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For Translation Purpose Only

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Notice Regarding Acquisition of Property (Dormy Inn Hakata Gion)

MID REIT, Inc. (hereafter “MID REIT”) announces its decision today to acquire property, as detailed below.

1. Overview of Acquisition

- (1) Asset to be Acquired: Trust beneficiary interest in entrusted real estate in Japan (Real estate trust beneficiary interest)
- (2) Property name: Dormy Inn Hakata Gion
- (3) Location: 1-12 Reisenmachi, Hakata-ku, Fukuoka-shi, Fukuoka (Indicated for residence)
- (4) Acquisition price: ¥2,280 million (Excluding various acquisition expenses, property taxes, city planning taxes, consumption taxes, etc.)
- (5) Contracted date: September 30, 2013
- (6) Acquisition date: September 30, 2013
- (7) Seller: MID Urban Development Co., Ltd. (See “4. Seller Overview” below)
- (8) Acquisition funding: Cash on hand

Hereafter, the aforementioned asset to be acquired is referred to as the “Asset” and the Asset’s trust property is referred to as the “Property.”

2. Reason for Acquisition

MID REIT has investment focused on office buildings in the Osaka area (Osaka Prefecture, Hyogo Prefecture and Kyoto Prefecture) under the basic policy of managing assets in pursuit of securing stable revenue and achieving steady growth of its assets under management over the medium to long term. At the same time, from the standpoint of diversified investment, MID REIT’s targeted investment regions also include the Tokyo metropolitan area, as well as government-designated cities (excluding the Osaka area) and other major cities, and similarly MID REIT’s targeted investment real estate uses also include real estate, etc. for other than office building use.



In addition to the standpoint of diversified investment described above, MID REIT concluded that acquisition of the Asset would be optimal for MID REIT in light of the following three points:

- (1) The Asset is a property developed by MID REIT's sponsor MID Urban Development Co., Ltd. and acquisition of the Asset will be conducted with the support of the sponsor
- (2) The Asset is a property from which stable revenue can be expected, because of a long-term fixed-term building lease agreement
- (3) As for the hotel section, the tenant side engages in the running of the facility in the form of being leased in its entirety which has low management risks for MID REIT

Furthermore, the following points were evaluated in particular in the decision to acquire the Asset.

(1) Location

The Property is located an approximate two-minute walk from Gion Station on the Fukuoka City Subway Kuko Line and along Kokutai-doro, which is an arterial road. Gion Station is one station away by subway in the Tenjin direction from Hakata Station. There are two prime commercial areas in Fukuoka City, the Hakata Station area and the Tenjin area. Hakata Station, which is at the center of the Hakata Station area and the gateway to Kyushu, is a combined terminal serviced by the two Shinkansen lines Sanyo Shinkansen and Kyushu Shinkansen, JR conventional lines, a subway line, buses, etc. JR Hakata City, which is a retail complex that opened in line with Kyushu Shinkansen becoming fully operational in March 2011, houses Hankyu Department Store, Tokyu Hands, etc. as tenants, leading to enhancement of the station's potential as a hub and ability to attract customers and further progress in commercial accumulation of the Hakata Station area. The Property's easy access to both the Hakata Station area and the Tenjin area by the Subway Kuko Line and also excellent access to Fukuoka Airport, as well as close proximity to Canal City Hakata and Nakasu and other commercial areas, suggest that the location is one that can expect accommodation demand not only from business guests but also tourists, etc. from within and outside of Japan.

(2) Building Features

Constructed in January 2009, the Property is a hotel specialized mainly for accommodation. It is relatively new among nearby competitive facilities, and the range of guest rooms center on double-bed guest rooms with floor area of approximately 15m² and can respond to the various needs of guests, such as twin beds or mixed Japanese and Western style rooms. In addition, hotel facilities include a natural hot spring public bath on the 2F and hotel operations include a breakfast menu using local ingredients and free-of-charge late-night snack service (noodles), providing enriched services to make the stay comfortable for overnight guests. These features make Dormy Inn a highly-competitive brand in Fukuoka City. Although hotels specialized mainly for accommodation have been newly opening one after another in the Hakata Station vicinity in recent years, the Property has maintained a stable occupancy rate since opening and is thought to continue retaining high market competitiveness in the concerned area.

