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FOR IMMEDIATE RELEASE

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Notice of Disposition of Asset
(A-FLAG KITA SHINSAIBASHI)

Activia Properties Inc. (“API”) announces that TLC REIT Management Inc.(“TRM”), to which API entrusts its asset management operations, decided today to dispose of an asset (the “Disposition”). Details are as follows.

1. Overview of the Disposition

- (i) Property name : A-FLAG KITA SHINSAIBASHI
- (ii) Asset to be disposed of : Trust beneficiary interest in the property as a trust asset (the “Asset to be Disposed of”)
- (iii) Disposition price : ¥5,100 million
(excluding expenses for the disposition, consumption tax, etc.)
- (iv) Book value (Note) : ¥4,830 million
- (v) Difference between disposition price and book value : ¥269 million
- (vi) Date of sales contract : April 27, 2022 (plan)
- (vii) Date of delivery : June 30, 2022 (plan)
- (viii) Acquirer of property : Not disclosed because the acquirer approval was not obtained.
- (ix) Settlement method : Total amount to be received at the time of delivery

(Note) Anticipated book value as of June 30, 2022.

2. Reasons for the Disposition

API will conduct the Disposition with aim to improve the profitability of its future portfolio, as a part of the asset replacement strategy which is a pillar of its growth strategy. The portfolio after the Disposition will consist of 46 properties with the total acquisition price of 543.3 billion yen.

A-FLAG KITA SHINSAIBASHI, the Asset to be Disposed of, is an urban retail property enjoying its favorable location, facing the arcade of Shinsaibashisuji North shopping street in the Shinsaibashi area of Osaka,

which is one of the busiest streets in western Japan. API appreciated the location, high stability and growth potential for the medium to long term of the Asset to be Disposed of and acquired it in December 2017

After the acquisition, the Asset to be Disposed of has maintained its occupancy rate at 100% for almost the whole holding period and contributed to the stability of API's portfolio. Though, after the consideration of its underlying yield level and further stability and growth potential, API determined the Disposition. This was based on the judgement that to utilize the fund from the Disposition for future asset replacement will lead the enhancement of the unitholder value for the medium to long term. For the Disposition, API leveraged the sourcing capability of TRM and achieved a disposition price higher than both its book value and appraisal value, which will offset the current unrealized loss of the Asset to be Disposed of.

API will continue its asset replacement strategy by leveraging the networks of both the sponsor and TRM.

3. Overview of the Asset to be Disposed of

Property name		A-FLAG KITA SHINSAIBASHI
Specified asset category		Trust beneficiary interest
Trustee		Sumitomo Mitsui Trust Bank, Limited
Trust establishment date		June 16, 2017
Trust maturity date		December 31, 2027
Transportation		3-minute walk from Shinsaibashi Station on the Osaka Metro Midosuji Line and Nagahori Tsurumi-ryokuchi Line
Location (address)		10-11, Minami Senba 3-chome, Chuo-ku, Osaka City, Osaka
Land	Location	2-2, Minami Senba 3-chome, Chuo-ku, Osaka City, Osaka (Note 1)
	Building to land ratio	100.00% (Note 2)
	Plot ratio	1,000.00%
	Use district	Commercial district
	Land area	627.13 m ² (Note 1)
	Ownership	Owned
Building	Completion date	March 25, 2008 (Note 1)
	Structure	SRC, steel framed / 7 floors above and 1 floor underground (Note 1)
	Registered usage	Retail, office and parking (Note 1)
	Gross floor area	3,096.18 m ² (Note 1)
	Parking facility	2 vehicles inside of the building site / 3 vehicles outside (Note 3)
	Ownership	Owned
Property management company		Tokyu SC Management Corporation
Master lessee		Tokyu SC Management Corporation (pass-through)
Acquisition price		¥5,100 million
Appraisal value (Date of value estimate)		¥4,670 million (November 30, 2021)
Appraisal agency		Japan Valuers Co., Ltd.
Earthquake PML		2.7% (According to an earthquake PML report of Sompo Risk Management Inc.)
Hypothecation		None
Lease overview (Note 4)		
	Total leasable area	2,538.13 m ²
	Total leased area	2,538.13 m ²
	Occupancy rate	100.0%
	Number of tenants	5
	Annual rent	¥186 million
	Expected NOI	¥157 million
	Tenant leasehold and security deposits	¥129 million
Remarks		None
(Note 1) The data is based on the registry.		

