

October 29, 2021

Real Estate Investment Trust Unit Issuer:
 TOKYU REIT, Inc.
 1-12-1, Dogenzaka,
 Shibuya-ku, Tokyo, 150-0043, Japan
 Kazuyoshi Kashiwazaki
 Executive Director
 (Securities Code: 8957)

Investment Management Company:
 Tokyu Real Estate Investment Management Inc.
 Representative:
 Kazuyoshi Kashiwazaki
 Representative Director & President, Chief Executive Officer
 Inquiries:
 Yuji Shimizu
 General Manager, Finance and IR
 TEL: +81-3-5428-5828

Notice Concerning Disposition
(Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building))
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	Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)
Location	4-8-18, Akasaka, Minato-ku, Tokyo
Disposition Price	¥9,820 million
Book Value	¥8,296 million (Expected value as of disposition date)
Amount of Difference from Disposition Price	¥1,523 million (Note 1)
Purchaser	Domestic company (Please refer to “5. Purchaser Profile”)
Brokerage	Yes
Decision of Disposition	October 29, 2021
Contract Date	October 29, 2021
Disposition Date	March 31, 2022
Receiving of Disposition Costs	March 31, 2022 (Note 2)

(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 982 million 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.

Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building) (the "Property") is an office building in Minato-ku, Tokyo, that was acquired by TOKYU REIT in January 2008. The Property has been leased to Tokyu Agency Inc. in its entirety and occupied by its headquarters since the acquisition.

On the other hand, TOKYU REIT conducted leasing activities after receiving a notice from Tokyu Agency Inc. stating that it intends to move out on January 31, 2022 (the planned date of cancellation was later postponed to February 24, 2022), but early lease-ups at the same rent level as the previous level was difficult to achieve due to the deterioration of the office leasing market and the rise in vacancy rates in the Minato Ward area amid the COVID-19 crisis. In addition, given the fact that the Property was acquired when real estate value was soaring and that the continuous appraisal value has remained below the book value, TOKYU REIT recognized the response to such matters as an issue.

As a result of the bidding regarding the sale of the Property based on the above circumstances, with the buyer'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 is the best decision from the perspective of total return (Note 1).

TOKYU REIT will use the funds from the disposition as cash on hand, and consider the acquisition of new properties by the fiscal period ending July 2022.

Furthermore, in an aim to level off cash distribution and to accumulate reserve for reduction entry (Note 2), it is scheduled to be disposed on March 31, 2022. As a result, gain on sale of real estate of ¥1,417 million and provision of reserve for reduction entry of ¥410 million from the Disposition are expected to be posted during the fiscal period ending July 2022 (38th Fiscal Period).

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) Based on the premise that the application of "Special Provisions for Taxation in Cases of Repurchase of Specified Assets" (Article 65-7 of Special Taxation Measures Law) up to the limit amount of reserve as stipulated in "Ordinance on Accountings of Investment Corporations" will be accumulated as reserve for reduction entry.

3. Details of Asset to Be Disposed

Property Name		Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)				
Type of Specified Asset		Trust beneficiary interest in domestic real estate				
Trustee Trust Period		Sumitomo Mitsui Trust Bank, Limited. January 31, 2002 to January 31, 2028				
Location	Registered	Land 4-806, 4-819, Akasaka, Minato-ku, Tokyo Building 4-806, 4-819, Akasaka, Minato-ku, Tokyo				
	Residential	4-8-18, Akasaka, Minato-ku, Tokyo				
Access		Approximately a four-minute walk from Akasaka-mitsuke Station on the Tokyo Metro Ginza Line, etc.				
Use		Office				
Area Classification		Commercial district				
Site/Floor Area (Registered)		Land 712.49 m ²				
		Building 5,002.36 m ²				
Structure (Registered)		S, SRC, B1/9F				
Completion Date (Registered)		February, 2003				
Type of Ownership		Land Proprietary Ownership				
		Building Proprietary Ownership				
Acquisition Date		January 31, 2008				
Acquisition Price		¥8,500 million				
Disposition Date		March 31, 2022				
Disposition Price		¥9,820 million				
Appraisal Value		¥7,540 million (effective date of value: October 1, 2021)				
		Appraiser: Daiwa Real Estate Appraisal Co., Ltd.				
Book Value		¥8,296 million (Expected value as of disposition date)				
Amount of Difference from Disposition Price		¥1,523 million (Note)				
Special Items		There is a discrepancy between the borderline that divides the public and private property along the ward-owned road on the southeast side and the current use of that property. However, the Minato Ward Office acknowledges that there is no problem with the existing rights and the building's use.				
Lease Details	Total Number of Tenants		1 (as of July 31, 2021)			
	Assumed Total Rental Income		¥351 million a year (actual results from August 1, 2020, to July 31, 2021)			
	Lease Deposits and Guarantee Deposits		¥222 million (as of July 31, 2021)			
	NOI		¥259 million a year (actual results from August 1, 2020, to July 31, 2021)			
	NOI after Depreciation		¥227 million a year (actual results from August 1, 2020, to July 31, 2021)			
	Total Leased Area		3,533.03 m ² (as of July 31, 2021)			
	Total Rentable Area		3,533.03 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
100.0%			100.0%	100.0%	100.0%	100.0%
(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:	Estimation	Notes
Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)		
Appraisal Firm: Daiwa Real Estate Appraisal co., LTD.		
Effective Date of Value	October 1, 2021	—
Type of Value	Market value	—
Appraisal Value	7,540,000	Applied the value indicated by the income approach
Value Indicated by Income Approach	7,540,000	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	7,710,000	—
(1) Operating Revenue (a.-b.)	347,041	—
a. Potential Gross Income (rental income, common area charges income, utilities reimbursement, etc.)	363,068	Assessed the stabilized assumed rental income and common area charges income of the subject property based on the 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	16,026	Recorded that assessed based on the standard vacancy rates of similar properties, and by taking into consideration such factors as the competitiveness of the subject property
(2) Operating Expenses (c.+d.+e.+f.+g.+h.+i. +j.)	86,902	—
c. Building Maintenance Cost	17,953	Recorded that assessed based on the past actual data
d. Utilities Expenses	17,953	Recorded that assessed based on the past actual data
e. Repair Expenses	4,829	Recorded the annual average repair expenses as stated in the engineering report obtained from the client
f. Property Management Fee	7,039	Recorded that assessed based on that of similar properties
g. Tenant Solicitation Expenses, etc.	2,731	Recorded the tenant solicitation expenses, etc. assessed based on that of similar properties
h. Property Taxes	35,435	Recorded that assessed based on the fiscal 2021 actual amount
i. Property Insurance	317	Recorded the amount based on the actual premium obtained from the client
j. Other Expenses	641	Recorded that assessed based on the past actual data
(3) Net Operating Income (NOI) ((1)-(2))	260,139	—
(4) Investment Profits from Refundable Deposits	2,140	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	7,814	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))	254,465	—
(7) Overall Capitalization Rate	3.3%	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	7,470,000	—
Discount Rate	3.0%	—
Terminal Capitalization Rate	3.4%	—
Value Indicated by Cost Approach	5,450,000	—
Ratio of Land Value	87.3%	—
Ratio of Building Value	12.7%	—
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

