

TOKYU REIT

Reference Materials

TOKYU REIT, Inc.

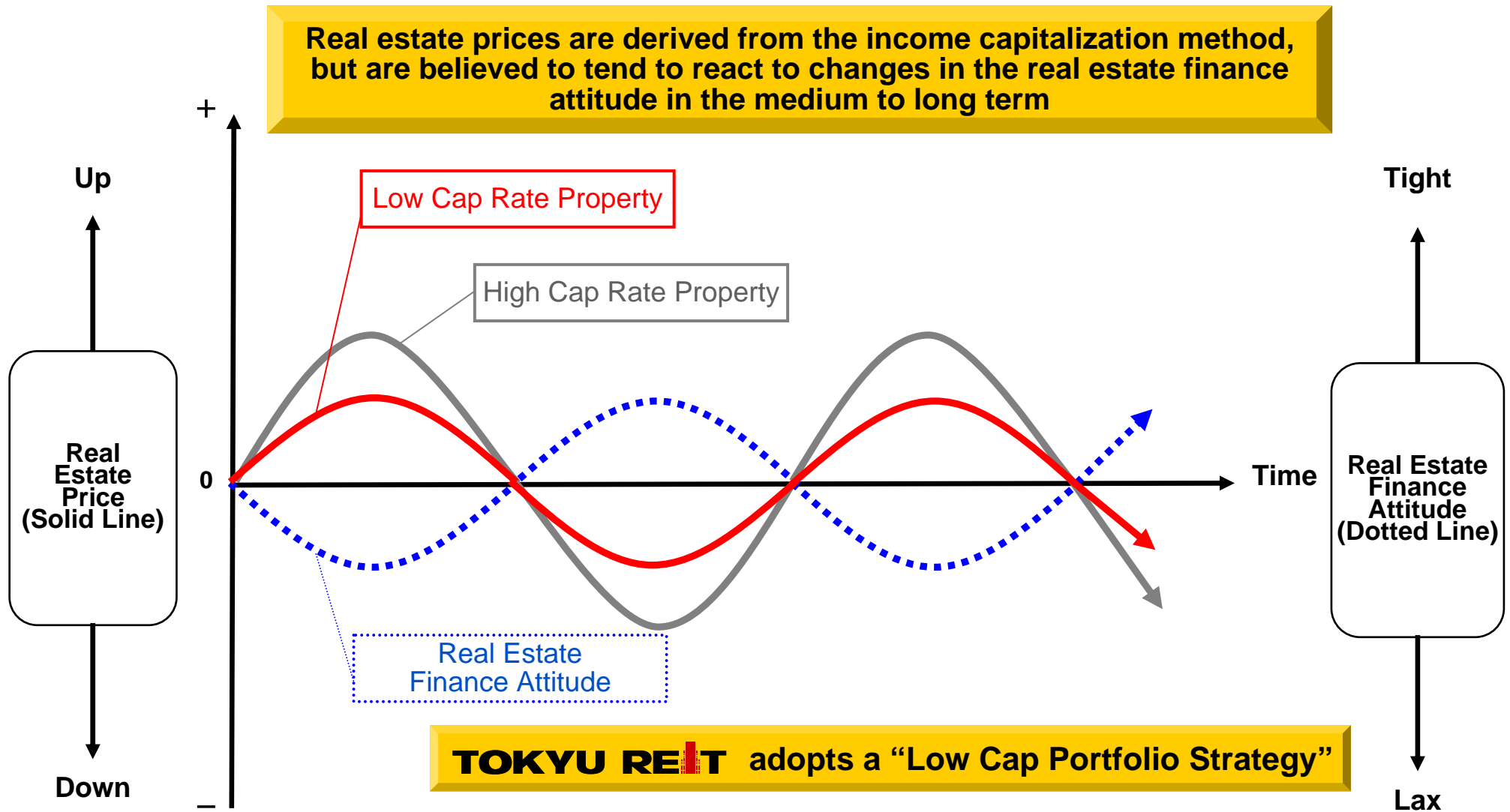
8957

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



1. Rationale of the Long-Term Investment Management Strategy (Surf Plan)

Degree of Tightness in Real Estate Finance and Changes in Property Prices

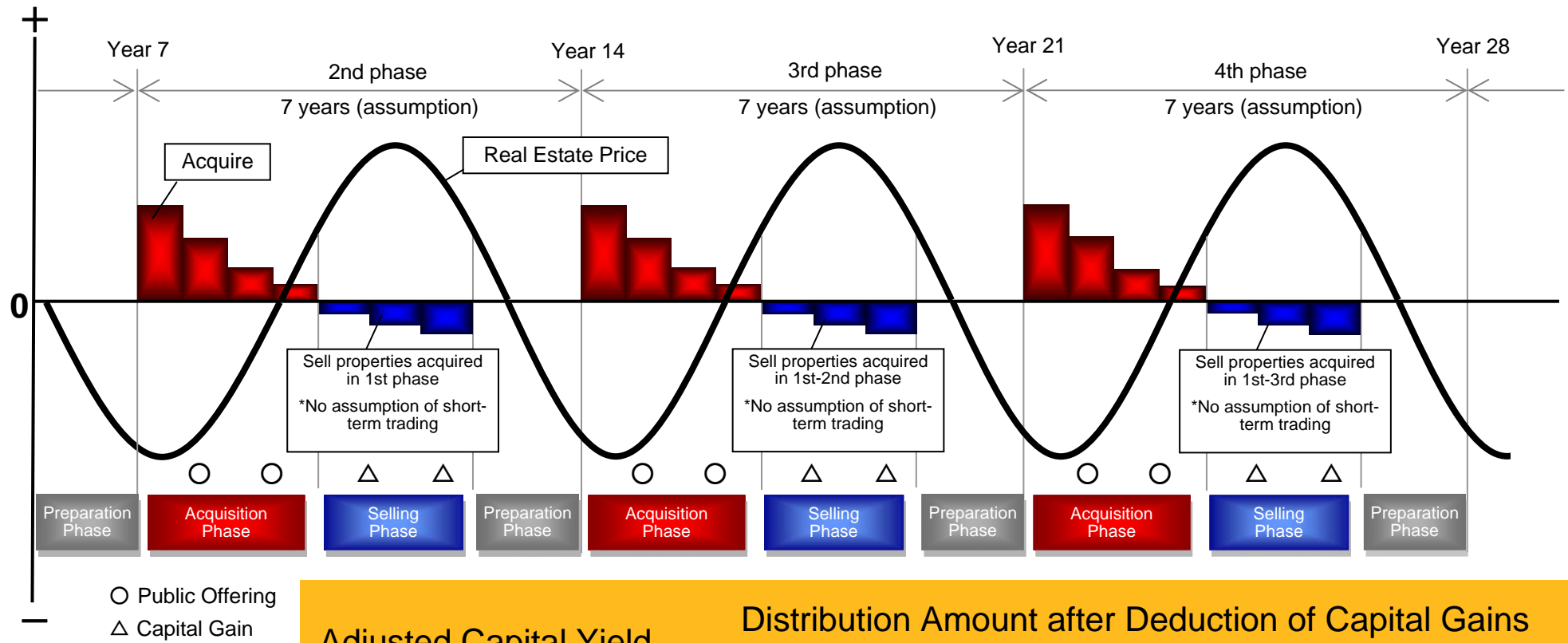


*This page represents the view of Tokyuu REIM.

