



18th Fiscal Period  
(February 1, 2012 to July 31, 2012)

# Financial Results Presentation

Investment in Highly Competitive Properties  
in Areas with Strong Growth Potential

Picture taken from Shibuya Hikarie in the direction of  
Sakuragaoka-cho, Dogenzaka and Udagawa-cho.

**TOKYU REIT**

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

<b>1. Investment Policy and Strategy</b>	<b>2</b>
<b>2. Topics of 18th Period</b>	<b>16</b>
(1) Financial Results and Forecast	<b>18</b>
(2) Investment Management Overview (External Growth)	<b>22</b>
(3) Investment Management Overview (Internal Growth)	<b>25</b>
(4) Debt Finance	<b>39</b>
<b>3. Fund Management</b>	
(1) Performance	<b>42</b>
(2) Debt Management and Composition of Unitholders	<b>50</b>
(3) Portfolio Management and Risk Management	<b>56</b>
<b>4. Market Review</b>	<b>66</b>
<b>5. Appendix</b>	<b>87</b>



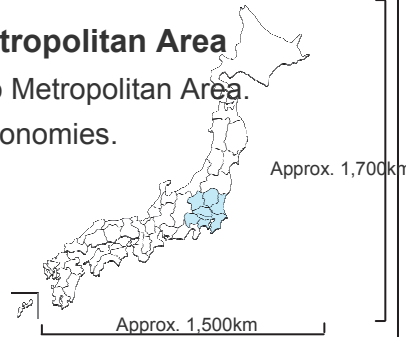
## 1. Investment Policy and Strategy

**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

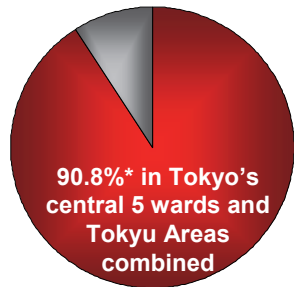
- No investment other than in the Tokyo Metropolitan Area.
- Eliminate downside risk of regional economies.
- Control earthquake risk through PML.  
(Set portfolio PML at 10% or lower)



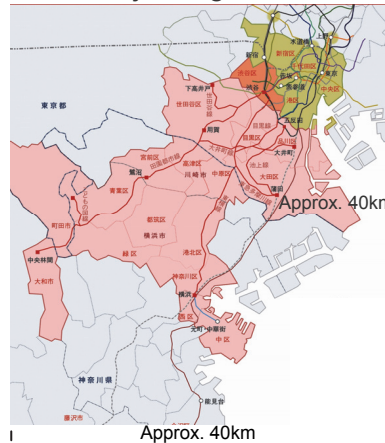
### ■ Concentrated investment in Tokyo's central 5 wards and in areas along Tokyo rail lines ("Tokyu Areas")

- Areas showing population growth and more growth potential in the Tokyo Metropolitan Area.
- Over 85% of investment conducted in these major target areas.

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



Based on appraisal value at end of 18th period.

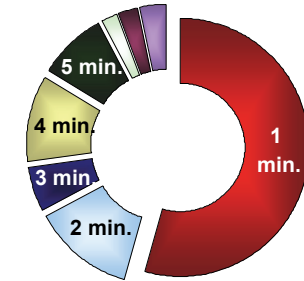


## Highly Competitive Properties

### ■ Location

- Office properties
  - Within a seven-minute walk from the nearest station as a rule.
- Retail properties
  - Conduct various surveys and analyses 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 from Nearest Station



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

\*Based on appraisal value at end of 18th period.

### ■ Size of properties

- Properties worth over 4 billion yen respectively as a rule.
- Over 5,000 m<sup>2</sup> of total floor space and over 330 m<sup>2</sup> of exclusive area in typical floor space (for office properties) as a rule.

**Average amount invested per property is 7.3 billion yen\* at present**

\*Based on appraisal value at end of 18th 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 = 54.1%\* : 45.9%\* currently**

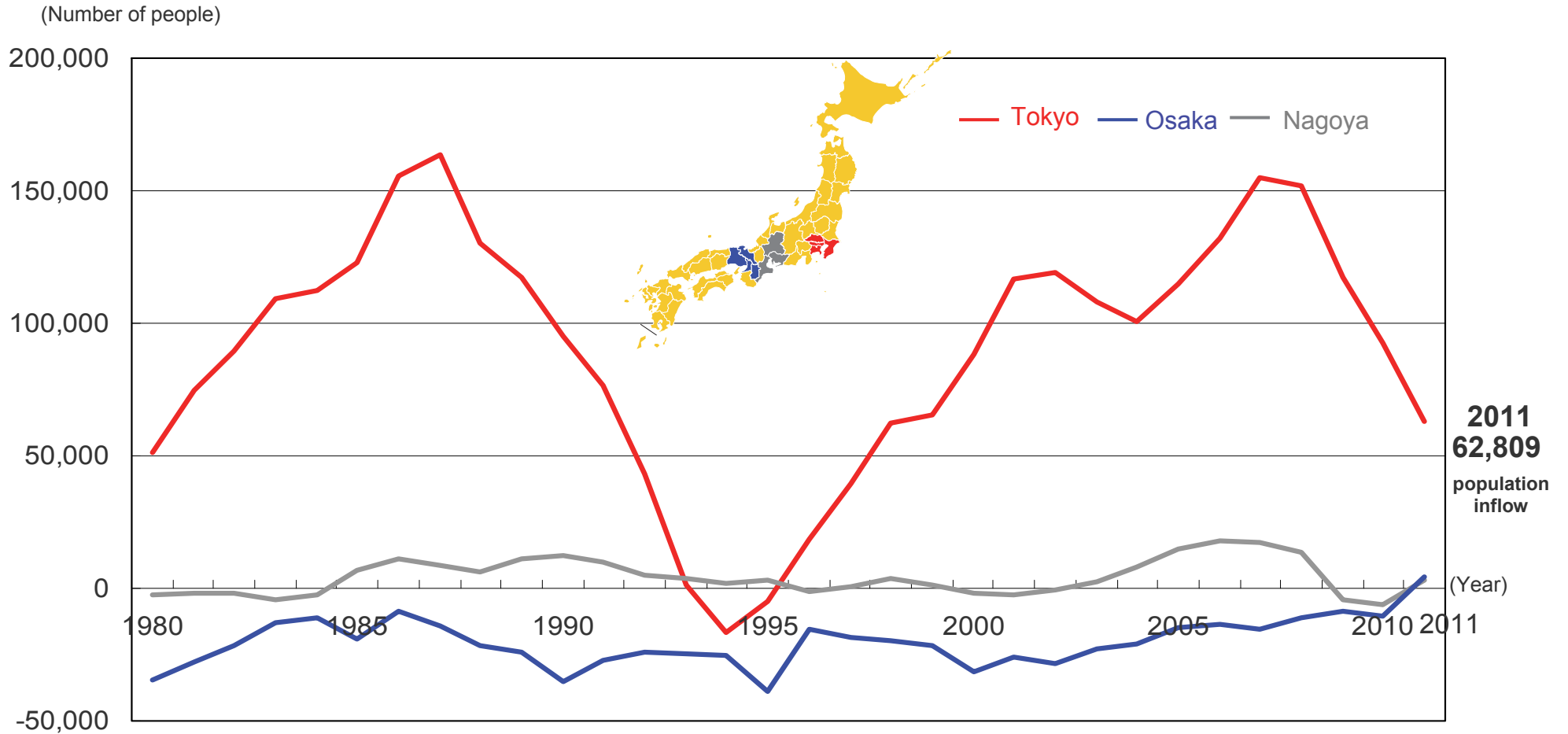
\*Based on appraisal value at end of 18th period.

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

\*This page represents the views of Tokyu REIM **3**

# 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

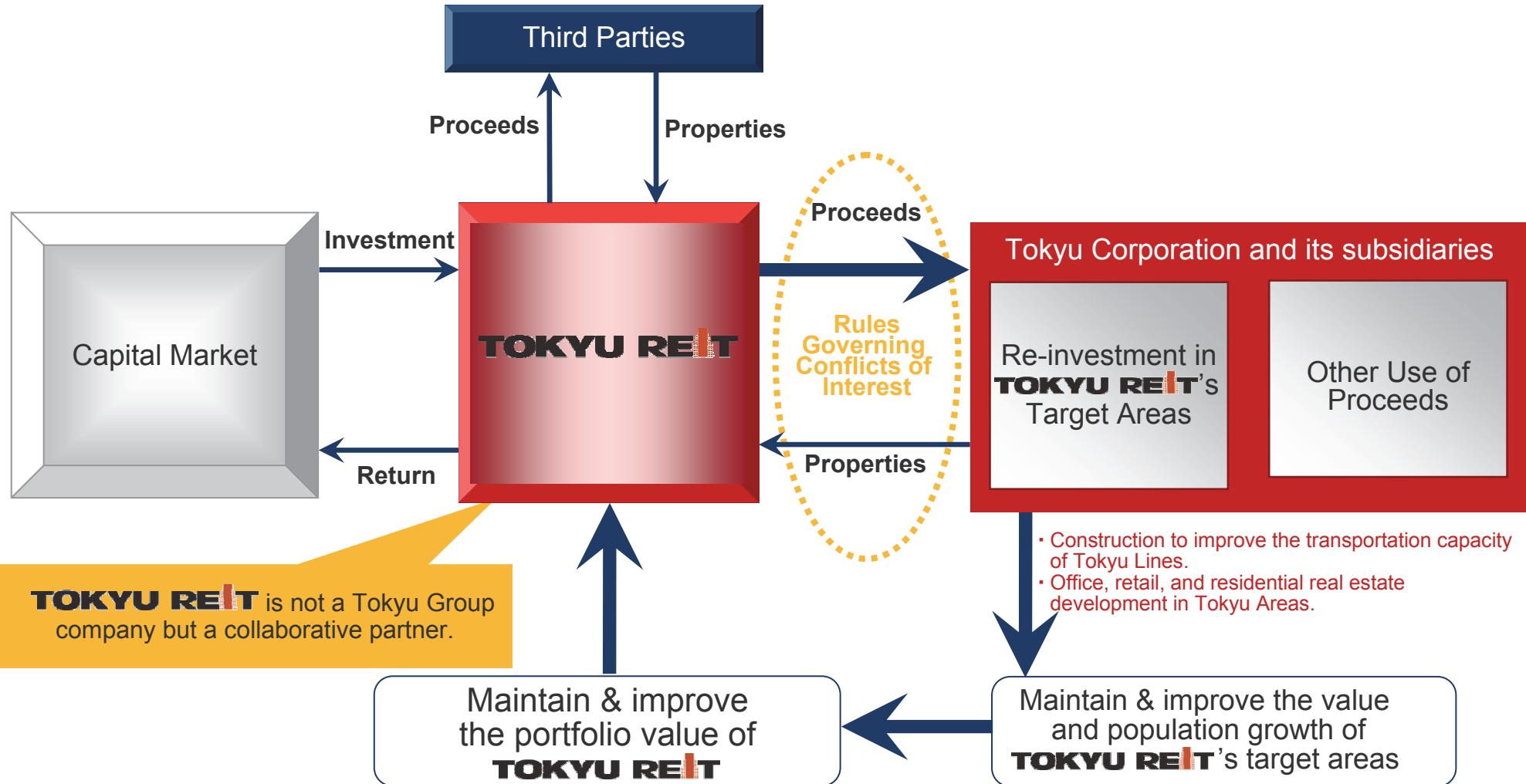
Fiduciary Duties of Tokyu REIM as REIT Management Company	<ul style="list-style-type: none"> <li>• Employ an investment stance that enables the fulfillment of the “Fiduciary Duties” that are fundamental to the fiduciary Investment Manager and to provide significant added value.</li> </ul>
Fund Structure 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 through collaboration with Tokyu Corporation (Note) and value enhancement of the Tokyu Areas (Capital Reinvestment Model).</li> </ul>
Brand Strategy	<ul style="list-style-type: none"> <li>• Leverage the “Tokyu Brand” name (in the names of REITs and buildings) based on the 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 (TOKYU REIT does not adopt an acquisition incentive 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>• Enriched IR structure by having 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 of those that fall 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 5

# TOKYU REIT Capital Re-investment Model

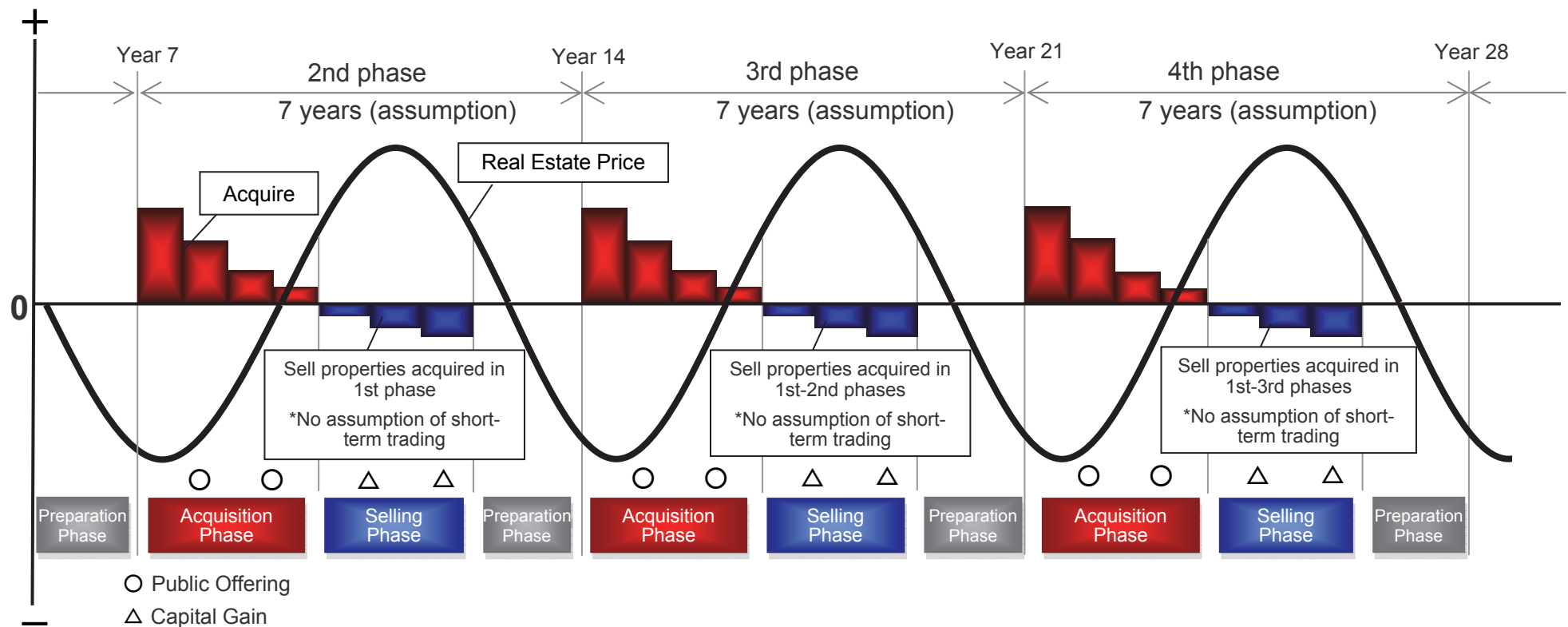
Growth and value enhancement of the Tokyu Areas (areas along Tokyu rail lines) through synergies from collaboration with Tokyu Corporation and its subsidiaries.



# Long-Term Investment Management Strategy (Surf Plan)

## Value & Contrary

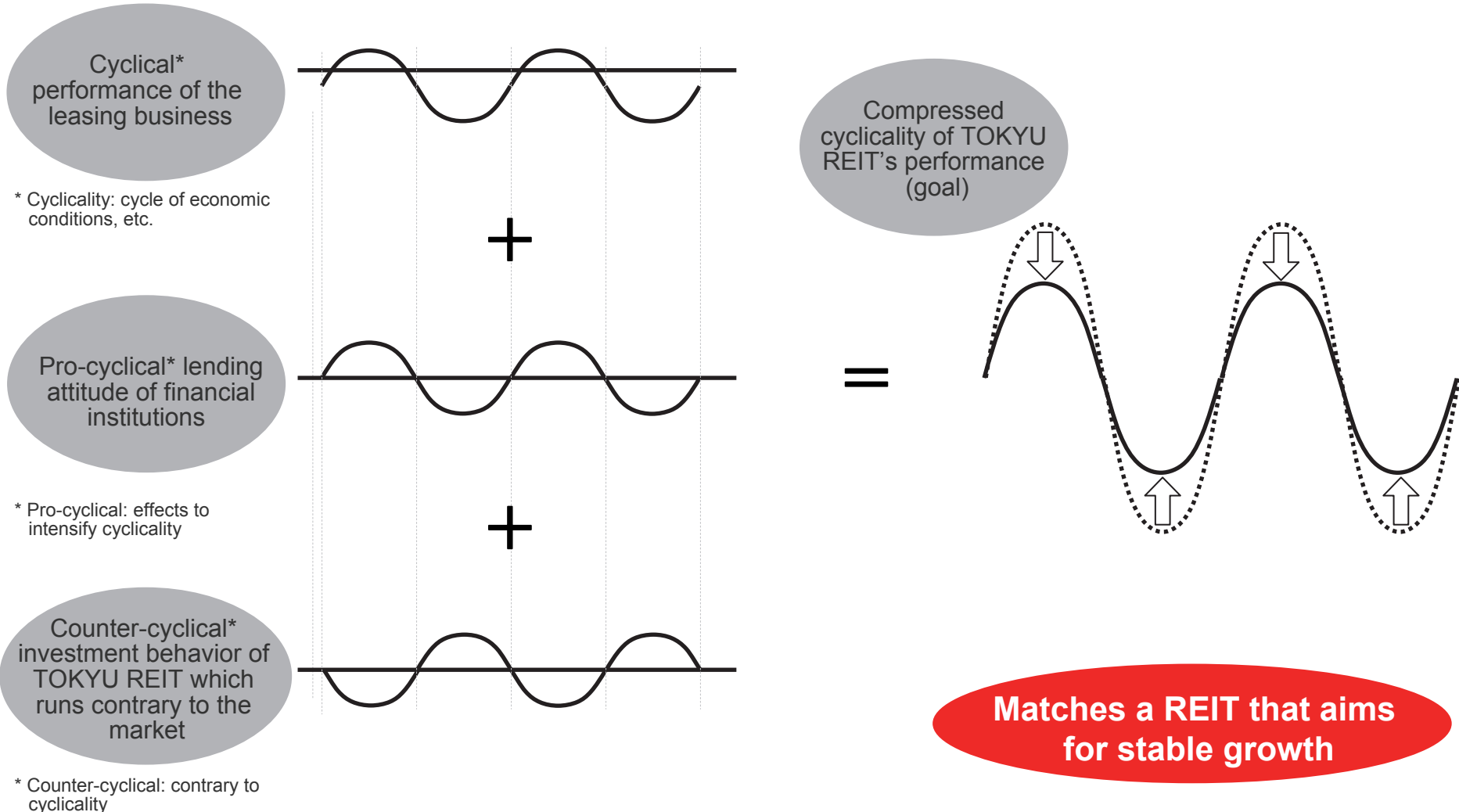
Focusing on the cyclicity of real estate prices, TOKYU REIT secures capital gains while interchanging properties, and achieves improvement of both portfolio quality (rejuvenating average age of properties, etc.) and adjusted ROE (capital yield after deduction of capital gains/losses) by contrarian investment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





# 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.



\*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%

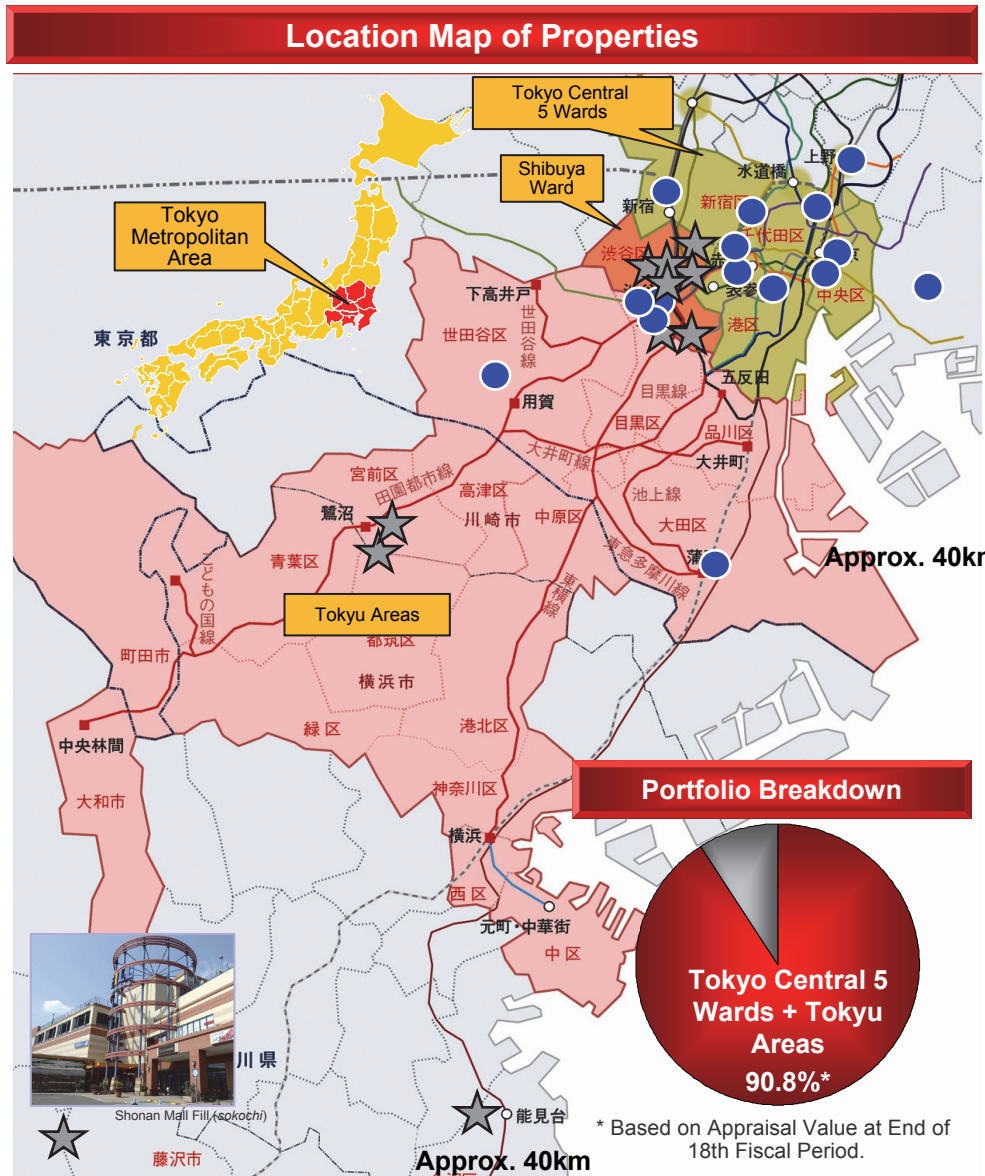
Item	Amount
Total Capital (¥ mn) a	98,020
Capital Gains/Losses (¥mn) b	12,716
Yokohama Yamashita-cho Building (Barneys New York Yokohama Store)	1,637
Resona Maruha Building	18,259
Ryoshin Harajuku Building	-7,180
Adjusted Capital after Deduction (¥ mn) c=a-b	85,304
Outstanding Units (Units) d	169,380
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 Nampo-dai-cho Bldg.	Tokyu Sakuragaoka-cho Bldg.	Tokyo Nissan Taito Bldg.	TOKYU REIT Akasaka Hinokicho Bldg.
TOKYU REIT Kamata Bldg.	TOKYU REIT Toranomon Bldg.	TOKYU REIT Hatchobori Bldg.	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

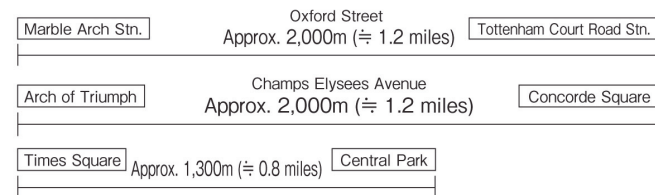
Total Acquisition Price does not include acquisition-related costs, property tax, city planning tax and consumption tax.

# Greater Shibuya Area Property Map



\* 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 on March 16, 2013.

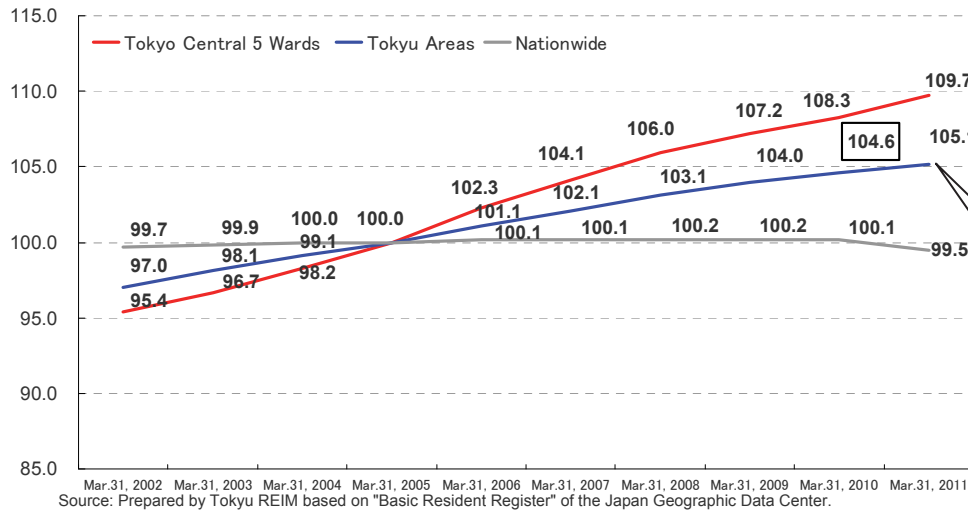
\* (Tentative name) Shibuya Miyashitacho Apartment Vacant Lot Project is a project in which a group represented by Tokyu Corporation concludes a fixed-term land lease agreement of 70 years with Tokyo Metropolitan Government and conducts operations.



