



Activia Properties Inc.

July 12, 2012

Financial Report for the Fiscal Period Ended May 31, 2012 (September 7, 2011 - May 31, 2012)

Activia Properties Inc.

Listing: Tokyo Stock Exchange

Securities code: 3279

URL: <http://www.activia-reit.co.jp/en/>

Representative: Haruki Sakane, Executive Director

Investment management company: TLC Activia Investment Management Inc.

Representative: Haruki Sakane, President & CEO

Contact: Satoshi Minekawa, Executive Officer of Fund Management Department

TEL: +81-3-6415-3120

Scheduled date to file Securities Report: August 28, 2012

Scheduled date to start distribution payments: –

Supplementary material on financial report: None

Financial report presentation meeting: None

(Amounts truncated to the nearest million yen)

1. Summary of financial results for the fiscal period ended May 31, 2012 (September 7, 2011 - May 31, 2012)

(1) Operating results

	Operating revenues		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal period ended May 31, 2012	–	–	(7)	–	(60)	–	(61)	–

	Net income per unit	Return on unitholders' equity (ROE)	Ordinary income to total assets	Ordinary income to operating revenues
	Yen	%	%	%
Fiscal period ended May 31, 2012	(152,542)	(36.0)	(35.5)	–

(Note 1) Percentages for operating revenues, operating income, ordinary income and net income show changes from the corresponding amounts for the previous period. However, no percentages are shown since the current fiscal period is our first fiscal period.

(Note 2) For the calculation of return on unitholders' equity (ROE) and ordinary income to total assets, total net assets and total assets were respectively used, calculated in each case as the average of the amounts at the beginning of the fiscal period and at the end of the fiscal period.

(2) Cash distributions

	Cash distributions per unit (excluding excess of earnings)	Total distributions	Cash distributions in excess of earnings per unit	Total distributions in excess of earnings	Payout ratio	Distribution ratio to unitholders' equity
	Yen	Millions of yen	Yen	Millions of yen	%	%
Fiscal period ended May 31, 2012	0	0	0	0	—	—

(Note) The payout ratio is truncated to the nearest tenth.

(3) Financial position

	Total assets	Net assets	Unitholders' equity to total assets	Net assets per unit
	Millions of yen	Millions of yen	%	Yen
As of May 31, 2012	142	138	97.6	347,457

(Reference) Unitholders' equity

As of May 31, 2012: ¥138 million

(4) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal period ended May 31, 2012	(62)	(9)	200	127

2. Forecasts of results for the fiscal period from June 1, 2012 to November 30, 2012 and the fiscal period from December 1, 2012 to May 31, 2013

(Percentages show changes from the corresponding amounts for the previous period.)

	Operating revenues	Operating income	Ordinary income	Net income	Cash distributions per unit (excluding excess of earnings)	Cash distributions in excess of earnings per unit
	Millions of yen [%]	Millions of yen [%]	Millions of yen [%]	Millions of yen [%]	Yen	Yen
Fiscal period ending November 30, 2012	5,167 [-]	3,430 [-]	2,759 [-]	2,758 [-]	13,140	0
Fiscal period ending May 31, 2013	5,600 [8.4]	3,701 [7.9]	3,277 [18.8]	3,276 [18.8]	15,960	0

(Reference) Forecasted net income per unit

For the fiscal period ending November 30, 2012: ¥13,437

For the fiscal period ending May 31, 2013: ¥15,960

3. Other

(1) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

- a. Changes in accounting policies due to revisions to accounting standards and other regulations: None
- b. Changes in accounting policies due to other reasons: None
- c. Changes in accounting estimates: None
- d. Restatement of prior period financial statements after error corrections: None

(2) Number of units issued

- a. Total number of units issued at end of period (including treasury units)
As of May 31, 2012 400 units
- b. Number of treasury units at end of period
As of May 31, 2012 – units

*** Status of audit procedures**

As of the time of this financial report, audit procedures for the financial statements pursuant to the Financial Instruments and Exchange Act of Japan are incomplete.

*** Appropriate use of forecasts of results and other special items**

Forward-looking statements presented in this financial report including forecasts of results are based on information currently available to us and on certain assumptions we deem to be reasonable. As such, actual operating and other results may differ materially from these forecasts due to a number of factors. Furthermore, these forecasts are in no way a guarantee of any distribution amount. Please refer to “Assumptions for Forecasts of Results for the Fiscal Period from June 1, 2012 to November 30, 2012 and the Fiscal Period from December 1, 2012 to May 31, 2013” on pages 4 to 5 for information on assumptions for the forecasts.

