

July 30, 2021

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Notice Concerning Disposition (Daikanyama Forum) of Trust Beneficiary Interest in Domestic Real Estate

TOKYU REIT, Inc. (“TOKYU REIT”) today announced that its investment management company, Tokyu Real Estate Investment Management Inc. (“Tokyu REIM”), had decided to dispose of trust beneficiary interest in domestic real estate (the “Disposition”). Brief details are as follows.

1. Disposition Details

Property Name	Daikanyama Forum
Location	17-16, Sarugaku-cho, Shibuya-ku, Tokyo
Disposition Price	¥4,250 million
Book Value	¥4,119 million (Expected value as of disposition date) (Note 1)
Amount of Difference from Disposition Price	¥130 million (Note 2)
Purchaser	Domestic company (Please refer to “5. Purchaser Profile”)
Brokerage	Yes
Decision of Disposition	July 30, 2021
Contract Date	July 30, 2021
Disposition Date	August 31, 2021
Receiving of Disposition Costs	August 31, 2021 (Note 3)

(Note 1) The amount includes the surplus for the management association after the conversion into the ownership interest of TOKYU REIT.

(Note 2) Amount of difference between the disposition price and the expected book value as of the scheduled disposition date is indicated.

(Note 3) TOKYU REIT is scheduled to receive 212,500,000 yen as a deposit on the date of conclusion of the purchase and sale agreement and the remaining amount on the disposition date.

2. Rationale

TOKYU REIT strives to improve the quality of its portfolio, taking into consideration trends in the capital market and real estate investment market as well as the growth potential of the portfolio's cash flow in the medium to long term. The Transaction 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.

Daikanyama Forum (the "Property") is a retail facility located in Shibuya-ku, Tokyo, acquired by TOKYU REIT in April 2008. The Property is 28 years old, but continues to be fully occupied due to the implementation of timely and appropriate renovation work.

On the other hand, given the fact that large-scale repair work is necessary in order to continue to maintain and enhance competitiveness and that the continuous appraisal value has remained below the book value since acquisition, TOKYU REIT recognized the response to such matters as being an issue.

Under such circumstances, with the buyer's intent to purchase the Property at a price exceeding the book value and the most recent continuous appraisal value, TOKYU REIT decided on the disposition, judging that the disposition of the Property in the current market environment is the best decision from the perspective of total return (Note).

TOKYU REIT will use the funds from the disposition as cash on hand, and consider re-investment in new properties after securing the acquisition capacity of properties.

TOKYU REIT will continue to conduct investment management while closely monitoring trends in capital and real estate investment markets, all the while adhering to its investment policy. TOKYU REIT will strive to build a portfolio that leads to improvement in asset value and growth of net income per investment unit.

(Note) Total income comprising income returns (rental income, etc.) and future capital returns (sale income) of each fiscal period.

3. Details of Asset to Be Disposed

Property Name		Daikanyama Forum
Type of Specified Asset		Trust beneficiary interest in domestic real estate (Note 1)
Location	Registered	Land Building 1 (East): 33-18, 33-20, Sarugaku-cho, Shibuya-ku, Tokyo Building 2 (West): 33-1, Sarugaku-cho, Shibuya-ku, Tokyo
		Building Building 1 (East): 33-18, 33-20, Sarugaku-cho, Shibuya-ku, Tokyo Building area: E-001, E-101, E-201 Building 2 (West): 33-1, Sarugaku-cho, Shibuya-ku, Tokyo Building area: W-001, W-101, W-202
	Residential	17-16, Sarugaku-cho, Shibuya-ku, Tokyo
Access		Approximately a six-minute walk from Daikan-yama Station on the Tokyu Toyoko Line
Use		Retail
Area Classification		Category 2 low-rise exclusive residential district, Category 2 medium-to-high-rise exclusive residential district
Site/Floor Area (Registered)	Land	Building 1 (East): Site rights area 942.30 m ² Interest 10,000/10,000 Building 2 (West): Site rights area 1,108.01 m ² Interest 6,413/10,000
	Building	Building 1 (East): 1,441.57 m ² Exclusive area 1,242.06 m ² Building 2 (West): 2,388.70 m ² Exclusive area 1,182.62 m ²
Structure (Registered)		Building 1 (East): RC B1/2F Building 2 (West): RC B1/5F
Completion Date (Registered)		February, 1993
Type of Ownership	Land	Building 1 (East): Proprietary Ownership Building 2 (West): Proprietary Ownership (Co-ownership ratio 6,413/10,000)
	Building	Building 1 (East): Compartmentalized Ownership Building 2 (West): Compartmentalized Ownership
Acquisition Date		April 22, 2008
Acquisition Price		¥4,136 million

