

Extraordinary Explanatory Meeting for Investors and Analysis

TOKYU REIT

<http://www.tokyu-reit.co.jp/eng/>

TSE: 8957

TOKYU REIT

Supplementary Explanatory Materials for Notice Concerning Conclusion of Letter of Intent regarding Sponsors Structure

January 13, 2011

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1. Background and Rationale (1)

Proposal from Tokyu Land

Launch of a new REIT by Tokyu Land which invests in retail facilities and offices in major cities throughout Japan

Concerns of competition and conflicts of interest with **TOKYU REIT**



Proposal to withdraw sponsorship as **TOKYU REIT** by Tokyu Land

1. Background and Rationale (2)

Evaluation and Management Stance

Review of Investment Strategy: Announcement of formulation of the Long-Term Investment Management Strategy (Surf Plan) (2009)

Review of Management Stance: Evaluation of the Capital Reinvestment Model

A business model where the sponsor contributes properties to **TOKYU REIT** and reinvests the collected capital in the Tokyu Area serviced by the Tokyu commuting rail Network in an aim to improve added value of these areas and raise the unitholder value of **TOKYU REIT**

Tokyu Land: Shifted its operational area from the Tokyu Area to central Tokyo + expended to major regional cities throughout Japan



From a medium to long-term perspective, there are concerns that the same sponsorship arrangement with Tokyu Land may no longer be effective

1. Background and Rationale (3) Conclusion of Letter of Intent

(1) Request from Tokyu Land

Launch of a new REIT

(2) Evaluation and Management Stance

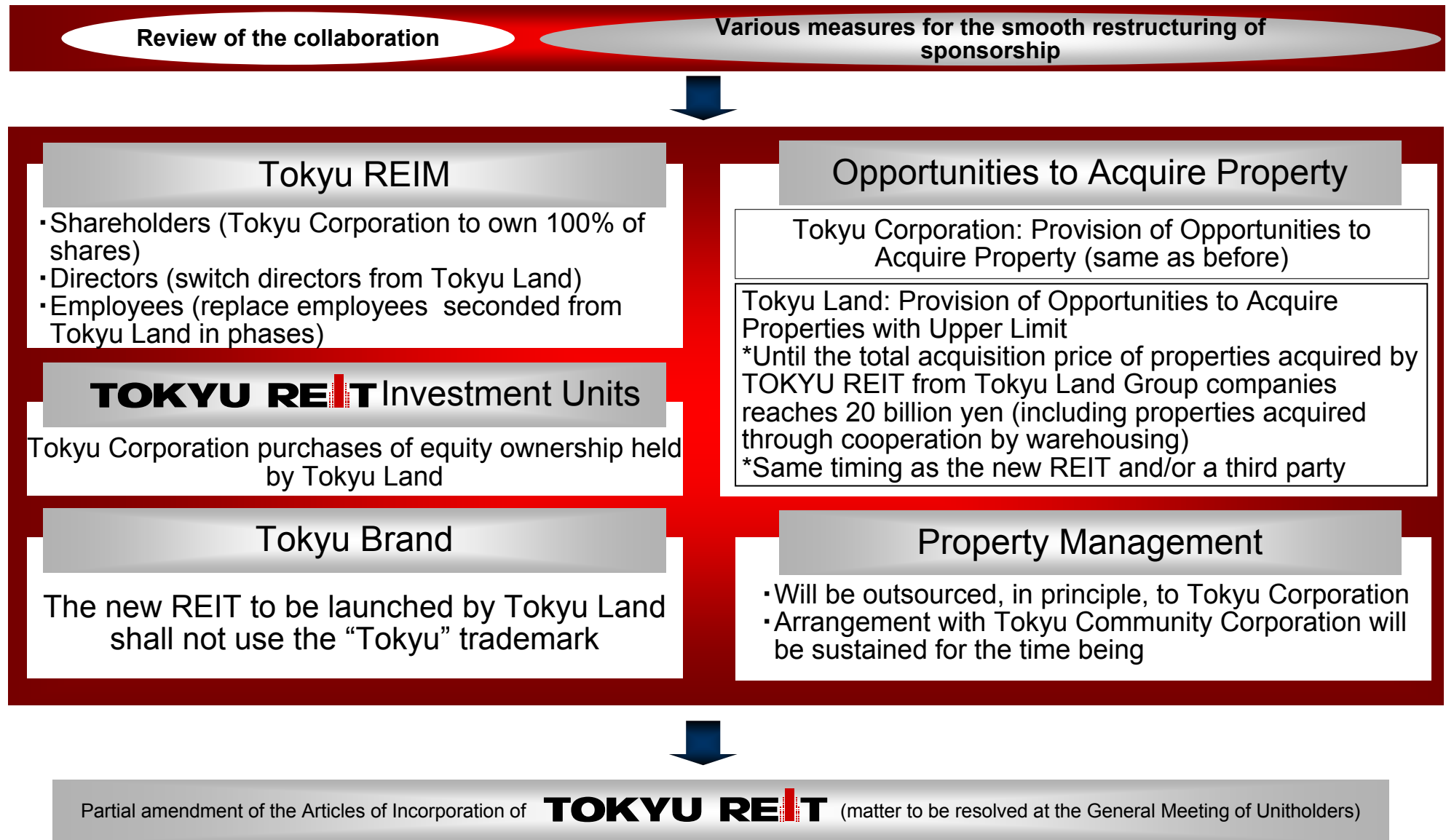
- The two-sponsorship system until now had succeeded
- Furthermore, from a medium to long-term perspective, there are concerns that the same sponsor collaboration with Tokyu Land may no longer be effective

