

December 25, 2020

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Notice Concerning Acquisition (STYLIO FIT Musashikosugi) of Domestic Real Estate

TOKYU REIT, Inc. (“TOKYU REIT”) today announced that its investment management company, Tokyu Real Estate Investment Management Inc. (“Tokyu REIM”), decided to acquire domestic real estate (referred to as the “Acquisition”). Brief details are as follows.

1. Acquisition Details

Property Name	STYLIO FIT Musashikosugi
Location	2-chome, Kamimaruko-sannocho, Nakahara-ku, Kawasaki-shi, Kanagawa
Acquisition Price	¥1,500 million (Excluding acquisition-related costs, property tax, city planning tax, etc.)
Seller	Tokyu Corporation (Please refer to “5. Seller Profile”)
Brokerage	No
Decision of Acquisition	December 25, 2020
Contract Date	December 25, 2020
Acquisition Date	January 20, 2021
Payment of Acquisition Costs	January 20, 2021

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 Acquisition 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.

The Musashikosugi area where the asset to be acquired (the "Property") is located has been developed rapidly in recent years and has a concentration of high-rise condominiums, large-scale retail facilities, public facilities, etc. in the vicinity of the station as a result of redevelopment. Furthermore, the area boasts excellent transportation convenience with many train lines available, namely the Tokyu Toyoko Line/Meguro Line and the JR Nambu Line/Yokosuka Line/Shonan-Shinjuku Line/Direct Sotetsu-JR line. Against the backdrop of such transportation and living convenience, there is robust demand for rental housing from a wide range of groups from families, DINKs and singles to students.

The Property is an apartment building located a 5-minute walk from Mukaigawara Station on the JR Nambu Line and a 10-minute walk from Musashi-Kosugi Station on the Tokyu and JR lines. In addition to transportation convenience, the building, which was completed in April 2020, has been equipped with facilities of an excellent grade. Against the backdrop of such strong property competitiveness, the Property has maintained high occupancy since its completion. Furthermore, since Tokyu Corporation, the master lessee company of the Property, has concluded a fixed-rent submaster lease agreement with the operating company of rental condominiums, the Property is expected to contribute stable earnings to Tokyu REIT even after the acquisition.

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.

3. Details of Asset to Be Acquired

Property Name		STYLIO FIT Musashikosugi
Type of Specified Asset		Domestic real estate
Location	Registered	Land 2-1324-1, 2-1327-1, Kamimaruko-sannocho, Nakahara-ku, Kawasaki-shi, Kanagawa
		Building 2-1324-1, 2-1327-1, Kamimaruko-sannocho, Nakahara-ku, Kawasaki-shi, Kanagawa
	Residential	None
Access		Approximately a five-minute walk from Mukaigawara Station on the JR Nambu Line Approximately a nine-minute walk from Musashi-kosugi Station on the JR Yokosuka Line, Shonan-Shinjuku Line and Sotetsu Line through service Approximately a twelve-minute walk from Musashi-kosugi Station on the Tokyu Toyoko Line and Meguro Line
Use		Apartment
Area Classification		Quasi-residential district
Site/Floor Area (Registered)		Land 676.26 m ² (Note 1)
		Building 2,320.12 m ²
Structure (Registered)		RC, 7F
Completion Date (Registered)		April, 2020
Design Company		Matsushika Design
Construction Company		Keio Construction Co., Ltd.
Inspection Authority		Houseplus Architectural Inspection, inc.

