

September 13, 2024

Real Estate Investment Trust Unit Issuer:
TOKYU REIT, Inc.
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Shibuya-ku, Tokyo, 150-0043, Japan
Yoshitaka Kimura
Executive Director
(Securities Code: 8957)

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Notice Concerning Disposition (CONZE Ebisu) of 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 domestic real estate (the “Disposition”). Brief details are as follows.

1. Disposition Details

Property Name	CONZE Ebisu
Location	2-3-14 Ebisu-Minami, Shibuya-ku, Tokyo
Disposition Price	¥6,530 million
Book Value	¥4,666 million (Expected value as of disposition date)
Amount of Difference from Disposition Price	¥1,863 million (Note1)
Purchaser	TOKYU LAND CORPORATION (Please refer to “5. Purchaser Profile”)
Brokerage	None
Decision of Disposition	September 13, 2024
Contract Date	September 13, 2024
Disposition Date	September 30, 2024
Receiving of Disposition Costs	September 30, 2024 (Note2)

(Note 1) Amount of difference between the disposition price and the expected book value as of the scheduled disposition date is indicated.

(Note 2) TOKYU REIT is scheduled to receive 660,060,000 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 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.

CONZE Ebisu (the "Property") is a retail property located in Shibuya-ku, Tokyo, which was acquired in October 2006, and has contributed to TOKYU REIT's income over a long period of time. On the other hand, since the current rent is equivalent to the highest ever recorded and there is limited room for upside, there is concern that downtime will be prolonged in the event of tenants moving out due to the characteristics of the property, and with large-scale repair work being necessary to maintain and improve competitiveness in the future, TOKYU REIT has recognized that addressing these issues is a challenge.

As a result of the bidding regarding the sale of the Property based on the above circumstances, with the purchaser's intent to purchase the Property at a price exceeding the book value and the most recent appraisal value, TOKYU REIT decided on the disposition, judging that the disposition of the Property in the current market environment was the best decision from the perspective of total return (Note 1).

Going forward, we will consider repayment of borrowings, buy-back of investment units, and acquisition of alternative properties, taking into comprehensive consideration changes in interest rate levels and investment unit prices, as well as conditions in the real estate trading market (Note 2).

As a result of the Disposition, TOKYU REIT expects to post a gain on sale of real estate of ¥1,854 million for the fiscal period ending January 2025 (FP 43). TOKYU REIT plans to reserve ¥1,078 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 Act on Special Measures Concerning Taxation).

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

(Note 2) This is the current policy under consideration by TOKYU REIT, but no decision has been made regarding the repayment of borrowings, buy-back of investment units, or acquisition of alternative properties, and the policy is subject to change.