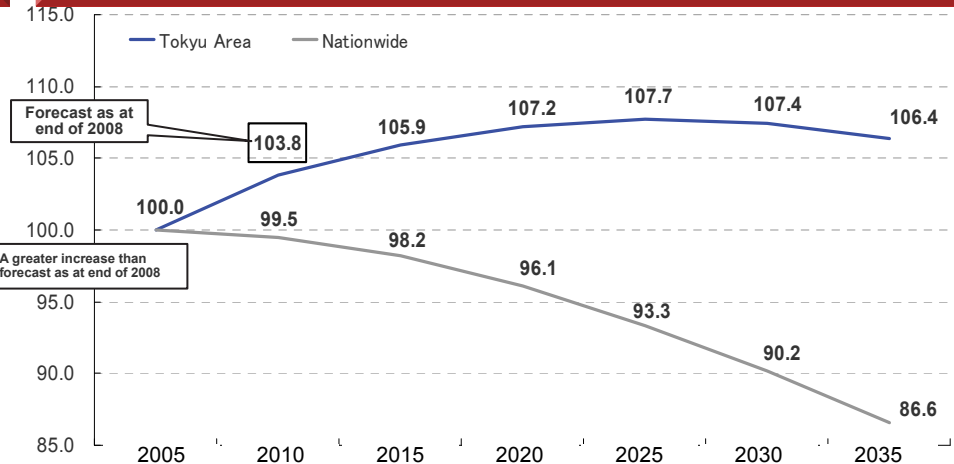
# Strengths of Major Target Areas (1)

\* 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)

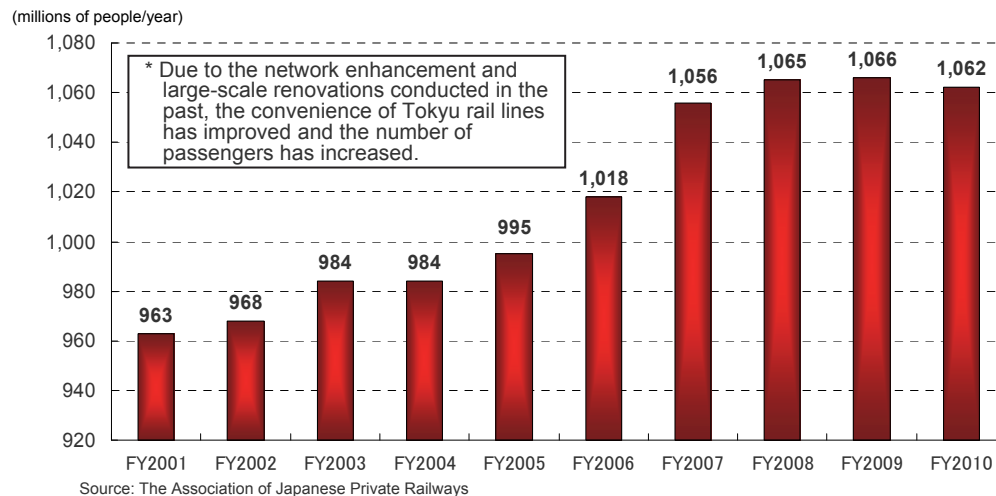


## Population Forecasts for Tokyu Areas (year 2005 = 100)

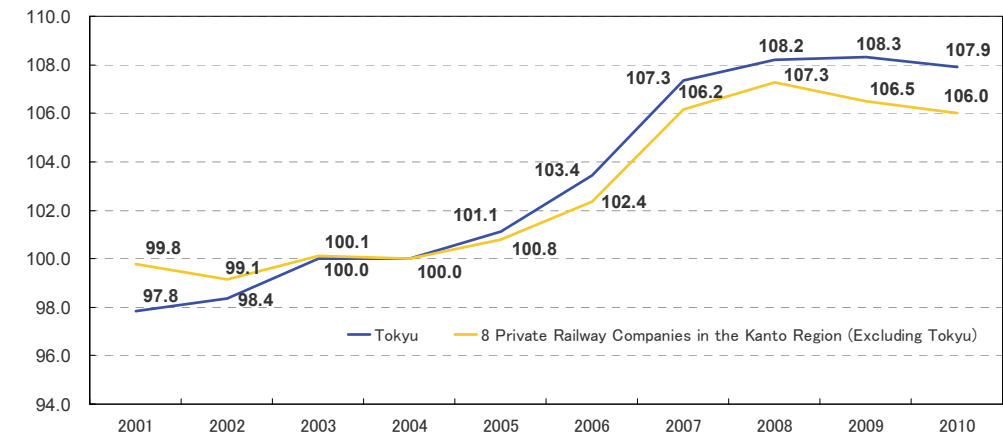


\* Tokyu Areas: Defined as the "17 cities and wards (i.e. -ku) which Tokyu rail lines pass through" (Shinagawa-ku, Meguro-ku, Ota-ku, Setagaya-ku, Shibuya-ku, and Machida-City in Tokyo prefecture, Kanagawa-ku, Nishi-ku, Naka-ku, Kohoku-ku, Midori-ku, Aoba-ku, Tsuzuki-ku in Yokohama City, Nakahara-ku, Takatsu-ku and Miyamae-ku in Kawasaki City, and Yamato City in Kanagawa prefecture.)  
\* Prepared by Tokyu Corporation based on the National Institute of Population and Social Security Research's data by municipalities.

## Number of Passengers Using Tokyu Rail Lines



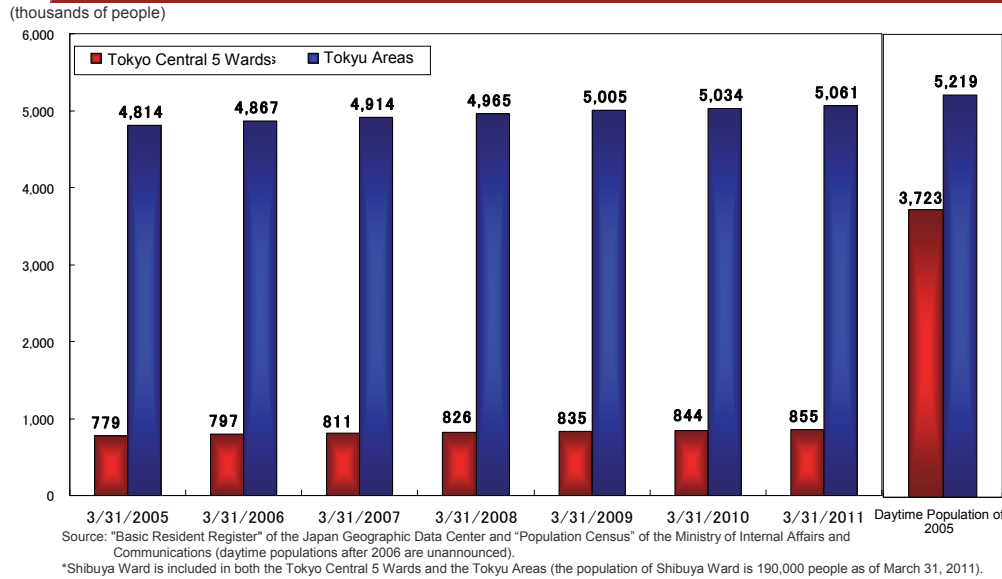
## Changes in the Number of Passengers (Fiscal 2004 (Fiscal Period Ended Mar. 2005) = 100)



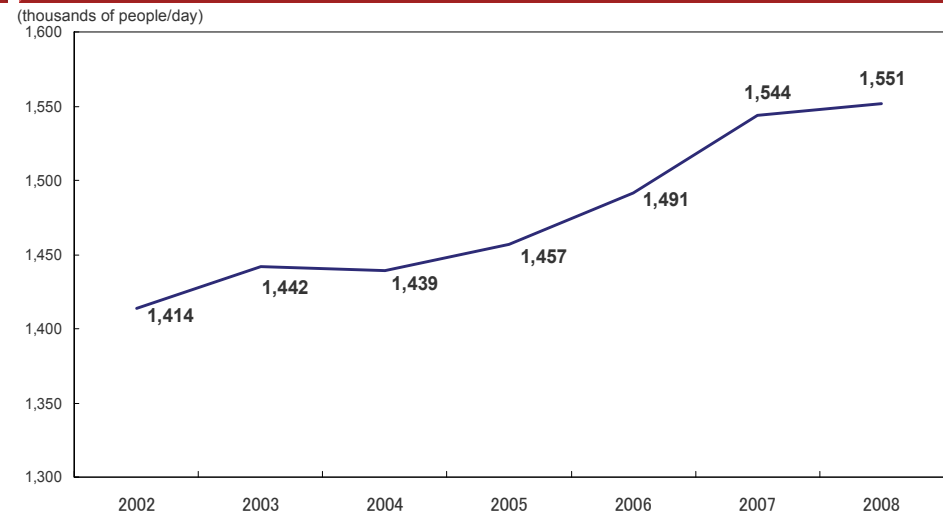
Source: Prepared by Tokyu REIM based on materials posted on the website of the Association of Japanese Private Railways.  
\* Eight Private Railway Companies in the Kanto Region (Excluding Tokyu) includes Tokyu Metro, Tobu, Odakyu, Keio, Seibu, Keikyu, Keisei and Sagami Railway.

# Strengths of Major Target Areas (2)

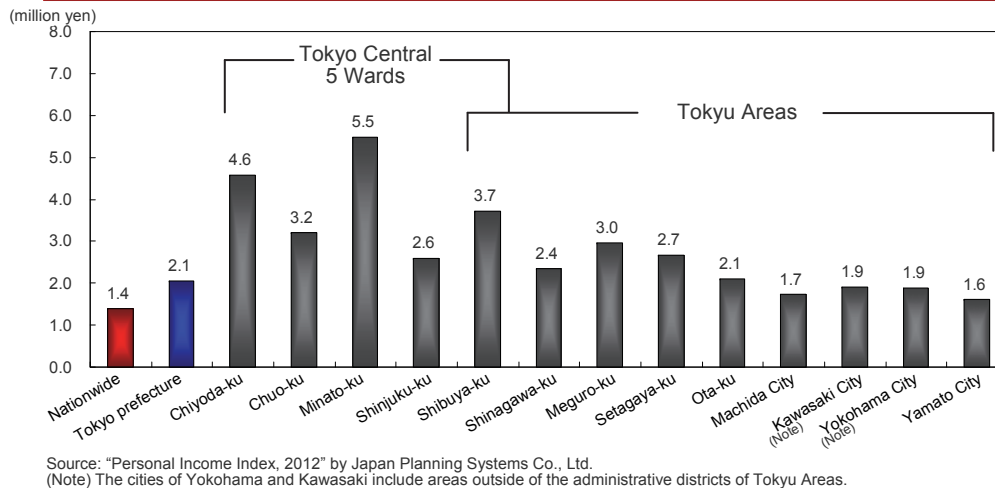
## Population of Major Target Areas



## Changes in the Number of Passengers Using Shibuya Station

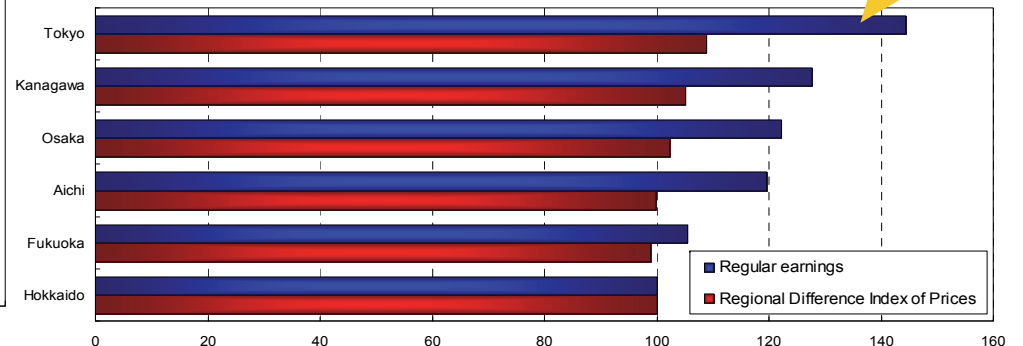


## Personal Income Taxation Level by Area (2010)



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

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



# 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%  (5.0% 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% (Note)	

(Note) As for Investment Management Fees in the 20th fiscal period, it is assumed that reduction of a similar degree as the 19th fiscal period will occur due to negotiations for continuing time-limited reduction that is being implemented with the Investment Management Company.

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

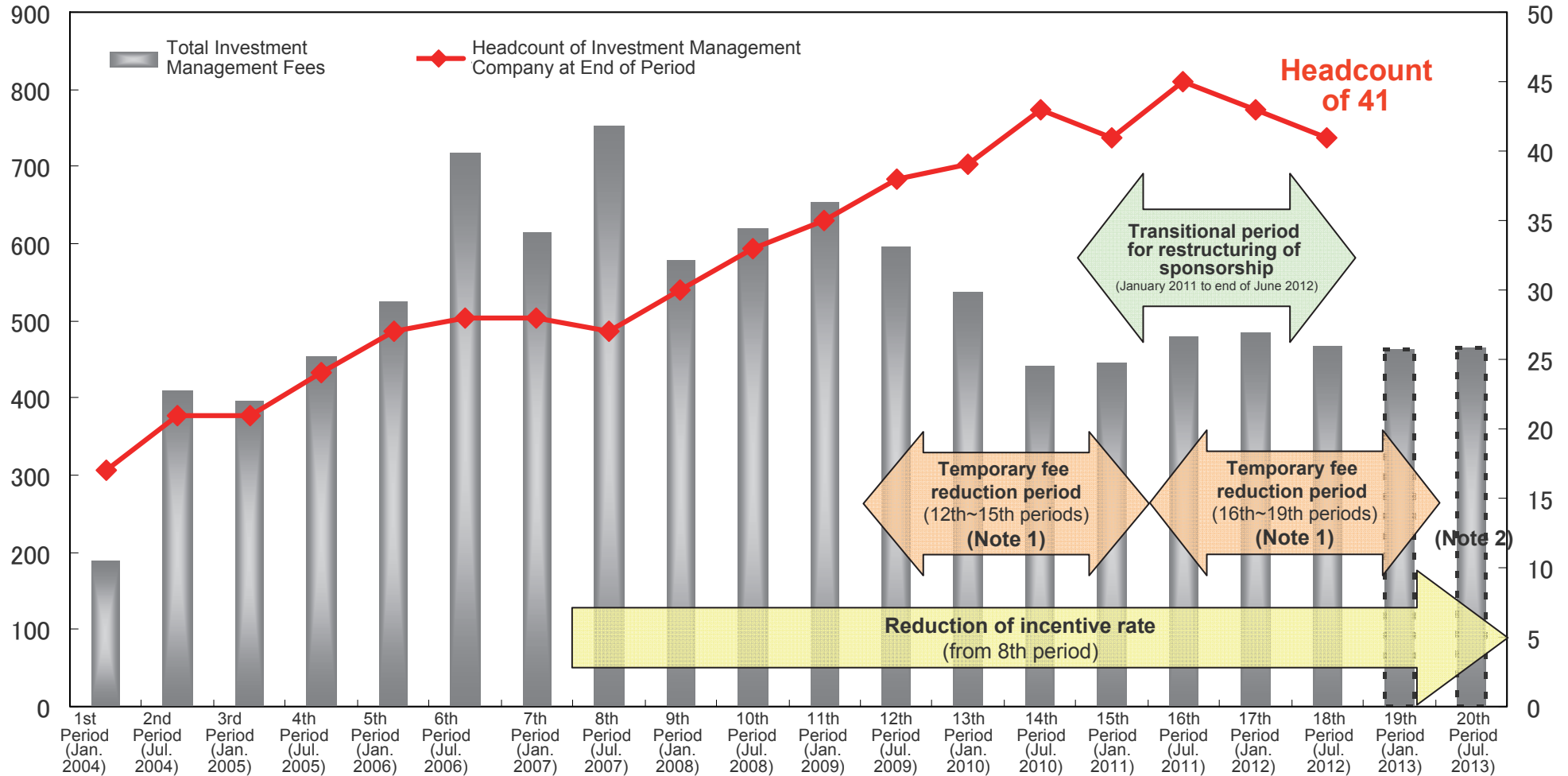
**\* The above fees are all booked as expenses. TOKYU REIT does not have a fee structure that leaves the income statement unaffected, such as the acquisition incentive fee, which is capitalized as an acquisition cost.**

# Total Investment Management Fees and Headcount of Investment Management Company

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

Total Investment Management Fees  
(¥ million)

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



(Note 1) In implementing the temporary fee reduction, the Investment Management Company has announced to TOKYU REIT that it will not lower the level of services it provides.

(Note 2) As for Investment Management Fees in the 20th fiscal period, it is assumed that reduction of a similar degree as the 19th fiscal period will occur due to negotiations for continuing time-limited reduction that is being implemented with the Investment Management Company.





## 2. Topics of 18th Period

## (1) Financial Results and Forecast

- Operating results surpassing initial forecast (DPU for 18th period: ¥11,705).
- Aim to maintain and raise the forecast DPU of ¥11,100 (19th period) and ¥11,500 (20th period).

## (2) External Growth

- Judges to be in an “acquisition period.”
- Proactively investigate acquiring and interchanging properties.

## (3) Internal Growth

- Occupancy improved significantly in urban retail properties and office properties, of which rent levels are high.
- Foremost aim is to invite new tenants to properties on which leasing activities are focused.
- Gap in rents to shrink.

## (4) Debt Finance

- Achieve diversification of repayment dates, prolonged loan periods, fixed-interest for all debt financing (19th period) and lowered borrowing interest rates.



## **2. Topics of 18th Period**

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

# Overview of Financial Results

		18th Period Actual	17th Period Actual	Change	Change	18th Period	Change	Change
		Ended Jul. 2012 (182 days)	Ended Jan. 2012 (184 days)			Forecast as of 3/15/2012		
Distribution per Unit	(¥)	11,705	13,106	-1,401	-10.7	11,000	705	6.4
Adjusted ROE	(%)	4.66	5.16	-0.50				
Occupancy Rate (End of Period)	(%)	94.7	94.0	0.7		93.3	1.4	—
NOI Yield	(%)	4.40	4.63	-0.23		4.29	0.11	—
Unrealized Gain	(¥ million)	1,367	310	1,057	341.0			
Adjusted Net Asset Value (NAV) per Unit	(¥)	586,771	580,532	6,239	1.1			
Average Balance of Assets during the Period (Based on Acquisition Price)	(¥ million)	199,672	199,672	—		199,672	—	
Average Unit Price during the Period	(¥)	401,664	406,642	-4,978	-1.2			

## <Acquisition Capacity>

LTV at End of Period	(%)		48.2	48.3	-0.1
Balance of Cash and Bank Deposits at End of Period	(¥ million)		3,939	3,917	22
Acquisition Capacity through Cash and Bank Deposits	(¥ million)	a	1,957	1,697	259
Acquisition Capacity through Debt	(¥ million)	b	7,025	6,496	529
Total Acquisition Capacity	(¥ million)	a+b	8,982	8,193	789

Detailed B/S and P/L data  
are presented in the  
separate DATA BOOK.

- \* Adjusted ROE = Distribution Amount after Deduction of Capital Gains / (Total Capital – Accumulated Distribution of Capital Gains)
- \* 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 + Balance of Cash and Deposits with Banks at End of Period)
- \* Acquisition Capacity through Debt indicates the potential acquisition by debt assuming a maximum LTV at the end of the period of 50%.
- \* 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.

# Forecast (Comparison with Initial Forecast)

		19th Period Estimates as of 3/15/2012 (184 days)	19th Period Estimates as of 9/13/2012 (184 days)	Change
Distribution per Unit	(¥)	11,000	11,100	100

Operating Revenues	(¥ million)	6,214	6,339	124
Operating Income	(¥ million)	2,656	2,672	15
Net Income	(¥ million)	1,863	1,880	16

Adjusted ROE	(%)	4.33	4.37	0.04
NOI	(¥ million)	4,252	4,276	24
NOI Yield	(%)	4.22	4.25	0.03
LTV / Total Assets at End of Period	(%)	42.1	42.9	0.8
LT Debt Ratio at End of Period	(%)	99.0	100.0	1.0
Period End Occupancy Rate	(%)	93.3	95.9	2.6
Retail (Urban)	(%)	92.4	97.0	4.6
Retail (Suburban)	(%)	100.0	100.0	0.0
Office	(%)	86.2	91.2	5.0

## (Major change)

### (Revenues)

Increase in utility charge revenues  
¥ +44 million

Increase in rental revenues  
¥ +21 million

### (Expenses)

Increase in repair and maintenance  
¥ -71 million

Air-conditioning system upgrading of  
Tokyu Sakuragaoka-cho Building and  
Tokyo Nissan Taito Building, repair and  
maintenance construction of OA floors of  
TOKYU REIT Kamata Building, etc.

Increase in utility charges  
¥ -24 million

Decrease in property and other taxes  
¥ +20 million

20th Period Estimates Ending Jul. 2013 (181 days)	Change
11,500	400

6,363	24
2,710	38
1,947	67

4.61	0.24
4,305	29
4.35	0.10
43.0	0.1
100.0	0.0
95.3	-0.6
95.7	-1.3
100	0.0
90.1	-1.1

\* In calculating the estimated period end occupancy rate, it is assumed that spaces for which notices of cancellation were received as of August 31, 2012 will remain vacant after the move-outs of relevant tenants. Similarly, spaces that were vacant as of August 31, 2012 are assumed to remain vacant.

\* The effect of the recent stagnant 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

\* As for Investment Management Fees in the 20th fiscal period, it is assumed that reduction of a similar degree as the 19th fiscal period will occur due to negotiations for continuing time-limited reduction that are being implemented with the Investment Management Company.

# Forecast (Comparison with Previous Fiscal Period)

		18th Period Actual Ended Jul. 2012 (182 days)	19th Period Actual Ended Jan. 2013 (184 days)	Change
Distribution per Unit	(¥)	11,705	11,100	-605
Operating Revenues	(¥ million)	6,360	6,339	-21
Operating Income	(¥ million)	2,771	2,672	-99
Net Income	(¥ million)	1,982	1,880	-102
Adjusted ROE	(%)	4.66	4.37	-0.29
NOI	(¥ million)	4,377	4,276	-101
NOI Yield	(%)	4.40	4.25	-0.15
LTV / Total Assets at End of Period	(%)	43.4	42.9	-0.5
LT Debt Ratio at End of Period	(%)	100.0	100.0	0.0
Period End Occupancy Rate	(%)	94.7	95.9	1.2
Retail (Urban)	(%)	97.0	97.0	0.0
Retail (Suburban)	(%)	100.0	100.0	0.0
Office	(%)	88.4	91.2	2.8

(Major change)

(Revenues)

Decrease in rental revenues  
¥ -69 million  
Increase in other revenues  
¥ 48 million

(Expenses)

Increase in repair and maintenance  
¥ -79 million  
Air-conditioning system upgrading of Tokyu Sakuragaoka-cho Building and Tokyo Nissan Taito Building, repair and maintenance construction of OA floors of TOKYU REIT Kamata Building, etc.  
Increase in utility charge revenues  
¥ -28 million

(Non-operating/Extraordinary profit/losses)

Decrease in interest expenses  
¥15 million  
Removal of amount reversed into allowance for disaster losses  
¥ -14 million

\* In calculating the estimated period end occupancy rate, it is assumed that spaces for which notices of cancellation were received as of August 31, 2012 will remain vacant after the move-outs of relevant tenants. Similarly, spaces that were vacant as of August 31, 2012 are assumed to remain vacant.

\* The effect of the recent stagnant 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.**

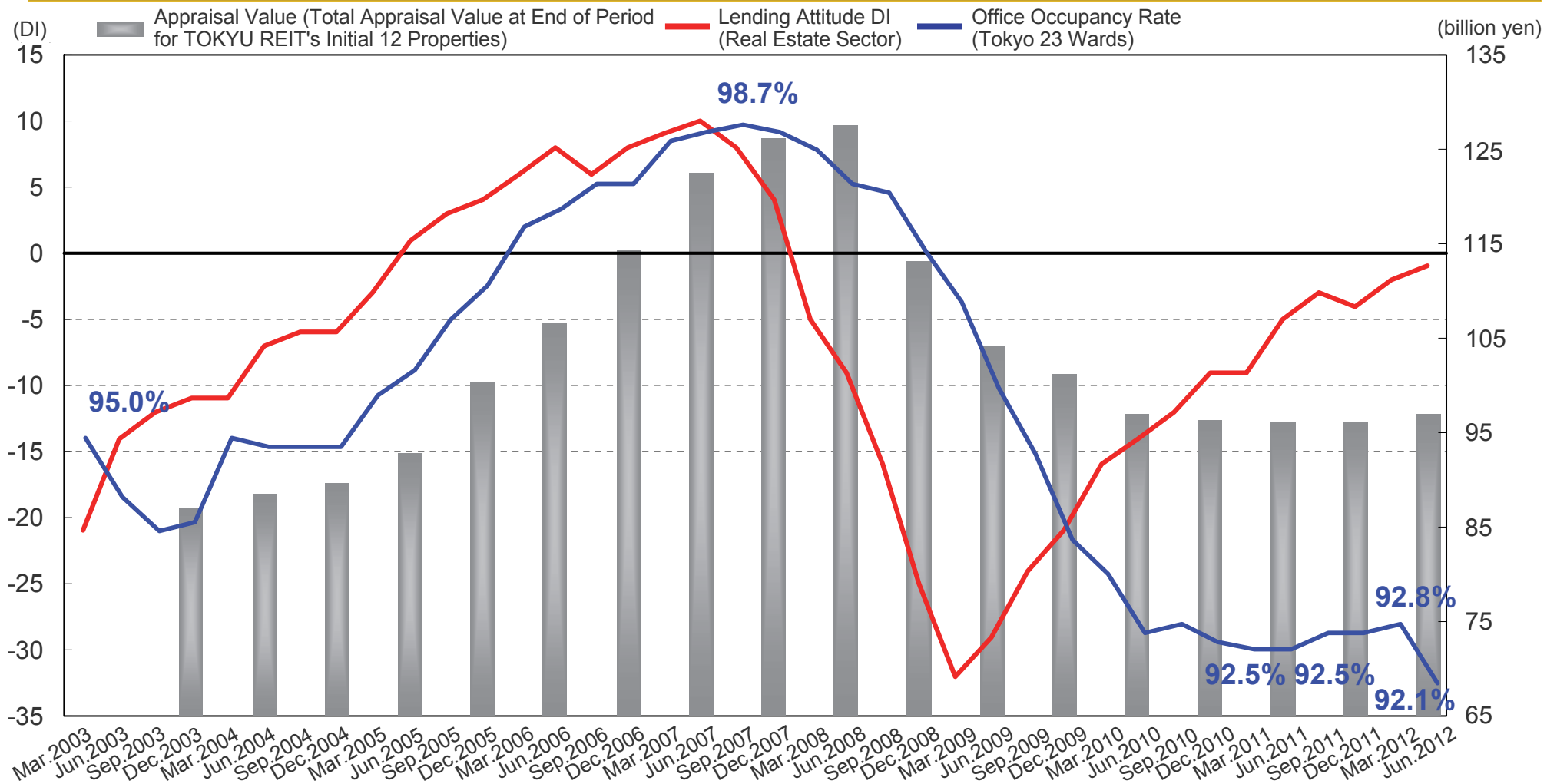


## **2. Topics of 18th Period**

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

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

**\* Real estate prices have bottomed out.**



\* "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.

\*Comments by Tokyu REIM



# Investment Activities

By placing the 19th period ending January 2013 as an “acquisition period” as well, TOKYU REIT will proactively investigate property acquisitions in the period.

Investment Activity		18th Fiscal Period		19th Fiscal Period
		Policy	Results	Policy
Acquisition	Office	<ul style="list-style-type: none"> <li>Primarily deliberate properties worth more than 4 billion yen, in addition to 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> <li>Continuing deliberation.</li> </ul>	<ul style="list-style-type: none"> <li>Continuously add value properties worth more than 4 billion yen to our deliberations, in addition to quality properties in the 10 billion yen range.</li> <li>Continue trade and warehousing discussions with the sponsor, in addition to sourcing from the market.</li> </ul>
	Retail (Urban)	<ul style="list-style-type: none"> <li>Deliberate under-priced properties in addition to quality properties.</li> </ul>	<ul style="list-style-type: none"> <li>There were projects that were considered, but no contracts were concluded.</li> <li>Continuing deliberation.</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 sale prices of specific properties.</li> </ul>	<ul style="list-style-type: none"> <li>Make preparations for property sales in a dynamic and flexible way.</li> <li>Prioritize properties for sale.</li> </ul>

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

\* TOKYU REIT did not receive property introductions from Tokyu Land Corporation and its subsidiaries based on the memorandum related to the provision of opportunities to acquire owned real estate assets during the 18th period.