Long-Term Investment Management (Surf Plan)

Value & Contrary

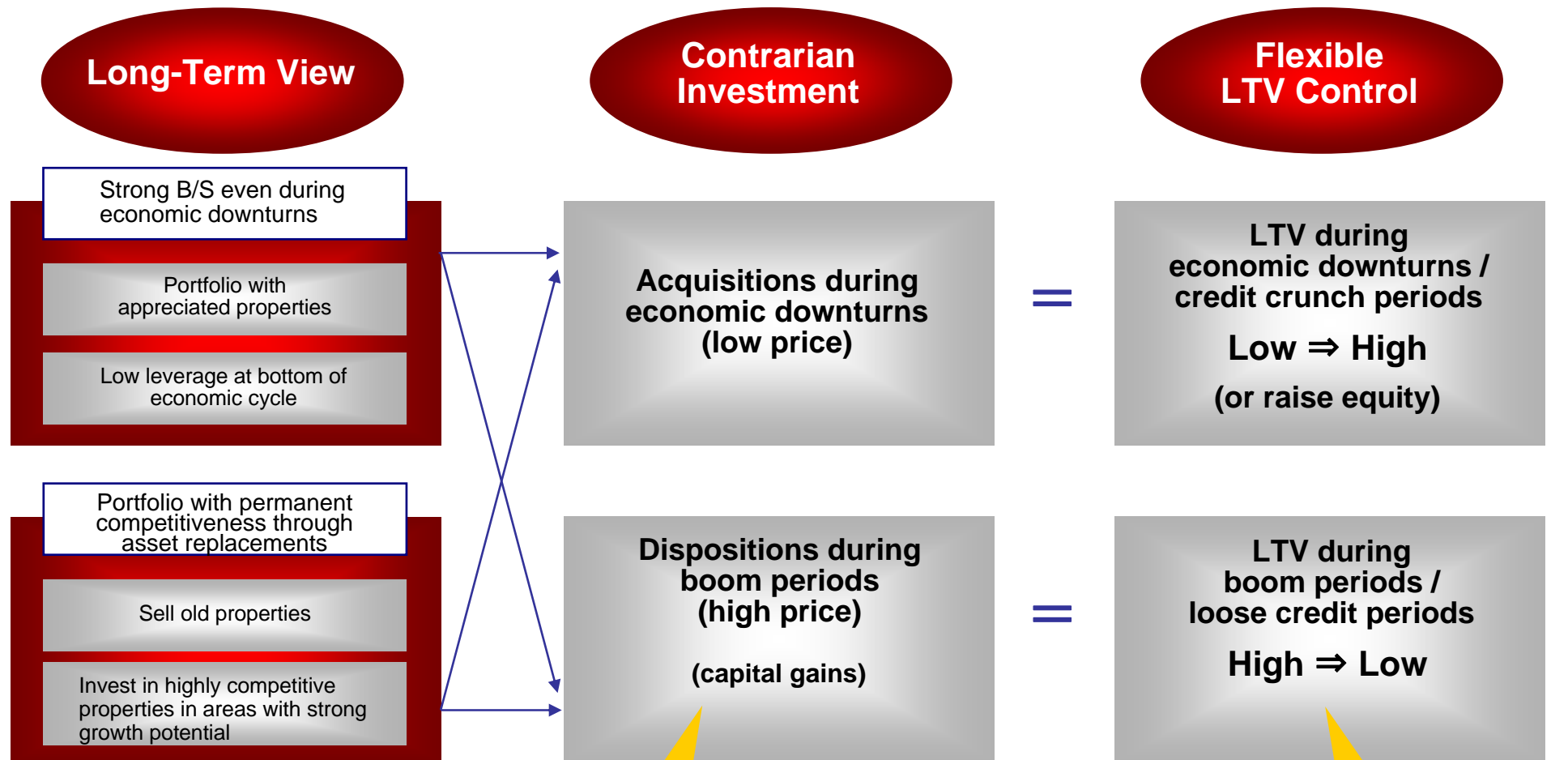
Focusing on the cyclicity of real estate prices, TOKYU REIT secures capital gains while interchanging properties, and achieves improvement of both portfolio quality (rejuvenating average age of property) and adjusted ROE



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

*This page represents the views of Tokyu REIM

Concept of Long-Term Investment Management Strategy (Surf Plan)



Target higher adjusted ROE performance
DPU might fluctuate, treat distribution of capital gains as a share buyback to measure performance since J-REITs have no legal framework for share buybacks or stock dividends.

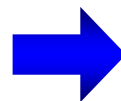
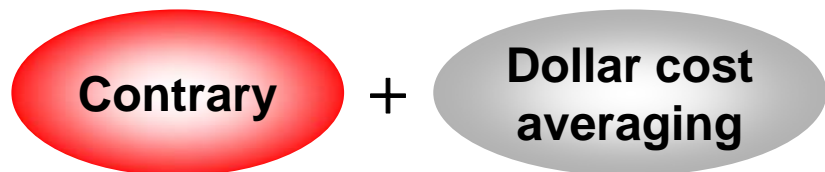
Strengthen financial capability for economic downturns

*This page represents the view of Tokyu REIM.

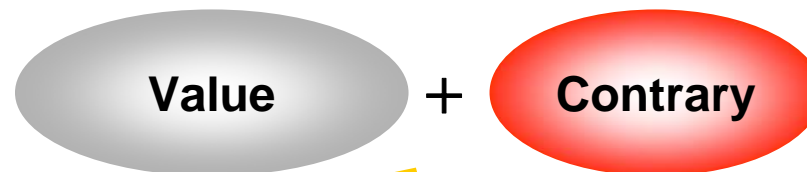
Long-Term Investment Management Strategy (Disclosed Sep. 14, 2009): What Changed?

Style

Before



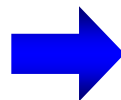
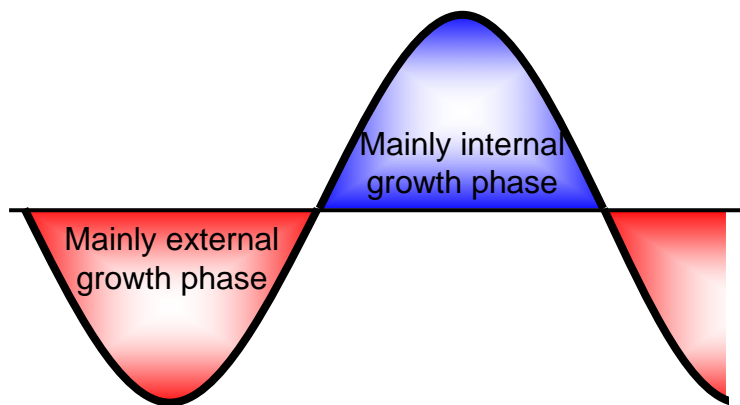
Long-Term Investment Management Strategy



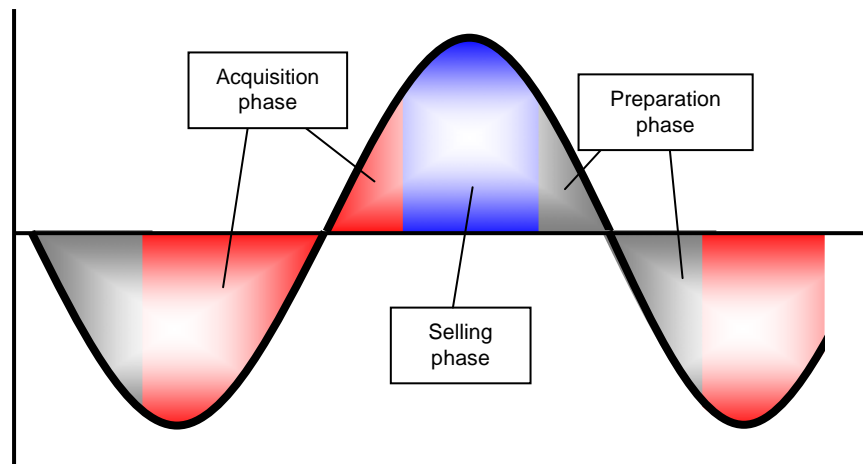
Value & Contrary

Timing

Before



Long-Term Investment Management Strategy



*This page represents the view of Tokyuu REIM.

