Activia Properties Inc.

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FOR IMMEDIATE RELEASE

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Notice of Acquisition of Asset (A-PLACE Shinagawa Higashi)

Activia Properties Inc. ("API") announces that TLC Activia Investment Management Inc. ("TAIM"), to which API entrusts its asset management operations, decided to acquire a property (the "property") today.

In accordance with the regulations concerning transactions with related parties in the internal regulations of TAIM, TAIM has obtained API's approval for the above transactions at the API's board of directors meeting. Details are as follows:

1. Overview of the acquisition

(1) Property name	:	A-PLACE Shinagawa Higashi (Note 1)
(2) Asset to be acquired	:	The trust beneficiary interest in a property (A-PLACE Shinagawa Higashi) as a trust asset (the "property")
(3) Acquisition price	:	¥18,800 million (excluding expenses for the acquisition, consumption tax, etc.)
(4) Date of sales contract	:	March 10, 2017 (plan)
(5) Date of acquisition	:	March 16, 2017 (plan)
(6) Seller of property	:	PROTOS Limited Liability Company
(7) Funds for acquisition	:	Borrowings and API's own funds (plan) (Note 2)
(8) Settlement method	:	Total amount to be paid at the time of delivery

(Note 1) The current name of the property is "DBC Shinagawa Tokyu Building". "A-PLACE Shinagawa Higashi" is the administrative name which API will use after the acquisition.

(Note 2) For details of the borrowings, please refer to the "Notice Concerning Borrowing of Funds" announced as of today.

2. Reasons of the acquisition

In accordance with the subjects and policies of asset management stipulated in its bylaws, API will acquire the property, which is categorized as its focused investment target "Tokyo Office Properties", to enrich and reinforce its portfolio and to stabilize profitability.

Through this acquisition, API will expand the total number of properties into 39 with an approximate total acquisition price of ¥407.9 billion, and the relative portion of Urban Retail and Tokyo Office Properties, in which API focuses on investigating, will be 81.0% in the portfolio.

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

(1) Location

A-PLACE Shinagawa Higashi is a Tokyo Office Property located in a 7-minute walk from Shinagawa station on the JR lines (Yamanote Line, Tokaido Main Line, etc.), the Tokaido Shinkansen (Bullet Train) and the Keikyu Line. Given the accessibility to the Tokaidio Shinkansen (Bullet Train), along with several JR Lines, and direct access to Haneda Airport via the Keikyu Line, the building offers excellent traffic links.

Furthermore, the Shinagawa Station Konan Exit area is an area with a favorable image as office locations, where business concentration has surged driven by redevelopment projects in recent years and accumulation of leading and large companies are also growing in the surrounding areas.

In the future, the area is expected to further develop with the prospective opening of the Linear Shinkansen (Bullet Train), making it appealing location for branch office functions of large companies with headquarters nearby, as well as head office functions of corporations with operations all over Japan.

(2) Features of the property

A-PLACE Shinagawa Higashi is a highly visible office building consisting of a main building and an annex, with a frontage of approximately 72 m. The property has a stately façade designed with connection between the main building and the annex, added during renewal works conducted in 2014. Furthermore, wall greening has been installed on the lower floors of the main building, with furniture available for public use in the courtyard of the main building and the annex. The building is evaluated as a high-grade office building, given its spacious entrance as well as excellent quality and natural lighting.

The property has a standard floor area of approximately 687 tsubo, which is divided by using a center core design into rectangular floor areas of the main building and the annex. The main building has approximately 450 tsubo floor area and ceiling height of 2,550mm on standard floors, allowing for efficient and versatile use of the floors. The annex features include floor areas of approximately 238 tsubo on standard floors, ceiling height of 2,800mm, and windows on three sides of the building, offering wide-open office spaces.

In addition, a renovation of the property, including installation of individual air conditioning units and renewal of elevators, was completed in 2016 and 2017, and the building continues to be equipped with excellent facilities.