\*This page represents the views of Tokyu REIM

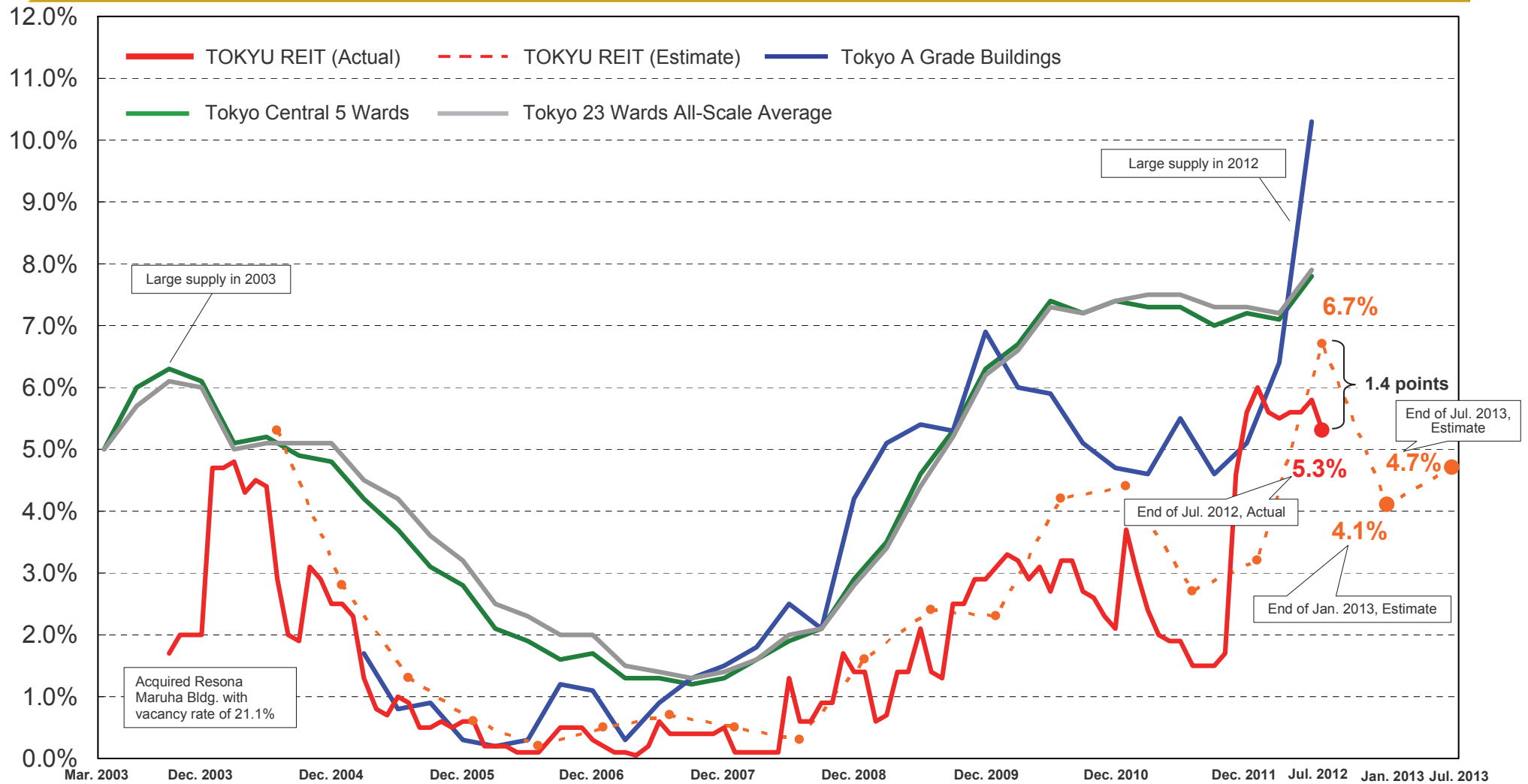


## **2. Topics of 18th Period**

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

# Changes in Vacancy Rate

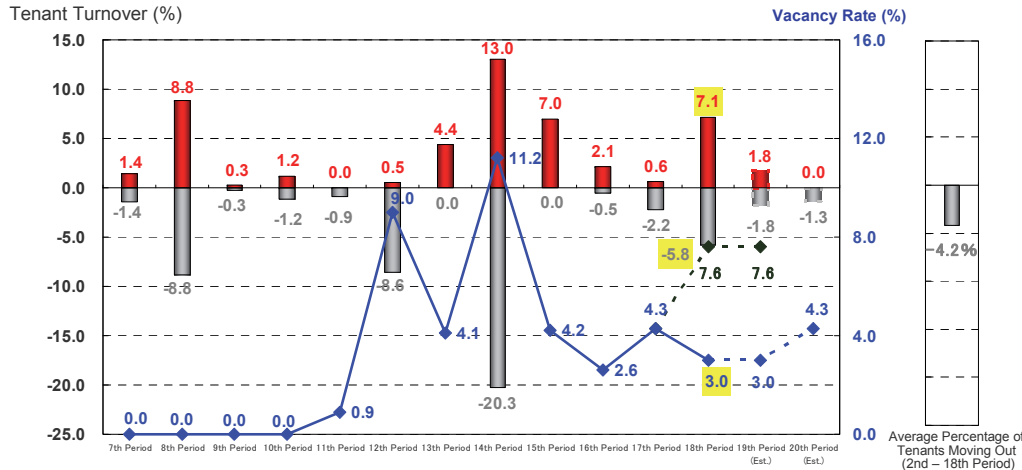
**\* At TOKYU REIT, leasing activities for spaces from which large tenants moved out have progressed and the vacancy rate decreased.**



# Changes in Tenant Turnover and Vacancy Rate

**\* Vacancy rate significantly improved in both Retail (Urban) and Office.**

## Retail (Urban)

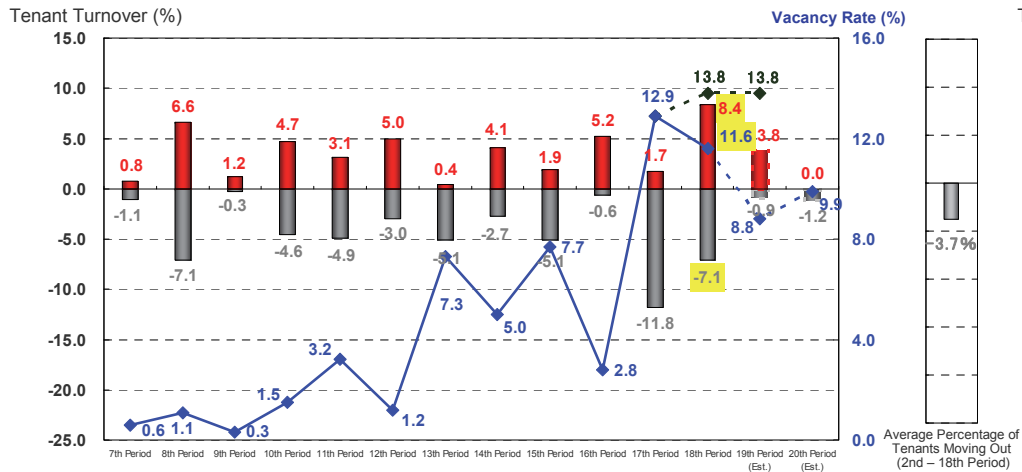


■ Percentage of Tenants Moving In  
 ■ Percentage of Tenants Moving Out  
 ◆ Vacancy Rate  
 ◆ Estimated Vacancy Rate as of End of Mar. 2012

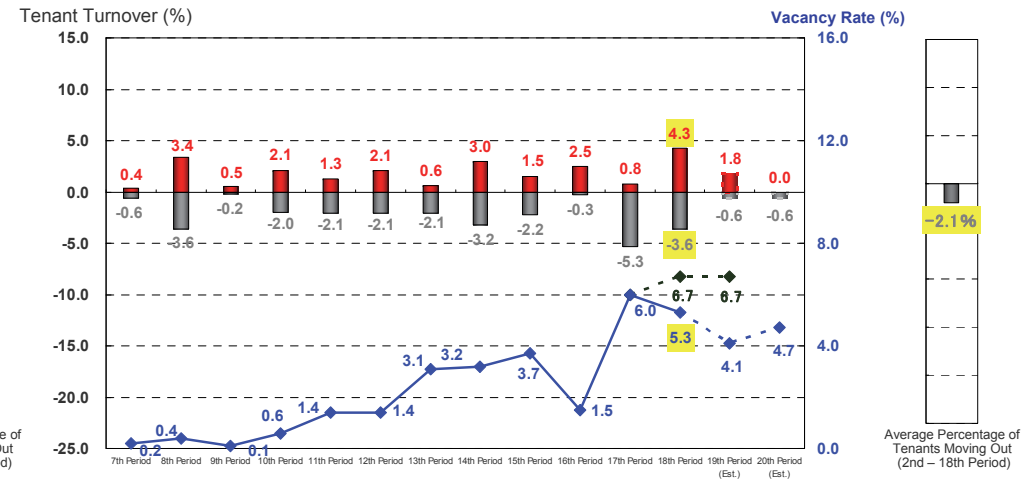
- \* Retail (Urban)
  - QFRONT
  - TOKYU REIT Omotesando Square
  - Lexington Aoyama
  - TOKYU REIT Shibuya Udagawa-cho Square
  - cocoti
  - CONZE Ebisu
  - Daikanyama Forum
- \* Retail (Suburban)
  - Tokyu Saginuma Building
  - Tokyu Saginuma 2 Building
  - Beacon Hill Plaza (Ito-Yokado Noukendai Store)
  - Shonan Mall Fill (sokochi)

**\* No vacancy for suburban retail properties since being listed.**

## Office



## Overall Portfolio



In calculating the estimate vacancy rate, it is assumed that spaces for which notices of cancellation were received as of August 31, 2012 will remain vacant after the move-outs of relevant tenants. Similarly, spaces that were vacant as of August 31, 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 the 18th period, a new contract was concluded for 1 space (approx. 143 tsubos) for which a notice of cancellation was received during the 17th period, and the occupancy rate as of the end of the 18th period improved to 100%.</li> </ul>
	cocoti	<ul style="list-style-type: none"> <li>Although tenants moved out of 3 spaces (approx. 220 tsubos) during the 18th period, tenants moved in to 3 spaces (approx. 292 tsubos), and the occupancy rate as of the end of the 18th period improved to 96.4% (93.5% at the end of the 17th period).</li> <li>Expected occupancy rates for the end of the 19th and 20th periods are 96.4% and 92.7% respectively.</li> <li>Currently conducting negotiations with candidate tenants for 2 vacant spaces.</li> </ul>
	CONZE Ebisu	<ul style="list-style-type: none"> <li>In the 18th period, a new contract was concluded for 1 space (approx. 87 tsubos) and the occupancy rate at the end of the 18th period improved to 100%.</li> </ul>
	Daikanyama Forum	<ul style="list-style-type: none"> <li>A move-out newly emerged at 1 space (approx. 63 tsubos) in the 18th period, and the occupancy rate as of the end of the 18th period was 83.1% (91.5% at the end of the 17th period).</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): 97.0% at the end of 18th period 97.0% expected at the end of the 19th period 95.7% expected at the end of the 20th period.</p> <p>The occupancy rate for retail properties (suburban): 100% at the end of 18th period 100% expected at the end of the 19th period 100% expected at the end of the 20th period.</p>
Office	Setagaya Business Square	<ul style="list-style-type: none"> <li>Although notices of cancellation were received for 3 spaces in the 18th period, new contracts were concluded for 8 spaces, and the occupancy rate as of the end of the 18th period improved to 93.2% (90.5% at the end of the 17th period).</li> <li>Expected occupancy rates for the end of the 19th and 20th periods are 93.1% and 88.2% respectively.</li> <li>Currently conducting marketing for 6 vacant spaces (approx. 876 tsubos in total), targeting offices conducting restructurings and relocations from central Tokyo, IT companies, etc. (Note).</li> </ul>
	Tokyo Nissan Taito Building	<ul style="list-style-type: none"> <li>A new contract was concluded for 1 space in the 18th period, and the occupancy rate as of the end of the 18th period was 100%, remaining unchanged from the end of the 17th period.</li> <li>Expected occupancy rate at the end of the 19th period is 100%.</li> </ul>
	TOKYU REIT Akasaka Hinokicho Building	<ul style="list-style-type: none"> <li>With no tenant moves in the 18th period, the period end occupancy rate remained unchanged from the end of the 17th period at 95.0%.</li> <li>Expected occupancy rate as of the end of the 19th period is 95.0%.</li> <li>Currently conducting marketing for 1 vacant space (approx. 46 tsubos), targeting stores, clinics, etc.</li> </ul>
	TOKYU REIT Kamata Building	<ul style="list-style-type: none"> <li>Move-outs occurred in the 18th period and the occupancy rate as of the end of the 18th period decreased to 65.2% (88.4% at the end of the 17th period).</li> <li>New contracts were concluded for 3 spaces in the 19th period, and so the expected occupancy rate as of the end of the 19th period is 100%.</li> </ul>
	TOKYU REIT Toranomon Building	<ul style="list-style-type: none"> <li>The occupancy rate as of the end of the 18th period improved to 52.4% (29.0% at the end of the 17th period) as tenants moved into 2 spaces.</li> <li>Expected occupancy rate for the end of the 19th period is 53.3%.</li> <li>Of 4 vacant spaces (approx. 1,432 tsubos), negotiations are underway for 2 spaces with a single, selected candidate tenant, and several companies made inquiries and private views for the remaining 2 spaces.</li> </ul>
	TOKYU REIT Hatchobori Building	<ul style="list-style-type: none"> <li>A notice of cancellation was received for 1 space in the 18th period but the occupancy rate as of the end of the 18th period was 100%, remaining unchanged from the end of the 17th period.</li> <li>Expected occupancy rate for the end of the 19th period is 99.4%.</li> <li>Currently conducting marketing for 1 vacant space (approx. 11 tsubos), targeting nearby companies.</li> </ul>
	Tokyu Ikejiri-ohashi Building	<ul style="list-style-type: none"> <li>A notice of cancellation was received for 1 space in the 18th period but the occupancy rate as of the end of the 18th period was 100%, remaining unchanged from the end of the 17th period.</li> <li>Expected occupancy rate for the end of the 19th period is 92.9%.</li> <li>Currently conducting marketing for 1 vacant space (approx. 124 tsubos), targeting IT-related companies, etc.</li> </ul>
	Kojimachi Square	<ul style="list-style-type: none"> <li>In the 18th period, tenants moved in to approx. 437 tsubos of vacant space, and the occupancy rate as of the end of the 18th period improved to 100% (42.8% at the end of the 17th period).</li> <li>Expected occupancy rate for the end of the 19th period is 100%.</li> </ul>
	TOKYU REIT Shinjuku Building	<ul style="list-style-type: none"> <li>Move-outs emerged at 3 spaces in the 18th period but the occupancy as of the end of the 18th period was 88.9% (100% at the end of the 17th period) due to move-ins and an increase in leased floor space at 2 locations.</li> <li>Expected occupancy rate for the end of the 19th period is 92.5%.</li> <li>Currently conducting marketing for 1 vacant space (approx. 138 tsubos), targeting such companies as those involved in marketing and services.</li> </ul>
	Kiba Eitai Building	<ul style="list-style-type: none"> <li>A large tenant moved out in the 18th period and the occupancy rate as of the end of the 18th period decreased to 58.8% (100% at the end of the 17th period).</li> <li>Expected occupancy rate for the end of the 19th period is 68.9% as a new contract has been concluded for 1 space.</li> <li>Of 3 vacant spaces (approx. 545 tsubos in total), negotiations are underway for 1 space with a single, selected candidate tenant, and leasing activities are underway for the remaining 2 spaces, targeting demand for back office use, relocation for restructuring, etc.</li> </ul>
Office Portfolio		The occupancy rate of office properties: 88.4% at the end of 18th period 91.2% expected at the end of the 19th period 90.1% expected at the end of the 20th period.
Entire portfolio		<ul style="list-style-type: none"> <li>18 out of 26 properties had full occupancy at the end of the 18th period. Full occupancy is expected at 17 out of 26 properties at the end of the 19th period and at the end of the 20th period.</li> <li>The occupancy rate of properties was 94.7% as of the end of the 18th period. The expected occupancy rate is 95.9% for the end of the 19th period and 95.3% for the end of the 20th period.</li> </ul>

\* 18th period: February 1, 2012 – July 31, 2012; 19th period: August 1, 2012 – January 31, 2013; 20th period: February 1, 2013 – July 31, 2013

\* Expected occupancy rates at the end of the 19th and 20th periods only reflect tenants with whom contracts have been contracted and tenants from whom we have received cancellation notices as of August 31, 2012.

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

# Status of Leasing Activities (ii): Lease-Up Properties

\* Secured full occupancy at 2 properties at which large vacancies emerged.

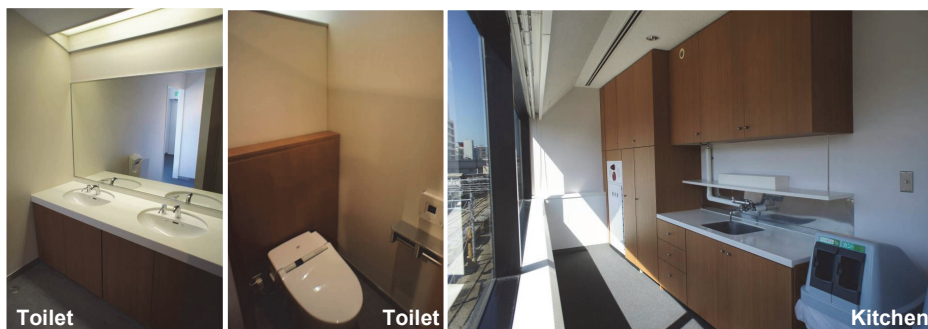
## ■ Kojimachi Square

- The occupancy rate had decreased to 42.8% at the end of December 2011 but reached 100% occupancy from the end of July 2012.



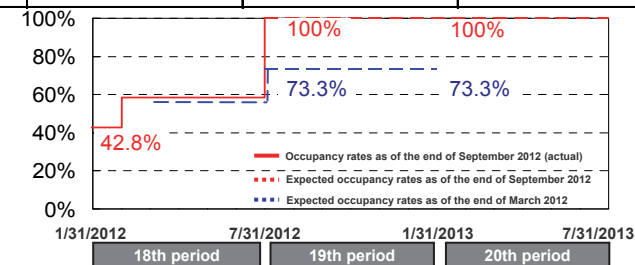
## ■ TOKYU REIT Kamata Building

- The occupancy rate had decreased to 65.2% at the end of May 2012 but reached 100% occupancy from the end of September 2012.
- Conducted private views, attracting more than 110 people.
- Conducted renewal work of common area to attract tenants (see photos below).  
Renewal costs:  
(18th period actual): 7 million yen (of this, capital expenditure: 6 million yen)  
(19th period estimate): 69 million yen (of this, capital expenditure: 62 million yen)



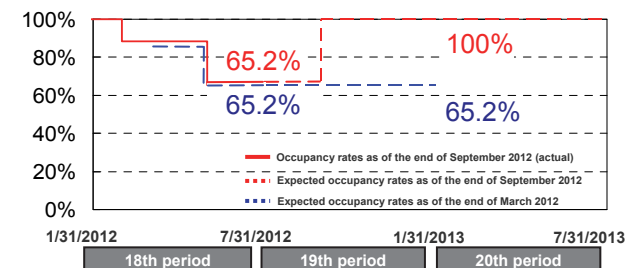
(¥ million)

	18th period actual (ended Jul. 2012)	19th period estimates (ending Jan. 2013)	20th period estimates (ending Jul. 2013)
Operating revenues	114	155	182
NOI	69	109	130
Property's impact on EPS (estimate against 18th period)	-	+220 yen	+330 yen



(¥ million)

	18th period actual (ended Jul. 2012)	19th period estimates (ending Jan. 2013)	20th period estimates (ending Jul. 2013)
Rental revenues	204	192	217
NOI	133	93	137
Property's impact on EPS (estimate against 18th period)	-	-220 yen	+20yen



# Status of Leasing Activities (iii): Prioritized Leasing Properties

**\* Bolster leasing activities for inviting tenants to the concerned 3 properties as the top priority issue for the 19th period.**

## TOKYU REIT Toranomon Building

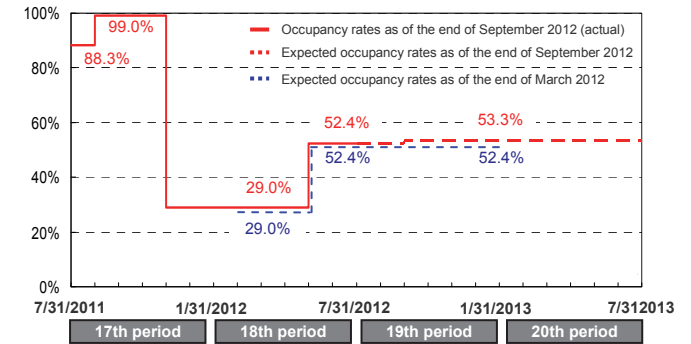
- Contract already concluded for store on 1st floor (scheduled to move in during September 2012)
- Conducted renewal work of entrance hall (Renewal cost: 12 million yen)
- Conducted private views attracting more than 300 people
- 4th and 5th floors: Negotiation underway with a single, selected candidate tenant
- 6th and 7th floors: Several companies made inquiries and private views

Amount of increase in EPS with 6-month full contribution
<b>+580 yen to +710 yen</b>

Simulation for case where current vacant spaces (including currently negotiating spaces) are filled and there is rental income for 6-months

End of January 2012		End of August 2012	
9F	Vacant	9F	Occupied
8F	Vacant	8F	Occupied
7F	Vacant	7F	Vacant
6F	Vacant	6F	Vacant
5F	Vacant	5F	Under negotiation
4F	Vacant	4F	Under negotiation
3F	Occupied	3F	Occupied
2F	Occupied	2F	Occupied
1F	Occupied	1F	Occupied
	Occupied		Already contracted

<Changes in occupancy rate>



## Kiba Eitai Building

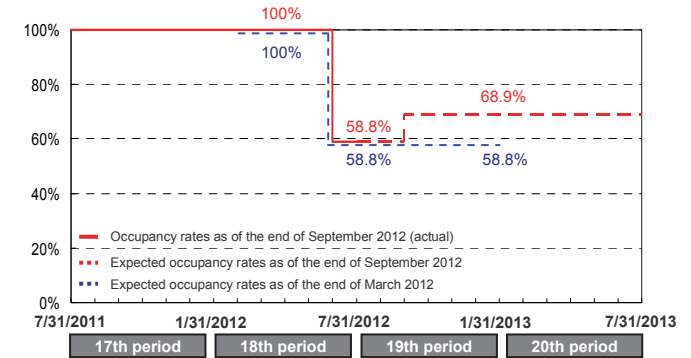
- Contract already concluded for 9th floor (scheduled to move in during September 2012)
- Conducted renewal work of common areas, air conditioners, etc. (Renewal cost: 101 million yen)
- Conducted private views attracting more than 120 people
- 6th and 7th floors: Conducted leasing activities primarily targeting demand for back office use, relocation for restructuring, etc.
- 8th floor: Negotiation underway with a single, selected candidate tenant

Amount of increase in EPS with 6-month full contribution
<b>+160 yen to +200 yen</b>

Simulation for case where current vacant spaces (including currently negotiating spaces) are filled and there is rental income for 6-months

End of June 2012		End of August 2012	
10F	Occupied	10F	Occupied
9F	Vacant	9F	Already contracted
8F	Vacant	8F	Under negotiation
7F	Vacant	7F	Vacant
6F	Vacant	6F	Vacant
5F	Occupied	5F	Occupied
4F	Occupied	4F	Occupied
3F	Occupied	3F	Occupied
2F	Occupied	2F	Occupied
1F	Occupied	1F	Occupied

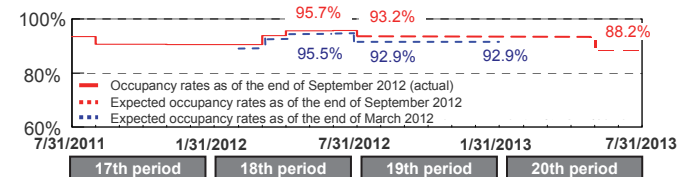
<Changes in occupancy rate>



## Setagaya Business Square

- 18th period: Notices of cancellation and move-outs newly emerged during the period but new contracts were concluded for 8 spaces to increase the occupancy rate at the end of the period to 93.2% (90.5% at the end of the 17th period).
- Leasing activities are underway for 6 vacant spaces (approx. 876 tsubos) (Note).
- Renovation work corresponding to tenant needs will be planned and implemented sequentially for some vacant spaces to lease them up at an early stage.
- Approx. 745 tsubos (Note) is being leased to Oracle Corporation Japan but approx. 372 tsubos (Note) will be cancelled on April 30, 2013.
- Expected occupancy rate for the end of the 19th period: 93.1%; Expected occupancy rate for the end of the 20th period: 88.2%. (Note) Areas indicated for Setagaya Business Square are the figures for the 55% co-ownership interest.

<Changes in occupancy rate>



# Status of Existing Tenants (i): Gap in Rents

**\* Although there are gaps with new market rents, the divergence with rents in appraisal reports has vanished.**

## Gap in rents

## (Reference)

Asset Class	16th Period End (26 Properties) Existing Contract Rent vs. New Market Rent	17th Period End (26 Properties) Existing Contract Rent vs. New Market Rent	18th Period End (26 Properties) Existing Contract Rent vs. New Market Rent	18th Period End (26 Properties)	
				vs. New Market Rent excluding Related Parties Tenant	In the case New Market Rents are used for rent over the medium to long term in appraisal reports.
Retail	-4.2%	-4.1%	-8.1%	-9.3%	1.3%
Urban	-6.4%	-6.2%	-11.7%	-11.7%	0.8%
Suburban	-0.1%	-0.2%	0.0%	-0.3%	2.5%
Office	-29.4%	-28.2%	-25.2%	-24.2%	-0.5%
Total	-19.4%	-18.0%	-17.9%	-17.5%	0.3%

**\*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

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

New market rent: 15,000 yen/tsubo

Rate of decrease: 12.5%

**Gap in rents: -25.0%**

**Gap in rents: -14.3%**

- \* 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).