Adjusted ROE Matrix

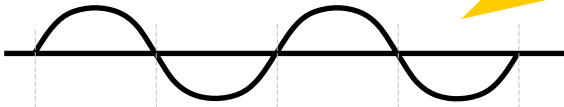
Cumulative Capital Gains Going Forward		Distribution per Unit after Deduction of Capital Gain									Item	Amount
		¥10,000	¥11,000	¥12,000	¥13,000	¥14,000	¥15,000	¥16,000	¥17,000	¥18,000		
Capital Gain	¥0 mn	3.97%	4.37%	4.77%	5.16%	5.56%	5.96%	6.35%	6.75%	7.15%	Capital (¥ mn) a	98,020
	¥500 mn	3.99%	4.39%	4.79%	5.19%	5.59%	5.99%	6.39%	6.79%	7.19%	Capital Gains (¥ mn) b	12,716
	¥1,000 mn	4.02%	4.42%	4.82%	5.22%	5.63%	6.03%	6.43%	6.83%	7.23%	Yokohama Yamashita-cho Building (Barneys New York Yokohama Store)	1,637
	¥2,000 mn	4.07%	4.47%	4.88%	5.29%	5.69%	6.10%	6.51%	6.91%	7.32%	Resona Maruha Building	18,259
	¥5,000 mn	4.22%	4.64%	5.06%	5.48%	5.91%	6.33%	6.75%	7.17%	7.59%	Ryoshin Harajuku Building	-7,180
	¥10,000 mn	4.50%	4.95%	5.40%	5.85%	6.30%	6.75%	7.20%	7.65%	8.10%	Adjusted Capital after Deduction (¥ mn) c=a-b	85,304
											Outstanding Units (Units) d	169,380
										Adjusted Capital per Unit (¥) e=c/d	503,624	

*This page represents the views of Tokyu REIM

Rationale of the Surf Plan: Awareness of Issue of the Amplification Effect of Cyclicity

Economic trends /
new supply

Cyclical performance of the leasing business

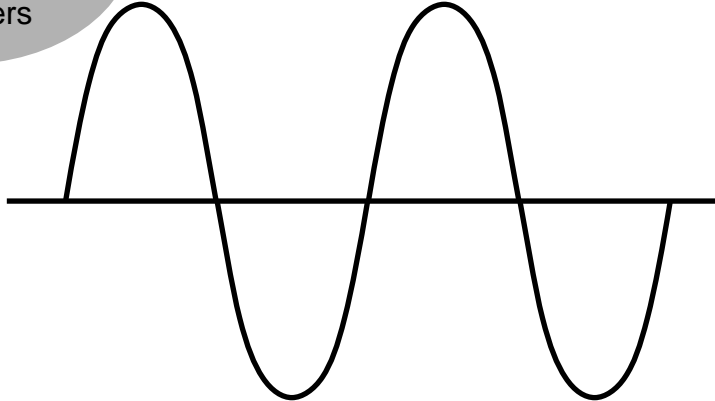


"Cyclicity = Recurring cycles of strong and weak performance"

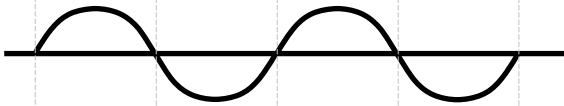
+

Amplified performance of real estate investment managers

=



Pro-cyclical lending attitude of financial institutions

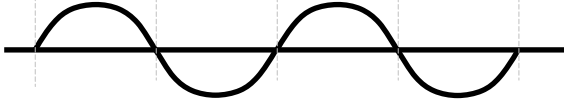


*Pro-cyclicity = Amplification effect of the cycle

+

Revenue performance volatility is amplified.

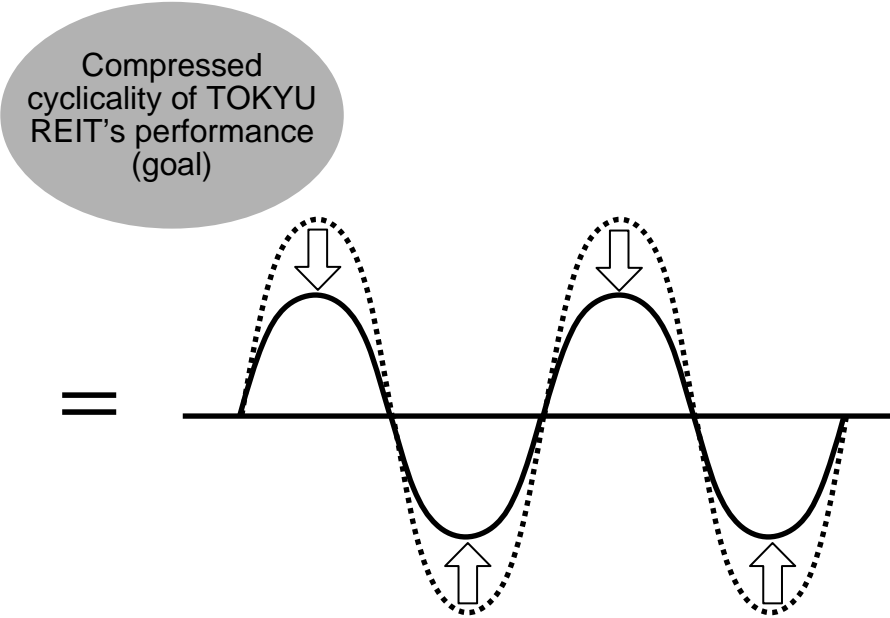
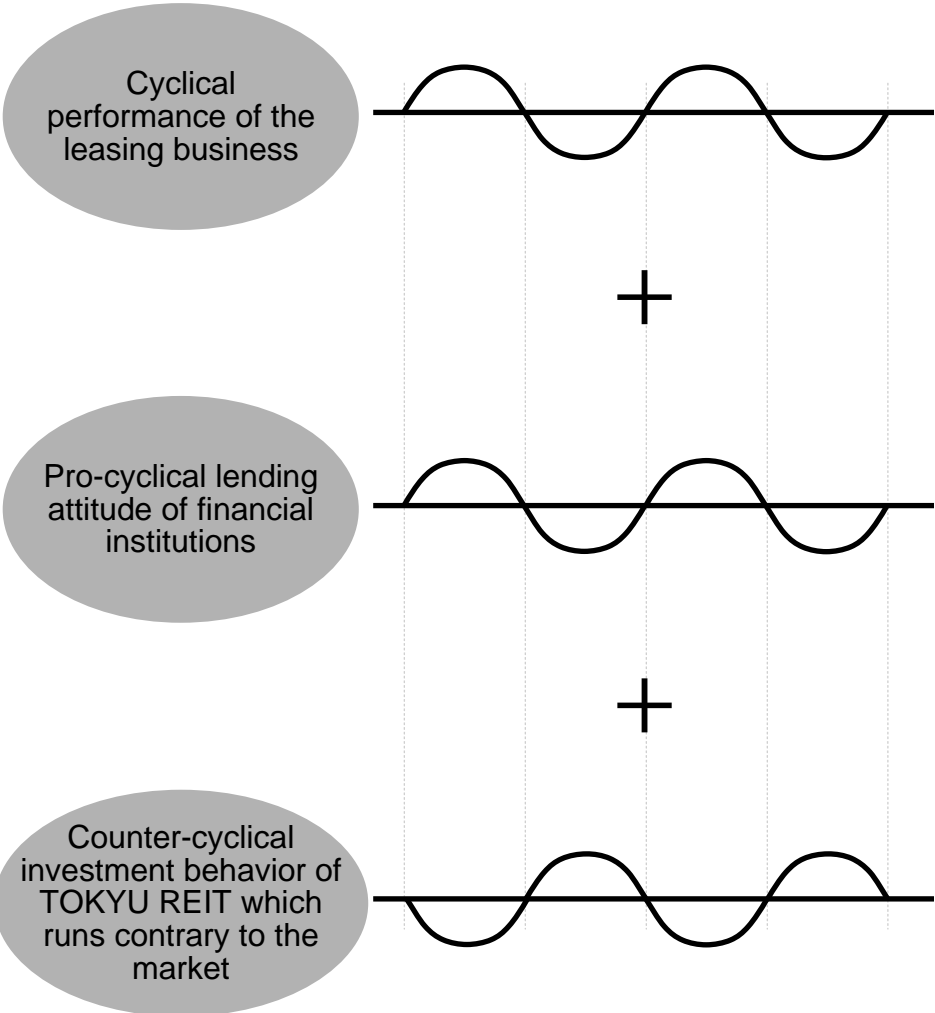
Pro-cyclical investment behavior of real estate investors



Cannot be called stable

*This page represents the view of Tokyu REIM.

Compression Effect of Cyclicity: Objective of the Surf Plan



By adopting an investment behavior that runs contrary to the market, revenue performance volatility can be compressed.