3. Details of Asset to Be Disposed

Property Name		CONZE Ebisu				
Type of Specified Asset		Domestic real estate				
Location	Registered	Land: 2-3-5, 2-3-10, Ebisu-Minami, Shibuya-ku, Tokyo				
		Building: 2-3-5, 2-3-10, Ebisu-Minami, Shibuya-ku, Tokyo				
	Residential	2-3-14 Ebisu-Minami, Shibuya-ku, Tokyo				
Access		Approximately a two-minute walk from Ebisu Station on the Tokyo Metro Hibiya Line				
Use		Retail				
Area Classification		Commercial district				
Site/Floor Area (Registered)		Land: 562.07 m ²				
		Building: 2,789.35 m ²				
Structure (Registered)		S/SRC, B1/9F				
Completion Date (Registered)		March 2004				
Type of Ownership		Land: Proprietary Ownership				
		Building: Proprietary Ownership				
Acquisition Date		October 31, 2006				
Acquisition Price		¥5,116 million (Note 1)				
Disposition Date		September 30, 2024				
Disposition Price		¥6,530 million (Note 1)				
Appraisal Value		¥5,510 million (effective date of value: September 1, 2024)				
		Appraiser: Japan Valuers Co., Ltd.				
Book Value		¥4,666 million (Expected value as of disposition date)				
Amount of Difference from Disposition Price (Note 2)		¥1,863 million				
Special Items		1. Floor stones, a concrete wall, a retaining wall, and wiring extend across the border shared by the adjacent land and the land, but it has been agreed with the buyer that a memorandum on encroachment will be signed at the responsibility and expense of TOKYU REIT. 2. Part of the boundary markers of the land have disappeared, but it is agreed with the buyer that they will be restored at the responsibility and expense of TOKYU REIT. 3. The boundary confirmation with the adjacent landowner has not been completed for a part of the boundary between the land and the adjacent land. However, a boundary confirmation document with some of the co-owners of the adjacent land does exist. The acreage survey maps of the adjacent land and this land are kept at the Legal Affairs Bureau with jurisdiction.				
Lease Details	Total Number of Tenants	8 (as of July 31, 2024)				
	Total Rental Income	¥223 million a year (actual results from August 1, 2023, to July 31, 2024)				
	Lease Deposits and Guarantee Deposits	¥191 million (as of July 31, 2024)				
	NOI	¥154 million a year (actual results from August 1, 2023, to July 31, 2024)				
	NOI after Depreciation	¥123 million a year (actual results from August 1, 2023, to July 31, 2024)				
	Total Leased Area	2,327.00 m ² (as of July 31, 2024)				
	Total Rentable Area	2,327.00 m ² (as of July 31, 2024)				
	Occupancy Rates over the Last Five Years	As of July 31, 2020	As of July 31, 2021	As of July 31, 2022	As of July 31, 2023	As of July 31, 2024
	100.0%	85.8%	85.8%	85.8%	100.0%	
(Note 1) Acquisition price includes ¥736 thousand for trademark rights as other intangible fixed assets. The disposition price also includes consideration for the trademark rights.						
(Note 2) 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: CONZE Ebisu	Estimation	Notes
Appraisal Firm: Japan Valuers Co., Ltd.		
Effective Date of Value	September 1, 2024	—
Type of Value	Market Value	—
Appraisal Value	5,510,000	Derived from the Income Approach
Value Indicated by Income Approach	5,510,000	Reconciled with the value by DCF Method and the value by Direct Capitalization Method
Value Indicated by Direct Capitalization Method	5,630,000	—
(1) Operating Revenue (a.-b.)	247,048	—
a. Potential Gross Income (rental income, common area charges income, utilities reimbursement, etc.)	254,676	Assessed based on both existing rent level and market rent level.
b. Vacancy Loss	7,627	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.)	65,522	—
c. Building Maintenance Cost	11,813	Assessed based on track record
d. Utilities Expenses	27,875	Assessed based on track record
e. Repair Expenses	3,744	Annual repairs estimate sourced from the engineering report
f. Property Management Fee	4,876	Based on the fee ratio from scheduled agreement
g. Tenant Solicitation Expenses, etc.	1,570	Assessed based on assumed turnover rate
h. Property Taxes	14,556	On actual basis in 2024
i. Property Insurance	175	On actual basis
j. Other Expenses	910	Assessed based on track record
(3) Net Operating Income (NOI) ((1)-(2))	181,526	—
(4) Investment Profits from Refundable Deposits	1,890	1.0% interest rate on the deposit outstanding
(5) Capital Expenditure	3,384	annual restoration cost estimate sourced from the engineering report
(6) Net Cash Flow (NCF) ((3)+(4)-(5))	180,031	—
(7) Overall Capitalization Rate	3.2%	—
Value Indicated by DCF Method	5,390,000	—
Discount Rate	3.0%	—
Terminal Capitalization Rate	3.4%	—
Value Indicated by Cost Approach	4,620,000	—
Ratio of Land Value	96.5%	—
Ratio of Building Value	3.5%	—
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	TOKYU LAND CORPORATION
Head Office Address	1-21-1, Dogenzaka, Shibuya-ku, Tokyo
Representative	Hiroaki Hoshino, Representative Director and President, Chief Executive Officer
Capital	¥57,551 million (as of March 31, 2024)
Business Activities	Real estate leasing and sales business, other business
Foundation Date	December 17, 1953
Net Assets of the Previous Business Year	¥440,205 million (as of March 31, 2024)
Total Assets of the Previous Business Year	¥1,992,867 million (as of March 31, 2024)
Major Shareholder and Shareholding Ratio	Tokyu Fudosan Holdings Corporation 100% (as of March 31, 2024)
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 July 31, 2024.
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	TOKYU REIT and the Company have entered into a basic agreement and other agreements considering the operation and management of Futako Tamagawa Rise.
Status of Classification as Related Party	Tokyu Corporation, the affiliated 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.