3. Details of Property for Acquisition

Property Name		Dormy Inn Hakata Gion
Type of Specified Asset		Trust beneficiary interest in entrusted real estate in Japan (Real estate trust beneficiary interest)
Trustee		Sumitomo Mitsui Trust Bank, Limited
Trust Period		September 30, 2013 to September 30, 2023
Location (Note 1)	Lot Number	46 Reisenmachi, Hakata-ku, Fukuoka-shi, Fukuoka
	Indicated Residence	for 1-12 Reisenmachi, Hakata-ku, Fukuoka-shi, Fukuoka

Transportation	Two-minute walk from Gion Station on the Subway Kuko Line from JR Hakata Station	
Completion Date (Note 1)	January 29, 2009	
Use (Note 1)	Hotel	
Structure (Note 1)	RC with flat roof, 10F	
PML (Note 2)	0.4% (Based on the earthquake risk analysis report (detailed) dated July 22, 2013, created by Engineering and Risk Services Corporation and OYO RMS Corporation.)	
Architect	Kajima Corporation	
Structural Designer	Kajima Corporation	
Builder	Kajima Corporation	
Agency Authorizing Building Construction	Japan ERI Co., Ltd.	
Area (Note 1)	Land	1,002.27 m ²
	Building	5,633.28 m ²
Type of Ownership	Land	Fee simple
	Building	Fee simple
Floor-Area Ratio / Building-to-Land Ratio (Note 3)	556% / 100%	
Mortgage	None	
Special Instructions	None	
Acquisition Price	¥2,280 million	
Appraisal Value	¥2,430 million (Appraisal date: July 19, 2013) (Appraiser: The Tanizawa Sogo Appraisal Co., Ltd.)	
Status of Tenants (as of September 30, 2013) (Note 4)		
Total Tenants (Note 5)	2	
Total Annual Rent	— (fixed rent) (Note 6)	
Security Deposit / Guarantee, Etc.	— (Note 6)	
Rentable Area (Note 7)	5,554.91 m ²	
Rental Area (Note 8)	5,554.91 m ²	
Occupancy Rate (Note 9)	100.0%	

Notes:

1. "Location (Lot Number)," "Completion Date," "Use," "Structure" and "Area" are listed based on recorded registration.
2. "PML" is translated as "Probable Maximum Loss" in the real estate/insurance industries and is used as a rating index for earthquake risk in buildings. From the risk curve, which shows the relationship between loss and annual exceedance probability as calculated by Engineering and Risk Services Corporation and OYO RMS Corporation, divide the "probable loss for a building with a recurrence interval of 475 years" by the "replacement cost" and calculate the percentage. The result of this calculation defines "Probable Maximum Loss (PML)" herein. A 475-year recurrence interval is the equivalent of a 10% certainty of an event occurring during the 50-year period of building use.
3. "Floor-Area Ratio" is as stipulated in Article 52 of the Building Standards Law and is the ratio of floor area to site area, and the value specified in urban planning based on zoning and other factors is listed. "Building-to-Land Ratio" is as stipulated in Article 53 of the Building Standards Law and is the ratio of building area to site area, and the value specified in urban planning based on zoning and other factors is listed. The building-to-land ratio of the Property's land was originally 80%, because the location was within a commercial zone, but because it was a fireproof building in a fire zone, its ratio was increased, and its applicable building-to-land ratio came to 100%.
4. "Status of Tenants" is based on data and information provided by the seller. The status factors in the tenants whose lease periods have already commenced as at September 30, 2013.
5. "Total Tenants" is based on the assumption that the lessee on the master lease agreement has agreed to serve as the lessor. The figure cited is the sum of the number of end-tenants who are subleasing from the lessee on the master lease agreement and the number of end-tenants who have signed lease agreements as at September 30, 2013. Not included are end-tenants whose leases or scheduled leases are limited to such items as storage and parking spaces.
6. "Total Annual Rent" and "Security Deposit / Guarantee, Etc." are not disclosed, as permission to disclose such information has not been obtained from the lessee.
7. "Rentable Area" lists the rentable area of the Property's building (excluding storage space, parking space, etc.).
8. "Rental Area" lists the area (room area only) displayed on the lease agreement, etc. with end-tenants.
9. "Occupancy Rate" lists the percentage, rounded to the nearest first decimal place, obtained by dividing rental area by rentable area.

