

17th Fiscal Period  
(August 1, 2011 to January 31, 2012)

## FINANCIAL RESULTS PRESENTATION



TSE 8957

**TOKYU REIT**

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

<b>1. Investment Policy and Strategy</b>	<b>2</b>
<b>2. Topics of 17th Period</b>	<b>16</b>
(1) Financial Results and Forecast	<b>18</b>
(2) Investment Management Overview (External Growth)	<b>21</b>
(3) Investment Management Overview (Internal Growth)	<b>24</b>
(4) Debt Finance	<b>35</b>
<b>3. Fund Management</b>	
(1) Performance	<b>38</b>
(2) Debt Management and Composition of Unitholders	<b>46</b>
(3) Portfolio Management and Risk Management	<b>51</b>
<b>4. Market Review</b>	<b>61</b>
<b>5. Appendix</b>	<b>82</b>

# **TOKYU REIT**

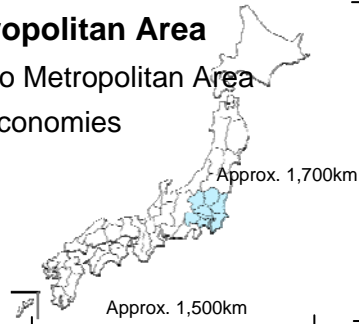
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## **1. Investment Policy and Strategy**

## Investment in Highly Competitive Properties in Areas with Strong Growth Potential = Low Cap Portfolio Strategy (Note)

### Areas with Strong Growth Potential

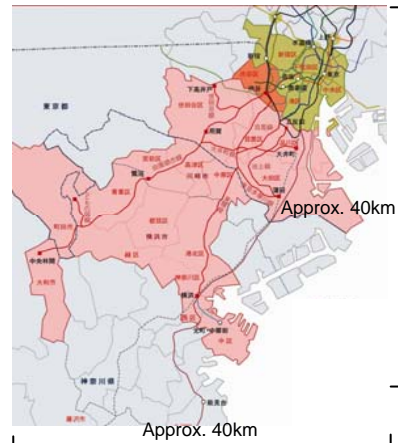
- **Investment limited to the Tokyo Metropolitan Area**
  - No investment other than in the Tokyo Metropolitan Area
  - Eliminate downside risk of regional economies
  - Control earthquake risk through PML (Set portfolio PML at 10% or lower)
- **Concentrated investment in Tokyo's central 5 wards and in areas along Tokyu rail lines ("Tokyu Areas")**
  - Areas showing population growth and more growth potential in the Tokyo Metropolitan Area
  - Over 85% of investment conducted in this major target areas



**Investment is limited to Tokyo and Kanagawa Prefecture currently**



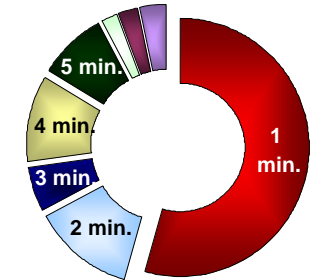
Based on appraisal value at end of 17th period



### Highly Competitive Properties

- **Location**
  - Office properties
    - Within a seven-minute walk from the nearest station as a rule
  - Retail properties
    - Conduct survey and analysis in many aspects, including purchasing power potential of the trade zone, growth potential, compatibility of tenants with the trade zone, and status of competition

Approximate walking time required from the nearest station



**72.9%\* of properties lie within 3-min. range currently**

\*Based on appraisal value at end of 17th period

- **Size of properties**
  - Properties worth over 4 billion yen respectively as a rule
  - Over 5,000 m<sup>2</sup> of floor space (for office properties) as a rule

**Average amount invested per property is 7.3 billion yen\* currently**

\*Based on appraisal value at end of 17th period

- **Asset class**
  - Office : Retail = 60 : 40 (±10 points)
  - No investment in residential properties or hotels\*

\* TOKYU REIT may acquire properties that have residences and parking facilities, etc. added due to legal requirements and other reasons.

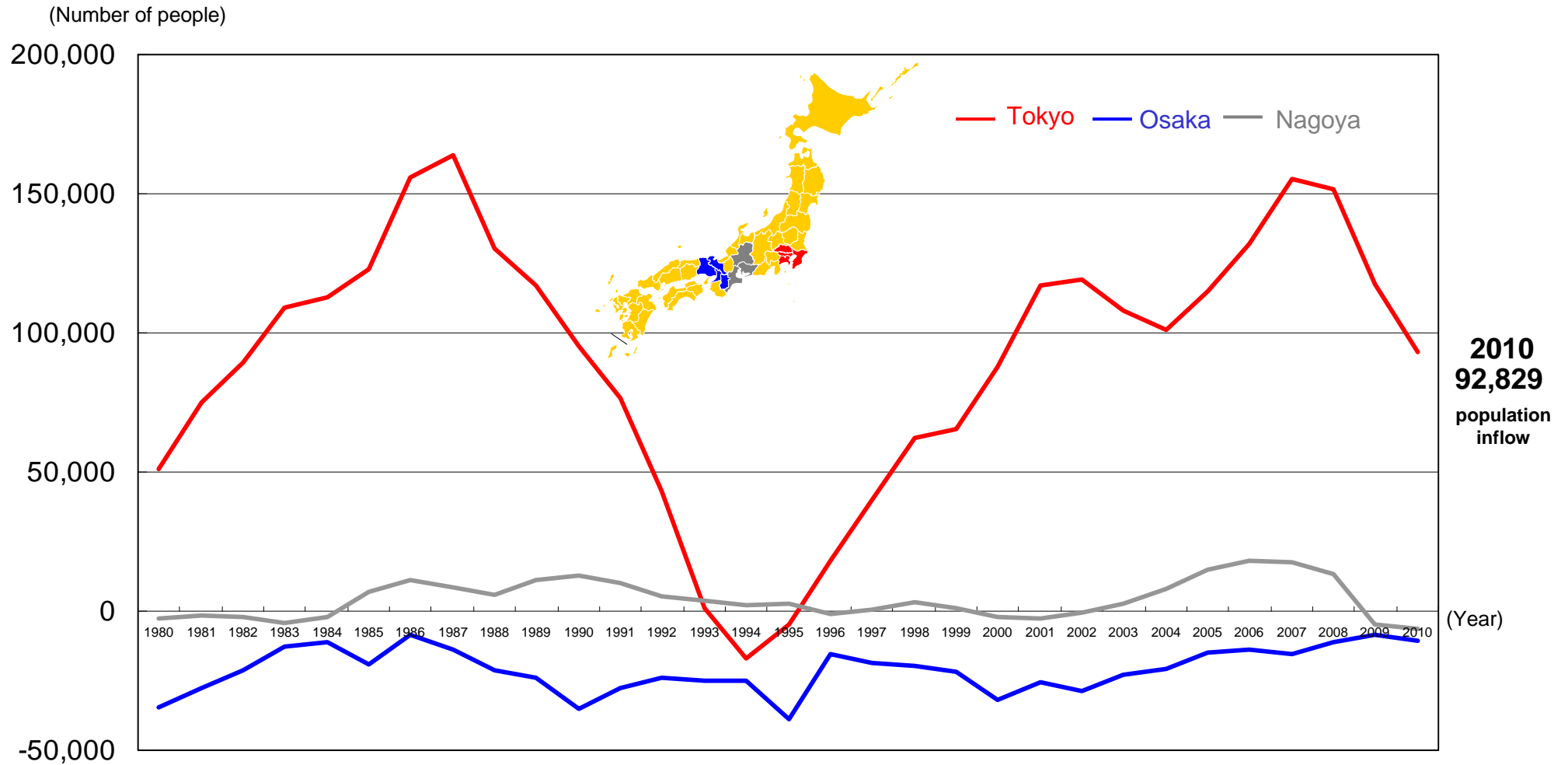
**Office : Retail = 55.1%\* : 44.9%\* currently**

\*Based on appraisal value at end of 17th period

(Note) Strategy to establish a low risk, steady return portfolio with promising future growth potential

# Excess Population Inflow into Three Major Metropolitan Areas (Population Inflow)

\* Structural concentration of the population in the Tokyo metropolitan area continues.



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

\*Comments by Tokyu REIM

# Investment Stance of Tokyu REIM

Fiduciary Duties of Tokyu REIM as REIT Management Company	<ul style="list-style-type: none"> <li>• 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</li> </ul>
Fund Structure with High Transparency and Accountability	<ul style="list-style-type: none"> <li>• Fund management with high transparency and accountability through improvement of disclosure, including IR activities, and the involvement of an independent third-party in the decision-making process</li> </ul>
Collaboration	<ul style="list-style-type: none"> <li>• Growth and value enhancement of the Tokyu Areas through synergies from collaboration with Tokyu Corporation (Note) (Capital Reinvestment Model)</li> </ul>
Brand Strategy	<ul style="list-style-type: none"> <li>• Leverage the “Tokyu Brand” name in leasing operations based on trademark license agreement</li> </ul>
Enhanced Measures Against Conflicts of Interest	<ul style="list-style-type: none"> <li>• Implementation of self-imposed rules to secure collaboration and governance to maximize the advantages of such cooperation</li> </ul>
Diversified Portfolio	<ul style="list-style-type: none"> <li>• Portfolio management employed to control downside risk associated with major properties and tenants</li> </ul>
Strategic Financial Principle	<ul style="list-style-type: none"> <li>• Strategy focused on managing the required debt and equity risk premium while also securing additional funding availability</li> </ul>
Investment Management Fee	<ul style="list-style-type: none"> <li>• Management fee structure linked to three performance indices to balance conflicts of interest by “being in the same boat as unitholders”</li> <li>• Adoption of a structure to expense rather than capitalize the management fee</li> </ul>
Resource Allocation Seeking Stability and Growth	<ul style="list-style-type: none"> <li>• Allocate many asset managers in comparison to the portfolio size</li> <li>• Have the Investment Management Company bear some of the IR costs</li> <li>• Utilize experience and expertise of employees assigned from Tokyu Corporation and its subsidiaries</li> </ul>
Long-Term Investment Management Strategy (Surf Plan)	<ul style="list-style-type: none"> <li>• Value &amp; Contrary (presented separately)</li> </ul>

(Note) “Tokyu Corporation” refers to any entity that falls under the following (i) to (iii):

(i) Tokyu Corporation

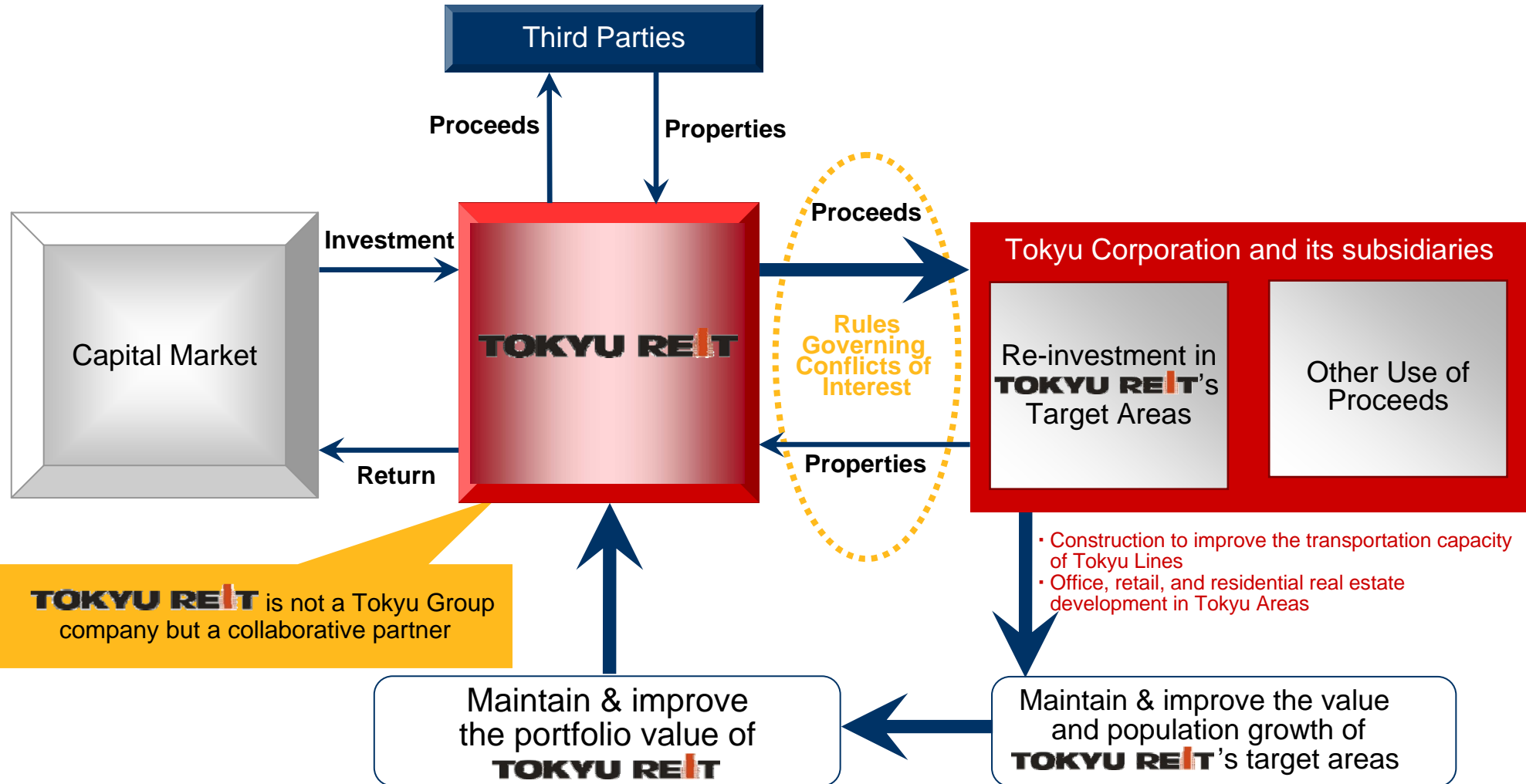
(ii) A consolidated subsidiary of Tokyu Corporation (\*not including equity method affiliates)

(iii) A tokutei mokuteki kaisha (TMK) or special purpose entity (SPE) that was established based on the intention of Tokyu Corporation or a consolidated subsidiary of Tokyu Corporation and where the share of investment by undisclosed associations or other investment shares in that entity by the respective company exceeds 50%.

\*This page represents the views of Tokyu REIM

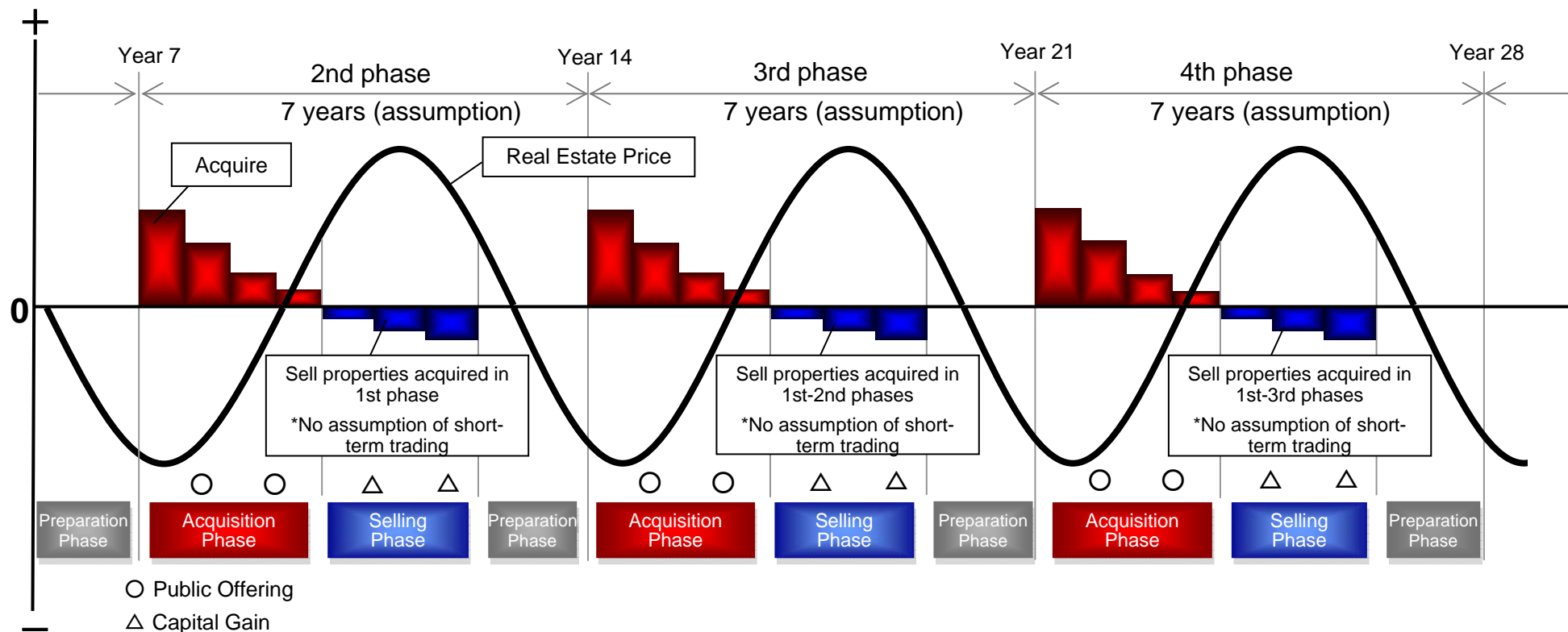
# TOKYU REIT Capital Re-investment Model

Growth and value enhancement of the Tokyu Areas (areas along Tokyu rail lines) through synergies from collaboration with Tokyu Corporation and its subsidiaries



# Long-Term Investment Management Strategy (Surf Plan)

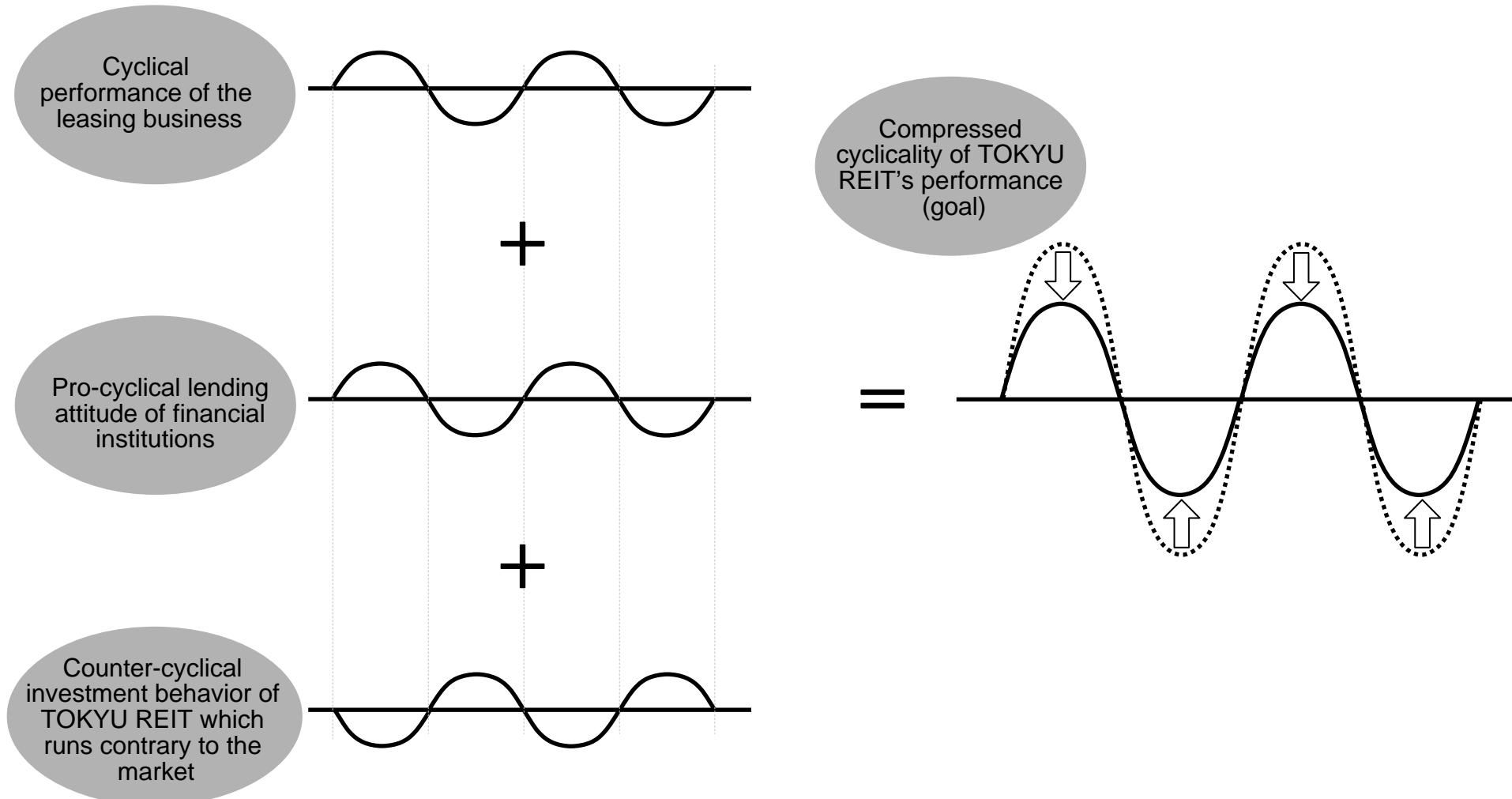
Focusing on the cyclical nature of real estate prices, TOKYU REIT secures capital gains while interchanging properties, and achieves improvement of both portfolio quality (rejuvenating average age of properties, etc.) and adjusted ROE (capital yield after deduction of capital gains/losses) by contrarian investment approach.  
(Value & Contrary)





# Objective of the Surf Plan: Compression Effect of Cyclicity TOKYU REIT

By adopting an investment behavior that runs contrary to the market, revenue performance volatility can be compressed.  
(Matches a REIT that aims for stable growth)



\*This page represents the views of Tokyu REIM

# Adjusted ROE Matrix

**Aim to Secure Adjusted ROE of 5% or More**

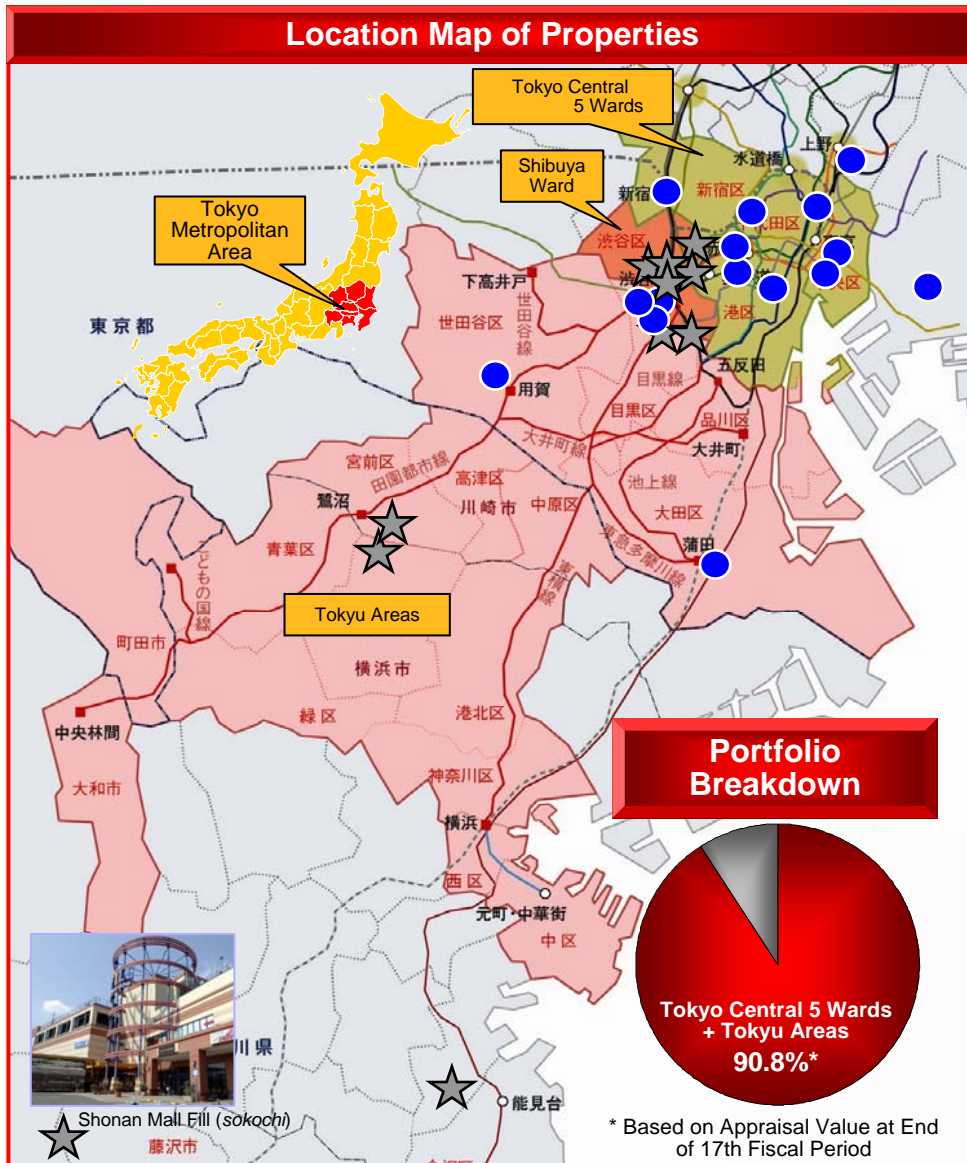
Cumulative Capital Gains Going Forward		Distribution per Unit after Deduction of Capital Gain								
		¥10,000	¥11,000	¥12,000	¥13,000	¥14,000	¥15,000	¥16,000	¥17,000	¥18,000
Capital Gain	¥0 mn	3.97%	4.37%	4.77%	5.16%	5.56%	5.96%	6.35%	6.75%	7.15%
	¥500 mn	3.99%	4.39%	4.79%	5.19%	5.59%	5.99%	6.39%	6.79%	7.19%
	¥1,000 mn	4.02%	4.42%	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
Total Capital (¥ mn) a	98,020
Capital Gains (¥ mn) b	12,716
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

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

\*This page represents the views of Tokyu REIM

# Portfolio Overview (26 Properties; Total acquisition price: 199.6 billion yen)



### 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 Nampoicho Bldg.	 Tokyu Sakuragaoka Bldg.	 Tokyo Nissan Taito Bldg.	 TOKYU REIT Akasaka Hinokicho Bldg.
 TOKYU REIT Kamata Bldg.	 TOKYU REIT Toranomon Bldg.	 TOKYU REIT Hatchobori Bldg.	 Akasaka 4-chome Bldg. (Tokyu Agency Inc. Head Office Building)	 Tokyu Ikejiri-ohashi Building
 Kojimachi Square	 TOKYU REIT Shinjuku Building	 Akihabara Sanwa Toyo Building	 Kiba Eitai Building	 Tokyu Ginza 2-chome Building

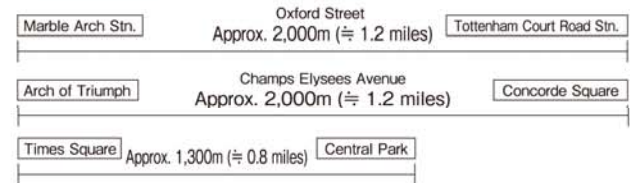
\*Total Acquisition Price does not include acquisition-related costs, property tax, city planning tax and consumption tax.



# Greater Shibuya Area Property Map



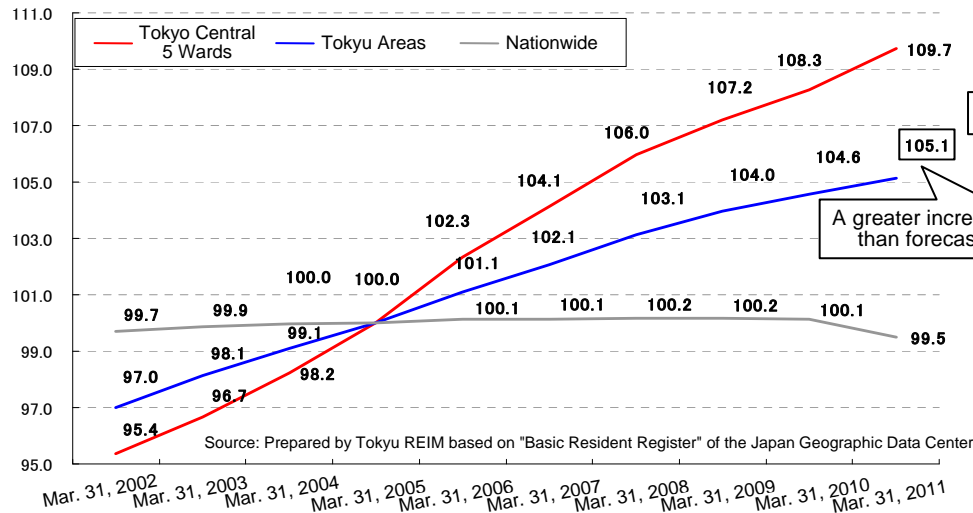
- Shibuya Hikarie is scheduled to open on April 26, 2012.
- As of the date this presentation was prepared, TOKYU REIT has no plan to acquire properties owned by Tokyu Corporation and its subsidiaries.
- This map represents an extract selection and does not indicate all major facilities.
- Some properties are only partially owned by Tokyu Corporation and its subsidiaries.
- The Tokyu Toyoko Line and the Tokyo Metro Fukutoshin Line plan to start mutual line operation by the end of March 2013.



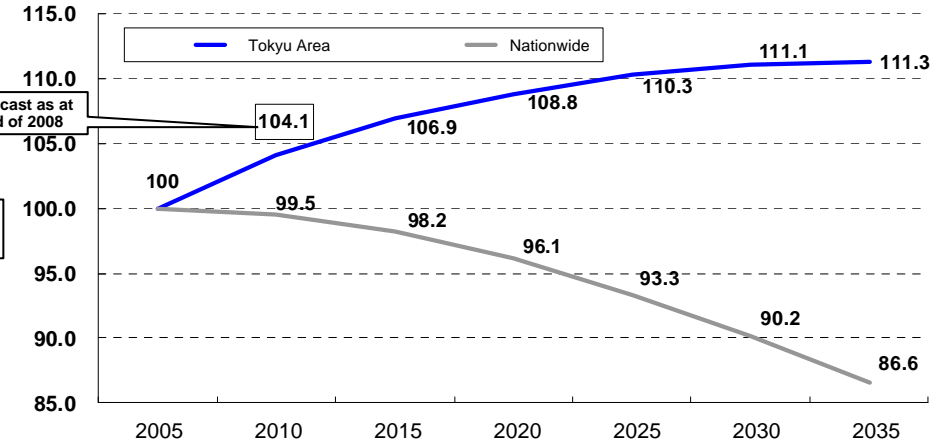
# Strengths of Major Target Areas (1)

\* The population of the nation is on a downward trend, but in major target areas of TOKYU REIT, economic growth stemming from population growth can be expected.

## Changes in the Population of Major Target Areas (year 2005 = 100)

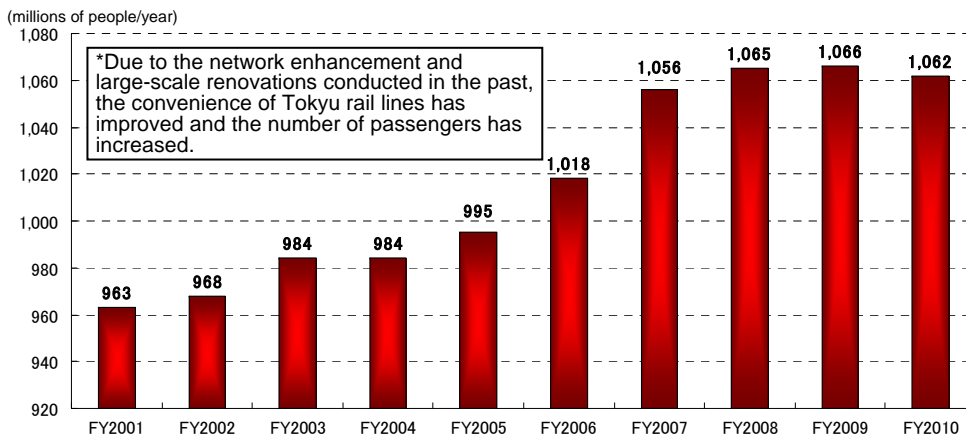


## Population Forecasts for Tokyu Areas (year 2005 = 100)



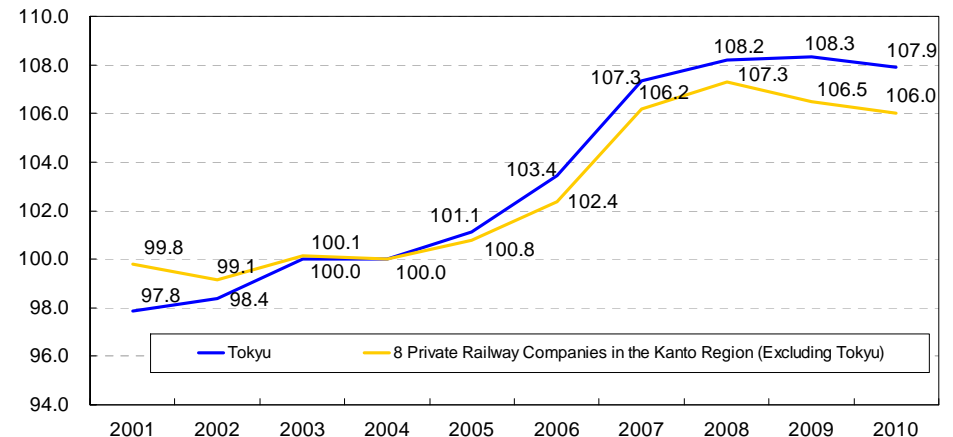
\* Prepared by Tokyu REIM on March 2008 based on "Basic Resident Register" of the Japan Geographic Data Center  
 \* Tokyu Areas: Defined as the "17 cities and wards (i.e. -ku) which Tokyu rail lines pass through" (Shinagawa-ku, Meguro-ku, Ota-ku, Setagaya-ku, Shibuya-ku, and Machida-City in Tokyo prefecture, Kanagawa-ku, Nishi-ku, Naka-ku, Kohoku-ku, Midori-ku, Aoba-ku, Tsuzuki-ku in Yokohama City, Nakahara-ku, Takatsu-ku and Miyamae-ku in Kawasaki City, and Yamato City in Kanagawa prefecture.)

## Number of Passengers Using Tokyu Rail Lines



Source: The Association of Japanese Private Railways

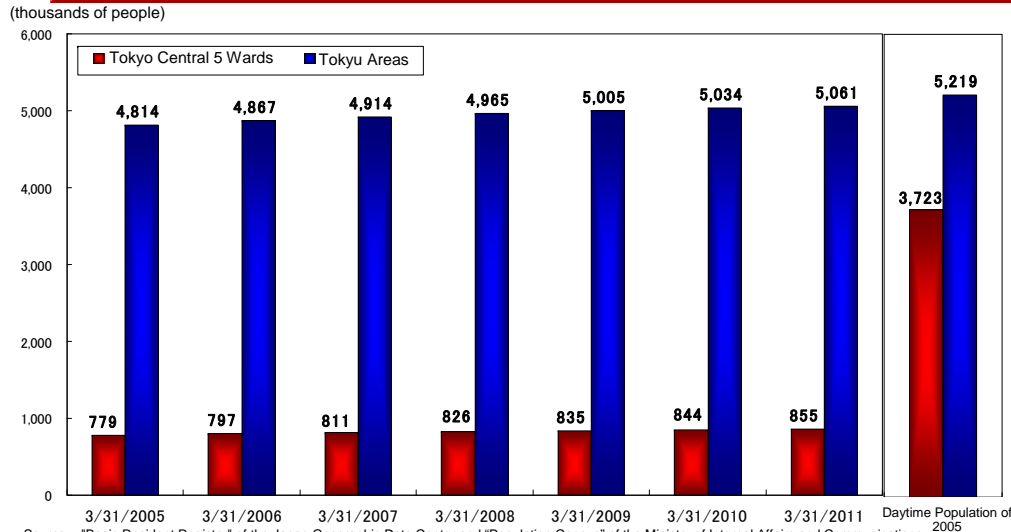
## Changes in the Number of Passengers (Fiscal 2004 (Fiscal Period Ended Mar. 2005) = 100)



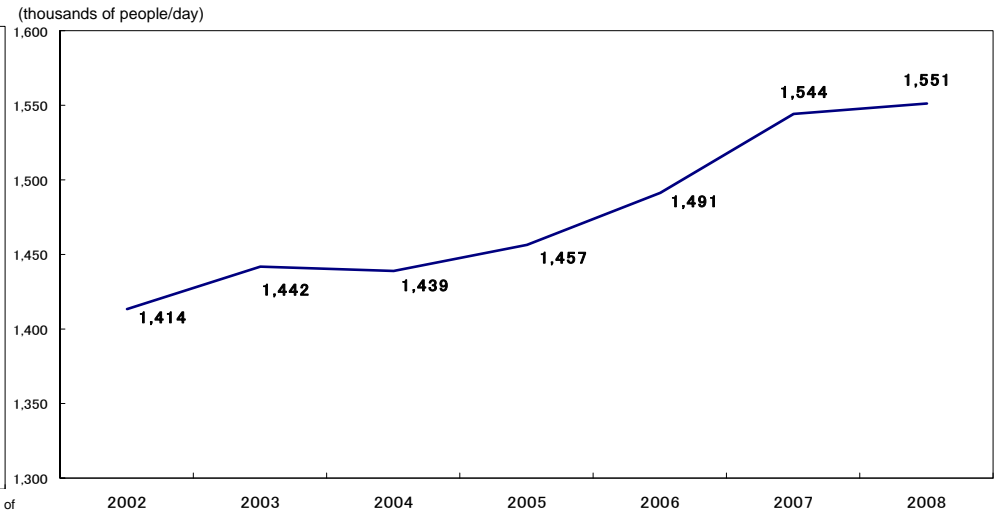
Source: Prepared by Tokyu REIM based on materials posted on the website of the Association of Japanese Private Railways  
 \*Eight Private Railway Companies in the Kanto Region (Excluding Tokyu) includes Tokyo Metro, Tobu, Odakyu, Keio, Seibu, Keikyu, Keisei and Sagami Railway

# Strengths of Major Target Areas (2)

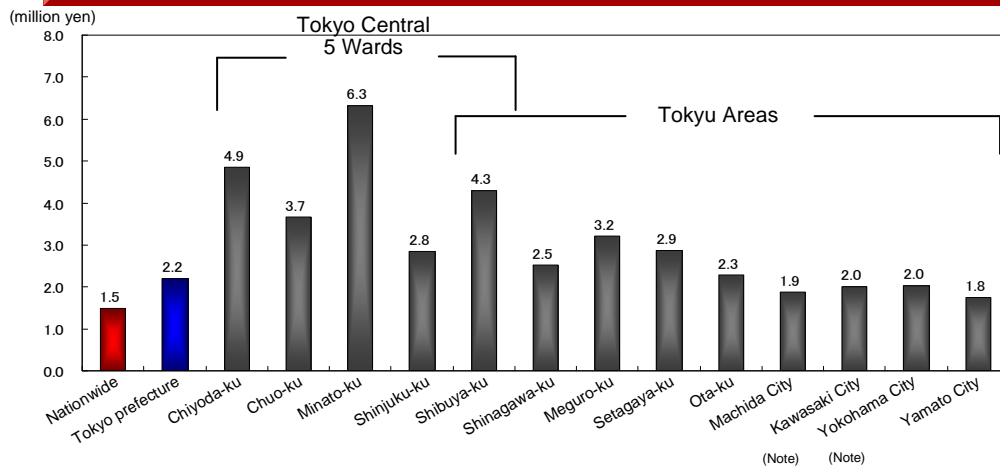
## Population of Major Target Areas



## Changes in the Number of Passengers Using Shibuya Station



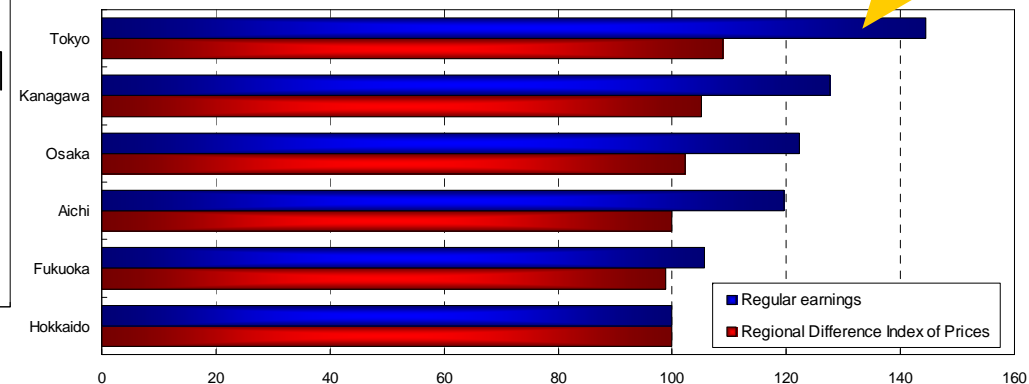
## Personal Income Taxation Level by Area (2009)



Source: "Personal Income Index, 2010" by Japan Planning Systems Co., Ltd.  
 (Note) The cities of Yokohama and Kawasaki include areas outside of the administrative districts of Tokyu Areas.

