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Notice Concerning Establishment of Rules on Related-Party Transactions Accompanied by Partial Change in the Related-Party Transactions Rules Defined in the Management Guideline

TOKYU REIT, Inc. (“TOKYU REIT”) announced that its investment management company, Tokyu Real Estate Investment Management Inc. (“Tokyu REIM”) decided to establish the Rules on Related-Party Transactions (the “Establishment”) accompanied by a partial change to Related-Party Transactions Rules defined in the management guideline at a Board of Directors’ meeting held today.

1. Purpose of Establishment

TOKYU REIT aims to maximize the value of unitholders by collaborating with Tokyu Corporation (Note 1), etc. (the “Collaboration”) in acquisition, sales, management and operation of properties. As for transactions with related parties that are linked to collaborations with Tokyu Corporation, etc., Tokyu REIM has established the Related-Party Transaction Rules, a system to strictly ensure fairness and transparency of such transactions, in the management guideline of Tokyu REIM, and thoroughly implemented the procedures since the establishment of TOKYU REIT.

Tokyu REIM newly established the Rules on Related-Party Transactions that define the content of rules upon changing part of the Related-Party Transaction Rules defined in the management guideline in order to promote further growth of TOKYU REIT through further adjustment of decision-making while maintaining fairness and transparency of transactions based on the experiences, etc. gained through asset management conducted for 13 years since listing.

In addition, it established the “Rules on Forward Commitment, etc.” with an aim to define rules on cancellation penalties and each upper limit of the period from the conclusion of contract to payment and delivery of properties at Tokyu REIM when TOKYU REIT conducts forward commitment (Note 2).

TOKYU REIT and Tokyu REIM will continue to conduct steady operation by considering excellent governance as a source of competitiveness which will contribute to the enhancement of unitholders’ value.

(Note 1) "Tokyu Corporation, etc." refers to any entity that falls under the following i to iii :

- (i) Tokyu Corporation
- (ii) A consolidated subsidiary of Tokyu Corporation
- (iii) A tokutei mokuteki kaisha (TMK) or special purpose entity (SPE) established based on the intention of Tokyu Corporation or a consolidated subsidiary of Tokyu Corporation and where the share of investment by undisclosed associations or other investment shares in that entity by the respective company exceeds 50%.

(Note 2) "Forward Commitment" refers to contracts for forward and future transactions, for which settlement and delivery take place one or more months after conclusion and "Forward Commitment, etc." refers to contracts for forward commitment and other contracts of similar nature. Moreover, if an announcement of intent to make purchases or conduct sales has substantial binding force, it will be included in "Forward Commitment, etc."

2. Main Contents of the Establishment

(1) Revision of Management Guideline

Transferred the content of the Related-Party Transactions Rules to the newly established Rules on Related-Party Transactions after changing part of the contents defined in the management guideline.

(2) Establishment of Rules on Related-Party Transactions

The main changes in the content of the newly established Rules on Related-Party Transactions from the Related-Parties Transactions Rules defined in the management guideline are as follows.

① Confirmation Method of Compatibility of Individual Transactions to the Rules by Third Party

Originally, auditors and other appropriate third parties confirmed the compatibility of individual transactions to the Related-Party Transactions Rules. However confirmation of compatibility and appropriateness will be done at Tokyu REIM's Compliance and Risk Management Committee (Note) after the confirmation by the chief compliance officer of Tokyu REIM as in-house production has become possible due to the accumulation of management experience and in order to conduct individual and specific compatibility evaluation that are were properly based on the actual status.

(Note) Compliance and Risk Management Committee consists of two committee members and two external committee members other than the executives of related parties defined in the management guideline and will not be held if three members including the two external committee members do not attend as a general rule.

② Establishment of Rules on Exceptions Including Sharing of Properties

Handling in case of sharing properties with others or conducting investments by undisclosed associations was defined in the Rules as they were not clearly defined in the Related-Party Transactions Rules originally. Specifically, if the conclusion of co-ownership agreement becomes necessary as a result of discussion with related parties upon acquisition and investment with them, and the management based on the Rules cannot be conducted in the operation of properties by following the agreement, etc., the definition of the agreements, etc. will be prioritized over the Rules in future operation under the condition of gaining prior approval from TOKYU REIT's Board of Directors after presenting the facts and reasons for judging the acquisition of such properties as reasonable despite such facts and discussing the contents of the co-ownership agreement, etc. at Tokyu REIM's Compliance and Risk Management Committee prior to the resolution at Tokyu REIM's Board of Directors meetings.

③ Scope of Transactions Applicable to the Rules

The scope was originally limited to property transactions, leasing, entrustment of property management, brokerage and transactions related to construction orders with related parties (Note). However, the scope of application has been expanded to all transactions with related parties in the Rules in order to enhance fairness and transparency of transactions.

(Note) "Related parties" refers to any entity that falls under the following i to iii :

- (i) Tokyu Corporation, etc.
- (ii) Consolidated Affiliates of Tokyu Corporation
- (iii) Group companies of Tokyu Land (corporations that fall under the following)
 - Tokyu Fudosan Holdings Corporation ("Tokyu Fudosan Holdings")
 - A consolidated subsidiary of Tokyu Fudosan Holdings
 - A tokutei mokuteki kaisha (TMK) or special purpose company (SPC) established based on the intention of Tokyu Fudosan Holdings or a consolidated subsidiary of Tokyu Fudosan Holdings and where the share of investment by undisclosed associations or other investment shares in that entity by the respective company exceeds 50%.

④ Specification of Rules on Standards Concerning Submission of Proposals and Post Fact Report to TOKYU REIT's Board of Directors

Originally, prior approval by TOKYU REIT's Board of Directors was required for all property transactions, leasing, entrustment of property management business, brokerage and transactions related to construction order with related parties at 10 million yen or more. However, approval has become necessary for all property transactions, entrustment of property management business, leasing, brokerage and transactions related to construction order with related parties at 10 million yen or more (under the assumption that annual rent will be 10 million yen or more for leasing) in order to enhance fairness and transparency of transactions.

In addition, leasing at less than 10 million yen and other transactions must be reported to TOKYU REIT's Board of Directors afterwards.

(3) Establishment of Rules Related to Forward Commitment

The standards defined in the "Rules Related to Forward Commitment" should be observed concerning cancellation penalties and each upper limit of the period from the conclusion of contract to delivery of properties when conducting forward commitment, etc. In addition, when conducting forward commitment, etc., the fact and outlines, etc. of forward commitment, etc. should be disclosed immediately.

3. Date of Revision of Management Guideline and Establishment of Each Rule

October 28, 2016

4. Future Outlook

There are no impacts of the establishment on the business results of TOKYU REIT