Q&A at Explanatory Meeting for Investors and Analysts for the 14th Fiscal Period Ended July 31, 2010 Held on September 14, 2010 (Summary)

<Questioner A>

(Question A-1-①) There is reported to be more property information from sellers. Why is it then that none have been followed through to acquisitions? (related to p.19 of presentation material)

(Answer) TOKYU REIT acquired two properties in March, but as April and onwards corresponds to general business companies' first half of the fiscal year, movements of such business companies were not so active. Several transactions were also actually pursued, but unfortunately did not end up being closed.

Movements are expected in the second half of the fiscal year.

In addition, concerning the properties owned by SPCs, private funds, etc., there are many cases in which opportunities for TOKYU REIT to make acquisitions arise in times when bank's lending attitude is harsh. This is because, in times like those, refinancing cannot be implemented and so properties are sold. On the other hand, refinancing seems to be progressing steadily for medium-sized or larger blue-chip properties, which is our investment target, as a result of improvement in the lending attitude and so there were not many cases of such properties going on the market.

(Question A-1-②) You've explained that acquisitions were not made due to different perspectives on price between sellers and buyers. Specifically what are the trends?

(Answer) For A-class office buildings, buyers offering high prices have also begun to emerge and the number of buyers also seems to be increasing. As a result, the balance of sellers and buyers seems to have become one where sellers have the upper hand.

(Question A-1-③) Will there be more acquisition opportunities hereafter?

(Answer) In terms of acquisition opportunities, TOKYU REIT has ample cash and is thus in a state in which we are blessed with many opportunities to obtain property information. Acquisition initiatives will continue to be proactively made, while keeping a close watch on market trends.

(Question A-2) Your company forecasts a decrease in distributions over the 15th to 16th fiscal periods. Even if rent decreases for some time, I would think that there will come a phase at some point when occupancy rates will recover and the plus of the increase in occupancy rates will surpass the minus of the decrease in rent income. When do you suppose that would be? (related to p.12 of presentation material)

(Answer) The market overall is starting to see signs of occupancy rates bottoming out, but severe circumstances for rent are thought to continue for at least half a year after occupancy rates bottom out. Accordingly, we think severe circumstances for distribution levels will continue to around the 16th or 17th fiscal periods.

Meanwhile, distributions are also affected by expenses incurred in procuring liabilities (such as interest expenses). TOKYU REIT reaps benefits of falling interest rates that surpass the rise in the spread after the Lehman Shock and the interest rate applicable to refinancing is lower than TOKYU REIT's average borrowing interest rate. As almost 100% of borrowings are long-term fixed-rate borrowings, the impact of those lower interest rates show with every change in interest rates from refinancing and, although moderate, we believe this covers for the slight decrease portion of the decrease in rent income.

<Questioner B>

(Question B-1) You talked about there now being buyers offering high prices in response to Question A-1-②. Please provide the specifics.

In addition, you explained that acquisition of office properties is targeted at an NOI cap rate of 5.2%. In actual practice, how much disparity is there between the cap rate at which properties are transacted and that 5.2%? (related to p.18 of presentation material)

(Answer) It is hard to say, but if explaining by taking transactions around Aoyama as an example, prices varied largely from our price perspective. Probably attributable to atypical circumstances, we hope that this price level does not become the consensus of the market.

Furthermore, the figure 5.2% is only a simulated figure and this figure is not the specific acquisition hurdle rate. It can be viewed as being the average value for acquisition properties, where it is in the 4.0 to 4.9% range in the case of offices in the 5 Central Tokyo Wards and in the 6.0 to 6.9% range in the case of suburban retail facilities. Future significance is believed to be in how medium-to long-term cash flow projections shall be made and prices estimated, rather than current rent and cap rates.

(Question B-2) The tenant exit rate at other REITs is gaining firm ground, but TOKYU REIT's office tenant exit rate in the 15th fiscal period is higher. I would like to know whether there is some special factor causing this, or whether it is that TOKYU REIT's portfolio is lagging behind and there will continue to be agreement cancellations. (related to p.23 of presentation material)

(Answer) The cause was a main tenant of Setagaya Business Square moving out of some of the floor space that it leases (reducing floor space within the facility) and we take it as being a special factor. Aside from that, tenants have also been moving in and it is looking brighter than before.