## Wage and Consumer Price Levels (Hokkaido = 100)

\* Tokyo's consumer price is higher relative to other areas, but its wage level is even higher.



Source: "Regular earnings" in the Basic Survey on Wage Structure for fiscal 2011 by the Ministry of Health, Labour and Welfare  
 "Regional Difference Index of Prices" in the 2007 National Survey of Prices by the Ministry of Internal Affairs and Communications  
 \*Each index is based on the figure of Hokkaido (set at 100) in calculating the respective figures of major prefectures.

# Overview of Investment Management Fee

**\* 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 and 300 billion yen or less) (0.115% for the portion exceeding 300 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)		Standard cash flow in current period × 6.0%  (5% for the portion exceeding 5 billion yen and 7.5 billion yen or less) (4.6% for the portion exceeding 7.5 billion yen)	Standard cash flow here shall be the amount derived by subtracting an amount equivalent to 50% each of profit or loss from the sale of specified assets and profit or loss from the valuation of specified assets from the net income before income taxes, plus depreciation and amortization of deferred assets.
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%
Time-limited reduction	Response to uncertainties that continue to exist	The following percentage shall be reduced from the above calculated Investment Management Fees: 16th fiscal period to the 19th fiscal period: 5%	

\* 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.

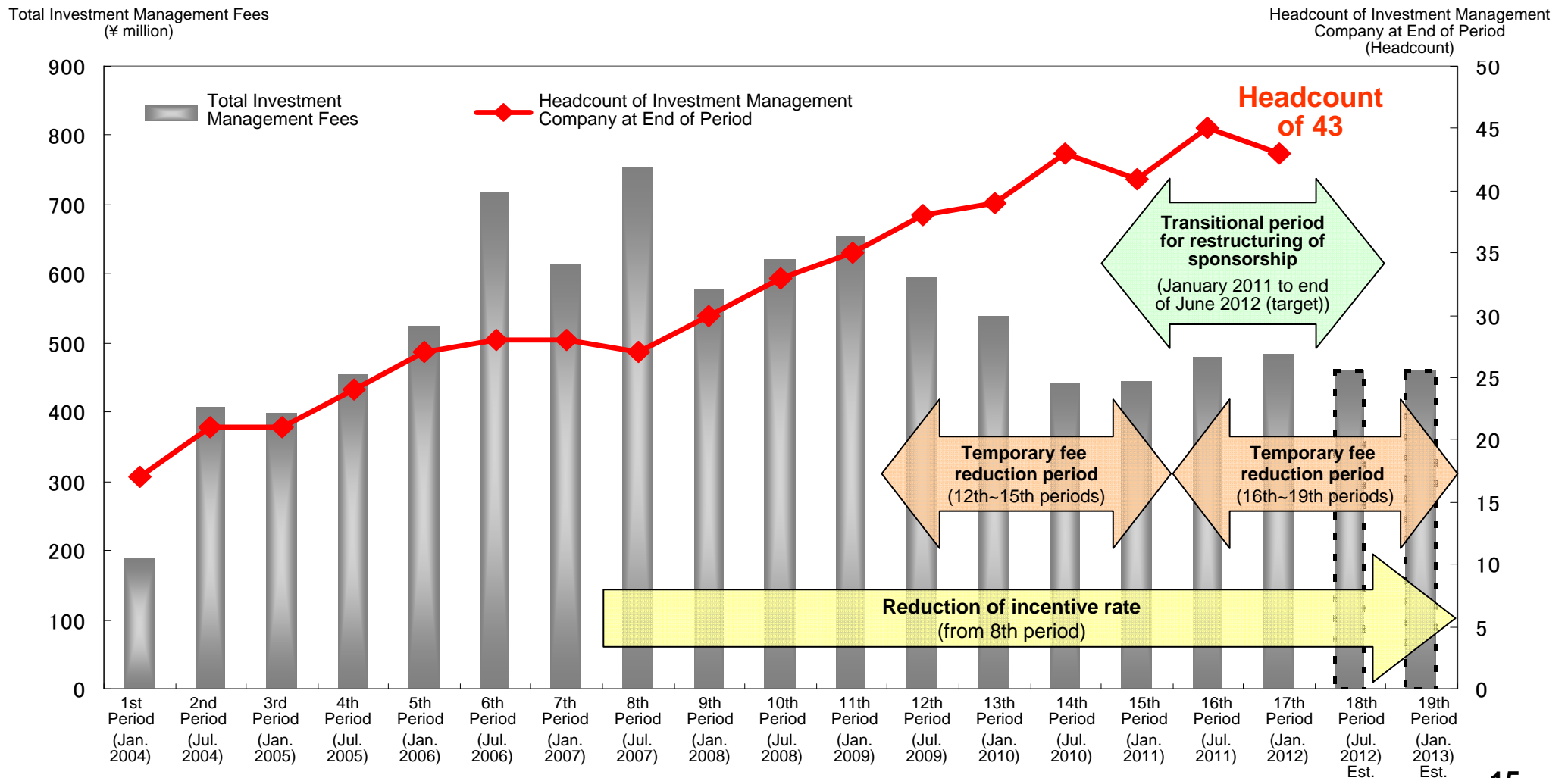
\* The above fees are all booked as expenses. TOKYU REIT does not have a fee structure that leaves the income statement unaffected, such as the acquisition incentive fee, which is capitalized as an acquisition cost.

\*Comments by Tokyu REIM



# Total Investment Management Fees and Headcount of Investment Management Company

**\* Have the investment management company improve service quality despite the reduction in total fees  
 ~ Strive to further win credibility from the investment corporation and unitholders who are our customers ~**





**TOKYU REIT**

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**2. Topics of 17th Period**

## (1) Financial Results and Forecast

- Operating results surpassing initial forecast (EPS for 17th period: ¥13,106)
- Aim to maintain and raise the forecast EPS of ¥11,000 (for 18th and 19th periods)

## (2) Internal Growth

- Occupancy rate: 94.0% at end of 17th period (actual), 93.3% at end of 18th and 19th periods (estimate)
- Focused on leasing activities to increase the occupancy rate and put a stop to the decrease in cash flows (highest priority)
- Continuously implemented renewal and repair work (including responses to energy saving) for the purpose of attracting tenants and enhancing property competitiveness and asset values

## (3) External Growth

- Pursue acquisition of new properties and property replacement

## (4) Debt Finance

- Operated at low LTV (targeting 50% on an appraisal value basis) in order to secure financial soundness
- Promoted diversification of repayment dates and worked to prolong loan periods



## **2. Topics of 17th Period**

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

# Operating Results

		17th Period Actual Ended Jan. 2012 (184 days)	16th Period Actual Ended Jul. 2011 (181 days)	Change	(%)	17th Period Forecast as of 9/13/2011	Change	(%)
Distribution per Unit	(¥)	13,106	13,239	-133	-1.0	12,200	906	7.4
Adjusted ROE	(%)	5.16	5.30	-0.14	—			
Average LTV	(%)	49.5	49.7	-0.2	—	49.8	-0.3	—
LTV at End of Period	(%)	48.3	48.8	-0.5	—	48.5	-0.2	—
LTV / Total Assets at End of Period	(%)	43.3	43.3	0.0	—	43.4	-0.1	—
Balance of Cash and Bank Deposits at End of Period	(¥ million)	3,918	4,600	-682	-14.8			
Acquisition Capacity through Cash and Bank Deposits	(¥ million) b	1,698	2,357	-660	-28.0			
Acquisition Capacity through Debt	(¥ million) a	6,496	4,610	1,887	40.9			
Total Acquisition Capacity	(¥ million) a+b	8,194	6,967	1,227	17.6			
Average Balance of Assets during the Period (Based on Acquisition Price)	(¥ million)	199,672	199,285	387	0.2	199,672	0	—
Occupancy Rate (End of Period)	(%)	94.0	98.5	-4.5	—	96.8	-2.8	—
NOI Yield	(%)	4.63	4.77	-0.14	—	4.55	0.08	—
Unrealized Gain	(¥ million)	310	731	-421	-57.6			
Adjusted Net Asset Value (NAV) per Unit	(¥)	580,532	583,012	-2,480	-0.4			
Average Unit Price during the Period	(¥)	406,642	534,655	-128,013	-23.9			

\* Adjusted ROE = Distribution Amount after Deduction of Capital Gains / (Total Capital – Accumulated Distribution of Capital Gains)

\* 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)

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

\* Acquisition Capacity through Debt indicates the potential acquisition by debt assuming a maximum LTV at the end of the period of 50%.

\* 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

\* 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  
presented in the separate  
DATA BOOK.**

# Forecast

		18th Period Estimates Ending Jul. 2012 (182 days)	17th Period Actual Ended Jan. 2012 (184 days)	Change
Distribution per Unit	(¥)	11,000	13,106	-2,106

Operating Revenues	(¥ million)	6,328	6,819	-491
Operating Income	(¥ million)	2,664	3,049	-384
Net Income	(¥ million)	1,863	2,219	-356

Adjusted ROE	(%)	4.38	5.16	-0.78
NOI	(¥ million)	4,270	4,664	-393
NOI Yield	(%)	4.29	4.63	-0.34
LTV / Total Assets at End of Period	(%)	43.4	43.3	0.1
LT Debt Ratio at End of Period	(%)	99.1	100.0	-0.9
Period End Occupancy Rate	(%)	93.3	94.0	-0.7

## (Major change)

### (Revenues)

Decrease in rental revenues	¥ -286 million
Decrease in other revenues	¥ -204 million

### (Expenses)

Decrease in repair and maintenance	¥118 million
Decrease in investment management fee	¥23 million

### (Non-operating/Extraordinary profit/losses)

Decrease in interest expenses	¥16 million
Reversal of allowance for disaster losses	¥14 million

## 19th Period Estimates Ending Jan. 2013 (184 days)

11,000

6,214

2,656

1,863

4.33

4,252

4.22

42.1

99.0

93.3

\* In calculating the period end occupancy rate, it is assumed that spaces for which notices of cancellation were received as of February 29, 2012 will remain vacant after the move-outs of relevant tenants. Similarly, spaces that were vacant as of February 29, 2012 are assumed to remain vacant.

\* The effect of the recent deterioration in the real estate market, etc. has been factored into the rent levels.

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

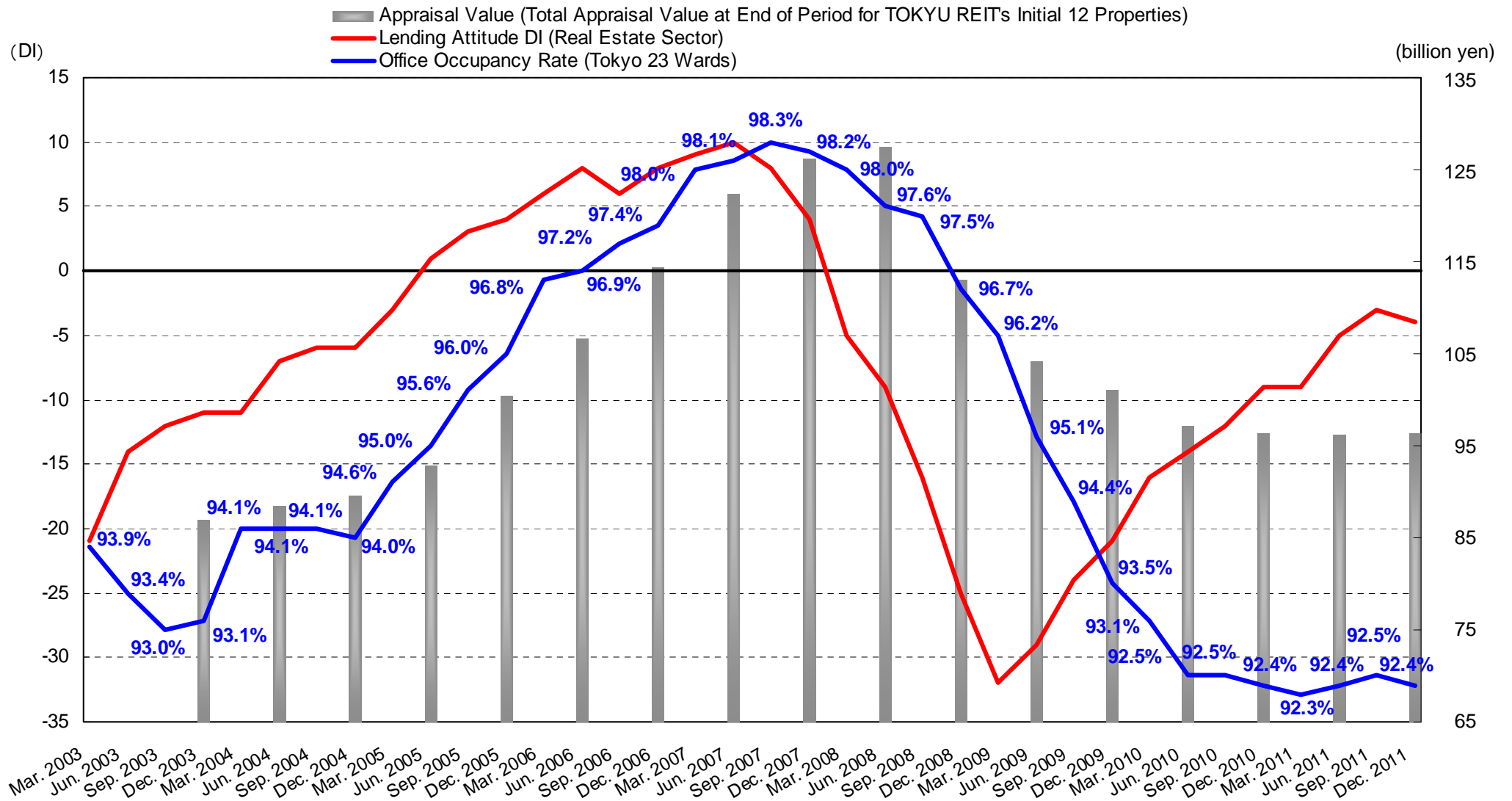
**Details of Balance Sheet and Income Statement are provided in the separate DATA BOOK.**



## **2. Topics of 17th Period**

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

# 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 CBRE K.K.

# Investment Environment Recognition and Investment Activities under the Surf Plan

## 1. Recognition of the Investment Environment

- TOKYU REIT judges that the 18th period ending July 2012 is an “acquisition period” when property acquisitions should be proactively pursued.
- Although cap rates still show a downward trend, real estate prices are considered to remain at a low level for the moment from a long-term perspective, in the light of already low-level cash flows possibly being further weakened.
- In the future, real estate prices will gradually increase due to monetary easing and improved rent levels associated with economic recovery.

### (1) Cap rates show a downward trend, given the tendency of monetary easing as well as the gap in supply and demand in the real estate trading market

- The Lending Attitude Diffusion Index, which TOKYU REIT considers to be a leading index of cap rates, shows an improving trend although full-fledged monetary easing is yet to come.
- Willingness of such buyers as J-REITs and domestic operating companies to invest remains strong.
- Despite a slight increase in the number of properties supplied in the latter half of 2011, shortage continues to be felt for quality properties, indicating a gap in supply and demand in the real estate trading market.

### (2) Cash flows will remain weak for the moment, given the improvement of vacancy rates being delayed and rent levels continuing to be low

- Although large tenants have begun to seek spaces, they are yet to expand the entire demand for rental floors.
- In addition, improvement in vacancy rates, which are nearing the peak, will be slow in 2012 because of large supply of office spaces.
- For the moment, rents will continue to stay low as tenants have strong bargaining power on rent

## 2. Investment Activities

TOKYU REIT will proactively investigate property acquisitions in the 18th period ending July 2012.

		17th Fiscal Period		18th Fiscal Period	
		Policy	Results	Policy	Results
Investment Activity	Acquisition	Office	<ul style="list-style-type: none"> <li>• Primarily deliberate properties worth more than 4 billion yen, given the inadequate supply of quality properties in the 10 billion yen range</li> <li>• Continue discussing trade in direct negotiation with the sponsor, in addition to sourcing from the market</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>• Add value properties worth more than 4 billion yen to our deliberations, in addition to continued focus on quality properties in the 10 billion yen range</li> <li>• Continue discussing trade in direct negotiation with the sponsor, in addition to sourcing from the market</li> </ul>
		Retail (Urban)	<ul style="list-style-type: none"> <li>• In addition to quality properties facing front streets in busy commercial areas, under-priced properties to be made the target of deliberations</li> </ul>	<ul style="list-style-type: none"> <li>• There were several projects that were considered, but no contracts were concluded.</li> </ul>	<ul style="list-style-type: none"> <li>• Deliberate under-priced properties in addition to quality properties</li> </ul>
		Retail (Suburban)	<ul style="list-style-type: none"> <li>• Deliberate under-priced properties with stable rents, including <i>sokochi</i></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>• Deliberate under-priced properties with stable rents, including <i>sokochi</i></li> </ul>
	Selling	<ul style="list-style-type: none"> <li>• Make preparations for property sales in a dynamic and flexible way</li> </ul>	<ul style="list-style-type: none"> <li>• Investigated possibilities to sell specific properties</li> </ul>	<ul style="list-style-type: none"> <li>• Make preparations for property sales in a dynamic and flexible way</li> </ul>	

\* On the condition, however, that LTV is kept at 50% or less as a rule

\*This page represents the views of Tokyu REIM **23**



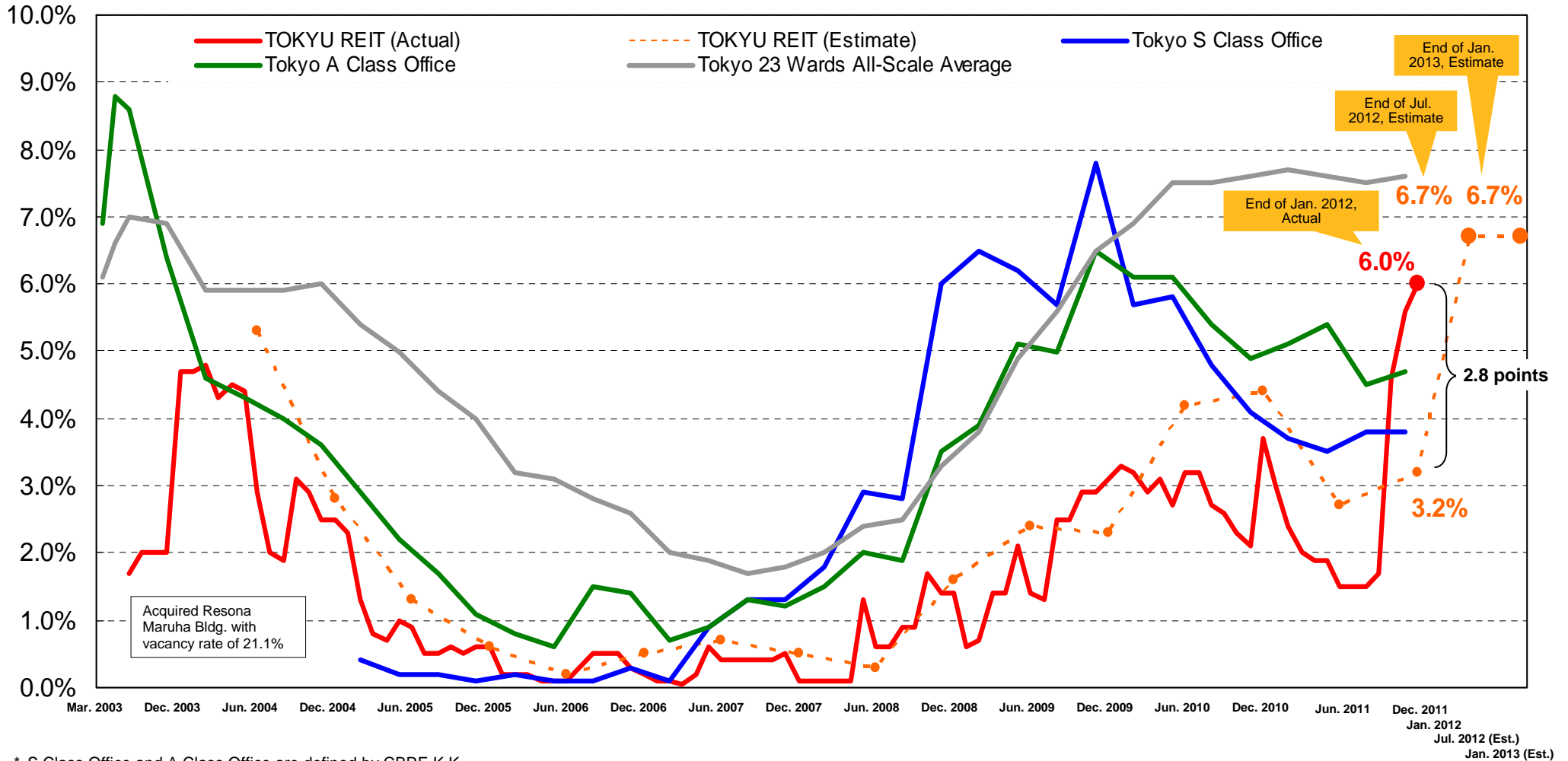


## **2. Topics of 17th Period**

### **(3) Investment Management Overview (Internal Growth)**

# Changes in Vacancy Rate

**\* Vacancy rate of TOKYU REIT properties increased more than anticipated due to large tenants moving out earlier than original schedules (though rents were received for full contract periods)**



\* S Class Office and A Class Office are defined by CBRE K.K.

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)

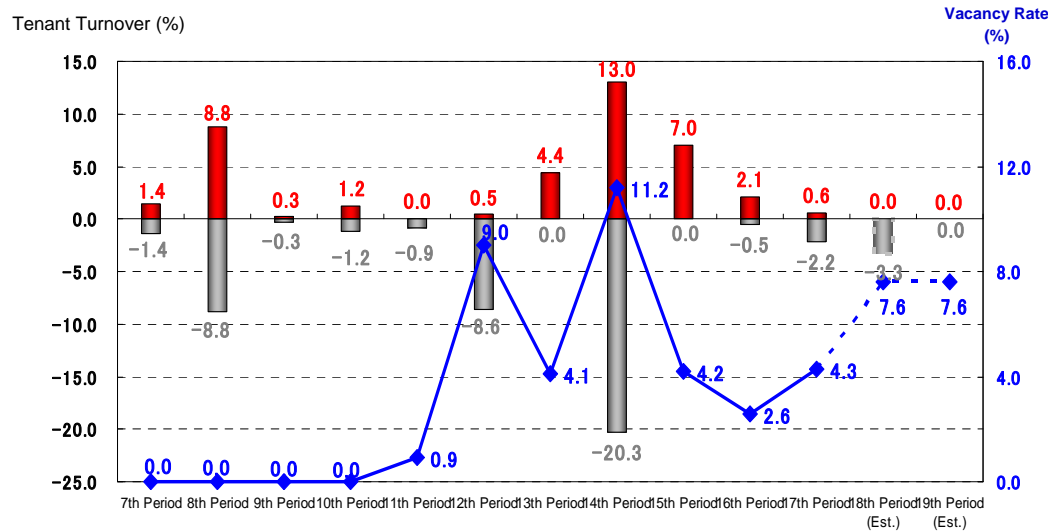
A Class Office... Located in Tokyo's major 5 wards (Chiyoda, Chuo, Minato, Shinjuku, Shibuya) with features including total floor space of over 10,000 tsubo and typical floor area over 200 tsubo)

Source: CBRE K.K.

\*Comments by Tokyu REIM **25**

# Changes in Tenant Turnover and Vacancy Rate

## Retail (Urban)

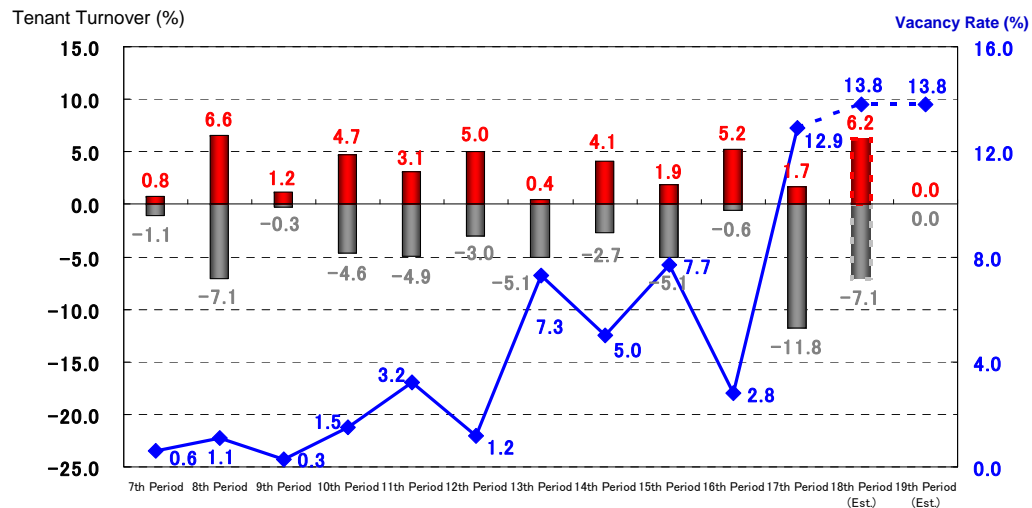


- \* Retail (Urban)
  - QFRONT
  - TOKYU REIT Omotesando Square
  - Lexington Aoyama
  - TOKYU REIT Shibuya Udagawa-cho Square
  - cocoti
  - CONZE Ebisu
  - Daikanyama Forum

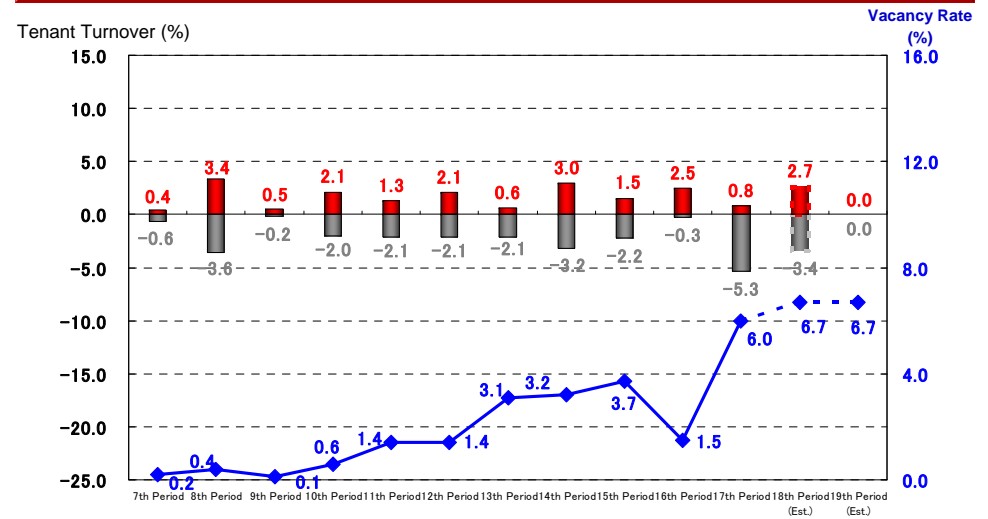
- \* Retail (Suburban)
  - Tokyu Saginuma Building
  - Tokyu Saginuma 2 Building
  - Beacon Hill Plaza (Ito-Yokado Noukendai Store)
  - Shonan Mall Fill (*sokochi*)

**\* No vacancy for suburban retail properties**

## Office



## Overall Portfolio



In calculating the estimate vacancy rate, it is assumed that spaces for which notices of cancellation were received as of February 29, 2012 will remain vacant after the move-outs of relevant tenants. Similarly, spaces that were vacant as of February 29, 2012 are assumed to remain vacant.

# Status of Leasing Activities (i): Breakdown by property

Type	Name of Property	Status
Retail	Lexington Aoyama	<ul style="list-style-type: none"> <li>In 17th period, a new contract was concluded for 1 space (approx. 38 tsubos) and the occupancy rate as of the end of the 17th period improved to 100.0%</li> <li>However, a notice of cancellation for 1 space (approx. 143 tsubos) was newly received. Leasing activities are under way targeting restaurant use.</li> <li>Occupancy rate at end of 18th period is anticipated to be 77.5%.</li> </ul>
	cocoti	<ul style="list-style-type: none"> <li>With tenants moving out from 1 space (approx. 163 tsubos) at the beginning of the 17th period and another 1 space (approx. 35 tsubos) at the beginning of the 18th period, leasing activities are under way targeting merchandising and service-related stores.</li> <li>Expected occupancy rate as of the end of the 18th period is 92.2%</li> <li>The area is expected to draw more attention with the opening of such new retail facilities as Shibuya Hikarie around the property in the spring of 2012. At cocoti, renewal work of common areas is planned for this spring to reinforce its property competitiveness.</li> </ul>
	CONZE Ebisu	<ul style="list-style-type: none"> <li>Progress was not made on new contracts during the 17th period and so the occupancy rate at the end of the period remains at 87.6% or the same as the end of the 16th period.</li> <li>Currently conducting marketing for 1 vacant space (approx. 86 tsubos), targeting merchandising stores.</li> </ul>
	Daikanyama Forum	<ul style="list-style-type: none"> <li>Progress was not made on new contracts during the 17th period and so the occupancy rate at the end of the period remains at 91.5% or the same as the end of the 16th period.</li> <li>We newly received a cancellation notice for 1 space (approx. 63 tsubos) in the 17th period and so the expected occupancy rate as of the end of the 18th period is 83.1%.</li> <li>Currently conducting marketing for 2 vacant spaces (approx. 126 tsubos in total), targeting merchandising stores, showrooms, etc.</li> </ul>
Retail Portfolio		<p>The occupancy rate for retail properties (urban): 95.7% at the end of 17th period 92.4% expected at the end of the 18th period 92.4% expected at the end of the 19th period</p> <p>The occupancy rate for retail properties (suburban): 100% at the end of 17th period 100% expected at the end of the 18th period 100% expected at the end of the 19th period</p>
Office	Setagaya Business Square	<ul style="list-style-type: none"> <li>New contracts were concluded for 2 spaces in the 17th period, but multiple notices of cancellation and move-outs newly emerged to decrease the occupancy rate at the end of the period to 90.5% (93.4% at the end of the 16th period).</li> <li>Currently conducting marketing for 7 vacant spaces (approx. 522 tsubos), targeting offices conducting restructurings and relocations from central Tokyo, IT companies, etc. (Note)</li> <li>Expected occupancy rate as of the end of the 18th period is 92.9%</li> </ul>
	Tokyo Nissan Taito Building	<ul style="list-style-type: none"> <li>Although notices of cancellation were received during the 17th period, the occupancy rate at the end of the period was 100%, remaining unchanged from the end of the 16th period.</li> <li>Leasing activities are under way for 1 space (approx. 236 tsubos) to be leased, targeting companies in the Taito and Sumida areas</li> <li>Expected occupancy rate at the end of the 18th period is 90.2%</li> </ul>
	TOKYU REIT Akasaka Hinokicho Building	<ul style="list-style-type: none"> <li>With no tenant moves in the 17th period, the period end occupancy rate remained unchanged from the end of the 16th period at 95.0%.</li> <li>Currently conducting marketing for 1 vacant space (approx. 48 tsubos), targeting restaurants, clinics, etc.</li> <li>Expected occupancy rate as of the end of the 18th period is 95.0%</li> </ul>
	TOKYU REIT Kamata Building	<ul style="list-style-type: none"> <li>The occupancy rate at the end of the 17th period decreased to 88.4% (from 100% at the end of the 16th period) due to notices of cancellation and move-outs occurring during the period.</li> <li>Leasing activities are under way for 3 spaces (approx. 772 tsubos) to be leased, targeting manufacturing-related companies along the railway.</li> <li>Expected occupancy rate as of the end of the 18th period is 65.2%</li> </ul>
	TOKYU REIT Toranomon Building	<ul style="list-style-type: none"> <li>Occupancy rate at the end of the 17th period significantly decreased to 29.0% (from 88.3% at the end of the 16th period) due to large tenants moving out during the period.</li> <li>Currently conducting marketing for 5 vacant spaces (approx. 1,461 tsubos), targeting offices conducting restructurings and relocations, or needing to integrate their offices, etc.</li> <li>Expected occupancy rate at the end of the 18th period is 52.4%.</li> </ul>
	TOKYU REIT Hatchobori Building	<ul style="list-style-type: none"> <li>Although a notice of cancellation was received during the 17th period, the period end occupancy rate remained unchanged from the end of the 16th period at 100% thanks to a new contract concluded for 1 space.</li> <li>Expected occupancy rate at the end of the 18th period is 100%.</li> </ul>
	Kojimachi Square	<ul style="list-style-type: none"> <li>A new contract was concluded for 1 space during the 17th period, but the period end occupancy rate decreased significantly to 42.8% (from 100% at the end of the 16th period) due to large tenants moving out.</li> <li>Negotiation is under way with a single, selected company for 2 spaces (approx. 437 tsubos) for lease.</li> <li>Expected occupancy rate at the end of the 18th period is 73.3%.</li> </ul>
	TOKYU REIT Shinjuku Building	<ul style="list-style-type: none"> <li>Multiple notices of cancellation were received during the 17th period, but the period end occupancy remained unchanged from the end of the 16th period at 100%.</li> <li>New contracts were concluded for 1 space during the 17th period and for another 1 space during the 18th period, respectively. Leasing activities are underway for 1 space (approx. 225 tsubos) for lease, targeting such companies as those involved in marketing or services.</li> <li>Expected occupancy rate at the end of the 18th period is 88.0%.</li> </ul>
	Kiba Eitai Building	<ul style="list-style-type: none"> <li>Although a notice of cancellation was received from a large tenant during the 17th period, the period end occupancy rate remained unchanged from the end of the 16th period at 100%.</li> <li>Leasing activities are under way for 4 spaces (approx. 720 tsubos) for lease, targeting demand for back office use and relocation for restructuring, etc.</li> <li>Expected occupancy rate at the end of the 18th period is 58.8%.</li> <li>Furthermore, the property name will be changed to TOKYU REIT Kiba Building on August 1, 2012.</li> </ul>
Office Portfolio		The occupancy rate of office properties: 87.1% at the end of 17th period 86.2% expected at the end of the 18th period 86.2% expected at the end of the 19th period
Entire portfolio		<ul style="list-style-type: none"> <li>18 out of 26 properties had full occupancy at the end of the 17th period. Full occupancy is expected at 14 out of 26 properties at the end of the 18th period and at the end of the 19th period.</li> <li>The occupancy rate of properties was 94.0% at the end of the 17th period. The expected occupancy rate is 93.3% at the end of the 18th period and 93.3% at the end of the 19th period.</li> </ul>

\* 17th Period: August 1, 2011 – January 31, 2012; 18th Period: February 1, 2012 – July 31, 2012; 19th Period: August 1, 2012 – January 31, 2013

\* Expected occupancy rates at the end of the 18th and 19th periods only reflect tenants with whom contracts have been contracted and tenants from whom we have received cancellation notices as of February 29, 2012.

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

# Status of Leasing Activities (ii): TOKYU REIT Toranomon Building and Kojimachi Square

**\* Focused on leasing activities as top priority for the two properties from which large tenants moved out at the end of the 16th period**

## ■ TOKYU REIT Toranomon Building

- Contracts already concluded for 8th and 9th floors (a branch of a life insurance company is scheduled to move in)
- Leasing activities being continued for the remaining 4th - 7th floors, though several companies made private views and inquiries
- Conducted renewal work to enhance competitiveness and asset value (see photos to the right)
- Renewal work of the entrance hall under way (scheduled for completion in May 2012)
- Conducted direct marketing by listing companies as candidate tenants

**Yet-to-be-contracted spaces (as of end of Feb. 2012): 5 spaces (approx. 1,461 tsubos)**

### End of November 2011

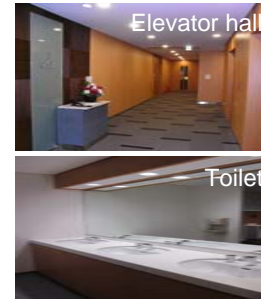
9F	Vacant
8F	Vacant
7F	Vacant
6F	Vacant
5F	Vacant
4F	Vacant
3F	Occupied
2F	Occupied
1F	Occupied Occupied Occupied Vacant



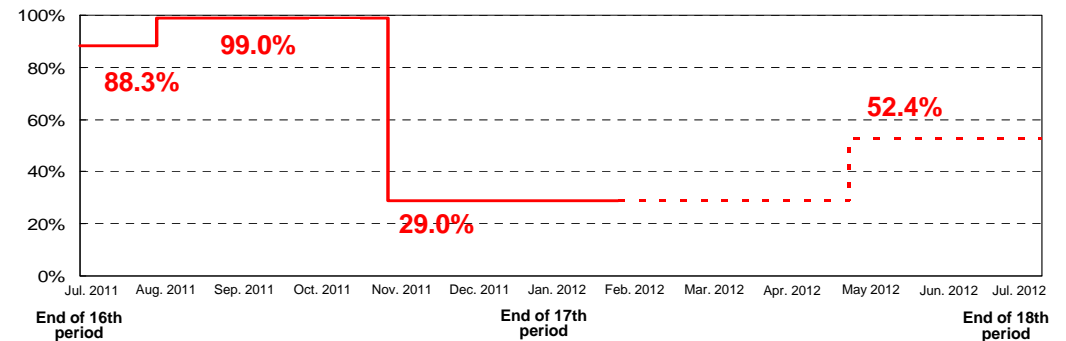
### End of February 2012

9F	Already contracted
8F	Already contracted
7F	Vacant
6F	Vacant
5F	Vacant
4F	Vacant
3F	Occupied
2F	Occupied
1F	Occupied Occupied Occupied Vacant

## <Renewal in line with leasing>



## <Changes in occupancy rate>



## ■ Kojimachi Square

- With the 3rd floor already occupied and the 5th floor contracted, negotiation is under way for the 1st and 2nd floor with a single, selected candidate tenant
- Improved service offerings by having building managers permanently stationed
- Conducted private views attracting 200 people (October 19, 2011)

**Yet-to-be-contracted spaces (as of end of Feb. 2012): 2 spaces (approx. 437 tsubos)**

### End of December 2011

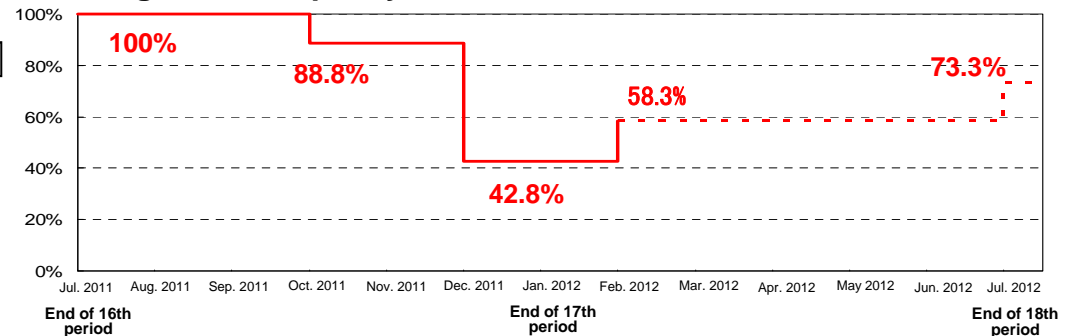
7F	Occupied
6F	Occupied
5F	Vacant
4F	Occupied
3F	Already contracted
2F	Vacant
1F	Vacant



### End of February 2012

7F	Occupied
6F	Occupied
5F	Already contracted
4F	Occupied
3F	Occupied
2F	Under negotiation
1F	Under negotiation

## <Changes in occupancy rate>



# Status of Existing Tenants (i): Gap in Rents (Existing Contract Rent vs. New Market Rent) TOKYU REIT

**\*Gap in rents stands at 18%. Downward pressure on rent still persists.**

## Gap in rents

Asset Class	16th Period End (26 Properties)	17th Period End (26 Properties)
Retail	-4.2%	-4.1%
Urban	-6.4%	-6.2%
Suburban	-0.1%	-0.2%
Office	-29.4%	-28.2%
Total	-19.4%	-18.0%

- \* Gap in rents = (New market monthly rent at beginning of next period – Monthly rent at end of period) / Monthly rent at end of period
- \* New market rent of retail properties is calculated by Tokyu REIM based on various reports and other materials.
- \* New market rent of office properties is the mean value of rents appraised by CBRE for individual properties.
- \* Vacant spaces are not included
- \* Monthly rent includes common service charges (except revenue from parking, warehousing, or billboards).
- \* The figures for the 16th period are partially changed from the previously announced figures because of a partial change in the calculation method.

