

January 13, 2011

Real Estate Investment Trust Unit Issuer:
TOKYU REIT, Inc.
1-12-1, Dogenzaka,
Shibuya-ku, Tokyo, 150-0043, Japan
Masahiro Horie
Executive Director
(Securities Code: 8957)

Investment Management Company:
Tokyu Real Estate Investment Management Inc.
Representative:
Masahiro Horie
Representative Director & President, Chief Executive Officer
Inquiries:
Yosuke Koi
Director, Senior Executive Officer,
Chief Financial Officer & General Manager, Investor Relations
TEL: +81-3-5428-5828

Notice Concerning Conclusion of Letter of Intent regarding Sponsor's Structure

TOKYU REIT, Inc. ("TOKYU REIT") today announced that its Board of Directors and the Board of Directors at its investment management company, Tokyu Real Estate Investment Management Inc. ("Tokyu REIM"), have respectively decided to conclude a letter of intent ("the Letter of Intent") between TOKYU REIT, Tokyu REIM, a shareholder of Tokyu REIM, Tokyu Corporation, and Tokyu Land Corporation ("Tokyu Land") regarding the restructuring of the sponsorship of TOKYU REIT. Details are as follows.

1. Background and Rationale for Conclusion of Letter of Intent

(1) Request to Cancel Sponsorship from Tokyu Land

Tokyu Land made a request that it would like to cancel its sponsorship of TOKYU REIT. Tokyu Land has decided to establish and list a new J-REIT ("New REIT") with itself as the sole sponsor that targets retail facilities and offices in major cities throughout Japan, and, after holding various discussions, made this request so that the respective growth strategy of both investment corporations can be realized since there were concerns that competition would arise between TOKYU REIT and the New REIT.

The details of the cancellation of the sponsorship are that Tokyu Land will transfer shares of Tokyu REIM (investment ratio of 40%) and investment units of TOKYU REIT (3,920 units; investment ratio of 2.31%) that it currently owns to Tokyu Corporation and, at the same time, Tokyu Land will terminate various agreements that were concluded for the purpose of collaborating with TOKYU REIT, such as a memorandum relating to the purchase and sale of real estate ("Purchase and Sale Memorandum") dated July 28, 2003. As a result, Tokyu Corporation will become the sole sponsor of TOKYU REIT.

With the receipt of this request, TOKYU REIT and Tokyu REIM carefully examined and discussed the investment policy of TOKYU REIT, possibilities of conflicts of interest arising, advantages associated with having a sole sponsor, and other factors which are outlined below. As a result, TOKYU REIT decided to accept Tokyu Land's request on the condition that a proposal to amend the Articles of Incorporation accompanying the cancellation of sponsorship by Tokyu Land and Tokyu Corporation becoming the sole sponsor of TOKYU REIT, is approved at the General Meeting of Unitholders of TOKYU REIT, etc. and based on the assumption that the various measures outlined below will be implemented for the smooth cancellation of sponsorship by Tokyu Land.

(2) Evaluation and Management Stance

Since its listing on September 2003, TOKYU REIT has experienced one cycle of the real estate market and earned a track record in management of 7 years. In order to realize further heightening of performance in investment management, TOKYU REIT has continuously evaluated its investment management strategies and management.

As for investment strategies, in addition to investment management strategies implemented continuously since listing such as target areas being limited to the Tokyo Metropolitan Area, the sector allocation, size of properties and “Capital Reinvestment Model” with sponsors, the “Long-Term Investment Management Strategy (Surf Plan)” (Note 1) was formulated and implemented last year after experiencing the universal credit squeeze, based on the awareness that this type of credit squeeze crisis will be repeated in the future. As such, since listing, TOKYU REIT has ceaselessly adopted investment management strategies that are highly strategic and original in nature, and has realized management in line with such strategies.

Note 1: The Long-Term Investment Management Strategy was formulated by Tokyu REIM for TOKYU REIT for the development of a portfolio with permanent competitiveness and the construction of a strong balance sheet even during economic downturns, including the replacement of properties, as needed, through contrarian investment focusing on the circularity of real estate prices.

