyo Office Properties
- 2 Utilization of the Comprehensive support and capabilities of Tokyu Fudosan Holdings Group's value chain
- 3 Strong governance structure aimed at maximizing unitholder value

Activia Properties Inc. aims at **proactive management** through selecting **assets that appeal to retail customers and office tenants** as urban centers and hubs for business activity, in order to maximize unitholder value over the medium to long term. API also takes initiatives to improve its asset management.

About this Report

Activia Properties Inc. ("API") and TLC REIT Management Inc. ("TRM") to which API entrusts its asset management, are making the best effort to disclose information related to the sustainability initiatives to the investors and other stakeholders. Within this scope, this report is issued to illustrate the ESG (E: Environment, S: Social, G: Governance) initiatives at API and TRM which are essential to contribute to a sustainable society.

Coverage on this report

Period	From April 2020 to March 2021 (excl. some data)
Entities	API and TRM

Contact

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Phone	+81-3-6455-3377
Hours	9:30-18:00 (excl. Saturday, Sunday and holidays)

We communicate also using the Global Reporting Initiative (GRI) Sustainability Reporting Standards, an international sustainability framework for ESG-related reporting. About the GRI Standards, please see the link below:

<https://www.activia-reit.co.jp/en/sustainability/gri.html>

Introduction

Top Messages

From Executive Director of API

Activia Properties Inc. (“API”) is pleased to issue its inaugural sustainability report to announce our sustainability initiatives in a clear and handy manner.

API aims to enhance the value of unitholders through investing and managing portfolio comprised of offices and retail properties in urban areas with a focus on prime location and high quality. Our properties take a social responsibility as they serve as a key to the active communities and a hub for the economy, therefore we consider that contribution to the areas surrounding the properties and the local communities is one of our important missions.

In line with the policy above stated, since IPO, we have continuously worked to enhance multiple sustainable efforts including development of relationship with communities, reduction in usage of energy and resources from viewpoint of mitigating ecological impact, and issuance of green bonds from financial viewpoint.

Since 2013, we are participant to the GRESB Assessment, an ESG benchmark in the real estate sector, and are using the results to continuously improve the effectiveness of our initiatives.

In recent years, companies are required to take more developed initiatives towards challenges related to environment and local societies and integrate them into key management issues. In response to such social trend, in July 2019, API identified its own Materiality and set a practical management policy.

API will further develop its efforts on sustainability, deepening a trustworthy relationship with the stakeholders while investing in and managing real estate capable of sustaining customer demand and gathering people, seeking to become an entity capable of broadly energizing society as the name “Activia” suggests. This report highlights our continued efforts. We sincerely wish that the readers would feel sympathy to our sustainability initiatives and hope that we can work together to create a better society.



Activia Properties Inc.
Executive Director Kazushi Sato

From President & CEO of TRM

TLC REIT Management Inc. (“TRM”) is an asset management company aiming to maximize its shareholder value with a philosophy that we should contribute to the development of our society through a reliable relationship with all the stakeholders.

In recent years, issues related to climate change, working style reform and relation with local communities are recognized as problems close to ourselves and unpreparedness for those challenges are becoming risks in investment for shareholders and investors. And in the same time, how to approach to those challenges is being a part of the opportunity to create a new value and new businesses. We believe that incorporating such social demand for ESG (Environment/Social/Governance) into our business operation and working for a sustainable society take an essential part to improve our corporate value.

To enhance our efforts and implement those in a more practical way, we established the Sustainability Policy in April 2019. Further in July 2019, we recognized the Materiality of the Tokyu Fudosan Holdings Group (“TFHD” or the “Group”) and extracted from it the items which are critical for us in the medium to long term to identify our own materiality, and it is shared with API.

In April 2021, we organized formally the Sustainability Promotion Council and established the Sustainability Department under the Corporate Management Division to put the Sustainability Policy into more practical measures and to further sophisticate those measures.

Together with API, we will continue to work proactively for the objectives set based on the respective Materiality, as well as appropriately disclose our progress to all stakeholders while deepening trustworthy relationship with them.

TLC REIT Management Inc.
President & CEO Hiroyuki Tohmata

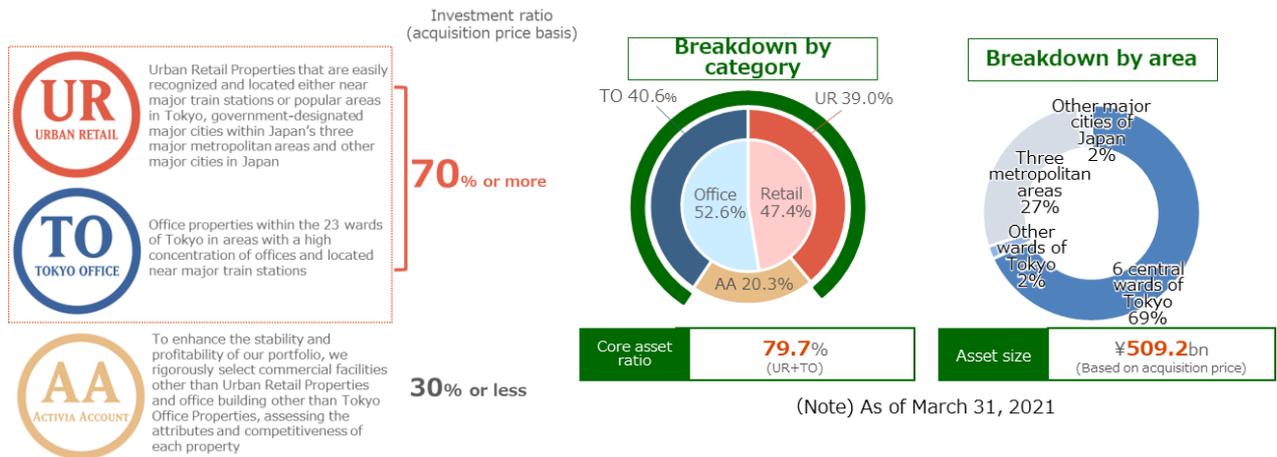


About API

Overview

API is a diversified J-REIT investing in commercial properties and offices sponsored by Tokyu Land Corporation (“TLC” or the “Sponsor”).

API intends to maintain a competitive portfolio in the medium to long term with the objective to maximize its unitholder value, by investing primarily in urban retail properties and Tokyo office properties with making these investments upon careful consideration of location, size, quality, specifications, and suitability for use by tenants.



TRM, to which API entrusts its asset management is one of the member companies of TFHD, a comprehensive real estate developer. We are taking advantage of the TFHD’s multi-faceted and comprehensive knowhow and value chain to consistently acquire high-quality properties, as well as to operate and manage the properties so that the value of the properties would be maintained and improved. By doing so, we plan to maximize the unitholder value.

While leveraging the value chain of TFHD, we also try to ensure and enhance various systems supporting our strong governance structure in order to maximize our unitholder value. The measures include preventive system against conflict of interests in related-party transactions, alignment of interests between investors and the Sponsor, as well as amendment to the asset management fee structure including DPU-linked portion (Cf. page 15).

<TFHD’s value-chain>



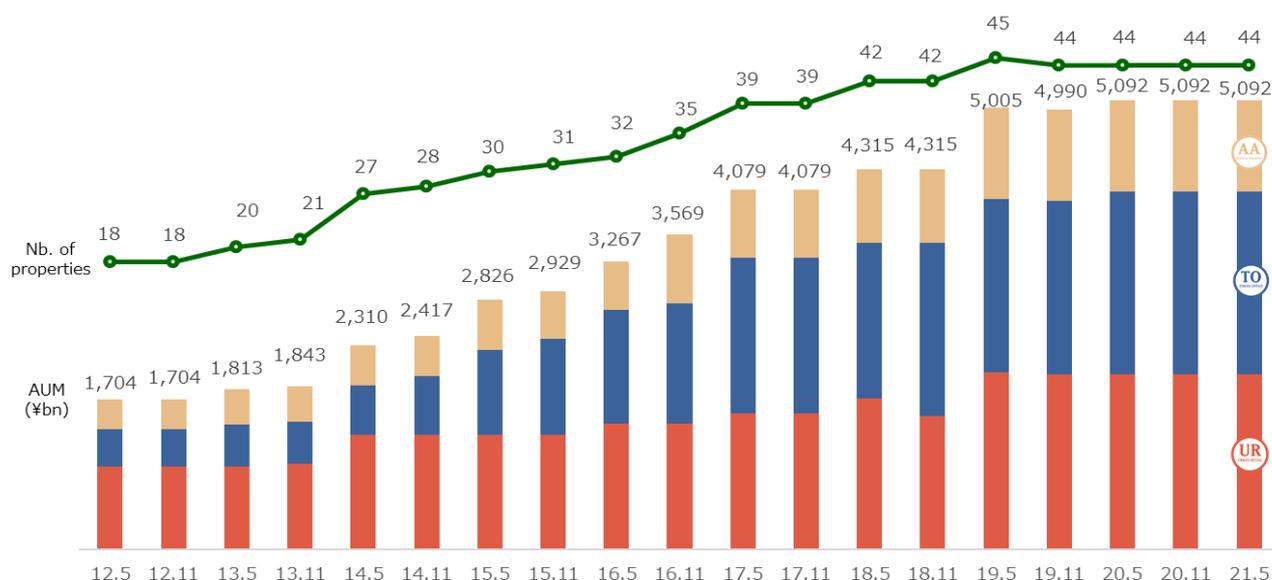
History, etc.

Since our IPO in 2012, API has continued to work to build a high-quality portfolio which is carefully selected with a focus on location and property quality and grow and stabilize earnings by expanding assets under management. With a portfolio having grown to over 500 billion yen, API became one of the major diversified J-REITs.

<History of API>

Sep. 7, 2011	Registration of incorporation, and foundation under Article 166 of the Act on Investment Trusts and Investment Corporations
Sep. 20, 2011	Implementation of registration by the Prime Minister under Article 189 of the Act on Investment Trusts and Investment Corporations (registration no.: Director of Kanto Local Finance Bureau No.73)
Jun. 13, 2012	Listed on the J-REIT section of the Tokyo Stock Exchange (securities code: 3279)

<Trend in number of properties and assets under management of API>



<Overview of API and TRM>

REIT (API)

Name	Activia Properties Inc.
Executive director	Kazushi Sato
Address	Shibuya Solasta 18th floor, 21-1 dozen-zaka 1chome, Shibuya-ku, Tokyo, 150-0043, Japan
Contact	Activia Management Division, TLC REIT Management Inc. Phone: +81-3-6455-3377
Securities code	3279
Date of listing	June 13, 2012
Fiscal period end	May 31 and November 30

Asset Manager (TRM)

Name	TLC REIT Management Inc.
President & CEO	Hiroyuki Tohmata
Address	Shibuya Solasta 18th floor, 21-1 dozen-zaka 1chome, Shibuya-ku, Tokyo, 150-0043, Japan
Capital	200 million yen
Shareholder	Tokyu Land Corporation (100%)
Business segment	Investment management
Fiscal year end	March 31

Sustainability Policy / Structure for Promotion

Sustainability Policy

TRM considers paying consideration to environment and society and strong governance as its mission, and as a member of TFHD, it shares the Group's sustainability vision. We believe that tackling these issues is a social responsibility and it should help to realize our management philosophy and contributes to the development of a more sustainable society. The Sustainability Policy has been set to put our beliefs into practice.

