Thank you very much for joining the results announcement video for the 24th fiscal period, ended November 2023, of Activia Properties Inc.

I am Nobuhide Kashiwagi, Executive Director of Activia Properties Inc., and Managing Director, Chief Division Officer of the Activia Management Division of TLC REIT Management Inc.

I will now explain the results for the period ended November 2023.

Please turn to page 3.

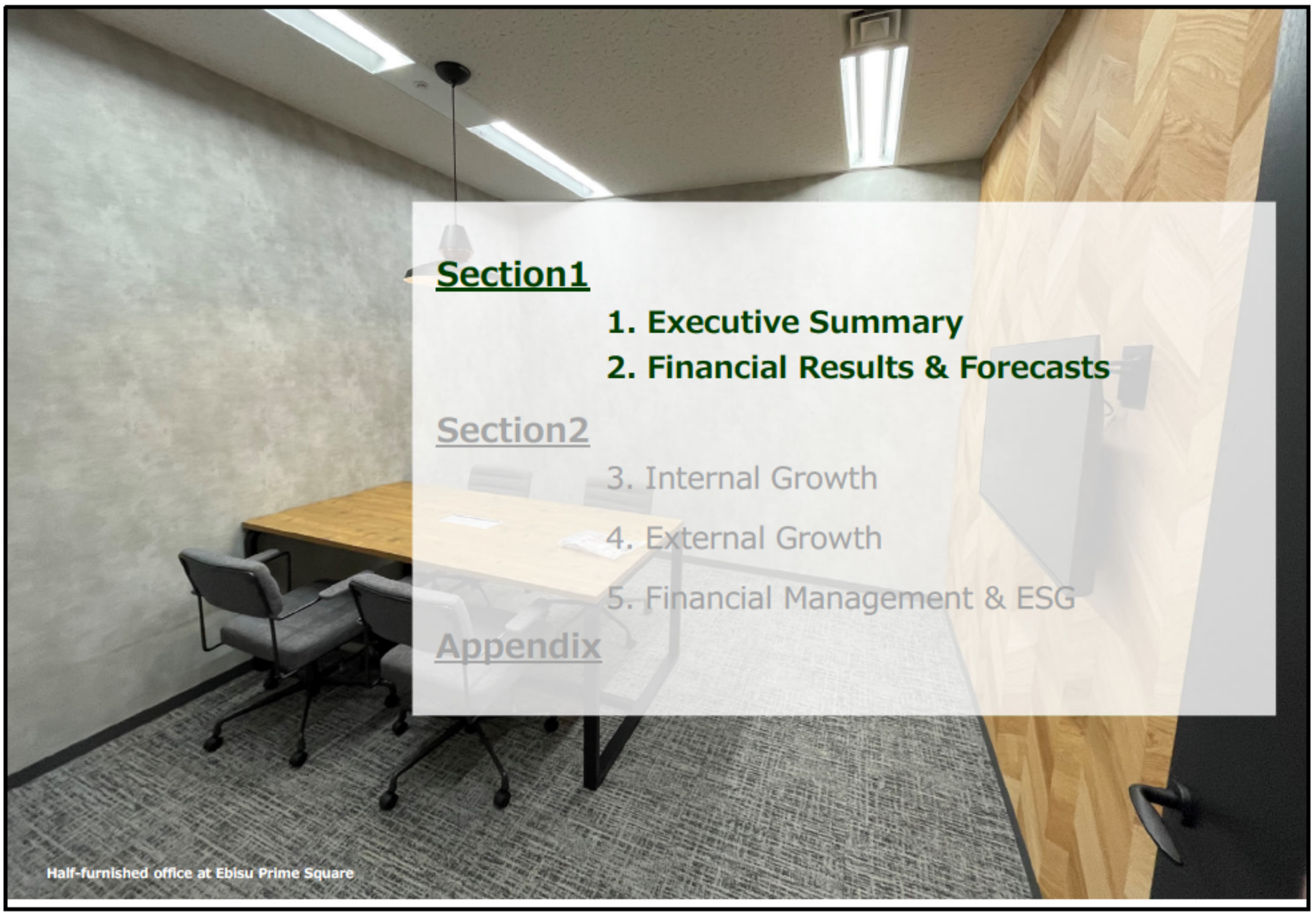
Section1

1. Executive Summary
2. Financial Results & Forecasts

Section2

3. Internal Growth
4. External Growth
5. Financial Management & ESG

Appendix



Half-furnished office at Ebisu Prime Square

Executive Summary

Operational status

- [NOI bottomed out] Leasing of both offices and retail properties progressed and portfolio occupancy will be stabilized
- [Expense increase continues] Require more time for robust NOI growth as expenses continue to increase despite earnings uptrend

Strategy to enhance unitholder value

- Decided disposition of an asset as part of asset replacement strategy (A-FLAG KOTTO DORI)
- Decided a third round of buyback / cancellation of own investment units with aim to increase EPU given weak unit price

Policies for the future

- For existing portfolio, promote measures to ensure stability and increase earnings to more than offset expenses
- Continue asset replacement to increase earning capacity
  Flexibly select asset acquisition or unit buyback according to trends in real estate transaction market and unit price
- Will reassess DPU policy after close examination of progress in external growth strategy and impact from expense increase

These are the highlights of this results announcement.

As for the operational status, we made progress in leasing both offices and retail properties, with a better outlook on stable occupancy, and the portfolio NOI bottomed.
Revenue is growing, driven by the recovery in leasing demand.
However, we expect the rise in expenses, such as utilities and interest payments, to continue, and it will therefore take some time before we see a strong recovery in NOI.

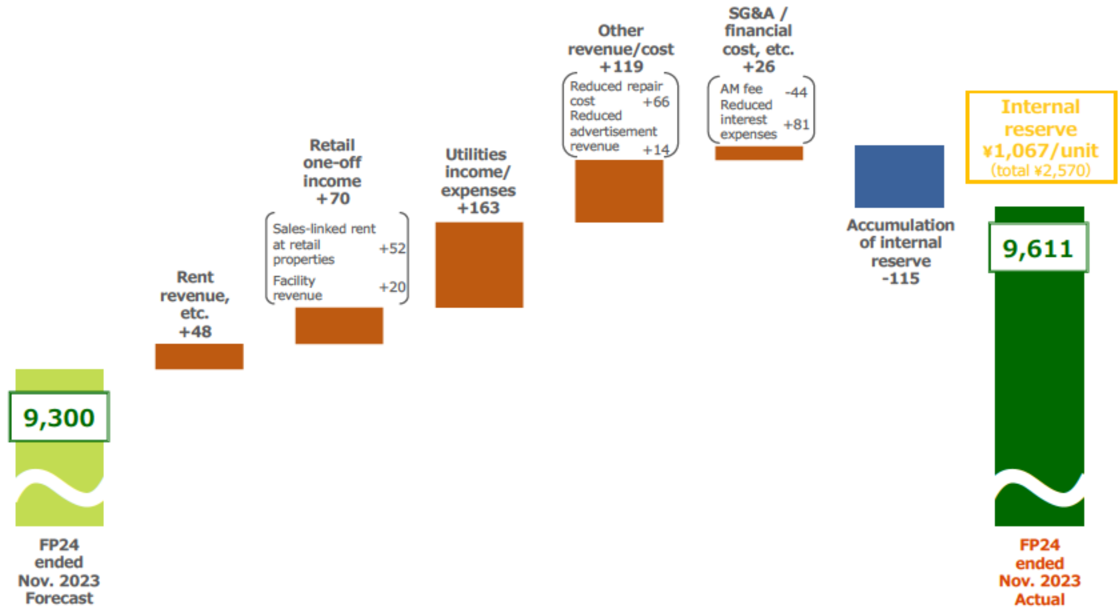
In order to enhance unitholder value under these circumstances, we aimed to grow the EPU, by disposing a property, and buying back and cancelling our own investment units based on the investment unit price.

Our policies for the future are shown at the bottom.
First, we will stabilize the occupancy of the existing portfolio, while implementing measures to grow revenue to more than offset the rise in expenses.
We will continue to grow our revenue through asset replacements, while flexibly selecting between NOI growth through asset acquisition, or buying back our own investment units, based on trends in the real estate transaction market and the investment unit price.
There is currently a significant gap between our minimum DPU target and the EPU, which does not include disposal gains.
This gap is mainly due to the rise in costs, which we had not anticipated when we set the minimum DPU target.
Going forward, we will monitor the progress in our external growth strategy, and the impact from higher expenses, and reassess our DPU policy in the next fiscal period onwards.

Please turn to the next slide.

DPU Summary (FP23 Ended November 2023 vs. Forecast)

➤ DPU was higher than previous forecast mainly due to **higher rent revenue and lower expenses than expected**
➤ **Maximum internal** reserve was booked to **meet conduit requirements**



The DPU for the November 2023 period was 9,611 yen, up 311 yen from the previous forecast.
The main reason for the outperformance was the improvement in NOI, driven by factors such as the increase in sales-linked rent at our retail properties, the improvement in net utilities earnings, and the decline in repair expenses.
We will retain earnings to the extent possible to meet conduit requirements, and use it to stabilize our future DPU.

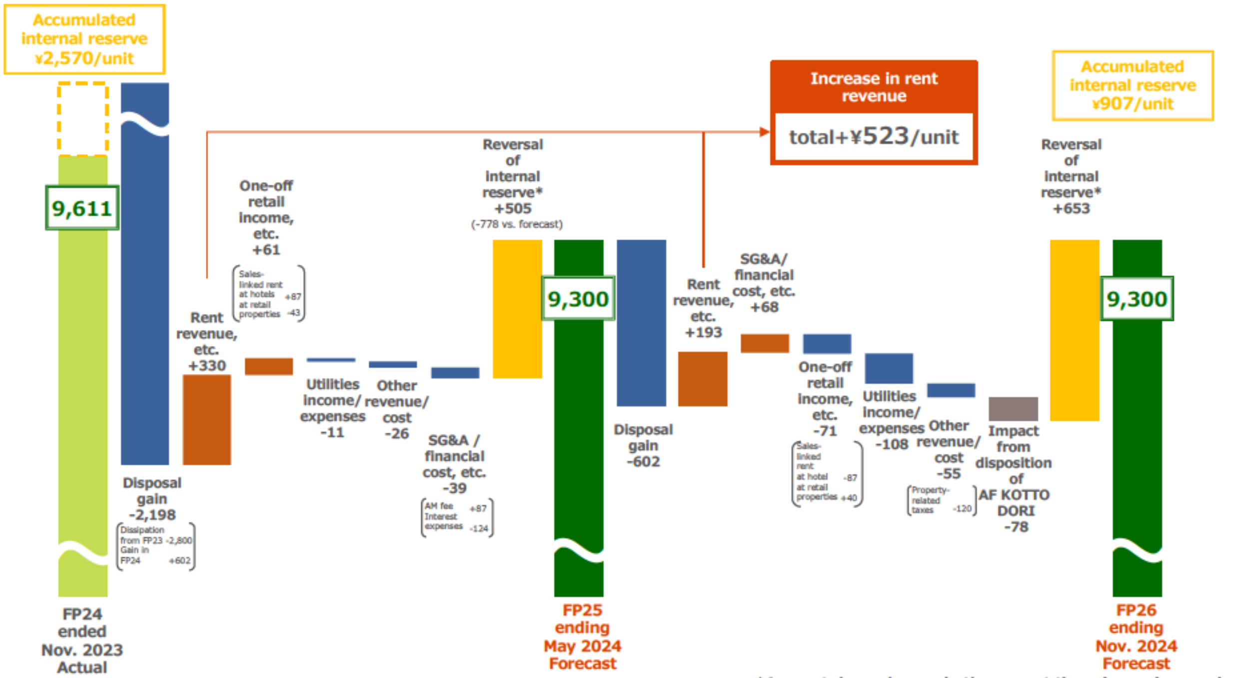
Please turn to the next slide.

2. Financial Results/ Forecasts

DPU Forecast (FP25 Ending May 2024 and FP26 Ending Nov. 2024)

***Excluding Impact from Unit Buyback Announced on January 17, 2024**

- **EPU excluding disposal gain are expected to improve** due to recovery in rent revenue, etc. despite continual increase in expenses is expected
- For both FP25 ending May 2024 and FP26 ending Nov. 2024, **DPU are expected to be ¥9,300**



*Amount depends on whether or not there is a gain on sale

These are the forecasts for the May and November 2024 fiscal periods.

The DPU forecast for May 2024 is 9,300 yen.
Period on period, we expect the negative effect from the disposal gain booked in the previous period, as well as an increase in interest expenses.
Even so, we plan to maintain the minimum DPU target, thanks to the increase in rent revenue as a result of occupancy improvement, as well as the reversal of internal reserves.