Furthermore, in order to set aside investors’ concerns related to conflicts of interest with sponsors, TOKYU REIT aims to implement a “Capital Re-investment Model” together with sponsors while maintaining appropriate distance. Until this point, TOKYU REIT believes that it has managed to grow by striving to collaborate with sponsors while avoiding to depend on them. For example, in compliance with strictly-set Rules to Avoid Conflicts of Interests, TOKYU REIT has maintained a roughly 50:50 sponsor to third party property acquisition ratio (on an acquisition price basis) in the area of property acquisition. However, Tokyu Land has recently shifted its operational area of focus from the areas along the Tokyu rail lines to central Tokyo, and has also strengthened its developments in major regional cities throughout Japan. Therefore, from a medium to long-term perspective, an issue of concern has arisen that the same sponsor collaboration as before may no longer be as effective in the future as there is less overlap in the business models of Tokyu Land and TOKYU REIT.

Under such circumstances, TOKYU REIT and Tokyu REIM decided to accept the cancellation request from Tokyu Land mentioned in (1) above.

(3) Rationale behind Conclusion of the Letter of Intent

TOKYU REIT and Tokyu REIM reviewed options such as having “Tokyu Land remain the sponsor of TOKYU REIT rather than establishing a New REIT, and based on that, change the focus of the investment policy of TOKYU REIT from investment in the Tokyo Metropolitan Area to one placing a focus on expanding targeted areas to major cities throughout Japan” during the process of deliberating and discussing the abovementioned request from Tokyu Land.

However, the essence of the basic investment policy of TOKYU REIT is “investment in highly competitive properties in areas with strong growth potential,” which position the Tokyo Metropolitan Area, including the central 5 wards of Tokyo and areas along Tokyu rail lines as areas with strong growth potential. In addition, the “Capital Reinvestment Model” whose aim is to achieve growth accompanying the increased added value of the areas along the Tokyu rail lines.

Since being listing, TOKYU REIT has striven to maximize unitholder value by adhering to this basic policy and believe have thus earned the support of all unitholders.

Therefore, expanding the target area to all of Japan is considered to conflict with this basic investment policy of TOKYU REIT. As a result, TOKYU REIT judged that pouring its utmost effort into securing opportunities for external growth while closely adhering to its basic investment policy from before, will be for the benefit of unitholders of TOKYU REIT.

In addition, TOKYU REIT judged that the option of Tokyu Land serving as the sponsor for both TOKYU REIT and the NEW REIT by maintaining its position as the sponsor of TOKYU REIT after establishing the New REIT has a high possibility of creating conflicts of interests for both investment corporations, especially when properties are sourced by Tokyu Land. TOKYU REIT also judged that such an option would raise issues such as confusion over the position of both investment corporations.

Furthermore, by focusing on a single sponsor will not only erase the abovementioned concerns, but will enable benefits received by the sponsor as a shareholder, such as distribution of profit from Tokyu REIM, to be amassed to a single sponsor. In turn, advantages such as a strong commitment from a single sponsor can be expected.

As a result of comprehensively reviewing such factors, TOKYU REIT and Tokyu REIM judged that focusing on a single sponsor and making Tokyu Corporation, which conducts business activities in the same area as the target area of TOKYU REIT, its sole sponsor on the premise that various measures for smooth cancellation of the sponsorship, such as conclusion of a new memorandum for securing property acquisition opportunities and staff for Tokyu REIM be implemented and further promoting the “Capital Reinvestment Model” in line with the “Long-Term Investment Management Strategy (Surf Plan)” after having obtained a stronger commitment from Tokyu Corporation, will contribute to TOKYU REIT achieving further growth.

2. Overview of the Letter of Intent

An overview of the Letter of Intent is as follows:

(1) Review of the Collaboration

Concerning the real estate investment trust business which TOKYU REIT implemented by constructing a collaboration with Tokyu Group companies, including Tokyu Corporation and Tokyu Land, TOKYU REIT held discussions in view of the request made from Tokyu Land. As a result, it was decided to terminate such collaboration and consolidate and reconstruct the collaboration between Tokyu Corporation (Note 2) and TOKYU REIT.

