Q&A Session at Explanatory Meeting for Investors and Analysts
for the 19th Fiscal Period Ended January 31, 2013
Held on March 18, 2013 (Summary)

[Q&A]

<Questioner A>

(Question A-1) How and in what time frame will TOKYU REIT achieve the target DPU level of 13,000 yen in relation to new property acquisitions and progress in negotiations with the sponsor?

(Answer) Due to various factors involved, it is not possible to mention by when the DPU of 13,000 will be achieved, but we want to attain this target as early as possible.

The target will be achieved by internal and external growth.

On internal growth, even though lease cancellations and fall in existing rent may continue to occur, that will be made up for by refilling vacancies. TOKYU REIT's floor area-based occupancy rate is high because nearly half of its gross leasable area is occupied by suburban type retail properties. On the other hand, revenue-based occupancy rate still leaves room for improvement; therefore it will be the key to internal growth.

Another key factor is interest rate. TOKYU REIT does not have short-term borrowings or floating-rate debts; however, under current circumstances, each refinance has resulted in lower interest rate. As presented in Page 54 of the financial result presentation material, interest rates have dropped by approximately 50bps when refinances were conducted.

As for external growth, acquisitions were not materialized even though we looked into the small number of properties available for sale in the market based on our investment policies. Whilst cautiousness must be maintained, however, it has apparently become easier for sellers to supply properties due to some favorable change in the environment. We are going to look actively into properties supplied by regular corporations.

We are in constant discussion with our sponsor. Even though some of

Tokyu Corporation's properties were sold to other REITs, it was because those properties did not meet TOKYU REIT's investment criteria. TOKYU REIT is going to adhere to its investment policies even in the case of the sponsor's properties.

(Question A-2) Regarding Setagaya Business Square, what is the status of tenant inquiries, and what is the target rent level?

(Answer) Oracle Corporation Japan initially occupied 13 floors of the property when we were listed. Cancellation of the remaining 2 floors has resulted in the complete exit of the tenant. However, such risk was already explained in the previous analyst meeting.

As for inquiries on Setagaya Business Square, we have confirmed some needs for floor expansion from existing tenants of the property. Furthermore, leasing activities are under way to invite potential tenants from broader areas including not only Tokyo but also Kawasaki and Yokohama. Direct marketing is also conducted targeting small buildings located near around Setagaya and corporations of which CEOs live in Setagaya.

Additionally, small partitions of floor space will be made available in order to broaden the product line-up and capture potential demand. Since tenants of this property are likely to expand their floor space once moved in, our first priority is to have new tenants move in rather than setting high target rent level.

<Questioner B>

(Question B-1) Even though the Surf Plan says that property acquisition is conducted when the market is weak, progress in acquisitions is not made today. It seems that the acquisition phase is coming to an end in the market. [Compared to the height of a mountain divided into 10 stages] at what "stage" of the acquisition phase are you at? How are you going to acquire properties in the remaining time before the end of the acquisition phase?

(Answer) Despite your observation that our progress in acquisitions is slow, we have acquired about 5 properties since the disposition of Resona-Maruha Building in 2010. Still, it is true that the pace of property acquisitions has slackened lately.

Real estate prices are determined by cap rate and cash flow; cap rate has recovered to neutral while cash flow has not picked up. It is hard to say at what "stage" in the acquisition phase we are, but probably we have not reached the 5th stage [out of 10 stages] yet.

According to our analysis on acquisition price per leasable floor area, our number is low relative to properties of other REITs; therefore, we think that there still remain opportunities. Also, we do not think that property prices are going to rise at the same speed as experienced from 2004 to 2007.

With respect to property acquisition strategy, our stringent policies remain unchanged in which we invest in properties that ensure their future capital values; the purpose of acquisition is not solely to purchase any property. Furthermore, we want to acquire properties that are undervalued compared to their quality and locations.

We intend to participate actively in exclusive negotiations and closed bids among limited parties, but each deal will be considered on a case-by-case basis. Of course discussions with the sponsor will proceed.

(QuestionB-2) Regarding your preparation for share buyback upon the amendment of the investment trust law, when will it be ready in practice including legal matters?

(Answer) TOKYU REIT has involved actively in order to realize the share buyback including my own lobbying to demand amendment.

