

November 22, 2021

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Notice Concerning Disposition (Setagaya Business Square) 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 (referred to as the “Disposition”). Brief details are as follows.

1. Disposition Details

Property Name	Setagaya Business Square
Location	4-10-1, 4-10-2, 4-10-3, 4-10-4, 4-10-5, 4-10-6, Yoga, Setagaya-ku, Tokyo
Disposition Price	¥22,750 million
Book Value	¥18,661 million (Expected value as of disposition date)
Amount of Difference from Disposition Price	¥4,088 million (Note)
Purchaser	GMO Internet, Inc. (Please refer to “5. Purchaser Profile”)
Brokerage	Yes (Please refer to “6. Brokerage”)
Decision of Disposition	November 22, 2021
Contract Date	November 22, 2021
Disposition Date	December 1, 2021
Receiving of Disposition Costs	December 1, 2021

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

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 Disposition 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.

Setagaya Business Square (the "Asset to Be Disposed") is an office building located in Setagaya-ku, Tokyo, which was acquired by TOKYU REIT in September 2003. The Asset to Be Disposed is a flagship property of TOKYU REIT, accounting for 14.6% of the total rentable area (as of September 30, 2021) of TOKYU REIT and contributing to its revenue since the stock listing. On the other hand, the continuous appraisal value of the Asset to Be Disposed remains below its book value, and TOKYU REIT recognizes the importance of resolving this issue. Under these circumstances, an offer was received from the purchaser, and it was determined that disposing of the property was the best option from the perspective of total returns (Note) under the current market environment.

As a result of the Disposition, TOKYU REIT expects to post a gain on sale of real estate of ¥3,354 million for the fiscal period ending January 2022 (37th Fiscal Period). TOKYU REIT plans to reserve ¥2,683 million of the gain on sale of real estate as a reserve for reduction entry of replaced property specified in the "Ordinance on Accountings of Investment Corporations" by applying the "Special Provisions for Taxation in Cases of Repurchase of Specified Assets" (Article 65-7 of the Special Taxation Measures Law).

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		Setagaya Business Square				
Type of Specified Assets		Trust beneficiary interest in domestic real estate				
Trustee Trust Period		Sumitomo Mitsui Trust Bank, Limited January 31, 2003 to March 31, 2026				
Location	Registered	Land: 4-260-2, 4-260-40, Yoga, Setagaya-ku, Tokyo Building: 4-260-2, 4-260-40, 4-260-41, Yoga, Setagaya-ku, Tokyo				
	Residential	4-10-1, 4-10-2, 4-10-3, 4-10-4, 4-10-5, 4-10-6, Yoga, Setagaya-ku, Tokyo				
Access		Approximately a one-minute walk from Yoga Station on the Tokyu Den-en-toshi Line				
Use		Office and retail				
Area Classification		Neighborhood commercial district / Residential Classification 2				
Site/Floor Area (Registered)		Land: 21,315.68 m ²				
		Building: 94,373.72 m ²				
Structure (Registered)		SRC/RC/S, B2/28F				
Completion Date (Registered)		September 1993				
Type of Ownership		Land: Proprietary ownership (co-ownership ratio 55%)				
		Building: Proprietary ownership (co-ownership ratio 55%)				
Acquisition Date		September 11, 2003				
Acquisition Price		¥22,400 million				
Disposition Date		December 1, 2021				
Disposition Price		¥22,750 million				
Appraisal Value		¥19,100 million (effective date of value: October 1, 2021)				
		Appraiser: Daiwa Real Estate Appraisal Co., Ltd.				
Book Value		¥18,661 million (Expected value as of disposition date)				
Amount of Difference from Disposition Price		¥4,088 million (Note)				
Special Items		For other noteworthy items, please refer to “Part 1: Fund Information, Section 1. Fund Status, 5. Management Status, (2) Investment Assets, ③ Other Major Investment Assets, b. Overview of Individual Real Estate, etc.” of the securities report for the 36th Fiscal Period submitted October 29, 2021.				
Lease Details	Total Number of Tenants	60 (as of July 31, 2021)				
	Total Rental Income	¥1,960 million a year (actual results from August 1, 2020, to July 31, 2021)				
	Lease Deposits and Guarantee Deposits	¥1,295 million (as of July 31, 2021)				
	NOI	¥974 million a year (actual results from August 1, 2020, to July 31, 2021)				
	NOI after Depreciation	¥527 million a year (actual results from August 1, 2020, to July 31, 2021)				
	Total Leased Area	23,272.93 m ² (as of July 31, 2021)				
	Total Rentable Area	24,920.26 m ² (as of July 31, 2021)				
	Occupancy Rates over the Last Five Years	As of July 31, 2017	As of July 31, 2018	As of July 31, 2019	As of July 31, 2020	As of July 31, 2021
	95.8 %	96.2 %	99.3 %	99.4 %	93.4 %	
(Note) Amount of difference between the disposition price and the expected book value as of the scheduled disposition date is indicated.						

