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## **Notice Concerning Partial Amendments to the Investment Management Agreement ( Partial Amendments to Investment Management Fees )**

TOKYU REIT, Inc. (“TOKYU REIT”) today announced that it exchanged a memorandum concerning partial amendments to the Investment Management Agreement (“Agreement”) dated June 20, 2003 with Tokyu REIM Inc. the Investment Management Company, Tokyu Real Estate Investment Management Inc. (“the Investment Management Company”). Brief details are as follows.

The amendments shall take effect on the condition that the proposed amendments are approved at the General Meeting of Unitholders.

### **1. Continuation of Time-Limited Reduction of Investment Management Fees**

#### **(1) Scope of the Amendments**

TOKYU REIT will reduce an amount equivalent to 5% of Investment Management Fees (each of the following: asset-based fees (“base 1”), cash flow-based fees (“base 2”) and unit price-based fees (“incentive”)) from the fiscal period ending July 31, 2011 (16th fiscal period) to the fiscal period ending January 31, 2013 (19th fiscal period).

#### **(2) Reasons for the Amendments**

As disclosed in the press release “Notice Concerning Partial Amendments to the Investment Management Agreement” dated March 4, 2009, TOKYU REIT and the Investment Management Company decided to reduce Investment Management Fees for a limited time from the fiscal period ended July 31, 2009 (12th fiscal period) to the fiscal period ending January 31, 2011 (15th fiscal period) in view of changes in the economic environment and to prepare itself for the expansion of uncertainties. However, the economic environment has still not yet taken a favorable turn and uncertainties continue to exist in REIT operating

conditions. Therefore, we have decided to continue the time-limited reduction of Investment Management Fees.

In connection with the reduction of its Investment Management Fees, the Investment Management Company, has expressed its commitment to do its utmost to maintain the quality of its services.

## **2. Inclusion of Profit or Loss on Sale of Real Estate, etc. to Calculation of Fees**

### **(1) Scope of the Amendments**

With regard to the calculation of base 2, currently, “operating cash flow,” which serves as the base for calculation of base 2, is derived by subtracting the total amount of profit or loss from the sale of specified assets and profit or loss from the valuation of specified assets (all excluding those recorded under the account extraordinary profit and loss) from the ordinary income posted on the income statement. We will revise the base for calculation for base 2 to “standard cash flow.” Meanwhile, the content of “standard cash flow” shall be the amount derived by subtracting the amount equivalent to 50% each (figures rounded off to the nearest yen) of profit or loss from the sale of specified assets and profit or loss from the valuation of specified assets (impairment loss, etc.) from the net income or loss before income taxes posted on the income statement.

Moreover, the lower limit of base 2 shall be 0 yen.

### **(2) Reasons for the Amendments**

As TOKYU REIT and the Investment Management Company had been focusing in particular on income gain as the REIT’s main source of earnings, starting from rental revenue that could be gained from specified assets, they had placed emphasis on ordinary income posted on the income statement and had deemed it as the base of calculation for base 2. On the other hand, they had placed relatively less emphasis on capital gain and capital loss, such as profit or loss from the sale of specified assets and profit or loss from the valuation of specified assets (impairment loss, etc.), and so had excluded the total amount of these from the base of calculation for base 2.

However, the purpose of the Long-Term Investment Management Strategy shared between TOKYU REIT and the Investment Management Company is the development of a portfolio with permanent competitiveness and the construction of a strong balance sheet even during economic downturns, including as needed replacement of properties through contrarian investment focusing on the circularity of real estate prices. Therefore, the aim is to pursue not only income gain but also capital gain. In order to faithfully reflect the Long-Term Investment Management Strategy in the calculation of base 2 and to better ensure the effectiveness of the strategy, TOKYU REIT and the Investment Management Company decided to take into account to a certain extent profit or loss from the sale of specified assets and profit or loss from the valuation of specified assets (impairment loss, etc.) in the base of calculation for base 2. A major reason why it was set at an amount equivalent to 50% was based on the concept that income gain, which is thought to be the REIT’s main source of earnings, should continue to be emphasized, while also giving consideration to capital gain and capital loss, i.e. profit or loss from the sale of specified assets and profit or loss from the valuation of specified assets (impairment loss, etc.).

Furthermore, in accordance with the aforementioned concept that income gain is to be emphasized, TOKYU REIT and the Investment Management Company decided to change the base of calculation for base 2 from ordinary income to net income or loss before income taxes, pursuant to the concept that profit or loss not included in ordinary income posted on the income statement needs to be duly reflected in the calculation of base 2.

### **3 Reviewing the Rate of Base 1 and Base 2**

#### **(1) Scope of the Amendments**

##### **(i) Base 1(Asset-based)**

For the portion of the total value of assets under management exceeding 300 billion yen, the rate shall be decreased to 0.115%. As a result, the rates for the portion 200 billion yen or less, the portion exceeding 200 billion yen and up to 300 billion yen or less and the portion exceeding 300 billion yen of total value of assets under management shall be 0.150%, 0.125% and 0.115%, respectively.

