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**Notice Concerning Acquisition (Shibuya Dogenzaka Sky Building
and Tokyu Bancho Building (Additional Acquisition))
and Disposition (KALEIDO Shibuya Miyamasuzaka)
of Trust Beneficiary Interest in Domestic Real Estate by Exchanging**

TOKYU REIT, Inc. (“TOKYU REIT”) today announced that its investment management company, Tokyu Real Estate Investment Management Inc. (“Tokyu REIM”), has decided to acquire 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 “Exchanging”) by exchanging. The stipulation for “inclusion in deductible expenses of the amount of advanced depreciation of assets acquired by exchange” in Article 50 of the Corporation Tax Act is scheduled to be applied for Shibuya Dogenzaka Sky Building and Tokyu Bancho Building (Additional Acquisition), the assets to be acquired, to implement reduction entry. Brief details are as follows.

1. Outline of the Exchanging

(1) Exchanging Counterparty: Tokyu Corporation
(Please refer to the “6. Profile of Exchanging Counterparty”)

(2) Contract Date: March 8, 2019 (Friday)

(3) Scheduled Exchanging Date: March 28, 2019 (Thursday)

(4) Acquisition Details

① Shibuya Dogenzaka Sky Building

- (i) Type of Acquisition: Trust beneficiary interest in domestic real estate
- (ii) Property Name: Shibuya Dogenzaka Sky Building
- (iii) Use: Office, retail and parking
- (iv) Acquisition Price: ¥8,100 million (Note)
(Excluding acquisition-related costs, property tax, city planning tax, etc.)

② Tokyu Bancho Building (Additional Acquisition)

- (i) Type of Acquisition: Quasi-co-ownership of trust beneficiary interest in domestic real estate
- (ii) Property Name: Tokyu Bancho Building
- (iii) Use: Office, retail and parking
- (iv) Acquisition Ratio: 3.6% quasi-co-ownership interest of the 95.1% compartmentalized ownership interest of the trust beneficiary interest
- (v) Acquisition Price: ¥1,040 million (Note)
(Excluding acquisition-related costs, property tax, city planning tax, etc.)

(5) Disposition Details

①Type of Disposition:	Trust beneficiary interest in domestic real estate
②Property Name:	KALEIDO Shibuya Miyamasuzaka
③Use:	Retail and parking
④Disposition Price:	¥7,780 million
⑤Book Value:	¥5,053 million (Expected value as of the scheduled disposition date)
⑥Amount of Difference from Disposition Price:	¥2,726 million (Expected value as of the scheduled disposition date) (Note)

(Note) Reduction entry of the assets to be acquired is scheduled to be implemented for part of the amount. For details, please see “(6) ② Reduction Entry” below.

(6) Others

- ①Difference from exchanging: The difference between the acquisition price of Shibuya Dogenzaka Sky Building and Tokyu Bancho Building (Additional Acquisition) and the disposition price of KALEIDO Shibuya Miyamasuzaka (1,360 million yen) is scheduled to be paid to Tokyu Corporation, counterparty of the Exchanging made on the scheduled exchanging date.
- ②Reduction entry: Reduction entry of 2,685 million yen is scheduled to be implemented for the assets to be acquired (through application of “inclusion in deductible expenses of amount of advanced depreciation of assets acquired by exchange” in Article 50 of the Corporation Tax Act). As such, the book values of the assets to be acquired prior to reflecting the various acquisition costs and such are expected to be 5,714 million yen for Shibuya Dogenzaka Sky Building and 739 million yen for Tokyu Bancho Building (Additional Acquisition).

2. Rationale

TOKYU REIT strives to improve the quality of its portfolio through property replacements, taking into consideration trends in the capital market and real estate investment market as well as the growth potential of its portfolio's cash flow in the medium to long term. The Exchanging will be conducted as part of these efforts in accordance with the “Scope and Policy of Investment Management” as outlined in the Articles of Incorporation of TOKYU REIT.

(1) Acquisition of Shibuya Sky Building

The Shibuya area in which Shibuya Dogenzaka Sky Building is located has in recent years developed a strong brand capacity as an office market. It is especially favored by IT firms. Furthermore, the supply of office buildings is still limited even as large redeveloped properties are set to open, and occupancy in the Shibuya/Ebisu area continues to be high with the recent office vacancy rate at 0.2% (Note 1).

The property is a highly visible office building sitting at the intersection of Tamagawa-dori Street (National Route No. 246) and Dogenzaka Street. Although the building is 30 years old, its competitiveness has been maintained through renewal work on elevators, mechanical parking lots and other key facilities as well as a timely and appropriate large-scale renovation of the entrance. Furthermore, the average rent for the current tenants is at a relatively low level compared to the current contract rents and so internal growth through an increase in rents can be anticipated.