For the details of the Sustainability Policy, please refer to TRM's website.

<https://www.tokyu-trm.co.jp/en/sustainability/>

Our Structure to Promote Sustainability

To enhance TRM's efforts towards the issues related to environmental or societal consideration, etc. based on its Sustainability Policy, the rules on the Sustainability Promotion System require that the President & CEO to be the Chief Sustainability Officer and each department appoint one responsible person from the department. The Sustainability Promotion Council is to be held with the President & CEO as chairperson.

Sustainability Department was established as of April 1, 2021 to expand the functionality of the Sustainability Promotion System. The Sustainability Department succeeds the ESG-related missions from the Environmental Engineering Department, and we will further promote our sustainability program.

Sustainability Promotion Council

The Sustainability Promotion Council meets regularly with President & CEO as the Chief Sustainability Officer who assumes the ultimate responsibility, and other members from across the organization of TRM and among members, we share relevant information and examine and promote the efforts. External experts are invited to the Council to consult opinions when needed.

Members of the Sustainability Promotion Council	Chairperson: President & CEO Regular members: Chief Division Officers of the Activia Management Division, Comforia Management Division, and Broadia Management Division, Corporate Management Division, General Managers of Environmental Engineering Department, and Sustainability Department, Compliance Officer Organizer: Sustainability Department
Meeting frequency	Every quarter in principle
Main issues to be discussed	•Amendment and abolishment of the Sustainability Policy •Amendment and abolishment of the Materiality •Matters related to, and common to TRM and investment corporations •Annual activities planning, report on status

Materiality

Identification process

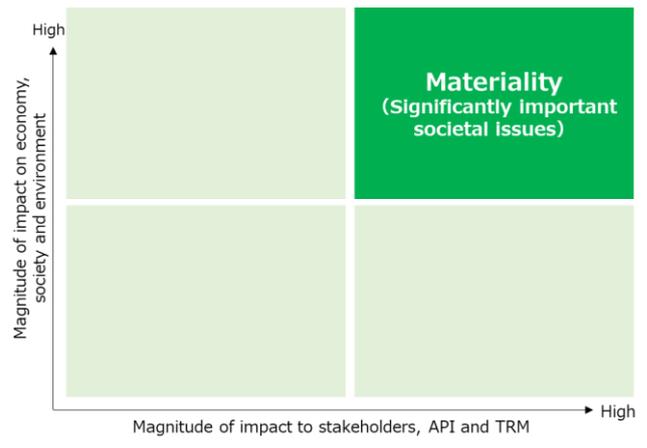
In line with the Policy and as a member of the Group, TRM recognizes the materiality issues of the Group and identified its own materiality issues by extracting societal items which are important over the medium to long term for a sustainable society, with consideration to the environmental efforts API has already made. This Materiality is shared between TRM and API.

Step1 Awareness and organization of social issues
 In preparing discussions for Materiality, societal issues related to API and TRM were extracted by referring the Integrated Report and the Materiality of the Group; GRI Standards; relevant SDGs; ESG assessments for the real estate sector; and issues recognized by the industry association.

Step2 Integration and consolidation of issues
 With respect to the above stated societal issues, existing efforts by API and TRM were summarized, and a materiality short list was created by discussing topics that should be given more significance, with additional consideration to risks and opportunities regarding each issue.

Step3 Reflection of opinions from officers and employees
 All officers and employees were asked to offer opinions as stakeholders of TRM, and preliminary interviews were conducted with Executive Director and Supervisory Directors of API.

Step4 Identification of materiality
 Based on the interview results, significance of each issue to be addressed by API and TRM was reviewed for appropriateness. Materiality was identified by the Sustainability Promotion Council and reported to the board of directors of TRM and API.



SDGs strongly linked to our Materiality

The Materiality that API shares with TRM reflects the magnitude of impact our actions will have on the relevant risks and opportunities.

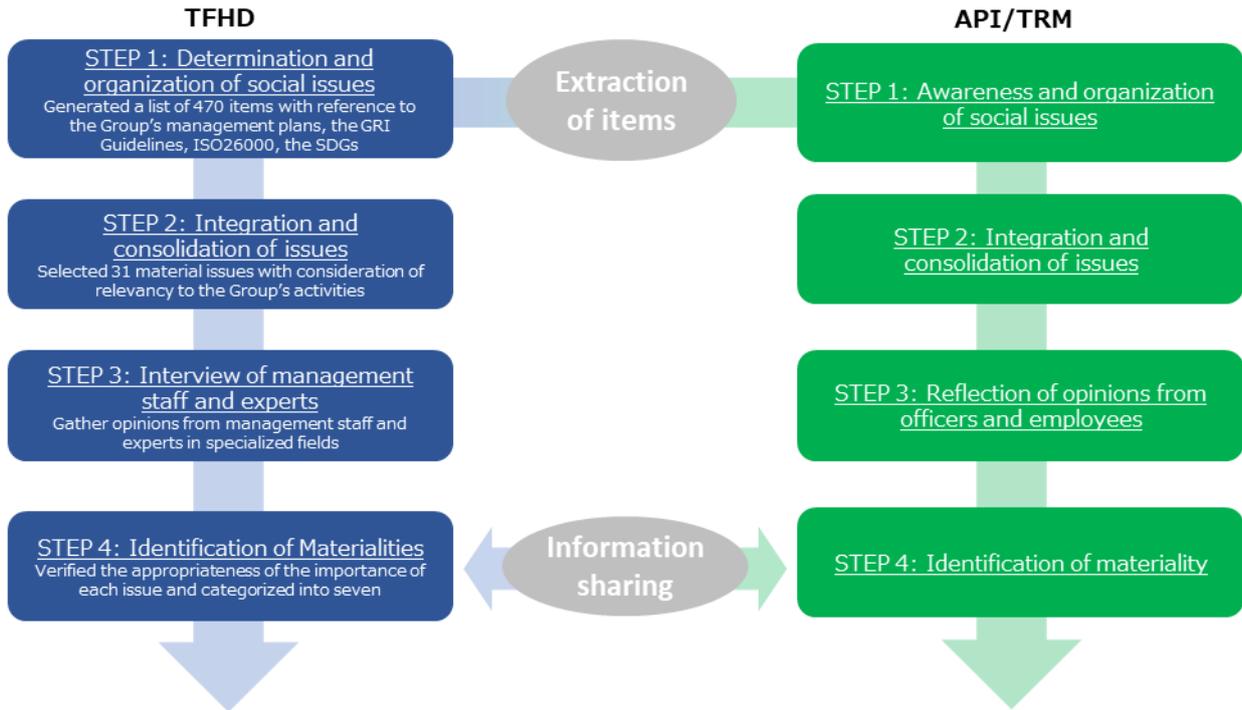
Our aim is to contribute to the Sustainable Development Goals (SDGs) through our approaches to Materiality. For the details of SDGs, please refer to the following website of the Ministry of Foreign Affairs: <https://www.mofa.go.jp/policy/oda/sdgs/index.html>

Materiality	Risks (Impact of not addressing materiality)	Opportunities (Business opportunities expected by addressing materiality)	Relevant SDGs
Reducing environmental Impact	Increased physical risk from escalation of climate change (human damage, property damage, economic damage)	<ul style="list-style-type: none"> Sharing and executing clear commitment to ESG investment with officers and employees should provide opportunities to implement such actions into our business strategy Increased demand for leasing properties focused on environmental performance 	
Human capital development as a group of professionals	Lack of sufficient skilled human resources may hinder business operation, leading to stagnant or lower investor values	Each employee's effort to further realize an ability and maintain mental health and stable living while fulfilling the fiduciary duty required of asset management business and working towards our goal of maximizing unitholder value and enhancing our presence will create a positive cycle and improve our performance	
Contribution to local communities	<ul style="list-style-type: none"> Breakdown of communication with local community at the times of emergency such as disaster may cause reputation risk Risk of loss of liveliness due to the image of the invested region becoming obsolete or due to population decrease 	Show presence by contributing to the safety and security of the region and vitalization of local economy as a member of a corporate group committed to urban development	
Health and well-being of tenants	Facilities with inferior ESG considerations may have risk of losing support from tenants	Contract renewal and repeated selection for relocation by tenants can be expected by creating safe, comfortable and pleasant space for tenants	
Supplier engagement	Impact on management operation and deteriorated credit in case of significant violation against sustainable procurement such as discrimination, exploitation, destruction of nature, contamination and violation of laws by suppliers are recognized	Cooperate with suppliers to satisfy fiduciary duty required of asset management business and contribute to becoming the REIT of choice by the investors	
Management framework corresponding to multifaceted social demand towards sustainable society	Inappropriate response to multifaceted social demands may risk fail in trust concerning sound and effective management business and affect market development	Enhanced commitment to environment and society will further promote establishment of the medium- to long-term business platform, and improvement in financial value can be expected	

