Activia Properties Inc.

November 29, 2019

FOR IMMEDIATE RELEASE

Activia Properties Inc.
21-1, Dogenzaka 1-chome, Shibuya-ku, Tokyo
Kazushi Sato
Executive Director
(Code: 3279)

Asset Management Company
TLC REIT Management Inc.
Hiroyuki Tohmata
President & CEO

Inquiries
Kazuyuki Murayama
General Manager of Strategy Department
Activia Management Division
(Tel: +81-3-6455-3377)

Notice Concerning Revision to Forecast of Management Performance for the Fiscal Period Ending May 31, 2020 and Forecast of Management Performance for the Fiscal Period Ending November 30, 2020

Activia Properties Inc. ("API") announces that it has revised the forecast of the management performance for the fiscal period ending May 31, 2020 (December 1, 2019 - May 31, 2020) (the 17th Period), which was announced on July 12, 2019 in the "Financial Report for the Fiscal Period Ended May 31, 2019 (December 1, 2018 - May 31, 2019)".

In addition, it announces the forecast of the management performance for the fiscal period ending November 30, 2020 (June 1, 2020 - November 30, 2020) (the 18th Period). Details are as follows.

1. Reason for the revision to the forecast

Considering the effect of the acquisition and the disposition of assets as described in the "Notice of Acquisition of Asset, Lease Contract with New Tenants and Disposition of Asset" announced today, API has revised the forecast of the management performance due to the change in the assumptions for the forecast of the management performance for the fiscal period ending May 31, 2020 (December 1, 2019 - May 31, 2020), which was announced on July 12, 2019.

In addition, API forecasts for the fiscal period ending November 30, 2020 (June 1, 2020 - November 30, 2020) based on the aforementioned assumptions.

The forecast of management performance for the fiscal period ending November 30, 2019 (June 1, 2019 - November 30, 2019) announced on July 12, 2019 has not changed as of today.

2. The revision to the forecast for the fiscal period ending May 31, 2020 (the 17th Period)

	Operating revenues (Millions of yen)	Operating profit (Millions of yen)	Ordinary profit (Millions of yen)	Profit (Millions of yen)	Cash distributions per unit (yen)	Cash distributions in excess of earnings per unit (yen)
Previous Forecast (A)	14,883	8,478	7,482	7,481	9,700	—
Revised Forecast (B)	15,628	8,590	7,621	7,620	9,880	—
Changes (B-A)	744	111	139	139	180	—
Changes	5.0%	1.3%	1.9%	1.9%	1.9%	—

(Reference) Expected number of investment units at the end of the fiscal period: 771,224 units

3. The forecast for the fiscal period ending November 30, 2020 (the 18th Period)

	Operating revenues (Millions of yen)	Operating profit (Millions of yen)	Ordinary profit (Millions of yen)	Profit (Millions of yen)	Cash distributions per unit (yen)	Cash distributions in excess of earnings per unit (yen)
Forecast	15,822	8,667	7,659	7,658	9,930	—

(Reference) Expected number of investment units at the end of the fiscal period: 771,224 units

(Notes)
1. The forecasts in this material are valid as of today and are calculated based on the assumptions given in the Exhibit "Assumptions for Forecasts of Management Performance for the Fiscal Period Ending May 31, 2020 (December 1, 2019 - May 31, 2020) and for the Fiscal Period Ending November 30, 2020 (June 1, 2020 - November 30, 2020)". Actual operating revenues, operating profit, ordinary profit, profit and cash distributions per unit may change due to factors in the future such as acquisition and/or disposition of assets, trends in the real estate market, issuance of additional investment units, and other changes in circumstances surrounding API. The forecasts do not guarantee the amount of cash distributions.
2. The forecasts may be revised if a substantial difference from the forecast above is anticipated.
3. Amounts less than the stated units are rounded down and the percentage is rounded to the first decimal place. The same applies hereinafter.

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

【Exhibit】

Assumptions for Forecasts of Management Performance for the Fiscal Period Ending May 31, 2020 (December 1, 2019 - May 31, 2020) and for the Fiscal Period Ending November 30, 2020 (June 1, 2020 - November 30, 2020)