The DPU forecast for November 2024 is also 9,300 yen.
Period on period, there will be the impact from the disposal of A-FLAG KOTTO DORI, the decline in net utilities earnings, and the property-related taxes for the 2 properties acquired in the 23rd fiscal period.

Meanwhile, we are anticipating further recovery in rent revenue through occupancy improvement.

The total growth in rent revenue throughout the 2 periods will exceed 500 yen, making a steady contribution to EPU growth.

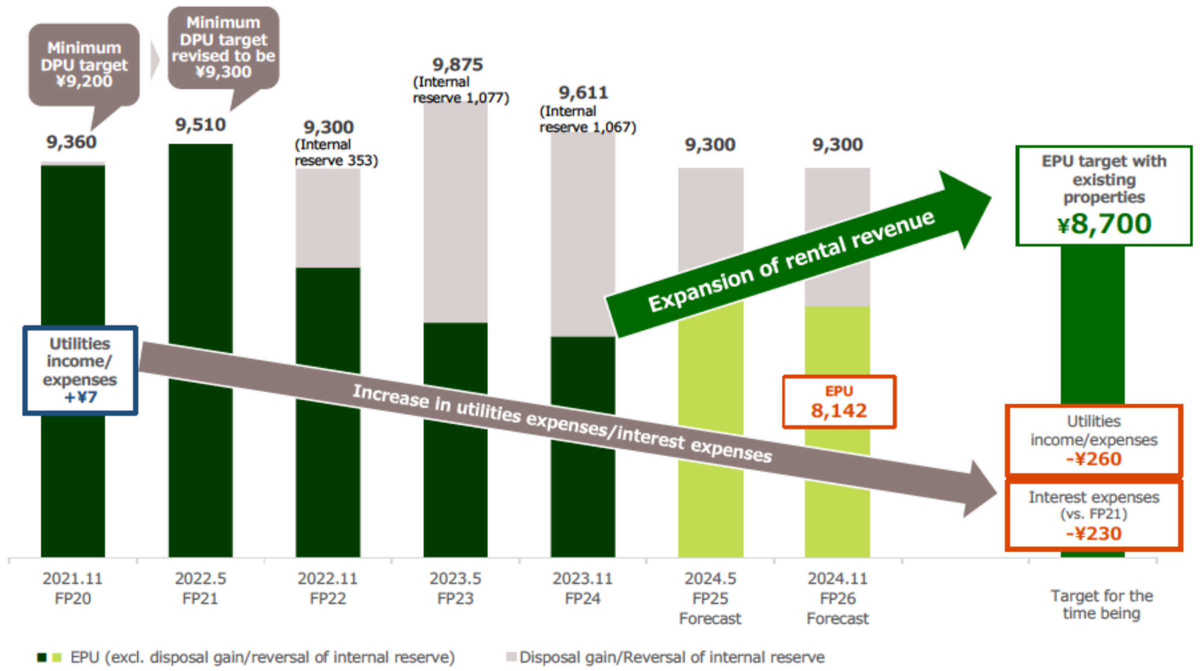
As for the reversal of internal reserves, the amount could change as a result of disposal gains from new asset replacements, but we are expecting the total amount of internal reserves as of the end of November 2024 to be 907 yen per unit.

Please turn to the next slide.

2. Financial Results/ Forecasts

DPU and EPU Trends in Existing Properties

- EPU is expected to **recover, after bottoming in FP24 ended Nov. 2023**
- **EPU target with existing properties has been set to ¥8,700** which incorporates expected increase in net utilities expenses and interest expenses despite rent revenue expected to increase as well



We set our minimum DPU target of 9,200 yen initially, which was later revised up to 9,300 yen.
The purpose was to mitigate the impact from the cancellation by a large tenant in the Shiodome Building in the November 2021 period.

Although it is taking some time, we are making steady progress, and the "EPU excluding disposal gains" is expected to improve, after bottoming in the 24th fiscal period.

However, it has become harder to achieve the 9,300 yen target, due to the impact of increase in expenses, such as utilities and interest expenses, which had not surfaced in 2021.

In this presentation, we will define EPU as "not including disposal gains".

The EPU from our current portfolio is forecast to be 8,142 yen in the November 2024 period.

However, we are expecting continuous recovery in 2025 onwards, due to factors such as the ending of rent-free periods in some of our larger properties, such as Shiodome and Shinagawa-Higashi.

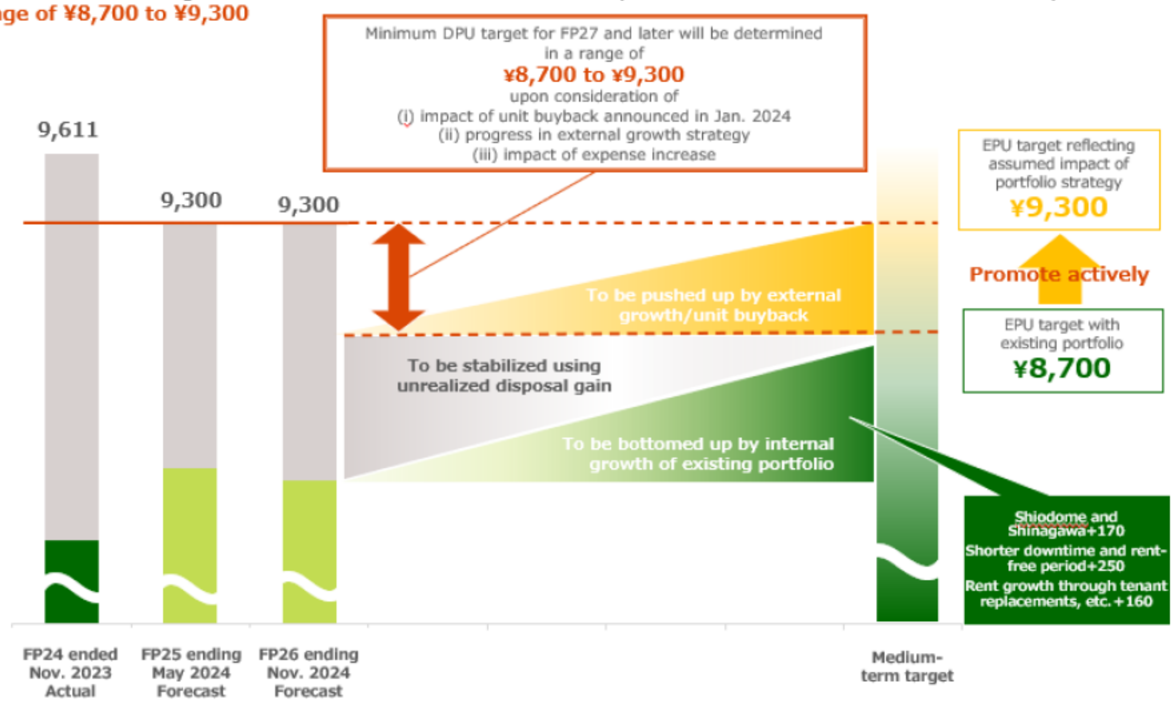
We have set the EPU target for the time being of 8,700 yen for our current portfolio.
This number includes some unrealized factors, which we believe are achievable as long as the recovery in the economic environment continues, but we believe it is a reasonably probable number.
It is below the 9,300 yen level, due to the negative pressure from utilities and interest expenses being stronger than when we set the target, but it will be close to 9,300 yen if it were not for these expense pressures.
However, the timing that we expect to achieve it will be in 2026 onwards, so we will need to make use of disposal gains and internal reserves for the time being.

Please turn to the next slide.

2. Financial Results/ Forecasts

DPU Policy

- We maintain our **DPU target of ¥9,300 by actively promoting external growth** along with new EPU target of ¥8,700 with existing properties
- For minimum DPU target for FP27 and later, **we will determine** upon close consideration of measures and expenses **in a range of ¥8,700 to ¥9,300**



Let me explain our DPU policy for the May 2025 period onwards.

The EPU target for the time being, for the existing portfolio, is 8,700 yen.
That said, we will maintain our policy of aiming for 9,300 yen DPU without relying on disposal gains.
External growth will be an important factor in achieving that goal.
Until now, we had been aiming for 9,300 yen by growing revenue through asset replacements.
However, in order to grow revenue, another important option is to acquire properties in conjunction with raising funding from the market, including public offerings, although this does of course depend on the investment unit price.

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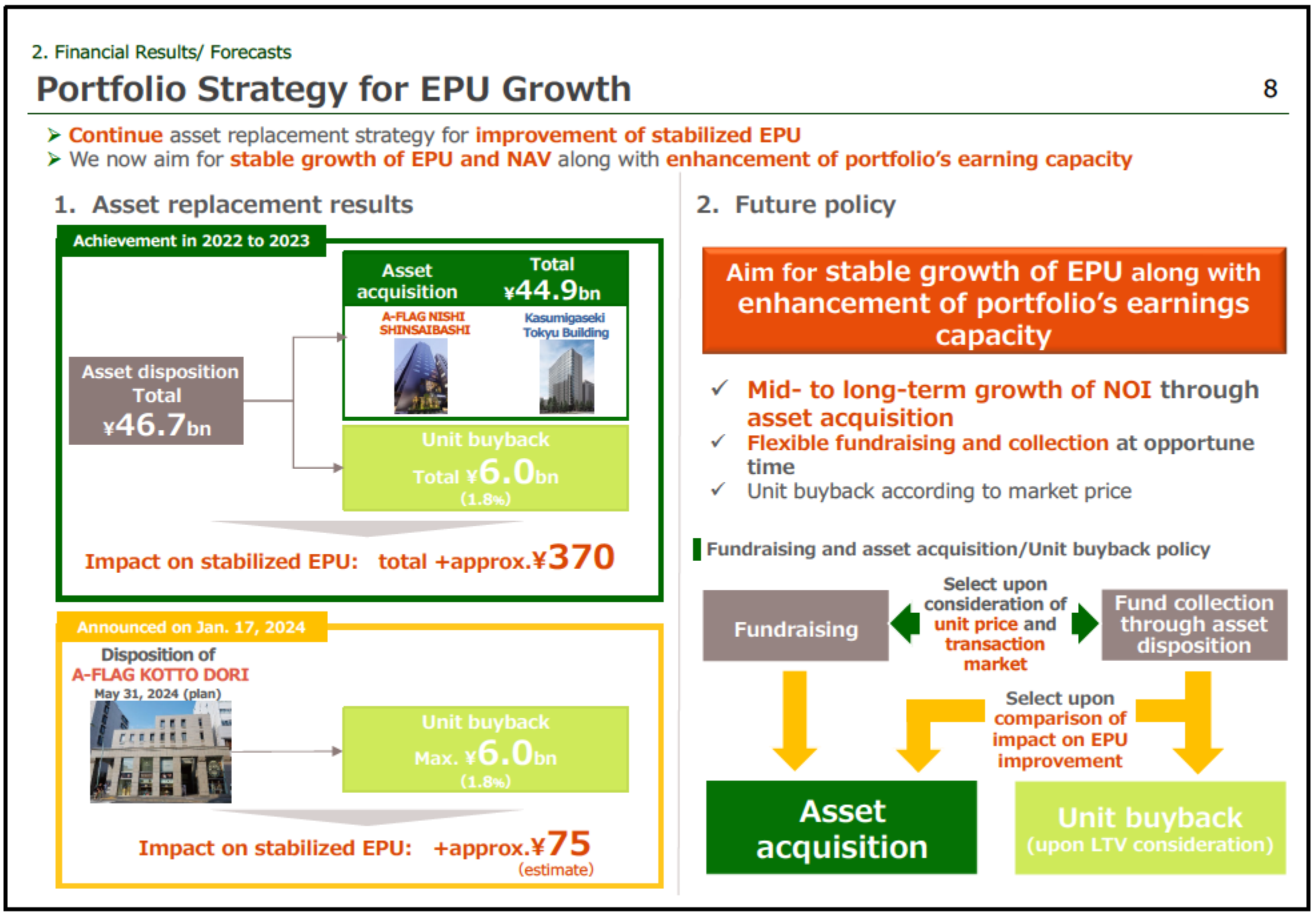


Until now, based on the investment unit price, we had been focused mainly on asset replacements and the buyback of investment units, to achieve the 9,300 yen level, instead of public offerings.

