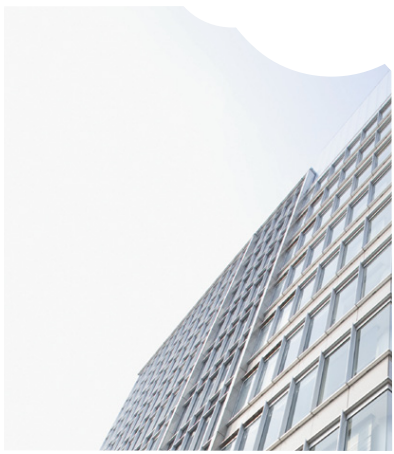


**Value  
&  
Contrary**



**TOKYU REIT**

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

TSE 8957

**14th Fiscal Period**

February 1, 2010 to July 31, 2010

**FINANCIAL RESULTS  
PRESENTATION**



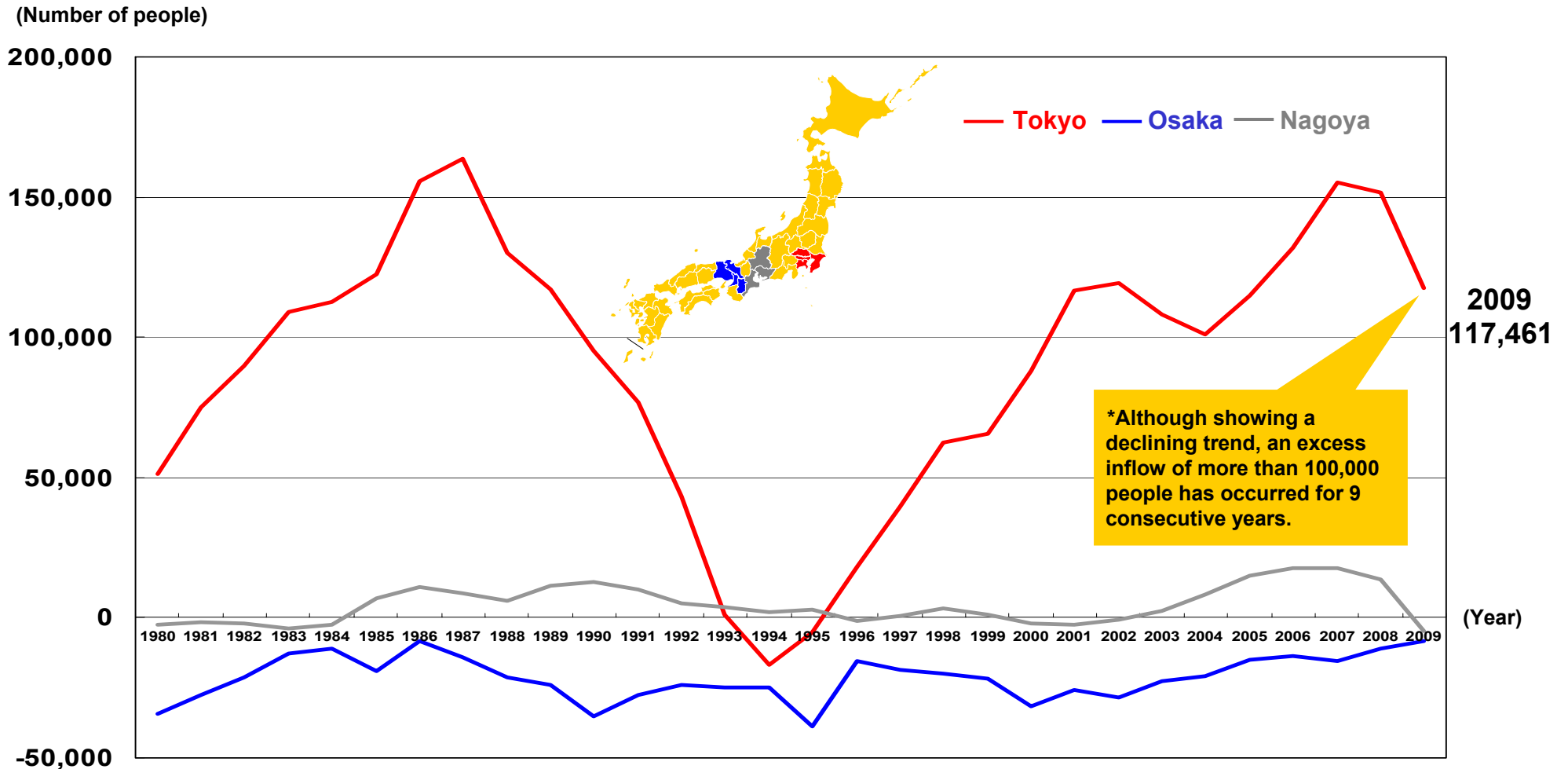
Investment in Highly Competitive Properties  
in Areas with Strong Growth Potential

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## **1. Investment Policy and Strategy**

# Excess Population Inflow into Three Major Metropolitan Areas (1980-2009)



**\* Excess inflow continues to occur in the Tokyo Metropolitan Area, while there is excess outflow occurring in the Osaka Metropolitan Area and Nagoya Metropolitan Area.**

Source: Population Movement from Basic Resident Register, Ministry of Internal Affairs and Communications

\*Comments by Tokyu REIM

## Investment in Highly Competitive Properties in Areas with Strong Growth Potential

### 1. Targeted Product Characteristics

#### (1) Yield product with the attractiveness of equity

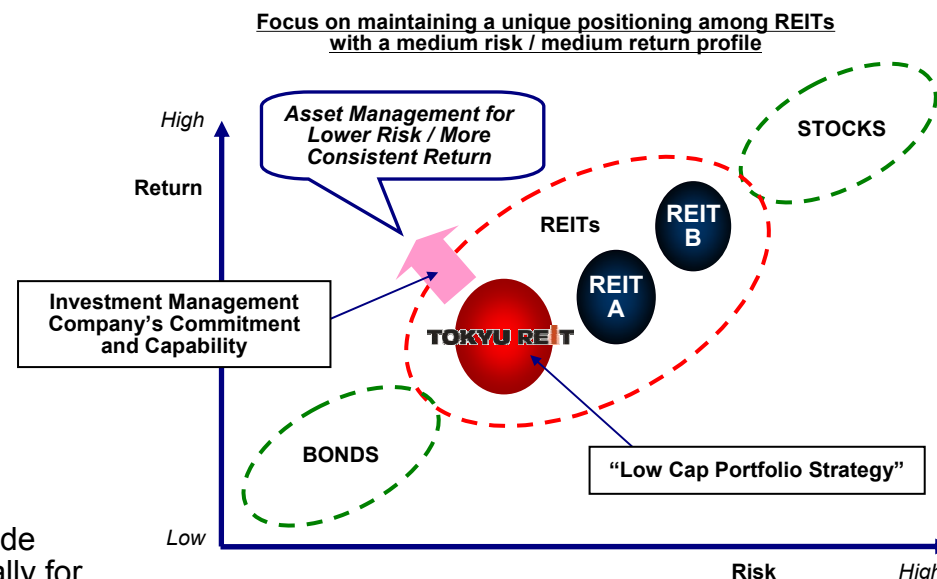
- Aim for EPS growth (higher quality of earnings) and enhancement of asset value

#### (2) Risk-Return Profile

- Establish a low risk, steady return portfolio with promising future growth potential  
→ “Low Cap Portfolio Strategy”
- Improve investment return while controlling risk through active management  
(Focus on risk management emphasizing risk vs. return)

#### (3) Global Product

- High quality product that meets the investment criteria of a wide variety of investors worldwide, including those investing globally for diversification purposes



### 2. Investment Policy

- |                        |   |
|------------------------|---|
| (1) Target Areas       | Limited to Tokyo Metropolitan Area (over 85% in Tokyo’s central 5 wards and in areas along Tokyu rail lines (“Tokyu Areas”))                          |
| (2) Sector Allocation  | Office : Retail = 60 : 40 (±10 points)  |
| (3) Size of Properties | In principle, invest in properties over 4 billion yen (for all properties), and with over 5,000 m <sup>2</sup> of floor space (for office properties) |

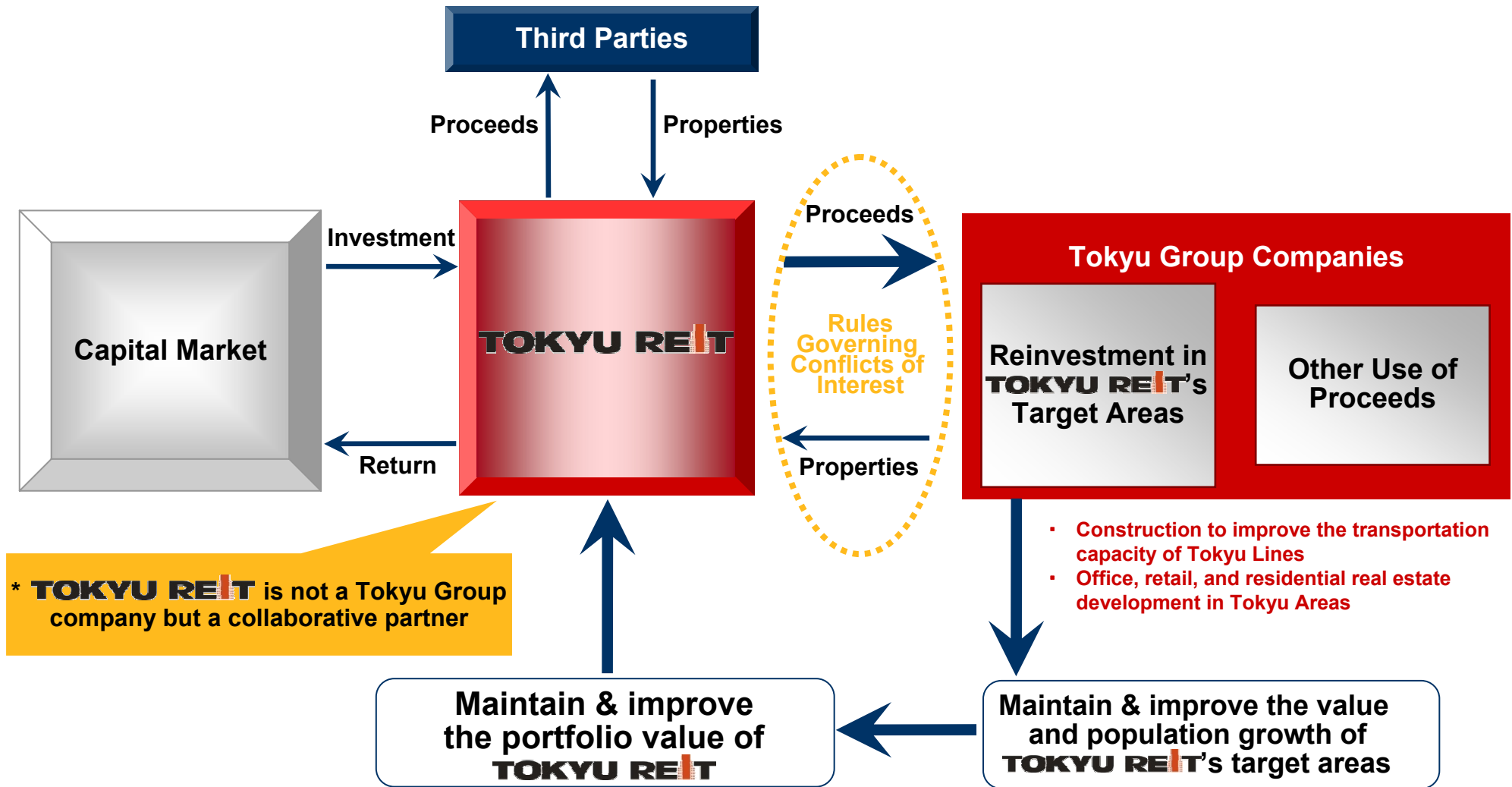
**\* Strive to further improve portfolio quality**

## Investment Stance of Tokyu REIM

Fiduciary Duties of Tokyu REIM as REIT Management Company	Employ an investment stance that enables the fulfillment of the “Fiduciary Duties” that are fundamental to the fiduciary Investment Manager and to provide significant added value
Fund Structure with High Transparency and Accountability	Improvement of disclosure, including IR activities, and the achievement of accountable management through the involvement of an independent third-party in the decision-making process
Collaboration	Growth and value enhancement of the Tokyu Areas through synergies from collaboration with Tokyu Group companies (Capital Reinvestment Model)
Brand Strategy	Leverage the “Tokyu Brand” name in leasing operations based on brand license agreement
Enhanced Measures Against Conflicts of Interest	Development of self-imposed rules to secure collaboration and governance to maximize the advantages of such cooperation
Diversified Portfolio	Diversification strategy employed to control downside risk associated with major properties and tenants
Strategic Financial Principle	Strategy focused on managing the required debt and equity risk premium while also securing additional funding availability
Investment Management Fee	Management fee structure linked to three performance indices to balance conflict by “being in the same boat as unitholders” Adoption of a structure to expense rather than capitalize the management fee
Resource Allocation Seeking Stability and Growth	Restrain the number of properties covered per investment manager, IR cost paid by Investment Management Company (Tokyu REIM) Utilize experience and expertise of employees assigned from Tokyu Group companies
Long-Term Investment Management Strategy	Value & Contrary (Surf Plan) presented separately

# Capitalize on Synergies with Tokyu Group Companies in Tokyu Areas

## Reinvestment of Capital Generated through TOKYU REIT



\* TOKYU REIT is not a Tokyu Group company but a collaborative partner

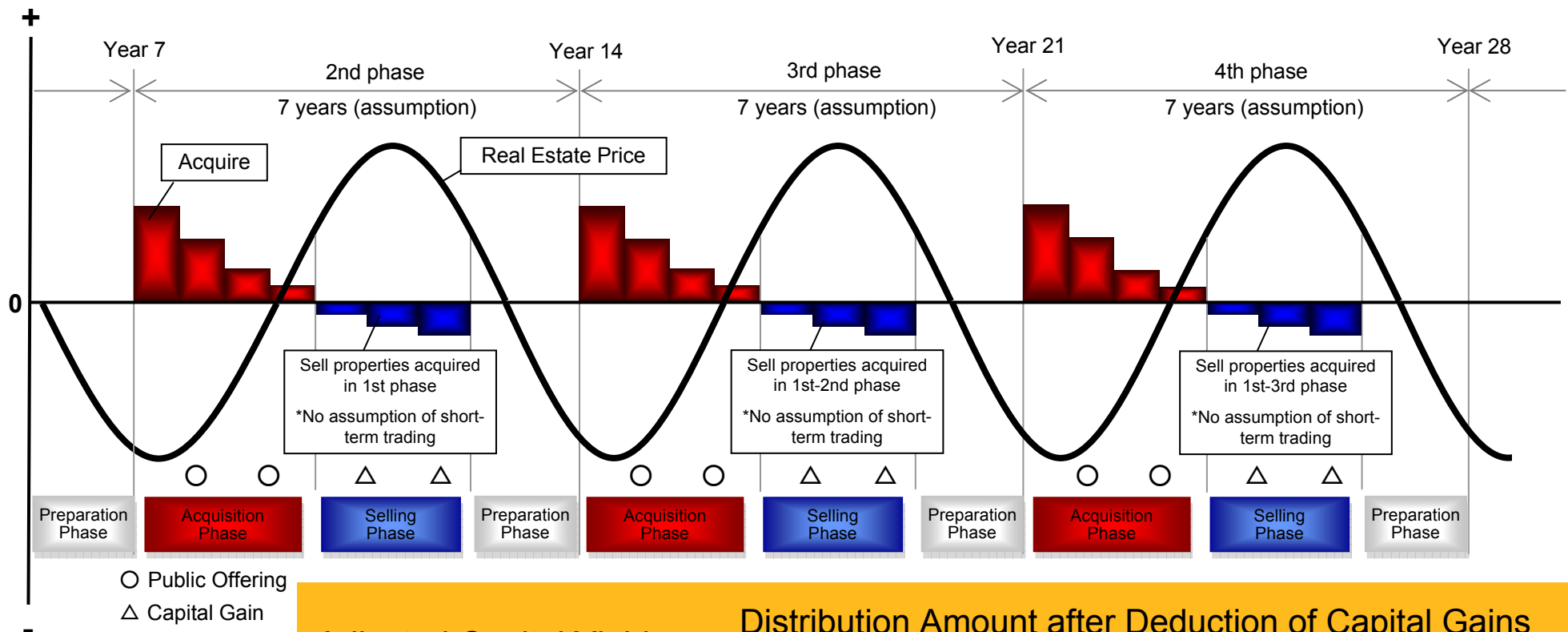
- Construction to improve the transportation capacity of Tokyu Lines
- Office, retail, and residential real estate development in Tokyu Areas

\*Comments by Tokyu REIM

# Long-Term Investment Management of TOKYU REIT (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

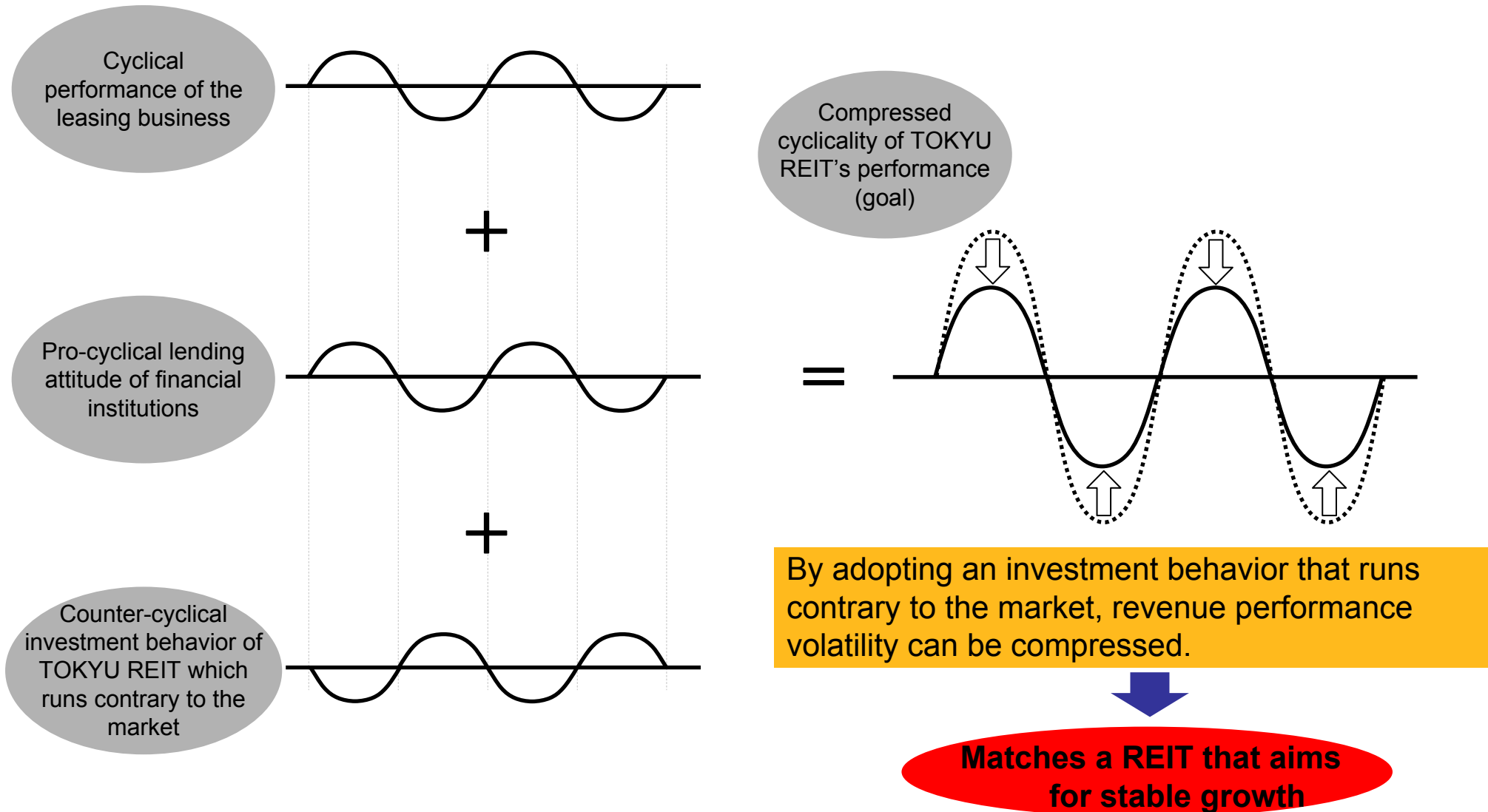


$$\text{Adjusted Capital Yield (Adjusted ROE)} = \frac{\text{Distribution Amount after Deduction of Capital Gains}}{\text{Total Capital} - \text{Accumulated Distribution of Capital Gains}}$$

\*This page represents the view of Tokyu REIM.



# Compression Effect of Cyclicity: Objective of the Surf Plan



# Adjusted ROE Matrix

Cumulative Capital Gains Going Forward		Distribution per Unit after Deduction of Capital Gain								
		¥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%
	¥500 mn	3.99%	4.39%	4.79%	5.19%	5.59%	5.99%	6.39%	6.79%	7.19%
	¥1,000 mn	4.02%	4.37%	4.82%	5.22%	5.63%	6.03%	6.43%	6.83%	7.23%
	¥2,000 mn	4.07%	4.47%	4.88%	5.29%	5.69%	6.10%	6.51%	6.91%	7.32%
	¥5,000 mn	4.22%	4.64%	5.06%	5.48%	5.91%	6.33%	6.75%	7.17%	7.59%
	¥10,000 mn	4.50%	4.95%	5.40%	5.85%	6.30%	6.75%	7.20%	7.65%	8.10%

Item	Amount						
Capital (¥ mn) a	98,020						
Capital Gains (¥ mn) b	12,716						
<table border="1"> <tr> <td>Yokohama Yamashita-cho Building (Barneys New York Yokohama Store)</td> <td>1,637</td> </tr> <tr> <td>Resona Maruha Building</td> <td>18,259</td> </tr> <tr> <td>Ryoshin Harajuku Building</td> <td>-7,180</td> </tr> </table>	Yokohama Yamashita-cho Building (Barneys New York Yokohama Store)	1,637	Resona Maruha Building	18,259	Ryoshin Harajuku Building	-7,180	
Yokohama Yamashita-cho Building (Barneys New York Yokohama Store)	1,637						
Resona Maruha Building	18,259						
Ryoshin Harajuku Building	-7,180						
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						



## **2. Topics**

### **(1) Financial Results and Forecast**

# Operating Results

		14th Period Actual Ended Jul. 2010 (181 days)	13th Period Actual Ended Jan. 2010 (184 days)	Change	(%)	14th Period Forecast as of 3/25/2010	Change	(%)
Distribution per Unit	(¥)	12,598	79,446	-66,848	-84.1	11,900	698	5.9
Adjusted ROE	(%)	5.04	5.53	-0.49	-8.8			
Average LTV	(%)	53.2	47.9	5.3	—	53.2	0.0	—
LTV at End of Period	(%)	48.4	45.8	2.6	—	46.3	2.1	—
Balance of Cash and Bank Deposits at End of Period	(¥ million)	16,454	52,685	-36,231	-68.8	16,870	-416	-2.5
Acquisition Capacity through Cash and Bank Deposits	(¥ million) b	14,320	39,228	-24,908	-63.5	14,854	-534	-3.6
Acquisition Capacity through Debt	(¥ million) a	6,367	18,754	-12,387	-66.0	15,402	-9,035	-58.7
Total Acquisition Capacity	(¥ million) a+b	20,687	57,982	-37,295	-64.3	30,256	-9,569	-31.6
Average Balance of Assets during the Period (Based on Acquisition Price)	(¥ million)	181,132	201,328	-20,196	-10.0	181,132	0	0.0
Occupancy Rate (End of Period)	(%)	96.8	96.9	-0.1	—	96.6	0.2	—
NOI Yield	(%)	5.11	4.91	0.20	—	4.96	0.15	—
Unrealized Gain	(¥ million)	3,006	10,178	-7,172	-70.5			
Adjusted Net Asset Value (NAV) per Unit	(¥)	596,447	638,789	-42,342	-6.6			
Average Unit Price during the Period	(¥)	470,862	478,579	-7,717	-1.6			

- Average LTV = (Average Balance of Interest-Bearing Debt + Average Balance of Security Deposits without Reserved Cash) / Appraisal Value at End of Previous Period or Weighted Average Appraisal Value at Acquisition
- LTV at End of Period = (Balance of Interest-Bearing Debt at End of Period + Balance of Securities Deposit without Reserved Cash at End of Period) / (Appraisal Value at End of Period or Average Appraisal Value at Acquisition + Balance of Cash and Deposits with Banks at End of Period)
- Acquisition Capacity through Cash and Bank Deposits = the Balance of Cash and Bank Deposits at End of Period – Balance of Retained Earnings at End of Period
- Acquisition Capacity through Debt indicates the potential acquisition by debt assuming a maximum LTV at the end of the period of 50%.
- NOI Yield = Leasing NOI / Average Acquisition Price of Properties during the Period
- Unrealized Gain is the balance after deducting the book value from the appraisal value of properties at the end of the period.
- Adjusted Net Asset Value per Unit is (Total Capital + Unrealized Gain) / Outstanding Units. Total Capital does not include Retained Earnings.
- Detailed B/S and P/L data are in the separate DATA BOOK.
- Adjusted ROE = Distribution Amount after Deduction of Capital Gains / (Total Capital – Accumulated Distribution of Capital Gains)

## 15th Period (Ending Jan. 2011) Estimates

- **Projected EPS: ¥11,000 (change from 14th period ¥ -1,598)**
  - **Net Income: ¥1,863 million**      change from 14th period      ¥ -271 million (profit decrease)
  - **Profit from Leasing Operations**      change from 14th period      ¥ -284 million (profit decrease)
    - ✓ Contribution from Kojimachi Square (full period)      ¥ 65 million
    - ✓ Contribution from ORIX Shinjuku Building (full period)      ¥ 66 million
    - ✓ Profit decrease of existing 21 properties      ¥ -376 million
      - Cancellation Fee decrease      ¥ -227 million
      - Rental Revenue decrease      ¥ -99 million
      - Repair Cost increase      ¥ -45 million
  - **Investment Management Fee**      ¥ 9 million (cost decrease)
  - **Non-Operating Expenses**      ¥ 24 million (cost decrease) etc.  
(Interest expense decrease: ¥6 million)
- **Projected Adjusted ROE: 4.3%**    **LTV / Total Assets: 43.6%**    **LT Debt Ratio: 100.0%**    **Period End Occupancy Estimate: 95.6%**  
(Of which, fixed-interest debt ratio: 98.4%)

## 16th Period (Ending Jul. 2011) Estimates

- **Projected EPS: ¥10,800**
  - **Operating Income: ¥6,212 million**      **Recurring Profit: ¥1,830 million**      **Net Income: ¥1,829 million**
- **Projected Adjusted ROE: 4.3%**    **LTV / Total Assets: 43.7%**    **LT Debt Ratio: 100.0%**    **Period End Occupancy Estimate: 95.6%**  
(Of which, fixed-interest debt ratio: 98.4%)

\* Tenants submitting their notice of cancellation are expected to leave vacancies up until and past the 16th period. In addition, rent level factors in the effect of the recent deterioration in the real estate market.

\* LTV / Total Assets = Expected Period End Interest-Bearing Debt / Expected Period End Total Assets

\* Interest-Bearing Debt does not include Security Deposits provided by tenants.

## ■ Response Status for New Accounting Rules

(Unit: ¥ million)

Accounting Rule	Start of Application	Response Status	Amount Posted on Balance Sheet and Fair Value		
				Assets	Liabilities
Disclosure of fair value of financial products	14th fiscal period (ended Jul. 2010)	Disclosure of information such as fair value of financial products (cash and bank deposits, borrowings, investment corporation bonds and a portion of security deposits) whose fair value can be calculated, starting from the 14th fiscal period (ended Jul. 2010).	Amount posted on balance sheet	26,613	95,117
			Fair value (Note 1)	26,613	96,324
			Difference	0	1,207
Disclosure of fair value of investment and rental properties	14th fiscal period (ended Jul. 2010)	Disclosure of appraisal value at end of period, which we have been announcing from before, as the normal value (fair value), starting from the 14th fiscal period (ended Jul. 2010).	Amount posted on balance sheet	178,433	—
			Fair value (Note 2)	181,440	—
			Difference	3,006	—
Asset retirement obligations	15th fiscal period (ending Jan. 2011)	In view of evidence, etc. currently available, we are considering whether or not a rational estimate is possible. Currently, we are not accounting these into the assumptions behind the forecast of business results.	—		
Disclosure of segment-related information		We are currently considering a disclosure format based on the segments we are currently disclosing (sector and area).	—		

(Note 1) Fair value of liabilities is calculated using current value, which is equivalent to the future cash flows of the principal and interest, etc. by discounted interest rates, etc. that take into account credit risk, etc.

(Note 2) Fair value of investment and rental properties is the appraisal value of all portfolio properties computed by outside real estate appraisers.

## ■ Accounting Processing of Free-Rent Agreements

TOKYU REIT posts income based on cash (1st~14th fiscal period results and 15th~16th fiscal period forecasts)

\* For the so-called free-rent agreement, there are two accounting processing methods for a leasing agreement for which a certain period during which cancellations cannot be made (b) after the free-rent period (a) is established. They are the following:

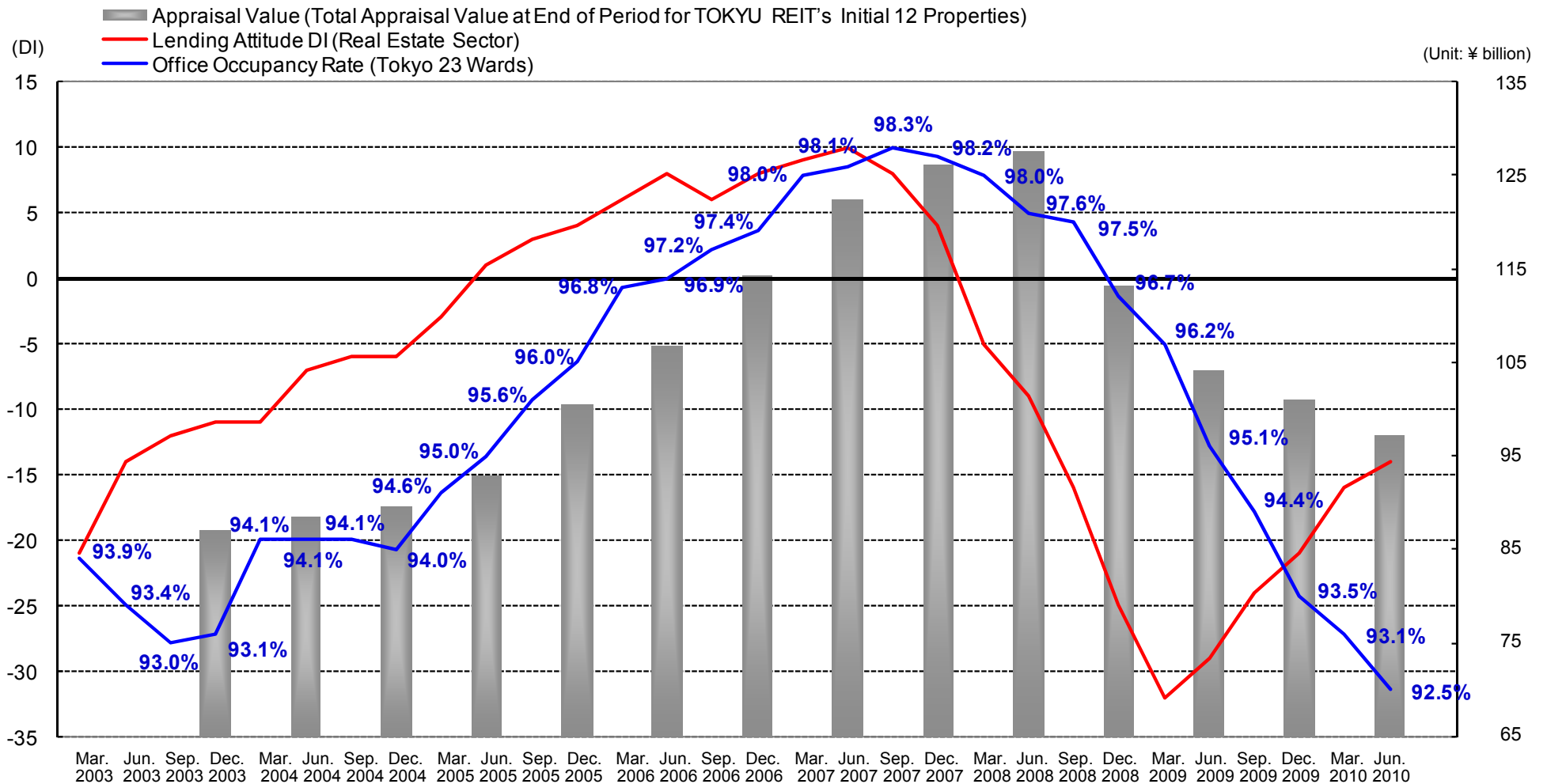
- Method of posting as income (based on cash) the rent actually received after the free-rent period.
- Method of posting the pro-rated total rents of the agreement for the full period ((a)+(b)).



## **2. Topics**

### **(2) Investment Management Overview**

# Changes in Lending Attitude DI/ Occupancy Rate/Appraisal Value



\* "TOKYU REIT's Initial 12 Properties" refers to the 11 properties TOKYU REIT incorporated into its portfolio at the time of listing and the TOKYU REIT Shibuya Udagawa-cho Square it acquired during the 2nd fiscal period, making a total of 12 properties.

• The December 2003 figure for TOKYU REIT Shibuya Udagawa-cho Square is the appraisal value as of October 1, 2003.

Source: BOJ (Tankan Survey) and "Office Market Report" issued by CBRE Research Institute



# Investment Environment Decisions, and Investment and Management Activities under the Surf Plan

## 1. Investment Environment Decisions (15th Fiscal Period (Ending Jan. 2011))

### Decisions: Acquisition Phase

- While uncertainties remain for the macro economy as a whole, the economy is slowly recovering. On the other hand, within the real estate leasing market, occupancy rates and asking rents are both on the decline and have not bottomed out. Continuous rents are also following a similar track and real estate cash flows are showing no signs of improving.
- The lending attitude of financial institutions towards real estate companies bottomed out in March 2009 and has continued to recover. However, the DI still remains in minus territory. In the real estate market, the number of sellers is limited and a shortage of supply can be seen. Furthermore, rents which saw a decline are now being adjusted. Therefore, we think that the rise in cap rates has already peaked.
- Based on these, real estate prices of office and retail properties in the Tokyo Metropolitan Area have bottomed out, while time will be required for a full-fledged recovery. Since we think that they are still in the bottom range, we judged that the fiscal period under review (15th fiscal period) is still in the acquisition phase as it was in the previous fiscal period (14th fiscal period).

## 2. Investment and Management Activities

		14th Fiscal Period		15th Fiscal Period	
		Policy	Results	Policy	
Investment Activity	Acquisition	Office	<ul style="list-style-type: none"> <li>• Since the 2 properties sold during the 13th fiscal period were offices, we placed priority on offices (quality properties ranging from A~B+ Class properties in the 5 central wards of Tokyo) during deliberations</li> <li>• Properties in the 10 billion yen range were envisioned</li> </ul>	<ul style="list-style-type: none"> <li>• Acquisition of Kojimachi Square (9.03 billion yen; March 19, 2010)</li> <li>• Acquisition of the ORIX Shinjuku Building (9 billion yen; March 26, 2010)</li> </ul>	<ul style="list-style-type: none"> <li>• Since the 2 properties sold during the 13th fiscal period were offices, we placed priority on offices (quality properties ranging from A~B+ Class properties in the 5 central wards of Tokyo) during deliberations</li> <li>• While focusing primarily on properties in the 10 billion yen range, we also added value properties worth more than 4 billion yen to our deliberations</li> </ul>
		Retail (Urban)	<ul style="list-style-type: none"> <li>• Quality properties were targets of deliberations</li> </ul>	<ul style="list-style-type: none"> <li>• Since there were very few projects that were considered as well as a variation in price, we did not conclude any contracts.</li> </ul>	<ul style="list-style-type: none"> <li>• In addition to quality properties, we also made under-priced properties the target of deliberations</li> </ul>
		Retail (Suburban)	<ul style="list-style-type: none"> <li>• Under-priced properties were targets of deliberations (value investment)</li> </ul>	<ul style="list-style-type: none"> <li>• There were projects that were considered, but no contracts were concluded.</li> </ul>	<ul style="list-style-type: none"> <li>• We continued to make under-priced properties the target of deliberations</li> </ul>
	Selling	<ul style="list-style-type: none"> <li>• Selection of candidate properties in preparation for the coming selling phase</li> </ul>	<ul style="list-style-type: none"> <li>• Selection of candidate properties in preparation for the coming selling phase</li> </ul>	<ul style="list-style-type: none"> <li>• Selection of candidate properties in preparation for the coming selling phase</li> </ul>	
Management Activity	Leasing	<ul style="list-style-type: none"> <li>• Emphasis on occupancy in view of a projected rise in vacancy rates</li> </ul>	<ul style="list-style-type: none"> <li>• New contracts were concluded with 11 tenants and the occupancy rate as of the end of the 14th fiscal period was 96.8% (0.2 pts above the occupancy rate forecast as of March 25)</li> </ul>	<ul style="list-style-type: none"> <li>• Continued to emphasize occupancy</li> </ul>	
	Asset safeguarding	<ul style="list-style-type: none"> <li>• Renovation work, cost reduction, asset studies and global warming measures</li> </ul>	<ul style="list-style-type: none"> <li>• We implemented renovation work accompanying the change in tenant type and rental revenue increased</li> <li>• By reviewing the building maintenance agreement, we were able to reduce costs</li> <li>• Implemented asset studies of 2 properties</li> </ul>	<ul style="list-style-type: none"> <li>• Continued to implement renovation work, cost reduction, asset studies and global warming measures</li> <li>• Deliberated also on accumulating capital expenditure in view of falling construction prices.</li> </ul>	

\*This page represents the view of Tokyu REIM.

