Activia Properties Inc.

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FOR IMMEDIATE RELEASE

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Notice of Acquisition of Asset (OSAKI WIZTOWER)

Activia Properties Inc. (hereinafter referred to as the "Investment Corporation") announces that TLC Activia Investment Management Inc. (hereinafter referred to as the "Asset Manager"), to which Investment Corporation entrusts its asset management operations, decided at the Board of Directors Meeting today that it decided to acquire a property. Details are as follows:

1. Overview of the acquisition

(1) Property name:	OSAKI WIZTOWER
(2) Asset to be acquired:	The trust beneficiary interest in a property (sectional ownership interest (*kubun-shoyu ken*) for 4-11th floors of OSAKI WIZTOWER) as a trust asset (hereinafter referred to as the "property")
(3) Acquisition price:	¥10,690 million (excluding expenses for the acquisition and consumption taxes)
(4) Date of sales contract:	June 24, 2014 (plan)
(5) Date of acquisition:	June 24, 2014 (scheduled date of delivery and settlement)
(6) Seller of property:	Nippo Corporation
(7) Funds for acquisition:	Borrowed funds and the Investment Corporation's own funds (plan) (Note1)
(8) Settlement method:	Total amount to be paid at the time of delivery

(Note 1) For further information on the borrowed funds, please refer to the "Notice Concerning Borrowing of Funds" disclosed today.
(Note 2) In this notice, any fraction after the decimal point is rounded down, and percentage figures are rounded to the first decimal place.

2. Reasons of the acquisition

In accordance with the subjects and policies of asset management stipulated in its bylaws, the Investment Corporation will acquire the property categorized to "Tokyo Office Properties" for enrichment of the portfolio. Following this acquisition, the portfolio of the Investment Corporation will consist of 28 properties with an approximate total acquisition price of 241.7 billion yen. The acquisition of the property will reinforce the portfolio and stabilize profitability.

While the competition in the real estate transaction market is getting severe, the Investment Corporation received the information from the intermediary and Investment Corporation decided to acquire the property on a negotiation basis.

We have decided to acquire the property based on the following considerations:

(1) Location

OSAKI WIZTOWER is located along the railroad and a four-minute walk from “Osaki” Station with directly connected from the station by the pedestrian deck. “Osaki” Station has a high level of transport convenience with four lines, JR Yamanote Line, Saikyo Line, Shonan-Shinjuku Line, and Rinkai Line are crossing and connecting to not only the central Tokyo but also Saitama and Yokohama area, which is recognized as one of the terminal stations in Tokyo, the same as “Shinagawa” Station.

Osaki area is getting a high degree of recognition as the office area as high-quality and large-scaled buildings have been supplied since 2005, and further expansion as the new office area is expected by the reconstruction development around the station.

(2) Features of the property

The property is the part of OSAKI WIZCITY (hereinafter referred to as the “whole building”) which is complex facility consisted with offices, residences, retails, and other. The Investment Corporation has the sectional ownership interest of 4-11th floors of the office building named OSAKI WIZTOWER completed in 2014. It has 24 floors above and 2 floors underground using for the parking on B2nd-B1st floors, retails and the welfare institution on 1st-2nd floors, office entrance and retails on 3rd floor, and offices on 4-24th floors.

The property has the standard floor of 899m^2 (approx. 272 tsubo) which is efficient with a side core, astylar space and regular shape, and also has a comfortable space with the ceiling height of 2.8m, and free access floor of 100mm.

The building is appealing to companies by equipped with BCP (Business Continuity Planning) facilities such as emergency power supplies enabling consecutive 48-hour electric power generation, as well as the newest earthquake-resistant structure, high quality system of air conditioning and security system.

With these features, the building has a high competitiveness among the high-spec office buildings in Osaki area.

(3) Form of transaction

Eight floors of OSAKI WIZTOWER (4-11th floors of the office building) is currently vacant because the completion is January 2014. However, to secure the profit stability, we have taken “sale and lease back transaction structure”, that Nippo Corporation, the seller of the property, will also be the lessee of the property and Tokyu Land Corporation, the master lessee, plans to enter into two-year fixed term lease contract with Nippo Corporation. Under the contract, Tokyu Land Corporation and Nippo Corporation will agree “the minimum warranty rent” (please refer to “3. Overview of the property to be acquired, (1) Outline of the property, Remarks”).