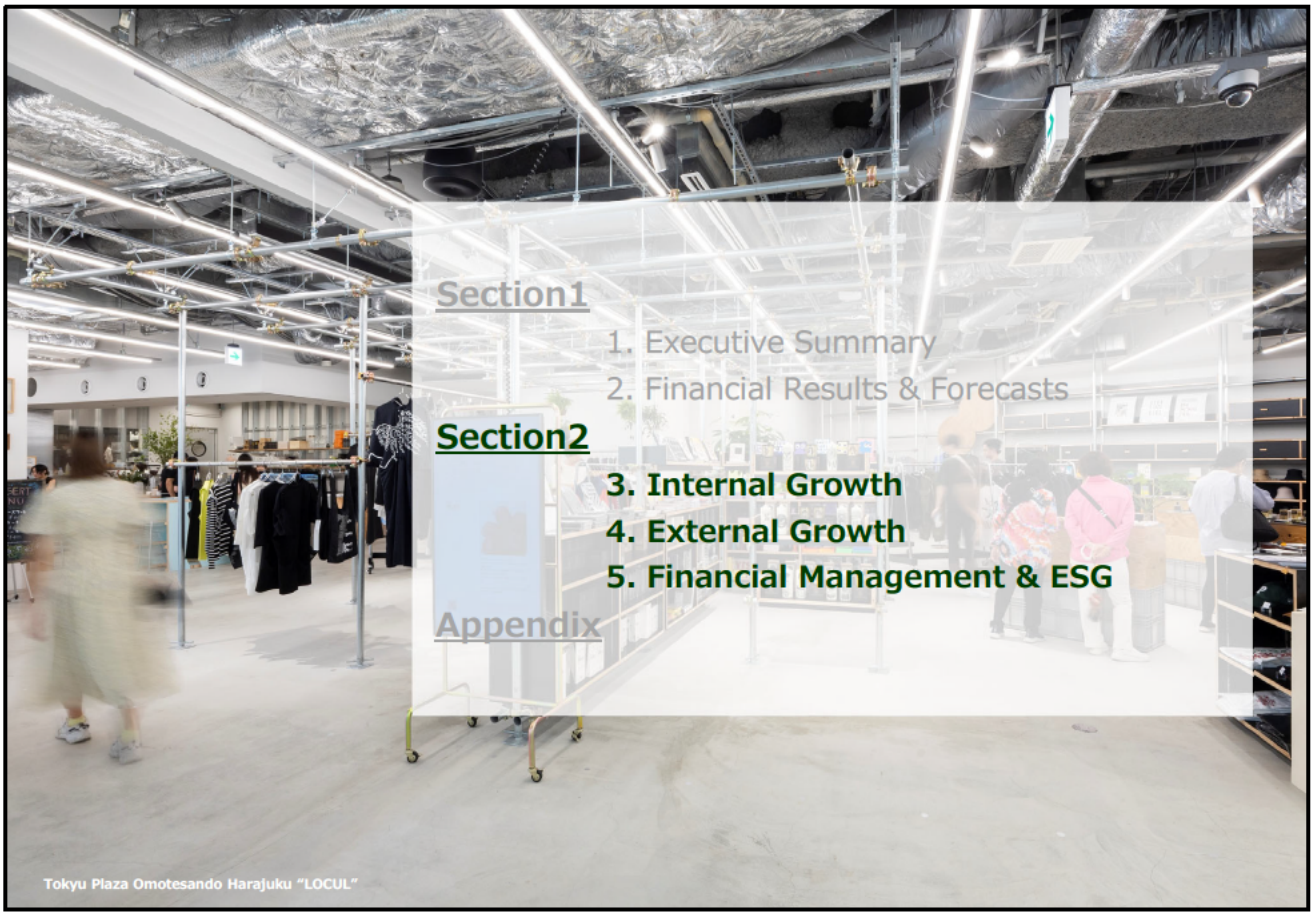
We believe we did achieve certain positive results through the active asset replacements and the buyback of investment units since 2022, to improve our EPU, which had declined due to the weakening of the leasing market since COVID.

Going forward, in order to achieve EPU growth through the further strengthening of portfolio earning capability, we decided that we need to grow NOI through property acquisitions.
Asset replacements continue to be an important method of earnings improvement, but on top of that, we will also consider raising funding from the market, thereby improving our EPU early.

Please turn to slide 11.

FP24 Operational Results and Future Strategy

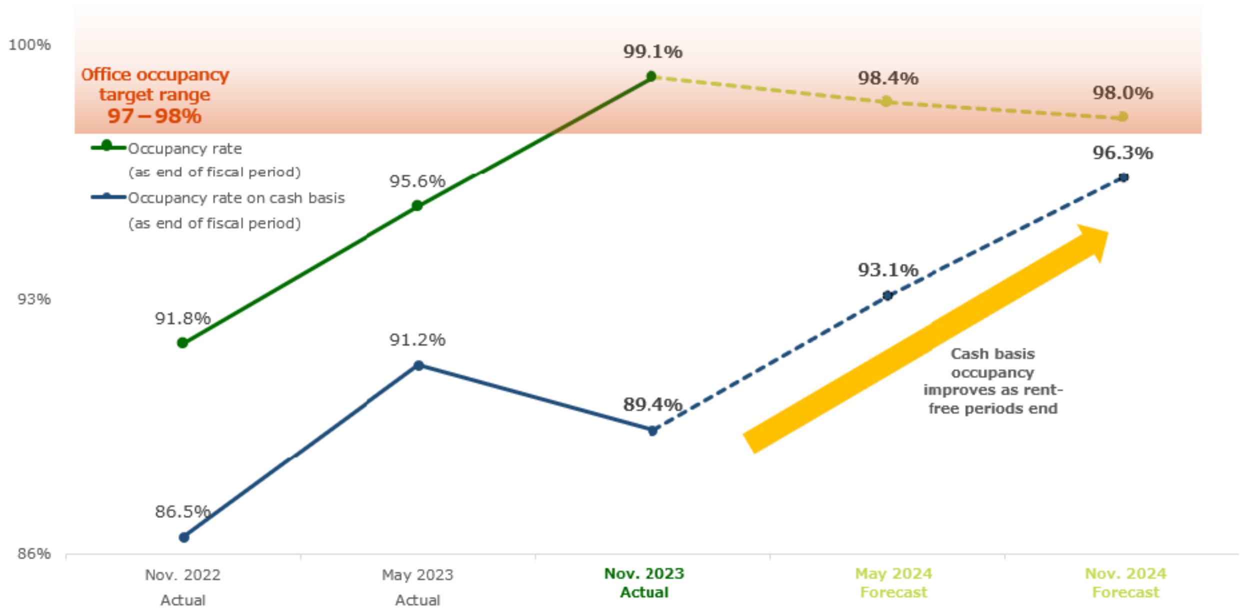
	FP24 operational results	Future strategy
Results/ forecasts	Actual DPU for FP24 ended November 2023: **¥9,611 (¥311 higher than previous forecast)** Internal reserve for FP24 ended November 2023: **¥1,067 (¥115 higher than previous forecast)**	Forecast DPU for FP25 ending May 2024: **¥9,300 (no change from previous forecast)** Forecast DPU for FP26 ending Nov. 2024: **¥9,300** • **DPU for FP27 ending May 2025 and later** will be decided upon consideration of progress in portfolio strategy, etc. in a range of **¥8,700 to ¥9,300**
Asset replacement, etc.	• Decided disposition of **A-FLAG KOTTO DORI** and **unit buyback** to **improve EPU** • **Accrued internal reserve utilizing disposal gain of an asset** while securing minimum DPU	• Pursue **mid- to long-term growth of** NOI through asset acquisition • **Continue to acquire/dispose properties from/to third parties, as well as the sponsor** • Repurchase of own units is an option depending on market trend
Office	• **Occupancy at end of period** was higher than forecast at **99.1%**, and **future occupancy rate on cash basis is expected to increase** as rent-free periods end • **Office demand is recovering in some areas** and rent growth using rent gap continues in the greater Shibuya area, etc.	• Prioritize maintaining a stable occupancy of 97 to 98% for the time being • **Seek continuous improvement in rent revenue in the greater Shibuya area and Osaka, etc. where market rents are recovering**
Retail	• **Leasing activities progressed** as tenants' appetite to open shops recovers • Continued **new measures to improve earnings** and sales-linked rent firmly increased • **Hotel properties continued to recover**	• For Urban Retail properties, seek to **increase earnings in response to market recovery** and **extend revenue sources through new measures** while securing stability • **While focusing on stability**, aim for internal growth at suburban retail properties and hotels
Finance/ ESG	• **Partially** refinanced to **floating-interest loans while paying attention to duration**, in order to **control finance cost** • **Steady progress towards environmental KPIs**	• **Adjust the balance of fixed/floating rate and duration of debt from medium to long term perspective** • Continue prudent financial management, **including the use of sustainable financing**


Section1
1. Executive Summary
2. Financial Results & Forecasts
Section2
3. Internal Growth
4. External Growth
5. Financial Management & ESG
Appendix
Tokyu Plaza Omotesando Harajuku "LOCUL"

Office Leasing Status

- **Occupancy rate on cash basis** will **improve and stabilize in 2025 onwards** as rent-free periods end
- We will work on **continuous improvement in earnings** with targeting **a stable occupancy at 97 to 98%**

1. Occupancy rate (actual and forecast)



From here on, I will explain the leasing status of our properties.
First, office leasing.

The green line is the occupancy based on lease contracts, and the blue line is occupancy on a cash basis. Thanks to the progress made in leasing activities, the contract-based occupancy recovered to as high as 99.1% as of the end of November 2023.
We aim to stabilize this at around 97-98%, while continuously working to improve our earnings.
The cash-based occupancy is also expected to improve, with the ending of the rent-free periods.
We expect the cash-based occupancy to reach 96.3% at the end of November 2024.

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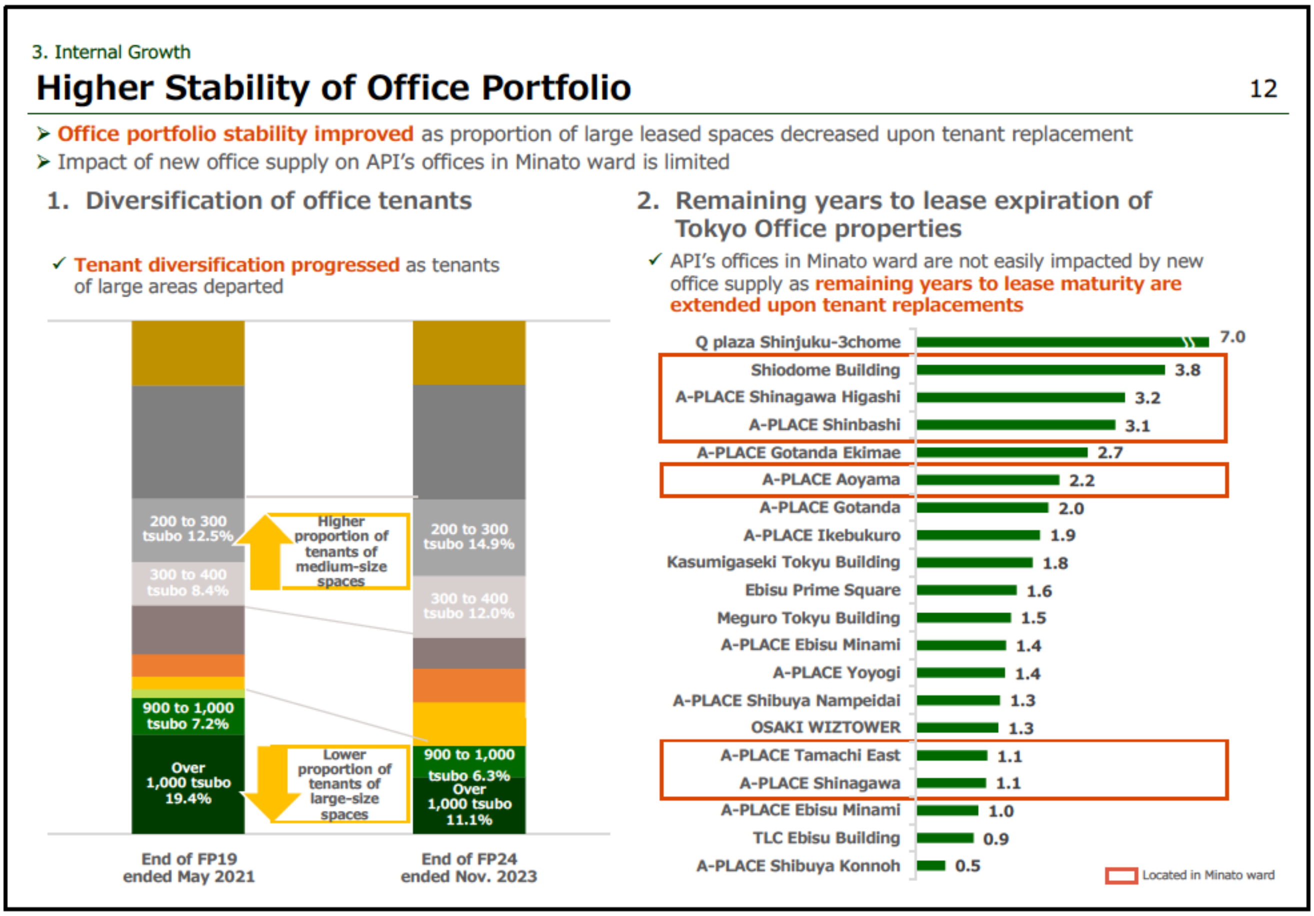

Section 1 on the left shows the tenant diversification, as of May 2021 and November 2023.