# Ideas Behind Disposition of the Two Properties and Reinvestment

## Disposition of the Two Properties

Realization of maximum value

Risk aversion

Distribution of capital gains

\*Two Properties: Resona Maruha Building and Ryoshin Harajuku Building sold during the 13th fiscal period



## Acquisition Activities

Property acquisition based on the long-term investment management strategy (Value & Contrary)

## Securing of Cash Position

Maintain a reserve of collected funds on hand to increase our negotiating power



## Replace Properties to Increase Portfolio Quality

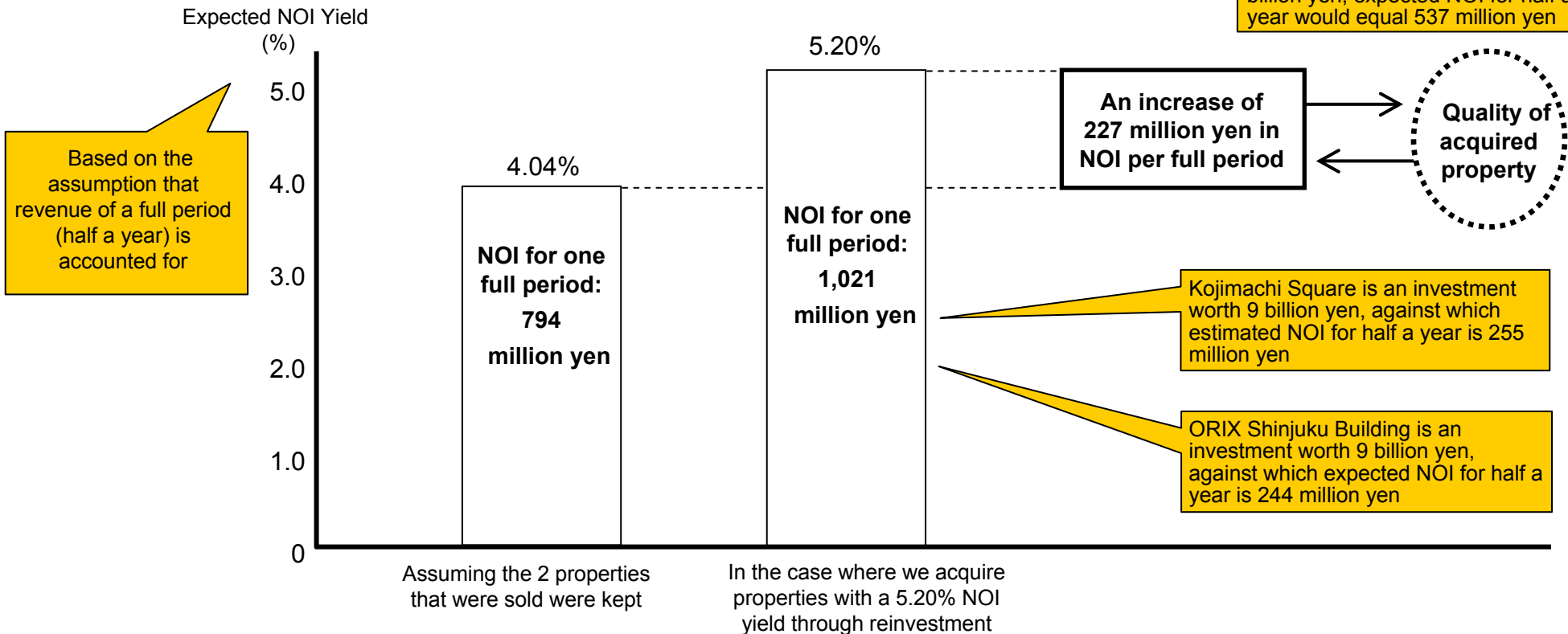
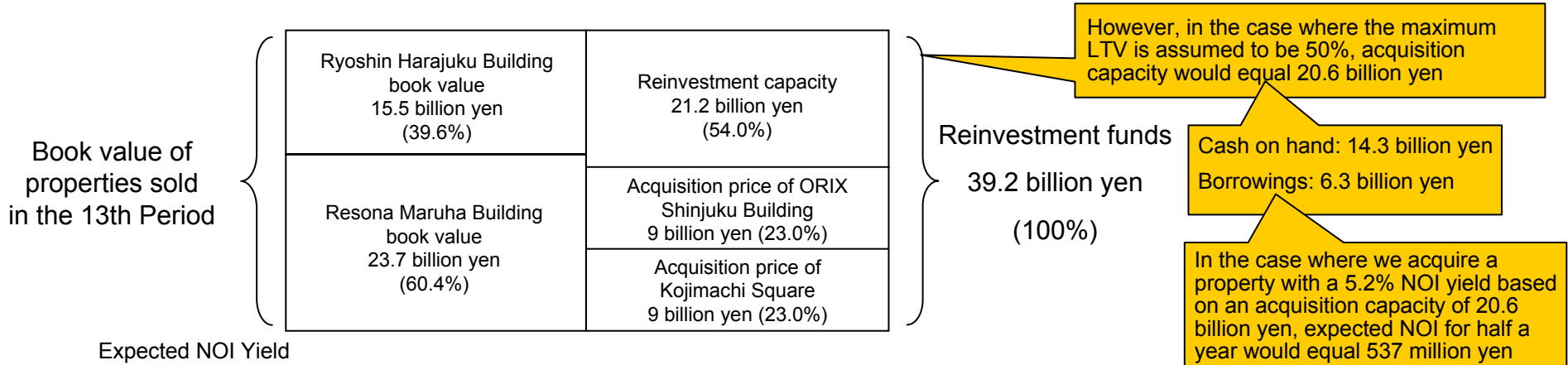
CF increases  
(growth through replacement)

Rejuvenate average  
property age

Diversification

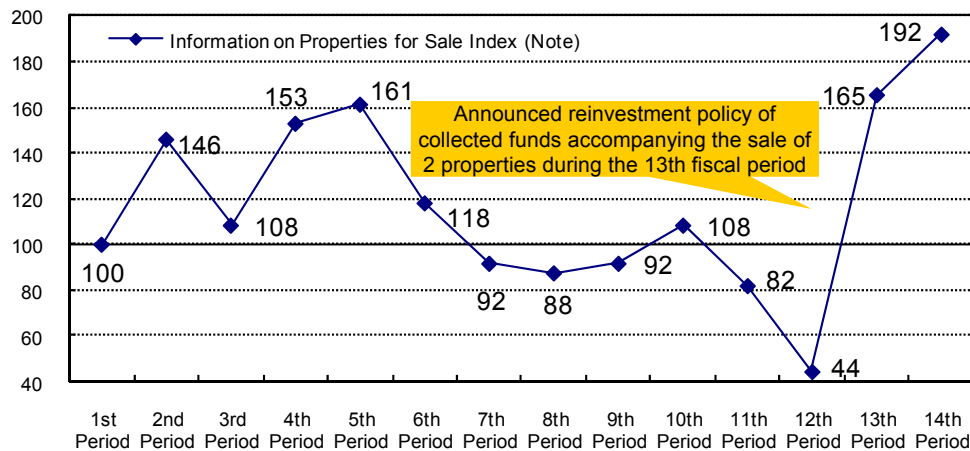
Reduce risk

# Reinvestment Simulation



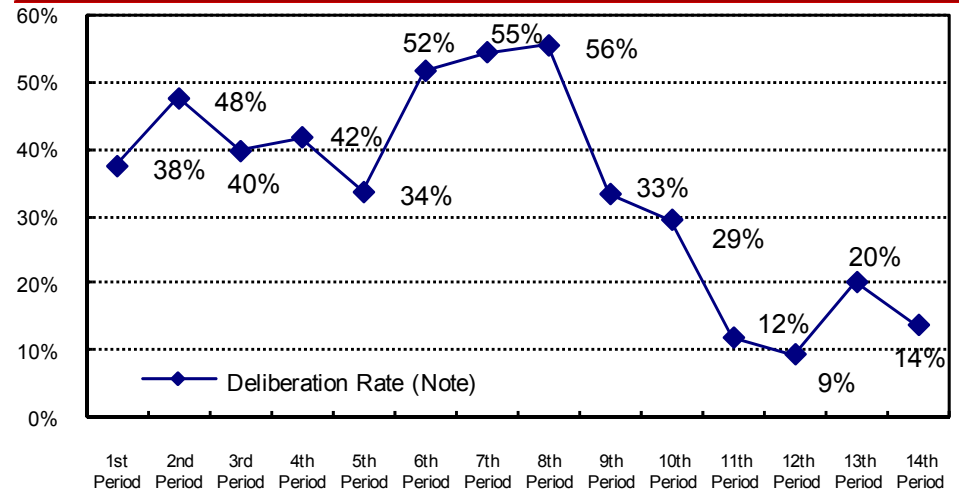
# Awareness of Environment Surrounding the Real Estate Trading Market and Investment Targets

## Information on Properties for Sale



(Note) The Information on Properties for Sale Index was created through indexation of the number of information on property for sale acquired by Tokyu REIM by setting that of the 1st period as 100.

## Deliberation Rate of Information on Properties for Sale



(Note) Deliberation Rate is the percentage of the number of cases considered within TOKYU REIT out of the number of properties for sale acquired by Tokyu REIM for which information was available.

**From the 13th fiscal period, the number of properties for sale for which information is available has increased**

**On the other hand, there have been few properties on sale which TOKYU REIT has been targeting and there has been a variation of price. Therefore, we have been carefully considering properties which would continue to improve the quality of the portfolio.**

## Current Investment Target

- A Class Offices : Large-scale properties which are favorable in terms of both location and building specifications
- B+ Class Offices : Medium-scale properties which are slightly inferior to A class offices in terms of location and building specifications
- Retail (Urban) : Properties with high growth potential, in a busy commercial area, and with high tenant demand
- Retail (Suburban) : Properties in a trade area with high commercial activity and in an area where there is little opportunity for similar rival stores to open business

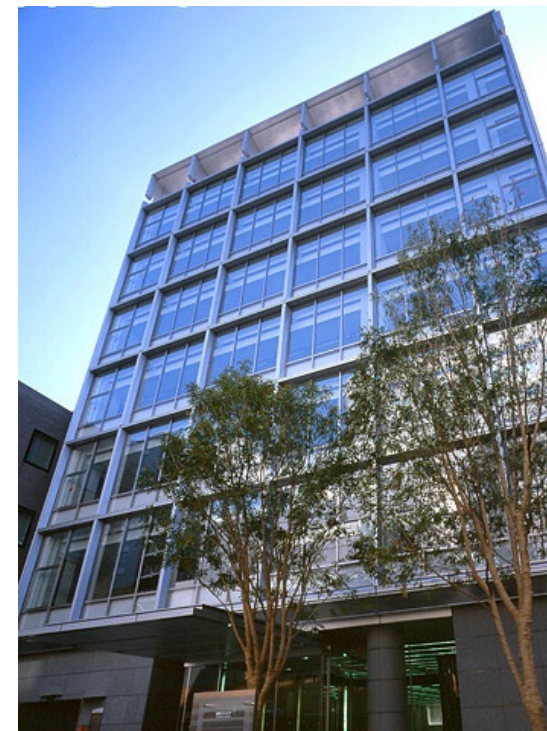
\*From the viewpoint of ensuring stable cash flow, acquisition of *sokochi* also remains a target.

\*This page represents the view of Tokyu REIM.

# Acquisition of Kojimachi Square

## 1. Summary

- **Type of Acquisition:** Trust beneficiary interest in real estate
- **Use:** Office
- **Tenants:** Japan Science and Technology Agency, Construction Industry Engineers Center, etc.
- **Location:** Nibancho, Chiyoda-ku, Tokyo  
Approximately a one-minute walk from Kojimachi Tokyo Metro Yurakucho Line
- **Total Land Area:** 1,269.24m<sup>2</sup>
- **Total Floor Area:** 6,803.47m<sup>2</sup>
- **Type of Ownership:** Land: Proprietary ownership  
Building: Proprietary ownership
- **Acquisition Price:** 9,030 million yen
- **NOI Yield :** 5.66% (expected yield of acquisition fiscal year)  
(based on acquisition price) 4.84% (expected yield in the medium to long term)
- **Appraisal Value at Acquisition:** 9,100 million yen (as of February 1, 2010)
- **NCF Cap Rate:** 4.70% (Direct capitalization method)  
(based on appraisal value at acquisition)
- **Completion Date:** January 2003
- **Acquisition Date:** March 19, 2010
- **Seller:** Verde Investment Ltd.  
(a special-purpose company (SPC) established under instruction of Tokyu Land Corporation)



## 2. Characteristics and Issues

- **Strengths:** A one-minute walk from the nearest station, several train lines and stations nearby, competitive building specifications are competitive, relatively new, floors with highly versatile design and high occupancy
- **Weaknesses:** Not a very busy commercial area
- **Risk:** Fluctuation of rental revenues with changes in the real estate leasing market
- **Special Items:** The border of the road cuts into sections of the land (confirmed with the Ward Office that this presents no problem)  
Urban planning changes to build a road apply to certain sections (approx. 15m<sup>2</sup>; setback has been completed)

# Acquisition of ORIX Shinjuku Building

## 1. Summary

- **Type of Acquisition:** Domestic real estate
- **Use:** Office
- **Tenants:** ORIX Corporation, Daido Life Insurance Company, etc.
- **Location:** Shinjuku, Shinjuku-ku, Tokyo  
Approximately a one-minute walk from Shinjuku-Sanchome Station, Tokyo Metro Marunouchi and Fukutoshin Lines and Toei Shinjuku Line
  
- **Total Land Area:** 1,113.87m<sup>2</sup>
- **Total Floor Area:** 8,720.09m<sup>2</sup>
- **Type of Ownership:** Land: Proprietary ownership  
Building: Proprietary ownership
  
- **Acquisition Price:** 9,000 million yen
- **NOI Yield:** 5.44% (expected yield of acquisition year)  
(based on acquisition price) 4.98% (expected yield in the medium to long term)
- **Appraisal Value at Acquisition:** 9,790 million yen (as of February 1, 2010)
- **NCF Cap Rate:** 4.50% (Direct capitalization method)  
(based on appraisal value at acquisition)
  
- **Completion Date:** May 2003
- **Acquisition Date:** March 26, 2010
- **Seller:** ORIX JREIT Inc.

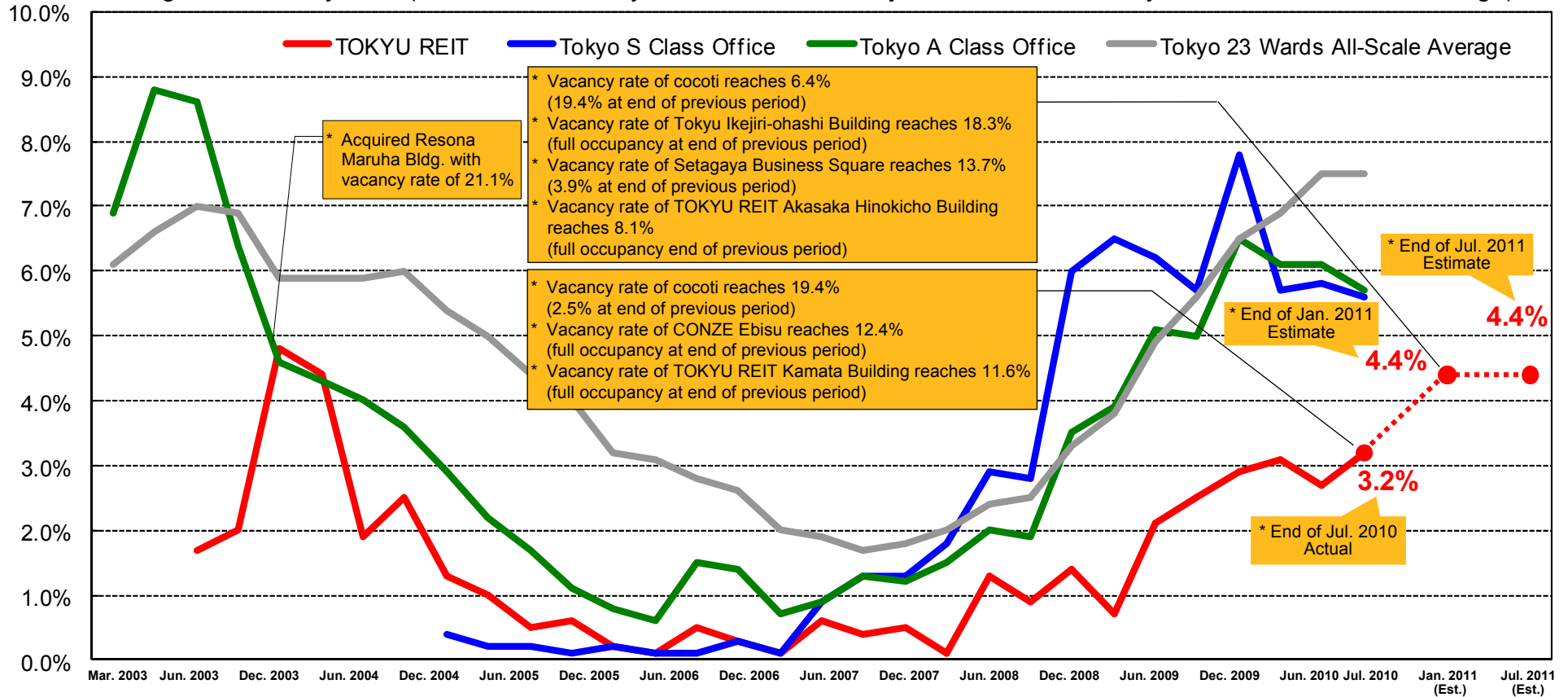


## 2. Characteristics and Issues

- **Strengths:** A one-minute walk from the nearest station, several train lines and stations nearby, building specifications are competitive, relatively new and high occupancy
- **Weaknesses:** Not many offices are concentrated there in comparison to the Nishi-Shinjuku area
- **Risk:** Fluctuation of rental revenues with changes in the real estate leasing market
- **Special Items:** A compartmentalized land surface right has been set up for a portion of the property in conjunction with the construction of entrances and exits for a subway station on the Tokyo Metro Fukutoshin Line. Tokyo Metro Co., Ltd. holds the said right.

# Changes in Vacancy Rate

Changes in Vacancy Rate (TOKYU REIT, Tokyo S Class Office, Tokyo A Class Office, Tokyo 23 Wards All-Scale Average)



(Note) S Class Office and A Class Office are defined by CB Richard Ellis Research Institute.

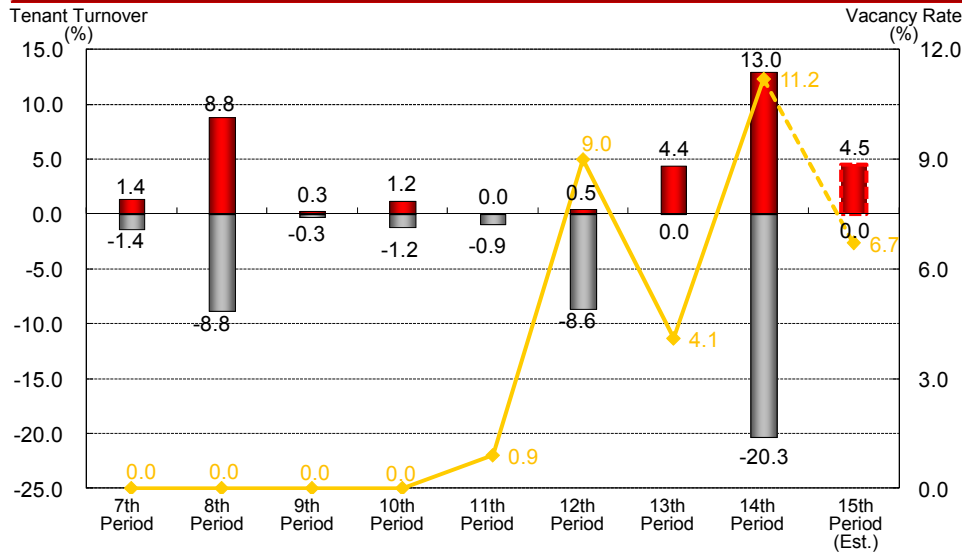
S Class Office... Office buildings located in Tokyo's major 5 wards with especially significant features as an office property (features include total floor space over 20,000 tsubo, typical floor area over 500 tsubo)

A Class Office... Located in Tokyo's major 5 wards (Chiyoda, Chuo, Minato, Shinjuku, Shibuya) with features including total floor space of over 10,000 tsubo and typical floor area over 200 tsubo)

**\* TOKYU REIT's portfolio has lower vacancy than the average market rate in Tokyo and has recorded stable performance**

# Changes in Tenant Turnover and Vacancy Rate

## Retail (Urban)



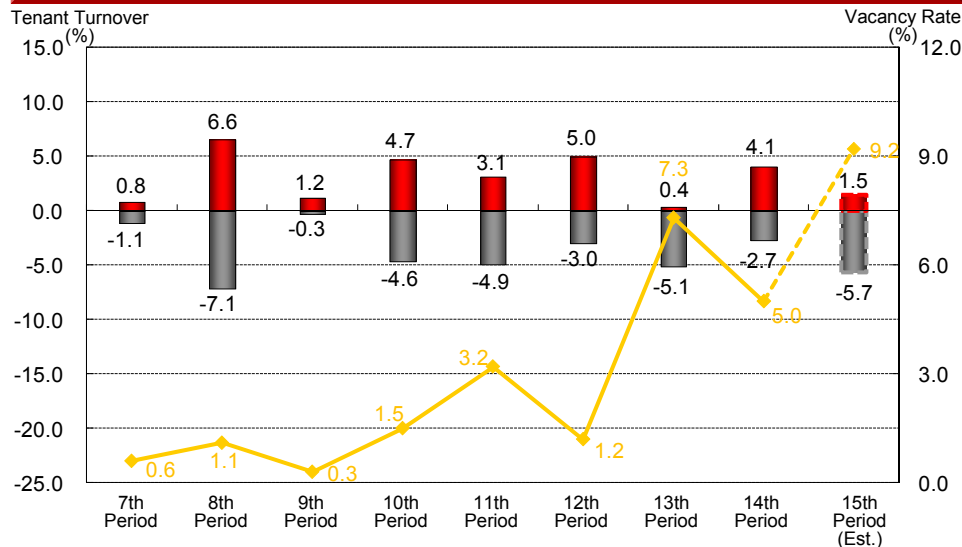
- \* Retail (Urban)
  - QFRONT
  - TOKYU REIT Omotesando Square
  - Lexington Aoyama
  - TOKYU REIT Shibuya Udagawa-cho Square
  - cocoti
  - CONZE Ebisu
  - Daikanyama Forum

- \* Retail (Suburban)
  - Tokyu Saginuma Building
  - Tokyu Saginuma 2 Building
  - Beacon Hill Plaza (Ito-Yokado Noukendai Store)
  - Shonan Mall Fill (*sokochi*)

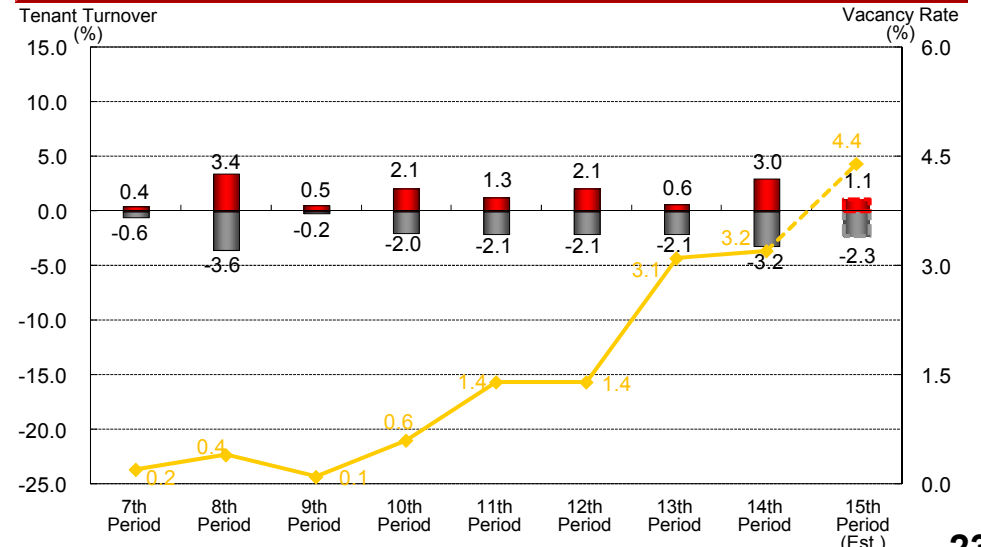
**\* 100% occupancy for suburban retail properties**

**\* Overall portfolio is at the same level**

## Office



## Overall Portfolio





# Status of Leasing Activities

Type	Name of Property	Status
Retail	Lexington Aoyama	<ul style="list-style-type: none"> <li>Progress was not made on new contracts during the 14th period and so the occupancy rate at the end of the 14th period remains at 73.1% or the same as the end of the 13th period.</li> <li>Currently conducting marketing for the vacant spaces (approx. 171 tsubo), targeting merchandising stores.</li> </ul>
	cocoti	<ul style="list-style-type: none"> <li>Against cancellations for 4 spaces, there were new contracts for 2 spaces during the 14th period</li> <li>A total of 3 spaces (approx. 488 tsubo) became vacant and the occupancy rate as of the end of the 14th period fell to 80.6% (97.5% at end of 13th period).</li> <li>For the above 3 spaces, we conducted marketing targeting merchandising stores such as apparel stores. As a result, a new contract was concluded for 1 space (approx. 328 tsubo) in August and so the expected occupancy rate as of the end of the 15th period is 93.6%</li> <li>For the 2 vacant spaces (approx. 160 tsubo), we are currently negotiating with several candidates under the goal of soliciting tenants who have the power to attract customers in line with the facility's concept.</li> </ul>
	CONZE Ebisu	<ul style="list-style-type: none"> <li>During the 14th period, a cancellation for 1 space arose and the occupancy rate fell to 87.6% as of the end of the 14th period (100% at end of 13th period).</li> <li>Currently conducting marketing for 1 vacant space (approx. 87 tsubo), targeting restaurants.</li> </ul>
	Daikanyama Forum	<ul style="list-style-type: none"> <li>Progress was not made on new contracts during the 14th period and so the occupancy rate at the end of the 14th period remains at 91.5% or the same as the end of the 13th period.</li> <li>Currently conducting marketing for 1 vacant space (approx. 64 tsubo), targeting merchandising stores, showrooms, etc.</li> </ul>
Office	Setagaya Business Square	<ul style="list-style-type: none"> <li>During the 14th period, progress was made on new contracts and on tenants moving in and the occupancy rate as of the end of the 14th period recovered to 96.1% (89.4% at end of 13th period). Meanwhile, the expected occupancy rate as of the end of the 15th period is 86.3%.</li> <li>Currently conducting marketing for 15 vacant spaces (approx. 1,020 tsubo), including the space scheduled for cancellation as of the end of the 14th period, targeting offices conducting restructurings and moving out of central Tokyo, IT-related companies, etc. (Note 1)</li> </ul>
	TOKYU REIT Toranomon Building	<ul style="list-style-type: none"> <li>Progress was not made on new contracts during the 14th period and so the occupancy rate at the end of the 14th period remains at 72.4%, or the same as the end of the 13th period.</li> <li>Currently conducting marketing for 4 vacant spaces (approx. 875 tsubo), including the spaces scheduled for cancellation as of the end of the 14th period, targeting offices conducting restructurings and relocations, or needing to integrate their offices, etc.</li> </ul>
	Tokyu Ikejiri-ohashi Building	<ul style="list-style-type: none"> <li>The occupancy rate as of the end of the 14th period was 100%. However, we received a cancellation notice for 1 space (approx. 315 tsubo) during the 14th period and so the expected occupancy rate as of the end of the 15th period is 81.7%.</li> <li>Currently conducting marketing for the above 1 space, targeting offices conducting restructurings and relocations, IT-related companies, apparel stores, etc.</li> </ul>
	TOKYU REIT Kamata Building	<ul style="list-style-type: none"> <li>During the 14th period, a cancellation for 1 space arose and the occupancy rate fell to 88.4% as of the end of the 14th period (100% at end of 13th period).</li> <li>Currently conducting marketing for 1 vacant space (approx. 257 tsubo), targeting companies related to manufacturers on the same train line.</li> </ul>
	TOKYU REIT Akasaka Hinokicho Building	<ul style="list-style-type: none"> <li>The occupancy rate as of the end of the 14th period was 100%. However, we received a cancellation notice for 1 space on the 1st floor (approx. 73 tsubo) during the 14th period and so the expected occupancy rate as of the end of the 15th period is 91.9%.</li> <li>Currently conducting marketing for the above 1 space, targeting restaurants, clinics, etc.</li> </ul>
	Tokyo Nissan Taito Building	<ul style="list-style-type: none"> <li>Received a cancellation notice for 1 space (approx. 132 tsubo) during the 14th period, but by conducting marketing targeting the vicinity area, we concluded a new contract during the 14th period.</li> <li>The occupancy rate at the end of the 14th period remains at 100% or the same as the end of the 13th period.</li> </ul>
Others	<ul style="list-style-type: none"> <li>Out of the total 23 properties, 16 properties had full occupancy as of the end of 14th period. We expect 13 properties to have full occupancy as of the end of the 15th period and end of the 16th period.</li> <li>The occupancy rate at the end of the 14th period for all 23 properties was 96.8%. The expected occupancy rate at the end of 15th and 16th periods are 95.6% and 95.6%, respectively (Note 2).</li> </ul>	

\* 14th Period: February 1, 2010 – July 31, 2010    15th Period: August 1, 2010 – January 31, 2011    16th Period: February 1, 2011 – July 31, 2011

(Note 1) Areas indicated for Setagaya Business Square are the figures for the 55% co-ownership interest.

(Note 2) Expected occupancy rate at the end of the 15th and 16th periods only reflect tenants with whom contracts have been contracted and tenants from whom we have received cancellation notices as of August 24, 2010.

# Status of Existing Tenants

## Percentage of Tenants Facing Rent Renegotiation

Asset Class	15th Period	16th Period	17th Period	18th Period	19th Period	20th Period
Retail	3.9%	17.5%	21.2%	10.2%	24.2%	5.4%
Urban	3.1%	7.9%	29.3%	4.6%	14.7%	8.1%
Suburban	5.4%	36.3%	5.4%	21.0%	42.7%	0.0%
Office	23.0%	32.0%	14.6%	22.5%	10.9%	36.5%
Total	15.1%	26.0%	17.4%	17.4%	16.4%	23.6%

\* Retail (Urban): QFRONT  
 TOKYU REIT Omotesando Square  
 Lexington Aoyama  
 TOKYU REIT Shibuya  
 Udagawa-cho Square  
 cocoti  
 CONZE Ebisu  
 Daikanyama Forum

\* Retail (Suburban): Tokyu Saginuma Building  
 Tokyu Saginuma 2 Building  
 Beacon Hill Plaza  
 (Ito-Yokado Noukendai Store)  
 Shonan Mall Fill (*sokochi*)

\* Percentage calculated by dividing rent for tenants facing rent renegotiation by total rent by asset class  
 \* Rent includes common service charge (except revenue from parking / sign charge).  
 \* As of beginning of 15th Period

## Divergence from Market Rent

Asset Class	6th Period Beginning (16 Properties)	7th Period Beginning (17 Properties)	8th Period Beginning (19 Properties)	9th Period Beginning (19 Properties)	10th Period Beginning (20 Properties)	11th Period Beginning (23 Properties)	12th Period Beginning (23 Properties)	13th Period Beginning (21 Properties)	14th Period Beginning (21 Properties)	15th Period Beginning (23 Properties)
Retail	9.3%	9.4%	11.1%	10.6%	9.0%	9.2%	1.7%	-3.3%	-10.0%	-8.2%
Urban	13.3%	14.5%	16.7%	15.9%	13.5%	13.4%	2.5%	-4.8%	-14.8%	-12.2%
Suburban	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	-0.3%	-0.2%	-0.3%
Office	4.2%	12.5%	14.1%	16.0%	15.6%	11.5%	-5.9%	-19.8%	-27.8%	-28.4%
Total	6.3%	11.1%	12.8%	13.7%	12.9%	10.6%	-2.9%	-12.3%	-19.7%	-20.0%

\* Since occupancy rates are high, it does not mean that continuous rents will immediately decrease to market levels.

\* The rate of decrease is decelerating.

\* Market rents underperformed against contracted rents due to market deterioration.

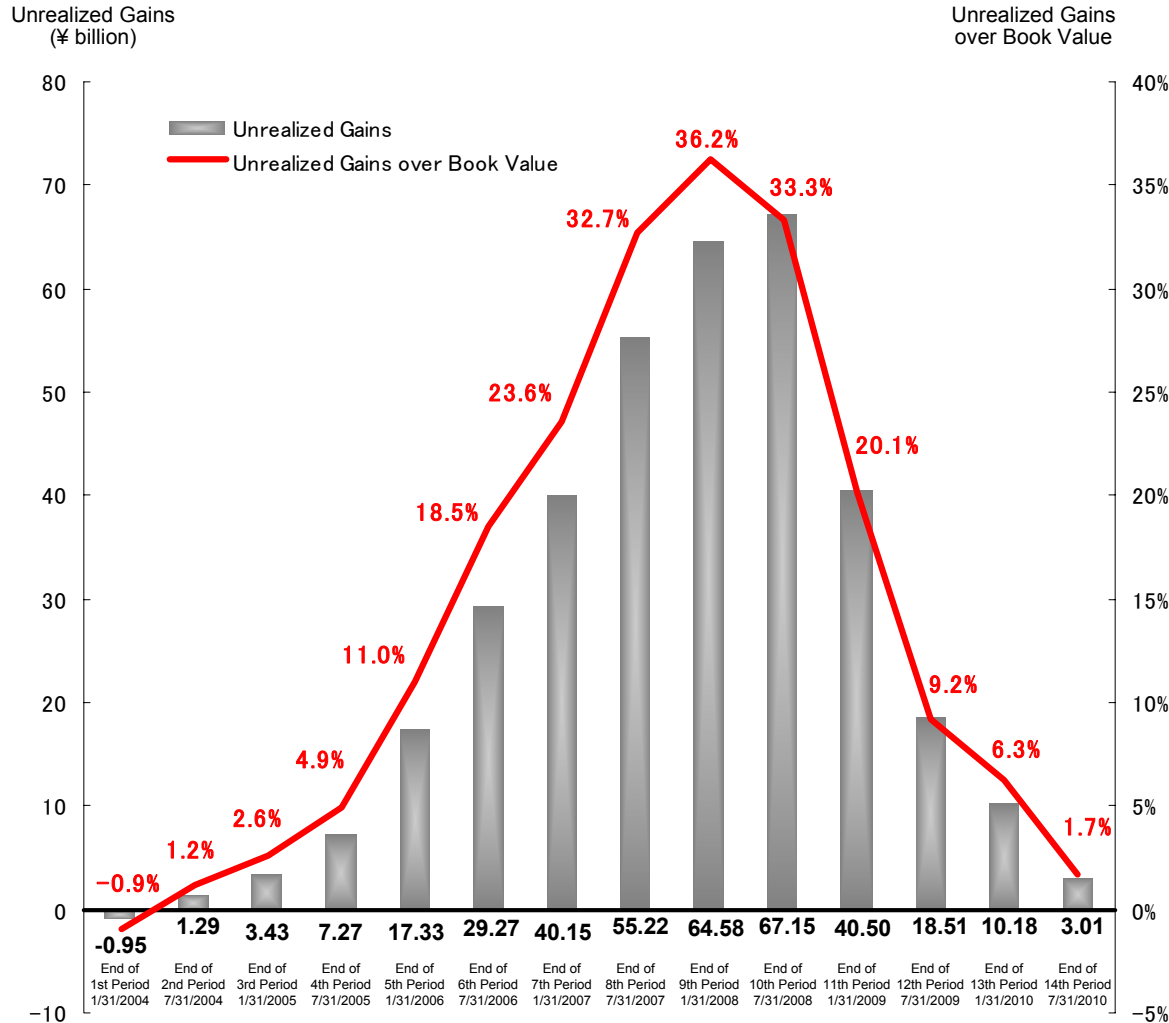
\* Divergence = (New market rent - Rent at beginning of period) / Rent at beginning of period  
 \* Market rent is calculated by Tokyu REIM based on market reports of third parties.  
 \* Monthly rent at the beginning of each period includes common service charges (except revenue from parking / sign charge).  
 \* Yokohama Yamashita-cho Bldg. (Barneys New York Yokohama Store) is excluded from the 6th Period Beginning.  
 \* 13th Period Beginning excludes the Resona Maruha Building and Ryoshin Harajuku Building.

\*Comments by Tokyu REIM

Major Activities	Current Period (14th Period)	Plans for the Next Period (15th Period)
<p><b>Renovation</b></p>	<ul style="list-style-type: none"> <li>■ QFRONT Renovation (11 million yen) (Note 1) in tandem with the moving out and moving in of tenants on the 7th floor.                             <ul style="list-style-type: none"> <li>• Rental revenue increased due to change in tenant type.</li> </ul> </li> </ul> <div data-bbox="450 480 1283 820"> </div> <p>(Note 1) Construction amount equivalent to CapEx is indicated.</p>	<ul style="list-style-type: none"> <li>■ Tokyu Ikejiri-ohashi Building: Renovation of external wall (112 million yen) (Note 2)                             <ul style="list-style-type: none"> <li>• By selecting the panel cover construction method, future maintenance costs of tiles and joints are significantly reduced.</li> <li>• Approximately 8% reduction of air-conditioning load from external walls.</li> <li>• Obligation to add as a bidding condition, “acquisition of estimates from several cooperative companies,” and thereby suppress constructions costs.</li> </ul> </li> <li>■ TOKYU REIT Toranomon Building: Upgrading of air-conditioning equipment (50 million yen) (Note 2)                             <ul style="list-style-type: none"> <li>• Promoting energy saving through conversion to inverters</li> </ul> </li> <li>■ Other than these, we will deliberate accumulating capital expenditure in view of falling construction prices</li> </ul> <p>(Note 2) Planned construction amount equivalent to CapEx is indicated.</p>
<p><b>Cost Reduction</b></p>	<ul style="list-style-type: none"> <li>■ Appropriate assessment of the risk of failure or deterioration due to the reduction of maintenance conducted</li> <li>■ Reduced an equivalent of 4 million yen per annum as a result of reviewing building maintenance agreements</li> </ul>	<ul style="list-style-type: none"> <li>■ Through the use of benchmarks, reviews of cooperative companies, revisions of specifications, and other activities, we will strive to reduce costs, including building maintenance costs and utility costs.</li> </ul>
<p><b>Asset Study</b></p>	<ul style="list-style-type: none"> <li>■ Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building) and Tokyu Saginuma Building                             <ul style="list-style-type: none"> <li>• Studies in tandem with the re-acquisition of estimates for repair and maintenance costs in July 2010 (ER company)</li> <li>• Cross-checked with fixed asset ledger and implemented studies on property management conditions and such in August 2010</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>■ TOKYU REIT Shibuya Udagawa-cho Square and Beacon Hill Plaza (Ito-Yokado Noukendai Store) are planned                             <ul style="list-style-type: none"> <li>• Re-acquisition of estimates for repair and maintenance costs in January 2011 (ER company)</li> <li>• Cross-check with fixed asset ledger and studies on property management conditions and such in January 2011</li> </ul> </li> </ul>
<p><b>Global Warming Measures</b></p>	<ul style="list-style-type: none"> <li>■ Submitted an energy usage statement to the Ministry of Economy, Trade and Industry in July 2010</li> </ul>	<ul style="list-style-type: none"> <li>■ Setagaya Business Square                             <ul style="list-style-type: none"> <li>• A property subject to the Tokyo Metropolitan Ordinance on Environmental Preservation</li> <li>• Start deliberations on the accreditation system of top level and semi-top level business establishments</li> </ul> </li> </ul>

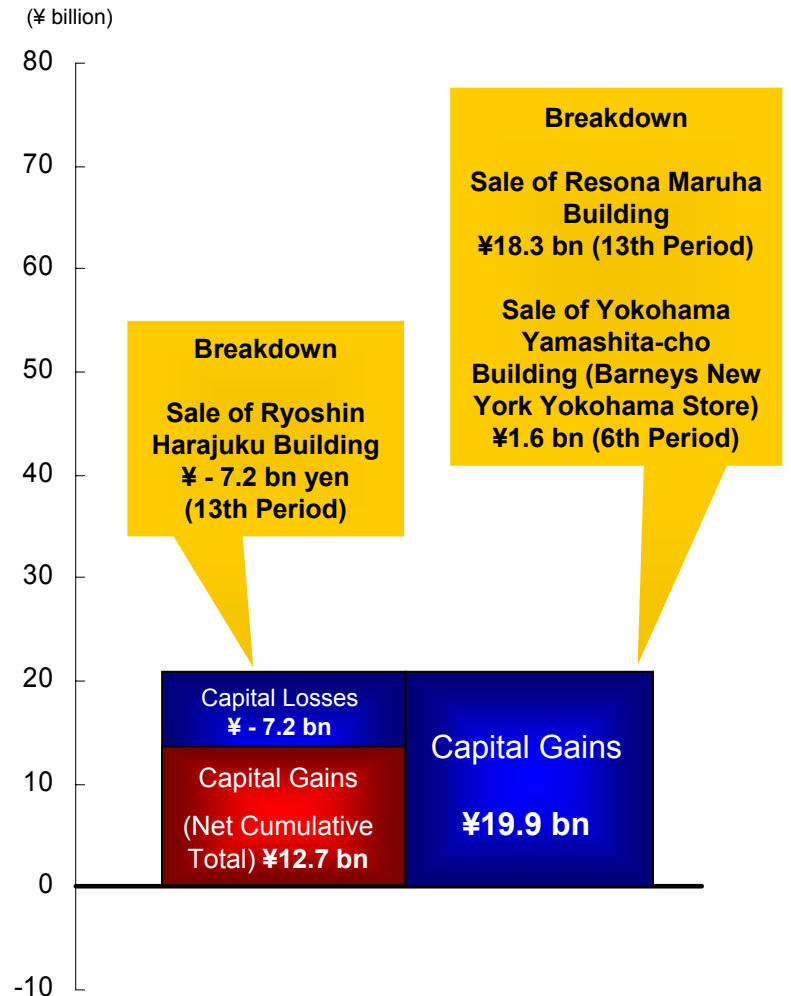
# Unrealized Gains and Capital Gains

## Unrealized Gains



\*  $\text{Unrealized Gains over Book Value} = \text{Unrealized Gains} / \text{Book Value of Assets}$

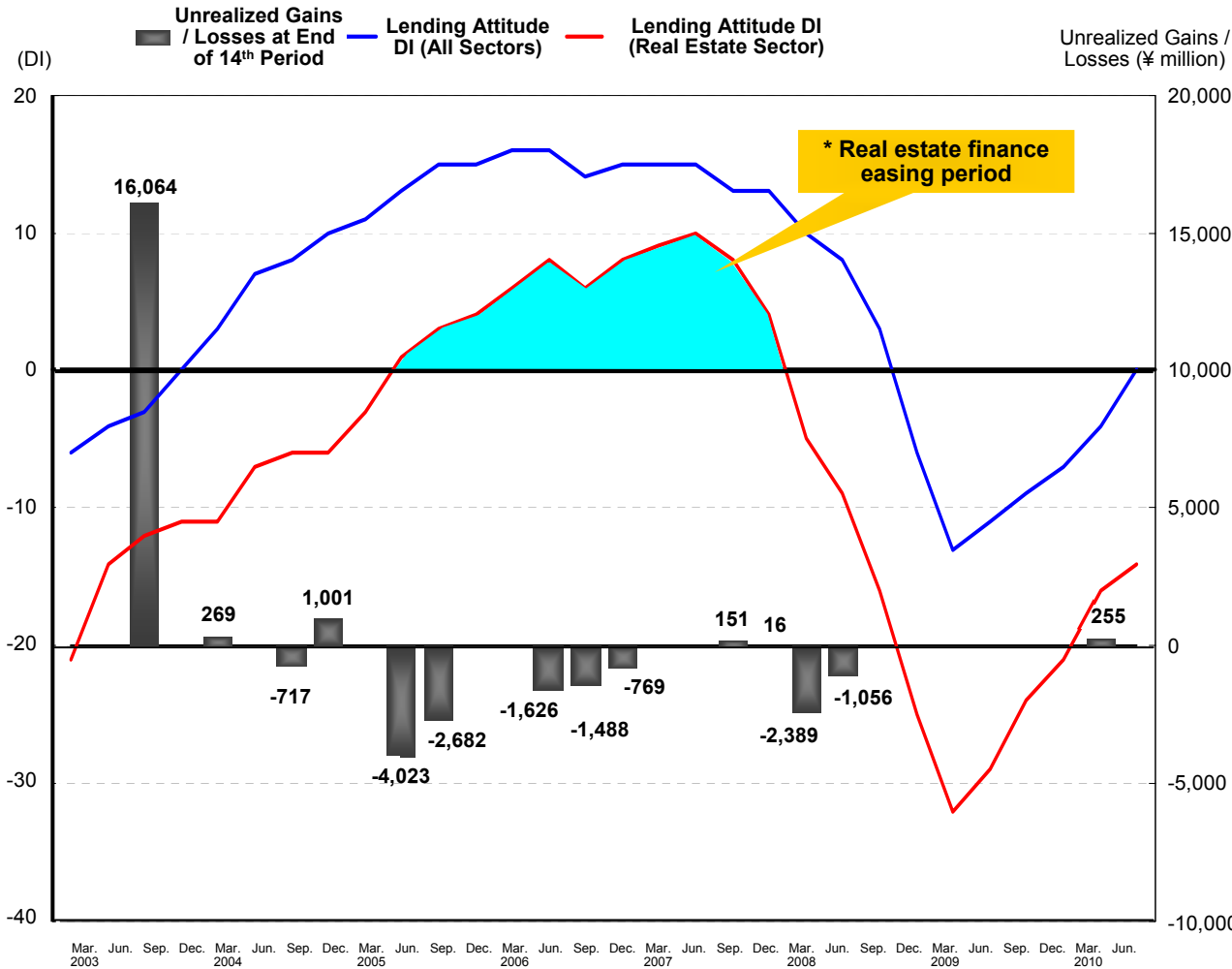
## Capital Gains (Realized Gains)



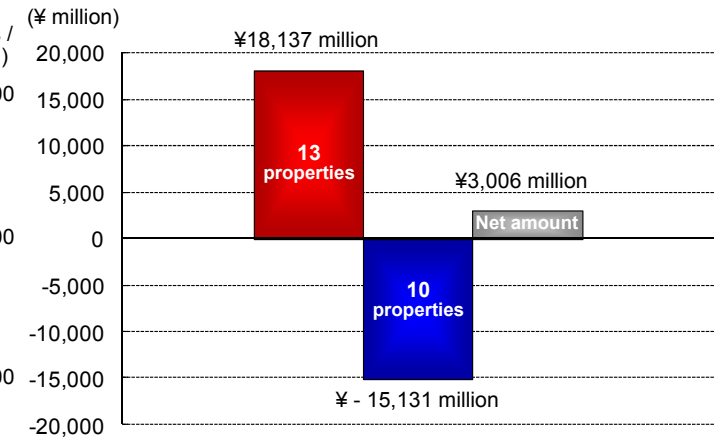
\* Net cumulative total as of the end of the 14th period

# Analysis of Unrealized Gains / Losses

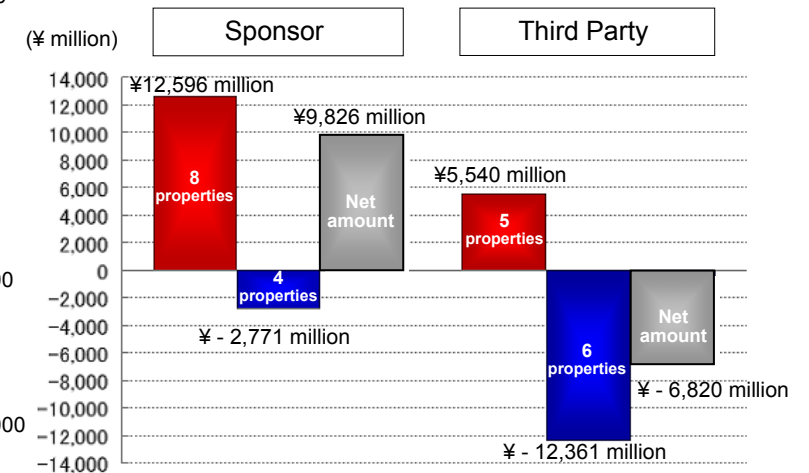
## Unrealized Gains / Losses Due to Timing of Property Acquisition



## Breakdown of Unrealized Gains / Losses



## Unrealized Gains / Losses by Seller



\* Figures for properties for which additional acquisition was conducted (cocoti and TOKYU REIT Toranomom Building) are calculated in accordance with the respective percentage of acquisition price.

