

September 13, 2018

Real Estate Investment Trust Unit Issuer:
TOKYU REIT, Inc.
1-12-1, Dogenzaka,
Shibuya-ku, Tokyo, 150-0043, Japan
Kazuyoshi Kashiwazaki
Executive Director
(Securities Code: 8957)

Investment Management Company:
Tokyu Real Estate Investment Management Inc.
Representative:
Kazuyoshi Kashiwazaki
Representative Director & President, Chief Executive Officer
Inquiries:
Kiyoshi Yamakawa
Chief Financial Officer and General Manager, Finance and IR
TEL: +81-3-5428-5828

Notice Concerning Partial Amendment to Management Guideline
(Change in Provision Concerning Acquisition and Retirement of Treasury Investment Units)

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 amend the management guidelines of Tokyu REIM.

1. Background of Amendment

(1) Assessment of Current Investment Environment

① Real estate price level in the Tokyo Metropolitan Area

The price of real estate in the Tokyo metropolitan area continues to peak and the sales and replacement phase in the “Long-Term Investment Management Strategy (Surf Plan) (Note 1)” is expected to continue until 2020.

② Progress in development of Tokyu rail network hub by sponsor

Within the Tokyo Metropolitan Area, the price of real estate in Shibuya and the Tokyu Areas is expected to continue rising through 2020 as development in the Greater Shibuya Area (within a 2.5 km radius from Shibuya Station) and the Tokyu Areas will be implemented continuously following the redevelopment of the area surrounding Shibuya Station by Tokyu Corporation, the sponsor.

③ Level of NAV(Note 2) and Unit Price

With ① and ② above, unrealized gain will increase from properties owned by TOKYU REIT, which places Central Tokyo and the Tokyu Areas (Note 3) as focused investment target areas. As a result, NAV of TOKYU REIT is forecasted to continue increasing, resulting in NAV per unit surpassing investment unit price.

(Note1) The “Long-Term Investment Management Strategy (Surf Plan)” is a strategy of TOKYU REIT formed by its investment management company Tokyu REIM. Under this strategy, while replacing properties through a value and contrarian investment approach by focusing on the cyclicity of real estate prices, TOKYU REIT aims to build a portfolio that boasts lasting competitiveness and balance sheets that are strong against even difficult economic times. The same applies hereafter.

(Note2) NAV=Unitholders’ capital + Reserve for reduction entry (after appropriation of net income)
+Unrealized gains/losses.

(Note3) “Central Tokyo” is the five central Tokyo wards (Chiyoda, Chuo, Minato, Shinjuku and Shibuya

wards) and other major commercial and retail districts of Tokyo (the areas surrounding Ikebukuro, Koraku, Ueno and other areas). “Tokyu Areas” is the Tokyu rail network hub (Shibuya Ward) and other Tokyu rail network areas (Tokyo (Shinagawa, Meguro, Setagaya and Ota wards, and Machida City); Yokohama City, Kanagawa Prefecture (Kohoku, Kanagawa, Naka, Nishi, Midori, Aoba and Tsuzuki wards); Kawasaki City, Kanagawa Prefecture (Nakahara, Takatsu and Miyamae wards); and Yamato City, Kanagawa Prefecture). Shibuya Ward is included in both Central Tokyo and Tokyu Areas. “Other” is other districts in the Tokyo Metropolitan Area, including Kanagawa, Saitama and Chiba prefectures (excluding the separately mentioned areas above). The same applies hereafter.

(2) Future property replacement and utilization of funds from sales (from 2018 to 2020)

Based on the recognition of the above environment, TOKYU REIT will conduct property replacement after taking into consideration the total return (Note 4), property age, location, etc. of the properties which it owns as well as consider the acquisition and retirement of treasury investment units by using surplus funds that accrued from property replacement, in line with the “Long-Term Investment Management Strategy (Surf Plan)” and “Capital Re-investment Model” (Note 5), from the viewpoint of improvement in unitholder value in the medium to long term, as a measure from 2018 to 2020. The specific content is as follows.

① Properties located in Central Tokyo (mainly office buildings)

We intend to proactively promote property replacement and further improve the portfolio quality in line with the “Long-Term Investment Management Strategy (Surf Plan).”

We will re-invest the funds from the sales of properties mainly in areas where the price of real estate is expected to rise (Shibuya and the Tokyu Areas, etc.) and will consider the acquisition of treasury investment units when surplus funds accrue.

