

October 27, 2017

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Notice Concerning Acquisition of Property (MAISON PEONY TORITSUDAIGAKU)

TOKYU REIT, Inc. (“TOKYU REIT”) today announced that its investment management company, Tokyu Real Estate Investment Management Inc. (“Tokyu REIM”), has decided to acquire domestic real estate. Brief details are as follows.

1. Acquisition Details

- | | |
|---------------------------------|--|
| (1) Type of Acquisition: | Domestic real estate |
| (2) Property Name: | MAISON PEONY TORITSUDAIGAKU |
| (3) Acquisition Price: | ¥1,200 million
(Excluding acquisition-related costs, property tax, city planning tax, etc.) |
| (4) Contract Date: | October 27, 2017 (Friday) |
| (5) Scheduled Acquisition Date: | November 15, 2017 (Wednesday) |
| (6) Seller: | Domestic company
(please refer to the “4. Seller Profile”) |
| (7) Financing: | Cash on hand |

2. Rationale

The acquisition of the property (the “Property”) has been decided with the aim to further enhance the property portfolio of TOKYU REIT in focused investment areas, the Tokyu Areas, as the Property satisfies the “Scope and Policy of Investment Management” outlined in the Articles of Incorporation of TOKYU REIT.

The Property is a complex located approximately a 1-minute walk from Toritsu-Daigaku Station on the Tokyu Toyoko Line, comprised of shops on the first and second floors and single-room apartment units on the third to the tenth floors. Toritsu-Daigaku Station is visited by around 48,000 passengers per day (actual figure in FY2016) and offers good access to central Tokyo in being only about a 10-minute ride to Shibuya Station. The area surrounding the Property has long been evaluated highly as a residential district with an extremely favorable living environment since there is abundant greenery such as in Komazawa Olympic Park nearby in addition to offering high living convenience due to a concentration of supermarkets selling daily necessities and commercial facilities, etc. Furthermore, since the Property is three years old and situated near the station, it enjoys strong demand particularly from singles and women.

In April 2017, TOKYU REIT lowered the minimum investment amount per property, which was previously 4.0 billion yen, as well as expanded the use of investment properties from “office properties and retail properties” to “office properties, retail properties and complexes that include office or retail properties.” The Property has an asset size of less than 4.0 billion yen and is a complex comprised of retail facilities and residences, suggesting that the acquisition was made possible due to the aforementioned change in investment policy. That said, however, as the Property is located in the Tokyu Areas where further value enhancement is expected in line with the “Capital Re-investment Model” (Note), in addition to possessing high property quality in terms of location, building age, etc.,

its competitiveness over the medium to long term is expected to further improve.

TOKYU REIT will continue to conduct investment management while closely monitoring trends in capital and real estate investment markets, all while adhering to its investment policy, and will strive to form a portfolio that leads to an improvement in asset value and growth of net income per investment unit.

(Note) A business model in which the property investment funds contributed to Tokyu Corporation, the sponsor, by TOKYU REIT flow back to the main investment areas of TOKYU REIT through re-investment in the Tokyu Areas by Tokyu Corporation, and thus maintain and improve the value of the investment areas.