(Note 2) The figure includes the margin since the building receives the margin due to the fire-resistant building on fire prevention district.

(Note 3) It has the number of parking facilities required by the “Regulations on parking facilities and similar facilities affiliated with buildings in Osaka City.”

(Note 4) The figures are as of November 30, 2021. The expected NOI is the amount equivalent to two times the actual NOI for the period ended November 30, 2021.

4. Profile of the acquirer

The acquirer is a Japanese business company, though as an unavoidable case, the name shall not be disclosed because the approval from the acquirer was not obtained. There is no capital, personnel or business relationship required to be stated between the acquirer and API, TRM, and the related parties or affiliates of API and TRM. Further, no relevant person or affiliate of the acquirer or the acquirer itself is a related party of API or TRM.

5. Outline of intermediary

There is no capital, personnel or business relationship required to be stated between the intermediary and API, TRM, and the related parties or affiliates of API and TRM. Further, no relevant person or affiliate of the intermediary or the intermediary itself is a related party of API and TRM.

6. Schedule of the Disposition (plan)

Determination of disposition	April 27, 2022
Conclusion of sales contract	April 27, 2022
Payment reception date	June 30, 2022
Disposition date	June 30, 2022

7. Transaction with related parties

Not applicable

8. Item regarding forward commitment contracts, etc.

(1) Asset to be Disposed of under forward commitment contracts, etc. (Note)

Property No.	Property name	Date of sales contract	Scheduled disposition date
UR-14	A-FLAG KITA SHINSAIBASHI	April 27, 2022	June 30, 2022

(Note) A forward commitment contract is defined as “a postdated purchase and sale contract under which settlement and delivery shall be made at least one month after the conclusion of the contract, or any other contract similar thereto”.

(2) Impact on API's finance when forward commitment contracts cannot be executed

With respect to the sales contract pertaining to the disposition of the Asset to be Disposed of, in case there are any violations by API or the acquirer concerning the provisions which have a material adverse effect on the achievement of the purpose of the sales contract, API or the acquirer can urge the acquirer or API, as applicable, to fulfill the obligation in a fixed period of time. When the acquirer or API does not correct the violations within that time frame, API or the acquirer may cancel the contract and make a claim to the acquirer or API for the penalty equivalent to up to 20% of the sales price.

Also, API does not anticipate that the conditions stipulated in the contract pertaining to the Disposition will have a material impact on its financial condition as it is a seller for the disposition of the Asset to be Disposed of and has no funding risk that the acquirer assumes for fulfillment of payment obligation.

9. Outlook

There will be no impact of the Disposition on the API's management performance for the fiscal period ending May 31, 2022 (the 21st fiscal period, from December 1, 2021 to May 31, 2022) as the Disposition is scheduled to be made on June 30, 2022. As to the fiscal period ending November 30, 2022 (the 22nd fiscal period, from June 1, 2022 to November 30, 2022), the impact on API's management performance will be minimal.

10. Outline of appraisal report

Property name	A-FLAG KITASHINSAIBASHI
Appraisal value	¥4,670 million
Appraisal agency	Japan Valuers Co., Ltd.
Date of value estimate	November 30, 2021

	Amount (million yen)	Remarks
Capitalization	4,670	Estimated by the DCF method and the direct capitalization method.
Value by the direct capitalization method	4,750	
Operating revenue	238	
Potential gross income	243	Estimated based on receivable rent, etc. for a medium to long term.
Loss (e.g. vacancy)	4	Estimated based on operational level for a medium to long term.
Operating expense	51	
Maintenance expenses	11	Estimated based on the past records, etc.
Property management fee	(Note)	
Utility expenses	17	Estimated based on the past records, etc.
Repair expenses	2	Estimated based on the annual average of repair expenses on the Engineering Report (ER).
Leasing expenses	1	Estimated based on the past records, etc.
Taxes and public dues	15	Estimated based on the past records, etc.
Insurance	0	Estimated with replacement cost of building.
Other expenses	2	Estimated based on the past records, etc.
NOI (Net Operating Income)	187	
Investment income from temporary deposits	1	Estimated with investment yield as 1.0%.