Note 2: Tokyu Corporation in the Letter of Intent refers to any entity that falls under the following a. to c., hereafter the same:

- a. Tokyu Corporation
- b. A consolidated subsidiary of Tokyu Corporation (*not including equity method affiliates)
- c. A tokutei mokuteki kaisha (TMK) or special purpose company (SPC) that was established based on the will of Tokyu Corporation or a consolidated subsidiary of Tokyu Corporation and where the share of investment by undisclosed associations or other investment shares in that entity by the respective company exceeds 50%.

*Tokyu Land Group companies (Note 3) will not be included in Tokyu Corporation

Note 3: Tokyu Land in the Letter of Intent refers to any entity that falls under the following a. to c., hereafter the same:

- a. Tokyu Land
- b. A consolidated subsidiary of Tokyu Land (*not including equity method affiliates)
- c. A tokutei mokuteki kaisha (TMK) or special purpose company (SPC) that was established based on the will of Tokyu Land or a consolidated subsidiary of Tokyu Land and where the share of investment by undisclosed associations or other investment shares in that entity by the respective company exceeds 50%.

(2) Transfer of Tokyu REIM Shares

Issued and outstanding shares of Tokyu REIM held by Tokyu Land will be transferred to Tokyu Corporation targeting June 30, 2011. Moreover, the approval from the Board of Directors of Tokyu Land shall be obtained upon its implementation.

(3) Resignation of Directors and Auditors of Tokyu REIM

Non-executive directors of Tokyu REIM who were elected from among employees of Tokyu Land will resign after conclusion of the Letter of Intent without delay. Furthermore, external auditors of Tokyu REIM who were

elected from among employees of Tokyu Land will resign when the transfer of shares of Tokyu REIM is executed.

(4) Securing Personnel for Tokyu REIM

Tokyu Land shall sequentially call back employees it has seconded to Tokyu REIM targeting within 1 year after execution of the share transfer mentioned in (2) above, and will exert its utmost effort in succeeding operations, etc. in good faith. Furthermore, Tokyu Corporation shall second employees to Tokyu REIM to replace the said employees are called back by Tokyu Land. Moreover, Tokyu Corporation shall exert its utmost effort to second around the same number of employees as the number of Tokyu Land employees who will be called back to enable Tokyu REIM to maintain its asset management ability.

(5) Transfer of TOKYU REIT Investment Units

Issued and outstanding investment units of TOKYU REIT held by Tokyu Land will be transferred to Tokyu Corporation. Moreover, the approval from the respective Board of Directors of Tokyu Corporation and Tokyu Land shall be obtained upon its implementation.

(6) Provision of Opportunities to Acquire Property

a. Provision of Opportunities by Tokyu Corporation to Acquire Property

Tokyu Corporation, TOKYU REIT and Tokyu REIM shall allow Tokyu Corporation to provide opportunities to TOKYU REIT to acquire property in accordance with a new memorandum to be concluded in place of the Purchase and Sale Memorandum (including amendments thereafter), based on the common understanding between them that in the case of selling properties owned by Tokyu Corporation which meet investment property qualifications of TOKYU REIT to TOKYU REIT, such contribution will enable Tokyu Corporation to improve the added value of areas along Tokyu rail lines and promote optimization of its balance sheet while aiming to build continuous relationship improvement in contributed properties through the entrustment of property management, etc. and will enable TOKYU REIT to strengthen the business base resulting from expansion of its portfolio.

b. Provision of Opportunities by Tokyu Land to Acquire Properties with Upper Limit

A memorandum for providing opportunities to acquire properties will be concluded, with an upper limit of until the time the total acquisition price of the properties acquired by TOKYU REIT from Tokyu Land Group companies reaches 20 billion yen (Note 4). The memorandum states that in the event that Tokyu Land Group companies try to sell the properties which meet the investment property qualifications of TOKYU REIT to the New REIT or a third party, they shall provide information on the said properties that meet the investment property qualifications to TOKYU REIT and provide opportunities to TOKYU REIT to acquire the properties no later than one of the following, whichever is earlier: (i) at the time of providing property information to the New REIT, or (ii) at the time of providing property information to a third party, etc. Moreover, in the event that Tokyu REIM makes requests for warehousing (an entity established by Tokyu Land or established based on the desire of Tokyu Land whose purpose is solely to own investment properties of an investment corporation; "Warehousing SPC" for acquiring investment properties temporarily) to Tokyu Land, and in the event that TOKYU REIT acquires property from Tokyu Land or the Warehousing SPC, the acquisition price of the said property shall be included in the calculations of the abovementioned 20 billion yen.

