

Summary of Q&As at Analyst Meeting (Telephone Meeting) for the Fiscal Period Ended
January 2022 (FP 37) Held on March 18, 2022

[Q&A]

<Questioner A>

(Q: A-1) What are your policies on property acquisition and disposition? As to acquisitions, I would like to know the possibility of acquiring properties from the sponsor in the future as well as the status of talks; and as to dispositions, I would like to know the criteria for choosing properties to dispose.

(A: A-1) Concerning property acquisition, since the total disposition price was greater than the total acquisition price in the recent property replacements and thus there is sufficient cash on hand, we would like to proactively acquire properties located in the Shibuya Area and Tokyu Area, which are our focused investment areas, by fully utilizing the capital. We are entirely assuming acquisitions from a third party other than the sponsor. As to the sponsor pipeline, we are currently discussing and holding talks on topics including specific candidate properties. We plan to decide on the details such as which property to acquire, the price and schedule going forward, and will announce them as soon as they are finalized.

With regard to the real estate transaction market, we recognize that the sales-and-replacement phase of the Surf Plan is still continuing. Therefore, we will proactively press ahead with property replacement for a while longer along with acquisitions mainly in the focused investment areas while considering profitability.

The lower limit of distributions of 3,200 yen indicates the level of distribution under normal operations for the properties owned by TOKYU REIT as of March 31, 2022. We will review the distribution level each time in the case of a future change in the portfolio due to property acquisition or replacement, and will present the result along with the policy on the use of gain on sale of real estate, etc. generated from property replacement.

(Q: A-2) Presently, some dispositions have been carried out ahead of acquisitions. If acquisitions are realized going forward, will that be a factor to increase the distribution from 3,200 yen?

(A: A-2) Yes, that's correct.

<Questioner B>

(Q: B-1) What is your view on buy-back of treasury investment units? I would like to know whether you intend to prioritize property acquisition at this point in time or you are also considering buy-back of treasury investment units as one of the viable options because the acquisition environment is severe.

(A: B-1) Concerning the policy on the use of surplus funds, partly because we currently have some acquisition cases under negotiation, it is difficult to make a decision on buy-back of treasury investment units until we can ensure there are no insiders involved. Therefore, we are prioritizing property acquisition and replacement. Although the current situation does not allow for easy acquisition of properties with an agreeable yield, we were actually able to conclude a case of acquisition from a third party, such as the acquisition of Meguro Higashiyama Building. As such, we would like to continue with discussions on acquisition by receiving information from developers, trust banks and others. Currently, disposition has been conducted in advance under the series of property replacement, and we are working to recover the lost portion of the assets. We will carefully make investment decisions in pursuit of further growth.

(Q: B-2) The occupancy rate after deduction of free-rent area shown on page 16 of the presentation materials indicates a significant drop in the occupancy rate for the end of the fiscal period ending July 2022 (end of FP38). Is it correct to understand that this is due to Tokyu Toranomom Building and that the overall occupancy rate will not deteriorate as much?

(A: B-2) The discrepancy between the occupancy rate and the occupancy rate after deduction of free-rent area for the end of the fiscal period ending July 2022 (end of FP38) and the end of the fiscal period ending January 2023 (end of FP39) is mostly due to the impact of leasing of the extended portion of Tokyu Toranomom Building. When such impact is excluded, the occupancy rate after deduction of free-rent area is not decreasing, and there is no change in the previous trend of narrowing of the discrepancy.