3. Overview of the property to be acquired

(1) Outline of the property

Property name		A-PLACE Shinagawa Higashi
Specified asset category		Trust beneficiary interest
Trustee		Sumitomo Mitsui Trust Bank, Limited
Trust establishment date		March 4, 2003
Trust maturity date		March 31, 2027
Transportation		7-minute walk from Shinagawa station on the JR Yamanote Line, Tokaido Shinkansen, Todaido Line, Keihin-Tohoku Line and Yokosuka Line, and the Keikyu Line
Location (address)		7-18, Konan 1-chome, Minato-ku, Tokyo
Land	Location	6-16, Konan 1-chome, Minato-ku, Tokyo and others (Note 1)
	Building to land ratio	100.00% (Note 2)
	Plot ratio	600.00%
	Usage restrictions	Commercial district
	Land area	3,337.77 m^2 (Note 1)
	Ownership	Ownership (Note 1)
Building	Completion date	August 31, 1985 (the main building), September 13, 1999 (the annex) (Note 1)
	Structure	SRC / 8 floors above and 1 floor underground (Note 1)
	Registered usage	Office and Retail (Note 1)
	Gross floor area	21,114.32 m^2 (Note 1)
	Parking facilities	50 vehicles
	Ownership	Ownership (Note 1)

Property management company		Tokyu Community Corp. (plan) (Note 3)
Master lessee		Tokyu Community Corp. (plan) (Note 3)
Acquisition price		¥18,800 million
Appraisal value (Date of value estimate)		¥19,000 million (February 1, 2017)
Appraisal agency		Morii Appraisal & Investment Consulting, Inc.
Earthquake PML		4.3% (According to an earthquake PML report of Sompo Risk Management & Health Care Inc.)
Hypothecation		None
Lease overview (Note 4)		
	Total leasable area	14,658.98 m^2
	Total leased area	14,658.98 m^2
	Occupancy rate	100.0%
	Number of tenants	9
	Annual rent	¥884 million
	Expected NOI	¥814 million
	Total of deposit	¥789 million
Remarks		Not applicable

(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 districts.
(Note 3) Tokyu Community Corp., to which API outsources master lessee and property management, is a related party of TAIM under "Rules Regarding Related-party Transactions", the internal rules of TAIM. Therefore, in accordance with the Rules Regarding Related-party Transactions, TAIM has obtained resolution at the compliance committee and the investment committee, following deliberation of each committee.
(Note 4) The figures are estimates at the scheduled date of acquisition (March 16, 2017) as of March 10, 2017.

4. Profile of the seller

Name		PROTOS Limited Liability Company
Address		Nihonbashi 1-chome Building, 4-1, Nihonbashi 1-chome, Chuo-ku, Tokyo
Management		Akira Sugai
Amount of capital		¥1 million
Establishment		March 19, 2010
Net assets		- (Note)
Total assets		- (Note)
Major shareholder		- (Note)
Business description		1. Acquisition, possession and disposal of real estate trust beneficiary interest 2. Acquisition, possession, disposal, leasing and management of real estate 3. Any other related businesses to each item listed above
Relationships with API and TAIM		
	Capital relationship	PROTOS Limited Liability Company is a SPC, in which Tokyu Land Corporation, the parent company of TAIM, holds anonymous association (tokumei kumiai) interests.
	Personnel relationship	None
	Business relationship	None
	Related party status	PROTOS Limited Liability Company is not a related party of API, but is a related party of TAIM under TAIM's internal policies. Also, PROTOS Limited Liability Company is a related party defined under the Act on Investment Corporation of Japan ("ITA").

(Note) Not disclosed because the seller approval was not obtained.

5. Status of the sellers

Acquisition of properties from related parties, including special purpose companies (subsidiary companies) managed by related parties are described below. The following table indicates (1) company name, (2) relationship with the specially related parties, and (3) transaction history, reasons for acquisition.

Property name (Location)	Previous owner/ Trust beneficiary	Second Previous owner/ Trust beneficiary	Third Previous owner/ Trust beneficiary
	(1), (2), (3) Acquisition (transfer) price Timing of acquisition (transfer)	(1), (2), (3) Acquisition (transfer) price Timing of acquisition (transfer)	(1), (2), (3) Acquisition (transfer) price Timing of acquisition (transfer)
(TO-16) A-PLACE Shinagawa Higashi (7-18, Konan 1-chome, Minato-ku, Tokyo)	(1) PROTOS Limited Liability Company (2) PROTOS Limited Liability Compassy is a SPC owned by Tokyu Land Corporation, the parent company of TAIM, and for which TLC Capital Management Inc., a related party of TAIM, provides asset management services (3) Acquired for the purpose of investment	(1) HIGH・SPEC.Y.K (2) HIGH・SPEC.Y.K is a SPC owned by Tokyu Land Corporation, the parent company of TAIM and provides asset management services (3) Acquired for the purpose of investment	Persons other than specially related parties
	Omitted as the holding period was longer than one year	Omitted as the holding period was longer than one year	-
	March 2011	March 2003	-