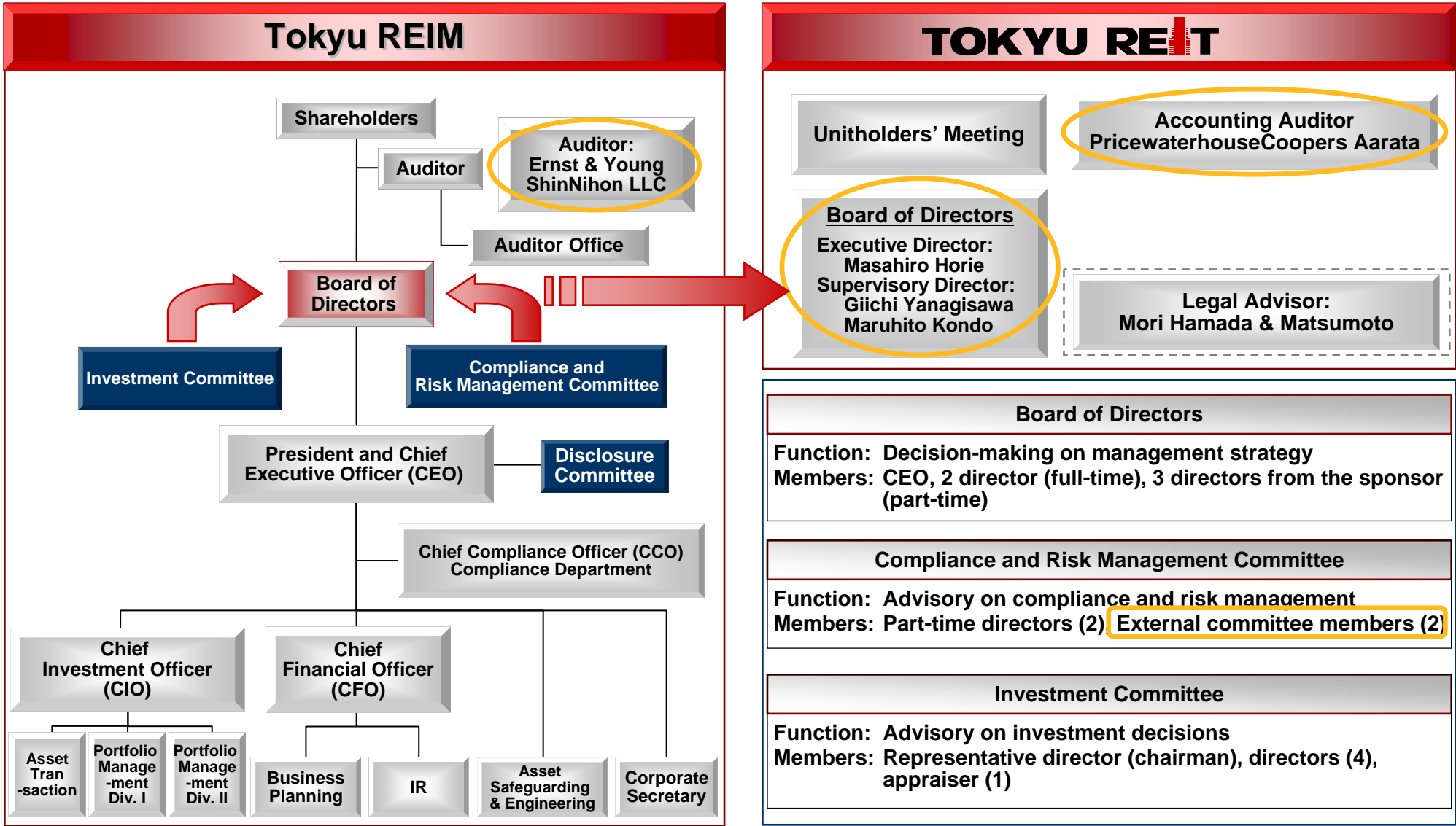
Matches a REIT that aims for stable growth

*This page represents the views of Tokyu REIM



2. Governance

Governance Structure



Related Party Transactions

- Development of self-imposed rules on transactions with Related Parties and measures to avoid conflicts of interest through multiple checks

Rules to Avoid Conflicts of Interest

Rules for Transactions with Related Parties

Acquisition / Disposition

- Acquisition Price \leq Appraisal by Third Party \leq Disposition Price
- Second Opinion for the Appraisal by Third Party

Property Management

- Fee Opinion from Third Party
- Performance Check

Leasing

- Appropriate Rent Level
- Disclosure of Leasing Conditions

Double Checks for Due Process

Investment Management Company Level

- Check by third party (auditor) submitted to the Board of Directors and Compliance Department

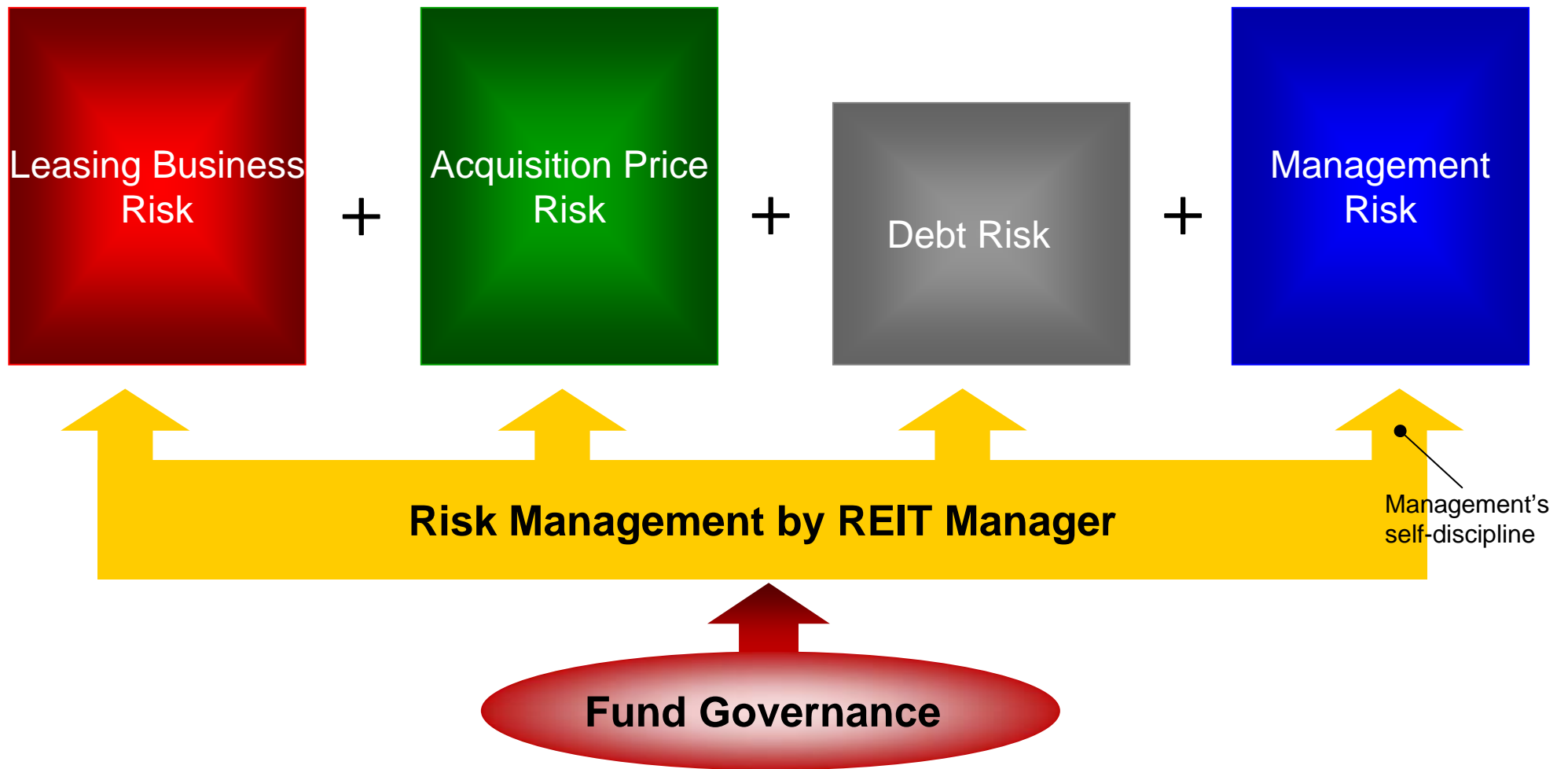
REIT Level

- Prior approval of the Board of Directors only by independent supervisory directors

