

July 14, 2023

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

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

**Notice Concerning Disposition (Tokyo Nissan Taito 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	Tokyo Nissan Taito Building
Location	2-6-6, Moto-Asakusa, Taito-ku, Tokyo
Disposition Price	Total: ¥7,950 million (The disposition of trust beneficiary interest is scheduled to take place in the form of disposition of quasi-co-ownership interest in three phases (30% quasi-co-ownership interest “1st,” 30% quasi-co-ownership interest “2nd,” and 40% quasi-co-ownership interest “3rd”) and the planned disposition prices are as follows.) 1st: ¥2,385 million (30% quasi-co-ownership interest) 2nd: ¥2,385 million (30% quasi-co-ownership interest) 3rd: ¥3,180 million (40% quasi-co-ownership interest)
Book Value	1st: ¥1,096 million (Expected value as of disposition date, 30% quasi-co-ownership interest) 2nd: ¥1,083 million (Expected value as of disposition date, 30% quasi-co-ownership interest) 3rd: ¥1,441 million (Expected value as of disposition date, 40% quasi-co-ownership interest)
Amount of Difference from Disposition Price (Note 1)	1st: ¥1,288 million 2nd: ¥1,301 million 3rd: ¥1,738 million
Purchaser	Domestic godo kaisha (GK) (Please refer to “5. Purchaser Profile”)
Brokerage	None
Decision of Disposition	July 14, 2023
Contract Date	July 14, 2023 (Note 2)
Disposition Date	1st: July 31, 2023 (30% quasi-co-ownership interest) 2nd: January 31, 2024 (30% quasi-co-ownership interest) 3rd: February 29, 2024 (40% quasi-co-ownership interest)
Receiving of Disposition Costs (Note 3)	1st: July 31, 2023 (30% quasi-co-ownership interest) 2nd: January 31, 2024 (30% quasi-co-ownership interest) 3rd: February 29, 2024 (40% quasi-co-ownership interest)

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

(Note 2) Purchase and sale agreements for each of the first, second, and third phases of the Disposition will be concluded.

(Note 3) A total of 802,950,000 yen will be received as a deposit on the contract date of the purchase and sale agreements, and the remaining amount is scheduled to be received each time the property is handed over.

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.

Tokyo Nissan Taito Building (the "Property") is an office building in Taito-ku, Tokyo, acquired in September 2003. Although the Property is over 30 years old, it has maintained a high occupancy rate since acquisition and has contributed to TOKYU REIT's income.

However, TOKYU REIT recognized that there are some issues which need to be addressed including the risk of declining income in the event that tenants move out due to the area or property characteristics and the need for large-scale renovations to maintain and improve competitiveness in the future.

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 was the best decision from the perspective of total return (Note 1).

The proceeds from the Disposition will be held as cash on hand, and considerations will be made to acquire new properties by the end of the fiscal period ending July 2024 (Note 2).

Furthermore, in an aim to level off increase in cash distribution due to gain on sale of real estate from the Disposition and to accumulate reserve for reduction entry of replaced property (Note 3), 30% quasi-co-ownership interest, 30% quasi-co-ownership interest, and 40% quasi-co-ownership interest are scheduled to be disposed on July 31, 2023, January 31, 2024, and February 29, 2024, respectively. As a result, gain on sale of real estate of ¥1,283 million and provision of reserve for reduction entry of replaced property of ¥610 million from the Disposition are expected to be posted during the fiscal period ending July 2023 (40th Fiscal Period), gain on sale of real estate of ¥1,297 million and provision of reserve for reduction entry of replaced property of ¥692 million from the Disposition are expected to be posted during the fiscal period ending January 2024 (41st Fiscal Period), and gain on sale of real estate of ¥1,727 million and provision of reserve for reduction entry of replaced property of ¥838 million from the Disposition are expected to be posted during the fiscal period ending July 2024 (42nd Fiscal Period), respectively.

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 on the acquisition of new properties and the policy is subject to change.

(Note 3) Based on the premise that the application of "Special Provisions for Taxation in Cases of Repurchase of Specified Assets" (Article 65-7 of the Act on Special Measures Concerning Taxation) will be accumulated as reserve for reduction entry of replaced property as stipulated in "Ordinance on Accountings of Investment Corporations."

