

February 26, 2016

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Notice Concerning Acquisition and Disposition of Properties (Tokyu Bancho Building, Tokyu Saginuma Building and Tokyu Saginuma 2 Building)

TOKYU REIT, Inc. (“TOKYU REIT”) today announced that its investment management company, Tokyu Real Estate Investment Management Inc. (“Tokyu REIM”), has decided to acquire quasi-co-ownership of trust beneficiary interest in domestic real estate and dispose of trust beneficiary interest in domestic real estate (respectively referred to as the “Acquisition” and the “Disposition”) (the Acquisition and the Disposition collectively referred to as the “Transactions”). Brief details are as follows.

1. Transaction Details

1-1. Acquisition Details

- | | |
|---------------------------------|---|
| (1) Type of Acquisition: | Quasi-co-ownership of trust beneficiary interest in domestic real estate |
| (2) Property Name: | Tokyu Bancho Building |
| (3) Acquisition Ratio: | 49% quasi-co-ownership interest of the 95.1% compartmentalized ownership interest of the trust beneficiary interest |
| (4) Acquisition Price: | ¥12,740 million
(Excluding acquisition-related costs, property tax, city planning tax, etc.) |
| (5) Contract Date: | February 26, 2016 (Friday) |
| (6) Scheduled Acquisition Date: | March 24, 2016 (Thursday) |
| (7) Seller: | Tokyu Corporation |
| (8) Financing: | Debt financing and cash on hand |

1-2. Disposition Details

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|---|--|
| (1) Tokyu Saginuma Building | |
| (i) Type of Disposition: | Trust beneficiary interest in domestic real estate |
| (ii) Property Name: | Tokyu Saginuma Building |
| (iii) Disposition Price: | ¥8,950 million |
| (iv) Book Value: | ¥6,601 million (expected value as of the scheduled disposition date) |
| (v) Amount of Difference
from Disposition Price: | ¥2,348 million (expected value as of the scheduled disposition date) |
| (vi) Contract Date: | February 26, 2016 (Friday) |
| (vii) Scheduled Disposition Date: | March 24, 2016 (Thursday) |
| (viii) Purchaser: | Tokyu Corporation |
| (2) Tokyu Saginuma 2 Building | |
| (i) Type of Disposition: | Trust beneficiary interest in domestic real estate |
| (ii) Property Name: | Tokyu Saginuma 2 Building |
| (iii) Disposition Price: | ¥1,710 million |

(iv) Book Value:	¥1,165 million (expected value as of the scheduled disposition date)
(v) Amount of Difference from Disposition Price:	¥544 million (expected value as of the scheduled disposition date)
(vi) Contract Date:	February 26, 2016 (Friday)
(vii) Scheduled Disposition Date:	January 31, 2017 (Tuesday)
(viii) Purchaser:	Tokyu Corporation

2. Rationale

The Transactions are being conducted in accordance with the “Scope and Policy of Investment Management” as outlined in the Articles of Incorporation of TOKYU REIT. The rationale behind the Acquisition and the Disposition is as follows:

(1) Acquisition of Tokyu Bancho Building

The Kojimachi/Bancho area where the Property is situated continues to see stable supply and demand, and the vacancy rate of the Kanda/Iidabashi area that includes Bancho was most recently 3.0% (Note 1).

Tokyu Bancho Building (the “to-be-acquired asset”) is outstandingly competitive because, in addition to it standing in a location that has highly convenient access being within a three-minute walk from Ichigaya Station served by four railway lines, including JR lines, it is also relatively-newly-built with a building age of four years, and the office specifications are high, such as 366 tsubos in floor area per standard floor, no columns, 2,800 mm ceiling height (100 mm raised flooring) and individually-controlled air-conditioning equipment.

In addition, the NOI yield calculated based on the to-be-acquired asset’s rent level as of the scheduled acquisition date is 3.4% (Note 2), but the yield is expected to be of a 3.9% level in the medium to long term. (Note 1) At the end of December 2015; Source: CBRE K.K.’s “Japan Office MarketView”

(Note 2) Calculation premised on projection of future occupancy rate as of the scheduled acquisition date of 94.4%

(2) Disposition of Tokyu Saginuma Building and Tokyu Saginuma 2 Building

Tokyu Saginuma Building and Tokyu Saginuma 2 Building (the “to-be-disposed assets”) are retail properties held by TOKYU REIT since its listing that have been housing the same tenant and maintaining high NOI yield since acquisition.

The to-be-disposed assets are properties that are anticipated to make stable earnings contribution for some time yet. On the other hand, considering that 35 years have elapsed since construction completion, there is also the risk of large-scale repairs and other financial burdens becoming required in the future and reconstruction becoming required in the medium to long term. TOKYU REIT recognizes that responding to these matters are issues going forward.

Under such circumstances, having been approached by Tokyu Corporation with a proposal for disposition in anticipation of future redevelopment of the Saginuma Station vicinity, TOKYU REIT judged that an asset replacement with the to-be-acquired asset in (1) above would serve to not only enhance portfolio quality but also enhance unitholder value.

In addition, the disposition timing scheduled for the to-be-disposed assets is March 24, 2016 in the case of Tokyu Saginuma Building and January 31, 2017 in the case of Tokyu Saginuma 2 Building. These two Buildings have different tenants and are independent properties, and Tokyu Saginuma Building is planned to be disposed of in 27th fiscal period for securing revenues in 26th fiscal period and 27th fiscal period. Therefore, capital gains from the Disposition are expected to arise in the twenty-sixth fiscal period (ending July 31, 2016) in the case of Tokyu Saginuma Building and in the twenty-seventh fiscal period (ending January 31, 2017) in the case of Tokyu Saginuma 2 Building.

In light of the above, the replacement of properties with a property that has favorable location, young building age and high specifications through the Transactions is anticipated to lead to further stabilization of cash flows and greater total return (Note) can be expected as a result.

(Note) Comprises each fiscal period’s income return (rental income, etc.) and future capital return (gains on sales)

(3) Deepening of Sponsor Collaboration

The Transactions with TOKYU REIT’s sponsor Tokyu Corporation as seller and purchaser form a reciprocal sale and purchase with said company.

Since its listing, TOKYU REIT has positioned the areas targeted for development projects by the sponsor (the sponsor's development targeted areas) as the major areas targeted for investment (TOKYU REIT's investment targeted areas) and has been adopting what it calls the "Capital Re-investment Model." The Model is designed to maintain and improve the value of TOKYU REIT's investment targeted areas through the capital that TOKYU REIT invests in properties sourced from the sponsor being re-invested in the sponsor's development targeted areas by the sponsor and thereby flowing back to TOKYU REIT's investment targeted areas.