Elimination of the option of expanding targeted areas of **TOKYU REIT** and expand business nationwide

Restructuring of Sponsorship

- Conclusion of Letter of Intent between the four parties of TOKYU REIT, Tokyu REIM, Tokyu Corporation and Tokyu Land
- A stronger commitment by Tokyu Corporation can be expected as a sole sponsor
- Implementation of various measures for the smooth cancellation of sponsorship with Tokyu Land

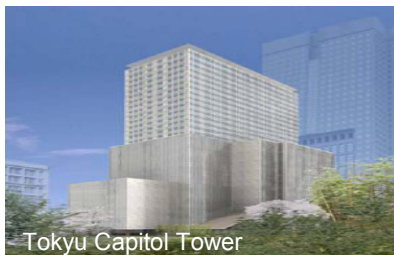
2. Overview of Letter of Intent



3. Impact on TOKYU REIT and Future Policies (Opportunities to Acquire Property)

(1) Strengthening the strategic collaboration relationship between **TOKYU REIT** and Tokyu Corporation accompanying Tokyu Corporation becoming the sole sponsor

- Improve value of **TOKYU REIT** and areas along the Tokyu rail lines based on the Capital Reinvestment Model
- Tokyu Corporation is engaged in working to create towns such as Denenchofu, Senzoku and Tama Den-en Toshi, and the development know-how is being utilized in redevelopment projects such as Cerulean Tower and Shibuya Mark City
- Since listing of **TOKYU REIT**, Tokyu Corporation has been progressing projects in Shibuya, Nagatacho, Futako Tamagawa, Tama Plaza, Ginza, Toranomon, Yonbancho, etc. There is an increasing expectation by Tokyu Corporation for the functions of owning and leasing real estate from the long-term perspective of **TOKYU REIT**, which operates business in the same area



*TOKYU REIT does not have plans to acquire the above properties as of the date of this document.

- However, the quality of TOKYU REIT's governance and measures to prevent conflict of interest will be maintained.

(2) Provision of information concerning properties by Tokyu Land Group companies until the acquisition price of properties acquired from Tokyu Land Group companies reaches 20 billion yen. (including properties acquired through cooperation by warehousing)