In addition, we will aim to improve mid-term profit uplift by taking advantages of the property strong competitiveness and Tokyu Land Group leasing power, in which case Tokyu Land Corporation will be able to switch to new contract with the higher rents than minimum warranty rent.

With these factors, the acquisition of asset will strengthen our portfolio and maximize the unitholders’ value.

3. Overview of the property to be acquired

(1) Outline of the property

Property name		OSAKI WIZTOWER
Specified asset category		Trust beneficiary interest
Trustee		Sumitomo Mitsui Trust Bank, Limited
Trust establishment date		June 24, 2014
Trust maturity date		June 30, 2024
Transportation		4-minute walk from “Osaki” station on JR Yamamote Line, Saikyo Line, Shonan-Shinjuku Line, and Rinkai Line
Location (address)		11-1 Osaki 2-chome, Shinagawa-ku, Tokyo
Land	Location	888-1 Osaki 2-chome, Shinagawa-ku, Tokyo (Note 1)
	Building to land ratio	60.00% (Note 2)
	Plot ratio	650.00% (Note 2)
	Usage restrictions	Semi-industrial district, near commercial district
	Land area	7,171.46 m^2 (Note 1) (total)
	Ownership	Right of site (ownership ratio: 31,246,760/100,000,000) (Note 1)
Building	Completion date	January 10, 2014 (Note 1)
	Structure	Reinforced concrete, SRC/ 25 floors above and 2 floors underground (whole building) (Note 1)
	Registered usage	Office, residences, retail and other (whole building)
	Gross floor area	54,363.84 m^2 (whole building) (Note 1)
	Parking facilities	156 vehicles (whole building)
	Ownership	Sectional ownership interest (*kubun-shoyu ken*) (4-11th floors of the office building, total of 7,122 m^2) (Note 1)
Property management company		Tokyu Land Corporation (Note 3)
Master lessee		Tokyu Land Corporation (Note 3)
Acquisition price		¥10,690 million (sectional ownership area)
Appraisal value (Date of estimated value)		¥11,200 million (sectional ownership area) (March 31, 2014)
Appraisal agency		Daiwa Real Estate Appraisal Co., Ltd.
Earthquake PML		2.5% (the office building) (according to an earthquake PML report of Sompo Japan Nipponkoa Risk Management Inc.)
Hypothecation		None
Lease overview (Note 4)		(sectional ownership area)
	Total leasable area	7,193.28 m^2
	Occupancy rate	100.00%
	Number of tenants	1
	Annual rent	- (Note 5)
	Expected NOI	- (Note 5)
	Total of deposit	- (Note 5)
Remarks		Tokyu Land Corporation and the seller agree that; (1) in case Tokyu Land Corporation newly contracted lease agreement with the new tenant directly, the fixed term lease contract in proportion to the relevant area would be cancelled, and (2) in case of (1), the seller guarantees the minimum warranty rent to Tokyu Land Corporation.

(Note 1) The data are based on the registry.
(Note 2) The data are calculated under relevant laws, including the Building Standards Act (Law No. 201 of 1950, including subsequent revisions) and the City Planning Act (Law No. 100 of 1968, including subsequent revisions).
(Note 3) Tokyu Land Corporation is an interested party with respect to the Asset Manager under the Asset

Manager's regulations for transactions with interested parties. Thus, under the regulations for transactions with interested parties, the board of directors of the Asset Manager resolved to outsource master lessee and property management to Tokyu Land Corporation following the deliberation and resolution at the compliance committee and the investment committee, and reported the resolution to the Board of Directors of the Investment Corporation. (Note 4) The figures are estimates as of the scheduled date of acquisition (June 24, 2014). (Note 5) Not disclosed because the seller and tenant approval was not obtained.