Disposition Date	August 31, 2021					
Disposition Price	¥4,250 million					
Appraisal Value	¥3,630 million (effective date of value: July 1, 2021)					
	Appraiser: Japan Real Estate Institute					
Book Value	¥4,119 million (Expected value as of disposition date) (Note 2)					
Amount of Difference from Disposition Price	¥130 million (Note 3)					
Special Items	In the purchase and sale agreement, TOKYU REIT reached an agreement with the buyer to reserve the surplus (balance carried forward) of management fees at the management association of Daikanyama Forum as well as the balance of reserve fund for repair in the account of the management association and succeed all rights pertaining to it to the buyer, and the purchase/sales price was decided based on such agreement.					
Lease Details	Total Number of Tenants	5 (as of January 31, 2021)				
	Assumed Total Rental Income	¥212 million a year (actual results from February 1, 2020, to January 31, 2021)				
	Lease Deposits and Guarantee Deposits	¥416 million (as of January 31, 2021)				
	NOI	¥133 million a year (actual results from February 1, 2020, to January 31, 2021)				
	NOI after Depreciation	¥110 million a year (actual results from February 1, 2020, to January 31, 2021)				
	Total Leased Area	2,477.37 m ² (as of January 31, 2021)				
	Total Rentable Area	2,477.37 m ² (as of January 31, 2021)				
	Occupancy Rates over the Last Five Years	As of January 31, 2017	As of January 31, 2018	As of January 31, 2019	As of January 31, 2020	As of January 31, 2021
	100.0%	100.0%	100.0%	100.0%	100.0%	
<p>(Note 1) As of today, trust beneficiary interest is not established for the Property. However, TOKYU REIT has concluded a real estate trust agreement for management and disposal with condition precedent concerning the Property as the main asset in trust with the trustee as of today, and is scheduled to sell the trust beneficiary interest based on the concerned real estate trust agreement for management and disposal with condition precedent to the buyer. Moreover, the building of the Property is a building under compartmentalized ownership, and trust beneficiary interest is scheduled to be established for the co-ownership interest in the land which is the purpose of the site rights as well as the exclusively owned portion of the building under compartmentalized ownership and rights incidental to them (including co-ownership interest in the common-use area of the said building under compartmentalized ownership) owned by TOKYU REIT.</p> <p>(Note 2) The amount includes the surplus for the management association after the conversion into the ownership interest of TOKYU REIT.</p> <p>(Note 3) Amount of difference between the disposition price and the expected book value as of the scheduled disposition date is indicated.</p>						