## Percentage of Tenants Facing Rent Renegotiation

Asset Class	19th Period	20th Period	21st Period	22nd Period	23rd Period	24th Period
Retail	21.2%	7.5%	6.7%	13.1%	28.1%	15.9%
Urban	8.6%	10.9%	7.0%	6.9%	38.1%	12.1%
Suburban	48.9%	0.0%	6.0%	26.9%	6.0%	24.2%
Office	16.1%	21.5%	18.8%	22.4%	19.0%	15.8%
Total	18.3%	15.6%	13.7%	18.5%	22.8%	15.9%

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

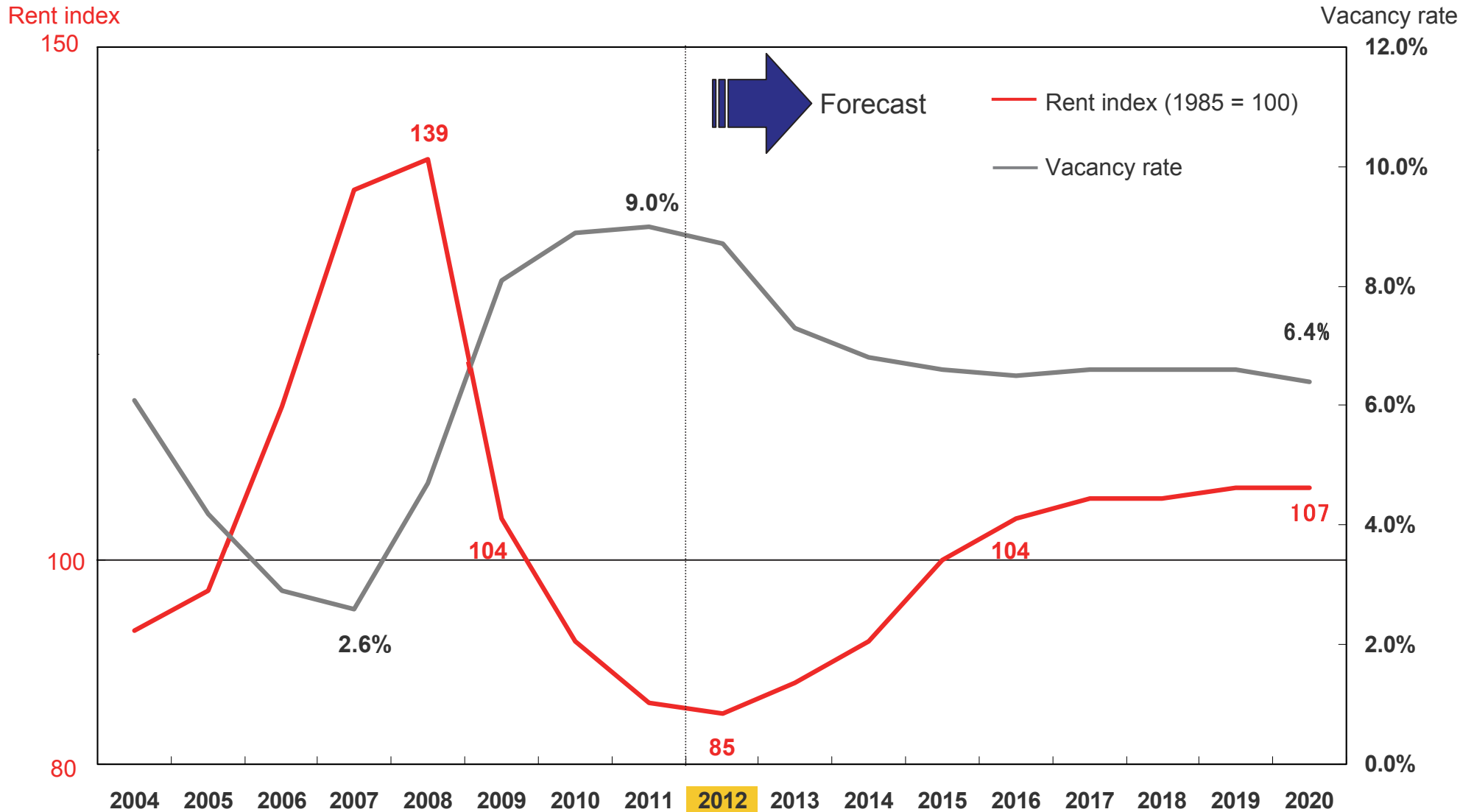
- The percentage of tenants scheduled for rent renewal is around 15% for each period under weighted average.
- The period of rent renewals for the entire tenants of TOKYU REIT is 3.38 years.

- \* 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 18th period.



# Status of Existing Tenants (ii): Forecast of Rents and Vacancy Rates in the Office Leasing Market

**\* Office rents in Tokyo Central Five Wards are forecasted to increase after bottoming in 2012.**

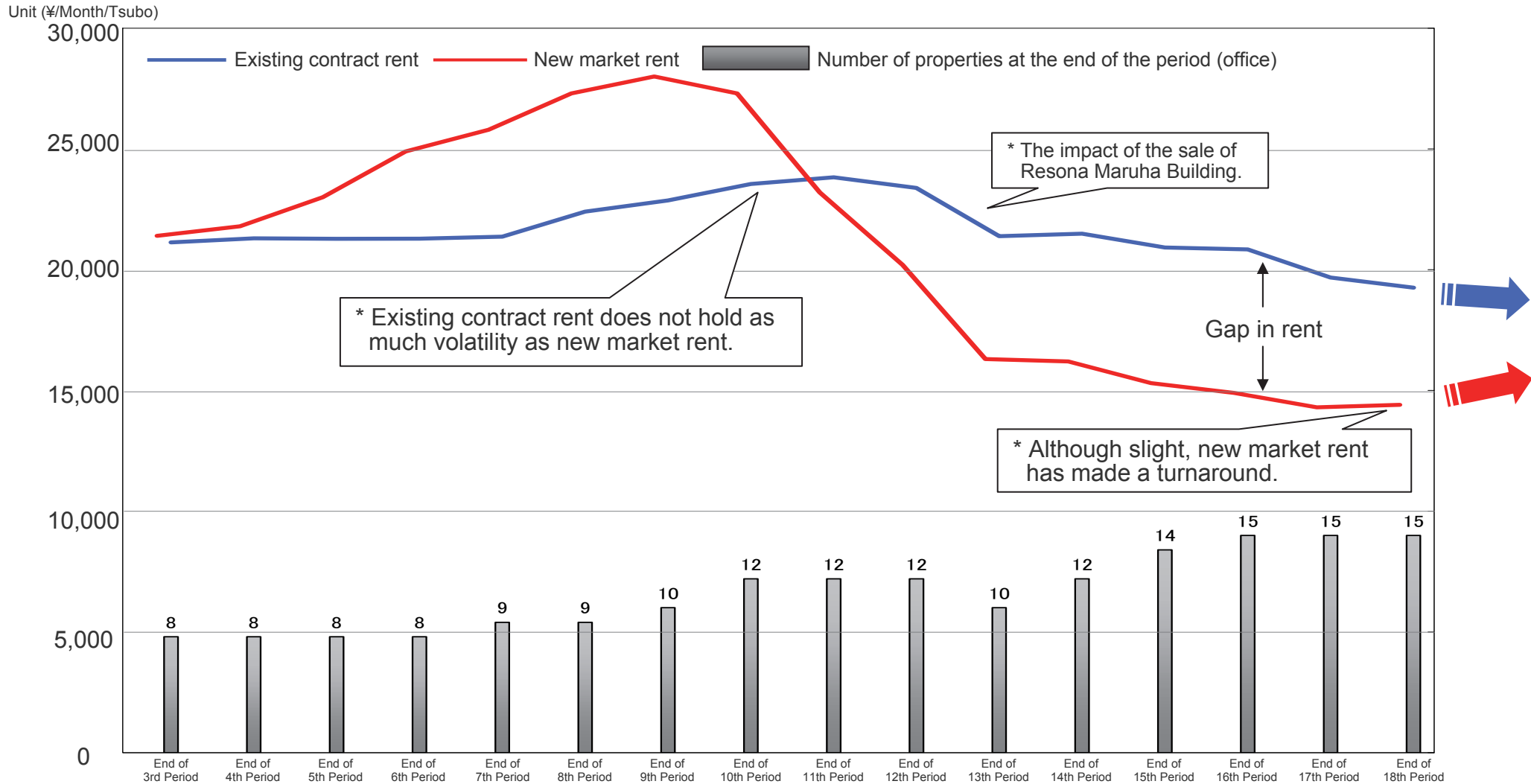


Source: Office Market Trends Research Committee (Japan Real Estate Institute and Miki Shoji, Co., Ltd.)

\*Comments by Tokyu REIM

# Status of Existing Tenants (iii): Changes in Gap in Rent (TOKYU REIT's Office Portfolio)

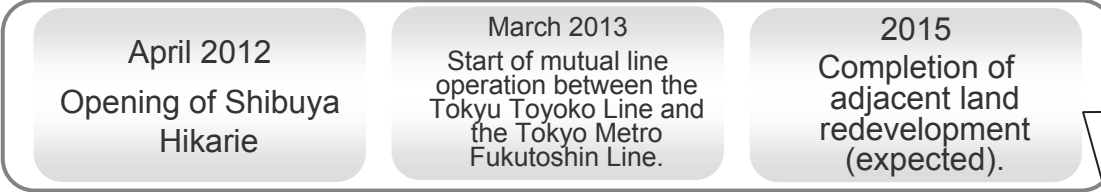
**\* The gap in rent will shrink.**



\* In calculating the existing contract rent, vacant spaces have not been factored in.  
 \* Existing contract rent and new market rent include common area charges (excludes income from parking, warehousing and billboards).  
 \* New market rent is the mean value of rents appraised by CBRE for individual properties.

Conducted renewal work of common areas in order to enhance competitiveness.

## Overview of Renewal



Conducted repair and maintenance work of facilities in consideration of further attention on Meiji-dori in the future (opened after renewal on April 28, 2012).

**Total construction cost: 185 million yen**  
**(Capital expenditure: 176 million yen;**  
**Repair and maintenance costs: 9 million yen)**

- Repair and maintenance work of entrance façade on 1st floor.
- Changed ticket booth into store.
- Repair and maintenance work of common areas on 2nd floor (toilet and door on side of parking lot).
- Repair and maintenance work of common areas on 3rd floor (terrace entrance).
- Introduced LED lamps, etc.

Cap rate decreased by 0.1% due in part to the improvement of the market of the area overall.

The appraisal value increased 400 million yen from the end of the 17th period.  
 (Appraisal value at the end of the 18th period: 16.9 billion yen)

## Adjacent land redevelopment

The Tokyo Metropolitan Government is planning the “Shibuya Miyashita-cho Former Apartment Site Project (tentative name)” whereby it will establish a complex facility including retail facilities and rental residences on land adjacent to cocoti and owned by Tokyo.

- Location: 1-23, etc. Shibuya, Shibuya-ku, Tokyo
- Planned developer: Shibuya Creator’s Platform (Note)  
(Note) A group whose representative is Tokyu Corporation.
- Total land space: 5,020m<sup>2</sup>; Total floor space: 36,170m<sup>2</sup>
- Expected construction start: 2013; Expected completion: 2015



Aim to collaborate with Tokyu Corporation in both hard and soft aspects.

\* Prepared by Tokyu REIM based on materials of the Tokyo Metropolitan Government’s Bureau of Urban Development and Tokyu Corporation.



\*This page represents the views of Tokyu REIM.

**TOKYU REIT has implemented a variety of countermeasures for power issues and realized results.**

## Adoption of Power-Saving Equipment

Results of measures to reduce power consumption

Introduced 3,050 LED lamps in common areas of 15 properties, mainly office properties, during the 17th period.



Reduced annual costs by about 3 million yen

Calculation for measuring effects at 13 properties (2,793 lamps) where calculations were possible out of the 15 properties where LED lamps were introduced.

- Common area power use per business day in the 16th period (ended July 2011)
 

36,301kWh ... (a)
-------------------
- Common area power use per business day in the 18th period (ended July 2012)
 

35,724kWh ... (b)
-------------------
- Amount of power use per business day reduced through introduction of LED lamps
 

577kWh ... (c)=(a)-(b)
------------------------
- Unit price for model case disclosed by Tokyo Electric Power
 

21.87 yen/kWh ... (d)
-----------------------
- Amount of power fees reduced per year through LED lamps, etc.
 

3 million yen ... (e)=(c) × (d) × Number of assumed business days
---

Further introduction of LED lamps will be considered in the future.  
 Scheduled for 19th period: 16 million yen (Renewal cost: 4 million yen; CapEx: 11 million yen)  
 Introduce LED lamps to lighting of upper section of building escalators and parking lot, etc.

## Diversification of Power Suppliers

Results of measures against the increase in power rate unit cost

Implemented shift from Tokyo Electric Power to specified-scale electricity companies (new power sources) for 9 properties in the 18th period.



Held back about 14 million yen of increase in annual cost

Calculation for measuring effects at 9 properties that implemented shift from Tokyo Electric Power to new power sources.

- Power use of 9 properties in the 18th period
 

4,260,000kWh ... (a)
----------------------
- Power bills of 9 properties in the 18th period
 

86 million yen ... (b)
------------------------
- Simple calculation power rate unit cost
 

20.2 yen/kWh ... (c) = (b) ÷ (a)
----------------------------------
- Unit price for model case disclosed by Tokyo Electric Power
 

21.87 yen/kWh ... (d)
-----------------------
- Amount of power fees reduced per year through change of electricity company
 

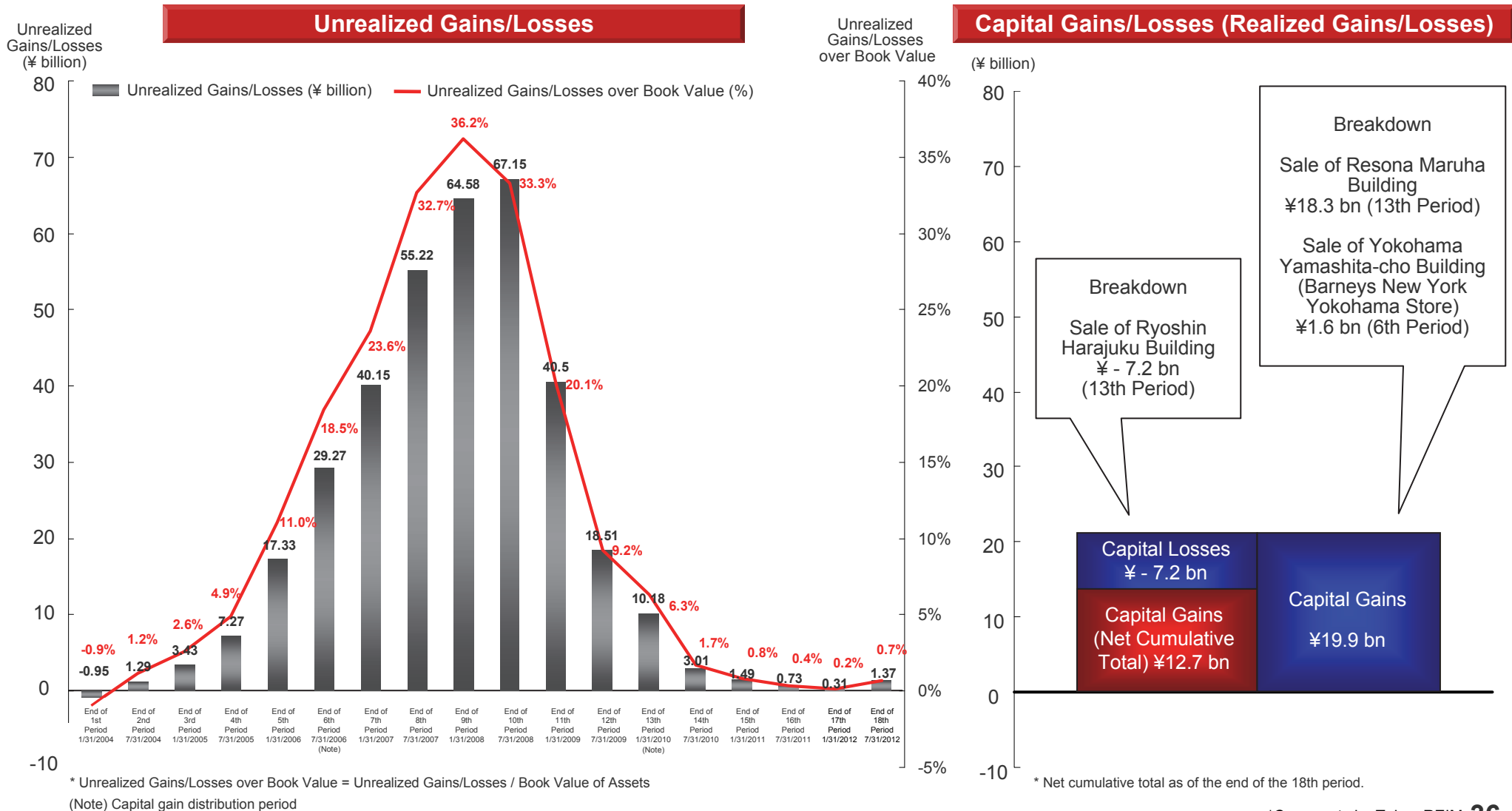
14 million yen ... (e) = (a) × ((d)-(c)) × 2
--

Immediately after the earthquake on March 11, 2011, TOKYU REIT started investigation of changing electricity companies for diversifying power sources.

\* 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.

# Unrealized Gains/Losses and Capital Gains/Losses

**\* Although unrealized profit was reduced, a cumulative total of 12.7 billion yen has been distributed as capital gains to date.**



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

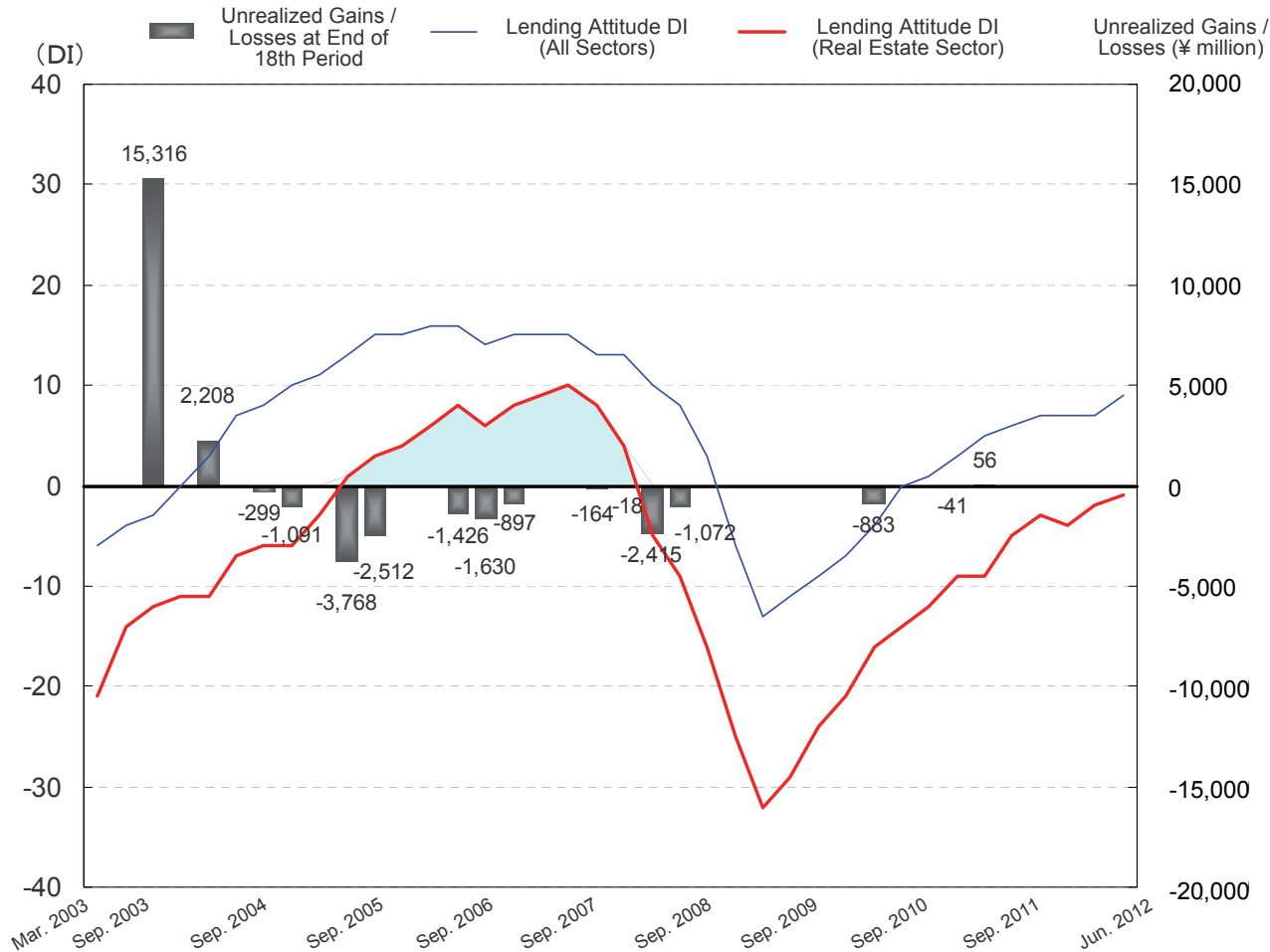
(Note) Capital gain distribution period

\* Net cumulative total as of the end of the 18th period.

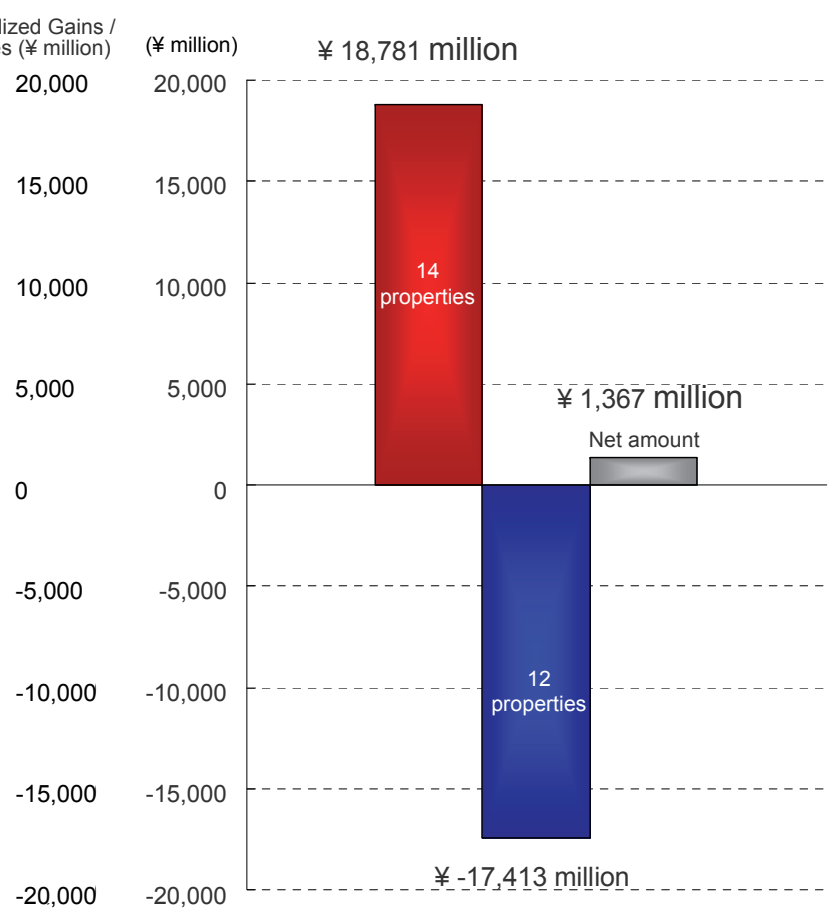
# Analysis of Unrealized Gains / Losses

**\* Timing is important in property acquisitions as real estate price are cyclical.**

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



## Breakdown of Unrealized Gains / Losses



\* 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).

# Change in Appraisal Value (End of 18th Period – End of 17th Period)

**\* Cap rates of retail properties in central Tokyo decreased (on an appraisal value basis).**

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)
	18th Period	17th Period					18th Period	17th Period	Change	18th Period	17th Period	Change	
QFRONT	20,900	20,100	800	3.98%	-0.62%	2.56%	798	803	-5	3.80%	3.90%	-0.10%	a
Lexington Aoyama	4,010	3,910	100	2.56%	-	2.27%	175	175	-	4.30%	4.40%	-0.10%	a
TOKYU REIT Omotesando Square	6,420	6,460	-40	-0.62%	-2.71%	2.22%	287	295	-8	4.40%	4.50%	-0.10%	a
TOKYU REIT Shibuya Udagawa-cho Square	8,830	8,430	400	4.74%	-0.23%	2.22%	442	443	-1	4.40%	4.50%	-0.10%	b
cocoti	16,900	16,500	400	2.42%	-0.68%	2.33%	726	731	-5	4.20%	4.30%	-0.10%	c
CONZE Ebisu	4,040	4,070	-30	-0.74%	-0.56%	-	177	178	-1	4.30%	4.30%	-	c
Daikanyama Forum	3,050	3,020	30	0.99%	0.75%	-	135	134	1	4.40%	4.40%	-	b
<b>Retail Properties (Urban) Total</b>	<b>64,150</b>	<b>62,490</b>	<b>1,660</b>	<b>2.66%</b>	<b>-0.72%</b>	<b>3.29%</b>	<b>2,740</b>	<b>2,760</b>	<b>-20</b>	<b>4.27%</b>	<b>4.42%</b>	<b>-0.15%</b>	
Tokyu Saginuma Building	8,230	8,170	60	0.73%	-1.07%	1.75%	463	468	-5	5.60%	5.70%	-0.10%	a
Tokyu Saginuma 2 Building	1,430	1,340	90	6.72%	6.52%	-	98	92	6	6.80%	6.80%	-	a
Beacon Hill Plaza (Ito-Yokado Noukendai Store)	8,190	8,130	60	0.74%	1.05%	-	480	475	5	5.50%	5.50%	-	b
Shonan Mall Fill ( <i>sokochi</i> )	5,600	5,400	200	3.70%	0.33%	1.82%	303	302	1	5.40%	5.50%	-0.10%	d
<b>Retail Properties (Suburban) Total</b>	<b>23,450</b>	<b>23,040</b>	<b>410</b>	<b>1.78%</b>	<b>0.52%</b>	<b>1.23%</b>	<b>1,344</b>	<b>1,337</b>	<b>7</b>	<b>5.73%</b>	<b>5.80%</b>	<b>-0.07%</b>	
<b>Retail Properties Total</b>	<b>87,600</b>	<b>85,530</b>	<b>2,070</b>	<b>2.42%</b>	<b>-0.32%</b>	<b>2.67%</b>	<b>4,084</b>	<b>4,097</b>	<b>-13</b>	<b>4.66%</b>	<b>4.79%</b>	<b>-0.13%</b>	
Setagaya Business Square	20,000	20,500	-500	-2.44%	-2.43%	-	1,002	1,027	-25	5.00%	5.00%	-	a
Tokyu Nampeidai-cho Building	5,480	5,560	-80	-1.44%	0.73%	-2.04%	276	274	2	5.00%	4.90%	0.10%	a
Tokyu Sakuragaoka-cho Building	6,970	7,020	-50	-0.71%	-0.64%	-	311	313	-2	4.40%	4.40%	-	a
Tokyo Nissan Taito Building	5,160	5,160	-	-	-	-	266	266	-	5.10%	5.10%	-	a
TOKYU REIT Akasaka Hinokicho Building	4,060	4,060	-	-	-	-	185	185	-	4.50%	4.50%	-	a
TOKYU REIT Kamata Building	5,510	5,520	-10	-0.18%	2.06%	-1.92%	297	291	6	5.30%	5.20%	0.10%	a
TOKYU REIT Toranomom Building	8,750	9,020	-270	-2.99%	-3.27%	-	414	428	-14	4.70%	4.70%	-	a
TOKYU REIT Hatchobori Building	5,240	5,240	-	-	-	-	251	251	-	4.70%	4.70%	-	c
Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	6,800	6,790	10	0.15%	0.32%	-	317	316	1	4.40%	4.40%	-	b
Tokyu Ikejiri-ohashi Building	4,480	4,480	-	-	-	-	235	235	-	5.20%	5.20%	-	c
Kojimachi Square	7,710	7,890	-180	-2.28%	-2.24%	-	349	357	-8	4.50%	4.50%	-	a
TOKYU REIT Shinjuku Building	9,380	9,610	-230	-2.39%	-2.08%	-	424	433	-9	4.40%	4.40%	-	c
Akihabara Sanwa Toyo Building	4,930	4,970	-40	-0.80%	-1.19%	-	250	253	-3	4.80%	4.80%	-	b
Kiba Eitai Building	3,730	4,020	-290	-7.21%	-6.91%	-	202	217	-15	5.20%	5.20%	-	b
Tokyu Ginza 2-chome Building	5,020	4,990	30	0.60%	0.43%	-	232	231	1	4.60%	4.60%	-	a
<b>Office Properties Total</b>	<b>103,220</b>	<b>104,830</b>	<b>-1,610</b>	<b>-1.54%</b>	<b>-1.32%</b>	<b>-0.22%</b>	<b>5,012</b>	<b>5,079</b>	<b>-67</b>	<b>4.86%</b>	<b>4.84%</b>	<b>0.01%</b>	
<b>Total</b>	<b>190,820</b>	<b>190,360</b>	<b>460</b>	<b>0.24%</b>	<b>-0.86%</b>	<b>1.10%</b>	<b>9,096</b>	<b>9,175</b>	<b>-79</b>	<b>4.77%</b>	<b>4.82%</b>	<b>-0.05%</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 18th Period**