The Saginuma area where the to-be-disposed assets are situated is under consideration for future redevelopment by the sponsor group. As such, TOKYU REIT believes that the Disposition can be expected to lead to enhancement of the medium- to long-term competitiveness of not only the Tokyu Areas but also TOKYU REIT's investment targeted areas and the Transactions are thus an indication of deepening of sponsor collaboration.

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. Combined with collaboration with the sponsor, TOKYU REIT will strive to form a portfolio that leads to an improvement in asset value and growth of net income per investment unit.

3. Property Details

Property Name		Tokyu Bancho Building	
Type of Specified Asset		Quasi-co-ownership of trust beneficiary interest in domestic real estate	
Trustee Trust Period		Sumitomo Mitsui Trust Bank, Limited From March 24, 2016 to March 24, 2026 (planned)	
Location	Registered	Land	6-2, 6-12, 6-13, 6-14, 6-16, 6-17, 6-18, 6-19, 6-20, 6-21, 6-22, 6-23, 6-24, 6-25, 6-26, 6-27, 6-28, 6-29, 6-30, 6-31, 6-32, 6-33, 6-34, 6-35, 6-36, 6-39, 6-40 Yonbancho, Chiyoda-ku, Tokyo
		Building	6-21, 6-2, 6-12, 6-13, 6-14, 6-16, 6-17, 6-18, 6-19, 6-20, 6-22, 6-23, 6-24, 6-25, 6-26, 6-31, 6-32, 6-33, 6-39, 6-40 Yonbancho, Chiyoda-ku, Tokyo
Access		Approximately a three-minute walk from Ichigaya Station, JR Chuo Main Line and Sobu Line Approximately a three-minute walk from Ichigaya Station, Tokyo Metro Yurakucho and Namboku Lines Approximately a three-minute walk from Ichigaya Station, Toei Subway Shinjuku Line	
Use		Office, retail and parking	
Area Classification		Commercial district, category I residential area	
Site/Floor Area (Registered)		Land	2,754.18 m ² (entire land) / 2,573.80 m ² (area pertaining to the acquisition)
		Building	15,834.55 m ² (entire building) / 11,431.09 m ² (exclusive ownership area of compartments under compartmentalized ownership pertaining to the acquisition)
Structure (Registered)		S 11F	
Completion Date (Registered)		September 2011	
Design Company		Tokyu Sekkei	
Construction Company		Tokyu Construction Co., Ltd.	
Inspection Authority		The Building Center of Japan (designated structural calculation conformity judgment body)	
Earthquake Resistance		PML (Probable Maximum Loss) of 3.3% is based on an earthquake risk assessment (detailed) report dated December 2, 2015 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	compartmentalized ownership
Sellers		Tokyu Corporation	
Planned Acquisition Price		¥12,740 million	
Appraisal Value		¥12,800 million (effective date of value: January 31, 2016)	
		Appraiser: Daiwa Real Estate Appraisal Co., Ltd.	
Building Assessment Reporter		Engineering & Risk Services Corporation	
Date of Building Assessment Report		December 7, 2015	
Property Management Company		Tokyu Corporation	

Security/Guarantee	None				
Master Lessee Company	Tokyu Corporation				
Type of Master Lease Agreement	Pass-through type				
Special Items	<p>1. The Property is a building under compartmentalized ownership. TOKYU REIT is scheduled to acquire quasi-co-ownership of the trust beneficiary interest of the trust that is to be established for part of the exclusive ownership portion and the site of the Property. The land registered in the location section of the registration of the building under compartmentalized ownership is scheduled to be owned by the trustee after the trust is established, but the land treated together with such land as the site at the time of development of the building held in trust (the “integrated land”) is owned by individuals. On that basis, a land lease agreement on the integrated land has been excused between those individuals and the other compartmentalized owners of the building. A mortgage is on the integrated land.</p> <p>2. A compartmentalized land surface right has been established for part of the Land. Tokyo Metro Co., Ltd. holds the land surface right for the purpose of subway construction and for the duration of the subway structures’ existence. TOKYU REIT will not be required to pay any land rent in connection with said right.</p> <p>3. An agreement on property maintenance and management has been executed by and between the owners of the Property, based on which they have agreed that, if any of them are to dispose of their compartmentalized ownership, the consent of the other owners shall be required, etc.</p> <p>4. Upon the acquisition of quasi-co-ownership of trust beneficiary interest in domestic real estate, a trust beneficiary interest quasi-co-owners’ agreement is scheduled to be excused on February 26, 2016 with the quasi-co-owner Tokyu Corporation. The trust beneficiary interest quasi-co-owners’ agreement contains such provisions as (1) That no request shall be made for partition of trust beneficiary interest, (2) That any disposition of trust beneficiary interest quasi-co-ownership, in whole or in part, to a third party shall be subject to procedures of preferential negotiation with the other quasi-co-owner (the “preferential negotiation procedures”), (3) That, in the event of disposition of quasi-co-ownership, the transferee shall succeed the position under the trust beneficiary interest quasi-co-owners’ agreement, (4) That the authority of a beneficiary to give directions to the trustee based on the trust agreement shall lie with the beneficiary that has the largest interest (including quasi-co-ownership interest) in the beneficiary interest and the other beneficiaries shall have no authority to give directions, and (5) That certain beneficiary decision-making matters shall require all beneficiaries’ consent or prior discussion.</p>				
Tenant Details	Total Number of Tenants	7			
	Major Tenants	OPT, Inc., ELECOM Co., Ltd. and Japan Vaccine Co., Ltd.			
	Total Rental Income	¥544 million a year			
	Lease Deposits and Guarantee Deposits	¥927 million(entire building)			
	Estimated NOI	¥429 million a year			
	Total Leased Area	12,269.46 m ² (entire building)			
	Total Rentable Area	12,269.46 m ² (entire building)			
	Occupancy Rate	100.0%			
	Occupancy Rates over the Last Five Years	As of January 31, 2012	As of January 31, 2013	As of January 31, 2014	As of January 31, 2015
	70.4%	100.0%	100.0%	100.0%	100.0%
<p>*The total number of tenants, major tenants, total rental income and occupancy rate are based on projections as of the scheduled acquisition date (March 24, 2016).</p> <p>*Total rental income and estimated NOI are the amounts equivalent to the 49% quasi-co-ownership interest of the 95.1% compartmentalized ownership interest of the trust beneficiary interest.</p> <p>* Total rental income and estimated NOI are the estimated annual figures based on an Occupancy Rate (94.4%) that assume a termination of a part of tenants.</p> <p>*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.</p> <p>1) Total rental income is the projected figure of total income generating from the Property.</p> <p>2) Property-related taxes are projected to be the same amount as the fiscal 2015 assessment amount.</p> <p>3) Repairs and maintenance expenses are calculated based on expenses estimated for the next one-year period.</p>					