In order for the environment to be fully ready to allow share buyback, not only the amendment of the investment trust law but also assurance of tax system will be required. While visibility of the amendment of the investment trust law is fairly high, the tax side has barely started.

This issue also has to do with how REIT is positioned in the growth strategy of the new administration; therefore it should be debated in a broader framework; that would take about 1 year after the investment trust law is amended.

<Questioner C>

(Question C) It was explained that share buyback may be funded by internal reserves shown on Page 70 of the financial result presentation material. Then, what is your view on optimal payout distribution (OPD)?

(Answer) We are not so enthusiastic about OPD. Given the cyclicality of the investment unit price and in view of making good use of internal reserves, share buyback should be more effective than OPD.

In lenders' perspective, OPD does not seem positive. For example, when OPD is discontinued upon demand by lenders in a deteriorated credit environment, there may be a risk that the capital market suspects some credit concern.

Share buyback/ cancellation are going to be conducted in a timely manner based on yield and NAV ratio levels.

<Questioner D>

(QuestionD-1) J-REIT collectively made acquisitions to the amount of approximately 1.4 trillion yen in fiscal 2012, suggesting scarcity of properties was not the case. Given that, how seriously were you committed to property acquisitions? Also, were there specific properties that you considered in Shibuya and other Tokyu Areas?

(Answer) Our target investment areas are limited and investment criteria are stringent. Even though 8 properties were specifically studied in the 19th period, we unfortunately did not succeed in acquiring them. The number of properties considered was less compared to the past, such as about 20 properties considered in the 13th period and the 14th period; however, we studied those opportunities positively.

One specific example is the property in Shinjuku 4-chome that was acquired by Daiwa Office Investment Corporation. Considering the benefit of the start of mutual extension operation between Tokyu Toyoko Line and Tokyo Metro Fukutoshin Line, we seriously sought to acquire this property, which did not materialize.

(Question D-2) Page 33 of the financial result presentation material indicates 5 assumptions to achieve the target DPU level of 13,000 yen. Even though implementation of those assumptions will obviously boost DPU, which of the five will TOKYU REIT prioritize specifically?

(Answer) Firstly, it is necessary to realize external growth by property acquisitions and internal growth by tenant leasing. Given the current NOI level, it may be possible to augment revenue level by public offering; however, we would like to focus on what we are able to do right now.

[Answer by Director and Senior Executive Officer; General Manager of Investor Relations]
The assumptions described on Page 33 of the financial result presentation material are not meant to be an excuse in case of failure to achieve the target DPU level of 13,000 yen. The intention is to share what to be realized in order to achieve the internally raised target.

<Questioner E>
(Question E) TOKYU REIT presents a positive tone on the right side of the balance sheet, i.e., liabilities and equity, but becomes less appealing when it comes to the left side, i.e., assets. On that basis, in relation to what Page 44 of the financial result presentation material explains about internal growth, what were the outcomes in the 19th fiscal period? How are they compared with the initial target? Where do you want to be looked at over the next 6 to 12 months? With respect to internal growth, where should be the focus of attention, how strong is your morale, and what are the future potentials?

(Answer) This is the first time for us to disclose the forecast of DPU for the 21st fiscal period to be 11,600 yen. However, your expectations must have been much higher.

Despite the expiry of the free rent period of the tenants in TOKYU REIT Toranomon Building, its contribution in revenues was canceled out by the lease cancellation in TOKYU REIT Omotesando Square. Had it not been for this cancellation, DPU would have been close to 12,000 yen, if not more.

This cancellation is all the more regrettable because TOKYU REIT was bullish on its urban-type retail properties. Still, as some new tenant candidates have already expressed their interest, we are going to proceed with negotiations aggressively.

We have quite clear visibility on the leasing of our office properties in the central 5 wards of Tokyo. The key to internal growth will be properties located in the other 18 wards such as Setagaya Business Square and TOKYU REIT Kamata Building.

TOKYU REIT Kamata Building and TOKYU REIT Kiba Building attained better-than-expected occupancy, thanks to renovation conducted in common areas prior to leasing; such achievement on internal growth should deserve credit.

