

Minutes of the Extraordinary Explanatory Meeting for Investors and Analysts (held on December 24, 2009)

(The following text is the translation of the Japanese version for readers' reference and may not fully coincide with the Japanese text)

Opening Statement from Masahiro Horie: Representative Director & President, CEO

I truly appreciate your attendance at TOKYU REIT's extraordinary investors meeting on this Christmas Eve. As have already been announced, we made disclosure of the dispositions of two of our properties as well as the revised forecast at three o'clock this afternoon at the Tokyo Stock Exchange.

With regard to the overseas investors, we are fully aware that many of them are currently on holidays. However, despite our endeavors, we were not able to avoid this timing due to coordination of meeting schedules for the Boards of Directors in the relevant three companies, namely, the seller and the buyers. Your understanding will be very much appreciated.

We are holding this extraordinary meeting given the significance of the event. On top of this, we are going to upload an English version of the disclosed materials onto our website promptly in order to minimize the gap on information for the overseas investors. We also plan to publicize through our website the outline of the minutes of this meeting, both in Japanese and English, by the opening of the morning session tomorrow on the 25th.

Mr. Koi, Senior Executive Officer, Chief Financial Officer and General Manager, Investor Relations, is going to make a presentation using the disclosed materials and attached PowerPoint slides. Before he starts, I am going to give you an overview on the objectives and background of the property dispositions.

Rationale and Background (Summary)

1. Property prices have become attractive: We are entering an Acquisition Phase, as mentioned in our long-term investment management strategy, the so-called Surf Plan, which was announced in our previous presentation materials disclosed in September 2009.
2. Accordingly, we want to commence our investment in line with the Surf Plan and to resume property acquisitions, and then, we want to implement public offering on

certain timing. However, our belief has been that we need to address firstly and meticulously the “two-fold homework” given by our investors.

3. The two-fold homework means (1) decision on which option to take for Resona Maruha Building and (2) addressing the asset impairment loss risk of Ryoshin Harajuku Building.
4. When asked by our investors, we have so far said that our homework was the second part, namely, the impairment risk of Ryoshin Harajuku Building, and have not clearly mentioned Resona Maruha Building as specific homework.

-That was due to highly confidential negotiations being underway: we also wanted to avoid leakage of information and unit price volatility, bearing in mind the possibility that the assumed transaction price may greatly exceed the disclosed appraisal value at the end of the previous period (31.6 billion yen).

-Nevertheless, it was evident that our action on Resona Maruha Building was of the largest interest for our unitholders; therefore, we have regarded it as “part of our homework.”

5. Our company has been committed as strongly as we had been during the IPO project to working tenaciously on the first component of our homework; namely, the decision on which option to take for Resona Maruha Building as well as the execution of such option.

-In particular, the turning point of our decision was indeed the case of the transaction on AIG Building. Considering solicitation of tenants to replace Maruha Nichiro Seafoods, Inc., we think that the best decision is to opt for disposition at this timing in order to maximize the unitholders value.

6. We were heedful of the closing risk, which was observed in some recent cases. However, we are not worried at all about our case given the credit of the buyer. Removal of risks such as postponement of closing is another element for the decision-making, and it is as important as the disposition price.

-No matter how high the price may be, failure to close the deal would be not only pointless, but usually cause adverse effect on the price negotiation with the next buyer.

7. We consider this deal rendered satisfactory, good price.

-Incidentally, on presenting the price to Mitsubishi Estate that had the first refusal right, there were some other companies which had strong interest in this property. Given that, our view is that the principle of competition played its role in a sense when we presented the price.

8. With respect to the second part of the homework, the impairment risk of Ryoshin Harajuku Building, we decided to take action promptly due to the following two reasons.

i. The impact will be material if such risk becomes evident: As the impaired loss is not tax deductible, the corporate tax will be imposed while distribution is not paid out.

ii. The concern over the impairment of Ryoshin Harajuku Building was one of the major factors in our slumping unit price since this spring: it has also been a concern for our unitholders.