**\* It is often the case that, upon renewing rents, existing rents do not fall to the level of new market rents but stay at around the mean value as a rule of thumb. Because of this, rents do not show a decrease equivalent to the gap upon every renewal, and there will remain the gap of rents even after renewals.**

(Example)

Existing contracted rent: 20,000 yen/tsubo

New market rent: 15,000 yen/tsubo

⇒ Rent after rent renewal: 17,500 yen/tsubo

Rate of decrease: 12.5%

**Gap in rents: -25.0%**

**Gap in rents: -14.3%**

**\*All contracts are covered, including fixed term lease contracts and long-term contracts**

## Percentage of Tenants Facing Rent Renegotiation

Asset Class	18th Period	19th Period	20th Period	21st Period	22nd Period	23rd Period
Retail	20.5%	20.8%	8.5%	6.6%	12.9%	27.0%
Urban	20.3%	8.9%	13.2%	7.4%	7.2%	39.0%
Suburban	21.1%	42.5%	0.0%	5.2%	23.4%	5.2%
Office	24.9%	15.5%	21.1%	19.3%	19.9%	18.0%
Total	23.1%	17.7%	15.8%	13.9%	17.0%	21.8%

- \* 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, warehousing, or billboards).
- \* As of the end of the 17th Period

**\* On an entire portfolio basis, existing contracted rent will not immediately decrease to the level of new market rent.**

- The percentage of tenants scheduled for rent renewal is around 16% for each period under weighted average.
- The period of rent renewals for the entire tenants of TOKYU REIT is 3.12 years.

\*Comments by Tokyu REIM **29**

# Status of Existing Tenants (ii): Extension of Contract Periods

**\*Stability of the portfolio was improved through extending contract periods with multiple large tenants**

Contract party	Tenant's percentage of property	Date of contract	Remaining period under previous contract (as of the start of new contract)	Remaining period under new contract (as of the start of new contract)	Contract type	Rent level
Large tenant of Tokyu Ginza 2-chome Building	94.5%	Sep. 2011	1 year and 11 months	5 years	Fixed-term lease contract	Downward revision (However, at around the mean value of previous rent and new market rent)
Large tenant of Tokyu Sakuragaoka-cho Building	81.9%	Dec. 2011	None	10 years	Regular lease contract	Downward revision (However, at around the mean value of previous rent and new market rent)
Large tenant of TOKYU REIT Shibuya Udagawa-cho Square	96.4%	Jan. 2012	1 year and 6 months	13 years and 6 months	Fixed-term lease contract	<b>Upward revision</b> (Equivalent to new market rent)

\* New market rent of office properties is the mean value of rents appraised by CBRE for individual properties.

\* New market rent of retail properties is an estimate by Tokyu REIM taking into account various reports and other materials.



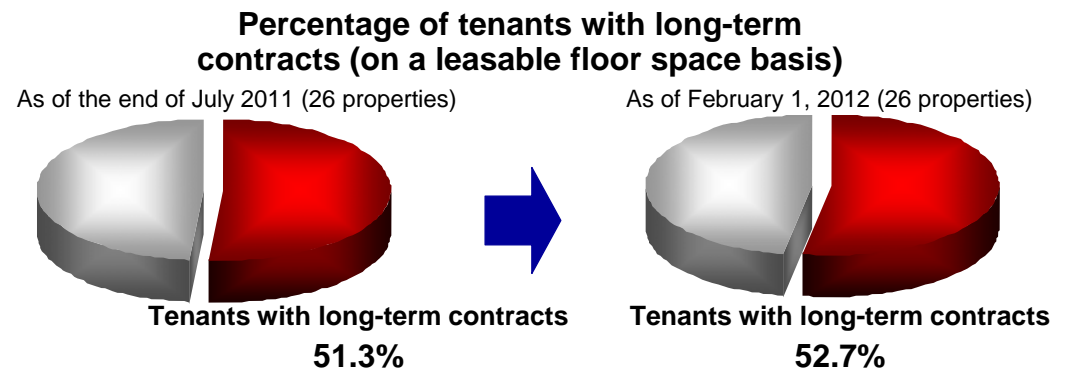
**Tokyu Ginza 2-chome Building**



**Tokyu Sakuragaoka-cho Building**



**TOKYU REIT Shibuya Udagawa-cho Square**



\* Definition of long-term contract: contracts with remaining contract period of 5 years or longer counting from February 1, 2012, regardless of fix-term lease contract or not (excludes contracts with rents of 500,000 yen or less per month, such as for antennas, and contracts that have not yet started the contract periods as of February 1, 2012).

\*Comments by Tokyu REIM **30**



## TOKYU REIT plans and implements a variety of countermeasures for power issues

### Adoption of Power-Saving Equipment

#### Measures to reduce power consumption

##### LED lamps (3,050 lamps in common areas of 15 properties)

- Replaced lighting with LED lamps in the common areas of all properties where possible
- Power reduction of 65.2% on average is possible per lamp

<Comparison of rating life of lamps >



##### High-performance lighting reflection boards (2,941 boards in exclusive areas of 4 properties)

- Adopted high-performance lighting reflection boards (ecological mirrors) in the 17th period, which allows the illumination to be intensified about 1.6 times without replacing existing fluorescent lamps

##### High frequency fluorescent lamps (1,557 lamps in exclusive areas of a property)

- Adopted fluorescent lamps that reduce power consumption by around 44% than existing fluorescent lamps while allowing similar degree of lighting efficiency

### Diversification of Electricity Companies (Power Sources)

#### Responses in consideration of future rise in the unit cost of power rate

- Immediately after the earthquake, started investigation of changing electricity companies for diversifying power sources (risk management)
- Plans to shift from Tokyo Electric Power to specified-scale electricity companies (new power sources) during the 18th period in order to reduce power rate payments
- Assumed results of cost reduction (in contrast to using Tokyo Electric Power)

First year 7.4 million yen  
 Second year and after 4.1 million yen

		Of the 26 properties TOKYU REIT owns, those that have direct contracts with electricity companies	Electricity company	
			Tokyo Electric Power	New power source
Before change	Number of properties	20 properties	16 properties*	4 properties
	Percentage of power use	100%	89%	11%
After change	Number of properties	20 properties	7 properties	13 properties
	Percentage of power use	100%	67%	33%

\*Annual power consumption results: 38 million kWh (February 2011 – January 2012)

#### Specified-scale electricity companies (new power sources)

- Operators that provide power to users with contract electricity demand of 50kWh or more through power lines owned by general electricity companies

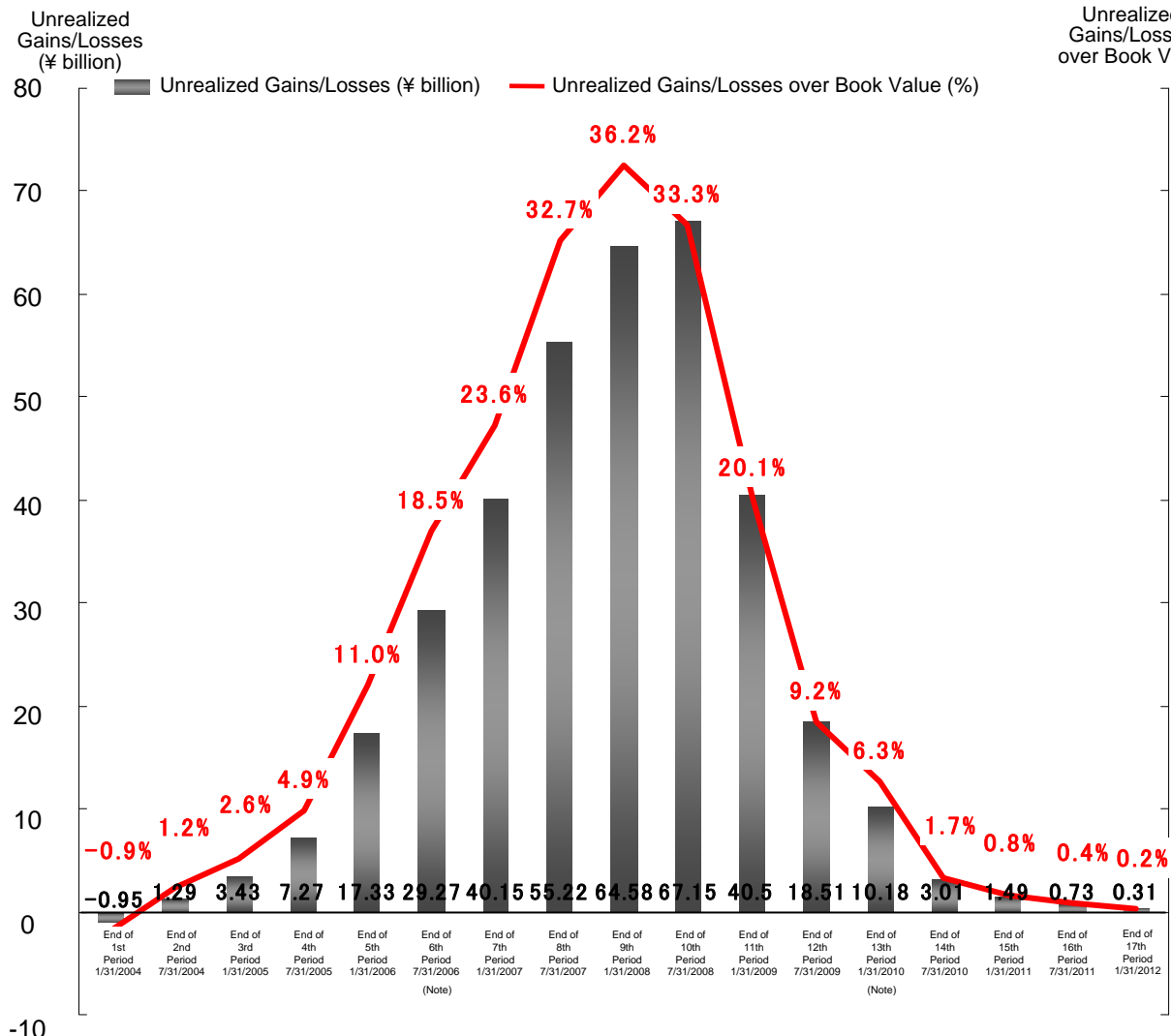
#### Tokyo Electric Power announcing increase of power rate unit prices

- Application date (planned): April 1, 2012
- Amount of increase (planned): 2.61 yen/kwh (high voltage) and 2.58 yen/kwh (extra high voltage)



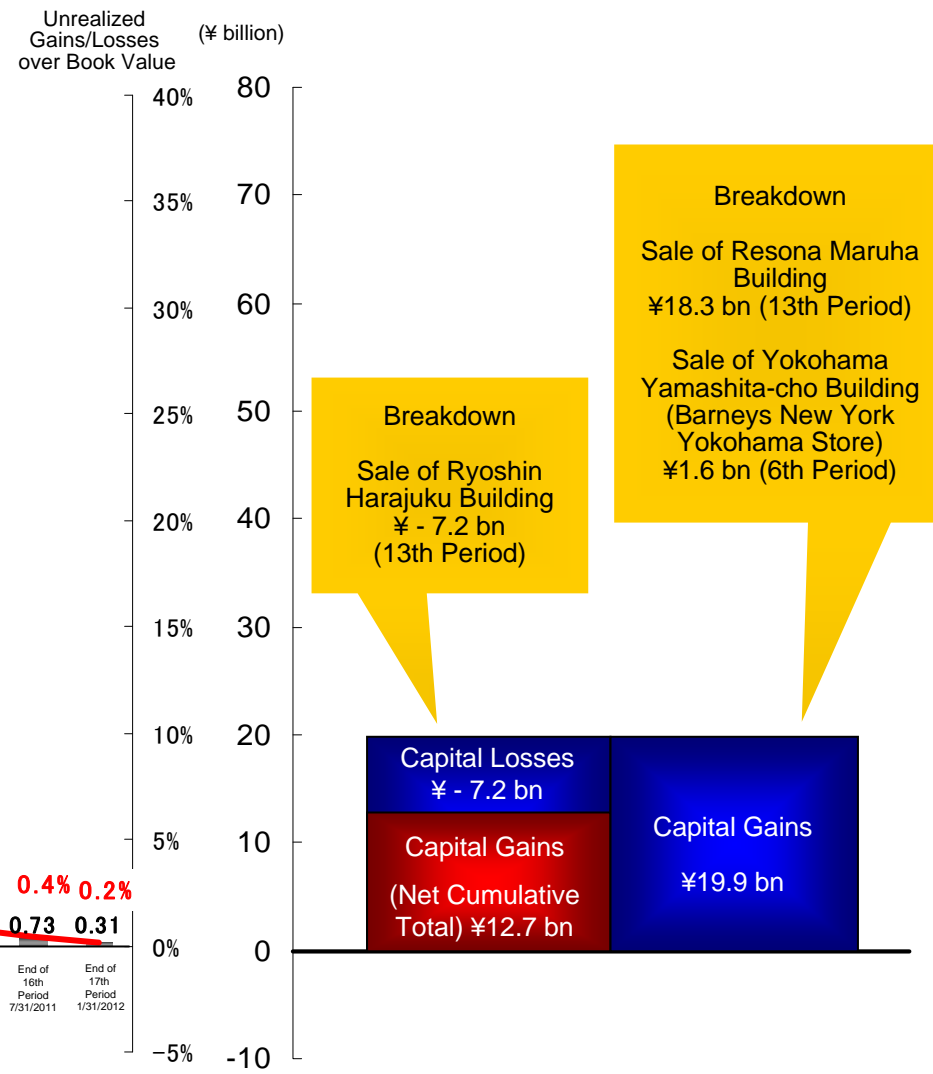
# Unrealized Gains/Losses and Capital Gains/Losses

## Unrealized Gains/Losses



\* Unrealized Gains/Losses over Book Value = Unrealized Gains/Losses / Book Value of Assets  
 (Note) Capital gain distribution period

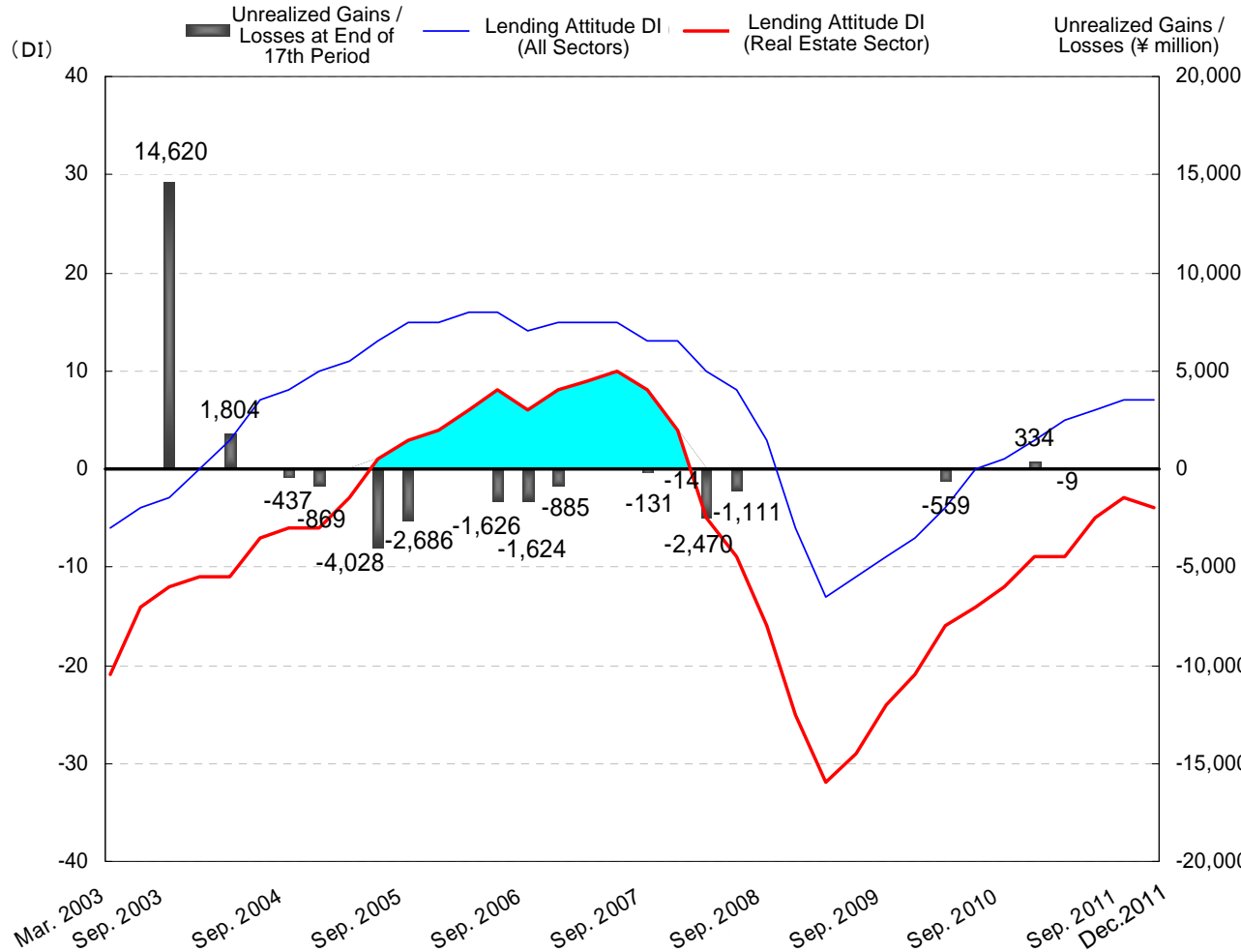
## Capital Gains/Losses (Realized Gains/Losses)



\* Net cumulative total as of the end of the 17th period

# Analysis of Unrealized Gains / Losses

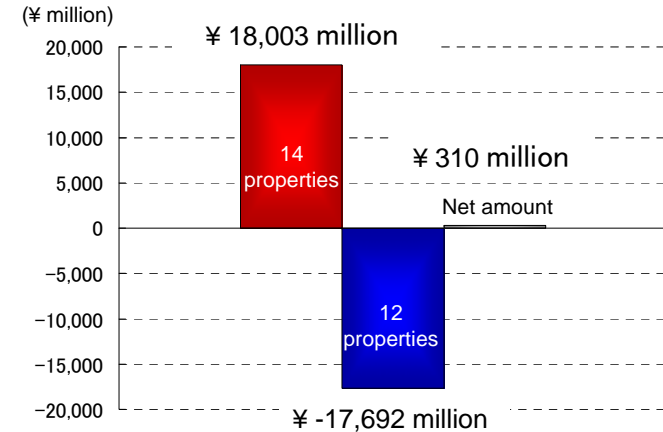
## Unrealized Gains / Losses Due to Timing of Property Acquisition



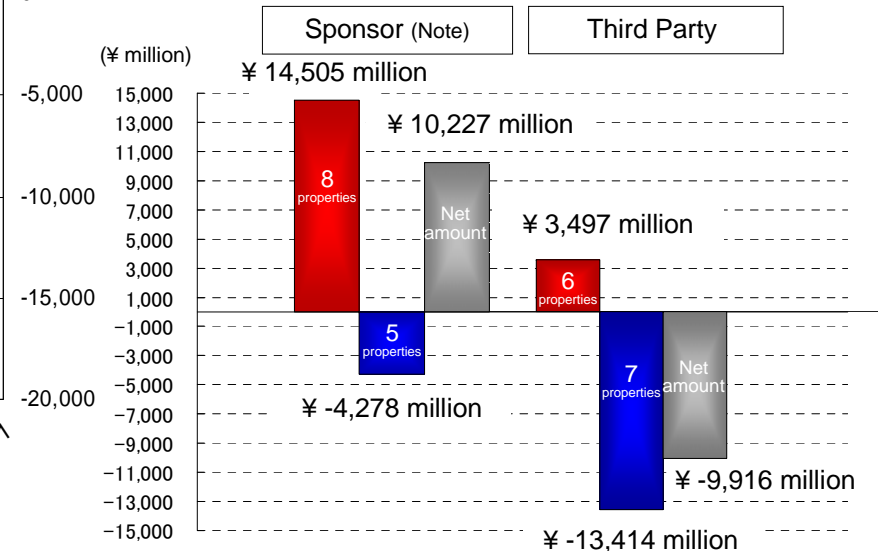
\* Figures for properties for which additional acquisition was conducted (cocoti and TOKYU REIT Toranomon Building) are calculated in accordance with the respective percentage of acquisition price.

Source: BOJ (Tankan Survey)

## Breakdown of Unrealized Gains / Losses



## Unrealized Gains / Losses by Seller



(Note) Includes properties acquired from Tokyu Land Corporation and its subsidiaries

# Change in Appraisal Value (End of 17th Period – End of 16th Period)

(¥ million)

Name of Property	Appraisal Value at End of Period (JPY mm)		Increase / Decrease (JPY mm)	Increase / Decrease %	Impact from change in NCF	Impact from change in NCF Cap Rate	NCF (Direct capitalization method)			NCF Cap Rate (Direct cap rate)			Appraiser (Note)
	17th Period	16th Period					17th Period	16th Period	Change	17th Period	16th Period	Change	
	QFRONT	20,100					19,900	200	1.01%	2.69%	0.00%	803	
Lexington Aoyama	3,910	4,190	-280	-6.68%	-6.42%	0.00%	175	187	-12	4.40%	4.40%	0.00%	a
TOKYU REIT Omotesando Square	6,460	6,540	-80	-1.22%	-1.34%	0.00%	295	299	-4	4.50%	4.50%	0.00%	a
TOKYU REIT Shibuya Udagawa-cho Square	8,430	7,020	1,410	20.09%	43.37%	0.00%	443	309	134	4.50%	4.50%	0.00%	b
cocoti	16,500	16,600	-100	-0.60%	0.55%	0.00%	731	727	4	4.30%	4.30%	0.00%	c
CONZE Ebisu	4,070	4,070	0	0.00%	0.56%	0.00%	178	177	1	4.30%	4.30%	0.00%	c
Daikanyama Forum	3,020	3,100	-80	-2.58%	-2.90%	0.00%	134	138	-4	4.40%	4.40%	0.00%	b
<b>Retail Properties (Urban) Total</b>	<b>62,490</b>	<b>61,420</b>	<b>1,070</b>	<b>1.74%</b>	<b>5.38%</b>	<b>-3.58%</b>	<b>2,760</b>	<b>2,619</b>	<b>140</b>	<b>4.42%</b>	<b>4.26%</b>	<b>0.15%</b>	
Tokyu Saginuma Building	8,170	8,160	10	0.12%	0.21%	0.00%	468	467	1	5.70%	5.70%	0.00%	a
Tokyu Saginuma 2 Building	1,340	1,350	-10	-0.74%	0.00%	0.00%	92	92	0	6.80%	6.80%	0.00%	a
Beacon Hill Plaza (Ito-Yokado Noukendai Store)	8,130	8,120	10	0.12%	0.21%	0.00%	475	474	1	5.50%	5.50%	0.00%	b
Shonan Mall Fill (sokochi)	5,400	5,400	0	0.00%	0.00%	0.00%	302	302	0	5.50%	5.50%	0.00%	d
<b>Retail Properties (Suburban) Total</b>	<b>23,040</b>	<b>23,030</b>	<b>10</b>	<b>0.04%</b>	<b>0.07%</b>	<b>-0.03%</b>	<b>1,337</b>	<b>1,336</b>	<b>2</b>	<b>5.80%</b>	<b>5.80%</b>	<b>0.00%</b>	
<b>Retail Properties Total</b>	<b>85,530</b>	<b>84,450</b>	<b>1,080</b>	<b>1.28%</b>	<b>3.59%</b>	<b>-2.28%</b>	<b>4,097</b>	<b>3,955</b>	<b>142</b>	<b>4.79%</b>	<b>4.68%</b>	<b>0.11%</b>	
Setagaya Business Square	20,500	20,300	200	0.99%	-0.96%	1.96%	1,027	1,037	-10	5.00%	5.10%	-0.10%	a
Tokyu Nampeidai-cho Building	5,560	5,550	10	0.18%	0.00%	0.00%	274	274	0	4.90%	4.90%	0.00%	a
Tokyu Sakuragaoka-cho Building	7,020	8,110	-1,090	-13.44%	-18.70%	6.38%	313	385	-72	4.40%	4.70%	-0.30%	a
Tokyo Nissan Taito Building	5,160	5,010	150	2.99%	3.10%	0.00%	266	258	8	5.10%	5.10%	0.00%	a
TOKYU REIT Akasaka Hinokicho Building	4,060	4,030	30	0.74%	-1.60%	2.17%	185	188	-3	4.50%	4.60%	-0.10%	a
TOKYU REIT Kamata Building	5,520	5,990	-470	-7.85%	-9.35%	1.89%	291	321	-30	5.20%	5.30%	-0.10%	a
TOKYU REIT Toranomom Building	9,020	9,350	-330	-3.53%	-5.52%	2.08%	428	453	-25	4.70%	4.80%	-0.10%	a
TOKYU REIT Hatchobori Building	5,240	5,320	-80	-1.50%	0.00%	0.00%	251	251	0	4.70%	4.70%	0.00%	c
Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	6,790	6,790	0	0.00%	0.00%	0.00%	316	316	0	4.40%	4.40%	0.00%	b
Tokyu Ikejiri-ohashi Building	4,480	4,470	10	0.22%	0.43%	0.00%	235	234	1	5.20%	5.20%	0.00%	c
Kojimachi Square	7,890	7,940	-50	-0.63%	-1.11%	0.00%	357	361	-4	4.50%	4.50%	0.00%	a
TOKYU REIT Shinjuku Building	9,610	9,690	-80	-0.83%	-3.56%	2.22%	433	449	-16	4.40%	4.50%	-0.10%	c
Akihabara Sanwa Toyo Building	4,970	4,940	30	0.61%	0.40%	0.00%	253	252	1	4.80%	4.80%	0.00%	b
Kiba Eitai Building	4,020	4,440	-420	-9.46%	-12.50%	0.00%	217	248	-31	5.20%	5.20%	0.00%	b
Tokyu Ginza 2-chome Building	4,990	5,060	-70	-1.38%	-0.86%	0.00%	231	233	-2	4.60%	4.60%	0.00%	a
<b>Office Properties Total</b>	<b>104,830</b>	<b>106,990</b>	<b>-2,160</b>	<b>-2.02%</b>	<b>-3.40%</b>	<b>1.41%</b>	<b>5,079</b>	<b>5,258</b>	<b>-179</b>	<b>4.84%</b>	<b>4.91%</b>	<b>-0.07%</b>	
<b>Total</b>	<b>190,360</b>	<b>191,440</b>	<b>-1,080</b>	<b>-0.56%</b>	<b>-0.41%</b>	<b>-0.15%</b>	<b>9,175</b>	<b>9,213</b>	<b>-38</b>	<b>4.82%</b>	<b>4.81%</b>	<b>0.01%</b>	

(Note) a. Japan Real Estate Institute, b. Japan Valuers Co., Ltd., c. Daiwa Real Estate Appraisal Corporation, d. Jones Lang LaSalle IP, Inc.

\* Appraisal Value at End of Period is determined by using several methodologies including the direct capitalization approach and DCF approach. Therefore, the Appraisal Value may differ from the above NCF figures divided by the NCF Cap Rate. Therefore, the total change in NCF and change in NCF Cap Rate may not add up to Increase/Decrease (%).

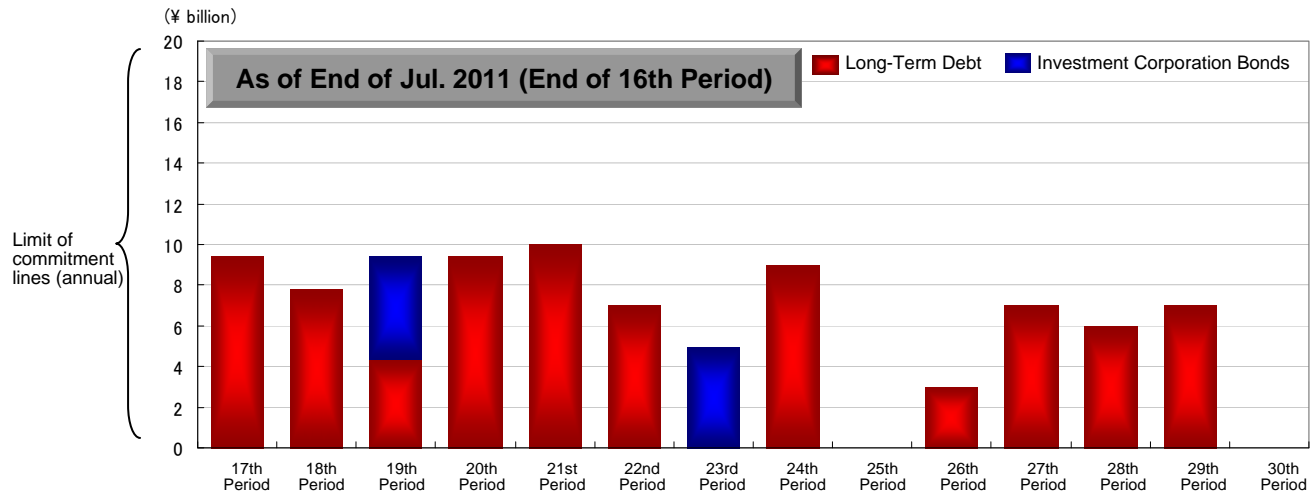


## **2. Topics of 17th Period**

### **(4) Debt Finance**

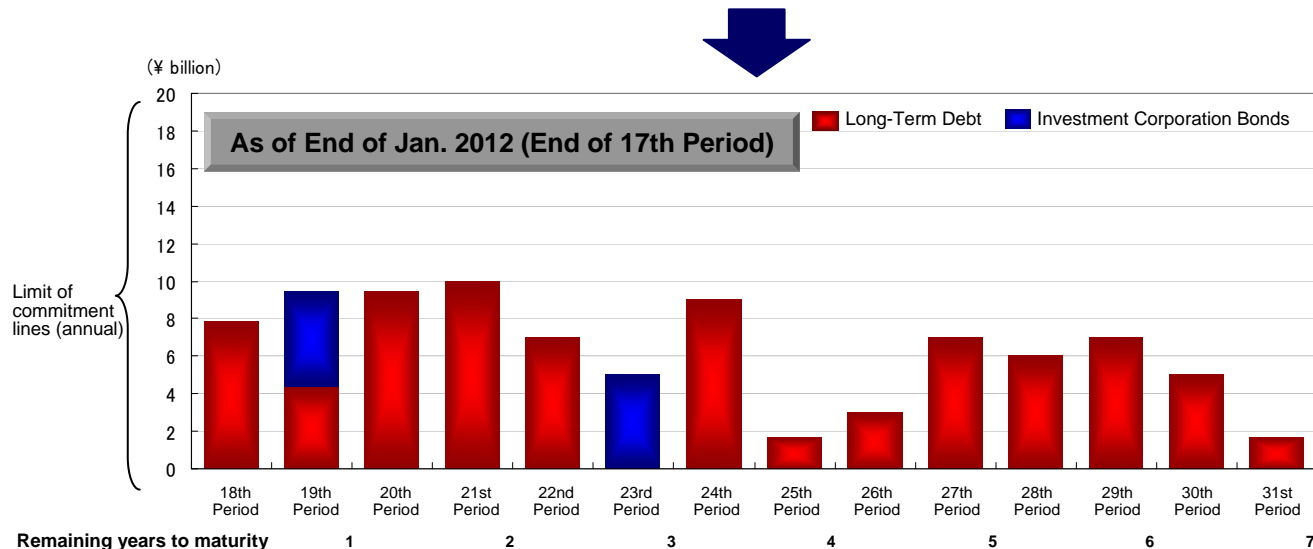
# Maturity Ladder (Interest-Bearing Debt Balance by Repayment Date)

**\*Result of Strategic Debt Management: Diversify repayment dates and strive to prolong interest-bearing debt**



**\* ¥7.8 billion in long-term debt due by end of Jul. 2012 (18th Period) (8.8%)**

Bank of Tokyo- Mitsubishi UFJ	¥2.0 bn	Due 5/25/2012
Development Bank of Japan	¥4.0 bn	Due 6/25/2012
Chuo Mitsui Trust and Banking	¥0.4 bn	Due 6/29/2012
Mitsubishi UFJ Trust and Banking	¥0.4 bn	Due 6/29/2012
Norinchukin Bank	¥1.0 bn	Due 7/25/2012



<b>Total</b>	<b>: ¥89.0 bn (¥ -1 bn)</b>
<b>Avg. Remaining Yrs.</b>	<b>: 3.06 yrs (+0.10 yrs)</b>
<b>LT Ratio</b>	<b>: 100% (±0 pts.)</b>
<b>Number of Ladders</b>	<b>: 14 (+2 ladders)</b>
<b>Avg. Ladder Amount</b>	<b>: ¥6.35 bn (¥ -1.15 bn)</b>

*\* Figures in the parentheses indicate changes from the end of the 16th Period.*

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

# Changes in Base Interest Rates (fixed-interest excluding some debts)

## \* Results of strategic debt management

- Spreads have risen since the credit crunch in 2008, although base interest rates have fallen due to the shrinkage in spread and the decline in the market interest rate. -

(Unit: %)

Category	Duration	Borrowing Date																			
		2007			2008				2009			2010			2011						
		Jan.	Jun.	Sep.	Mar.	Jun.	Jul.	Nov.	Feb.	Apr.	Jun.	Jun.	Jul.	Dec.	May	Jun.	Jul.	Sep.	Nov.		
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						1.03500	
	4.5 yr										1.78812										
	5.0 yr									1.79000					1.46250						
	5.5 yr					2.10187													1.36875		
	6.0 yr													1.63250	1.47625	1.45375					
	6.5 yr																	1.49563	1.41375		
	7.0 yr	1.92000					2.21100														1.48875
	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).

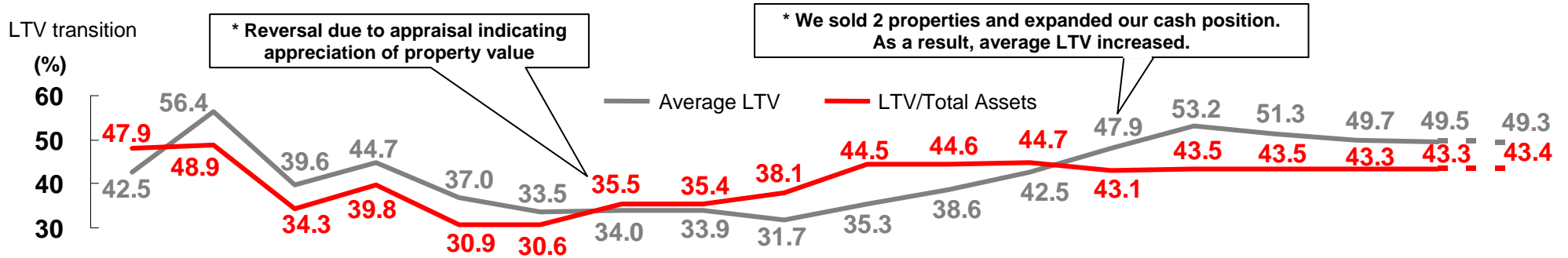
\*Comments by Tokyu REIM **37**



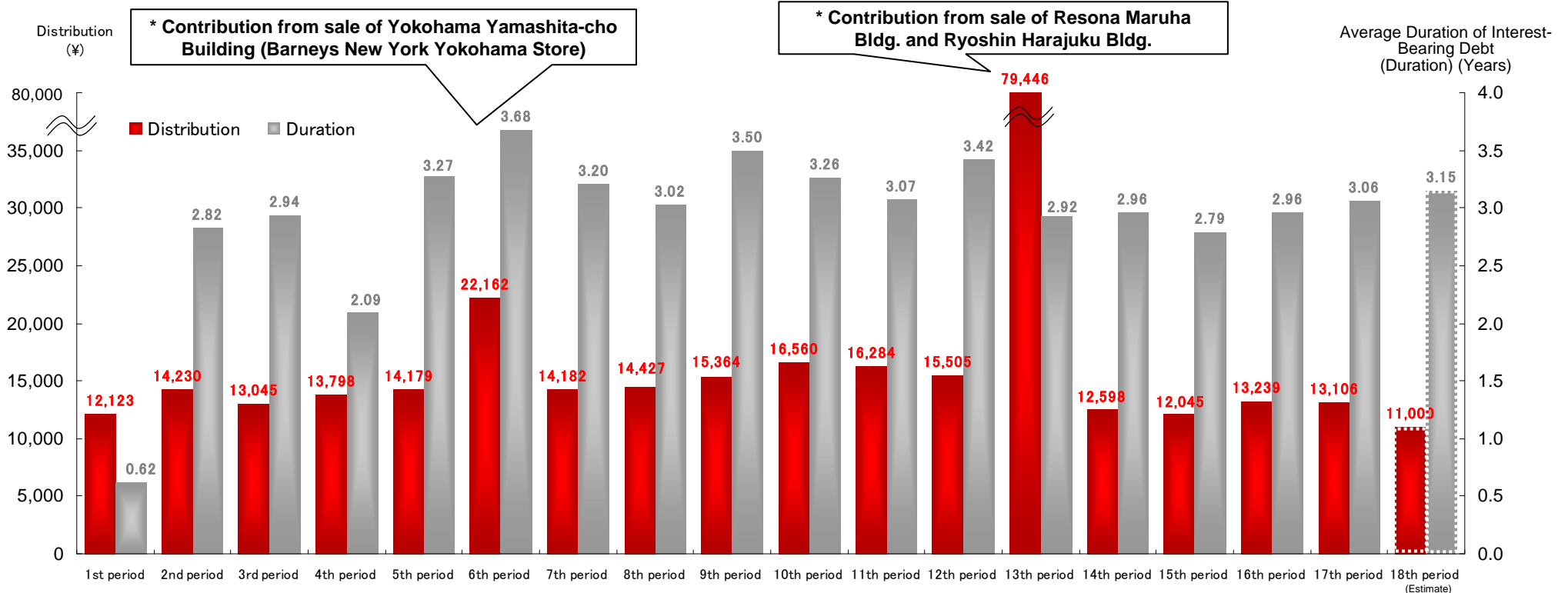
### **3. Fund Management**

#### **(1) Performance**

# Changes in Profit (EPS)



\* 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



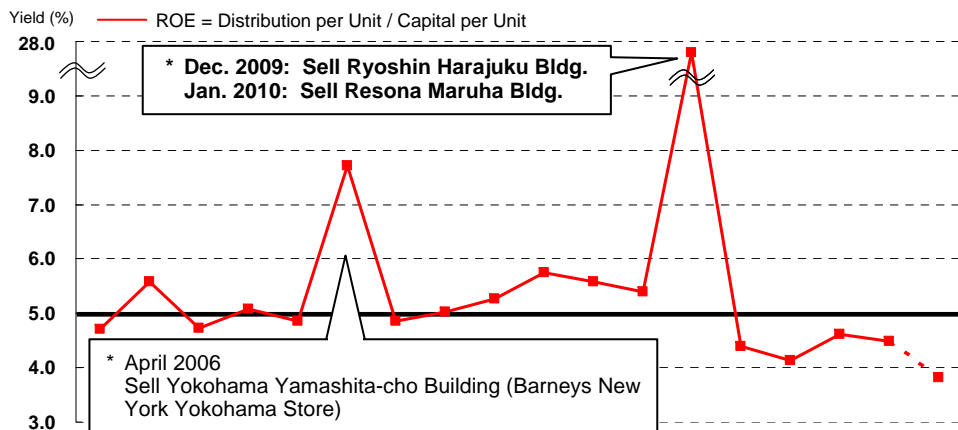
\* Official distribution in the 1st Period was ¥9,488 based on the actual operating period of 144 days, but the recalculated distribution of ¥12,123 based on 184 operating days is used in the above graph for the sake of comparison with figures from the 2nd Period and thereafter.