3. Details of Asset to Be Disposed

Property Name	Tokyo Nissan Taito Building	
Type of Specified Asset	Trust beneficiary interest in domestic real estate	
Trustee Trust Period	Mitsubishi UFJ Trust and Banking Corporation August 29, 2001, to November 30, 2027	
Location	Registered	Land: 2-120-2, 2-120-3, 2-120-6, 2-120-8, 2-121-4, 2-121-8, 2-121-9, 2-121-18, 2-121-19, Moto-Asakusa, Taito-ku, Tokyo Building: 2-121-8, 2-120-2, 2-120-3, 2-120-6, 2-120-8, 2-121-4, Moto-Asakusa, Taito-ku, Tokyo
	Residential	2-6-6, Moto-Asakusa, Taito-ku, Tokyo
Access	Approximately a three-minute walk from Inaricho Station on the Tokyo Metro Ginza Line	
Use	Office, Apartment Complex, Retail	
Area Classification	Commercial district	
Site/Floor Area (Registered)	Land:	1,718.45 m ²
	Building:	11,373.20 m ² (Note 1)
Structure (Registered)	SRC, B2/10F	
Completion Date (Registered)	September 1992	
Type of Ownership	Land:	Proprietary Ownership
	Building:	Proprietary Ownership
Acquisition Date	September 11, 2003	
Acquisition Price	¥4,450 million	
Disposition Date	1st: July 31, 2023 (30% quasi-co-ownership interest) 2nd: January 31, 2024 (30% quasi-co-ownership interest) 3rd: February 29, 2024 (40% quasi-co-ownership interest)	
Disposition Price	Total: ¥7,950 million 1st: ¥2,385 million (30% quasi-co-ownership interest) 2nd: ¥2,385 million (30% quasi-co-ownership interest) 3rd: ¥3,180 million (40% quasi-co-ownership interest)	
Appraisal Value	¥6,480 million (effective date of value: June 1, 2023)	
	Appraiser: Daiwa Real Estate Appraisal co., LTD.	
Book Value	1st: ¥1,096 million (Expected value as of disposition date, 30% quasi-co-ownership interest) 2nd: ¥1,083 million (Expected value as of disposition date, 30% quasi-co-ownership interest) 3rd: ¥1,441 million (Expected value as of disposition date, 40% quasi-co-ownership interest)	
Amount of Difference from Disposition Price (Note 2)	1st: ¥1,288 million 2nd: ¥1,301 million 3rd: ¥1,738 million	
Special Items	1. It was revealed that a tenant was using the property in violation of regulations under the Building Standards Act related to usage given that the Property is located in a Commercial District, but the tenant has agreed to rectify this issue by the first disposition date at the responsibility and expense of the tenant. 2. In regard to defects in fire extinguishing equipment, there is no prospect of procuring the parts necessary to resolve the issues due to a lack of inventory, and the issues are not expected to be resolved by the first disposition date (temporary replacement measures have already been completed). However, it has been agreed with the purchaser that the issues will be resolved by the date six months after the first disposition date at the responsibility and expense of TOKYU REIT.	

Lease Details	Total Number of Tenants	17 (as of January 31, 2023)				
	Total Rental Income	¥415 million a year (actual results from February 1, 2022, to January 31, 2023)				
	Lease Deposits and Guarantee Deposits	¥249 million (as of January 31, 2023)				
	NOI	¥279 million a year (actual results from February 1, 2022, to January 31, 2023)				
	NOI after Depreciation	¥175 million a year (actual results from February 1, 2022, to January 31, 2023)				
	Total Leased Area	7,877.43 m ² (as of January 31, 2023)				
	Total Rentable Area	7,877.43 m ² (as of January 31, 2023)				
	Occupancy Rates over the Last Five Years	As of January 31, 2019	As of January 31, 2020	As of January 31, 2021	As of January 31, 2022	As of January 31, 2023
	93.8%	96.8%	100.0%	100.0%	100.0%	
(Note 1) The trust building includes a residential section (8 units with a total rentable area of 654.62 m ²) in addition to the office portion.						
(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: Tokyo Nissan Taito Building	Estimation	Notes
Appraisal Firm: Daiwa Real Estate Appraisal co., LTD.		
Effective Date of Value	June 1, 2023	-
Type of Value	Market Value	-
Appraisal Value	6,480,000	Applied the value indicated by the income approach
Value Indicated by Income Approach	6,480,000	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	6,540,000	-
(1) Operating Revenue (a.-b.)	406,390	-
a. Potential Gross Income (rental income, common area charges income, utilities reimbursement, etc.)	418,035	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	11,645	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.)	133,913	-
c. Building Maintenance Cost	29,980	Recorded that assessed based on the past actual data and the standard level of similar properties
d. Utilities Expenses	39,974	Recorded that assessed based on the past actual data and the standard level of similar properties
e. Repair Expenses	9,267	Recorded the annual average repair expenses as stated in the engineering report obtained from the client (the restoration cost for residential rooms was also added)
f. Property Management Fee	9,042	Recorded based on the current contract
g. Tenant Solicitation Expenses, etc.	2,401	Recorded the tenant solicitation expenses, etc. assessed based on that of similar properties
h. Property Taxes	40,521	Recorded that assessed based on the fiscal 2023 actual amount
i. Property Insurance	725	Recorded that assessed based on the actual premium and that of similar properties
j. Other Expenses	1,998	Recorded that assessed based on the past actual data and that of similar properties
(3) Net Operating Income (NOI) ((1)-(2))	272,477	-
(4) Investment Profits from Refundable Deposits	2,480	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	32,878	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))	242,079	-
(7) Overall Capitalization Rate	3.7%	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	6,460,000	-
Discount Rate	3.5%	-
Terminal Capitalization Rate	3.9%	-
Value Indicated by Cost Approach	4,340,000	-
Ratio of Land Value	80.5%	-
Ratio of Building Value	19.5%	-
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