4. Profile of Properties Scheduled for Disposition

(1) Tokyu Saginuma Building

Property Name	Tokyu Saginuma Building
Type of Specified Asset	Trust beneficiary interest in domestic real estate

Trustee Trust Period		Mitsubishi UFJ Trust and Banking Corporation From March 27, 2001 to March 31, 2023				
Location	Registered	Land	1-1 Saginuma, Miyamae-ku, Kawasaki-shi, Kanagawa			
		Building	1-1 Saginuma, Miyamae-ku, Kawasaki-shi, Kanagawa			
Access		Approximately a one-minute walk from Saginuma Station, Tokyu Den-en-toshi Line				
Use		Retail				
Area Classification		Commercial district and district planning area				
Site/Floor Area (Registered)	Land	5,658.00m ²				
	Building	18,326.99m ²				
Structure (Registered)		S B1F/4F				
Completion Date (Registered)		September 1978				
Type of Ownership	Land	Proprietary ownership				
	Building	Proprietary ownership				
Acquisition Date		September 10, 2003				
Acquisition Price		¥6,920 million				
Appraisal Value as of the Period-End	¥8,950 million (effective date of value: January 31, 2016)					
	Appraiser: Japan Real Estate Institute					
Book Value		¥6,601 million (expected value as of the scheduled disposition date)				
Disposition Price		¥8,950 million				
Gain (Loss) on Disposition		¥2,348 million (amount of difference between disposition price and book value (expected value as of the scheduled disposition date))				
Appraisal Value as of Property Disposition	¥8,910 million (effective date of value: January 31, 2016)					
	Appraiser: Daiwa Real Estate Appraisal Co., Ltd.					
Tenant Details	Total Number of Tenants		1			
	Tenants		Tokyu Store Corporation			
	Total Rental Income		¥615 million a year (annualized amount of actual results for the fiscal period ended July 2015)			
	Lease Deposits and Guarantee Deposits		¥296 million (as of January 31, 2016)			
	Total Leased Area		19,610.06m ² (as of January 31, 2016)			
	Total Rentable Area		19,610.06m ² (as of January 31, 2016)			
	Occupancy Rate		100.0% (as of January 31, 2016)			
	Occupancy Rates over the Last Five Years		As of January 31, 2012	As of January 31, 2013	As of January 31, 2014	As of January 31, 2015
Special Items		None				

(2) Tokyu Saginuma 2 Building

Property Name		Tokyu Saginuma 2 Building				
Type of Specified Asset		Trust beneficiary interest in domestic real estate				
Trustee Trust Period		Sumitomo Mitsui Trust Bank, Limited From December 27, 2002 to December 31, 2022				
Location	Registered	Land	1-18-5 Kodai, Miyamae-ku, Kawasaki-shi, Kanagawa			
		Building	1-18-5 Kodai, Miyamae-ku, Kawasaki-shi, Kanagawa			
Access		Approximately a one-minute walk from Saginuma Station, Tokyu Den-en-toshi Line				
Use		Retail				
Area Classification		Commercial district and district planning area				
Site/Floor Area (Registered)	Land	1,807.21m ²				
	Building	4,409.50m ²				
Structure (Registered)		SRC B2F/4F				
Completion Date (Registered)		October 1979				
Type of Ownership		Land Proprietary ownership				

	Building Proprietary ownership				
Acquisition Date	September 11, 2003				
Acquisition Price	¥1,290million				
Appraisal Value as of the Period-End	¥1,710 million (effective date of value: January 31, 2016)				
	Appraiser: Japan Real Estate Institute				
Book Value	¥1,165 million (expected value as of the scheduled disposition date)				
Disposition Price	¥1,710 million				
Gain (Loss) on Disposition	¥544 million (amount of difference between disposition price and book value (expected value as of the scheduled disposition date))				
Appraisal Value as of Property Disposition	¥1,640 million (effective date of value: January 31, 2016)				
	Appraiser: Daiwa Real Estate Appraisal Co., Ltd.				
Tenant Details	Total Number of Tenants	1 (*)			
	Tenants	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (*)			
	Total Rental Income	¥125 million a year (annualized amount of actual results for the fiscal period ended July 2015)			
	Lease Deposits and Guarantee Deposits	¥45 million (as of January 31, 2016)			
	Total Leased Area	1,267.95m ² (as of January 31, 2016)			
	Total Rentable Area	1,267.95m ² (as of January 31, 2016)			
	Occupancy Rate	100.0% (as of January 31, 2016)			
	Occupancy Rates over the Last Five Years	As of January 31, 2012	As of January 31, 2013	As of January 31, 2014	As of January 31, 2015
	100.0%	100.0%	100.0%	100.0%	100.0%
Special Items	(*) In addition to the 1 tenant (The Bank of Tokyo-Mitsubishi UFJ, Ltd.), Tokyu Store Corporation leases the parking lot portion of the building held in trust and makes it available to visitors to use.				

