



Supplementary Explanatory Material
for
Notice Concerning Disposition of Domestic Properties
(Resona Maruha Building and Ryoshin Harajuku Building)

December 24, 2009

- 1. Realization of maximum value of Resona Maruha Building**
- 2. Reduction of risks of application of impairment accounting loss for Ryoshin Harajuku Building and corresponding recovery of investment unit price**
- 3. Distribution of (net) capital gain**
- 4. Enhancement of revenue-generating potential through replacement of properties (long-term investment management strategy)**
- 5. Securing of cash position**
 - (1) Competitiveness in acquisitions in real estate investment market**
 - (2) Preparing for risk of another credit crunch**

Disposition of Resona Maruha Building (1)

1. Summary

- Property Name: Resona Maruha Building
- Type of Ownership: (Land) Proprietary ownership <Co-ownership interest: 27%>
(Building) Compartmentalized ownership comprising exclusive area of 19,542.77m²
- Disposition Price: 42,000 million yen
- Book Value: 23,723 million yen (expected)
(amount of difference from disposition price: 18,277 million yen)
- Acquisition Price: 23,260 million yen (acquired on January 15, 2004)
- Purchaser: Otemachi Development Tokutei Mokuteki Kaisha
(TMK established by Mitsubishi Estate Co., Ltd. and others)
- Schedule: Disposition contracted on December 24, 2009 and to be closed on January 15, 2010

2. Background

- June 2004: Floor area ratio increased as a result of urban planning change (1,000% → 1,300%)
- April 2008: Acquisition of lower portion by Otemachi Development Tokutei Mokuteki Kaisha, and confirmation of Resona Bank, Ltd.'s intention to leave
- March 2011: Maruha Nichiro Seafoods, Inc.'s fixed-term lease agreement expires

3. Consideration of Options

- Keep under management: Risk of value decreasing due to obsolescence in correlation with redevelopment of adjacent building and other factors; No benefits of value increasing from redevelopment
- Exchange of Assets: As the norm is basically exchange based on appraised value, cannot reap benefits of added value from the Property that can not be incorporated in the appraisal
- Hold as *sokochi*: Rent (Ground rent) income may possibly fall compared to when held as a building.
- Disposition: Regarded as a measure to maximize unitholder value by realizing added value from the Property and thus was the option selected

4. Disposition Procedures

- Consider maximization of disposition price and certainty of transaction
- Decide on disposition price through negotiations with Otemachi Development Tokutei Mokuteki Kaisha (holder of right of first refusal based on agreement between compartmentalized owners)



Disposition of Resona Maruha Building (2)

5. Reference

Comparison of Transactions of Properties

Property Name	JFE Building	Mitsubishi Research Institute Building	Resona Maruha Building	Asahi Seimei Otemachi Building	AIG Building
Location	1-1-2, Marunouchi, Chiyoda-ku	2-3-6, Otemachi, Chiyoda-ku	1-1-2, Otemachi, Chiyoda-ku	2-6-1, Otemachi, Chiyoda-ku	1-1-3, Marunouchi, Chiyoda-ku
Land Space	5,495.49m ²	3,441.35m ²	6,893.71m ²	3,654.72m ²	3,983.83m ²
Total Floor Space	62,949.13m ²	26,372.92m ²	74,379.30m ²	49,295.96m ²	36,556.94m ²
Structure	SRC	SRC	S/SRC	S	SRC
Floors	18F/B4F	15F/B2F	25F/B4F	29F/B4F	16F/B4F
Completion Date	June 1974	July 1970	November 1978	July 1971	February 1974
Area Classification	Commercial district	Commercial district	Commercial district	Commercial district	Commercial district
Current FAR (extra)	1300%	1300%	1300%	900%	1300%
Disposition Date	February 2006	March 2007	April 2008	March 2009	May 2009
Disposition Price	91.0 billion yen	41.9 billion yen	162.0 billion yen	Just less than 80.0 billion yen	115.5 billion yen
Price/Tsubo (of land)	54.7 million yen	40.2 million yen	106.4 million yen	72.4 million yen	95.8 million yen
Scope of Transaction	Proprietary ownership	Proprietary ownership	Land: Proprietary ownership (Co-ownership ratio 73%) Building: Compartmentalized ownership	Proprietary ownership	Proprietary ownership
Seller	Nippon Building Fund Inc.	Japan Real Estate Investment corporation	Resona Bank, Limited	Asahi Mutual Life Insurance Co.	American International Underwriters Corporation
Buyer	Mitsui Fudosan	Mitsubishi Estate	Otemachi Development TMK	Tokiwabashi Investment TMK	Nippon Life insurance

State of Resona Maruha Building (TOKYU REIT's Ownership Interest) at Time of Transaction

Date	End of 5th Fiscal Period (ended January 31, 2006)	End of 7th Fiscal Period (ended January 31, 2007)	End of 9th Fiscal Period (ended January 31, 2008)	End of 11th Fiscal Period (ended January 31, 2009)	End of 12th Fiscal Period (ended July 31, 2009)
Appraisal Value at End of Period	26.1 billion yen	29.6 billion yen	36.3 billion yen	34.6 billion yen	31.6 billion yen

Source: Prepared by Tokyu REIM based on information from public data.