\*Comments by Tokyu REIM

# Change in Appraisal Value (End of 14th Period – End of 13th Period)

(¥ million)

Name of Property	Appraisal Value at End of Period (JPY mm)		Increase / Decrease %	Increase / Decrease (JPY mm)	Impact from change in NCF	Impact from change in NCF Cap Rate	NCF (Direct capitalization method)			NCF Cap Rate (Direct cap rate)			Appraiser (Note)
	14th Period	13th Period					14th Period	13th Period	Change	14th Period	13th Period	Change	
QFRONT	19,900	19,700	1.02%	200	51%	0%	780	776	4	3.90%	3.90%	0.00%	a
Lexington Aoyama	4,580	4,880	-6.15%	-300	105%	0%	205	219	-14	4.40%	4.40%	0.00%	a
TOKYU REIT Omotesando Square	6,690	6,820	-1.91%	-130	50%	0%	306	308	-3	4.50%	4.50%	0.00%	a
Tokyu Saginuma Building	7,890	7,890	0.00%	0	0%	0%	460	460	0	5.80%	5.80%	0.00%	a
Tokyu Saginuma 2 Building	1,390	1,390	0.00%	0	0%	0%	95	95	0	6.80%	6.80%	0.00%	a
TOKYU REIT Shibuya Udagawa-cho Square	6,910	7,300	-5.34%	-390	41%	0%	267	274	-7	4.50%	4.50%	0.00%	b
Beacon Hill Plaza (Ito-Yokodo Noukendai Store)	8,090	8,030	0.75%	60	102%	0%	471	467	3	5.50%	5.50%	0.00%	b
cocoti	17,000	18,800	-9.57%	-1,800	119%	0%	734	826	-92	4.30%	4.30%	0.00%	c
Shonan Mall Fill ( <i>sokochi</i> )	5,400	5,420	-0.37%	-20	0%	0%	302	302	0	5.50%	5.50%	0.00%	d
CONZE Ebisu	4,240	4,400	-3.64%	-160	117%	0%	184	192	-8	4.30%	4.30%	0.00%	c
Daikanyama Forum	3,100	3,190	-2.82%	-90	113%	0%	138	142	-4	4.40%	4.40%	0.00%	b
<b>Retail Properties Total</b>	<b>85,190</b>	<b>87,820</b>	<b>-2.99%</b>	<b>-2,630</b>	<b>107%</b>	<b>0%</b>	<b>3,941</b>	<b>4,062</b>	<b>-121</b>	<b>4.63%</b>	<b>4.63%</b>	<b>0.00%</b>	
Setagaya Business Square	20,000	22,400	-10.71%	-2,400	95%	0%	1,026	1,143	-116	5.10%	5.10%	0.00%	a
Tokyu Nampeidai-cho Building	5,650	5,650	0.00%	0	0%	0%	273	273	0	4.80%	4.80%	0.00%	a
Tokyu Sakuragaoka-cho Building	8,450	8,730	-3.21%	-280	29%	70%	384	388	-4	4.50%	4.40%	0.10%	a
Tokyo Nissan Taito Building	4,970	5,240	-5.15%	-270	101%	0%	256	270	-14	5.10%	5.10%	0.00%	a
TOKYU REIT Akasaka Hinokicho Building	3,990	4,410	-9.52%	-420	102%	0%	190	210	-20	4.70%	4.70%	0.00%	a
TOKYU REIT Kamata Building	6,640	6,680	-0.60%	-40	116%	0%	355	358	-2	5.30%	5.30%	0.00%	a
TOKYU REIT Toranomom Building	11,100	13,000	-14.62%	-1,900	101%	0%	522	612	-90	4.70%	4.70%	0.00%	a
TOKYU REIT Hatchobori Building	5,460	5,610	-2.67%	-150	115%	0%	257	265	-8	4.70%	4.70%	0.00%	c
Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	6,760	6,760	0.00%	0	0%	0%	315	315	0	4.40%	4.40%	0.00%	b
Tokyu Ikejiri-ohashi Building	4,630	4,780	-3.14%	-150	128%	0%	242	252	-10	5.20%	5.20%	0.00%	c
<b>Office Properties Total</b>	<b>77,650</b>	<b>83,260</b>	<b>-6.74%</b>	<b>-5,610</b>	<b>96%</b>	<b>3%</b>	<b>3,821</b>	<b>4,086</b>	<b>-265</b>	<b>4.92%</b>	<b>4.91%</b>	<b>0.01%</b>	
<b>Total</b>	<b>162,840</b>	<b>171,080</b>	<b>-4.82%</b>	<b>-8,240</b>	<b>99%</b>	<b>2%</b>	<b>7,762</b>	<b>8,148</b>	<b>-386</b>	<b>4.77%</b>	<b>4.76%</b>	<b>0.01%</b>	

(Note) a. Japan Real Estate Institute b. HIRO & REAS Network, Inc. c. DAIWA REAL ESTATE APPRAISAL Corporation d. Jones Lang LaSalle IP, Inc.

\* Appraisal Value is determined by using several methodologies including the direct capitalization approach and DCF approach. Therefore, the Appraisal Value may differ from the above NFC figures divided by the NCF Cap Rate.

\* We acquired Kojimachi Square on March 19, 2010 and the ORIX Shinjuku Building on March 26, 2010. The Appraisal Value at End of 14th Period, NCF and NCF Cap Rate of the two properties are as follows: Kojimachi Square (Appraisal Value at End of 14th Period: ¥8,820 million; NCF: ¥418 million and NCF Cap Rate: 4.7%) and ORIX Shinjuku Building (Appraisal Value at End of 14th Period: ¥9,780 million; NCF: ¥448 million and NCF Cap Rate: 4.5%).

# Diversification of Repayment (Redemption) Dates

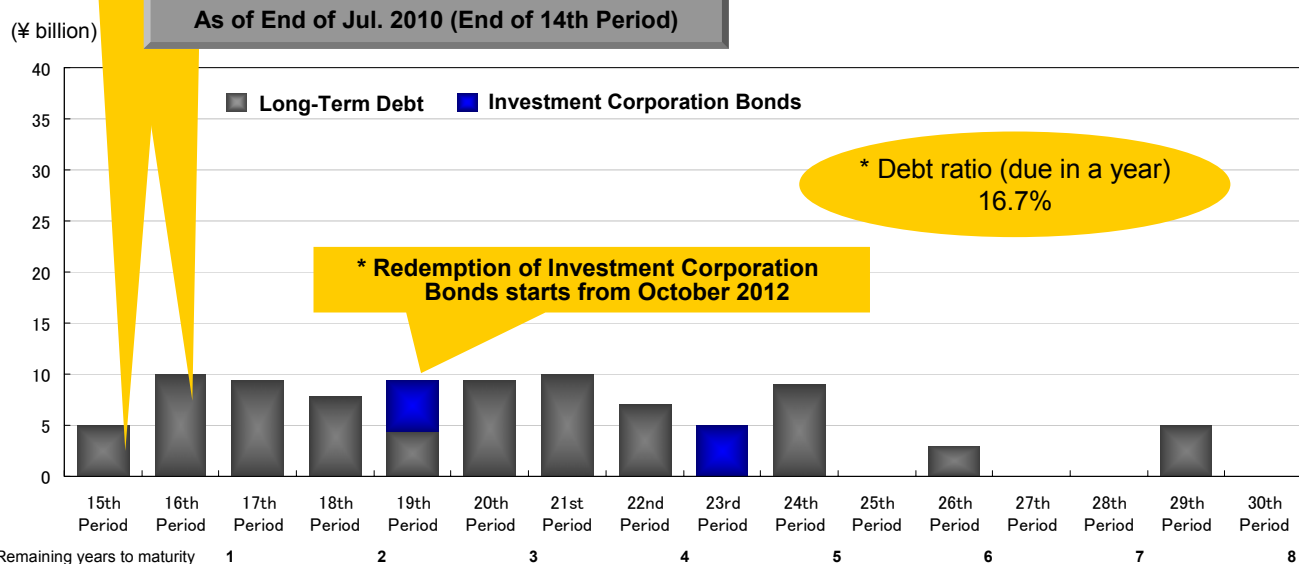
## Maturity Ladder (Interest-Bearing Debt Balance by Repayment Date)

\* ¥15.0 billion due in a year (due end of Jul. 2011)

Long-term debt		¥15.0 billion
( Sumitomo Trust	¥5.0 bn	... Due 2010/12/25
( Chuo Mitsui Trust	¥2.0 bn	... Due 2011/5/18
( Sumitomo Trust	¥2.0 bn	... Due 2011/5/25
( Mizuho Corporate Bank	¥2.0 bn	... Due 2011/6/25
( Nippon Life Insurance	¥4.0 bn	... Due 2011/7/31

### \* Commitment Line

Development Bank of Japan	¥ 10.0 bn	Due 2011/7/1
Sumitomo Trust	¥ 1.0 bn	Due 2011/4/20
Chuo Mitsui Trust	¥ 1.0 bn	Due 2011/4/20



\* Figures in the parentheses indicate changes from the end of the 13th Period.

Total	: ¥90.0 bn	(¥ -7 bn)
Avg. Remaining Yrs.	: 2.96 yrs	(+0.04 yrs)
LT Ratio	: 100%	(+7.2 pts.)
Number of Ladders	: 12	(-1 ladders)
Avg. Ladder Amount	: ¥7.5 bn	(¥ +0.04 bn)

**\* Strive to prolong interest-bearing debt and diversify repayment dates**

\*Comments by Tokyu REIM

# Changes in Base Interest Rates: Result of Strategic Debt Management

(Unit: %)

	Duration	Borrowing Date												
		2007			2008				2009			2010		
		Jan.	Jun.	Sep.	Mar.	Jun.	Jul.	Nov.	Feb.	Apr.	Jun.	Jun.	Jul.	
Long term	1.5 yr													
	2.0 yr						1.55500							
	2.5 yr							1.48125	1.47500		1.32750		1.17125	
	3.0 yr					1.81875		1.54250	1.52875			1.46875		
	3.2 yr											1.39000 (Note)		
	3.5 yr		1.81062						1.63062					
	4.0 yr			1.62625			1.80375		1.72500			1.67500	1.66375	1.31250
	4.5 yr												1.78812	
	5.0 yr									1.79000				1.46250
	5.5 yr						2.10187							
	6.0 yr													
	6.5 yr													
	7.0 yr	1.92000					2.21100							
	7.5 yr													
8.0 yr					1.76625									

(Note) Floating rates are based on JBA TIBOR and not the base interest rate as of the date this presentation was prepared (interest rates in the table are the interest rates as of the borrowing date).

**\* Spreads have risen since the Lehman shock, although base interest rates have fallen due to the decline in the market interest rate.**





## **2. Topics**

**(3) Continuation of Time-Limited Reduction of Investment Management Fees and Partial Amendments of Systems**

# Overview of Investment Management Fee (~Fiscal Period Ending January 2011 (15th Period))

**\* Investment management fee structure linked to three performance indices  
Aimed to balance conflict by “being in the same boat as unitholders”**

	Objective (Aim)	Formula	Note
Base 1 (Linked to asset valuation)	Enhance Growth	Asset value at end of previous period × 0.150% (0.125% for the portion exceeding 200 billion yen)	Encourage Investment Management Company to strive for asset appreciation by linking fee to valuation, not to the amount invested
Base 2 (Linked to cash flow)		Operating cash flow in current period × 6.0% (5.0% for the portion exceeding 5 billion yen)	Operating cash flow is the amount equal to ordinary income plus depreciation and amortization of deferred assets minus profit or loss from the sale of specified assets and profit or loss from valuation
Incentive Fee (Linked to investment unit price)	Reduce risk premium related to investment unit	(Average price in current period – Highest average price over all previous periods) × number of units × 0.4%	Change from 1.0% to 0.4%, approved by General Meeting of Unitholders on April 17, 2007

\* Apart from the above fees, TOKYU REIT pays service charges to an asset custodian firm, general administration firm, property management firm and accounting auditor, among others.

**\* The above fees are all booked as expenses. TOKYU REIT does not have a fee structure that leaves the income statement unaffected, such as the acquisition incentive fee, which is capitalized as an acquisition cost.**

**Temporary reduction of Total Investment Management Fee (Authorized by 4th General Meeting of Unitholders (Apr. 15, 2009))**

**<Reduction period>** From Feb. 1, 2009 to Jan. 31, 2011 (12th Period to 15th Period)

**<Reduction rate>** 12th Period: 2%, 13th Period: 4%, 14th Period: 6%, 15th Period: 8%

# Partial Amendments to Investment Management Fees (Fiscal Period Ending July 2011(16th Period)~)

## (Scope and Reasons for the Amendments)

### (a) Continuation of Time-Limited Reduction

To deal with uncertainties that continue to exist in REIT operating conditions

### (b) Inclusion of Profit or Loss on Sale of Real Estate, etc. to Calculation of Fees

Due to the formulation of the Long-Term Investment Management Strategy (Surf Plan), profit or loss from the sale of assets and profit or loss from the valuation of assets is to be accounted for to a certain extent in Investment Management Fees.

### (c) Reviewing the Rates (Base 1 and Base 2)

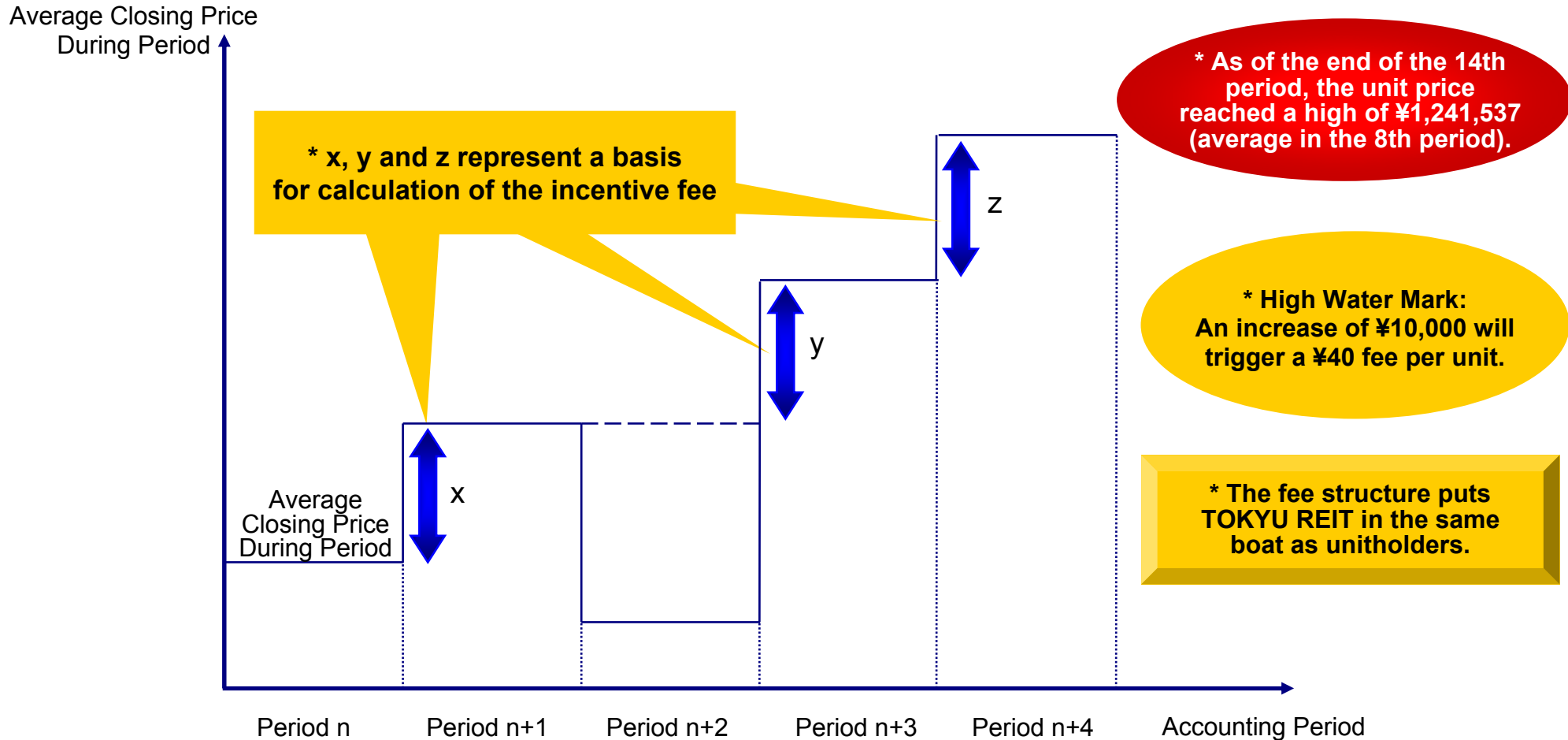
To have unitholders to receive the benefits reaped from economies of scale in preparation for the future expansion of the scale of assets under management.

	Calculation Formula		Scope and Reasons for the Amendments
	(~Fiscal Period Ending January 2011 (15th Fiscal Period))	(Fiscal Period Ending July 2011 (16th Fiscal Period)~)	
Base 1 (Linked to asset valuation)	Asset value at end of previous period x 0.150% (0.125% for the portion exceeding 200 billion yen)	Asset value at end of previous period x 0.150% (0.125% for the portion exceeding 200 billion yen and 300 billion yen or less) <b>(0.115% for the portion exceeding 300 billion yen)</b>	c
Base 2 (Linked to cash flow)	Operating cash flow in current period x 6% *Operating cash flow = Ordinary income 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.  (5% for the portion exceeding 5 billion yen)	Standard cash flow in current period x 6% * Standard cash flow = The amount derived by subtracting an amount equivalent to 50% each of profit or loss from the sale of specified assets and profit or loss from the valuation of specified assets from the net income or loss before income taxes, plus depreciation and amortization of deferred assets (5.0% for the portion exceeding 5 billion yen and 7.5 billion yen or less)	b
		<b>(4.6% for the portion exceeding 7.5 billion yen)</b>	c
Incentive (Linked to investment unit price)	(Average price in current period - Highest average price over all previous periods) x Number of units x 0.4%	(Average price in current period - Highest average price over all previous periods) x Number of units x 0.4%	—
Time-Limited Reduction	Reduce the following ratios from the Investment Management Fees calculated based on the above <b>12th Period: 2%; 13th Period: 4%; 14th Period: 6%; 15th Period: 8%</b>	Reduce the following ratios from the Investment Management Fees calculated based on the above <b>16th Period~19th Period: 5%.</b>	a

**\* The amendments are planned to take effect from the fiscal period ending July 2011 (16th Period) on the condition that the proposed amendments are approved at the General Meeting of Unitholders (scheduled to be held in April 2011).**

# Incentive Fee Structure

**\* The incentive fee arises only when the average investment unit price during the period exceeds the past high (high water mark).**

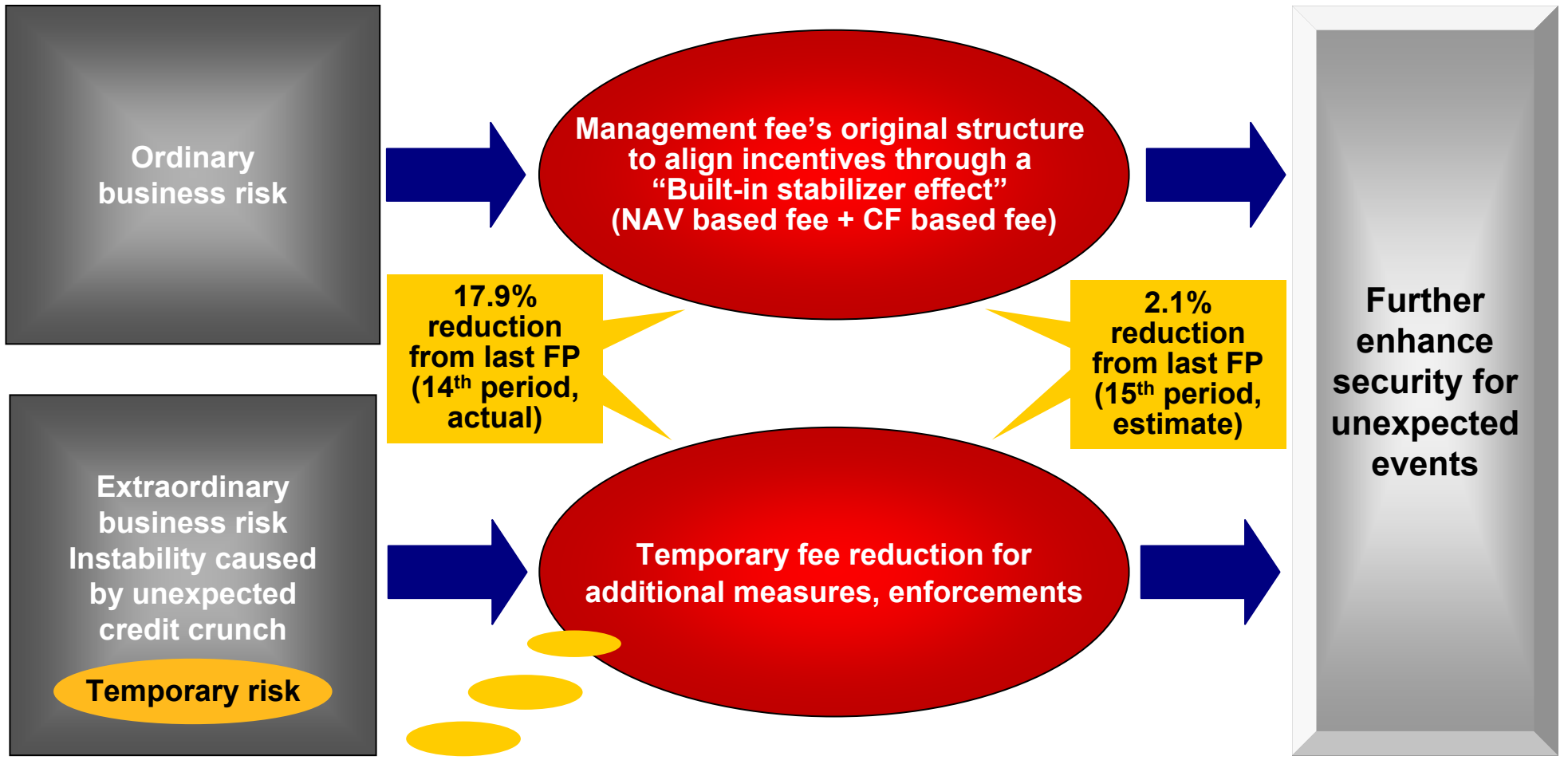


**Incentive Fee = Number of Units Outstanding at End of Previous Period x (x, y or z) x 0.4%**

\*Comments by Tokyu REIM

# Purpose for Temporary Investment Management Fee Reduction

**“Being in the same boat as unitholders”  
Management fee structure designed to mitigate conflict with investors**



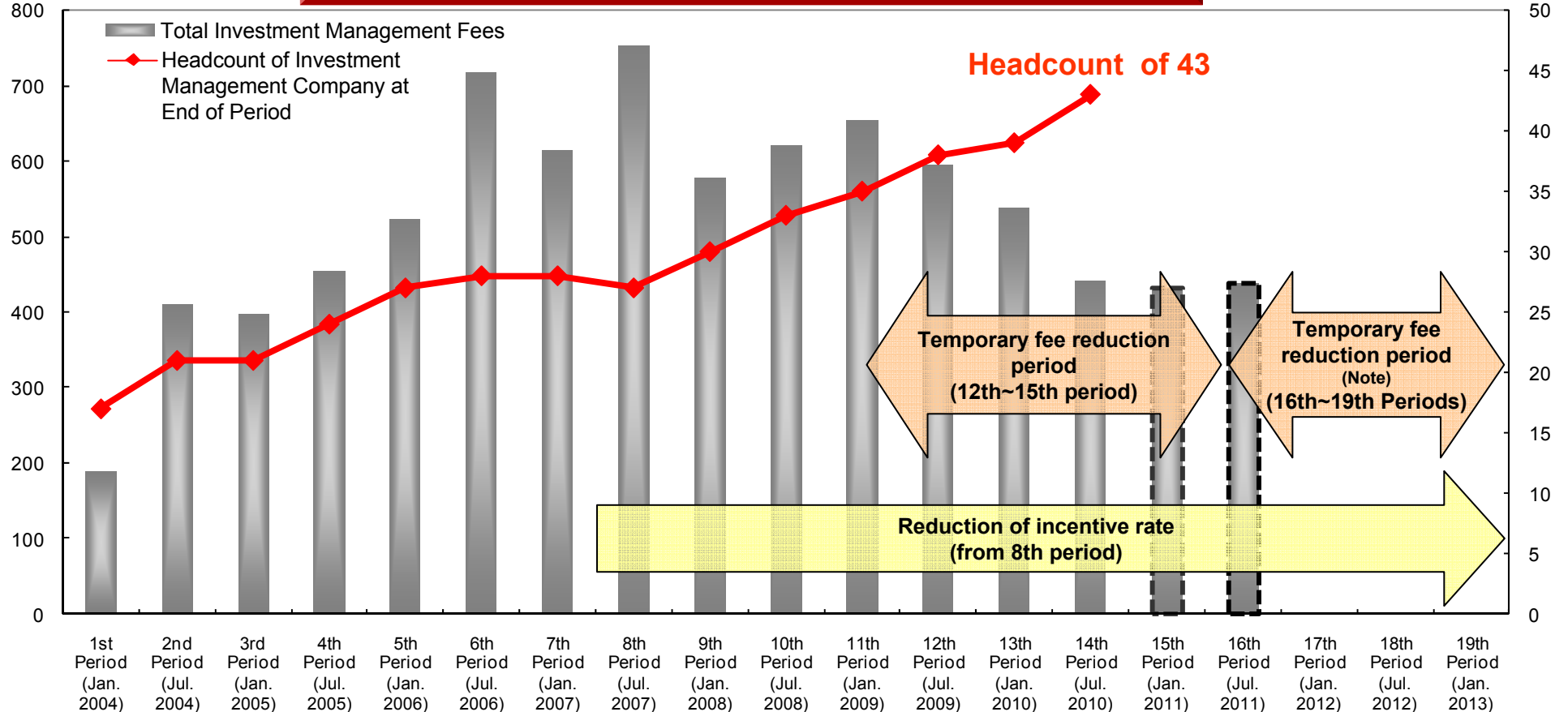
**Although not deemed as resources for dividends, funds that were not used for additional measures to support credit risk are booked as profits and paid out as dividends.**

# Transition of Total Investment Management Fees

## Total Investment Management Fees and Headcount of Investment Management Company

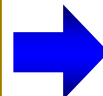
Total Investment Management Fees  
(¥ million)

Headcount of Investment Management  
Company at End of Period  
(Headcount)



(Note) The amendments are planned to take effect from the fiscal period ending July 2011 (16th Fiscal Period) on the condition that the proposed amendments are approved at the General Meeting of Unitholders (scheduled to be held in April 2011).

**\* Have the investment management company improve service quality despite the reduction in total fees**



**\* Strive to further win credibility from investment corporations and unitholders who are our customers**

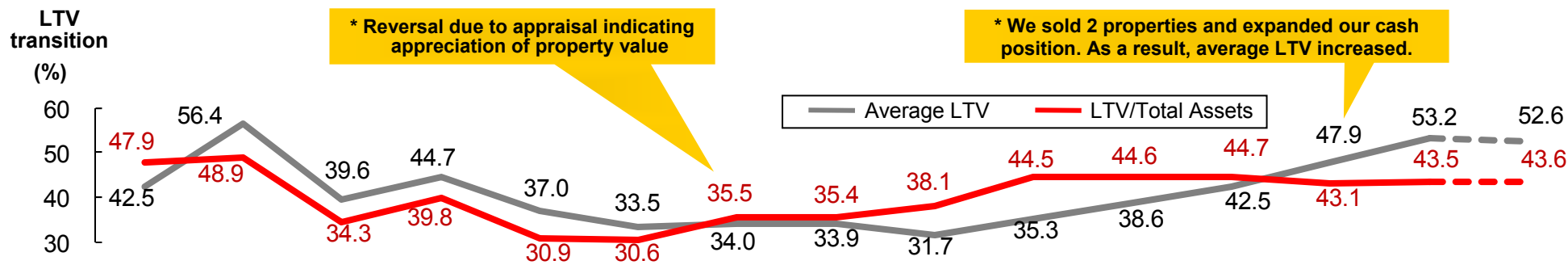


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## **3. Fund Management**

### **(1) Performance**

# Changes in Profit (EPS)

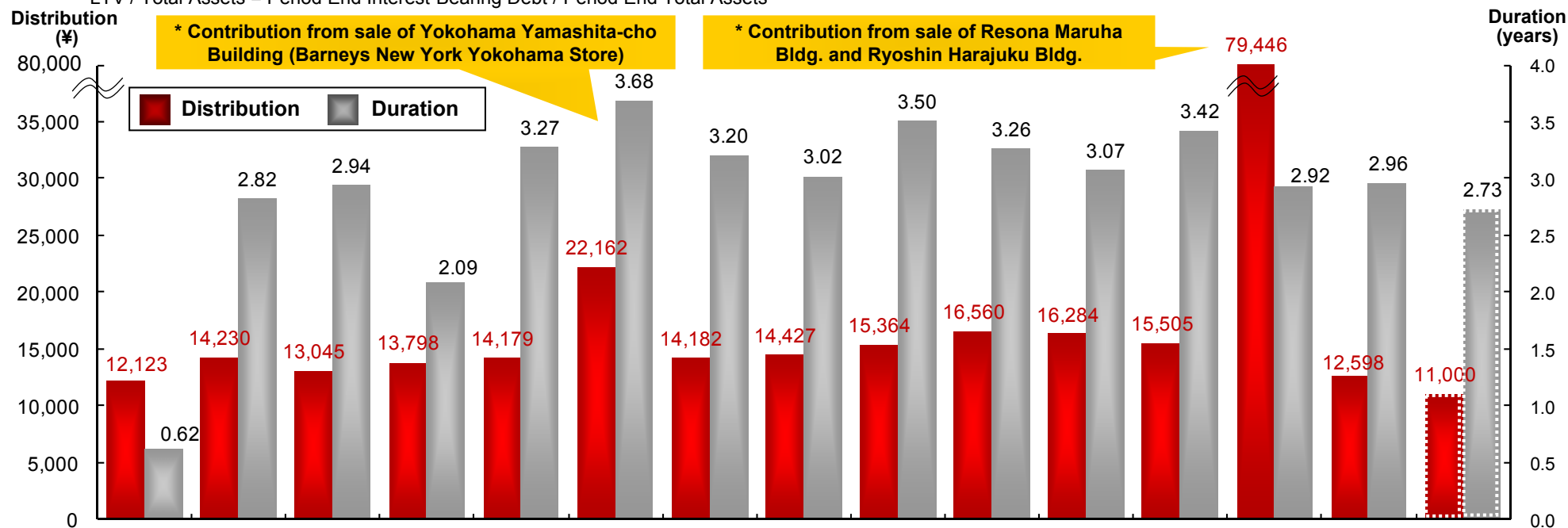


\* Reversal due to appraisal indicating appreciation of property value

\* We sold 2 properties and expanded our cash position. As a result, average LTV increased.

\* Average LTV = (Average Balance of Interest-Bearing Debt + Average Balance of Securities Deposit without Reserved Cash) / Weighted Average of Appraisal Value at End of Previous Period and Appraisal Value at Acquisition

\* LTV / Total Assets = Period End Interest-Bearing Debt / Period End Total Assets



\* Contribution from sale of Yokohama Yamashita-cho Building (Barneys New York Yokohama Store)

\* Contribution from sale of Resona Maruha Bldg. and Ryoshin Harajuku Bldg.

1st Period 2nd Period 3rd Period 4th Period 5th Period 6th Period 7th Period 8th Period 9th Period 10th Period 11th Period 12th Period 13th Period 14th Period 15th Period (Est.)  
 1/31/2004 7/31/2004 1/31/2005 7/31/2005 1/31/2006 7/31/2006 1/31/2007 7/31/2007 1/31/2008 7/31/2008 1/31/2009 7/31/2009 1/31/2010 7/31/2010 1/31/2011

\* Official distribution in the 1st Period was ¥9,488 based on the actual operating period of 144 days, but the recalculated distribution of ¥12,123 based on 184 operating days is used in the above graph for the sake of comparison with figures from the 2nd Period and thereafter.

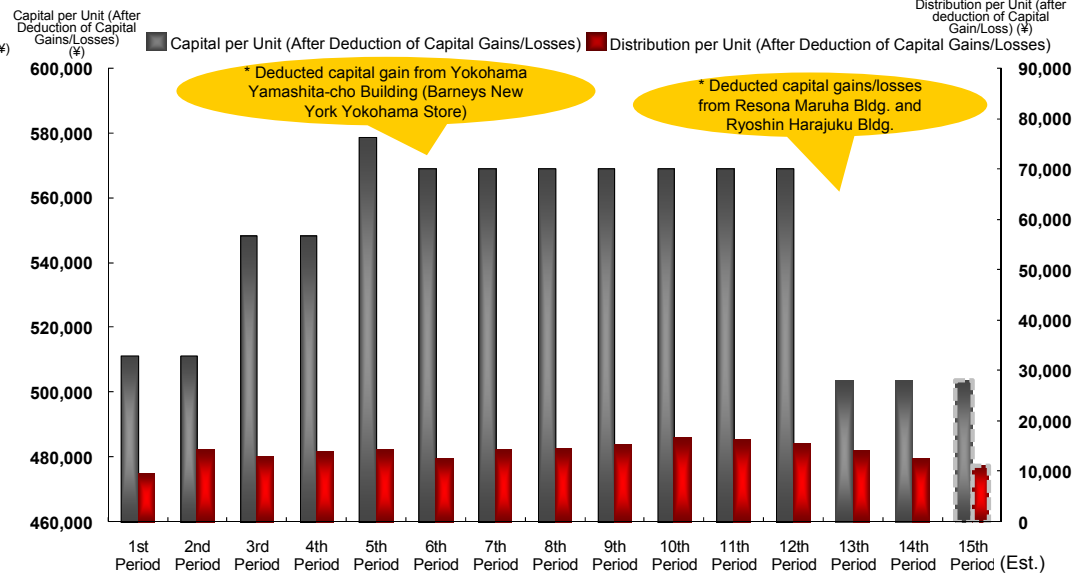
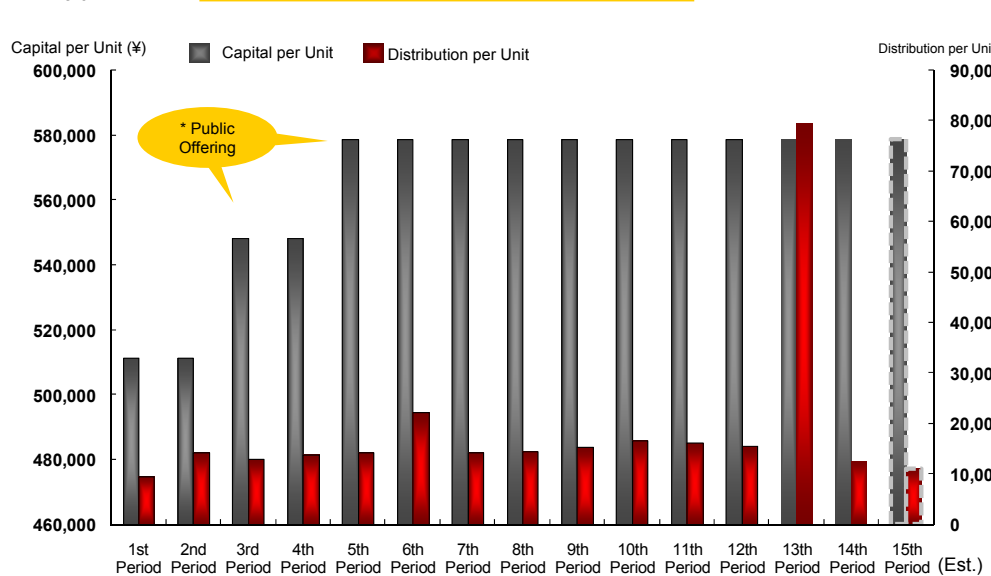
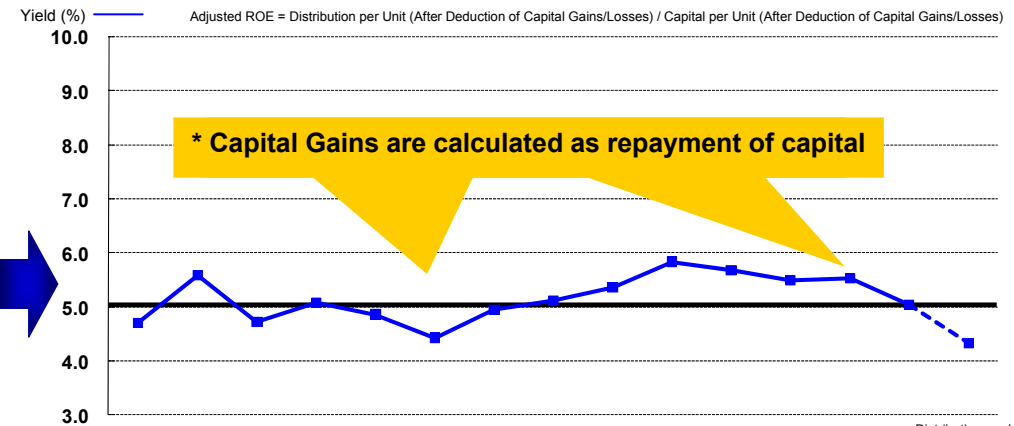
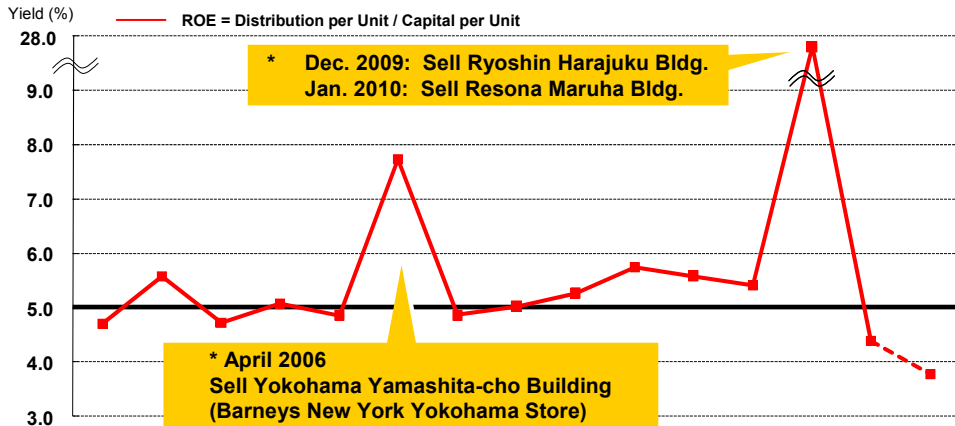
\*Comments by Tokyu REIM



# ROE (Capital Yield) and Adjusted ROE (Capital Yield after Deduction of Capital Gains)

## ROE (Capital Yield)

## Adjusted ROE (Capital Yield After Deduction of Capital Gains)



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

# Performance Against Public Offering Price

## IPO (Initial Public Offering) (Issued Sep. 10, 2003)



**\* We have provided returns that are more than the offering prices at IPO and 2nd PO if accumulated dividends are taken into account.**

