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FOR IMMEDIATE RELEASE

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### Notice of Acquisition of Asset (A-FLAG KOTTO DORI)

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. Details are as follows:

#### 1. Overview of the acquisition

- (1) Property name : A-FLAG KOTTO DORI (Note 1)
- (2) Asset to be acquired : The trust beneficiary interest in a property (A-FLAG KOTTO DORI) as a trust asset (the “property”)
- (3) Acquisition price : ¥4,370 million  
(excluding expenses for the acquisition and consumption tax, etc.)
- (4) Date of sales contract : October 5, 2016
- (5) Date of acquisition : December 20, 2016 (plan)
- (6) Seller of property : Not disclosed because the seller approval was not obtained.
- (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 “Minami-Aoyama Hashimoto Building”. “A-FLAG KOTTO DORI” is the administrative name which API will use after the acquisition.

(Note 2) Further information on borrowings will be announced upon the determination.

#### 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 “Urban Retail Properties”, to enrich and reinforce its portfolio and to stabilize profitability.

Through this acquisition, API will expand the total number of properties into 36 with an approximate total acquisition price of 361.2 billion yen, and the relative portion of Urban Retail and Tokyo Office Properties, in which API focuses on investigating, will be 78.5% in the portfolio.

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

### (1) Location

A-FLAG KOTTO DORI, an Urban Retail Property located along Kotto Street, is a 4-minute walk from Omotesando station on the Tokyo Metro Ginza, Hanzomon and Chiyoda Line. Harajuku, Omotesando and Aoyama area is one of the more prominent commercial districts, centered around Omotesando with a concentration of brand name boutiques. Given that this is an extremely busy traffic, retail stores expecting a brand effect from the location open their first or flagship store here. Within this area, particularly on Kotto Street which is in close proximity to Omotesando, a large number of high-fashion apparels and variety shops open up stores, and there is a concentration of a wide variety of businesses such as beauty salons, restaurants and showrooms.

Furthermore, we are seeing tight demand-supply situation, with the office vacancy rate at 1% level in Aoyama area. The area experiences high demand especially from businesses including IT companies, and apparel associated companies that favor the above locational benefit which gives a positive image to their business.

In addition, the property is located in the Greater Shibuya Area, where Tokyu Fudosan Holdings Group has strong exposure, so API expects a synergy effect on seeking tenants and other leasing businesses.

### (2) Features of the property

A-FLAG KOTTO DORI is a highly visible building, facing the corner of Kotto Street with a concentration of various businesses. The building has a granite facade with high-grade and high-quality design features. The front entrance faces Kotto Street, providing ample space.

The property has versatile commercial uses, ranging from small-scale units of approximately 6 tsubo to large-scale units of approximately 130 tsubo, allowing it to address diversified needs of opening stores from a wide range of businesses. In addition, given that it equips high-specification facilities such as individual air conditioning in some office spaces to meet the latest needs from tenants, it is highly competitive in Aoyama area where properties 30 years old or more account for approximately 40% of properties available.

## 3. Overview of the property to be acquired

### (1) Outline of the property

Property name		A-FLAG KOTTO DORI
Specified asset category		Trust beneficiary interest
Trustee		Sumitomo Mitsui Trust Bank, Limited.
Trust establishment date		December 20, 2016 (plan)
Trust maturity date		December 31, 2026 (plan)
Transportation		4-minute walk from Omotesando station on Tokyo Metro Ginza Line, Hanzomon Line and Chiyoda Line
Location (address)		4-40, Minami-Aoyama 5-chome, Minato-ku, Tokyo
Land	Location	455, Minami-Aoyama 5-chome, Minato-ku, Tokyo and others (Note 1)
	Building to land ratio	92.80% (Note 2)
	Plot ratio	492.80% (Note 2)
	Usage restrictions	Commercial district, Category 2 medium-to-high-rise-exclusive residential district
	Land area	776.78 m <sup>2</sup> (Note 1)
	Ownership	Ownership (Note 1)
Building	Completion date	January 22, 1992 (Note 1)
	Structure	Reinforced concrete / 5 floors above and 2 floors underground (Note 1)
	Registered usage	Retail, Office, Parking
	Gross floor area	3,358.28 m <sup>2</sup> (Note 1)
	Parking facilities	4 vehicles
Ownership		Ownership (Note 1)
Property management company		None