-One overseas investor commented to us that Ryoshin Harajuku Building pushed down our unit price by around 10%.

-Although lower than the appraisal value at the end of the July period, the price was at the level of the newly acquired appraisal value. Our view is that the price was appropriate given the lagging nature of the appraisal and the deteriorating leasing market trend since July.

9. Upon totaling the respective gain and loss on dispositions of Resona Maruha Building and Ryoshin Harajuku Building, which were our highest priorities, and also upon dissolving the impairment risk, capital gain of 11 billion yen will be distributed.

I also would like to add the following. The Act on Investment Trust and Investment Corporations, the governing law of J-REITs, does not stipulate the cancellation of investment units held by investment corporations. Therefore, we are not able to have an option to reduce the outstanding number of investment units by way of cancellation of units funded by capital gain (equivalent of cancellation of treasury stock in regular corporations) in order to improve EPS.

10. Now that I have outlined the dispositions, I would like to introduce to you our three step plan toward the future.

11. First of all, in the first step, through the dispositions of the two properties, we aim for maximization of the value of Resona Maruha Building as well as recovery of our unit price by dissolving investors' concern over the impairment risk of Ryoshin

Harajuku Building. Furthermore, by distributing capital gain equivalent of 65,000 yen per unit, we want to reward our unitholders for their support and patience with us.

12. In the second step, the Surf Plan will be implemented with the acquisition mode. The recouped 40 billion yen, equivalent of the book value of the disposed properties, will be retained in cash in order to be spent for reinvestment.

-We did not acquire replacing properties in sync with the sale of the two properties. As a result, the outlook for EPS in the 14th period is lowered significantly, albeit temporarily, to 10,000 yen. Meanwhile, with additional acquisition of properties by use of 40 billion yen in cash in hand, we will aim at recovery and improvement of the level of EPS and ROE.

-In response to the question concerning difficulty of additional acquisition, our thoughts are as follows:

-As disclosure of market value of leasing properties will be required from the next year, needs to sell properties on corporate balance sheets and those from private funds are going to surface targeting end of March;

-In occurrence of risk events at the closing of transaction deals in which March-end handover must be met, such deals are going to be brought to us, since we have high cash position. The strong cash position will indeed be our competitive edge in the acquisition market.

-Unfortunately, the NOI yield of Ryoshin Harajuku Building to its book value remains lower than 3%. Investing the recouped book-value equivalent amount in properties with the cap rate of 5%, for example will lead to the improvement of the NOI yield by 200 basis points against Ryoshin Harajuku Building's investment book value of 15.5 billion yen. Thus, it will help increase EPS and ROE.

-We will look for properties broadly from both the third parties and our sponsors.

-The risk scenario in the second step is the re-advent of credit crunch. Such risk may become apparent if the government and central bank of each country failed to exit. The cash position will also exert its strength under such risk scenario.

-Furthermore, though unintentionally, the retained cash in hand from the disposed properties confirmed our credibility to the lenders.

13. In the third step, based on such cash position and after firmly securing quality acquisition opportunities that largely exceed 40 billion yen, we are going to make a decision on public offering.

-However, the most essential prerequisite for public offering is to take each of those steps steadily: we will not merely be fast and sloppy.

-Then, the cycle of investment recovery in accordance with the Surf Plan will be continued in order to improve EPS and adjusted ROE as well as to further enhance our credit.

Presentation using the PowerPoint slides (Omitted)

Closing Statement

1. Even though reductions in asset size and investment management fees are generally considered to be taboos in operating an investment management company.

-Our motto is: Address concerns first, enjoy the fruits later, as quoted from ancient Chinese saying. Our first and foremost priority is the prosperity of our customers and to win credibility from our current and potential unitholders.

-That is proved by our investment management fee structure and proactive action resulting in fee reduction over two times. To us, the criticism that external growth is meant to benefit the investment management company is not applicable.

2. After distributing unrealized gain of Resona Maruha Building to the unitholders even though the size of the portfolio will be reduced temporarily, cash for reinvestment and the new investment strategy are in our hands.