Given the rent gap between the in-place rent and new market rent, we are consciously preparing for rent renewals by extending renovations and upgrading facilities not only in vacant space but also occupied space.

For example, simple renovation such as installing small lockers in the restrooms turned out to be effective. Furthermore, direct marketing targeting tenant candidates is conducted at the expense of the investment management company. Internal growth is not something to be achieved so instantly, but these efforts have caused substantial improvement compared to the status of the two previous fiscal periods.

[Answer by Director and Senior Executive Officer; General Manager of Investor Relations]
To address the questioner's concern that we were less appealing when it comes to acquisitions and internal growth, we have started to disclose the size of space solicited on the website of our property management companies as shown on Page 45 of the financial result presentation material. This effort started for the purpose of announcing the newly refilled space publicly rather than selectively, with the intent to appeal on our internal growth more actively. Some of the space that is currently solicited have received inquiries, and therefore, may be refilled in time. Once refilled, contribution to internal growth will start.

<Questioner F>

(Question F) The strength of TOKYU REIT is the consistent investment policies. In the Surf Plan strategy, the lending attitude DI is entering into positive territory, and real estate prices are about to go high; so, shouldn't you announce that you would stop buying properties?

(Answer) There will be a time when we become cautious about property acquisitions, but such time is not now. While lending attitude DI has reached neutral, cash flow hasn't followed suit. Furthermore, it is unlikely that real estate prices would continue to rise constantly. If the market enters a correction phase, that may present some opportunities.

The selling phase of the Surf Plan will come in the future, but we are not quite there yet. Undeniably, the recovery of the office market is delayed partly due to the massive supply of office properties last year. However, as the property prices are no longer at the bottom, it is necessary to select properties carefully. We intend to acquire properties that supplement cash flow and also attain high future capital value.

<Questioner G>

(QuestionG-1) According to the rent gap for offices shown on Page 46 of the financial result presentation material, CBRE's new market rent is flat while the existing rent falls. How would that look like if limited to Shibuya area?

(Answer) Concerning the 2 properties located in Shibuya area, the new market rents have turned around since the 18th fiscal period. In the 19th period, TOKYU REIT Toranomon Building was added to those 2 properties, and the new market rents for the 3 properties increased. Offices in Shibuya area are robust and the bottoming-out trend is going to spill over gradually to offices in the central 5 wards.

As for offices in the other 18 wards, it will depend on the individual features of each property such as distance from the station and its spec. For example, Setagaya Business Square won some tenants after competing against offices in other areas for the reason of good location and direct connection to the train station.

(QuestionG-2) Some REITs have expressed interest in getting involved in their sponsor's redevelopment projects. At present, is there any possibility for TOKYU REIT to get involved in its sponsor's redevelopment projects?

(Answer) As TOKYU REIT announced its investment policies that do not assume development risk, involvement in the form of taking such risk is not considered. Therefore, our involvement will be only in an indirect manner such as supplying fund for development by way of acquiring other properties of the sponsor. Furthermore, acquisition of a newly-built property is not necessarily positive because the premium on the brand new property, inclusive of the rent, is not reflected in the cap rate.

However, as the sponsor wishes to improve its debt-equity ratio amidst its many development projects, we intend to collaborate with the sponsor by acquiring its properties, if not directly involved in its development projects.

(QuestionG-3) Are there specific proposals on the redevelopment projects brought by the sponsor? Are you studying any of such projects?

(Answer) We would refrain from answering the question regarding whether or not specific discussion is held with the sponsor. However, when the sponsor sets about a project, TOKYU REIT is usually asked to present its view and thoughts.

(QuestionG-4) Regarding the upward trend seen in rents of retail properties, is such rise affected by development projects in the surrounding area such as Shibuya Hikarie?

(Answer) Attention to Shibuya has intensified due to large redevelopments such as Shibuya Hikarie and the mutual extension operation between Tokyu Toyoko Line and Tokyo Metro Fukutoshin Line. Further redevelopments are going to transform Shibuya area greatly; people's expectations for such change will lead to sales generated in actual retail properties.

Apparently, when retailers open flagship stores today, the location must be not only Ginza but also Shibuya. We believe Shibuya is the town that will win competition over other areas, and so properties like QFRONT and cocoti should be able to enjoy higher assessment.