Master lessee	None
Acquisition price	¥4,370 million
Appraisal value (Date of estimated value)	¥4,570 million (September 1, 2016)
Appraisal agency	Daiwa Real Estate Appraisal Co., Ltd.
Earthquake PML	6.4% (According to an earthquake PML report of Sompo Risk Management & Health Care Inc.)
Hypothecation	None
Lease overview (Note 3)	
Total leasable area	2,656.53m <sup>2</sup>
Total leased area	2656.53m <sup>2</sup>
Occupancy rate	100.0%
Number of tenants	7
Annual rent	¥194million
Expected NOI	¥184 million
Total of deposit	¥133 million
Remarks	Part of the property is situated within a city planning road. Business determination has not been made and project implementation period has not yet been determined, provided, however, in case that any business determination has been made, part of the building may be subject to demolition.
(Note 1) The datas are based on the registry. (Note 2) The property is located in two usage restriction areas and it is a figure which was calculated by dividing the sum of two areas proportionally between two site areas. The figure includes the margin since the property receives the margin due to the fire-resistant building on fire prevention districts. (Note 3) The figures of Lease overview are estimates at the scheduled date of acquisition (December 20, 2016) as of October 5, 2016	

## (2) Profile of the seller

The seller is a business operator based in Japan. The details are not disclosed as approval for disclosure from the seller is not obtained. The seller has no capital, personnel or business relationship to be reported with API, TAIM, any person involved in API and/or TAIM or any of their affiliated companies. None of the seller, the personnel or affiliated companies are related parties of API or TAIM.

## 4. Condition of the seller

Omitted, because the acquisition of the property is not an acquisition from a party having a special interest with API or TAIM.

## 5. Outline of intermediary

Not applicable

6. Items regarding forward commitment contracts, etc.

The acquisition comes under a “forward commitment, etc. by investment corporations (Note)” as provided in the “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.” by Financial Service Agency.

API plans to purchase the property using API’s own funds and borrowings. However, in the case that the forward commitment can not be carried out, we shall pay 20% of the anticipated acquisition price as a penalty for breach of sales contract.

(Note) Forward commitment, etc. refers to a postdated sales contract under which payment and delivery shall be made at least one month after the conclusion of the contract, or any other contract similar thereto.

7. Schedule

Determination of acquisition	October 5, 2016
Execution of acquisition contract	October 5, 2016 (plan)
Payment date	December 20, 2016 (plan)
Acquisition of the property	December 20, 2016

8. Outlook

The impact of the acquisition of the property on the management performance of API for the fiscal period ending November 30, 2016 (The 10th fiscal period, from June 1, 2016 to November 30, 2016) and the fiscal period ending May 31, 2017 (The 11th fiscal period, from December 1, 2016 to May 31, 2017) is minimal and no revision of the management performance and the forecast of DPU for the above periods is made.

## 9. Outline of Appraisal Report

Property name	A-FLAG KOTTO DORI
Appraisal value	¥4,570 million
Appraisal agency	Daiwa Real Estate Appraisal Co., Ltd.
Date of value estimate	September 1, 2016

	Amount (million yen)	Remarks
Capitalization	4,570	Estimated by the DCF method and the direct capitalization method.
Value by the direct capitalization method	4,740	
Operating revenue	248	
Potential gross income	262	Calculated with Assessment based on appropriate rent, etc. that are acknowledged as stable over the medium to long term.
Loss (e.g. vacancy)	14	Calculated with Assessment based on appropriate occupancy ratio that is acknowledged as stable over the medium to long term.
Operating expense	62	
Maintenance Expenses	16	Assessed based on estimates.
Property management fee	(Note)	
Utility expenses	14	Assessed based on the past records.
Repair expenses	3	Assessed based on the annual average of repair expenses on the engineering report.
Leasing expenses	2	Assessed based on the past records.
Taxes and public dues	25	Assessed based on the past records.
Insurance	0	Assessed taking into account the replacement value of the building.
Other expenses	3	Assessed based on the past records.
NOI (Net Operating Income)	186	
Investment income from temporary deposits	3	Assessed with investment yield at 2%.
Capital expenditure	9	Assessed based on the annual average of capital expenditure on the engineering report.
NCF (Net Cash Flow)	180	
Capitalization rate (%)	3.8%	Assessed based on discount rate, which takes into account the fluctuation risk in profitability and principal, with reference to the transaction cases of similar real estates.
Value by the DCF method	4,490	
Discount rate (%)	3.5%	Assessed with reference to a comparison with the transaction cases of similar real estates, the yield of financial asset, and investor analysis.
Terminal capitalization rate (%)	3.9%	Assessed based on the capitalization rate with taking into account the uncertainty of the future and the deterioration of building, etc.
Multiplication value by the cost accounting method (million yen)	5,860	
Land ratio (%)	93.8%	
Building ratio (%)	6.2%	
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 for building management and property management could be influenced. Consequently, it could interfere with API's efficient outsourcing and harm our unitholders' profitability. Thus, the sum of maintenance expenses and property management fee is stated.