##### **(ii) Base 2(Cash-based)**

For the portion of standard cash flow exceeding 7.5 billion yen, the rate shall be decreased to 4.6%. As a result, the rates for the portion 5 billion yen or less, the portion exceeding 5 billion yen and up to 7.5 billion yen and the portion exceeding 7.5 billion yen of standard cash flow shall be 6.0%, 5.0% and 4.6%, respectively.

#### **(2) Reasons for the Amendments**

The change is due to the fact that TOKYU REIT would like unitholders to also receive the benefits reaped from economies of scale in preparation for the future expansion of the scale of assets under management.

The condition precedent to the partial amendments to the Investment Management Agreement in the abovementioned memorandum is that the proposed amendments to the Articles of Incorporation concerning fees are approved at the General Meeting of Unitholders (to be held in April 2011) of TOKYU REIT. In the event that the condition precedent is satisfied, the amendments shall take effect starting from the fiscal period ending July 31, 2011 (16th fiscal period).

### **4 Forecast**

As for forecast of business results, TOKYU REIT projects that an amount of non-operating expenses equivalent to the amount of reduction of Investment Management Fees mentioned under 1. above will arise in view of the purpose of preparing itself for uncertainties. Furthermore, TOKYU REIT expects no impacts on the Investment Management Fees as a result of the changes in Investment Management Fees mentioned under 2. and 3. above. Therefore, TOKYU REIT expects no significant effects on its forecast of business results from this change in fees. For details, please refer to the forecast of business results for the fiscal period ending January 31, 2011 (15th fiscal period) and the fiscal period ending July 31, 2011 (16th fiscal period) in the “Financial Report for the Fourteenth Fiscal Period Ended July 31, 2010” announced today.

## Reference

### 1. Overview of Investment Management Fee

#### (1) Before Change

	Calculation Formula and Payment Period
Base 1 (Asset-based)	<p>Amount of total from the following calculation about asset value at the end of previous period Moreover, the total value of assets under management here refers to the total appraisal value of all real estate properties (in the case of trust beneficiary interests in real estate, real estate in trust)</p> <p>[Calculation Formula]</p> <ul style="list-style-type: none"> <li>● The amount derived by multiplying 0.150% by the portion of the total value of assets under management 200 billion yen or less</li> <li>● The amount derived by multiplying 0.125% by the portion of the total value of assets under management exceeding 200 billion yen</li> </ul> <p>The payment period is until the end of the fiscal period.</p>
Base 2 (Cash-based)	<p>Amount of total from the following calculation about operating cash flow*1 in current period Moreover, operating cash flow here refers to the ordinary income posted on the income statement of TOKYU REIT, plus depreciation and amortization of deferred assets, minus profit or loss from the sale of specified assets and profit or loss from the valuation of specified assets (excluding those posted under the account extraordinary profit and loss.) ("CF"). Furthermore, when calculating base 2, CF before deducting base 1, base 2 and the incentive set forth below shall serve as the base.</p> <p>[Calculation Formula]</p> <ul style="list-style-type: none"> <li>● The amount derived by multiplying 6.0% by the portion of CF 5 billion yen or less</li> <li>● The amount derived by multiplying 5.0% by the portion of CF exceeding 5 billion yen</li> </ul> <p>The payment period is within two months of the end of the fiscal period.</p>
Incentive (Unit price-based)	<p>The incentive is the amount calculated as follows based on the average closing price of TOKYU REIT units as reported on the Tokyo Stock Exchange. However, in the event that TOKYU REIT aggregates or splits its units, the following calculation methods may be revised.</p> <p>[Calculation Formula]</p> <ul style="list-style-type: none"> <li>● (Average price in current period- Record average price)×Number of investment unit×0.4%</li> </ul> <p>The average closing price is equivalent to the aggregate sum of the closing price of units for each trading day during the fiscal period, divided by the total number of trading days during the fiscal period. Trading days with no closing price are omitted from the calculation. The incentive shall be 0 yen in the event that the average closing price during the fiscal period does not exceed the highest average closing price of units over all previous fiscal periods.</p> <p>The payment period is within two months of the end of the fiscal period.</p>
Special provision concerning Investment Management Fees from the 12th fiscal period to the 15th fiscal period	<p>Notwithstanding the above provisions, the following reductions will be made from the respective total of base 1, base 2 and incentive derived through the abovementioned calculation formulas for Investment Management Fees from the 12th fiscal period to the 15th fiscal period:</p> <p>12th Fiscal Period (February 1, 2009 to July 31, 2009): 2% of the total  13th Fiscal Period (August 1, 2009 to January 31, 2010): 4% of the total  14th Fiscal Period (February 1, 2010 to July 31, 2010): 6% of the total  15th Fiscal Period (August 1, 2010 to January 31, 2011): 8% of the total</p>