4. Property Appraisal Summary

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

Property Name: Daikanyama Forum	Estimation	Notes
Appraisal Firm: Japan Real Estate Institute		
Effective Date of Value	July 1, 2021	-
Type of Value	Market Value	-
Appraisal Value	3,630,000	The value indicated by the income approach
Value Indicated by Income Approach	3,630,000	The same weight on both the value indicated by the direct capitalization method and that by the DCF method.
Value Indicated by Direct Capitalization Method	3,690,000	-
(1) Operating Revenue (a.-b.)	216,673	-
a. Potential Gross Income (rental income, common area charges income, utilities reimbursement, etc.)	221,384	The stabilized rent and common area maintenance charges, which were based on the average rent of the existing leases and the market rent and CAM charges
b. Vacancy Loss	4,711	The stabilized occupancy rate, which was based on the past occupancy rate of the subject property and its future prediction as well as the occupancy rate of similar properties in the local market
(2) Operating Expenses (c.+d.+e.+f.+g.+h.+i. +j.)	95,341	-
c. Building Maintenance Cost	39,872	The characteristics of the subject property, its previous years' numbers, and the maintenance cost of similar properties
d. Utilities Expenses	15,550	The previous years' numbers of the subject property and its occupancy rate of rentable space
e. Repair Expenses	0	Included in the building maintenance cost, i.e., Item c. above (We have judged that the subject property maintains ample repair and replacement reserves after analyzing the previous years' numbers and future management plan of the subject property, the cost levels of similar buildings, and the annual average repair/replacement costs in the engineering report of the subject property.)
f. Property Management Fee	4,837	The characteristics of the subject property and the management fees of similar properties as well as the previous years' numbers of the subject property
g. Tenant Solicitation Expenses, etc.	1,319	The annual average amount of the subject property based on the expected turnover rate of tenants
h. Property Taxes	33,536	Estimated taxes payable based on the subject property's taxable assessed value, which is listed in its property tax information, and its tax increment limit
i. Property Insurance	168	The subject property's current premiums and those of similar properties
j. Other Expenses	59	The actual figure of the subject property
(3) Net Operating Income (NOI) ((1)-(2))	121,332	-
(4) Investment Profits from Refundable Deposits	4,255	(The outstanding deposit amount based on the stabilized security deposit and occupancy rate) x (An invested yield of 1.0% per annum)
(5) Capital Expenditure	0	Included in the building maintenance cost, i.e., Item c. above (We assumed that a constant amount for future capital expenditures would be set aside on a yearly basis. We have judged that the subject property maintains ample repair and replacement reserves after analyzing the building age of the subject property, typical annual expenditures of similar properties, and amount of repair/replacement expenditures estimated in the engineering report.)
(6) Net Cash Flow (NCF) ((3)+(4)-(5))	125,587	-
(7) Overall Capitalization Rate	3.4%	-
Value Indicated by DCF Method	3,570,000	-
Discount Rate	3.1%	-
Terminal Capitalization Rate	3.6%	-
Value Indicated by Cost Approach	4,900,000	-
Ratio of Land Value	97.3%	-
Ratio of Building Value	2.7%	-
Reconciliation before Arriving at the Value Conclusion	We placed the most emphasis on the value indicated by the income capitalization approach, which we judged better reflects the actual price formation process in the commercial real estate market. We used the value indicated by the cost approach for reference only.	

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.

5. Purchaser Profile

The name of the company, etc., have not been disclosed as the purchaser have not provided consent. There is no capital relationship, personnel relationship or business relationship to state between TOKYU REIT or Tokyu REIM and said domestic company, and said purchaser is not a related party of TOKYU REIT or Tokyu REIM.

6. Transactions with Interested Persons, Etc.

Tokyu Livable, Inc. is the broker of the Disposition and falls under the category of related parties, etc. (Note), to which Tokyu REIM's self-imposed Rules on Related-Party Transactions are applied. Accordingly, multilayered checks based on the rules have been implemented and based on the above results, approval was granted at a meeting of TOKYU REIT's board of directors. TOKYU REIT has concluded a general brokerage agreement after implementing the above procedures.

(Note) Related Party includes Interested Persons, etc., as defined in Article 123 of the Order for Enforcement of the Act on Investment Trusts and Investment Corporations, as well as any entity that falls under the following (1) to (3):

- (1) Tokyu Corporation and its subsidiaries (any entity that falls under the following);
 - Tokyu Corporation;
 - A consolidated subsidiary of Tokyu Corporation;
 - 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 silent partnership 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 (any entity that falls under the following);
 - Tokyu Fudosan Holdings Corporation (“Tokyu Fudosan Holdings”);
 - A consolidated subsidiary of Tokyu Fudosan Holdings;
 - 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 silent partnership or other investment shares in that entity by the respective company exceeds 50%.

7. Brokerage

(1) Broker Profile

Company Name	Tokyu Livable, Inc.
Head Office Address	1-9-5 Dogenzaka, Shibuya-ku, Tokyo
Representative	Yoichi Ota, Representative Director and President
Business Activities	Real Estate brokerage, Seller agency and Property Sales
Capital	¥1,396.3 million (as of March 31, 2021)
Foundation Date	March 10, 1972
Relationship between the Investment Corporation or its Investment Management Company and the Company	
Capital Relationship	The Company is an equity-method affiliate of Tokyu Corporation, the parent company of Tokyu REIM. Tokyu Corporation holds 5.01% of the total number of investment units of TOKYU REIT issued and outstanding as of January 31, 2021.
Personnel Relationship	There is no personnel relationship to state between TOKYU REIT or Tokyu REIM and the Company. In addition, there is no personnel relationship to note between the affiliated persons or affiliated companies of TOKYU REIT or Tokyu REIM and the affiliated persons or affiliated companies of the Company.
Business Relationship	There is no business relationship to state between TOKYU REIT or Tokyu REIM and the Company. In addition, there is no business relationship to note between the affiliated persons or affiliated companies of TOKYU REIT or Tokyu REIM and the affiliated persons or affiliated companies of the Company.
Status of Classification as Related Party	Tokyu Corporation, the parent company of Tokyu REIM, is an affiliate of the Company, and falls under the category of related party of TOKYU REIT or Tokyu REIM.