5. Property Appraisal Summary
(1) Tokyu Bancho Building

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

Property Name: Tokyu Bancho Building	Estimation	Notes
Appraisal Firm: Daiwa Real Estate Appraisal Co., Ltd.		
Effective Date of Value	January 31, 2016	—
Type of Value	Market value	—
Appraisal Value	12,800,000	Applied the value indicated by the income approach
Value Indicated by Income Approach	12,800,000	Assessed by correlation of the value indicated by the direct capitalization method with the value indicated by the DCF method
Value Indicated by Direct Capitalization Method	13,300,000	—
(1) Operating Revenue (a.-b.)	612,517	—
a. Potential Gross Income (rental income, common area charges income, utilities reimbursement, etc.)	631,299	Assessed the stabilized assumed rental income and common area charges income of the subject property based on leasing case examples and the level of new rent of similar buildings in the market area and the trends thereof, and by taking into consideration such factors as the medium- to long-term competitiveness of the subject property
b. Vacancy Loss	18,782	Assessed based on the current vacancy rate and the market vacancy rate
(2) Operating Expenses (c.+d.+e.+f.+g.+h.+i.)	123,861	—
c. Building Maintenance Cost	16,847	Recorded based on the actual amount
d. Utilities Expenses	33,207	Recorded that assessed based on the level of utilities expenses of similar properties and the past actual amount
e. Repair Expenses	2,681	Recorded that assessed based on the level of repair expenses of similar properties and the past actual amount
f. Property Management Fee	18,612	Recorded that assessed based on the planned contract details
g. Tenant Solicitation Expenses, etc.	4,246	Recorded based on the level of tenant solicitation expenses, etc. of similar properties
h. Property Taxes	45,699	Recorded based on the fiscal 2015 actual amount
i. Property Insurance	1,117	Recorded based on the estimated amount
j. Other Expenses	1,453	Recorded based on the actual amount
(3) Net Operating Income (NOI) ((1)-(2))	488,656	—
(4) Investment Profits from Refundable Deposits	8,456	Recorded that assessed by comprehensively taking into consideration the actual state of investment of refundable deposits, etc. from the perspective of both the investment aspect and the procurement aspect
(5) Capital Expenditure	6,621	Recorded based on the level of annual average renewal costs of similar properties and considering the construction management fee
(6) Net Cash Flow (NCF) ((3)+(4)-(5))	490,491	—
(7) Overall Capitalization Rate	3.7%	Assessed by comprehensively taking into consideration the location conditions, building conditions and other conditions of the subject property, and also by referring to such factors as the overall capitalization rate of similar properties in the market area, and considering such factors as the rights relations of the subject property
Value Indicated by DCF Method	12,600,000	—
Discount Rate	3.5%	—
Terminal Capitalization Rate	3.9%	—
Value Indicated by Cost Approach	9,080,000	—
Ratio of Land Value	77.3%	—
Ratio of Building Value	22.7%	—
Reconciliation before Arriving at the Value Conclusion	The appraisal value was determined by considering the market competitiveness of the subject property based on such factors as the market conditions and building grade, and taking note that the subject property is co-ownership of a building under compartmentalized ownership and its site	

(2) Tokyu Saginuma Building

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

Property Name: Tokyu Saginuma Building	Estimation	Notes
Appraisal Firm: Daiwa Real Estate Appraisal Co., Ltd.		
Effective Date of Value	January 31, 2016	—
Type of Value	Market value	—
Appraisal Value	8,910,000	Applied the value indicated by the income approach
Value Indicated by Income Approach	8,910,000	Assessed by correlation of the value indicated by the direct capitalization method with the value indicated by the DCF method
Value Indicated by Direct Capitalization Method	9,030,000	—
(1) Operating Revenue (a.-b.)	622,579	—
a. Potential Gross Income (rental income, common area charges income, utilities reimbursement, etc.)	622,579	Assessed based on the current contract rent on the basis that the current contract rent is rent that is stable over the medium to long term
b. Vacancy Loss	0	Not recorded in light of such factors as the current contract details
(2) Operating Expenses (c.+d.+e.+f.+g.+h.+i.)	96,505	—
c. Building Maintenance Cost	29,950	Recorded based on the current agreement
d. Utilities Expenses	0	Not recorded as borne by the lessee
e. Repair Expenses	11,135	Recorded the annual average repair expenses in the engineering report obtained from the requested party
f. Property Management Fee	6,226	Recorded that assessed based on the current contract details
g. Tenant Solicitation Expenses, etc.	0	Not recorded as a long-term lease agreement is assumed
h. Property Taxes	47,867	Recorded that assessed based on the fiscal 2015 actual amount
i. Property Insurance	1,327	Recorded based on the current agreement
j. Other Expenses	0	—
(3) Net Operating Income (NOI) ((1)-(2))	526,074	—
(4) Investment Profits from Refundable Deposits	5,926	Recorded that assessed by comprehensively taking into consideration the actual state of investment of refundable deposits, etc. from the perspective of both the investment aspect and the procurement aspect
(5) Capital Expenditure	89,694	Recorded by taking the annual average renewal costs in the engineering report obtained from the requested party and considering the construction management fee
(6) Net Cash Flow (NCF) ((3)+(4)-(5))	442,306	—
(7) Overall Capitalization Rate	4.9%	Assessed by comprehensively taking into consideration the location conditions, building conditions and other conditions of the subject property, and also by referring to such factors as the overall capitalization rate of similar properties in the market area
Value Indicated by DCF Method	8,860,000	—
Discount Rate	4.7%	—
Terminal Capitalization Rate	5.1%	—
Value Indicated by Cost Approach	6,470,000	—
Ratio of Land Value	91.8%	—
Ratio of Building Value	8.2%	—
Reconciliation before Arriving at the Value Conclusion	—	—

(3) Tokyu Saginuma 2 Building

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

Property Name: Tokyu Saginuma 2 Building	Estimation	Notes
Appraisal Firm: Daiwa Real Estate Appraisal Co., Ltd.		
Effective Date of Value	January 31, 2016	—
Type of Value	Market value	—
Appraisal Value	1,640,000	Applied the value indicated by the income approach
Value Indicated by Income Approach	1,640,000	Assessed by correlation of the value indicated by the direct capitalization method with the value indicated by the DCF method
Value Indicated by Direct Capitalization Method	1,650,000	—
(1) Operating Revenue (a.-b.)	123,536	—
a. Potential Gross Income (rental income, common area charges income, utilities reimbursement, etc.)	123,536	Assessed based on the current contract rent on the basis that the current contract rent is rent that is stable over the medium to long term
b. Vacancy Loss	0	Not recorded in light of such factors as the current contract details
(2) Operating Expenses (c.+d.+e.+f.+g.+h.+i.)	25,095	—
c. Building Maintenance Cost	3,126	Recorded based on the current agreement
d. Utilities Expenses	5,983	Recorded that assessed based on the actual amount
e. Repair Expenses	1,268	Recorded the annual average repair expenses in the engineering report obtained from the requested party
f. Property Management Fee	2,659	Recorded that assessed based on the current contract details
g. Tenant Solicitation Expenses, etc.	0	Not recorded as a long-term lease agreement is assumed
h. Property Taxes	11,780	Recorded that assessed based on the fiscal 2015 actual amount
i. Property Insurance	279	Recorded based on the current agreement
j. Other Expenses	0	—
(3) Net Operating Income (NOI) ((1)-(2))	98,441	—
(4) Investment Profits from Refundable Deposits	1,940	Recorded that assessed by comprehensively taking into consideration the actual state of investment of refundable deposits, etc. from the perspective of both the investment aspect and the procurement aspect
(5) Capital Expenditure	4,961	Recorded by taking the annual average renewal costs in the engineering report obtained from the requested party and considering the construction management fee
(6) Net Cash Flow (NCF) ((3)+(4)-(5))	95,420	—
(7) Overall Capitalization Rate	5.8%	Assessed by comprehensively taking into consideration the location conditions, building conditions and other conditions of the subject property, and also by referring to such factors as the overall capitalization rate of similar properties in the market area
Value Indicated by DCF Method	1,630,000	—
Discount Rate	5.6%	—
Terminal Capitalization Rate	6.0%	—
Value Indicated by Cost Approach	1,400,000	—
Ratio of Land Value	90.6%	—
Ratio of Building Value	9.4%	—
Reconciliation before Arriving at the Value Conclusion	—	—

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.