Following the tenant replacements, the ratio of large tenants with over 1,000 tsubo has declined, while the ratio of mid-sized tenants of 200-400 tsubo has increased.
With the higher ratio of mid-sized floor space tenants, from which there is robust demand, the stability of the portfolio has improved.

Section 2 on the right shows the dispersion of remaining lease terms, for our Tokyo office properties.
Through tenant replacements, we have been able to extend the remaining lease terms for properties in the Minato Ward, highlighted in the red box.
This will help mitigate the impact from the large supply coming up in the year 2025.

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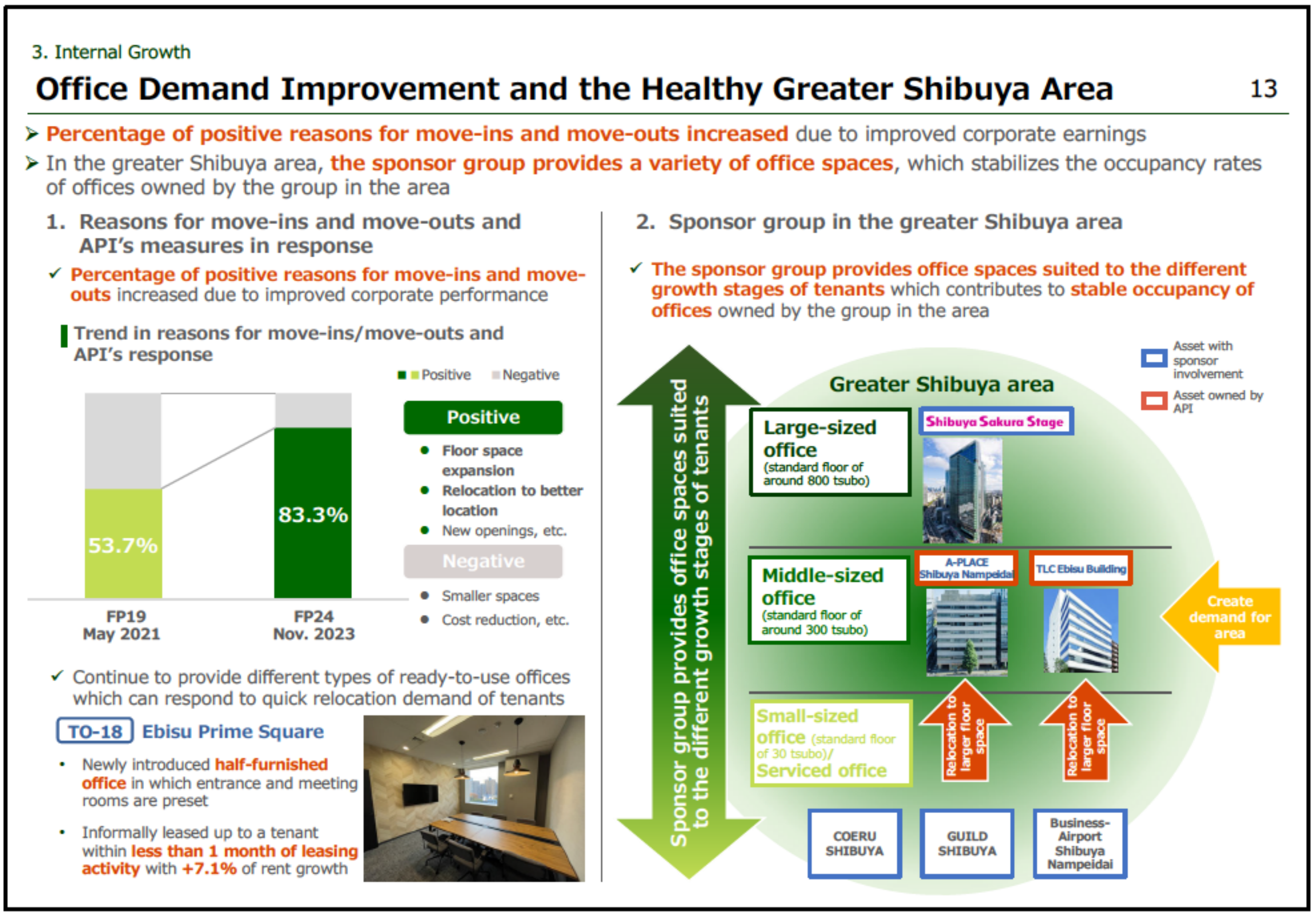


Section 1. on the left shows the reason for the move-ins and move-outs of Activia's offices.
Thanks to the improvement in corporate earnings, the ratio of positive reasons, such as floor space expansion, and moving to better locations, has increased to 83%.
In order to accommodate tenant demand in a flexible and timely manner, we are continuing to introduce different types of ready-to-use offices.

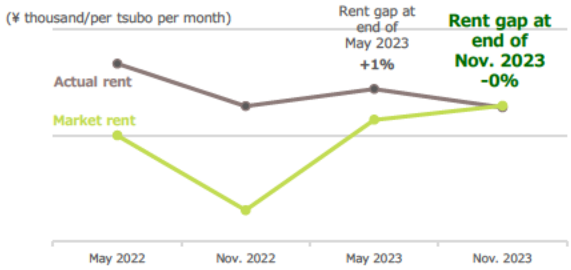
Section 2. on the right shows initiatives at the sponsor group level, in the greater Shibuya area.
Due to the nature of the area, with a high concentration of start-up companies, the sponsor group's initiatives to provide office environments suited to the different growth stages of tenants is leading to the stable office occupancy in the greater Shibuya area.
We have seen some cases of tenants moving from small-sized offices, which our sponsor is involved in, to Activia's properties.

Please turn to the next slide.

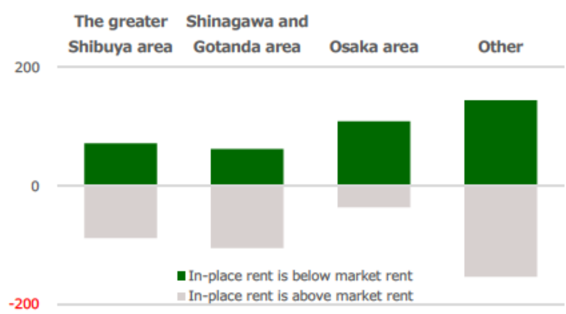
Office Leasing Status

- Market rent in some areas including the greater Shibuya area continued to rise. Rent gap at end of Nov. 2023 was **-0%**
- We continue to flexibly adjust our leasing strategy depending upon the rent level and situation of each leasing area.
  In certain cases, we will aim for rent growth, and in other cases prioritize occupancy

1. Trend in rent gap



2. Rent gap by area (¥ mn/period)



3. Examples of upward rent revisions and rent growth through tenant replacements

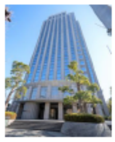
TO-13 A-PLACE Ebisu Minami (Greater Shibuya area)

Rent growth through tenant replacement

- Achieved rent growth without DT as area demand is strong

Rent increase	Area
+10.0%	84 tsubo

TO-18 Ebisu Prime Square (Greater Shibuya area)



Upward rent revision

- Removed rent gap after continuous negation with tenant

Rent increase	Area
+7.7%	153 tsubo

TO-7 A-PLACE Ikebukuro (Other areas)

Upward rent revision

- Achieved rent growth with tenant with traditional lease contract

Rent increase	Area
+1.1%	1,031 tsubo

I will now explain the office leasing status.

Section 1. at the upper left shows the rent gap for offices.
The gap between actual rent and market rent is gradually shrinking, and as of the end of November 2023, the gap is almost zero, due to the rise in market rent in areas such as the greater Shibuya area.

Section 2. at the bottom left shows the rent gap by area.
We will promote initiatives to raise rents, focusing on the Osaka area, where the rent gap is relatively large, as well as the greater Shibuya area, where the market rent is rising.

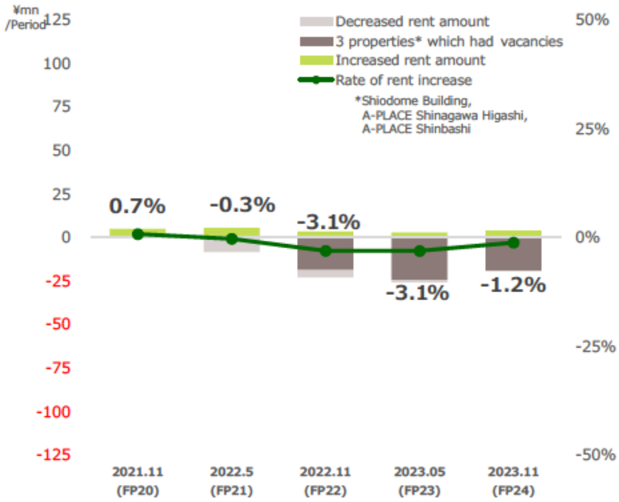
Section 3. at the upper right shows examples of rent growth through tenant replacements and lease renewals.
In the greater Shibuya area, we are achieving rent growth in both replacements and renewals, driven by the strong demand for space in this area.
We are also capturing rent growth opportunities in areas other than greater Shibuya, through continuous negotiations with tenants.

Please turn to the next slide.

Status of Tokyo Office Properties

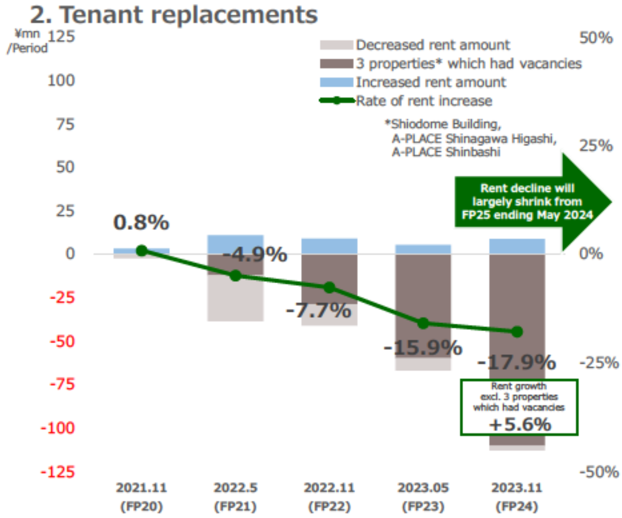
- **Rent decline in lease renewals and tenant replacements** continued for FP24 as we **prioritized occupancy recovery** for the properties which had vacancies
- **Rent decline is expected to significantly improve in FP25 ending May 2024** as tenant replacement will be almost completed in FP24 ended Nov. 2023

1. Rent revision at lease renewals



	2021.11 (FP20)	2022.5 (FP21)	2022.11 (FP22)	2023.05 (FP23)	2023.11 (FP24)
Area with increased rent (tsubo)	406	598	688	425	1,321
Replaced area (tsubo)	3,618	4,647	2,471	2,842	4,849
Area with decreased rent (tsubo)	149	714	1,264	1,206	1,721

2. Tenant replacements



	2021.11 (FP20)	2022.5 (FP21)	2022.11 (FP22)	2023.05 (FP23)	2023.11 (FP24)
Area with increased rent (tsubo)	242	1,112	252	488	427
Replaced area (tsubo)	207	557	66	252	4
Area with decreased rent (tsubo)	262	1,591	2,497	1,939	3,134

As for the status of Tokyo Office properties, rent decline is continuing, for both lease renewals and tenant replacements, due to the impact of the properties which had vacancies, such as the Shiodome Building and A-PLACE Shinagawa-Higashi.

Tenant replacements in these buildings have almost been completed in the November 2023 period, and we expect a significant shrinkage in rent decline in the May 2024 period onwards.
For your reference, the rent growth through tenant replacements was +5.6% if we exclude the offices which had vacancies.