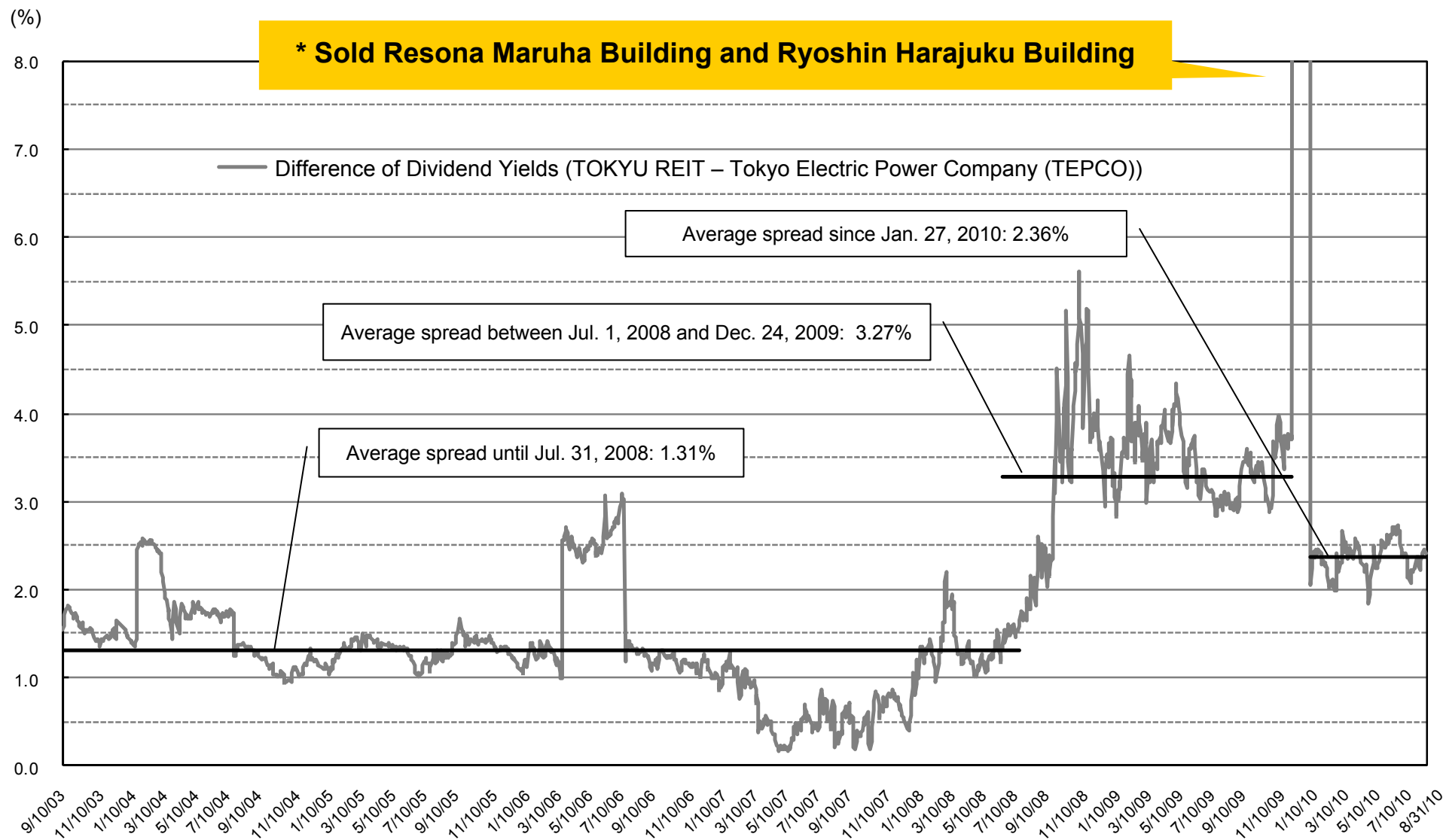
## Second Public Offering (Issued Aug. 3, 2004)



## Third Public Offering (Issued Aug. 1, 2005)



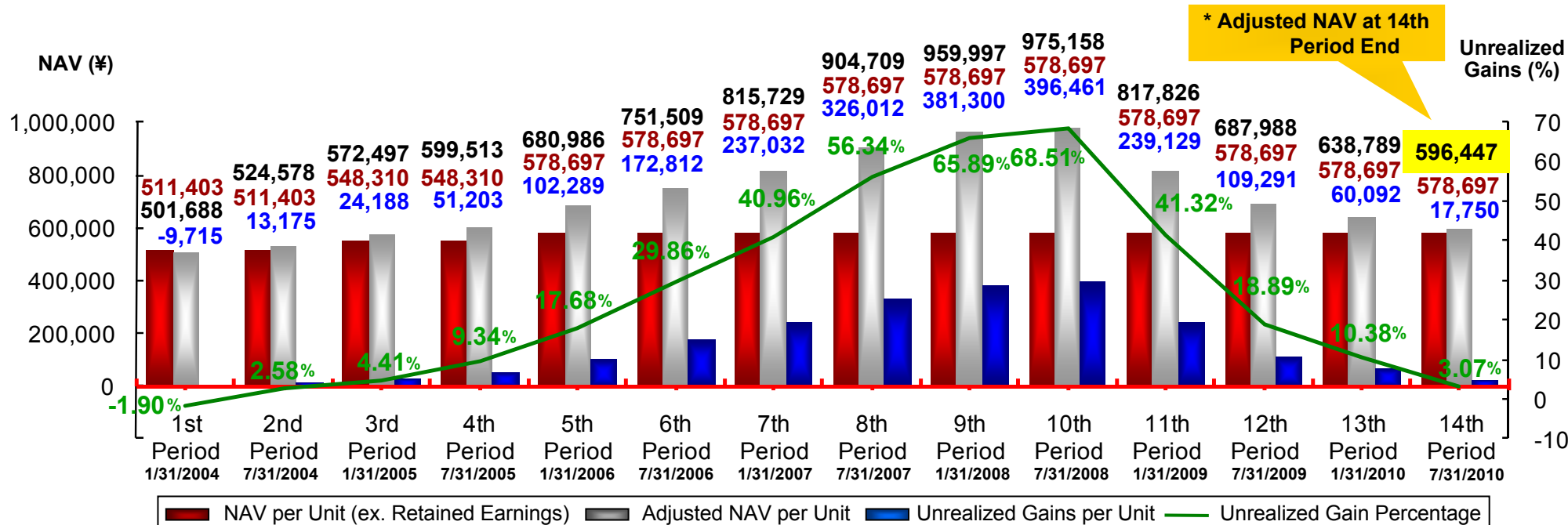
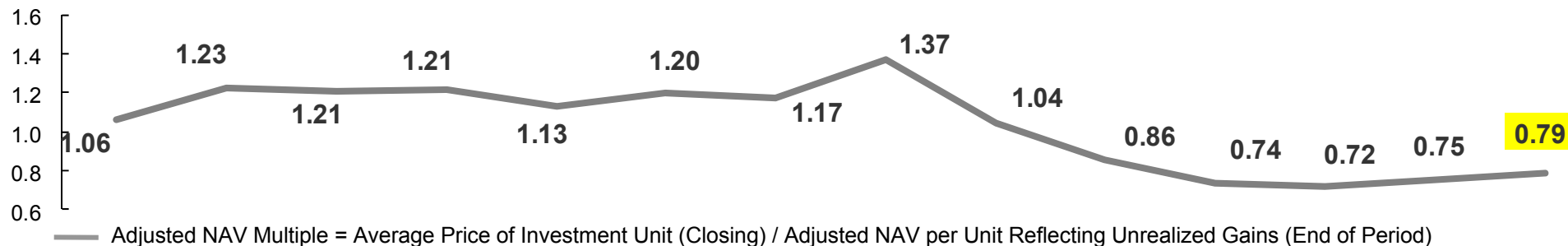
# Difference Between Dividend Yields of TOKYU REIT and TEPCO



\*Comments by Tokyu REIM

# Changes in Asset Value (Adjusted NAV)

## Adjusted NAV Multiple



Average Investment Unit Price	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	11th	12th	13th	14th
	¥530,828	¥643,097	¥690,705	¥726,082	¥766,520	¥902,435	¥958,306	¥1,241,537	¥1,000,664	¥835,903	¥603,570	¥496,772	¥478,579	¥470,862

\*Comments by Tokyu REIM



### **3. Fund Management**

#### **(2) Debt Management and Composition of Unitholders**

# Debt Structure (1)

## Rating (As of End of 14th Period)

R&I

■ Issuer Rating: AA- (Rating Outlook: Stable)

S&P

■ Long-Term Corporate Credit Rating: A (Outlook: Stable)

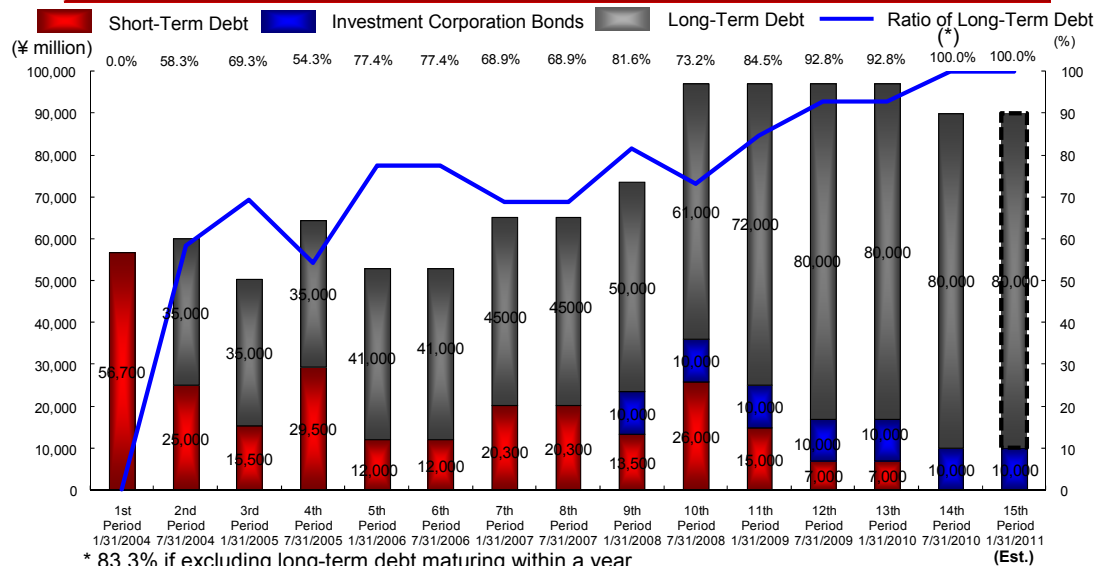
■ Short-Term Corporate Credit Rating: A-1

Moody's

■ Issuer Rating: A2 (Rating Outlook: Negative)

\* High credit ratings help to respond to changing monetary situations

## Ratio of Long-Term Debt



## Interest Bearing Debt

(As of end of 14th Period)

Category	Lender	Amount (¥ million)	Interest Rate (%)	Debt Origination Date	Maturity		Note
					Due Date	Period	
Long-term	Development Bank of Japan	4,000	2.03000	2004/6/25	2012/6/25	18th	Unsecured Unguaranteed
	National Mutual Insurance Federation of Agricultural Cooperatives	1,000	1.26250	2005/10/25	2011/10/25	17th	
	Development Bank of Japan	5,000	1.95000	2006/1/25	2018/1/25	29th	
	Nippon Life Insurance	4,000	1.93000	2006/7/31	2011/7/31	16th	
	Dai-ichi Life Mutual Life Insurance	4,000	2.21125	2006/7/31	2013/7/31	20th	
	Dai-ichi Life Mutual Life Insurance	1,000					
	National Mutual Insurance Federation of Agricultural Cooperatives	3,000	1.92000	2007/1/25	2014/1/25	21st	
	Sumitomo Trust Bank	5,000	1.81062	2007/6/25	2010/12/25	15th	
	Bank of Tokyo-Mitsubishi UFJ	5,000	1.62625	2007/9/25	2011/9/25	17th	
	Daido Life Insurance Company	3,000	1.76625	2008/3/10	2016/3/10	26th	
	Mizuho Corporate Bank	2,000	1.81875		2011/6/25	16th	
	Mitsubishi UFJ Trust Bank	1,000	2.10187	2008/6/25	2013/12/25	21st	
	Development Bank of Japan	5,000	2.21100		2015/6/25	24th	
	The Norinchukin Bank	1,000	1.80375	2008/7/25	2012/7/25	18th	
	Mizuho Corporate Bank	2,000	1.54250	2008/11/11	2011/11/11	17th	
	Chuo Mitsui Trust Bank	2,000	1.48125		2011/5/18	16th	
	Mitsubishi UFJ Trust Bank	2,000	1.72500	2008/11/18	2012/11/18	19th	
	Sumitomo Trust Bank	2,000	1.47500		2011/5/25	16th	
	Bank of Tokyo-Mitsubishi UFJ	2,000	1.63062	2008/11/25	2012/5/25	18th	
	Mizuho Corporate Bank	1,000	1.52875		2011/11/11	17th	
	Development Bank of Japan	5,000	1.79000	2009/2/25	2014/2/25	22nd	
	Mizuho Corporate Bank	400	1.32750	2009/4/27	2011/10/27	17th	
	Chuo Mitsui Trust Bank	2,500			2013/6/25	20th	
	Mitsubishi UFJ Trust Bank	2,500	1.67500	2009/6/25	2013/6/25	20th	
	Chuo Mitsui Trust Bank	2,500			2013/12/25	21st	
	Mitsubishi UFJ Trust Bank	2,500	1.78812		2013/12/25	21st	
	Bank of Tokyo-Mitsubishi UFJ	1,400	1.22000 (Floating Rate)		2012/8/29	19th	
	Sumitomo Trust Bank	400	1.66375	2009/6/29	2013/6/29	20th	
	Chuo Mitsui Trust Bank	400			2012/6/29	18th	
	Mitsubishi UFJ Trust Bank	400	1.46875		2012/6/29	18th	
Daido Life Insurance Company	1,000	1.17125		2012/12/25	19th		
Mizuho Corporate Bank	1,000		2010/6/25	2014/6/25	22nd		
Mitsui Sumitomo Insurance	1,000	1.31250		2014/6/25	22nd		
Sumitomo Trust Bank	1,000			2010/7/26	24th		
Chuo Mitsui Trust Bank	1,000	1.46250	2010/7/26	2015/7/26	24th		
Shinkin Central Bank	2,000						
Total Long-Term Borrowings		80,000	-	-	-	-	
Total Borrowings		80,000	-	-	-	-	
Bonds	#1 Investment Corporation Bond	5,000	1.65000	2007/10/24	2012/10/24	19th	Unsecured Unguaranteed
	#2 Investment Corporation Bond	5,000	1.89000		2014/10/24	23rd	
Total Corporate Bonds		10,000	-	-	-	-	
Total Interest-Bearing Debt		90,000	-	-	-	-	

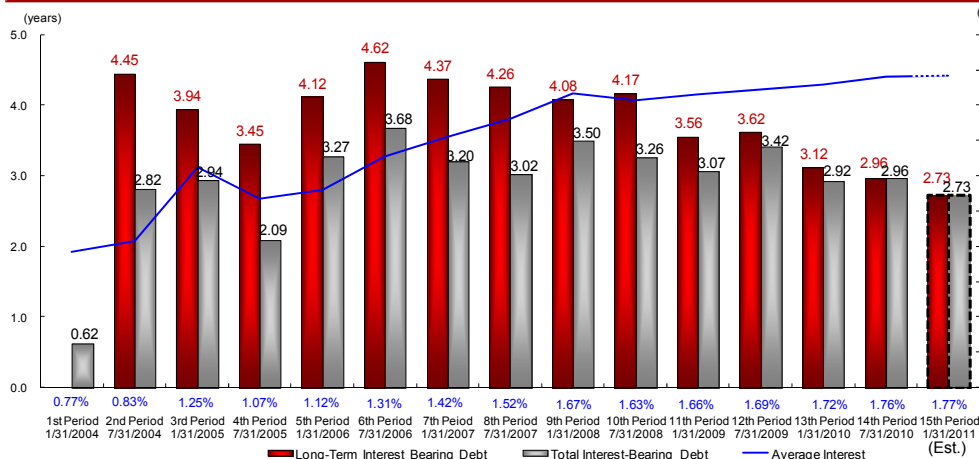
\* Average Interest Rate: 1.76%

\* Interest-Bearing Debt in this presentation does not include security deposits provided by tenants.

\* Increasing long-term debt position in order to strengthen financial situation

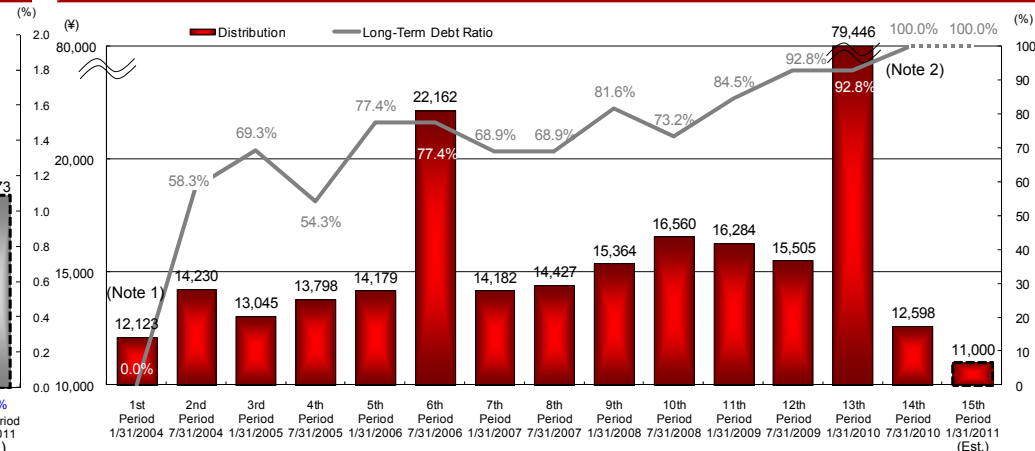
# Debt Structure (2)

## Average Duration of Interest-Bearing Debt and Average Interest



**\* Increase in average interest is limited due to duration management**

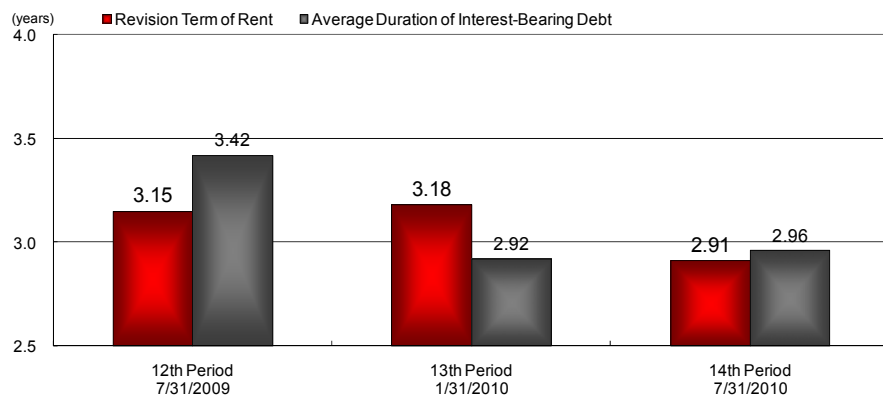
## Distribution and Long-Term Debt Ratio



(Note 1) Official distribution in the 1st Period was ¥9,488 based on the actual operating period of 144 days, but the recalculated distribution of ¥12,123 based on 184 operating days is used in the above graph for the sake of comparison with figures from the 2nd Period and thereafter.  
 (Note 2) 83.3% excluding the long-term debt maturing within a year

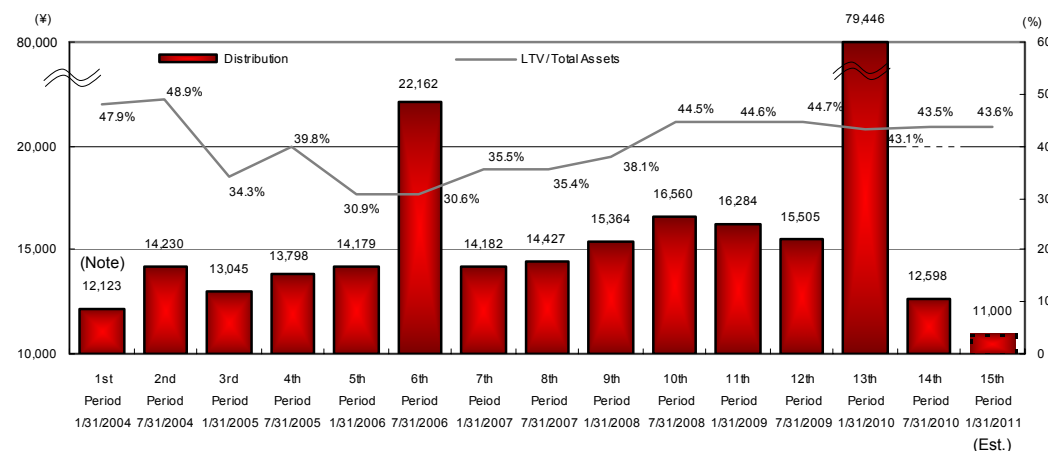
**\* Focus on balance between EPS growth and earnings quality**

## Revision Term of Rent to Average Duration of Interest-Bearing Debt



**\* Striving to achieve a debt duration longer than the rent revision interval through active debt management**

## Distribution and LTV / Total Assets



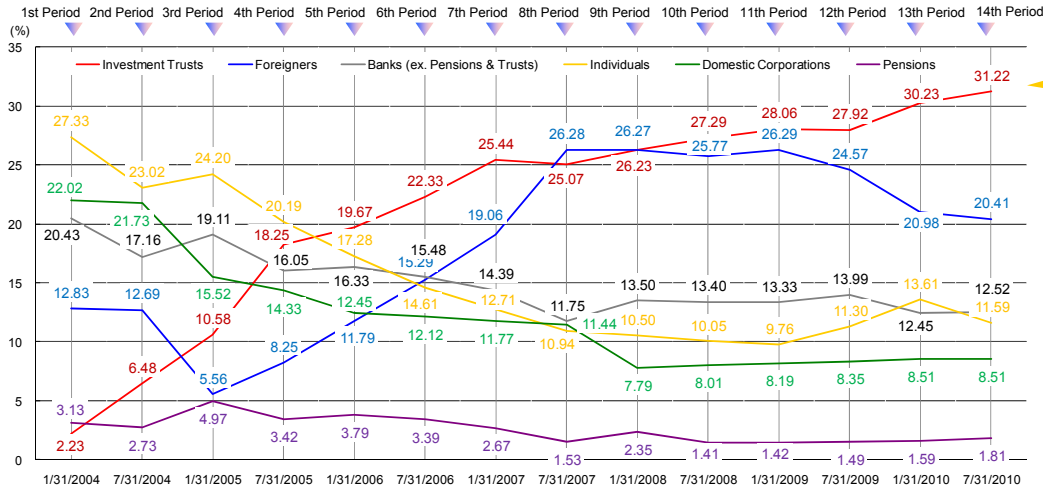
\* LTV / Total Assets = Period End Interest-Bearing Debt / Period End Total Assets

(Note) Official distribution in the 1st Period was ¥9,488 based on the actual operating period of 144 days, but the recalculated distribution of ¥12,123 based on 184 operating days is used in the above graph for the sake of comparison with figures from the 2nd Period and thereafter.

\* Interest-Bearing Debt in this presentation does not include security deposits provided by tenants.

# Composition of Unitholders

## Changes in Unitholder Composition (Main Segments)

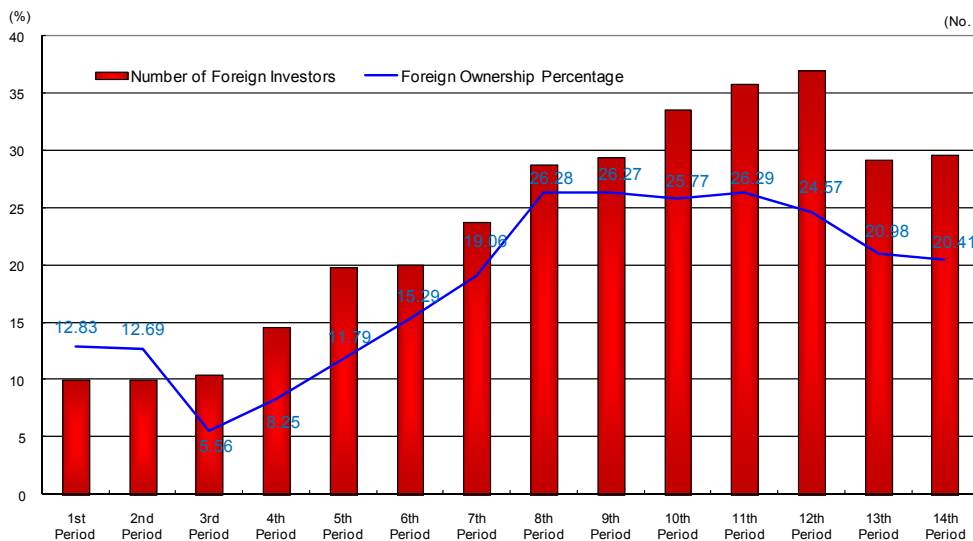


\* Mutual Funds hold the largest share among investors

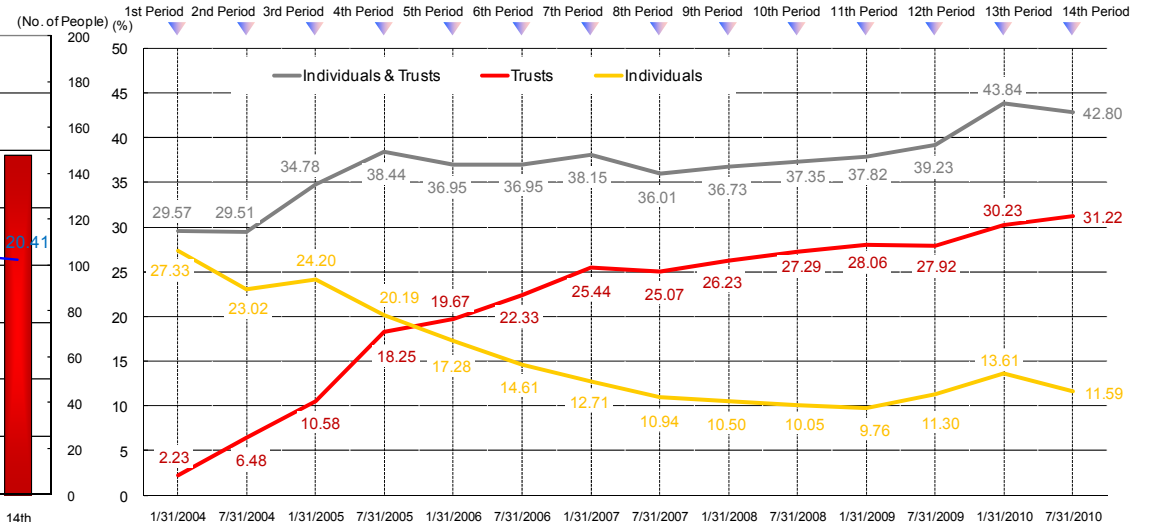
\* The percentage of foreign investors recently decreased

\* Individual ownership percentage (Individuals and Trusts) exceeds 40% of the total

## Foreign Ownership Percentage / Number of Foreign Investors



## Individual Ownership Percentage



\*Comments by Tokyu REIM



# List of Major Unitholders

## 1st Period (Ended Jan. 31, 2004)

Unitholders		No. of Units Held	Share (%)
1	Tokyu Corporation	5,880	6.00
2	Kawasaki Gakuen School Corporation	5,000	5.10
3	Tokyu Land Corporation	3,920	4.00
4	Japan Trustee Services Bank	3,084	3.14
5	Shinwa Bank	2,794	2.85
6	Aozora Bank	2,766	2.82
7	Hiroshima Bank	2,064	2.10
8	Resona Bank	2,043	2.08
9	Morgan Stanley	2,016	2.05
10	Bank of Ikeda	1,917	1.95
11	The Gibraltar Life Insurance Company	1,534	1.56
12	The Chase Manhattan Bank London	1,460	1.48
13	AIG Star Life Insurance Co., Ltd.	1,394	1.42
14	Trust & Custody Services Bank, Ltd.	1,201	1.22
15	The Chase Manhattan Bank London (SL Omnibus Acct.)	1,090	1.11
16	North Pacific Bank	1,000	1.02
16	Bank of Bermuda	1,000	1.02
18	The Hachijuni Bank, Ltd.	960	0.97
19	American Life Insurance Company	959	0.97
20	Pictet & Cie	947	0.96
Total Units Held by Top 20 Unitholders		43,029	43.90
Outstanding Units		98,000	100.00

## 13th Period (Ended Jan. 31, 2010)

Unitholders		No. of Units Held	Share (%)
1	Japan Trustee Services Bank Ltd.	17,979	10.61
2	NikkoCiti Trust and Banking Corporation	13,662	8.06
3	Trust & Custody Services Bank, Ltd.	9,587	5.66
4	The Master Trust Bank of Japan, Ltd.	6,384	3.76
5	Tokyu Corporation	5,880	3.47
6	The Nomura Trust and Banking Co., Ltd.	5,652	3.33
7	AIG Star Life Insurance Co., Ltd.	4,871	2.87
8	American Life Insurance Company	4,000	2.36
9	Tokyu Land Corporation	3,920	2.31
10	The Momiji Bank	3,819	2.25
11	Bank of New York, US Pension Fund Global Business 132561	2,833	1.67
12	AIG Edison Life Insurance Co., Ltd.	2,600	1.53
13	The National Mutual Insurance Federation of Agricultural Cooperatives	2,505	1.47
14	The Hachijuni Bank, Ltd.	2,357	1.39
15	Nippon Vest	2,119	1.25
16	North Pacific Bank, Ltd.	1,849	1.09
17	Goldman Sachs and Company Regular Account	1,840	1.08
18	State Street Bank and Trust Company 505025	1,824	1.07
19	Kansai Urban Banking Corporation	1,740	1.02
20	The Fuji Fire and Marine Insurance	1,696	1.00
Total Units Held by Top 20 Unitholders		97,117	57.33
Outstanding Units		169,380	100.00

## 14th Period (Ended July 31, 2010)

Unitholders		No. of Units Held	Share (%)
1	Japan Trustee Services Bank Ltd.	20,743	12.24
2	The Nomura Trust and Banking Co., Ltd.	18,320	10.81
3	Trust & Custody Services Bank, Ltd.	11,743	6.93
4	Tokyu Corporation	5,880	3.47
5	The Master Trust Bank of Japan, Ltd.	5,565	3.28
6	AIG Star Life Insurance Co., Ltd.	4,871	2.87
7	AIG Edison Life Insurance Co., Ltd.	4,056	2.39
8	Tokyu Land Corporation	3,920	2.31
9	American Life Insurance Company	3,902	2.30
10	The Momiji Bank	3,819	2.25
11	Bank of New York, US Pension Fund Global Business 132561	3,437	2.02
12	Asahi Fire and Marine Insurance	2,882	1.70
13	The National Mutual Insurance Federation of Agricultural Cooperatives	2,505	1.47
14	The Hachijuni Bank, Ltd.	2,357	1.39
15	Mellon Bank ABN Amro Global Custody N.V.	2,185	1.28
16	Kansai Urban Banking Corporation	1,964	1.15
17	The Fuji Fire and Marine Insurance	1,696	1.00
18	The Chukyo Bank, Ltd.	1,344	0.79
19	SIX SIS Ltd.	1,239	0.73
20	The Bank of New York, Treaty JASDEC Account	1,233	0.72
Total Units Held by Top 20 Unitholders		103,661	61.20
Outstanding Units		169,380	100.00



### **3. Fund Management**

#### **(3) Portfolio Management and Risk Management**

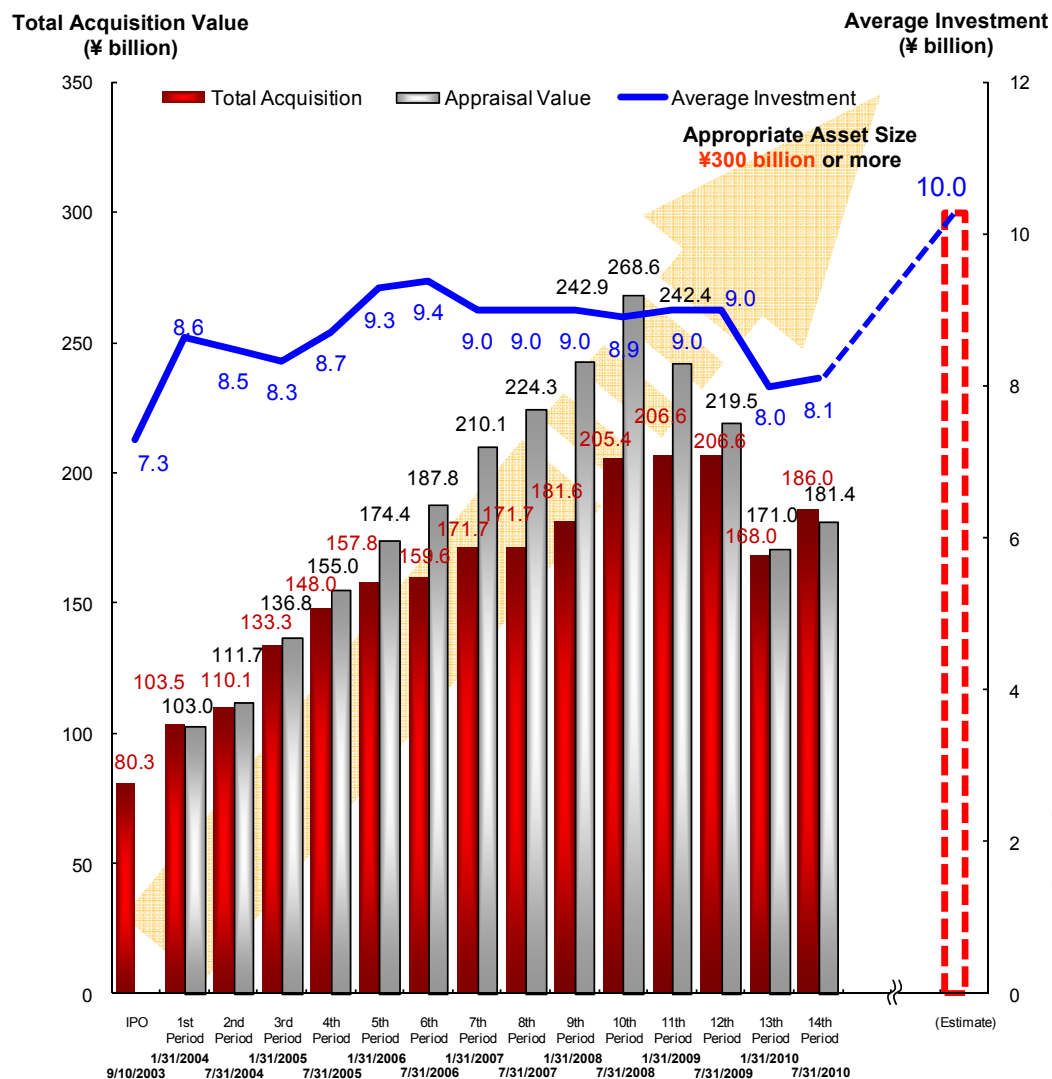
# External Growth

## External Growth (Steady Acquisition of Quality Properties)

## Rent Estimates by Region (Rent Level at Survey Date = 100)

\* Investment in highly competitive properties in areas with strong growth potential

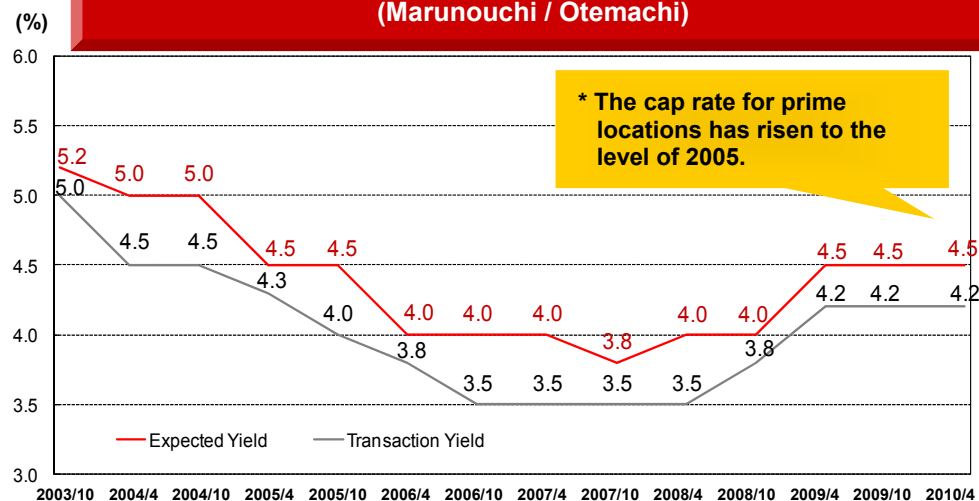
\* Investor outlook has improved in Tokyo



Area	21st Survey (Oct. 2009)				22nd Survey (Apr. 2010)			
	Next Year	2 Years	5 Years	10 Years	Next Year	2 Years	5 Years	10 Years
Marunouchi, Otemachi area	99	100	101	102	100	100	103	105
Shibuya, Shibuya Station area	98	98	100	100	98	99	100	101
Nagoya, Nagoya Station area	95	96	98	100	96	97	99	100
Osaka, along the Midosuji Line	97	97	98	100	97	97	98	100

Source: Japan Real Estate Institute "Japan Real Estate Investors Survey"

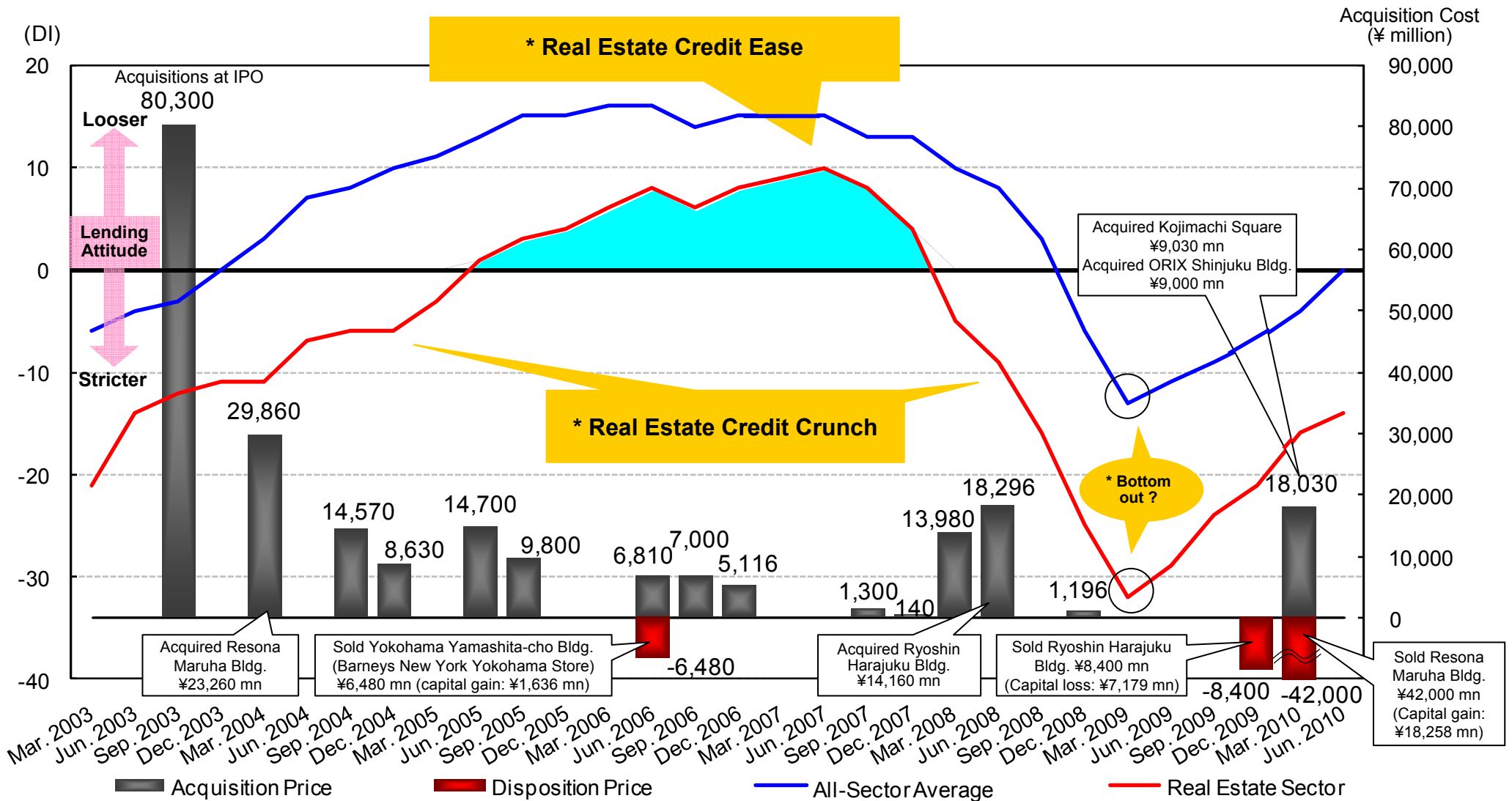
## Expected Yield and Transaction Yield of Benchmark Buildings (Marunouchi / Otemachi)



Source: Japan Real Estate Institute "Japan Real Estate Investors Survey"