Assumptions for Forecasts of Results for the Fiscal Period from June 1, 2012 to November 30, 2012 and the Fiscal Period from December 1, 2012 to May 31, 2013

Item	Assumptions
Period	<ul style="list-style-type: none"> • 2nd fiscal period (June 1, 2012 to November 30, 2012) (183 days) • 3rd fiscal period (December 1, 2012 to May 31, 2013) (182 days)
Investment portfolio	<ul style="list-style-type: none"> • We assume that there will be no material changes to the composition of our investment portfolio, including acquisition of properties or sale of properties, associated with the 18 properties for which we hold the trust beneficiary interests (the “Assets Currently Held”) as of the date of this financial report, before the end of the 3rd fiscal period (May 31, 2013). • Our forecasts, however, may change due to any changes to the composition of our investment portfolio.
Operating revenues	<ul style="list-style-type: none"> • We have calculated our rental revenues from the Assets Currently Held taking into account the information offered by former owners of each property, relevant lease agreements effective as of the date of this financial report, market trends, etc. • Operating revenues are based on our assumption that there will be no delinquencies or non-payment of rents by tenants.
Operating expenses	<ul style="list-style-type: none"> • Rent expenses (other than depreciation), which are our principal operating expenses, were calculated based on the information offered by former owners of each property and other historical information, and upon considering variable factors. • In general, property tax and city planning tax of properties acquired are settled at the time of acquisition between the former owner (seller) and the purchaser based on their respective periods of ownership in relation to the relevant tax year. However, any of these taxes allocated to the purchaser are not expensed at the time of acquisition because they are treated as a part of the acquisition cost for accounting purposes. We expect the total amount of property tax, city planning tax and depreciation asset tax included in the acquisition price for the Assets Currently Held to be ¥487 million. We expect to begin expensing the property tax, city planning tax and depreciation asset tax related to our Assets Currently Held for the year 2013, in the 4th fiscal period ending November 30, 2013. • Repair and maintenance expenses of buildings are estimated at the amount required for each of the fiscal periods based on the medium- and long-term repair and maintenance plans formed by the investment management company (TLC Activia Investment Management Inc.). However, the actual repair expenses for the fiscal periods may significantly differ from the estimates since (i) an unforeseeable event may cause serious damage to a building requiring emergent repair expenditure, (ii) in general, amounts vary according to the fiscal period, and (iii) certain types of repair expenses are not required in every fiscal period. • We calculate depreciation expenses (including incidental expenses) by the straight-line method, assuming ¥489 million and ¥492 million for the 2nd fiscal period ending November 30, 2012 and the 3rd fiscal period ending May 31, 2013, respectively.
Non-operating expenses	<ul style="list-style-type: none"> • For non-operating expenses, we expect unit listing and offering-related costs of ¥291 million as temporary costs for the 2nd fiscal period ending November 30, 2012. • We expect to have interest and other borrowing-related expenses of ¥377 million and ¥422 million for the 2nd fiscal period ending November 30, 2012 and the 3rd fiscal period ending May 31, 2013, respectively.

Item	Assumptions
Borrowings	<ul style="list-style-type: none"> • As of the date of this financial report, we have a balance of ¥77,000 million in loans. We assume that there will be no change to the loan balance before the end of the 3rd fiscal period (May 31, 2013). • The LTV ratio as of November 30, 2012 is projected to be approximately 43%. • The LTV ratio is obtained by the following formula: $\text{LTV} = \frac{\text{Balance of aggregate principal amount of interest-bearing debt}}{\text{Total assets}} \times 100$
Units	<ul style="list-style-type: none"> • The number is based on our assumption of 205,262 units issued as of the date of this financial report. We assume that there will be no additional issuance of new units before the end of the 3rd fiscal period (May 31, 2013). • The cash distributions per unit for the 2nd fiscal period ending November 30, 2012 and the 3rd fiscal period ending May 31, 2013 have been calculated in accordance with the projected number of units issued as of the end of each of the fiscal periods, which is 205,262 units.
Cash distributions per unit	<ul style="list-style-type: none"> • Cash distributions (cash distributions per unit) are calculated based on the cash distribution policy stipulated in our articles of incorporation. • The cash distributions per unit may change due to various factors, including changes to the composition of our investment portfolio, changes in rental revenues accompanying changes in tenants, etc., and unexpected maintenance and repairs.
Cash distributions in excess of earnings per unit	<ul style="list-style-type: none"> • We do not currently anticipate cash distributions in excess of our distributable profit (cash distributions in excess of earnings per unit).
Other	<ul style="list-style-type: none"> • We assume that there will be no amendments in legislation, taxation, accounting standards, listing regulations or regulations of the Investment Trusts Association of Japan that affect the above forecasts. • We assume that there will be no material changes in general economic conditions or real estate markets.

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