<Questioner C>

(Question C-1) The rate of disparity with the market rent for office rent as at the start of the 15th fiscal period was minus 28.4% (market's new contracted rent is 28.4% less than TOKYU REIT's office rent average), which is a wider disparity than the minus 27.8% rate of disparity as at the start of the 14th fiscal period. Would it be correct to interpret such data as also indicating that distributions will decrease as rent falls in the 15th and subsequent fiscal periods? (related to p.25 of presentation material)

(Answer) That would be correct, but among the agreements are also some that exhibit downward rigidity of rent and the rate of disparity may seem wider than it is for such agreements. The agreement renewal deadlines are also spread out and so the minus 28.4% is not thought to necessarily lead to a direct decrease as is.

(Question C-2) Does this pretty much mark the end of the fall in property appraisal values? Is there any possibility that appraisal values will decrease more than this and eat up the 3.0 billion yen in unrealized gains?

(Answer) As you have pointed out, there was a fall in appraisal values at the end of the 14th fiscal period. Meanwhile, actual market transaction prices have already ceased to fall, indicating appraisal values are lagging behind actual transaction prices. However, at this point in time, appraisers are probably not yet confident enough to drop the cap rate (leading to rising appraisal values) and so there will also likely to be properties whose appraisal values will fall if cash flows decrease. In addition to the 3.0 billion yen at the end of the 14th fiscal period, there is a buffer of about 1.0 billion yen in depreciation and amortization that will be recorded in the 15th fiscal period, but the risk of unrealized gains being eaten up at the end of the 15th fiscal period is recognized to be not zero.

(Question C-3) The appraisal value of Kojimachi Square was 9.1 billion yen when it was acquired in March 2010, but fell 0.3 billion yen to 8.8 billion yen as at the end of July. Could this possibly be an indication of having been lax on the valuation at the time of acquisition?

(Answer) The cash flow projection of the appraiser decreased compared to initial projections and so the appraisal value also fell. Although appraisal values are falling overall, a look at the outcome alone does undeniably cause reason for you to point out a lax on the estimation of appraisal value.

<u>The following is our thinking to supplement the Q&A at the explanatory meeting for investors and analysts, provided as reference.</u>

[Supplement (C-3 Answer)]

- The fall in the appraisal value this time is attributable to the rent estimated for the medium to long term being lowered by the appraiser in light of trends of weakening of the market rent in the future and trends of tenants, while the cap rate remained unchanged. Meanwhile, given the recent trends of the leasing market and trading market, we sees the market price of the Property will "remain roughly flat" unlike the appraisal value.
- The Property's contracted rent at present (at the time of acquisition) is relatively high. Thus, in the estimation of the price at the time of acquisition, the NOI cap rate for the fiscal year in which the acquisition was made was assumed to be 5.66% and the NOI cap rate for the medium to long term was assumed to be 4.84%. In addition, as it will be in a phase of rent corrections for some time, NOI cap rate was assumed to be on the decrease.

[Supplement (About the Long-Term Investment Management Strategy (Surf Plan))]

- The decrease in rent and worsening vacancy rates have negative impact on the existing portfolio, but are good occasions for making new property acquisitions. Plans are to boost EPS (net income per unit) by increasing income through new acquisitions utilizing cash reserves (approximately 15.0 billion yen), while containing the decline in cash flows of the existing portfolio.
- The long-term investment management strategy (Surf Plan) announced in September 2009 sets as one objective: to maintain and enhance the competitiveness of the portfolio by acquiring real estate that are investment targets at low prices and selling properties that are less competitive due to aging or other factors at high prices.

  This Surf Plan eyes making additional acquisitions at low prices, but real estate investments differ to securities investment in that the individuality of transactions is high and the liquidity is also low. Consequently, acquisition of many properties in bulk at the "lowest price" is thought to be difficult. Accordingly, prices could possibly drop after acquisition of properties "at low prices" under this Strategy. However, the risks of prices falling after acquisition is thought to be limited in the case of acquisitions made at low prices as compared with acquisitions made at high prices. That is why we adopt this Strategy.