The NOI yield of the property for the past year calculated based on estimated rent level and occupancy rate as of the acquisition date is 3.8% (Note 2). The estimated NOI yield in the medium to long term incorporating internal growth from increase in rent, etc. going forward is 4.0%.

(Note 1) As of the end of December 2018; Source: CBRE K.K.'s “Japan Office Market View” “Shibuya/Ebisu Area”

(Note 2) Calculation premised on projection of future annual average occupancy rate as of the end of March 28, 2019 (99.3%)

(2) Acquisition of Tokyu Bancho Building (Additional Acquisition)

The Bancho area in which Tokyu Bancho Building is located has excellent access to central Tokyo. The most recent vacancy rate for the Kanda and Iidabashi area including Bancho is 0.2% (Note).

The property is an office building located a three-minute walk from Ichigaya Station which connects to four train lines including JR. In March 2016, TOKYU REIT acquired 49.0% of quasi-co-ownership interest of the property's trust beneficiary interest (95.1% compartmentalized ownership) from Tokyu Corporation. Since then, a high occupancy rate has been maintained and with this additional acquisition the quasi-co-ownership interest held together with Tokyu Corporation will be 52.6%, a majority.

(Note) As of the end of December 2018; Source: CBRE K.K.'s "Japan Office Market View "Kanda/Iidabashi Area"

(3) Disposition of KALEIDO Shibuya Miyamasuzaka

KALEIDO Shibuya Miyamasuzaka is a retail facility which TOKYU REIT has owned since August 2013. Since its acquisition TOKYU REIT has continually endeavored to maintain and improve the asset value and the property has maintained a high occupancy rate.

While the property is expected to contribute to revenues on a stable basis for the time being, the property being 27 years old is anticipated to require funds for the renewal of key facilities and TOKYU REIT has recognized this as an issue.

Under such circumstances, having been approached by Tokyu Corporation with a request for disposition for the realization of "Entertainment City SHIBUYA," a focal measure in Tokyu Corporation's medium-term management plan, TOKYU REIT judged the Exchanging would contribute to not only enhancing portfolio quality but also enhancing unitholder value.

The Exchanging conforms to TOKYU REIT's "Capital Re-Investment Model" of investment management strategy as part of collaboration with Tokyu Corporation, its sponsor. Through this, the medium-to long-term value of "Greater Shibuya" (Note), part of TOKYU REIT's focused investment target area, is expected to increase.

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

(Note) Within a 2.5 km radius of Shibuya Station

3. Property Details (Acquiring Properties)

(1) Shibuya Dogenzaka Sky Building

Property Name		Shibuya Dogenzaka Sky Building
Type of Specified Asset		Trust beneficiary interest in domestic real estate
Trustee Trust Period		Sumitomo Mitsui Trust Bank, Limited From September 24, 2004 to March 31, 2029 (planned)
Location	Registered	Land 22-1, 22-4, 22-6, 22-12, 22-13, 22-14, 22-15, 22-16, 84-8 Maruyamacho, Shibuya-ku, Tokyo Building 22-1, 22-4, 22-6, 22-12, 22-13, 22-14, 22-15, 22-16, 84-8 Maruyamacho, Shibuya-ku, Tokyo
	Residential	28-1 Maruyamacho, Shibuya-ku, Tokyo
Access		Approximately a five-minute walk from Shibuya Station, Keio Inokashira Line Approximately a three-minute walk from Shinsen Station, Keio Inokashira Line
Use		Office, retail and parking
Area Classification		Commercial district
Site/Floor Area (Registered)		Land 721.34 m ² (Note)
		Building 5,644.91 m ²
Structure (Registered)		SRC B1/11F
Completion Date (Registered)		March 1988
Design Company		Nikken Sekkei Ltd.
Construction Company		Tokyu Construction Co., Ltd.
Inspection Authority		Bureau of Urban Development Tokyo Metropolitan Government
Earthquake Resistance		PML (Probable Maximum Loss) of 6.4% is based on the earthquake risk assessment (detailed) report prepared by Engineering and Risk Services Corporation and OYO RMS Corporation (as of February 12, 2019). 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		¥8,100 million
Appraisal Value		¥8,290 million (effective date of value: February 1, 2019)
		Appraiser: Japan Valuers Co., Ltd.
Building Assessment Reporter		Takenaka Corporation
Date of Building Assessment Report		February 21, 2019
Property Management Company		Tokyu Corporation
Security/Guarantee		None
Special Items		Some PCB is contained in two condensers being used at the property. These condensers are scheduled to be removed before TOKYU REIT's acquisition of the trust beneficiary interest at the seller's expense and responsibility.
Tenant Details	Total Number of Tenants	9
	Total Rental Income	382 million a year
	Lease Deposits and Guarantee Deposits	214 million (as of January 31, 2019)
	Estimated NOI	307 million a year
	Estimated NOI after depreciation	272 million a year
	Total Leased Area	4,13321 m ² (entire building)
	Total Rentable Area	4,13321 m ² (entire building)
	Occupancy Rate	100.0 %