API's Initiatives

Materiality (Environment)	Policy	Status / Examples
Reducing environmental impact	<ul style="list-style-type: none"> Energy use: Medium- to long-term target of 1% average annual reduction in energy use intensity Energy-related CO2 emissions: Medium- to long-term target of 1% annual average reduction in greenhouse gas emissions intensity Water conservation: Medium- to long-term target of 0.5% average annual reduction in water use intensity Waste generation: Medium- to long-term target of 0.5% average annual reduction in waste intensity 	<ul style="list-style-type: none"> Proactive introduction of environmentally friendly facilities and technologies Periodic measurement of environmental performance of the portfolio Periodic measurement of environmental performance of each property Constant acquisition of environmental certification , etc. Promotion of tenant engagement through green leases, etc. Periodic and continuous monitoring by Sustainability Promotion Council Promotion of environment-friendly procurement through “Green Procurement Standards”
Relevant SDG targets	 7.3 By 2030, double the global rate of improvement in energy efficiency  12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse  12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature	
Materiality (Social)	Policy	Status / Examples
Human capital development as a group of professionals	<ul style="list-style-type: none"> Promote human resource strategy that indicates the requirements of desirable resources and facilitate development Commitment to health and well-being of each employee Deployment of measures based on TFHD's KPIs (work-style reform, promotion of diversity) 	<ul style="list-style-type: none"> Disclosure of key employee data to present our human resources strategy and status of efforts on employee health and well-being (ratio of female employees, number of female directors and managers, turnover ratio, stress check participation ratio, etc.) Support acquisition of business knowledge, skills, qualifications, and implement various trainings Promote career development through periodic performance evaluation/feedback Periodic Health Committee Introduction of various support systems leveraging on Tokyu Group membership, etc.
Contribution to local communities	<ul style="list-style-type: none"> Enhance disaster prevention functions Prompt recovery of assets under management following occurrence of a disaster Educational activities on fire and disaster prevention and disaster response Enhanced cooperation with local community 	<ul style="list-style-type: none"> Publication of capital expenditure/emergency reserves from disaster prevention perspective Improvement of seismic performance, Installation of emergency generator, and establishment of BCP Cooperation for disaster prevention, disaster response and infectious disease prevention Sponsorship/participation/cooperation with local events
Health and well-being of tenants	<ul style="list-style-type: none"> Improve tenant satisfaction 	<ul style="list-style-type: none"> Extract issues and make improvements based on tenant satisfaction survey
Supplier Engagement	<ul style="list-style-type: none"> Aim at smooth property management by utilizing expert know-how of Tokyu Land Corporation, Tokyu Community, Tokyu Land SC Management, and the support agreement counterparty Tokyu Fudosan Holdings Group companies Share information and actively work on environmentally friendly procurement with PM/BM companies 	<ul style="list-style-type: none"> Build/promote collaborative structure through periodic monitoring Conduct training on environment, etc. Promote collaboration with all stakeholders through “Green Procurement Standards”
Relevant SDG targets	 11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries  12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature	
Materiality (Governance)	Policy	Status / Examples
Management framework corresponding to multifaceted social demand towards sustainable society	<ul style="list-style-type: none"> Explicitly describe statement on governance of the investment corporation Explicitly describe the investment decision making body, as well as the risk management system for investment management Establish framework for promoting implementation of the Sustainability Policy 	<ul style="list-style-type: none"> Governance of the investment corporation Investment decision making body and the risk management system for investment management Establishment of Sustainability Promotion Council for the Asset Manager
Relevant SDG targets	 12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature  16.7 Ensure responsive, inclusive, participatory and representative decision-making at all levels	

Relevance of the Materiality of API&TRM to that of TFHD



Materiality	SDGS
Economic, political, and regulatory changes	
Diversification and globalization of lifestyles	
Safety and security in local communities and urban areas	
Progression of a low birth rate and aging society	
IoT & Innovation	
Changes in the natural environment	
More stringent social demands	

Materiality	SDGS
Reducing environmental impact	
Human capital development as a group of professionals	
Contribution to local communities	
Health and well-being of tenants	
Supplier engagement	
Management framework corresponding to multifaceted social demand towards sustainable society	

*TFHD's Materiality is those at the time of the identification of Materiality for API and TRM.

TFHD’s Code of Conduct, etc. that TRM shares as a member of the Group

As a member of TFHD, TRM does not only leverage the Group’s comprehensive value-chain and expertise, but also shares the Code of Conduct and other policies of the Group.

1. Tokyu Fudosan Holdings Group’s Code of Conduct (Cf. page 20)
2. Sustainable Procurement Policy (Cf. page 27)
3. Human Rights Policy (Cf. page 36)
4. Labor Standards and UN Global Compact (UNGC) Signatory (Cf. page 36)

Topics

Responses to COVID-19

•Measures taken to prevent expansion of the pandemic (API)

In response to the government request, API closed SC-type retail properties where many unidentified individuals are expected to visit and took measures to prevent viral spread in all of its owned properties. Even after the emergency was shifted, we kept on taking various preventive measures including alcohol-based hand sanitizer installation, disinfection of high touch areas such as handrails in buildings, anti-virus coating in common areas and ventilation inside facility.

<Properties that completely suspended the operation and periods of facility closure (2020)>

Property	Facility closure		
	Mar. 28-29 Apr. 4-5	Apr. 8 - May 18	May 19-31
Tokyu Plaza Omotesando Harajuku	●	●	●
Tokyu Plaza Akasaka	-	●	●
DECKS Tokyo Beach	●	●	●
Commercial Mall Hakata	-	●	-

<Preventive measures against COVID-19 taken in facilities>

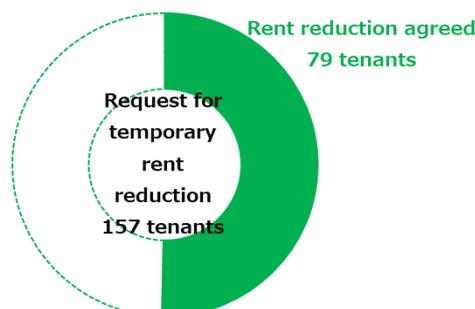
Retail properties	<ul style="list-style-type: none"> Installation of alcohol-based hand sanitizer, complete disinfection of high touch areas such as handrails in buildings Ventilation of the entire facility using the fresh-air treatment machine at the maximum power, while the entrance doors being kept open Awareness support poster One-way traffic in facilities, etc.
Office properties	<ul style="list-style-type: none"> Anti-virus coating measures were taken at common areas of the building Installation of alcohol-based hand sanitizer, complete disinfection of high touch areas such as handrails in buildings Temperature check obliged to facility keepers and requested to service providers Floor markings to manage traffic flow, etc.



•Rent reduction to tenants (API)

In addition to rent reduction provided to the tenants obliged to close their businesses during the closure of the facilities they are located in, API also responded to the relief requests from tenants affected by the pandemic and granted measures tailored to each tenant such as temporary rent reduction. We consider that those responses may have served to strengthen relationship with tenants.

<Response to commercial tenants (as of Nov. 30, 2020)>



Amendment to asset management fee structure (API)

The fifth unitholders’ meeting of API held in August 2019 approved the amendment to the asset management fee structure aiming to improve the unitholder value. Total asset-based fee (Type I) was lowered while DPU and NOI-based fee (Type II) was increased with objective to strengthen incentive towards maximization of unitholder value.

<Amendment to AM fee structure>

AM Fee type I (asset based)		AM Fee type II (DPU / NOI based)	
<Before>	<After>	<Before>	<After>
Total assets at end of the preceding FP × 0.3% (Up to 0.4%)	Total assets at end of the preceding FP × 0.25% (Up to 0.3%)	DPU × NOI × 0.00020% (Up to 0.00020%)	DPU × NOI × 0.00021% (Up to 0.00021%)

(Note) Total AM fee of type I and type II is up to total assets at each FP × 0.5%

Additional ownership acquisition by Sponsor

TLC announced additional acquisition of units of API in May 2020 and completed the procedure in July. Amid a tough downward momentum of the unit price due to COVID-19, the Sponsor showed anew its supportive position to API, marking a strengthened alignment of interest between the Sponsor and our unitholders.

<Number of shares held by Sponsor>

	Before acquisition	Additional acquisition	After acquisition
Nb. of units issued and outstanding	771,224 units	-	771,224 units
Nb. of units held by Sponsor	73,425 units	7,712 units	81,137 units
Percentage of units held by Sponsor	9.5%	1.0%	10.5%

Donation to Hokkaido pref. through regional revitalization support tax system (TRM)

Through the regional revitalization support tax system, TRM made a donation to a fundraising program in order to support medical staff in Hokkaido pref. where API owns a property. This donation is a part of efforts to “contribution to local communities”, one of the Materiality that API shares with TRM.



(Source) Website of Hokkaido pref.

External Certifications / International Initiatives

External certifications

•GRESB

API was awarded the highest rank “5 stars” for third consecutive years on GRESB Real Estate Assessment, an overall evaluation of ESG consideration performance. API also received a recognition of high performance in “Management Component” and “Performance Component”, as well as “Green Star” for seven consecutive years for its advanced framework and practices. Further, it achieved “A rank” in the GRESB Public Disclosure for three consecutive years.

TRM is a GRESB participant member since 2019 to be a part of worldwide sustainability initiatives.



•Others

API was rated “Low Risk” on the Sustainalytics ESG risk assessment in September 2020 and earned “BB” rating on the MSCI ESG Ratings held in May 2020.

International initiative

•UNGC

TFHD has been a signatory to the United Nations Global Compact since December 2016 and TRM supports the UNGC's 10 principles as a member of the Group.

For the UNGC 10 principles, please refer to the link below.

<https://www.unglobalcompact.org/>



TRM shares the Human Rights Policy of TFHD announced in January 2020 (Cf. page 36) and conducts business in belief that the respect for the human rights of all its stakeholders is essential. We also believe that all the companies should hold such respect.

Governance

Our View on Governance

Under a belief that it is essential for our operation to implement a sincere and fairly compliance management, API and TRM thrive to build an effective decision-making process and a strong corporate governance structure to prevent negative occasions, such as conflict of interests cases that would damage the benefits of all our stakeholders including unitholders. This is derived from a recognition that we are conducting an important and responsible operation of managing assets which belong to the unitholders.

Taking our societal responsibility and public missions into consideration, we will continue to make best effort to meet expectations and reliance from our stakeholders including unitholders, customers, business partners, and our local communities by contributing economical and societal development through a healthy business operation.

Materiality (Governance)	Policy	Status / Examples
Management framework corresponding to multifaceted social demand towards sustainable society	<ul style="list-style-type: none"> Explicitly describe statement on governance of the investment corporation Explicitly describe the investment decision making body, as well as the risk management system for investment management Establish framework for promoting implementation of the Sustainability Policy 	<ul style="list-style-type: none"> Governance of the investment corporation Investment decision making body and the risk management system for investment management Establishment of Sustainability Promotion Council for the Asset Manager
Relevant SDG targets	 12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature  16.7 Ensure responsive, inclusive, participatory and representative decision-making at all levels	

Corporate Governance Structure to Maximize Our Unitholder Value

While leveraging the value-chain of TFHD, API and TRM are working to improve and enhance the governance system contributing to maximize unitholder value, including approaches such as measures against conflict of interests with related parties, alignment of interests of unitholders and the Sponsor, and amendment to the AM fee structure with DPU-linked fee.

Alignment of interests of API's unitholder and TLC

•Ownership by the Sponsor

In the Sponsor Support Agreement, TLC has made it clear that if and when API decides to issue additional units, a subscription of a part of such issuance shall be sincerely considered.

TLC acquired API's additional ownership in July 2020 (Cf. page 12) and further support from the Sponsor is expected with reinforced alignment of interests.

Ownership ratio of
Tokyu Land Corporation (Sponsor)
as of March 31, 2021
10.5%

•Co-ownership of properties with the Sponsor

API holds co-ownership of interests with the Sponsor in the five commercial properties namely Tokyu Plaza Omotesando Harajuku, DECKS Tokyo Beach, Q plaza HARAJUKU, Tokyu Plaza Ginza (Land) and Tokyu Plaza Akasaka. We consider that this alignment of interests between the Sponsor and API’s unitholders, deriving from operating revenues of the owned assets including above, should lead to a better property management practice.