Note 4: This is almost the same amount as the total acquisition price of properties that TOKYU REIT has acquired from Tokyu Land, etc. based on the Purchase and Sale Memorandum during the 7 years since listing to the date of this Notice.

(7) Selection of Property Management Companies, etc.

It shall be confirmed that after the cancellation of the sponsorship of Tokyu Land, TOKYU REIT and Tokyu REIM has the policy to outsource the property management business of assets owned by TOKYU REIT primarily to Tokyu Corporation in principle.

However, it shall be confirmed that TOKYU REIT and Tokyu REIM maintain the policy of continuing to

outsource the property management business of assets owned by TOKYU REIT that it is currently outsourcing to Tokyu Community Corporation, which is a Tokyu Land Group company, to that same company for the time being. This is to avoid any hindrances to the management of properties owned by TOKYU REIT in consideration of continuity, etc. of management of properties owned by TOKYU REIT.

(8) Brand of the New REIT

The New REIT shall not use the “Tokyu” trademark (including such trademark as it appears in the Japanese language) to avoid causing confusion of markets or among investors in relation to the New REIT and TOKYU REIT.

(9) Partial Amendments of the Articles of Incorporation of TOKYU REIT

With this incident, TOKYU REIT shall submit to the General Meeting of Unitholders a proposal to partially amend the “Scope and Policy of Investment Management,” and such as shown in the attachment of its Articles of Incorporation. Moreover, with regards to the abovementioned (1), (5) and (6), TOKYU REIT and Tokyu REIM shall approve the abovementioned proposal if it is approved at the General Meeting of Unitholders as a condition of the cancellation.

3. Impact on TOKYU REIT and Future Policies

(1) Impact on Securing Opportunities for Property Acquisition

TOKYU REIT has confirmed that Tokyu Corporation has the intent of further strengthening its strategic collaboration relationship with TOKYU REIT in line with the sole sponsorship. In particular, Tokyu Corporation shall proactively consider future contribution of properties based on the “Capital Reinvestment Model,” which aims to further improve the added value of areas along Tokyu rail lines through Tokyu Corporation contributing real estate assets it developed and allocating the collected capital to real estate development in areas along Tokyu rail lines and in central Tokyo, construction to enhance the transportation power of railroads, etc.

The real estate development business of Tokyu Corporation goes back to 1918 when “Den-en Toshi Co.” was established for the purpose of carrying out urban development in Den-en-chofu and Senzoku. Since then, Tokyu Corporation has earned a track record as a developer that has means of transportation (railroad and bus) in its sphere. Following WWII, it has undertaken large-scale urban development projects based on the “Statement of Intent Regarding Jonan Area Development” that was released in 1953, such as laying down of the Den-en-toshi Line and construction of Tokyu Tama Den-en-toshi. The Tokyu Tama Den-en-toshi project was the largest development project in Japan undertaken by a company from the private sector. It boasts a development area spanning over 5,000 hectares and a population of around 600,000 people (as of March 31, 2010). The development expertise earned from this project has also been utilized in redevelopment projects in central Tokyo, such as the Cerulean Tower and Shibuya Mark City (a joint project with Tokyo Metro Co., Ltd. and Keio Corporation).

Since the listing of TOKYU REIT, Tokyu Corporation has progressed real estate development projects in areas such as Shibuya, Nagatacho, Futako Tamagawa, Tama Plaza, Ginza, Toranomom and Yonbancho. Taking such into consideration, it is seen that 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.

This time, Tokyu Land will be canceling its sponsorship of TOKYU REIT. However, as mentioned earlier, TOKYU REIT has made an agreement with Tokyu Land to provide opportunities to acquire properties by providing information concerning properties until the total acquisition price of properties acquired from Tokyu Land Group companies reaches 20 billion yen.