\*Comments by Tokyu REIM

# Lending Attitude of Financial Institutions & TOKYU REIT's Acquisition Timing of Properties

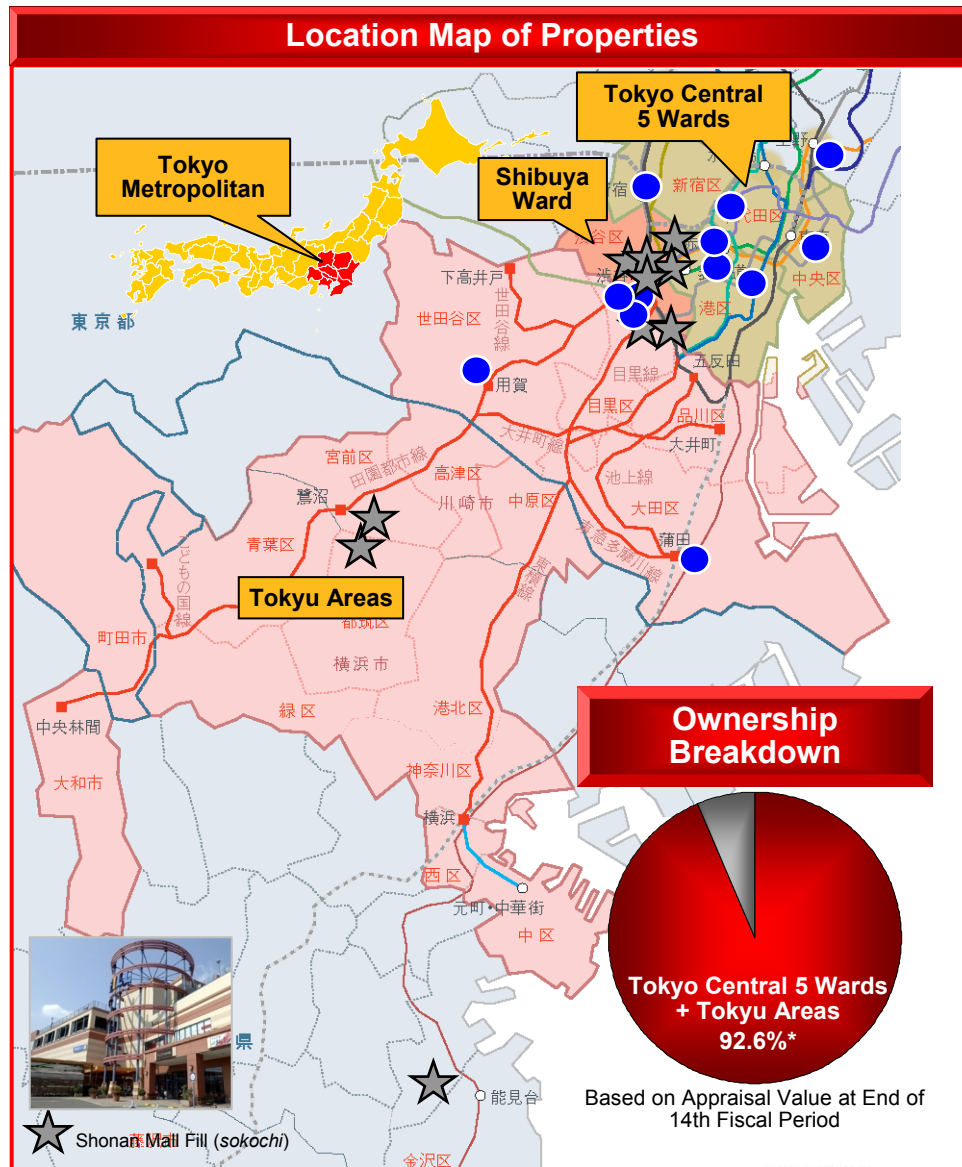


\* Acquisition price on secondary y-axis, each bar represents the total acquisition price in the respective month and 3 months prior (i.e., June 2008 includes April – June 2008)

Source: BOJ (Tankan Survey)

\*Comments by Tokyu REIM

# Portfolio Overview



## Retail Properties ☆

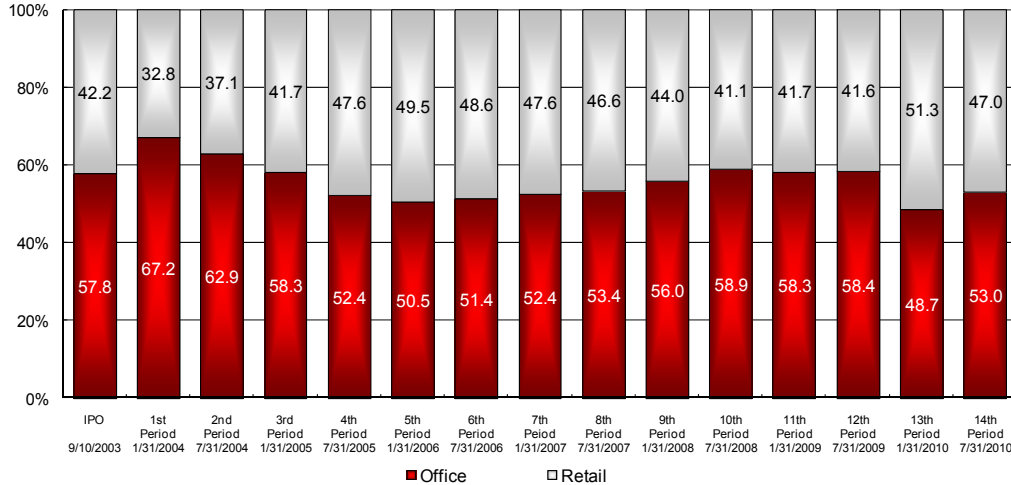
QFRONT	Lexington Aoyama	TOKYU REIT Omotesando Sq.	Tokyu Saginuma Bldg.	CONZE Ebisu
Tokyu Saginuma 2 Bldg.	TOKYU REIT Shibuya Udagawa-cho Sq.	Beacon Hill Plaza (Ito-Yokado Nokendai Store)	cocoti	Daikanyama Forum

## Office Properties ○

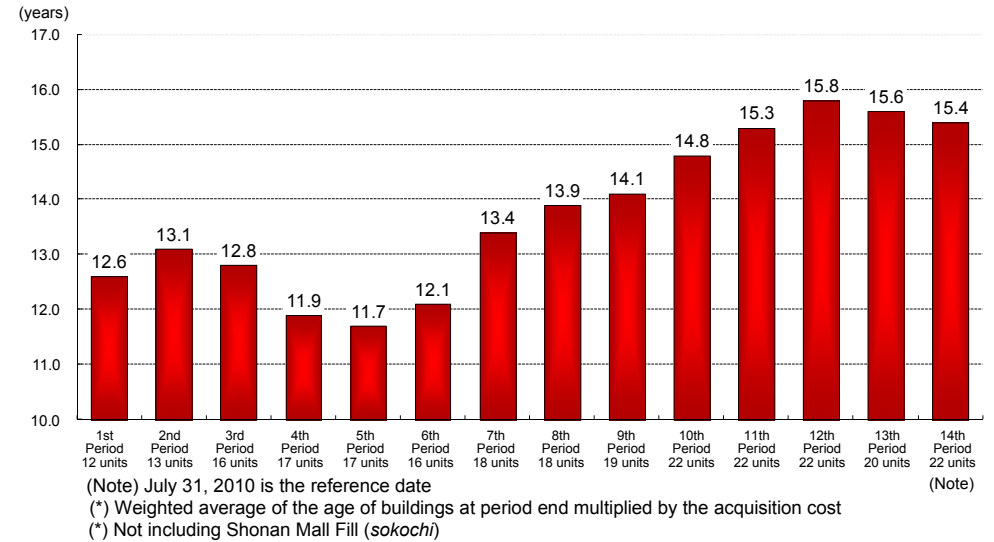
Setagaya Business Square	Tokyu Nampoichicho Bldg.	Tokyu Sakuragaoka-cho Bldg.	Tokyo Nissan Taito Bldg.	TOKYU REIT Akasaka Hinokicho Bldg.	TOKYU REIT Kamata Bldg.
TOKYU REIT Toranomon Bldg.	TOKYU REIT Hatchobori Bldg.	TOKYU REIT Akasaka 4-chome Bldg. (Tokyu Agency Inc. Head Office Building)	Tokyu Ikejiri-ohashi Building	Kojimachi Square	ORIX Shinjuku Building

# Portfolio Overview

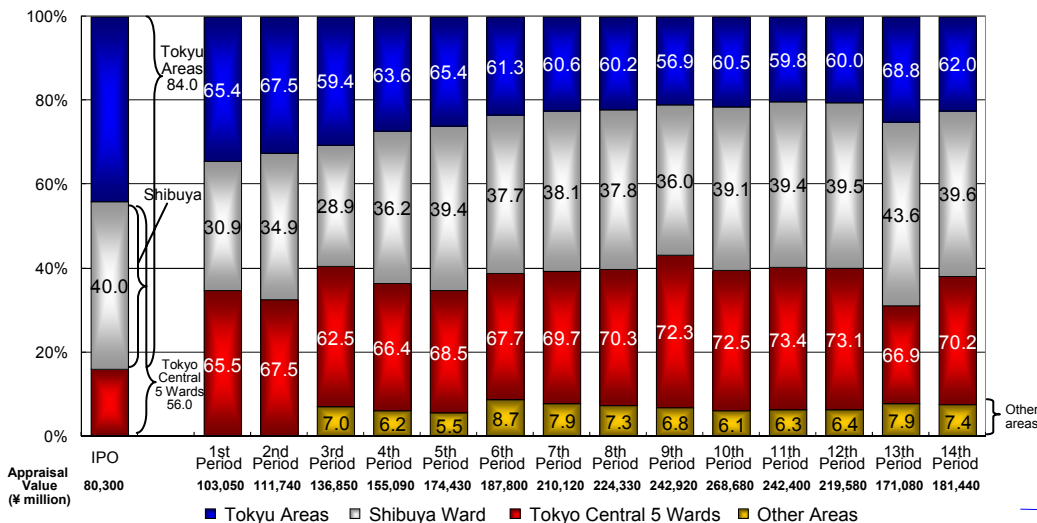
## Office / Retail Ratio (Based on Appraisal Values at End of Period)



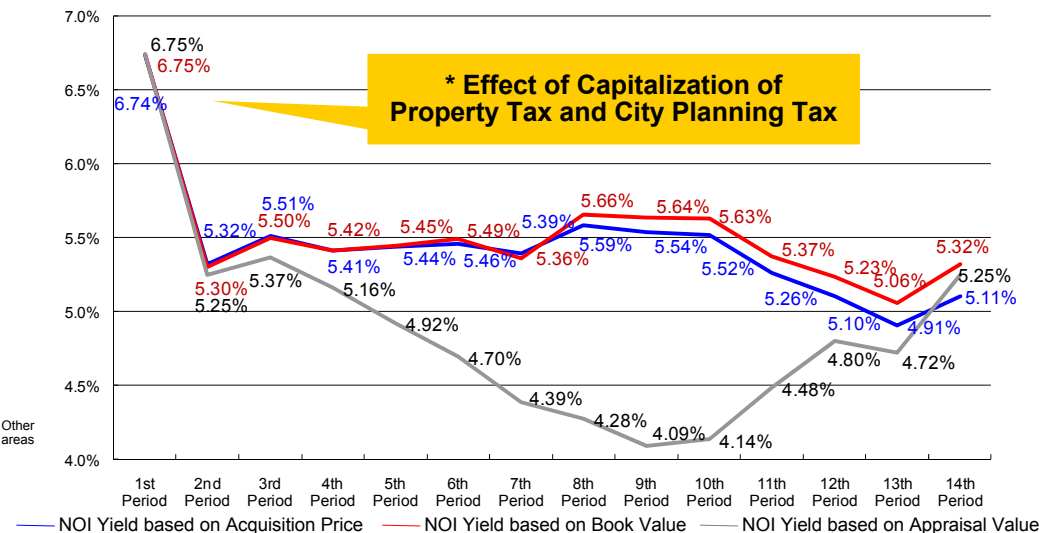
## Weighted Average Property Age



## Area (Based on Appraisal Values at End of Period)

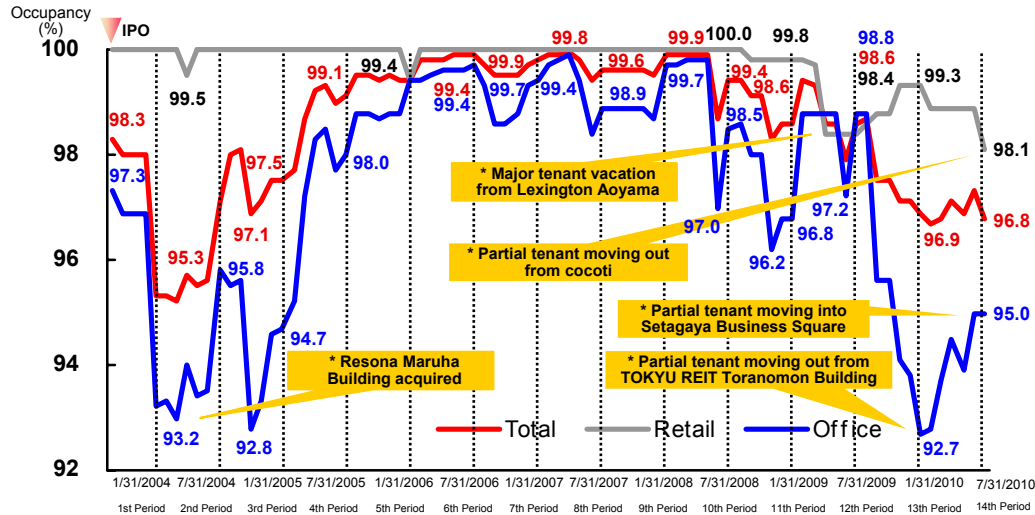


## NOI Yield

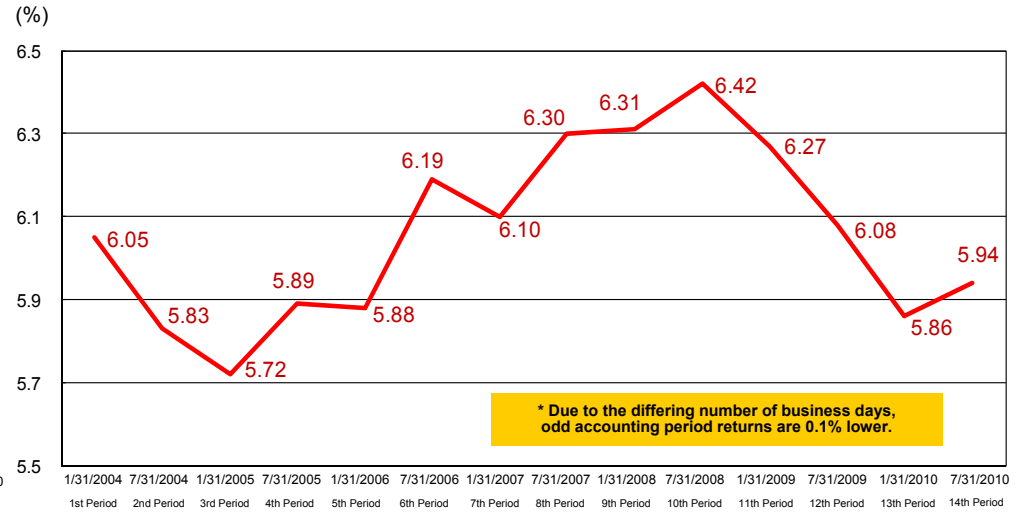


# Internal Growth

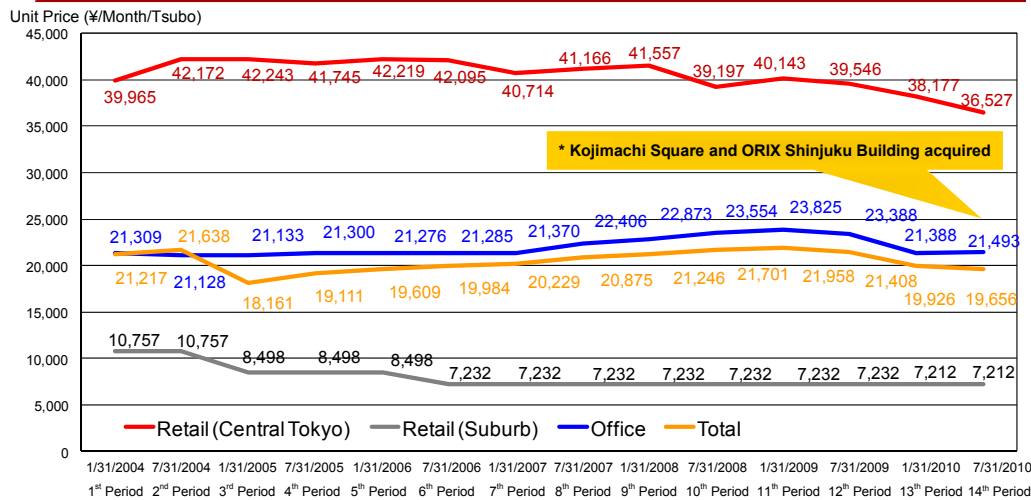
## Changes in Occupancy of Overall Portfolio



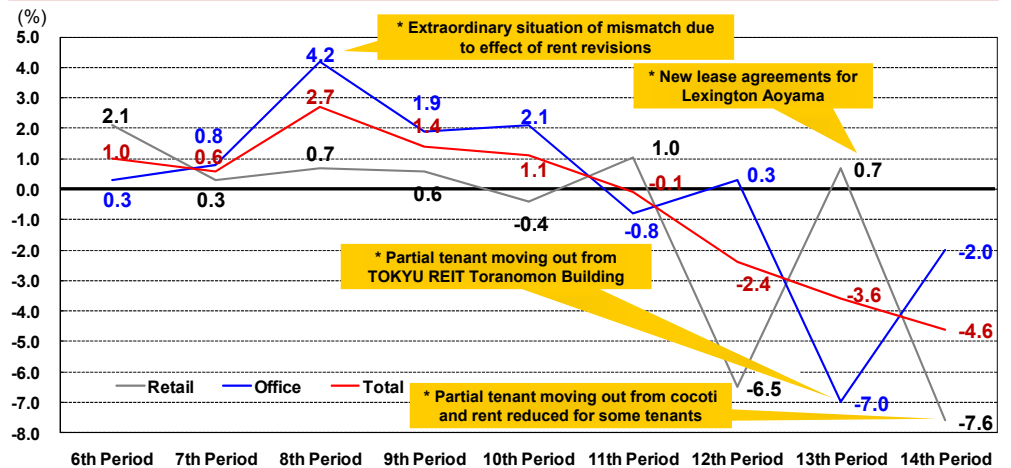
## NOI Yield of 11 Properties at IPO (After Deducting Capitalized Property and City Planning Taxes)



## Average Rent (Including Common Area Charge)



## Year-on-Year Monthly Leasing Revenue Growth Rate



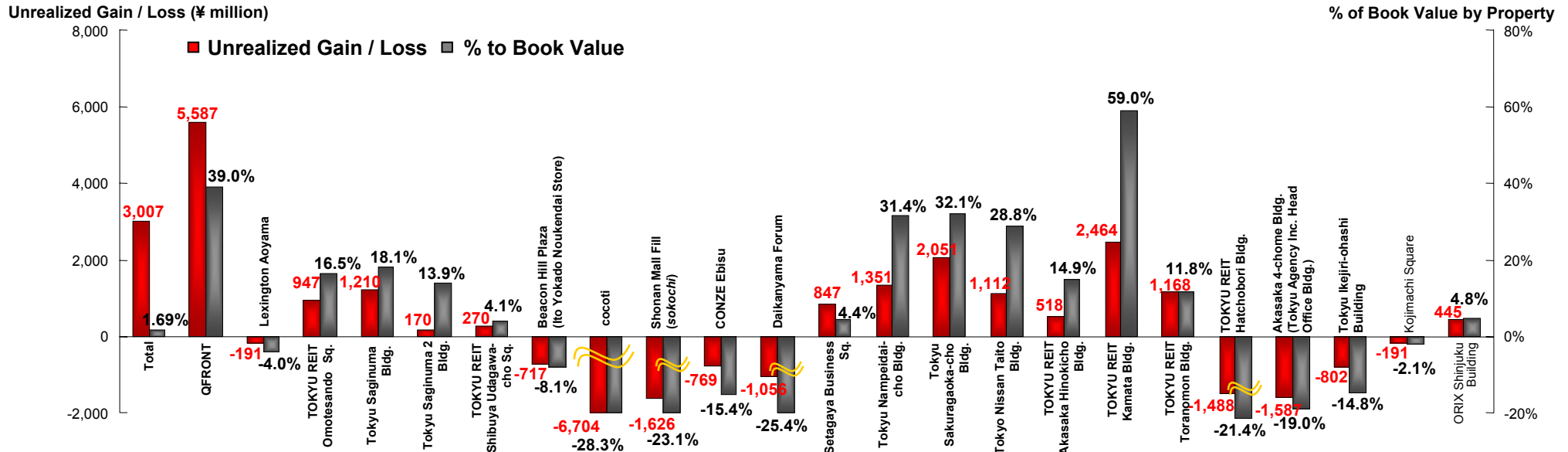
### \* Monthly leasing revenue down compared with previous period

\* In calculating the above unit price, Shonan Mall Fill is not included.  
 \* Excludes income from parking, warehouses, etc.  
 \* Retail (Urban): QFRONT, TOKYU REIT Omotesando Sq., Lexington Aoyama, TOKYU REIT Shibuya Udagawa-cho Sq., cocoti, CONZE Ebisu, Daikanyama Forum  
 \* Retail (Suburb): Tokyu Saginuma, Tokyu Saginuma 2, Beacon Hill Plaza (Ito-Yokado Noukendai Store), Yokohama Yamashita-cho Building (Barneys New York Yokohama Store) (sold in 6th Period).

\* Excludes income from parking and signs.  
 \* Comparison of monthly leasing revenue at the end of each period (based on actual rent charged).  
 \* Effects from property sales and purchases have been eliminated.

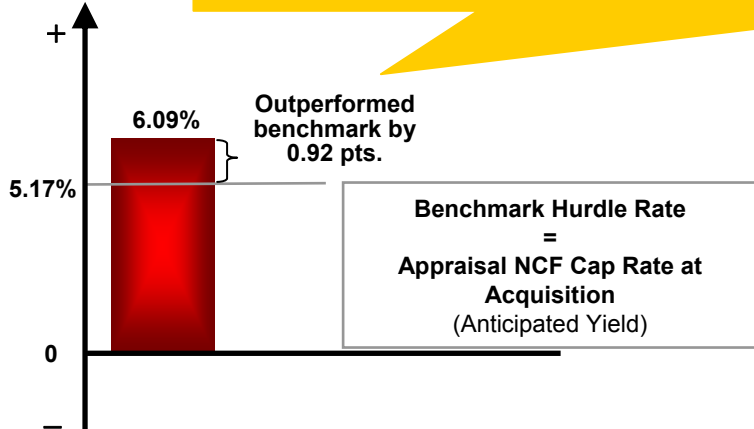
# Unrealized Gains and Total Return

## Unrealized Gains / Losses and Percentage Against Book Value by Property



## Portfolio Return Performance

\* Total return, excluding the two properties recently acquired, has outperformed the benchmark by 0.92 points.



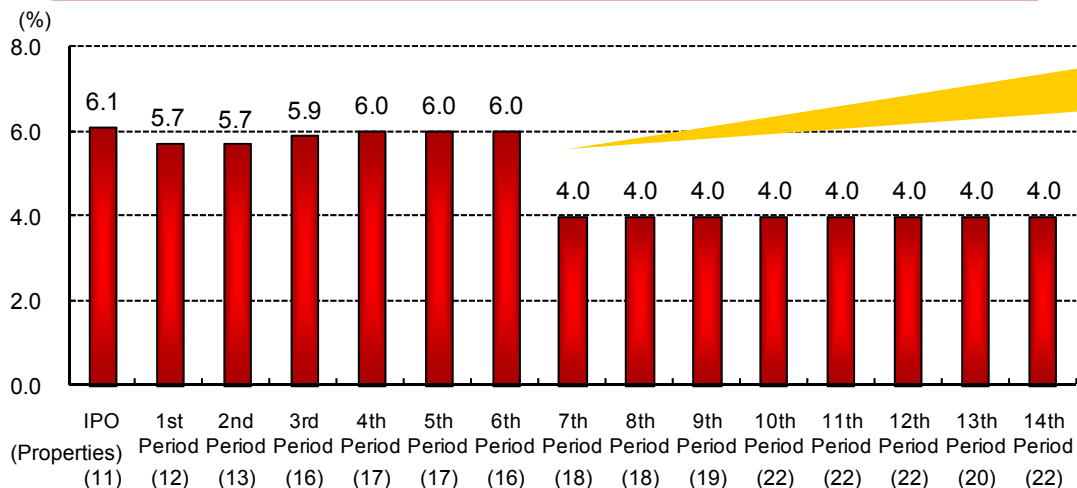
- Based on 24 properties (acquisition price base: ¥211,699 million), which is the sum of 21 properties that have been held for more than 4 periods, Yokohama Yamashita-cho Building (Barneys New York Yokohama Store), Resona Maruha Building and Ryoshin Harajuku Building
- \* Fiscal period end property values are utilized as the disposal price (sale price) of properties for the calculation of IRR.
- \* Acquisition price does not include capitalized expenses (such as broker's fees, first year's property / city planning tax, compensation for specialist agents).
- \* Cash flow from leasehold and security deposits are not included.
- \* Sale price of the Yokohama Yamashita-cho Building (Barneys New York Yokohama Store) is ¥6,480 million (sold in 6th period).
- \* Sale price of the Resona Maruha Building is ¥42,000 million (sold in 13th period).
- \* Sale price of the Ryoshin Harajuku Building is ¥8,400 million (sold in 13th period).
- IRR for the above 21 properties (acquisition price base: ¥168,033 million) is 5.09% (underperforming the benchmark return of 5.17% by 0.08 points)

\*Comments by Tokyu REIM



# Risk Management (1)

## Portfolio PML Trends

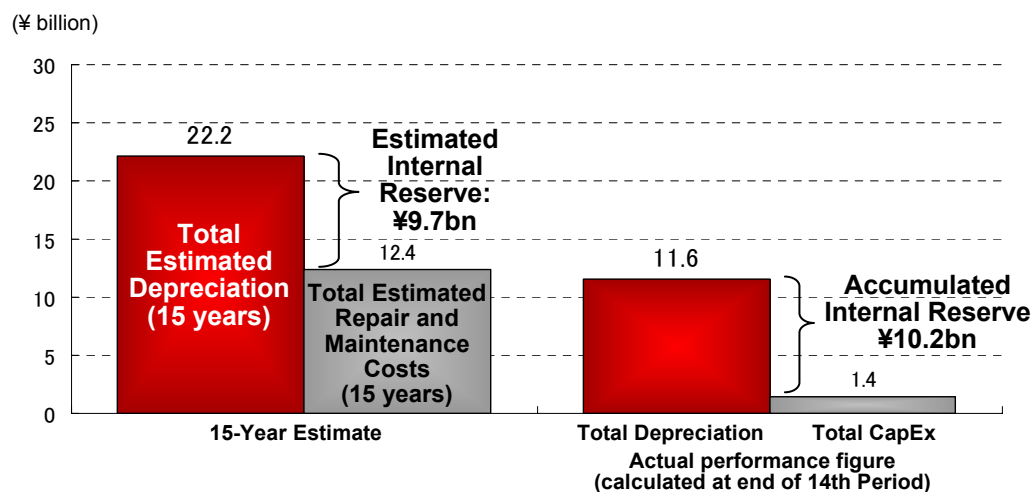


\* PML decreased due to a change in the property value appraisal method utilized by E.R.S. Corporation and Oyo RMS Corporation resulting from the introduction of a new seismic analysis method.

\* The source of funds for CapEx is limited to depreciation for REITs, as 100% of profits are distributed. Therefore, we focus on maintaining the proper balance between long-term repair and maintenance estimates and accumulated depreciation.

\* Not including Shonan Mall Fill (sokochi)

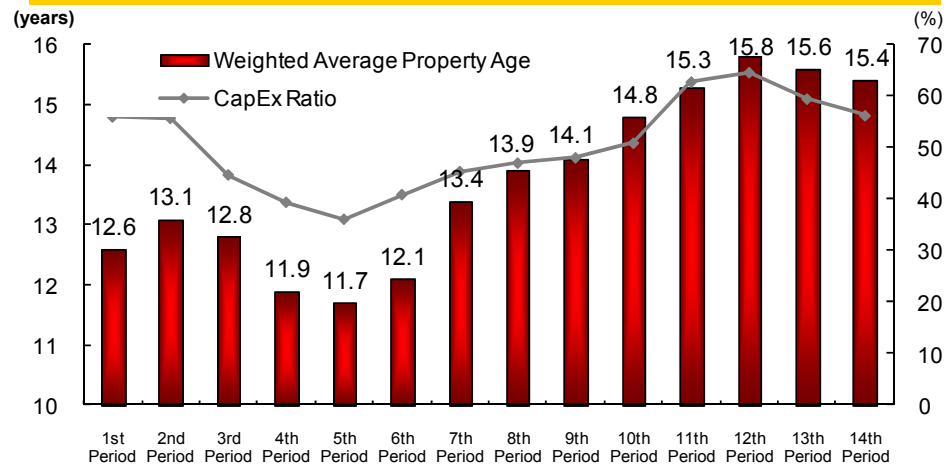
## Balance of Depreciation and Repair and Maintenance Costs



\* Repair and maintenance cost estimates are updated when appropriate.  
 \* Not including Shonan Mall Fill (sokochi)

## Weighted Average Property Age and CapEx Ratio

\* Rejuvenation of the portfolio and reduction of future repair and maintenance costs



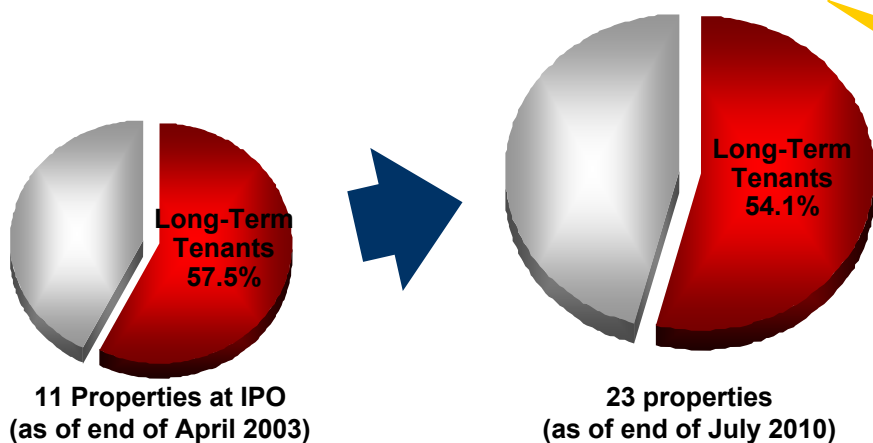
\* CapEx Ratio = (Total Estimated Repair and Maintenance Costs per Period) / (Total Estimated Depreciation per Period)

\*Comments by Tokyu REIM

# Risk Management (2)

## Ratio of Tenants with LT Contracts (Based on Leasable Area)

\* Continue to attract long-term commitments

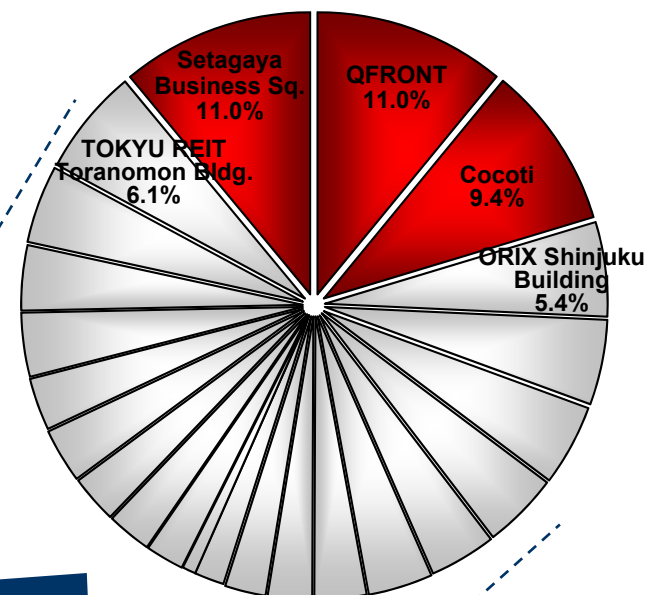


(Note) Percentage of leasable area for long-term contracts without rent revision: 0%

\* However, the average rent revision interval for all properties is 2.91 years

## Property Concentration

\* Ratio of each property decreased as number of buildings increased

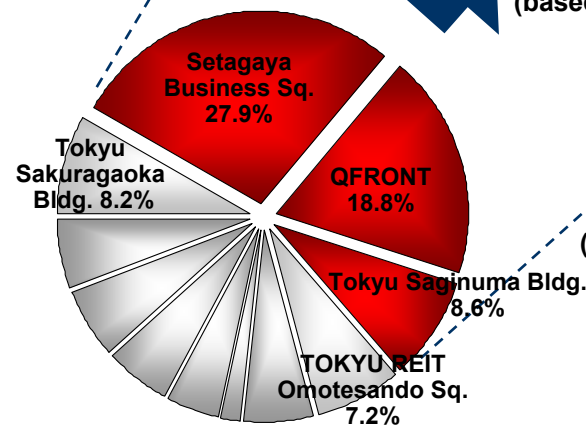
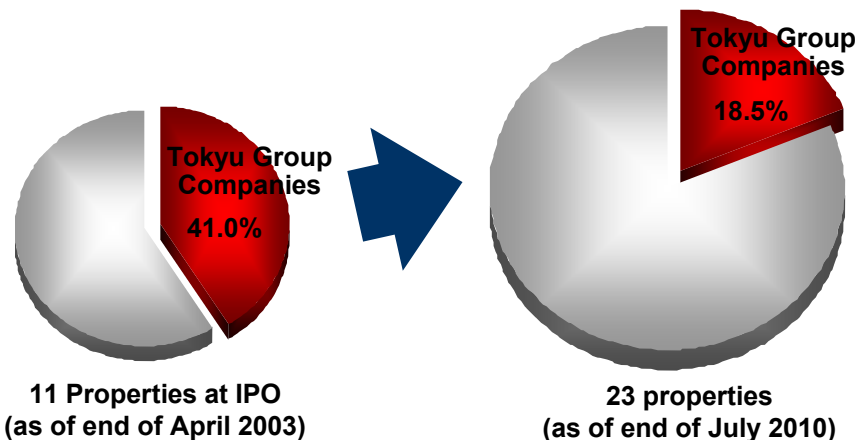


23 properties as of end of 14th period (based on appraisal value at end of period)

Top 3 : 31.4%  
Top 5 : 42.9%

## Tokyu Group Tenant Concentration (Based on Leasable Area)

\* Lower dependence on Tokyu Group Companies



11 Properties at IPO (based on appraisal value as of end of April 2003)

Top 3 : 55.3%  
Top 5 : 70.7%

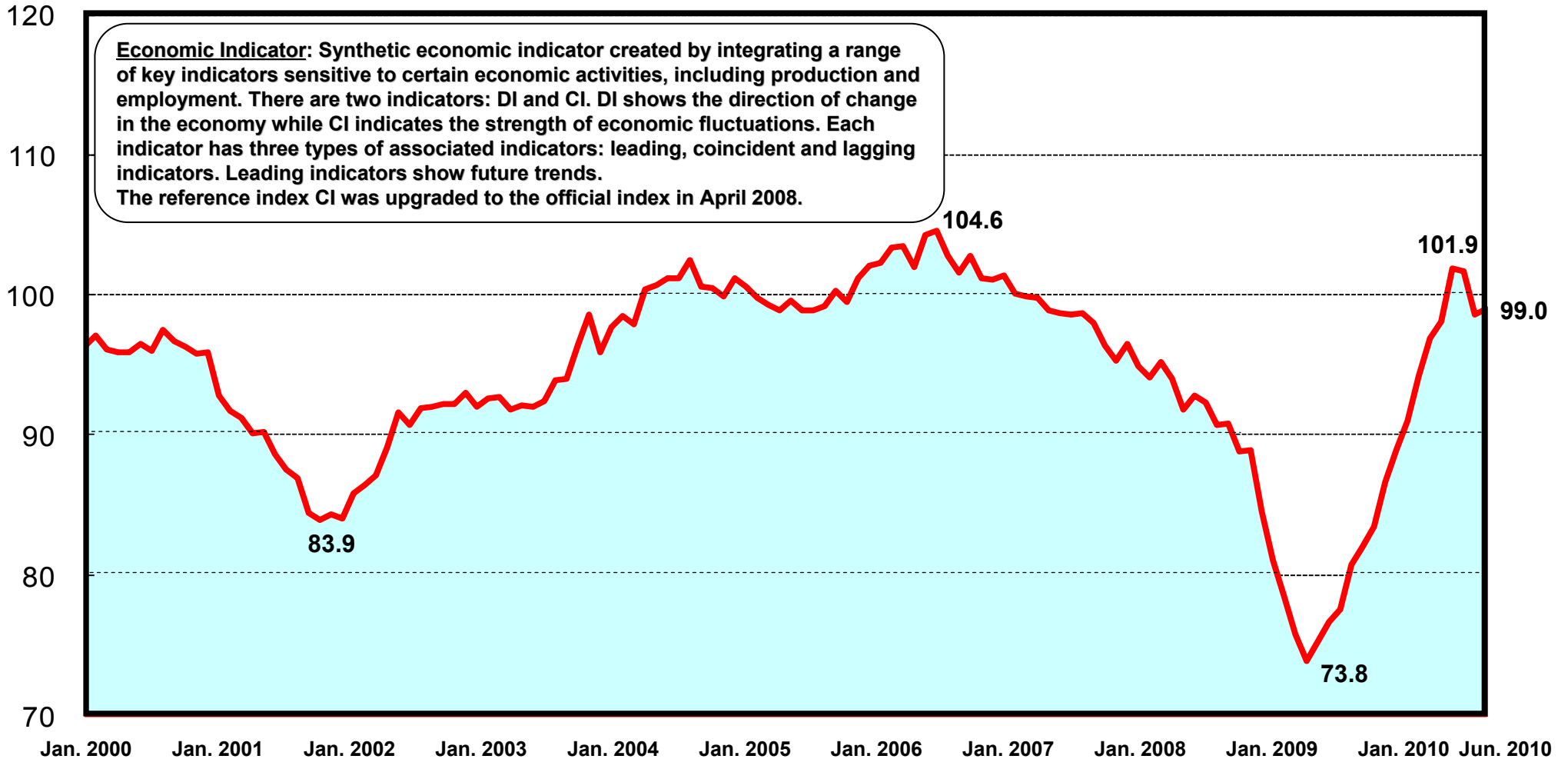
\*Comments by Tokyu REIM



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## 4. Market Review

## Economic Indicator: Composite Index / Leading Index (2005 = 100)



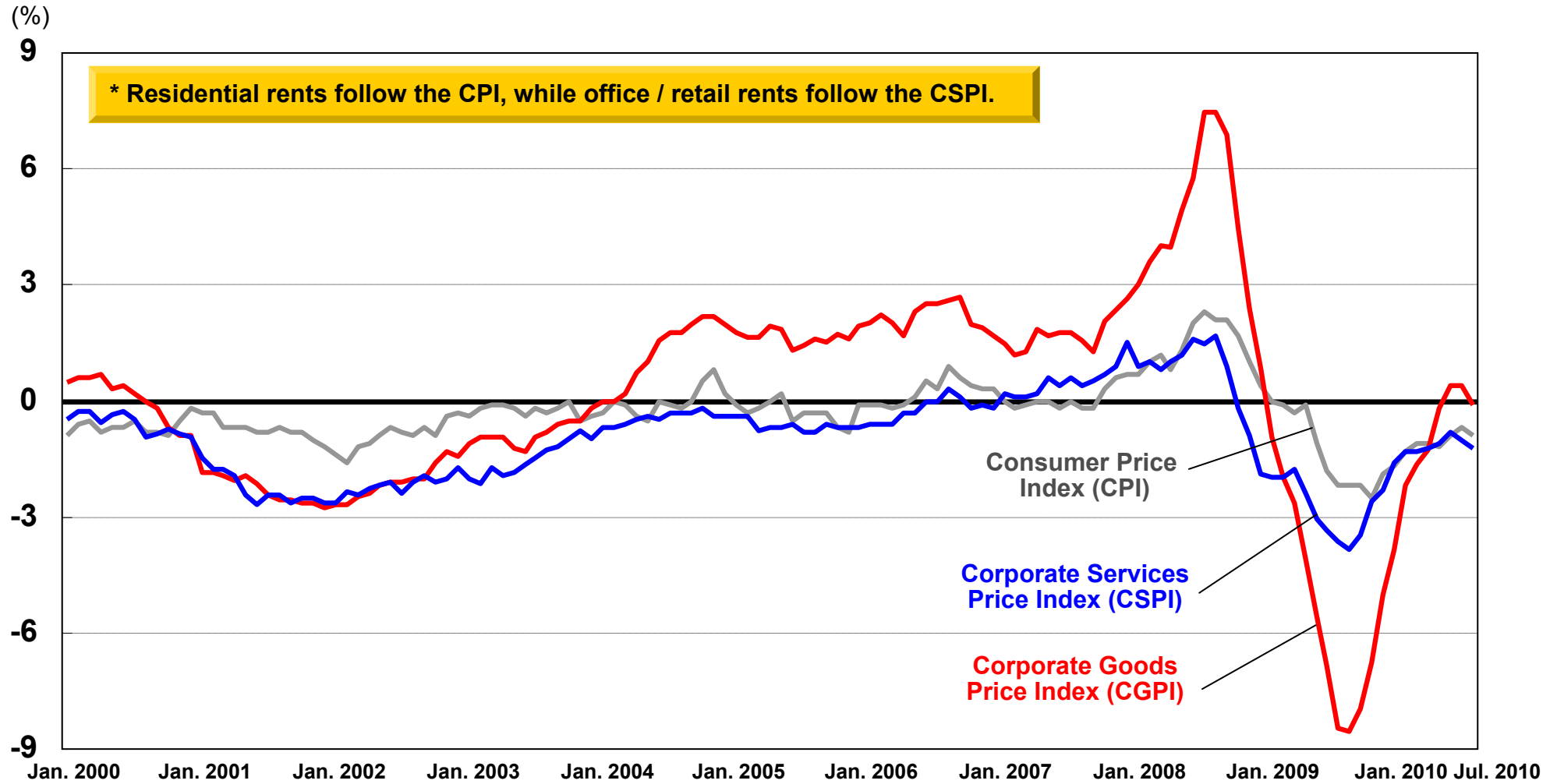
**\* The Leading Index, which had previously been rising, has come to a standstill**

Source: Cabinet Office

\*Comments by Tokyu REIM

# Price Trends in Japan

## Price Index (YoY Change)








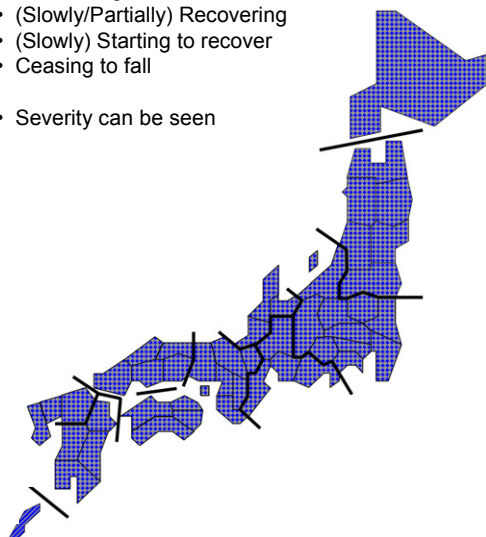
Source: Ministry of Internal Affairs and Communications, BOJ

\*Comments by Tokyu REIM

## Economic Conditions by Prefecture

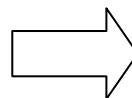
### Apr. 2010 Survey

-  Recovering further
-  (Slowly/Partially) Recovering
-  (Slowly) Starting to recover
-  Ceasing to fall
-  Severity can be seen



Source: Ministry of Finance






**\* Business confidence is recovering nationwide**

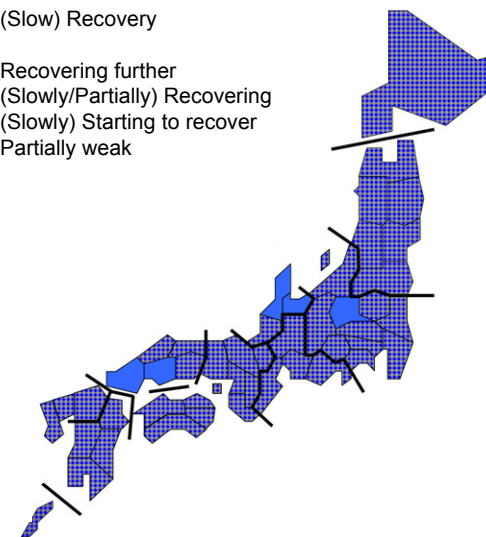


### \*Comparison

Upward revision	24
Unchanged	22
Downward revision	1

### Jul. 2010 Survey

-  (Slow) Recovery
-  Recovering further
-  (Slowly/Partially) Recovering
-  (Slowly) Starting to recover
-  Partially weak



(Note) Color coding on the map shows the direction of the economy, not the prefecture's current economy status.