Designated structural inspection institute	Center for Better Living	
Earthquake Resistance	PML (Probable Maximum Loss) of 7.1% is based on the earthquake risk assessment (detailed) report prepared by Engineering and Risk Services Corporation and OYO RMS Corporation (as of December 7, 2020). PML refers to the expected damages caused by earthquakes. Although there is no single authoritative definition of PML, it refers to the percentage of expected damages caused by a small- to large-scale earthquake that may happen within the next 475 years to the replacement value. Calculations also include data relating to individual property surveys, assessment of building conditions, conformity to architectural design, ground conditions of the relevant site, surveys of local factors and structural evaluation.	
Type of Ownership	Land: Proprietary ownership	
	Building: Proprietary ownership	
Acquisition Date	January 20, 2021	
Acquisition Price	¥1,500 million	
Appraisal Value	¥1,510 million (effective date of value: December 1, 2020)	
	Appraiser: Daiwa Real Estate Appraisal Co., Ltd.	
Building Assessment Reporter	Tokio Marine & Nichido Risk Consulting Co., Ltd.	
Date of Building Assessment Report	December 7, 2020	
Property Management Company	Tokyu Corporation	
Security/Guarantee	TOKYU REIT has no plan to pledge collateral after the acquisition.	
Master Lessee Company	Tokyu Corporation	
Type of Master Lease Agreement	Pass-through	
Submaster Lessee Company	J.S.B. Co., Ltd.	
Type of Submaster Lease Agreement	Fixed-rent	
Special Items	The Property has a history of being submerged due to a typhoon during the construction of the building. However, countermeasure construction to prevent submergence based on the experience of the incident was implemented afterwards.	
Lease Details	Total Number of Tenants	1 (Total Number of End Tenants: 72)
	Assumed Total Rental Income	¥78 million a year
	Lease Deposits and Guarantee Deposits	¥12 million
	Estimated NOI	¥62 million a year
	Estimated NOI after depreciation	¥34 million a year
	Total Leased Area	1,830.00 m ² (Total Number of Leased Units: 72)
	Total Leasable Area	1,830.00 m ² (Total Number of Leasable Units: 72)
	Occupancy Rate	100.0%
<p>(Note 1) A part of the north side and south side of the subject land (21.41 m²) is used for passage as a road based on Article 42, Paragraph 2 of the Building Standards Law (Paragraph 2 road).</p> <p>(Note 2) The occupancy rate of end tenants as of October 28, 2020 is indicated.</p> <p>*The total number of tenants, assumed total rental income, and lease deposits/guarantee deposits are based on projections as of the scheduled acquisition date (January 20, 2021).</p> <p>*Estimated NOI is the estimated annual figure excluding special factors from the revenue and expenditure of the acquisition fiscal year (not the forecast figure for the current fiscal period) and is based on the following assumptions.</p> <p>(1) Total rental income is the estimated figures of total income from the property based on an expected annual average occupancy rate (100.0%) as of the acquisition date (January 20, 2021).</p> <p>(2) Taxes and public dues for the land are calculated based on the fiscal 2020 assessment amount and those for the building based on the accreditation standards table of standard taxable value for newly built buildings within the jurisdiction of Yokohama District Legal Affairs Bureau.</p> <p>(3) Repairs and maintenance expenses are calculated based on expected figures assumed for the next one-year period.</p>		

4. Property Appraisal Summary

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

Property Name: STYLIO FIT Musashikosugi	Estimation	Notes
Appraisal Firm: Daiwa Real Estate Appraisal co., LTD.		
Effective Date of Value	December 1, 2020	—
Type of Value	Market value	—
Appraisal Value	1,510,000	Applied the value indicated by the income approach
Value Indicated by Income Approach	1,510,000	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	1,560,000	—
(1) Operating Revenue (a.–b.)	78,192	—
a. Potential Gross Income (rental income, common area charges income, utilities reimbursement, etc.)	78,192	Assessed the stabilized assumed rental income and common area charges income of the subject property based on 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	0	Not recorded on the assumption of the long-term stay based on the current contract
(2) Operating Expenses (c.+d.+e.+f.+g.+h.+i. +j.)	15,302	—
c. Building Maintenance Cost	5,508	Recorded the amount on the basis of the current contract
d. Utilities Expenses	199	Recorded that assessed based on the utility expenses of similar properties
e. Repair Expenses	1,451	Recorded the annual average repair expenses as stated in the engineering report obtained from the client, and the expenses related to the sub-lessees' turn-over
f. Property Management Fee	1,133	Recorded based on the scheduled contract
g. Tenant Solicitation Expenses, etc.	0	Not recorded as no turn-over is expected on the assumption of the long-term stay by the current tenant
h. Property Taxes	5,537	Land: recorded that assessed based on the fiscal 2020 actual amount Building: recorded that assessed by the reproduction cost of the building
i. Property Insurance	139	Recorded that assessed at the amount equivalent to 0.02% of reproduction cost of the building
j. Other Expenses	1,332	Recorded reserve that assessed based on the reserve expenses of similar properties Recorded communication expenses, etc. based on contract amounts
(3) Net Operating Income (NOI) ((1)–(2))	62,889	—
(4) Investment Profits from Refundable Deposits	125	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	2,284	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))	60,731	—
(7) 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	1,490,000	—
Discount Rate	3.7%	—
Terminal Capitalization Rate	4.1%	—
Value Indicated by Cost Approach	1,510,000	—
Ratio of Land Value	48.7%	—
Ratio of Building Value	51.3%	—
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. Seller Profile