<Properties co-owned with Sponsor>



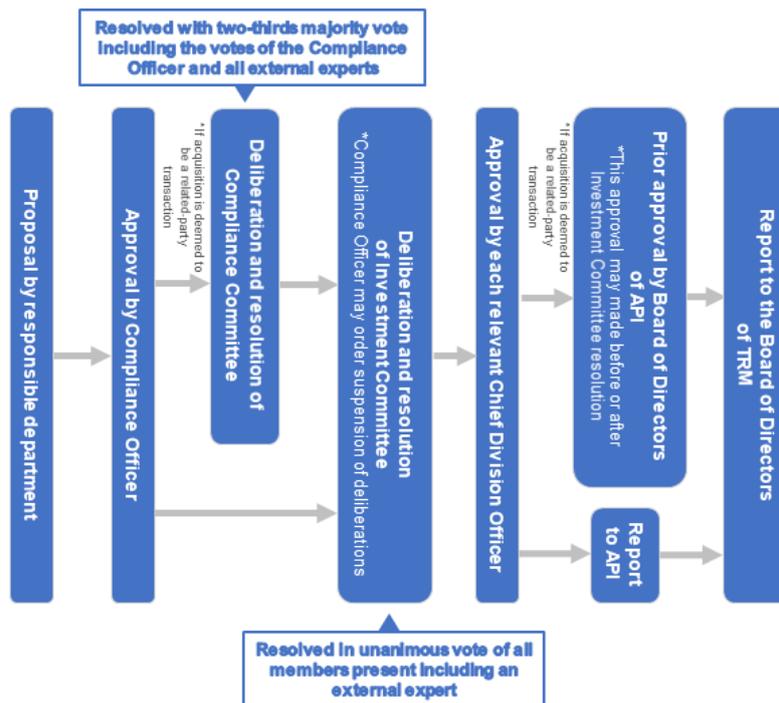
(Note 1) Percentages of co-ownership interests API holds in the properties.
 (Note 2) Tokyu Plaza Akasaka is planned to be disposed of as of October 29, 2021.

Acquisition process securing fairness to protect unitholder value

To realize an effective and transparent management, TRM has an effective decision-making process based on internal regulations including the management guideline and rules on related-party transaction.

For instance, asset acquisition from related parties requires deliberation and resolution of Compliance Committee, which includes external experts and an approval by the Board of Directors of API. At board meeting of API, more stringent rules are applied and conducted.

<Acquisition approval process>



Asset management fee structure including DPU-linked fee

Pursuant to the asset management agreement, API pays an asset management fee including DPU-based portion to TRM. This structure is designed to incentivize TRM to enhance API's unitholder value.

Ratio of performance-based fee (type II) was increased from the fiscal period ended May 2020, which would contribute to strengthen incentive to maximization of unitholder value (Cf. page 12).

<AM fee structure of API>

Asset management fee		
Calculation method (Type I up to 0.3%)	Type I (per year)	Type II
	Total assets at end of the immediately preceding FP × 0.25%	DPU (before deduction of the type II management fee) × NOI × 0.00021%
(Note) Total AM fee of type I and type II is up to total assets at end of each period × 0.5%		
Acquisition fee / Disposition fee		
Calculation method	Acquisition fee	Disposition fee
	0.7% Transaction with a related party : 0.5%	0.5% No fee will be paid in the following cases 1) Transaction with a related party 2) Transaction caused capital loss

API's Corporate Governance

Pursuant to the Act on Investment Trusts and Investment Corporations ("ITA"), API entrusts its asset management operations to TRM.

API's governance structure

API's organization comprises a unitholders' meeting, a board of directors currently comprised of one executive director and two supervisory directors, and an independent auditor. API has no employees as ITA prohibits REITs to make employment contracts.

<API's governance structure>



Unitholders' meeting

Matters and issues on API, that are originally stipulated at ITA and other relevant laws & regulations, are to be resolved at a unitholders' meeting.

Executive director and supervisory directors

The executive director represents API and is responsible for the administration of affairs of API. The supervisory directors have a statutory duty to review the executive director's administration of API.

▶ Term of office / brief biographies of directors

The term of office for directors is two years. Please refer to API's website for the brief biographies of directors.

<https://www.activia-reit.co.jp/en/about/management.html>

▶ Eligibility requirements

Candidate for directors must not fall under any disqualification clause as defined in the ITA. Such candidates shall be examined and appointed at a unitholders' meeting.

▶ Compensation

The articles of incorporation of API stipulate that it may pay the executive director up to ¥700,000 per month and each of our supervisory directors up to ¥500,000 per month, and the board of directors of API is responsible for determining the amount for each director.

<Compensation of directors>

Excerpt from the semi-annual report for the fiscal period ended November 2020

Position	Name	Concurrent positions	Compensation received (¥ thousand / fiscal period)
Executive director	Kazushi Sato	Managing Director, Chief Division Officer of Activia Management Division, TLC REIT Management Inc.	-
Supervisory directors	Yonosuke Yamada	Managing Partner of Yamada, Goya and Suzuki law offices	3,300
	Yoshinori Ariga	Ariga Yoshinori Accounting Office	

Board of Directors

At the meeting of the board of directors, the executive director reports on the performance of its duties and the supervisory directors supervise to ensure that API operates the asset management in compliance with legal and regulatory requirements. The meeting frequency of the board should be at least once in three months as stipulated under internal regulations of TRM. However, it is held every month with a 100% attendance of directors in FY2020.

Independent auditors

The independent auditor shall audit the financial statements of API and report to the supervisory directors any improper activity of the executive director. The term of office of the independent auditor comes to an end at the first unitholders' meeting held after the first financial period closed after one year or more from the appointment date. The auditor shall be reappointed except as otherwise resolved in a unitholders' meeting.

<Auditor fee>

Excerpt from the semi-annual report for the fiscal period ended November 2020

Position	Name	Compensation (¥ thousand / period)
Independent auditor	Ernst & Young ShinNihon LLC	13,700

(Note) Includes the comfort letter fee for the bond issuance in October 2020.

TRM's Corporate Governance

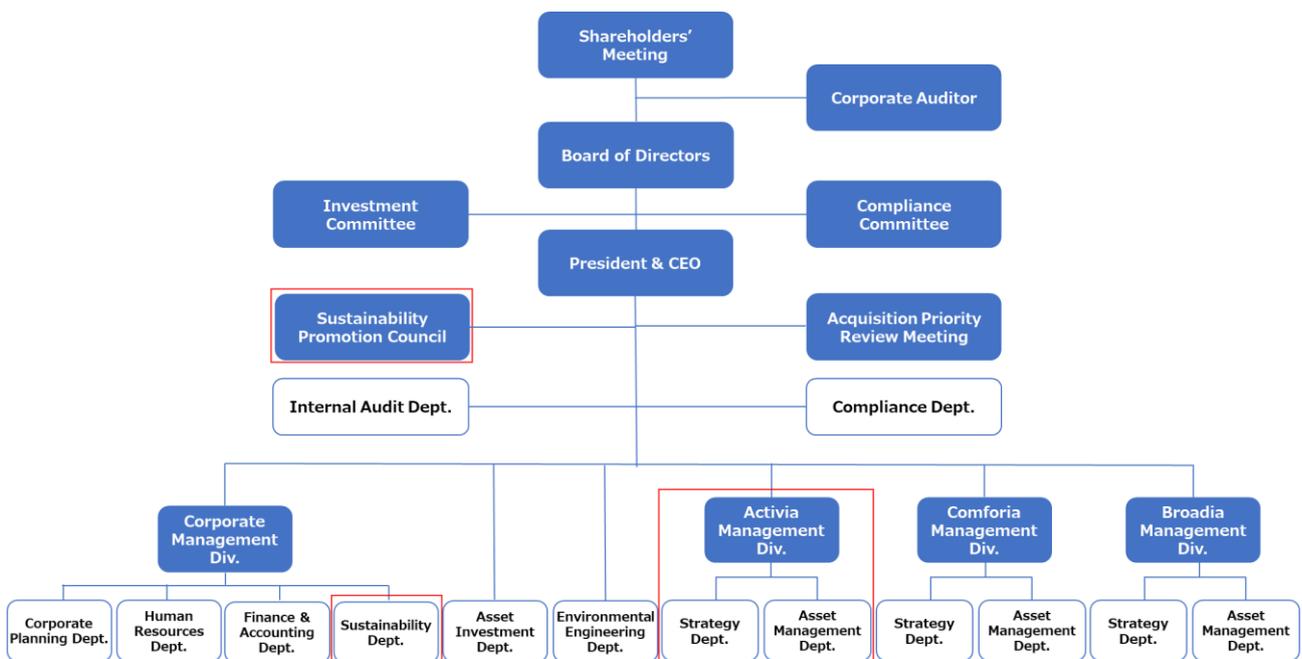
TRM works to enhance corporate governance to exercise a fiduciary duty and a duty of loyalty to API as stipulated in the asset management agreement.

TRM management organization

Under the management organization shown below, TRM exercises its asset management operation, and the Activia Management Division undertakes the management of assets of API. TRM has established the Investment Committee and the Compliance Committee to deliberate matters related to asset management and compliance, and the Acquisition Priority Review Meeting to determine the order of priority for consideration.

In April 2021, TRM established the rules on the Sustainability Promotion System to strengthen the system and expand the functionality of measures. Following this, the Sustainability Promotion Council obtained a more accurate position in the organization. The Sustainability Department succeeds the ESG-related missions from the Environmental Engineering Department, and we will further promote our sustainability program.

<TRM management organization>



Compliance

•Compliance Policy

Compliance is ensured in the business operation of TRM with the Compliance Committee and the Compliance Department established with objective to carry out our business in compliance pursuant to the TFHD's Code of Conduct. The framework is reinforced by the Rules on the Compliance and the Compliance Manual.

Key points of "Tokyu Fudosan Holdings Group Code of Conduct"

1. Ensure compliance with laws and regulations applicable to our business activities.
2. As Tokyu Fudosan Holdings Group employee, treat our customers sincerely to maintain their trust.
3. Generate a corporate culture that enables open-minded communication on difficult issues involving work.
4. Enhance solidarity of Tokyu Fudosan Holdings Group and promote mutual understanding with stakeholders.
5. Enforce proper management of information.
6. All employees will understand and focus on ethical conducts and be sensible professionals.
7. Make efforts to create safe workplace and be considerate of the environmental conservation.

•Compliance Committee

To perform a compliance reinforced management, TRM holds the Compliance Committee comprised of members including one or more external experts (licensed expert such as attorney) on a regular basis. The committee shall resolve the following matters.

The Committee shall resolve the following matters.

1. Establishment and amendment of basic investment policy concerning asset management by each REIT
2. Determination and change in acquisition or disposal of assets by each REIT and the terms and conditions thereof
3. Establishment and amendment of asset management plan by each REIT
4. Establishment and amendment of basic policy concerning asset management by each REIT
5. Establishment and amendment of basic policy concerning funding, capital policy and dividend policy for each REIT
6. Matters related to transactions with related parties (provided, however, excluding transactions defined as not requiring prior approval by the Compliance Committee)
7. Preparation and amendment of the Compliance Manual and Compliance Program
8. Deliberation and resolution on improvement measures concerning inappropriate acts in terms of regulatory compliance and preventative measures, etc.
9. Any and all matters that the Compliance Officer decided that a discussion at the Compliance Committee should be required

*With respect to 1 to 5, agenda shall be restricted to transactions with related parties and matters deemed necessary to be resolved by the Compliance Officer

•Measures taken to enhance compliance awareness

▶Divisional Compliance Staff

Each year divisional compliance staff are appointed from each division to perform periodic monitoring on compliance matters. The officers report compliance status in his/her division and share related information.