\*Comments by Tokyu REIM 39

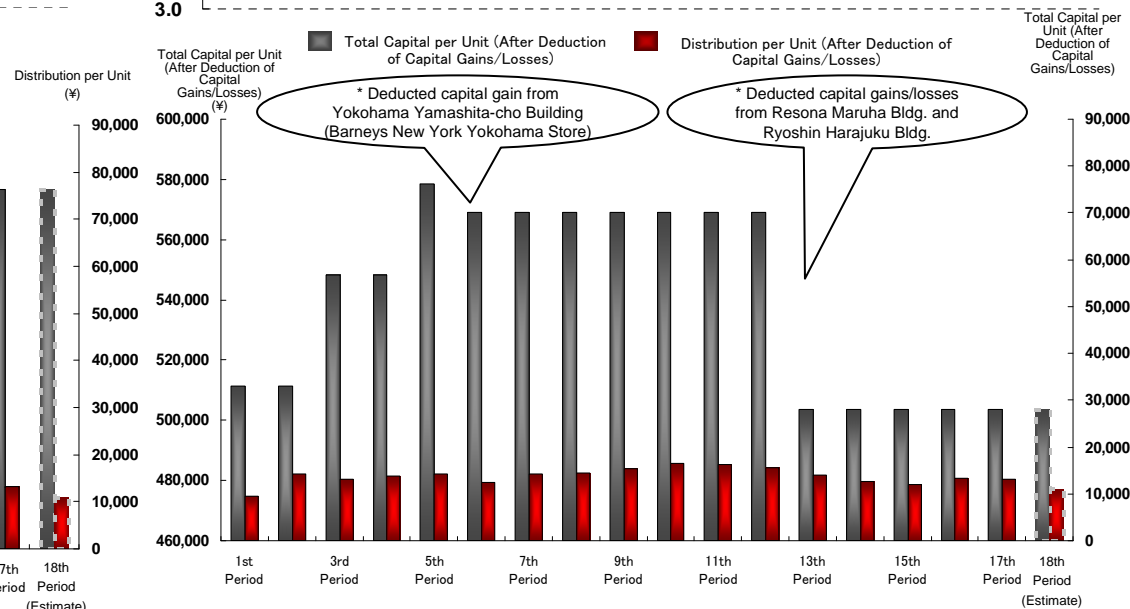
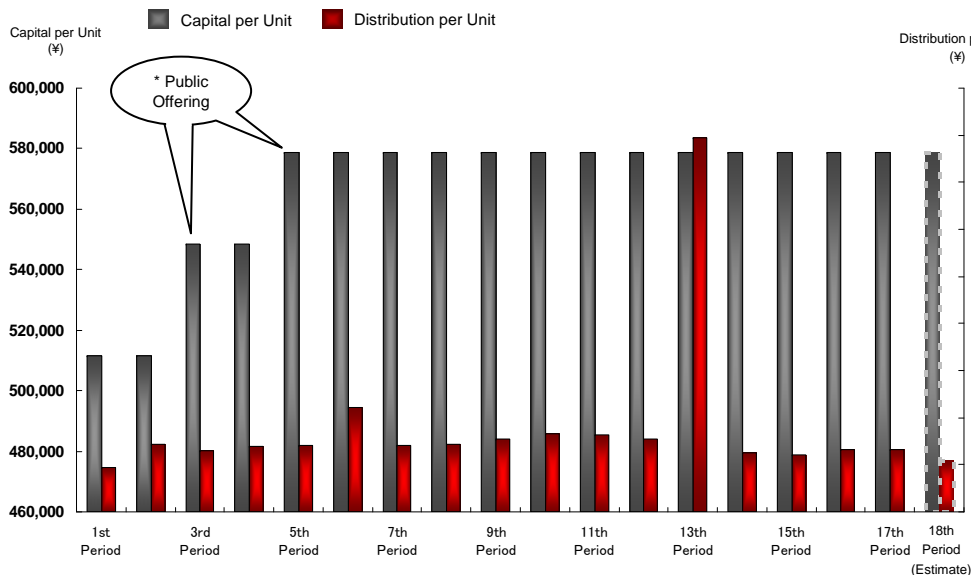
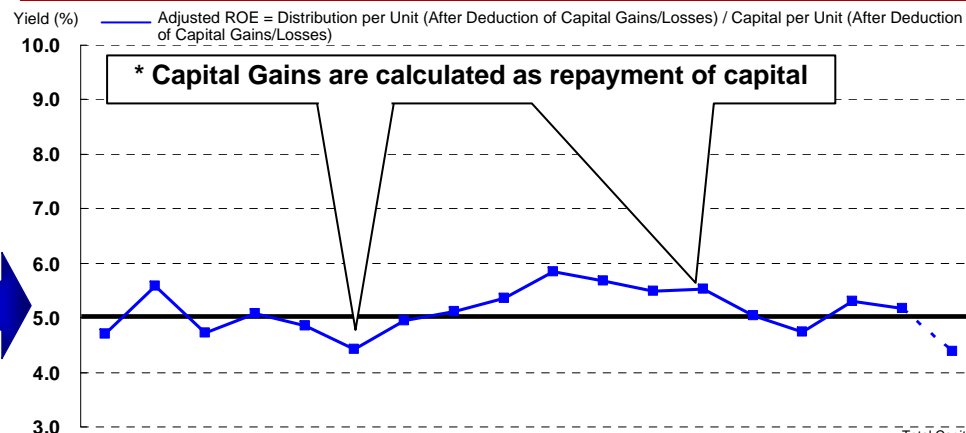


# ROE (Capital Yield) and Adjusted ROE (Capital Yield after Deduction of Capital Gains/Losses)

## ROE (Capital Yield)



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



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

\*Comments by Tokyu REIM 40

# Performance Against Public Offering Price

**\* Yields greater than offering prices in the IPO and 2nd PO, including dividends**

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



Investment unit price at Jan. 31, 2012: ¥381,000

\* 58% of the IPO offering price was distributed in around 8 and half years.

44% of the 2nd PO offering price was distributed in around 7 and half years.

\* 34% of the 3rd PO offering price was distributed in around 6 and half years.

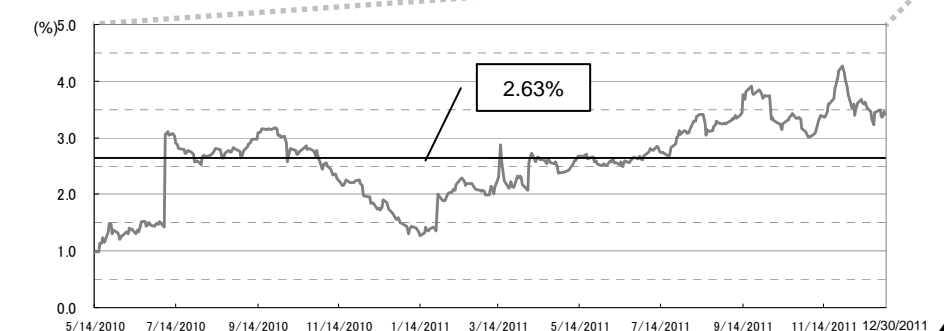
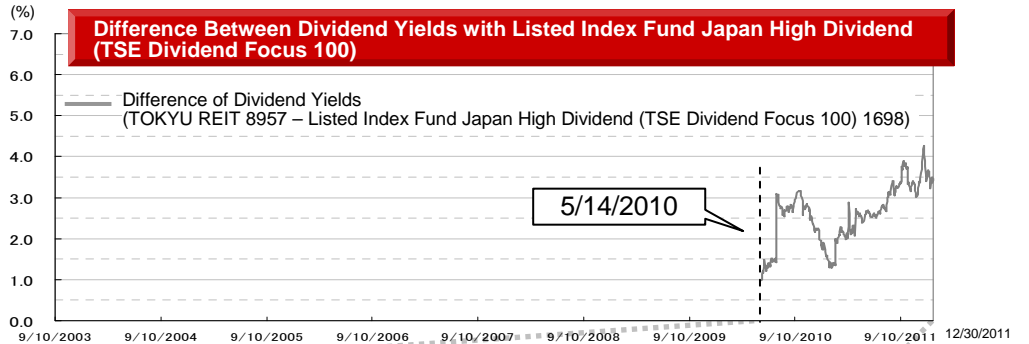
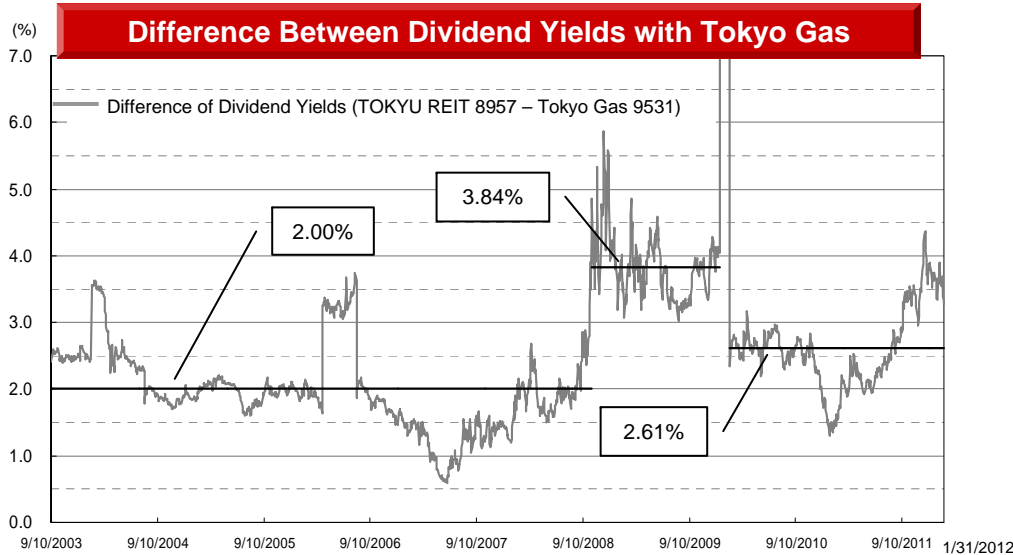
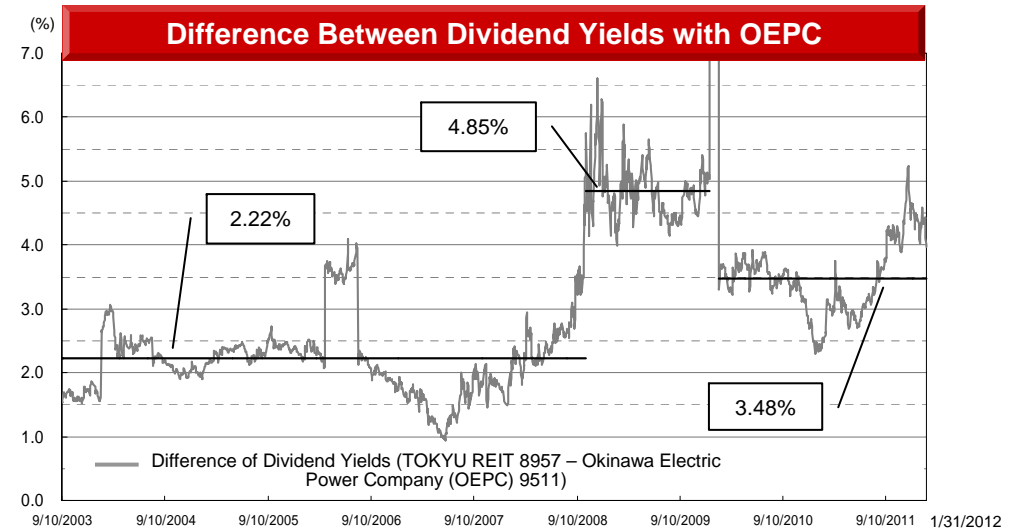
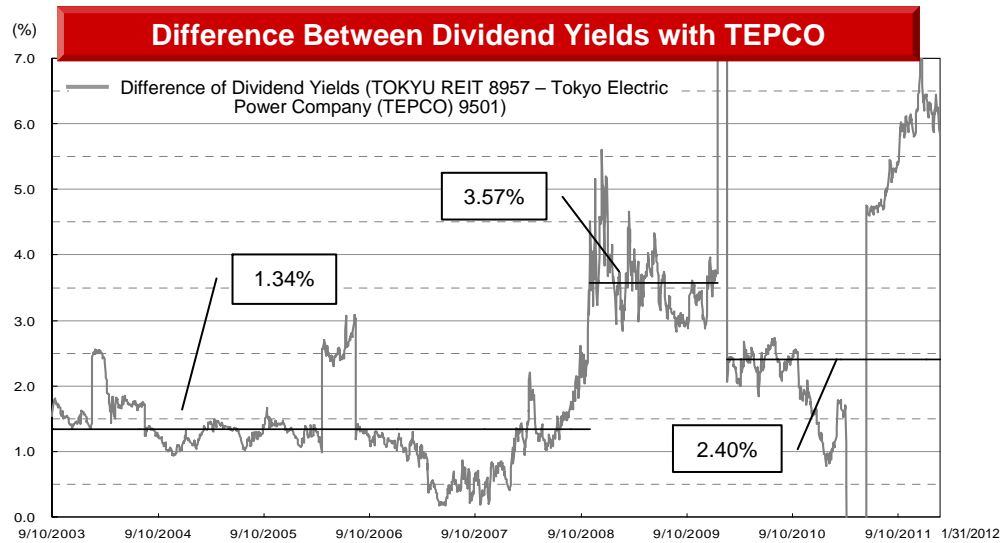
## Second Public Offering (Issued Aug. 3, 2004)



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



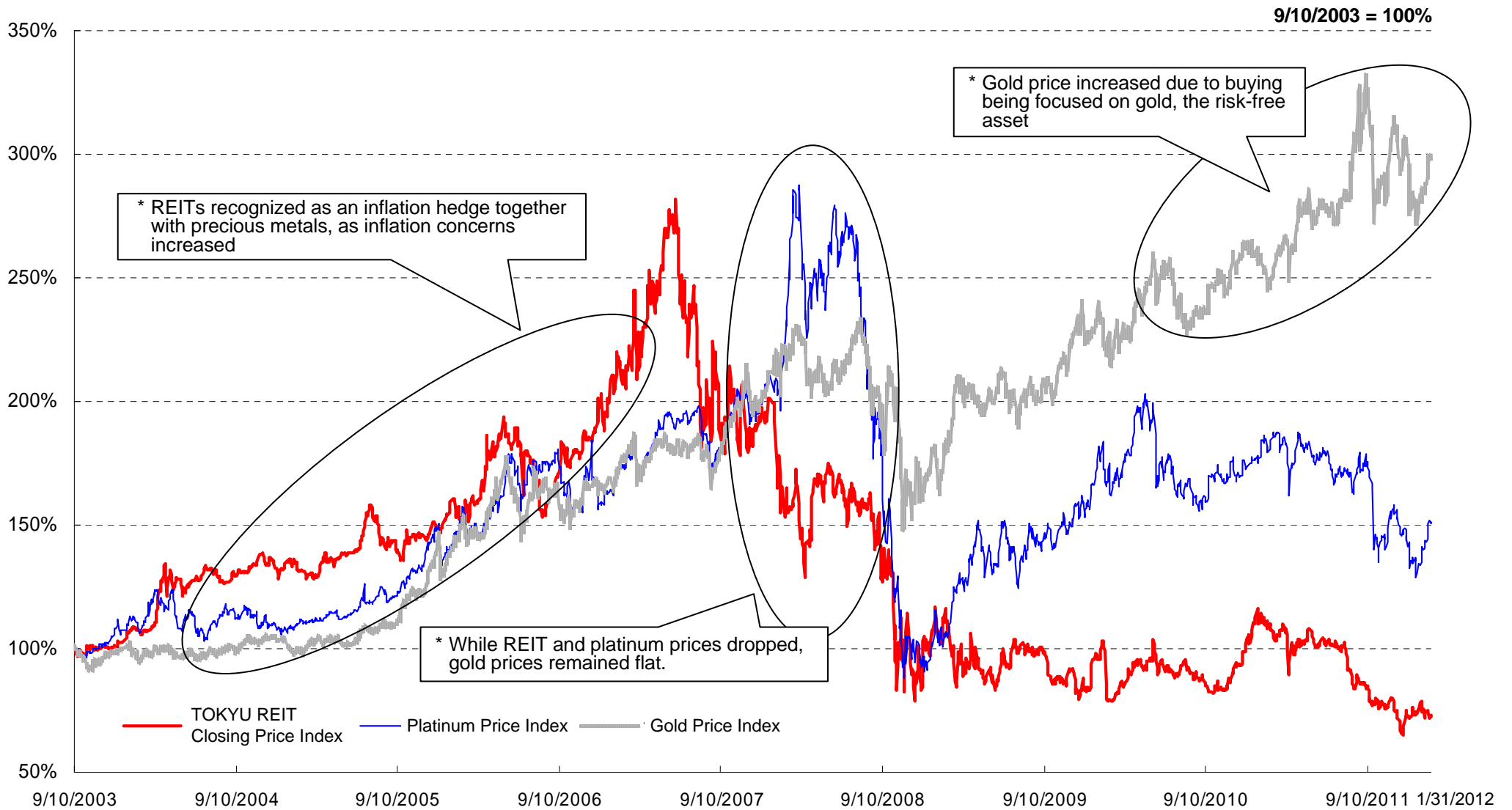
# Difference Between Dividend Yields of TOKYU REIT and Equity Stocks



\* The yields in the difference between dividend yields with TEPCO, OEPC and Tokyo Gas have been calculated by using dividend forecasts. The yields in the difference between dividend yields with the Listed Index Fund Japan High Dividend (TSE Dividend Focus 100) have been calculated from actual dividends.

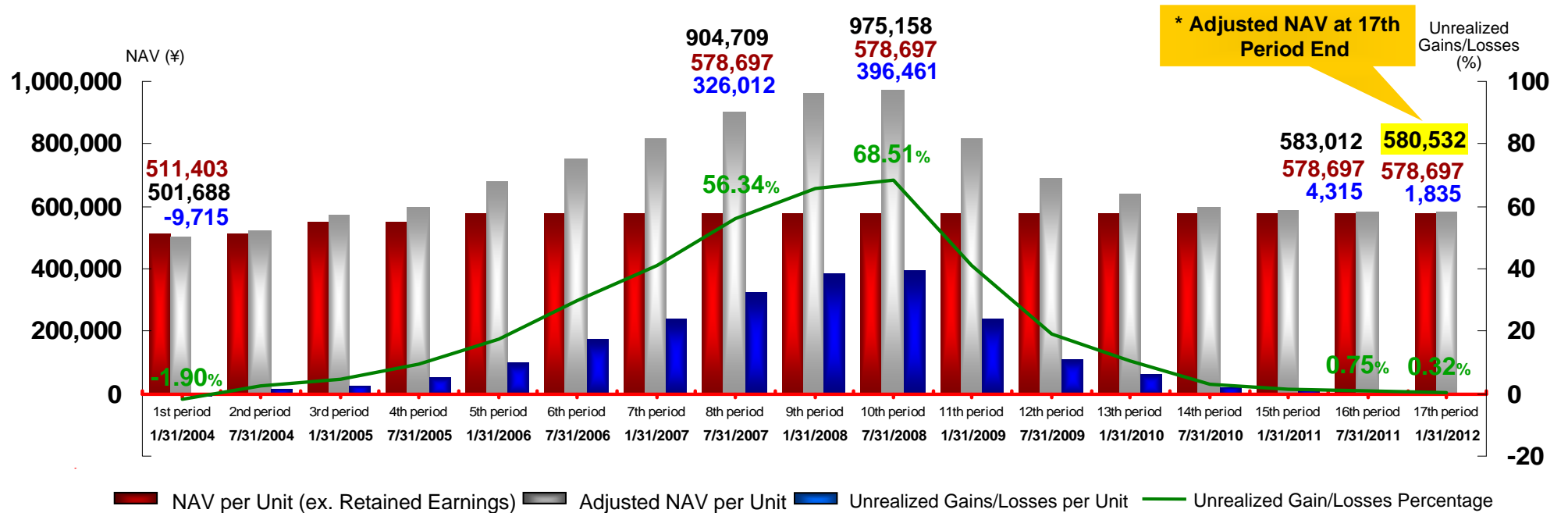
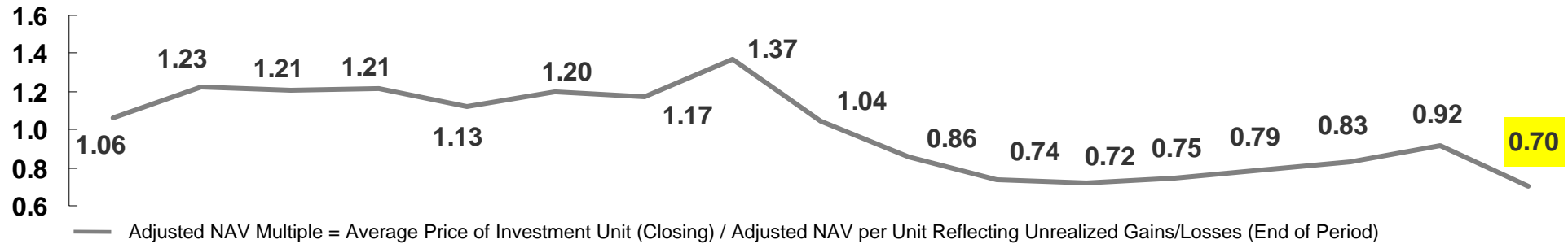
# Comparison of Inflation Hedge Instruments and Unit Price (Comparison of TOKYU REIT (8957) and Precious Metals)

**\*REITs are inflation hedge instruments generating dividend income.**



# Changes in Asset Value (Adjusted NAV)

Adjusted NAV Multiple



Average Investment Unit Price	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	16th period	17th period
¥ 530,828	¥ 530,828	¥ 690,705	¥ 766,520	¥ 958,306	¥ 1,000,664	¥ 603,570	¥ 478,579	¥ 490,426	¥ 406,642								
¥ 643,097	¥ 643,097	¥ 726,082	¥ 902,435	¥ 1,241,537	¥ 835,903	¥ 496,772	¥ 470,862	¥ 534,655									

# Purchase of Investment Units of Real Estate Investment Trusts (J-REITs) by the Bank of Japan (BOJ)

**\* The purchasing conducted by the BOJ is contributing to the recovery of trust in the J-REIT market**

## 1. Summary

- (1) Eligible for Purchase
  - J-REITs with an AA rating or above and which do not have any credit problems, etc.
  - J-REITs for whom dates when a trade is closed exceed 200 days per year and whose annual cumulative trading value is 20 billion yen or more
- (2) Method of Purchase:
  - A trust bank will act as the trustee and J-REITs will be purchased as a trust asset
  - Depending on market conditions, the trustee will proceed with the purchase in accordance with standards set forth by the BOJ
- (3) Purchasing Price:
  - Volume weighted average price (VWAP) at a stock exchange
- (4) Purchasing Period:
  - December 2010 ~ End of 2012 (amended as of August 4, 2011)
- (5) Purchasing Limit, etc.:
  - Around 110 billion yen (amended as of August 4, 2011)
  - Limited to less than 5% of outstanding units of a single REIT
- (6) Exercising of Voting Rights:
  - The BOJ will set forth a policy and the trustee shall exercise the rights accordingly
- (7) Selling:
  - The BOJ will set forth a policy and the trustee shall dispose them accordingly

## 2. Purchasing Results Up until Now (as of February 28, 2012)

Dec. 2010	¥2.2 billion	(Note)
Jan. - Mar. 2011	¥15.6 billion	(Note)
Apr. - Jun. 2011	¥1.9 billion	(Note)
Jul. - Sep. 2011	¥34.8 billion	(Note)
Oct. - Dec. 2011	¥12.0 billion	(Note)
Jan. - Feb. 2012	¥3.9 billion	(Note)

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Total	¥70.4 billion	(Note)
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Source: Prepared by Tokyu REIM based on information from the BOJ website

(Note) Estimate

\*Comments by Tokyu REIM **45**



### **3. Fund Management**

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

# Debt Structure (i)

## Rating (As of End of 17th Period)

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

**R&I**

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

**S&P**

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

**Moody's**

■ Short-Term Corporate Credit Rating: A-1

■ Issuer Rating: A2 (Rating Outlook: Under review)

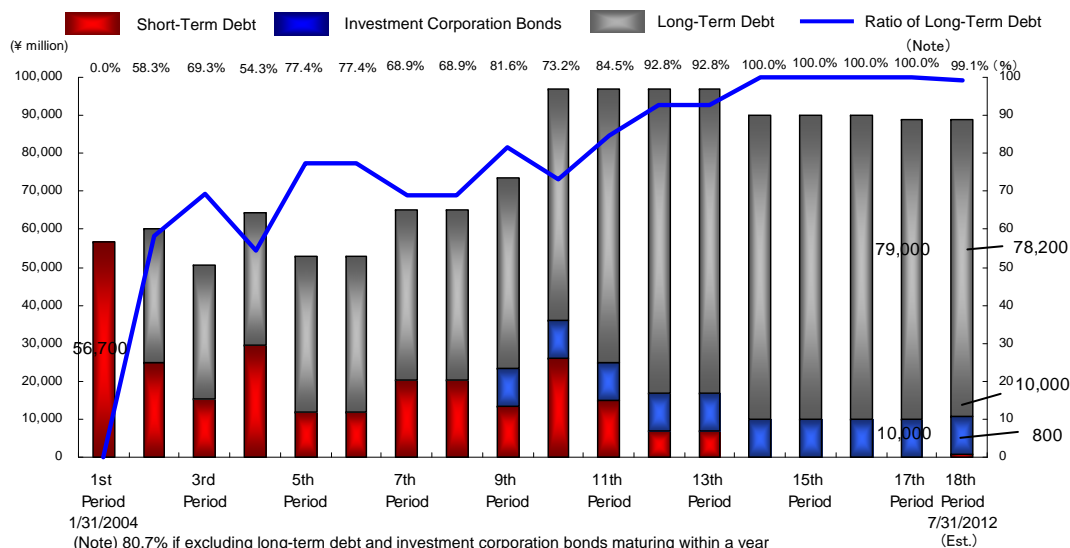
(On December 20, 2011, Moody's announced for possible downgrade)

## Commitment Line (As of End of 17th Period)

Development Bank of Japan	¥10.0 bn ... Due 7/1/2012	Mizuho Corporate	¥1.6 bn ... Due 7/1/2012
Sumitomo Trust	¥1.6 bn ... Due 7/11/2012	Tokyo-Mitsubishi UFJ	¥1.6 bn ... Due 7/1/2012
	¥1.0 bn ... Due 4/20/2012	Mitsubishi UFJ Trust	¥1.6 bn ... Due 7/1/2012
Chuo Mitsui Trust	¥1.6 bn ... Due 7/11/2012		
	¥1.0 bn ... Due 4/20/2012		
<b>Total ¥20.0 bn</b>			

## Ratio of Long-Term Debt

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



## Interest Bearing Debt

(As of end of 17th 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	6/25/2004	6/25/2012	18th	Unsecured Unguaranteed	
	Development Bank of Japan	5,000	1.95000	1/25/2006	1/25/2018	29th		
	Dai-ichi Life Mutual Life Insurance	4,000	2.21125	7/31/2006	7/31/2013	20th		
	Dai-ichi Life Mutual Life Insurance	1,000						
	National Mutual Insurance Federation of Agricultural Cooperatives	3,000	1.92000	1/25/2007	1/25/2014	21st		
	Daido Life Insurance Company	3,000	1.76625	3/10/2008	3/10/2016	26th		
	Mitsubishi UFJ Trust Bank	1,000	2.10187	6/25/2008	12/25/2013	21st		
	Development Bank of Japan	5,000	2.21100	6/25/2008	6/25/2015	24th		
	The Norinchukin Bank	1,000	1.80375	7/25/2008	7/25/2012	18th		
	Mitsubishi UFJ Trust Bank	2,000	1.72500	11/18/2008	11/18/2012	19th		
	Bank of Tokyo-Mitsubishi UFJ	2,000	1.63062	11/25/2008	5/25/2012	18th		
	Development Bank of Japan	5,000	1.79000	2/25/2009	2/25/2014	22nd		
	Chuo Mitsui Trust Bank	2,500			6/25/2009	6/25/2013		20th
	Mitsubishi UFJ Trust Bank	2,500	1.67500					
	Chuo Mitsui Trust Bank	2,500			6/25/2009	12/25/2013		21st
	Mitsubishi UFJ Trust Bank	2,500	1.78812					
	Bank of Tokyo-Mitsubishi UFJ	1,400	1.16071 (Floating Rate)		6/29/2009	8/29/2012		19th
	Sumitomo Trust Bank	400	1.66375		6/29/2009	6/29/2013		20th
	Chuo Mitsui Trust Bank	400			6/29/2009	6/29/2012		18th
	Mitsubishi UFJ Trust Bank	400	1.46875					
	Daido Life Insurance Company	1,000	1.17125		6/25/2010	12/25/2012		19th
	Mizuho Corporate Bank	1,000			6/25/2010	6/25/2014		22nd
	Mitsui Sumitomo Insurance	1,000	1.31250					
	Sumitomo Trust Bank	1,000			7/26/2010	7/26/2015		24th
	Chuo Mitsui Trust Bank	1,000	1.46250					
	Shinkin Central Bank	2,000			12/27/2010	12/27/2016		27th
	Sumitomo Trust Bank	5,000	1.63250		5/18/2011	5/18/2017		28th
	Chuo Mitsui Trust Bank	2,000	1.47625		5/25/2011	5/25/2017		28th
	Sumitomo Trust Bank	2,000	1.47625		6/27/2011	6/27/2017		28th
	Mizuho Corporate Bank	2,000	1.45375		7/29/2011	1/31/2017		27th
Nippon Life Insurance	2,000	1.36875		1/31/2018	1/31/2018	29th		
Nippon Life Insurance	2,000	1.49563		9/26/2011	3/26/2018	30th		
Bank of Tokyo-Mitsubishi UFJ	5,000	1.41375		11/11/2011	11/11/2015	25th		
Mizuho Corporate Bank	1,700	1.03500		11/11/2011	11/11/2018	31st		
Mizuho Corporate Bank	1,700	1.48875						
Total Long-Term Borrowings		79,000	-	-	-	-	-	
Total Borrowings		79,000	-	-	-	-	-	
Bonds	#1 Investment Corporation Bond	5,000	1.65000	10/24/2007	10/24/2012	19th	Unsecured Unguaranteed	
	#2 Investment Corporation Bond	5,000	1.89000		10/24/2014	23rd		
	Total Corporate Bonds	10,000	-	-	-	-	-	
Total Interest-Bearing Debt		89,000	-	-	-	-	-	

\* Average Interest Rate: 1.72%

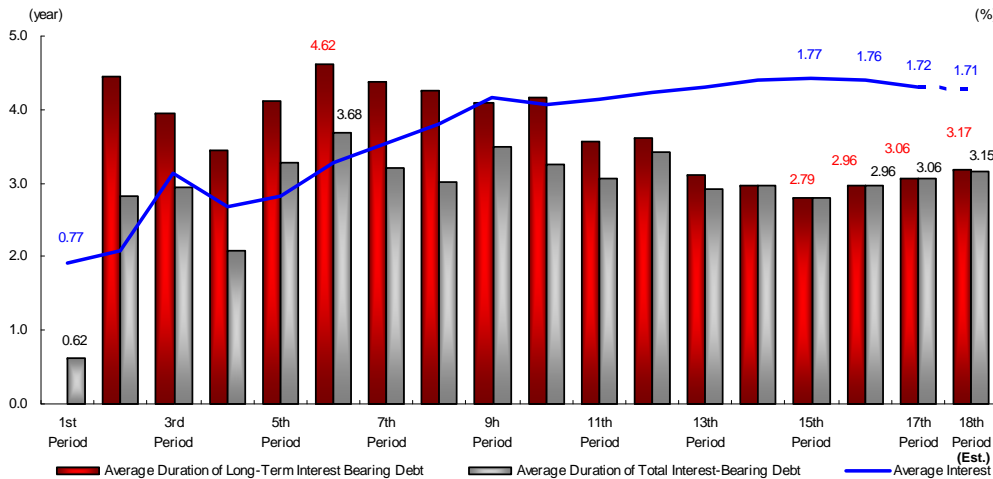
\* Interest-Bearing Debt does not include Securities Deposits provided by tenants.

\*Comments by Tokyu REIM **47**

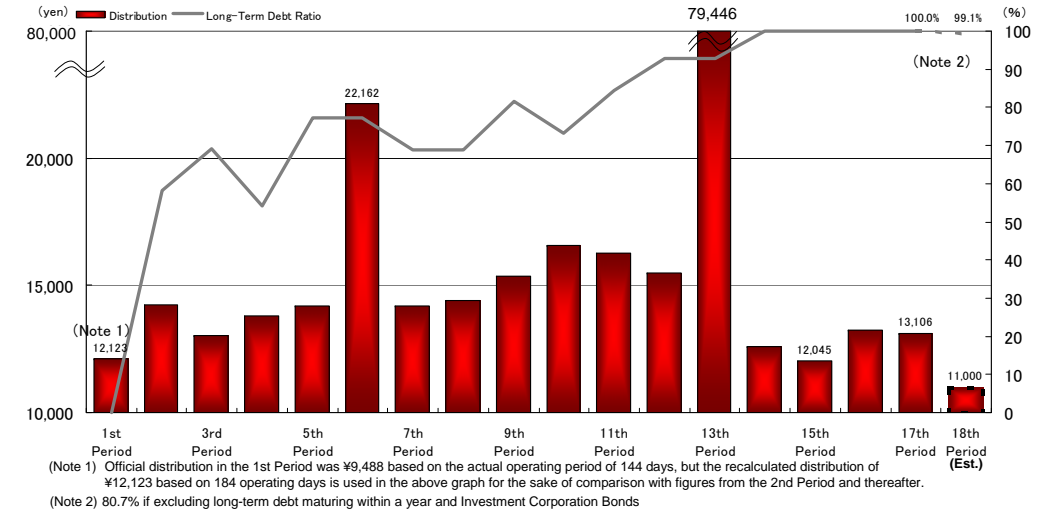


# Debt Structure (ii)

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

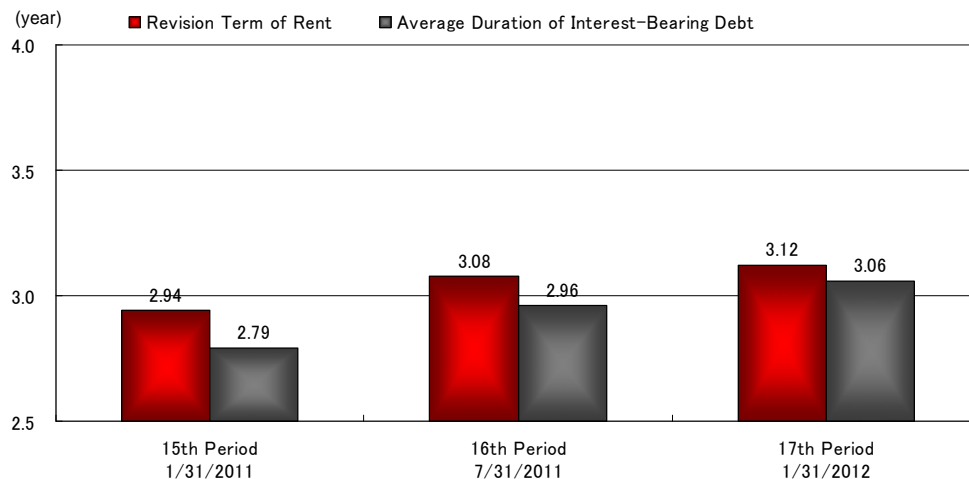


## Distribution and Long-Term Debt Ratio



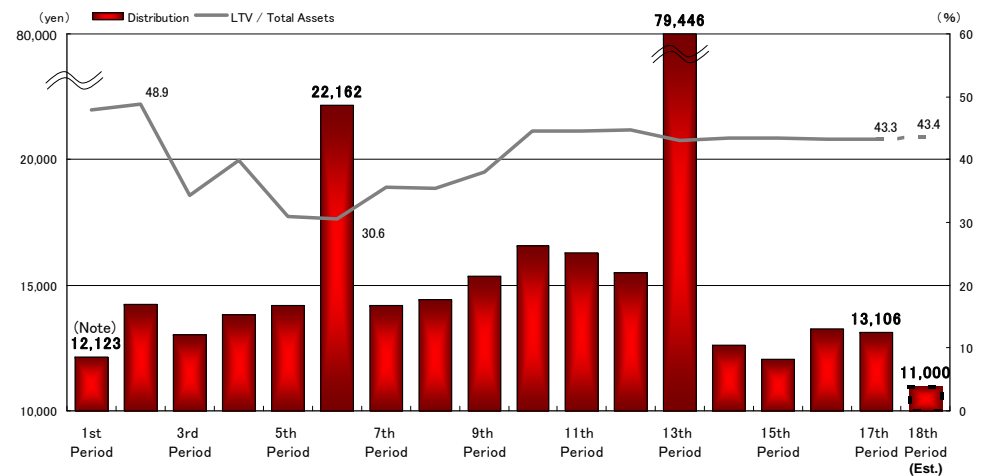
## Revision Term of Rent to Average Duration of Interest-Bearing Debt

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



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

## Distribution and LTV / Total Assets



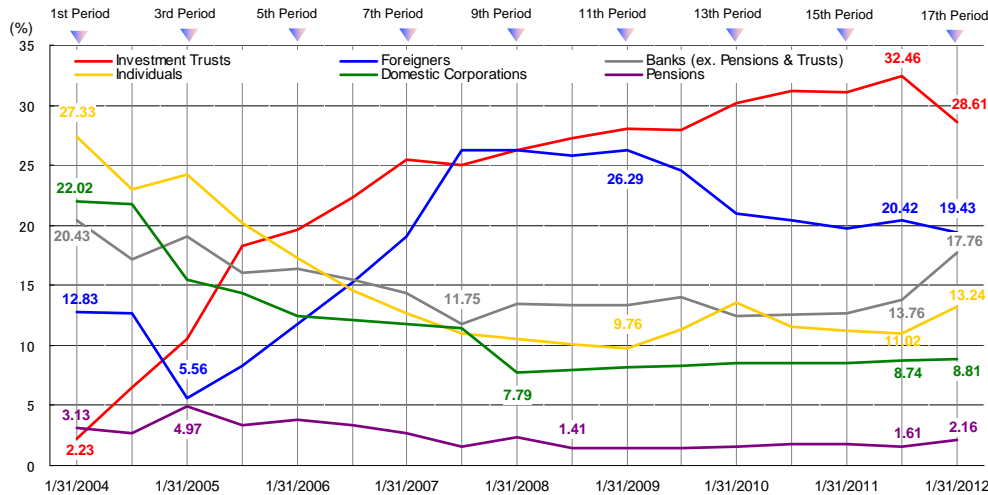
\* LTV / Total Assets = Period End Interest-Bearing Debt / Period End Total Assets

(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.