6. Seller and Purchaser Profile

Company Name	Tokyu Corporation
Head Office Address	5-6 Nanpeidaicho, Shibuya-ku, Tokyo
Representative	Hirofumi Nomoto, President & Representative Director
Capital	¥121,724 million (as of March 31, 2015)
Business Activities	Railway business, real estate business, etc.

Foundation Date	September 2, 1922
Net Assets of the Previous Business Year	¥579,596 million(as of March 31, 2015)
Total Assets of the Previous Business Year	¥2,002,532 million (as of March 31, 2015)
Relationship between the Investment Corporation or its Investment Management Company and the Company	
Capital Relationship	As of the last day of January 2016, the Company holds TOKYU REIT investment units (5.01% of the total number of investment units issued and outstanding). In addition, the Company is the parent company (100% stake) of the investment management company, and falls under the category of interested person, etc. as defined in the Law Concerning Investment Trust and Investment Corporation (“Investment Trust Law”) and the Order for Enforcement of the Investment Trust Law.
Personnel Relationship	The Company falls under the category of company from which officers/employees of the investment management company are seconded.
Business Relationship	The Company falls under the category of property management company of TOKYU REIT, and lessee, etc. of real estate held by TOKYU REIT.
Status of Classification as Related Party	The Company falls under the category of interested person, etc. as defined in the Investment Trust Law and the Order for Enforcement of the Investment Trust Law.

7. Status of Property Acquirers, etc.

	Previous Owner	Before Previous Owner	Previous, Previous, Previous Owner
Company Name	Tokyu Corporation	Building: No previous owner because the Property was a property developed by the current owner. Land: (1) Tokyu Construction Co., Ltd. (2) Party other than party that has particular vested interest	Building: No previous owner because the Property was a property developed by the current owner. Land: Party other than party that has particular vested interest
Relationship with Party that has Particular Vested Interest	Please refer to “6. Seller and Purchaser Profile; Relationship between the Investment Corporation or its Investment Management Company and the Company” above.	Tokyu Construction Co., Ltd. is an equity method affiliate of the investment management company’s parent company Tokyu Corporation.	—
Acquisition Process, Rationale, etc.	Investment management purpose	Investment management purpose	—
Acquisition Price	Details omitted because the Building was a development project and there was no previous owner. Details omitted because the Land was owned by the current owner for more than 1 year.	Details omitted because acquisition from party other than party that has vested interest.	—
Acquisition Date	April 2008: Acquisition of a part of land October 2009: Acquisition of a part of land September 2011: Construction completion of the Building	Details omitted because acquisition from party other than party that has vested interest.	—

8. Transactions with Interested Persons, etc.

(1) Tokyu Bancho Building

(i) Execution of Trust Beneficiary Interest Purchase Agreement

Tokyu Corporation, which is scheduled to be the seller of Tokyu Bancho Building, falls under the category of interested person, etc. of TOKYU REIT. Accordingly, TOKYU REIT implemented procedures in accordance with its self-imposed rules for preventing conflicts of interest upon acquisition at no more than the property appraisal value. Furthermore, TOKYU REIT has received a second opinion report from Japan Valuers Co., Ltd. stating that the value and valuation process for the subject property was adequate.

(ii) Execution of Master Lease Agreement and Property Management Agreement

Tokyu Corporation, which is scheduled to be the master lessee and the company to which TOKYU REIT is to outsource property management services of Tokyu Bancho Building, falls under the category of interested person, etc. of TOKYU REIT. Accordingly, TOKYU REIT implemented procedures in accordance with its self-imposed rules for preventing conflicts of interest upon execution of the master lease agreement and the 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.

(2) Tokyu Saginuma Building and Tokyu Saginuma 2 Building

Tokyu Corporation, which is scheduled to be the purchaser of Tokyu Saginuma Building and Tokyu Saginuma 2 Building, falls under the category of interested person, etc. of TOKYU REIT. Accordingly, TOKYU REIT implemented procedures in accordance with its self-imposed rules for preventing conflicts of interest upon disposition at no less than the property appraisal value. Furthermore, TOKYU REIT has received a second opinion report from Japan Valuers Co., Ltd. stating that the value and valuation process for the subject property was adequate.

Implementation of multiple checks in accordance with rules for preventing conflicts of interest and the results above served as the basis for the transactions with interested persons, etc. above being approved at a meeting of TOKYU REIT's Board of Directors.

9. Brokerage

No brokerage transaction will be undertaken for this acquisition.

10. Acquisition and Disposition Schedule

(1) Tokyu Bancho Building

February 26, 2016	Decision of acquisition Execution of trust beneficiary interest purchase agreement Execution of Master Lease Agreement and property management agreement
March 24, 2016	Acquisition of trust beneficiary interest (planned) Payment of acquisition costs (planned) Master Lease Agreement and property management agreement become effective (planned)

(2) Tokyu Saginuma Building

February 26, 2016	Decision of disposition Execution of Trust beneficiary interest purchase agreement
March 24, 2016	Disposition of Trust beneficiary interest (planned) Receive of disposition costs (planned)

(3) Tokyu Saginuma 2 Building

February 26, 2016	Decision of disposition Execution of Trust beneficiary interest purchase agreement
January 31, 2017	Disposition of Trust beneficiary interest (planned) Receive of disposition costs (planned)

11. Settlement Method

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

12. Outlook

The transactions are foreseen to result in a difference of 10% or more from the already announced operating revenue for the twenty-sixth fiscal period (ending July 31, 2016). For details, please refer to the "Notice Concerning Revision to Expected Operating Condition and Revision to Distribution Forecast for the 25th Fiscal Period (Ending January 31, 2016) and the 26th Fiscal Period (Ending July 31, 2016)" announced today.