Disposition of Ryoshin Harajuku Building

1. Summary

- Disposition Price: 8,400 million yen
- Book Value: 15,567million yen (expected)
(amount of difference from disposition price: -7,167million yen)
- Acquisition Price: 15,356 million yen (acquired on June 27, 2008;
acquired additional ownership on October 3, 2008)
- Purchaser: Japan Prime Realty Investment Corporation
- Schedule: Disposition contracted on December 24, 2009 and
to be closed on December 25, 2009



2. Background

- Falling appraisal value
- Risk of application of impairment accounting loss and corresponding decrease in investment unit price

3. Undertakings after Acquisition

- Changed to complete ownership
(acquired 95.74% ownership and then acquired the other compartmentalized owners' portions on October 3, 2008)
- Dissolved compartmentalized owners' association (reduced management work)
- Leasing
(improved occupancy from 71.8% (at the time of acquisition) to full occupancy)
- Reduced building maintenance costs

4. Disposition

- From a conservative standpoint, deemed that reducing risk of application of impairment accounting loss would be best in terms of protection of unitholder value and recovery of investment unit price
- In pursuit of maximization of disposition price and certainty of disposition, accept bid for tender price and intention for acquisition from only potential buyers that boast high creditworthiness

Revision to Performance Forecasts

		Forecasts for 13th Fiscal Period (ending January 31, 2010)	Forecasts for 14th Fiscal Period (ending July 31, 2010)
Distribution per unit forecast as of September 11, 2009		13,800 yen	13,100 yen
Causes of variation	Impact of capital gain from Resona Maruha Building (Note)	+107,516 yen	—
	Impact of capital loss from Ryoshin Harajuku Building (Note)	-42,516 yen	—
	Impact of operating income from property leasing activities due to disposition of Resona Maruha Building	-290 yen	-3,043 yen
	Impact of operating income from property leasing activities due to disposition of Ryoshin Harajuku Building	-190 yen	-1,000 yen
	Impact of operating income from property leasing activities due to adjustment for date of value estimate	+302 yen	+104 yen
	Impact of lower interest on loans	+51yen	+41 yen
	Impact of decrease in investment management fees	+23 yen	+551 yen
	Impact of other expenses revision	-196 yen	+247 yen
Distribution per unit forecast as of December 24, 2009		78,500 yen	10,000 yen

(Note) The impact of capital gain/loss includes the impact of various costs associated with the disposition.

LTV at end of period (based on total assets; based on appraised value) announced on September 11, 2009	44.8% ; 46.2%	44.9% ; 45.9%
LTV at end of period (based on total assets; based on appraised value) announced on December 24, 2009	42.6% ; 44.3%	45.0% ; 46.5%
Cash and cash equivalents at end of period announced on December 24, 2009	52,747 million yen	41,224 million yen

* LTV at end of period (based on total assets) = Interest-bearing debt at end of period (forecast) ÷ Total assets at end of period (forecast)

LTV at end of period (based on appraised value) = (Interest-bearing debt at end of period (forecast) + Security deposits and guarantee money without reserved cash at end of period (forecast)) ÷ (Appraisal value at end of period (forecast) + Cash and cash equivalents at end of period (forecast))

Future Policies (Use of Collected Funds)

Based on revision to performance forecasts

(The assumption to retain most of the funds collected accompanying the disposition as cash on hand, neither additional acquisition nor disposition of properties)

	14th Fiscal Period (ending July 31, 2010)
Distribution per unit forecast as of December 24, 2009	10,000 yen
Occupancy Rate (not including new lease contract)	94.8%

Case A (40.0 billion yen property acquisition with no disposition of properties)

(This case is for convenience and it doesn't mean there are specific plans of acquisition.)