4. Seller Overview

Name	MID Urban Development Co., Ltd.
Headquarters Location	1-4-4 Dojimahama, Kita-ku, Osaka
Name and Title of Representative	Ryoichi Hanai, President, Member of the Board
Primary Business	Building business and housing business
Capital	¥100 million
Date of Establishment	April 1, 1999
Relationship with MID REIT or Asset Management Company	
Capital Ties	The seller is a unitholder holding MID REIT investment units (5.01%) (at the end of the fiscal period ended June 30, 2013). In addition, the seller is a shareholder holding all of the shares issued of MID REIT's asset management company MID REIT Management Co., Ltd. (hereafter the "Asset Management Company") and thus falls under the category of an interested person, etc. of the Asset Management Company as defined in the Act on Investment Trusts and Investment Corporations (hereafter the "Act").
Personnel Ties	There are no personnel ties to be stated between the seller and MID REIT. 1 director concurrently serves the seller and the Asset Management Company, and 24 directors/employees of the Asset Management Company are seconded from the seller.
Business Ties	MID REIT acquired 1 property (acquisition price: ¥3,000 million) from the seller in the fiscal period ended June 30, 2013. In addition, MID REIT transferred 1 property (transfer price: ¥6,120 million) to the seller in the same fiscal period.
Status of Classification as Related Party	The seller does not fall under the category of a related party of MID REIT. The seller is a shareholder holding all of the Asset Management Company shares issued and outstanding and thus falls under the category of a related party of the Asset Management Company.

5. Transactions with Interested Persons, Etc.

The Asset Management Company has formulated internal regulations that provide guidelines for transactions with related parties of its sponsors with the aim of eliminating potential conflicts of interest and thereby enabling it to appropriately perform asset management to the benefit of MID REIT's unitholders. Under the internal regulations, the seller listed above falls under the category of a sponsor related party.

In addition, MID REIT will outsource property management operations for the Asset to MID Property Management Co., Ltd. and that outsourcee also falls under the category of a sponsor related party under the internal sponsor related party transaction regulations. Building management operations are outsourced to an outsourcee selected by the end-tenants of the Asset and there is thus no contractual relationship between MID REIT and that outsourcee.

Accordingly, upon entering into any agreement with the seller and the outsourcee, the Asset Management Company followed certain procedures stipulated in the aforementioned internal regulations, including the following: deliberation and approval by its Compliance Committee; deliberation and decision by its Investment Committee; and deliberation and resolution by its Board of Directors. Members of the Compliance Committee and the Investment Committee include outside experts.

6. Status of Property Buyers, Etc.

The seller of the Asset falls under the category of an interested person, etc. as defined in the Act of MID REIT. Accordingly, the status of property buyers, etc. is presented.

Property Name	Dormy Inn Hakata Gion		
Land			
Status of Property Owners, Etc.	Previous Owner	Previous, Previous Owner	Previous, Previous, Previous Owner
Name	MID Urban Development Co., Ltd.	MID Facility Management Co., Ltd.	Other than a party having particular vested interest
Relationship with Parties having Particular Vested Interest	See 4. above	Consolidated subsidiary of the parent company of the Asset Management Company	—
Background and Reason for Acquisition	Sales purpose	Parking lot business purposes	—
Acquisition Price (Including Other expenses)	¥1,129 million	Ownership by the previous, previous owner exceeds one year and the price is thus omitted.	—
Acquisition Date	Sep. 2013	Mar. 2003	—
Building			
Status of Property Owners, Etc.	Previous Owner	Previous, Previous Owner	
Name	MID Urban Development Co., Ltd.	None	
Relationship with Parties having Particular Vested Interest	See 4. above	—	
Background and Reason for Acquisition	Property developed by the previous owner	—	
Acquisition Price (Including Other expenses)	Ownership by the previous owner exceeds one year and the price is thus omitted.	—	
Acquisition Date	Jan. 2009	—	

Acquisition of the Asset leverages sponsor support from MID Urban Development Co., Ltd., involving MID Urban Development Co., Ltd. acquiring fee simple ownership of the site of the Asset, which was leased land, from MID Facility Management Co., Ltd. to thereby obtain absolute ownership of the Asset's land and building combined and then MID REIT acquiring that in the form of trust beneficiary interest within the same day. Acquisition in the above manner does not undermine the interests of MID REIT.



7. Overview of Brokerage

None.

8. Settlement Method

MID REIT has settled the acquisition by making a single payment of the entire amount of the acquisition price to the seller using cash on hand at the time the Asset is handed over (September 30, 2013).