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



# Result of Strategic Debt Management (i): Interest-Bearing Debt Balance by Repayment Date

**\* Diversify repayment dates, strive to prolong interest-bearing debt and fix interest rates.**

As of End of Jul. 2012 (End of 18th Period)

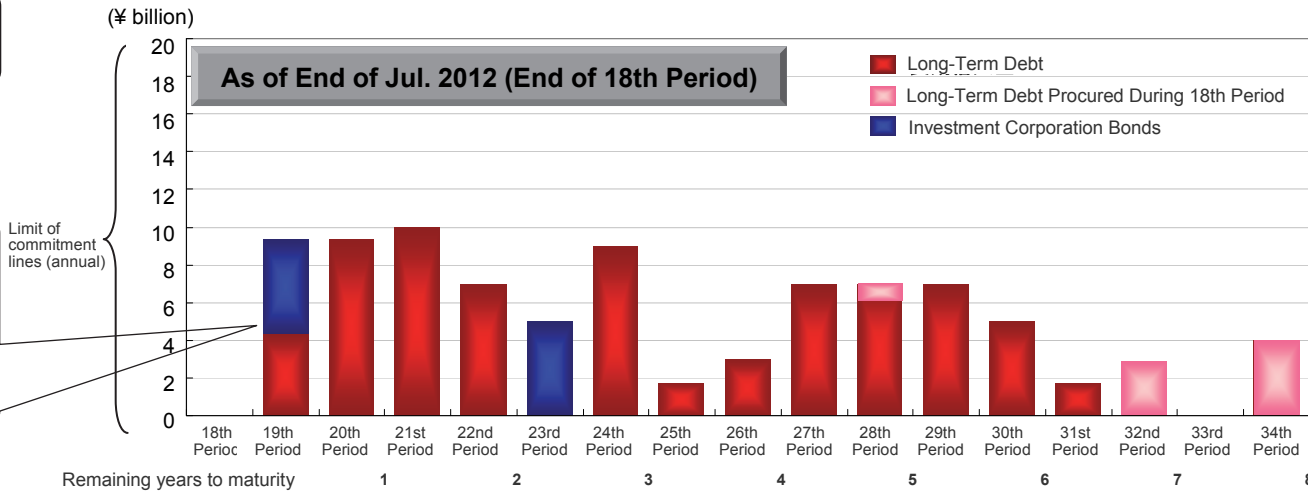
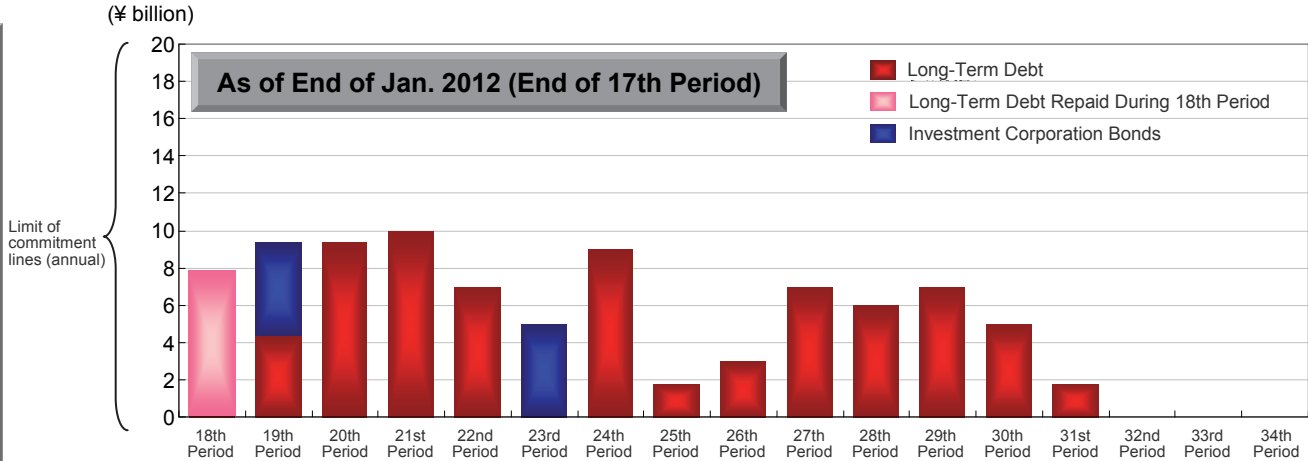
**Total : ¥89.0 bn (¥ ±0 bn)**  
**Avg. duration : 3.20 yrs (+0.14 yrs)**  
**LT Ratio : 100% (±0 pts.)**  
**Number of Ladders : 15 (+1 ladder)**  
**Avg. Ladder Amount : ¥5.93 bn (¥ -0.42 bn)**  
**Average Interest Rate : 1.71% (-0.01 pts.)**

\* Figures in the parentheses indicate changes from the end of the 17th Period.

Fixed-interest debt ratio will be 100% in August 2012.

\* ¥4.4 billion in long-term debt and ¥5.0 billion in investment corporation bonds (10.6%) due by end of Jan. 2013 (19th Period).

Bank of Tokyo- Mitsubishi UFJ	¥1.4 bn	Due 8/29/2012
Mitsubishi UFJ Trust and Banking	¥2.0 bn	Due 11/18/2012
Daido Life Insurance	¥1.0 bn	Due 12/25/2012



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

# Result of Strategic Debt Management (ii): Base Interest Rates

**\* Spreads have risen since the credit crunch in 2008, although base interest rates have subsequently dropped due to the shrinkage in spread and decline in market interest rates.**

(Unit: %)

Category	Duration	Borrowing Date																						
		2007			2008				2009				2010			2011				2012				
		Jan.	Jun.	Sep.	Mar.	Jun.	Jul.	Nov.	Feb.	Apr.	Jun.	Jun.	Jul.	Dec.	May	Jun.	Jul.	Sep.	Nov.	May	Jun.	Jul.	Aug.	
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 (Note1)											
	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								0.93500	
	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	1.37250	1.32375		1.32250
	7.5 yr																							
8.0 yr				1.76625																	1.48000 (Note2)			

(Note 1) 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).

(Note 2) Borrowing period before refinance was June 2004 and the base interest rate was 2.03000%.

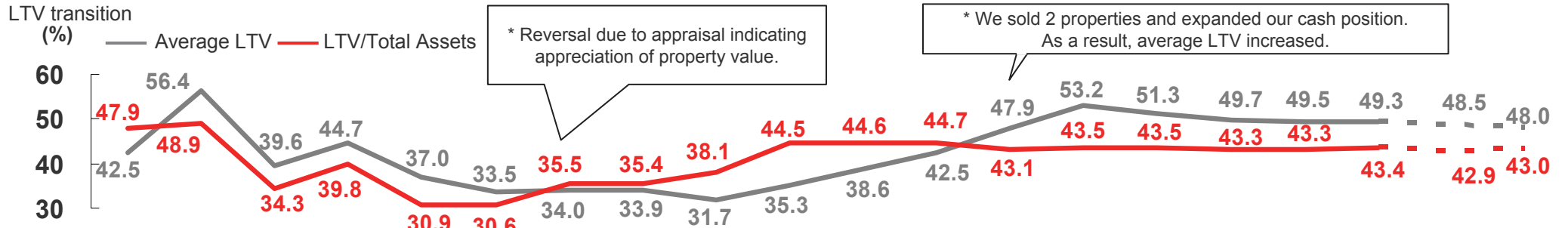


## 3. Fund Management

### (1) Performance

# Changes in Profit (DPU)

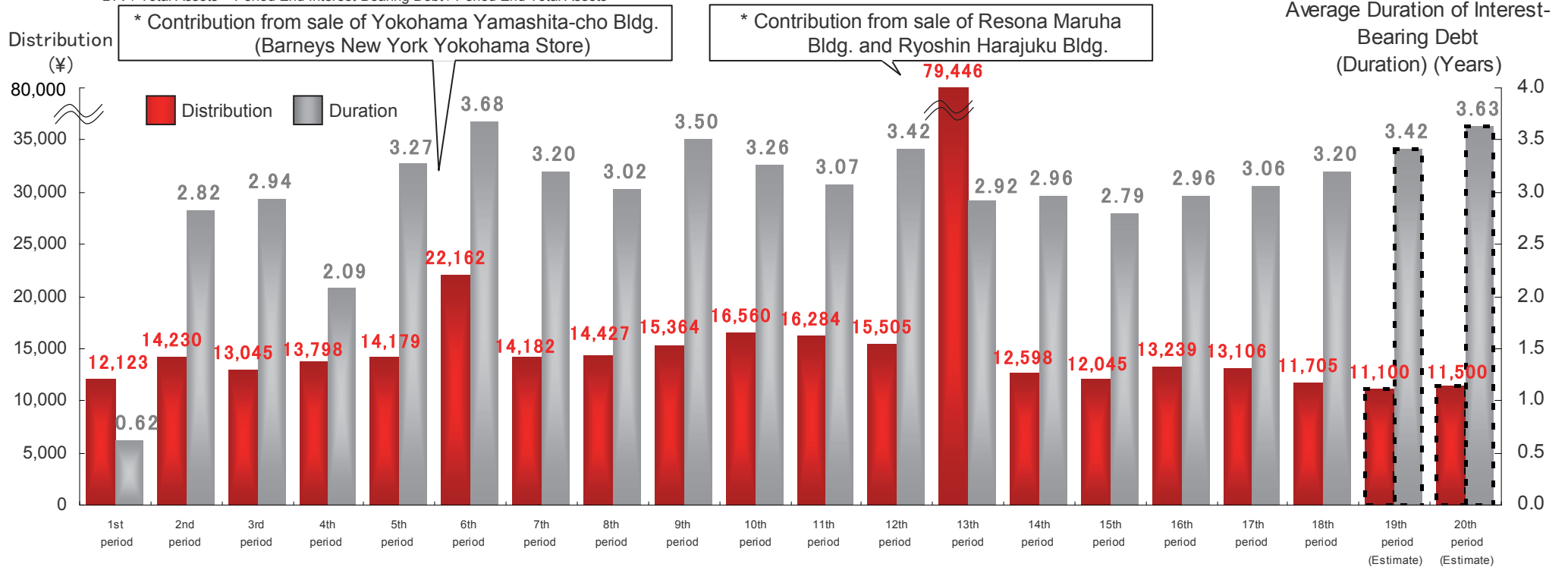
**\* Have been securing profit (DPU) while considering financial soundness.**



\* Reversal due to appraisal indicating appreciation of property value.

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

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



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

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

\* 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.

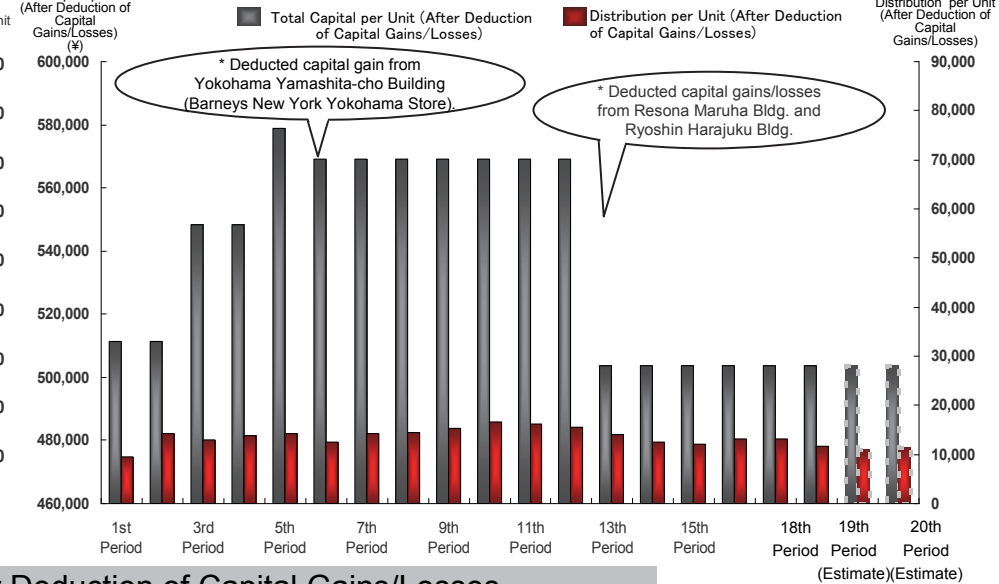
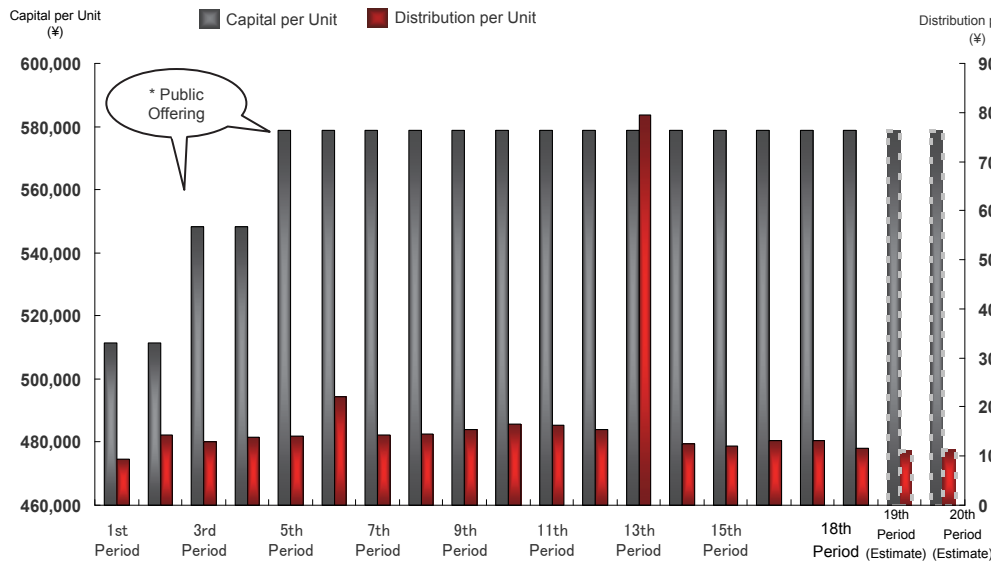
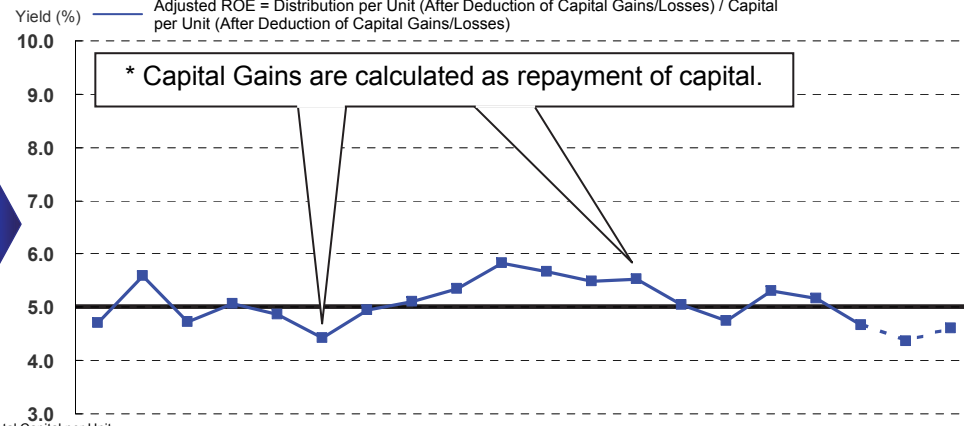
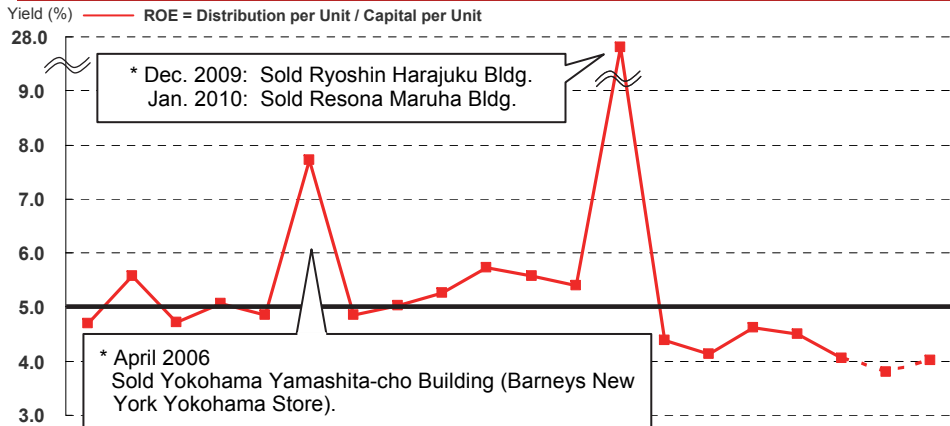
\*Comments by Tokyu REIM **43**

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

**\*Adjusted ROE of the 18th period was 4.6%.**

## ROE (Capital Yield)

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



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

# Performance Against Public Offering Price

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

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

**Investment unit price at Jul. 31, 2012: ¥380,000**



**\* 61% of the IPO offering price was distributed in around 9 years.**

**\* 46% of the 2nd PO offering price was distributed in around 8 years.**

**\* 36% of the 3rd PO offering price was distributed in around 7 years.**

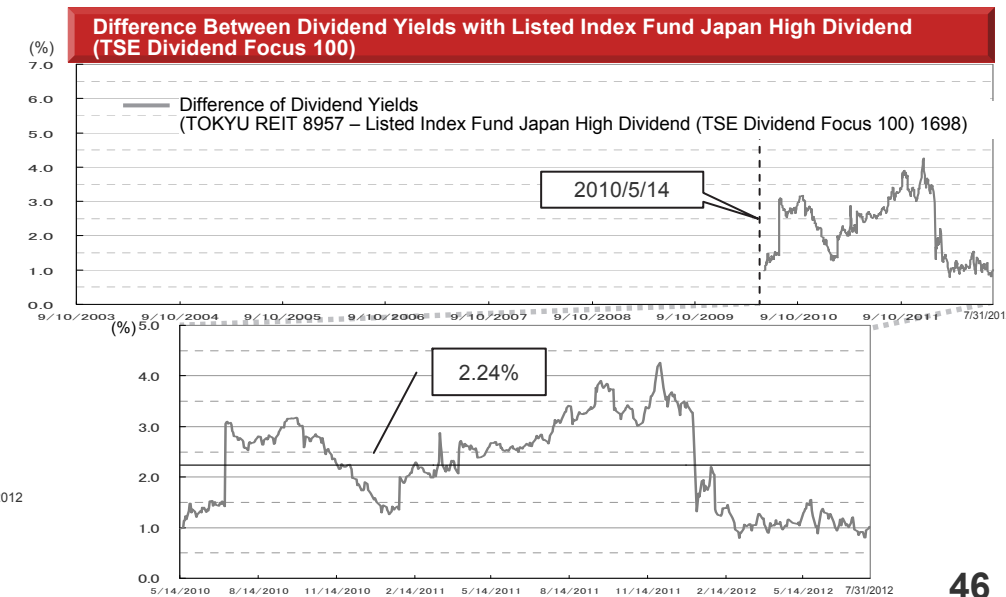
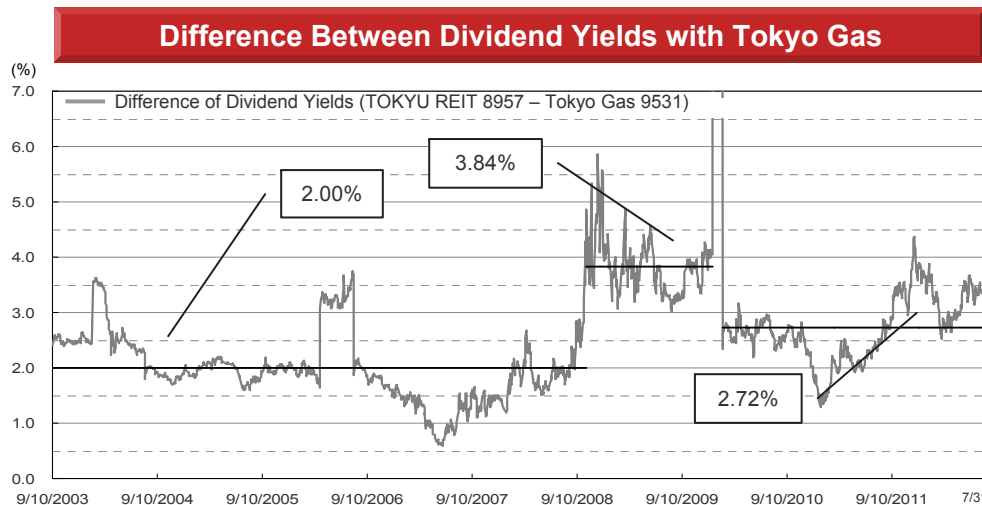
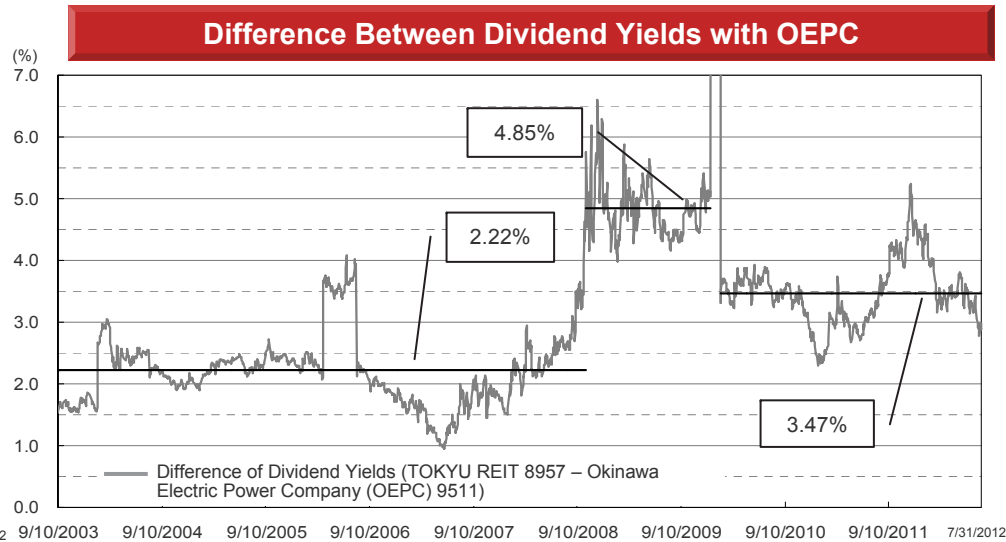
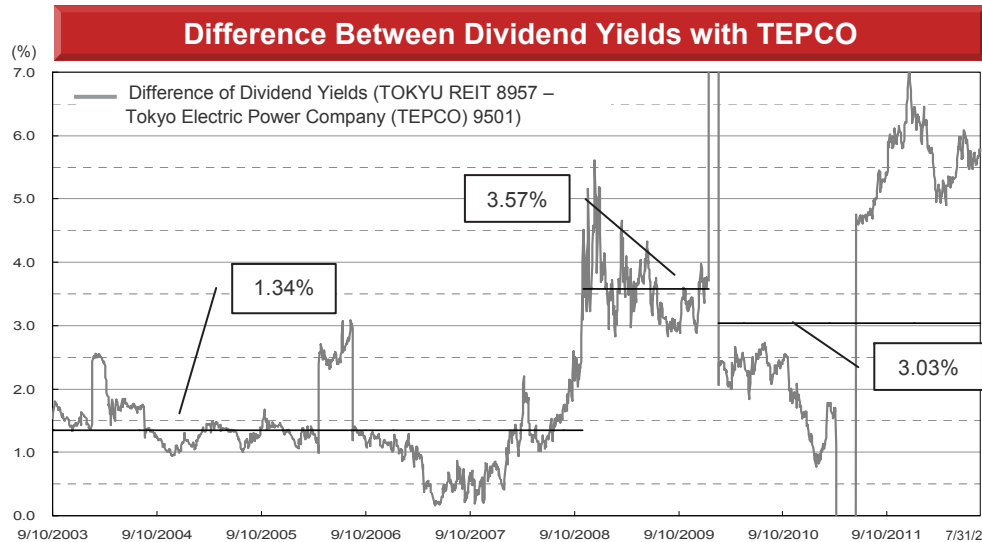
## Second Public Offering (Issued Aug. 3, 2004)

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



# Difference Between Dividend Yields of TOKYU REIT and Equity Stocks

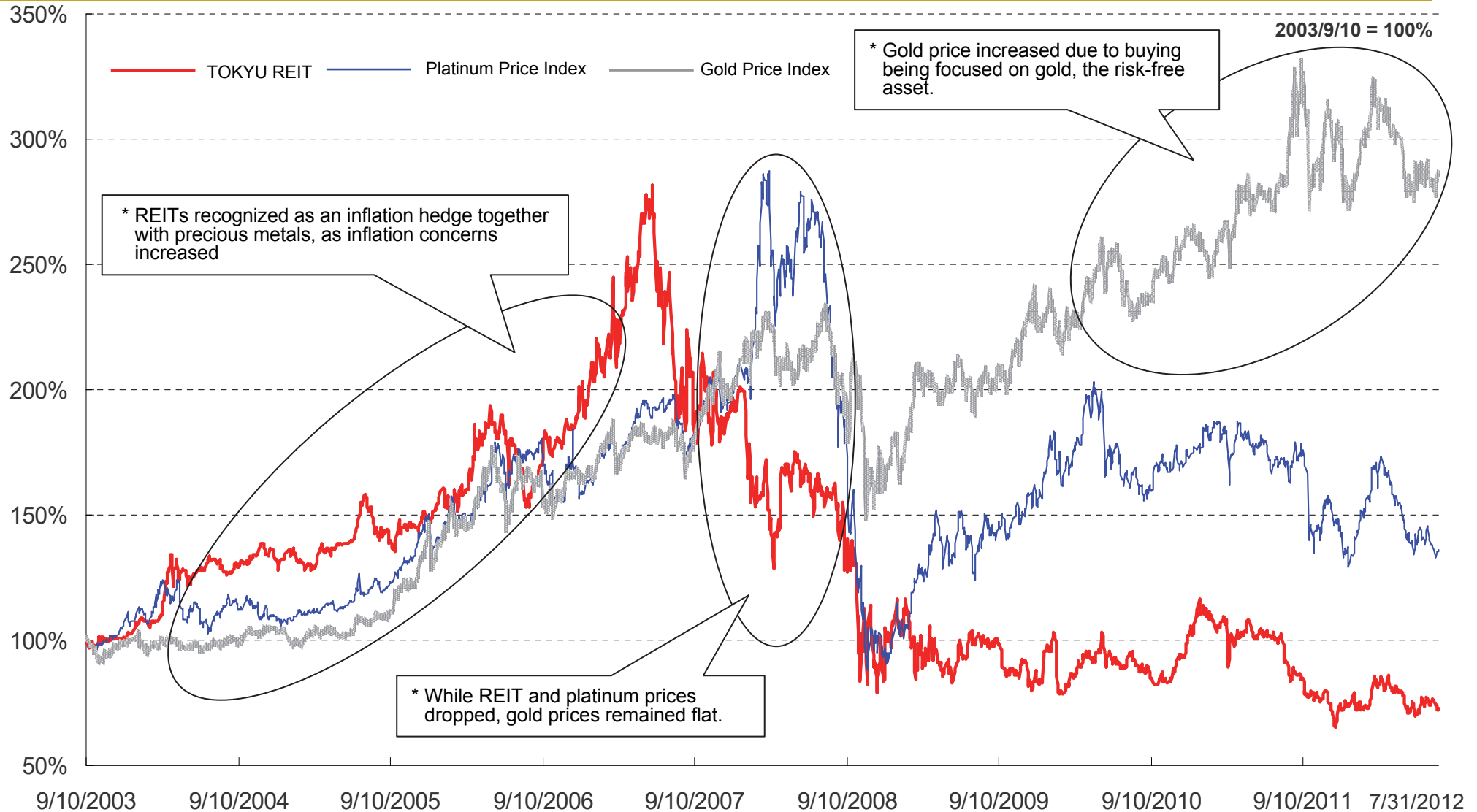
**\* Spread of around 3% compared to equity stocks.**