Attachments

1. Property Portfolio after Acquisition and Disposition (assumption figure as of February 26, 2016)
2. Summary of the Real Estate Letter of Opinion
3. Photograph of Tokyu Bancho Building
4. Location map of Tokyu Bancho Building
5. Supplementary Materials on Acquisition and Disposition of Properties
(Tokyu Bancho Building, Tokyu Saginuma Building and Tokyu Saginuma 2 Building)

Attachment 1

Property Portfolio after Acquisition and Disposition (assumption figure as of February 26, 2016)

Use	Property Name	Area	Acquisition Date	Acquisition Price (million yen)	Ratio (%) *8	Appraisal Value at End of 24th Fiscal Period (million yen)
R	QFRONT	Central Tokyo and Tokyu Areas (Shibuya)	September 10, 2003	15,100	6.6	25,200
R	Lexington Aoyama	Central Tokyo	September 11, 2003	4,800	2.1	4,840
R	TOKYU REIT Omotesando Square	Central Tokyo and Tokyu Areas (Shibuya)	September 10, 2003	5,770	2.5	7,290
R	TOKYU REIT Shibuya Udagawa-cho Square	Central Tokyo and Tokyu Areas (Shibuya)	March 1, 2004	6,600	2.9	11,600
R	cocoti	Central Tokyo and Tokyu Areas (Shibuya)	April 6, 2005 *1 August 2, 2005 *2	14,700 9,800	10.7	19,300
R	Shonan Mall Fill (<i>sokochi</i>)	Other	April 28, 2006	6,810	3.0	6,310
R	CONZE Ebisu	Central Tokyo and Tokyu Areas (Shibuya)	October 31, 2006	5,117	2.2	4,340
R	Daikanyama Forum	Central Tokyo and Tokyu Areas (Shibuya)	April 22, 2008	4,136	1.8	3,360
R	Kaleido Shibuya Miyamasuzaka	Central Tokyo and Tokyu Areas (Shibuya)	August 16, 2013	5,150	2.2	6,340
	Retail Properties Total			77,983	34.0	88,580
O	Setagaya Business Square	Tokyu Areas	September 11, 2003	22,400	9.8	18,700
O	Tokyu Nampeidai-cho Building	Central Tokyo and Tokyu Areas (Shibuya)	September 11, 2003	4,660	2.0	5,120
O	Tokyu Sakuragaoka-cho Building	Central Tokyo and Tokyu Areas (Shibuya)	September 11, 2003	6,620	2.9	8,890
O	Tokyo Nissan Taito Building	Central Tokyo	September 11, 2003	4,450	1.9	5,240
O	TOKYU REIT Akasaka Hinokicho Building	Central Tokyo	September 10, 2003	3,570	1.6	4,250
O	TOKYU REIT Kamata Building	Tokyu Areas	September 10, 2003	4,720	2.1	5,090
O	TOKYU REIT Toranomom 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	4.4	10,300
O	TOKYU REIT Hatchobori Building	Central Tokyo	September 29, 2006	7,000	3.1	5,170
O	Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	Central Tokyo	January 31, 2008	8,500	3.7	6,800
O	Tokyu Ikejiri-ohashi Building	Tokyu Areas	March 28, 2008	5,480	2.4	5,140
O	Kojimachi Square	Central Tokyo	March 19, 2010	9,030	3.9	8,530
O	TOKYU REIT Shinjuku Building	Central Tokyo	March 26, 2010	9,000	3.9	10,200
O	Akihabara Sanwa Toyo Building	Central Tokyo	October 29, 2010	4,600	2.0	6,050
O	TOKYU REIT Kiba Building	Other	October 29, 2010	4,000	1.7	3,770
O	Tokyu Ginza 2-chome Building	Central Tokyo	February 15, 2011	5,010	2.2	5,080
O	OKI System Center (<i>sokochi</i>)	Other	March 27, 2013	4,530	2.0	5,040
O	TOKYU REIT Shibuya R Building	Central Tokyo and Tokyu Areas (Shibuya)	August 16, 2013	5,270	2.3	7,910

O	Tokyu Toranomom Building *9	Central Tokyo	August 16, 2013 January 9, 2015	15,000 1,850	7.3	19,700
O	TOKYU REIT Shinjuku 2 Building (provisional name)	Central Tokyo	October 30, 2015	2,750	1.2	2,650
O	Tokyu Bancho Building *10	Central Tokyo	March 24, 2016	12,740	5.6	12,800
	Office Properties Total			151,357	66.0	156,430
	Total			229,340	100	245,010

- *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 Toranomom 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 Tokyu Bancho Building is the appraisal value with January 31, 2016 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 3.7%. 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.

Attachment 2

<Summary of the Real Estate Letter of Opinion>

Tokyu Bancho Building

Subject Property	Tokyu Bancho Building
Judgment of Subject Value	Reasonable and proper
Basis of Value and Scope of Valuation	Reasonable and proper
Highest and Best Use of the Subject Property as Improved	Reasonable and proper. The Highest and Use of the subject property as improved is judged to be "the high rise store-bottomed office building" as it is currently improved.
The Income Capitalization Approach and Its Indicated Value	Reasonable and proper
The Cost Approach and Its Indicated Value	Reasonable and proper
Reconciliation of the Indicated Values	Reasonable and proper

Above summary is the abstract of the Real Estate Letter of Opinion prepared by Japan Valuers Co., Ltd. where the contents of the Appraisal Report (No. Daikan-#501511082) by Daiwa Real Estate Appraisal Corporation have been examined. It is noted that this Letter of Opinion itself is not regarded to be a valuation report fully in accordance with Japan's Act on Real Estate Appraisal.

Tokyu Saginuma Building

Subject Property	Tokyu Saginuma Building
Judgment of Subject Value	Reasonable and proper
Basis of Value and Scope of Valuation	Reasonable and proper
Highest and Best Use of the Subject Property as Improved	Reasonable and proper. The Highest and Use of the subject property as improved is judged to be "the mid rise commercial facility" as it is currently improved.
The Income Capitalization Approach and Its Indicated Value	Reasonable and proper
The Cost Approach and Its Indicated Value	Reasonable and proper
Reconciliation of the Indicated Values	Reasonable and proper

Above summary is the abstract of the Real Estate Letter of Opinion prepared by Japan Valuers Co., Ltd. where the contents of the Appraisal Report (No. Daikan-#501511083) by Daiwa Real Estate Appraisal Corporation have been examined. It is noted that this Letter of Opinion itself is not regarded to be a valuation report fully in accordance with Japan's Act on Real Estate Appraisal.

