Activia Properties Inc.

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FOR IMMEDIATE RELEASE

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Notice Concerning Revision to Forecast of Management Performance and Distributions per Unit for the Fiscal Period Ending November 30, 2020

Activia Properties Inc. ("API") announces that due to the impact of the novel coronavirus (COVID-19) pandemic, etc., it revised the forecast of the management performance and the distributions per unit for the fiscal period ending November 30, 2020 (June 1, 2020 - November 30, 2020) (the 18th period) announced on July 15, 2020 in the "Financial Report for the Fiscal Period Ended May 31, 2020 (December 1, 2019 – May 31, 2020)"(the "Previous Forecast"). Details are as follows.

As to the major factors of changes from the Previous Forecast to the revised forecast announced today (the "Revised Forecast"), please refer to the supplementary material released separately today.

1. The revision to the forecast of the management performance and the distributions per unit for the fiscal period ending November 30, 2020 (the 18th period)

	Operating revenue (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)	14,945	7,919	6,973	6,972	9,040	–
Revised Forecast (B)	15,027	8,153	7,289	7,288	9,450	–
Changes (B-A)	82	234	315	315	410	–
Changes	0.6%	3.0%	4.5%	4.5%	4.5%	–

(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 Forecast of Management Performance 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 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 above forecast 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.

2. Reason for the revision to the forecast

Since the economic impact of COVID-19 started to emerge, API has supported the tenants hardly affected by the pandemic as it considers the best way back to recovery is to fulfill its social responsibility as well as to maintain portfolio occupancy. And for the requests for temporary reduction of fixed rents, we continued to discuss with the tenants to offer responses tailored to each of them.

As the incoming relief requests from tenants settling down, we decided to revise the forecast of the management performance and the distributions per unit for the period ending November 30, 2020 (June 1, 2020 – November 30, 2020) (the 18th period).

As to the fiscal period ending May 31, 2021 (December 1, 2020 - May 31, 2021) (the 19th period), the forecast of the management performance previously announced on July 15, 2020 is currently under close examination and we will provide an update on the guidance at the announcement of the financial results for the fiscal period ending November 30, 2020 (the 18th period) scheduled on January 15, 2021.

*Website of API: https://www.activia-reit.co.jp/en/

【Exhibit】

Assumptions for Forecast of Management Performance for the Fiscal Period Ending November 30, 2020 (June 1, 2020 - November 30, 2020)

Item	Assumptions
Accounting period	• 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. • Some of the structures of EDGE Shinsaibashi (the “Disposed Assets”) have been disposed on June 8, 2020. • Actual management performance may change due to changes in the assets under management.
Operating revenue	• Revenues from the leasing of the Assets Currently Held are calculated based on the effective lease contracts as of today, trends in tenants and market, etc. • Operating revenues are based on the assumption that there will be no delinquencies or non-payment of rents by tenants. • The Investment Corporation expects to record ¥26 million in the fiscal period under review as a gain on the sale of the Disposed Assets. • In addition to the above, a certain amount of the expected lower leasing business revenue, etc. due to the impact of the COVID-19 pandemic has been factored into the calculations.
Operating expenses	• With regard to the expenses in the leasing business that are principal operating expenses, expenses other than depreciation for the Assets Currently Held are calculated reflecting variable expense factors based on history. • Property taxes, city planning taxes and other taxes on the Assets Currently Held to be expensed in the fiscal period under review will be 1,268 million yen. • 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 between each fiscal period; and that repair expenses do not occur regularly. • Depreciation expenses including ancillary costs are calculated by the straight-line method. The forecast assumes 1,336 million yen in depreciation expenses.
Non-operating expenses	• For interest expenses and other borrowing costs, 872 million yen are anticipated.
Interest bearing debt	• API has a total outstanding balance of 244,368 million yen as of today (222,868 million yen as borrowings and 21,500 million yen as investment corporation bonds). • We assume that there will be refinancing of all interest-bearing debt due by the end of the fiscal period ending November 30, 2020 (18th fiscal period)(short-term borrowings of 1,518 million yen). • LTV at the end of the fiscal period ending November 30, 2020 (the 18th period) is anticipated to be 46.5%.

	• 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 period under review are calculated based on 771,224 units currently outstanding as of today, assuming 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 period under review 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.