\* 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.**

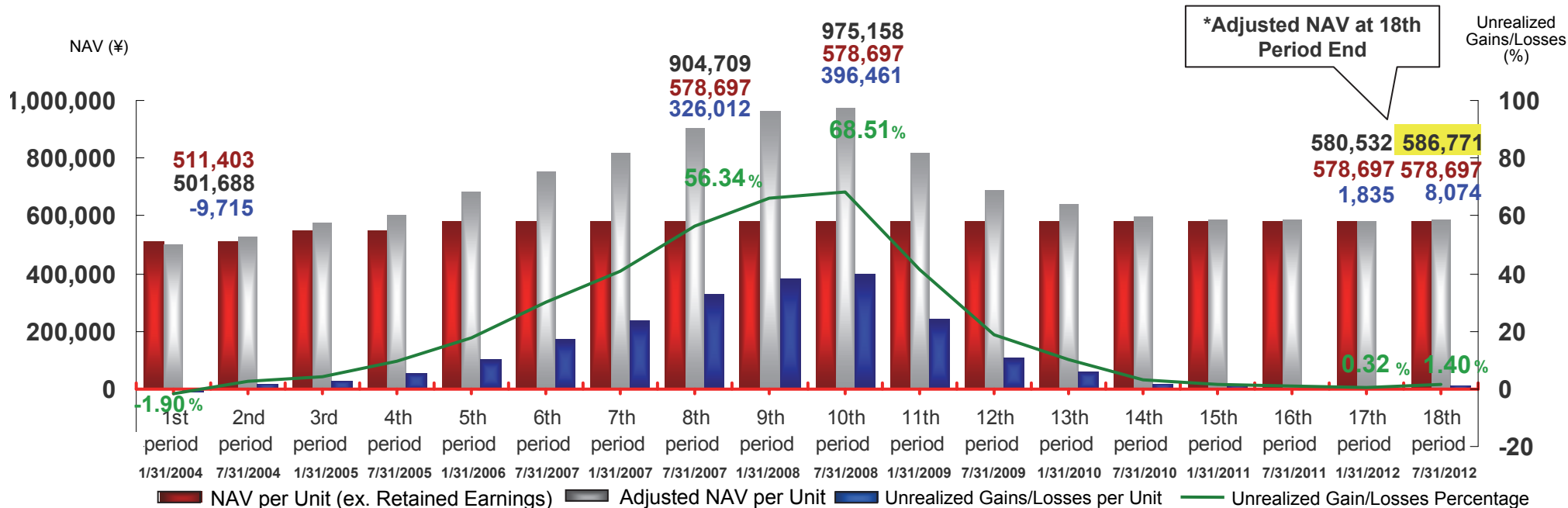
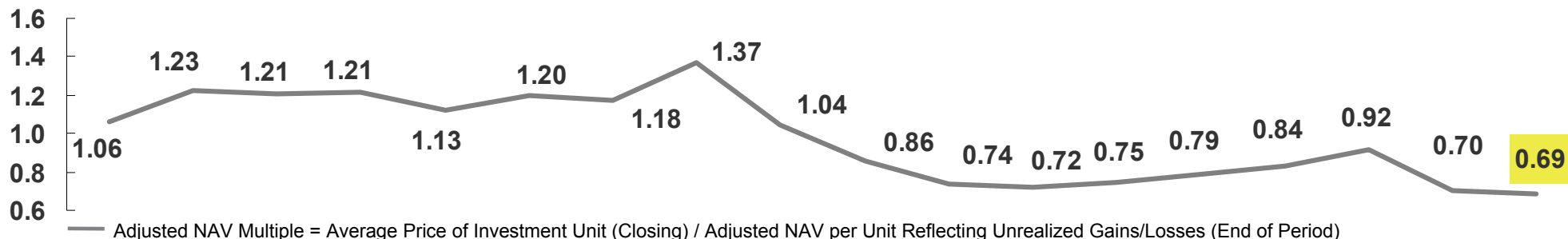




# Changes in Asset Value (Adjusted NAV)

**\* Adjusted NAV per Unit Reflecting Unrealized Gains/Losses was 586,771 yen and Adjusted NAV Multiple was 0.69x.**

Adjusted NAV Multiple



Average Investment Unit Price	¥ 643,097	¥ 726,082	¥ 902,435	¥ 1,241,537	¥ 835,903	¥ 496,772	¥ 470,862	¥ 534,655	¥ 401,664
	¥ 530,828	¥ 690,705	¥ 766,520	¥ 958,306	¥ 1,000,664	¥ 603,570	¥ 478,579	¥ 490,426	¥ 406,642

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

**\* The purchasing conducted by the BOJ has contributed to the recovery of credibility 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:
  - From December 2010 to End of 2012 (amended as of August 4, 2011).
- (5) Purchasing Limit, etc.:
  - Around 120 billion yen (amended as of April 27, 2012).
  - 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 August 31, 2012)

Dec. 2010	¥2.2 billion (Note)	Oct. - Dec. 2011	¥12.0 billion (Note)
Jan. - Mar. 2011	¥15.6 billion (Note)	Jan. - Mar. 2012	¥6.7 billion (Note)
Apr. - Jun. 2011	¥1.9 billion (Note)	Apr. - Jun. 2012	¥18.5 billion (Note)
Jul. - Sep. 2011	¥34.8 billion (Note)	Jul. 2012	¥1.6 billion (Note)
		<b>Total</b>	<b>¥93.3 billion (Note)</b>

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

(Note) Estimate.



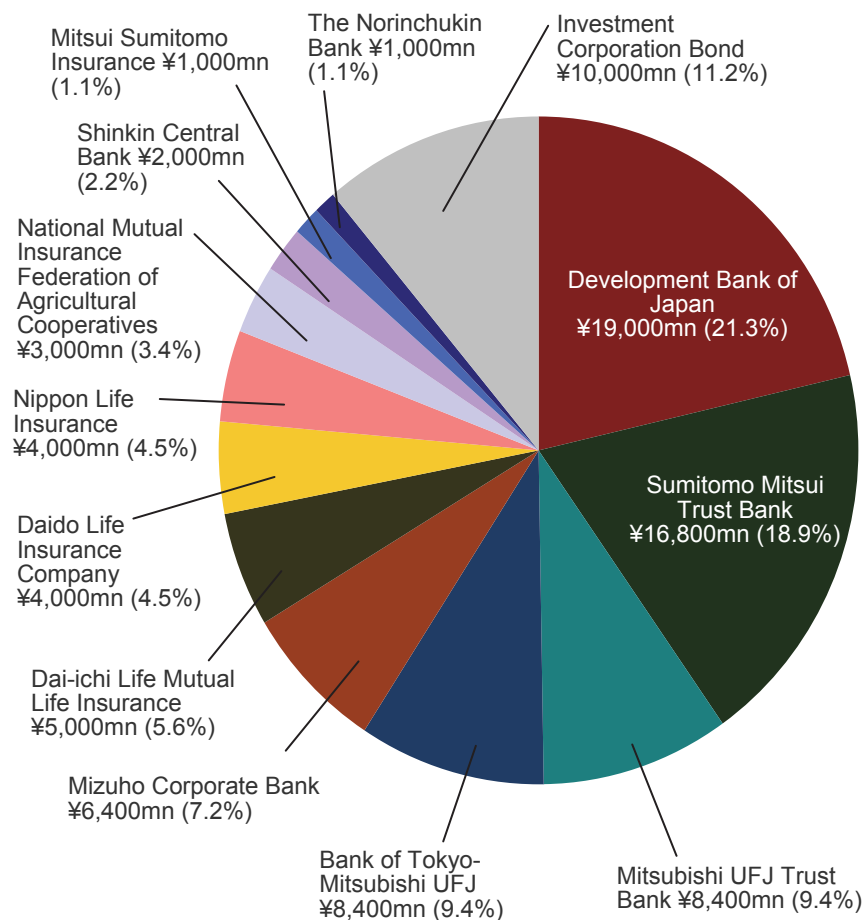
### **3. Fund Management**

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

# Debt Structure (i) Interest Bearing Debt

**\* Aim to diversify sources of funds.**

As of end of 18th Period



Category	Lender	Amount	Interest Rate	Debt Origination Date	Maturity		Note
		(¥ million)	(%)		Due Date	Period	
Long term	Development Bank of Japan	5,000	1.95000	1/25/2006	1/25/2018	29th	Unsecured Unguaranteed
	Dai-ichi Life Mutual Life	4,000	2.21125	7/31/2006	7/31/2013	20th	
	Dai-ichi Life Mutual Life	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		12/25/2013	21st	
	Development Bank of Japan	5,000	2.21100	6/25/2008	6/25/2015	24th	
	Mitsubishi UFJ Trust Bank	2,000	1.72500	11/18/2008	11/18/2012	19th	
	Development Bank of Japan	5,000	1.79000	2/25/2009	2/25/2014	22nd	
	Sumitomo Mitsui Trust Bank	2,500	1.67500		6/25/2013	20th	
	Sumitomo Mitsui Trust Bank	2,500	1.78812	6/25/2009	12/25/2013	21st	
	Mitsubishi UFJ Trust Bank	2,500	1.67500		6/25/2013	20th	
	Mitsubishi UFJ Trust Bank	2,500	1.78812		12/25/2013	21st	
	Bank of Tokyo-Mitsubishi UFJ	1,400	0.99000 (Floating Rate)	6/29/2009	8/29/2012	19th	
	Sumitomo Mitsui Trust Bank	400	1.66375		6/29/2013	20th	
	Daido Life Insurance Company	1,000	1.17125		12/25/2012	19th	
	Mizuho Corporate Bank	1,000		6/25/2010	6/25/2014	22nd	
	Mitsui Sumitomo Insurance	1,000	1.31250				
	Sumitomo Mitsui Trust Bank	1,000					
	Sumitomo Mitsui Trust Bank	1,000	1.46250	7/26/2010	7/26/2015	24th	
	Shinkin Central Bank	2,000					
	Sumitomo Mitsui Trust Bank	5,000	1.63250	12/27/2010	12/27/2016	27th	
	Sumitomo Mitsui Trust Bank	2,000	1.47625	5/18/2011	5/18/2017	28th	
Sumitomo Mitsui Trust Bank	2,000	1.47625	5/25/2011	5/25/2017	28th		
Mizuho Corporate Bank	2,000	1.45375	6/27/2011	6/27/2017	28th		
Nippon Life Insurance	2,000	1.36875		1/31/2017	27th		
Nippon Life Insurance	2,000	1.49563	7/29/2011	1/31/2018	29th		
Bank of Tokyo-Mitsubishi UFJ	5,000	1.41375	9/26/2011	3/26/2018	30th		
Mizuho Corporate Bank	1,700	1.03500		11/11/2015	25th		
Mizuho Corporate Bank	1,700	1.48875	11/11/2011	11/11/2018	31st		
Bank of Tokyo-Mitsubishi UFJ	2,000	1.35232	5/25/2012	5/25/2019	32nd		
Development Bank of Japan	4,000	1.48000	6/25/2012	6/25/2020	34th		
Sumitomo Mitsui Trust Bank	400	1.32375					
Mitsubishi UFJ Trust Bank	400	1.32375	6/29/2012	6/29/2019	32nd		
The Norinchukin Bank	1,000	0.93500	7/25/2012	7/25/2017	28th		
<b>Total Long-Term Borrowings</b>	<b>79,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total Borrowings</b>	<b>79,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
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	23th	
<b>Total Corporate Bonds</b>		<b>10,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Interest-Bearing Debt</b>		<b>89,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* Average Interest Rate: 1.71%

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

\*Comments by Tokyu REIM **51**

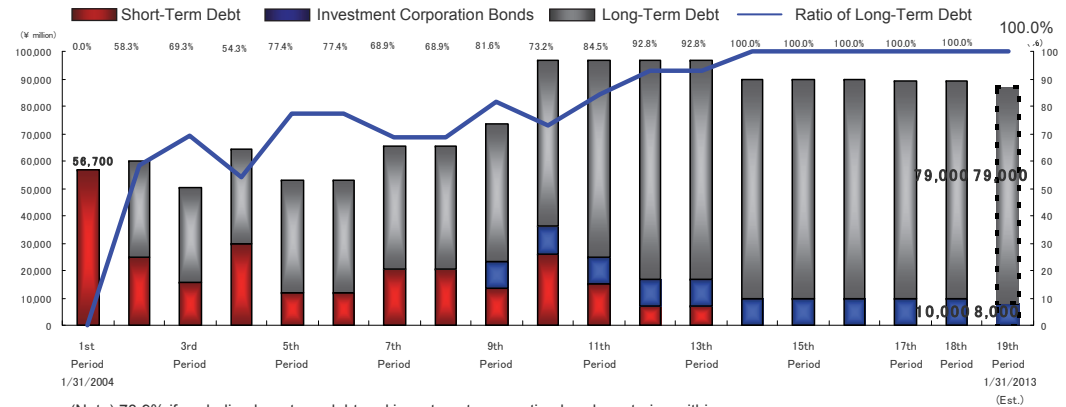
# Debt Structure (ii)

## Rating (As of End of 18th Period)

<b>R&amp;I</b>	<b>Issuer Rating: AA- (Rating Outlook: stable)</b>
<b>S&amp;P</b>	<b>Long-Term Corporate Credit Rating: A (Rating Outlook: negative)</b> <b>Short-Term Corporate Credit Rating: A-1</b>
<b>Moody's</b>	<b>Issuer Rating: A3 (Rating Outlook: negative)</b>

## Ratio of Long-Term Debt

**\* Increasing long-term fixed-rate debt in order to strengthen financial position.**



(Note) 78.9% if excluding long-term debt and investment corporation bonds maturing within a year

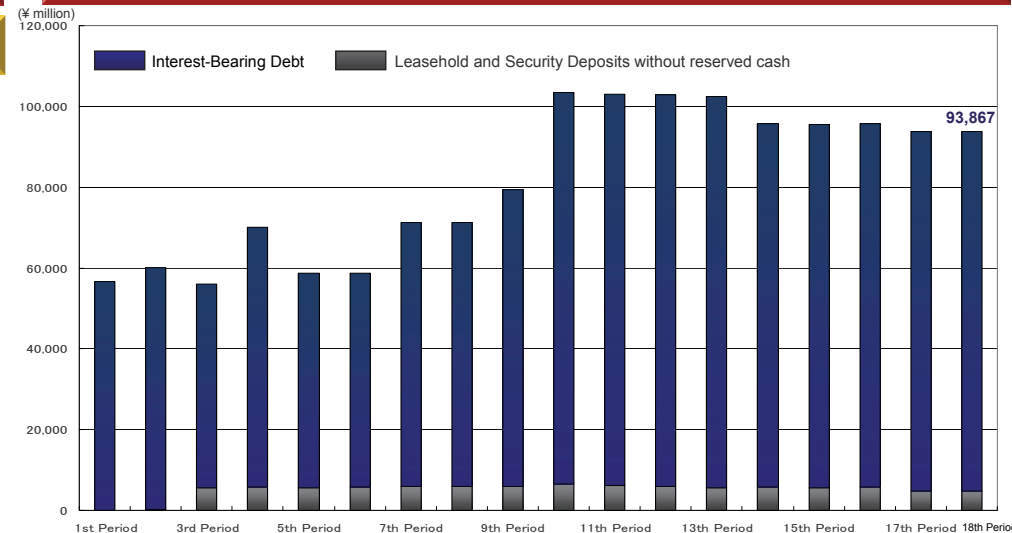
## Commitment Line (As of End of 18th Period)

**\* Commitment lines help to respond to changing monetary environment.**

Development Bank of Japan	¥10.0 bn	Due	7/1/2013
Sumitomo Mitsui Trust Bank	¥3.2 bn	Due	7/11/2013
Sumitomo Mitsui Trust Bank	¥2.0 bn	Due	4/20/2013
Mizuho Corporate Bank	¥1.6bn	Due	7/11/2013
Bank of Tokyo-Mitsubishi UFJ	¥1.6bn	Due	7/11/2013
Mitsubishi UFJ Trust Bank	¥1.6 bn	Due	7/11/2013

**Total ¥20.0 bn**

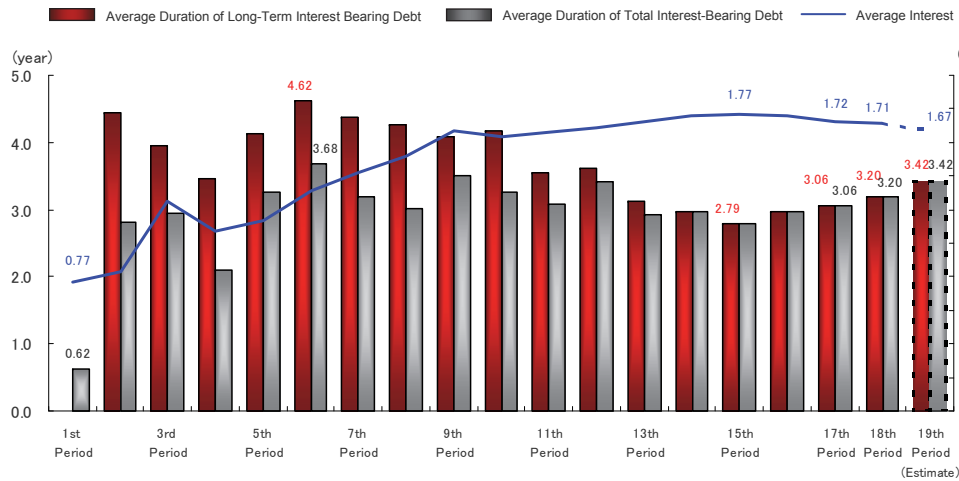
## Deemed Interest-Bearing Debt



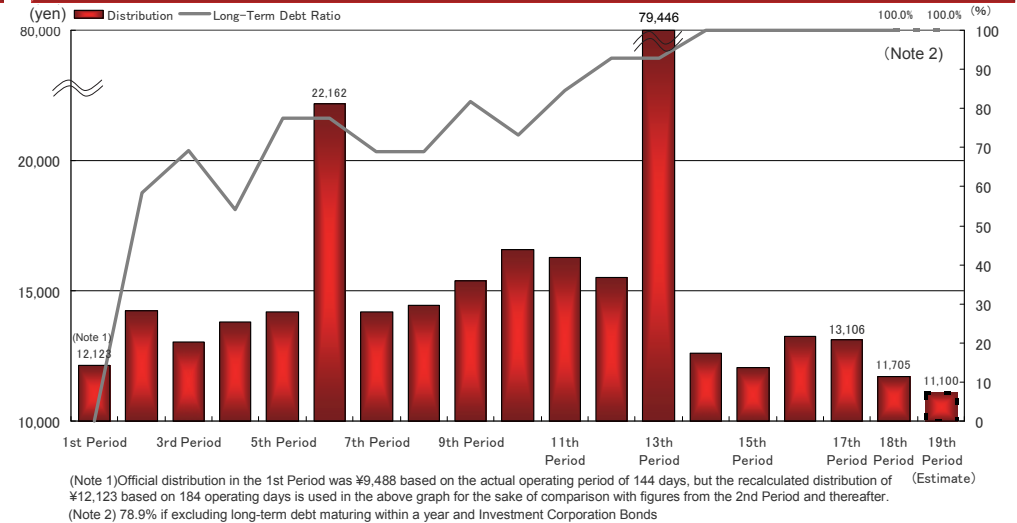
\*Comments by Tokyu REIM **52**

# Debt Structure (iii)

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

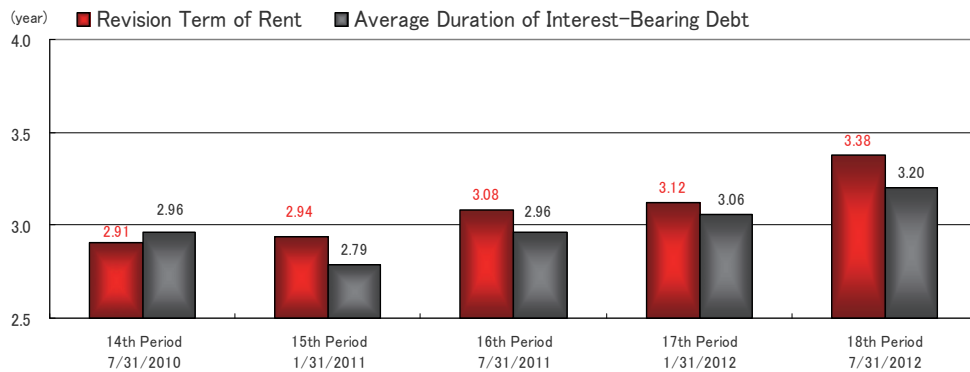


## Distribution and Long-Term Debt Ratio

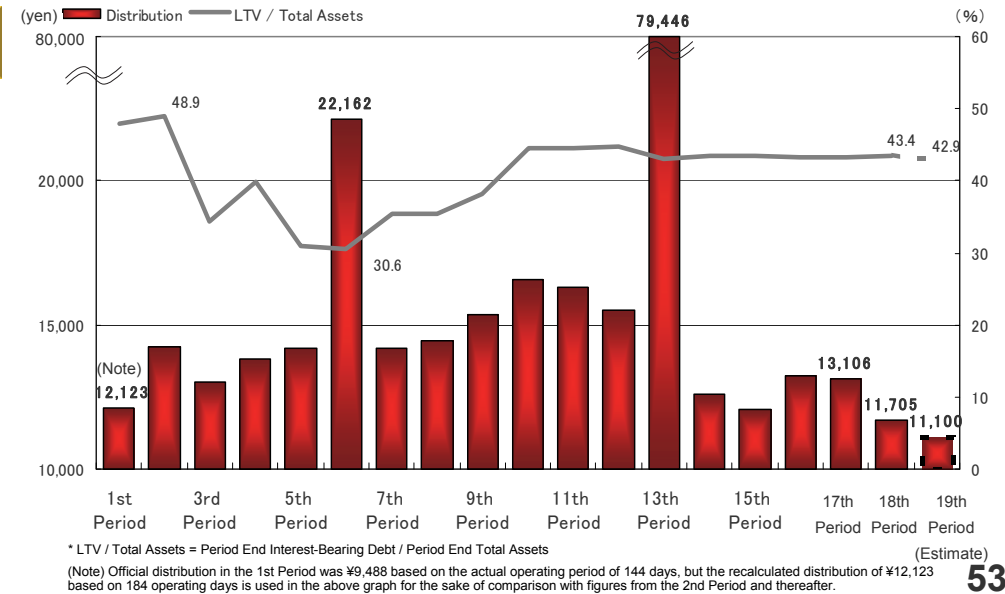


## Revision Term of Rent to Average Duration of Interest-Bearing Debt

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



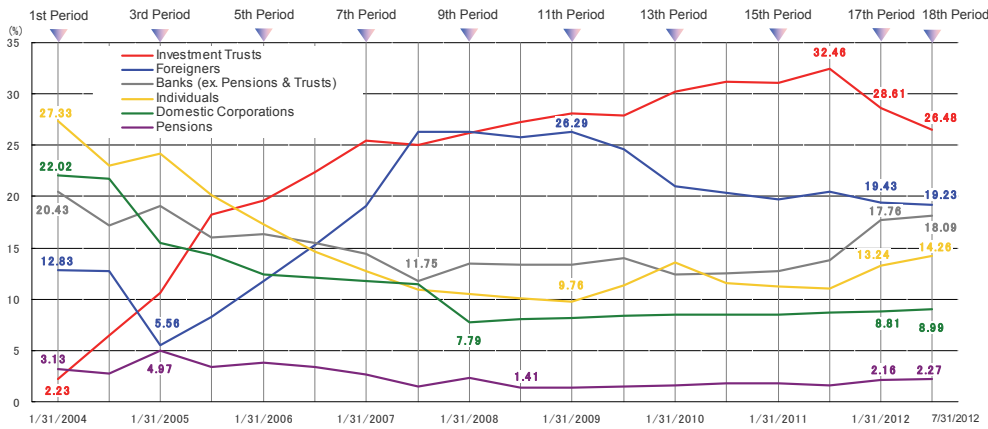
## Distribution and LTV / Total Assets



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

# Composition of Unitholders

## Changes in Unitholder Composition (Main Segments)

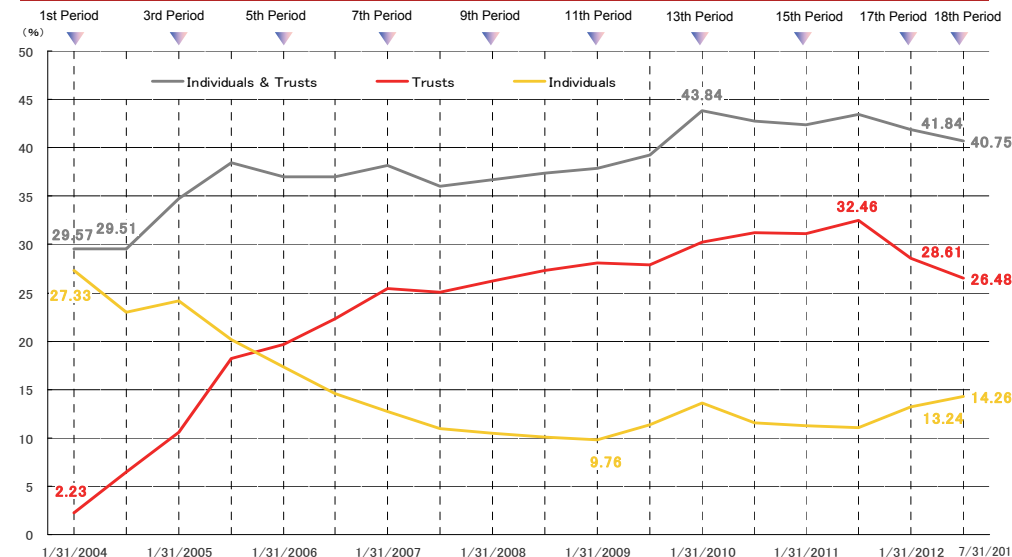


\* Investment trusts hold the largest share among unitholders.