3. Property Details

Property Name		MAISON PEONY TORITSUDAIGAKU
Type of Specified Asset		Domestic real estate
Location	Registered	Land 1-8-1, 1-8-8 Nakane, Meguro-ku, Tokyo
		Building 1-8-1, 1-8-8 Nakane, Meguro-ku, Tokyo
	Residential	1-2-5 Nakane, Meguro-ku, Tokyo
Access		Approximately a one-minute walk from Toritsu-daigaku Station, Tokyu Toyoko Line
Use		Retail and Apartment Complex
Area Classification		Commercial district
Site/Floor Area (Registered)	Land	245.61 m ²
	Building	950.36m ²
Structure (Registered)		RC 10F
Completion Date (Registered)		August 2014
Design Company		Eitsuka Kikaku Sekkei
Construction Company		Taniguchi Construction Company
Inspection Authority		Meguro Ward
Designated structural inspection institute		Away Building Evaluation Network Inc.
Earthquake Resistance		PML (Probable Maximum Loss) of 6.2% is based on an earthquake risk assessment (detailed) report prepared by Engineering and Risk Services Corporation and OYO RMS Corporation. PML refers to the expected damages caused by earthquakes. Although there is no single authoritative definition of PML, it refers to the percentage of expected damages caused by a small-to large-scale earthquake that may happen within the next 475 years to the replacement value. Calculations also include data relating to individual property surveys, assessment of building conditions, conformity to architectural design, ground conditions of the relevant site, surveys of local areas and structural evaluation.
Type of Ownership	Land	Proprietary ownership
	Building	Proprietary ownership
Acquisition Price		¥1,200 million
Appraisal Value	¥1,200 million (effective date of value: September 1, 2017)	
	Appraiser: Japan Real Estate Institute	
Building Assessment Reporter		SHIMIZU CORPORATION
Date of Building Assessment Report		September 12, 2017
Property Management Company		Tokyu Housing Lease Corporation
Security/Guarantee		None
Master Lessee Company		Tokyu Housing Lease Corporation
Type of Master Lease Agreement		Pass-through type
Special Items		None
Tenant Details	Total Number of Tenants	26 (Retail: 2, Apartment: 24)
	Total Rental Income	¥49 million a year
	Lease Deposits and Guarantee Deposits	¥9 million
	Estimated NOI	¥40 million a year
	Total Leased Area	852.16 m ²

	Total Rentable Area	852.16 m ²		
	Occupancy Rate	100.0%		
	Occupancy Rates over the Last Three Years	As of September 31, 2015	As of September 31, 2016	As of September 31, 2017
		100.0%	100.0%	100.0%

*The total number of tenants, total rental income and occupancy rate are based on projections as of the scheduled acquisition date (November 15, 2017).

*Estimated NOI is the estimated annual figure exclusive of special items of the acquisition fiscal year (not the forecast figure for the current fiscal period) and is based on the following assumptions.

- 1) Total rental income is the projected figure of total income generating from the Property.
- 2) Property-related taxes are projected to be the same amount as the fiscal 2017 assessment amount.
- 3) Repairs and maintenance expenses are calculated based on expenses estimated for the next one-year period.

4. Seller Profile

The name and such are not disclosed as consent from the Seller, which is a domestic business corporation, has not been received. There is no capital relationship, personnel relationship or business relationship to state between TOKYU REIT or its investment management company and the domestic business corporation, and the domestic business corporation does not fall under the category of related party of TOKYU REIT or its investment management company.

5. Status of Property Acquirers, etc. and Transactions with Interested Persons, etc.

The Property is not an acquisition from a party that has particular vested interest in TOKYU REIT or its investment management company.

Tokyu Housing Lease Corporation is scheduled to be the master lessee and the company to which TOKYU REIT is to outsource property management services of the Property, and falls under the category of related parties, etc. (Note), to which self-imposed rules of TOKYU REIT for preventing conflicts of interested are applied. Accordingly, TOKYU REIT has implemented procedures in accordance with the rules, and executed the pass-through type master lease-cum-property management agreement with acquisition of the Property by TOKYU REIT as a condition precedent. Moreover, concerning the fees for the property management services, TOKYU REIT has received an opinion report from Urban Research Institute Corporation stating that, upon a comparison with the range set by other investment corporations, etc. listed on the Tokyo Stock Exchange, the fees are within the standard range.

(Note) Related parties, etc. includes interested persons, etc. specified in Article 123 of the “Ordinance for Enforcement of the Act on Investment Trusts and Investment Corporations” and refers to either of 1. through 3. below.

1. Tokyu Corporation and its subsidiaries (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) that was 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%.
2. Affiliates within the scope of consolidation of Tokyu Corporation.
3. Tokyu Fudosan Holdings Corporation and its subsidiaries (refers to any entity that falls under the following (i) to (iii))
 - (i) Tokyu Fudosan Holdings Corporation (“Tokyu Fudosan Holdings”)
 - (ii) A consolidated subsidiary of Tokyu Fudosan Holdings
 - (iii) A tokutei mokuteki kaisha (TMK) or special purpose company (SPC) that was 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%

6. Brokerage

Broker: Tokyu Livable, Inc.