(2) Profile of the seller

Name	Nippo Corporation
Address	19-11 Kyobashi 1-chome, Chuo-ku, Tokyo
Management	Kazunori Mizushima, President, Representative Director
Business description	Construction, Manufacturing of asphalt composite, disposal of sales, Development, and other
Amount of Capital	¥15,324 million (as of March 31, 2014)
Establishment	February 2, 1934
Net assets	¥223,010 million (as of March 31, 2014)
Total assets	¥440,464 million (as of March 31, 2014)
Relationships with the Investment Corporation and the Asset Manager	
Capital relationship	Nippo Corporation has no capital relationship to be reported with the Investment Corporation, the Asset Manager, any person involved in the Investment Corporation and/or the Asset Manager or any of their affiliated companies.
Personnel relationship	Nippo Corporation has no personnel relationship to be reported with the Investment Corporation, the Asset Manager, any person involved in the Investment Corporation and/or the Asset Manager or any of their affiliated companies.
Business relationship	Nippo Corporation has no business relationship to be reported with the Investment Corporation, the Asset Manager, any person involved in the Investment Corporation and/or the Asset Manager or any of their affiliated companies.
Related party	Nippo Corporation is not a related party of the Investment Corporation or the Asset Manager. None of the personnel or affiliated companies are related parties of the Investment Corporation or the Asset Manager.

4. Condition of the seller

Omitted, because the acquisition of the property is not an acquisition from a party having a special interest in the Investment Corporation or the Asset Manager.

5. Outline of intermediary

(1) Profile of the intermediary

Name	Sumitomo Mitsui Trust Bank, Limited
Address	4-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo
Management	Hitoshi Tsunekage, Chairman
Amount of Capital	¥342,037 million (as of March 31, 2014)
Main shareholder	Sumitomo Mitsui Trust Holdings, Inc.
Business description	Trust bank business
Relationships with the Investment Corporation and the Asset Manager	

	Capital relationship	Sumitomo Mitsui Trust Bank, Limited has no capital relationship to be reported with the Investment Corporation, the Asset Manager, any person involved in the Investment Corporation and/or the Asset Manager or any of their affiliated companies.
	Personnel relationship	Sumitomo Mitsui Trust Bank, Limited has no personnel relationship to be reported with the Investment Corporation, the Asset Manager, any person involved in the Investment Corporation and/or the Asset Manager or any of their affiliated companies.
	Business relationship	Sumitomo Mitsui Trust Bank, Limited is one of the lenders and also the general administrator, custodian, transfer agent, and trustee for some of our properties.
	Related party	Sumitomo Mitsui Trust Bank, Limited is not a related party of the Investment Corporation or the Asset Manager. None of the personnel or affiliated companies are related parties of the Investment Corporation or the Asset Manager.

(2) Breakdown and amount of intermediary fees

The breakdown and the amount of intermediary fees are not disclosed, as the intermediary has not granted approval for disclosure.

6. Schedule

Determination of acquisition	June 19, 2014
Execution of acquisition contract	June 24, 2014 (plan)
Payment date	June 24, 2014 (plan)
Acquisition of the property	June 24, 2014 (plan)

7. Outlook

There is no effect on the management performance of the Investment Corporation for the fiscal period ending May 2014 (The 5th fiscal period, from December 1, 2013 to May 31, 2014) by the acquisition of the property. As to the management performance of the Investment Corporation for the fiscal period ending November 2014 (The 6th fiscal period, from June 1, 2014 to November 30, 2014), the impact is not significant. We will announce the forecast of the 6th fiscal period on July 11, 2014, the results announcement date for the period ending May 2014 (the 5th period).

<Exhibits>

Exhibit 1 Outline of Appraisal Report
Exhibit 2 Outline of Engineering Report
Exhibit 3 Photo of the Exterior, Map of the Area
Exhibit 4 Portfolio after the Acquisition of the Property

*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 the Investment Corporation: http://www.activia-reit.co.jp/english

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Exhibit 1 Outline of Appraisal Report (Note 1)

Property name	OSAKI WIZTOWER
Appraisal value	¥11,200 million
Appraisal agency	Daiwa Real Estate Appraisal Co., Ltd.
Date of value estimate	March 31, 2014

Capitalization			
	Value by direct capitalization method (million yen)		11,400
		NOI (million yen) (Note 2)	489
		Capitalization rate (%)	4.3
	Value by the DCF method (million yen)		11,100
		Discount rate (%)	3.8
		Terminal capitalization rate (%)	4.2
Multiplication value by cost accounting method (million yen)			12,200
Land ratio (%)			67.2
Building ratio (%)			32.8

(Note 1) Figures are based on the sectional ownership area (4-11th floors of the office building).
(Note 2) NOI is net operating income, that is, operating revenue less operating expense stated on the appraisal report, and income before depreciation is deducted. NOI is different from NCF (Net Cash Flow), which is NOI plus revenue from management, including a security deposit, less capital expenditure. The NOI above is NOI calculated through the direct capitalization method.