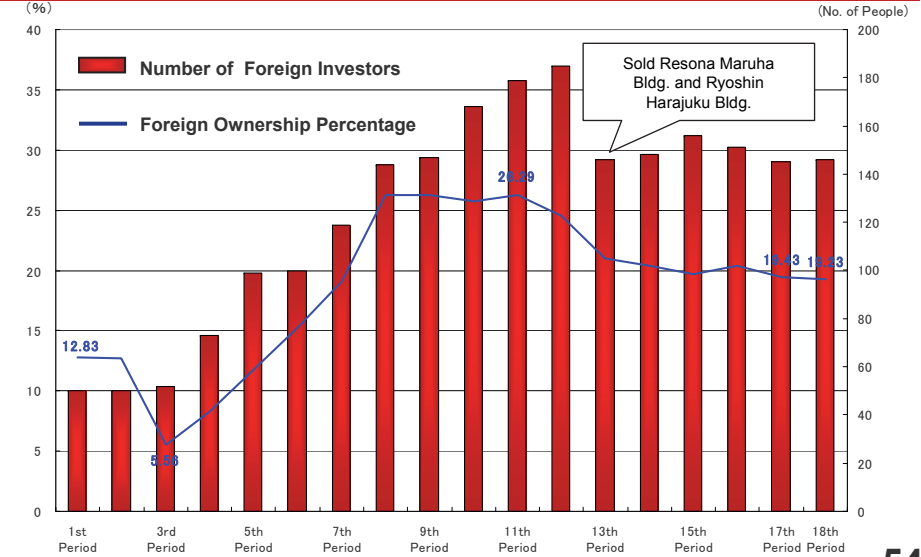
\* Individual ownership percentage (Individuals and Trusts) exceeds 40% of the total.

\* Investment from foreigners remains flat.

## Individual Ownership Percentage



## Foreign Ownership Percentage / Number of Foreign Investors



# List of Major Unitholders

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

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

## 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
Total Units Held by Top 20 Unitholders	102,802	60.69
Outstanding Units	169,380	100.00

## 18th Period (Ended Jul. 31, 2012)

Unitholders	No. of Units Held	Share (%)
1 Japan Trustee Services Bank Ltd.	33,036	19.50
2 Trust & Custody Services Bank, Ltd.	12,612	7.44
3 Tokyu Corporation	9,800	5.78
4 The Nomura Trust and Banking Co., Ltd.	9,746	5.75
5 Nomura Bank (Luxembourg) S.A.	4,434	2.61
6 State Street Bank and Trust Company 505103	4,127	2.43
7 Asahi Fire and Marine Insurance	4,000	2.36
8 MetLife Alico GA Company JPY	3,902	2.30
9 The Momiji Bank	3,419	2.01
10 The Hachijuni Bank, Ltd.	2,942	1.73
11 The Master Trust Bank of Japan, Ltd.	2,748	1.62
12 The Gibraltar Life Insurance Company	2,025	1.19
13 Kansai Urban Banking Corporation	1,964	1.15
14 SIX SIS Ltd.	1,500	0.88
15 Trust & Custody Services Bank, Ltd.	1,372	0.81
16 JPMorgan Chase Bank 380055	1,345	0.79
17 RBC Dexia Investor Services Trust, London Lending Account	1,204	0.71
18 The Bank of New York Mellon as Agent BNYM AS EA Dutch Pension Omnibus 140016	1,003	0.59
19 The Iyo Bank, Ltd.	1,000	0.59
20 The Taiko Bank, Ltd.	945	0.55
Total Units Held by Top 20 Unitholders	103,124	60.88
Outstanding Units	169,380	100.00

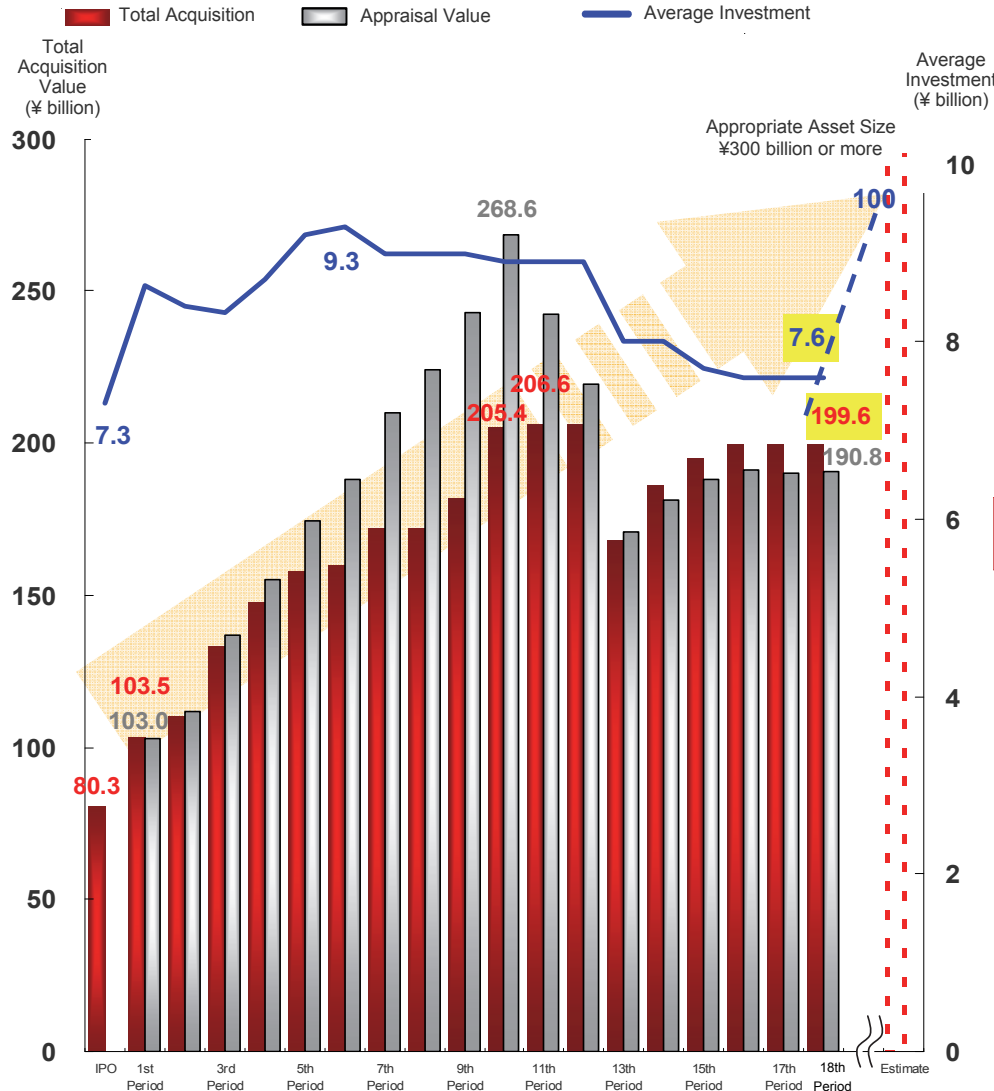




### **3. Fund Management**

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

## Portfolio Size and Average Investment



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

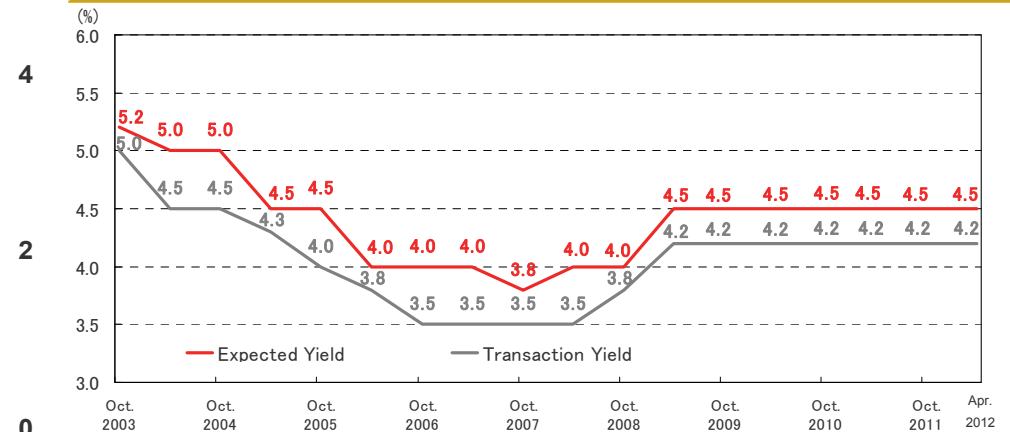
\* Investor outlook remained almost the same as the previous survey in Tokyo.

25th Survey (Oct. 2011)					26th Survey (Apr. 2012)				
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	101	103	105
Shibuya, Shibuya Station area	100	100	101	102	Shibuya, Shibuya Station area	100	100	102	103
Nagoya, Nagoya Station area	98	98	100	100	Nagoya, Nagoya Station area	98	99	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.

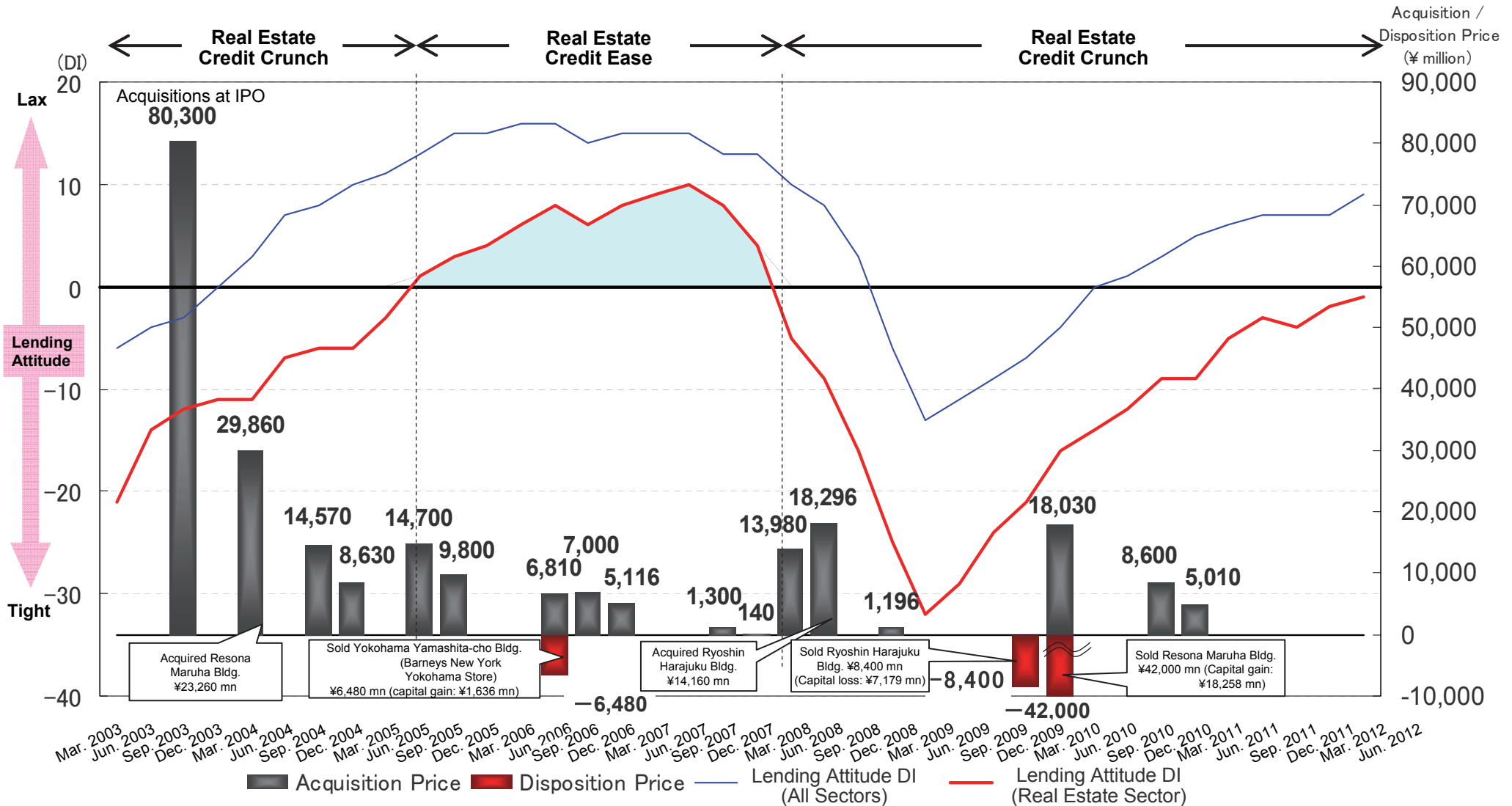


Source: Japan Real Estate Institute "Japan Real Estate Investors Survey."

\*Comments by Tokyu REIM **57**

# 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.



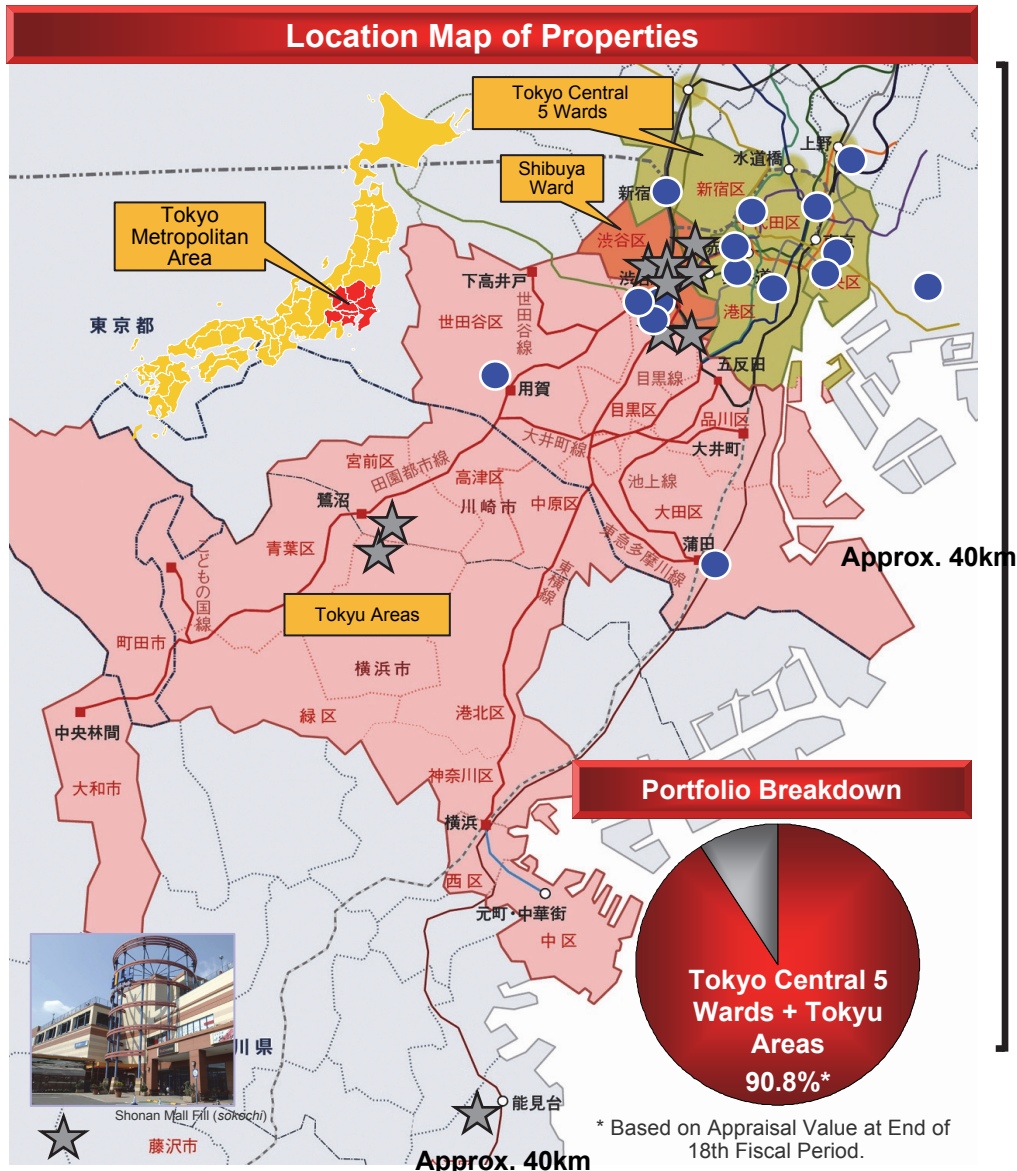
\* Acquisition price on secondary y-axis, each bar represents the total acquisition price in the respective month and 2 months prior (i.e., June 2008 includes April – June 2008).

Source: BOJ (Tankan Survey).

\*Comments by Tokyu REIM **58**

# 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

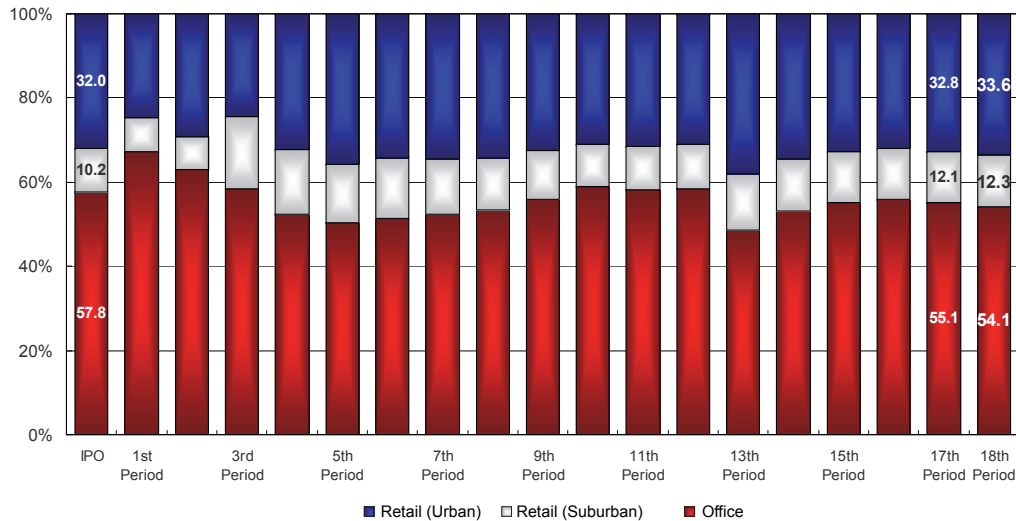
### Office Properties

 Setagaya Business Square	 Tokyu Nampoicho Bldg.	 Tokyu Sakuragaoka-cho 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

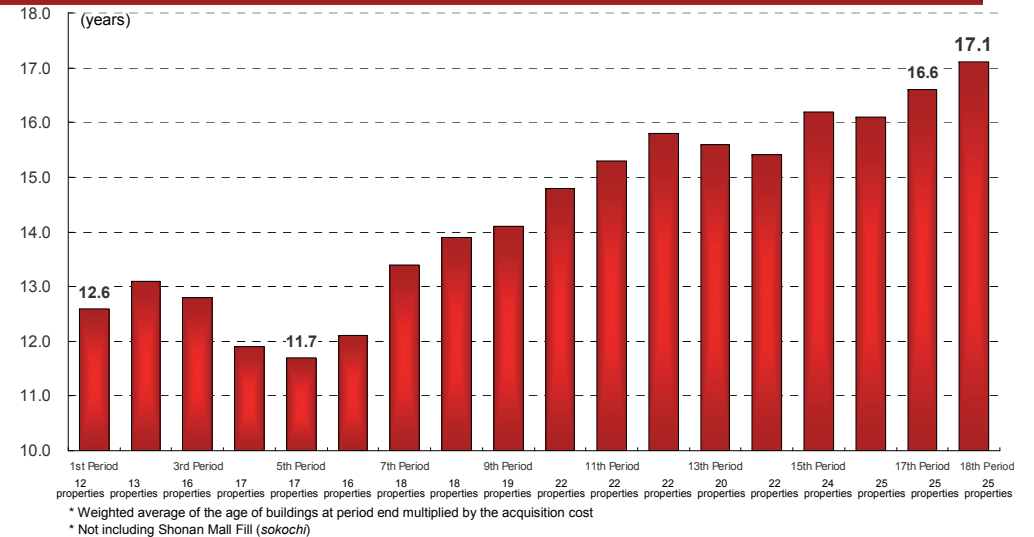
Total Acquisition Price does not include acquisition-related costs, property tax, city planning tax and consumption tax.

# Portfolio Overview (i)

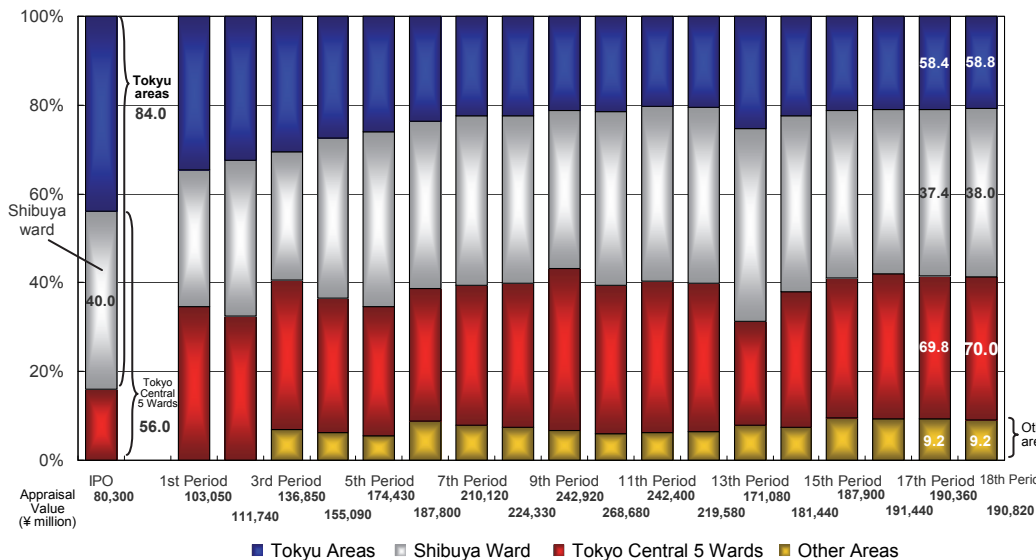
### Office / Retail Ratio (Based on Appraisal Values at End of Period)



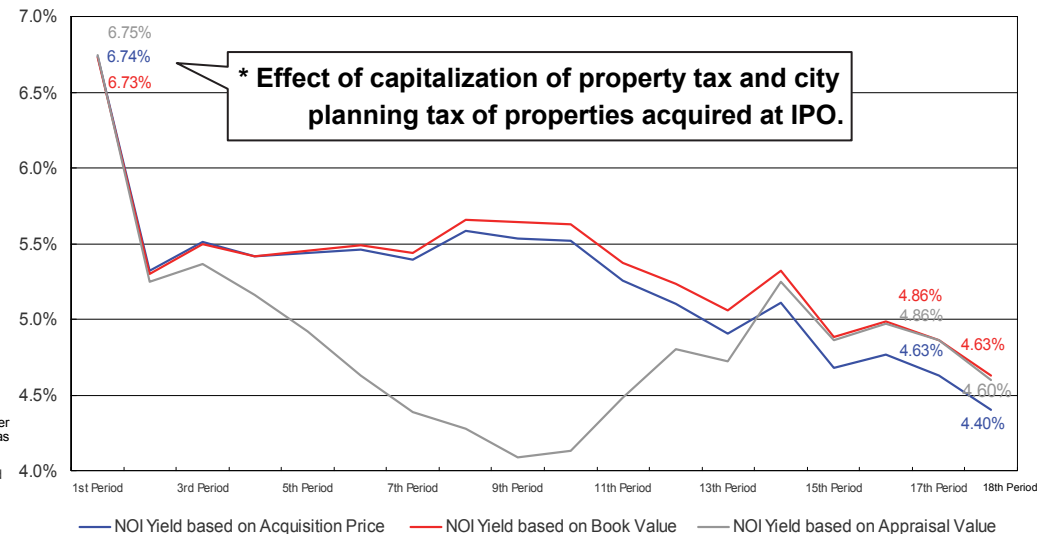
### Weighted Average Property Age



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

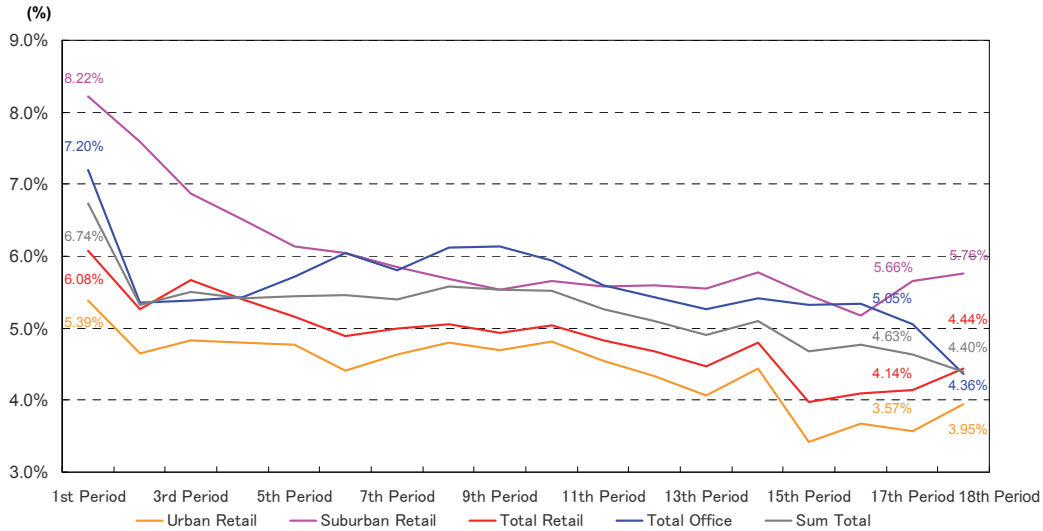


### NOI Yield

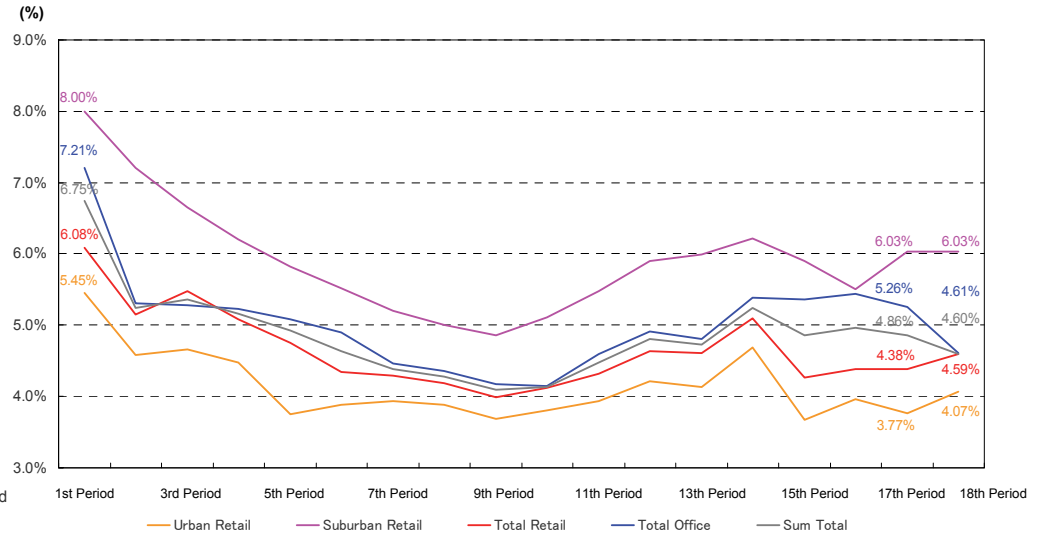


# Portfolio Overview (ii)

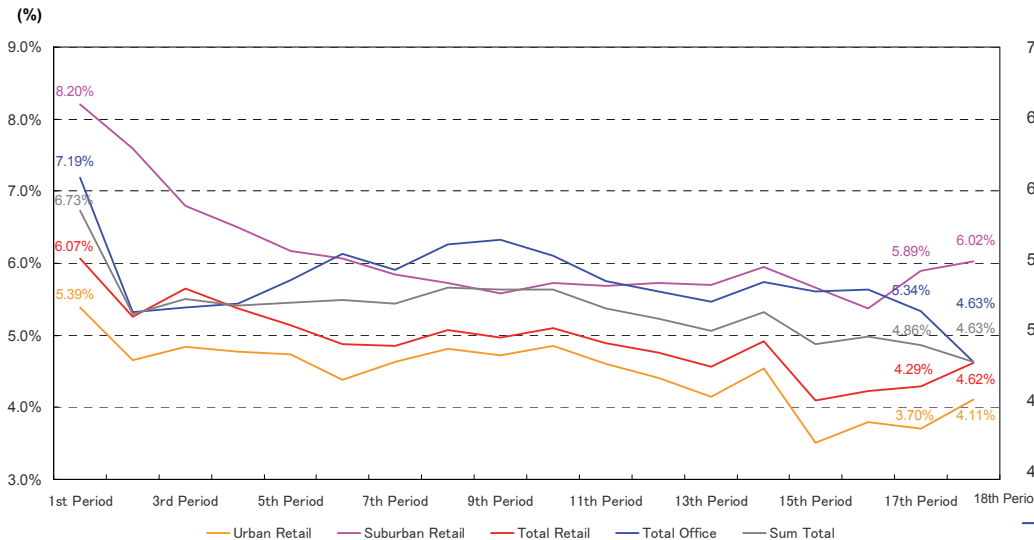
### Changes in NOI Yield (Based on Acquisition Price)