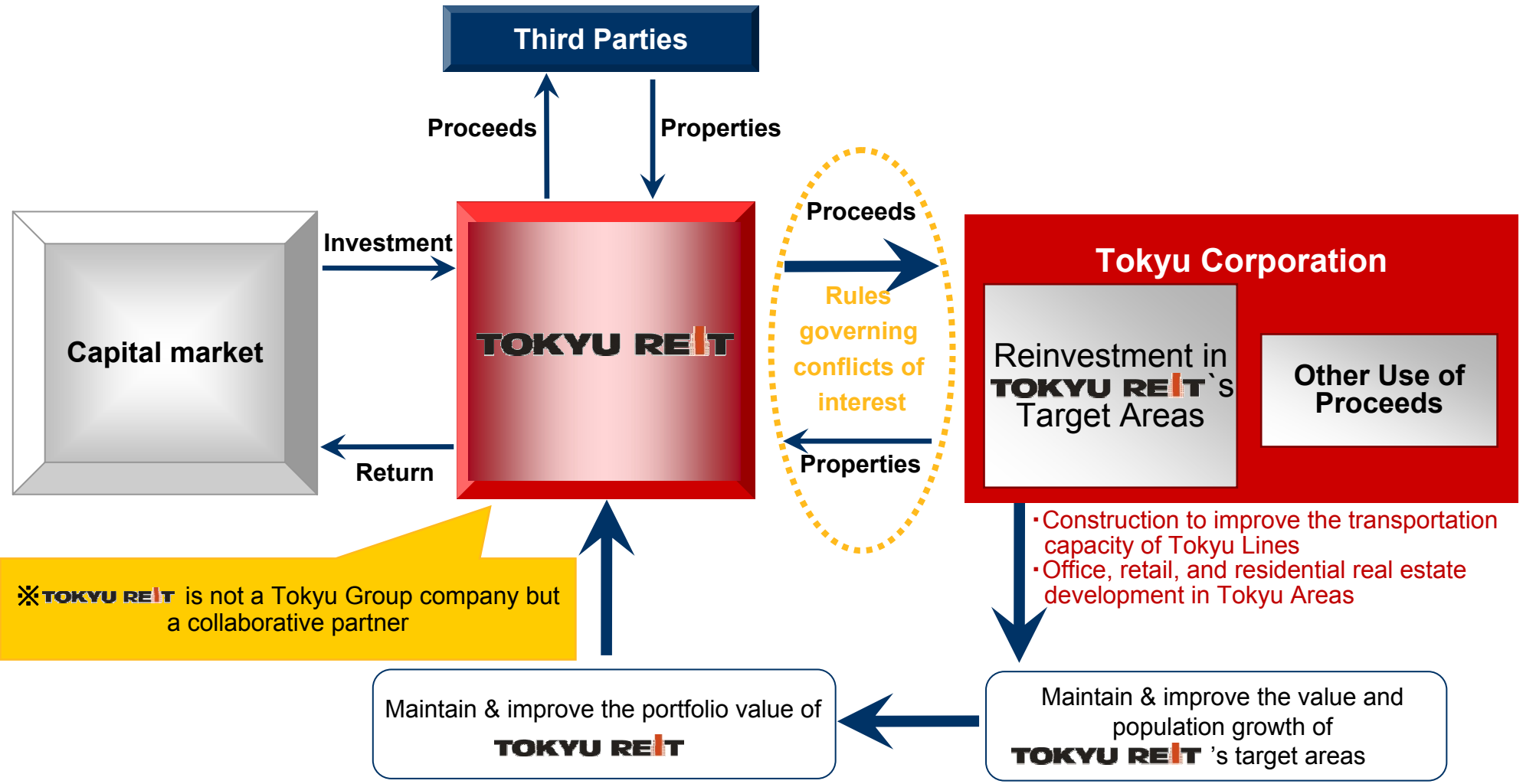
*This page represents the view of Tokyu REIM.

4. Upcoming Schedule

Memorandum relating to the purchase and sale of real estate (TOKYU REIT, Tokyu REIM and Tokyu Corporation)	February 2011 (planned)
Conclusion of memorandum relating to the provision of opportunities to acquire properties (TOKYU REIT, Tokyu REIM and Tokyu Land)	February 2011 (planned)
Memorandum on Unitholdings (TOKYU REIT, Tokyu REIM and Tokyu Corporation)	February 2011 (planned)
Conclusion of Tokyu REIM share transfer agreement and TOKYU REIT investment unit transfer agreement (Tokyu Corporation and Tokyu Land)	February 2011 (planned)
Sending out of letters of convocation for General Meeting of Unitholders of TOKYU REIT	March 2011 (planned)
Submission of proposal to partially amend the Articles of Incorporation at the General Meeting of Unitholders of TOKYU REIT	April 2011 (planned)
Execution of transfer of TOKYU REIT investment units (Tokyu Corporation and Tokyu Land)	April 2011 (planned)
Execution of transfer of Tokyu REIM shares (Tokyu Corporation and Tokyu Land)	June 2011 (planned)