	14th Fiscal Period (ending July 31, 2010)	
Cause of variation	40.0 billion yen (NCF yield: 5.0%, NOI yield: 5.2%) property acquisition in 14th Fiscal Period (End of March, 2010)	+3,100 yen
Distribution per unit in the event that the case is implemented		13,100 yen
LTV at end of period (based on total assets; based on appraised value)		44.9% ; 46.4%

Case B (40.0 billion yen loan repayment, neither additional acquisition nor disposition of properties)

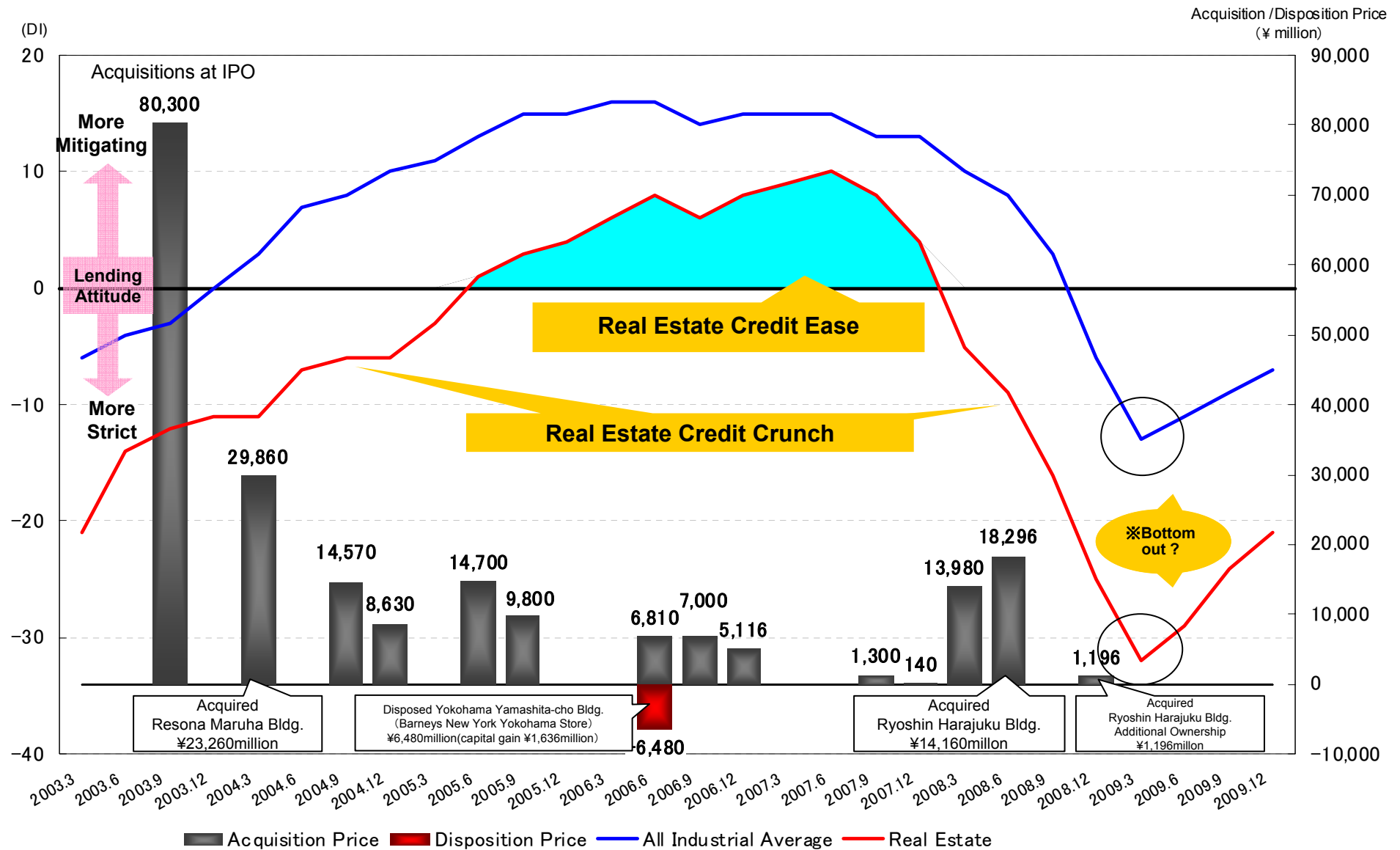
(This case is for convenience and it doesn't mean there are specific plans of repayment.)