(2) Impact on Management, such as TOKYU REIT's Asset Management and Management of Owned Assets

In order to avoid circumstances which cause an impact on management, such as TOKYU REIT's asset management and management of owned assets, TOKYU REIT has reached agreements on the aforementioned measures for the securing personnel at Tokyu REIM, selection of property management companies, etc. Thus, TOKYU REIT believes that the impact on its management will be minor.

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)

5 Forecasts of Business Results

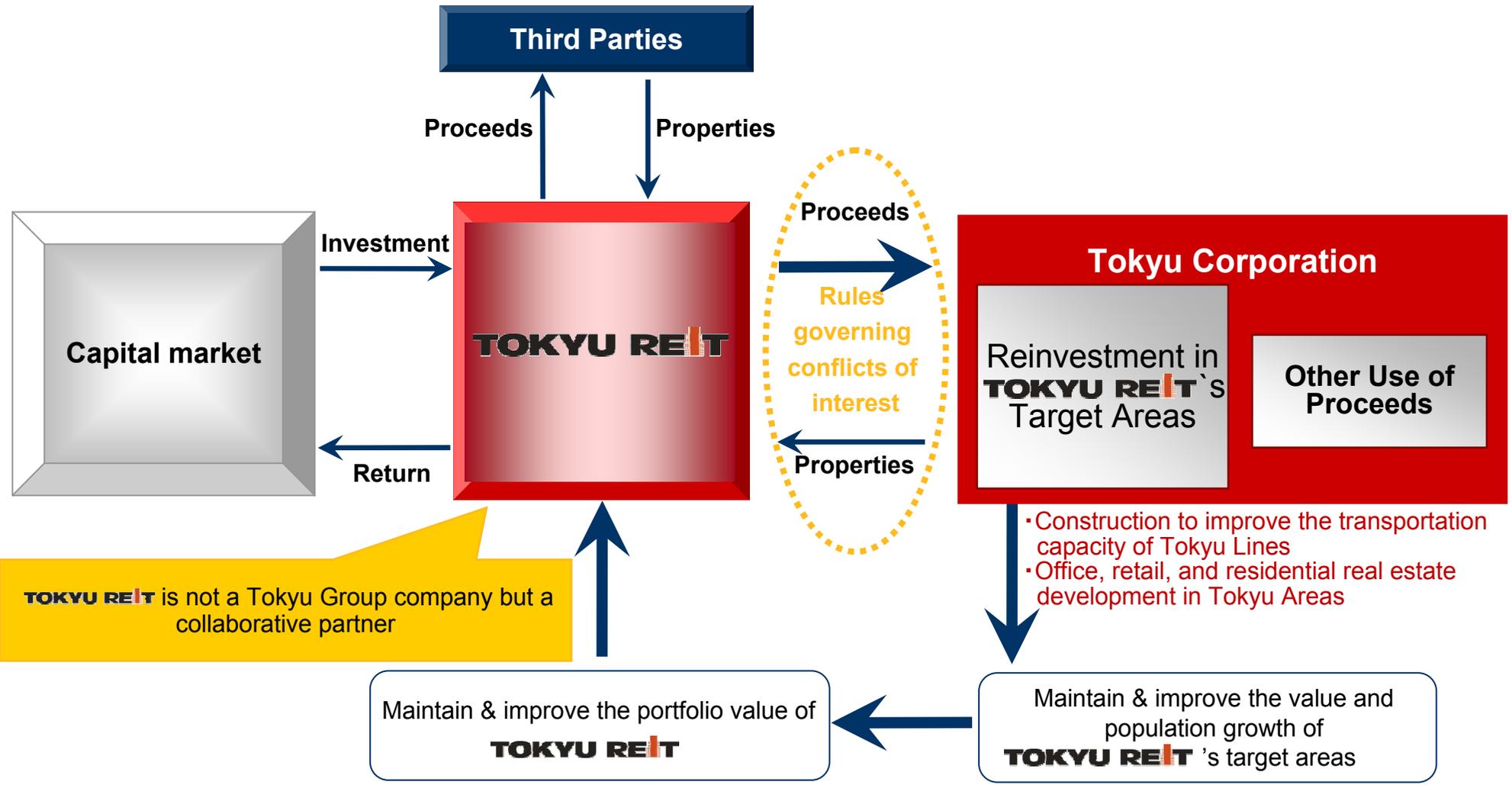
This incident will have no quantitative impact on TOKYU REIT's net assets or its profit and loss. No changes are foreseen to the forecasts of business results at the present time.