6. Outline of intermediary

Not applicable

7. Schedule

Determination of acquisition	March 10, 2017
Conclusion of acquisition contract	March 10, 2017 (plan)
Payment date	March 16, 2017 (plan)
Acquisition date	March 16, 2017 (plan)

8. Transaction with related parties

(1) Acquisition of asset

The previous owner and trust beneficiary of the assets to be acquired is a subsidiary or similarly related party of Tokyu Land Corporation, the parent company of TAIM. Such party is a related party as provided for in Article 201 of ITA and Article 123 of the Enforcement Ordinance of ITA, and the seller is a related party as provided for in the regulations concerning transactions with related parties in the internal regulations of TAIM. Therefore, TAIM carried out the appropriate procedures as provided for in the regulations concerning transactions with related parties in connection with the property acquisition from the party, including obtaining API's approval for the above transaction at API's board of directors meeting.

(2) Conclusion of lease agreement and property management agreement

For the property to be acquired, API will enter into Lease Agreement and Property Management Agreement with the trustee and Tokyu Community Corp.

Tokyu Community Corp. is a wholly-owned subsidiary of Tokyu Fudosan Holdings Corporation, which is the parent company of Tokyu Land Corporation, the parent company of TAIM. The entity falls into interested party as defined by Article 201 of ITA and Article 123 of Order for Enforcement of ITA as well as "Rules Regarding Related-party Transactions", the internal rules of TAIM. Therefore, TAIM has completed procedures based on "Rules Regarding Related-party Transactions" for outsourcing the property management and master lease services to the parties.

< Overview of the outsourcing contractor >

Name		Tokyu Community Corp.
Address		10-1, Yoga 4-chome, Setagaya-ku, Tokyo
Management		President, Saiga Katsuhide
Amount of capital		¥ 1,653 million
Established		April 8, 1970
Business description		1. Condominium life support 2. Building management 3. Reform business 4. Environmental service and services to assist elderly
Relationships with API and TAIM		
	Capital relationship	Tokyu Community Corp. has no capital relationship to be reported with API or TAIM. Any person or affiliated company involved in Tokyu Community Corp. has no capital relationship to be reported with any person or affiliated company involved in API or TAIM.
	Personnel relationship	Certain personnels have been seconded to TAIM from Tokyu Community Corp.
	Business relationship	The trustee has contracted the building maintenance agreements and the lease agreements and/or the property management agreements with Tokyu Community Corp. for some properties with the trust beneficiary interests held by API.
	Related party status	Tokyu Community Corp. is not a related party of API, but is a related party of TAIM under TAIM's internal policies. Also, Tokyu Community Corp. is a related party defined under ITA.

9. Outlook

The impact of the acquisition of the property on the management performance of API for the fiscal period ending May 31, 2017 (The 11th fiscal period, from December 1, 2016 to May 31, 2017) and the fiscal period ending November 30, 2017 (The 12th fiscal period, from June 1, 2017 to November 30, 2017) is minimal and no revision of the management performance and the forecast of DPU for the above periods is made.

10. Outline of an Appraisal Report

Property name	A-PLACE Shinagawa Higashi
Appraisal value	¥19,000 million
Appraisal agency	Morii Appraisal & Investment Consulting, Inc.
Date of value estimate	February 1, 2017