6. Transactions with Interested Persons, Etc.

Since Tokyu Land Corporation, which is scheduled to be the purchaser of the Property, is categorized as a Related Party (Note) under Tokyu REIM's self-imposed Rules on Related-Party Transactions, multiple checks have been conducted based on the rules and the execution of the purchase and sale agreement has been approved by TOKYU REIT's board of directors based on the results. Having completed the above procedures, TOKYU REIT shall dispose the Property 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 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 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 of Tokyu Corporation

7. Settlement Method

TOKYU REIT is scheduled to receive 660,060,000 yen as a deposit on the date of conclusion of the purchase and sale agreement and the remaining amount on the disposition date.

8. Outlook

Through the Disposition, gain on sale of real estate of ¥1,854 million is expected to occur during the fiscal period ending January 2025 (43rd Fiscal Period), resulting in a difference from the forecast of operating condition and distribution for the fiscal period ending January 2025 (43rd Fiscal Period), which was announced on July 12, 2024.

For details, please refer to “Notice Concerning Revision to Expected Operating Condition and Distribution Forecast for the Fiscal Period Ending January 2025 (43rd Fiscal Period) and the Expected Operating Condition and Distribution Forecast for the Fiscal Period Ending July 2025 (44th Fiscal Period)” separately announced today.

Attachments

1. Property Portfolio after the Disposition (assumption figure as of September 30, 2024)
2. Second Opinion Summary

*Website of TOKYU REIT: <https://www.tokyu-reit.co.jp/eng/>

Attachment 1

Property Portfolio after the Disposition (assumption figure as of September 30, 2024)