Timely and Proactive Disclosure of Transactions and Rules

Risks of REIT and Governance

REIT takes 4 risks, which Management and Governance must control

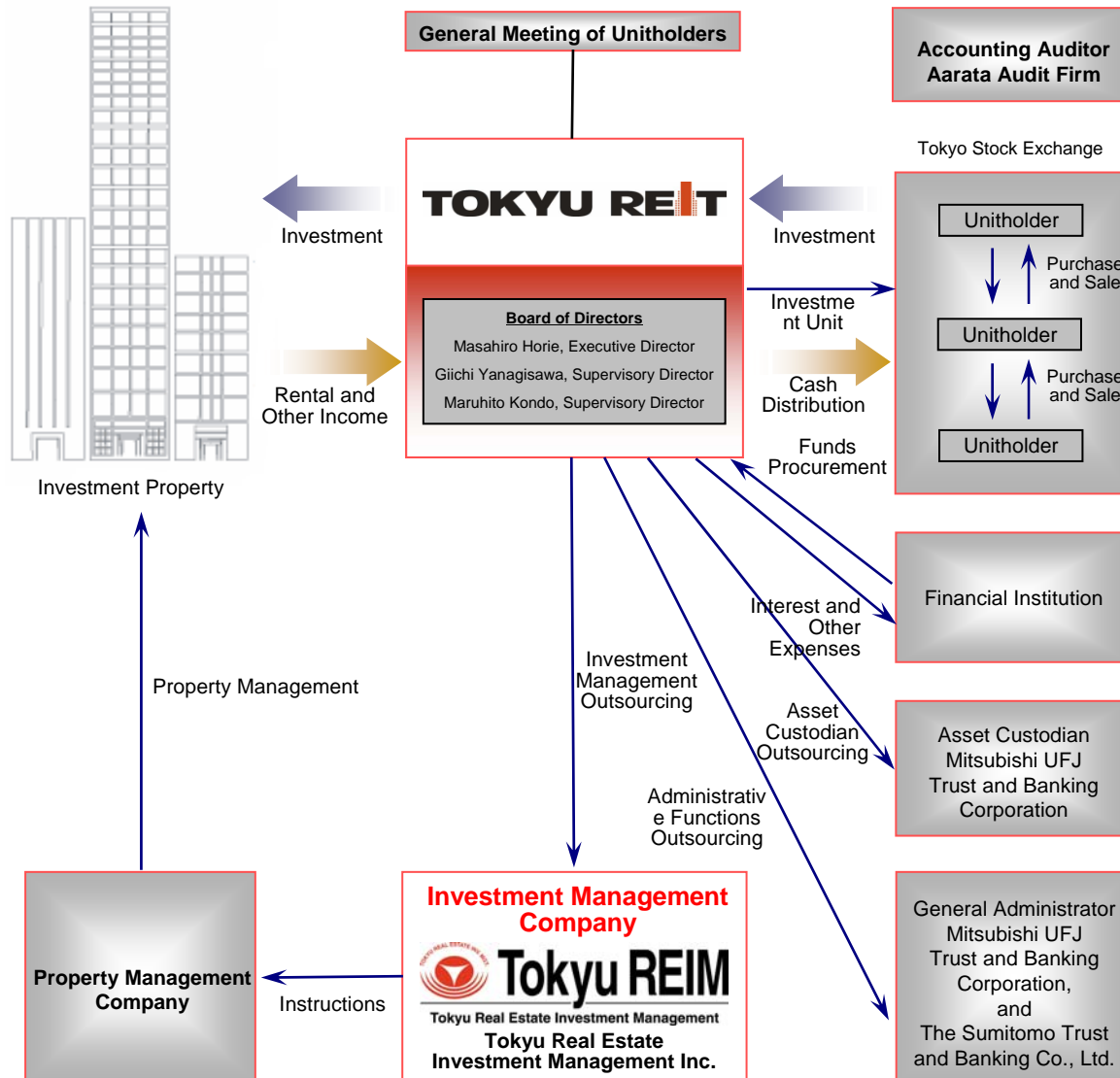


*This page represents the view of Tokyu REIM.



3. Others

Structure of TOKYU REIT, Inc.



TOKYU REIT, Inc.

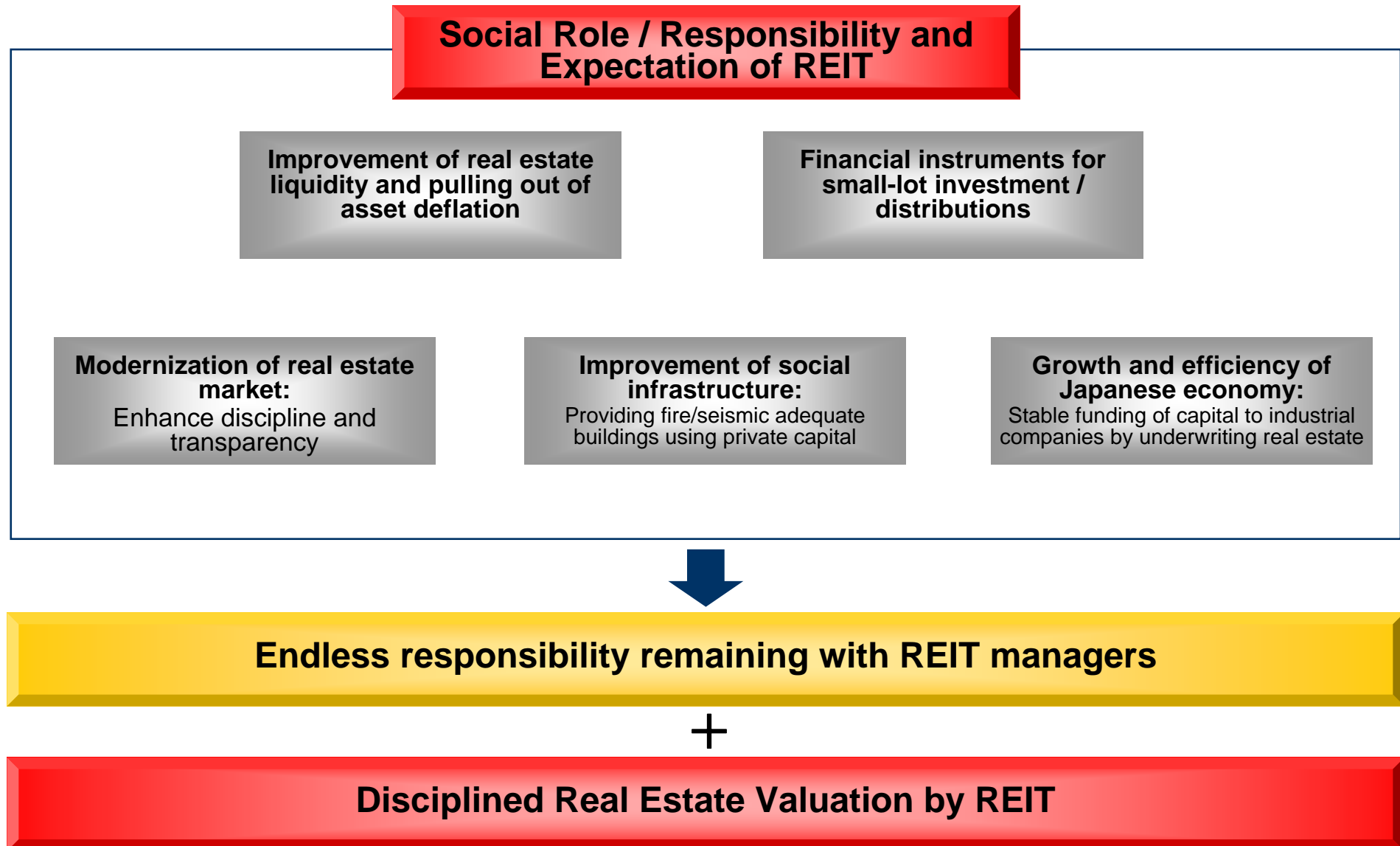
- Listed: 9/10/2003
- Units Outstanding: 169,380 units
- Accounting Period: January and July
- Executive Director: Masahiro Horie
- Supervisory Director: Giichi Yanagisawa
- Supervisory Director: Maruhito Kondo
- Auditor: PricewaterhouseCoopers Aarata

Tokyu Real Estate Investment Management Inc.

