

March 30, 2016

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Notice Concerning Disposition of Trust Beneficiary Interest in Domestic Real Estate (TOKYU REIT Hatchobori Building)

TOKYU REIT, Inc. (“TOKYU REIT”) today announced that its investment management company, Tokyu Real Estate Investment Management Inc. (“Tokyu REIM”) (the “Asset Management Company”), has decided to conduct a transfer of trust beneficiary interest in domestic real estate (the “Disposition”). Brief details are as follows.

1. Disposition Details

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| (1) Type of Disposition | : Trust beneficiary interest in domestic real estate |
| (2) Property Name | : TOKYU REIT Hatchobori Building |
| (3) Disposition Price | : ¥5,010 million |
| (4) Book Value | : ¥6,795 million
(expected value as of the scheduled transfer date) |
| (5) Amount of Difference
from Disposition Price | : -¥1,785 million
(expected value as of the scheduled transfer date) |
| (6) Agreement Date | : March 30, 2016 (Wednesday) |
| (7) Scheduled Disposition Date | : May 31, 2016 (Tuesday) |
| (8) Purchaser | : Domestic company
(please refer to the “5. Purchaser Profile”) |

2. Rationale

The Disposition is being conducted in accordance with the “Scope and Policy of Investment Management” as outlined in the Articles of Incorporation of TOKYU REIT.

TOKYU REIT is pressing ahead with reestablishing the portfolio including property replacement, taking into consideration trends in capital and real estate investment markets as well as growth potential of cash flow of its portfolio over the medium- to long- term.

Although TOKYU REIT Hatchobori Building (the “to-be-disposed asset”) is over 50 years of age, it still can be operated as an income-producing property going forward as adequate and timely renovation and seismic isolation work have been implemented. On the other hand, the floor area ratio of the current building exceeds the designated ratio. For this reason, considering future reconstruction, etc, TOKYU REIT has judged that the disposition amid the current market environment would be the best action to take.

Although loss on sale of properties is expected to arise in the 26th period (fiscal period ending July 2016), the Asset Management Company has selected a purchaser of the to-be-disposed asset through bidding and decided on the Disposition today, after comprehensively considering trends of current and future real estate price as well as the fact that gain on sale surpassing the loss on sale of properties will be posted in the same fiscal period due to the disposition of Tokyu Saginuma Building, which was completed on March 24, 2016.

Since all properties owned by TOKYU REIT will comply with new earthquake resistance standards as a result of the Disposition on top of decreasing of unrealized loss of the entire portfolio, TOKYU REIT believes that its portfolio quality will improve.

TOKYU REIT will allocate, from the perspective of capital efficiency, the proceeds from the Disposition to repayment of borrowings for the time being, and will consider reinvestment in new properties after securing property acquisition capacity.

TOKYU REIT will strive to form a portfolio that leads to an improvement in asset value and growth of net income while closely monitoring trends in capital and real estate investment markets and continuing to conduct investment management, all while adhering to its investment policy.