In addition, in the case capital gain accrues from the sales of properties, we will accumulate reserve for reduction entry by setting the limit of net income at 10% and distribute the remaining amount. Furthermore, we plan to allocate or reverse the said reserve for reduction entry to non-recurring repair and maintenance expenses such as for exterior wall repair work as well as to temporary losses.

② Properties located in Shibuya and Tokyu Areas

We will promote the exchange of properties with sponsors in line with the “Capital Re-investment Model.”

(Note 4) Total return from owned properties is comprised of income return (rental revenues, etc.) of each fiscal period and future capital return (gain on sale).

(Note 5) “Capital Re-investment Model” is a business model in which the property investment funds contributed to TOKYU REIT by Tokyu Corporation, the sponsor, by flow back to the main investment target 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. The same applies hereafter.

2. Main Contents of the Establishment and Rationale

(1) Content of the Amendment

The descriptions related to equity financing in “Financial Strategy” will be amended as follows (Underlined portions indicate changes).

① Prior to amendment

Equity financing (additional issuance of new investment units)

- (i) TOKYU REIT will additionally issue investment units in a flexible manner by accurately grasping the market condition and taking into account the dilution of investment units (reduced share of interest due to additional issuance of new investment units), with an aim to achieve long-term stable growth of assets.

- (ii) TOKYU REIT may acquire treasury investment units for retirement with an aim to improve capital efficiency, etc.
- ② After amendment
 - Equity financing
 - (i) Additional issuance of new investment units
TOKYU REIT will additionally issue investment units in a flexible manner by accurately grasping the market condition and taking into account the dilution of investment units (reduced share of interest due to additional issuance of new investment units), with an aim to achieve long-term stable growth of assets.
 - (ii) Acquisition and retirement of treasury investment units
TOKYU REIT may acquire or retire treasury investment units with an aim to improve capital efficiency and pursue unitholder return.
Upon acquisition and retirement of treasury investment units, TOKYU REIT will assess the level of investment unit price, status of cash on hand, financial status, market environment, etc. and determine whether the acquisition or retirement should be conducted from the viewpoint of improving unitholder value over the medium to long term.
- (2) Reason for Amendment
To further clarify the purpose, notes, etc. when acquiring or retiring treasury investment units based on 1. (2) above.
- 3. Date of Revision of Management Guideline
September 13, 2018
- 4. Future Outlook
There are no impacts of the establishment on the business results of TOKYU REIT

Attachments

- Attachment 1 Future Property Replacement and Utilization of Funds from Sales (~ 2020)
- Attachment 2 Long-Term Investment Management Strategy (Surf Plan)
- Attachment 3 Investment Strategy through Sponsor Collaboration (Capital Re-investment Model)

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.

Future Property Replacement and Utilization of Funds from Sales (until 2020)

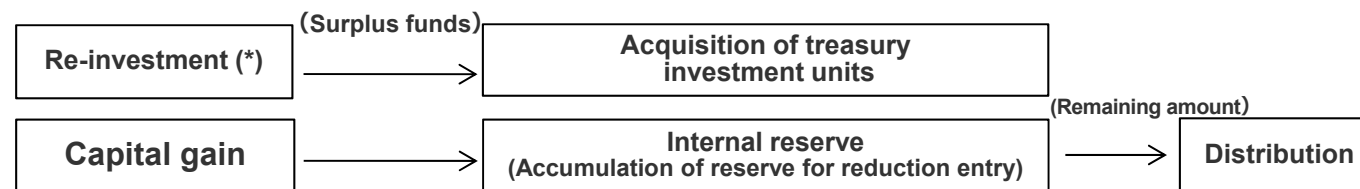
Recognition of Current Status



Property Replacement



Use of Proceeds from Sales of Properties

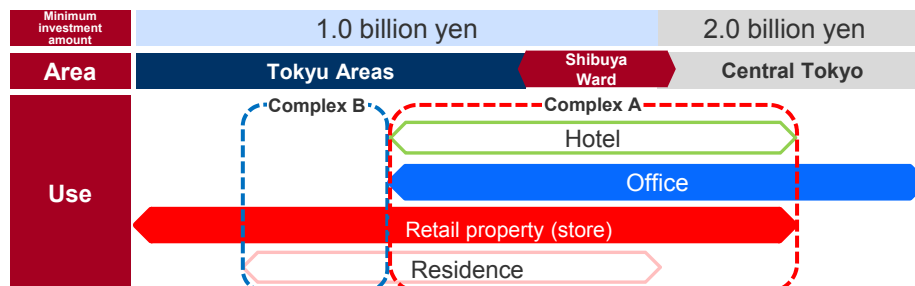


(Note 1) An idea to secure capital gains while replacing properties, and achieve improvement of portfolio quality through a value and contrarian investment approach that focuses on the cyclicity of real estate prices.