6 Attachments

- (1) "Capital Re-investment Model" (Graph)
- (2) "Long-Term Investment Management Strategy (Surf Plan)" (Graph)
- (3) Proposals to Amend the Articles of Incorporation

Attachment (1)
Capital Re-investment Model

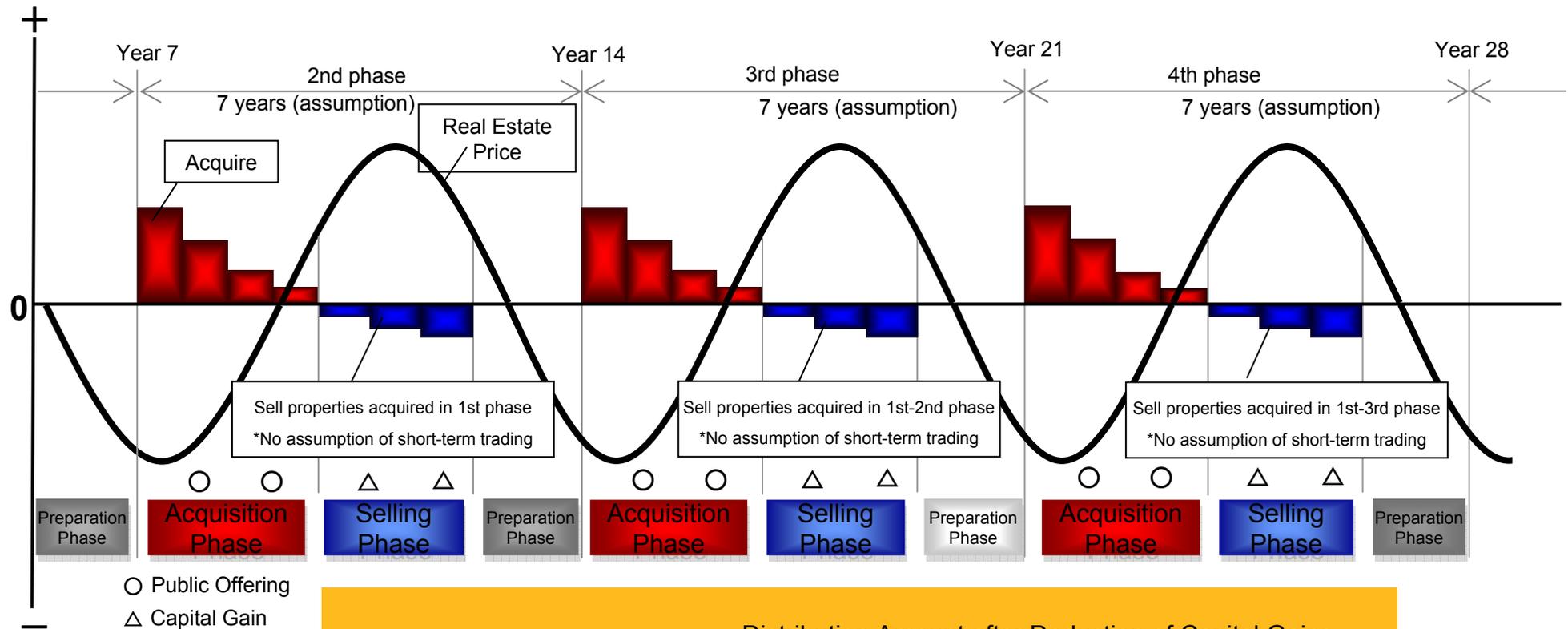
TOKYU REIT Capital Reinvestment Model of Capital Generated



*This page represents the view of Tokyu REIM.