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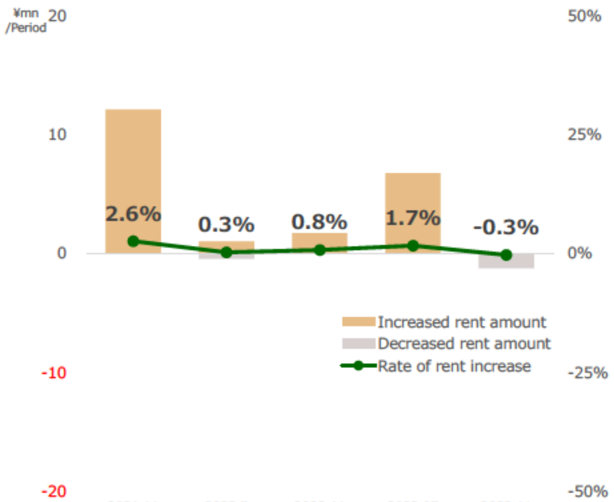
Status of Activia Account Offices

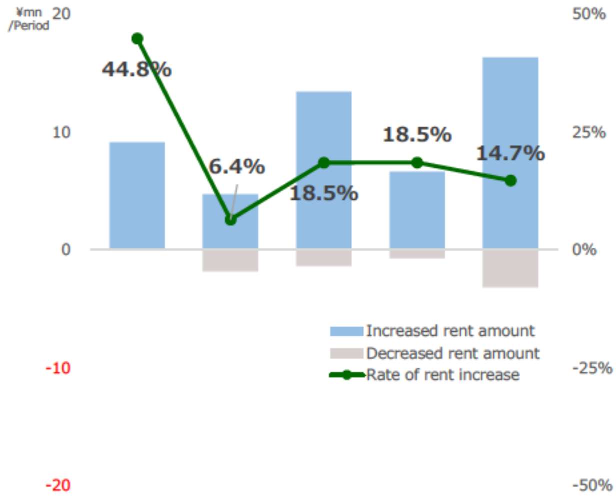
➢ Upward rent revisions at lease renewals and at tenant replacements stably continued mainly in the Osaka area

1. Rent revision at lease renewals



	2021.11 (FP20)	2022.5 (FP21)	2022.11 (FP22)	2023.05 (FP23)	2023.11 (FP24)
Area with increased rent (tsubo)	1,957	399	240	1,346	0
Replaced area (tsubo)	3,516	2,343	2,648	2,898	4,495
Area with decreased rent (tsubo)	0	131	0	0	270

2. Tenant replacements



	2021.11 (FP20)	2022.5 (FP21)	2022.11 (FP22)	2023.05 (FP23)	2023.11 (FP24)
Area with increased rent (tsubo)	262	297	561	339	935
Replaced area (tsubo)	0	0	0	0	0
Area with decreased rent (tsubo)	0	117	99	59	186

As for the Activia Account offices, we are continuing to see stable rent growth, both through lease renewals as well as tenant replacements, mainly in the Osaka area.

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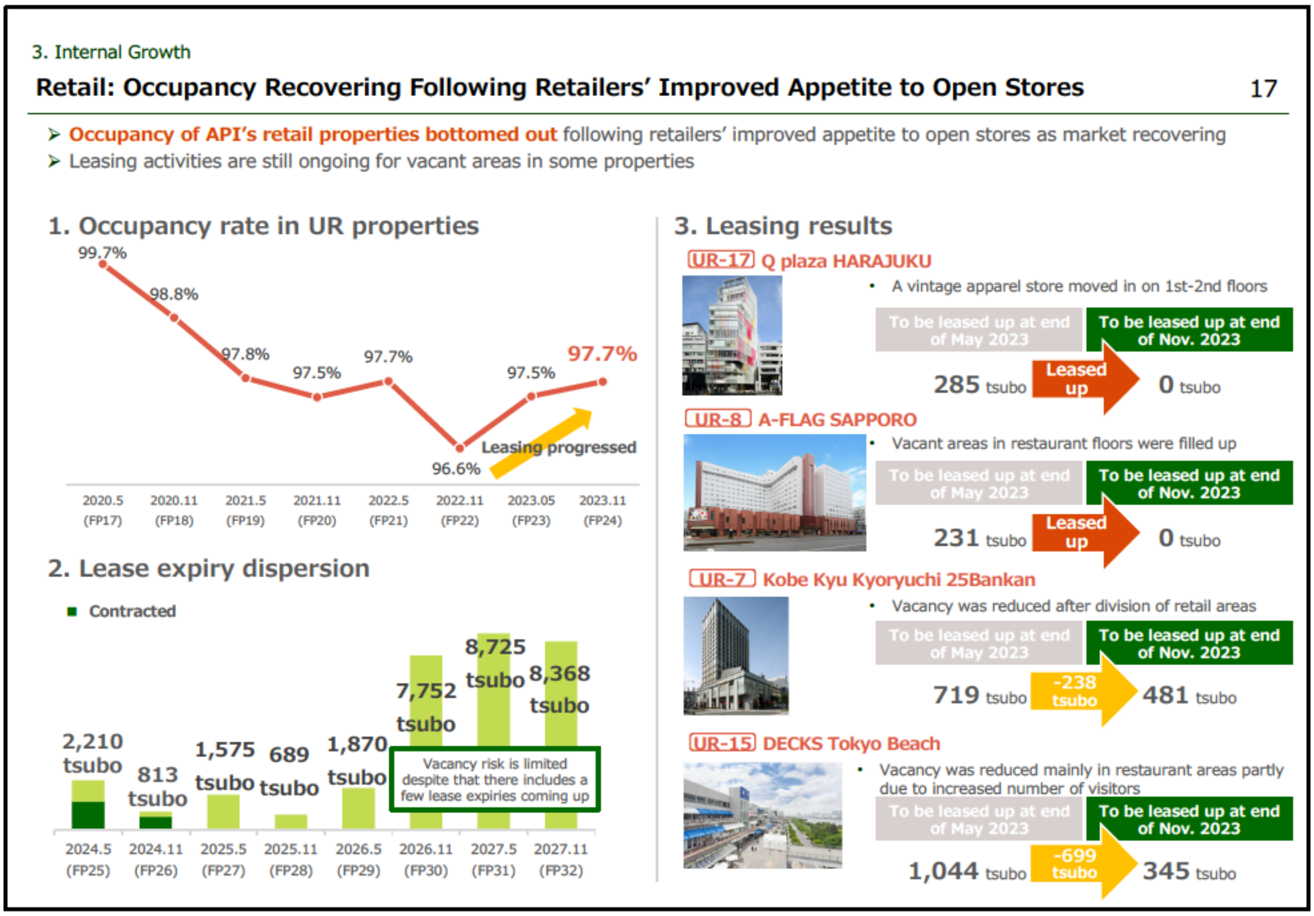

From here, I will focus on the retail properties.
Section 1. at the upper left shows the occupancy based on contracted floor space for our Urban Retail properties.
Thanks to stronger demand among tenants to open stores, driven by the market recovery, occupancy has bottomed as of the end of November 2022, and the trend has turned positive.

Section 2. at the bottom left shows the dispersion of lease expiries for the retail tenants.
We are making steady progress in terms of the contracts that will expire in the 25th and 26th fiscal periods.
We have a few of expiries coming up for tenants after the November 2026 period, including a single tenant property, but as of this moment we believe the cancellation risk is limited.

Section 3. on the right shows some leasing results.
Thanks to the recovery in appetite for floor space among a wide range of tenants, all of the vacancy in Q plaza HARAJUKU and A-FLAG SAPPORO has been leased up.
We also made progress in leasing the Kobe property, as well as DECKS Tokyo Beach, but we still have some vacant space, for which we are continuing our leasing activities.

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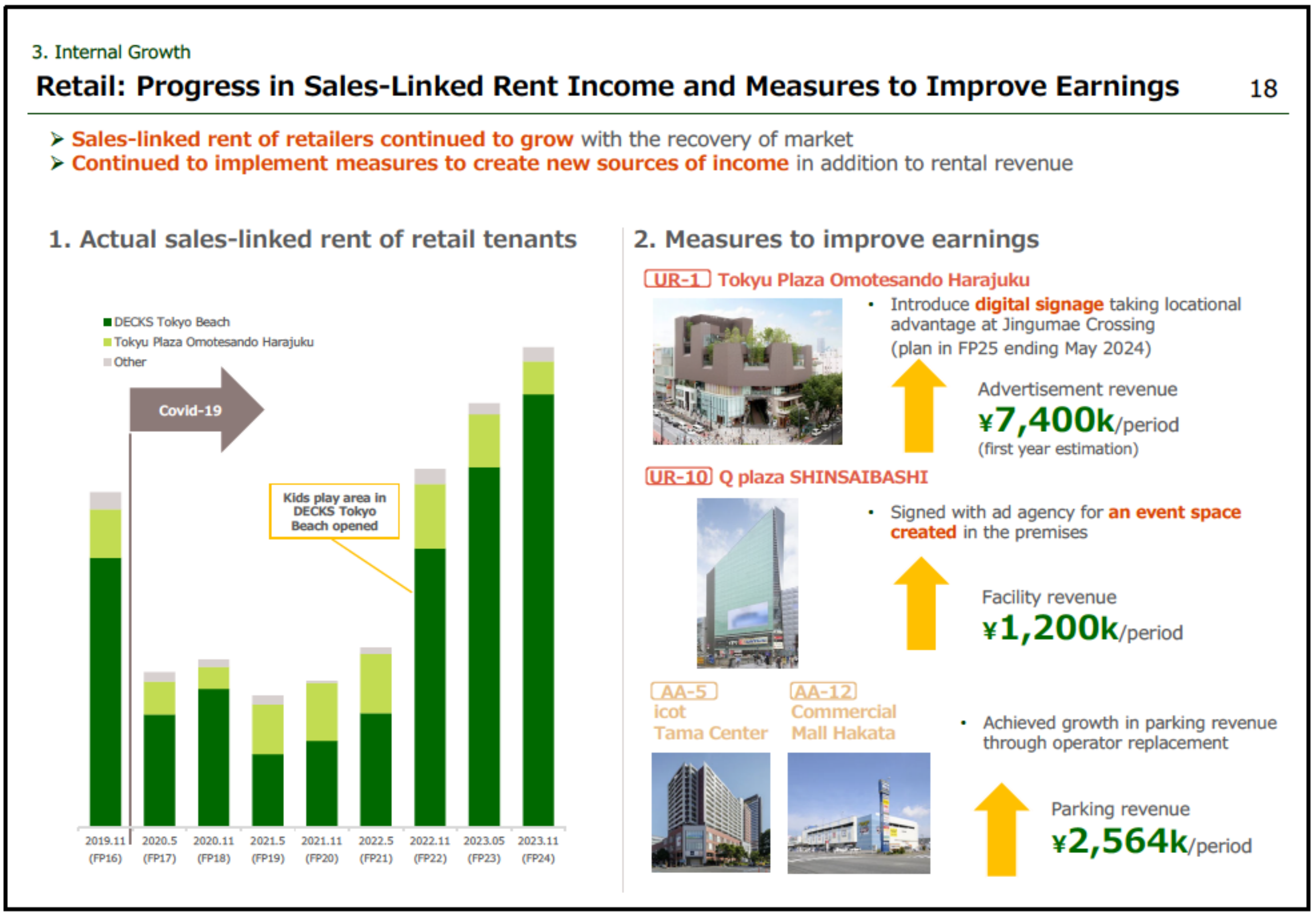

Section 1. on the left shows the results of sales-linked rent for our retail tenants.
With the recovery in consumption, we are seeing continuous growth in sales-linked rent from retail tenants.

Section 2. on the right shows measures to improve earnings.
Together with growing rent revenue, we are making steady progress in creating new sources of revenue.
At Tokyu Plaza Omotesando Harajuku, we are aiming to generate advertising revenue, by placing digital signage, taking advantage of its great location at a major crossing.
At Q plaza SHINSAIBASHI, we have succeeded in generating facility usage fees, by creating an event space, while increasing parking revenue in multiple properties.

Please turn to the next slide.

Enhancement of Area Value leveraging the Group's Capabilities

- Expect to further strengthen **Harajuku/Jingumae area's brand value in FY2024** with the sponsor's **strategy in the greater Shibuya area**
- Promote **mutual usage** of A-FLAG SAPPORO and the retail complex developed by the sponsor, opened in November 2023 **at Susukino Crossing**

1. Harajuku/Jingumae area

- ✓ Promote **cooperation** between TP Harajuku "Harakado"(opening in spring 2024) and TP Omotesando "Omokado"*
- ✓ Aiming to enhance the value of **the entire area** together with other facilities in vicinity

*The name will be changed to Tokyu Plaza Omotesando "Omokado" and the logo will be changed in FY2024 or later

2. Susukino Crossing area in Sapporo

- ✓ A retail complex with a hotel and a cinema complex opened next to A-FLAG SAPPORO
- ✓ **Promote mutual usage** of the hotels and restaurants

Next, I will explain our initiatives to enhance the area value, leveraging the group's capabilities.
In the Harajuku and Jingumae area, shown on the left, we are working in collaboration with the sponsor to enhance the value of the entire area, through measures such as the cooperation between Tokyu Plaza Harajuku "Harakado", which will open this spring, and Tokyu Plaza Omotesando Harajuku "Omokado".

In the Susukino Crossing area in Sapporo, Hokkaido, shown on the right, COCONO SUSUKINO, a retail complex developed by the sponsor, opened in November 2023.
We will promote mutual usage of the hotels and restaurants, through collaboration with the adjacent A-FLAG SAPPORO property.