Company Name	Tokyu Corporation
Head Office Address	5-6 Nanpeidai-cho, Shibuya-ku, Tokyo
Representative	Kazuo Takahashi, President & Representative Director
Capital	¥121,724 million (as of March 31, 2020)
Business Activities	Real estate leasing and sales business, other business
Foundation Date	September 2, 1922
Net Assets of the Previous Business Year	¥809,614 million (as of March 31, 2020)
Total Assets of the Previous Business Year	¥2,537,196 million (as of March 31, 2020)
Relationship between the Investment Corporation or its Investment Management Company and the Company	
Capital Relationship	As of the last day of July 2020, the Company holds TOKYU REIT investment units (5.01% of the total number of investment units issued and outstanding). In addition, the Company is the parent company (100% stake) of the investment management company, and falls under the category of interested person, etc. as defined in the Law Concerning Investment Trust and Investment Corporation (“Investment Trust Law”) and the Order for Enforcement of the Investment Trust Law.
Personnel Relationship	The Company falls under the category of company from which officers/employees of the investment management company are seconded.
Business Relationship	The Company falls under the category of property management company of TOKYU REIT, and lessee, etc. of real estate held by TOKYU REIT.
Status of Classification as Related Party	The Company falls under the category of related party of TOKYU REIT and Tokyu REIM.

6. Status of Property Acquirers, Etc.

	Current Owner	Previous Owner
Company Name	Tokyu Corporation	(Land) Party other than party that has particular vested interest (Building) None
Relationship with Party that has Particular Vested Interest	Please refer to “5. Seller Profile ; Relationship between the Investment Corporation or its Investment Management Company and the Company” above.	-
Acquisition Process, Rationale, etc.	Acquisition for new construction	-
Acquisition Price	(Land) Omitted because the Property has been owned by the current owner for more than 1 year (Building) Omitted because the Property is a property developed by the current owner.	-
Acquisition Date	Land November, 2018 Building April, 2020	-

7. Transactions with Interested Persons, Etc.

(1) Execution of Real Estate Purchase and Sale Agreement

Since Tokyu Corporation, which is scheduled to be the seller 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 sale agreement has been approved by TOKYU REIT's board of directors based on the results. Having completed the above procedures, TOKYU REIT shall acquire the Property at no more 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.

(2) Execution of Master Lease Agreement and Property Management Agreement

Since Tokyu Corporation, with which TOKYU REIT will conclude a pass-through master lease agreement and to which TOKYU REIT will outsource property management services, 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 master lease agreement and property management agreement has been approved by TOKYU REIT's board of directors based on the results. Having completed the above procedures, TOKYU REIT shall enter into a fixed-term building lease agreement/property management agreement with acquisition of the property by TOKYU REIT as a condition precedent. As for the property management fees, a written opinion has been acquired from Urban Research Institute Corporation that confirms that the compensation is in line with the general level of fees paid by other investment corporations, etc., listed on the Tokyo Stock Exchange.

(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 acquisition costs for the to-be-acquired asset will be made by lump-sum settlement at the time of delivery.

9. Financing Details

TOKYU REIT intends to fund the Acquisition using borrowings and cash on hand.

(The details of the borrowings will be announced when finalized.)

10. Outlook

As the acquisition of the Property will have little effect on operating conditions, no changes are foreseen to the forecasts for the Fiscal Period Ending January 2021 (35th Fiscal Period) and the Fiscal Period Ending July 2021 (36th Fiscal Period).

Attachments

1. Property Portfolio after the Transaction (assumption figure as of January 20, 2021)
2. Second Opinion Summary
3. Photograph of STYLIO FIT Musashikosugi
4. Location Map of STYLIO FIT Musashikosugi

Attachment 1

Property Portfolio after the Transaction (assumption figure as of January 20, 2021)