Financial Instruments Dealer (Kanto Financial Bureau (Kin-sho) No. 360)
Member of the Investment Trusts Association, Japan

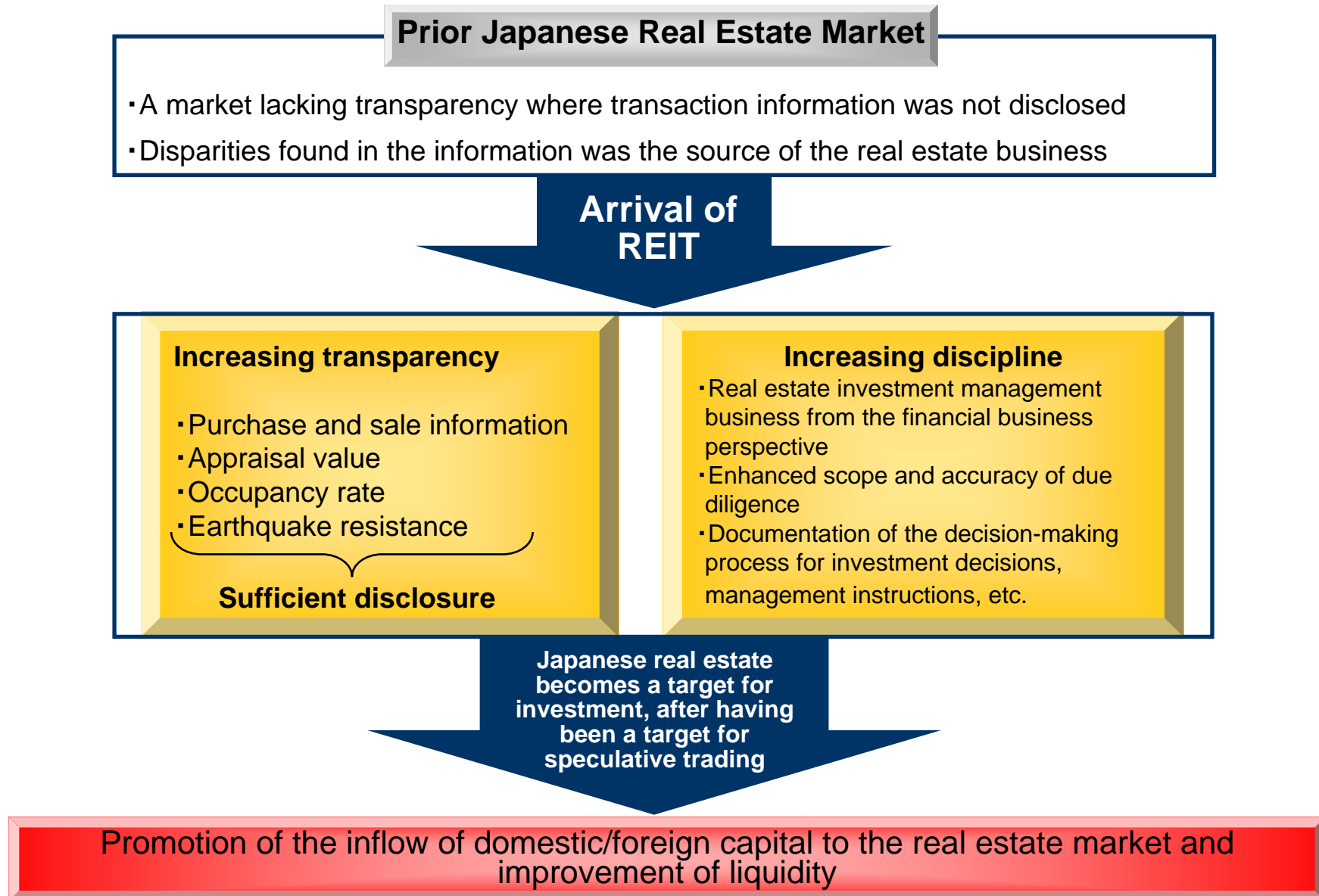
- Established: 6/27/2001
- Business: Investment management
- Paid-in Capital: ¥300 million
- Shareholders: Tokyu Corporation (100%)
- Auditor: Ernst & Young ShinNihon LLC

Social and Economical Responsibilities of REIT



* This page represents the view of Tokyu REIM

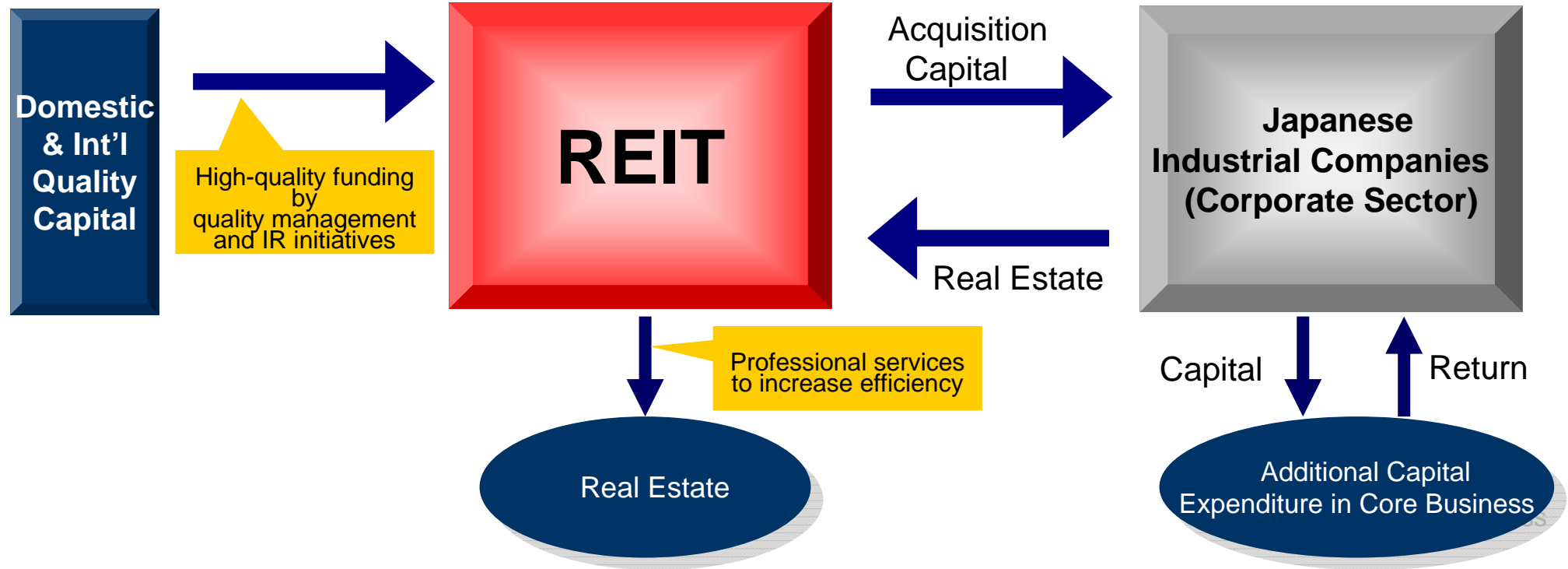
Modernization of the Real Estate Market (Social and Economical Role of REITs)



*This page represents the view of Tokyu REIM

Growth and More Efficiency of Japanese Economy

Enhance potential growth of Japan through REIT's investment activities



REIT continuously supplies funds for Capital Expenditure for Core Business of industrial Corporation (Corporate sector), by underwriting Commercial Real Estate. This will increase productivity of the corporate sector and enhance potential growth of Japan

*This page represents the view of Tokyu REIM.