Occupancy Rates over the Last Five Years	As of January 31, 2015	As of January 31, 2016	As of January 31, 2017	As of January 31, 2018	As of January 31, 2019
		100.0%	92.0%	100.0%	89.8%

(Note) Including a private road burden portion (approximately 24.31 m²).

*The total number of tenants, total rental income and occupancy rate are based on projections as of the scheduled acquisition date (March 28, 2019).

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

- 1) Total rental income is the estimated annual figures based on an annual average occupancy rate (99.3%) as of the scheduled acquisition date (March 28, 2019).
- 2) Property-related taxes are projected to be the same amount as the fiscal 2018 assessment amount.
- 3) Repairs and maintenance expenses are calculated based on expenses estimated for the next one-year period.

(2) Tokyu Bancho Building (Additional Acquisition)

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 31, 2029 (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
	Residential	None
Access	Approximately a three-minute walk from Ichigaya Station, JR Chuo Main Line and Sobu Line, Tokyo Metro Yurakucho and Namboku 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 (Note 1))
	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 (Note 2))
Structure (Registered)	S 11F	
Completion Date (Registered)	September 2011	
Design Company	Tokyu Architects & Engineers INC.	
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 the earthquake risk assessment (detailed report prepared by Engineering and Risk Services Corporation and OYO RMS Corporation (as of January 25, 2019)). 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
Acquisition Price	¥1,040 million	
Appraisal Value	¥1,040 million (effective date of value: February 1, 2019)	
	Appraiser: Daiwa Real Estate Appraisal Co., Ltd.	
Building Assessment Reporter	Engineering and Risk Services Corporation	
Date of Building Assessment Report	January 25, 2019	
Property Management Company	Tokyu Corporation	
Security/Guarantee	None	

Special Items		<p>1. The building is a building under compartmentalized ownership. The land registered in the location section of the registration of the building under compartmentalized ownership is owned by the trustee, but the land treated together with such land as the site at the time of development of the building in trust (the “integrated land”) is owned by individuals. On that basis, a land lease agreement on the integrated land has been concluded between those individuals and the other compartmentalized owners of the building. A mortgage has been placed 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 (as amended) was executed on February 26, 2016 with the quasi-co-owner Tokyu Corporation (the quasi co-ownership interest 47.4% after the transaction), and a memorandum of amendment in line with the acquisition is scheduled to be executed as of today. 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				
	Total Rental Income	41 million a year				
	Lease Deposits and Guarantee Deposits	28 million (as of January 31, 2019)				
	Estimated NOI	34 million a year				
	Estimated NOI after depreciation	24 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, 2015	As of January 31, 2016	As of January 31, 2017	As of January 31, 2018	As of January 31, 2019
	100.0%	100.0%	90.1%	100.0%	90.1%	
<p>(Note1) The site area corresponding to the quasi co-ownership interest (95.1%) in the trust beneficial interests that TOKYU REIT plans to acquire (3.6%) equivalent to the ratio of interest in the building is approximately 92.65 m².</p> <p>(Note 2) The site area corresponding to the quasi co-ownership interest(95.1%) in the trust beneficial interests that TOKYU REIT plans to acquire (3.6%) equivalent to the ratio of interest in the building will be approximately 411.51 m² after this acquisition.</p> <p>*The total number of tenants, total rental income and occupancy rate are based on projections as of the scheduled acquisition date (March 28, 2019).</p> <p>* Total rental income, Lease Deposits and Guarantee Deposits, estimated NOI and estimated NOI after depreciation are the amounts equivalent to the 3.6% quasi-co-ownership interest of the 95.1% compartmentalized ownership interest of the trust beneficiary interest.</p> <p>*Estimated NOI and estimated NOI after depreciation are the estimated annual figure exclusive of special items of the acquisition fiscal year (not the forecast figure for the current fiscal period) and are based on the following assumptions.</p> <p>1) Total rental income is the estimated annual figures based on an annual average occupancy rate (100.0%) as of the scheduled acquisition date (March 28, 2019).</p> <p>2) Property-related taxes are projected to be the same amount as the fiscal 2018 assessment amount.</p> <p>3) Repairs and maintenance expenses are calculated based on expenses estimated for the next one-year period.</p>						