Use	Property Name	Area	Acquisition Date	Acquisition Price(million yen)	Ratio(%) *1	Appraisal Value at the end of July 2020 (FP34) (million yen)
Retail	QFRONT	Central Tokyo and Tokyu Areas (Shibuya)	September 10, 2003	15,100	6.2%	36,100
	Lexington Aoyama	Central Tokyo	September 11, 2003	4,800	2.0%	6,290
	TOKYU REIT Omotesando Square	Central Tokyo and Tokyu Areas (Shibuya)	September 10, 2003	5,770	2.4%	8,350
	TOKYU REIT Shibuya Udagawa-cho Square	Central Tokyo and Tokyu Areas (Shibuya)	March 1, 2004	6,600	2.7%	12,600
	cocoti	Central Tokyo and Tokyu Areas (Shibuya)	April 6, 2005 *2	14,700	10.1%	24,200
			August 2, 2005 *3	9,800		
	CONZE Ebisu	Central Tokyo and Tokyu Areas (Shibuya)	October 31, 2006	5,116	2.1%	5,300
	Daikanyama Forum	Central Tokyo and Tokyu Areas (Shibuya)	April 22, 2008	4,136	1.7%	3,520
	TOKYU REIT Shimokitazawa Square	Tokyu Areas	April 26, 2019	2,257	0.9%	2,320
	TOKYU REIT Jiyugaoka Square	Tokyu Areas	October 1, 2019 *4	1,548	1.3%	3,490
March 4, 2020 *5			1,611			
Retail Total				71,439	29.4%	102,170
Office	Setagaya Business Square	Tokyu Areas	September 11, 2003	22,400	9.2%	18,800
	Tokyu Nampoidai-cho Building	Central Tokyo and Tokyu Areas (Shibuya)	September 11, 2003	4,660	1.9%	6,840
	Tokyu Sakuragaoka-cho Building	Central Tokyo and Tokyu Areas (Shibuya)	September 11, 2003	6,620	2.7%	10,700
	Tokyo Nissan Taito Building	Central Tokyo	September 11, 2003	4,450	1.8%	5,940
	TOKYU REIT Kamata Building	Tokyu Areas	September 10, 2003	4,720	1.9%	5,510
	TOKYU REIT Toranomom Building	Central Tokyo	December 15, 2004 *6	8,630	4.2%	13,600
			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	3.5%	7,340
	Tokyu Ikejiri-ohashi Building	Tokyu Areas	March 28, 2008	5,480	2.3%	6,390
	Kojimachi Square	Central Tokyo	March 19, 2010	9,030	3.7%	10,100
	TOKYU REIT Shinjuku Building	Central Tokyo	March 26, 2010	9,000	3.7%	13,600
	Akihabara Sanwa Toyo Building	Central Tokyo	October 29, 2010	4,600	1.9%	6,400
	Tokyu Ginza 2-chome Building	Central Tokyo	February 15, 2011	5,010	2.1%	6,020
	TOKYU REIT Shibuya R Building	Central Tokyo and Tokyu Areas (Shibuya)	August 16, 2013	5,270	2.2%	9,680
			August 16, 2013	15,000		
	Tokyu Toranomom Building	Central Tokyo	January 9, 2015 *11	1,850	6.9%	21,900
	TOKYU REIT Shinjuku 2 Building	Central Tokyo	October 30, 2015	2,750	1.1%	3,310
Tokyu Bancho Building	Central Tokyo	March 24, 2016 *12	12,740	5.7%	15,800	
		March 28, 2019 *13	1,040			
TOKYU REIT Ebisu Building	Central Tokyo and Tokyu Areas (Shibuya)	August 1, 2018	4,500	1.9%	5,060	
Shibuya Dogenzaka Sky Building	Central Tokyo and Tokyu Areas (Shibuya)	March 28, 2019	8,100	3.3%	8,660	
OKI Business Center No.5	Central Tokyo	September 28, 2020	11,900	4.9%	12,700	
Office Total				157,797	65.0%	188,350
Residence	Maison Peony Toritsudaigaku	Tokyu Areas	November 15, 2017	1,200	0.5%	1,270
	STYLIO FIT Musashikosugi	Tokyu Areas	January 20, 2021	1,500	0.6%	1,510
Residence Total				2,700	1.1%	2,780
Land with Leasehold Interest	Shonan Mall Fill (land with leasehold interest)	Other	April 28, 2006	6,810	2.8%	6,830
	OKI System Center (land with leasehold interest) *16	Other	March 27, 2013	2,718	1.1%	3,678
	REVE Nakameguro (land with leasehold interest)	Tokyu Areas	September 27, 2018	1,150	0.5%	1,150
Land with Leasehold Interest Total				10,678	4.4%	11,658
Total				242,614	100.0%	304,958

*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 49.0% 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 September 1, 2020 as the effective date of value.
- *15 Appraisal value with December 1, 2020 as the effective date of value.
- *16 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.

Attachment 2

Second Opinion Summary

Subject Property	STYLIO FIT Musashikosugi
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 Highest and Use of the subject property as improved is judged to be "the high rise multi-residential building" as it is currently improved.
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. Daikan-#502009391) by Daiwa Real Estate Appraisal 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.

Attachment 3

Photograph of STYLIO FIT Musashikosugi



Attachment 4

Location Map of STYLIO FIT Musashikosugi



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.