Japanese Potential Growth and Social Responsibility of REIT Managers

Potential Growth of the Japanese Economy (as of 2008/8/6) (Unit: %)

	Contribution			Potential Growth
	Capital Input	Labor Input	TFP	
1988~1992	2.2	0.1	1.9	4.1
1993~1997	1.4	-0.2	0.5	1.7
1998~2002	0.6	-0.4	0.6	0.8
2003~2007	0.4	0.0	0.9	1.3

Source: Cabinet Office

*TFP: Total Factor Productivity

* All figures are 5 year averages (annual figures not disclosed)

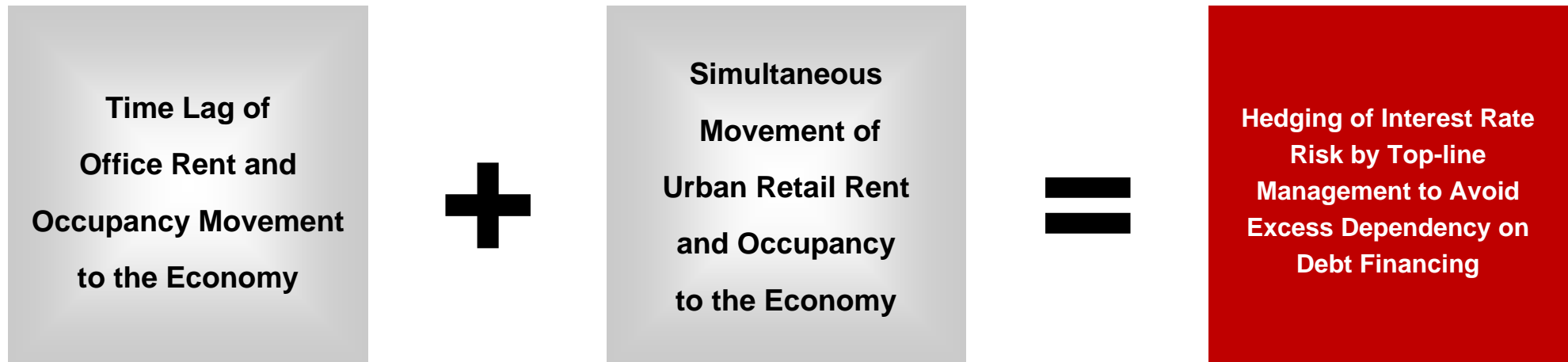
* Real GDP calculation changed in December 2004 from a fixed base method to a rolling method (base year changes every year)

*** With the aging population and falling birth rate, the potential growth of the Japanese economy will not be supported by growth in the work force. Capital efficiency must drive increased Productivity. REIT contributes to this effort and hence offers a societal benefit**

*Comments by Tokyu REIM

Why Office and Retail? (1)

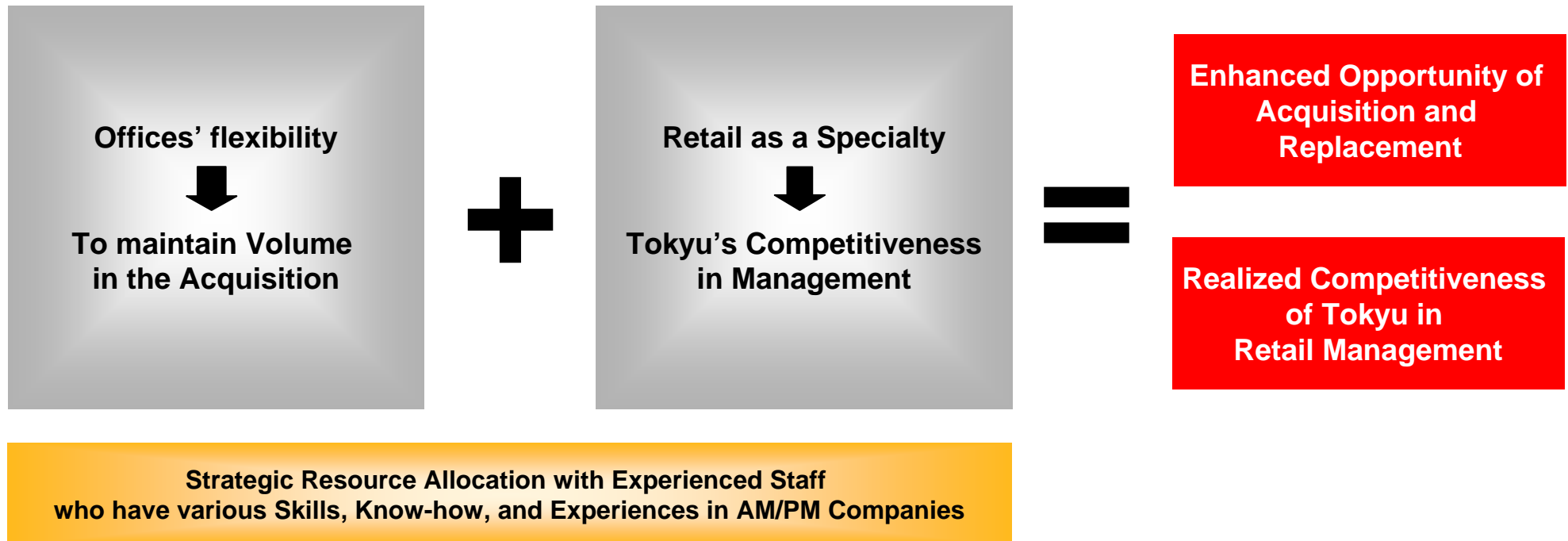
- **TOKYU REIT** is structured to make selective investments in highly competitive properties including both office and retail, in order to balance strong growth potential and stability. This helps develop resistance against interest rate movements.



Built-in Stabilizer Function by Combining Office and Retail

* This page represents the view of Tokyu REIM

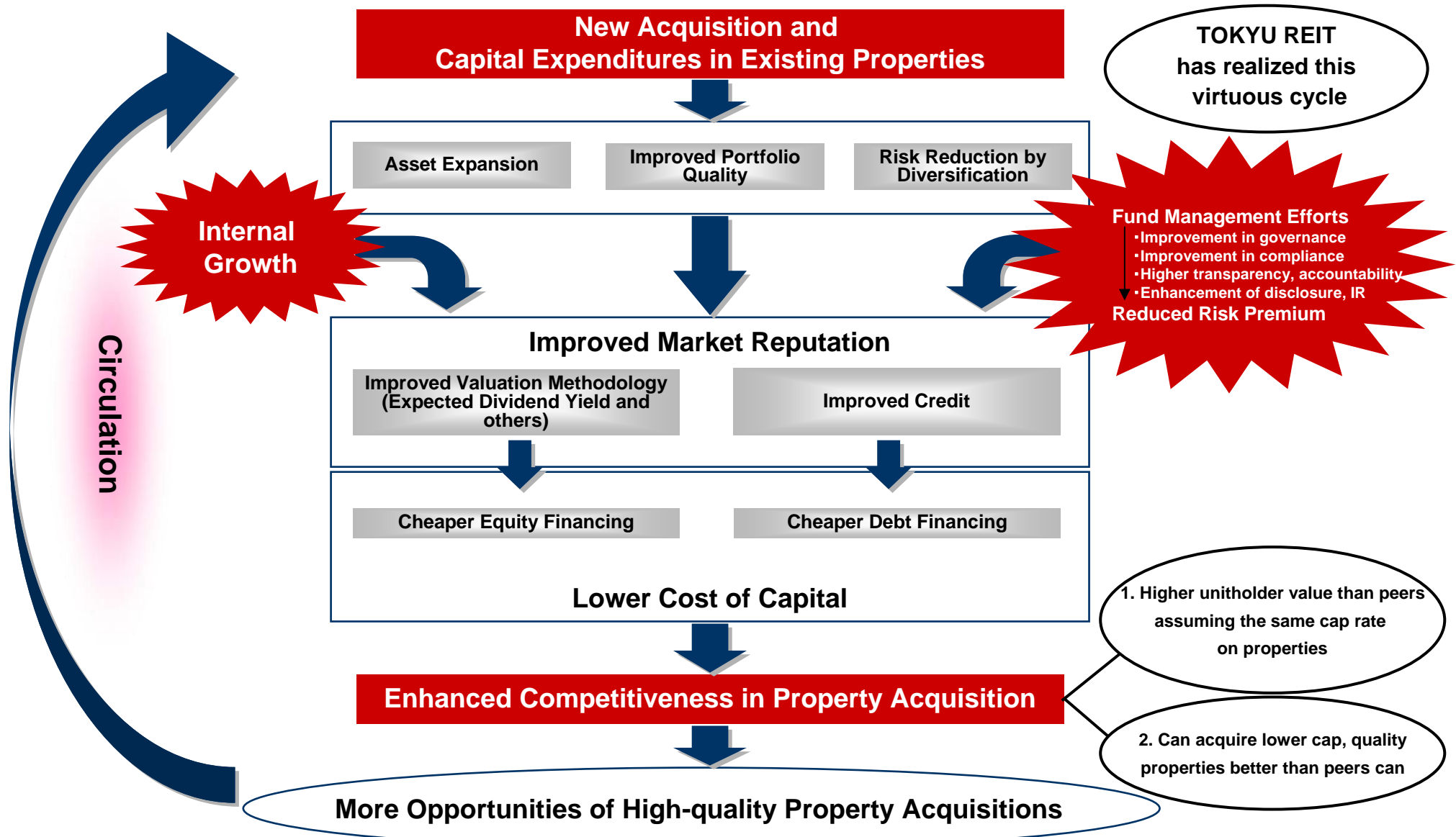
Why Office and Retail? (2)