(2) After Change

	Calculation Formula and Payment Period
Base 1 (Asset-based)	<p>Amount of total from the following calculation about asset value at the end of previous period Moreover, the total value of assets under management here refers to the total appraisal value of all real estate properties (in the case of trust beneficiary interests in real estate, real estate in trust)</p> <p>[Calculation Formula]</p> <ul style="list-style-type: none"> <li>● The amount derived by multiplying 0.150% by the portion of the total value of assets under management 200 billion yen or less</li> <li>● The amount derived by multiplying 0.125% by the portion of the total value of assets under management exceeding 200 billion yen and 300 billion yen or less</li> <li>● The amount derived by multiplying 0.115% by the portion of the total value of assets under management exceeding 300 billion yen</li> </ul> <p>The payment period is until the end of the fiscal period.</p>
Base 2 (Cash-based)	<p>Amount of total from the following calculation about standard cash flow in current period Moreover, standard cash flow here shall be the amount derived by subtracting an amount equivalent to 50% each of profit or loss from the sale of specified assets (figures rounded off to the nearest yen) and profit or loss from the valuation of specified assets (figures rounded off to the nearest yen) from the net income or loss before income taxes posted on the income statement of TOKYU REIT, plus depreciation and amortization of deferred assets ("CF"). Furthermore, when calculating base 2, CF before deducting base 1, base 2 and the incentive set forth below shall serve as the base. However, the lower limit of base 2 shall be 0 yen.</p> <p>[Calculation Formula]</p> <ul style="list-style-type: none"> <li>● The amount derived by multiplying 6.0% by the portion of CF 5 billion yen or less</li> <li>● The amount derived by multiplying 5.0% by the portion of CF exceeding 5 billion yen and 7.5 billion yen or less</li> <li>● The amount derived by multiplying 4.6% by the portion of CF exceeding 7.5 billion yen</li> </ul> <p>The payment period is within two months of the end of the fiscal period.</p>
Incentive (Unit price-based)	<p>The incentive is the amount calculated as follows based on the average closing price of TOKYU REIT units as reported on the Tokyo Stock Exchange. However, in the event that TOKYU REIT aggregates or splits its units, the following calculation methods may be revised.</p> <p>[Calculation Formula]</p> <ul style="list-style-type: none"> <li>● (Average price in current period- Record average price)×Number of investment unit×0.4%</li> </ul> <p>The average closing price is equivalent to the aggregate sum of the closing price of units for each trading day during the fiscal period, divided by the total number of trading days during the fiscal period. Trading days with no closing price are omitted from the calculation. The incentive shall be 0 yen in the event that the average closing price during the fiscal period does not exceed the highest average closing price of units over all previous fiscal periods.</p> <p>The payment period is within two months of the end of the fiscal period.</p>
Special provision concerning Investment Management Fees from the 16th fiscal period to the 19th fiscal period	<p>Notwithstanding the above provisions, the following reductions will be made from the respective total of base 1, base 2 and incentive derived through the abovementioned calculation formulas for Investment Management Fees from the 16th fiscal period to the 19th fiscal period:</p> <p>16th Fiscal Period (February 1, 2011 to July 31, 2011): 5% of the total</p> <p>17th Fiscal Period (August 1, 2011 to January 31, 2012): 5% of the total</p> <p>18th Fiscal Period (February 1, 2012 to July 31, 2012): 5% of the total</p> <p>19th Fiscal Period (August 1, 2012 to January 31, 2013): 5% of the total</p>

## 2 Changes in Investment Management Fee

(JPY in Thousand)

	Base 1	Base 2	Incentive		Total
1st fiscal period	94,417	95,247	-	-	189,664
2nd fiscal period	154,575	144,851	110,023	-	409,450
3rd fiscal period	167,610	183,158	46,655	-	397,424
4th fiscal period	205,275	198,590	50,235	-	454,100
5th fiscal period	232,635	234,558	57,421	-	524,615
6th fiscal period	261,645	226,633	230,212	-	718,490
7th fiscal period	281,700	237,836	94,634	-	614,170
8th fiscal period	312,650	248,992	191,893	-	753,536
9th fiscal period	330,412	248,466	-	-	578,879
10th fiscal period	353,650	266,620	-	-	620,270
11th fiscal period	385,850	268,921	-	-	654,771
12th fiscal period	353,000	255,672	-	12,173	596,499
13th fiscal period	324,475	236,443	-	22,436	538,482
14th fiscal period	256,620	213,905	-	28,231	442,293

\* Figures are rounded down to the figures under described. Therefore totals may not exactly match the sum of relevant items.

This notice contain 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. This notice 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 notice shall prevail in the event of any discrepancies between the translation and the Japanese original.