4. Property Appraisal Summary

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

Property Name: Setagaya Business Square	Estimation	Notes
Appraisal Firm: Daiwa Real Estate Appraisal Co., Ltd.		
Effective Date of Value	October 1, 2021	—
Type of Value	Market value	—
Appraisal Value	19,100,000	Applied the value indicated by the income approach
Value Indicated by Income Approach	19,100,000	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	19,100,000	—
(1) Operating Revenue (a.-b.)	3,516,269	—
a. Potential Gross Income (rental income, common area charges income, utilities reimbursement, etc.)	3,700,303	Assessed the stabilized assumed rental income and common area charges income of the subject property based on the current contract rent, leasing case examples and the level of new rent of similar properties 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	184,034	Recorded that assessed based on the actual vacancy rate of the subject property and the standard vacancy rates of similar properties
(2) Operating Expenses (c.+d.+e.+f.+g.+h.+i.+j.)	1,681,261	—
c. Building Maintenance Cost	392,858	Recorded that assessed based on the past actual data and the standard level of similar properties
d. Utilities Expenses	616,248	Recorded that assessed based on the past actual data and the standard level of similar properties
e. Repair Expenses	72,134	Recorded the annual average repair expenses as stated in the engineering report obtained from the client
f. Property Management Fee	101,955	Recorded the amount based on the current contract
g. Tenant Solicitation Expenses, etc.	21,518	Recorded the tenant solicitation expenses, etc. assessed based on that of similar properties
h. Property Taxes	452,856	Recorded that assessed based on the fiscal 2021 actual amount
i. Property Insurance	8,283	Recorded that assessed based on the actual premium and that of similar properties
j. Other Expenses	15,406	Recorded that assessed based on the past actual data
(3) Net Operating Income (NOI) ((1)-(2))	1,835,007	—
(4) Investment Profits from Refundable Deposits	21,679	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	501,105	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))	1,355,581	—
(7) Co-ownership Ratio	55.0%	—
(8) NCF (corresponding to the co-ownership ratio) ((6)×(7))	745,570	—
(9) Overall Capitalization Rate	3.9%	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	19,100,000	—
Discount Rate	3.7%	—
Terminal Capitalization Rate	4.1%	—
Value Indicated by Cost Approach	23,300,000	—
Ratio of Land Value	69.3%	—
Ratio of Building Value	30.7%	—
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.