Exhibit 2 Outline of Engineering Report (Note 1)

Appraisal company	Tokio Marine & Nichido Risk Consulting Co., Ltd.
Date of value estimate	March 12, 2014
Short-term renovation expense (Note 1) (Note 2)	¥0 thousand
Long-term renovation expense (Note 1) (Note 3)	¥260,747 thousand

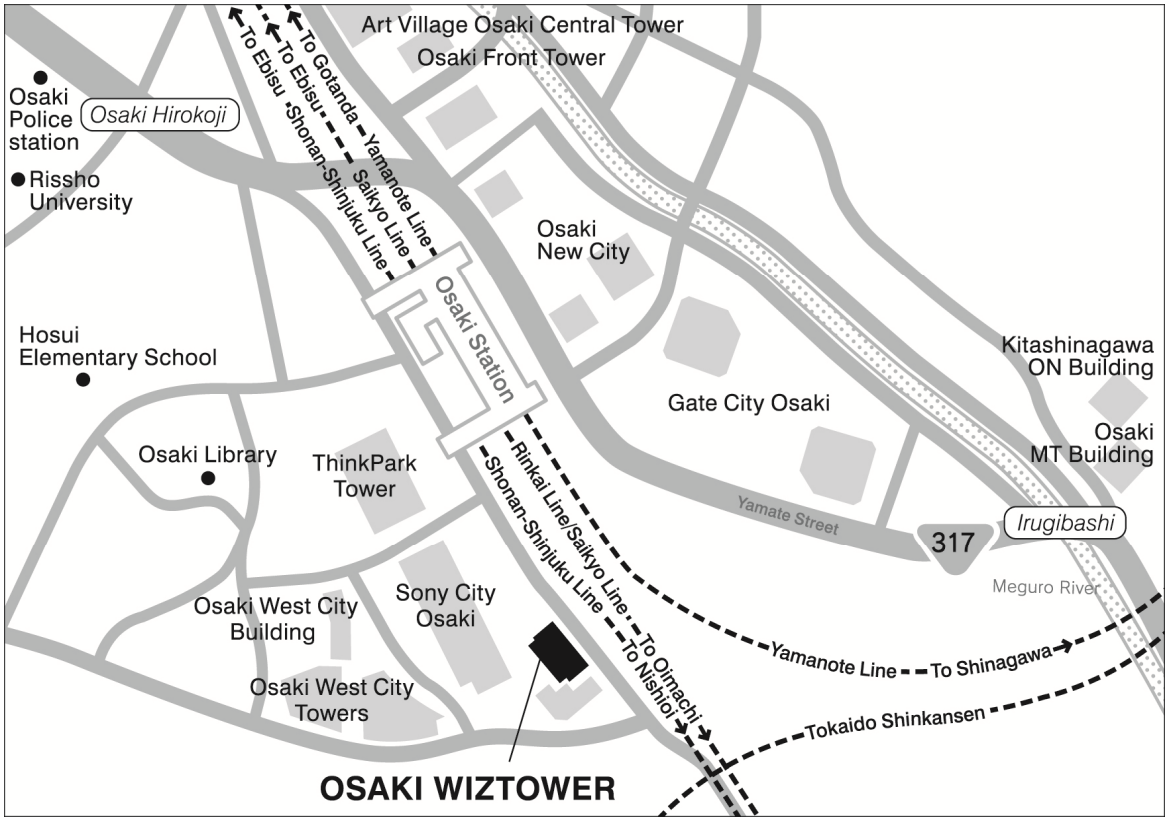
(Note 1) Based on the office building.
(Note 2) The short-term renovation expense and long-term renovation expense are based on the engineering report.
(Note 3) The short-term renovation expense is the total expense for renovations needed within one year of the date of the engineering report.
(Note 4) The long-term renovation expense is the total expense for renovations needed within 12 years of the date of the engineering report.