(2) Breakdown and Amount of Brokerage Charges, Etc.

Omitted because consent for the disclosure of brokerage charges, etc. has not been received from the broker.

8. Matters Concerning Forward Commitment, Etc.

The purchase and sale agreement concerning the Disposition falls within forward commitments, etc. by investment corporations as defined in the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, Etc. set forth by the Financial Services Agency. The overview of the provisions regarding the penalty stipulated in the purchase and sale agreement for the Transaction is as follows.

When either party violates the agreed matters (including but not limited to provisions of representations and warranties.) stipulated in the purchase and sale agreement for the Transaction and such violation results in failure of achieving the purpose of the said purchase and sale agreement, the counterparty may cancel the said purchase and sale agreement before the completion of the Transaction. If such violation is due to reasons attributable to the violating party, the counterparty with a right to cancel the agreement may demand that the violating party pay a penalty in the amount equivalent to 20% of the purchase/sales price in the said purchase and sale agreement within 30 days of the cancellation of said purchase and sale agreement.

9. Settlement Method, Etc.

TOKYU REIT is scheduled to receive 212,500,000 yen as a deposit on the date of conclusion of the purchase and sale agreement and the remaining amount at the time of delivery of the Property.

10. Outlook

Through the Transaction, gain on sale of real estate of ¥94 million is expected to occur during the fiscal period ending January 2022 (37th Fiscal Period), resulting in a difference from the already announced forecast of operating condition and distribution for the fiscal period ending January 2022 (37th Fiscal Period).

For details, please refer to “Notice Concerning Revision to Expected Operating Condition and Distribution Forecast for the Fiscal Period Ending July 2021 (36th Fiscal Period) and the Fiscal Period Ending January 2022 (37th Fiscal Period)” separately announced today.

Attachments

Property Portfolio after the Disposition (assumption figure as of August 31, 2021)

Attachment

Property Portfolio after the Disposition (assumption figure as of August 31, 2021)