The name of the company, etc., have not been disclosed as the purchaser has 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.

Each of the second and third purchase and sale agreements 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 each of the second and third purchase and sale agreements for the Disposition 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 Disposition. 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 10% of the purchase/sales price in each of the second and third purchase and sale agreements within 30 days of the cancellation of said purchase and sale agreement.

In addition, if the first purchase and sale agreement is annulled, cancelled, terminated, or ended for any other cause, the second purchase and sale agreement shall be deemed to have been terminated due to the same cause as the first purchase and sale agreement, and any effects (including, but not limited to, claims for damages, etc., compensation claims, cancellation penalties, offsetting a deposit) that may arise under the second purchase and sale agreement between the seller and the purchaser due to, or in connection with, such cause shall be the same as the effects under the first purchase and sale agreement. However, if one party violates a provision stipulated in the first purchase and sale agreement and the other party is unable to achieve the purpose of the first purchase and sale agreement due to such violations and cancels the first purchase and sale agreement, the second purchase and sale agreement is also deemed to have been cancelled by the other party, and the party entitled to cancellation may demand a penalty.

If the first or second purchase and sale agreements are annulled, cancelled, terminated, or ended for any other cause, the third purchase and sale agreement shall be deemed to have been terminated due to the same cause as the first or second purchase and sale agreements, and any effects (including, but not limited to, claims for damages, etc., compensation claims, cancellation penalties, offsetting a deposit) that may arise under the third purchase and sale agreement between the seller and the purchaser due to, or in connection with, such cause shall be the same as the effects under the first or second purchase and sale agreements. However, if one party violates a provision stipulated in the first or second purchase and sale agreements and the other party is unable to achieve the purpose of the first or second purchase and sale agreements due to such violations and cancels the first or second purchase and sale agreements, the third purchase and sale agreement is also deemed to have been cancelled by the other party, and the party entitled to cancellation may demand a penalty.

7. Settlement Method, Etc.

A total of 802,950,000 yen will be received as a deposit on the contract date of the purchase and sale agreements, and the remaining amount is scheduled to be received each time the property is handed over.

8. Outlook

A gain on sale of real estate of ¥1,283 million is expected to be posted for the fiscal period ending July 2023 (FP 40), ¥1,297 million is expected to be posted for the fiscal period ending January 2024 (FP 41), and ¥1,727 million is expected to be posted for the fiscal period ending July 2024 (FP 42) due to the Disposition, resulting in differences from the expected operating condition and distribution forecast for the fiscal period ending July 2023 (FP 40) and the fiscal period ending January 2024 (FP 41) announced on March 16, 2023.

For details, please refer to “Notice Concerning Revision to Expected Operating Condition and Distribution Forecast for the Fiscal Period Ending July 2023 (40th Fiscal Period) and the Fiscal Period Ending January 2024 (41st Fiscal Period)” separately announced today.