- (1) Location: 1-9-5 Dogenzaka, Shibuya-ku, Tokyo
- (2) Representative: Shinji Sakaki, President
- (3) Business Activities: Real estate brokerage, sales agency for newly built houses/condominiums and real estate sales
- (4) Capital: ¥1.3 billion (as of April 1, 2017)
- (5) Foundation Date: March 10, 1972
- (6) Relationship with TOKYU REIT or its Investment Management Company

Capital Relationship	The company is an equity-method affiliate of Tokyu Corporation, the parent company of Tokyu REIM. Tokyu Corporation holds 5.01% of the total number of investment units of TOKYU REIT issued and outstanding as of July 31, 2017.
Personnel Relationship	There is no personnel relationship to state between TOKYU REIT or its investment management company and the Company. In addition, there is no personnel relationship to note between the affiliated persons or affiliated companies of TOKYU REIT or its investment management company and the affiliated persons or affiliated companies of the Company.
Business Relationship	There is no business relationship to state between TOKYU REIT or its investment management company and the Company. In addition, there is no business relationship to note between the affiliated persons or affiliated companies of TOKYU REIT or its investment management company and the affiliated persons or affiliated companies of the Company.
Status of Classification as Related Party	Tokyu Corporation, the parent company of Tokyu REIM, is an affiliate the company. Tokyu Corporation holds 5.01% of the total number of investment units of TOKYU REIT issued and outstanding as of July 31, 2017.

- (7) Brokerage Charges: Omitted because consent for the disclosure of brokerage charges has not been received from the broker.

7. Acquisition Schedule

October 27, 2017	Decision of acquisition Execution of real estate purchase agreement Execution of Master Lease Agreement and property management agreement
November 15, 2017	Property delivery (planned) Payment of acquisition costs (planned)

8. Settlement Method

Payment of acquisition costs for the to-be-acquired asset will be made by lump-sum settlement at the time of delivery.

9. Financing Details

TOKYU REIT intends to fund the acquisition of the Property using cash on hand.

10. Outlook

As the acquisition of the Property will have little effect on operating conditions, no changes are foreseen to the forecasts for the twenty-ninth fiscal period (ending January 31, 2018) and the thirtieth fiscal period (ending July 31, 2018).

11. Property Appraisal Summary

(JPY in thousands)(rounded down to the nearest specified unit)

Property Name: MAISON PEONY TORITSUDAIGAKU	Estimation	Notes
Appraisal Firm: Japan Real Estate Institute		
Effective Date of Value	September 1, 2017	—
Type of Value	Market value	—
Appraisal Value	1,200,000	Applied the value indicated by the income approach
Value Indicated by Income Approach	1,200,000	Judging that the value indicated by the direct capitalization method and the value indicated by the DCF method share similar criteria, estimated through correlation of both values.
Value Indicated by Direct Capitalization Method	1,220,000	—
(1) Operating Revenue (a.–b.)	57,162	—
a. Potential Gross Income (rental income, common area charges income, utilities reimbursement, etc.)	59,139	Assessed based on unit rent and other unit price levels receivable in a stable manner over the medium to long term.
b. Vacancy Loss	1,977	Recorded vacancy loss by assessing occupancy rate level that is stable over the medium to long term.
(2) Operating Expenses (c.+d.+e.+f.+g.+h.+i. +j.)	8,604	—
c. Building Maintenance Cost	1,548	Recorded considering the planned contract, etc. with reference to building maintenance cost of similar properties.
d. Utilities Expenses	510	Recorded considering the level of utilities expenses and past actual revenue and expenditure of similar properties, etc.
e. Repair Expenses	707	Recorded considering the annual average of repair and renewal costs in the engineering report, etc.
f. Property Management Fee	1,365	Recorded considering the level of fee rates of similar properties, individual characteristics of the subject property, etc., with reference to fee rates based on the planned contract terms, etc.
g. Tenant Solicitation Expenses, etc.	1,643	Recorded considering leasing fee, renewal fee, etc. annual average of tenant replacement rate, occupancy rate, etc., with reference to leasing terms of similar properties in the surrounding areas, etc.
h. Property Taxes	2,738	Recorded based on documents related to property taxes.
i. Property Insurance	93	Recorded considering insurance premium rates of similar properties, etc.
j. Other Expenses	0	No particular expenses to record.
(3) Net Operating Income (NOI) ((1)–(2))	48,558	—
(4) Investment Profits from Refundable Deposits	107	Assessed investment profits at investment yield of 1.0%.
(5) Capital Expenditure	1,098	Assessed after considering the annual average of repair and renewal costs in the engineering report, etc.
(6) Net Cash Flow (NCF) ((3)+(4)–(5))	47,567	—
(7) Overall Capitalization Rate	3.9%	Assessed after taking into account future uncertainties, market cap rates of similar properties, etc. while reflecting spread attributable to the location conditions, building conditions and other conditions of the subject property.
Value Indicated by DCF Method	1,180,000	—
Discount Rate	3.6%	—
Terminal Capitalization Rate	4.0%	—
Value Indicated by Cost Approach	1,150,000	—
Ratio of Land Value	74.2%	—
Ratio of Building Value	25.8%	—
Reconciliation before Arriving at the Value Conclusion	Deeming the value indicated by income approach derived from the pricing process from earnings aspects as a credible value that more accurately reflects the actual market state, the value indicated by income approach was employed with the value indicated by cost approach as reference.	