Use	Property Name	Area *1	Acquisition Date	Acquisition Price (million yen)	Ratio(%) *2	Appraisal Value at the end of July 2024 (FP42) (million yen)
Retail	QFRONT	Central Tokyo and Tokyu Areas (Shibuya)	September 10, 2003	15,100	6.0%	39,200
	Lexington Aoyama	Central Tokyo	September 11, 2003	4,800	1.9%	6,560
	TOKYU REIT Omotesando Square	Central Tokyo and Tokyu Areas (Shibuya)	September 10, 2003	5,770	2.3%	8,510
	TOKYU REIT Shibuya Udagawa-cho Square	Central Tokyo and Tokyu Areas (Shibuya)	March 1, 2004	6,600	2.6%	13,100
	cocoti	Central Tokyo and Tokyu Areas (Shibuya)	April 6, 2005 *3	14,700	9.7%	23,400
			August 2, 2005 *4	9,800		
	TOKYU REIT Shimokitazawa Square	Tokyu Areas	April 26, 2019	2,257	0.9%	2,270
	TOKYU REIT Jiyugaoka Square	Tokyu Areas	October 1, 2019 *5	1,548	1.3%	3,630
March 4, 2020 *6			1,611			
Retail Total				62,187	24.6%	96,670
Office	Tokyu Nampo-dai-cho Building	Central Tokyo and Tokyu Areas (Shibuya)	September 11, 2003	4,660	1.8%	7,870
	Tokyu Sakuragaoka-cho Building	Central Tokyo and Tokyu Areas (Shibuya)	September 11, 2003	6,620	2.6%	12,400
	TOKYU REIT Kamata Building	Tokyu Areas	September 10, 2003	4,720	1.9%	6,070
	TOKYU REIT Toranomon Building	Central Tokyo	December 15, 2004 *7	8,630	4.0%	14,300
			September 21, 2007 *8	1,100		
			September 21, 2007 *9	200		
			October 26, 2007 *10	140		
			January 21, 2015 *11	107		
	Tokyu Ikejiri-ohashi Building	Tokyu Areas	March 28, 2008	5,480	2.2%	6,490
	Kojimachi Square	Central Tokyo	March 19, 2010	9,030	3.6%	10,200
	TOKYU REIT Shinjuku Building	Central Tokyo	March 26, 2010	9,000	3.6%	13,500
	Akihabara Sanwa Toyo Building	Central Tokyo	October 29, 2010	4,600	1.8%	7,170
	TOKYU REIT Shibuya R Building	Central Tokyo and Tokyu Areas (Shibuya)	August 16, 2013	5,270	2.1%	10,400
	Tokyu Toranomon Building	Central Tokyo	August 16, 2013	15,000	7.3%	25,000
			January 9, 2015 *12	1,850		
	TOKYU REIT Shinjuku 2 Building	Central Tokyo	June 30, 2022 *13	1,700	1.1%	3,280
			October 30, 2015	2,750		
	Tokyu Bancho Building	Central Tokyo	March 24, 2016 *14	12,740	11.3%	31,000
			March 28, 2019 *15	1,040		
			July 19, 2024 *16	14,700		
TOKYU REIT Ebisu Building	Central Tokyo and Tokyu Areas (Shibuya)	August 1, 2018	4,500	1.8%	4,820	
Shibuya Dogenzaka Sky Building	Central Tokyo and Tokyu Areas (Shibuya)	March 28, 2019	8,100	3.2%	8,920	
OKI Shibaura Office	Central Tokyo	September 28, 2020	11,900	4.7%	13,700	
TOKYU REIT Shibuya Miyashita Koen Building	Central Tokyo and Tokyu Areas (Shibuya)	March 29, 2021	6,000	2.4%	6,250	
Aoyama Oval Building	Central Tokyo and Tokyu Areas (Shibuya)	December 10, 2021	18,600	7.4%	18,800	
Meguro Higashiyama Building	Tokyu Areas	March 24, 2022	8,100	3.2%	8,230	
Office Total				166,537	65.9%	208,400
Residence	Maison Peony Toritsudaigaku	Tokyu Areas	November 15, 2017	1,200	0.5%	1,400
	STYLIO FIT Musashikosugi	Tokyu Areas	January 20, 2021	1,500	0.6%	1,610
	ISM Tsunashima	Tokyu Areas	July 5, 2024	1,000	0.4%	1,050
Residence Total				3,700	1.5%	4,060
Complex	Futako Tamagawa Rise	Tokyu Areas	January 31, 2023	20,200	8.0%	20,400
Complex Total				20,200	8.0%	20,400
Total				252,624	100.0%	329,530

*1 Properties located in Shibuya Ward are indicated by (Shibuya).

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

*3 Details of the 60% portion of trust beneficiary interests acquired under quasi-co-ownership.

*4 Details of the 40% portion of trust beneficiary interests acquired under quasi-co-ownership.

- *5 Details of the 49% portion of trust beneficiary interests acquired under quasi-co-ownership.
- *6 Details of the 51% portion of trust beneficiary interests acquired under quasi-co-ownership.
- *7 Floor area: 9,688.59 m²; Interest of site rights: 73,585/100,000
- *8 Floor area: 865.14 m²; Interest of site rights: 8,579/100,000
- *9 Floor area: 139.93 m²; Interest of site rights: 1,322/100,000
- *10 Floor area: 93.93 m²; Interest of site rights: 1,166/100,000
- *11 Floor area: 95.06 m²; Interest of site rights: 1,464/100,000
- *12 Details of the contiguous land (251.91 m²) additionally acquired on January 9, 2015.
- *13 Details of the Extended Portion additionally acquired on June 30, 2022.
- *14 Details of the 49% portion of trust beneficiary interests acquired under quasi-co-ownership.
- *15 Details of the 3.6% portion of trust beneficiary interests acquired under quasi-co-ownership.
- *16 Details of the 47.4% portion of trust beneficiary interests acquired under quasi-co-ownership.

Attachment 2

Second Opinion Summary

Subject Property	CONZE Ebisu
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 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. JVT-261219) 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.

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.