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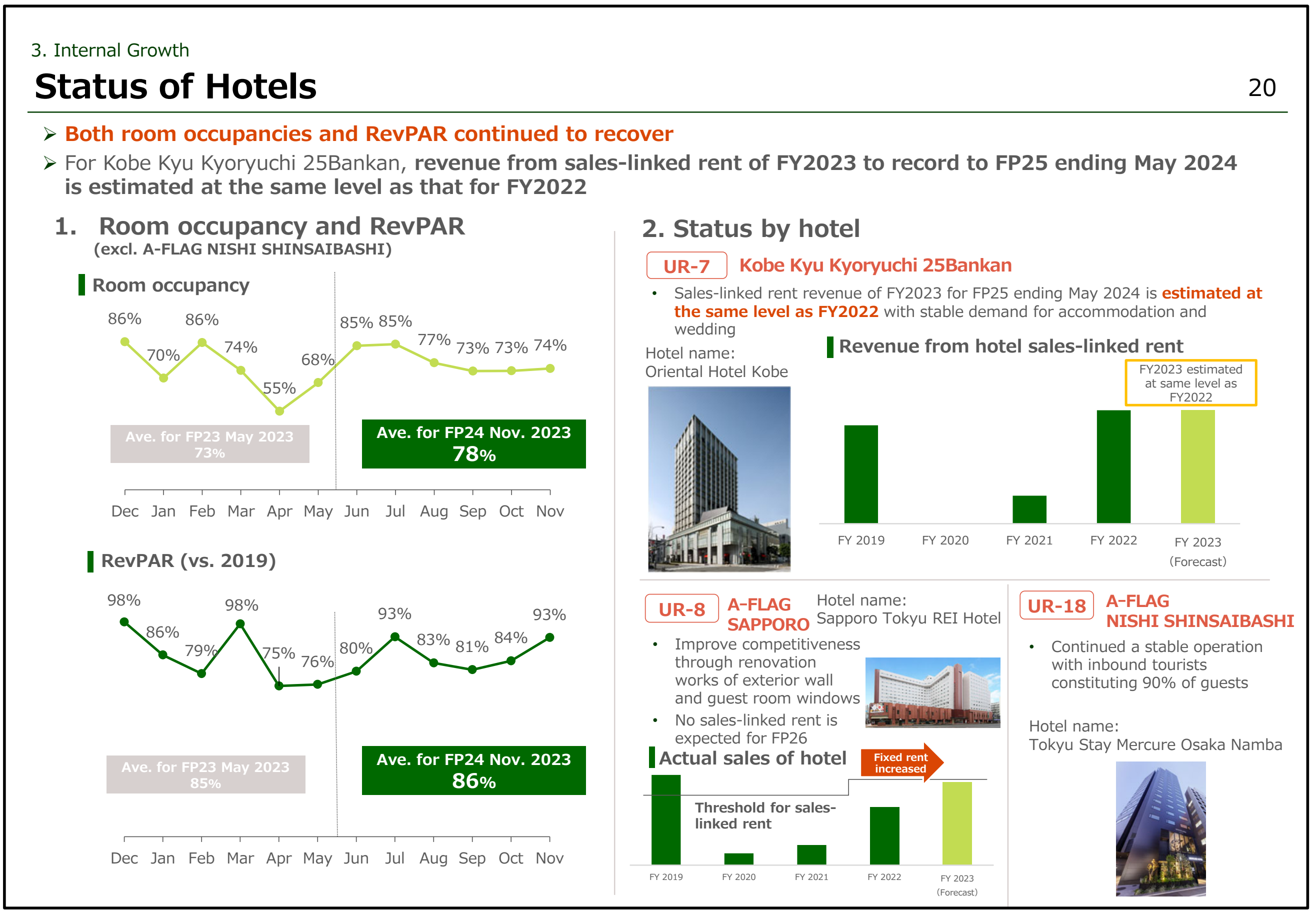


Next is the status of the hotels.
Recovery is continuing, both in terms of occupancy and RevPAR.

As for the status of each hotel, Kobe Kyu Kyoryuchi 25Bankan is seeing robust trends in wedding and accommodation demand, and we are expecting sales-linked rent to be at a level similar to last year, which was higher than pre-COVID.

At A-FLAG SAPPORO, we conducted a renewal of the exterior wall and guest room windows, to enhance competitiveness.
We are not factoring in any sales-linked rent in our forecast, but sales is recovering steadily, and in FY2023 will reach a level that is close to the threshold for generating sales-linked rent.

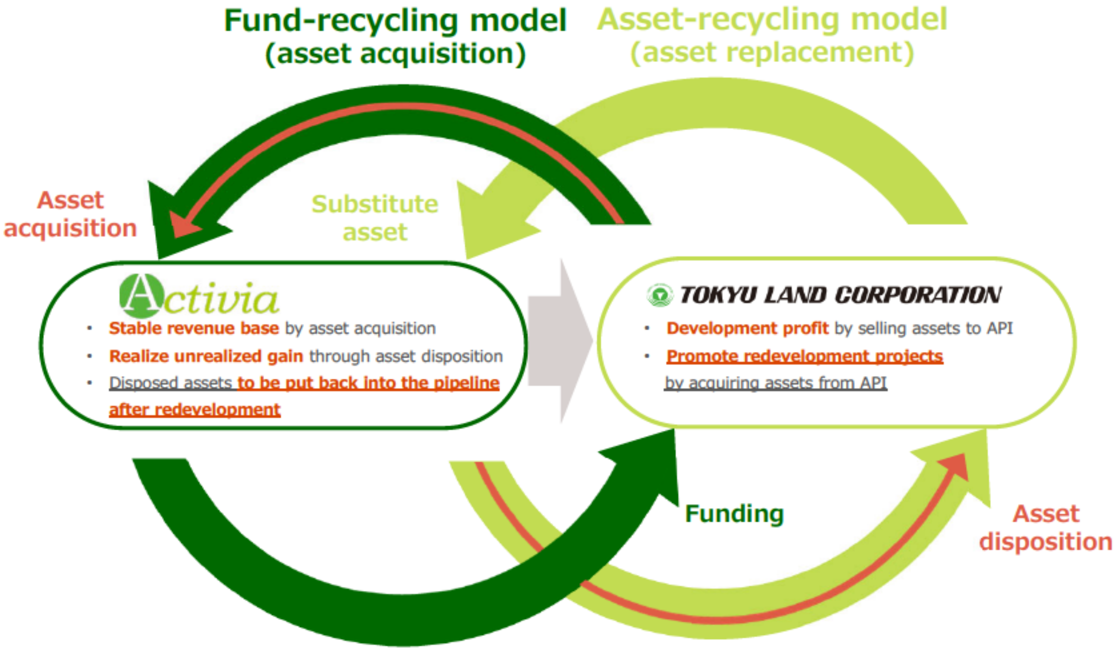
A-FLAG NISHI SHINSAIBASHI has a high inbound ratio of 90%, and is being recognized as a hotel popular among inbound guests.

Please turn to the next slide.

4. External Growth

Utilization of Sponsor Support

- Combined strategy of **fund-recycling model** and **asset-recycling model** for external growth
- Higher possibility of **mid- to long-term growth and quality improvement of the portfolio, utilizing the sponsor's development capabilities**



I will now explain our external growth.

We will continue to focus on external growth, pursuing both the fund-recycling model and the asset-recycling model, using sponsor support.

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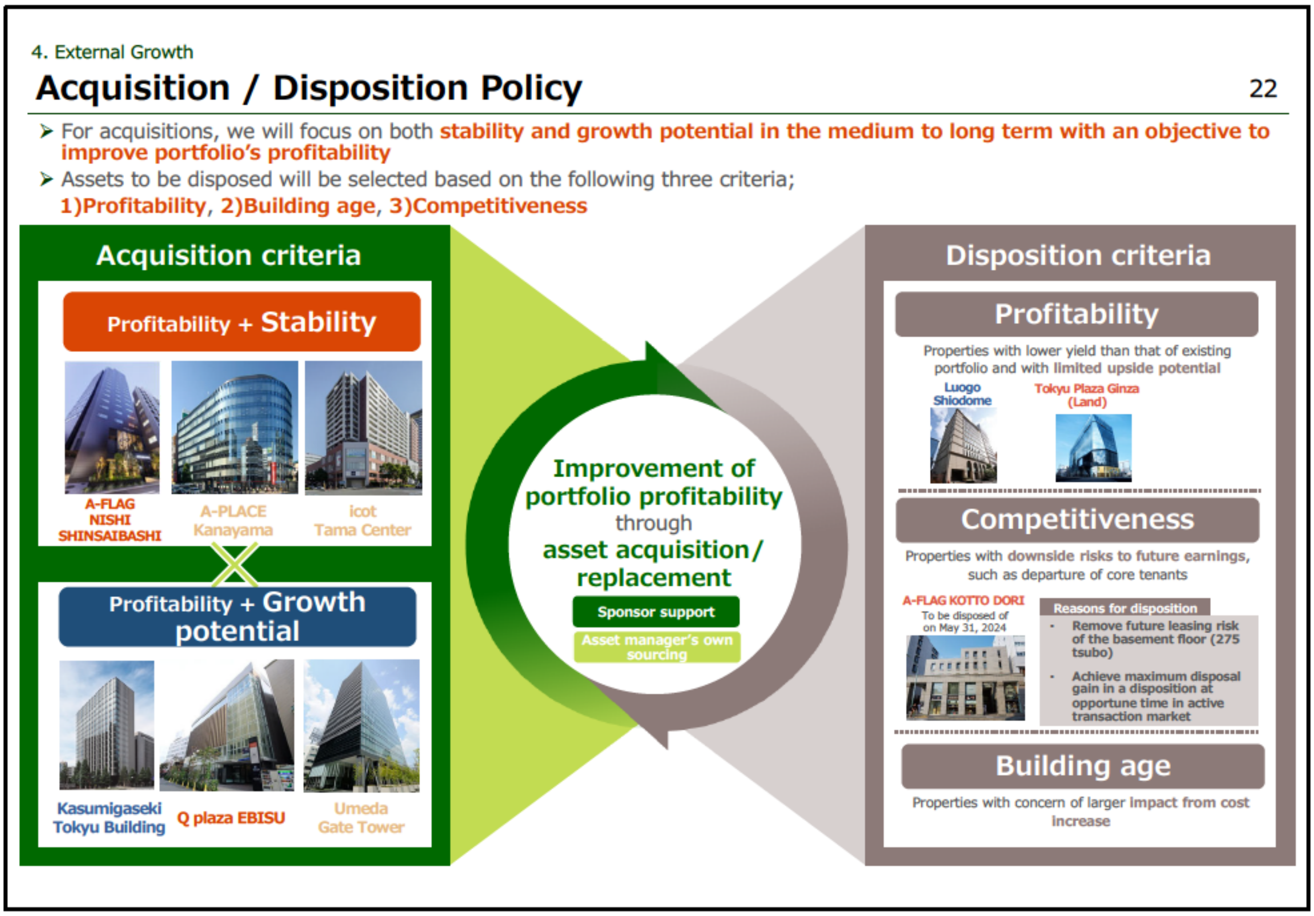

I will explain our policy on asset acquisitions and disposals.

For acquisitions, we will focus on profitability, and consider both stability and growth potential.
In terms of stability, we intend to acquire properties with long-term fixed rent contracts, and properties with stable demand/supply balance in the leasing market, in the greater Tokyo area as well as in regional cities, after considering the location and competitiveness of each property.
For growth potential, we look at location, competitiveness, as well as the upside potential.

As for disposals, we will select properties based on future profitability, using the three criteria of profitability, building age and competitiveness.

We will actively promote acquisitions and disposals using both the sponsor support as well as the asset manager's own network, and seek to improve the profitability of the portfolio.