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. 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 Disposition 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.

7. Settlement Method, Etc.

TOKYU REIT is scheduled to receive 982 million 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.

8. Outlook

Through the Disposition, gain on sale of real estate of ¥1,417 million is expected to occur during the fiscal period ending July 2022 (38th Fiscal Period), resulting in a difference from the already announced forecast of operating condition and distribution for the fiscal period ending July 2022 (38th Fiscal Period).

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

Attachment

Property Portfolio after the Disposition (assumption figure as of March 31, 2022)

Attachment

Property Portfolio after the Disposition (assumption figure as of March 31, 2022)

Use	Property Name	Area	Acquisition Date	Acquisition Price (million yen)	Ratio(%) *1	Appraisal Value at the end of July 2021 (FP36) (million yen)
Retail	QFRONT	Central Tokyo and Tokyu Areas (Shibuya)	September 10, 2003	15,100	6.7%	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	2.9%	12,800
	cocoti	Central Tokyo and Tokyu Areas (Shibuya)	April 6, 2005 *2	14,700	10.8%	24,200
			August 2, 2005 *3	9,800		
	CONZE Ebisu	Central Tokyo and Tokyu Areas (Shibuya)	October 31, 2006	5,116	2.3%	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	29.7%	99,610
Office	Setagaya Business Square	Tokyu Areas	September 11, 2003	22,400	9.9%	18,600
	Tokyu Nampo-dai-cho Building	Central Tokyo and Tokyu Areas (Shibuya)	September 11, 2003	4,660	2.1%	7,270
	Tokyu Sakuragaoka-cho Building	Central Tokyo and Tokyu Areas (Shibuya)	September 11, 2003	6,620	2.9%	11,300
	Tokyo Nissan Taito Building	Central Tokyo	September 11, 2003	4,450	2.0%	6,070
	TOKYU REIT Kamata Building	Tokyu Areas	September 10, 2003	4,720	2.1%	5,500
	TOKYU REIT Toranomon Building	Central Tokyo	December 15, 2004 *6	8,630	4.5%	13,700
			September 21, 2007 *7	1,100		
			September 21, 2007 *8	200		
			October 26, 2007 *9	140		
			January 21, 2015 *10	107		
	Tokyu Ikejiri-ohashi Building	Tokyu Areas	March 28, 2008	5,480	2.4%	6,390
	Kojimachi Square	Central Tokyo	March 19, 2010	9,030	4.0%	10,200
	TOKYU REIT Shinjuku Building	Central Tokyo	March 26, 2010	9,000	4.0%	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	2.2%	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	7.4%	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	6.1%	15,700	
		March 28, 2019 *13	1,040			
TOKYU REIT Ebisu Building	Central Tokyo and Tokyu Areas (Shibuya)	August 1, 2018	4,500	2.0%	5,000	
Shibuya Dogenzaka Sky Building	Central Tokyo and Tokyu Areas (Shibuya)	March 28, 2019	8,100	3.6%	8,640	
OKI Business Center No.5	Central Tokyo	September 28, 2020	11,900	5.3%	12,700	
TOKYU REIT Shibuya Miyashita Koen Building	Central Tokyo and Tokyu Areas (Shibuya)	March 29, 2021	6,000	2.6%	6,070	
Office Total				155,297	68.6%	188,130
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	0.7%	1,570
Residence Total				2,700	1.2%	2,870
Land with Leasehold Interest	REVE Nakameguro (land with leasehold interest)	Tokyu Areas	September 27, 2018	1,150	0.5%	1,150
Land with Leasehold Interest Total				1,150	0.5%	1,150
Total				226,450	100.0%	291,760

*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.

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.