Tokyu Saginuma 2 Building

Subject Property	Tokyu Saginuma 2 Building
Judgment of Subject Value	Reasonable and proper
Basis of Value and Scope of Valuation	Reasonable and proper
Highest and Best Use of the Subject Property as Improved	Reasonable and proper. The Highest and Use of the subject property as improved is judged to be "the mid rise store-bottomed office building" as it is currently improved.
The Income Capitalization Approach and Its Indicated Value	Reasonable and proper
The Cost Approach and Its Indicated Value	Reasonable and proper
Reconciliation of the Indicated Values	Reasonable and proper

Above summary is the abstract of the Real Estate Letter of Opinion prepared by Japan Valuers Co., Ltd. where the contents of the Appraisal Report (No. Daikan-#501511084) by Daiwa Real Estate Appraisal Corporation have been examined. It is noted that this Letter of Opinion itself is not regarded to be a valuation report fully in accordance with Japan's Act on Real Estate Appraisal.

Attachment 3

Photograph of Tokyu Bancho Building



Attachment 4

Location Map of Tokyu Bancho Building



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.

**Supplementary Materials on
Acquisition and Disposition of Properties
(Tokyu Bancho Building,
Tokyu Saginuma Building and Tokyu Saginuma 2 Building)**

February 26, 2016

TOKYU REIT

<http://www.tokyu-reit.co.jp>

Investment Activities Policy (Property Replacement)

Aim to maintain and improve NAV (Note 1) and portfolio quality through property replacement with sponsor

[Background]

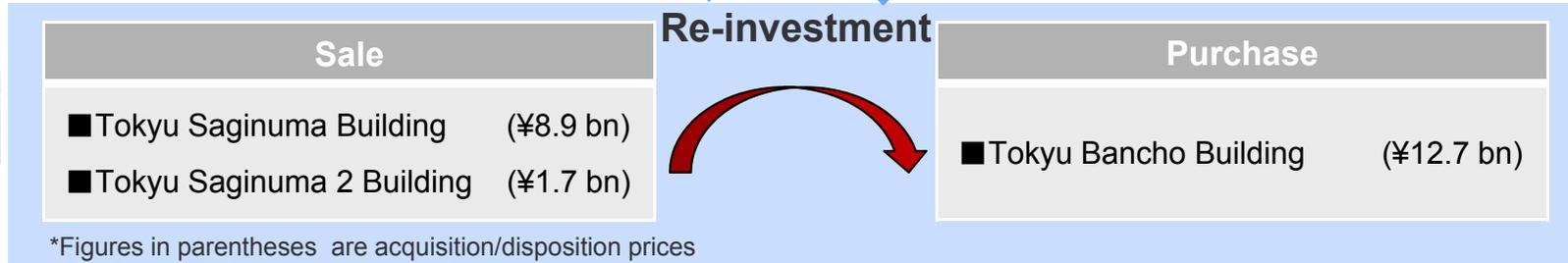
(Note 1) NAV: Unitholders' capital + Voluntary retained earnings + Unrealized gains/losses

Investment Environment Analysis

- Recognized to be in **“selling phase”** under the Long-Term Investment Management Strategy (Surf Plan) since January 2016
- In the “selling phase,” aim to maintain portfolio size and EPS (net income per unit) by property replacement through re-investment of sale proceeds rather than simply selling

Deepening of Sponsor Collaboration

- TOKYU REIT sells portfolio properties to sponsor, and sponsor promotes redevelopment
- Aim for greater value enhancement of investment targeted areas through appropriate division of roles between TOKYU REIT as manager and sponsor as developer



Generates gain on sales

Retain as provision of reserve for reduction entry

[Effects]

Maintain and enhance NAV

- Maintain and enhance NAV by retaining as provision of reserve for reduction entry a portion of gain on sales that is the realization of unrealized gains (Also available to maintain cash distributions through reversal of reserve for reduction entry for factors causing temporary decrease in EPS in the future, such as large tenant moving out of property, etc.)