Use	Property Name	Area	Acquisition Date	Acquisition Price (million yen)	Ratio(%) *1	Appraisal Value at the end of January 2021 (FP35) (million yen)
Retail	QFRONT	Central Tokyo and Tokyu Areas (Shibuya)	September 10, 2003	15,100	6.4%	36,500
	Lexington Aoyama	Central Tokyo	September 11, 2003	4,800	2.0%	6,280
	TOKYU REIT Omotesando Square	Central Tokyo and Tokyu Areas (Shibuya)	September 10, 2003	5,770	2.4%	8,410
	TOKYU REIT Shibuya Udagawa-cho Square	Central Tokyo and Tokyu Areas (Shibuya)	March 1, 2004	6,600	2.8%	12,700
	cocoti	Central Tokyo and Tokyu Areas (Shibuya)	April 6, 2005 *2 August 2, 2005 *3	14,700 9,800	10.3%	24,200
	CONZE Ebisu	Central Tokyo and Tokyu Areas (Shibuya)	October 31, 2006	5,116	2.2%	5,320
	TOKYU REIT Shimokitazawa Square	Tokyu Areas	April 26, 2019	2,257	0.9%	2,320
	TOKYU REIT Jiyugaoka Square	Tokyu Areas	October 1, 2019 *4 March 4, 2020 *5	1,548 1,611	1.3%	3,490
Retail Total				67,303	28.3%	99,220
Office	Setagaya Business Square	Tokyu Areas	September 11, 2003	22,400	9.4%	18,600
	Tokyu Nampeidai-cho Building	Central Tokyo and Tokyu Areas (Shibuya)	September 11, 2003	4,660	2.0%	7,270
	Tokyu Sakuragaoka-cho Building	Central Tokyo and Tokyu Areas (Shibuya)	September 11, 2003	6,620	2.8%	11,300
	Tokyo Nissan Taito Building	Central Tokyo	September 11, 2003	4,450	1.9%	6,050
	TOKYU REIT Kamata Building	Tokyu Areas	September 10, 2003	4,720	2.0%	5,500
	TOKYU REIT Toranomon Building	Central Tokyo	December 15, 2004 *6 September 21, 2007 *7 September 21, 2007 *8 October 26, 2007 *9 January 21, 2015 *10	8,630 1,100 200 140 107	4.3%	13,600
	Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	Central Tokyo	January 31, 2008	8,500	3.6%	7,350
	Tokyu Ikejiri-ohashi Building	Tokyu Areas	March 28, 2008	5,480	2.3%	6,390
	Kojimachi Square	Central Tokyo	March 19, 2010	9,030	3.8%	10,200
	TOKYU REIT Shinjuku Building	Central Tokyo	March 26, 2010	9,000	3.8%	13,600
	Akihabara Sanwa Toyo Building	Central Tokyo	October 29, 2010	4,600	1.9%	6,450
	Tokyu Ginza 2-chome Building	Central Tokyo	February 15, 2011	5,010	2.1%	6,020
	TOKYU REIT Shibuya R Building	Central Tokyo and Tokyu Areas (Shibuya)	August 16, 2013	5,270	2.2%	9,750
	Tokyu Toranomon Building	Central Tokyo	August 16, 2013 January 9, 2015 *11	15,000 1,850	7.1%	22,100
	TOKYU REIT Shinjuku 2 Building	Central Tokyo	October 30, 2015	2,750	1.2%	3,230
	Tokyu Bancho Building	Central Tokyo	March 24, 2016 *12 March 28, 2019 *13	12,740 1,040	5.8%	15,700
	TOKYU REIT Ebisu Building	Central Tokyo and Tokyu Areas (Shibuya)	August 1, 2018	4,500	1.9%	5,060
	Shibuya Dogenzaka Sky Building	Central Tokyo and Tokyu Areas (Shibuya)	March 28, 2019	8,100	3.4%	8,640
	OKI Business Center No.5	Central Tokyo	September 28, 2020	11,900	5.0%	12,700
	Hulic Shibuya Miyashita Koen Building	Central Tokyo and Tokyu Areas (Shibuya)	March 29, 2021	6,000	2.5%	6,060 * 14
Office Total				163,797	68.9%	195,570
Residence	Maison Peony Toritsudaigaku	Tokyu Areas	November 15, 2017	1,200	0.5%	1,270
	STYLIO FIT Musashikosugi	Tokyu Areas	January 20, 2021	1,500	0.6%	1,510
Residence Total				2,700	1.1%	2,780
Land with Leasehold Interest	OKI System Center (land with leasehold interest) *15	Other	March 27, 2013	2,718	1.1%	3,720
	REVE Nakameguro (land with leasehold interest)	Tokyu Areas	September 27, 2018	1,150	0.5%	1,150
Land with Leasehold Interest Total				3,868	1.6%	4,870
Total				237,668	100.0%	302,440

- *1 Ratio is rounded to one decimal place. Accordingly, the subtotal and total may not exactly match the sum of relevant items.
- *2 Details of the 60% portion of trust beneficiary interests acquired under quasi-co-ownership.
- *3 Details of the 40% portion of trust beneficiary interests acquired under quasi-co-ownership.
- *4 Details of the 49% portion of trust beneficiary interests acquired under quasi-co-ownership.
- *5 Details of the 51% portion of trust beneficiary interests acquired under quasi-co-ownership.
- *6 Floor area: 9,688.59 m²; Interest of site rights: 73,585/100,000
- *7 Floor area: 865.14 m²; Interest of site rights: 8,579/100,000
- *8 Floor area: 139.93 m²; Interest of site rights: 1,322/100,000
- *9 Floor area: 93.93 m²; Interest of site rights: 1,166/100,000
- *10 Floor area: 95.06 m²; Interest of site rights: 1,464/100,000
- *11 Details of the contiguous land (251.91 m²) additionally acquired on January 9, 2015.
- *12 Details of the 49.0% portion of trust beneficiary interests acquired under quasi-co-ownership.
- *13 Details of the 3.6% portion of trust beneficiary interests acquired under quasi-co-ownership.
- *14 Appraisal value with March 1, 2021 as the effective date of value.
- *15 Since the 40% co-ownership interest was disposed on September 28, 2020, acquisition price and appraisal value for the 60% co-ownership interest currently owned are indicated.

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.
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