**Although regional economies are still in a severe situation, they are slowly, but steadily recovering.**

(Ministry of Finance, 7/26/2010)

**While production in many regions is increasing, there are reports that capex has ceased to fall and is on a recovery, and that severity found in the employment and income situation has begun to wane.**

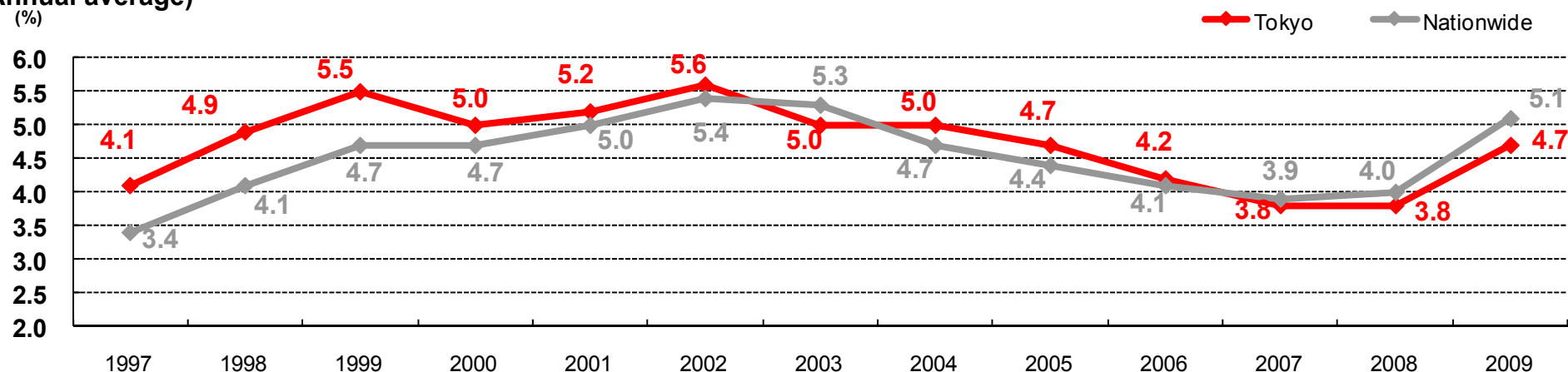
(Bank of Japan, 7/8/2010)

\* Comments and comparison by Tokyu REIM

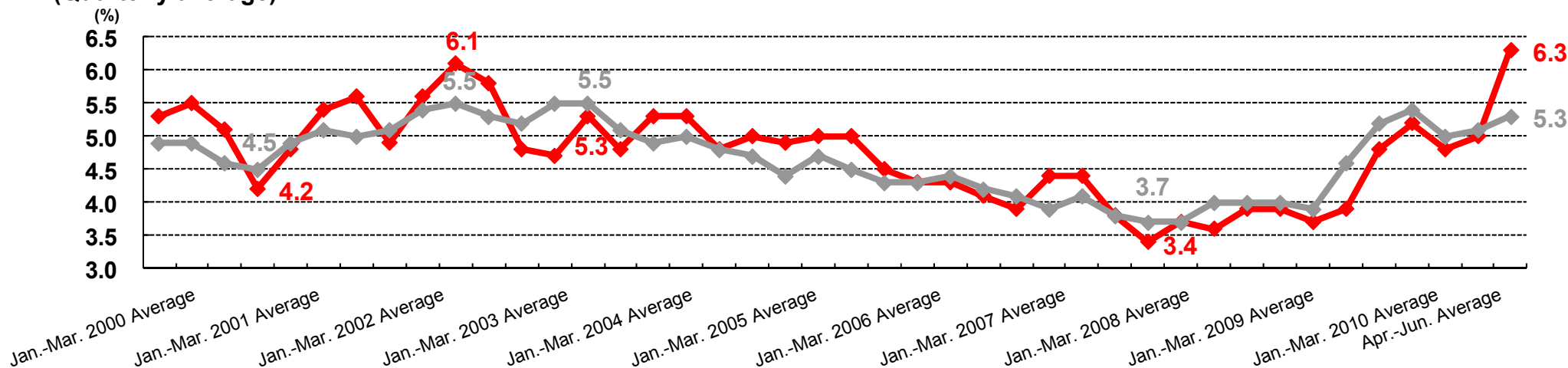
# Employment Trends in Japan (Unemployment)

## Unemployment in Tokyo and Nationwide

(Annual average)  
(%)



(Quarterly average)  
(%)



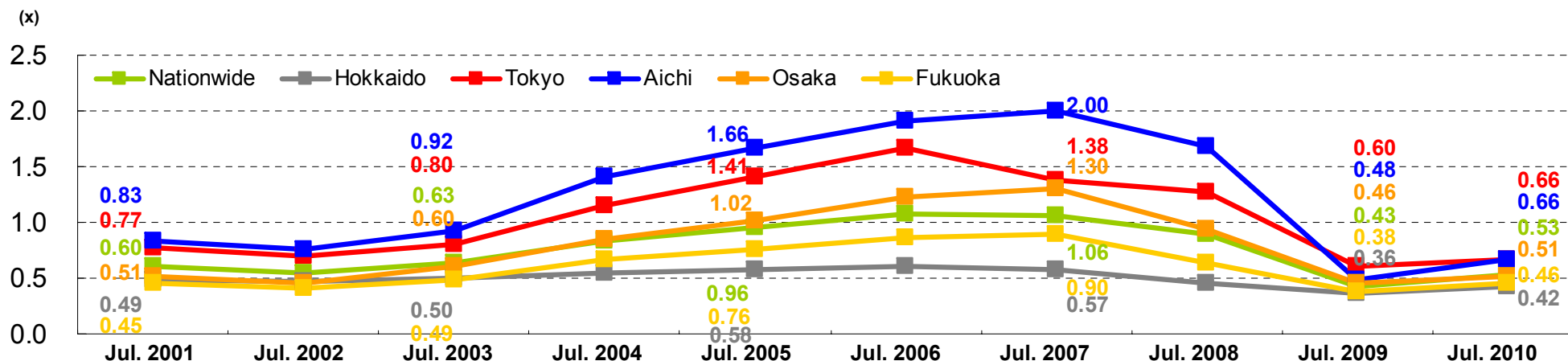
**\* The unemployment rate, which is a lagging indicator, is still in a severe situation.**

Source: "Labor Force Survey" by the Ministry of Internal Affairs and Communications

\*Comments by Tokyu REIM

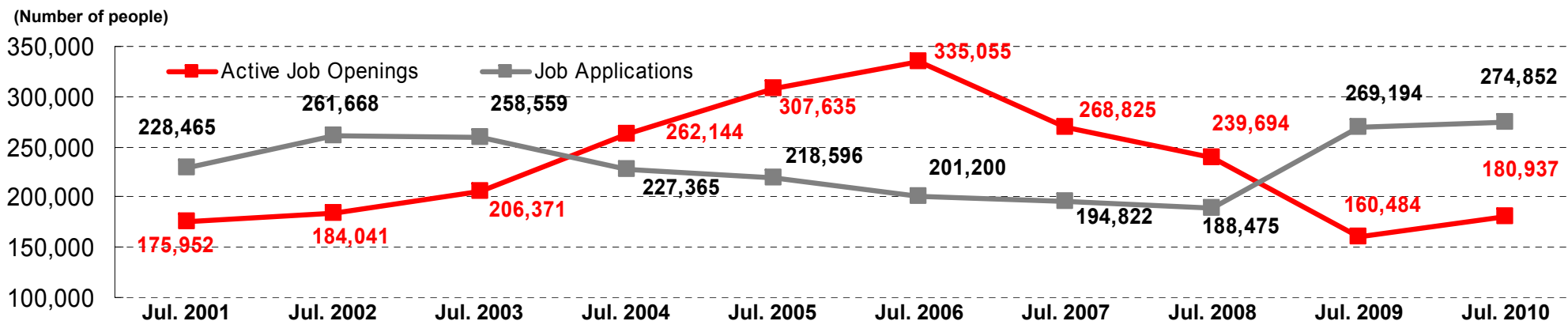
# Employment Trends in Japan (Job Openings)

## Job to Application Ratio (Seasonally Adjusted)



\* The severe employment trend is continuing.

## Active Job Openings / Job Applications in Tokyo



\* The number of active job openings has been below the number of job applications since January 2009.

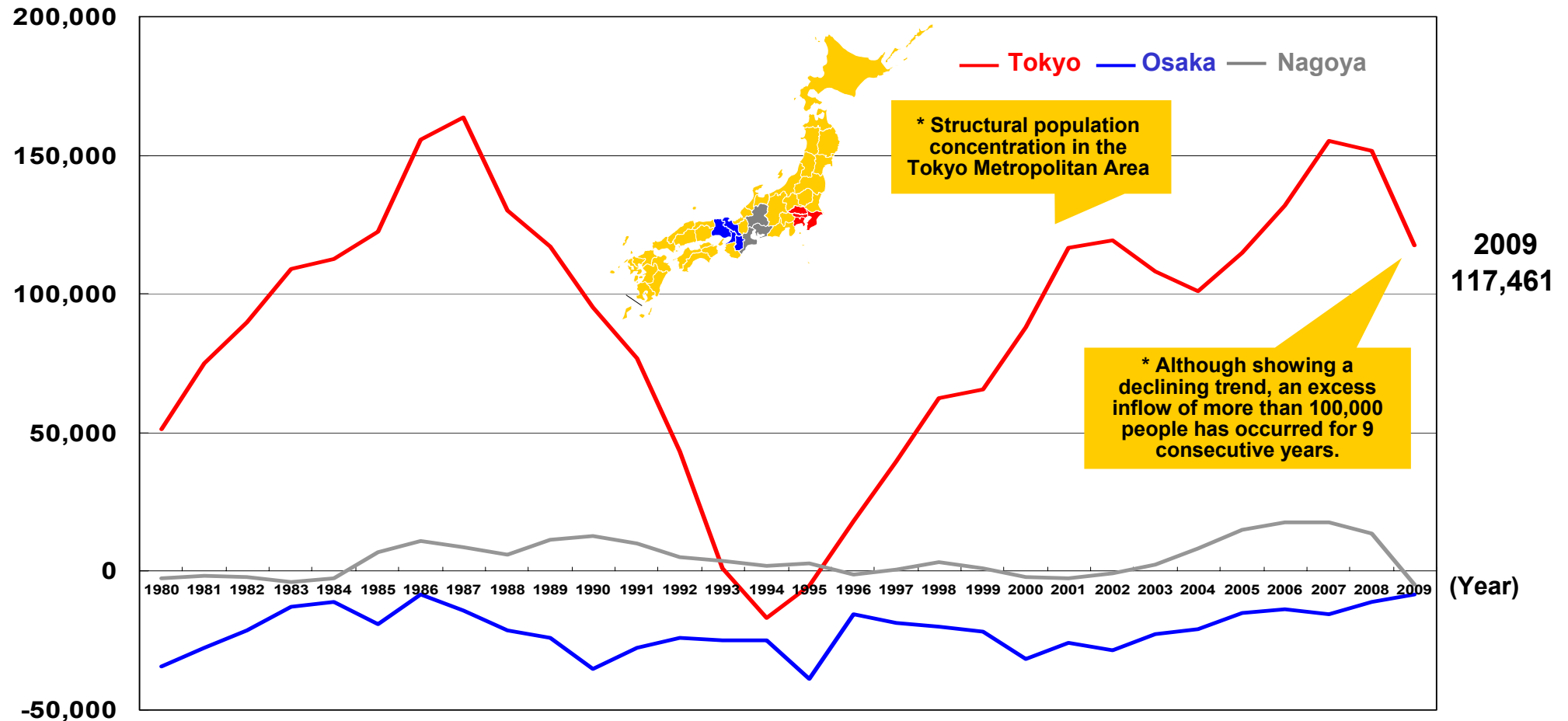
Source: "Employment Service" by the Ministry of Health, Labour and Welfare

\*Comments by Tokyu REIM



# Excess Population Inflow into Three Major Metropolitan Areas (1980-2009)

(Number of people)



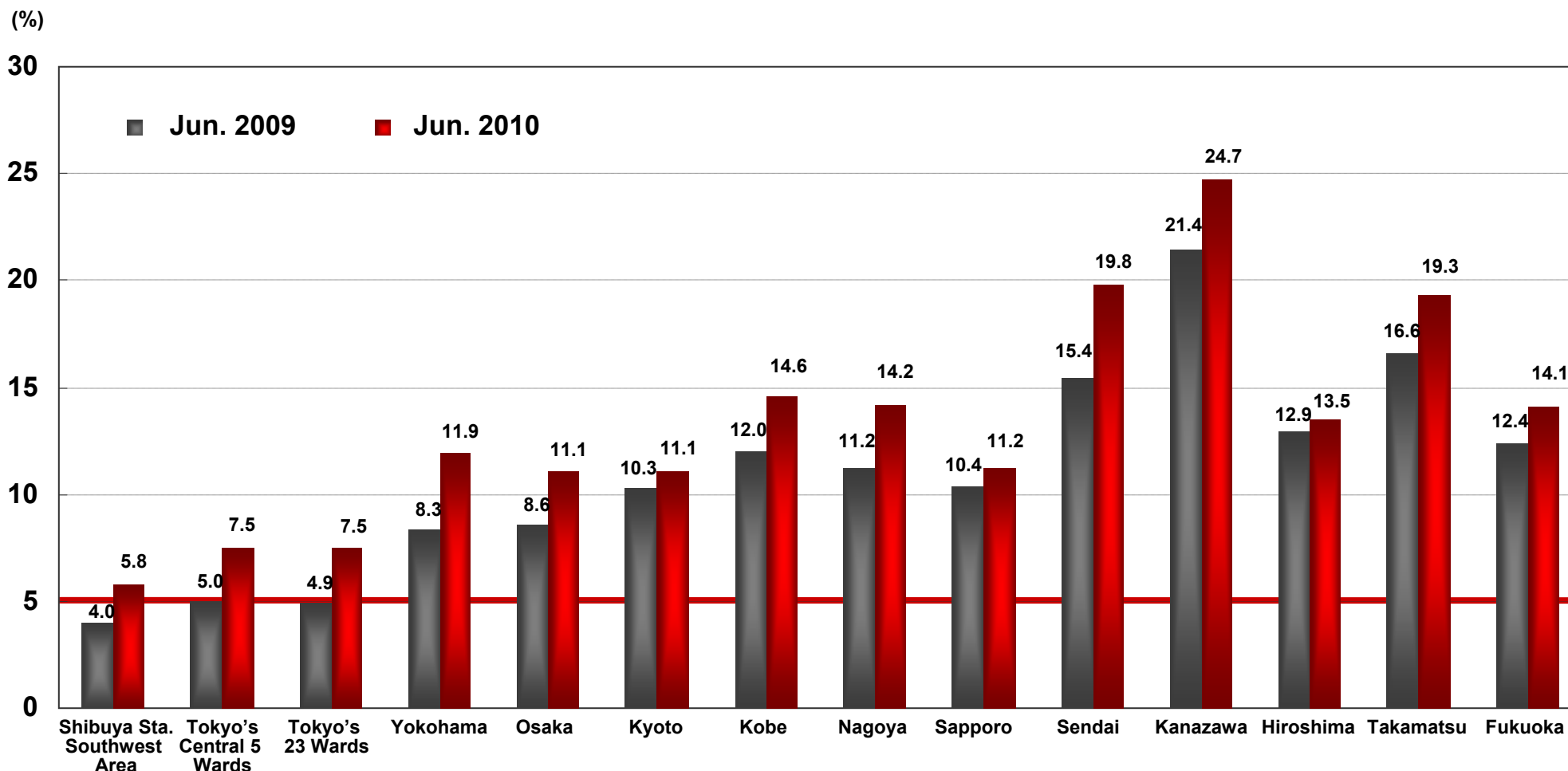
**\* Excess inflow continues to occur in the Tokyo Metropolitan Area, while there is excess outflow occurring in the Osaka Metropolitan Area and Nagoya Metropolitan Area.**

Source: Population Movement from Basic Resident Register, Ministry of Internal Affairs and Communications

\*Comments by Tokyu REIM

# Office Leasing Market Overview (1)

## Vacancy by Market



**\* The vacancy rate is showing an upward trend nationwide and Tokyo's rate hit a record high ever since the survey began (1996).**

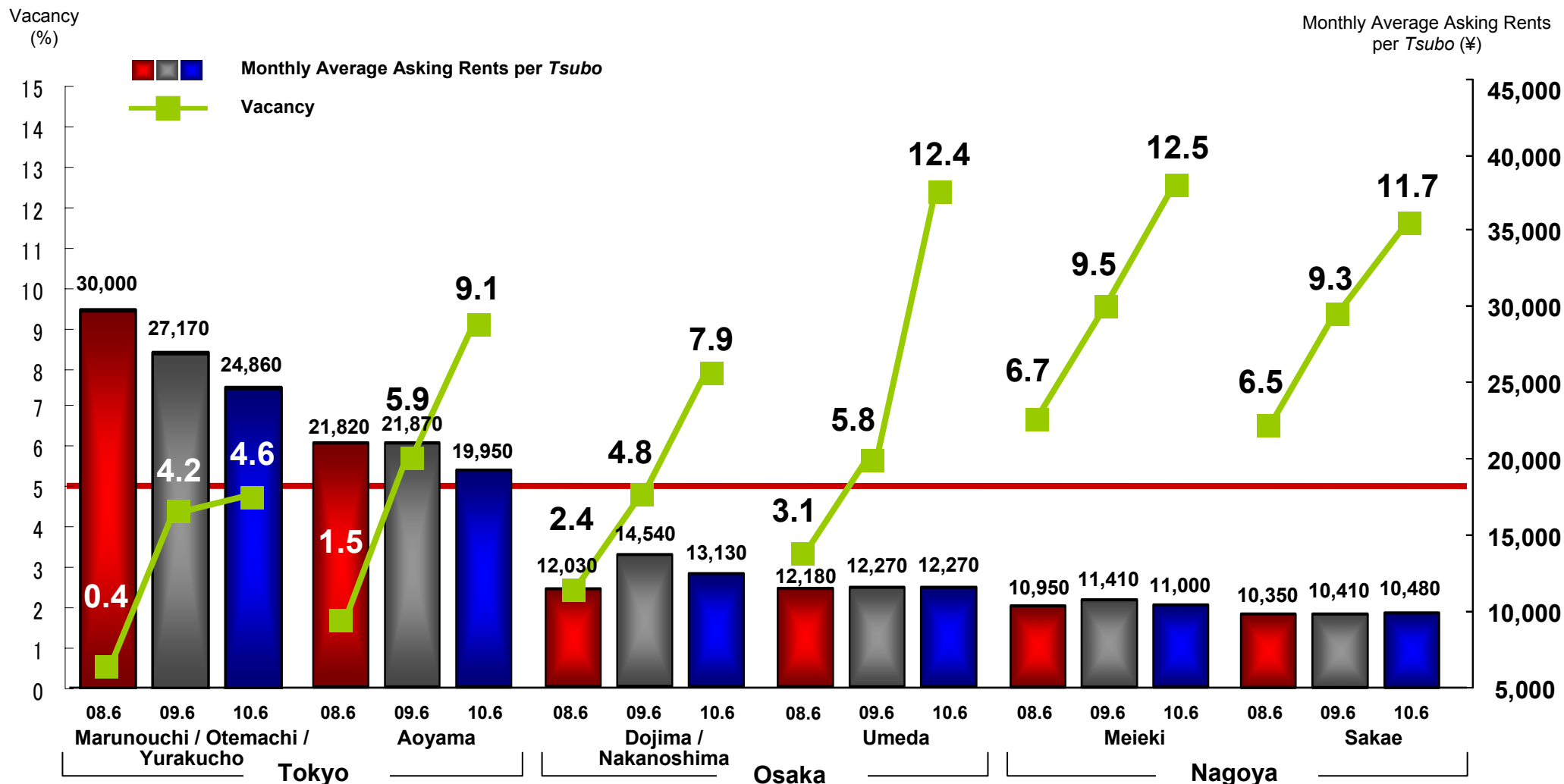
Source: "Office Market Report" issued by CBRE Research Institute

\* Shibuya Station Southwest Area does not represent the entire Shibuya Ward, but specifically indicates the "Jinnan, Udagawa-cho, Dogenzaka area," including Nampoedai-cho and Sakuragaoka-cho.

\*Comments by Tokyu REIM

# Office Leasing Market Overview (2)

## Vacancy and Asking Rents for New Tenants by Zone



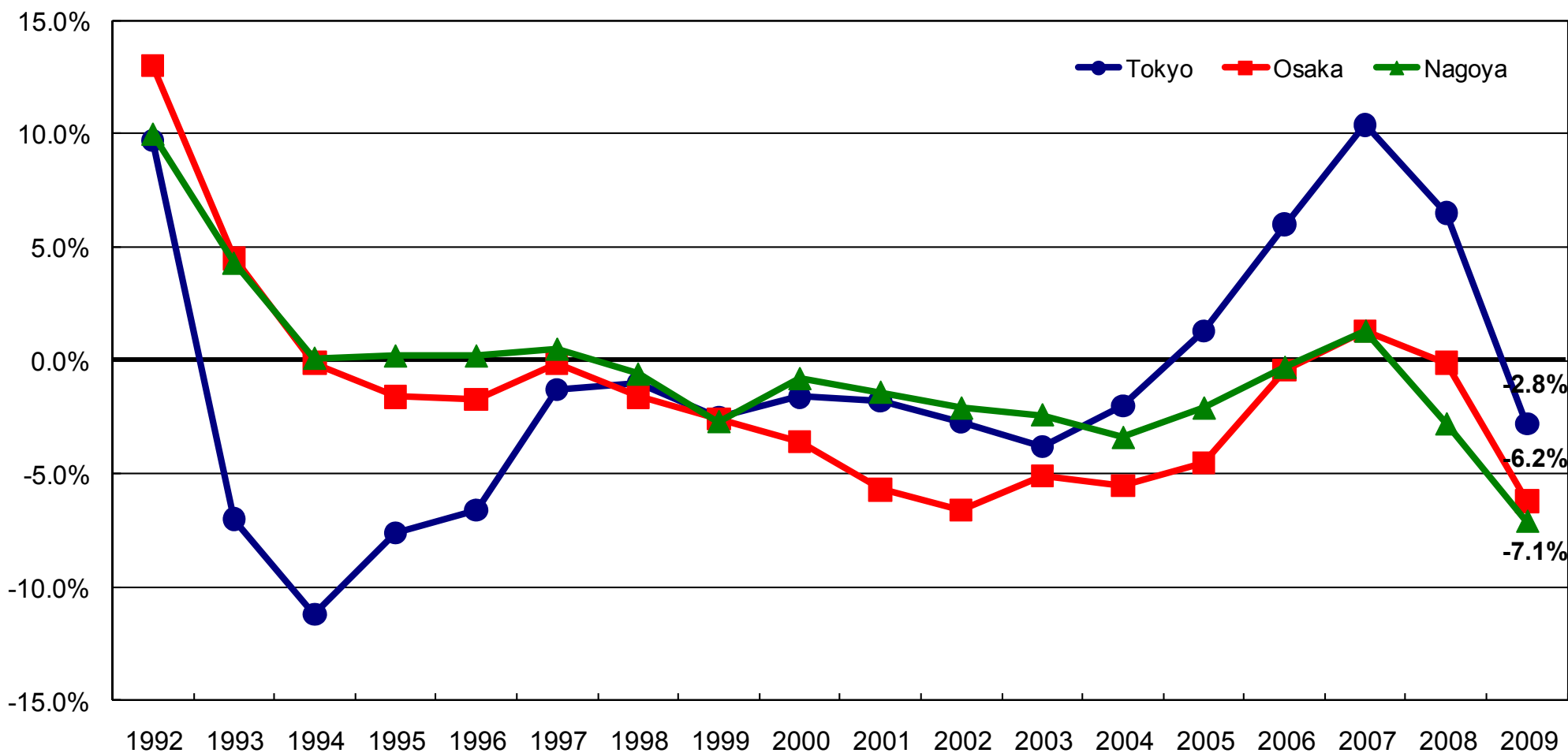
**\* Even within Tokyo, the situation varies by area.**

Source: "Office Market Report" issued by CBRE Research Institute

\*Comments by Tokyu REIM

# Office Leasing Market Overview (3)

## Office Rent Revisions in the Three Major Cities (Tokyo, Nagoya and Osaka)



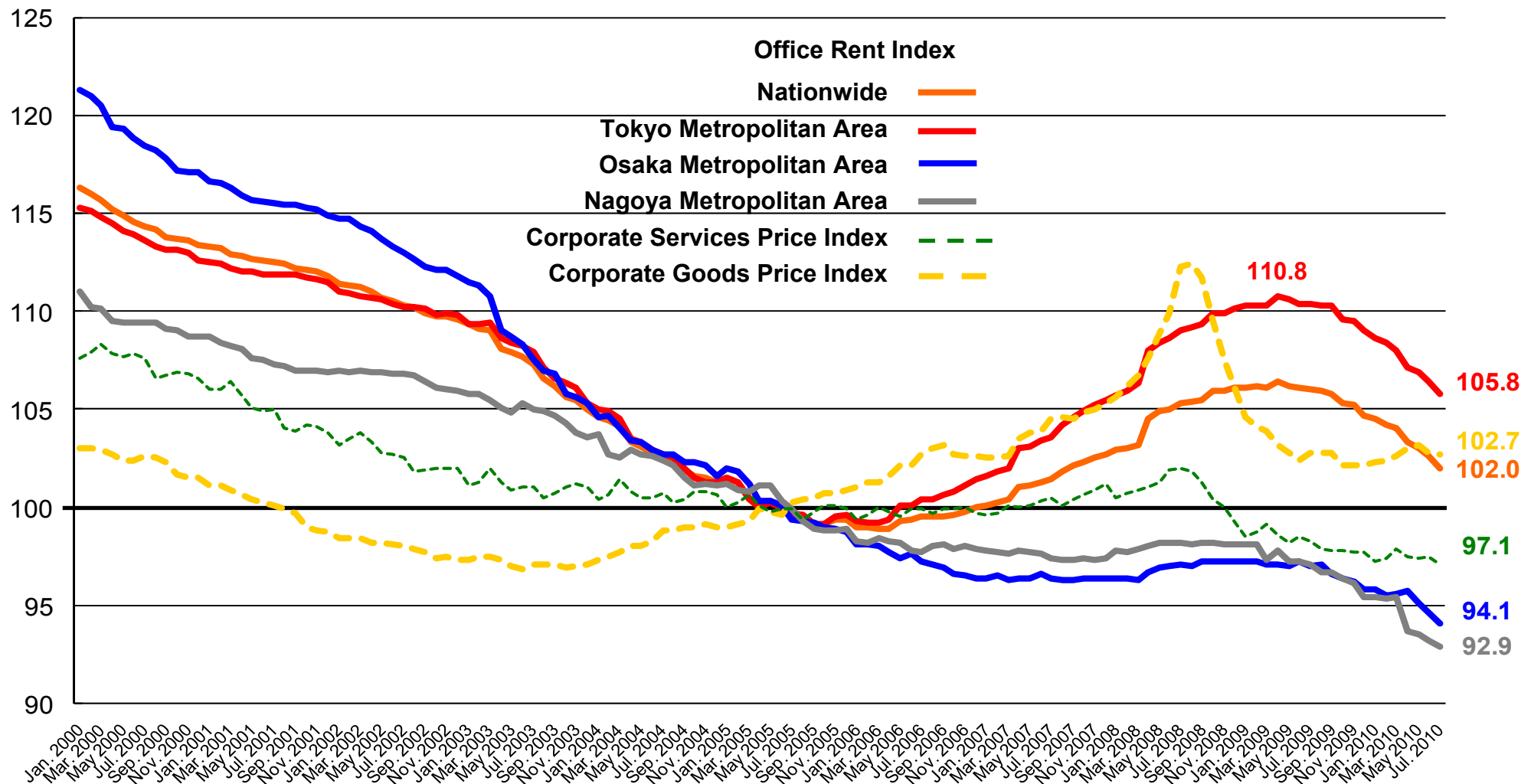
**\* Rent revisions decreased in Tokyo for the first time in 5 years.**

Source: "National Office Building Rent Revision Trends" issued by CBRE Research Institute

\*Comments by Tokyu REIM

# Office Leasing Market Overview (4)

## Office Rent Index (Corporate Services Price Index) 2005 = 100



**\* Contracted rents in the Tokyo Metropolitan Area have been declining since April 2009.**

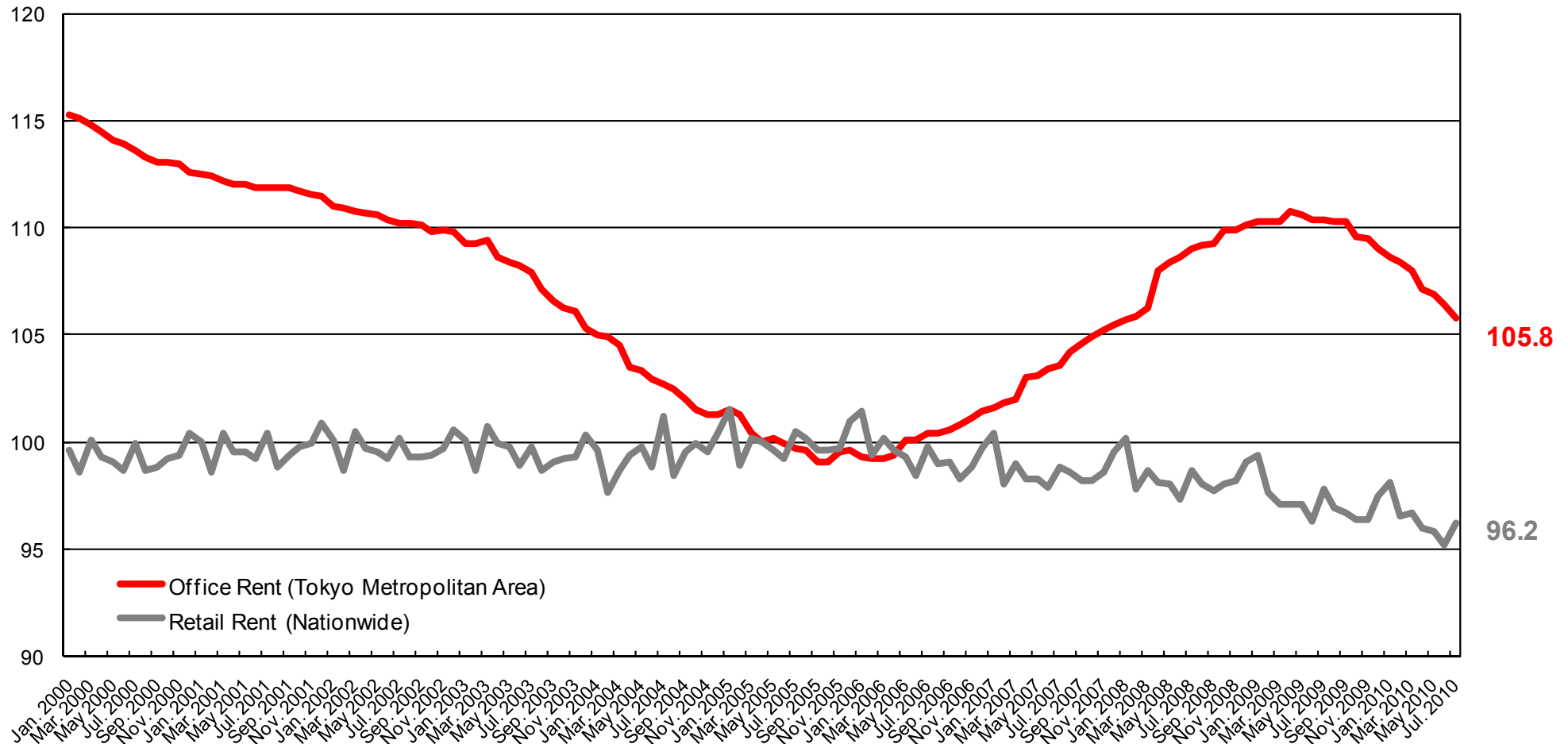
Source: Prepared by Tokyu REIM based on information from the BOJ website

\* The Office Rent Index is calculated based on contracted rents, rather than newly asking rents.

\*Comments by Tokyu REIM

# Office Leasing Market Overview (5): Comparison with Retail Properties

**Indexed Office Rent and Retail Rent Comparison (2005 = 100)**



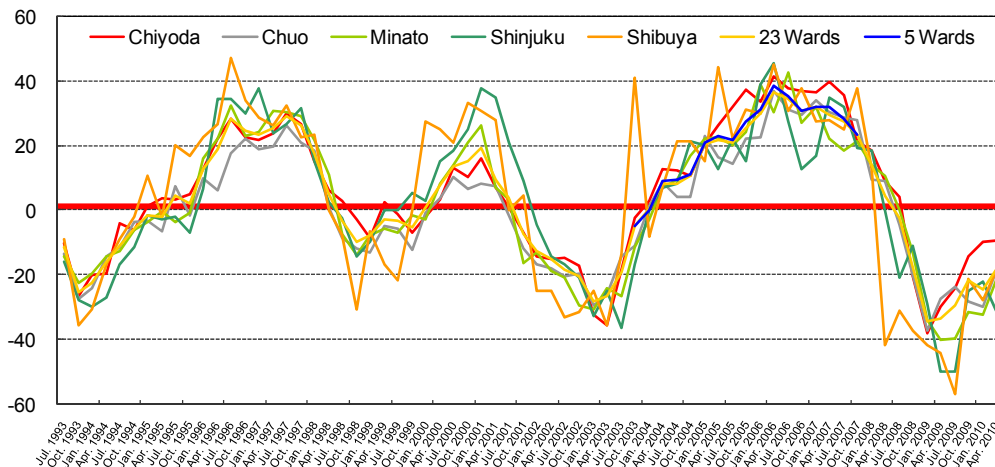
**\* Unlike office rents, the retail market is less affected by economic fluctuations.**

Source: Prepared by Tokyu REIM based on information from the BOJ website

\*Comments by Tokyu REIM

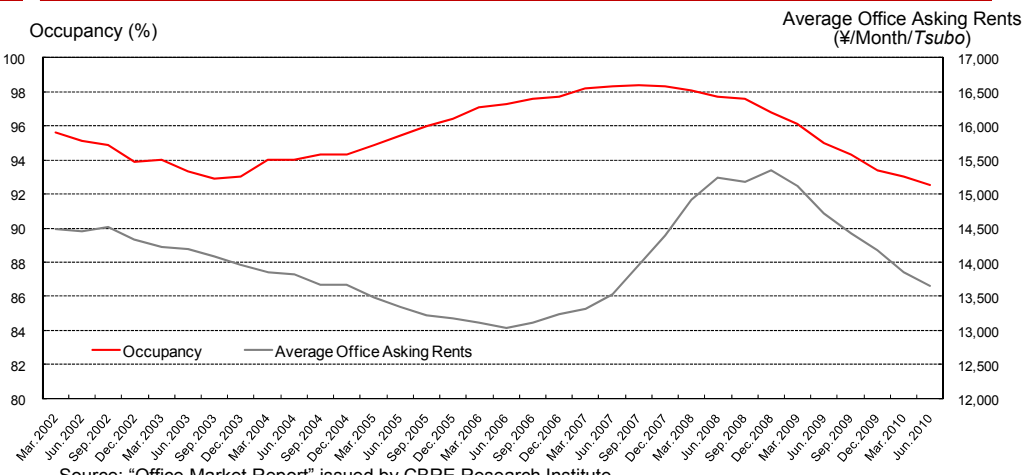
# Office Leasing Market Overview (6)

## Business Sentiment on Vacancy Levels in Tokyo (Now vs. 3 Months Later)



Source: Tokyo Building Owners and Managers Association "Building Management Trend Research Report"  
 (Note) From January 2008, information on the 5 Wards is no longer disclosed.

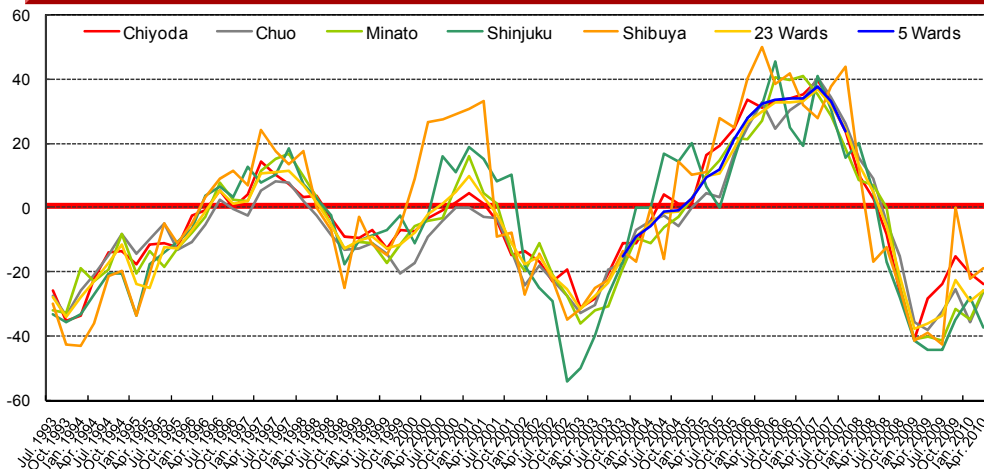
## Occupancy and Asking Rents in 5 Central Wards of Tokyo



Source: "Office Market Report" issued by CBRE Research Institute

**\* The downturn in the Occupancy rate has led to a downward trend in Asking Rents.**

## Business Sentiment on Rent Levels in Tokyo (Now vs. 3 Months Later)



Source: Tokyo Building Owners and Managers Association "Building Management Trend Research Report"  
 (Note) From January 2008, information on the 5 Wards is no longer disclosed.