	Amount (million yen)	Remarks
Capitalization	19,000	Estimated by the DCF method and the direct capitalization method.
Value by the direct capitalization method	19,400	
Operating revenue	1,064	
Potential gross income	1,109	Estimated based on receivable rent, etc. for mid-to-long term.
Loss (e.g. vacancy)	45	Estimated based on operational level for mid-to-long term.
Operating expense	269	
Maintenance expenses	97 (Note)	Assessed based on estimates.
Property management fee		
Utility expenses	71	Estimated based on the past records.
Repair expenses	11	Estimated based on the annual average of repair expenses on the Engineering Report (ER).
Leasing expenses	10	Recorded the amount equivalent to one month rent revenue.
Taxes and public dues	80	Estimated based on the past records.
Insurance	1	Estimated with replacement cost of building.
Other expenses	0	Estimated based on the past records.
NOI (Net Operating Income)	795	
Investment income from temporary deposits	9	Estimated with investment yield as 1%.
Capital expenditure	26	Estimated based on the annual average of capital expenditure on the Engineering Report (ER).
NCF (Net Cash Flow)	777	
Capitalization rate	4.0%	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	18,500	
Discount rate	3.8%	Estimated with reference to a comparison with transaction cases of similar real estates, yield/ interest (rate) of financial asset, and the result of investor's analysis.
Terminal capitalization rate	4.2%	Estimated with reference to capitalization rate with uncertainty of the future, deterioration of the building.
Value by the cost method	21,900	
Land ratio	92.1%	
Building ratio	7.9%	
Other facts which the appraisal agency have taken into account for the appraisal report		Nothing in particular

(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.

<Exhibits>

Exhibit 1 Outline of Building Condition Assessment Report
Exhibit 2 Photographs of the Exterior, A Map of the Area
Exhibit 3 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 API: http://www.activia-reit.co.jp/english

Exhibit 1 Outline of a Building Condition Assessment Report

Assessment company	HI International Consultant Co., LTD
Date of estimate	December 7, 2016
Short-term renovation expense (thousand yen) (Note 1) (Note 2)	¥12,910 thousand
Long-term renovation expense (thousand yen) (Note 1) (Note 3)	¥427,020 thousand

(Note 1) The short-term renovation expense and long-term renovation expense are based on the building condition assessment report.

(Note 2) The short-term renovation expense is the total expense for renovations needed within 1 year of the date of the building condition assessment report.

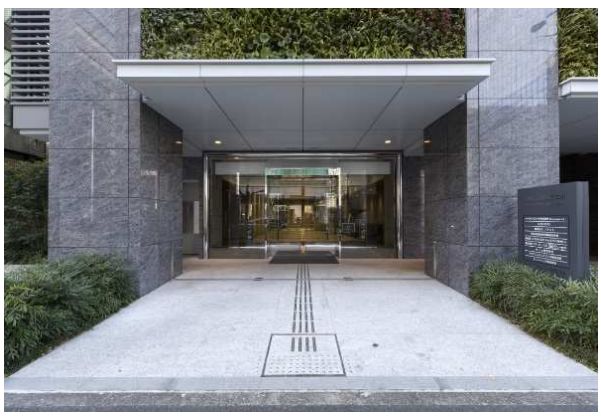
(Note 3) The long-term renovation expense is the total expense for renovations needed within 12 years of the date of the building condition assessment report.

Exhibit 2 Photographs of the Building Exterior, A Map of the Area











Activia Properties Inc.