Attachment (1) Capital Re-investment Model

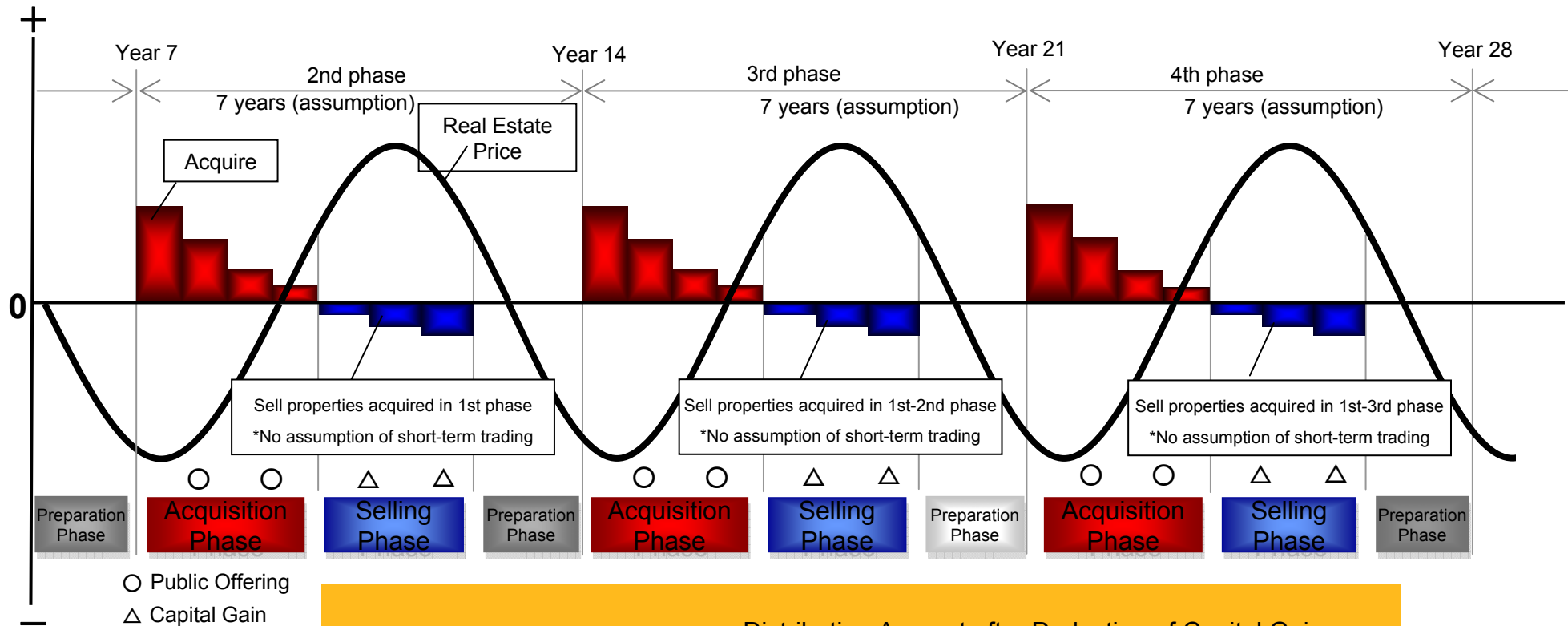
TOKYU REIT Capital Reinvestment Model of Capital Generated