► **Corporate ethics / compliance training**

In order to ensure compliance and increase awareness of officers and employees to compliance, we provide compliance training two times each year to all of them focusing on the enforcement of the compliance basic policy and standards, and learning applicable laws and regulations, etc. An orientation and follow-up courses (for employees new to the financial instruments business, after six months have passed since hiring) are held as well.

• **Measures to prevent corruption, bribery and malpractice**

In the belief that corruption creates significant obstacles against sustainable development and corrodes the social structure, TRM recognizes that commitment to prevention of corruption is an important issue for the society and is making the best effort to prevent any unfair practice in the operation. The rules of employment and rules on the compliance stipulate that we shall not conduct those acts, and periodical trainings are implemented to the employees. The effort includes also that compliance verification by supervisors while keeping evidence to make a judgment of compliance is required at a business transaction. Harsh punishment shall be imposed to on the employee who conducted those acts.

TFHD is a signatory to the United Nations Global Compact (UNGC), and as a member of the Group, TRM supports the ten principles of UNGC.

Please refer to TFHD’s website for details.

<https://tokyu-fudosan-hd-csr.disclosure.site/en/themes/36>

• **Whistleblower system**

TRM established the Compliance Helpline Counter as a contact point to report and consult on compliance matters including when harassment and bullying is experienced or observed, enabling all officers and employees to directly report to the Compliance Officer of TRM, General Manager of Legal Affairs Department of TLC, General Manager of Group Legal Affairs Department of TFHD, or external attorneys. Also, a system is already in place to structurally protect the whistleblowers when such reports were conducted.

Item	FY2018	FY2019	FY2020	TFHD FY2020 target
Awareness of Compliance Helpline Counter	90%	87%	90%	100%

Risk Management

•Basic Policy on Risk Management

TRM established a basic policy on the strategic targets, as well as risk management rules to implement appropriate management of risks.

Basic Policy on Risk Management

1. Based on the above, and in accordance with our management principles, we aim to secure long-term stable revenue and maximize unitholder value by establishing a management system in accordance with these Rules and implementing appropriate risk management against various risks involved with engaging in investment management business.
2. Officers and employees, etc., shall recognize the importance of risk management, be aware the fact that each is responsible for risk management, understand these Rules and internal rules, etc., and strictly comply with the same.
3. Necessary and appropriated rules, detailed ruled and standards about risk management shall be established. Actual risk management shall be conducted through organizational and human resources oriented countermeasures so that such responsibility of relevant risk management would be clarified.
4. Necessary and appropriate management and supervision shall be implemented for business outsourcing partners as well as to officers and employees, etc.
5. Risk management training, etc., shall be conducted to promote thorough awareness by officers and employees, etc., and to maintain/improve effectiveness of the Basic Policy.
6. Basic Policy stated in this Article shall be reviewed periodically as necessary. A change in our strategic targets would be a good example for such timing.

•Risk management framework

TRM conducts sophistication of its risk management framework with a certain support from external experts. Risk management function falls under the responsibility of the Compliance Department supervised by the Compliance Officer. The Compliance Department is a stand-alone department, independent from business operating divisions. It performs a series of risk assessment including operational risk, etc.

•Risk management training

TRM provides periodical risk management educational session with all officers and employees by external lecturers and works to improve risk management ability of each department's members.

•Information security

In order to enhance security of information assets and appropriate use of them, TRM has set forth basic rules on information security management which stipulates principle matters related to information protection with clarifying the responsibility for information management. TRM has also established the rules on IT management to stipulate appropriate management of information asset by each officer and employee according to the level of their roles and responsibilities.

•Business continuity planning

To strengthen its resilience, TRM set a business continuity plan, related rules and manuals, and make updates when necessary, in preparation for unexpected crisis such as disaster and social disruption. In accordance with these rules, we work to prevent and mitigate impact from crisis including recent natural disasters and COVID-19. We also pay close attention to the materials and equipment used in the properties of API and make every effort to prevent incident by staying well informed of defect products and carrying out research.

Environment

Our View on Environment

API considers climate change as a significant risk and identified reducing environmental impact as part of its Materiality. We set a medium- to long-term target of 1.0% average annual reduction in energy use intensity and energy-related CO₂ emissions, and a medium- to long-term target of 0.5% annual average reduction in water use intensity and waste intensity. We believe that effort to reduce environmental impact to mitigate climate-change related risk such as abnormal climatic conditions and sea-level rise would lead to maximization of our unitholder value. Therefore, we continue to fulfill our mission to reduce environmental impact and provide high energy-saving performance in the owned properties.

API and TRM consider that contribution to the local communities as well as urban revitalization, with environmental consideration, through management of our properties is one of our important missions. With regard to investment in undeveloped site (greenfield), we recognize that act of development will have an impact on the natural environment and ecosystem, and we will continue to make investment in light of such recognition.

Materiality (Environment)	Policy	Status / Examples
Reducing environmental impact	<ul style="list-style-type: none"> Energy use: Medium- to long-term target of 1% average annual reduction in energy use intensity Energy-related CO₂ emissions: Medium- to long-term target of 1% annual average reduction in greenhouse gas emissions intensity Water conservation: Medium- to long-term target of 0.5% average annual reduction in water use intensity Waste generation: Medium- to long-term target of 0.5% average annual reduction in waste intensity 	<ul style="list-style-type: none"> Proactive introduction of environmentally friendly facilities and technologies Periodic measurement of environmental performance of the portfolio Periodic measurement of environmental performance of each property Constant acquisition of environmental certification, etc. Promotion of tenant engagement through green leases, etc. Periodic and continuous monitoring by Sustainability Promotion Council Promotion of environment-friendly procurement through "Green Procurement Standards"
Relevant SDG targets	 7.3 By 2030, double the global rate of improvement in energy efficiency  12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.  12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature	

Environmental Initiatives

Measures taken in owned properties (Tokyu Plaza Omotesando Harajuku)

In the Tokyu Plaza Omotesando Harajuku, one of API's flagship properties, various efforts addressing environmental challenges are taken which include reduction of CO₂ emissions through wind-power generation, conservation of water resources utilizing water-saving equipment, as well as resource saving by using recycling materials.

On the rooftop named the "Forest of Omohara", a nature-friendly environment with water mountain for birds has been created. A large-sized rooftop garden with tall trees, such as zelkova and Katsura trees, in the center of Omotesando and Harajuku areas, is registered as a "Birdpia" (a word coined by combining bird and utopia) by the Japanese Society for Preservation of Birds. As part of a "green network" consisting of Meiji Jingu shrine and zelkova trees near the property, the Forest of Omohara links the urban area with a natural environment that is home to many birds and other living creatures.

<Features of Forest of Omohara>



The Forest of Omohara is a resting place where anyone can relax, enjoying the changing seasons.



More than 30 medium-tall and tall trees are planted, including zelkova and Katsura trees, which are also growing along the Omotesando street nearby.



There are six birdhouses in the forest, of which two were hand-created by pupils of an elementary school nearby.

<Dealing with 5 environmental challenges>

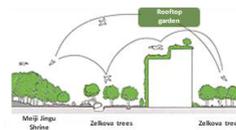
1 Reducing CO2 emissions (natural lighting)

- Use of natural energy through wind-power generation and top light
- Energy-saving equipment (LED lighting, motion sensors, outdoor sprinklers)
- Mitigation of the heat-island effect through rooftop garden



2 Conservation of Biodiversity

- Attracting living creatures (watering place for birds and birdhouses)
- Contributing to an ecological network nearby



3 Conservation of Water Resources

- Water-saving equipment (water-saving toilets, water-saving faucets)



4 Resource Saving

- Use of recycled materials (wood decks made of recycled wood, carpets made of recycled materials)



5 Attention to Health

- Reducing harmful substances (using building materials emitting less VOCs)
- Rooftop gardening for psychological healing and the cleanup of air (absorbing dust)



Please refer to API's website for efforts making in each property.

<https://www.activia-reit.co.jp/en/sustainability/portfolio.html>

Environmental impact reducing works

In accordance with the medium- to long-term asset management plan, in every fiscal period, API undergoes engineering works to reduce environmental impacts such as installation of LED lightings and energy-saving air-conditioners. Not only common areas, but tenant spaces also get renovated occasionally in the event of the tenant replacements.

<Examples of engineering works to reduce environmental impact>

LED retrofit	Air conditioners	Toilets	Elevators, Escalators	Others
TO-16	UR-8	AA-7	UR-8	TO-8
A-PLACE Shinagawa Higashi	A-FLAG SAPPORO	Osaka Nakanoshima Building	A-FLAG SAPPORO	A-PLACE Shinbashi
				
✓ LED retrofit in tenant space energy consumption -30% (Note) Examples include the works implemented before the reporting period.	✓ Energy consumption -49% by energy optimizing air conditioner	✓ Water-saving urinals -66% , toilets -47%	✓ Power consumption -20% by environmental-friendly escalators (microprocessor controlled)	✓ Air conditioning load -7% by energy-saving glass

Environmental Performance

		FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Energy consumption per year (Note 2)	Actual (MWh)	86,660	102,039	104,804	112,120	116,744	48,774 (107,339)
	Intensity (MWh/mi)	0.23	0.25	0.22	0.22	0.21	0.29 (0.20)
Renewable energy generation per year (MWh)		0.05	0.03	0.03	0.04	0.02	0.14
CO2 emissions per year (Note 3)	Actual (total) (t-CO2)	34,197	37,285	40,910	46,172	45,347	40,683
	Scope 1 (direct emission)	-	-	-	-	-	1,465
	Scope 2 (indirect emission)	-	-	-	-	-	18,037
	Scope 3 (emission from tenants)	-	-	-	-	-	21,181
	Intensity (total/Scope 1&2) (t-CO2/mi)	0.093	0.090	0.087	0.089	0.083	0.116 (0.07)
Water consumption per year	Actual (mi)	526,515	533,757	591,392	675,847	701,847	443,885
	Intensity (mi/mi)	1.42	1.29	1.25	1.30	1.29	0.82
Recycled water (Grey water and Drainage) (mi)		-	3,492	6,667	18,992	30,768	15,549
Waste generation per year (t) (Note 4)		2,824	3,209	3,665	4,262	4,367	2,899

(Note 1) Principally the figures shown above are the cumulative amounts of the entire portfolio during each fiscal year. (number of properties FY2015 : 30, FY2016 : 37, FY2017 : 40, FY2018 : 42, FY2019 : 43, FY2020 : 41)

(Note 2) Total amount of consumption fuel (gas, heavy oil, etc.), electricity and district heating / cooling of the properties.