Exhibit 3 Portfolio after the Acquisition of the Property

Category	Property No.	Property name	Location	(Anticipated) Acquisition date	(Anticipated) 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)	11.0
	UR-2	Tokyu Plaza Akasaka	Chiyoda, Tokyo	June 13, 2012	11,450 (Note 2)	2.8
	UR-3	Q plaza EBISU	Shibuya, Tokyo	June 13, 2012	8,430	2.1
	UR-4	Shinbashi Place	Minato, Tokyo	June 13, 2012	20,500	5.0
	UR-5	Kyoto Karasuma Parking Building	Kyoto, Kyoto	June 13, 2012	8,860	2.2
	UR-6	A-FLAG AKASAKA	Minato, Tokyo	August 30, 2013	3,000	0.7
	UR-7	Kobe Kyu Kyoryuchi 25Bankan	Kobe, Hyogo	December 19, 2013	21,330	5.2
	UR-8	A-FLAG SAPPORO	Sapporo, Hokkaido	December 19, 2013	4,410	1.1
	UR-9	A-FLAG SHIBUYA	Shibuya, Tokyo	December 19, 2013	6,370	1.6
	UR-10	Q plaza SHINSAIBASHI	Osaka, Osaka	December 16, 2015	13,350	3.3
	UR-11	A-FLAG KOTTO DORI	Minato, Tokyo	December 20, 2016	4,370	1.1
	UR-12	A-FLAG BIJUTSUKAN DORI	Minato, Tokyo	December 2, 2016	4,700	1.2
	UR-13	A-FLAG DAIKANYAMA WEST	Shibuya, Tokyo	January 6, 2017	2,280	0.6
	Subtotal				**154,050**	**37.8**
Tokyo Office Properties	TO-1	TLC Ebisu Building	Shibuya, Tokyo	June 13, 2012	7,400	1.8
	TO-2	A-PLACE Ebisu Minami	Shibuya, Tokyo	June 13, 2012	9,640	2.4
	TO-3	A-PLACE Yoyogi	Shibuya, Tokyo	June 13, 2012	4,070	1.0
	TO-4	A-PLACE Aoyama	Minato, Tokyo	June 13, 2012	8,790	2.2
	TO-5	Luogo Shiodome	Minato, Tokyo	June 13, 2012	4,540	1.1
	TO-6	TAMACHI SQUARE (Land)	Minato, Tokyo	June 13, 2012	2,338 (Note 3)	0.6
	TO-7	A-PLACE Ikebukuro	Toshima, Tokyo	June 13, 2012	3,990	1.0
	TO-8	A-PLACE Shinbashi	Minato, Tokyo	April 19, 2013	5,650	1.4
	TO-9	A-PLACE Gotanda	Shinagawa, Tokyo	January 10, 2014	5,730	1.4
	TO-10	A-PLACE Shinagawa	Minato, Tokyo	January 10, 2014	3,800	0.9
	TO-11	OSAKI WIZTOWER	Shinagawa, Tokyo	June 24, 2014	10,690	2.6
	TO-12	Shiodome Building (Note 4)	Minato, Tokyo	January 9, 2015 December 16, 2015 December 2, 2016	30,300 20,400 20,900 Total 71,600	17.6
	TO-13	A-PLACE Ebisu Higashi	Shibuya, Tokyo	July 29, 2015	7,072	1.7
	TO-14	A-PLACE Shibuya Konnoh	Shibuya, Tokyo	October 1, 2015	4,810	1.2
	TO-15	A-PLACE Gotanda Ekimae	Shinagawa, Tokyo	July 1, 2016	7,280	1.8
	TO-16	A-PLACE Shinagawa Higashi	Minato, Tokyo	March 16, 2017 (plan)	18,800	4.6
	Subtotal				**176,200**	**43.2**
Subtotal of UR and TO					330,250	81.0
Activia Account Properties (Note 6)	AA-1	Amagasaki Q's MALL (Land)	Amagasaki, Hyogo	June 13, 2012	12,000	2.9
	AA-2	icot Nakamozu	Sakai, Osaka	June 13, 2012	8,500	2.1
	AA-4	icot Mizonokuchi	Kawasaki, Kanagawa	June 13, 2012	2,710	0.7
	AA-5	icot Tama Center	Tama, Tokyo	June 13, 2012	2,840	0.7
	AA-6	A-PLACE Kanayama	Nagoya, Aichi	June 13, 2012	6,980	1.7
	AA-7	Osaka Nakanoshima Building (Note 5)	Osaka, Osaka	December 19, 2014	11,100	2.7
	AA-8	icot Omori	Ota, Tokyo	December 19, 2013	5,790	1.4
	AA-9	Market Square Sagamihara	Sagamihara, Kanagawa	January 9, 2015	4,820	1.2
	AA-10	Umeda Gate Tower	Osaka, Osaka	September 21, 2016	19,000	4.7
	AA-11	A-PLACE Bashamichi	Yokohama, Kanagawa	October 6, 2016	3,930	1.0
	Subtotal				**77,670**	**19.0**
Total					**407,920**	**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” and “Tokyu Plaza Akasaka” are described based on the pro rata share (75% and 50%, 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), deducting the acquisition price of the building of ¥732 million from the total acquisition price of the property.
(Note 4) The first, the second, and the third row relate to the assets API acquired on January 9, 2015, December 16, 2015 and December 2, 2016, respectively. The fourth row indicates the total acquisition price and the investment ratio is based on such 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 a total amount of the first and the second acquisition price.
(Note 6) TAIM renamed “Other Properties” (O), one of its investment targets, to “Activia Account Properties” (AA) as of January 17, 2017.