Attachments

Property Portfolio after the Disposition (assumption figure as of February 29, 2024)

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

Attachment

Property Portfolio after the Disposition (assumption figure as of February 29, 2024)

Use	Property Name	Area *1	Acquisition Date	Acquisition Price (million yen)	Ratio(%) *2	Appraisal Value at the end of January 2023 (FP39) (million yen)
Retail	QFRONT	Central Tokyo and Tokyu Areas (Shibuya)	September 10, 2003	15,100	6.2%	38,000
	Lexington Aoyama	Central Tokyo	September 11, 2003	4,800	2.0%	6,350
	TOKYU REIT Omotesando Square	Central Tokyo and Tokyu Areas (Shibuya)	September 10, 2003	5,770	2.4%	8,290
	TOKYU REIT Shibuya Udagawa-cho Square	Central Tokyo and Tokyu Areas (Shibuya)	March 1, 2004	6,600	2.7%	12,700
	cocoti	Central Tokyo and Tokyu Areas (Shibuya)	April 6, 2005 *3	14,700	10.1%	23,800
			August 2, 2005 *4	9,800		
	CONZE Ebisu	Central Tokyo and Tokyu Areas (Shibuya)	October 31, 2006	5,116	2.1%	5,250
	TOKYU REIT Shimokitazawa Square	Tokyu Areas	April 26, 2019	2,257	0.9%	2,260
	TOKYU REIT Jiyugaoka Square	Tokyu Areas	October 1, 2019 *5	1,548	1.3%	3,510
March 4, 2020 *6			1,611			
Retail Total				67,303	27.7%	100,160
Office	Tokyu Nampocho Building	Central Tokyo and Tokyu Areas (Shibuya)	September 11, 2003	4,660	1.9%	7,720
	Tokyu Sakuragaoka-cho Building	Central Tokyo and Tokyu Areas (Shibuya)	September 11, 2003	6,620	2.7%	12,200
	TOKYU REIT Kamata Building	Tokyu Areas	September 10, 2003	4,720	1.9%	5,950
	TOKYU REIT Toranomon Building	Central Tokyo	December 15, 2004 *7	8,630	4.2%	14,200
			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	2.3%	6,360
	Kojimachi Square	Central Tokyo	March 19, 2010	9,030	3.7%	10,000
	TOKYU REIT Shinjuku Building	Central Tokyo	March 26, 2010	9,000	3.7%	13,500
	Akihabara Sanwa Toyo Building	Central Tokyo	October 29, 2010	4,600	1.9%	6,570
	TOKYU REIT Shibuya R Building	Central Tokyo and Tokyu Areas (Shibuya)	August 16, 2013	5,270	2.2%	10,000
	Tokyu Toranomon Building	Central Tokyo	August 16, 2013	15,000	7.6%	24,400
			January 9, 2015 *12	1,850		
	Tokyu Toranomon Building	Central Tokyo	June 30, 2022 *13	1,700	7.6%	24,400
	TOKYU REIT Shinjuku 2 Building	Central Tokyo	October 30, 2015	2,750	1.1%	3,280
	Tokyu Bancho Building	Central Tokyo	March 24, 2016 *14	12,740	5.7%	16,000
March 28, 2019 *15			1,040			
TOKYU REIT Ebisu Building	Central Tokyo and Tokyu Areas (Shibuya)	August 1, 2018	4,500	1.9%	4,750	
Shibuya Dogenzaka Sky Building	Central Tokyo and Tokyu Areas (Shibuya)	March 28, 2019	8,100	3.3%	8,450	
OKI Shibaura Office	Central Tokyo	September 28, 2020	11,900	4.9%	13,600	
TOKYU REIT Shibuya Miyashita Koen Building	Central Tokyo and Tokyu Areas (Shibuya)	March 29, 2021	6,000	2.5%	6,100	
Aoyama Oval Building	Central Tokyo and Tokyu Areas (Shibuya)	December 10, 2021	18,600	7.6%	19,000	
Meguro Higashiyama Building	Tokyu Areas	March 24, 2022	8,100	3.3%	8,330	
Office Total				151,837	62.4%	190,410
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%	1,640
Residence Total				2,700	1.1%	3,040
Complex	Futako Tamagawa Rise	Tokyu Areas	January 31, 2023	20,200	8.3%	20,400
Complex Total				20,200	8.3%	20,400
Land with Leasehold Interest	REVE Nakameguro (land with leasehold interest)	Tokyu Areas	September 27, 2018	1,150	0.5%	1,190
Land with Leasehold Interest Total				1,150	0.5%	1,190
Total				243,191	100.0%	315,200

- *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.

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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