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## **Notice Concerning Partial Change of Management Guideline**

TOKYU REIT, Inc. (“TOKYU REIT”) announced that its investment management company, Tokyu Real Estate Investment Management Inc. (“Tokyu REIM”) decided at a Board of Directors’ meeting held today to partially change the management guideline of Tokyu REIM with approval of the proposal concerning partial amendments to the Articles of Incorporation (Note) at TOKYU REIT’s General Meeting of Unitholders scheduled to be held on April 21, 2017 as a condition precedent.

(Note) For details of the proposal, please refer to “Notice Concerning Amendments to the Articles of Incorporation, the Election of Directors” separately announced today.

### **1. Purpose of Change**

With a basic policy of “investment in highly competitive properties in areas with strong growth potential,” TOKYU REIT has worked to build a quality portfolio centering on the Tokyo Metropolitan Area by setting certain criteria regarding location, use, investment size and other factors and investing accordingly, as well as by placing Central Tokyo (referring to Five Central Tokyo Wards of Chiyoda, Chuo, Minato, Shinjuku and Shibuya wards, and other major commercial and retail districts of Tokyo. The same applies hereafter.) and Tokyu Areas as focused investment target areas.

In light of experiences gained through asset management since its listing in 2003, TOKYU REIT has decided to partially change the management guideline to expand investment opportunities and accelerate external growth with an aim to further develop the portfolio and to improve unitholder value by changing criteria on use, investment size and others while maintaining the policy to place Central Tokyo and Tokyu Areas where growth is expected to continue as focused investment target areas.

### **2. Main Contents of the Change**

#### **(1) Change of use of properties, etc.**

##### **a. Before Change**

- Use of properties to be invested: Office and retail properties
- Holding ratio by use in the portfolio (long-term target): Office properties: 60%, retail properties: 40%

## b. After Change

- Use of properties to be invested: Office properties, retail properties, and complexes that include office or retail properties
  - Holding ratio by use in the portfolio (long-term target) will be abolished.
  - When a hotel is included in the above complex, it shall, in principle, meet the following criteria.
    - (i) A lease agreement which can reduce business/operational risks of the hotel shall be concluded with the tenant of the hotel portion of the complex.
    - (ii) The tenant of the hotel portion of the complex shall be Tokyu Corporation and its subsidiaries (Note) or shall possess operational skills equal to those of Tokyu Corporation and its subsidiaries.
- (Note) "Tokyu Corporation and its subsidiaries" refers to any entity that falls under the following (a) to (c):
- (a) Tokyu Corporation
  - (b) A consolidated subsidiary of Tokyu Corporation
  - (c) 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%.

## c. Reason for Change

To enable investment in complexes that includes hotels, residences, etc. along with office or retail properties.

## (2) Change of investment size, etc.

### a. Before Change

- Minimum investment amount per property: 4 billion yen, in principle
- Property size criteria for office properties: Total floor space of over 5,000m<sup>2</sup>, and exclusive area of over 330m<sup>2</sup> in typical floor space

### b. After Change

- Minimum investment amount per property: 4 billion yen, in principle
- However,
- (i) Properties located in Tokyu Areas (including Shibuya ward): 1 billion yen
  - (ii) Properties located in Central Tokyo (excluding Shibuya ward): 2 billion yen
  - (iii) Land with leasehold interest (regardless of the location being in the investment target areas): 1 billion yen
- Property size criteria for office properties will be abolished. Appropriate sizes will be determined taking into account locational characteristics and tenant business type for each property.
  - The portfolio shall maintain a ratio of over 80% (based on total amount of investment) of properties with the investment amount per property of over 4 billion yen.

### c. Reason for Change

To expand opportunities to invest in Central Tokyo and Tokyu Areas by partially relaxing investment size criteria and others while maintaining the policy to build a portfolio centering on medium-scale or larger properties.

## 3. Date of Change

April 21, 2017 (planned)

However, the change accompanies a condition precedent that the proposal to partially change the Articles of Incorporation be approved at the General Meeting of Unitholders scheduled to be held on the same day.

4. Future Outlook

There are no impacts of the change on the business results of TOKYU REIT.

5. Other

Concerning the change, an Extraordinary Report is to be submitted to the Director of Kanto Local Finance Bureau today.

< Attachment >

Partial Change of Investment Policy

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.

# Partial Change of Investment Policy

**Partially relax use of properties, investment size and other restrictions to expand property acquisition opportunities while maintaining policy of investing exclusively in the Tokyo Metropolitan Area.**

## ■ Major changes

\*The change of investment policy accompanies a condition precedent that the proposal to partially change the Articles of Incorporation be approved at the General Meeting of Unitholders scheduled to be held on April 21, 2017.

	Before change	After change		
Use of properties to be invested	(1) Office properties (2) Retail properties	(1) Office properties (2) Retail properties (3) <u>Complexes that include office or retail properties</u> (Note 1)		
Minimum investment amount per property	4 billion yen	4 billion yen, in principle, except for the following cases (Note 2)		
		Tokyu Areas (including Shibuya ward)	Central Tokyo (excluding Shibuya ward) (Note 3)	Land with leasehold interest
		<u>1 billion yen</u>	<u>2 billion yen</u>	<u>1 billion yen</u>
Focused investment target areas	Central Tokyo and Tokyu Areas (unchanged)			

(Note 1) When a hotel is included in the complex, the hotel portion shall, in principle, meet the following criteria.

(1) A lease agreement which can reduce business/operational risks of the hotel (e.g. fixed rent + sales-linked rent, etc.) shall be concluded.

(2) The tenant (the body operating the hotel) shall be Tokyu Corporation and its subsidiaries or shall possess operational skills equal to those of Tokyu Corporation and its subsidiaries.

(Note 2) The portfolio shall maintain 80% or higher ratio of properties with the investment amount per property of 4 billion yen or larger.

(Note 3) Chiyoda, Chuo, Minato and Shinjuku wards, and other major commercial and retail districts of Tokyo.

## ■ Other changes

- In line with the change in use of properties to be invested, the holding ratio by use in the portfolio (long-term target) (office properties: 60%, retail properties: 40%) will be abolished.
- In line with the change in minimum investment amount, the property size criteria set for office properties (over 5,000m<sup>2</sup> of total floor space and over 330m<sup>2</sup> of exclusive area in typical space) will be abolished.