

# Acquisition of OKI System Center (*sokochi*) And Revision to Forecast

March 25, 2013

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**TOKYU REIT**

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

# Acquisition of OKI System Center (*sokochi*) (Announced at March 25, 2013)

## 1. Summary

- **Type of Acquisition:** Real Estate (Ownership of land with a fixed-term leasehold for commercial)
- **Tenant:** Oki Electric Industry Co., Ltd.
- **Location:** Warabi-shi, Saitama  
(Approximately a four-minute walk from Warabi Station, JR Keihin Tohoku Line)
- **Total Land Area:** 17,021.14 m<sup>2</sup>  
An agreement with the City of Warabi to provide the land (approximately 740m<sup>2</sup>) to the City of Warabi in the future at no charge.
- **Type of Ownership:** Land: Proprietary ownership Building: -
- **Acquisition Price:** 4,530 million yen
- **Estimated NOI:** 258 million yen a year
- **Estimated NOI yield:** 5.70%(based on acquisition price)  
5.35%(based on appraisal value)
- **Appraisal Value at Acquisition:** 4,830million yen  
(as of March 15, 2013)
- **Appraisal vacant Land Value:** 6,000million yen
- **Acquisition Date:** March 27, 2013
- **Seller:** Oki Electric Industry Co., Ltd.
- **Lease Contracts:** Contract Term is 20years.  
Early termination cannot be made.  
Fixed Rent (the amount of change in property-related taxes only.)



## 2. Characteristics and Issues

- **Strengths:** Highly accessible to central Tokyo, long-term stable cash flow, high NOI yield, *sarachi* (vacant land) price, and use at the end of contract (residences)
- **Weaknesses:** Low replacement capability of building as office / research property
- **Opportunities:** Enhancing the value of area by the type 1 urban redevelopment project underway at Warabi Station west exit
- **Risk:** Risk of *sarachi* price dropping due to drop in housing prices  
Risk of expenses for countermeasures due to soil/groundwater contamination\* being more than assumed

\* However, a report has been received from Engineering and Risk Services Corporation that concerns of being health hazards are extremely small and, if measures are taken to prevent the spread of contamination, the possibility of contamination spreading to outside of the site is low.

# Revision to Forecast for the Twentieth Fiscal Period (Acquisition of OKI System Center (*sokochi*))

Forecast Twentieth Fiscal Period (Ending July 31, 2013) (181 days)		As of 3/15/2013	As of 3/25/2013	Change
Distribution per Unit	(¥)	11,500	12,000	500
Operating Revenues	(¥ million)	6,377	6,477	100
Operating Expenses	(¥ million)	3,670	3,678	7
Operating Income	(¥ million)	2,706	2,799	93
Net Income	(¥ million)	1,948	2,032	84
Adjusted ROE	(%)	4.61	4.80	0.20
NOI	(¥ million)	4,274	4,368	94
NOI Yield	(%)	4.32	4.34	0.03
LTV / Total Assets at End of Period	(%)	43.1	44.2	1.2
Long Term Debt Ratio at End of Period	(%)	100.0	95.1	-4.9
Period End Occupancy Rate	(%)	97.2	97.4	0.2
Retail (Urban)	(%)	97.9	97.9	0.0
Retail (Suburban)	(%)	100.0	100.0	0.0
Office	(%)	94.0	94.8	0.8

(Major change)

(Operating Revenues)  
Increase in utility charge revenues  
¥ +100 million

(Operating Expenses)  
Increase in Investment Management Fees  
¥ +5 million

(Non-Operating Expenses)  
Increase in interest expenses  
¥ +8 million

The only effect of the acquisition of OKI System Center (*sokochi*) has been factored into the forecast as of 3/15/2013.

\* In calculating the estimated period end occupancy rate as of 3/25/2013, it is assumed that spaces for which notices of cancellation were received as of February 28, 2013 will remain vacant after the move-outs of relevant tenants. Similarly, spaces that were vacant as of February 28, 2013 are assumed to remain vacant.

\*The effect of the recent stagnant real estate market, etc. has been factored into the rent levels.

\*NOI Yield = NOI / Average Total Asset for the Period (based on acquisition price)

\* LTV / Total Assets at End of Period = Balance of Period End Interest-Bearing Debt / Period End Total Assets

\* In calculating the Forecasts for the 20th Fiscal Period and the 21st Fiscal Period as of 3/25/2013, it is assumed that amendments to the Articles of Incorporation of content that, of the investment management fees, base fee 1 shall be reduced for the period from the fiscal period ending July 31, 2013 to the fiscal period ending January 31, 2015 by an amount equivalent to 15% will be approved at the Sixth General Meeting of Unitholders to be held on April 12, 2013.