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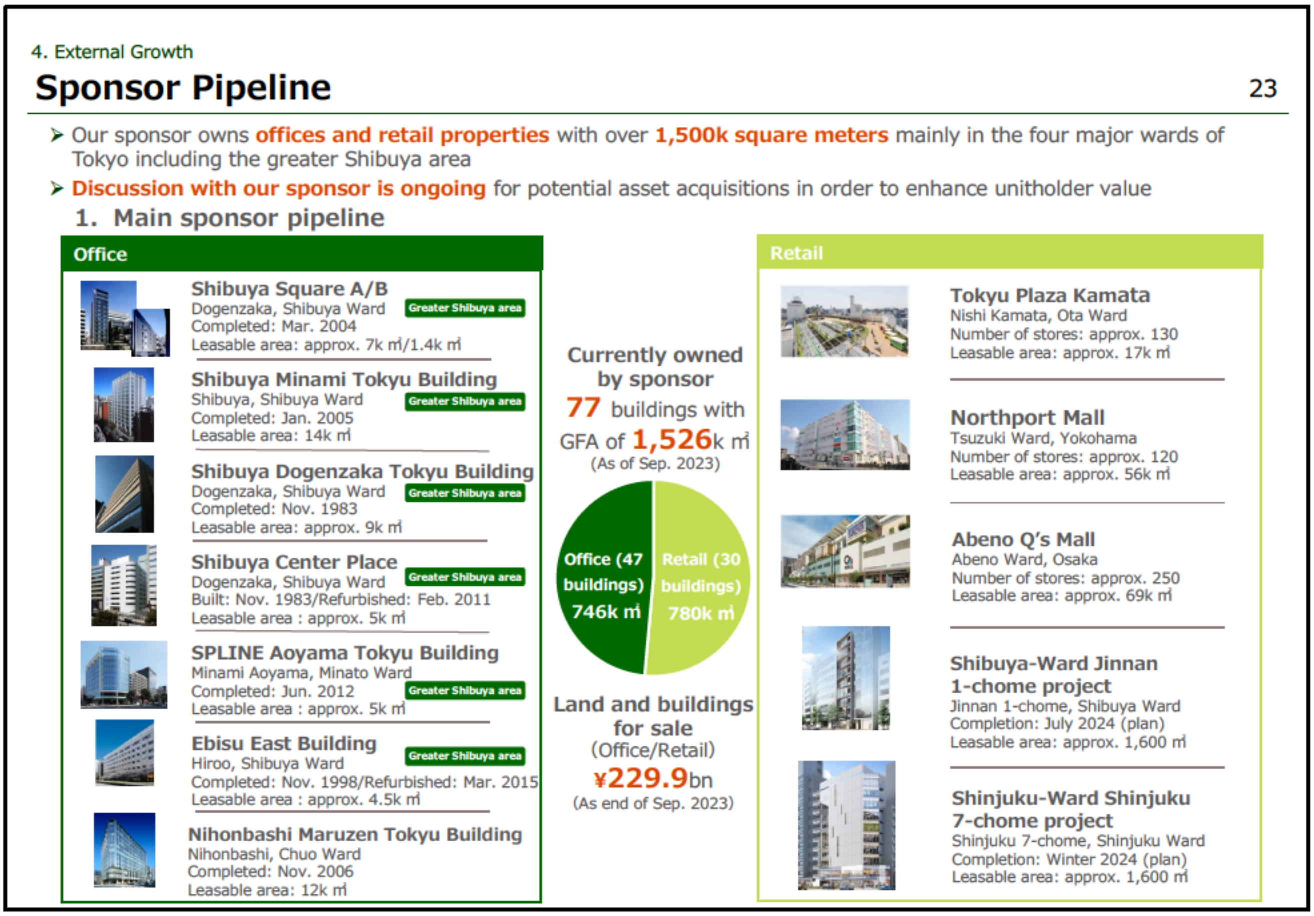

Our sponsor is continuously developing and acquiring properties, and owns high-quality properties mainly in the 4 major wards of Tokyo, including the greater Shibuya area.
There are many similarities, in terms of property characteristics, between the portfolios of Activia and our sponsor.
The properties shown here, that are owned and/or developed by our sponsor, will in principle meet Activia's criteria for acquisitions.
We will continue to closely discuss with our sponsor and acquire properties.

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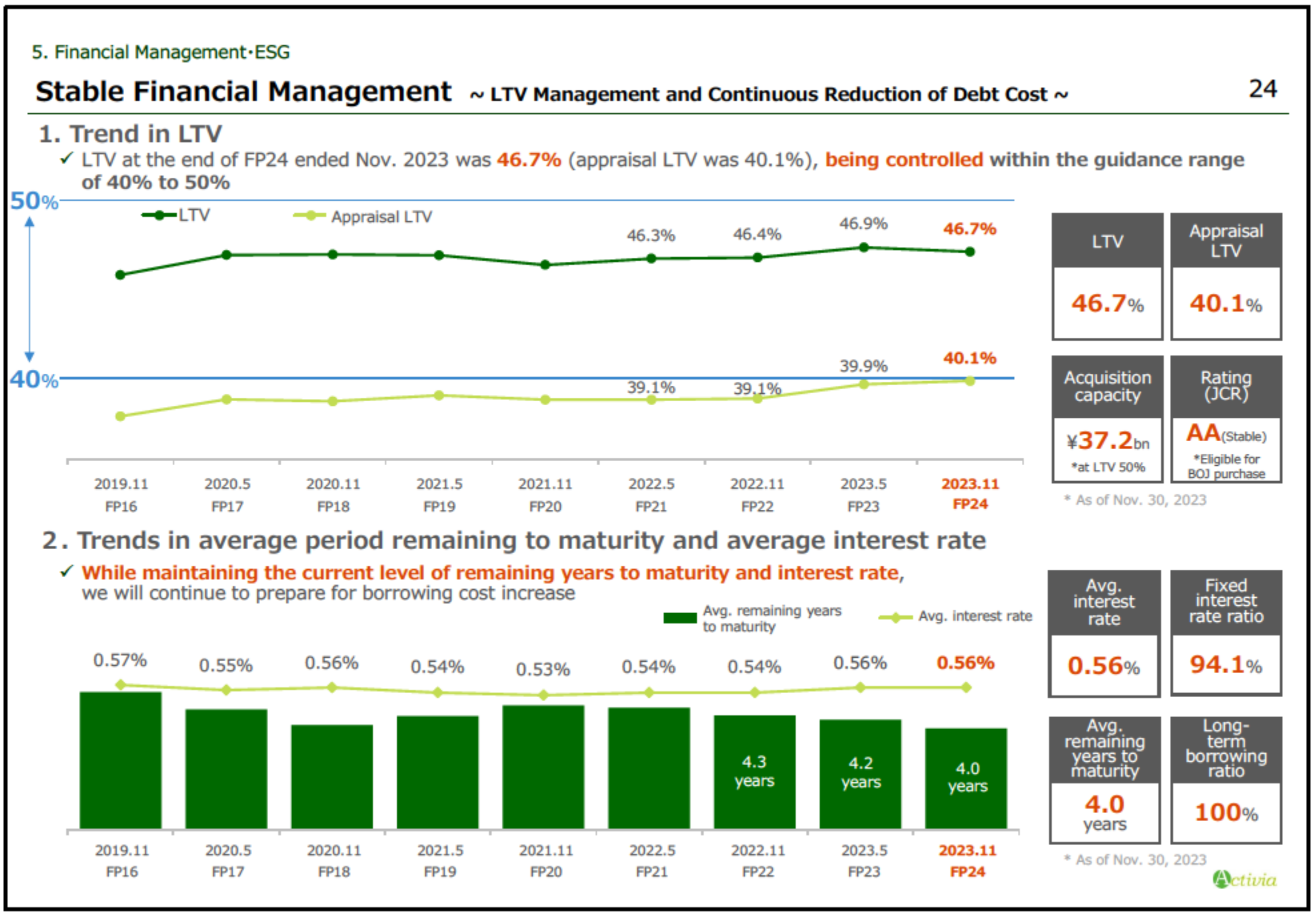


This slide is about our financial management.
The LTV was 46.7% as of the end of November 2023, and the appraisal LTV was 40.1%.
We have acquisition capacity of 37.2 billion yen, if we were to go up to 50% LTV, which is the upper end of the expected range.
We are maintaining a rating of AA stable outlook by JCR.

Please see the bottom half of the slide.
As for our debt, the average period remaining to maturity is 4 years, and the average interest rate is 0.56%.
We will maintain the level of remaining period to maturity and the average interest rate, while addressing the risk of higher cost of borrowing.

Please turn to the next slide.

5. Financial Management･ESG

Solid Financial Base ~ Diversified Lender Formation and Well-balanced Maturity Ladder ~

1. Debt refinance (November 2023)

✓ Refinancing with floating-rate loan to **control cost** with consideration to duration

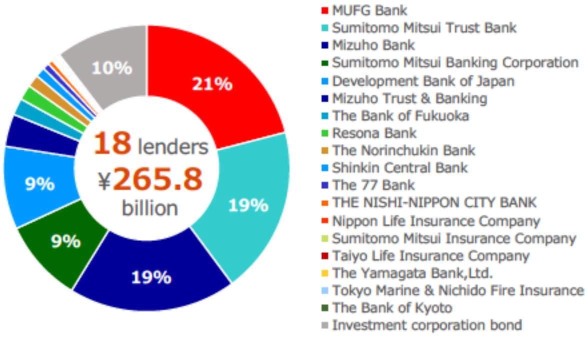
	Loan amount	Fixed / Floating	Duration	Interest rate
Before	¥13.25bn	Fixed	7.1 years	0.755%
	¥3.5bn	Floating	2.9 years	T+0.132%
	¥16.75bn	-	**6.2 years**	**0.636%**

	Loan amount	Fixed / Floating	Duration	Interest rate (Note)
After	¥9.05bn	Fixed	7.8 years	0.896%
	¥7.7bn	Floating	2.4 years	T+0.133%
	¥16.75bn	-	**5.3 years**	**0.571%**

(Note) Interest rate of the total refinancing amount is calculated by applying 1M-TIBOR as of Nov. 30, 2023 as the base interest rate, shown as T.

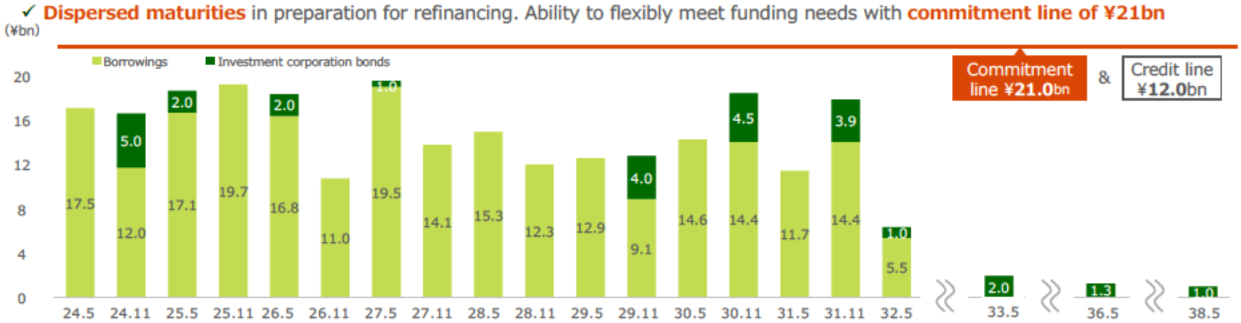
2. Lender formation (as of Nov. 30, 2023)

✓ **Diversified** loan amounts and lenders



3. Maturity ladder (as of November 30, 2023)

✓ **Dispersed maturities** in preparation for refinancing. Ability to flexibly meet funding needs with **commitment line of ¥21bn**



Section 1. at the upper left shows the results of the refinancing in the November 2023 period.
We refinanced a total of 16.7 billion yen of existing debt, to control costs in response to higher interest rates, and included a floating-rate loan while considering the duration.

The pie chart at the upper right shows the lender formation.
As of the end of November 2023, we are borrowing 265.8 billion yen from 18 lenders.
Based on this robust bank formation, and through continuous close communication with our lenders, we will maintain our stable financial management.

At the bottom is the maturity ladder.
While dispersing the maturities, we have set a commitment line of 21 billion yen, in order to flexibly address funding needs.