For FY2020, the actual amount covers the area of the properties for which API has operational control of energy management. Figure in parentheses includes emissions by tenants, same as the previous fiscal years.

(Note 3) The factor and the method applied to the calculation are in accordance with "GHG Emissions Accounting, Reporting and Disclosure System" of the Ministry of the Environment. Figures reported for Scope 3 fall under category 13

and are limited to the data which was able to be collected from tenants.

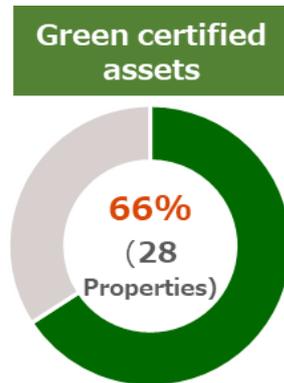
Figures for intensity from FY2015 to FY2019 as well as that in parenthesis for FY2020 are calculated based on the total area of the properties with reference to the occupancy. Figure for FY2020 is total of the intensity for

(Note 4) Excludes waste directly generated by tenants. Figure for FY2016 excludes properties of which data were not available (Figure represents 91.5% of the entire portfolio).

Green Certifications

API works to improve the ratio of the green-certified properties in belief that an environmental-friendly portfolio will lead to enhancement of unitholder value in the medium to long term.

<Overview of green certifications>



(GFA basis, as of March 31, 2021)

CASBEE

CASBEE (Comprehensive Assessment System for Built Environmental Efficiency) is an evaluation system that ranks buildings and structures in terms of their environmental performance. In addition to each building's ability to reduce its environmental impact across a variety of areas including energy and resource conservation as well as recycling, this system comprehensively evaluates the environmental performance of each building and structure including its aesthetic appeal. The evaluation result is represented in 5 ranks (from one "★" to five stars "★★★★★").

BELS

BELS assessment is provided under a public evaluation system, which evaluates the energy conservation performance of houses and buildings, established in April 2014 by the Ministry of Land, Infrastructure, Transport and Tourism. Third parties evaluate the performance of buildings based on the primary energy consumption defined in energy saving act, regardless of whether a building is new or not, and the evaluation result is represented by a number of stars (from one "★" to five stars "★★★★★").

Tokyo Low-Carbon Small and Medium-sized Model Building

Tokyo Low-Carbon Small and Medium-Sized Model Building is a building ranked A1 or higher level by the Tokyo Metropolitan Government, evaluating CO2 emission intensity with the self-assessment indicator (CO2 emission benchmark) established by the government in 2012 with an aim to promote a real estate market in which low-carbon buildings with fewer emissions of CO2 have higher value.

DBJ Green Building

DBJ Green Building Certification, offered by Development Bank of Japan Inc. (DBJ), is a comprehensive evaluation system which includes not only an environmental perspective but also a social one (owner response to social needs of the diverse stakeholders of the properties), DBJ identifies and certifies "Green Buildings", which are essential in today's real estate market.

<API's green-certified properties>

CASBEE		CASBEE		BELS	
A-PLACE Ebisu Minami	★★★★★	Q plaza EBISU	★★★★	Tokyu Plaza Omotesando Harajuku	★★★★★
A-PLACE Aoyama	★★★★★	Luogo Shiodome	★★★★	icot Nakamozu (Konan bldg.)	★★★★★
icot Mizonokuchi	★★★★★	Q plaza SHINSAIBASHI	★★★★	Commercial Mall Hakata	★★★★★
A-FLAG BJUTSUKAN DORI	★★★★★	Ebisu Prime Square	★★★★	Kyoto Karasuma Parking Building	★★★★★
Tokyu Plaza Omotesando Harajuku	★★★★★	A-PLACE Ikebukuro	★★★★	A-PLACE Ebisu Higashi	★★★
Tokyu Plaza Akasaka	★★★★★	A-PLACE Gotanda	★★★★	A-PLACE Shibuya Konnoh	★★★
A-PLACE Yoyogi	★★★★★	A-PLACE Kanayama	★★★★	Q plaza EBISU	★★
OSAKI WIZTOWER	★★★★★	TLC Ebisu Building	★★★★	Q plaza HARAJUKU (Bldg.A / Bldg.B)	★★
A-PLACE Shinagawa Higashi	★★★★★	A-PLACE Ebisu Higashi	★★★★	A-PLACE Yoyogi	★★
Osaka Nakanoshima Building	★★★★★	A-PLACE Shibuya Konnoh	★★★★	A-PLACE Ikebukuro	★★
Market Square Sagamihara	★★★★★	A-PLACE Shibuya	★★★★	A-PLACE Gotanda	★★
		icot Nakamozu	★★★★	A-PLACE Shinagawa	★
		A-PLACE Shinagawa	★★★★	icot Nakamozu (Bank bldg.)	★
				Tokyo Low-Carbon Small and Medium-Sized Model Building	
				Luogo Shiodome	A1
				DBJ Green Building	
				Shiodome Building	★★★★★

Green Procurement Standard / Green Lease Agreement

Green Procurement Standard

As a member of TFHD, TRM shares the Group's "Sustainable Procurement Policy" published on January 31, 2020 and works on challenges to environmental crisis such as climate change. Our objective is to work on this goal, together with all the stakeholders including our suppliers.

TFHD Sustainable Procurement Policy:

<https://tokyu-fudosan-hd-csr.disclosure.site/en/themes/29>

In line with the Group's procurement policy, TRM established the "Green Procurement Standard" to translate the policy into practical measures. This standard broadly states to suppliers that environment-friendly procurement is to be carried out, and together with them, TRM works to promote more sophisticated efforts based on the Policy. The scope of application of this standard includes direct or indirect transactions related to products, services, raw materials, and design/construction procured by TRM and API.

Green Lease Agreement

API and its tenants have concluded agreements which includes the green clause and share the importance of preservation and improvement of the comfort and productivity of tenants and properties. The green clause states that they should share information and work together for green certification acquisition, environmental target setting, response to environmental regulations, etc.

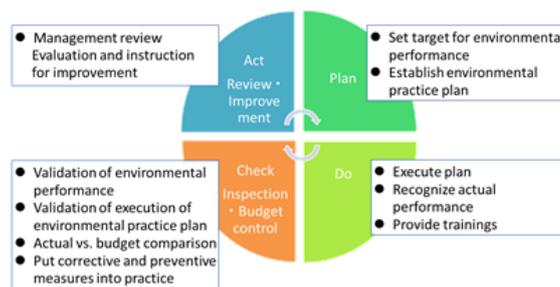
API and one of its tenants have signed the memorandum of understanding on a green lease linked to refurbishment works. It stipulates that when the tenant enjoys profit from energy-saving effect of the refurbished equipment the property owner invested in, the tenant shall return a reward to the owner.

We keep making effort to multiply the green leases through developing deeper relationships with tenants.

Environment Management System

TRM established a unique environment management system (EMS) which applies PDCA cycle to continuously approach to environmental challenges. We are working to continuously reduce environmental impacts in the management operation for API, through the cycle of four steps; set targets (P), assess performance (D), analyze budget vs. actual (C), and implement countermeasures for a better performance (A). The Asset Management Department of Activia Management Division reviews actual performances in its monthly meeting and reports the results to the management once a year, then receives feedbacks and instructions for further improvement for the following year, from the management.

<PDCA cycle applied EMS>



Green Bonds

API invests primarily in urban retail and Tokyo office properties. API seeks to increase unitholder value by building and operating a portfolio of properties that are competitive in the medium to long term. To build a portfolio with a stable and sustainable demand from our customers, we believe that in addition to the location, use, scale, and quality of properties, reducing our environmental footprint and contributing to the surrounding communities and environment are important.

API aims to further promote its sustainability initiatives through issuance of green bonds and invite new investors to its investment corporation bonds by stimulating their demand who have interest in ESG investment.

Green Bond Framework

•Use of proceeds

The proceeds from the green bonds will be allocated to funds for (i) acquisition of the Eligible Green Projects which are existing or new buildings fulfilling the item A of the Eligibility Criteria defined below, or (ii) refurbishments fulfilling the item B of the Eligibility Criteria, or (iii) refinancing the existing loans/investment corporation bonds which have been allocated to funds to acquire Eligible Green Projects or refurbishments.

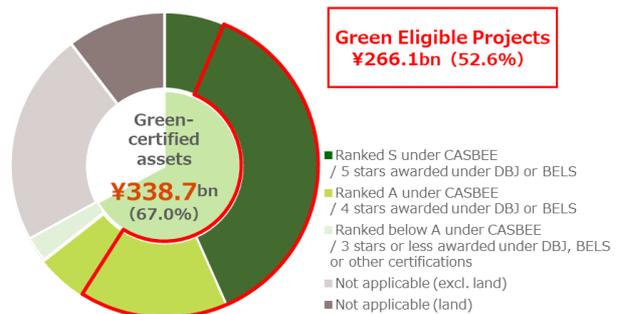
•Eligibility Criteria

The proceeds of the green bonds will be allocated to the projects that conform to one or more of the following criteria.

A. Eligible Green Projects

Buildings that have achieved the top two levels of one or more of the third-party green building certifications/recertifications listed below within 36 months prior to the payment date of green bonds or are expected to achieve:

- 1 Certification for CASBEE for Real Estate (A or S rank)
- 2 DBJ Green Building (4 or 5 stars)
- 3 BELS (4 or 5 stars)



(Note) Based on the book value as of November 30, 2020 (44 properties)

B. Refurbishments

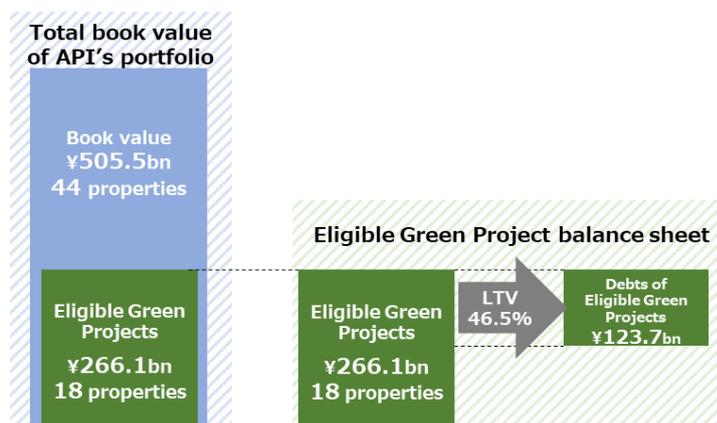
Refurbishments with a primary purpose of achieving one of the targets listed below and are completed within 36 months prior to the payment date of green bonds or are expected to be completed:

- 1 Refurbishments with more than 10% reduction in CO2 emissions or energy consumption
- 2 Refurbishments with more than 10% reduction in water consumption
- 3 New achievement of the top two levels of one or more of the green building certifications listed in the item A or one or more levels of star/rank improvement in such certifications

•Management of proceeds

API calculates the amount of debts of Eligible Green Projects by multiplying the calculable total book value of the Eligible Green Projects* at end of the financial period immediately preceding each date of bond issuance by its LTV (Loan to Value / interest-bearing debt to total assets) ratio. API will then monitor to ensure that the total amount of unredeemed green bonds does not exceed the amount of debts of Eligible Green Projects.