**\* The outlook of building owners is recovering.**

## Rent Estimates by Region (Rent Level at Survey Date = 100)

### 21st Period Survey (as of October 2009)

Area	Next Years	2 Years	5 Years	10 Years
Marunouchi, Otemachi area	99	100	101	102
Shibuya, Shibuya Station area	98	98	100	100
Nagoya, Nagoya Station area	95	96	98	100
Osaka, along Midousuji line	97	97	98	100

### 22nd Period Survey (as of April 2010)

Area	Next Years	2 Years	5 Years	10 Years
Marunouchi, Otemachi area	100	100	103	105
Shibuya, Shibuya Station area	98	99	100	101
Nagoya, Nagoya Station area	96	97	99	100
Osaka, along Midousuji line	97	97	98	100

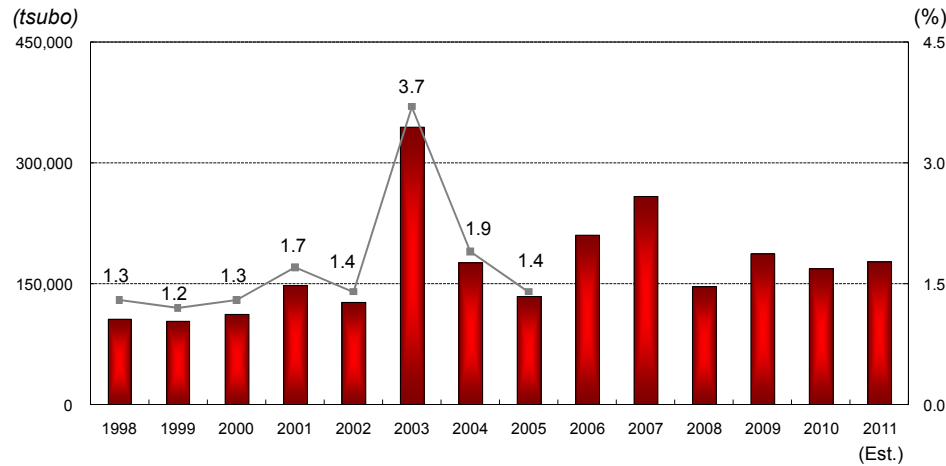
Source: Japan Real Estate Institute "Japanese Real Estate Investors Survey"

**\* Investor outlook has improved in Tokyo**

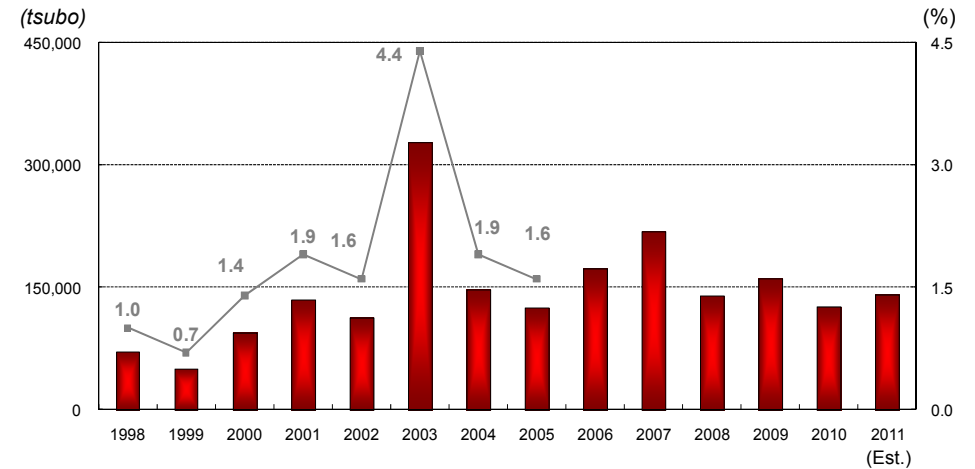
\*Comments by Tokyu REIM

# New Office Supply and Percentage to Total Rental Area

## Tokyo's 23 Wards

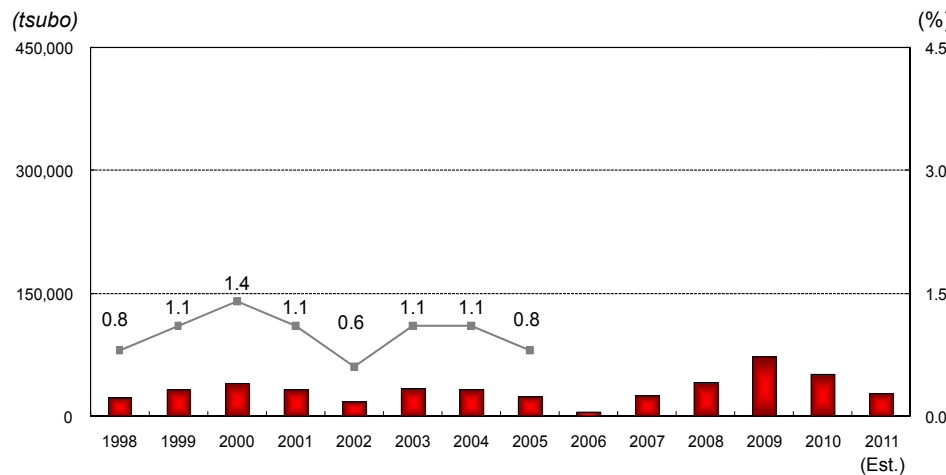


## Tokyo's 5 Central Wards

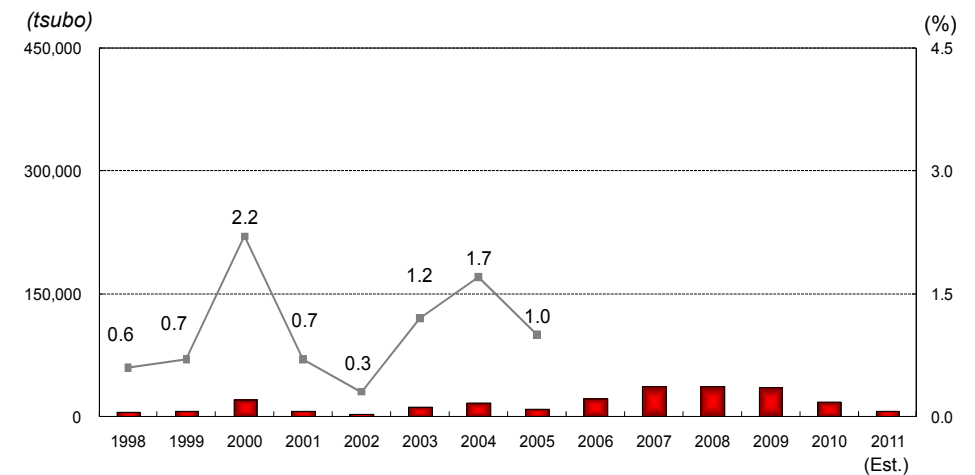


**\* New office supply in Tokyo in 2011 is expected to be almost half that of 2003.**

## Osaka



## Nagoya



Source: CBRE Research Institute

- (1) New office supply as a percentage of total rental area no longer available since 2006
- (2) Decrease in rental space caused by rebuilding/demolition not calculated

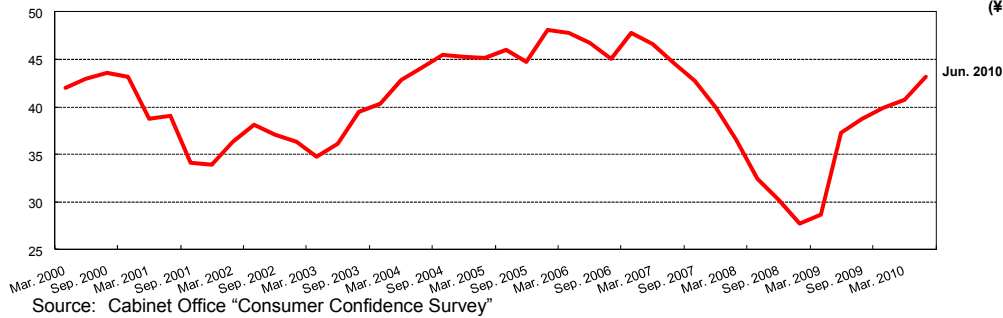
■ New Office Supply    ■ % of Total Rental Area

\*Comments by Tokyu REIM

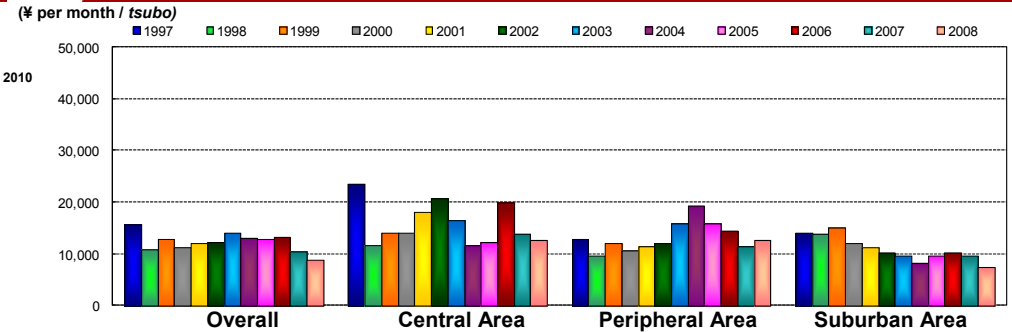


# Retail Leasing Market Overview

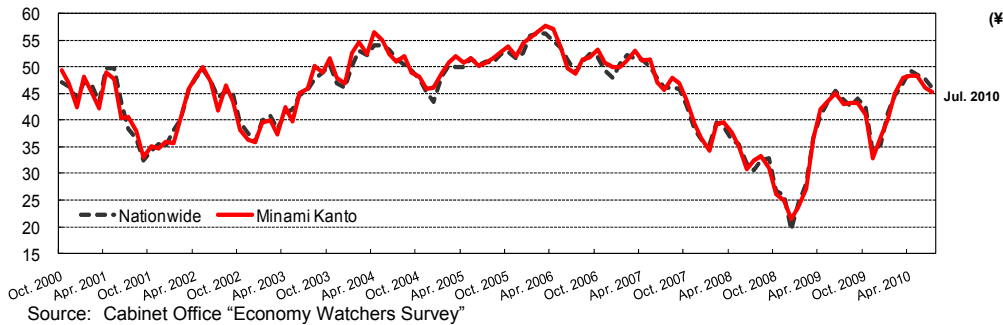
**Consumer Confidence Index (Nationwide General Households / Seasonally Adjusted)**



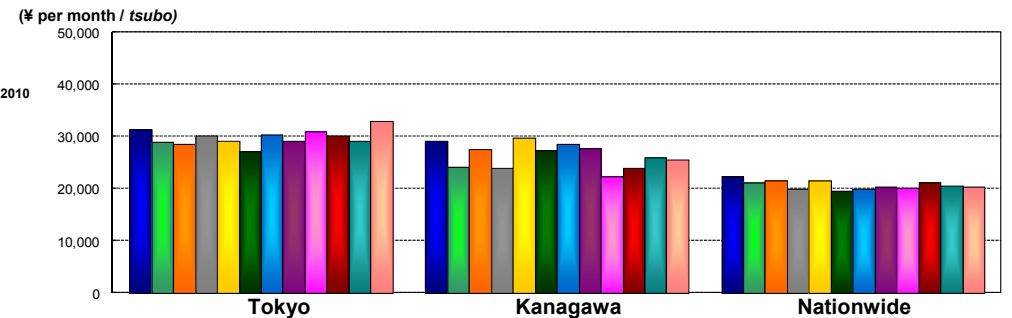
**Average Rent of SC Tenants (Key Tenants)**



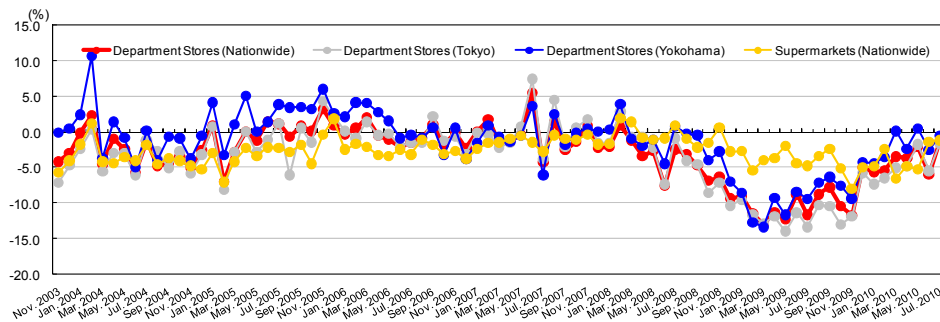
**Economy Watchers Survey (Leading Indicator: Household Related)**



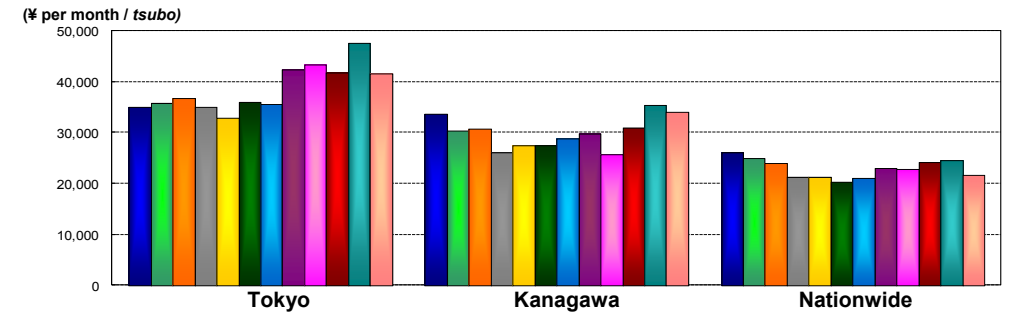
**Average Rent of SC Tenants (Restaurants)**



**Department Store & Supermarket Sales (YoY Change) (Store number-adjusted)**



**Average Rent of SC Tenants (Retail Stores)**



Source: Website of Japan Department Stores Association, Japan Chain Stores Association "Statistics on Sales of Chain Stores" Source: Survey on shopping center rents and common service charges by Japan Council of Shopping Centers

**\* Consumption attitude bottomed out in December 2008 and since then has gradually recovered. However, the situation still requires careful monitoring.**

# Real Estate Trading Market Overview (1)

## Real Estate Transparency Index (CY2008)

Transparency Level	CY 2008 Rank	Country Name	CY 2008 Score (Note)	CY2006 Score	CY2004 Score	Change in Transparency
High Transparency	1	Australia	1.15	1.15	1.19	
	1	United States	1.15	1.15	1.24	
	3	Canada	1.16	1.21	1.37	
	4	New Zealand	1.25	1.20	1.19	
	5	United Kingdom	1.30	1.25	1.24	
	6	Holland	1.37	1.37	1.37	
	7	Sweden	1.38	1.38	1.51	
	8	France	1.40	1.40	1.62	
	9	Hong Kong	1.46	1.30	1.50	
	9	Singapore	1.46	1.44	1.55	
Transparent	23	Malaysia	2.21	2.21	2.30	
	25	Japan	2.40	2.40	3.08	
Semi-Transparent	40	Taiwan	3.12	2.86	3.10	
	43	Korea	3.16	2.88	3.36	
	46	Thailand	3.21	3.40	3.44	★
	48	Philippines	3.32	3.30	3.43	★
	49	China	3.34	3.50	3.71	★★★
	50	India	3.39	3.46	3.90	★★
Low Transparency	55	Indonesia	3.59	3.90	4.11	
	60	Macau	3.71	3.65	na	★
	77	Vietnam	4.36	4.69	4.60	★★

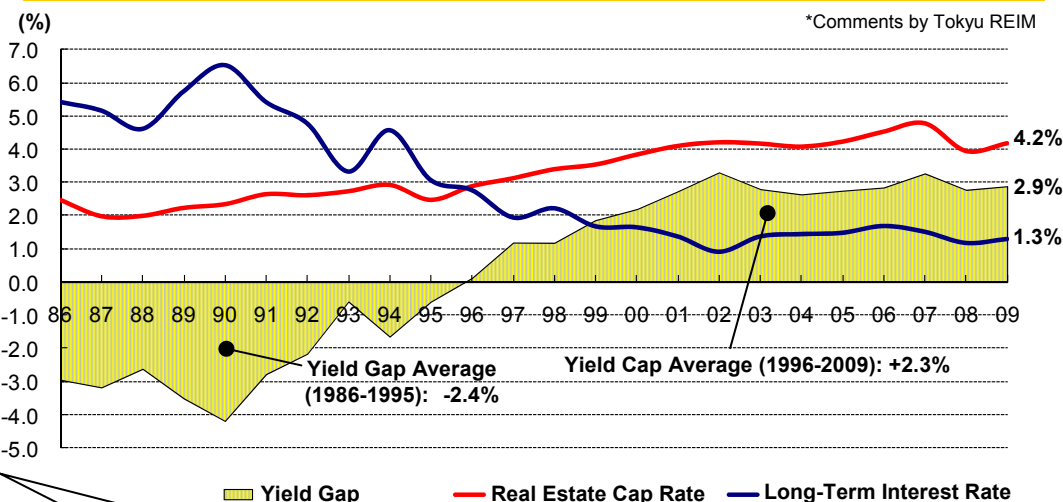
The survey addressed the following five attributes of real estate transparency: 1) Availability of investment performance indices, 2) Availability of data on market fundamentals, 3) Listed vehicle financial disclosure and governance, 4) Regulatory and legal factors, and 5) Professional and ethical standards.

Source: Prepared by Tokyu REIM based on Jones Lang LaSalle "2008 World Real Estate Transparency Index" Report  
 (Note) For comparison purposes the index based on older standards, not including new attributes, is used.

- ★.....Slight improvement in transparency (2006~2008)
- ★★...Moderate improvement in transparency (2006~2008)
- ★★★·Significant improvement in transparency (2006~2008)

## Real Estate Cap Rate, Long-Term Interest, Yield Gap

\* At around the time of the bubble period, there was a speculative boom in real estate investment. Therefore the yield gap is negative during that time.



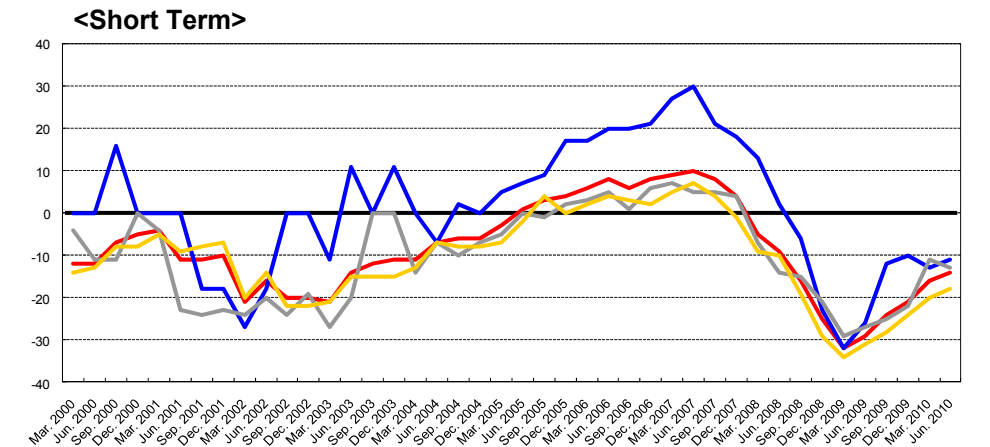
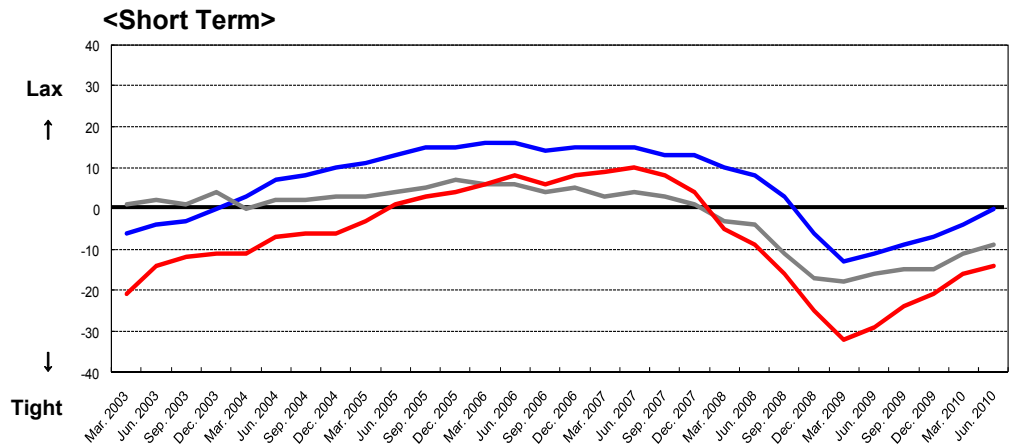
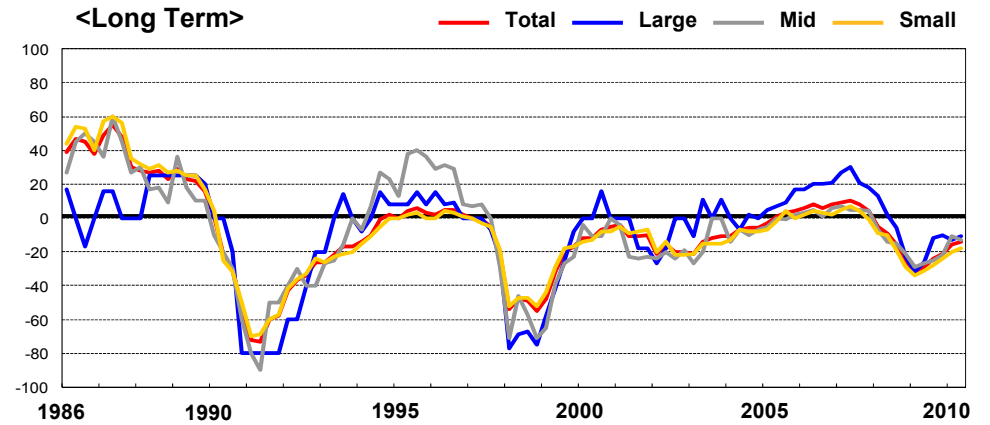
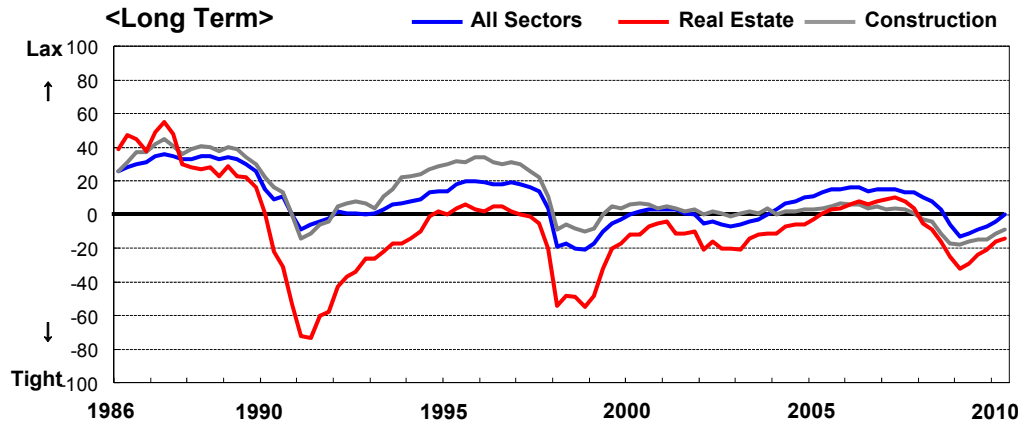
The market in Japan did not grow as much due to the small number of J-REIT IPOs and decreasing amount of asset acquisitions. This did not help improve disclosure standards or upgrade the investor index which serves as the industry standard. As a result, the transparency in Japan during 2008 only improved fractionally.

Source: Prepared by Tokyu REIM based on information from Jones Lang LaSalle's website

# Real Estate Trading Market Overview (2)

## Lending Attitude DI by Sector

## Lending Attitude DI by Size (Real Estate Sector)



Source : BOJ "Tankan"  
 (Note) REITs not covered in the survey

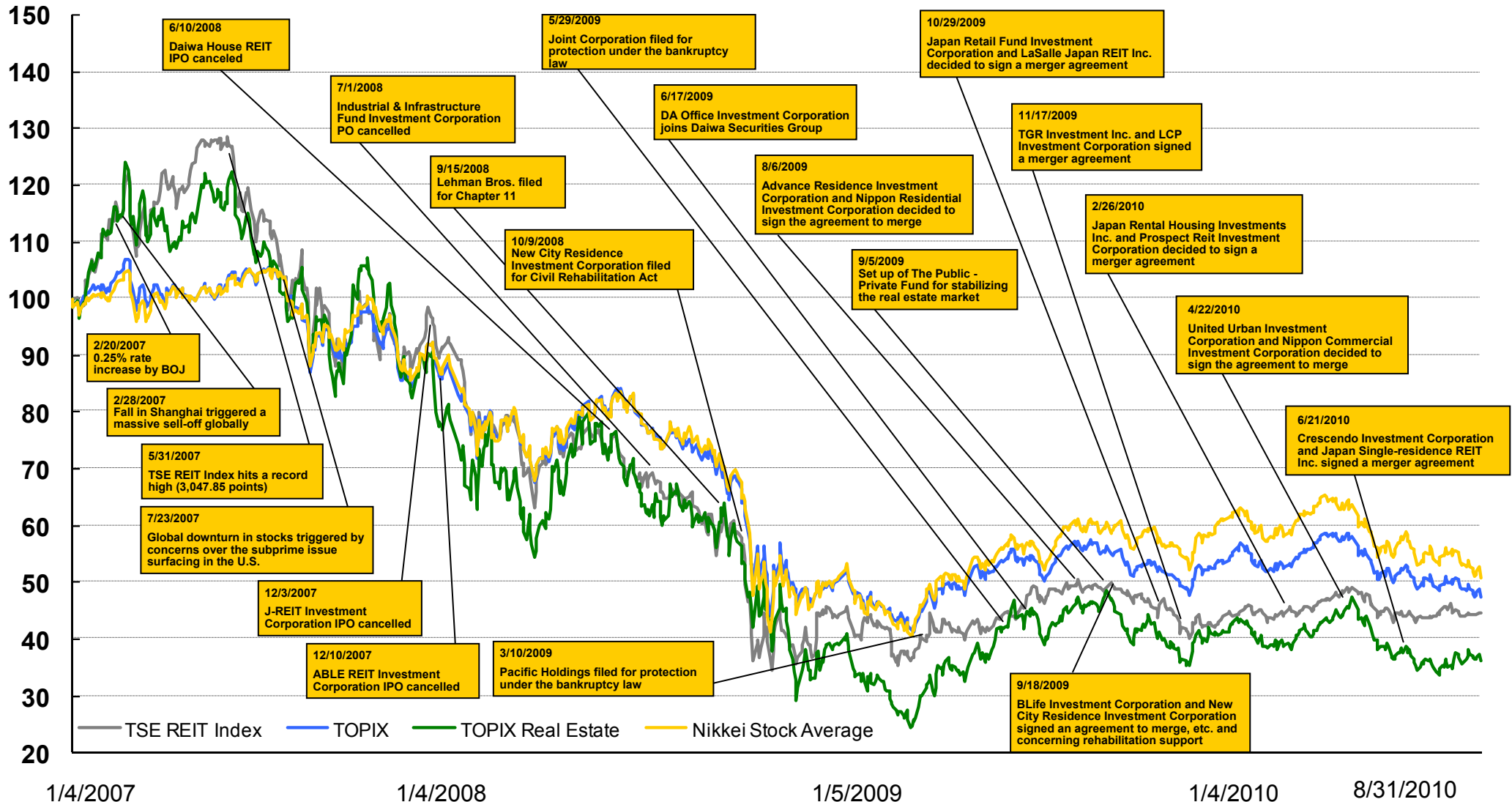
Large: Cap size over ¥1 billion, Mid: Cap size between ¥1 billion and ¥100 million,  
 Small: Cap size between ¥100 million and ¥20 million  
 For data before April 2004, size was based on the number of employees.

**\* The lending attitude for the real estate sector is volatile.**

**\* The lending attitude for the real estate sector bottomed out in March 2009 and began to recover.**

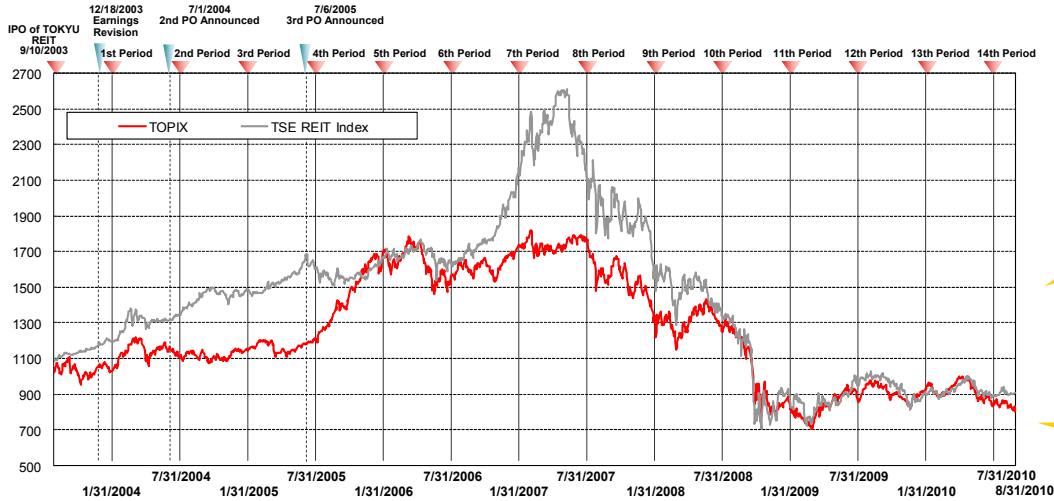
# REIT Market Overview (1)

## Capital Market Trends Since 2007 (1/4/2007 = 100)



# REIT Market Overview (2)

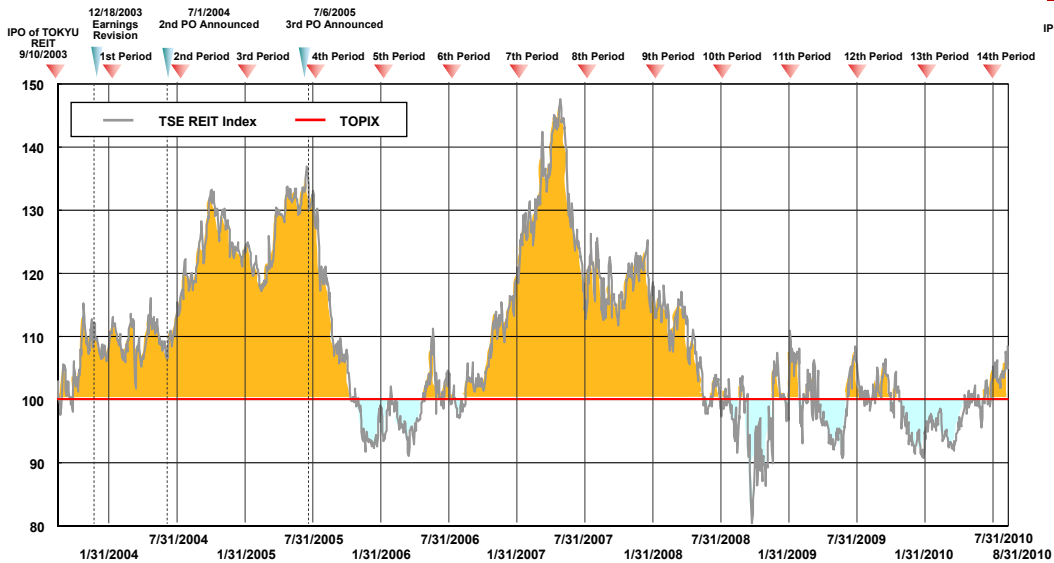
## TOPIX and TSE REIT Index Performance



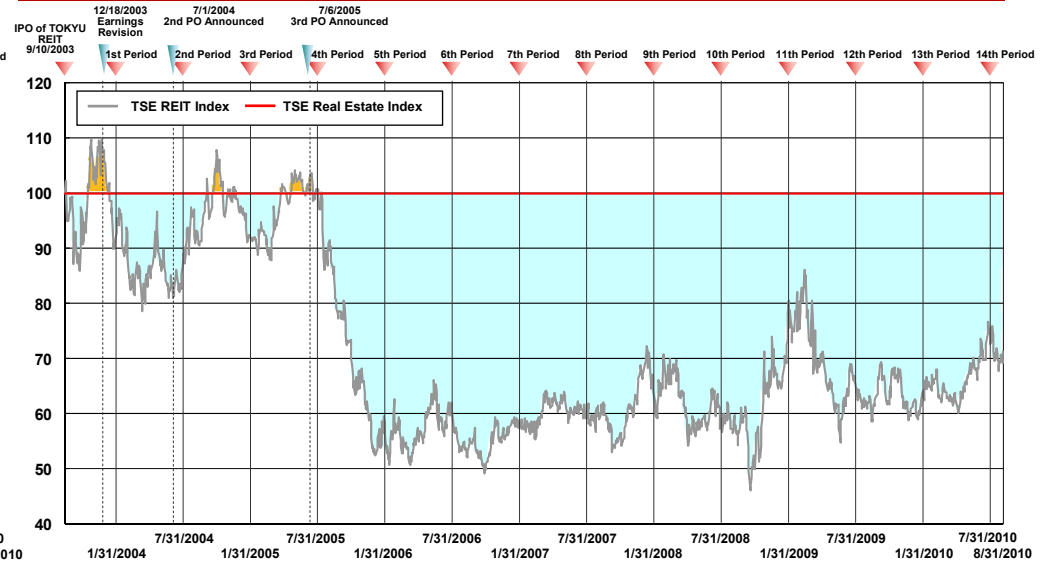
**\* The TSE REIT Index remains steady after hitting a record low in March 2009.**

**\* It is outperforming TOPIX since it has not been affected by the recent appreciation of the yen.**

## TSE REIT Index Performance (TOPIX=100)

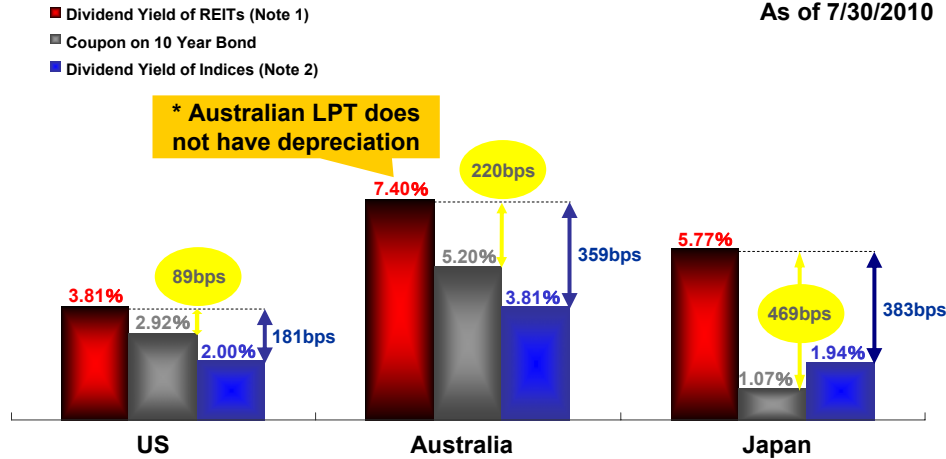


## TSE REIT Index Performance (TSE Real Estate Index=100)

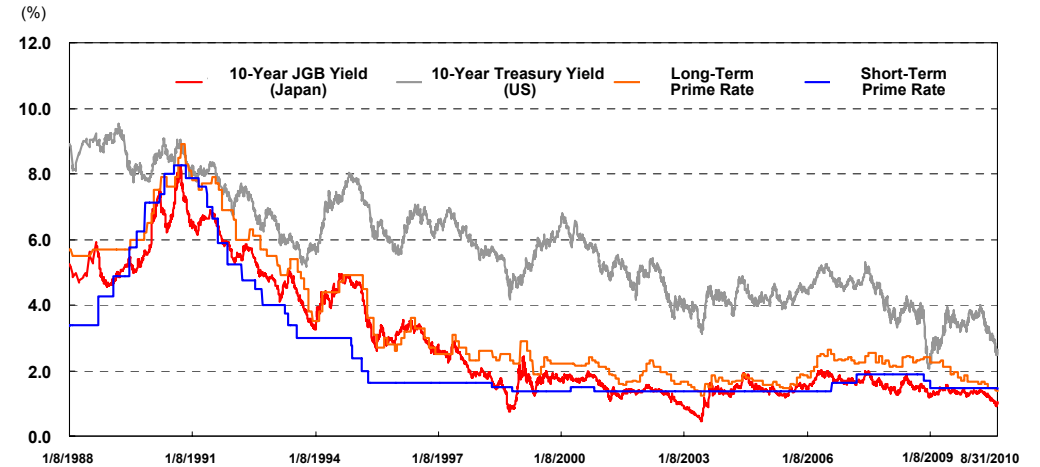


# REIT Market Overview (3)

## Spread Over Risk Free Rate

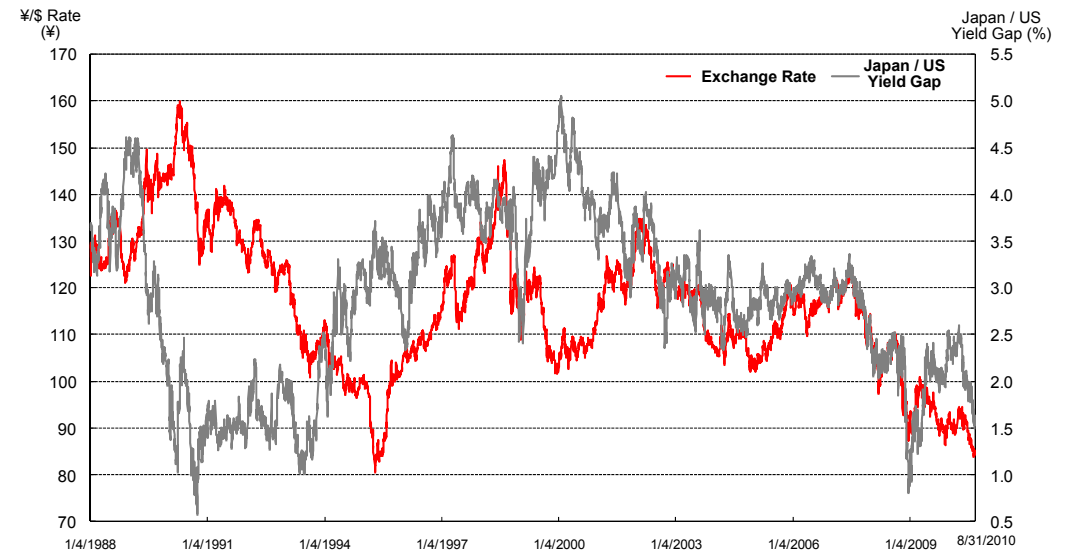
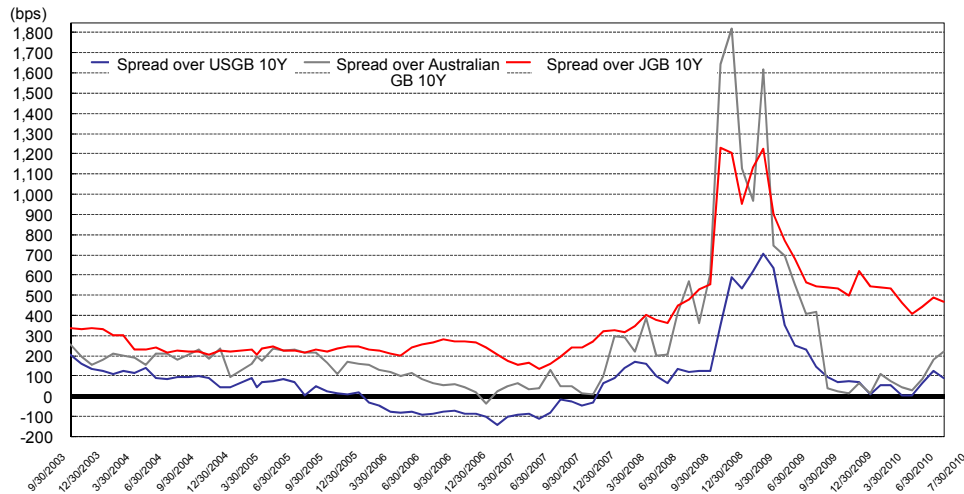


## Major Interest Rates



\* Wider spread than the US and Australia

## Japan / US Yield Gap vs. Exchange Rate



Source: Bloomberg  
 (Note 1) US data based on the Equity REITs of NAREIT, Australia based on the Property Trust GREEN Book issued by Bank of America Merrill Lynch, and Japan based on average yield of J-REITs since IPO.  
 (Note 2) US based on S&P500, Australia based on ASX All Ordinaries, Japan based on TOPIX

(Note) Japan / US Yield Gap = 10-Year US Treasury Yield - 10-Year JGB Yield

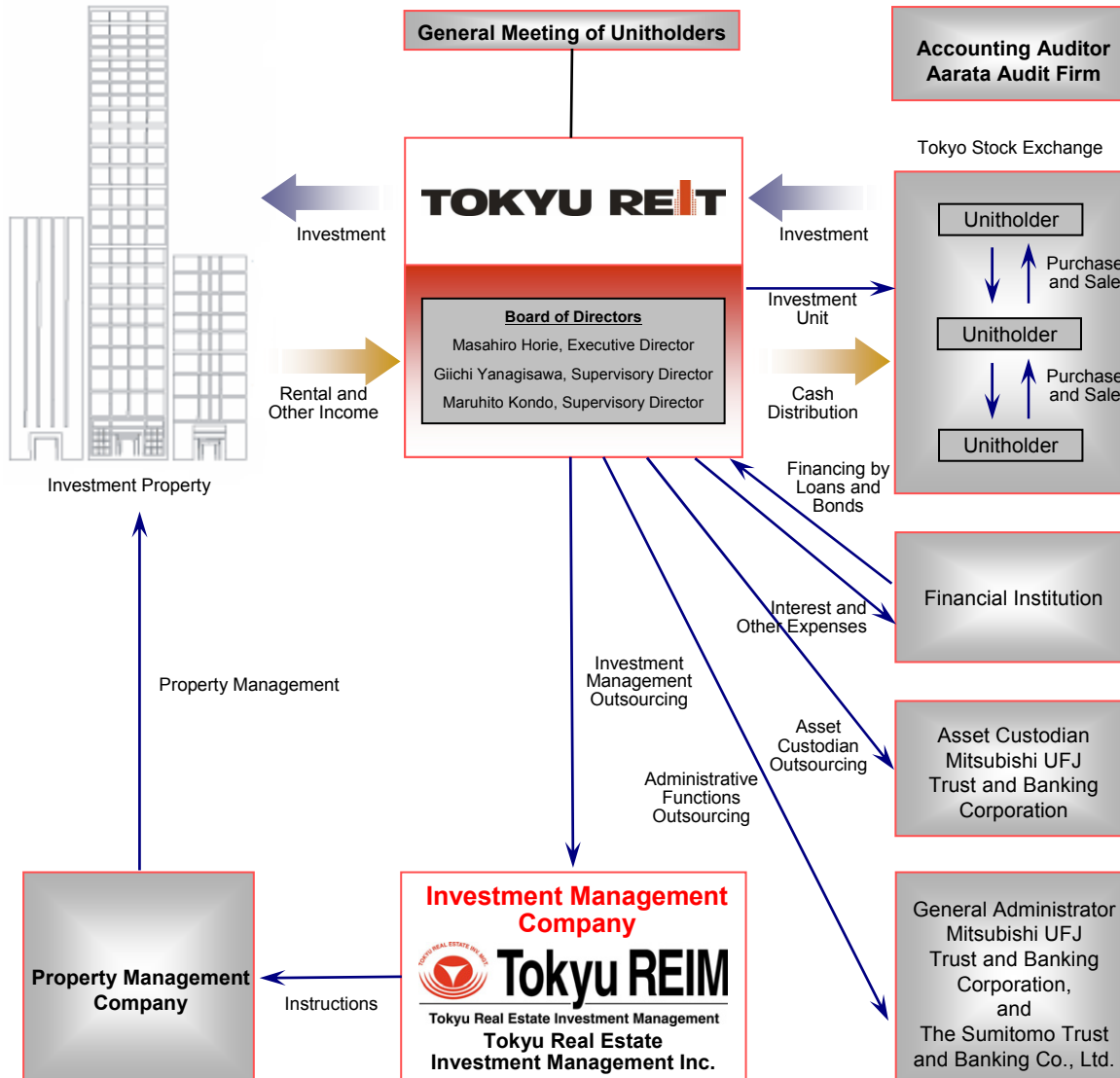
\*Comments by Tokyuu REIM



## **5. Appendix**

### **(1) Governance of TOKYU REIT**

# Structure of TOKYU REIT, Inc.



## TOKYU REIT, Inc.

- Listed: 2003/9/10
- 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

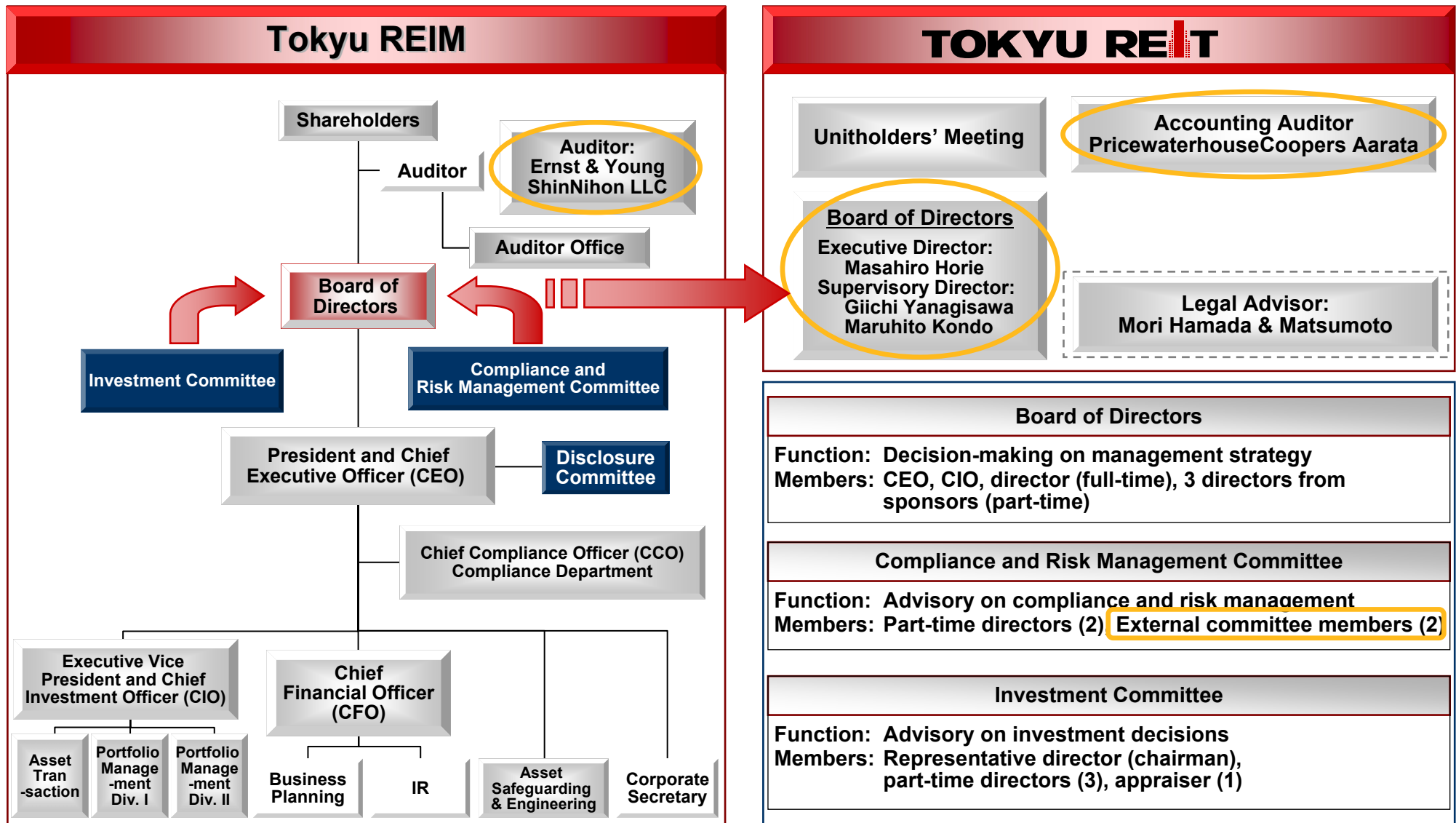
## Tokyu Real Estate Investment Management Inc.