Item	Assumptions
Accounting period	• The 17th Period (December 1, 2019 to May 31, 2020) (183 days) • The 18th Period (June 1, 2020 to November 30, 2020) (183 days)
Assets under management	• The forecast of management performance presented herein is based on the assumption that we hold the trust beneficiary interests in the 44 properties (the "assets currently held") as of today, and other than the acquisition of Ebisu Prime Square (51% co-ownership interest) (the "anticipated asset") scheduled on January 10, 2020 and the disposition of A-PLACE Shinbashi Ekimae (the "asset to be disposed of") scheduled on March 19, 2020, there will be no changes in the assets under management of API including acquisition of properties or disposition of properties before the end of the fiscal period ending November 30, 2020 (the 18th Period). • Actual management performance may change due to changes in the assets under management.
Operating revenues	• Revenues from the leasing of the currently held assets are calculated based on the effective lease contracts as of today and market trends, etc. Revenues from the leasing of the anticipated asset are calculated based on the lease contract from the scheduled date of acquisition expected as of today and other factors. • Operating revenues are based on the assumption that there will be no delinquencies or non-payment of rents by tenants. • From the disposition of the asset to be disposed of, gain on sales of the property of 158 million yen will be recorded for the fiscal period ending May 31, 2020 (the 17th Period). Actual operating revenues may change due to factors in the future such as success or failure of the disposition of the property, the price and the date of the disposition and other conditions.
Operating expenses	• With regard to the expenses in the leasing business that are principal operating expenses, expenses other than depreciation for the currently held assets are calculated reflecting variable expense factors based on past history. Expenses for the anticipated asset are calculated by reflecting variable expense factors and others based on the information provided by the previous owner. • Although property taxes and city planning taxes on the anticipated asset are generally calculated on a *pro rata* basis with the current owner and settled at the time of acquisition, the amount equivalent to the settlement money is not expensed in the period when the asset is acquired, as it is included in the acquisition cost. The total amount of property taxes, city planning taxes and other taxes on the anticipated asset that are included in the acquisition cost is assumed to be 135 million yen. Property taxes, city planning taxes and other taxes on the currently held assets to be expensed in the fiscal period ending May 31, 2020 (the 17th Period) and the fiscal period ending November 30, 2020 (the 18th Period) will be 1,099 million yen and 1,270 million yen, respectively. With regard to the anticipated asset, property taxes, city planning taxes and other taxes for fiscal year 2021 will be expensed starting from the fiscal period ending November 30, 2021 (the 20th Period). • With respect to building repair expenses, the amount assumed to be necessary

	for each business period is estimated based on a medium- and long-term repair and maintenance plan formulated by the Asset Management Company. However, repair expenses in each business period may differ largely from the expected amount for various reasons, including that repair and maintenance expenses could suddenly arise due to damage to buildings from certain unexpected factors; that the amount of repair expenses generally varies considerably from year to year; and that repair expenses do not occur regularly. • Depreciation expenses including ancillary costs are calculated by the straight-line method. The forecast assumes 1,334 million yen in depreciation expenses in the fiscal period ending May 31, 2020 (the 17th Period) and 1,334 million yen in the fiscal period ending November 30, 2020 (the 18th Period). • With regard to the asset to be disposed of, an operating account receivable of 234 million yen recorded during free rent period will be transferred to the expenses in the other expenses related to leasing business and posted as expenses.
Non-operating expenses	• For interest expenses and other borrowing costs, 968 million yen and 1,007 million yen are anticipated in the fiscal period ending May 31, 2020 (the 17th Period) and in the fiscal period ending November 30, 2020 (the 18th Period), respectively.
Interest bearing debt	• API has a total outstanding balance of 234,350 million yen as of today (211,350 million yen as borrowings and 23,000 million yen as investment corporation bonds). Also it is assumed that we will borrow funds of 31,000 million yen on January 10, 2020 for the acquisition of the anticipated asset and repay 21,000 million yen on March 19, 2020, applying the net proceeds from the disposition of the asset to be disposed of. As the result, the accretive amount of our interest bearing debt will be 244,350 million yen. • The interest bearing debt which becomes due and payable by the end of the fiscal period ending May 31, 2020 (the 17th Period) and the fiscal period ending November 30, 2020 (the 18th Period) is comprised of 26,000 million yen of the short-term borrowings, 7,300 million yen of the long-term borrowings and 6,000 million yen of the investment corporation bonds for the 17th Period, and 4,000 million yen of the short-term borrowings for the 18th Period. And it is assumed that 21,000 million yen of the short-term borrowings which will become due and payable by the end of the fiscal period ending May 31, 2020 (the 17th Period) will be repaid on March 19, 2020 (17th Period) and all the rest will be refinanced. • LTV at the end of the fiscal period ending May 31, 2020 and the fiscal period ending November 30, 2020 is anticipated to be 46.6%. • LTV is calculated based on the following formula: LTV = Balance of interest bearing debt / Total assets × 100
Investment units	• Cash distributions per unit for the fiscal period ending May 31, 2020 (the 17th Period) and the fiscal period ending November 30, 2020 (the 18th Period) are calculated based on 771,224 units currently outstanding as of today, and it is assumed that no additional units will be issued by November 30, 2020 (the end of the 18th Period).
Cash distributions per unit	• Distributions (cash distributions per unit) are calculated on the fund distribution policy that is provided in the Articles of Incorporation. • Cash distributions per unit may fluctuate due to various factors including changes in rent revenues attributable to changes in the assets under management

	and changes in tenants, as well as the occurrence of unexpected repairs and maintenance. • Deferred losses on hedges, which arise from interest rate swaps and are counted as a deduction in net assets, are calculated assuming no fluctuation.
Cash distributions in excess of earnings per unit	• API does not currently anticipate cash distributions in excess of our distributable profit (cash distributions in excess of earnings per unit) for the fiscal period ending May 2020 (the 17th Period) and the fiscal period ending November 2020 (the 18th Period) as it is assumed that deferred losses on hedges counted as a deduction in net assets are assuming no fluctuation as mentioned above. • We currently do not anticipate distributions deemed as distributions on reduction of unitholders' capital for tax purposes.
Other	• It is based on the assumption that there will be no amendments to the laws, tax system, accounting standards, listing rules, or the rules of the Investment Trusts Association, Japan, etc. that may affect the forecast values. • It is based on the assumption that there will be no unexpected significant changes in general economic trends, real estate market conditions and other conditions.