Exhibit 3 Photo of the Exterior, Map of the Area









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Exhibit 4 Portfolio after the Acquisition of the Property

Category	Property No. (Note1)	Property name	Location	Acquisition date	Acquisition price (Millions of yen)	Investment ratio (Note2)
Urban Retail Properitwes	UR-1	Tokyu Plaza Omotesando Harajuku	Shibuya, Tokyo	June 13, 2012	45,000 (Note 3)	18.6%
	UR-2	Tokyu Plaza Akasaka	Chiyoda, Tokyo	June 13, 2012	11,450 (Note 3)	4.7%
	UR-3	Ebisu Q Plaza	Shibuya, Tokyo	June 13, 2012	8,430	3.5%
	UR-4	Shinbashi Place	Minato, Tokyo	June 13, 2012	20,500	8.5%
	UR-5	Kyoto Karasuma Parking Building	Kyoto, Kyoto	June 13, 2012	8,860	3.7%
	UR-6	Hitotsugi LIP	Minato, Tokyo	August 30, 2013	3,000	1.2%
	UR-7	Kobe Kyu Kyoryuchi 25Bankan	Kobe, Hyogo	December 19, 2013	21,330	8.8%
	UR-8	Tokyu Plaza Sapporo	Sapporo, Hokkaido	December 19, 2013	4,410	1.8%
	UR-9	Kamata Kosan Building	Shibuya, Tokyo	December 19, 2013	6,370	2.6%
	Subtotal				129,350	53.5%
Tokyo Office Properties	TO-1	TLC Ebisu Building	Shibuya, Tokyo	June 13, 2012	7,400	3.1%
	TO-2	A-PLACE Ebisu Minami	Shibuya, Tokyo	June 13, 2012	9,640	4.0%
	TO-3	Yoyogi Place	Shibuya, Tokyo	June 13, 2012	4,070	1.7%
	TO-4	Aoyama Plaza Building	Minato, Tokyo	June 13, 2012	8,790	3.6%
	TO-5	Luogo Shiodome	Minato, Tokyo	June 13, 2012	4,540	1.9%
	TO-6	Tokyo Kikai Honsha Building (Land)	Minato, Tokyo	June 13, 2012	2,338 (Note 4)	1.0%
	TO-7	A-PLACE Ikebukuro	Toshima, Tokyo	June 13, 2012	3,990	1.7%
	TO-8	TK Shinbashi Building	Minato, Tokyo	April 19, 2013	5,650	2.3%
	TO-9	Gotanda Front	Shinagawa, Tokyo	January 10, 2014	5,730	2.4%
	TO-10	Shinagawa Place	Minato, Tokyo	January 10, 2014	3,800	1.6%
	TO-11	OSAKI WIZTOWER	Shinagawa, Tokyo	June 24, 2014	10,690	4.4%
	Subtotal				66,638	27.6%
Subtotal of UR and TO					195,988	81.1%
Other Properties	O-1	Amagasaki Q's MALL (Land)	Amagasaki, Hyogo	June 13, 2012	12,000	5.0%
	O-2	icot Nakamozu	Sakai, Osaka	June 13, 2012	8,500	3.5%
	O-3	icot Kongo	Osakasayama, Osaka	June 13, 2012	1,600	0.7%
	O-4	icot Mizonokuchi	Kawasaki, Kanagawa	June 13, 2012	2,710	1.1%
	O-5	icot Tama Center	Tama, Tokyo	June 13, 2012	2,840	1.2%
	O-6	Kanayama Center Place	Nagoya, Aichi	June 13, 2012	6,980	2.9%
	O-7	Osaka Nakanoshima Building	Osaka, Osaka	January 25, 2013	5,250 (Note 3)	2.2%
	O-8	J-CORE Omori	Ota, Tokyo	December 19, 2013	5,790	2.4%
	Subtotal				45,670	18.9%
Total					241,653	100.0%

(Note 1) "Property No." is numbered by categorizing properties of the Investment Corporation into UR (Urban Retail Properties), TO (Tokyo Office Properties) and O (Other Properties).

(Note 2) "Investment ratio" is ratio of acquisition price for each property to total acquisition price rounded to first decimal place.

(Note 3) Acquisition prices of "Tokyu Plaza Omotesando Harajuku", "Tokyu Plaza Akasaka", and "Osaka Nakanoshima Building" are described based on the pro rata share (75%, 50% and 50% respectively).

(Note 4) Acquisition price of "Tokyo Kikai Honsha Building (Land)" is based on the acquisition price of the land as of acquisition date (June 13, 2012), deducting the acquisition price of the building of ¥732 million from the total acquisition price of the property.