	14th Fiscal Period (ending July 31, 2010)	
Cause of variation	40.0 billion yen (average interest rate: 1.5%) loan repayment in the beginning of 14th Fiscal Period (early February 2010)	-300yen
	Impact of lower interest by repayment	+1,644yen
	Impact of penalty with advanced repayment loans	-1,944yen
Distribution per unit in the event that the case is implemented		9,700yen
LTV at end of period (based on total assets; based on appraised value)		32.5% ; 34.6%

Aim for higher EPS and ROE through property acquisitions

* This page represents the view of Tokyu REIM

Lending Attitude of Financial Institutions & TOKYU REIT's Acquisition Timing of Properties (Before disposition of properties) TOKYU REIT

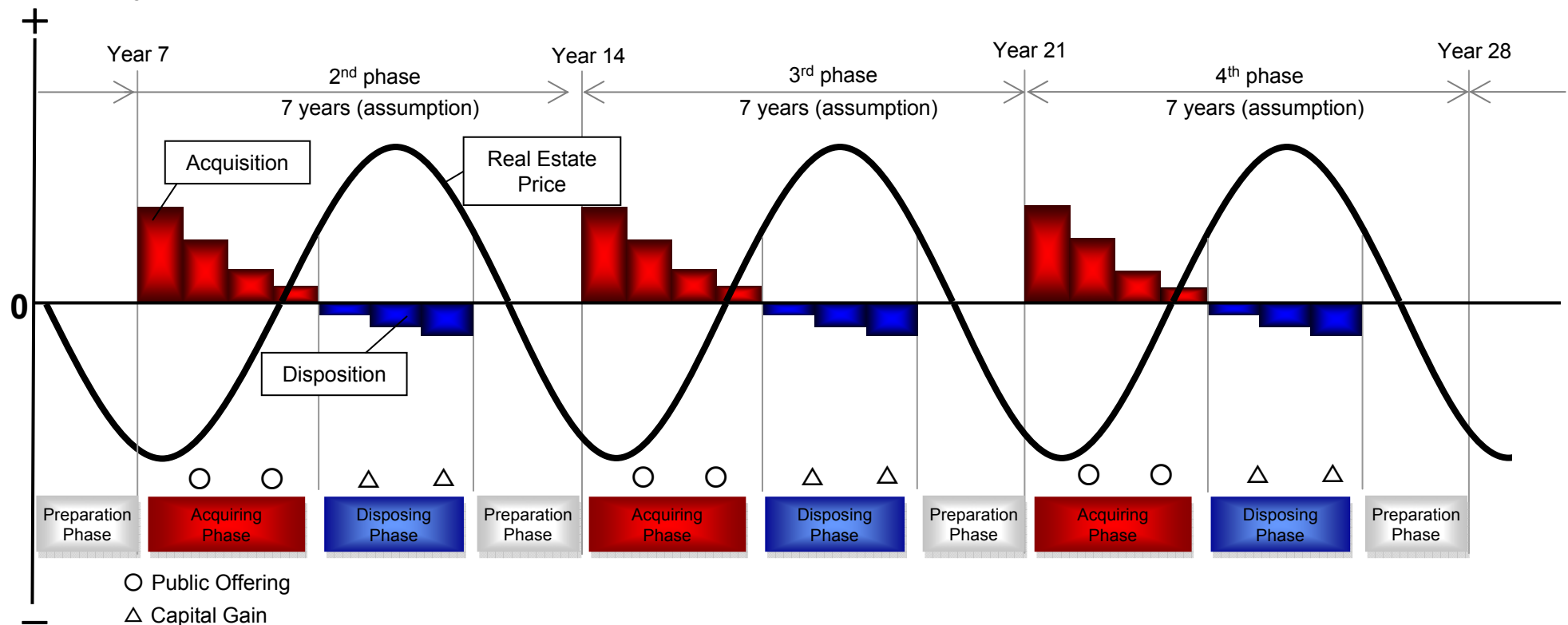


Source: BOJ (Tankan Survey) This document contains forward-looking statements and information which are based on our beliefs as well as our assumptions. TOKYU REIT's future performance could materially differ from those set out in these forward-looking statements. *Comments by Tokyu REIM
 2009/12/24 prepared We do not undertake the accuracy or reliability of forward-looking statements contained herein. Also the information contained in this document is unaudited and we do not undertake its accuracy or reliability.

Long-term Investment Management of TOKYU REIT (Announced on September 14, 2009)

Value & Contrary

Focusing on circularity of real estate price, TOKYU REIT secures capital gain while interchanging properties, and achieve improvement of both portfolio quality (rejuvenating average age of property) and adjusted ROE