Capital expenditure	3	Estimated based on the annual average of capital expenditure on the Engineering Report (ER).
NCF (Net Cash Flow)	185	
Capitalization rate	3.9%	Estimated based on transaction cases of similar real estates with reference to discount rate with profitability and the fluctuation risk of principal.
Value by the DCF method	4,590	
Discount rate	3.6%	Estimated with reference to a comparison with transaction cases of similar real estates, yield/interest (rate) of financial assets.
Terminal capitalization rate	4.0%	Estimated based on capitalization rate with reference to marketability when the holding period by API terminates.
Value by the cost method	3,610	
Land ratio	95.2%	
Building ratio	4.8%	

Other facts which the appraisal agency has taken into account for the appraisal report	Nothing in particular
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(Note) By disclosing maintenance expenses and property management fee separately, the other businesses of the entrusted companies with operations for both building management and property management could be influenced. As a result, it could impede API's efficient outsourcing and harm the value for API's investors. Thus, the above shows the sum of maintenance expenses and property management fee.

<Exhibit>

Portfolio after the Disposition

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

Exhibit Portfolio after the Disposition

Category	Property No.	Property name	Location	Acquisition date	Acquisition price (Millions of yen)	Investment ratio (%) (Note 1)
Urban Retail Properties	UR-1	Tokyu Plaza Omotesando Harajuku	Shibuya, Tokyo	June 13, 2012	45,000 (Note 2)	8.3
	UR-3	Q plaza EBISU	Shibuya, Tokyo	June 13, 2012	8,430	1.6
	UR-5	Kyoto Karasuma Parking Building	Kyoto, Kyoto	June 13, 2012	8,860	1.6
	UR-7	Kobe Kyu Kyoryuchi 25Bankan	Kobe, Hyogo	December 19, 2013	21,330	3.9
	UR-8	A-FLAG SAPPORO	Sapporo, Hokkaido	December 19, 2013	4,410	0.8
	UR-9	A-FLAG SHIBUYA	Shibuya, Tokyo	December 19, 2013	6,370	1.2
	UR-10	Q plaza SHINSAIBASHI	Osaka, Osaka	December 16, 2015	13,350	2.5
	UR-11	A-FLAG KOTTO DORI	Minato, Tokyo	December 20, 2016	4,370	0.8
	UR-12	A-FLAG BIJUTSUKAN DORI	Minato, Tokyo	December 2, 2016	4,700	0.9
	UR-13	A-FLAG DAIKANYAMA WEST	Shibuya, Tokyo	January 6, 2017	2,280	0.4
	UR-15	DECKS Tokyo Beach	Minato, Tokyo	January 5, 2018	12,740 (Note 2)	2.3
	UR-16	Tokyu Plaza Ginza (Land)	Chuo, Tokyo	January 10, 2019	37,500 (Note 2)	3.9
	UR-17	Q plaza HARAJUKU	Shibuya, Tokyo	January 10, 2019	13,200 (Note 2)	2.4
	Subtotal					182,540
Tokyo Office Properties	TO-1	TLC Ebisu Building	Shibuya, Tokyo	June 13, 2012	7,400	1.4
	TO-2	A-PLACE Ebisu Minami	Shibuya, Tokyo	June 13, 2012	9,640	1.8
	TO-3	A-PLACE Yoyogi	Shibuya, Tokyo	June 13, 2012	4,070	0.7
	TO-4	A-PLACE Aoyama	Minato, Tokyo	June 13, 2012	8,790	1.6
	TO-5	Luogo Shiodome	Minato, Tokyo	June 13, 2012	4,540	0.8
	TO-6	TAMACHI SQUARE (Land)	Minato, Tokyo	June 13, 2012	2,338 (Note 3)	0.4
	TO-7	A-PLACE Ikebukuro	Toshima, Tokyo	June 13, 2012	3,990	0.7
	TO-8	A-PLACE Shinbashi	Minato, Tokyo	April 19, 2013	5,650	1.0
	TO-9	A-PLACE Gotanda	Shinagawa, Tokyo	January 10, 2014	5,730	1.1
	TO-10	A-PLACE Shinagawa	Minato, Tokyo	January 10, 2014	3,800	0.7
	TO-11	OSAKI WIZTOWER	Shinagawa, Tokyo	June 24, 2014	10,690	2.0
	TO-12	Shiodome Building (Note 4)	Minato, Tokyo	December 2, 2016	71,600 (Note 2)	13.2
	TO-13	A-PLACE Ebisu Higashi	Shibuya, Tokyo	July 29, 2015	7,072	1.3
	TO-14	A-PLACE Shibuya Konnoh	Shibuya, Tokyo	October 1, 2015	4,810	0.9
	TO-15	A-PLACE Gotanda Ekimae	Shinagawa, Tokyo	July 1, 2016	7,280	1.3
	TO-16	A-PLACE Shinagawa Higashi	Minato, Tokyo	March 16, 2017	18,800	3.5
	TO-18	Ebisu Prime Square	Shibuya, Tokyo	January 10, 2020	30,700 (Note 2)	5.7
	TO-19	Tamachi East Building	Minato, Tokyo	October 29, 2021	6,800 (Note 6)	1.3
	TO-20	Meguro Tokyu Building	Shinagawa, Tokyo	September 10, 2021	16,300	3.0
	TO-21	Q plaza Shinjuku-3chome	Shinjuku, Tokyo	September 10, 2021	18,400	3.4
	TO-22	A-PLACE Shibuya Nampeidai	Shibuya, Tokyo	September 10, 2021	8,800	1.6
	Subtotal					257,200
Subtotal of UR and TO					439,740	80.9

