

Summary of Q&As at Analyst Meeting (Telephone Meeting) for the Fiscal Period Ended
January 2021 (FP 35) Held on March 17, 2021

[Q&A]

<Questioner A>

(Q: A-1)

Will there be any changes in the preference of asset types in the selection of properties to be acquired through future property replacement?

(A: A-1)

In property replacement, we will not change our policy to focus on location and proactively invest in properties located in the Shibuya area and Tokyu Areas. As for use, we will consider a wide range of asset types as the target of acquisition if they fall within the scope of the use of investment targets in accordance with the status of the properties owned by counterparties.

(Q: A-2)

Please tell us about the changes in the situation of requests for rent reduction/exemption from tenants and the management status in the most recent period compared with those under the state of emergency in the previous year.

(A: A-2)

Given the deterioration of sales and requests for rent reduction/exemption made by many tenants due to the impact of temporary closure, etc. after the declaration of a state of emergency last April, such impact has been conservatively incorporated into the assumption in the financial results for the fiscal period ended July 2020 (FP 34). In addition, although the operational status of tenants gradually recovered in the fiscal period ended January 2021 (FP 35), the impact of the redeclaration of a state of emergency in January has also been taken into consideration. As a result of the continuous discussion until now, we have generally reached an agreement with each tenant and we do not assume the receipt of further requests.

(Q: A-3)

Please tell us about the status of tenant leasing at the sections that underwent floor expansion and the period of recovery to normal operations regarding the extension work of TOKYU Toranomon Building.

(A: A-3)

At present, we have started the construction work at the additionally acquired adjacent

land, and we plan to start connection work with the existing building after the move-out of tenants in August 2021 with completion slated for June 2022. We assume that it (the section) will contribute for a month in operation in the fiscal period ending July 2022 (FP 38) and that a certain degree of free rent will be provided upon new leasing by tenants, and regarding income and expenditure, such rent is thus assumed to partially contribute from the fiscal period ending January 2023 (FP 39). We have just started soliciting tenants for the sections that underwent floor expansion and have not concluded any agreements with tenants as of now since the move-in will take place after two years from now, but we are conducting leasing in earnest.

<Questioner B>

(Q: B-1)

Regarding the distribution level, you said you will set the lower limit of distribution per unit at 3,360 yen until the fiscal period ending July 2022 (FP 38), but is there a possibility that you will maintain such goal even after the fiscal period ending January 2023 (FP 39)?

(A: B-1)

As described on page 27 in the financial results presentation, we plan to set the lower limit of distribution per unit until the fiscal period ending July 2022 (FP 38) at 3,360 yen, which is the same as that in the fiscal period ending July 2021 (FP 36), and aim to achieve more than such amount. This time, we indicated the lower limit until the fiscal period ending July 2022 (FP 38) as the period when the impact of COVID-19 will continue to be seen and revenue and profits will decrease due to the extension work of TOKYU Toranomom Building. For the fiscal period ending January 2023 (FP 39) onwards, we believe that it is necessary to review the new distribution level which will become the base after assessing the recovery period of operations for offices, etc. and the status of leasing at sections that underwent floor expansion after the completion of the extension work of Tokyu Toranomom Building. We do not assume that it will be lower than 3,360 yen, but we plan to reset the next distribution level under normal operations when the extension work of Tokyu Toranomom Building is completed.

(Q: B-2)

Please tell us about the possibility of future property acquisitions through sponsor pipelines that have been impacted by COVID-19.

(A: B-2)

Tokyu Corporation, the sponsor, is currently formulating a medium-term management

plan starting from fiscal 2021, and the recovery strategy from a harsh situation in which the railway and hotel businesses have been impacted by COVID-19 is likely to be incorporated into the next medium-term management plan. As a financing method amid such a situation, we believe that financing in the real estate business through the sales of real estate including the pipeline for TOKYU REIT will be further emphasized. Details of the transactions with sponsors in fiscal 2021 onwards are yet to be decided, but we believe that the future goal will be incorporated into the new medium-term management plan and that we should also review the external growth policy of TOKYU REIT at such timing. Since there are no finalized information as of today, we will make an announcement again when they are determined.

(Q: B-3)

Are the assumed move-outs at offices currently at the bottom level?

(A: B-3)

As for the assumed move-outs, we have incorporated all of those for which cancellation notice has been received, and we assume that tenants will move out when the contract period terminates at sections where fixed-term lease contracts are not assumed to be renewed. In addition, we assume that all tenants will move out of the sections where risks of move-outs appear to be high in the communication with tenants.

As for the assumed move-ins, we have conservatively set the period when move-ins are certainly expected and incorporated the provision of free rent during the corresponding period also in terms of profit contribution. Therefore, it is assumed that the tenants who will move in during the fiscal period ending January 2022 (FP 37) will provide almost no profit contribution as such period coincides with the free-rent period. Please note that the figures for move-ins and move-outs at offices and the assumed rental revenue are at the bottom level.

<Questioner C>

(Q: C-1)

Please tell us about the leasing environment of office properties in the Shibuya area.

(A: C-1)

Among Tokyo's central five wards, the vacancy rate rose at an early stage in Shibuya Ward and later rose in the remaining four wards over the last two to three months.

Move-ins and move-outs of IT companies in Shibuya have been reported, but there is an impression that not only IT companies but also companies in a wide range of industries are moving in and out. We have an impression that IT companies make quick decisions

on move-outs, but needs from IT companies whose offices are located in the surrounding areas, such as Ebisu and Gotanda, as they could not have their offices in Shibuya, are also expected.

In the Shibuya area, the current vacancy rate turned to a downward trend, and there is an impression that vacancies are filled from properties with low rent levels that offer excellent access from stations and properties located far from stations as well as that old properties are subordinated. We also have an impression that the vacancy rate is improving regardless of property size partially due to the small number of large-scale offices in Shibuya. As for office properties in other areas including Setagaya Business Square, certain movements of replacement are constantly seen regardless of the size of sections and the impact of COVID-19, and we believe that the current trend is the same as that in the phase of economic deterioration caused by the impact of COVID-19. Even for other properties, we believe that move-outs are not particularly increasing in the most recent period and that the trend of move-ins and move-outs is the same as that in the normal economic environment.

(Q: C-2)

Will you consider setting targets and disclosing the progress, etc. in each scope of greenhouse gas? Also, do you plan to accumulate data by utilizing monitoring tools, etc. within the REIT and the asset management company?

(A: C-2)

We are currently making preparations for the measurement of the amount of emissions and have not set any definite reduction targets at the moment. Since the asset management company will be required to respond on a consolidated basis, we are currently making preparations.