Synopsis of Q&A at the Extraordinary Explanatory Meeting for Investors and Analysts (held on January 13, 2011)

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

Questioner A

Questioner A-1: According to page 4 in the presentation, the background of the sponsorship cancellation was explained as the differences in targeted investment areas. However, how would you justify this to the unitholders who invested in expectation of Tokyu Group? If Chairman Goto were still alive, he would probably not have approved.

Answer: Tokyu REIT thinks that targeted areas are the most important factor to purse in order to protect the benefit of unitholders. Even though there may be expectation for Tokyu Group, Tokyu was originally the corporate group that encouraged intra-group friendly rivalry and so it did not coordinate in such a way that one company was allocated for each business segment. Moreover, this decision was made not as the result of consideration for overall optimization of Tokyu Group; it was made for the maximization of unitholders' value in the mid-to-long term. In the sense of providing the best services to clients, I think Chairman Goto would have approved this decision even if he were still alive. We would like to prove the outcome by way of investment results down the road.

Questioner A-2: What if the unitholders reject the cancellation at the general meeting?

Answer: If rejected, unitholders' opinions would be collected in order to analyze the reasons for rejection based on which we would again seek their approval.

Questioner A-3: Even though there are other REITs that have multiple sponsors, they do not necessarily encounter difficulties. Is it difficult for the two sponsors to coexist? Was it maybe not necessary to cancel the sponsorship?

Answer: I do not think it is a problem for one REIT to have multiple sponsors. Many of the other REITs have the structure in which active sponsors and passive sponsors form a joint venture. In case of Tokyu REIT, the difference from the others is that both Tokyu Corporation and Tokyu Land are active sponsors and each is capable of establishing a REIT.

As there are two active sponsors and an investment corporation that makes independent decision without relying on sponsors' intentions, there could naturally be a case where contribution of properties to the REIT is not in proportion to the equity stake of the two sponsors.

Running a joint venture in such a situation will potentially be difficult.

Then, the reason why Tokyu REIT was launched with two sponsors was the timing of its IPO; 2003 was the dawn of J-REIT and the bar was high to be listed. So, even though there were differences in the commonality of business models, it was necessary for Tokyu Corporation and Tokyu Land to join their full forces. Furthermore from 2001, over 1 year was spent to conduct a feasibility study with Lend Lease, which was experienced with Australian LPT management.

The hurdle for IPO has been lowered since the number of listed REITs exceeded 40 at one point of time. Since IPO, Tokyu REIT has recognized that the commonality with Tokyu Land was not necessarily strong in terms of our business area. Given such a concern, we were aware of the necessity to revisit the current sponsorship structure, which is one context of this subject.

Questioner B

Questioner B-1: Tokyu REIT has not acquired so many properties in Tokyu Area recently. Upon the cancellation of sponsorship, can I anticipate more acquisitions in Tokyu Area down the road? Share your perspectives as well as aspirations.

Answer: In our view, Tokyu Area and Tokyo central five wards are considered as one same investment target. Both should grow so that their respective value is also going to be enhanced. Even though the acquisition of Kiba Eitai Building was outside of our major targeted investment areas, it is positioned as value investment to earn immediate cash flow.

Questioner C

Questioner C-1: Page 12 of the presentation material shows that the total property acquisition price from Tokyu Land was 18.2 billion yen. Is this meant to be a message to say that the properties so far acquired from Tokyu Land only amounted to 18.2 billion yen?

Answer: That was not the intent.

The page was intended to illustrate that the properties acquired from the sponsors

accounted for approximately 50% of the total. We are engaged in property acquisition from third parties. We think that dependence on the sponsors weakens our ability to acquire properties, which could consequently cause adverse effect on our ability to assess price of sponsors' properties.
Of course, we thought it was necessary to inform the total amount of acquisition from Tokyu Land to give facts.

Questioner C-2: As Tokyu Land is no longer a sponsor, will it become easier to acquire properties from other parties that have been Tokyu Land's competitors?

Answer: Even though that could be potentially the case, it is not our understanding. For example, we actually acquired two properties from Nomura Real Estate.
Acquisitions of properties from third parties represent approximately 50%. We think that we have enjoyed a wide variety of acquisition opportunities.

Questioner D
Questioner D-1: Though similar to the previous question, give perspectives again for future possibilities regarding acquisition of properties owned by Tokyu Corporation and Tokyu REIT's involvement in development projects.

Answer: Even though we must be aware that excess stress should be avoided in our portfolio in view of diversification, etc., of course we want to focus on property acquisition centering on Shibuya.
With respect to real estate development, we think it is the risk to be taken by the developer. While we should bear the leasing risk, we should not be the one to take the development risk. In view of management resources of the investment management company, we want to allocate human resources for leasing, i.e., enhancing the value of existing properties, rather than for development.

Questioner D-2: Regarding the comment about the feasibility study conducted with Lend Lease in pre-IPO stage, how will Tokyu REIT reflect what was learnt?

Answer: Lend Lease is experienced with a number of risk events over many years of operation. There was so much we learnt from the know-how it had accumulated, which was already reflected in Tokyu REIT's investment policies. Its knowledge of governance and measures for prevention of conflict of interest was something we would not have been able to learn from a Japanese company.

Questioner D-3: In my recollection, Setagaya Business Square was acquired from Tokyu Land. Even though Tokyu Community is a tenant of the property, will there be more risk of exit as the result of the sponsorship cancellation?

Answer: 55% ownership of Setagaya Business Square was acquired from Tokyu Corporation. Outsourcing of property management to Tokyu Community is going to continue for the time being so that we do not particularly anticipate such exit risk.

End