3. Profile of Properties Scheduled for Disposition

Property Name		TOKYU REIT Hatchobori Building					
Type of Specified Asset		Trust beneficiary interest in domestic real estate					
Trustee Trust Period		Mitsubishi UFJ Trust and Banking Corporation From September 26, 2000 to September 30, 2020					
Location	Registered	Land	2-104-1, 2-104-2, 2-104-3, 2-104-4, 2-104-5, 2-104-6, 2-104-7 Hatchobori, Chuo-ku, Tokyo				
		Building	2-104-3, 2-104-1, 2-104-4, 2-104-6, 2-104-2, 2-104-5, 2-104-7 Hatchobori, Chuo-ku, Tokyo				
Access		Approximately a three-minute walk from Hatchobori Station, Tokyo Metro Hibiya Line Approximately a six-minute walk from Takaracho Station, Toei Asakusa Line Approximately a six-minute walk from Kayabacho Station, Tokyo Metro Tozai Line and Hibiya Line					
Use		Office, retail and parking					
Area Classification		Commercial district					
Land Space (Registered)	Land	974.32 m²					
	Building	8,810.21m²					
Type of Structure(Registered)		SRC, B2/9F					
Completion Date		September 1965					
Type of Ownership	Land	Ownership					
	Building	Ownership					
Acquisition Date		September 29, 2006					
Acquisition Price		¥7,000 million					
Appraisal Value as of the Period-End (Appraisal Method)	¥5,170 million (as of January 31, 2016)						
	Appraiser: Daiwa Real Estate Appraisal Co., Ltd.						
Book Value		¥6,795 million (expected value as of the scheduled disposition date)					
Disposition Price		¥5,010 million					
Gain (Loss) on Disposition		¥-1,785 million (amount of difference between disposition price and book value (expected value as of the scheduled disposition date))					
Appraisal Value as of Property Disposition (Appraisal Method)	¥5,090 million (effective date of value: March 1, 2016)						
	Appraiser: The Tanizawa Sōgō Appraisal Co., Ltd.						
Tenant Details	Total Number of Tenants	10 (as of January 31, 2016)					
	Total Rental Income	¥335 million a year (annualized amount of actual results for the fiscal period ended January 2016)					
	Lease Deposits and Guarantee Deposits	¥263 million (as of January 31, 2016)					
	Total Leased Area	5,746.60 m² (as of January 31, 2016)					
	Total Rentable Area	6,010.95 m² (as of January 31, 2016)					
	Occupancy Rate	95.6%(as of January 31, 2016)					
	Occupancy Rates over the Last Five Years	As of January 31, 2012	As of January 31, 2013	As of January 31, 2014	As of January 31, 2015	As of January 31, 2016	
		100%	99.4%	88.4%	84.0%	95.6%	
Special Items		None					

4. Property Appraisal Summary

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

Property Name:	TOKYU REIT Hatchobori Building	Estimation	Notes
Appraisal Firm:	The Tanizawa Sōgō Appraisal Co., Ltd.		
Effective Date of Value	March 1, 2016		—
Type of Value	Market value		—
Appraisal Value	5,090,000		Applied the value indicated by the income approach
Value Indicated by Income Approach	5,090,000		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	5,200,000		—
(1) Operating Revenue (a.–b.)	340,904		—
a. Potential Gross Income (rental income, common area charges income, utilities reimbursement, etc.)	366,612		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 buildings in the 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	25,709		Assessed based on the current vacancy rate and the market vacancy rate
(2) Operating Expenses (c.+d.+e.+f.+g.+h.+i.+j.)	94,814		—
c. Building Maintenance Cost	26,616		Recorded based on the actual amount
d. Utilities Expenses	30,079		Recorded that assessed based on the level of utilities expenses of similar properties and the past actual amount
e. Repair Expenses	9,205		Recorded after assessing with reference to the level of repair expenses of similar properties and the amount in the engineering report
f. Property Management Fee	6,856		Recorded that assessed based on the contract details
g. Tenant Solicitation Expenses, etc.	2,404		Recorded based on contract details and the level of tenant solicitation expenses, etc. of similar properties
h. Property Taxes	18,413		Recorded that assessed based on the fiscal 2015 actual amount
i. Property Insurance	901		Recorded based on the actual amount
j. Other Expenses	341		Recorded after assessing based on past fiscal year's actual amount
(3) Net Operating Income (NOI) ((1)–(2))	246,090		—
(4) Investment Profits from Refundable Deposits	5,041		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	22,355		Recorded after assessing with reference to the level of repair expenses of similar properties and the amount in the engineering report
(6) Net Cash Flow (NCF) ((3)+(4)–(5))	228,775		—
(7) Overall Capitalization Rate	4.4%		Assessed by comprehensively taking into consideration the location conditions, building conditions and other conditions of the subject property, and also by referring to such factors as the overall capitalization rate of similar properties in the market area, and considering such factors as the rights relations of the subject property
Value Indicated by DCF Method	5,040,000		—
Discount Rate	4.5%		—
Terminal Capitalization Rate	4.6%		—
Value Indicated by Cost Approach	4,720,000		—
Ratio of Land Value	89.2%		—
Ratio of Building Value	10.8%		—
Reconciliation before Arriving at the Value Conclusion	The appraisal value was determined by considering the market competitiveness of the subject property based on such factors as the location conditions and building grade.		