4. Profile Details (Disposing Property)

Property Name		KALEIDO Shibuya Miyamasuzaka				
Type of Specified Assets		Trust beneficiary interest in domestic real estate				
Trustee		Mitsubishi UFJ Trust and Banking Corporation				
Trust Period		October 31, 2003 to July 31, 2023 (planned)				
Location	Registered	Land	1-12-4, Shibuya Shibuya-ku, Tokyo			
		Building	1-12-4, Shibuya Shibuya-ku, Tokyo			
	Residential	1-12-1, Shibuya Shibuya-ku, Tokyo				
Access		Approximately a one-minute walk from Shibuya Station, Tokyo Metro Ginza Line				
Use		Retail and parking				
Area Classification		Commercial district				
Site/Floor Area (Registered)		Land	821.65 m ²			
		Building	4,475.10 m ²			
Structure (Registered)		S/RC B4/6F				
Completion Date (Registered)		January 1992				
Type of Ownership		Land	Proprietary ownership			
		Building	Proprietary ownership			
Acquisition Date		August 16, 2013				
Acquisition Price		¥ 5,150 million				
Appraisal Value as of the Period-End		¥ 7,340 million (effective date of value: July 31, 2018)				
		Appraiser: Japan Valuers Co., Ltd.				
Book Value		¥5,053 million (expected value as of the scheduled disposition date)				
Disposition Price		¥7,780 million				
Gain(Loss) on Disposition		¥2,726 million (amount of difference between disposition price and book value (expected value as of the scheduled disposition date))				
Appraisal Value as of Property Disposition		¥7,550 million (effective date of value: February 1, 2019)				
		Appraiser: Daiwa Real Estate Appraisal Co., Ltd.				
Tenant Details	Total Number of Tenants		8 (as of March 8, 2019)			
	Total Rental Income		¥371 million a year (actual results from August 1, 2017 to July 31, 2018)			
	Lease Deposits and Guarantee Deposits		¥222 million (as of July 31, 2018)			
	NOI		¥264 million a year (actual results from August 1, 2017 to July 31, 2018)			
	Estimated NOI after depreciation		¥227 million a year (actual results from August 1, 2017 to July 31, 2018)			
	Total Leased Area		3,399.34 m ² (as of July 31, 2018)			
	Total Rentable Area		3,399.34 m ² (as of July 31, 2018)			
	Occupancy Rate		100.0% (as of July 31, 2018)			
Occupancy Rates over the Last Five Years		As of July 31, 2014	As of July 31, 2015	As of July 31, 2016	As of July 31, 2017	As of July 31, 2018
		100.0%	100.0%	100.0%	85.3%	100.0%
Special Items		None				

5. Property Appraisal Summary

(1) Acquiring Property

① Shibuya Dogenzaka Sky Building

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

Property Name: Shibuya Dogenzaka Sky Building	Estimation	Notes
Appraisal Firm: Japan Valuers Co., Ltd.		
Effective Date of Value	February 1, 2019	
Type of Value	Market Value	
Appraisal Value	8,290,000	Derived from the Income Approach
Value Indicated by Income Approach	8,290,000	Reconciled with the value by DCF Method and the value by Direct Capitalization Method
Value Indicated by Direct Capitalization Method	8,460,000	—
(1) Operating Revenue (a.-b.)	420,120	—
a. Potential Gross Income (rental income, common area charges income, utilities reimbursement, etc.)	432,495	Assessed based on both existing rent level and market rent level
b. Vacancy Loss	12,375	Assessed based on both terms of existing lease agreement as well as market standard in the subject vicinity
(2) Operating Expenses (c.+d.+e.+f.+g.+h.+i. +j.)	97,806	—
c. Building Maintenance Cost	18,984	On actual basis
d. Utilities Expenses	22,698	On actual basis
e. Repair Expenses	8,694	Annual repairs estimate sourced from the engineering report
f. Property Management Fee	9,894	Based on the fee ratio from scheduled agreement
g. Tenant Solicitation Expenses, etc.	5,193	Assessed based on assumed turnover rate
h. Property Taxes	28,514	On actual basis in fiscal 2018
i. Property Insurance	818	On quotation basis
j. Other Expenses	3,007	On actual basis
(3) Net Operating Income (NOI) ((1)-(2))	322,314	—
(4) Investment Profits from Refundable Deposits	2,617	1.0% interest rate on the deposit outstanding
(5) Capital Expenditure	20,287	annual restoration cost estimate sourced from the engineering report
(6) Net Cash Flow (NCF) ((3)+(4)-(5))	304,645	—
(7) Overall Capitalization Rate	3.60%	—
Value Indicated by DCF Method	8,120,000	—
Discount Rate	3.40%	—
Terminal Capitalization Rate	3.80%	—
Value Indicated by Cost Approach	4,860,000	—
Ratio of Land Value	92.0%	—
Ratio of Building Value	8.0%	—
Reconciliation before Arriving at the Value Conclusion	The indicated value by Cost Approach looks into cost aspect of a real property. On the other hand, the indicated value by Income Approach is derived from profitability of a real property. In regard to an income-producing property valuation, the utmost importance should be placed on the value by the Income Approach. In conclusion, we have regarded the value by Cost Approach only as guide, and our concluded value is fully based on the Income Approach.	