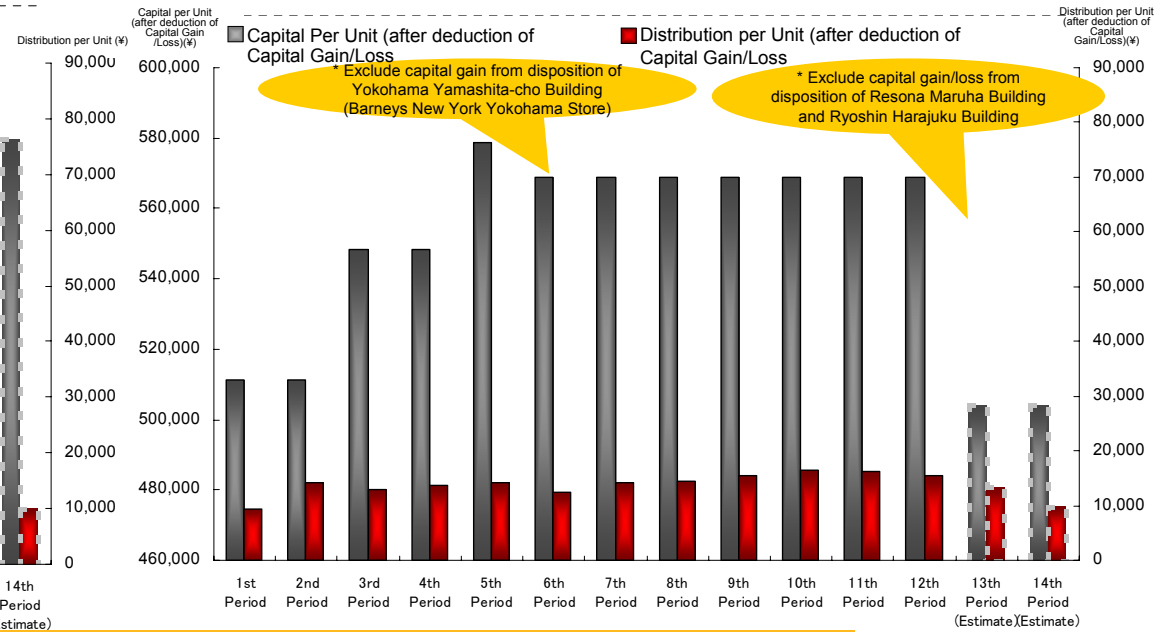
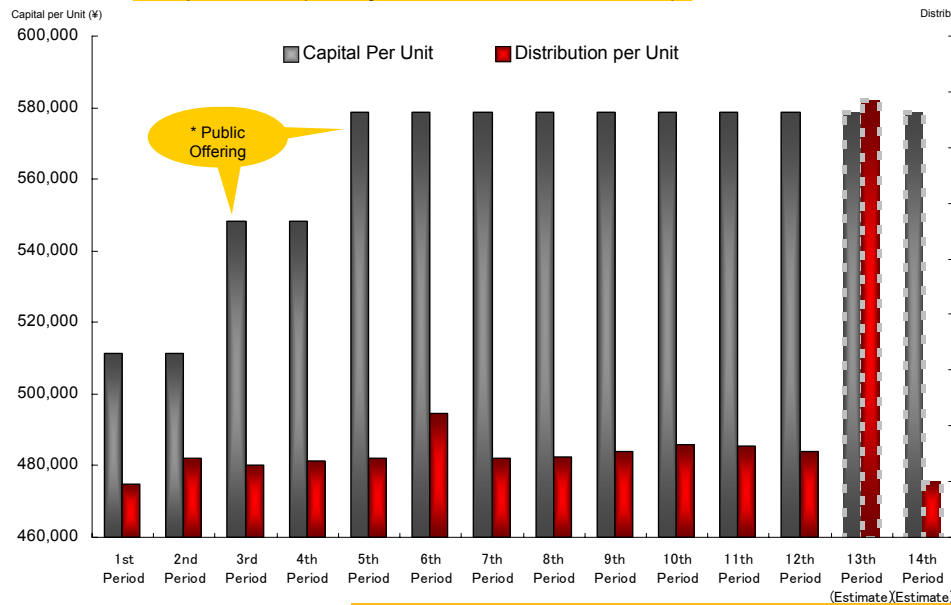
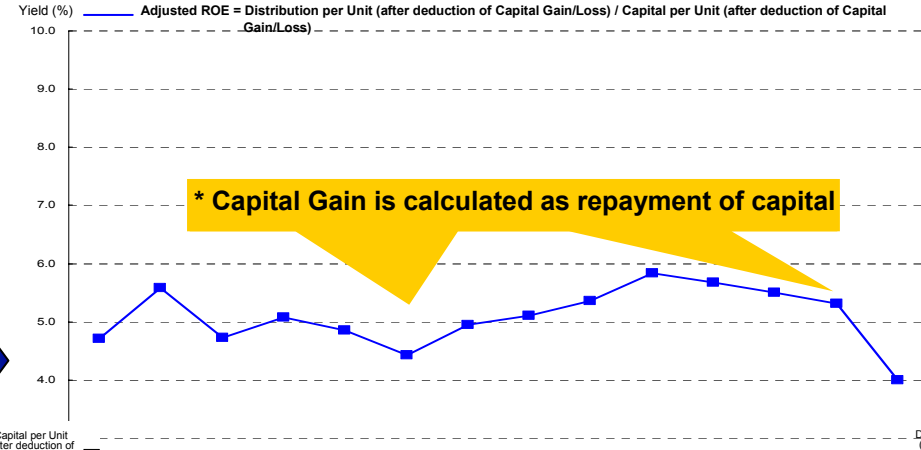
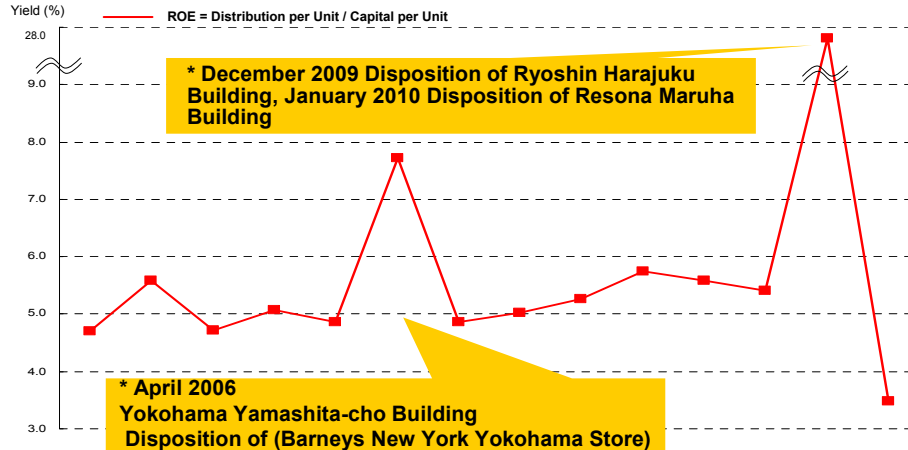
Develop a new investment management strategy for the future, leveraging the recent transactions and other management track record and experience we have accumulated since our IPO