5. Purchaser Profile

Company Name	GMO Internet, Inc.
Head Office Address	26-1 Sakuragaokacho, Shibuya-ku, Tokyo
Representative	Masatoshi Kumagai, CEO, Chairman of the Board and President, Founder and Group CEO
Business Activities	Internet Infrastructure, Online Advertising and Media, Internet Finance, Cryptoassets (Cryptocurrency)
Capital	¥5,000 million (as of September 30, 2021)
Foundation Date	May 24, 1991
Net Assets of the Previous Business Year	¥140,360 million (as of September 30, 2021)
Total Assets of the Previous Business Year	¥1,369,409 million (as of September 30, 2021)
Major Shareholder and Shareholding Ratio	Kumagai Masatoshi Office, Ltd. 31.92 %, etc. (as of September 30, 2021)
Relationship between the Investment Corporation or its Investment Management Company and the Company	
Capital Relationship	There is no capital relationship to state between TOKYU REIT or its investment management company and the Company. In addition, there is no capital relationship to note between the affiliated persons or affiliated companies of TOKYU REIT or its investment management company and the affiliated persons or affiliated companies of the Company.
Personnel Relationship	There is no personnel relationship to state between TOKYU REIT or its investment management company and the Company. In addition, there is no personnel relationship to note between the affiliated persons or affiliated companies of TOKYU REIT or its investment management company and the affiliated persons or affiliated companies of the Company.
Business Relationship	There is no business relationship to state between TOKYU REIT or its investment management company and the Company. In addition, there is no business relationship to note between the affiliated persons or affiliated companies of TOKYU REIT or its investment management company and the affiliated persons or affiliated companies of the Company.
Status of Classification as Related Party	The Company does not fall under the category of related party of TOKYU REIT or its investment management company. In addition, the affiliated persons or affiliated companies of the Company do not fall under the category of related party of TOKYU REIT or its investment management company.

6. Brokerage

(1) Broker Profile

Company Name	Tokyu Asset Management Inc.
Head Office Address	1-10-7 Dogenzaka, Shibuya-ku, Tokyo
Representative	Hideki Mori, Representative Director and President, Chief Executive Officer
Business Activities	Type II Financial Instruments Business, investment advisory and agency, and real estate specified joint enterprise
Capital	¥100 million (as of March 31, 2021)
Foundation Date	December 12, 2007
Relationship between the Investment Corporation or its Investment Management Company and the Company	
Capital Relationship	The Company is a wholly owned subsidiary 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 July 31, 2021.
Personnel Relationship	A non-executive director of Tokyu REIM concurrently holds a position in the Company.
Business Relationship	TOKYU REIT, Tokyu REIM, and the Company have signed a co-owner basic agreement for Setagaya Business Square.
Status of Classification as Related Party	Tokyu Corporation, the parent company of the Company, is the parent company of Tokyu REIM, and the Company falls under the category of related party of TOKYU REIT and Tokyu REIM.

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

¥682.5 million (Excluding consumption tax and others, 3% of the scheduled price of the Disposition)

7. Transactions with Interested Persons, Etc.

Tokyu Asset Management Inc. is the broker of the Disposition and falls under the category of related parties, etc. (Note), to which Tokyu REIT'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%.

8. Settlement Method, Etc.

Payment of the purchase/sale price of the Disposition will be conducted at time of delivery for the property.

9. Outlook

A gain on sale of real estate of ¥3,354 million is expected to be posted for the fiscal period ending January 2022 (37th Fiscal Period) due to the Disposition, resulting in differences from the expected operating condition and distribution forecast for the fiscal period ending January 2022 (37th Fiscal Period) announced on September 10, 2021, and the expected operating condition and distribution forecast for the fiscal period ending July 2022 (38th Fiscal Period) announced on October 29, 2021.

For details, please refer to “Notice Concerning Revision to Expected Operating Condition and Distribution Forecast for the Fiscal Period Ending January 2022 (37th Fiscal Period) and the Fiscal Period Ending July 2022 (38th Fiscal Period)” separately announced today.

Attachments

Property Portfolio after the Disposition (assumption figure as of December 10, 2021)

Attachment

Property Portfolio after the Disposition (assumption figure as of December 10, 2021)

* The following table shows the property portfolio after the acquisition of the property announced in the " Notice Concerning Acquisition (Aoyama Oval Building) of Trust Beneficiary Interest in Domestic Real Estate " released today.