<Exhibits>

Exhibit 1 Outline of Engineering Report

Exhibit 2 Photos of the Building Exterior, 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 Engineering Report

Appraisal company	Tokio Marine & Nichido Risk Consulting Co., Ltd.
Date of value estimate	August 3, 2016
Short-term renovation expense (Note 1) (Note 2)	¥0 thousand
Long-term renovation expense (Note 1) (Note 3)	¥137,839 thousand

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

(Note 2) The short-term renovation expense is the total expense for renovations needed within one year of the date of the engineering report.

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



Exhibit 2 Photos of the Building Exterior, Map of the Area

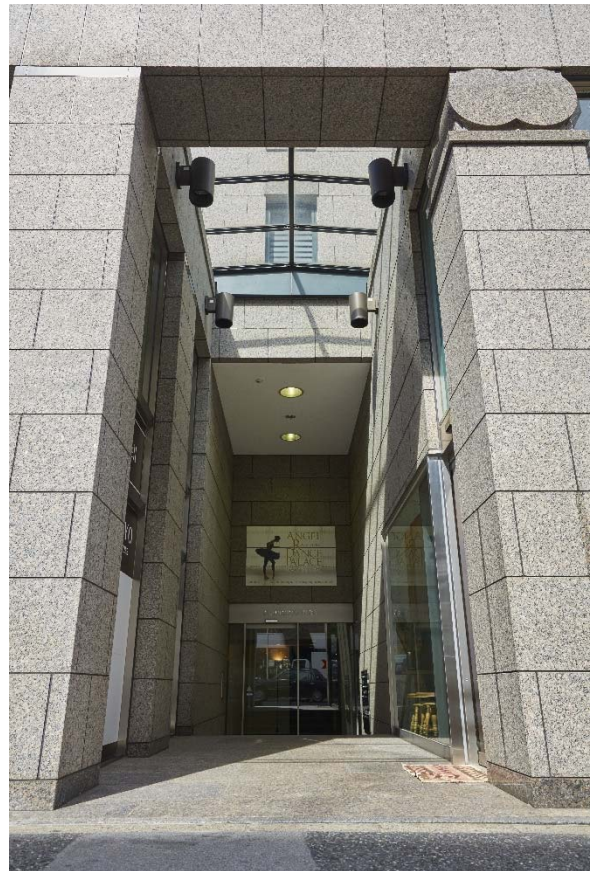
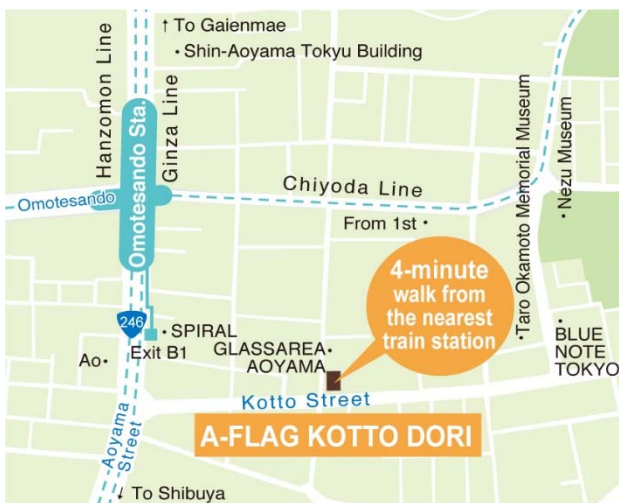




