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Notice Concerning Commencement of Extension Work (Tokyu Toranomom Building)

TOKYU REIT, Inc. (“TOKYU REIT”) has today announced that its investment management company, Tokyu Real Estate Investment Management Inc. (“Tokyu REIM”), determined with regard to Tokyu Toranomom Building (the “Property”), one of TOKYU REIT’s assets under management, to commence extension work on an additionally acquired lot at the Property and existing building renovation work (the “Extension Work”).

1. Details of Extension Work

Property Name		Tokyu Toranomom Building
Location	Registered	Land 1-216-2, 1-217-1, 1-217-2, 1-217-3, 1-217-4, 1-220-1, 1-220-2, 1-220-3, 1-220-4, 1-220-5, 1-220-6, 1-220-7, 1-220-8, 1-220-9, 1-220-10, 1-220-11, 1-220-12, 1-220-13, 1-220-14, 1-220-15 Toranomom, Minato-ku, Tokyo
		Building 1-216-2, 1-217-1, 1-217-2, 1-217-3, 1-217-4, 1-220-2, 1-220-5, 1-220-6, 1-220-7, 1-220-9, 1-220-11, 1-220-13, 1-220-14, 1-220-15 Toranomom, Minato-ku, Tokyo
	Residential	1-21-19 Toranomom, Minato-ku, Tokyo, and other
Access		Approximately a one-minute walk from Toranomom Hills Station, Tokyo Metro Hibiya Line Approximately a three-minute walk from Toranomom Station, Tokyo Metro Ginza Line Approximately a seven-minute walk from Kasumigaseki Station, Tokyo Metro Chiyoda and Hibiya lines Approximately a nine-minute walk from Kasumigaseki Station, Tokyo Metro Marunouchi Line
Use		Office (planned)
Area of Extension Work		2,053.08 m ² (planned)
Structure		S 10F (planned)
Total Projected Costs		¥3,800 million (estimate) (breakdown) Land ¥1,850 million (acquired) Construction costs ¥1,950 million (Note) (Note) Includes various expenses such as design supervision costs, inspection costs, and taxes and public dues.
Schedule		Early February 2021 Start of Extension Work (planned) Late June 2022 Completion of building extension (planned) Early July 2022 Start of occupancy of building extension (planned)
Design Company		Tokyu Architects & Engineers Inc.
Construction Company		Tokyu Construction Co., Ltd.

(Note) As of the day of this document, neither an appraisal report based on the appraisal value of the Property nor earthquake risk assessment report on earthquake resistance following the Extension Work has been acquired. Such are scheduled to be acquired at the completion phase.

2. History of Extension Work

In January 2015, TOKYU REIT acquired the lot adjacent to the Property for the purpose of constructing a building extension (Note), and negotiations were conducted with related parties such as existing tenants ahead of the Extension Work. The commencement of the Extension Work has been determined now as the conditions for starting the Extension Work such as maturation of fixed-term lease agreements of existing tenants have been met. The period of the Extension Work is scheduled to be between February 2021 and June 2022. Further increase in the cash flow of the Property is expected as a result of the Extension Work such as from greater attractiveness for new potential tenants and enhanced ability to respond to the need for expanded floor area of existing tenants.

Furthermore, the commencement of the Extension Work was determined following confirmation that there would be no major impact on the cash flow of TOKYU REIT's portfolio and upon taking measures to reduce various risks associated with the Extension Work.

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 construct a portfolio that leads to improvement in asset value and growth of net income per investment unit.

(Note) For details of the lot additionally acquired, please refer to "Notice Concerning Acquisition of Domestic Real Estate (Contiguous Land of Tokyu Toranomom Building) and Extension of Tokyu Toranomom Building" dated December 17, 2014.