* This page represents the view of Tokyu REIM

ROE (Capital Yield) and Adjusted ROE (Capital Yield after deduction of Capital Gain/Loss)

ROE (Capital Yield)

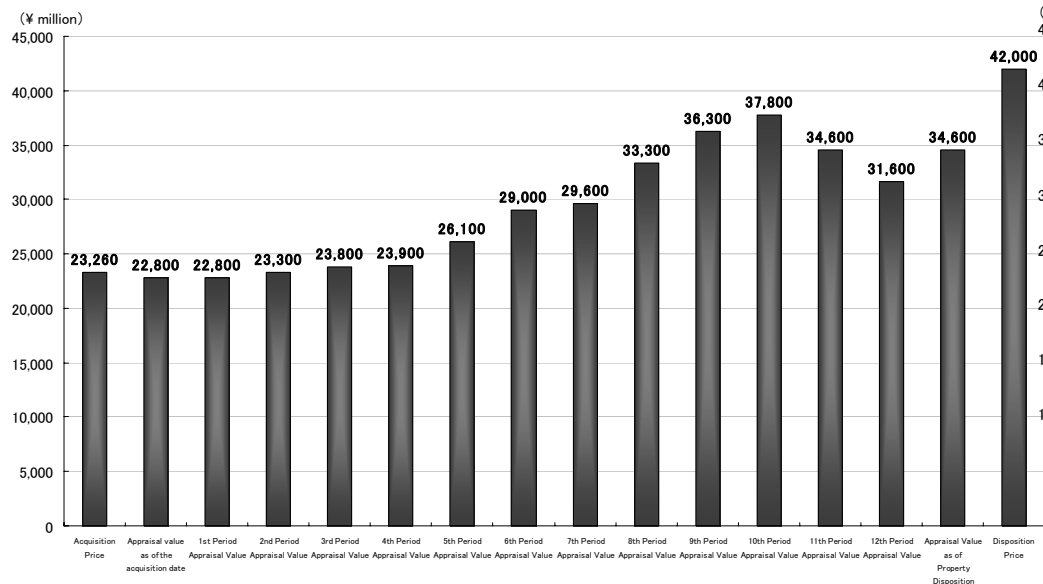
Adjusted ROE (Capital Yield after deduction of Capital Gain/Loss)