-The long-term investment management strategy, the so-called Surf Plan, was devised in order to leverage our experience gained from one market cycle since IPO, including our learning from Ryoshin Harajuku Building, for the long run.

The plan was publicized prior to the disposition of the properties and has been presented in detail to domestic and overseas investors over the past few months.

-In exchange for Resona Maruha Building, we have in our hands fund for reinvestment, the Surf Plan, and the credibility from the investors. Your continuous support will be sincerely appreciated.

Q&A

Question A-1: With respect to Resona Maruha Building, the 73% stake of Resona Bank had been sold to Mitsubishi Estate at the price of 162 billion yen in April 2008. Given that, the price would have been 59.9 billion yen. Couldn't the price have been slightly higher than 42 billion yen?

-It is true that 42 billion yen is 30% lower than the approximate price of 60 billion yen, which is based on the price at which Mitsubishi Estate acquired from Resona Bank in April 2008. However, April 2008 was the time when the leasing market in Tokyo was still strong. The conditions are different in the current post-Lehman shock environment.

-Based on the case of the transaction of AIG Building, the disposition price would be around 50 billion yen. Also, the price will be different between the disposition of the entire building and that of minority interest. To put it differently, when we acquired Resona Maruha Building, because it was minority acquisition, the price was discounted and so we were able to acquire at lower price than the case of 100% stake.

-In accordance with the memorandum of understanding among compartmentalized owners, Mitsubishi Estate, with its first refusal right, expressed intent to acquire upon which we entered into negotiation. Even though there was no bidding process, we contacted some other potential buyers, who commented that the suggested price was quite high.

-Because of the aforementioned points, we think that it was the best price for us.

Question A-2: Wouldn't asset swap have been an advantageous option as well?

-Asset swap would have led to the discussion on the price of which base must be appraisal values. Since there are other values that are not reflected in appraisal, such discussion would have been difficult.

-Nonetheless, it does not mean that the idea of swap was never considered. Rather, we were not able to find any properties that were convincing to us.

-Incidentally, in response to the question about why not acquire Shiodome Building, Tokyu REIT's investment criteria do not allow acquisition of minority interest in co-ownership property.

-Because of above, we thought disposition was the best way to contribute to maximization of unitholders value.

Question B-1: What properties do you target to acquire with 40 billion yen?

-We are going to acquire properties that meet our investment criteria: Offices and retail properties in central 5 Wards in Tokyo and Tokyu Area, , 4 billion yen or higher, minimum total floor space of 5,000m² in case of offices. The cap rate should range between 4.7% and 6.5%, with the weighted average of about 5.3% on the basis of 60 to 40 % ratio of offices to retail. Because the ratio of offices will be lowered after the disposition, our priority is to acquire offices. Acquisition of retail properties at undervalued price may also be a way to invest since lenders hesitate to fund retail. We would like to acquire at reasonable prices by having cash in hand. However, rather than investing 40 billion yen in a single building, we want to be thoughtful of portfolio diversification.

Question B-2: If impaired loss accounting is applied, will the impaired loss be the only taxable amount?

-Even though the tax code has been amended, our expected impaired loss is so material that such assumption would not be applicable. We would not be able to distribute because the net income would be negative.

-Since impaired loss is not deductible in the tax accounting, it becomes obligatory to pay corporate tax. If the impaired loss is immaterial and net income is positive in accounting, the amended tax code would be beneficial.

Question C-1: Even though you mentioned the targeted range of cap rate is between 4.7 and 6.5%, the appraisal cap rate of Harajuku is 4.5%. Wouldn't it be difficult to acquire properties of that class?

- Cap rate changes when rents are revised. The cap rate of A class buildings in central Tokyo may be within the range from 4.7%.

Question C-2: With respect to Resona Maruha Building, its appraisal value is 34.6 billion yen while the disposition price is 42 billion yen. Is there a capitalization method to verify the appropriateness of the appraisal value assuming the property to be redeveloped?