<Green balance sheet>



*"Eligible Green Projects as at the end of the financial period immediately preceding each date of bond issuance" refer to the properties having achieved the top two levels of one or more of the third-party green building certifications/recertifications within 36 months prior to the end of the financial period immediately preceding each date of bond issuance.

•Reporting

As far as there is unallocated amount of funds, API will disclose on its website the list of financed/refinanced Eligible Green Projects and refurbishments, allocation status including the amount of unallocated proceeds, allocation schedule and managing method of net proceeds of green bonds at end of May each year. API also disclose that the amount of unredeemed green bonds does not exceed the amount of debts of the Green Eligible Projects. After the issuance, as long as there is an unredeemed balance of the green bonds, API will disclose the amount of total book value of the Eligible Green Projects and the amount of debts of Green Eligible Projects, as well as amount of unredeemed green bonds at end of May each year.

•Impact reporting

If there is unredeemed balance of green bonds, API will annually disclose the summary, progress and levels of certifications of the Eligible Green Projects. Additionally, API will annually provide the following indicators of the Eligible Green Projects where API has control over energy usage:

<Indicators of the Eligible Green Projects>

- | | |
|----------------------|---------------------|
| 1 Energy consumption | 3 Water consumption |
| 2 CO2 emissions | 4 Waste generation |

<Impact Reporting>

	Energy consumption per year (MWh)	CO2 emissions per year (t-CO2)	Water consumption per year (m3)	Waste generation per year (t)
FY2018	52,171	22,614	271,021	1,994
FY2019	44,669	18,125	247,458	2,056

<Outstanding Green Bonds>

	Total issued amount (¥ mn)	Interest rate	Issuance date	Redemption date	Description
The 10th unsecured investment corporation bonds (green bonds)	5,000	0.220%	2019/7/9	2024/7/9	Unsecured, non-guaranteed
The 11th unsecured investment corporation bonds (green bonds)	4,000	0.530%	2019/11/18	2029/11/16	Unsecured, non-guaranteed
The 12th unsecured investment corporation bonds (green bonds)	4,500	0.510%	2020/10/21	2030/10/21	Unsecured, non-guaranteed
Total	13,500	-	-	-	-

Social

Our View on Society

We believe that engagements with all our stakeholders including unitholders, employees, local communities, tenants, and suppliers are essential for API and TRM to continue businesses. Fostering a good relationship with them in the medium to long term is one of the significant elements to maximize the unitholder value of API. Believing real estate as social instrument, which connect people living in the city with other people, we are on a mission to continue our business in compliance with social responsibility.

Materiality (Social)	Policy	Status / Examples
Human capital development as a group of professionals	<ul style="list-style-type: none"> Promote human resource strategy that indicates the requirements of desirable resources and facilitate development Commitment to health and well-being of each employee Deployment of measures based on TFHD's KPIs (work-style reform, promotion of diversity) 	<ul style="list-style-type: none"> Disclosure of key employee data to present our human resources strategy and status of efforts on employee health and well-being (ratio of female employees, number of female directors and managers, turnover ratio, stress check participation ratio, etc.) Support acquisition of business knowledge, skills, qualifications, and implement various trainings Promote career development through periodic performance evaluation/feedback Periodic Health Committee Introduction of various support systems leveraging on Tokyu Group membership, etc.
Contribution to local communities	<ul style="list-style-type: none"> Enhance disaster prevention functions Prompt recovery of assets under management following occurrence of a disaster Educational activities on fire and disaster prevention and disaster response Enhanced cooperation with local community 	<ul style="list-style-type: none"> Publication of capital expenditure/emergency reserves from disaster prevention perspective Improvement of seismic performance, Installation of emergency generator, and establishment of BCP Cooperation for disaster prevention, disaster response and infectious disease prevention Sponsorship/participation/cooperation with local events
Health and well-being of tenants	<ul style="list-style-type: none"> Improve tenant satisfaction 	<ul style="list-style-type: none"> Extract issues and make improvements based on tenant satisfaction survey
Supplier Engagement	<ul style="list-style-type: none"> Aim at smooth property management by utilizing expert know-how of Tokyu Land Corporation, Tokyu Community, Tokyu Land SC Management, and the support agreement counterparty Tokyu Fudosan Holdings Group companies Share information and actively work on environmentally friendly procurement with PM/BM companies 	<ul style="list-style-type: none"> Build/promote collaborative structure through periodic monitoring Conduct training on environment, etc. Promote collaboration with all stakeholders through "Green Procurement Standards"
Relevant SDG targets	 11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries  12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature	

Employee Engagement

API, as a J-REIT, cannot have employees as stipulated under the Act on Investment Trusts and Investment Corporation of Japan. Therefore, the figures and descriptions provided herein refer to those of TRM, the asset manager.

As a group of experts in real estate management, TRM provides high-quality asset management services with objective to maximize the value of its shareholders, and to that ends, we promote our own human-capital strategy in view of the importance of human capital development.

TRM is making continuous effort to have various systems to form a working environment and organization enabling to realize and promote the health and comfort of employees.

Human capital development & retention

•Employee skill development

TRM provides a wide variety of training systems and offers self-learning menu for the company's better investment management. Those training systems are not only for permanent employees but also for contract employees.

▶ Training program examples

Position-based trainings... Examples include orientation training for mid-career hires on wide range of knowledge on asset management business and understanding of regulatory compliance; management training for senior management and medium level employees; business skills training and anti-harassment seminar for all employees

ESG training... As part of awareness program on ESG investment, we invite external experts to provide employees with periodic training for their deeper understanding of ESG and introduction to new trends.

Courses to improve computer skill, English conversation and other lessons are also provided.

▶ Support for acquiring business related qualifications

We support acquisition of necessary qualifications by employees in various measures including financial aid for examination fees and class fees. We also hand in monetary reward once employees pass specified examinations.

<Status of employees qualification>

Qualification	Nb. of employees
Real Estate Broker	93
ARES* Certified Master	66
Certified Building Administrator	24
Chartered Member of the Securities Analysts Association of Japan	2
Real Estate Consulting Master	5
Real Estate Appraiser	7
First-class Architect	8

*Association for Real Estate Securitization

As of June 30, 2021

•Personnel system

We have regular communication opportunities with employees including one-on-one session with the direct supervisor and review staff's performance based on the objective of career development set by each. We encourage each staff to have their own career plan and to acquire skills that are competent inside and outside of the company. ESG-related efforts and relevant items are included in the annual target to set.

•Human resource exchange

TRM receives staff seconded from the Sponsor or group companies and dispatches its employees to the Sponsor to provide its employees with varied professional experiences. Based upon the fact that the number of employees of TRM had increased to a certain size, partly because of the merger happened in 2017, we decided to conduct shuffling of employees among different divisions in order to raise career development of our employees. Meanwhile when conducting such occupational relocation, we pay close attention to the information firewall between the different business divisions.

▶Exchange with university students

API and TRM participated in 2019 in the IR presentation competition organized by USIC, a university students' investment union and provided them with an opportunity to learn. The Sponsor organizes intern programs and creates opportunities to communicate with students. TRM is not hiring new graduates, though those from the Sponsor are seconded to TRM. Through such efforts, we will continue to work to retain talented employees and activate our organization.



For work-life balance & health of employees

•Working-style reform

Recently, under the working-style reform trend including rectifying the practice of working long hours, TRM actively takes approaches to introduce more flexible working style of employees with objective to improve their work-life balance.

▶Paid-leave usage encouragement

Every year, employees are required to set up so-called “commitment holidays”, a seven-day paid leave (five days in a row + two days immediately before or after that week) and to share such committed calendar within the teams they belong to. TRM is also creating business environment for the employees to digest their allocated paid leaves, by proactively setting up recommended days to use paid leaves.

▶Flex-time work system

We have introduced a flex time working system for all employees.

Core time is set between 11:00 and 15:00, and employees are free to set start and finish of their work hours around the core time to support more flexible working style considering the wide variety of living environment of each individual.

▶Work-from-home system

The Covid-19 outbreak pulled the need for introduction of work-from-home, and we are working to improve productivity with reducing commuting time to workplace. Use of serviced office space is also allowed under preset rules.

▶Effort to reduce overtime

In order to prevent excessive long working hours, TRM is taking necessary measures. The employees are required to set an upper limit of overtime working hours at the beginning of the fiscal year, and such objectives are regularly monitored and reminded. In certain cases, we intentionally raise them as a meeting agenda if the working hours are excessively long.

•Welfare programs

TRM values its employees, their well-beings, and healthy performance in work, and provides staff with various welfare programs to improve their satisfaction.

▶ Cafeteria plan

To support self-support and independence of permanent employees, we provide them with financial aid for medical fees, subsidies for use of sports facilities, studying, volunteer activities, employee shareholding program, and use of the facilities Tokyu group companies operate.

▶ Welfare programs

- Various systems are in place to provide support for employees at each stage of life, such as maternity leaves, childcare leaves, child medical leave, nursing-care leave
- We support asset formation by permanent employees, by inviting external financial planners to offer introductory sessions on topics including defined contribution pension matching program which TRM offers and the insurance system by the Tokyu group.
- We increased the number of available facilities to enable more employees to use the popular exclusive resort membership “Tokyu Harvest Club.”



▶ Cumulative unit investment program

We provide employees with an opportunity to invest in API’s investment units. We support to build their personal assets through offering financial incentives and encourage them to raise their consciousness of API’s management performance, which should lead to the continual growth of API and enhancement of API’s unitholder value.

• **Internal communication**

TRM periodically organizes employee satisfaction surveys and explanatory sessions on the corporate annual objective and medium- to long-term vision, for a more profound understanding between the company and employees, expecting to develop the productivity of our organization where employees can deliver their best performance.

▶ Employee study groups

Younger employees have led voluntary organization of cross-divisional study groups to share information on businesses unique to each division, and on necessary knowledge/skills.



▶ Support for company circle activities

Financial support is provided to employees for company club activities.



▶ Luncheon

To enhance communication among employees, regular luncheons by groups of a small number of staff have been organized.

•Employee health & comfort

TRM is making effort to maintain the workplace healthy and comfortable, encouraging employees to show the best performance.

▶Working environment

Workplace of TRM is in Shibuya, an exciting and innovative city where the areas people live and play are closely connected. Employees can take beverages for free and use individual spaces, and a space for refreshment is created with green on the terrace of the building where TRM is located, Shibuya SOLASTA. The building earned the CASBEE Wellness Office, a recognition of the building's ability to promote health and comfort of people work in the building.



Also, as a preventive measure against COVID-19, the workspace of TRM is equipped with protective panels on the desks in office space and meeting rooms, as well as air purifiers at the elevators.