\*Comments by Tokyuu REIM **48**

# Composition of Unitholders

## Changes in Unitholder Composition (Main Segments)

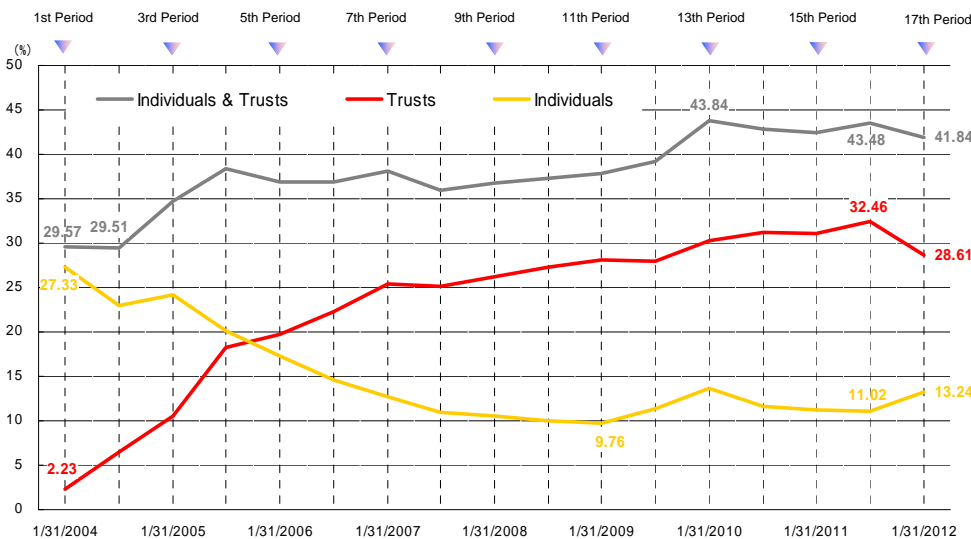


\* Mutual Funds hold the largest share among investors.

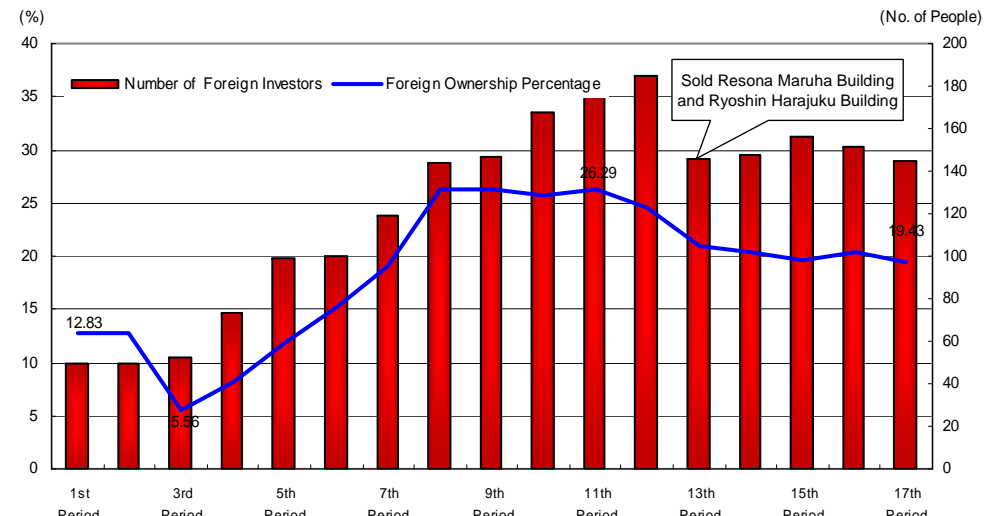
\* Individual ownership percentage (Individuals and Trusts) exceeds 40% of the total.

\* Investment from foreigners remain flat

## Individual Ownership Percentage



## Foreign Ownership Percentage / Number of Foreign Investors



\*Comments by Tokyu REIT **49**

# 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
<b>Total Units Held by Top 20 Unitholders</b>	<b>43,029</b>	<b>43.90</b>
<b>Outstanding Units</b>	<b>98,000</b>	<b>100.00</b>

## 16th Period (Ended Jul. 31, 2011)

Unitholders	No. of Units Held	Share (%)
1 Japan Trustee Services Bank Ltd.	30,739	18.14
2 Trust & Custody Services Bank, Ltd.	13,791	8.14
3 The Nomura Trust and Banking Co., Ltd.	13,188	7.78
4 Tokyu Corporation	9,800	5.78
5 Nomura Bank (Luxembourg) S.A.	4,720	2.78
6 State Street Bank and Trust Company 505103	4,023	2.37
7 Asahi Fire and Marine Insurance	4,000	2.36
8 AIG Star Life Insurance Co., Ltd.	3,961	2.33
9 American Life Insurance Company	3,902	2.30
10 The Hachijuni Bank, Ltd.	3,250	1.91
11 The Master Trust Bank of Japan, Ltd.	3,234	1.90
12 The Momiji Bank	2,979	1.75
13 The National Mutual Insurance Federation of Agricultural Cooperatives	2,097	1.23
14 Kansai Urban Banking Corporation	1,964	1.15
15 State Street Bank and Trust Company 505223	1,527	0.90
16 SIX SIS Ltd.	1,382	0.81
17 The Chukyo Bank, Ltd.	1,344	0.79
18 The Bank of New York, Treaty JASDEC Account	1,327	0.78
19 North Pacific Bank	1,043	0.61
20 ORIX Life Insurance Corporation	1,026	0.60
<b>Total Units Held by Top 20 Unitholders</b>	<b>109,297</b>	<b>64.52</b>
<b>Outstanding Units</b>	<b>169,380</b>	<b>100.00</b>

## 17th Period (Ended Jan. 31, 2012)

Unitholders	No. of Units Held	Share (%)
1 Japan Trustee Services Bank Ltd.	31,601	18.65
2 Trust & Custody Services Bank, Ltd.	13,668	8.06
3 The Nomura Trust and Banking Co., Ltd.	11,831	6.98
4 Tokyu Corporation	9,800	5.78
5 Asahi Fire and Marine Insurance	4,000	2.36
6 American Life Insurance Company GA Company JPY	3,902	2.30
7 State Street Bank and Trust Company 505103	3,505	2.06
8 The Momiji Bank	3,419	2.01
9 The Hachijuni Bank, Ltd.	3,325	1.96
10 Nomura Bank (Luxembourg) S.A.	2,545	1.50
11 The Master Trust Bank of Japan, Ltd.	2,272	1.34
12 The Gibraltar Life Insurance Company	2,215	1.30
13 Kansai Urban Banking Corporation	1,964	1.15
14 RBC Dexia Investor Services Trust, London Lending Account	1,580	0.93
15 The Chukyo Bank, Ltd.	1,344	0.79
16 The Bank of New York, Treaty JASDEC Account	1,282	0.75
17 SIX SIS Ltd.	1,275	0.75
18 The National Mutual Insurance Federation of Agricultural Cooperatives	1,270	0.74
19 The Senshu Ikeda Bank, Ltd.	1,004	0.59
20 The Iyo Bank, Ltd.	1,000	0.59
<b>Total Units Held by Top 20 Unitholders</b>	<b>102,802</b>	<b>60.69</b>
<b>Outstanding Units</b>	<b>169,380</b>	<b>100.00</b>

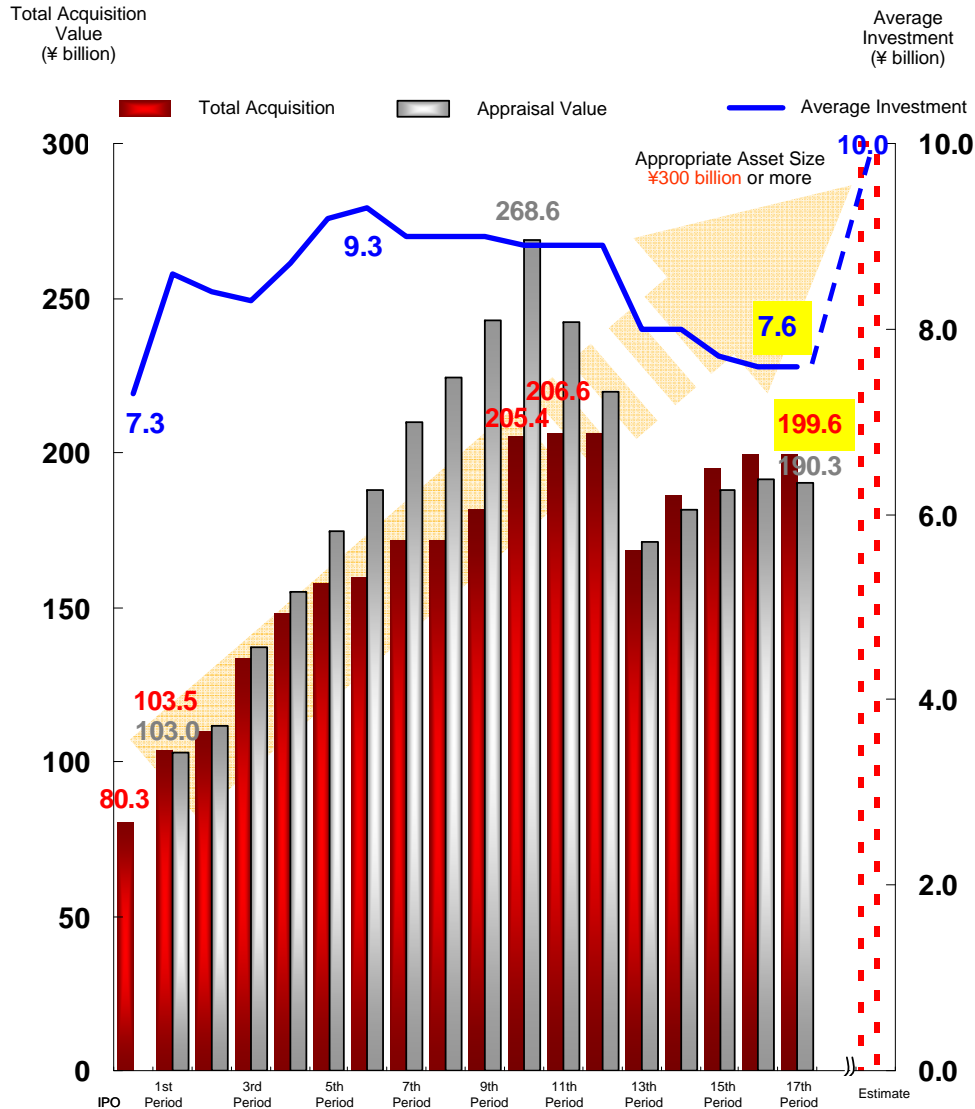


### **3. Fund Management**

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

# External Growth

## Portfolio Size and Average Investment



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

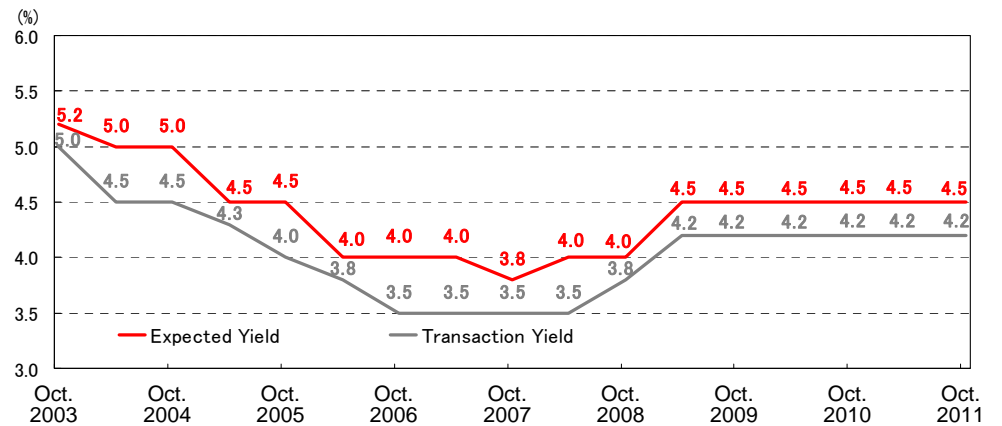
\* Investor outlook remained almost the same as the previous survey in Tokyo

24th Survey (Apr. 2011)					25th Survey (Oct. 2011)				
Area	Next Year	2 Years	5 Years	10 Years	Area	Next Year	2 Years	5 Years	10 Years
Marunouchi, Otemachi area	100	100	103	105	Marunouchi, Otemachi area	100	100	103	105
Shibuya, Shibuya Station area	99	100	100	102	Shibuya, Shibuya Station area	100	100	101	102
Nagoya, Nagoya Station area	97	98	100	100	Nagoya, Nagoya Station area	98	98	100	100
Osaka, along the Midosuji Line	98	98	100	100	Osaka, along the Midosuji Line	98	98	100	100

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

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

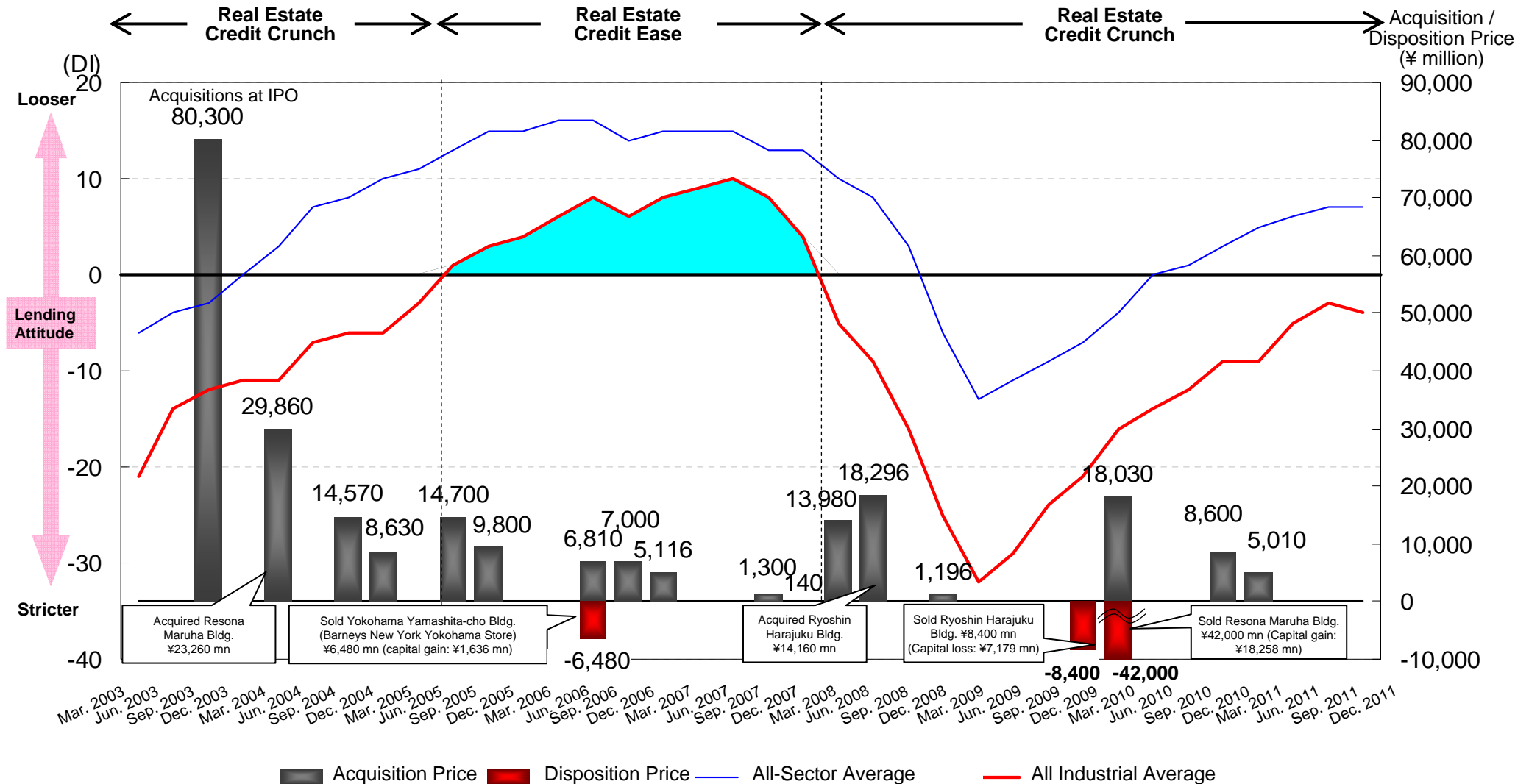
\* The cap rate for prime locations has risen to the level of 2005.



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

\* TOKYU REIT slowed the pace of acquisitions in the period of real estate credit ease



\* Acquisition price on secondary y-axis, each bar represents the total acquisition price in the respective month and 2 months prior (i.e., June 2008 includes April – June 2008)

Source: BOJ (Tankan Survey)

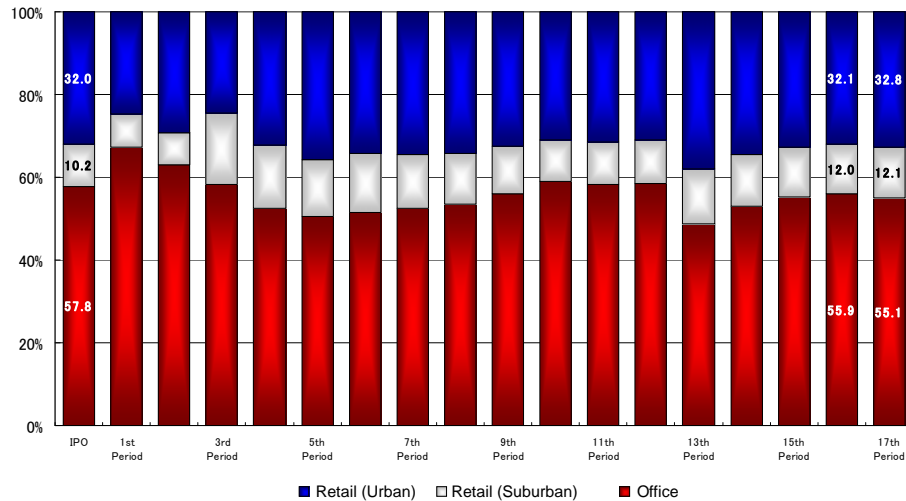
\*Comments by Tokyu REIM **53**



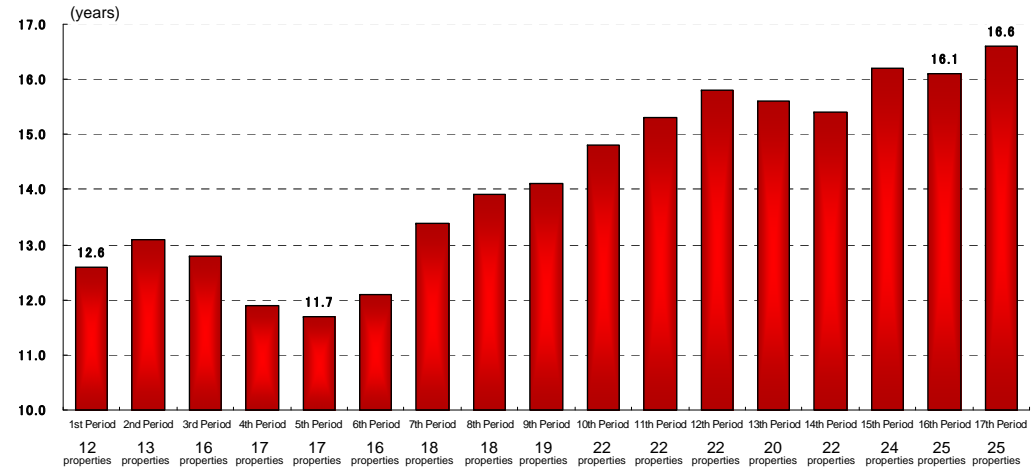


# Portfolio Overview (i)

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

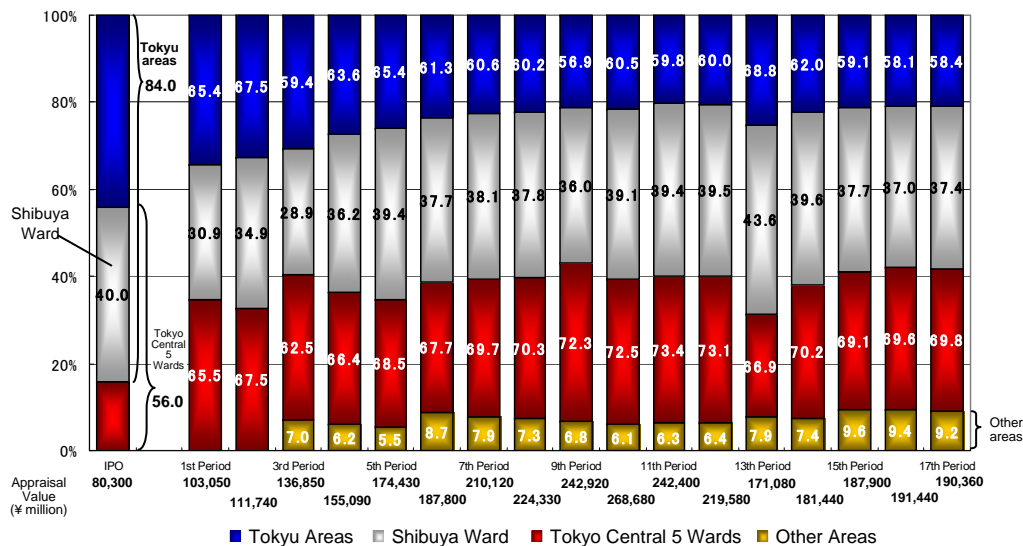


## Weighted Average Property Age

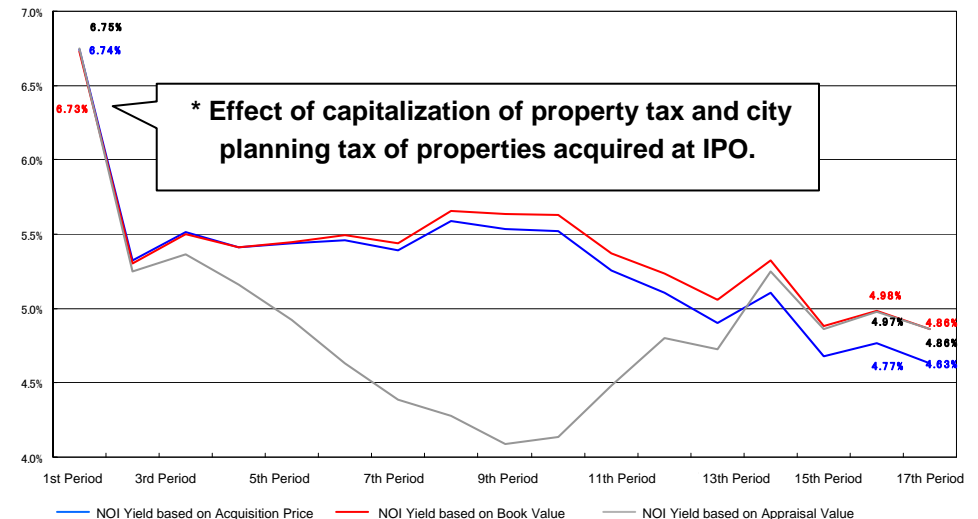


\* Weighted average of the age of buildings at period end multiplied by the acquisition cost  
 \* Not including Shonan Mall Fill (sokochi)

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



## NOI Yield



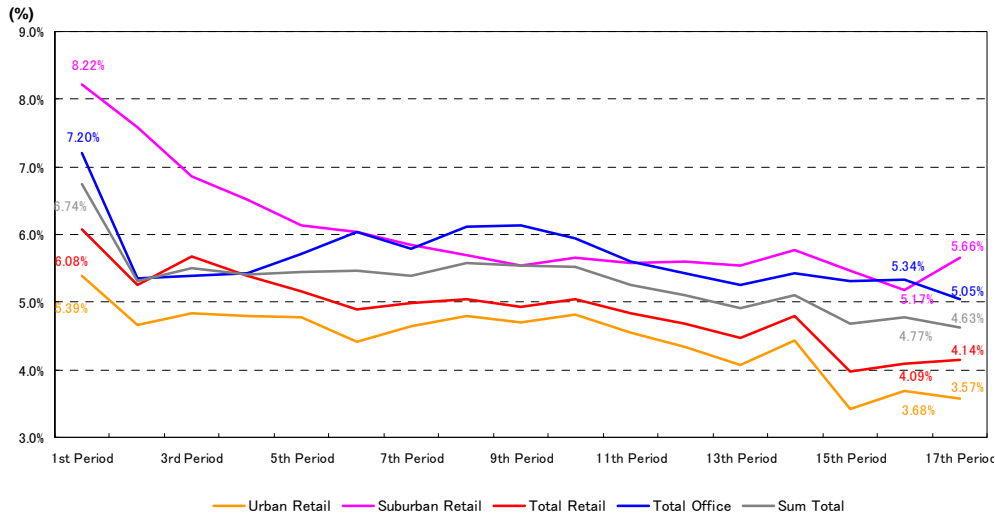
\* Effect of capitalization of property tax and city planning tax of properties acquired at IPO.

\*Comments by Tokyu REIM 55

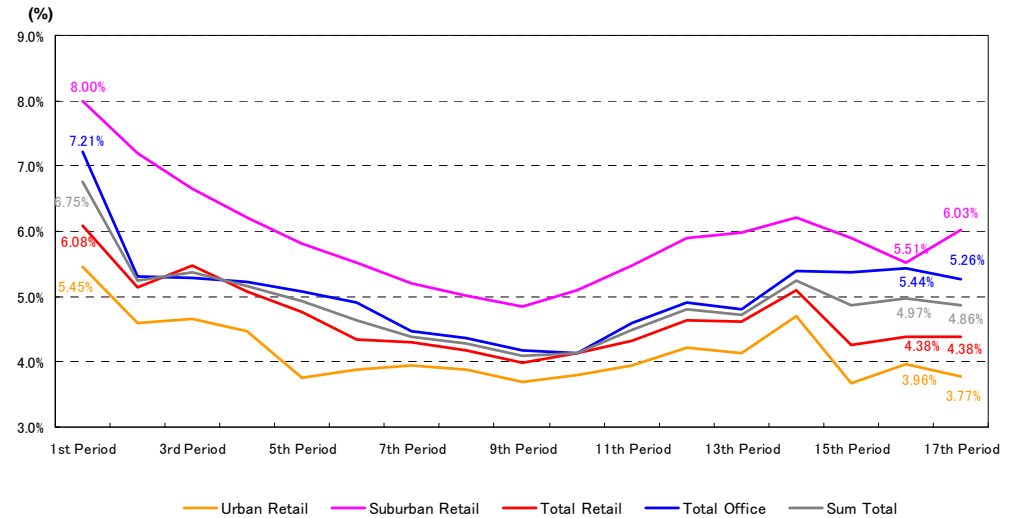


# Portfolio Overview (ii)

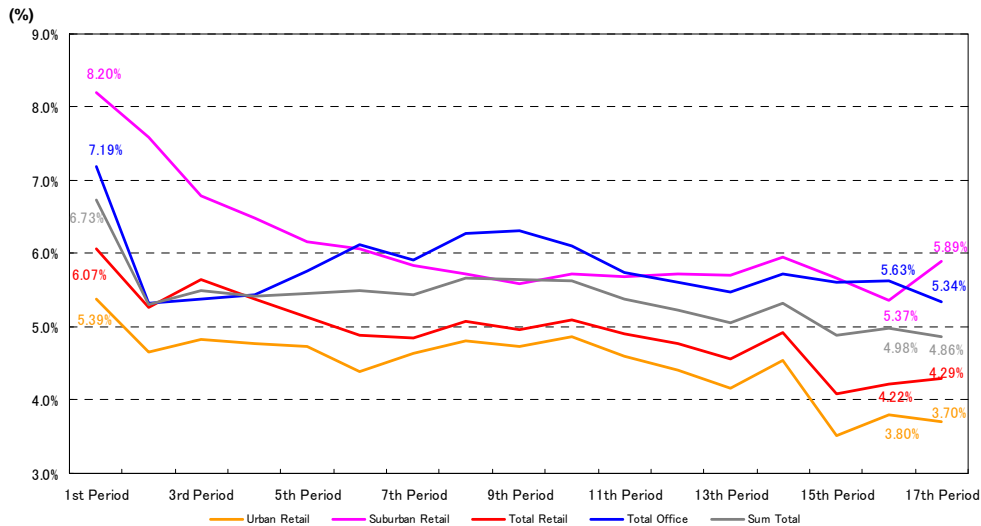
### Changes in NOI Yield (Based on Acquisition Price)



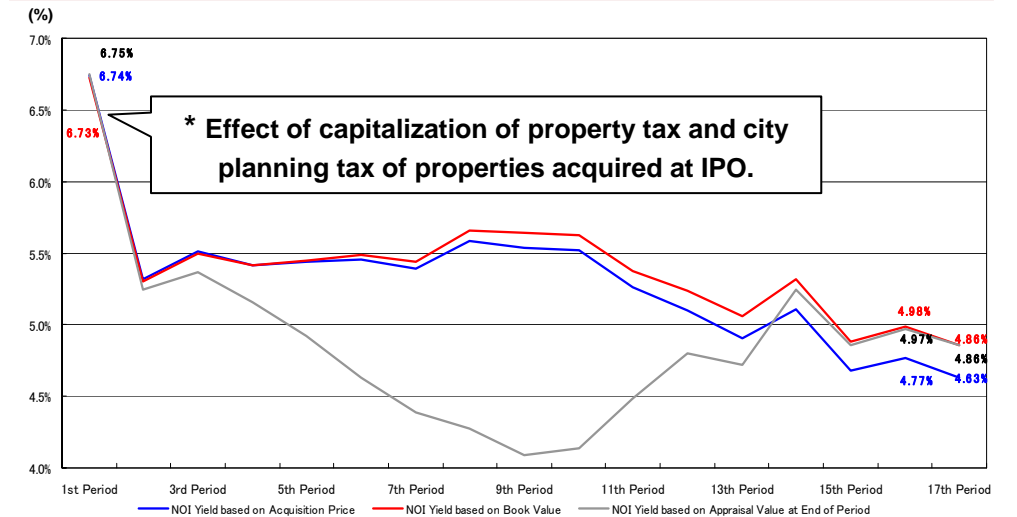
### Changes in NOI Yield (Based on Appraisal Value at End of Period)



### Changes in NOI Yield (Based on Book Value)



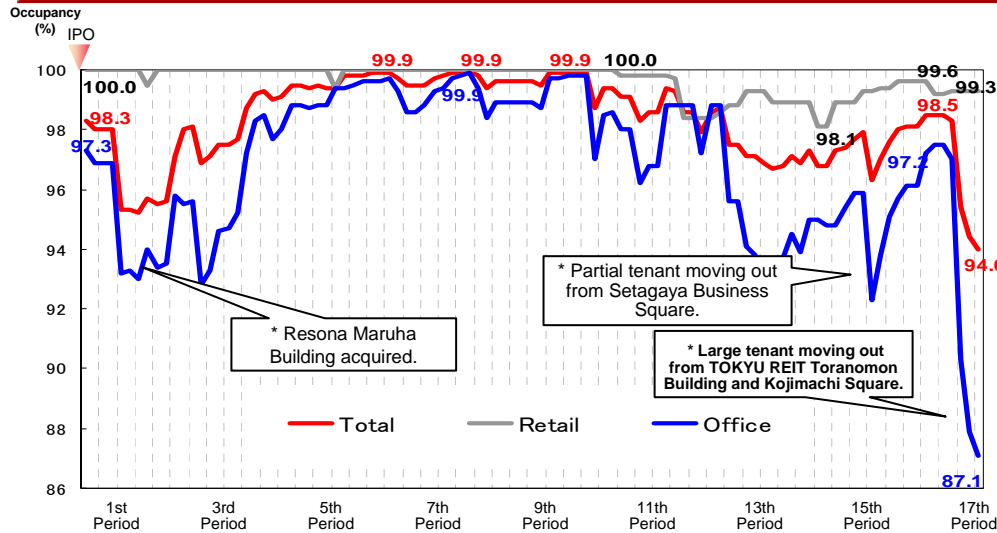
### Changes in NOI Yield



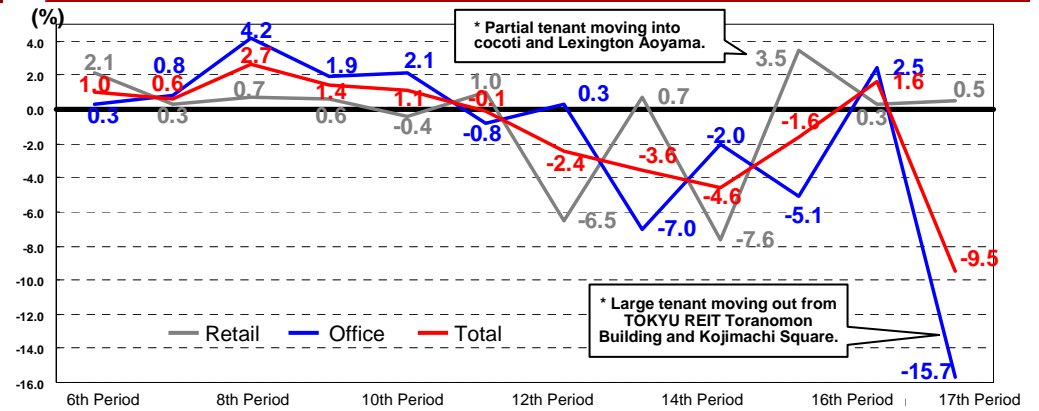
\*Comments by Tokyu REIM 56

# Internal Growth

## Changes in Occupancy of Overall Portfolio



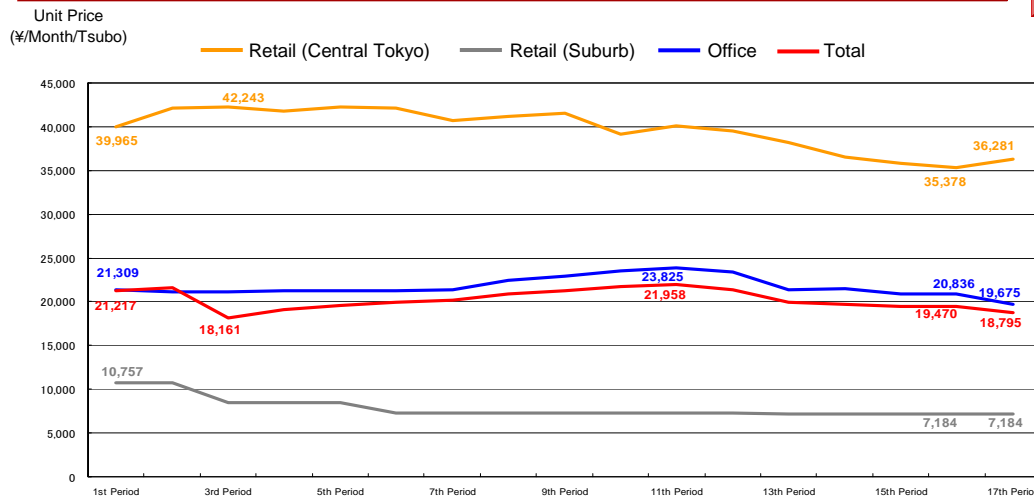
## Period-on-Period Monthly Leasing Revenue Increase Rate



**\* Monthly rents reduced by large tenant moving out.**

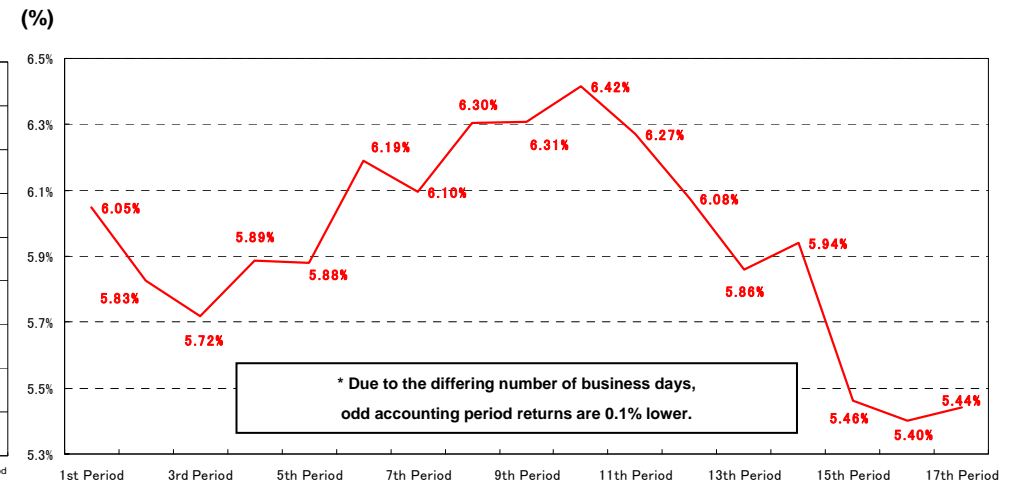
- \* Excludes income from parking and signs.
- \* Comparison of monthly leasing revenue at the end of each period (based on actual rent charged).
- \* Effects from property sales and purchases have been eliminated.

## Average Rent (Including Common Area Charge)



- \* In calculating the above unit price, we haven't factored vacant spaces in. In addition, Shonan Mall Fill (sokochi) is not included.
- \* Excludes income from parking, warehouses, etc.
- \* Retail (Central Tokyo): QFront, TOKYU REIT Omotesando Square, Lexington Aoyama, TOKYU REIT Shibuya Udagawa-cho Square, cocoti, CONZE Ebisu and Daikanyama Forum.
- \* Retail (Suburb): Tokyu Saginuma Building, Tokyu Saginuma 2 Building, Beacon Hill Plaza (Ito-Yokado Noukendai Store), Yokohama Yamashita-cho Building (Barneys New York Yokohama Store) (sold in 6th Period)

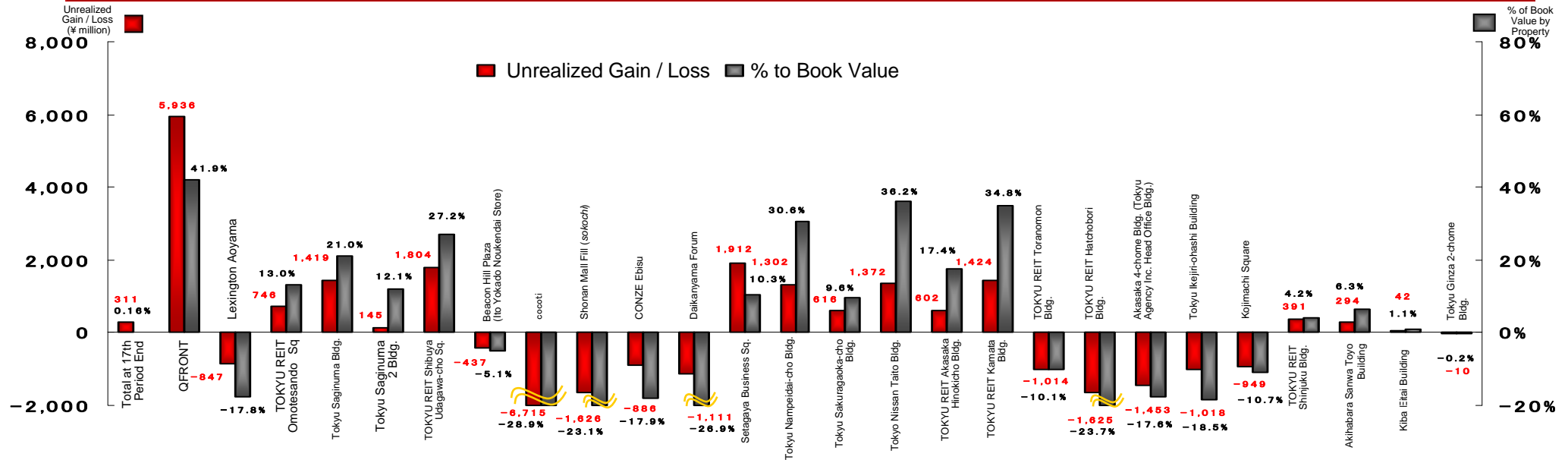
## NOI Yield of 11 Properties at IPO (After Deducting Capitalized Property and City Planning Taxes)



\*Comments by Tokyu REIM **57**

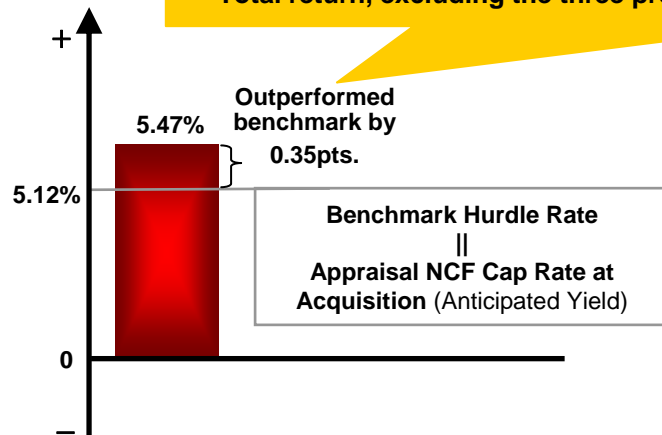
# Unrealized Gains and Total Return

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



## Portfolio Return Performance

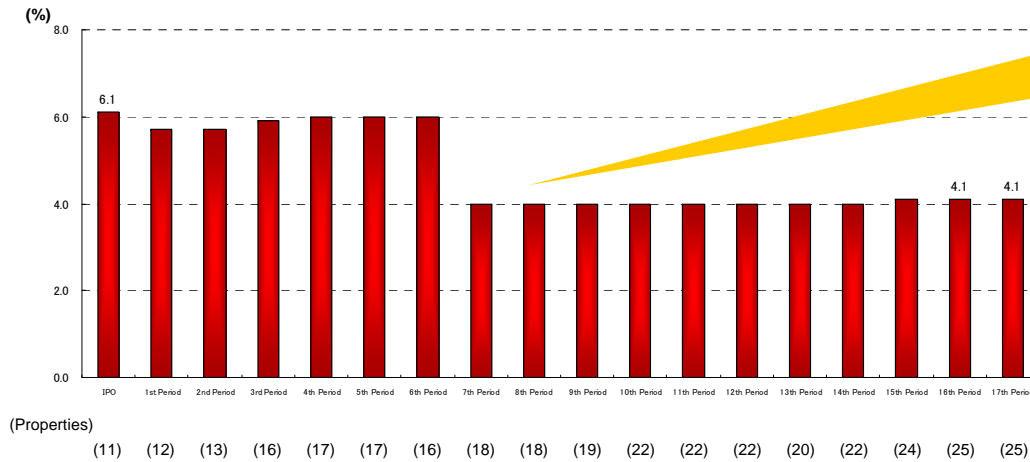
\* Total return, excluding the three properties recently acquired, has outperformed the benchmark by 0.35 points.