The above appraisal value conclusion is a value opinion as of the effective date of value, indicated by the licensed real estate appraiser in conformity with the Japanese Real Estate Appraisal Act and Real Estate Appraisal Standards. A reappraisal of the same property could result in another value if it were carried out either by a different appraiser, with different methods, or at a different time. This appraisal does not guarantee or assure, at present or in the future, any sales transactions at the concluded value.

Attachments

1. Property Portfolio after Acquisition (as of November 15, 2017)
2. Photograph of MAISON PEONY TORITSUDAIGAKU
3. Location Map of MAISON PEONY TORITSUDAIGAKU

Attachment 1

Property Portfolio after Acquisition (assumption figure as of November 15, 2017)

Use	Property Name	Area	Acquisition Date	Acquisition Price(million yen)	Ratio(%) ^{*8}	Appraisal Value at End of 28th Fiscal Period (million yen)
R	QFRONT	Central Tokyo and Tokyu Areas (Shibuya)	September 10, 2003	15,100	6.8%	27,200
R	Lexington Aoyama	Central Tokyo	September 11, 2003	4,800	2.1%	5,410
R	TOKYU REIT Omotesando Square	Central Tokyo and Tokyu Areas	September 10, 2003	5,770	2.6%	7,660
R	TOKYU REIT Shibuya Udagawa-cho Square	Central Tokyo and Tokyu Areas (Shibuya)	March 1, 2004	6,600	3.0%	12,000
R	cocoti	Central Tokyo and Tokyu Areas (Shibuya)	April 6, 2005 *1 August 2, 2005 *2	14,700 9,800	11.0%	20,400
R	Shonan Mall Fill (land with leasehold interest)	Other	April 28, 2006	6,810	3.0%	6,430
R	CONZE Ebisu	Central Tokyo and Tokyu Areas	October 31, 2006	5,117	2.3%	4,760
R	Daikanyama Forum	Central Tokyo and Tokyu Areas	April 22, 2008	4,136	1.9%	3,330
R	Kaleido Shibuya Miyamasuzaka	Central Tokyo and Tokyu Areas (Shibuya)	August 16, 2013	5,150	2.3%	7,170
Retail Properties Total				77,983	34.9%	94,360
O	Setagaya Business Square	Tokyu Areas	September 11, 2003	22,400	10.0%	18,700
O	Tokyu Nampoedai-cho Building	Central Tokyo and Tokyu Areas (Shibuya)	September 11, 2003	4,660	2.1%	5,750
O	Tokyu Sakuragaoka-cho Building	Central Tokyo and Tokyu Areas (Shibuya)	September 11, 2003	6,620	3.0%	9,440
O	Tokyo Nissan Taiko Building	Central Tokyo	September 11, 2003	4,450	2.0%	5,400
O	TOKYU REIT Akasaka Hinokicho Building	Central Tokyo	September 10, 2003	3,570	1.6%	4,410
O	TOKYU REIT Kamata Building	Tokyu Areas	September 10, 2003	4,720	2.1%	5,240
O	TOKYU REIT Toranomon Building	Central Tokyo	December 15, 2004 *3 September 21, 2007 *4 September 21, 2007 *5 October 26, 2007 *6 January 21, 2015 *7	8,630 1,100 200 140 107	4.6%	10,700
O	Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	Central Tokyo	January 31, 2008	8,500	3.8%	7,110
O	Tokyu Ikejiri-ohashi Building	Tokyu Areas	March 28, 2008	5,480	2.5%	5,730
O	Kojimachi Square	Central Tokyo	March 19, 2010	9,030	4.0%	8,830
O	TOKYU REIT Shinjuku Building	Central Tokyo	March 26, 2010	9,000	4.0%	11,000
O	Akihabara Sanwa Toyo Building	Central Tokyo	October 29, 2010	4,600	2.1%	6,100
O	TOKYU REIT Kiba Building	Other	October 29, 2010	4,000	1.8%	3,960
O	Tokyu Ginza 2-chome Building	Central Tokyo	February 15, 2011	5,010	2.2%	5,020
O	OKI System Center(land with leasehold interest)	Other	March 27, 2013	4,530	2.0%	5,120
O	TOKYU REIT Shibuya R Building	Central Tokyo and Tokyu Areas (Shibuya)	August 16, 2013	5,270	2.4%	8,950
O	Tokyu Toranomon Building *9	Central Tokyo	August 16, 2013 January 9, 2015	15,000 1,850	7.5%	19,800
O	TOKYU REIT Shinjuku 2 Building	Central Tokyo	October 30, 2015	2,750	1.2%	2,860
O	Tokyu Bancho Building	Central Tokyo	March 24, 2016	12,740	5.7%	13,800
Office Properties Total				144,357	64.6%	157,920
C	MAISON PEONY TORITSUDAIGAKU	Tokyu Areas	November 15, 2017	1,200	0.5%	1,200
Complex Properties Total				1,200	0.5%	1,200
Total				223,540	100.0%	253,480