(Note 2) Within a 2.5 km radius of Shibuya Station

(Note 3) An idea to aim for ceaseless value enhancement in investment targeted area through sponsor collaboration in line with stages of life of property

(*) Image of re-invested properties



Recently acquired properties

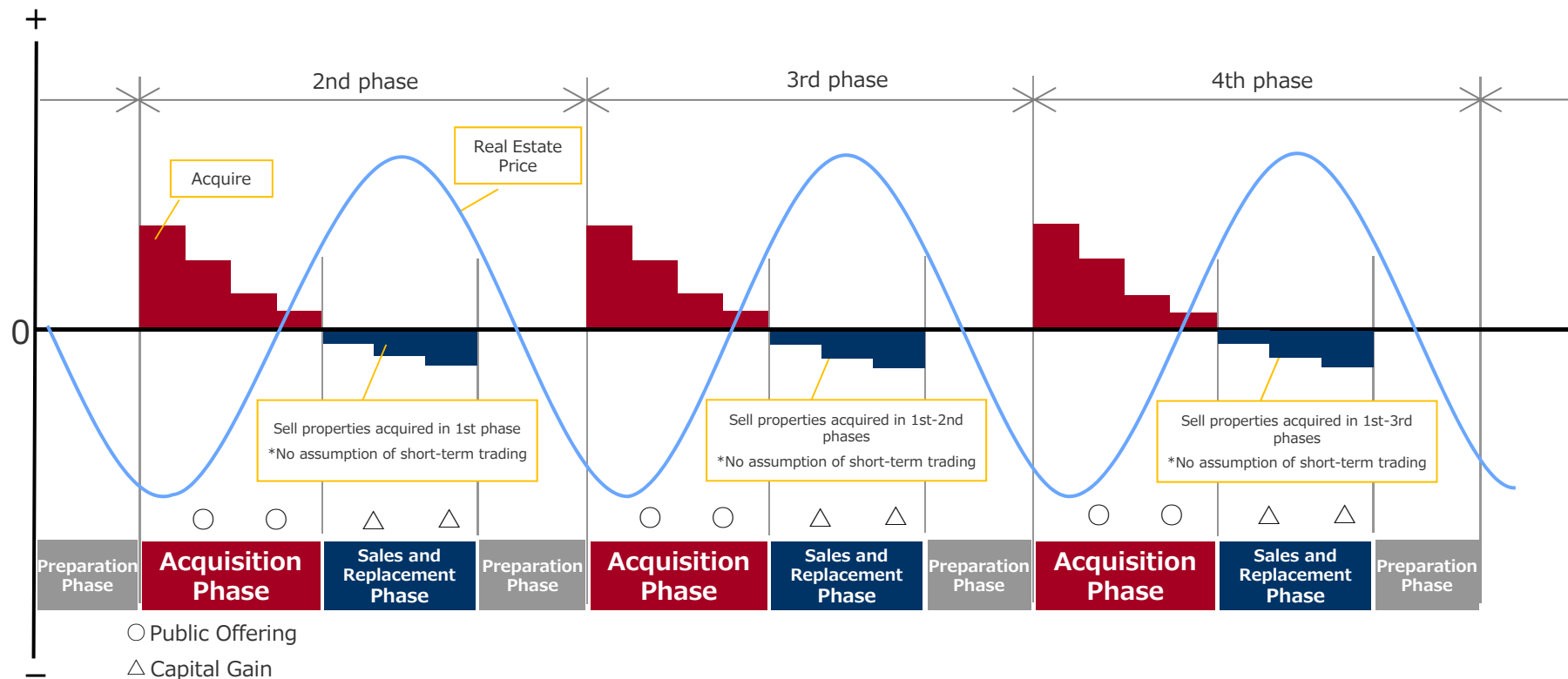
<p>Maison Peony Toritsudaigaku</p> <p>1,200 million yen</p> <p>(acquired on November 15, 2017)</p> 	<p>Lucid Square Ebisu</p> <p>4,500 million yen</p> <p>(acquired on August 1, 2018)</p> 	<p>REVE Nakameguro (land with leasehold interest)</p> <p>1,150 million yen</p> <p>(scheduled to be acquired on September 27, 2018)</p> 
--	--	--

Long-Term Investment Management Strategy (Surf Plan)