Value & Contrary

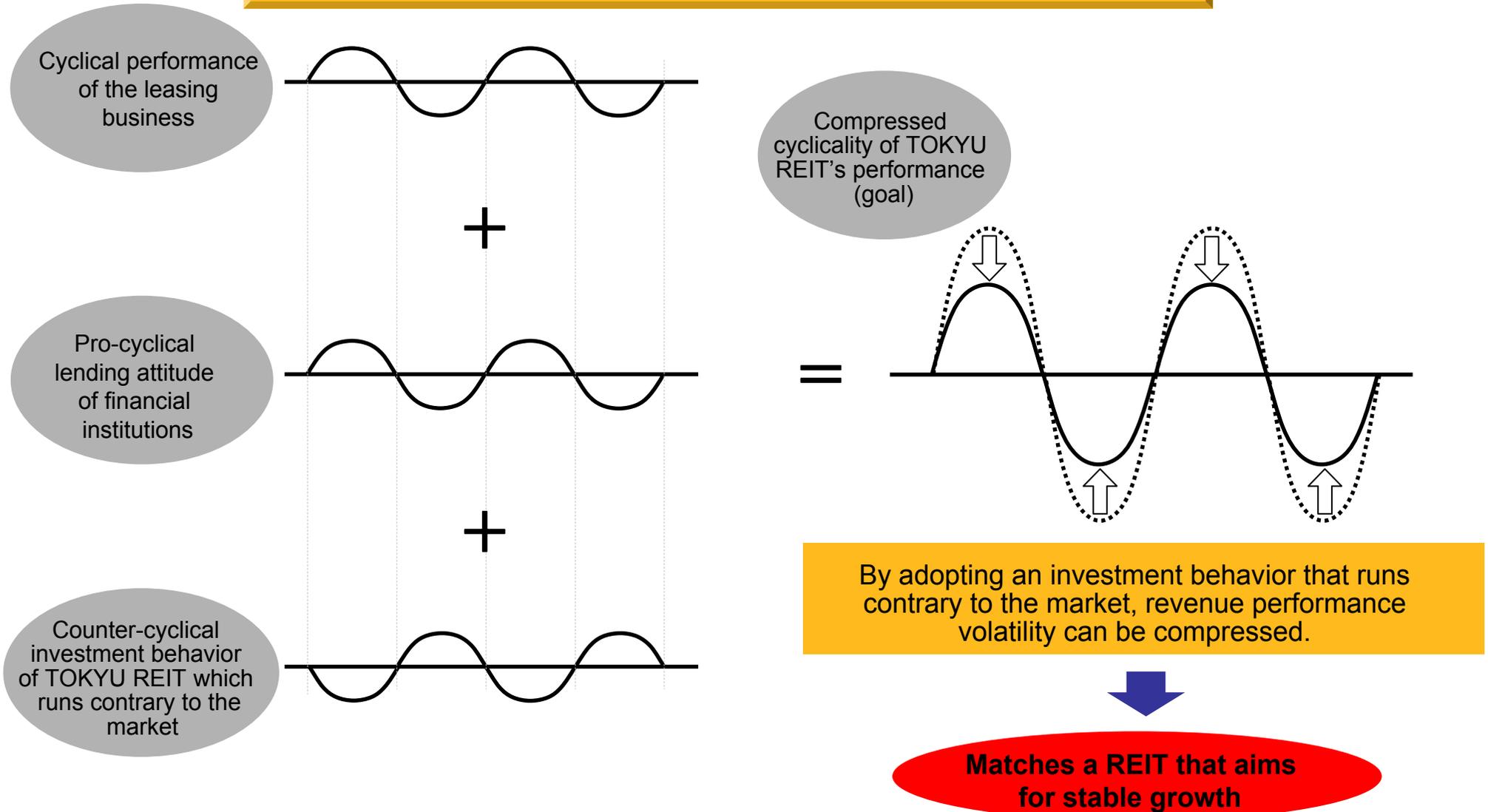
Focusing on the cyclicity of real estate prices, TOKYU REIT secures capital gains while interchanging properties, and achieves improvement of both portfolio quality (rejuvenating average age of property) and adjusted ROE



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

*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.

Attachment (3)

Proposal to Amend the Articles of Incorporation

Before the Amendments	Amendment Proposal
<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 <u>Synergy Effect with 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 <u>Synergy Effect with 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 <u>property management companies from among 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 <u>property management companies from 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>

* Underlined portions indicate changes.

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

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.