- Based on 26 properties (acquisition price base: ¥229,729 million), which is the sum of 23 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 appraisal 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 Yokohama Yamashita-cho Building (Barneys New York Yokohama Store) is ¥6,480 million (sold in 6th period).
- \* Sale price of Resona Maruha Building is ¥42,000 million (sold in 13th period).
- \* Sale price of Ryoshin Harajuku Building is ¥8,400 million (sold in 13th period).
- IRR for the above 23 properties (acquisition price base: ¥186,063 million) is 4.58% (underperforming the benchmark return of 5.11% by 0.53 points)

# Risk Management (i)

## Portfolio PML Trends



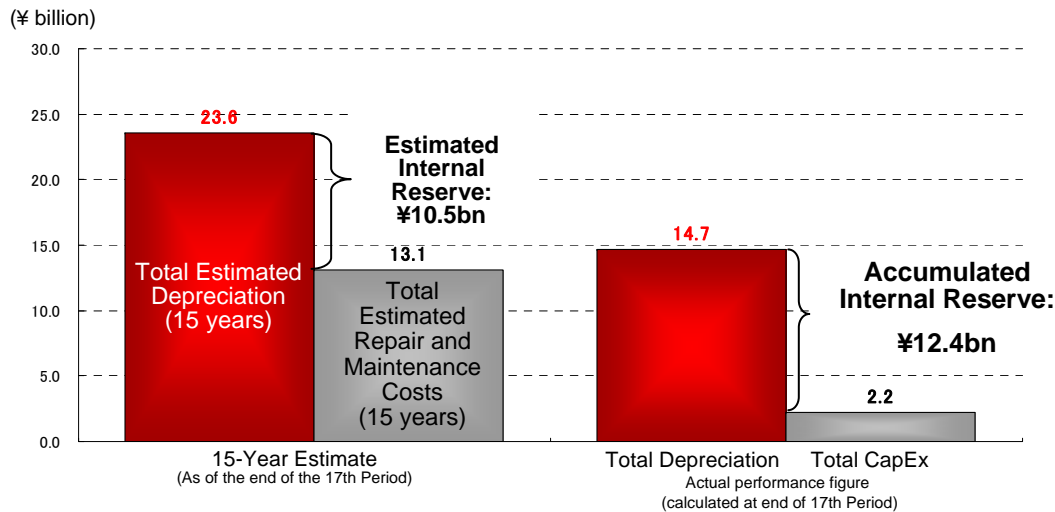
\* PML decreased due to a change in the property value appraisal method utilized by E.R.S. Corporation and Oyo RMS Corporation resulting from the introduction of a new seismic analysis method.

\* The source of funds for CapEx is limited to depreciation for REITs, as 100% of profits are distributed.

Therefore, we manage by focusing on maintaining the proper balance between long-term repair and maintenance estimates and accumulated depreciation.

\* Not including Shonan Mall Fill (*sokochi*)

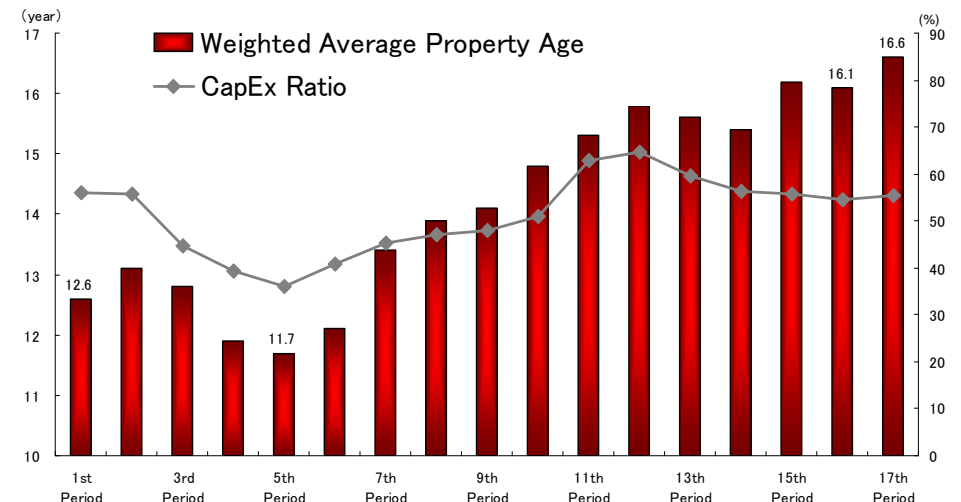
## Balance of Depreciation and Repair and Maintenance Costs



\* Repair and maintenance cost estimates are updated when appropriate.

\* Not including Shonan Mall Fill (*sokochi*)

## Weighted Average Property Age and CapEx Ratio



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

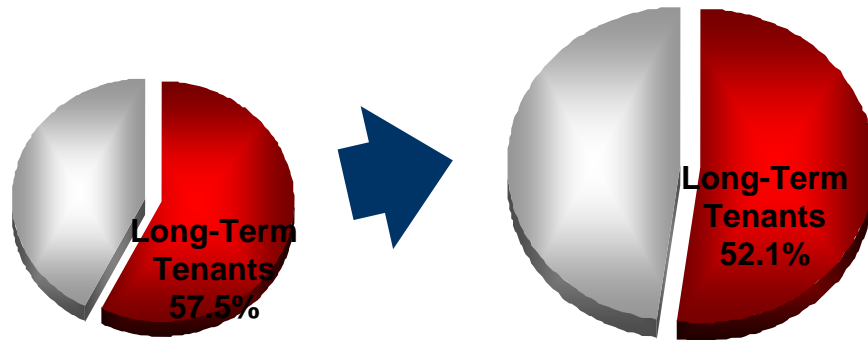
\*Comments by Tokyu REIM

# Risk Management (ii)

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

\* Continue to attract long-term commitments

\* The average rent revision interval for all tenants is 3.12 years.

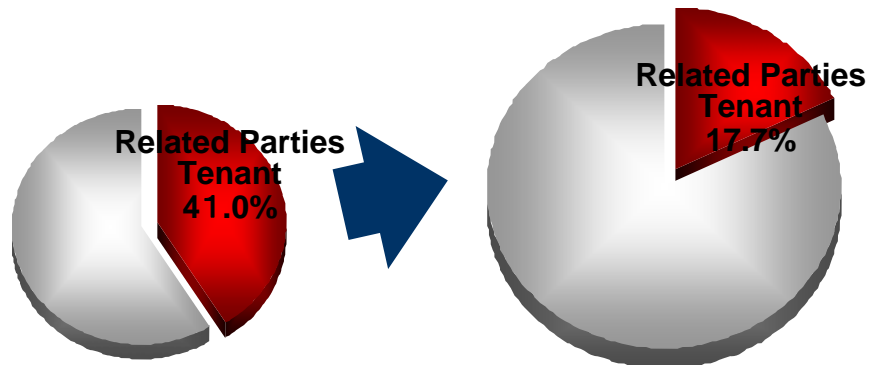


11 Properties at IPO (as of end of April 2003)

26 properties (as of end of Jan 2012)

## Related Parties Tenant Concentration (Based on Leasable Area)

\* Lower dependence on Related Parties

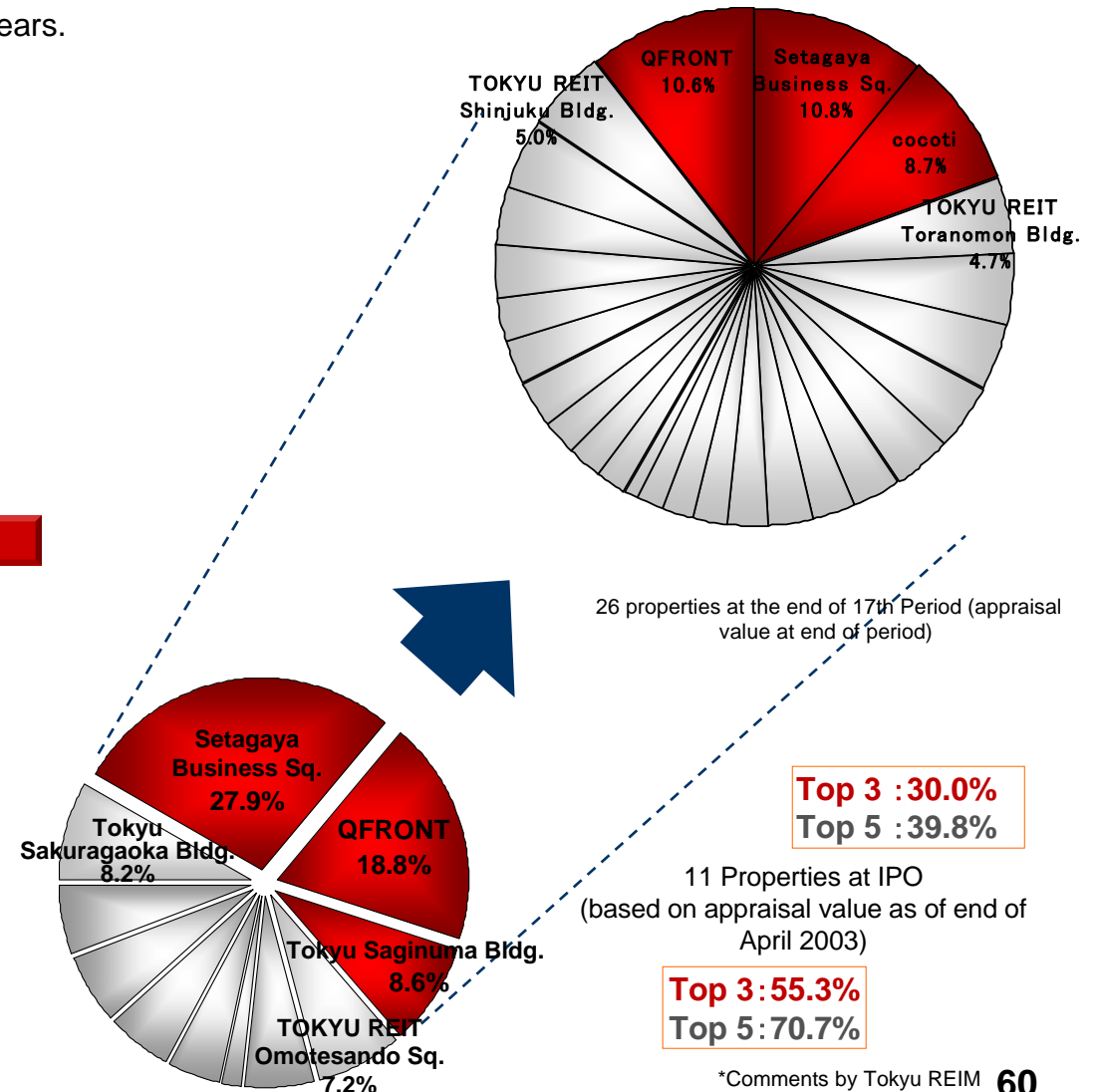


11 Properties at IPO (as of end of April 2003)

26 properties (as of end of Jan 2012)

## Property Concentration

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



26 properties at the end of 17th Period (appraisal value at end of period)

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

**Top 3 : 55.3%**  
**Top 5 : 70.7%**

**Top 3 : 30.0%**  
**Top 5 : 39.8%**

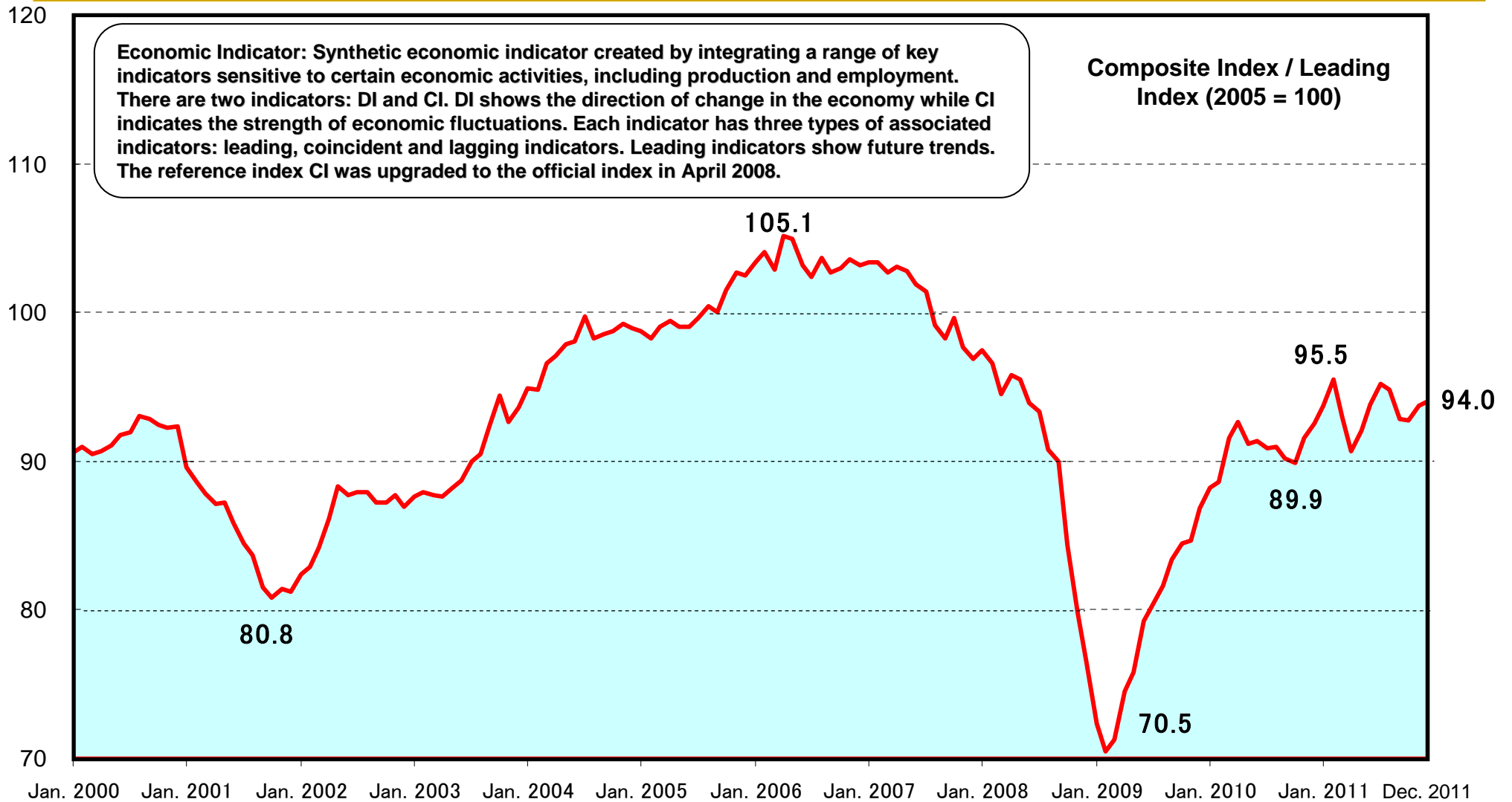
\*Comments by Tokyu REIM **60**



## **4. Market Review**

# Economic Trends in Japan

\* European sovereign debt problem caused demand to decrease, but the economy shows a trend of picking up for the moment.

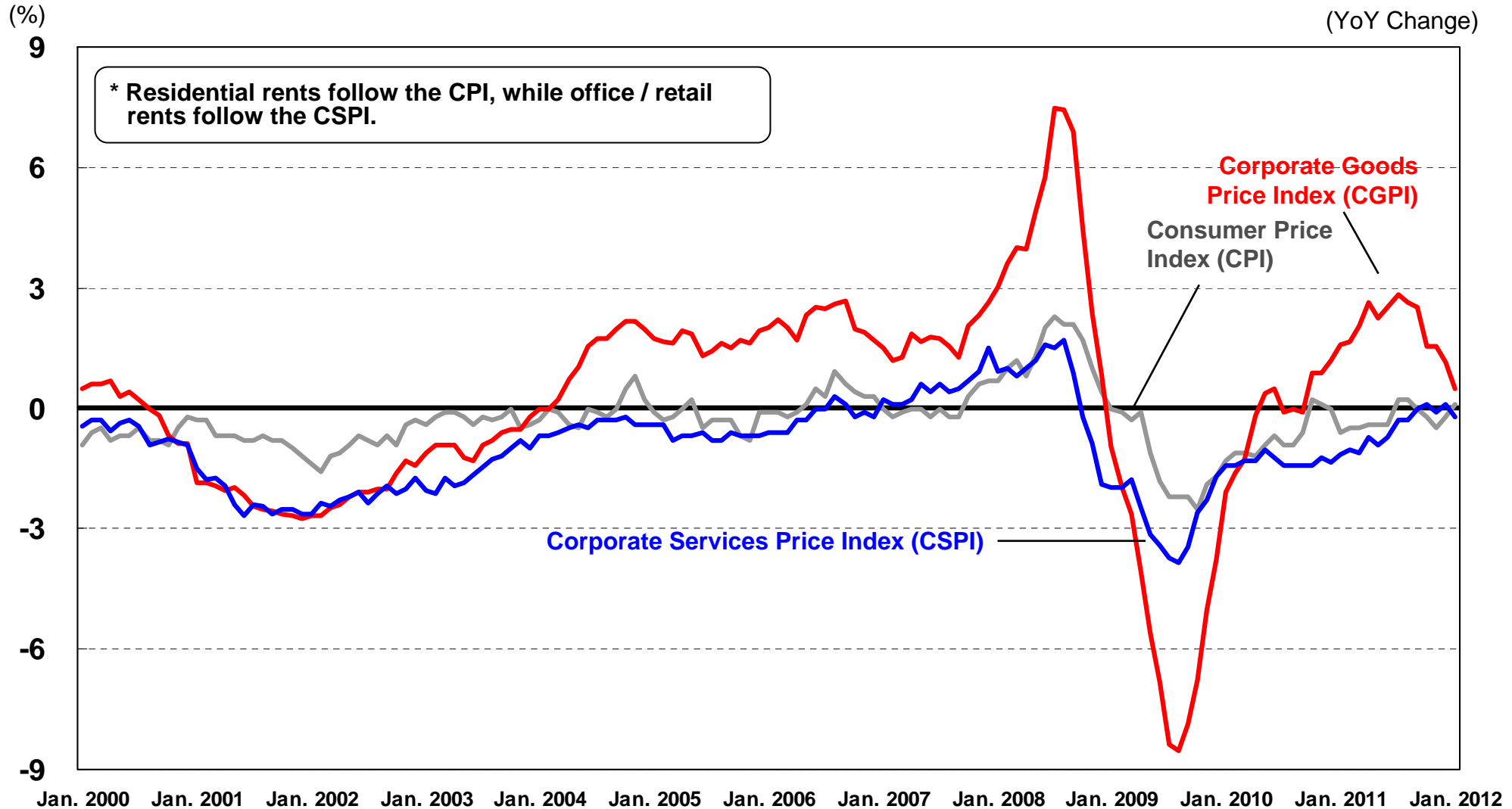


Source: Cabinet Office.

\*Comments by Tokyu REIM **62**

# Price Index

**\* The year-on-year decrease in the Corporate Services Price Index (CSPI) has been reduced.  
(with each index converging around zero)**



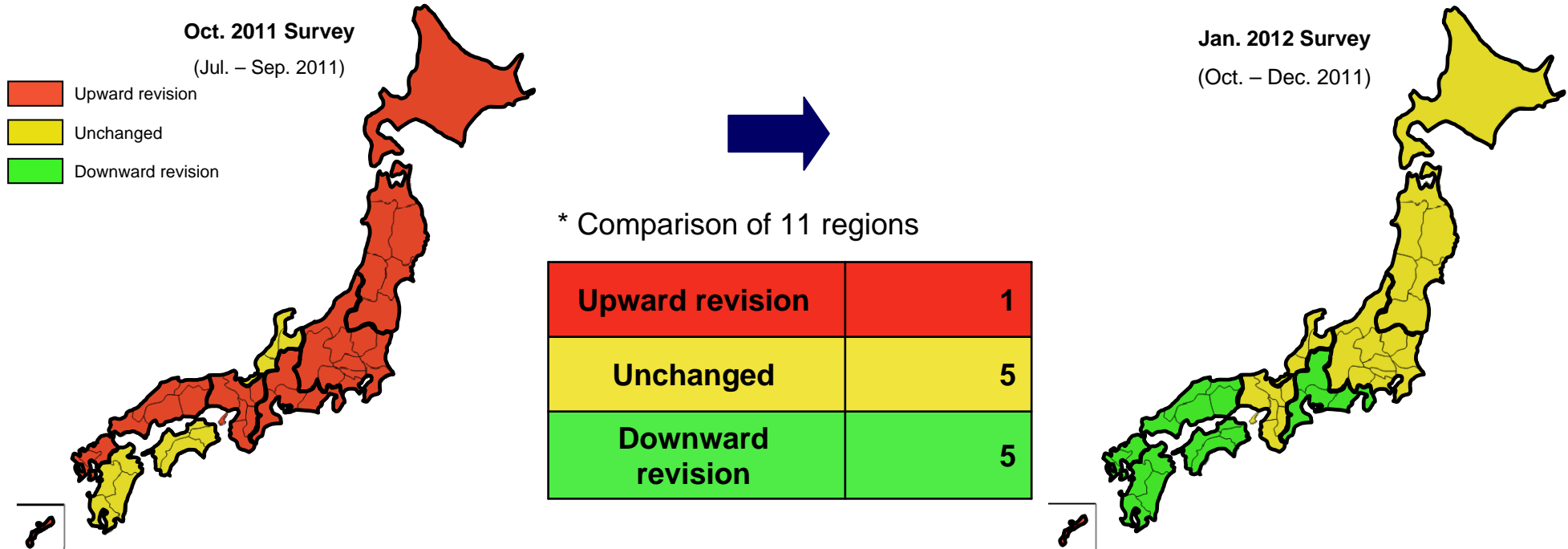
Source: Ministry of Internal Affairs and Communications, BOJ.

\*Comments by Tokyu REIM **63**



# Regional Economic Trends

**\* Starting to pick up moderately**



Source: Ministry of Finance

\* Color coding on the map shows the direction of the economy, not the prefecture's current economic status.

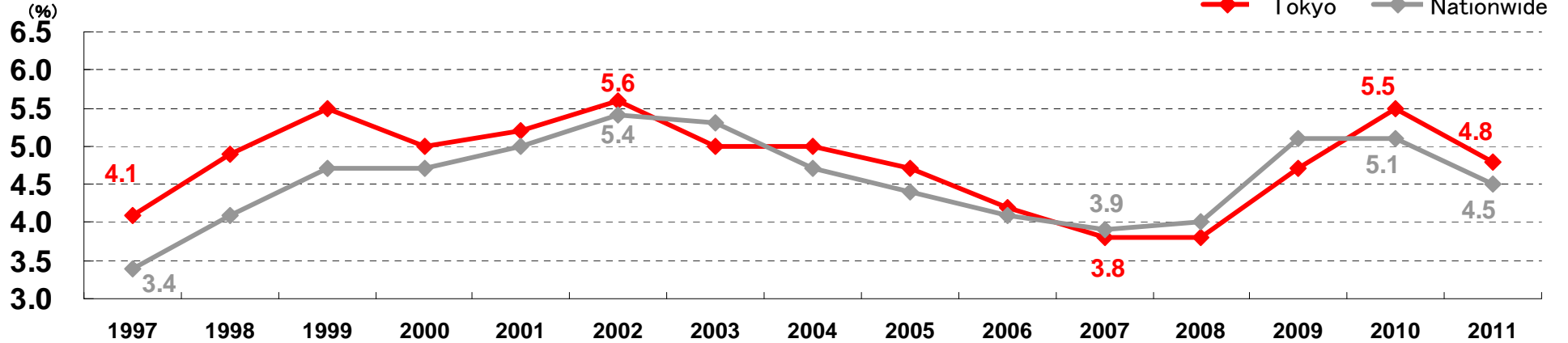
**In general, the regional economy is “in a severe condition but is moderately picking up as a whole, although differences among regions are observed.”**  
 (Ministry of Finance, Summary Report of Economic Conditions in Jurisdictions of Finance Bureaus in Japan, January 25, 2012)

**In the Kanto-Koshinetsu region, “The pick-up in economic activity appears to be pausing, mainly due to the effects of the slowdown in overseas economies and the appreciation of the yen.”**  
 (Bank of Japan, Regional Economic Report, January 16, 2012)

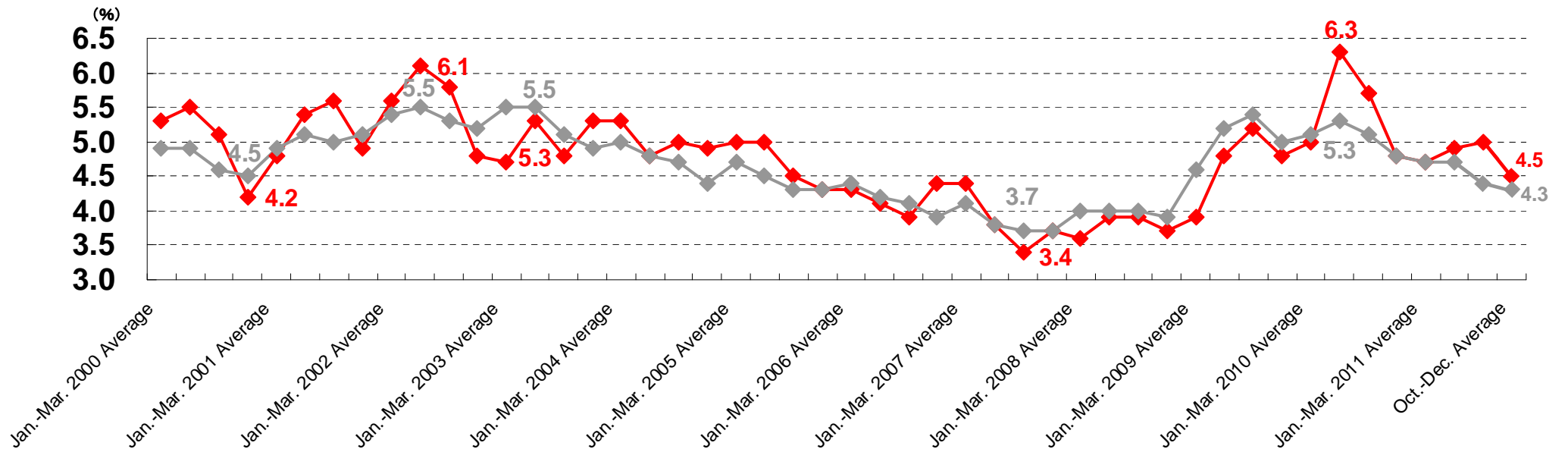
# Unemployment Rate

\* Unemployment rate shows a downward trend for the moment.

<Annual average>



<Quarterly average>



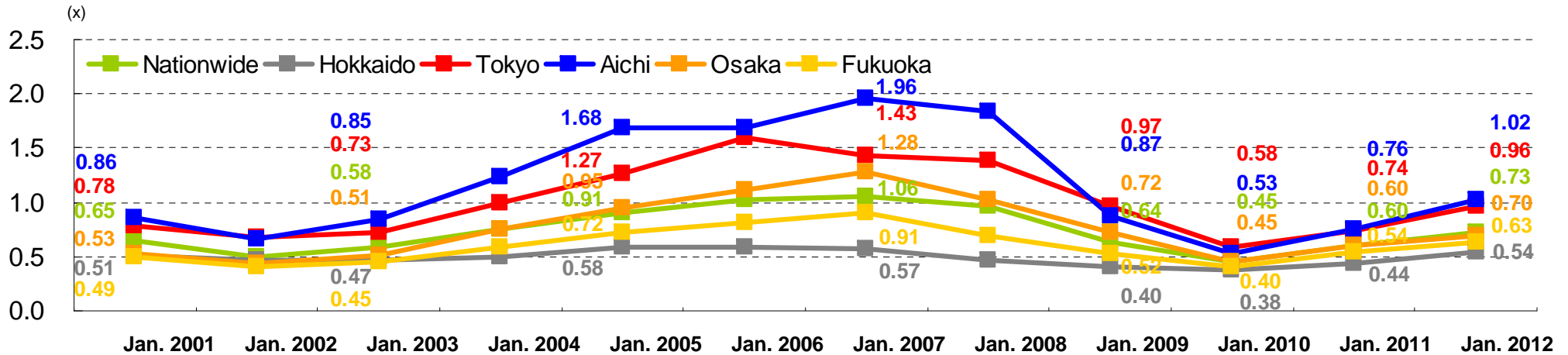
\* Due to the impact of the Great East Japan Earthquake, the survey conducted in 2011 did not include all or part of the regions of Iwate, Miyagi and Fukushima Prefectures.  
 Source: "Labor Force Survey" by the Ministry of Internal Affairs and Communications.

\*Comments by Tokyu REIM

# Employment Trends in Japan (Job Openings)

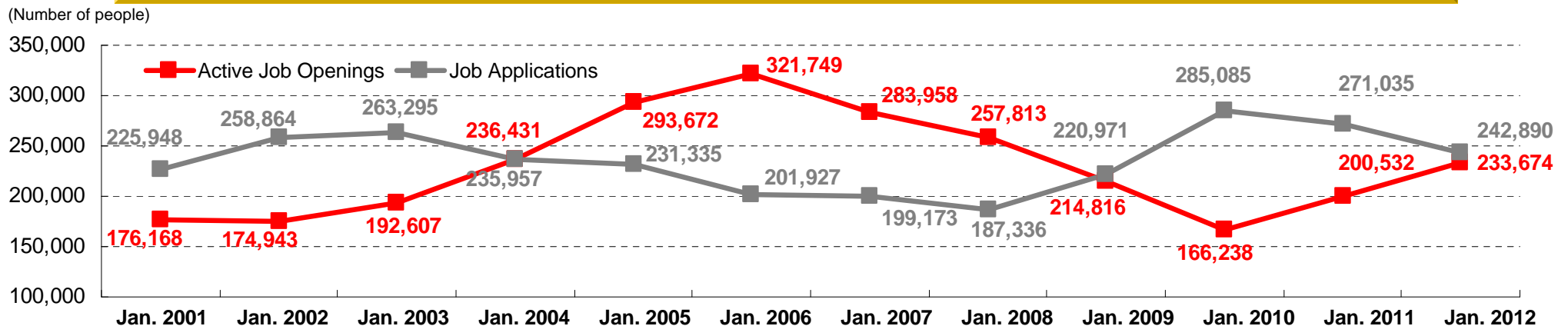
## Job to Application Ratio (Seasonally Adjusted)

\* Tokyo improved to as high as 0.96x.



## Active Job Openings / Job Applications in Tokyo

\* The number of job openings is continuously increasing since 2010.

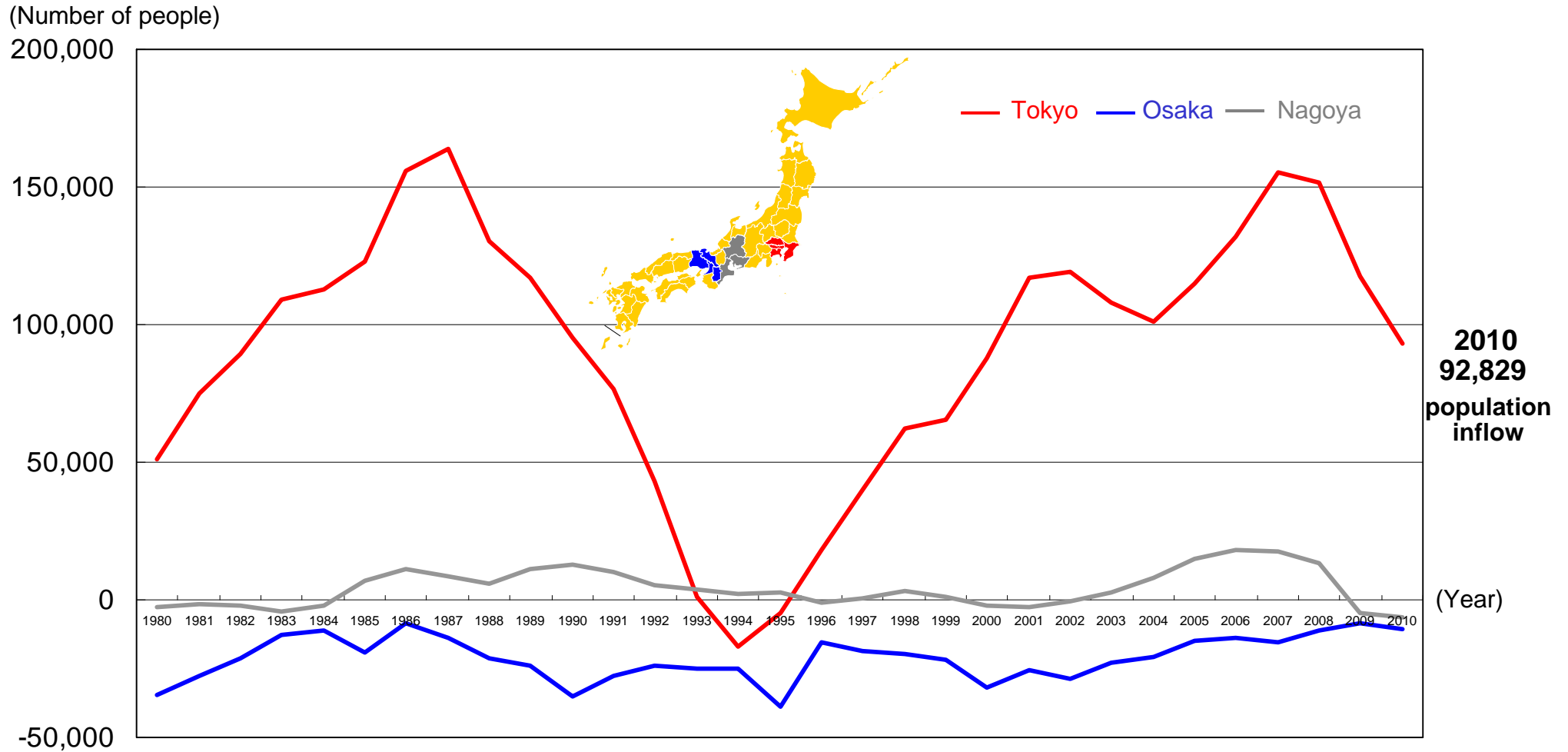


Source: "Employment Service" by the Ministry of Health, Labour and Welfare.

\*Comments by Tokyu REIM **66**

# Excess Population Inflow into Three Major Metropolitan Areas (Population Inflow)

\* Structural population concentration in the Tokyo Metropolitan Area continues.

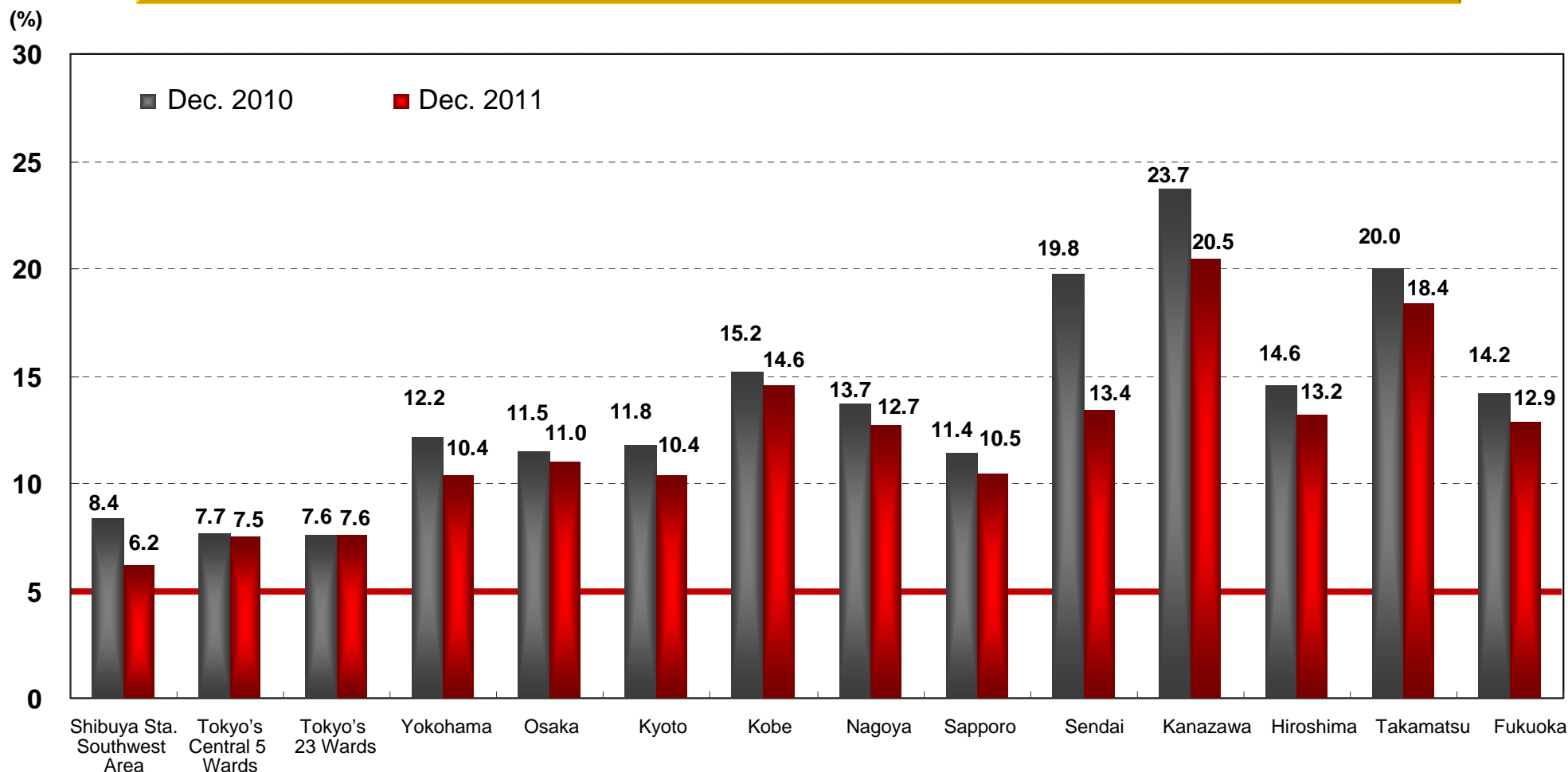


Source: Population Movement from Basic Resident Register, Ministry of Internal Affairs and Communications.