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 and such are not disclosed as consent from the purchaser, which is a domestic business corporation, has not been received. There is no capital relationship, personnel relationship or business relationship to state between TOKYU REIT or its investment management company and the domestic business corporation, and the domestic business corporation does not fall under the category of related party of TOKYU REIT or its investment management company.

6. Brokerage

(1) Broker Profile

(1)	Company Name	Mitsubishi UFJ Trust and Banking Corporation
(2)	Head Office Address	1-4-5, Marunouchi, Chiyoda-ku, Tokyo
(3)	Representative	Tatsuo Wakabayashi, President and Chairman
(4)	Business Activities	Banking and trust services
(5)	Capital	¥324.2 billion (as of January 1, 2016)
(6)	Foundation Date	March 10, 1927
(7)	Relationship between the Investment Corporation or its Investment Management Company and the Company	
	Capital Relationship	As of January 31, 2016, the Company holds 9,196 units of TOKYU REIT investment units (0.94% of the total number of investment units issued and outstanding).
	Personnel Relationship	There is no personnel relationship to state between TOKYU REIT or its investment management company and the Company.
	Business Relationship	TOKYU REIT's asset custodian, general administrator and lender.
	Status of Classification as Related Party	The Company does not fall under the category of related party of TOKYU REIT or its investment management company.

(2) Breakdown and Amount of Brokerage Charges, Etc.

Omitted because consent for the disclosure has not been received from the Broker

7. Payment Method

Payment of disposition costs for the to-be-disposed asset will be made by lump-sum settlement at the time of delivery.

8. Disposition Schedule

March 30, 2016	Decision of disposition
	Execution of Trust beneficiary interest purchase agreement
May 31, 2016	Disposition of Trust beneficiary interest (planned)
	Receive of disposition costs (planned)

9. Outlook

Loss on sale of properties of 1,839 million yen is expected to arise due to the Disposition. However, there is no impact on the expected operating condition since such is already reflected in the forecast figures for the fiscal periods ending July 2016 and January 2017 announced on March 15, 2016.

Attachment

1. Property Portfolio after Disposition (as of May 31, 2016)

[Reference]

Timely Disclosure Relating to TOKYU REIT Hatchobori Building

September 25, 2006	Notice Concerning Acquisition of Property
December 6, 2006	Notice Concerning Change of Property Name
April 3, 2013	Notice Concerning Tenant in Property under Management

Attachment 1

Property Portfolio after Disposition (as of May 31, 2016)