Value & Contrary

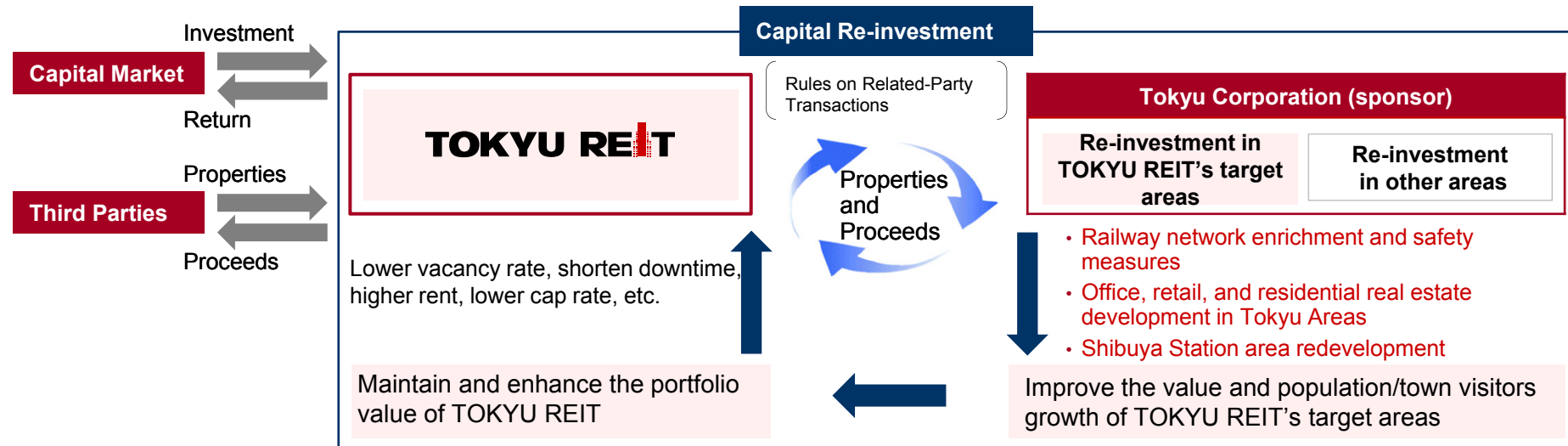
Through a value and contrarian investment approach ^(Note) that focuses on the cyclical nature of real estate prices, TOKYU REIT secures capital gains while replacing properties, and achieves improvement of both portfolio quality (rejuvenating average age of properties, etc.).

Image of the Strategy



(Note) It is not intended for TOKYU REIT to engage in short-term trading in property investments.

Investment Strategy through Sponsor Collaboration (Capital Re-investment Model)

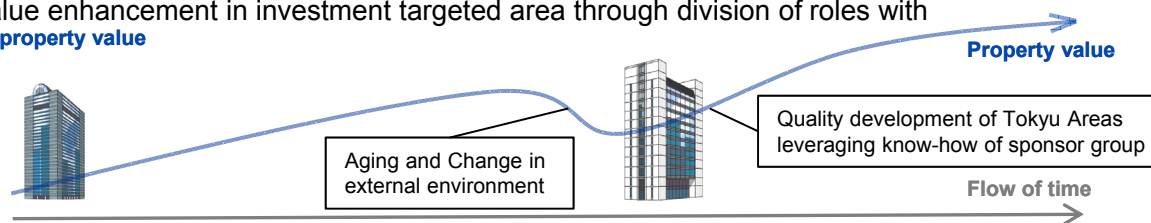


Sponsor Collaboration in Line with Stages of Life of Property (medium- to long-term)

Aim for ceaseless value enhancement in investment targeted area through division of roles with sponsor

Increase of property value

Decrease



< Concrete examples >



Tokyu Saginuma Building

Owner		Sponsor	TOKYU REIT	Sponsor	TOKYU REIT
Stages of property		Development	Management	Redevelopment	Management
Division of roles	TOKYU REIT	—	Attracting prime tenants Effective renovations	—	Attracting prime tenants Effective renovations
	Sponsor	Enhancement of added value of Tokyu Areas through property development	Re-investment of funds from sales in Tokyu Areas, etc.	Enhancement of added value of Tokyu Areas through redevelopment	Re-investment of funds from sales in Tokyu Areas, etc.

- 1978 Developed by sponsor
- 2003 Acquired from sponsor
- 2011 Renewal (GMS→NSC)
- 2016 Transferred to sponsor
- Future Scheduled to be redeveloped in line with the redevelopment in the vicinity of the station