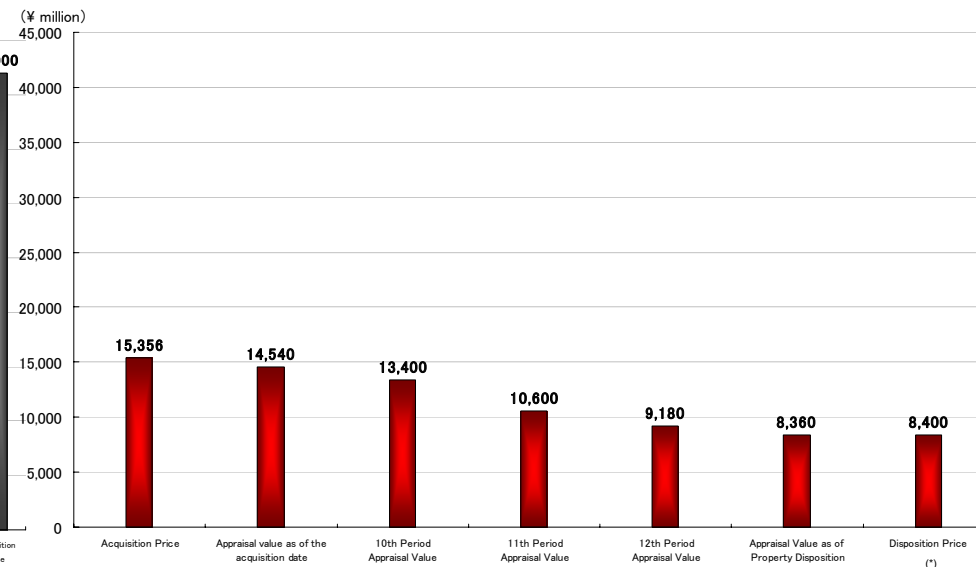
$$\text{Adjusted Capital Yield (Adjusted ROE)} = \frac{\text{Distribution Amount after deduction of Capital Gain}}{\text{Total Capital} - \text{Accumulated Distribution of Capital Gain}}$$

Changes in Appraisal Value for the Two Properties

Resona Maruha Building



Ryoshin Harajuku Building



*additional acquisition of Ryoshin Harajuku Building is not including to 10th period appraisal value

	Based on appraised value at time of acquisition	Based on appraisal value at the end of 12th Fiscal Period	Based on appraised value at time of disposition
NCF (¥ million) (direct capitalization method)	1,231	1,313	The Income capitalization method
NCF cap rate (direct capitalization rate)	5.40%	4.10%	premised on redevelopment

	Based on appraised value at time of acquisition	Based on appraisal value at the end of 12th Fiscal Period	Based on appraised value at time of disposition
NCF(¥ million) (direct capitalization method)	598	406	379
NCF cap rate (direct capitalization rate)	4.10%	4.40%	4.50%

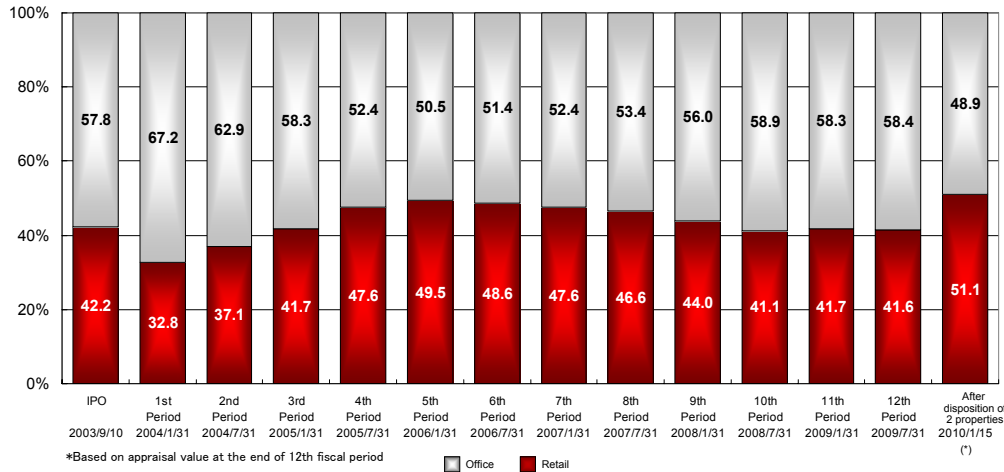
*Large disparity from disposition price due to presence of values that cannot be incorporated in the appraisal

*Assumed to be 34,000 yen per month *tsubo* at time of acquisition, but fell to 26,000 yen at end of 12th fiscal period (end of July 2009)