\*Comments by Tokyu REIM **67**

# Office Leasing Market Overview (1): Vacancy Rate by Market

**\* While the nationwide vacancy rate is high, Tokyo's rate is relatively low.**



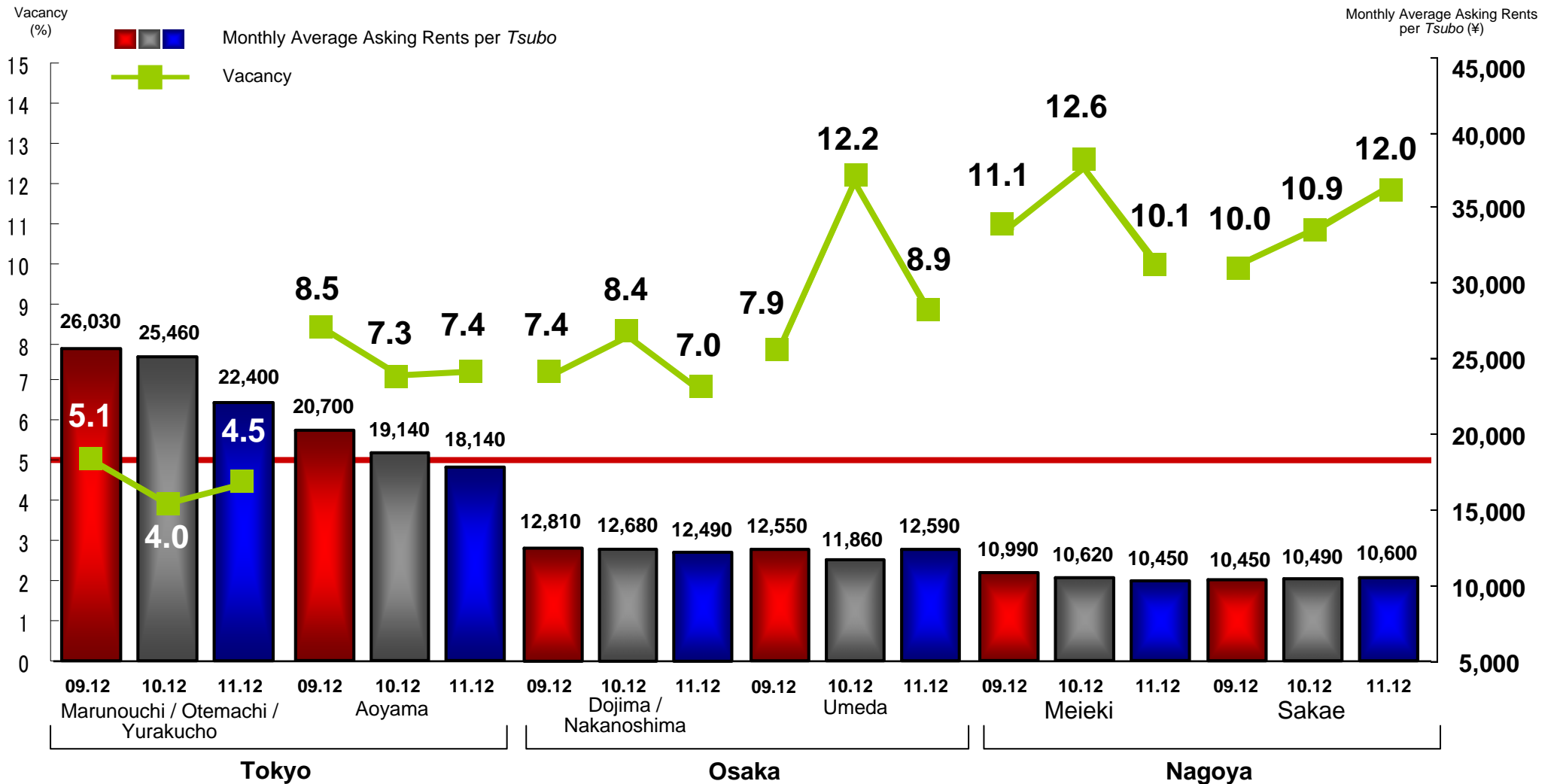
Source: CBRE K.K.

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

\*Comments by Tokyu REIM **68**

# Office Leasing Market Overview (2): Vacancy and Asking Rents for New Tenants by Zone

**\* Vacancy rate remains mostly flat while asking rents show a downward trend in the prime locations of Tokyo.**

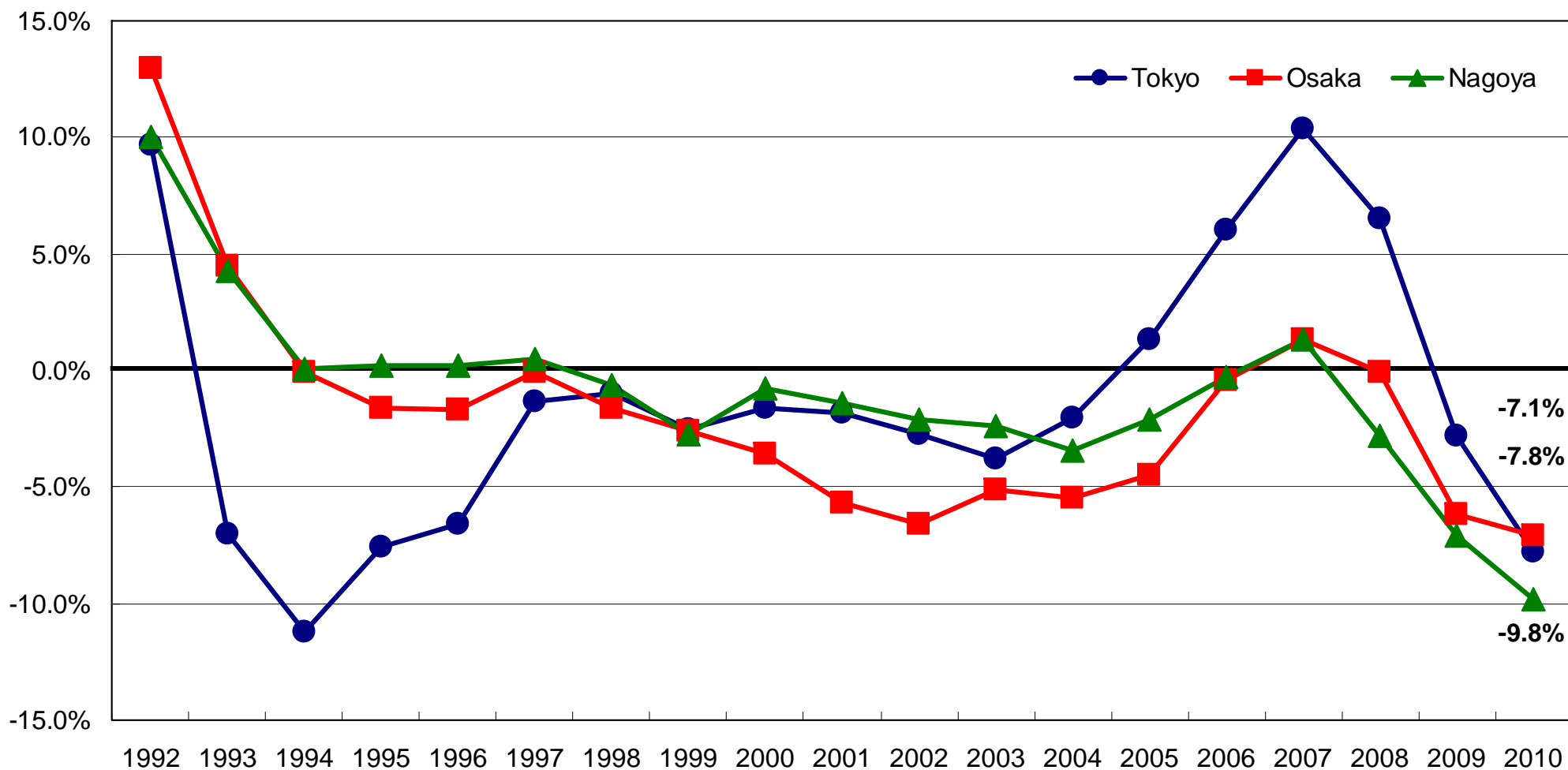


Source: CBRE K.K.

\*Comments by Tokyu REIM **69**

# Office Leasing Market Overview (3): Office Rent Revisions in Three Major Cities (Tokyo, Nagoya and Osaka) TOKYU REIT

\* Rent revisions decreased in all three cities in 2010 as well, continuing on from 2009.



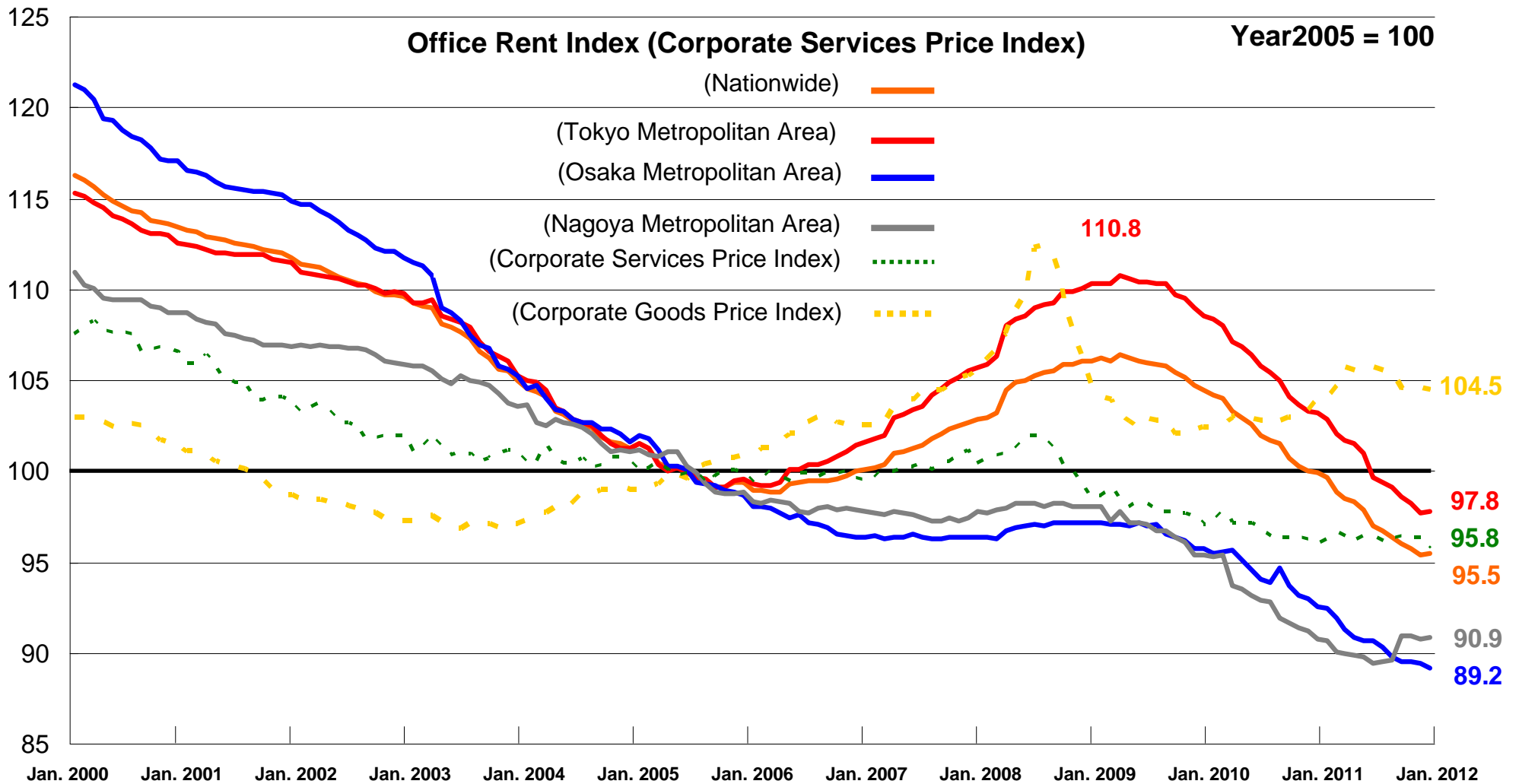
Source: CBRE K.K

\*Comments by Tokyu REIM **70**



# Office Leasing Market Overview (4): Office Rent Index

**\* Contracted rents in the Tokyo Metropolitan Area had been declining since April 2009, but posted a month-on-month increase in January 2012.**



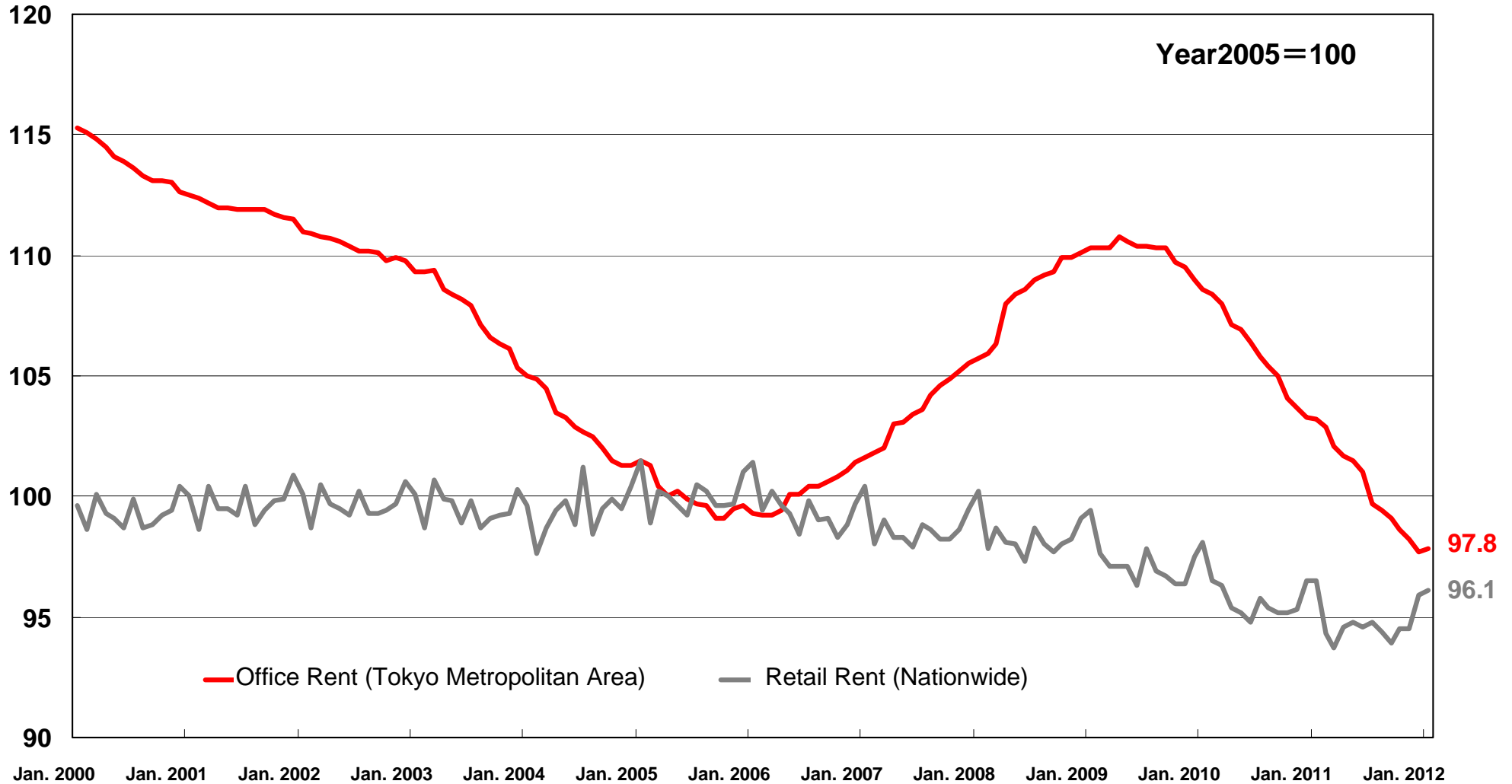
Source: Prepared by TokyU REIM based on information from the BOJ website.

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

\*Comments by TokyU REIM **71**

# Office Leasing Market Overview (5): Indexed Office Rent and Retail Rent Comparison

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

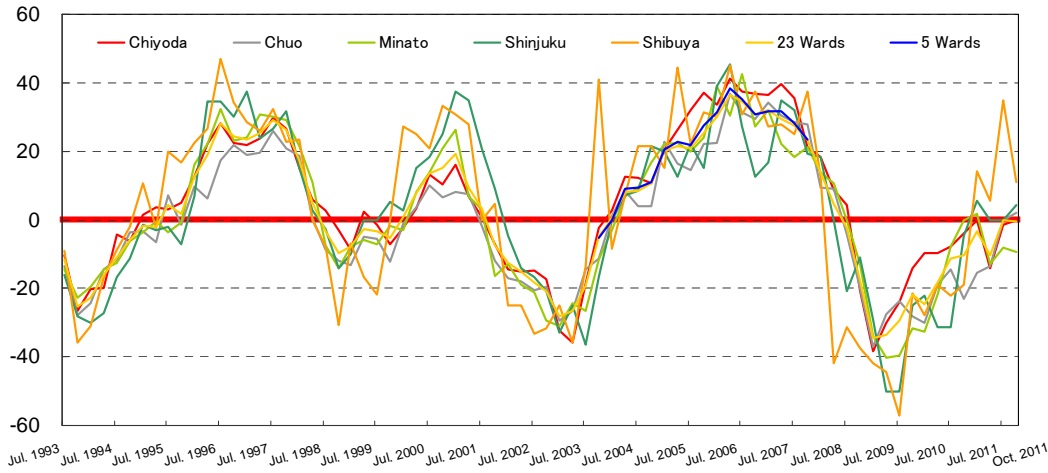


Source: Prepared by Tokyu REIM based on information from the BOJ website

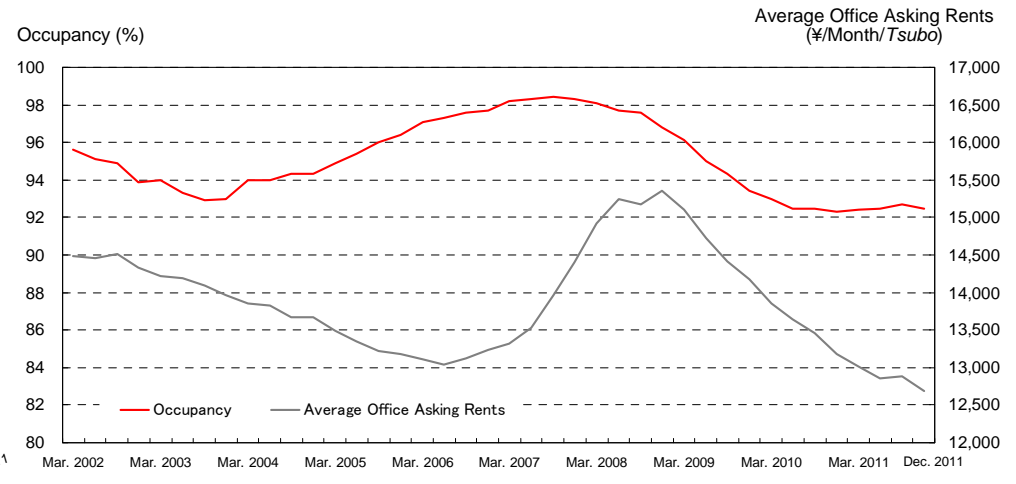
# Office Leasing Market Overview (6): Business Sentiment

**\* The outlook of rents in Tokyo is negative in the short term and positive over the medium to long term**

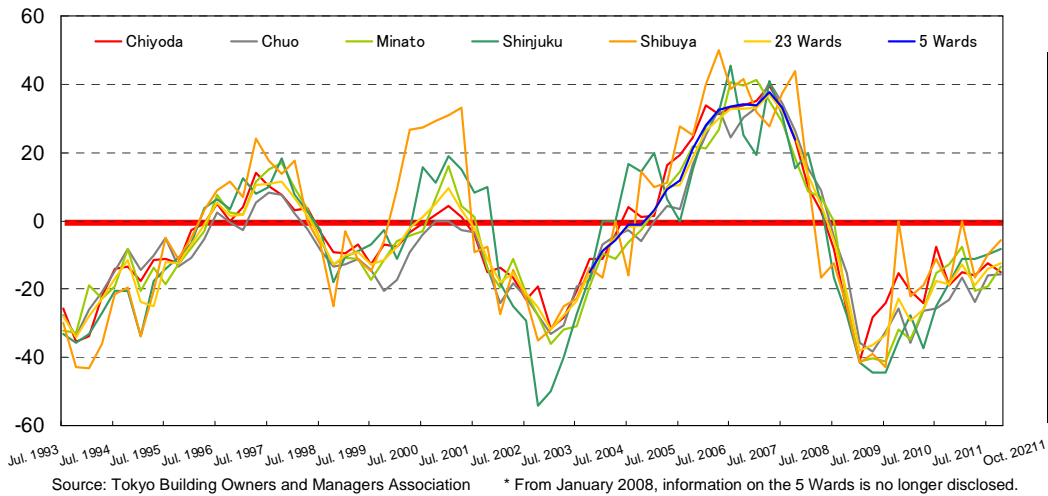
## Business Sentiment on Vacancy Levels in Tokyo (Now vs. 3 Months Later)



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



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



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

### 24th Period Survey (as of April 2011)

Area	Next Years	2 Years	5 Years	10 Years
Marunouchi, Otemachi area	100	100	103	105
Shibuya, Shibuya Station area	99	100	100	102
Nagoya, Nagoya Station area	97	98	100	100
Osaka, along Midousuji line	98	98	100	100

### 25th Period Survey (as of October 2011)

Area	Next Years	2 Years	5 Years	10 Years
Marunouchi, Otemachi area	100	100	103	105
Shibuya, Shibuya Station area	100	100	101	102
Nagoya, Nagoya Station area	98	98	100	100
Osaka, along Midousuji line	98	98	100	100

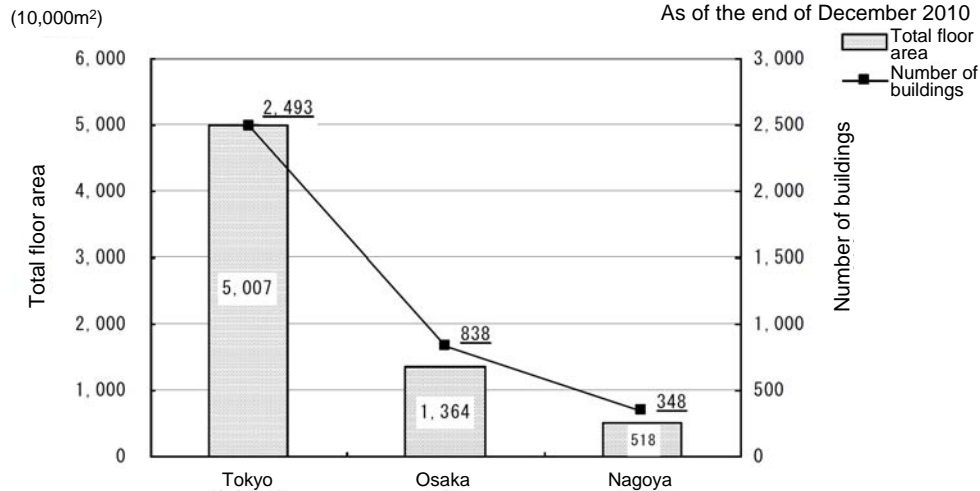
Source: Japan Real Estate Institute

\*Comments by Tokyu REIM **73**

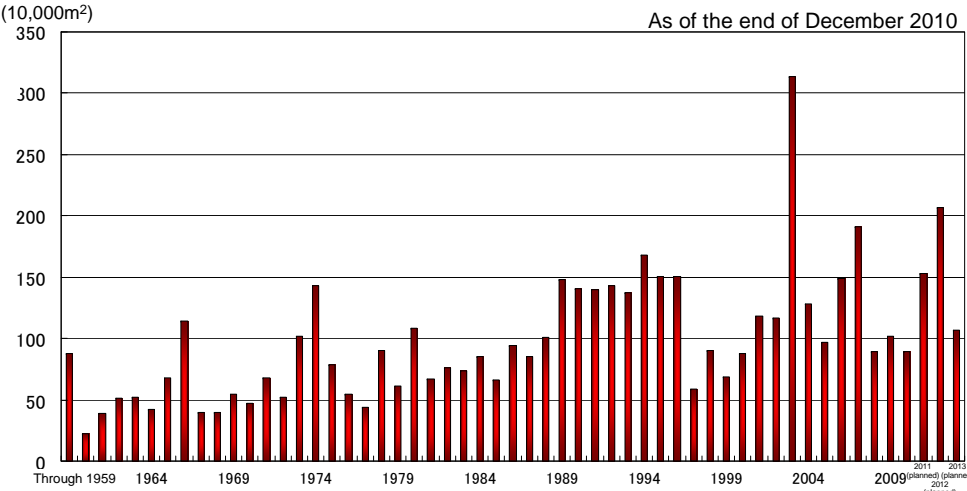
# Overview Office Building Inventory (1): Three Major Cities

**\* New supply in the 23 wards of Tokyo in 2012 will be around two-thirds of 2003 in volume.**

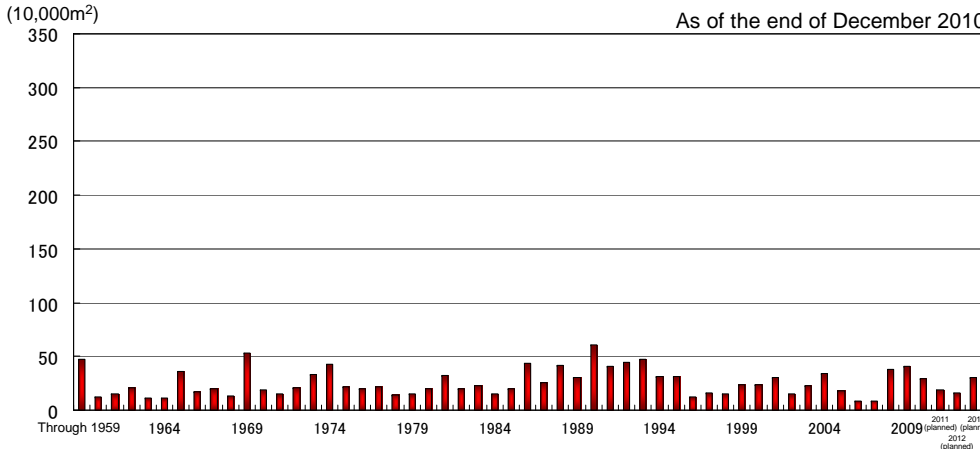
## Office Building Inventory in Three Major Cities



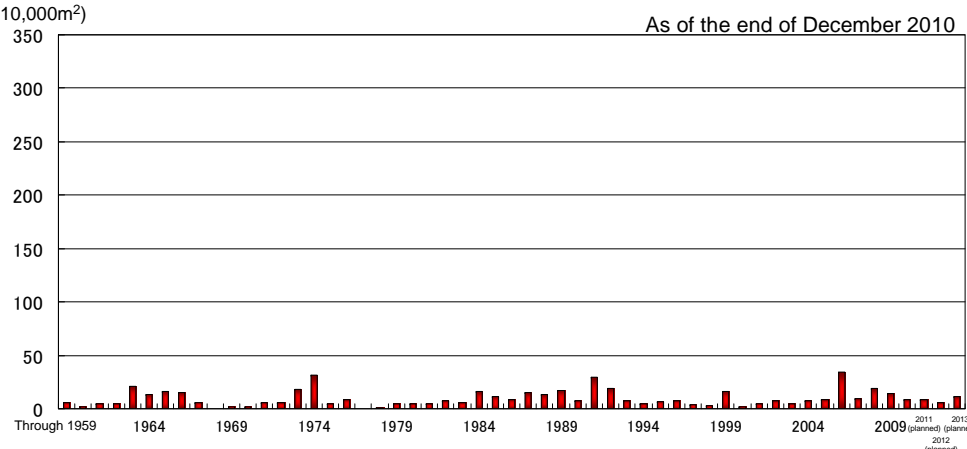
## Building Inventory by Year Built (Tokyo)



## Office Building Inventory by Year Built (Osaka)



## Office Building Inventory by Year Built (Nagoya)



\* Tokyo represents the five central wards plus Hongo-Koraku, Ikebukuro, Shinagawa-Osaki, Kinshicho, Toyochō, Toyosu-Ariake, Ueno, Meguro and Omori-Kamata areas.  
 \* The survey covers office buildings with 5,000 square meters or more of total floor area.  
 \* The graph indicates office buildings built in each year and still existed on the survey date. The total floor area does not necessarily correspond with the total office space actually found at that time in that particular year.

Source: Japan Real Estate Institute, The Annual Japanese Buildings Survey (at the end of December 2010)

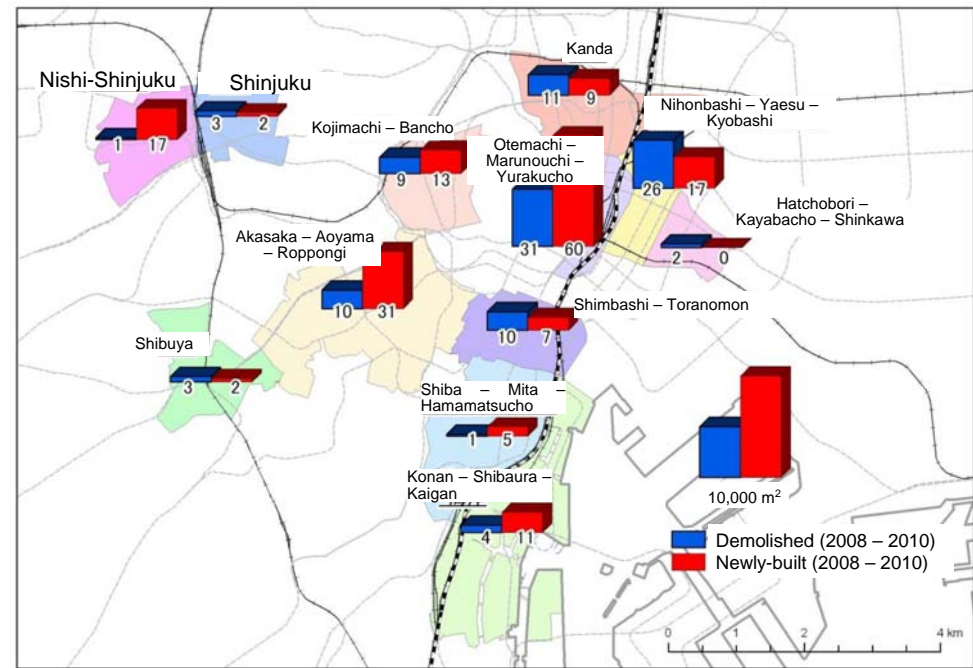
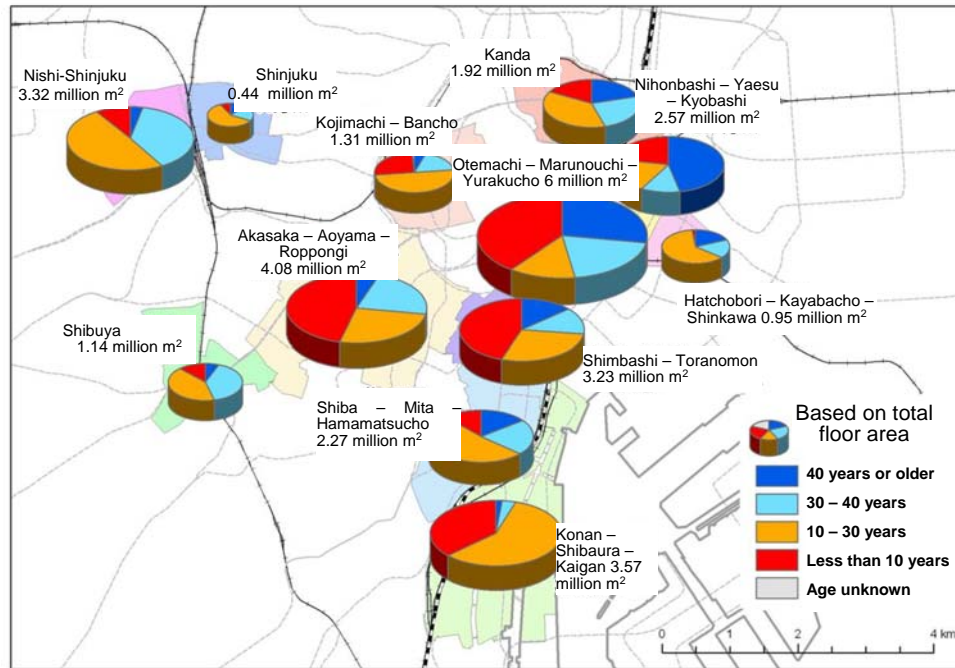
# Overview Office Building Inventory (2): Tokyo

**Office Building Inventory in Tokyo (Statistics of Central Tokyo by Submarket)**

**Newly-Built and Demolished Office Buildings in Tokyo (2008 – 2010)**

\* More than 30% of office building inventory was completed before the present earthquake resistance standards were established

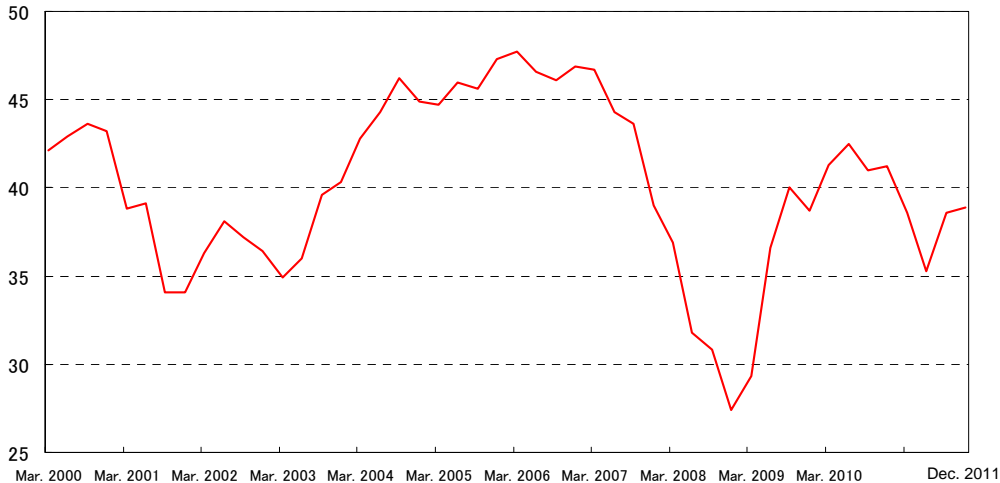
\* Tokyo has a considerable amount of new supply, but also has fairly large volume of demolished buildings.



\* The so-called new earthquake resistance standards were enforced as a result of revisions to the Building Standards Act in 1981.  
 \* Tokyo represents the five central wards plus Hongo-Koraku, Ikebukuro, Shinagawa-Osaki, Kinshicho, Toyochu, Toyosu-Ariake, Ueno, Meguro and Omori-Kamata areas.  
 \* The survey covers office buildings with 5,000m<sup>2</sup> or more of total floor area.  
 Source: Japan Real Estate Institute, The Annual Japanese Buildings Survey (at the end of end of December 2010)

# Retail Leasing Market Overview

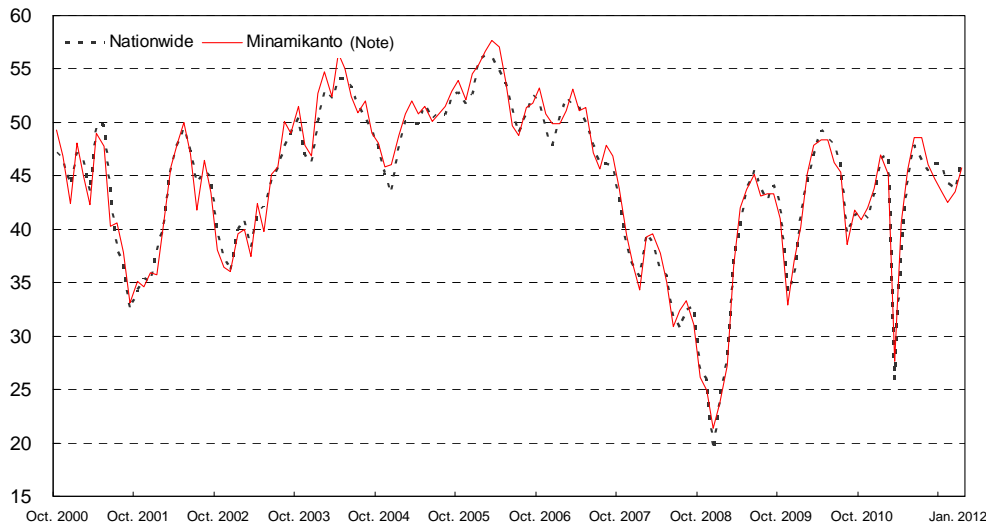
**Consumer Confidence Index  
(Nationwide General Households / Seasonally Adjusted)**



**\* Consumer confidence appears to be picking up.**

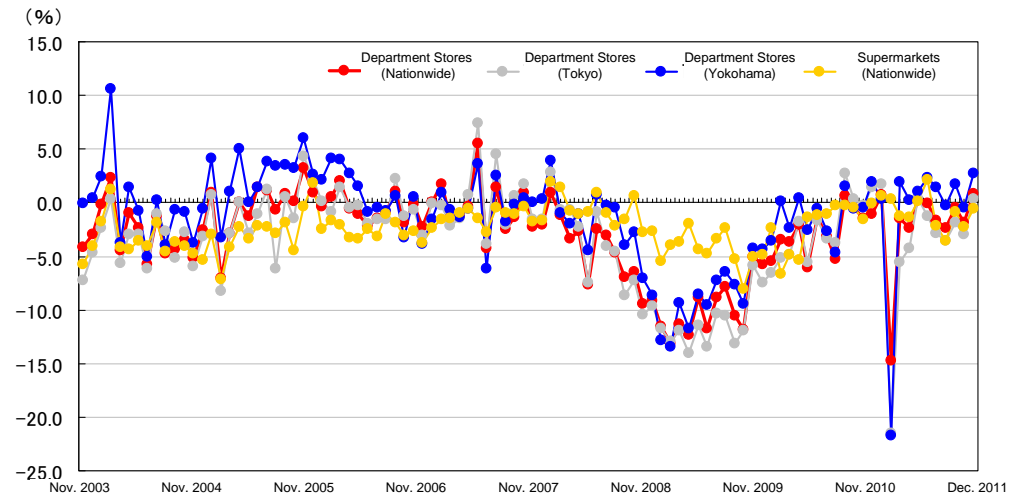
Source: Cabinet Office "Consumer Confidence Survey"

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



Source: Cabinet Office "Economy Watchers Survey"  
(Note) Minamikanto represents Tokyo, Kanagawa, Chiba and Saitama Prefectures.

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



Source: Website of Japan Department Stores Association, Japan Chain Stores Association "Statistics on Sales of Chain Stores"

\*Comments by Tokyu REIM **76**

# Real Estate Trading Market Overview (1)

## Real Estate Transparency Index (CY2010)

For the past few years, the solid growth of the real estate investment trust (REIT) sector in Asia has contributed to the early improvement of transparency. However, the markets have stagnated since 2008. Improvement of the transparency in Japan is dependent on the development of the real estate investment market and the diversification of owners.