# Revision to Forecast for the Twenty-first Fiscal Period (Acquisition of OKI System Center (*sokochi*))

Forecast Twenty-first Fiscal Period (Ending January 31, 2014) (184days)		As of 3/15/2013	As of 3/25/2013	Change
Distribution per Unit	(¥)	11,600	12,200	600
Operating Revenues	(¥ million)	6,259	6,404	145
Operating Expenses	(¥ million)	3,557	3,580	22
Operating Income	(¥ million)	2,701	2,824	122
Net Income	(¥ million)	1,964	2,066	101
Adjusted ROE	(%)	4.57	4.81	0.24
NOI	(¥ million)	4,267	4,406	139
NOI Yield	(%)	4.24	4.28	0.04
LTV / Total Assets at End of Period	(%)	43.1	44.3	1.1
Long Term Debt Ratio at End of Period	(%)	100.0	95.1	-4.9
Period End Occupancy Rate	(%)	96.4	96.6	0.2
Retail (Urban)	(%)	94.7	94.7	0.0
Retail (Suburban)	(%)	100.0	100.0	0.0
Office	(%)	92.8	93.8	1.0

(Major change)

(Operating Revenues)  
Increase in utility charge revenues  
¥ +145 million

(Operating Expenses)  
Increase in Investment Management Fees  
¥ +13 million

(Non-Operating Expenses)  
Increase in interest expenses  
¥ +12 million

The only effect of the acquisition of OKI System Center (*sokochi*) has been factored into the forecast as of 3/15/2013.

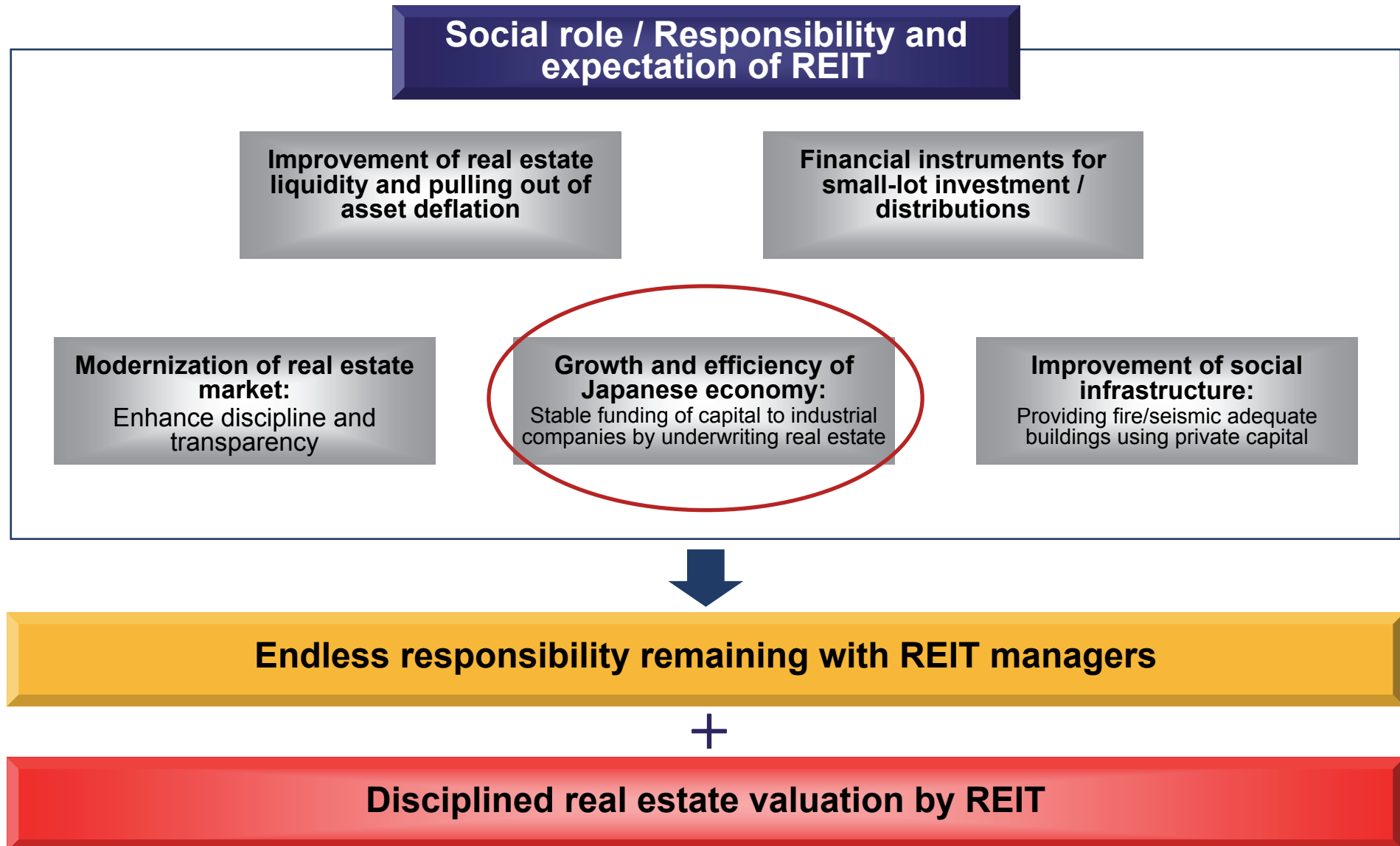
\* In calculating the estimated period end occupancy rate as of 3/25/2013, it is assumed that spaces for which notices of cancellation were received as of February 28, 2013 will remain vacant after the move-outs of relevant tenants. Similarly, spaces that were vacant as of February 28, 2013 are assumed to remain vacant.

