

Activia Properties Inc. (3279)
FP29 Ended May 2026 Financial Results
Q&A Session Summary
Date: Friday, July 17, 2026 (Zoom Conference)

Q1: Is the strategic downtime currently being implemented at retail properties and hotels a temporary measure aimed at achieving the targets for the fiscal period ending May 2029, or will it remain an ongoing approach for maintaining strong internal growth?

A1: The main initiatives leading up to the fiscal period ending May 2029 will conclude with the four projects presented here (see page 6 of the financial results presentation materials) and the planned rent-free period associated with the scheduled change of operator in Sapporo. However, we believe that measures involving strategic downtime are essential to pursuing future rent growth and intend to continue seeking such opportunities.

Q2: Page 23 lists offices, hotels, and retail properties under the acquisition policy. Which asset class will be the primary focus? In addition, how are “properties expected to generate stable NOI” positioned within the policy?

A2: Offices are our highest priority. Hotels and urban retail properties are the next priorities. Meanwhile, “properties expected to generate stable NOI” are positioned as complementary assets. When acquiring properties that offer strong future growth potential but currently have low yields, we envisage acquiring them in combination with these properties with stable NOI to balance the profitability of the overall portfolio.

Q3: With interest rates rising, is it possible to sell properties with low growth potential (fixed-rent properties, etc) at prices commensurate with their appraisal values?

A3: In a previous sale of a property in Kobe, the proportion of fixed rent was extremely high, but the transaction closed at a price significantly above the appraisal value following a competitive bidding process. Based on this track record, we believe that even properties considered to have limited growth potential can attract a certain level of market demand and price offers.

Q4: The rent gap coverage rate for Tokyo Office properties is 163%, which appears to be significantly above market rent. What factors contributed to this?

A4: The rent gap coverage rate is calculated by comparison with market rent as of the end of the fiscal period ended May 2025. As the leasing process takes approximately one year, the rate also reflects increases in market rent between the start of negotiations and the execution of the lease

agreement.

(Supplementary explanation) A rent gap coverage rate of 163% means that, assuming the original rent gap is 100, the lease agreement was concluded on terms that exceeded that gap by a further 63%.

Q5: How will RevPAR be increased at A-FLAG KYOTO SHIJO amid the abundant supply in Kyoto's hotel market?

A5: Immediately following the acquisition, the hotel will undergo a change in operator to Solare and be rebranded, and partial renovations will be carried out. We intend to pursue growth by targeting inbound individual and group travelers and using strategic marketing to attract customers placing emphasis on cost performance.

Q6: Regarding electricity-related income and expenses, does the earnings forecast incorporate risks such as rising fuel costs? In addition, can an improvement in the balance of income and expenses be expected going forward?

A6: The forecasts for the 30th and 31st fiscal periods incorporate a certain buffer, assuming a deterioration from the most recent results in consideration of the risk of higher fuel adjustment charges. To improve profitability by 2029, we will implement multifaceted cost management measures, including not only passing costs on to tenants, but also reviewing contracted electricity and charging tenants for electricity used by air conditioning systems through upgrades to individual air conditioning systems such as those being undertaken at the Nakanoshima property.

Q7: In the current interest rate environment, what LTV level do you envisage once operations return to cruising speed? Is there room to increase it?

A7: Although the acquisition of KYOTO SHIJO will temporarily increase LTV, we plan to repay the debt progressively using proceeds recovered through asset sales and return LTV to its previous level. Given the rising interest rate environment, we do not envisage a substantial increase in LTV, but appraisal-based LTV has continued to decline as a result of internal growth, and while maintaining a target of approximately 40%, we may utilize the resulting leeway. Nevertheless, we will assess and address interest rate risk carefully and with discipline.

Q8: Regarding leasing activities, page 16 presents a case in which leasing efforts commenced three years before lease expiration. Is demand from external tenants that strong?

A8: The case presented on page 16 also includes upward rent revisions with existing tenants, and our strategy is not focused solely on tenant replacement. However, high-street units are fully

occupied, and it has become commonplace for prospective tenants to approach us more than a year in advance, saying they “would like to move in when space becomes available.” Our approach is to identify such information at an early stage and develop the optimal tenant mix.

Q9: Could the Tokyu Fudosan Holdings Group’s “Renovation Fund” and other vehicles potentially serve as recipients (exit routes) for property sales?

A9: Collaboration within the Group is becoming increasingly diverse, including leasing support from the sponsor for offices in the Greater Shibuya Area and the acquisition of a hotel in Naha through real-estate agents at Tokyu Livable. Although there is not yet any track record of collaboration with the Renovation Fund, as the properties in the portfolio age, we expect situations to arise in which decisions will need to be made on whether to rebuild them or extend their useful lives through regenerative architecture. When such situations arise, leveraging the sponsor’s regenerative architecture expertise and collaborating with the Renovation Fund will be effective options available to us.

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