② Tokyu Bancho Building (Additional Acquisition) (JPY in thousands) (rounded down to the nearest specified unit)

Property Name: Tokyu Bancho Building (Additional Acquisition)	Estimation	Notes
Appraisal Firm: Daiwa Real Estate Appraisal Co., Ltd.		
Effective Date of Value	February 1, 2019	—
Type of Value	Market value	—
Appraisal Value	1,040,000	Applied the value indicated by the income approach
Value Indicated by Income Approach	1,040,000	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	1,070,000	—
(1) Operating Revenue (a.-b.)	43,666	—
a. Potential Gross Income (rental income, common area charges income, utilities reimbursement, etc.)	45,003	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 prime 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	1,336	Assessed based on the current vacancy rate and the market vacancy rate
(2) Operating Expenses (c.+d.+e.+f.+g.+h.+i. +j.)	9,479	—
c. Building Maintenance Cost	1,237	Recorded that assessed based on the level of building maintenance cost of similar properties and the past actual amount
d. Utilities Expenses	2,363	Recorded that assessed based on the level of utilities expenses of similar properties and the past actual amount
e. Repair Expenses	561	Recorded the annual average repair expenses in the engineering report obtained from the client
f. Property Management Fee	1,324	Recorded that assessed based on the documents obtained from the client
g. Tenant Solicitation Expenses, etc.	299	Recorded based on the level of tenant solicitation expenses, etc. of similar properties
h. Property Taxes	3,526	Recorded that assessed based on the fiscal 2018 actual amount
i. Property Insurance	59	Recorded based on the actual amount
j. Other Expenses	106	Recorded based on the actual amount
(3) Net Operating Income (NOI) ((1)-(2))	34,186	—
(4) Investment Profits from Refundable Deposits	298	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	288	Recorded by taking the annual average renewal costs in the engineering report obtained from the client and considering the construction management fee
(6) Net Cash Flow (NCF) ((3)+(4)-(5))	34,195	—
(7) Overall Capitalization Rate	3.2%	Assessed by comprehensively considering the conditions of the subject properties, such as location, building grade and others, and using the overall capitalization rates of similar properties in the primary market area as references
Value Indicated by DCF Method	1,030,000	—
Discount Rate	3.0%	—
Terminal Capitalization Rate	3.4%	—
Value Indicated by Cost Approach	763,000	—
Ratio of Land Value	82.6%	—
Ratio of Building Value	17.4%	—
Reconciliation before Arriving at the Value Conclusion	The indicated value by Cost Approach looks into cost aspect of a real property. On the other hand, the indicated value by Income Approach is derived from profitability of a real property. In regard to an income-producing property valuation, the utmost importance should be placed on the value by the Income Approach. In conclusion, we have regarded the value by Cost Approach only as guide, and our concluded value is fully based on the Income Approach.	