Exhibit 3 Portfolio after the Acquisition of the property

Category	Property No.	Property name	Location	Acquisition date	Acquisition price (Millions of yen)	Investment ratio (%) (Note1)
Urban Retail Properties	UR-1	Tokyu Plaza Omotesando Harajuku	Shibuya, Tokyo	June 13, 2012	45,000 (Note 2)	12.5
	UR-2	Tokyu Plaza Akasaka	Chiyoda, Tokyo	June 13, 2012	11,450 (Note 2)	3.2
	UR-3	Q plaza EBISU	Shibuya, Tokyo	June 13, 2012	8,430	2.3
	UR-4	Shinbashi Place	Minato, Tokyo	June 13, 2012	20,500	5.7
	UR-5	Kyoto Karasuma Parking Building	Kyoto, Kyoto	June 13, 2012	8,860	2.5
	UR-6	A-FLAG AKASAKA	Minato, Tokyo	August 30, 2013	3,000	0.8
	UR-7	Kobe Kyu Kyoryuchi 25Bankan	Kobe, Hyogo	December 19, 2013	21,330	5.9
	UR-8	A-FLAG SAPPORO	Sapporo, Hokkaido	December 19, 2013	4,410	1.2
	UR-9	A-FLAG SHIBUYA	Shibuya, Tokyo	December 19, 2013	6,370	1.8
	UR-10	Q plaza SHINSAIBASHI	Osaka, Osaka	December 16, 2015	13,350	3.7
	UR-11	A-FLAG KOTTO DORI	Minato, Tokyo	December 20, 2016 (plan)	4,370	1.2
	Subtotal				147,070	40.7
Tokyo Office Properties	TO-1	TLC Ebisu Building	Shibuya, Tokyo	June 13, 2012	7,400	2.0
	TO-2	A-PLACE Ebisu Minami	Shibuya, Tokyo	June 13, 2012	9,640	2.7
	TO-3	A-PLACE Yoyogi	Shibuya, Tokyo	June 13, 2012	4,070	1.1
	TO-4	A-PLACE Aoyama	Minato, Tokyo	June 13, 2012	8,790	2.4
	TO-5	Luogo Shiodome	Minato, Tokyo	June 13, 2012	4,540	1.3
	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	1.1
	TO-8	A-PLACE Shinbashi	Minato, Tokyo	April 19, 2013	5,650	1.6
	TO-9	A-PLACE Gotanda	Shinagawa, Tokyo	January 10, 2014	5,730	1.6
	TO-10	A-PLACE Shinagawa	Minato, Tokyo	January 10, 2014	3,800	1.1
	TO-11	OSAKI WIZTOWER	Shinagawa, Tokyo	June 24, 2014	10,690	3.0
	TO-12	Shiodome Building (Note 4)	Minato, Tokyo	December 16, 2015	50,700 (Note 2)	14.0
	TO-13	Frontier Ebisu (Note 5)	Shibuya, Tokyo	July 29, 2015	7,072	2.0
	TO-14	Shibuya Konnoh Building (Note 5)	Shibuya, Tokyo	October 1, 2015	4,810	1.3
	TO-15	A-PLACE Gotanda Ekimae	Shinagawa, Tokyo	July 1, 2016	7,280	2.0
	Subtotal				136,500	37.8
Subtotal of UR and TO				283,570	78.5	
Other Properties	O-1	Amagasaki Q's MALL (Land)	Amagasaki, Hyogo	June 13, 2012	12,000	3.3
	O-2	icot Nakamozu	Sakai, Osaka	June 13, 2012	8,500	2.4
	O-4	icot Mizonokuchi	Kawasaki, Kanagawa	June 13, 2012	2,710	0.8
	O-5	icot Tama Center	Tama, Tokyo	June 13, 2012	2,840	0.8
	O-6	A-PLACE Kanayama	Nagoya, Aichi	June 13, 2012	6,980	1.9
	O-7	Osaka Nakanoshima Building (Note 6)	Osaka, Osaka	December 19, 2014	11,100	3.1
	O-8	icot Omori	Ota, Tokyo	December 19, 2013	5,790	1.6
	O-9	Market Square Sagamihara	Sagamihara, Kanagawa	January 9, 2015	4,820	1.3
	O-10	Umeda Gate Tower	Osaka, Osaka	September 21, 2016	19,000	5.3
	O-11	A-PLACE Bashamichi	Yokohama, Kanagawa	October 6, 2016 (plan)	3,930	1.1
	Subtotal				77,670	21.5
Total				361,240	100.0	

- (Note 1) “Investment ratio” is ratio of acquisition price for each property to total acquisition price rounded to one decimal place.
- (Note 2) Acquisition prices of Tokyu Plaza Omotesando Harajuku, Tokyu Plaza Akasaka and Shiodome Building are described based on the pro rata share (75%, 50% and 25% 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) Acquisition date of Shiodome Building is the second acquisition date. The first acquisition date was January 9, 2015. Acquisition price of Shiodome Building is a total amount of 1<sup>st</sup> and 2<sup>nd</sup> acquisition prices.
- (Note 5) As disclosed in the “Notice Concerning Change of Property Management Company and Master Lease Company” on November 1, 2016, property names will be renamed as A-PLACE Ebisu Higashi and A-PLACE Shibuya Konnoh, respectively.
- (Note 6) Acquisition date of Osaka Nakanoshima Building is the second acquisition date. The first acquisition date was January 25, 2013. Acquisition price of Osaka Nakanoshima Building” is a total amount of 1<sup>st</sup> and 2<sup>nd</sup> acquisition prices.