Use	Property Name	Area	Acquisition Date	Acquisition Price (million yen)	Ratio (%)*1	Appraisal Value at End of 25th Fiscal Period (million yen)
R	QFRONT	Central Tokyo and Tokyu Areas (Shibuya)	September 10, 2003	15,100	6.8	25,200
R	Lexington Aoyama	Central Tokyo	September 11, 2003	4,800	2.1	4,840
R	TOKYU REIT Omotesando Square	Central Tokyo and Tokyu Areas (Shibuya)	September 10, 2003	5,770	2.6	7,290
R	Tokyu Saginuma 2 Building*2	Tokyu Areas	September 11, 2003	1,290	0.6	1,710
R	TOKYU REIT Shibuya Udagawa-cho Square	Central Tokyo and Tokyu Areas (Shibuya)	March 1, 2004	6,600	3.0	11,600
R	cocoti	Central Tokyo and Tokyu Areas (Shibuya)	April 6, 2005 *3 August 2, 2005 *4	14,700 9,800	11.0	19,300
R	Shonan Mall Fill (<i>sokochi</i>)	Other	April 28, 2006	6,810	3.0	6,310
R	CONZE Ebisu	Central Tokyo and Tokyu Areas (Shibuya)	October 31, 2006	5,117	2.3	4,340
R	Daikanyama Forum	Central Tokyo and Tokyu Areas (Shibuya)	April 22, 2008	4,136	1.8	3,360
R	Kaleido Shibuya Miyamasuzaka	Central Tokyo and Tokyu Areas (Shibuya)	August 16, 2013	5,150	2.3	6,340
	Retail Properties Total			79,273	35.4	90,290
O	Setagaya Business Square	Tokyu Areas	September 11, 2003	22,400	10.0	18,700
O	Tokyu Nampeidai-cho Building	Central Tokyo and Tokyu Areas (Shibuya)	September 11, 2003	4,660	2.1	5,120
O	Tokyu Sakuragaoka-cho Building	Central Tokyo and Tokyu Areas (Shibuya)	September 11, 2003	6,620	3.0	8,890
O	Tokyo Nissan Taito Building	Central Tokyo	September 11, 2003	4,450	2.0	5,240
O	TOKYU REIT Akasaka Hinokicho Building	Central Tokyo	September 10, 2003	3,570	1.6	4,250
O	TOKYU REIT Kamata Building	Tokyu Areas	September 10, 2003	4,720	2.1	5,090
O	TOKYU REIT Toranomom Building	Central Tokyo	December 15, 2004 *5 September 21, 2007 *6 September 21, 2007 *7 October 26, 2007 *8 January 21, 2015 *9	8,630 1,100 200 140 107	4.6	10,300
O	Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	Central Tokyo	January 31, 2008	8,500	3.8	6,800
O	Tokyu Ikejiri-ohashi Building	Tokyu Areas	March 28, 2008	5,480	2.5	5,140
O	Kojimachi Square	Central Tokyo	March 19, 2010	9,030	4.0	8,530
O	TOKYU REIT Shinjuku Building	Central Tokyo	March 26, 2010	9,000	4.0	10,200
O	Akihabara Sanwa Toyo Building	Central Tokyo	October 29, 2010	4,600	2.1	6,050
O	TOKYU REIT Kiba Building	Other	October 29, 2010	4,000	1.8	3,770
O	Tokyu Ginza 2-chome Building	Central Tokyo	February 15, 2011	5,010	2.2	5,080
O	OKI System Center (<i>sokochi</i>)	Other	March 27, 2013	4,530	2.0	5,040
O	TOKYU REIT Shibuya R Building	Central Tokyo and Tokyu Areas (Shibuya)	August 16, 2013	5,270	2.4	7,910
O	Tokyu Toranomom Building *10	Central Tokyo	August 16, 2013 January 9, 2015	15,000 1,850	7.5	19,700
O	TOKYU REIT Shinjuku 2 Building (provisional name) *11	Central Tokyo	October 30, 2015	2,750	1.2	2,650
O	Tokyu Bancho Building *12	Central Tokyo	March 24, 2016	12,740	5.7	12,800
	Office Properties Total			144,357	64.6	151,260
	Total			223,630	100	241,550

- *1 Ratio is rounded to one decimal place. Accordingly, the subtotal and total may not exactly match the sum of relevant items.
- *2 Tokyu Saginuma 2 Building is scheduled for disposition on January 31, 2017.
- *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 Floor area: 9,688.59 m²; Interest of site rights: 73,585/100,000
- *6 Floor area: 865.14 m²; Interest of site rights: 8,579/100,000
- *7 Floor area: 139.93 m²; Interest of site rights: 1,322/100,000
- *8 Floor area: 93.93 m²; Interest of site rights: 1,166/100,000
- *9 Floor area: 95.06 m²; Interest of site rights: 1,464/100,000
- *10 Appraisal value at the end of the fiscal period for Tokyu Toranomon Building includes the portion equivalent to the contiguous land acquired on January 9, 2015.
- *11 The property name is scheduled to change as “TOKYU REIT Shinjuku 2 Building” on May 1, 2016.
- *12 Appraisal value at the end of the fiscal period for Tokyu Bancho Building is the appraisal value with January 31, 2016 as the effective date of value.
- *13 The PML for the entire portfolio above based on earthquake risk assessment reports prepared by Engineering and Risk Services Corporation is 3.8%. PML (Probable Maximum Loss) 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 areas and structural evaluation.
 Tokyu Saginuma 2 Building, which is scheduled to be disposed on January 31, 2017, is not included in the calculation of PML.