9. Schedule for Acquisition

September 30, 2013	Decision to acquire
September 30, 2013	Conclusion of an agreement concerning the transfer of the trust beneficiary interest
September 30, 2013	Acquisition of the trust beneficiary interest in real estate

10. Outlook

There is no revision to the outlook of the business results for the fiscal period ending December 31, 2013 (July 1, 2013 to December 31, 2013) and the fiscal period ending June 30, 2014 (January 1, 2014 to June 30, 2014) as the impact of the acquisition of the Asset will be minimal.

<Attachments>

Attachment 1: Appraisal Summary

Attachment 2: Assumed NOI of the Asset

Attachment 3: Property Portfolio after Acquisition of the Asset

Attachment 4: Photograph of Dormy Inn Hakata Gion

Attachment 5: Map of Dormy Inn Hakata Gion

Appraisal Summary

Unit: Thousands of yen

Appraiser		The Tanizawa Sogo Appraisal Co., Ltd.	
Final Appraisal Value		2,430,000	
Appraisal Date		July 19, 2013	
Value Calculated Using Direct Capitalization (DC) Method		2,450,000	
	Net Cash Flows (NCF)	147,088	
	Overall Capitalization Rate	6.0%	
Value Calculated Using Discount Cash Flow (DCF) Method		2,420,000	
	Discount Rate	To March 31, 2019	6.0%
		After April 1, 2019	6.1%
	Terminal Capitalization Rate	6.2%	
Value Calculated Using the Cost Method		1,800,000	
	Ratio of Land Price	43.3%	
	Ratio of Building Price	56.7%	



Attachment 2

Assumed NOI of the Asset

Assumed NOI (Note)	¥148 million a year (MID REIT's estimated figures for time of steady stable occupancy)
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(Note) Assumed NOI (Net Operating Income) is the estimated amount of property leasing revenue, less property leasing expenses, assuming the burden of property taxes and city planning taxes for the full year based on the lease agreement terms and conditions, etc. on the planned acquisition date. The Property's guest room occupancy rate at time of steady stable occupancy is assumed to be 100%.

Depreciation and amortization	¥39 million a year (MID REIT's estimated figures for time of steady stable occupancy)
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The figures above are not the forecast figures for the current period or subsequent periods.

Property Portfolio after Acquisition of the Asset

Type	Region	Property Name	Acquisition Price (Millions of Yen)	Investment Ratio (%) (Note 1)	Acquisition Date
Office properties	Osaka area	Twin 21 (Note 2)	68,700	43.6	Aug. 31, 2006
		Matsushita IMP Bldg.	24,600	15.6	Aug. 31, 2006
		Midosuji MID Bldg.	8,290	5.3	Aug. 31, 2006 Oct. 31, 2007
		MID REIT Kyobashi Bldg.	2,300	1.5	Aug. 31, 2006
		MID Imabashi Bldg.	3,270	2.1	Apr. 3, 2007
		MID Midosujikawaramachi Bldg.	2,000	1.3	May 16, 2007
		Kitahama MID Bldg.	10,800	6.8	Apr. 24, 2008
		MID Nishihommachi Bldg.	3,550	2.3	Oct. 30, 2008
		Higobashi MID Bldg.	3,000	1.9	June 21, 2013
Subtotal (9 properties)			126,510	80.2	
Non-office properties	Osaka area	Konami Sports Club Kyobashi	2,780	1.8	Aug. 31, 2006
	Tokyo metropolitan area, Government-designated cities (excluding the Osaka area) and other major cities	AEON MALL Tsudanuma	26,100	16.6	Aug. 31, 2006
		Dormy Inn Hakata Gion	2,280	1.4	Sep. 30, 2013
	Subtotal (3 properties)			31,160	19.8
Total (12 properties)			157,670	100.0	

Notes:

- Investment ratios presented in the table above have been rounded to the nearest first decimal place. Accordingly, the sum of the investment ratio figures may not add up to 100.0%.
- Data for Twin 21 includes the trust beneficiary interest of Twin 21 (partial ownership of leased land).
- In addition to the assets listed in the table above, MID REIT had acquired silent partnership interests in a silent partnership operated by Sakura Dori Development Limited Liability Company, the developer of Sakura Dori MID Building. The silent partnership sold Sakura Dori MID Building in August 2013 and liquidation of the silent partnership interests is scheduled for mid-November 2013.

Photograph of Dormy Inn Hakata Gion



Map of Dormy Inn Hakata Gion