*Comments by Tokyu REIM

Value & Contrary

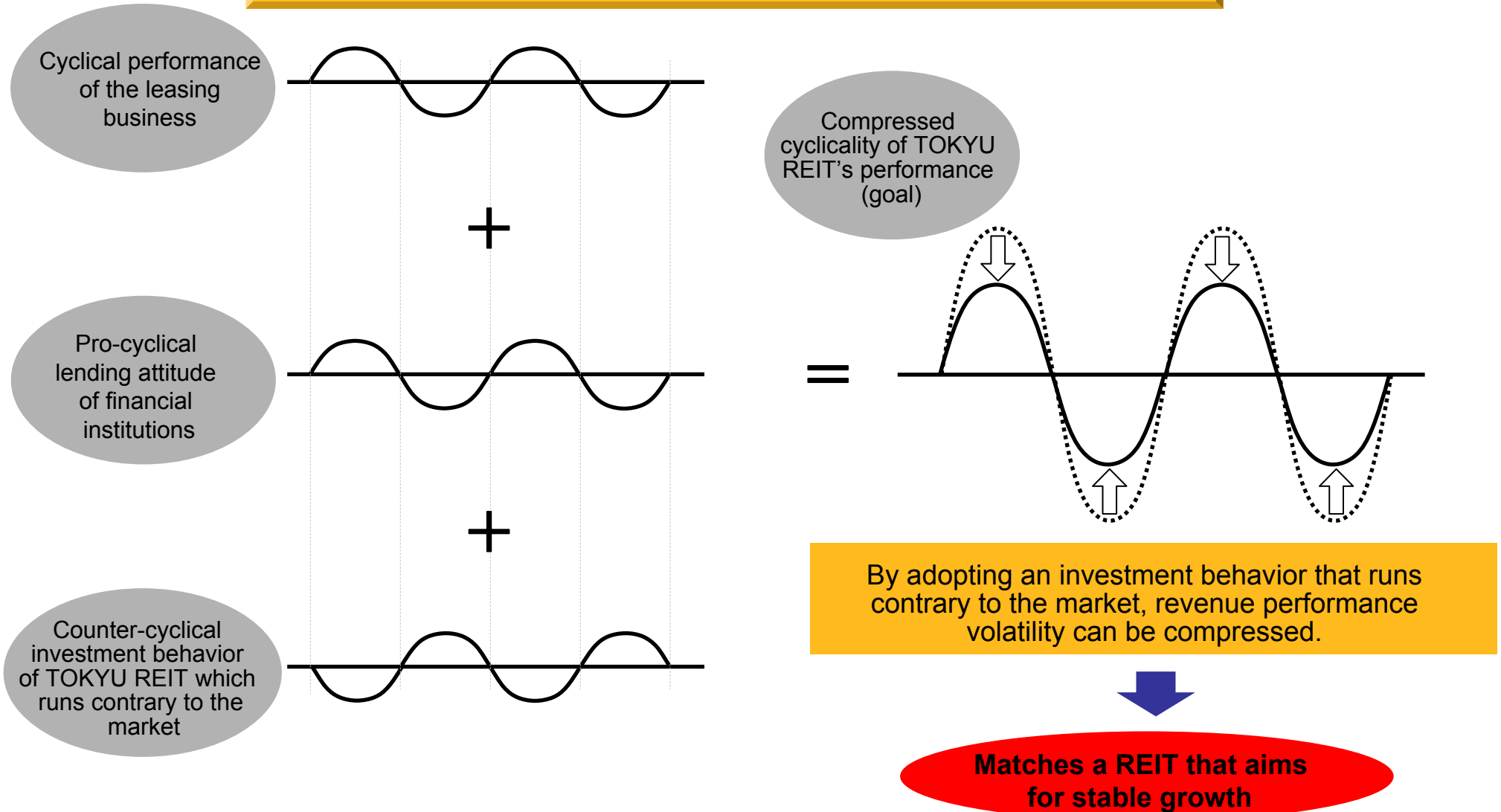
Focusing on the cyclicity of real estate prices, TOKYU REIT secures capital gains while interchanging properties, and achieves improvement of both portfolio quality (rejuvenating average age of property) and adjusted ROE



$$\text{Adjusted Capital Yield (Adjusted ROE)} = \frac{\text{Distribution Amount after Deduction of Capital Gains}}{\text{Total Capital} - \text{Accumulated Distribution of Capital Gains}}$$

*This page represents the view of Tokyu REIM.

Compression Effect of Cyclicity: Objective of the Surf Plan



*This page represents the view of Tokyu REIM.