Activia Account Properties	AA-1	Amagasaki Q's MALL (Land)	Amagasaki, Hyogo	June 13, 2012	12,000	2.2
	AA-2	icot Nakamozu	Sakai, Osaka	June 13, 2012	8,500	1.6
	AA-4	icot Mizonokuchi	Kawasaki, Kanagawa	June 13, 2012	2,710	0.5
	AA-5	icot Tama Center	Tama, Tokyo	June 13, 2012	2,840	0.5
	AA-6	A-PLACE Kanayama	Nagoya, Aichi	June 13, 2012	6,980	1.3
	AA-7	Osaka Nakanoshima Building (Note 5)	Osaka, Osaka	December 19, 2014	11,100	2.0
	AA-8	icot Omori	Ota, Tokyo	December 19, 2013	5,790	1.1
	AA-9	Market Square Sagamihara	Sagamihara, Kanagawa	January 9, 2015	4,820	0.9
	AA-10	Umeda Gate Tower	Osaka, Osaka	September 21, 2016	19,000	3.5
	AA-11	A-PLACE Bashamichi	Yokohama, Kanagawa	October 6, 2016	3,930	0.7
	AA-12	Commercial Mall Hakata	Fukuoka, Fukuoka	January 5, 2018	6,100	1.1
	AA-13	EDGE Shinsaibashi	Osaka, Osaka	January 10, 2019	19,800	3.6
	Subtotal				103,570	19.1
	Total				543,310	100.0

(Note 1) "Investment ratio" is ratio of acquisition price for each property to total acquisition price rounded to the first decimal place.

(Note 2) Acquisition prices of "Tokyu Plaza Omotesando Harajuku", "DECKS Tokyo Beach", "Tokyu Plaza Ginza (Land)", "Q plaza HARAJUKU", "Shiodome Building" and "Ebisu Prime Building" are described based on their *pro rata* share of the co-ownership interests (75%, 49%, 30%, 60%, 35% and 51%, respectively).

(Note 3) Acquisition price of "TAMACHI SQUARE (Land)" is based on the acquisition price of the land as of acquisition date (June 13, 2012).

(Note 4) The acquisition date of "Shiodome Building" is the date of the third acquisition. The first acquisition date was January 9, 2015, and the second acquisition date was December 16, 2015. The acquisition price is total amount of the first, the second and the third acquisition prices (¥30,300 million, ¥20,400 million and ¥20,900 million) and the investment ratio reflects total acquisition price.

(Note 5) The Acquisition date of "Osaka Nakanoshima Building" is the date of the second acquisition. The first acquisition date was January 25, 2013. The acquisition price of "Osaka Nakanoshima Building" is total amount of the first and the second acquisition prices (¥5,250 million and ¥5,850 million) and the investment ratio reflects the total acquisition price.