(Comments were prepared by Tokyu REIM based on the "Global Real Estate Transparency Index 2010" Report)

Transparency Level	CY 2010	Country Name	CY 2010 Score	CY 2008 Score
High Transparency	1	Australia	1.22	1.20
	2	Canada	1.23	1.17
	3	United Kingdom	1.24	1.31
	4	New Zealand	1.25	1.21
	4	Sweden	1.25	1.43
	6	United States	1.25	1.20
	7	Ireland	1.27	1.52
	8	France	1.28	1.34
	9	Holland	1.38	1.33
	10	Germany	1.38	1.58
Transparent	16	Singapore	1.73	1.55
	18	Hong Kong	1.76	1.55
	25	Malaysia	2.30	2.25
	26	Japan	2.30	2.39
Semi-Transparent	33	Taiwan	2.71	3.07
	39	Thailand	3.02	3.16
	41	India Tier 1 Cities (Note 1)	3.11	3.34
	42	Korea	3.11	3.15
	44	Macau	3.13	3.54
	45	China Tier 1 Cities (Note 2)	3.14	3.33
	48	Philippines	3.15	3.23
	49	India Tier 2 Cities (Note 1)	3.17	3.38
	54	China Tier 2 Cities (Note 2)	3.38	3.68
55	India Tier 3 Cities (Note 1)	3.39	3.65	
Low Transparency	65	China Tier 3 Cities (Note 2)	3.73	3.97
	76	Vietnam	4.25	4.29

The survey addressed the following five attributes of real estate transparency: 1) "Performance Measurement," 2) "Market Fundamentals," 3) "Listed Vehicles," 4) "Regulatory and Legal" and 5) "Transaction Process."

Source: Prepared by Tokyu REIM based on Jones Lang LaSalle's "Global Real Estate Transparency Index 2008" Report and "Global Real Estate Transparency Index 2010" Report.

(Note 1) India Tier 1 Cities: Delhi, Mumbai, India Tier 2 Cities: Kolkata, Hyderabad, India Tier 3 Cities: Ahmedabad, Kochi

(Note 2) China Tier 1 Cities: Shanghai, Beijing, China Tier 2 Cities: Chongqing, Tianjin, China Tier 3 Cities: Wuxi, Zhengzhou

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

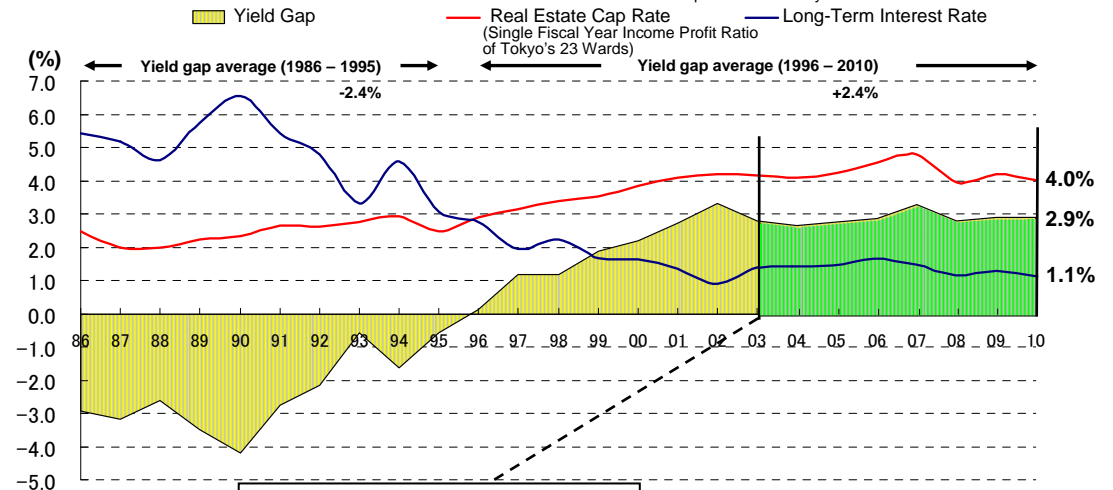
\* At around the time of the bubble period, the yield gap was negative.

Changes in yield gap (1986 – 2010)

Source: Prepared by Tokyu REIM based on MU-CBex

©1998 Mitsubishi UFJ Trust and Banking Corp and CB Richard Ellis.

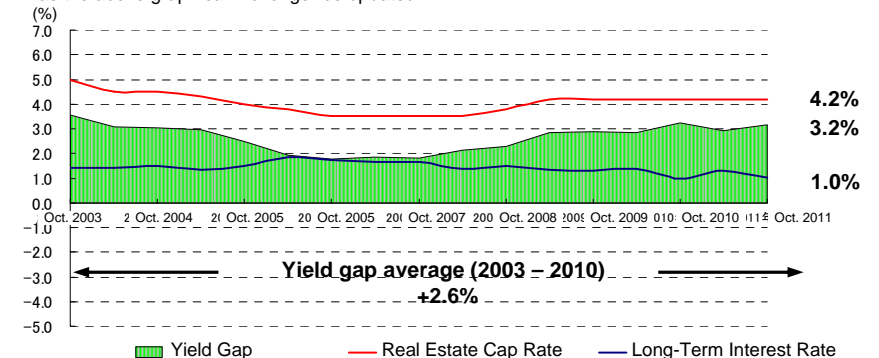
\* The MUTB-CBRE real estate investment index was discontinued and eliminated with the publication in May 2011 of data for 2010.



Changes in Yield Gap (2003 – 2011)

Source: Japan Real Estate Institute, "Japanese Real Estate Investor Survey"

\* The graph was prepared based on the Japanese Real Estate Investor Survey, as the above graph can no longer be updated.



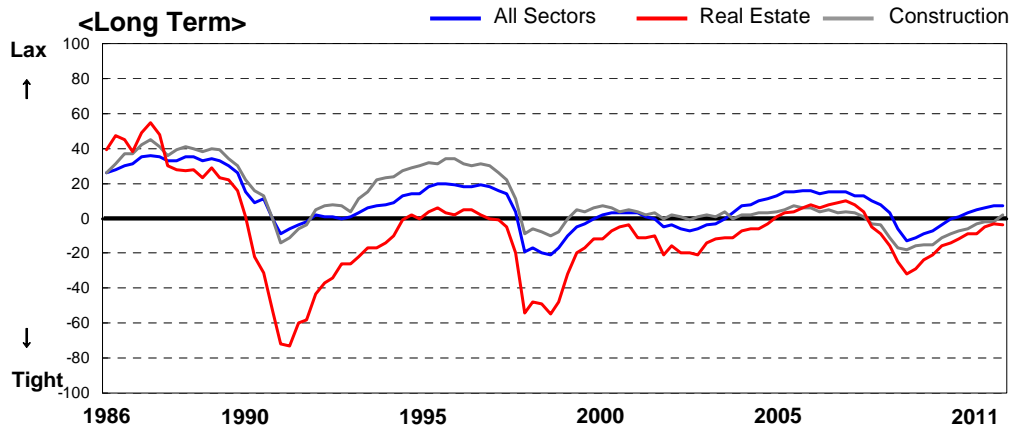
(Market cap rate of class A buildings in Marunouchi/Otemachi district)



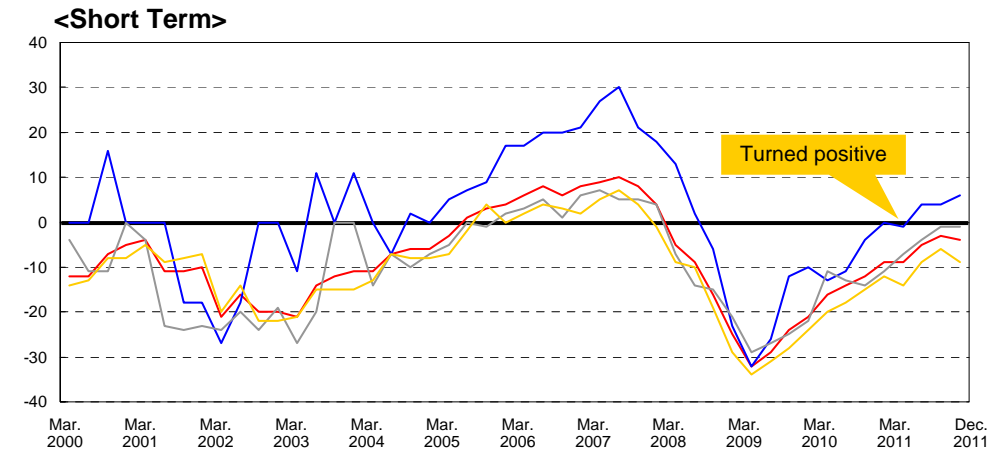
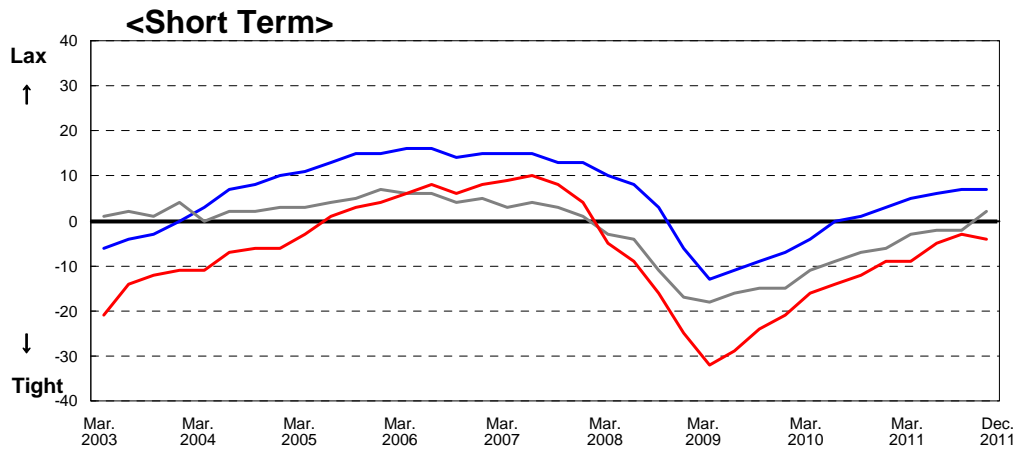
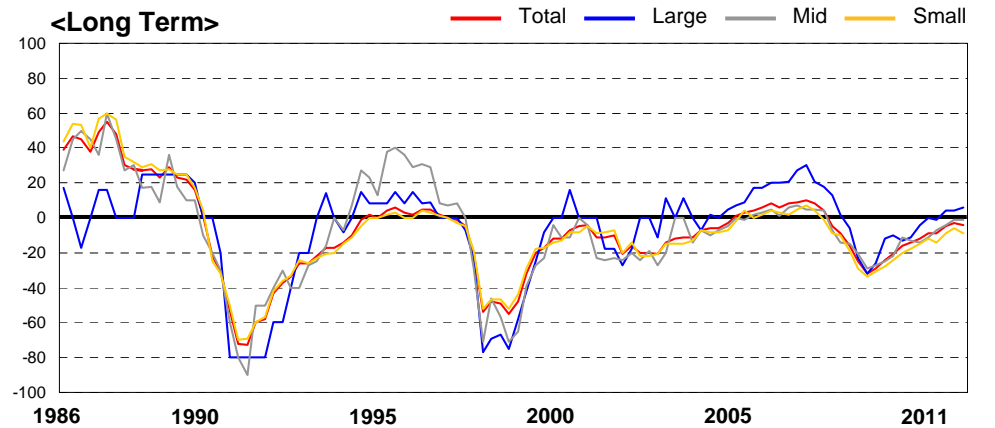
# Real Estate Trading Market Overview (2): Lending Attitude DI

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

**Lending Attitude DI by Sector**



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



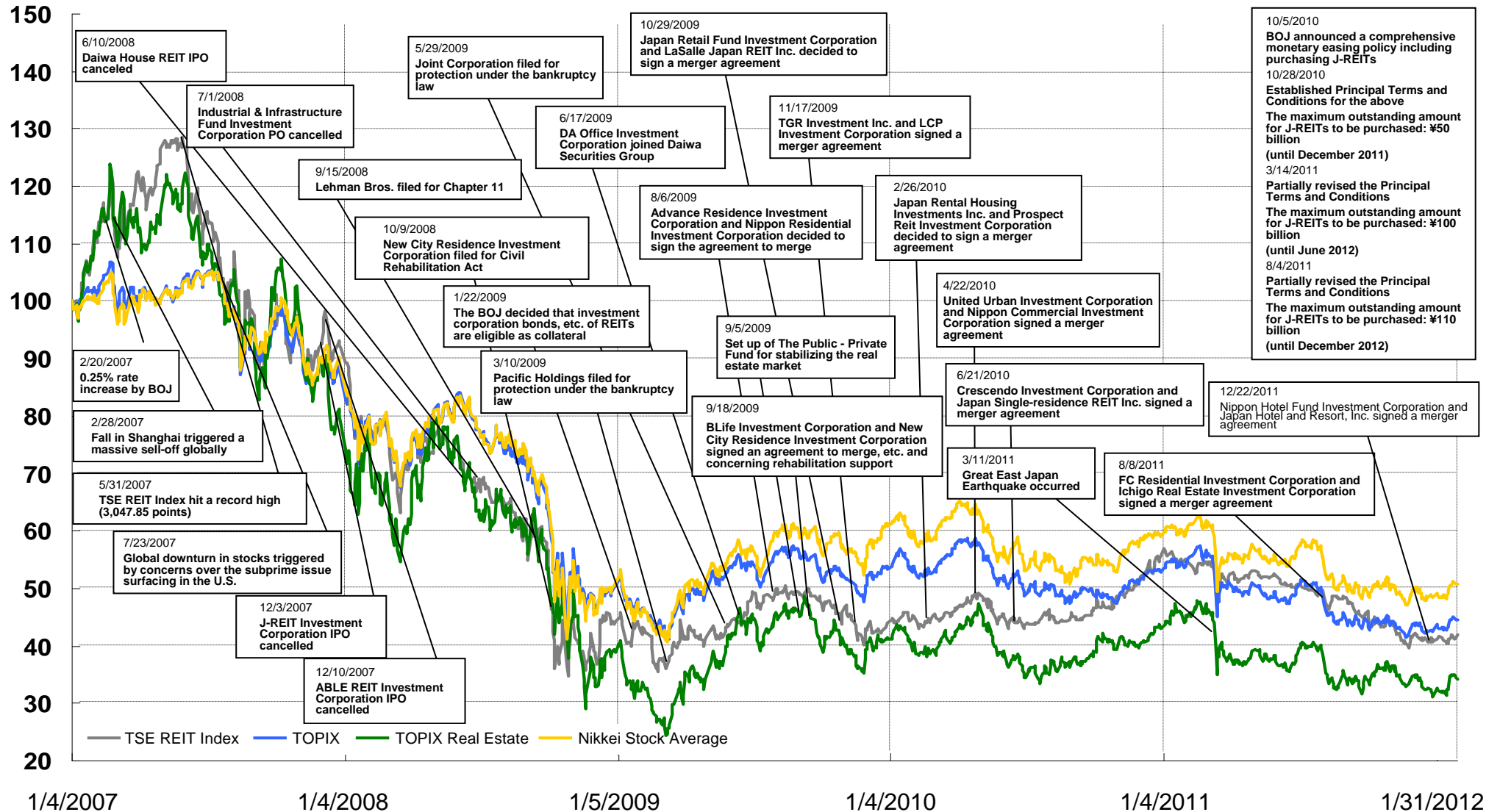
Source : BOJ "Tankan"  
(Note) REITs not covered in the survey

\* 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 until 2003, size was based on the number of employees.



# REIT Market Overview (1): Capital Market Trends Since 2007

1/4/2007 = 100



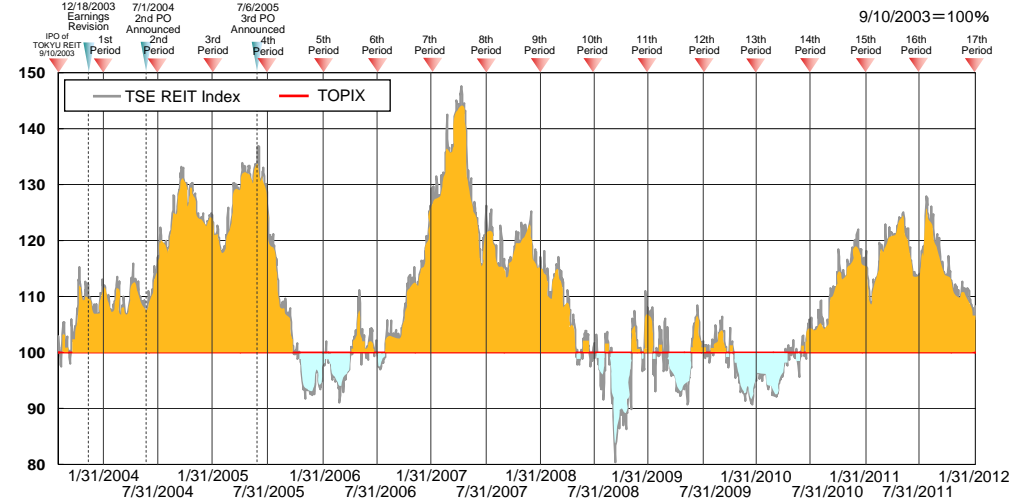
# REIT Market Overview (2): TSE REIT Index Performance

\* In the latter half of 2011, the TSE REIT Index fell more sharply than TOPIX.

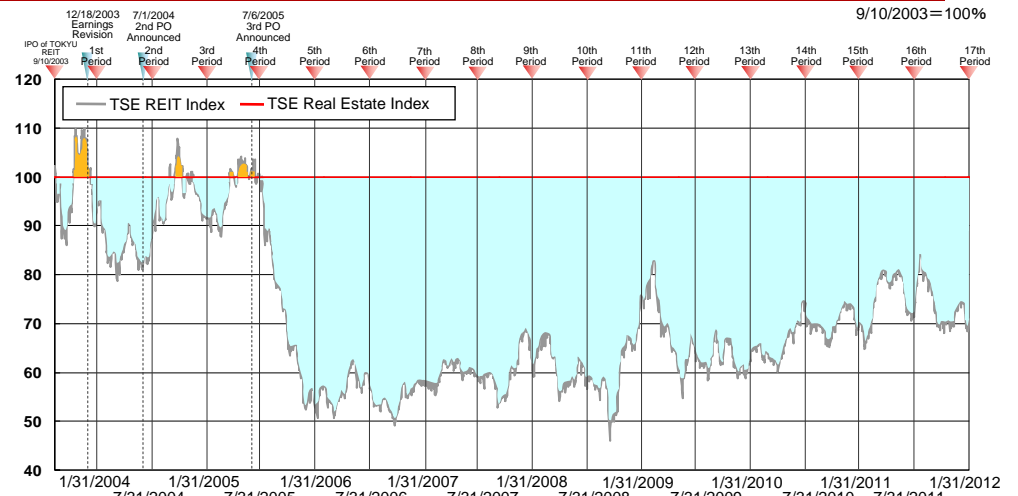
### TOPIX and TSE REIT Index Performance



### TSE REIT Index Performance Relative to TOPIX



### TSE REIT Index Performance Relative to TSE Real Estate Index



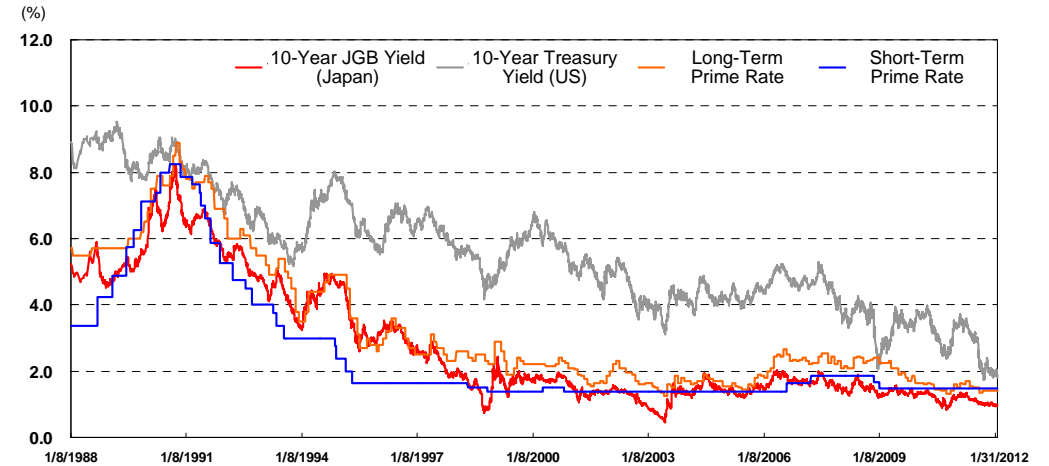
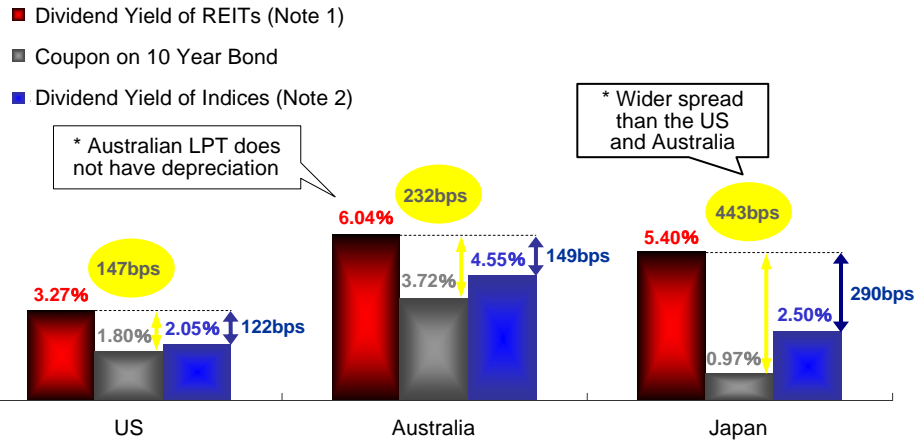
\*Comments by Tokyu REIM **80**

# REIT Market Overview (3): Comparison with Other Countries

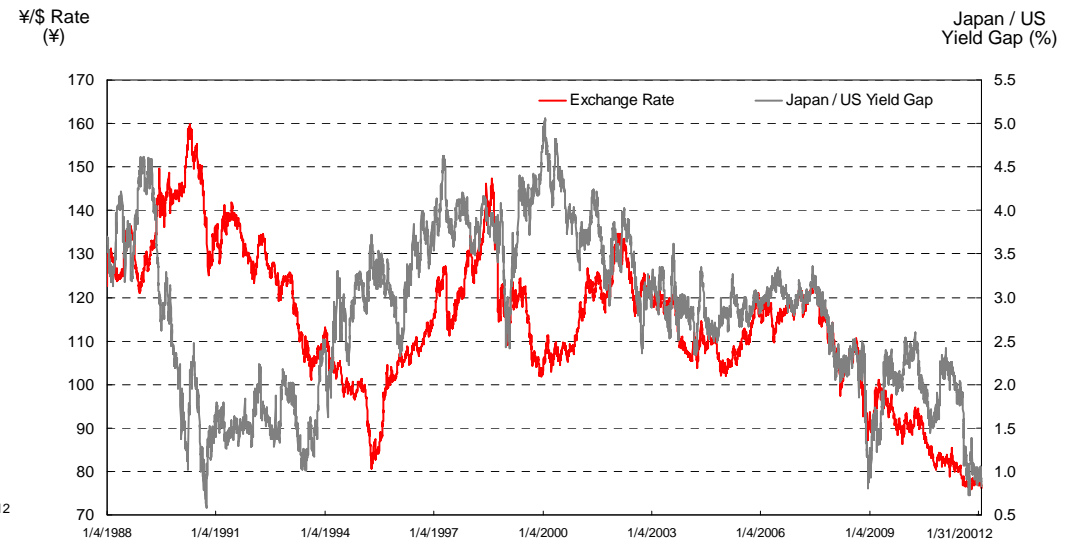
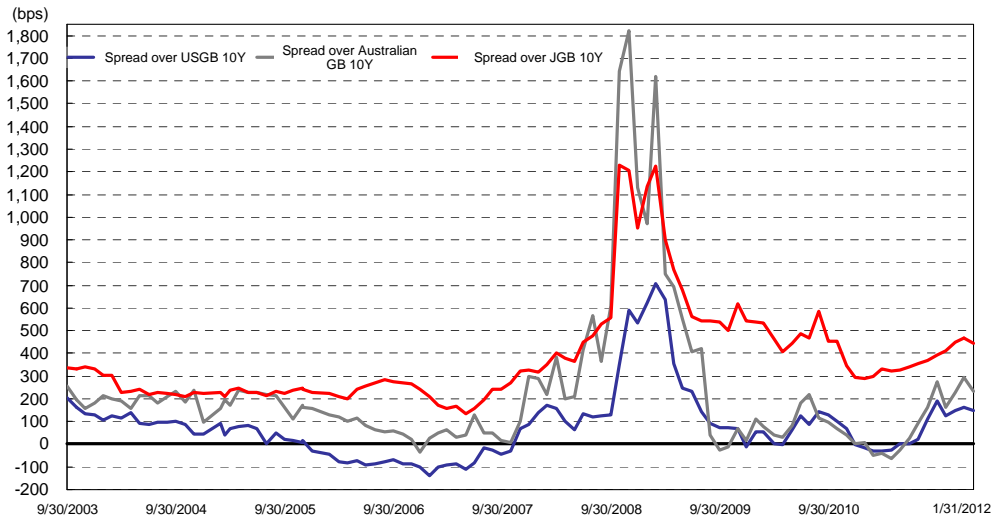
## Spread Over Risk Free Rate

## Major Interest Rates

As of 1/31/2012



## Japan / US Yield Gap vs. Exchange Rate



Source: Bloomberg and S&P

(Note 1) Based on S&P's REIT index by country/region; weighted average basis.

(Note 2) US based on S&P500, Australia based on ASX All Ordinaries, Japan based on TOPIX.

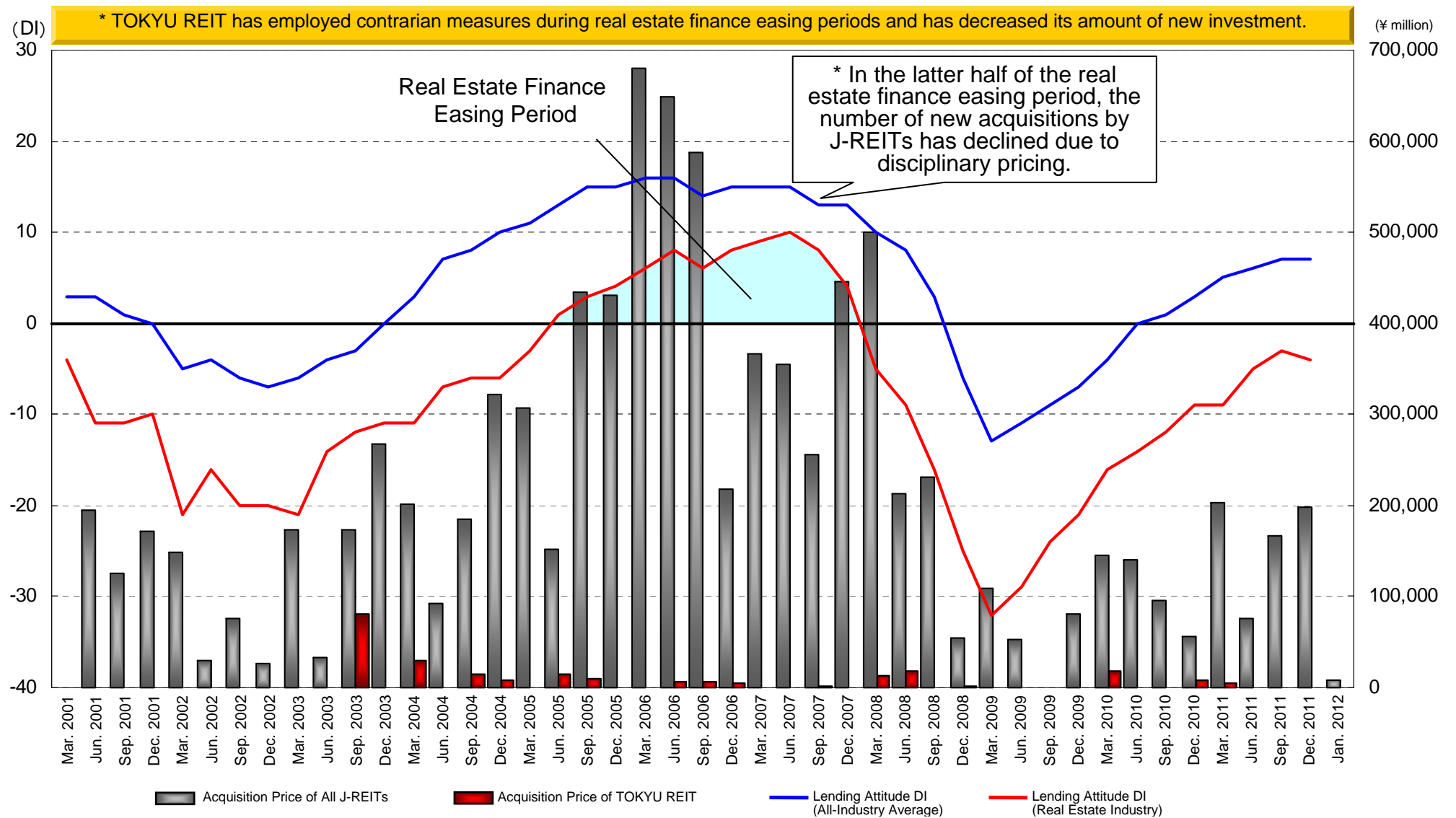
\* Japan / US Yield Gap = 10-Year US Treasury Yield – 10-Year JGB Yield

\*Comments by Tokyu REIM **81**



## 5. Appendix

# External Growth Timing and Pace (J-REIT Total vs. TOKYU REIT) 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). (However, "Jan. 2012" indicates results for the period from January 1, 2012 to January 31, 2012.)

Source: BOJ (Tankan Survey)

\*Comments by Tokyu REIM **83**

# 3-Minute Investment Highlights

## ~ TOKYU REIT's Characteristics ~

- Only invest in the Tokyo metropolitan area ~ Tokyo is a growing international city ~
- Invest in offices and retail properties ~ Stable earnings and growth potential ~
- Adoption of “Value & Contrary” (Long-Term Investment Strategy (“Surf Plan”))
  - ~ Also focusing on ROE as an equity product ~
- An investment management fee structure which puts us on the same boat with our shareholders
  - ~ No acquisition fees charged; an answer to the question about external investment management structure ~
- Strategic debt management
  - ~ Long-term fixed-interest debt financing; diversified repayment dates and averaging out individual amounts of repayment ~
  - ~ Annual repayment amount maintained within the established commitment line ceiling ~
- Strong commitment to governance ~ Excellent governance as a source of competitiveness ~
- Appropriate measures to avoid conflicts of interest and decision-making independent of the sponsor
  - ~ Optimal balance between sponsor collaboration and independence ~
- Management capability and commitment ~ Allocation of additional human resources ~
- Best disclosure and best investor relations
- No forward commitments for acquisition of properties to be developed
- Track record of highest dividends paid in the industry

# 3-Minute Investment Highlights

## ~ TOKYU REIT's Challenges and Solutions ~

### <Challenges>

- Relatively small portfolio size
    - ~ Insufficient economies of scale and diversification ~
  - Relatively small market capitalization
    - ~ Insufficient liquidity of investment units ~
- (Although being small is a weak point, growth potential is high)

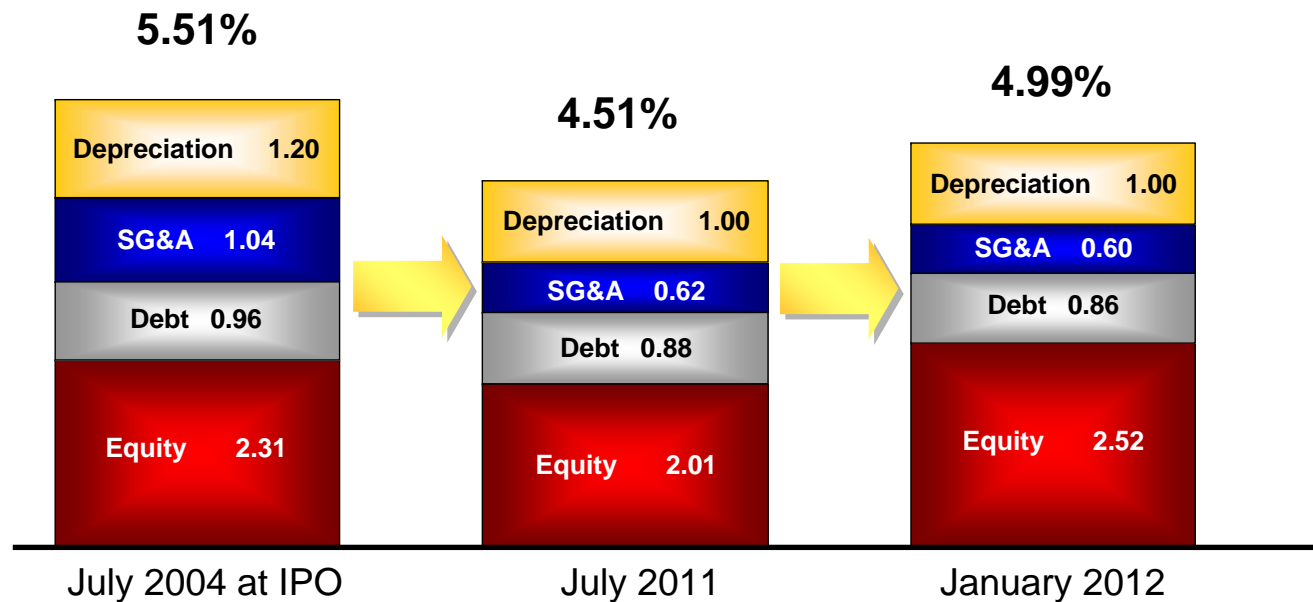
### <Solutions>

- Additional property acquisitions at the right timing
  - ~ Providing higher total returns to our shareholders ~
- Public offering at the right timing
  - ~ To add to our growth and liquidity ~

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

- 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	Debt 50
100	Equity 50



January 2012 vs. IPO

Hurdle Rate	-0.53 pts.
Depreciation	-0.20 pts.
SG&A	-0.44 pts.
Debt	-0.10 pts.
Equity	0.21 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 views of Tokyu REIM **86**



# Collaboration with Tokyu Group Companies

## Acquisition

- Pipeline Support: 13 of 29 properties accumulated thus far (¥100.86bn out of total acquisition price of ¥243.33bn)
    - 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 (Note) (14th Period; ¥9.03bn)
      - Tokyu Ginza 2-chome Building (16th Period; ¥5.01bn)
    - 2 of 11 Properties at time of IPO (Lexington Aoyama (Note), Tokyo Nissan Taito Building (Note))
- } Developed and contributed by Tokyu Group Companies
- ... Contributed by Tokyu Group companies  
(Note) Contributed by Tokyu Land Corporation and its subsidiaries
- 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 Group companies
    - Resona Maruha Building
    - Beacon Hill Plaza (Ito-Yokado Noukendai Store)
  - PM business outsourcing
  - Community-based tenant promotion capability
  - “TOKYU” brand licensing
    - “TOKYU REIT” name (free of change)
    - Building name change to “TOKYU REIT” brand (free of change)

## PM (Property Management)

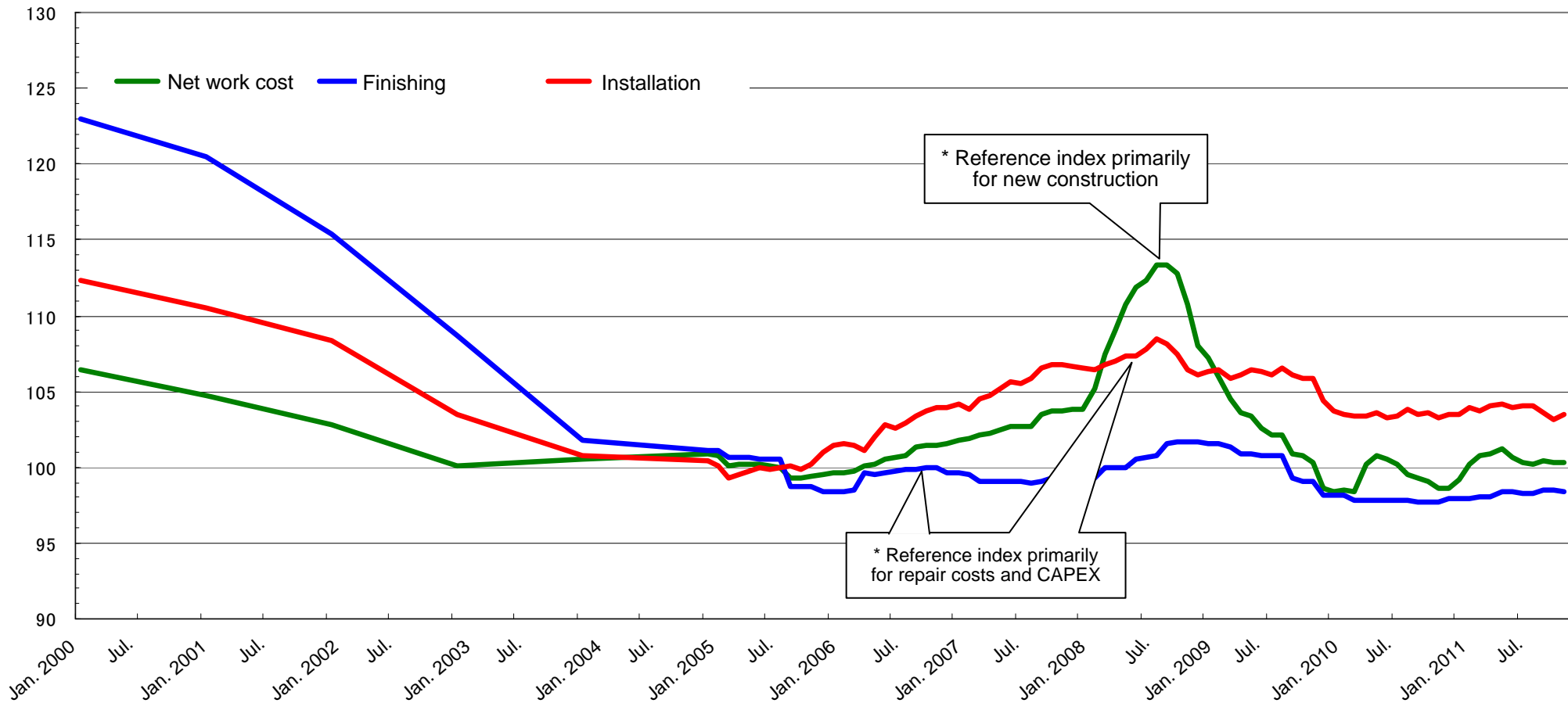
## Brand Strategy

“Tokyu Group Companies” on this page refers to any entity that falls under the following (1) to (3).

(1) Tokyu Corporation and its subsidiaries  
 (2) Affiliates within the scope of consolidation of Tokyu Corporation  
 (3) Any entity that falls under the following (i) to (iii):

(i) Tokyu Land  
 (ii) A consolidated subsidiary of Tokyu Land  
 (iii) A tokutei mokuteki kaisha (TMK) or special purpose entity (SPE) that was established based on the intention of Tokyu Land or a consolidated subsidiary of Tokyu Land and where the share of investment by undisclosed associations or other investment shares in that entity by the respective company exceeds 50%.

# Changes in Building Construction Cost Index (Office Buildings)



Source: Building Construction Cost Index – Table of Time-series Index (Table of Long-term Linked Index) published by the Economic Studies Division, Research Center, Construction Research Institute

\* Figures are calculated with the average value of 2005 set at 100.

(2005 and after: monthly data modeled on office buildings having an SRC structure)

(Up to 2004: annual data modeled on office buildings having an SRC structure, 9 floors above ground and 1-2 basement floors with a floor space of 7,000m<sup>2</sup>)

# Response to New Accounting Rules, etc.

## ■ Response Status for New Accounting Rules

Accounting Rule	Response Status
Disclosure of fair value of financial products	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).
Disclosure of fair value of investment and rental properties	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).
Asset retirement obligations	Application to start from the 15th fiscal period (ended Jan. 2011).
Disclosure of segment-related information	Application of dividing into 2 reporting segments (“office building leasing business” and “retail property leasing business”) to start from the 15th fiscal period (ended Jan. 2011).
Accounting standard for accounting changes and error corrections	Application to start from the accounting changes and corrections of past errors to be conducted after the beginning of the 17th period (ended January 2012).

## ■ Accounting Processing of Free-Rent Agreements

TOKYU REIT posts income based on cash (1st~17th fiscal period results and 18th~19th 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 the rent, which is actually received after the free-rent period is over, as income for the period in which the said rent is accrued (based on cash).
- Method of posting the pro-rated total rents of the agreement for the full period ((a)+(b)).

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