3. Effect of Extension Work

	Before Extension Work	After Extension Work	Increase Following Extension Work
Total Floor Area (Note 1)	12,557.47 m ²	14,610.55 m ²	2,053.08 m ²
Total Leasable Floor Area (Note 1)	9,016.59 m ²	11,029.27 m ²	2,012.68 m ²
Floor Area per Standard Floor (Note 1)	984.55 m ²	1,187.18 m ²	202.63 m ²
NOI (Note 2)	¥795 million	¥968 million	¥172 million
NOI Yield (Note 3)	4.72%	5.15%	0.43 pts

During the period of the Extension Work, due to the decrease in occupancy rate from the departure of the main tenant of the Property, rent income is expected to decrease. The increase in revenue from the property replacement announced today and such is planned to be allotted to this decrease portion. For details, please refer to "Notice Concerning Acquisition (OKI Business Center No.5) of Trust Beneficiary Interest in Domestic Real Estate and Disposition (OKI System Center (Land with Leasehold Interest)) of Domestic Real Estate" separately announced today.

(Note 1) Total floor area, total leasable floor area, and floor area per standard floor are figures indicated in the extension work proposal (volume plan) and may change going forward. Moreover, these differ from the figures in the register.

(Note 2) NOI before Extension Work is the annualized figure for the actual NOI deducting special factors from income and expenses in the fiscal period ended July 2020 (34th Fiscal Period) while NOI after Extension Work adds to NOI before Extension Work the amount estimated by Tokyu REIT at present as the estimated annual increase of NOI from Extension Work.

(Note 3) NOI yield before Extension Work is calculated by dividing the NOI indicated in (Note 2) by the acquisition price of Tokyu Toranomom Building, and NOI yield after Extension Work is calculated by dividing the NOI indicated in (Note 2) by the acquisition price of Tokyu Toranomom Building plus the construction costs indicated in 1. Details of Extension Work.

4. Transactions with Interested Persons, Etc.

① Order of Extension Work

The Extension Work of the Property will be outsourced to Tokyu Construction Co., Ltd., which falls under the category of related parties, etc. (Note), to which self-imposed rules of Tokyu REIM for preventing conflicts of interest are applied. Accordingly, TOKYU REIT will implement procedures in accordance with the rules and conclude a contract agreement. Moreover, concerning the fees for the Extension Work, TOKYU REIT has received an opinion report from Index Consulting Inc. stating that the fees are within the standard range with regard to the details of the Extension Work.

② Outsourcing of Design and Supervision of Extension Work

Design and supervision of the Extension Work will be outsourced to Tokyu Architects & Engineers Inc. which falls under the category of related parties, etc. (Note), to which self-imposed rules of Tokyu REIM for preventing conflicts of interest are applied. Accordingly, TOKYU REIT has implemented procedures in accordance with the rules, concluded a design service consignment agreement, and will conclude a construction supervision consignment agreement. Moreover, concerning the fees for the design and supervision of the Extension Work, TOKYU REIT has received an opinion report from Index Consulting Inc. stating that the fees are within the standard range with regard to the details of the Extension Work.

③ Outsourcing of Construction Management Services

Construction management services for the Property will be outsourced to Tokyu Corporation which falls under the category of related parties, etc. (Note), to which self-imposed rules of Tokyu REIM for preventing conflicts of interest are applied. Accordingly, TOKYU REIT has implemented procedures in accordance with the rules and concluded a property management agreement. Moreover, concerning the fees for the construction management services, TOKYU REIT has received an opinion report from Index Consulting Inc. stating that the fees are within the standard range with regard to the details of the Extension Work.

Regarding the above transactions with interested persons, etc., multilayered checks based on the self-imposed rules of Tokyu REIM for preventing conflicts of interest have been implemented and, based on the above results, approval was granted at a meeting of TOKYU REIT's board of directors.

(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 associations or other investment shares in that entity by the respective company exceeds 50%.

5. Timing and Amount of Payment

(rounded down to the nearest specified unit)

Already paid (Note)	¥67 million
Amount scheduled to be paid during the fiscal period ending July 2021 (36th Fiscal Period)	¥22 million
Amount scheduled to be paid during the fiscal period ending January 2022 (37th Fiscal Period)	¥486 million
Amount scheduled to be paid during the fiscal period ending July 2022 (38th Fiscal Period)	¥1,197 million
Amount scheduled to be paid during the fiscal period ending January 2023 (39th Fiscal Period)	¥175 million
Total	¥1,950 million

(Note) Of the design and supervision costs, the amount already paid during past extension planning.

6. Financing Details

Cash on hand and borrowings are scheduled to be allotted to construction costs.