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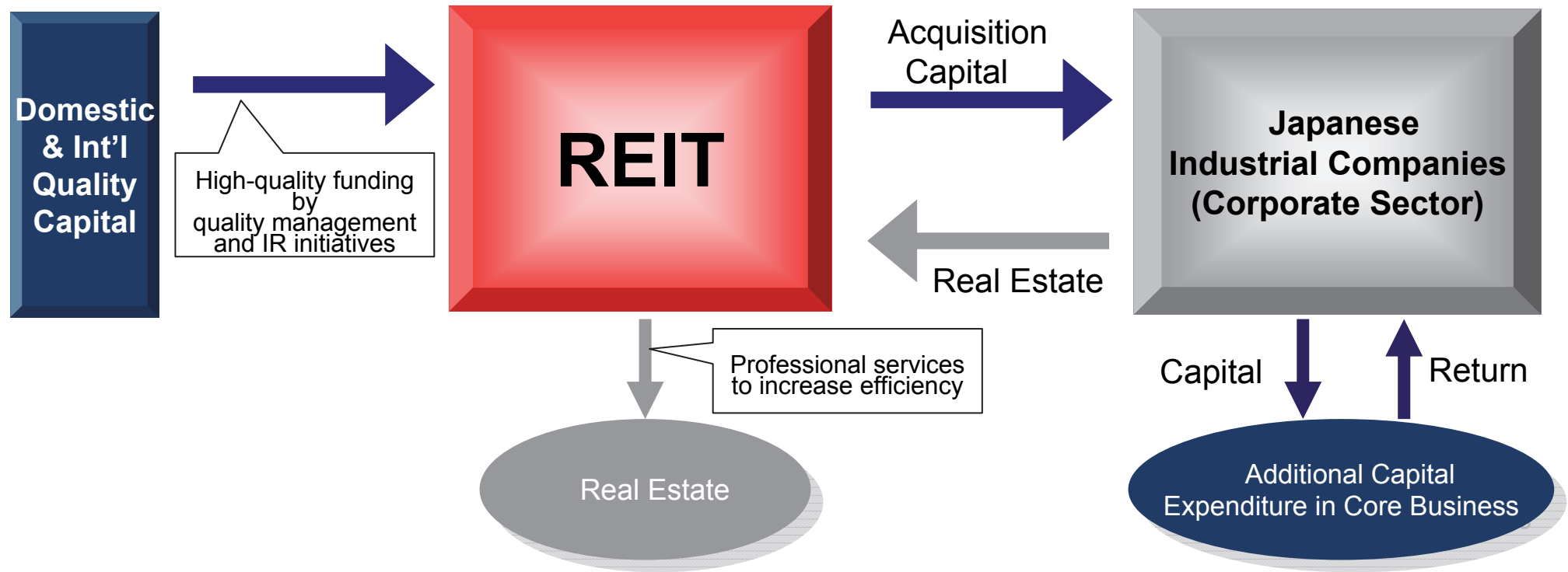
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\*This page represents the view of Tokyu REIM. 5

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