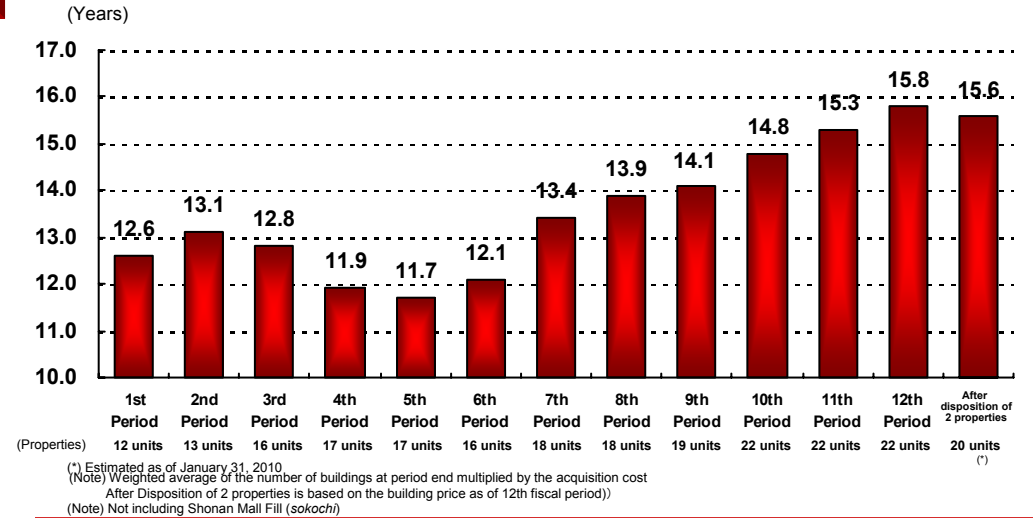
*Comments by Tokyu REIM

Portfolio Overview (After Disposition of Two properties)

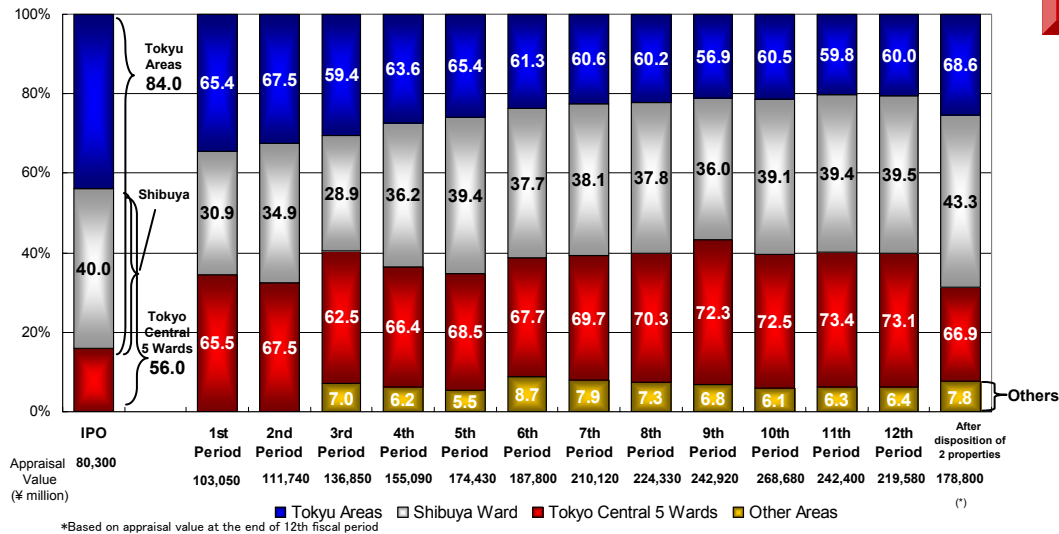
Office / Retail Ratio (Based on Property Value Calculated at End of Period)



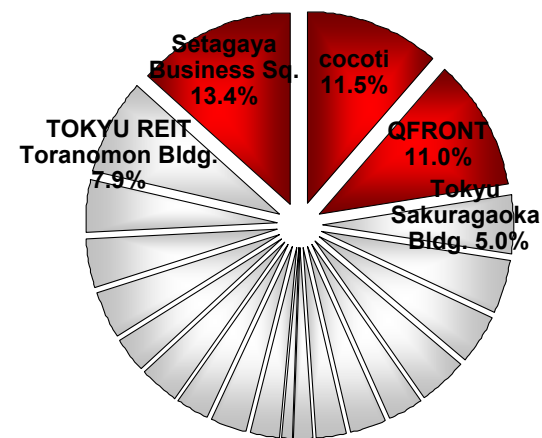
Weighted Average Years Built



Area (Based on Appraisal Value at End of Period)



Property Concentration (based on appraisal value as of July 31, 2009)



Top 3 : 35.9%
Top 5 : 48.8%

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