(2) Disposing Property

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

Property Name: KALEIDO Shibuya Miyamasuzaka	Estimation	Notes
Appraisal Firm: Daiwa Real Estate Appraisal Co., Ltd.		
Effective Date of Value	February 1, 2019	—
Type of Value	Market value	—
Appraisal Value	7,550,000	Applied the value indicated by the income approach
Value Indicated by Income Approach	7,550,000	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	7,720,000	—
(1) Operating Revenue (a.–b.)	369,918	—
a. Potential Gross Income (rental income, common area charges income, utilities reimbursement, etc.)	381,224	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 prime 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	11,305	Assessed based on the current vacancy rate and the market vacancy rate
(2) Operating Expenses (c.+d.+e.+f.+g.+h.+i. +j.)	90,368	—
c. Building Maintenance Cost	16,101	Recorded based on the current agreement
d. Utilities Expenses	41,335	Recorded that assessed based on the level of utilities expenses of similar properties and the past actual amount
e. Repair Expenses	2,283	Recorded the annual average repair expenses in the engineering report obtained from the client
f. Property Management Fee	6,659	Recorded that assessed based on the documents obtained from the client
g. Tenant Solicitation Expenses, etc.	2,285	Recorded based on the level of tenant solicitation expenses, etc. of similar properties
h. Property Taxes	20,153	Recorded that assessed based on the fiscal 2018 actual amount
i. Property Insurance	469	Recorded based on the actual amount
j. Other Expenses	1,080	Recorded based on the actual amount
(3) Net Operating Income (NOI) ((1)–(2))	279,550	—
(4) Investment Profits from Refundable Deposits	2,016	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	11,285	Recorded by taking the annual average renewal costs in the engineering report obtained from the client and considering the construction management fee
(6) Net Cash Flow (NCF) ((3)+(4)–(5))	270,282	—
(7) Overall Capitalization Rate	3.5%	Assessed by comprehensively considering the conditions of the subject properties, such as location, building grade and others, and using the overall capitalization rates of similar properties in the primary market area as references
Value Indicated by DCF Method	7,470,000	—
Discount Rate	3.3%	—
Terminal Capitalization Rate	3.7%	—
Value Indicated by Cost Approach	6,730,000	—
Ratio of Land Value	93.2%	—
Ratio of Building Value	6.8%	—
Reconciliation before Arriving at the Value Conclusion	The indicated value by Cost Approach looks into cost aspect of a real property. On the other hand, the indicated value by Income Approach is derived from profitability of a real property. In regard to an income-producing property valuation, the utmost importance should be placed on the value by the Income Approach. In conclusion, we have regarded the value by Cost Approach only as guide, and our concluded value is fully based on the Income Approach.	

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. Profile of Exchanging Counterparty

Company Name	Tokyu Corporation
Head Office Address	5-6 Nanpeidaicho, Shibuya-ku, Tokyo
Representative	Kazuo Takahashi, President & Representative Director
Capital	¥121,724 million (as of March 31, 2018)
Business Activities	Railway business, real estate business, etc.
Foundation Date	September 2, 1922
Net Assets of the Previous Business Year	¥747,049 million (as of March 31, 2018)
Total Assets of the Previous Business Year	¥2,264,636 million (as of March 31, 2018)
Relationship between the Investment Corporation or its Investment Management Company and the Company	
Capital Relationship	As of the last day of January 2019, 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. (Shibuya Dogenzaka Sky Building)

	Previous Owner	Before Previous Owner
Company Name	Tokyu Corporation	Party other than party that has particular vested interest
Relationship with Party that has Particular Vested Interest	Please refer to “6. Profile of Exchanging Counterparty; Relationship between the Investment Corporation or its Investment Management Company and the Company” above.	Details omitted because acquisition from party other than party that has vested interest
Acquisition Process, Rationale, etc.	Investment management purpose	Details omitted because acquisition from party other than party that has vested interest
Acquisition Price	Details omitted because the Property 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 1, 2016	Details omitted because acquisition from party other than party that has vested interest

8. Transactions with Interested Persons, etc.

(1) Shibuya Dogenzaka Sky Building

① Execution of Trust Beneficiary Interest Exchange Agreement

Tokyu Corporation, which is scheduled to be the seller of Shibuya Dogenzaka Sky Building, falls under the category of related parties, etc. (Note), to which self-imposed rules of Tokyu REIM for preventing conflicts of interested are applied. 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 Daiwa Real Estate Appraisal Co., Ltd. stating that the value and valuation process for the subject property was adequate.

② Execution of Property Management Agreement

Tokyu Corporation, which is scheduled to be the company to which TOKYU REIT is to outsource property management services of Shibuya Dogenzaka Sky Building, falls under the category of related parties, etc. (Note), to which self-imposed rules of Tokyu REIM for preventing conflicts of interested are applied. Accordingly, TOKYU REIT implemented procedures in accordance with its self-imposed rules for preventing conflicts of interest upon execution of 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 Bancho Building (Additional Acquisition)

Tokyu Corporation, which is scheduled to be the seller of Tokyu Bancho Building (Additional Acquisition), falls under the category of related parties, etc. (Note), to which self-imposed rules of Tokyu REIM for preventing conflicts of interested are applied. 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 CBRE K.K. stating that the value and valuation process for the subject property was adequate.

(3) KALEIDO Shibuya Miyamasuzaka

Tokyu Corporation, which is scheduled to be the purchaser of KALEIDO Shibuya Miyamasuzaka, 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 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 CBRE K.K. stating that the value and valuation process for the subject property was adequate.

(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

9. Brokerage

Not applicable.