▶Healthcare

Employees are obliged to take annual medical checkups. There is also a mental health consultation desk.

▶Health Committee

Health Committee is established to improve employees' occupational health. The Committee examines labor-related problems occurred in the company, reports the results of investigation on comfort and safety in the workspace, and takes measures to increase awareness for mental and physical health by poster, etc. Lectures by industrial physicians on related themes are held.

▶One-on-one session with HR

Once a year, employees have one-on-one session with HR department, where they can discuss and share their career development plan and explain their troubles and expectations related to the relationship with supervisors and colleagues.

▶Employee satisfaction survey

Every year, TRM conducts an employee satisfaction survey with a third-party partner. Based upon the results of the survey, we are taking variety of means to improve employee satisfaction level.

	FY2019	FY2020
Employee engagement level*	62.6	60.8
Nb. of responses / Nb. of eligible employees	95 / 95	96 / 98
Participation rate	100%	98%

*Quantifies the attachment and trust between employees and the company.

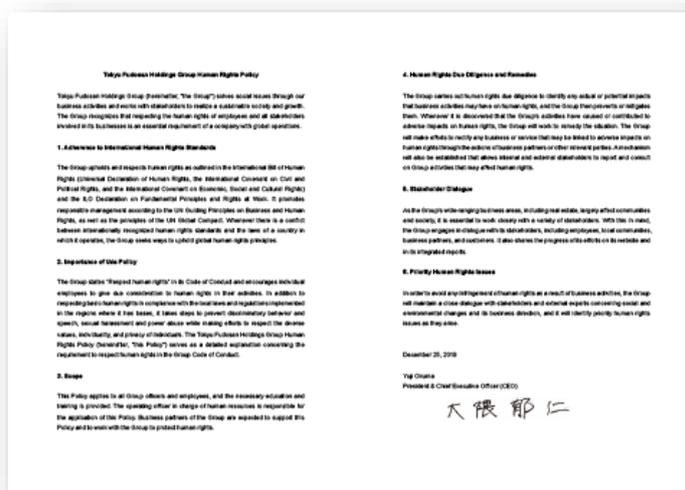
Diversity

TFHD accepts the difference in a variety of attributes such as gender, age, nationality and handicap and brings about innovation by showing individual ability to the maximum and continues to create value through its business activities. TRM is working to make a workplace without any discriminatory treatment and compensation due to different attributes, where all employees can rely on.

<https://tokyu-fudosan-hd-csr.disclosure.site/en/themes/50>

TRM shares the Human Right Policy published in January 2020 by TFHD and carries out its business in belief that respect the human rights of stakeholders of the group including employees is essential and it is what all companies are expected to do.

<https://tokyu-fudosan-hd-csr.disclosure.site/en/themes/32>



Respecting basic labor rights and aiming at coexistence and co-prosperity with employees, TFHD supports and respects the OECD Guidelines for Multinational Enterprises, international labor standards and Guiding Principles on Business and Human Rights. In December 2016, the Group stated its support for the UN Global Compact. In accordance with the ten principles of the UN Global Compact in the areas of human rights, labor, environment and anti-corruption, we promote responsible management and contribute to a sustainable society.

TFHD's support for UN Global Compact shall apply to all group companies including TRM.

<https://tokyu-fudosan-hd-csr.disclosure.site/en/themes/36>

Key Employee Data

	Apr. 30, 2019	Apr. 30, 2020	Apr. 30, 2021
Number of employees*1	93	97	106
Male	55	55	59
Female	38	42	47
Of which permanent staff	41	47	53
Male	21	25	30
Female	20	22	23
Of which contract staff	12	12	14
Male	2	1	1
Female	10	11	13
Of which temporary staff	3	7	8
Male	0	1	2
Female	3	6	6
Of which seconded from TLC	40	38	39
Male	32	29	28
Female	8	9	11
Number of Directors*2	4	4	4
Male	3	3	4
Female	1	1	0
Number of senior management	27	29	31
Male	23	26	26
Female	4	3	5
Number of employees aged 60 or more	1	1	3
Male	1	1	3
Female	0	0	0
New hire	10	8	6
Male	3	5	5
Female	7	3	1
Turn over*3	0	1	0
Male	0	1	0
Female	0	0	0
Avg. aggregated years of service*4	3.5 yrs	3.9 yrs	4.4 yrs
Male	3.1 yrs	3.4 yrs	3.6 yrs
Female	4.0 yrs	4.4 yrs	5.5 yrs

*1 Permanent staff, contract staff and staff seconded from TLC

*2 Includes contract and temporary staff

*3 Permanent staff

*4 Includes the years working at the asset managers before merger to TRM in July 2017

	FY2018	FY2019	FY2020
Health check participation	100.0%	96.0%	94.7%
Stress check participation	97.8%	100.0%	98.9%
Annual paid leave per capita	10.8 days	11.5 days	9.9 days
Ratio of handicapped employee	0.0%	1.2%	1.0%
Monthly avg. overtime per capita	29.4 hours	21.2 hours	19.4 hours
Work-related injury and death	0	0	0
Absentee rate	0.3%	0.5%	0.4%
Ratio of employees on leave	0.0%	0.0%	0.0%
Childcare leave users	0	0	3
Childcare short working hour /Childcare off-peak commuting users	2	1	0
Nursing-care leave users	0	0	0
Home office utilization rate*1	-	100.0%	100.0%

*1 For FY2019, the rate represents the ratio of employees utilized home office from March to April 2019

*2 Financial year from April of the year to March of the next year

	FY2020
Training hours per capita	27.3 hours
Training expense per capita	¥44,906

*1 Trainings include those for human capital development, personal skill development and essential trainings related to ESG, compliance and risk management.

*2 ESG trainings are mandatory for all employees and participation rate for FY 2020 is 100%.

*3 Financial year from April of the year to March of the next year

Contribution to the Local Communities

API and TRM believe that contribution to local communities lead to the improvement in value of the API's owned properties and ultimately by the unitholder value. We make a variety of efforts in the owned properties to enhance communication with the local communities with an expectation that our business operation is to serve an important role for the society.

Tokyu Plaza Omotesando Harajuku

In the "Forest of Omohara" at the rooftop terrace of Tokyu Plaza Omotesando Harajuku, we set a water fountain for birds and created an environment comfortable for them and other living creatures. A variety of experiences are proposed to local communities including an installation of bird houses hand-crafted by kids from a neighborhood elementary school and vegetable harvest experience by a group of kindergarten children.



DECKS Tokyo Beach

We created a playground for kids in the floor for children's wear and products, and installed furniture and green area on the Seaside Deck, offering visitors from inside and outside of Japan a refreshing space.



Shiodome Building

We create a community in the area through participation to the local events. Vacant spaces of the property are offered to the "HAMASITE Summer Festival", a traditional summer event, which is joined by various stakeholders in the area including residents, workers, tenants, PM (property managers) and BM (building managers), etc. Unfortunately, this event was not held for fiscal 2020 due to the COVID-19 pandemic.



Preparation for disasters

In the owned properties of API, we hold disaster drills to test rapid response under emergency and implement BCP-purposed renovation works. The properties are equipped with AEDs (Automated External Defibrillator), other emergency supplies, and fixtures.



Donation through regional revitalization support tax payment

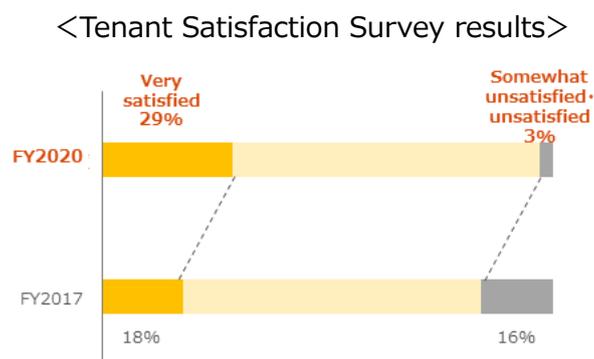
As part of the effort to the “contribution to local communities” that TRM shares with API as one of its Materiality, it participated a fundraising program to the Hokkaido prefecture utilizing the regional revitalization support tax payment system. We expect that the participation to the program helps to further strengthen relationship with the community, TRM and API.

Tenant Engagement

API believes that its owned properties should always meet tenant preferences to enhance the medium- to long-term value of our unitholders, and therefore tenant satisfaction serves an essential role for that. To that end, we consistently communicate with them to understand their needs and reflect them for our asset management operation.

Satisfaction survey

API makes effort to improve tenant satisfaction, regularly conducting survey towards tenants in offices and a part of commercial properties to understand their needs and complaints. The results of the survey previously conducted scored low in terms of cleanliness of the office buildings, and after providing intense training to building keepers and renovation works to toilets and kitchenettes, there was a significant improvement in satisfaction in the survey FY2020.



Tenant awards / customer service competition

Three times a year, we award a commercial tenant with the best tenant prize to with an aim to encourage operations of all the tenants and to raise employee motivations. Customer service competition and training are also organized with objective to further raise the level of the customer service of tenant’s staff and therefore increase customer satisfaction.

Effort to advance health / wellness

We regularly implement renovation works at common area to provide our tenants with comfort working space, which reflects the results of tenant satisfaction survey and discussion with PMs. Our efforts for tenants' health and comfort include renovation of areas catching people's attention such as restrooms, mini kitchens, elevators and escalators, and as preventive measures against COVID-19, installation of antiseptic solution, temperature inspection, anti-virus coating on the walls, etc.

Cooperation with tenants

As part of approaches for cooperation with tenants, we created a sustainability-guidance leaflet and distributed to them. The guidance introduces our initiatives presenting practical examples with a view on environment and health and wellness of working people. API continue to enhance sustainability effort in cooperation with tenants.

Green lease agreement (Cf. page 27)

Supplier Engagement

TRM recognizes the importance of cooperation with its suppliers, as stated in the Sustainability Policy, that it provides initiatives and procurement with consideration to the environment and society, through engagement to suppliers such as PM. As part of the initiatives, TRM established the Green Procurement Standard and monitors ESG consideration in the operation of its important suppliers including PMs.

ESG trainings co-organized by AM and PM

We work to foster a culture that ESG initiatives are to be taken by our entire supply chain, not limited to the officer and employees of TRM. To that end, ESG training sessions are co-organized by TRM and PMs. In FY2020, TRM organized also virtual seminars themed ESG trend, Materiality and application of the Green Procurement Standard.



PM awards

This award recognizes the outstanding performance of property management staffs contributing to upward rent revision, lease-up, prevention of lease cancellation and downward rent revision, contracting green lease, implementation of renovation works to reduce environmental impact, etc. We expect that this award helps to foster a unified partnership between TRM and property managers.

Cooperation with supplies through the Green Procurement Standard (Cf. page 27)

TRM communicates the principle of the Green Procurement Standard to its direct and indirect suppliers it works with, aiming to further enhance its initiatives on a basis of mutual understanding.