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Attachment (3)

Proposal to Amend the Articles of Incorporation

Before the Amendments	Amendment Proposals
<p>1. Amendment to “1. Policy of Investment Management, (1) Growth, ② External Growth Factors” of Attachment 1 of the Articles of Incorporation (prior portion omitted) Property acquisition from <u>Tokyu Group companies</u> TOKYU REIT shall secure stable and continuous opportunities for acquisition of property owned by <u>Tokyu Group companies</u></p>	<p>1. Amendment to “1. Policy of Investment Management, (1) Growth, ② External Growth Factors” of Attachment 1 of the Articles of Incorporation (prior portion omitted) Property acquisition from <u>Tokyu Corporation</u> TOKYU REIT shall secure stable and continuous opportunities for acquisition of property owned by <u>Tokyu Corporation</u></p>
<p>2. Amendment to “1. Policy of Investment Management, (1) Growth, ③ Synergy Effect with Tokyu Group Companies” of Attachment 1 of the Articles of Incorporation Synergy Effect with <u>Tokyu Group Companies</u> TOKYU REIT shall aim to achieve growth by improving added value of the areas along the Tokyu rail lines through the synergy effect with <u>Tokyu Group companies</u></p>	<p>2. Amendment to “1. Policy of Investment Management, (1) Growth, ③ Synergy Effect with Tokyu Group Companies” of Attachment 1 of the Articles of Incorporation Synergy Effect with <u>Tokyu Corporation</u> TOKYU REIT shall aim to achieve growth by improving added value of the areas along the Tokyu rail lines through the synergy effect with <u>Tokyu Corporation</u></p>
<p>3. Amendment to “1. Policy of Investment Management, (3) Transparency” of Attachment 1 of the Articles of Incorporation In order to secure transparency, TOKYU REIT shall conduct proactive and timely disclosure of material information that is judged to be useful and appropriate for unitholders in addition to legal disclosures. Furthermore, it shall give due consideration to averting conflicts of interest with <u>Tokyu Group companies</u> for individual business and transactions while keeping in mind that businesses and transaction opportunities may be granted to <u>Tokyu Group companies</u> throughout its investment activities.</p>	<p>3. Amendment to “1. Policy of Investment Management, (3) Transparency” of Attachment 1 of the Articles of Incorporation In order to secure transparency, TOKYU REIT shall conduct proactive and timely disclosure of material information that is judged to be useful and appropriate for unitholders in addition to legal disclosures. Furthermore, it shall give due consideration to averting conflicts of interest with <u>Tokyu Corporation and other related parties of Tokyu REIM</u> for individual business and transactions while keeping in mind that businesses and transaction opportunities may be granted to <u>Tokyu Corporation</u> throughout its investment activities.</p>
<p>5. Amendment to “3. Investment Posture, (3) Management Standards of Property-Related Businesses, b. Property Management Business, (i) Selection Standards of Property Management Companies” of Attachment 1 of the Articles of Incorporation In principle, TOKYU REIT shall select property management companies from among <u>Tokyu Corporation, Tokyu Land Corporation or other Tokyu Group companies</u> from the perspective of their strength in tenant marketing, which is based on their familiarity with local areas, and their information network with respect to retail tenants, as well as cost reductions due to economies of scale. The Board of Directors of TOKYU REIT shall separately stipulate items necessary for measures to prevent conflict of interest.</p>	<p>5. Amendment to “3. Investment Posture, (3) Management Standards of Property-Related Businesses, b. Property Management Business, (i) Selection Standards of Property Management Companies” of Attachment 1 of the Articles of Incorporation In principle, TOKYU REIT shall select property management companies from <u>Tokyu Corporation</u> from the perspective of their strength in tenant marketing, which is based on their familiarity with local areas, and their information network with respect to retail tenants, as well as cost reductions due to economies of scale. <u>However, TOKYU REIT shall not be hindered from selecting companies other than Tokyu Corporation as the property management company, depending on the respective property’s characteristics, continuity of management, or other factors.</u> Moreover, the Board of Directors of TOKYU REIT shall separately stipulate items necessary for measures to prevent conflict of interest.</p>

*The above outline of the proposal for partial amendment is subject to change.

- **TOKYU REIT** properties: 25 (total acquisition price: 194.6 billion yen)
 - Of which, contributed by Tokyu Corporation and Tokyu Land: 12 (total acquisition price: 95.8 billion yen)

- Cases of real estate assets being preferentially approached (first option) by Tokyu Corporation and Tokyu Land based on the “Memorandum Relating to the Purchase and Sale of Real Estate” after listing: 21
 - Of which, first option cases from Tokyu Land Group companies: 18
 - Of which, properties acquired by **TOKYU REIT**: (Note1) 1
 - * Properties contributed by Tokyu Land Group companies at listing: (Note2) 2