10. Schedule of the Exchanging

March 8, 2019	Decision of acquisition and disposition of trust beneficiary interest Execution of trust beneficiary interest sales and purchase agreement by exchanging Execution of Property management agreement for Shibuya Dogenzaka Sky Building
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March 28, 2019	Decision of acquisition and disposition (planned) Payment of balance between acquisition price and disposition price. (planned) Property management agreement for Shibuya Dogenzaka Sky Building become effective (planned)
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11. Settlement Method

Payment of balance between acquisition price and disposition price will be made by lump-sum settlement at the time of delivery on March 28, 2019.

12. Financing Details

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

13. Outlook

Through the Exchanging, gain on sale of real estate of 40 million yen is expected to occur during the Fiscal Period Ending July 2019 (32nd Fiscal Period), resulting in a difference from the already announced forecasts of operating condition and distribution which were announced on September 13, 2018.

For details, please refer to the “Notice Concerning Revision to Expected Operating Condition and Revision to Distribution Forecast for the Fiscal Period Ended January 2019 (31st Fiscal Period) and the Fiscal Period Ending July 2019 (32nd Fiscal Period)” separately announced today.

Attachments

1. Property Portfolio after the Exchanging (as of March 28, 2019)
2. Second Opinion Summary
3. Photograph and Location Map of Shibuya Dogenzaka Sky Building
4. Photograph and Location Map of Tokyu Bancho Building

Attachment 1

Property Portfolio after the Exchanging (assumption figure as of March 28, 2019)

Use	Property Name	Area	Acquisition Date	Acquisition Price(million yen)	Ratio(%)*10	Appraisal Value at End of July 2018(FP30) (million yen)
R	QFRONT	Central Tokyo and Tokyu Areas (Shibuya)	September 10, 2003	15,100	6.6%	29,800
R	Lexington Aoyama	Central Tokyo	September 11, 2003	4,800	2.1%	5,610
R	TOKYU REIT Omotesando Square	Central Tokyo and Tokyu Areas (Shibuya)	September 10, 2003	5,770	2.5%	8,090
R	TOKYU REIT Shibuya Udagawa-cho Square	Central Tokyo and Tokyu Areas (Shibuya)	March 1, 2004	6,600	2.9%	12,600
R	cocoti	Central Tokyo and Tokyu Areas (Shibuya)	April 6, 2005 *1	14,700	10.7%	21,600
			August 2, 2005 *2	9,800		
R	CONZE Ebisu	Central Tokyo and Tokyu Areas (Shibuya)	October 31, 2006	5,116	2.2%	5,100
R	Daikanyama Forum	Central Tokyo and Tokyu Areas (Shibuya)	April 22, 2008	4,136	1.8%	3,480
Retail Properties Total				66,022	28.8%	86,280
O	Setagaya Business Square	Tokyu Areas	September 11, 2003	22,400	9.8%	18,700
O	Tokyu Nampaidai-cho Building	Central Tokyo and Tokyu Areas (Shibuya)	September 11, 2003	4,660	2.0%	6,000
O	Tokyu Sakuragaoka-cho Building	Central Tokyo and Tokyu Areas (Shibuya)	September 11, 2003	6,620	2.9%	9,740
O	Tokyu Nissan Taito Building	Central Tokyo	September 11, 2003	4,450	1.9%	5,530
O	TOKYU REIT Akasaka Hinokicho Building	Central Tokyo	September 10, 2003	3,570	1.6%	4,520
O	TOKYU REIT Kamata Building	Tokyu Areas	September 10, 2003	4,720	2.1%	5,380
O	TOKYU REIT Toranomom Building	Central Tokyo	December 15, 2004 *3	8,630	4.4%	11,100
			September 21, 2007 *4	1,100		
			September 21, 2007 *5	200		
			October 26, 2007 *6	140		
			January 21, 2015 *7	107		
O	Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	Central Tokyo	January 31, 2008	8,500	3.7%	7,260
O	Tokyu Ikejiri-ohashi Building	Tokyu Areas	March 28, 2008	5,480	2.4%	5,980
O	Kojimachi Square	Central Tokyo	March 19, 2010	9,030	3.9%	9,060
O	TOKYU REIT Shinjuku Building	Central Tokyo	March 26, 2010	9,000	3.9%	12,000
O	Akihabara Sanwa Toyo Building	Central Tokyo	October 29, 2010	4,600	2.0%	6,290
O	Tokyu Ginza 2-chome Building	Central Tokyo	February 15, 2011	5,010	2.2%	5,180
O	TOKYU REIT Shibuya R Building	Central Tokyo and Tokyu Areas (Shibuya)	August 16, 2013	5,270	2.3%	9,250
O	Tokyu Toranomom Building	Central Tokyo	August 16, 2013	15,000	7.4%	19,900
			January 9, 2015	1,850		
O	TOKYU REIT Shinjuku 2 Building	Central Tokyo	October 30, 2015	2,750	1.2%	2,990
O	Tokyu Bancho Building	Central Tokyo	March 24, 2016 *8	12,740	5.6%	14,200
			March 28, 2019 *9	1,040	0.5%	1,040 *11
O	Lucid Square Ebisu	Central Tokyo and Tokyu Areas (Shibuya)	August 1, 2018	4,500	2.0%	4,700 *12
O	Shibuya Dogenzaka Sky Building	Central Tokyo and Tokyu Areas (Shibuya)	March 28, 2019	8,100	3.5%	8,290 *13
Office Properties Total				149,467	65.2%	167,110
C	Maison Peony Toritsudaigaku	Tokyu Areas	November 15, 2017	1,200	0.5%	1,200
Complex Properties Total				1,200	0.5%	1,200
L	Shonan Mall Fill (land with leasehold interest)	Other	April 28, 2006	6,810	3.0%	6,560
L	OKI System Center (land with leasehold interest)	Other	March 27, 2013	4,530	2.0%	5,220
L	REVE Nakameguro (land with leasehold interest)	Tokyu Areas	September 27, 2018	1,150	0.5%	1,150 *14
Land with Leasehold Interest Total				12,490	5.4%	12,930
Total				229,179	100.0%	267,520