Use	Property Name	Area	Acquisition Date	Acquisition Price (million yen)	Ratio(%) *1	Appraisal Value at the end of July 2021 (FP3G) (million yen)
Retail	QFRONT	Central Tokyo and Tokyu Areas (Shibuya)	September 10, 2003	15,100	6.5%	36,800
	Lexington Aoyama	Central Tokyo	September 11, 2003	4,800	2.1%	6,280
	TOKYU REIT Omotesando Square	Central Tokyo and Tokyu Areas (Shibuya)	September 10, 2003	5,770	2.5%	8,430
	TOKYU REIT Shibuya Udagawa-cho Square	Central Tokyo and Tokyu Areas (Shibuya)	March 1, 2004	6,600	2.8%	12,800
	cocoTi	Central Tokyo and Tokyu Areas (Shibuya)	April 6, 2005 *2	14,700	10.5%	24,200
			August 2, 2005 *3	9,800		
	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	1.0%	2,280
TOKYU REIT Jiyugaoka Square	Tokyu Areas	October 1, 2019 *4	1,548	1.4%	3,500	
		March 4, 2020 *5	1,611			
Retail Total				67,303	28.8%	99,610
Office	Tokyu Nampo-dai-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%	6,070
	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	8,630	4.4%	13,700
			September 21, 2007 *7	1,100		
			September 21, 2007 *8	200		
			October 26, 2007 *9	140		
			January 21, 2015 *10	107		
	Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	Central Tokyo	January 31, 2008	8,500	3.6%	7,290
	Tokyu Ikejiri-ohashi Building	Tokyu Areas	March 28, 2008	5,480	2.3%	6,390
	Kojimachi Square	Central Tokyo	March 19, 2010	9,030	3.9%	10,200
	TOKYU REIT Shinjuku Building	Central Tokyo	March 26, 2010	9,000	3.8%	13,400
	Akihabara Sanwa Toyo Building	Central Tokyo	October 29, 2010	4,600	2.0%	6,470
	Tokyu Ginza 2-chome Building	Central Tokyo	February 15, 2011	5,010	2.1%	6,030
	TOKYU REIT Shibuya R Building	Central Tokyo and Tokyu Areas (Shibuya)	August 16, 2013	5,270	2.3%	9,750
	Tokyu Toranomon Building	Central Tokyo	August 16, 2013	15,000	7.2%	22,100
			January 9, 2015 *11	1,850		
	TOKYU REIT Shinjuku 2 Building	Central Tokyo	October 30, 2015	2,750	1.2%	3,240
	Tokyu Bancho Building	Central Tokyo	March 24, 2016 *12	12,740	5.9%	15,700
March 28, 2019 *13			1,040			
TOKYU REIT Ebisu Building	Central Tokyo and Tokyu Areas (Shibuya)	August 1, 2018	4,500	1.9%	5,000	
Shibuya Dogenzaka Sky Building	Central Tokyo and Tokyu Areas (Shibuya)	March 28, 2019	8,100	3.5%	8,640	
OKI Business Center No.5	Central Tokyo	September 28, 2020	11,900	5.1%	12,700	
TOKYU REIT Shibuya Miyashita Koen Building	Central Tokyo and Tokyu Areas (Shibuya)	March 29, 2021	6,000	2.6%	6,070	
Aoyama Oval Building	Central Tokyo and Tokyu Areas (Shibuya)	December 10, 2021	18,600	8.0%	18,800 *14	
Office Total				159,997	68.4%	195,620
Residence	Maison Peony Toritsudaigaku	Tokyu Areas	November 15, 2017	1,200	0.5%	1,300
	STYLIO FIT Musashikosugi	Tokyu Areas	January 20, 2021	1,500	0.6%	1,570
Residence Total				2,700	1.2%	2,870
Land with Leasehold Interest	OKI System Center (land with leasehold interest) *15	Other	March 27, 2013	2,718	1.2%	3,760
	REVE Nakameguro (land with leasehold interest)	Tokyu Areas	September 27, 2018	1,150	0.5%	1,150
Land with Leasehold Interest Total				3,868	1.7%	4,910
Total				233,868	100.0%	303,010

*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% 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 November 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. 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.