*1 Details of the 60% portion of trust beneficiary interests acquired under quasi-co-ownership.

*2 Details of the 40% portion of trust beneficiary interests acquired under quasi-co-ownership.

*3 Floor area: 9,688.59 m²; Interest of site rights: 73,585/100,000

*4 Floor area: 865.14 m²; Interest of site rights: 8,579/100,000

*5 Floor area: 139.93 m²; Interest of site rights: 1,322/100,000

*6 Floor area: 93.93 m²; Interest of site rights: 1,166/100,000

*7 Floor area: 95.06 m²; Interest of site rights: 1,464/100,000

*8 Ratio is rounded to one decimal place. Accordingly, the subtotal and total may not exactly match the sum of relevant items.

*9 Appraisal value at the end of the fiscal period for Tokyu Toranomon Building includes the portion equivalent to the contiguous land acquired on January 9, 2015.

*10 Appraisal value at the end of the fiscal period for MAISON PEONY TORITSUDAIGAKU is the appraisal value with September 1, 2017 as the effective date of value.

*11 The PML for the entire portfolio above based on earthquake risk assessment reports prepared by Engineering and Risk Services Corporation is 3.8%. PML (Probable Maximum Loss) refers to the expected damages caused by earthquakes. Although there is no single authoritative definition of PML, it refers to the percentage of expected damages caused by a small-to large-scale earthquake that may happen within the next 475 years to the replacement value. Calculations also include data relating to individual property surveys, assessment of building conditions, conformity to architectural design, ground conditions of the relevant site, surveys of local areas and structural evaluation.

*12 As for use, properties owned by Tokyu REIT are categorized into R (retail property), O (office property), C (complex).



Attachment 3

Location Map of MAISON PEONY TORITSUDAIGAKU



This notice may contain forward-looking statements, such as current plans, strategies, and future performance. These forward-looking statements are based on judgments obtained from currently available information. Please be advised that, for a variety of reasons, actual results may differ materially from those discussed in the forward-looking statements. Events that might affect actual results include, but are not limited to, fluctuations of the real estate market in Japan, general conditions of the Japanese economy, competitive pressures and relevant regulations. This notice is a translation of the original document in Japanese and is prepared solely for the convenience of non-Japanese speakers. There is no assurance as to the accuracy of the English translation. The original Japanese notice shall prevail in the event of any discrepancies between the translation and the Japanese original.