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

- Established: 2001/6/27
- Business: Investment management
- Paid-in Capital: ¥300 million
- Shareholders: Tokyu Corporation (60%)  
Tokyu Land Corporation (40%)
- Auditor: Ernst & Young ShinNihon LLC



# Governance Structure of TOKYU REIT



**Checked by external directors / committee members and two different auditors**

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

## Rules to Avoid Conflicts of Interest

### Rules for Transactions with Tokyu Group Companies

Acquisition / Disposition	Property Management	Leasing
<ul style="list-style-type: none"> <li>➢ Acquisition Price <math>\leq</math> Appraisal by Third Party <math>\leq</math> Disposition Price</li> <li>➢ Second Opinion for the Appraisal by Third Party</li> </ul>	<ul style="list-style-type: none"> <li>➢ Fee Opinion from Third Party</li> <li>➢ Performance Check</li> </ul>	<ul style="list-style-type: none"> <li>➢ Appropriate Rent Level</li> <li>➢ Disclosure of Leasing Conditions</li> </ul>



## Double Checks for Due Process

Investment Management Company Level	REIT Level
<ul style="list-style-type: none"> <li>■ Check by third party (auditor) submitted to the Board of Directors and Compliance Department</li> </ul>	<ul style="list-style-type: none"> <li>■ Prior approval of the Board of Directors only by independent supervisory directors</li> </ul>



## Timely and Proactive Disclosure of Transactions and Rules

## TOKYU REIT's Aim, Goals

- ① Unitholder first
  - Willing to learn from investors but reject requests from short-term interests
- ② Aim to become a “Global investment product”
  - Willing to become invest-worthy for all investors around the globe
- ③ Quality decision-making process
  - Among the most excellent governance structures
- ④ Aim to become the most reputable J-REIT
  - Outperform other J-REITs

## Characteristics of TOKYU REIT's Governance Structure

- ① Involvement of independent outside board members
  - Willing to welcome third-party monitoring to eliminate self-righteousness
- ② Optimal balance between sponsor collaboration and independence
- ③ Strict focus on fiduciary duty
- ④ Management fee set to “being in the same boat as unitholders”

## TOKYU REIT's Management Characteristics

Excellent Governance as a Source of Competitiveness	Structural	<ul style="list-style-type: none"> <li>• Multiple layers of monitoring and involvement of outside board members</li> <li>• Management fee set to “being in the same boat as unitholders”</li> <li>• Stringent conflict of interest rules</li> <li>• Board meetings held twice a month on a regular basis and enhanced reporting system</li> </ul>
	Human Resources	<ul style="list-style-type: none"> <li>• Carefully select board members to enhance debate*</li> <li>• Provide appropriate compensation to board members for the responsibility and the workload</li> <li>• Legal advisor to be present at board meetings</li> </ul>
	Culture	<ul style="list-style-type: none"> <li>• Board members not hesitant to reject, waive resolution or agree with conditions</li> <li>• Tokyu REIM's efforts                             <ul style="list-style-type: none"> <li>• Strict focus on fiduciary duty</li> <li>• Management fee programmed to enhance involvement of all business segments</li> <li>• Intend to allow all Tokyu REIM staff to face and communicate with investors</li> </ul> </li> <li>• Willing to debate with independent outside board members</li> </ul>
	Track Record	<ul style="list-style-type: none"> <li>• Average number of board meetings per month: 2.3 times per month (since establishment)</li> <li>• Average time per meeting: 1 hour and 35 minutes (since establishment)</li> <li>• Board members' involvement besides board meetings: 1.2 times per member per month (14th period)</li> </ul>

\* Professional and a company manager with experience as an outside board member

# Status of Meetings Held

(# of meetings held)

Organizations	1st Period	2nd Period	3rd Period	4th Period	5th Period	6th Period	7th Period	8th Period	9th Period	10th Period	11th Period	12th Period	13th Period	14th Period							Total	
														Feb.	Mar.	Apr.	May	June	July	Total		
TOKYU REIT	Unitholders' Meeting	1			1				1				1									4
	Board of Directors' Meeting	22	16	11	16	10	12	12	13	12	15	13	15	15	2	4	1	1	2	3	13	195
Tokyu REIM	Board of Directors' Meeting	22	15	7	14	9	13	11	10	9	16	9	12	12	2	4	3	1	3	2	15	174
	Investment Committee	24	9	7	14	12	12	7	7	5	17	7	7	10	2	2	0	1	1	3	9	147
	Compliance & Risk Management Committees	17	12	11	10	12	12	10	10	9	13	9	10	11	2	2	2	1	2	2	11	157
	Third-party evaluation regarding compliance of each related-party transaction to the rules (AUP)	5	5	2	2	0	1	4	4	0	8	2	1	1	2	3	0	0	2	1	8	43

\* The 1st-14th Periods indicate fiscal periods of TOKYU REIT.

\* The 1st Period was from 6/20/2003 to 1/31/2004.

## Related Party (Note 1) and Investment Management Company Transactions Approved by TOKYU REIT's Board of Directors (14th Period) (Note 2)

Meeting	Approved Issues	AUP
1	Feb. 2010 QFRONT: Sole-source outsourcing of construction to Tokyu Construction Co., Ltd. accompanying 7F tenant replacement	○
2	Feb. 2010 Setagaya Business Square: Signing of lease agreement with Tokyu Community Corp.	○
3	Mar. 2010 Signing of beneficiary interest disposition agreement for property at Nibancho, Chiyoda Ward	○
4	Mar. 2010 Signing of property management agreement accompanying acquisition of property at Nibancho, Chiyoda Ward	○
5	Mar. 2010 Signing of property management agreement accompanying acquisition of property at Shinjuku 4-chome, Shinjuku Ward	○
6	Mar. 2010 Payment of investment management fee (base 2) to Tokyu Real Estate Investment Management Inc.	- (Note 3)
7	June 2010 Selection of venue for 5th Unitholders' Meeting	- (Note 3)
8	June 2010 Renewal and partial revision of property management agreement	○
9	June 2010 cocoti: Payment of brokerage fee accompanying signing of lease agreement with Diesel Japan Co., Ltd.	○
10	June 2010 Payment of investment management fee (base 1) to Tokyu Real Estate Investment Management Inc.	- (Note 3)
11	July 2010 cocoti: Signing of memorandum of amendment to property management agreement	- (Note 4)
12	July 2010 Tokyu Ikejiri-ohashi Building: Outsourcing of major renovation construction on outside wall to Tokyu Construction Co., Ltd.	○

(Note 1) In addition to the interested persons, etc. designated by law, TOKYU REIT independently defines "related parties" to include "companies whose majority of voting rights of all shareholders is held by a company that has a stake in Tokyu REIM (including companies whose majority of voting rights of all shareholders is held by that company)" and SPCs.

(Note 2) Supervisory directors vote on related-party transactions prior to TOKYU REIT's Board of Directors' Meeting based on rules governing conflicts of interest.

(Note 3) For related-party transactions and transactions with the investment management company for which rules governing conflicts of interest do not apply, third-party evaluation regarding compliance of each related-party transaction to the rules (AUP) is not conducted.

(Note 4) Even for related-party transactions for which rules governing conflicts of interest do apply, third-party evaluation regarding compliance of each related-party transaction to the rules (AUP) is not conducted in the case of transactions that are deemed minor by the Chief Compliance Officer.



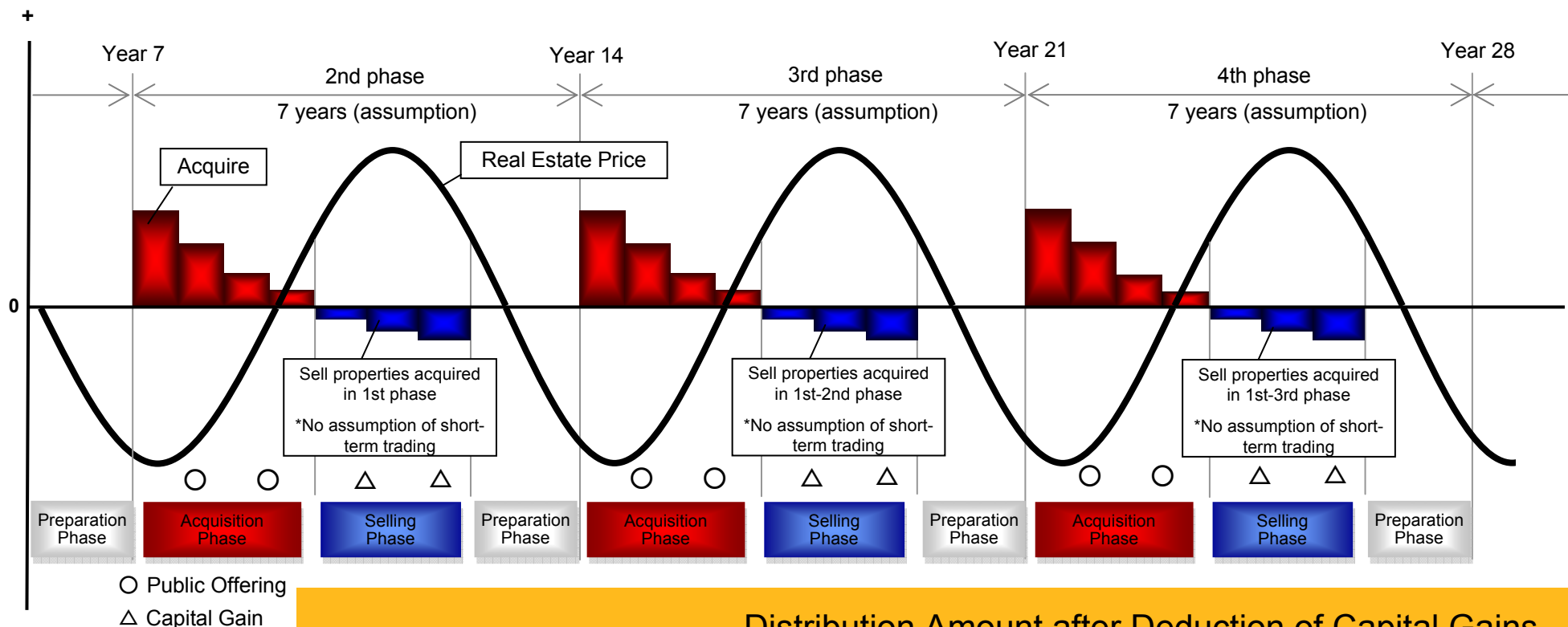
## **5. Appendix**

### **(2) Rationale of the Long-Term Investment Management Strategy**

# Long-Term Investment Management of TOKYU REIT (Surf Plan)

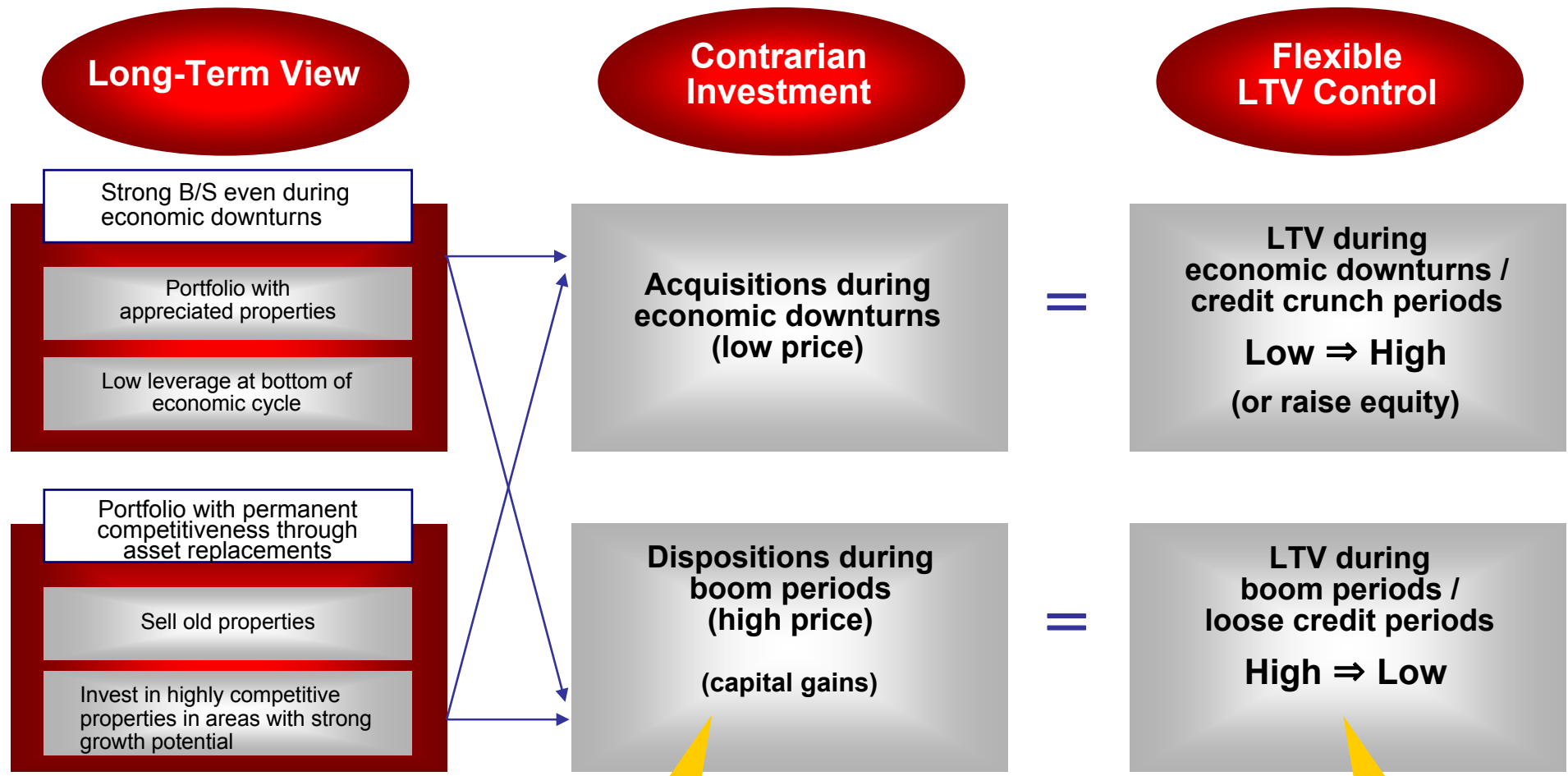
## Value & Contrary

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



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

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



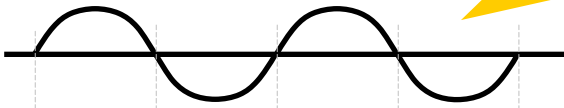
**Target higher adjusted ROE performance**  
**DPU might fluctuate, treat distribution of capital gains as a share buyback to measure performance since J-REITs have no legal framework for share buybacks or stock dividends.**

**Strengthen financial capability for economic downturns**

# Rationale of the Surf Plan: Awareness of Issue of the Amplification Effect of Cyclicity TOKYU REIT

Economic trends /  
new supply

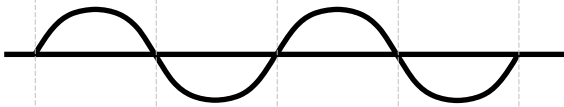
Cyclical performance of the leasing business



“Cyclicity = Recurring cycles of strong and weak performance”

+

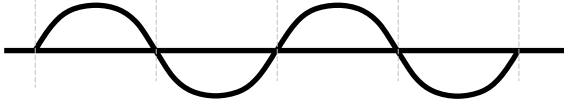
Pro-cyclical lending attitude of financial institutions



\*Pro-cyclicity = Amplification effect of the cycle

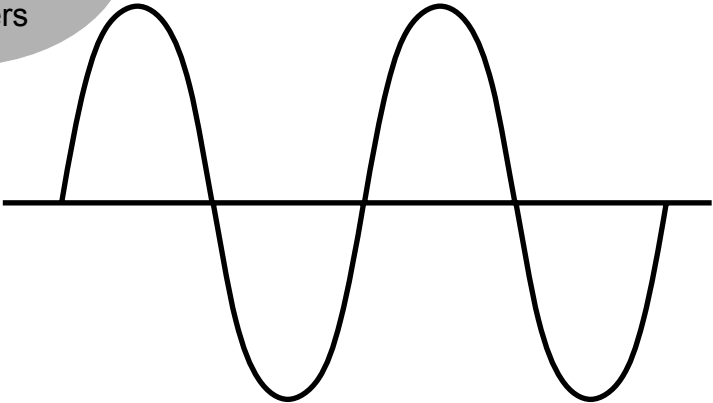
+

Pro-cyclical investment behavior of real estate investors



Amplified performance of real estate investment managers

=



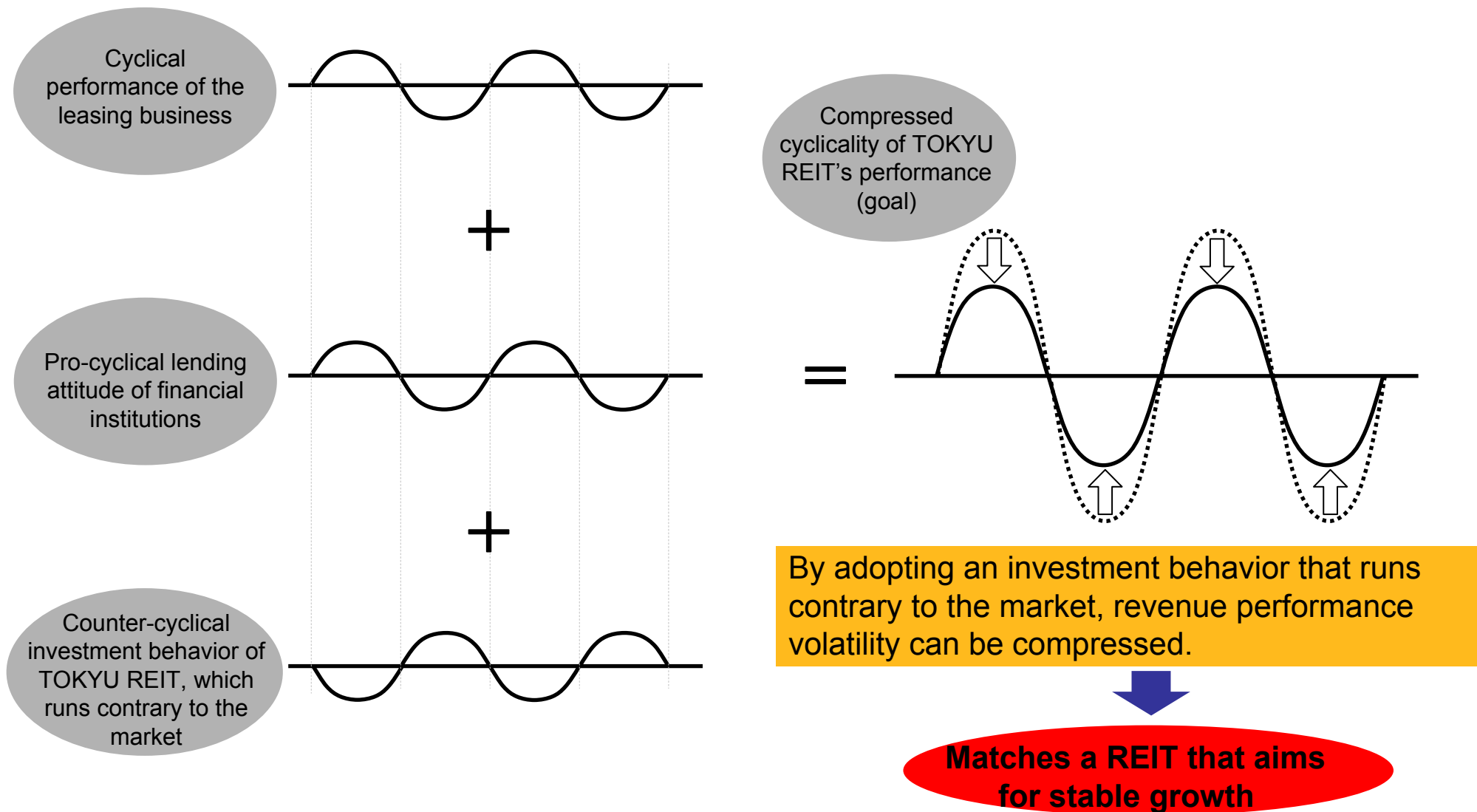
Revenue performance volatility is amplified.



Cannot be called stable



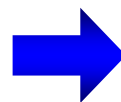
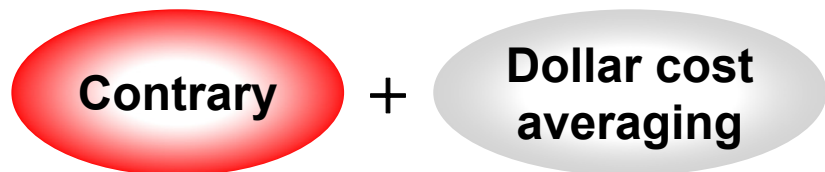
# Compression Effect of Cyclicity: Objective of the Surf Plan



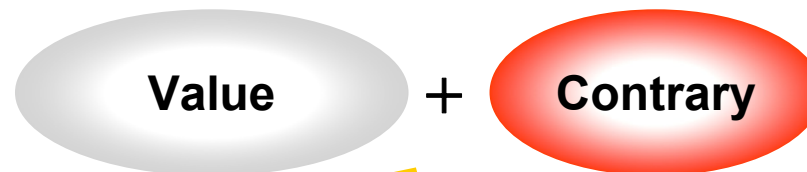
# Long-Term Investment Management Strategy (Disclosed Sep. 14, 2009): What Changed?

## Style

### Before



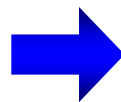
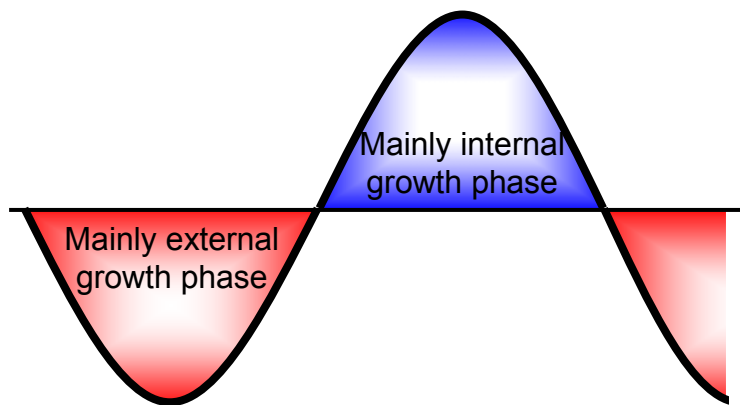
### Long-Term Investment Management Strategy



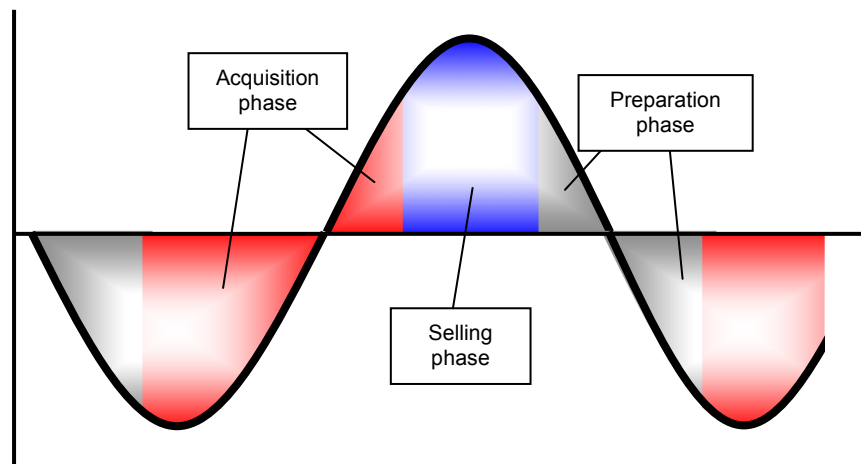
**Value & Contrary**

## Timing

### Before



### Long-Term Investment Management Strategy



# 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 Gain (¥ mn) b	12,716
	¥1,000 mn	4.02%	4.37%	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	

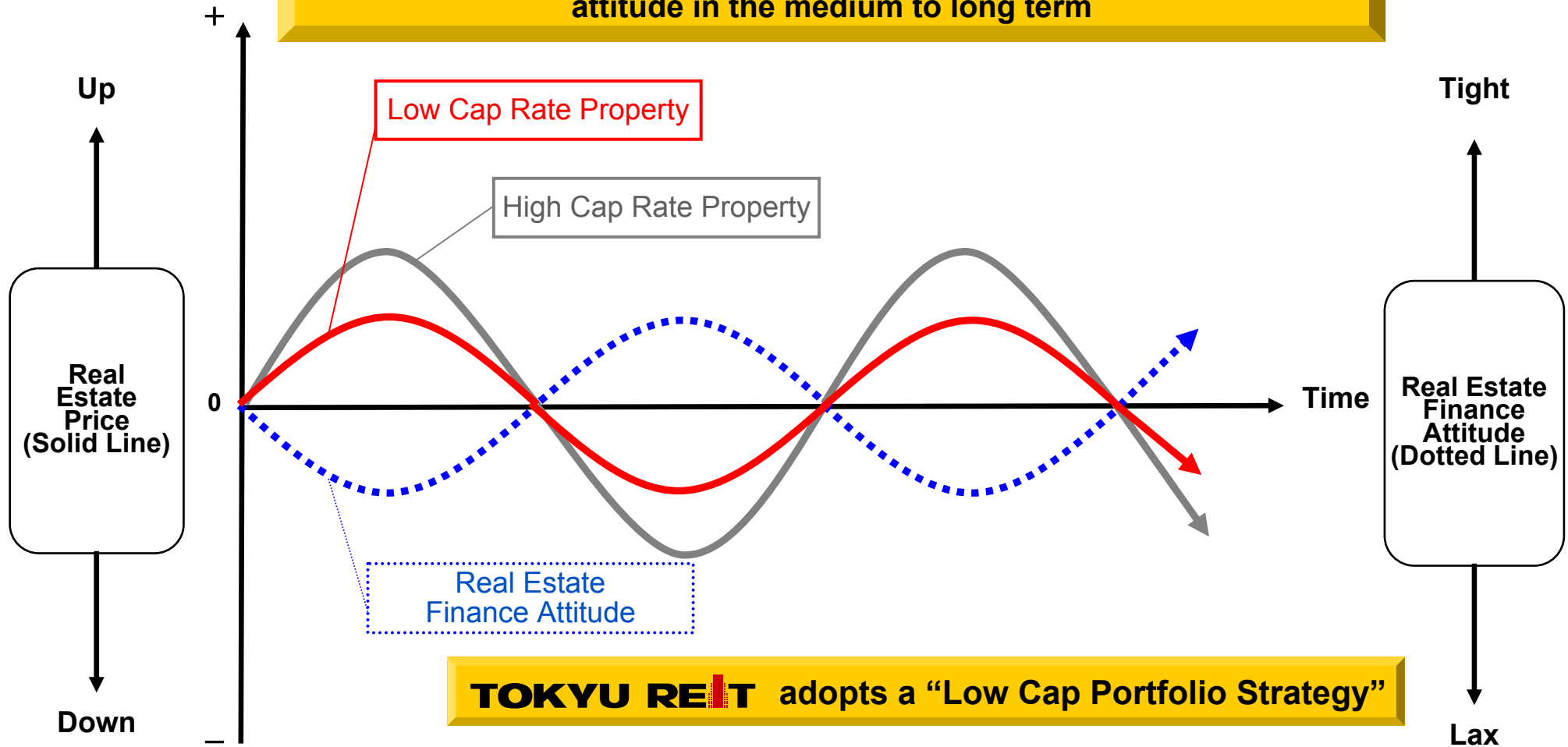


## **5. Appendix**

### **(3) Others**

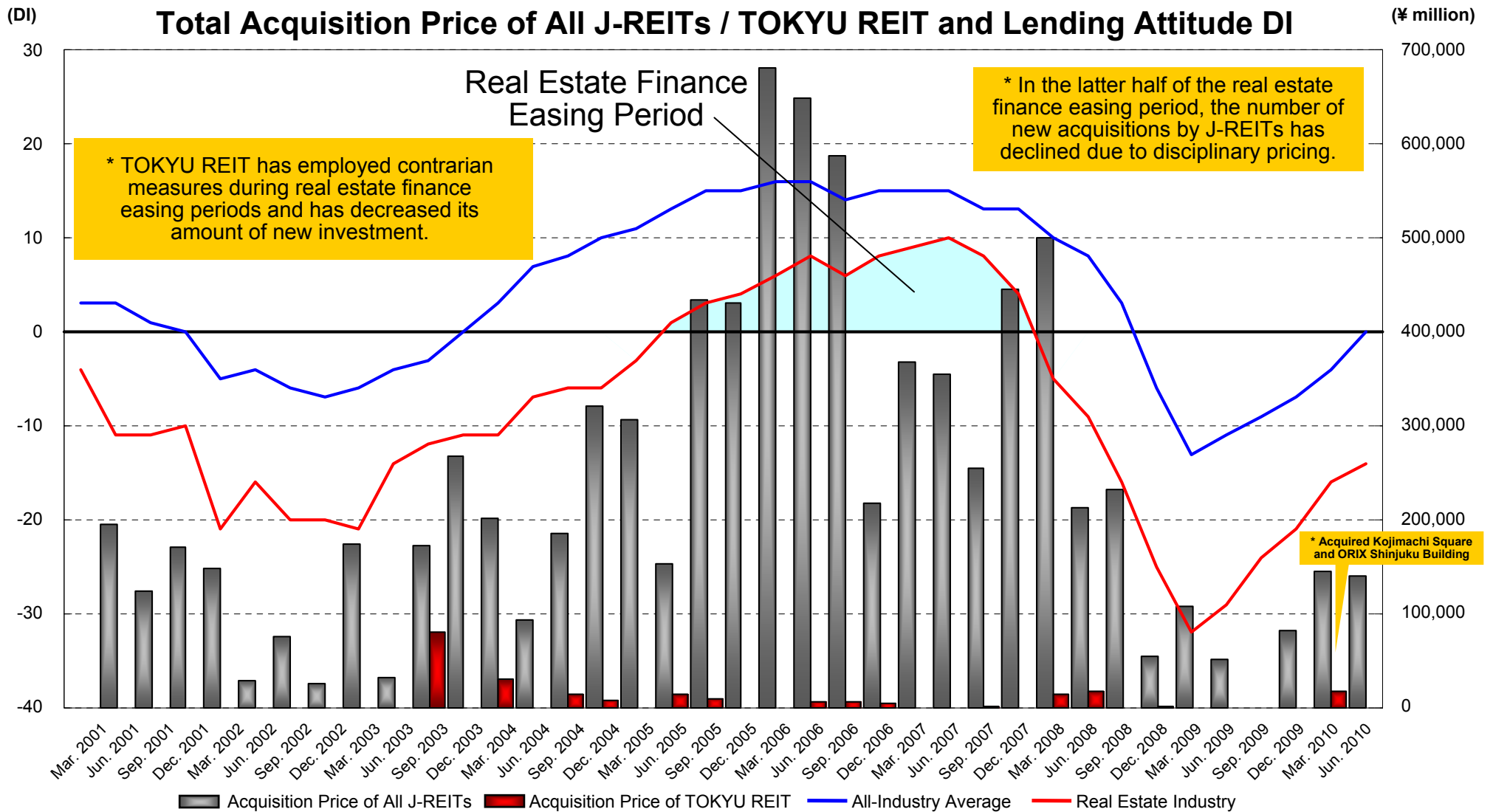
# Degree of Tightness in Real Estate Finance and Changes in Property Prices

Real estate prices are derived from the income capitalization method, but are believed to tend to react to changes in the real estate finance attitude in the medium to long term



\*This page represents the view of Tokyuu REIM.

# External Growth Timing and Pace (J-REIT Total vs. TOKYU REIT)



\* Acquisition Price = Total acquisition price for properties acquired during the 3 months prior to the month indicated beside each bar in the x-axis (e.g. "Jun. 2008" -> from April to June 2008).

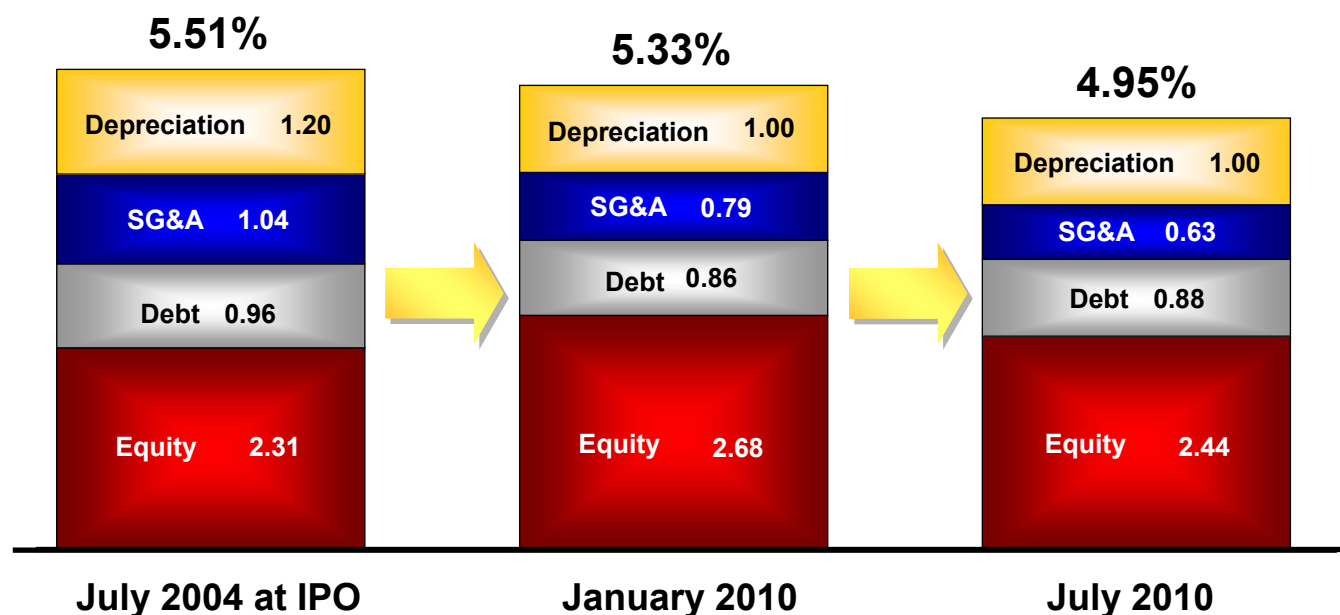
Source: BOJ (Tankan Survey)

\*Comments by Tokyu REIM

# Changes in Acquisition Hurdle Rate (based on NOI) - External Growth

- Costs shown as % of implied total acquisition cost
- Cost calculated based on a maximum LTV of 50%
- Depreciation expense currently estimated to be around 1.00% of acquisition price (varies by property)

Acquisition Price 100	Debt 50
	Equity 50



**July 2010 vs. IPO**

Hurdle Rate	-0.56 pts.
Depreciation	-0.20 pts.
SG&A	-0.41 pts.
Debt	-0.08 pts.
Equity	0.13 pts.

**This is the base rate, coupled with CF growth of properties, utilized for assessment.**

- The SG&A ratio is operating expense excluding leasing costs and capital losses on real estate, etc. divided by the average acquisition cost for the respective period.
- The cost of debt is equal to 50% of the average interest during the respective period, except for July 2004 at the IPO, which is an estimate of the cost of debt based on hearings from banks.
- We have determined the cost of equity to be 50% of the yield (Estimated Distribution X 2 / Investment Unit Price) at the beginning of the respective period.

\*This page represents the view of Tokyu REIM.

## Acquisition

- Pipeline Support: 12 of 26 properties accumulated thus far (¥95.85bn out of total acquisition price of ¥229.72bn)
  - 6 of 11 properties at time of IPO
    - TOKYU REIT Shibuya Udagawa-cho Square (2nd Period / ¥6.6bn)
    - Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building) (9th Period / ¥8.5bn)
    - Tokyu Ikejiri-ohashi Building (10th Period / ¥5.48bn)
    - Kojimachi Square (14th period acquisition; ¥9.03bn)
  - 2 of 11 Properties at time of IPO (Lexington Aoyama, Tokyo Nissan Taito Building)

} Developed and contributed by Tokyu Group companies

... Contributed by Tokyu Group companies

- Warehousing
  - 3 of 11 properties acquired at time of IPO: ¥14.06bn
  - Yokohama Yamashita-cho Building (Barneys New York Yokohama Store): 3rd period / ¥5.05bn
  - Beacon Hill Plaza (Ito Yokado Noukendai Store): 3rd period / ¥9.52bn
  - cocoti (Net Collective Ownership 40%): 5th period / ¥9.80bn
  - Shonan Mall Fill (*sokochi*): 6th Period / ¥6.81bn
- Reference by Tokyu Land Corporation
  - Resona Maruha Building
  - Beacon Hill Plaza (Ito-Yokado Noukendai Store)

## PM (Property Management)

- PM business outsourcing
- Community-based tenant promotion capability

## Brand Strategy

- “TOKYU” brand licensing
  - “TOKYU REIT” name
  - Building name change to “TOKYU REIT” brand



## Analyst Coverage <Reference>

As of Sept. 1, 2010

Rating	Date	TOKYU REIT Closing Price	Analyst	Target Price	Period
Neutral	2010/5/17	532,000	Toshiyuki Anegawa (Merrill Lynch Japan Securities Co., Ltd.)	560,000	12 months
Buy	2010/4/28	475,500	Yoshizumi Kimura (Citigroup Global Markets Japan Inc.)	580,000	N/A
Market Average	2010/4/14	493,500	Kazufumi Takeuchi (Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)	540,000	12 months
Outperform	2010/4/9	487,000	Hiroshi Okubo (Macquarie Capital Securities (Japan) Limited)	550,000	12 months
Neutral	2010/3/25	465,500	Yoshitane Horibe (Toward the Infinite World, Inc.)	N/A	N/A
Neutral	2010/3/17	461,000	Hiroshi Torii (Daiwa Securities Capital Markets Co. Ltd.)	N/A	N/A
Neutral	2010/3/15	453,000	Tomohiro Araki (Nomura Securities Co., Ltd.)	440,000	12 months

Source: Bloomberg, compiled by Tokyu REIM

\* Besides the above analysts, we are currently confirming the analyst report released by Mizuho Securities Corporation's chief real estate analyst Mr. T. Ishizawa.

\* Ratings may have changed. Please confirm directly.

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