On the other hand, **TOKYU REIT** does not invest in hotels and residential properties which show different risk-return profile to office/retail

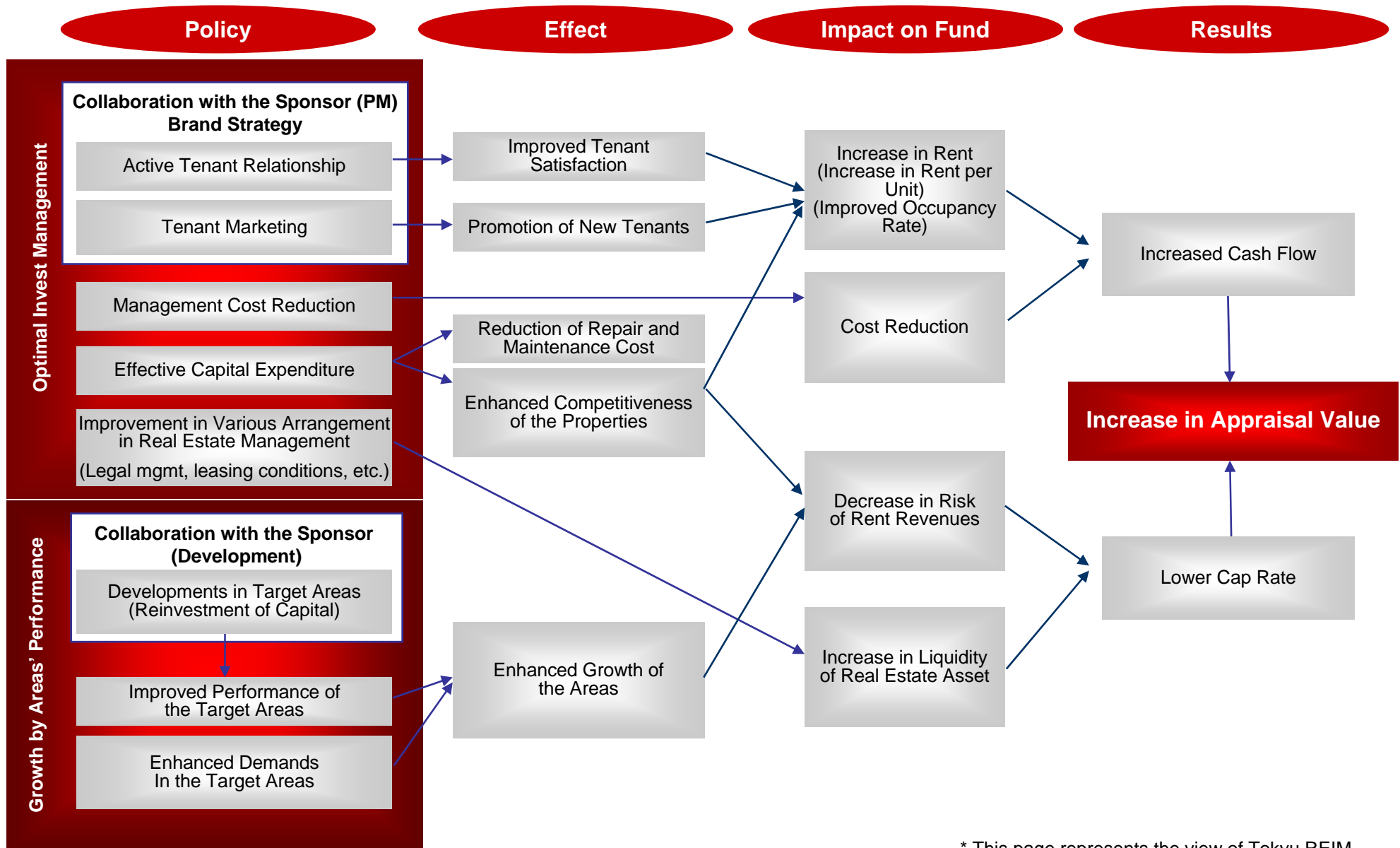
* This page represents the view of Tokyu REIM

How to Achieve Our External Growth?



* This page represents the view of Tokyu REIM

How to Achieve Our Internal Growth?



* This page represents the view of Tokyu REIM

Measures for Making REITs Familiar Among Individual Investors and Pension Funds

■ Targeting Individual Investors

- By enhancing the website and holding individual investor explanatory meetings, continue disclosing information targeting individual investors

Status of IR Activities Targeting Individual Investors

Legal Disclosure	Website	Explanatory Meeting
Financial Reports Preliminary Financial Reports Disclosures at the Tokyo Stock Exchange as needed	Semiannual Report Presentation Material and Databook Audio transmission of analyst meeting Other disclosure information since listing	Individual investor explanatory meetings

*Actual individual investors, including investment in REITs, comprise the largest proportion of TOKYU REIT unitholders

■ Targeting Pension Funds

- Win trust through high-level governance that can withstand long-term investment and through disclosure
 - ✓ Stringent governance to maximize supervisory function of the Board of Directors and Supervisory Directors
 - ✓ To ensure transparency, proactively disclosure material information in a timely manner which is deemed useful and appropriate for investors, in addition to legal disclosure
- Improving liquidity of investment units by expanding the scale of the portfolio is indispensable

*Foreign pensions are already counted among the major unitholders of TOKYU REIT

*This page represents the view of Tokyu REIM

Disclaimer

- This document is solely intended to provide information and is not intended to solicit securities or special product transactions.
- In addition to information on TOKYU REIT, Inc. (“TOKYU REIT”), this document includes charts and data prepared by Tokyu Real Estate Investment Management Inc. (the “Investment Management Company”) based on data/index and other information released by third parties. Also, analyses, judgments and other views of the Investment Management Company on such information at the moment are included in this document.
- The Investment Management Company is a financial instruments dealer under the Financial Instruments and Exchange Law (Kanto Financial Bureau (Kin-sho) No. 360).
- The information contained in this document is not audited and there is no assurance regarding the accuracy and certainty of the information. Analyses, judgments and other non-factual views of the Investment Management Company merely represent views of the Investment Management Company as of the preparation date. Different views may exist and the Investment Management Company may change its views in the future.
- Numbers for the same item may be different from other disclosure materials due to difference in rounding.
- Although much attention has been paid to the inclusion of all relevant information in this document, there may be errors and omissions. Therefore, they are subject to correction or amendment without prior notice.
- TOKYU REIT and the Investment Management Company assume no responsibility for the accuracy of data, indexes and other information released by third parties.
- This document contains forward-looking statements, such as current plans, strategies and future performance. These forward-looking statements are based on judgments obtained from currently available information. Please be advised that, for a variety of reasons, actual results may differ materially from those discussed in the forward-looking statements. Events that might affect actual results include, but are not limited to, fluctuations of the real estate market in Japan, general conditions of the Japanese economy, competitive pressures and relevant regulations.
- Dates indicated in this document may differ from business days for the convenience of preparing charts.
- This document is a translation of the original document in Japanese and is prepared solely for the convenience of non-Japanese speakers. There is no assurance as to the accuracy of the English translation. The original Japanese document shall prevail in the event of any discrepancies between the translation and the Japanese original.