-For the disposition price of 42 billion yen for Maruha, post-redevelopment rent is assumed to be 48,000 yen per tsubo with assumed cap rate of 4%.

-With respect to the floor area ratio, we assume 100% top-up on 1,300%. Assumed disposition price calculated based on such assumptions minus the cost of construction, interest and developer's profit was 42 billion yen.

-Incidentally, NOI forecast for the 14th period on this property divided by 42 billion is 2.75%.

Question C-3: With respect to Ryoshin Harajuku Building, there are differences in appraisal values compared to the one from JPR's appraiser. What was the assumed NCF?

-We were not in consultation with JPR's appraiser. Our assumption was close to the one used by Daiwa Real Estate Appraisal. As the seller, we must be conservative on cash flow on this stage. In a short timeframe, we have endeavored meticulously to improve the value of the property such as dissolution of the management association, expense reduction, as well as owning the entire property by additionally acquiring the minority interests. Even though the quality of the property was good as it was located on Meiji Dori, the timing of acquisition was not right.

-When investing, the yield is measured on the stabilized basis (long-term cash flow outlook). When rent is on the decline, the yield becomes higher on the passing basis (current rent conditions). In many cases, 5% yield on the stabilized may be 6% on the passing.

Question C-4: May I reconfirm that your targeted NOI for offices is still 4.7%?

-Yes. In terms of the range, NOI yields of some properties in central Tokyo may be slightly higher, but I would say the average should be about 5.2%.

Question D-1: What scenario did you consider concerning Ryoshin Harajuku Building?

-We considered both upside and downside. Also in the risk scenario, there was a concern of further economic bottom. In the end, it is the property appraisers who decide on appraisal values and their appraisal is based on the recent transactions. (When there is a recent case of drop in rent, the appraisal value falls down and prices fluctuate.) In the event of the impaired loss, the risk and impact on the investment corporation would be so significant that the downside risk could not be overlooked albeit small. As the discussion on disposition of Resona Maruha Building also came up, we decided to dispose of the property.

Question D-2: What was the reason for choosing JPR as the buyer?

-In the bidding process of Ryoshin Harajuku Building, we had more than anticipated number of price proposals. In selecting the buyer, the most important point was to avoid the closing risk. If buyer does not close the deal and is replaced, the price fluctuates and negotiation becomes unfavorable. Via our own channel as well as referral from broker, we narrowed down candidates based on their credit and ability to close the deal. As a result, we proposed the deal to regular corporations and REITs.

Question D-3: Are there any properties in your portfolio which you may have to consider future impairment?

-Apart from the magnitude of decrease in value, Ryoshin Harajuku Building had the lowest building ratio for the accounting purpose in our portfolio of 22 properties, except for Shonan Mall Fill. When the ratio is low, the decline in book value does not take place smoothly; thereby the property will be vulnerable to risk in the course of management over next 20 to 30 years. However, currently there are no other properties in our portfolio of which value dropped by over 40%. Of course, among the properties which were acquired post-relaxed real estate financing period, there are some of which appraisal values at end of the period are lower than book values. However, Ryoshin Harajuku had by far the highest rate of decrease.

Question E-1: With respect to disposition of Resona Maruha Building at 42 billion yen, due to the expanded floor area ratio and possible increased rent, yield between 4.6 and 4.7% may be ensured. Then, continuing to own the property may have been another good option. Was Ryoshin Harajuku Building the reason why you only had the option to sell Resona Maruha?

-We do not think the yield would have been as high as 4.6 to 4.7% given the cost of construction, interest to pay during construction, and profit for the developer. Therefore, we think the disposition price was appropriate.

-Ryoshin Harajuku Building was not the reason to sell Resona Maruha Building. For a long time, we regarded what to do with Resona Maruha Building as an issue. The case of the transaction of AIG Building had significant impact on our decision-making: It steered us to the disposition scenario. If Ryoshin Harajuku Building was to be sold on a stand-alone basis, we had other options including other properties with unrealized gains. Our priority was to conduct an action that suited best for Resona Maruha Building.

End