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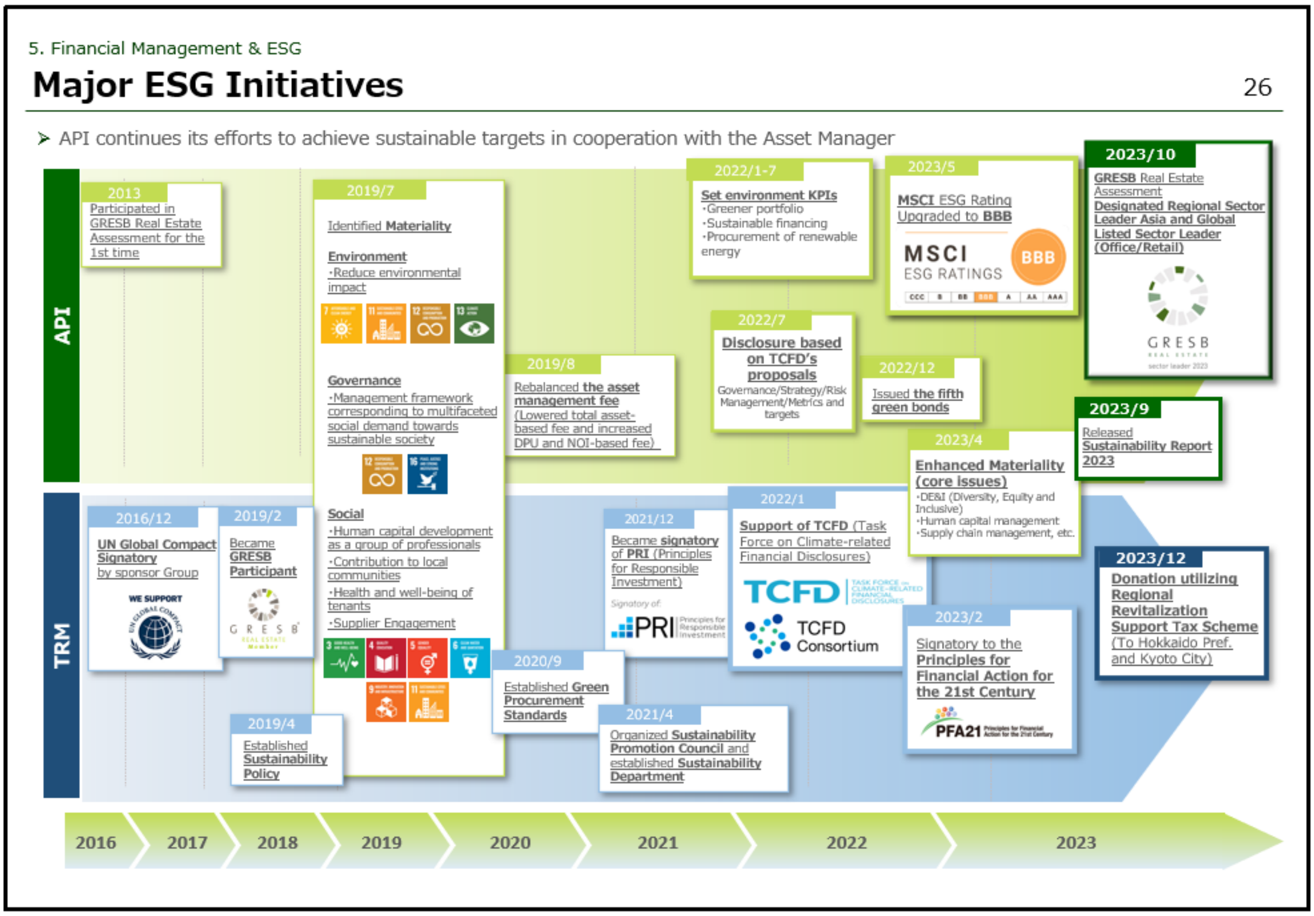

This is about our ESG initiatives.
In this fiscal period, we issued our third Sustainability Report in September 2023, and in October we were selected Global Sector Leader and Asia Sector Leader in the GRESB Real Estate Assessment.

We are making steady progress in our ESG initiatives, including the donation in December utilizing the regional revitalization support tax scheme.

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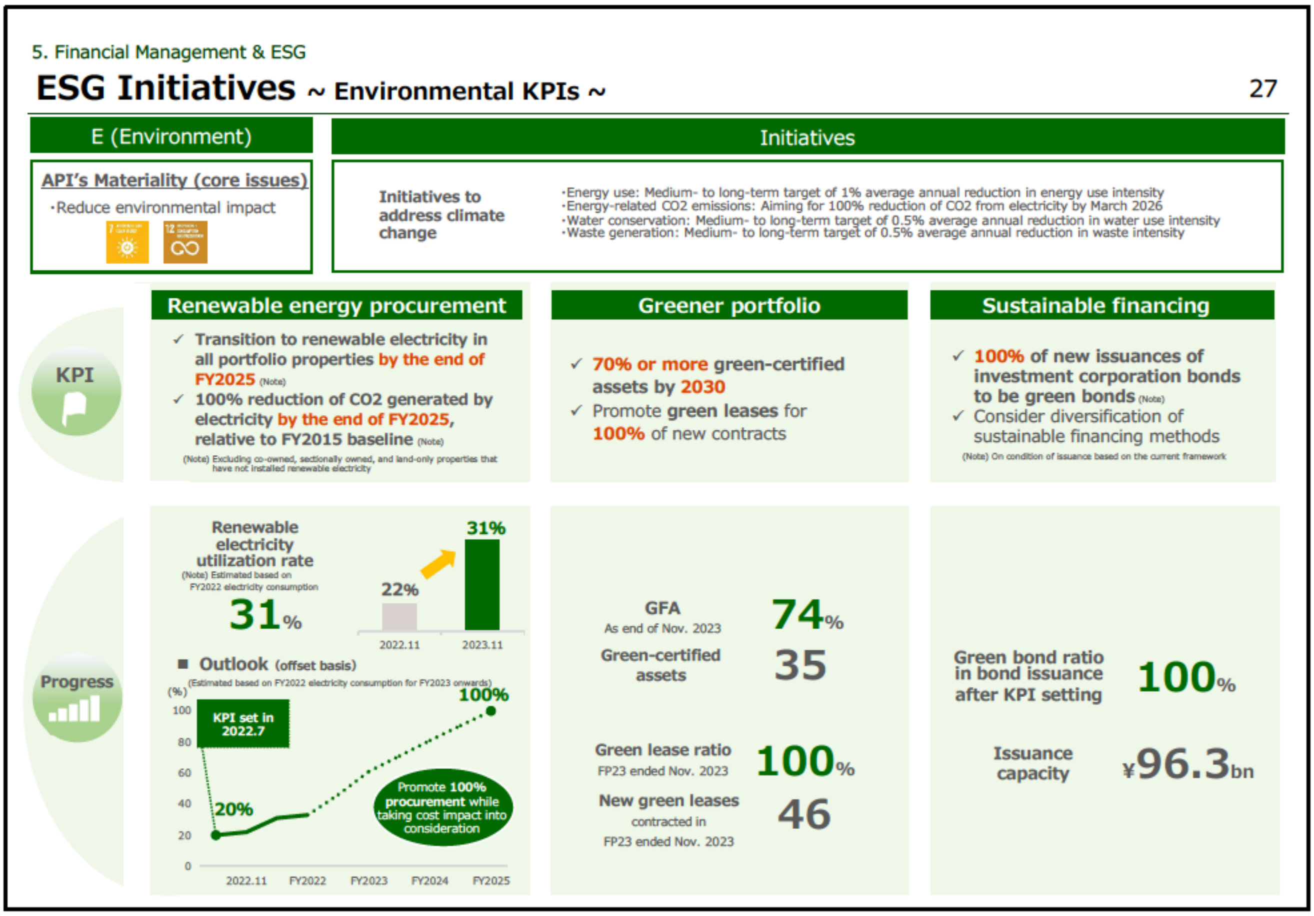


Let me explain the progress in terms of environmental KPIs.
First, the sourcing of renewable energy.
The ratio of renewable electricity has risen to 31% as of the end of the November 2023 period,
And we will continue to introduce renewable electricity towards our goal of 100% by the end of FY2025.

As for making the portfolio greener, we have already achieved our target of having 70% or more of our portfolio green-certified, and we are maintaining a green lease ratio of 100%.

Please turn to the next slide.

ESG Initiatives ~ Environment: Environmental Evaluations/Certifications, etc. ~

E (Environment)

API's Materiality (core issues)

・Reduce environmental impact

Related SDGs targets by 2030

7.3 By 2030, double the pace of improving energy efficiency globally
12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature

External evaluation

GRESB Real Estate Assessment 2023

GRESB ★★★★★ 2023 | GRESB Public Disclosure 2023 | GRESB REAL ESTATE sector leader 2023

Global rating 5 stars for **six consecutive years**

Disclosure Highest **A** level for **six consecutive years**

Recognized as **Regional Sector Leader Asia** and **Global Listed Sector Leader** in **Diversified Assets (Office/Retail) category**

- **Highly evaluated** acquisition of **environmental management system (ISO14001)**, progress in procurement of **renewable energy**, high proportion of **certified buildings on energy saving (BELS)**

Award ceremony in Dec. 2023

Renewable energy

Sponsor's renewable energy business

- Tokyu Land Corporation was the first real estate developer in Japan to join the **RE100** in 2019
- TLC **completed its transition** to **renewable electricity used** in **all its office/retail properties** in **2022**

Nb. of projects: 99
Rated capacity: 1,710MW
Equivalent to power consumed by approx.793k households
CO2 emissions reduction: 1,636,000t-CO2/year
(As end of Nov. 2023)

ReENE

Attention to environment

Green construction

- Continuously promote renewal and renovation using green products in line with the **Green Procurement Standards** of Asset Manager

UR-8	TO-14	AA-11
A-FLAG SAPPORO Hotel's guest room windows renovation	**A-PLACE Shibuya Konnoh Toilet renewal**	**A-PLACE Bashamichi Toilet renewal**
Better heat insulation contributed to a reduction in energy consumption of air-conditioner in guest rooms	Selected water-saving fixtures for urinals and handwashes	Selected water-saving fixtures for urinals and handwashes
Energy saved 38%	**Water saved** 58%	**Water saved** 75%

In the GRESB Real Estate Assessment 2023, our initiatives including those related to the environment were recognized, and we were selected Asia Sector Leader and Global Sector Leader.

As shown in the green construction section at the bottom right, we are continuing refurbishment work using environment-friendly equipment in each property, and are reducing energy and water consumption.

Please turn to the next slide.

5. Financial Management & ESG

ESG Initiatives ~ Social ~

S (Social)

API's Materiality (core issues)

- Human capital development
- Contribution to local community
- Health and well-being of tenants
- Supplier engagement

Related SDGs targets by 2030

11.3 Enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries

12.8 Ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature

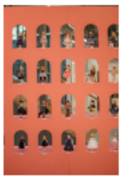
Tenants

SDG events in Tokyu Plaza Omotesando Harajuku

Pop-up event of sustainable fashion "LOOP CAMP"

- Event held in Sep. 2023 at "Omohara Forest" recorded approx. 3,000 visitors
- Under the theme of sustainable fashion, bags made from discarded plastic umbrellas and fasteners recycled from textile scraps and other waste materials were exhibited, and hands-on clothing repair experience was offered.

Upcycling project exhibition "100 My Licca my closet"



- Sponsor-participated upcycling project event of handmade doll outfits using old clothes but with memories
- Sustainable initiatives that respect precious feelings

Local communities

Donation by Asset Manager through regional revitalization support tax scheme

- In December 2023, donation was made for the fourth consecutive year from 2020 utilizing the Regional Revitalization Support Tax Scheme (corporate version of hometown tax payment)
- Donated to Hokkaido pref.'s initiative for zero carbon project and Kyoto City's carbon neutrality project

ZERO CARBON HOKKAIDO

ほっかいどう 応援団会議

CO_2 0 2050

Investors

Financial results presentations for retail investors

- Maintain relationships with retail investors

·J-REIT online IR seminar
Broadcast from October 16, 2023

At Tokyu Plaza Omotesando Harajuku, we conducted events with the theme of sustainable fashion and upcycling.
In the event that took place at the "Omohara Forest" roof terrace, we had a total of 3,000 visitors over 2 days, and we were able to contribute in initiating sustainable actions.

On the right, we show our donation using the regional revitalization support tax scheme, which we are continuing as part of our regional contribution.
At the bottom right, we show how we are building relationships with investors through retail investor presentations.

11 years has passed since our IPO.
We were able to end another fiscal period thanks to the support of many stakeholders.
We thank you for your continuous support.

With global inflation and changes in the interest rate environment, combined with geopolitical risks, it remains difficult to foresee the future.
Meanwhile, the recovery in traffic in the streets is becoming clear, triggered by the recovery in inbound demand.
Based on these changes in the environment, we will continue asset replacements and internal growth measures to improve our profitability, while aiming for NOI growth through property acquisitions, in order to enhance unitholder value.

That concludes my presentation. Thank you for your attention.

ESG Initiatives ~ Governance ~

G (Governance)

API's Materiality (core issues)

- Management framework corresponding to multifaceted social demand towards a sustainable society

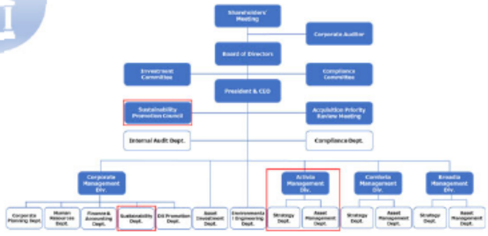
Related SDGs targets by 2030

12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature

16.7 Ensure responsive, inclusive, participatory and representative decision-making at all levels

Organization

✓ Established **Sustainability Department** in April 2021



Fee structure

✓ API became **the first J-REIT** to introduce a DPU-linked management fee structure

✓ Raised type II ratio effective from FP ended May 2020 to **strengthen** incentives to maximize unitholder value

AM Fee type I (asset based)	AM Fee type II (DPU / NOI based)
Total assets at end of the preceding FP × 0.25% (Upper Limit is 0.3%)	DPU × NOI × 0.00021% (Upper Limit is 0.00021%)

(Note) Ratio of the sum of the AM fee type I & type II to the total assets at end of each period cannot exceed 0.5%

Decision-making process

✓ **Property acquisition with related-parties** requires a resolution by the Compliance Committee including **outside experts** as members to avoid conflicts of interest, etc. This structure should protect interests of unitholders