7. Outlook

The Extension Work is scheduled to commence in February 2021 but the work for connection with the existing building is scheduled to begin in August 2021 and no departures of tenants etc. are expected until the start of the connection work and so there is no impact on the expected operating conditions and distributions for the fiscal period ending January 2021 (35th Fiscal Period) or the fiscal period ending July 2021 (36th Fiscal Period).

Attachments

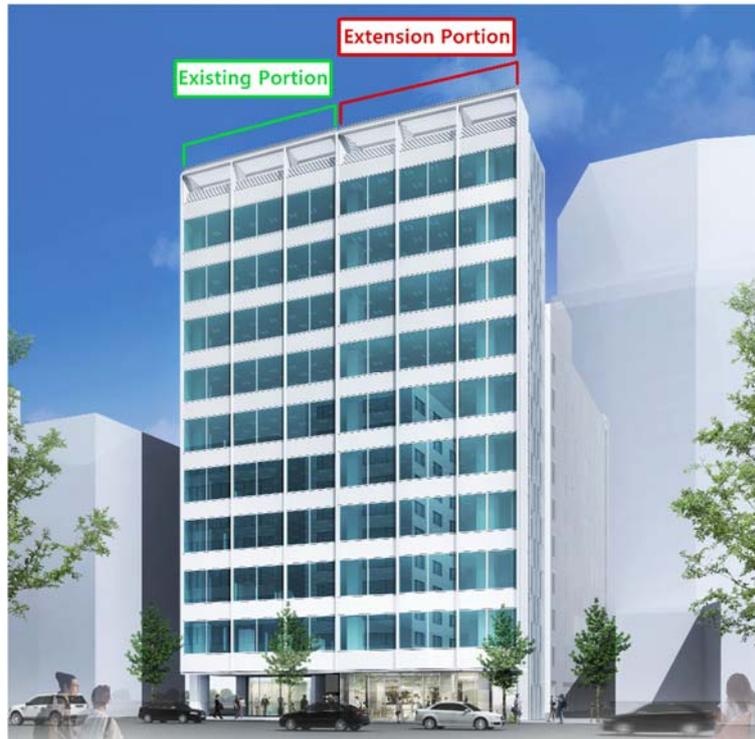
1. Conceptual Drawing of Tokyu Toranomom Building's Exterior After Extension Work
2. Location Map of Tokyu Toranomom Building

Reference

- “Notice Concerning Acquisition of Domestic Real Estate (Contiguous Land of Tokyu Toranomom Building) and Extension of Tokyu Toranomom Building” dated December 17, 2014.
- “Notice Concerning Postponement of Commencement of Extension Work on Tokyu Toranomom Building” dated August 7, 2015.

Attachment 1

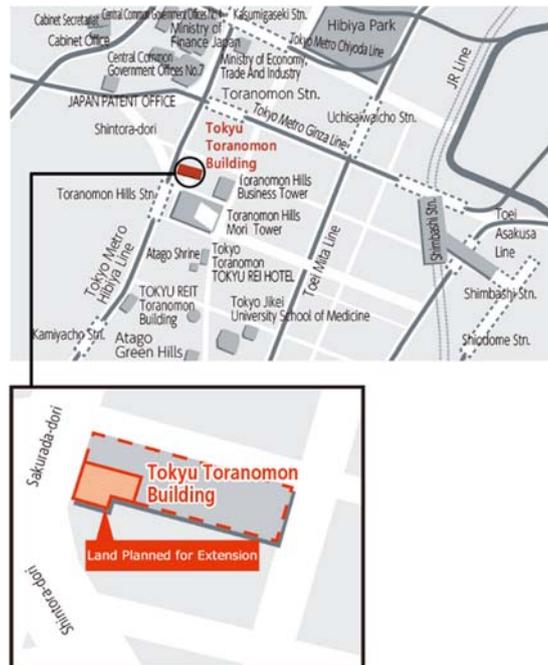
Conceptual Drawing of Tokyu Toranomon Building's Exterior After Extension Work



(Note) The figure is a conceptual drawing based on the design drawings and may differ from the actual building.

Attachment 2

Location Map of Tokyu Toranomon 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 pressure, 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.