*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 Details of the 49.0% portion of trust beneficiary interests acquired under quasi-co-ownership.

*9 Details of the 3.6% portion of trust beneficiary interests acquired under quasi-co-ownership.

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

*11 Appraisal value with February 1, 2019 as the effective date of value.

*12 Appraisal value with June 30, 2018 as the effective date of value.

*13 Appraisal value with February 1, 2019 as the effective date of value.

*14 Appraisal value with June 1, 2018 as the effective date of value.

*15 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.

*16 As for use, properties owned by TOKYU REIT are categorized into R (retail property), O (office property), C (complexes) and L (land with leasehold interest).

Attachment 2 <Second Opinion Summary>

Shibuya Dogenzaka Sky Building

Subject Property	Shibuya Dogenzaka Sky 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 "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 Daiwa Real Estate Appraisal Co., Ltd. where the contents of the Appraisal Report (No. JVT-210427) by Japan Valuers Co., Ltd. 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 Bancho Building (Additional Acquisition)

Subject Property	Tokyu Bancho Building(Additional Acquisition)
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 CBRE K.K. where the contents of the Appraisal Report (No. Daikan-#501812374) by Daiwa Real Estate Appraisal Co., Ltd. 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.

KALEIDO Shibuya Miyamasuzaka

Subject Property	KALEIDO Shibuya Miyamasuzaka
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 retail 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

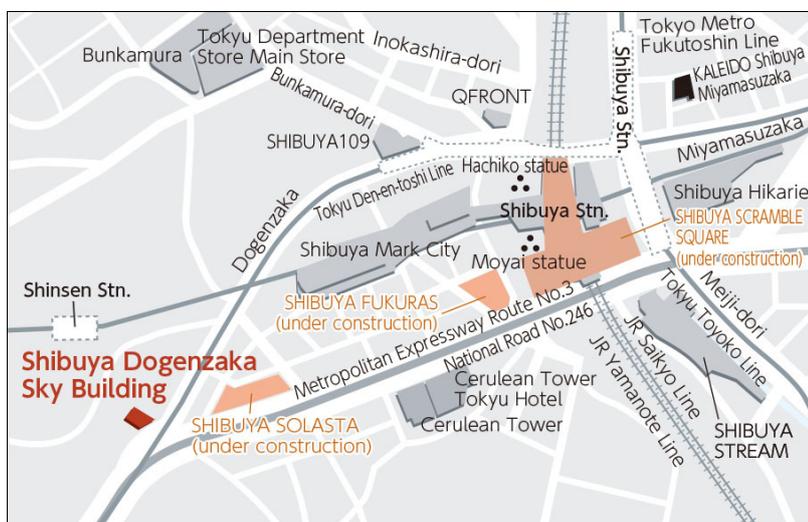
Above summary is the abstract of the Real Estate Letter of Opinion prepared by CBRE K.K. where the contents of the Appraisal Report (No. Daikan-#501812372) by Daiwa Real Estate Appraisal Co., Ltd. have been examined. It is noted that this Letter of Opinion itself is not regarded to be a valuation report fully in accordance with Japan's Act on Real Estate Appraisal.

Attachment 3

Photograph of Shibuya Dogenzaka Sky Building



Location Map of Shibuya Dogenzaka Sky Building



Attachment 4

Photograph of Tokyu Bancho Building



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.