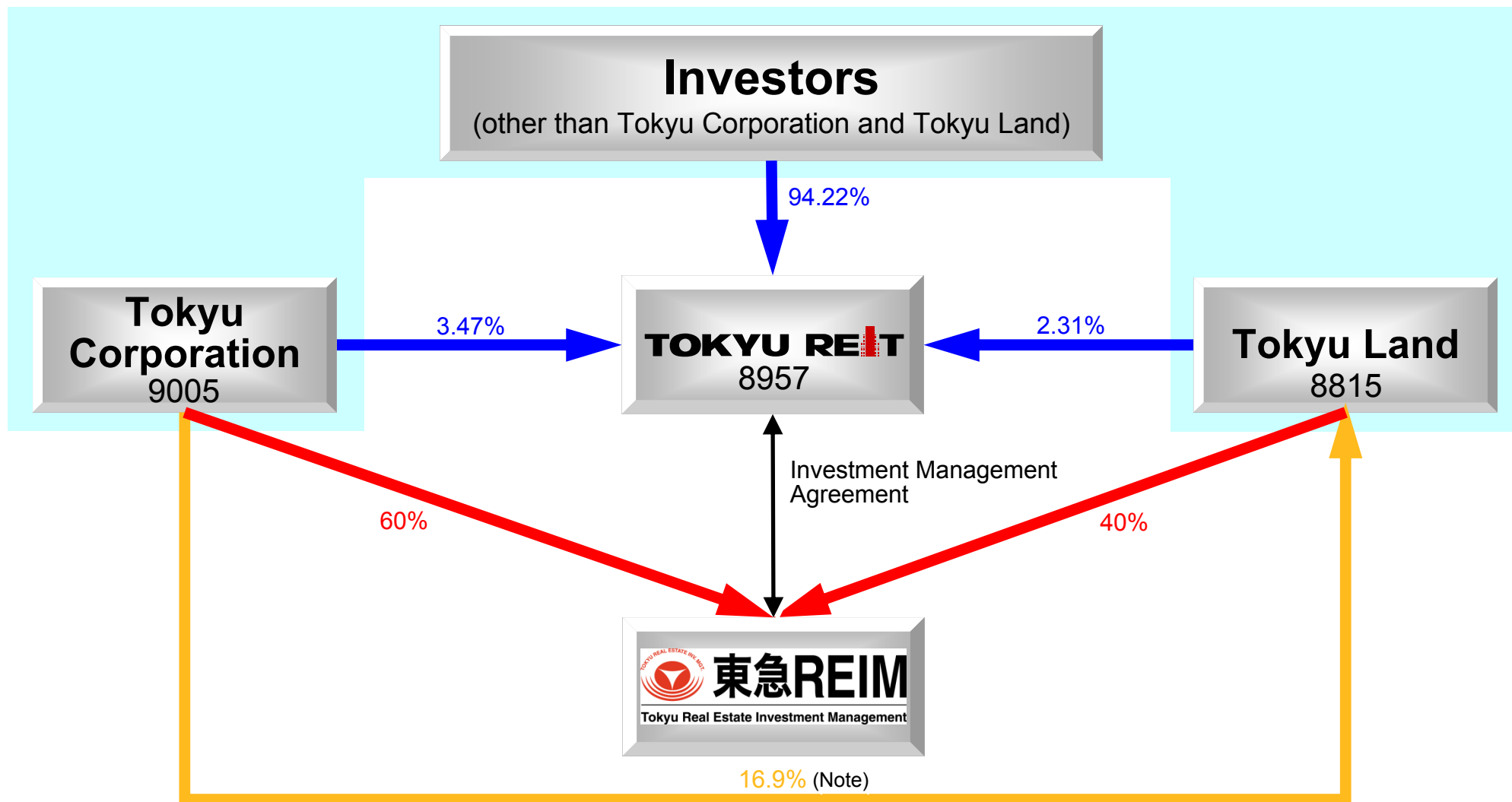
3 properties (total acquisition price: 18.2 billion yen)
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(Note1) Kojimachi Square: Acquired in March 2010 (when the information was initially provided and studied in February 2009, the deal did not materialize)

(Note2) Lexington Aoyama/ Tokyo Nissan Taito Building: Acquired in September 2003

Attachment (5) Capital Relationship Structure

As of March 31, 2010



(Note) Source : Financial Report on Tokyu Corporation (141st term)

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