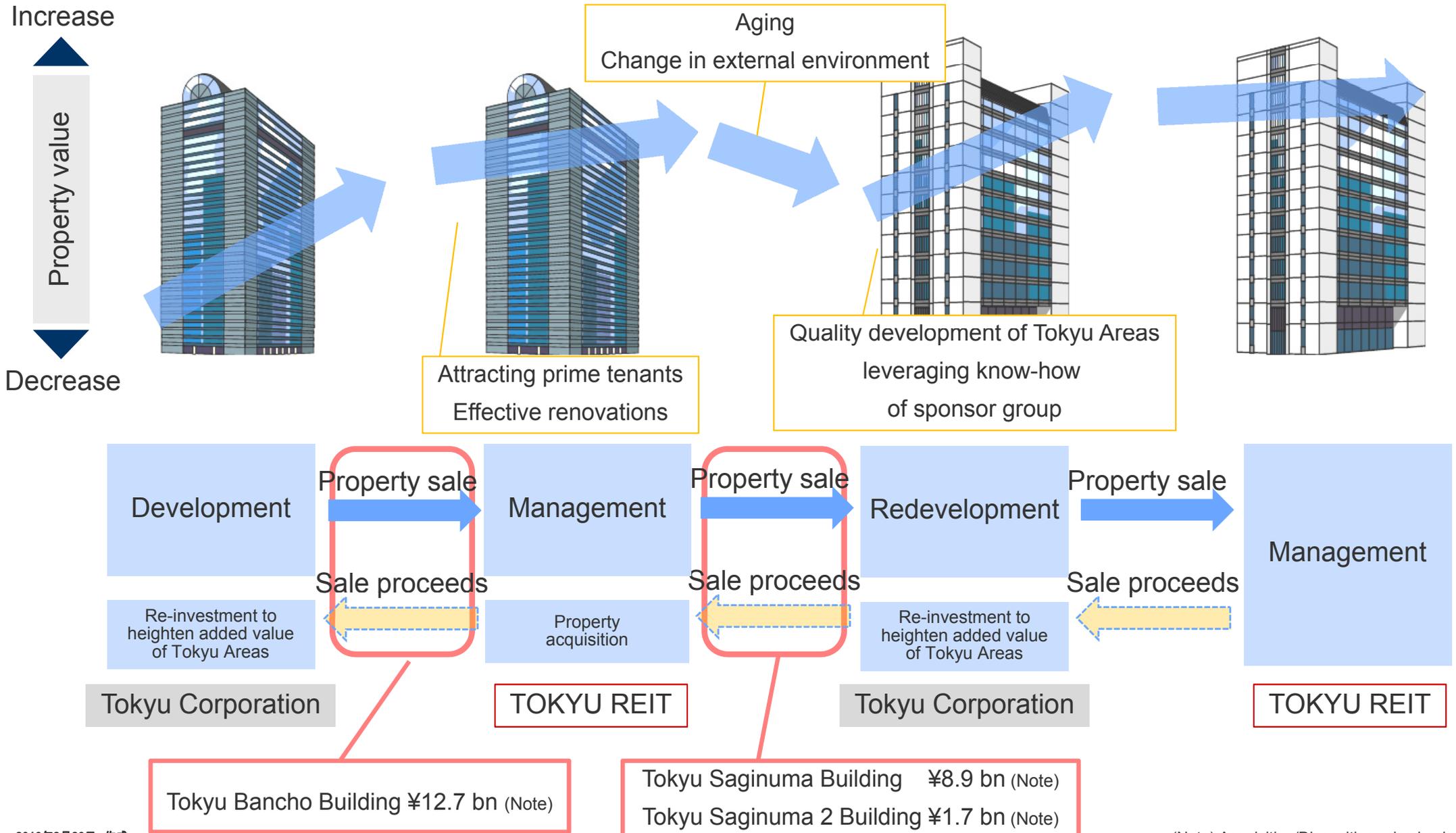
Maintain and enhance portfolio quality

Replacement with property that has favorable location and high specifications expected to lead to further stabilization of cash flows and greater total return (Note 2)

- Decrease in portfolio building age (approx. 20.1 years → approx. 18.7 years)
- Decrease in portfolio PML (4.0%→3.7%)
- Increase in ratio of Central Tokyo offices to entire portfolio (41.4%→46.3%)

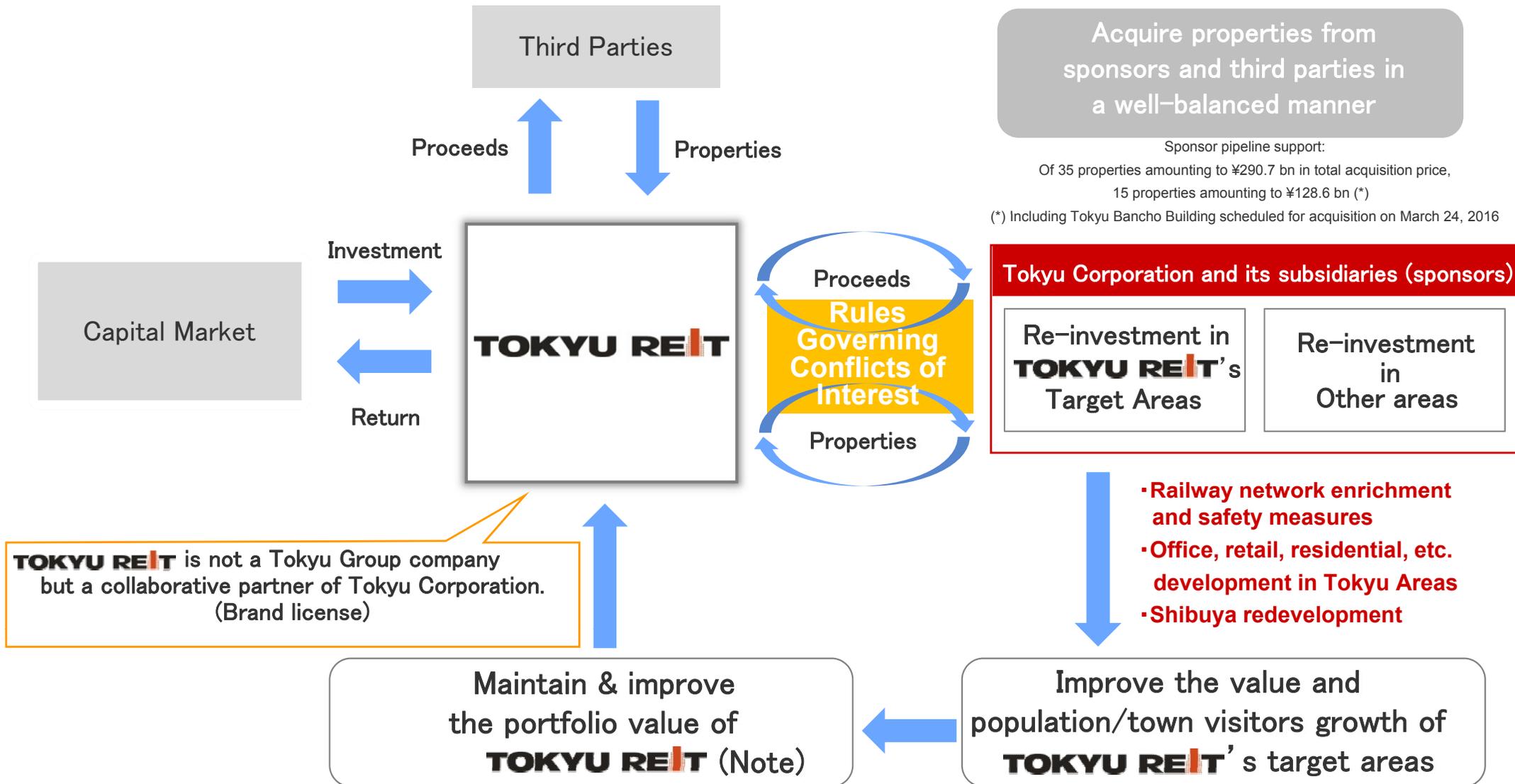
Deepening of Sponsor Collaboration (Value Enhancement of Investment Targeted Areas)

Aim for value enhancement of investment targeted areas through appropriate division of roles with sponsor in line with stages of life of property



TOKYU REIT Capital Re-investment Model

Aim for Growth through value enhancement of the Tokyu Areas (areas along Tokyu rail lines) and synergies from collaboration with sponsor



Acquire properties from sponsors and third parties in a well-balanced manner

Sponsor pipeline support:
 Of 35 properties amounting to ¥290.7 bn in total acquisition price, 15 properties amounting to ¥128.6 bn (*)
 (*) Including Tokyu Bancho Building scheduled for acquisition on March 24, 2016

(Note) Lower vacancy rate, shorten downtime, higher rent, lower cap rate, etc.