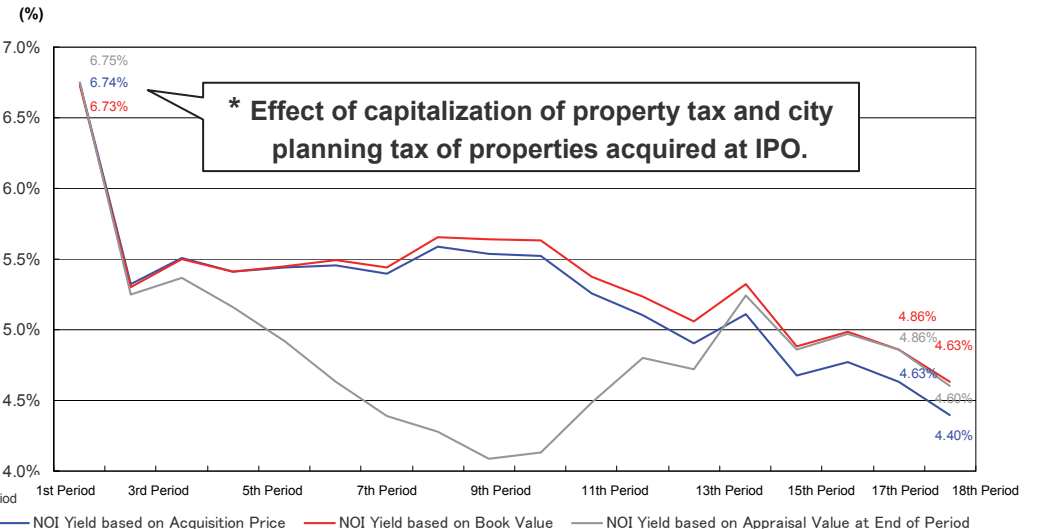
### Changes in NOI Yield (Based on Appraisal Value at End of Period)



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



### Changes in NOI Yield

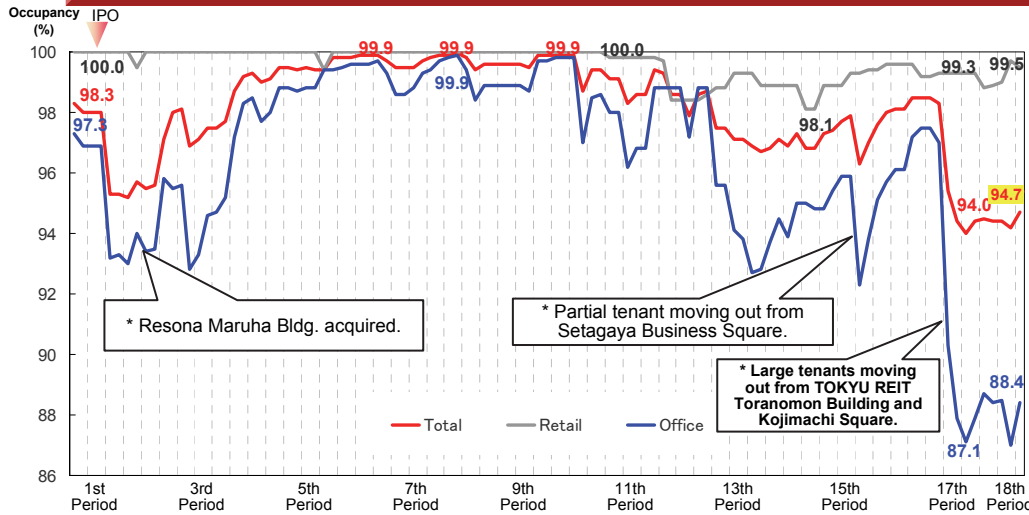


\*Comments by Tokyu REIM 61

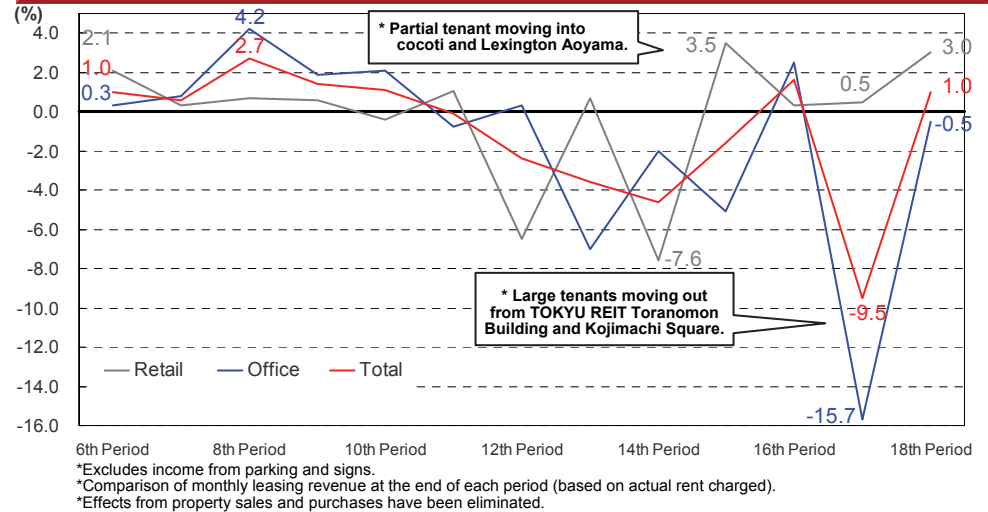
# Internal Growth

**\* Occupancy Rate Increased.**

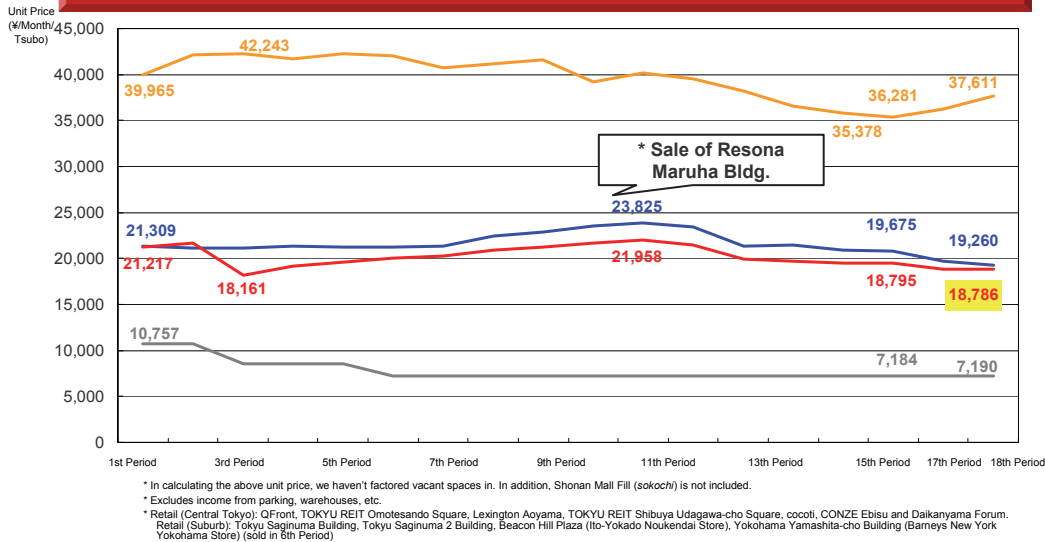
## Changes in Occupancy of Overall Portfolio



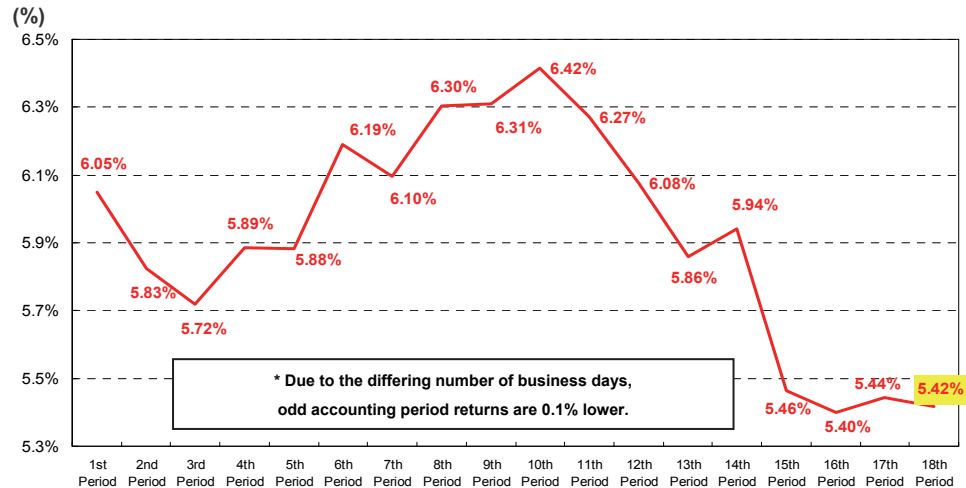
## Period-on-Period Monthly Leasing Revenue Increase Rate



## Average Rent (Including Common Area Expenses)



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

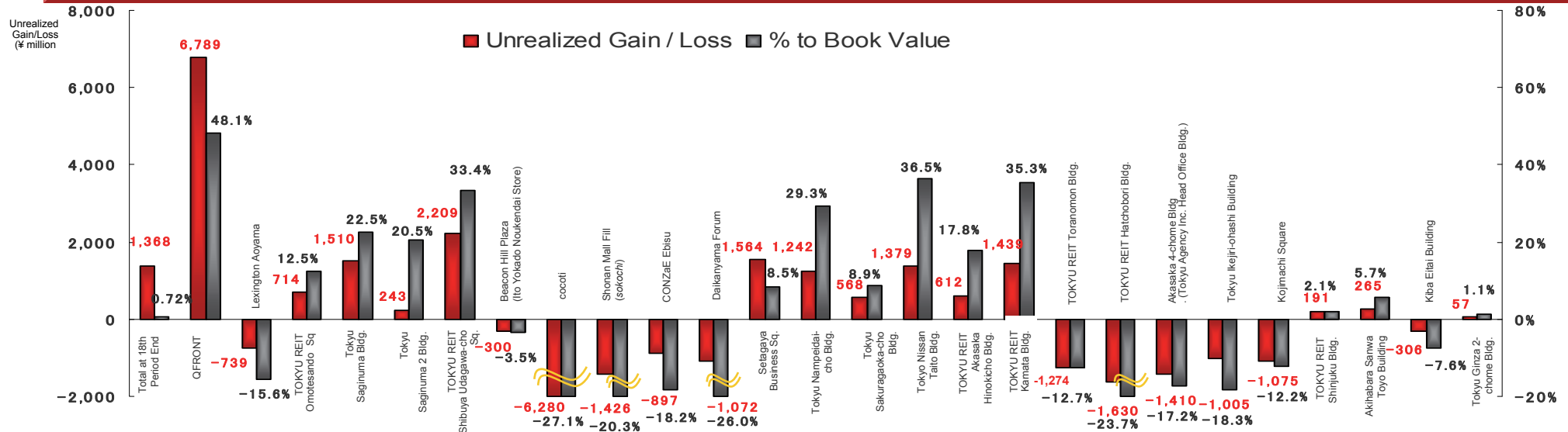


\*Comments by Tokyu REIM **62**

# Unrealized Gains/Losses and Total Return

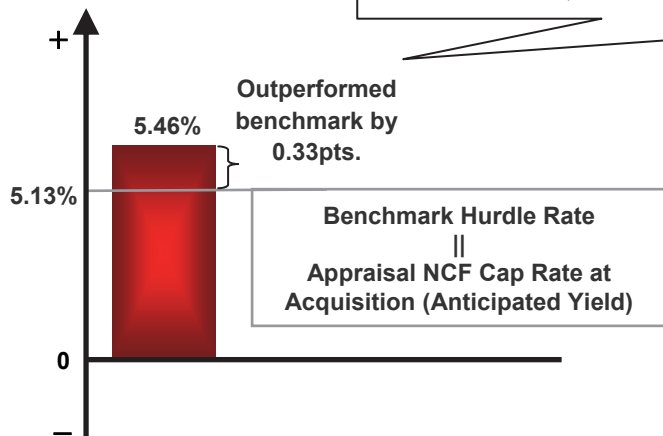
\* The Number of Properties with Unrealized Losses is Trending Downward.

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



## Portfolio Return Performance

\* Total return, excluding the one property recently acquired, has outperformed the benchmark by 0.33 points.



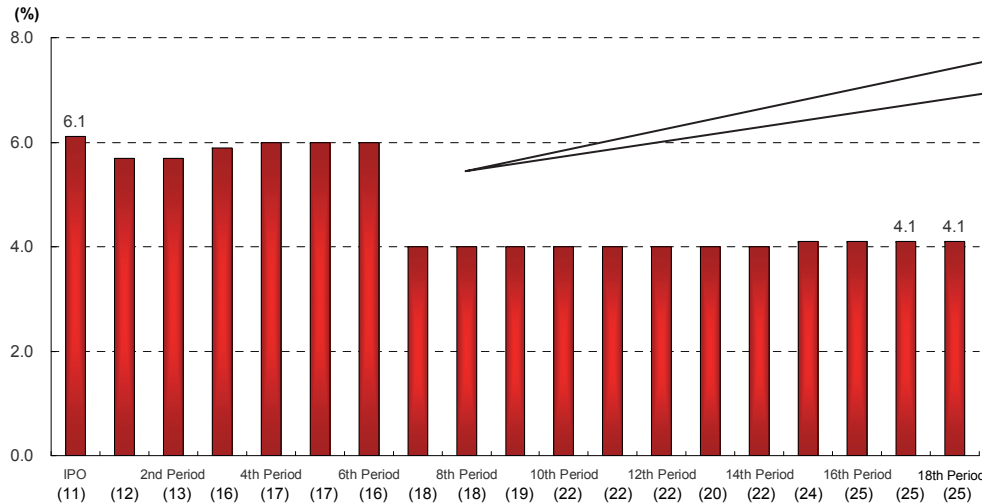
- Based on 28 properties (acquisition price base: ¥238,329 million), which is the sum of 25 properties that have been held for more than 4 periods, Yokohama Yamashita-cho Building (Barneys New York Yokohama Store), Resona Maruha Building and Ryoshin Harajuku Building.
- \* Fiscal period end appraisal values are utilized as the deemed 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 25 properties (acquisition price base: ¥194,663 million) is 4.63% (underperforming the benchmark return of 5.13% by 0.50 points).

\*Comments by Tokyu REIM **63**



# Risk Management (i)

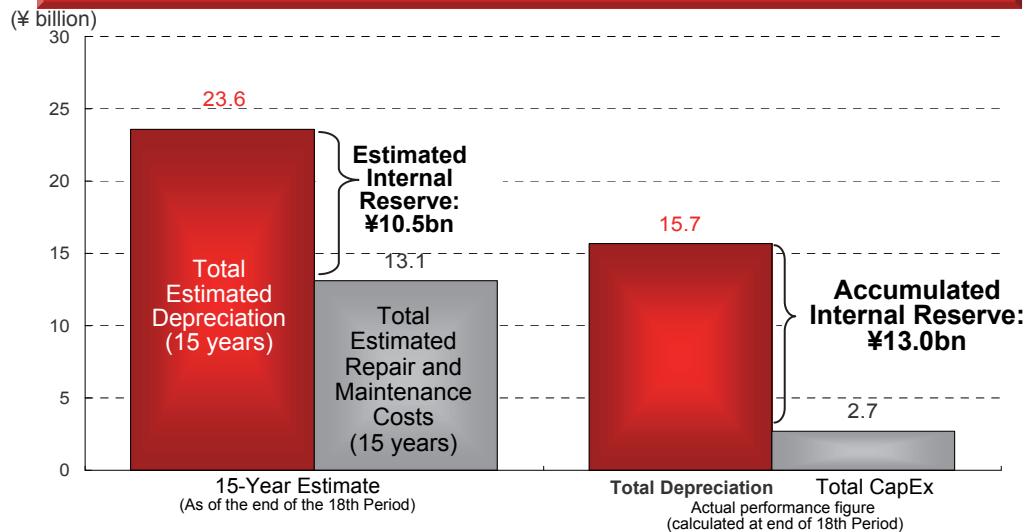
## Portfolio PML Trends



\* 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.

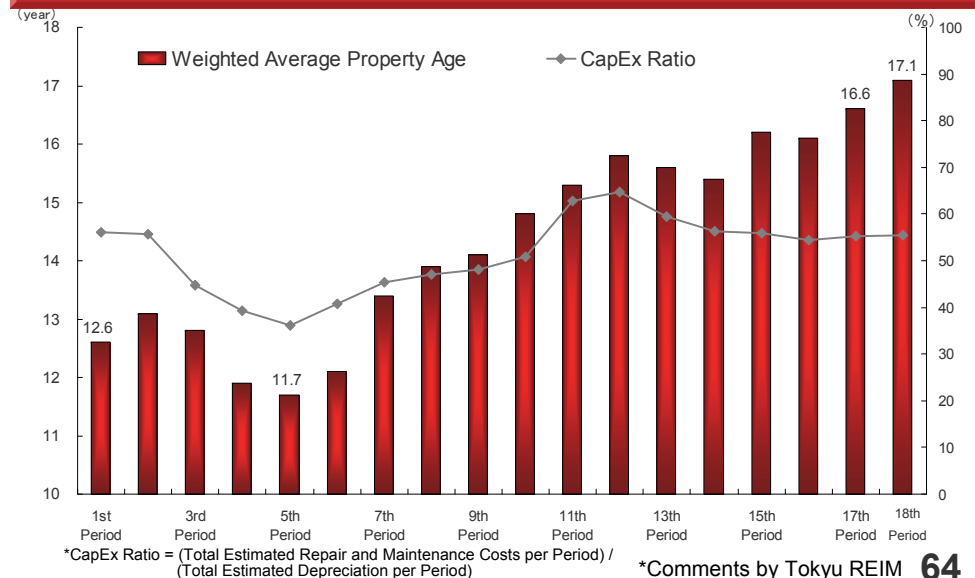
\* The source of funds for CapEx is limited to the amount of depreciation for REITs, as 100% of profits are distributed. Therefore, we manage by focusing on maintaining the proper balance between long-term repair and maintenance estimates and accumulated depreciation.

## 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)

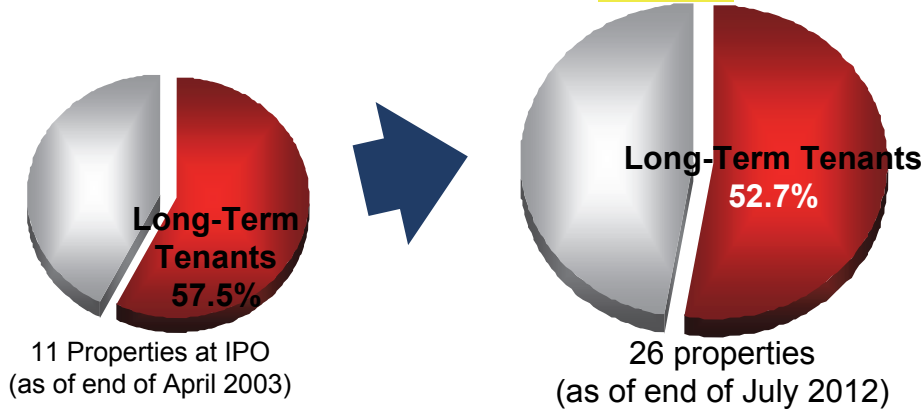
\*Comments by Tokyu REIM 64

# Risk Management (ii)

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

**\* Continuously focus on attracting long-term commitments.**

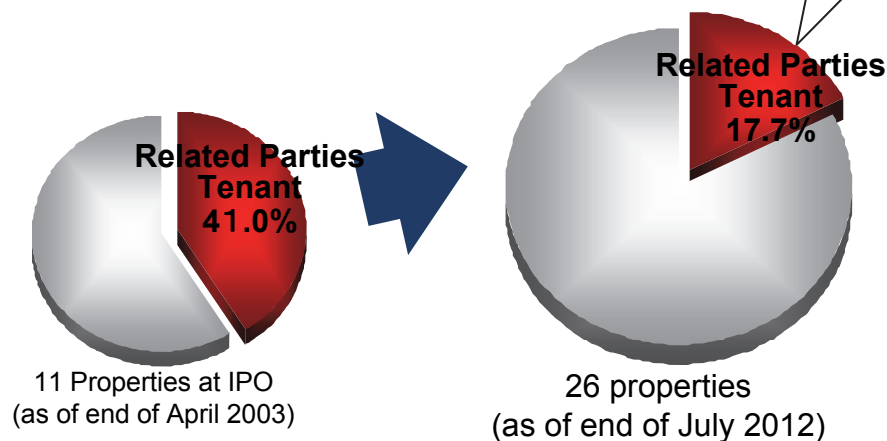
\* The period of rent renewals for all tenants is **3.38 years** on average.



\* Definition of long-term contract: Contracts with remaining contract period of 5 years or longer counting from August 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 July 31, 2012).

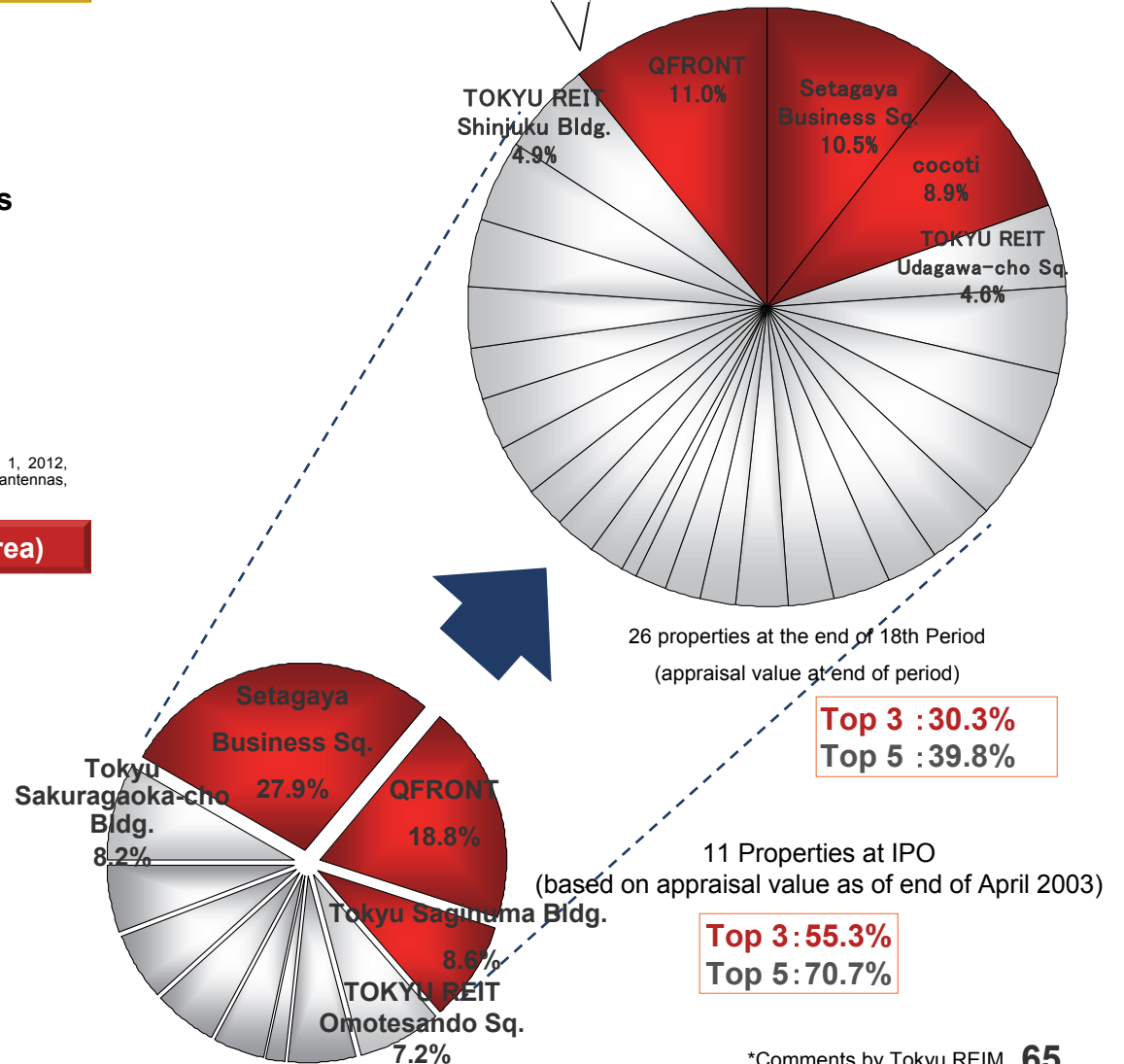
## Related Parties Tenant Concentration (Based on Leasable Area)

**\* Lower dependence on Related Parties.**



## Property Concentration

**\* Ratio of each property decreased as number of properties increased.**

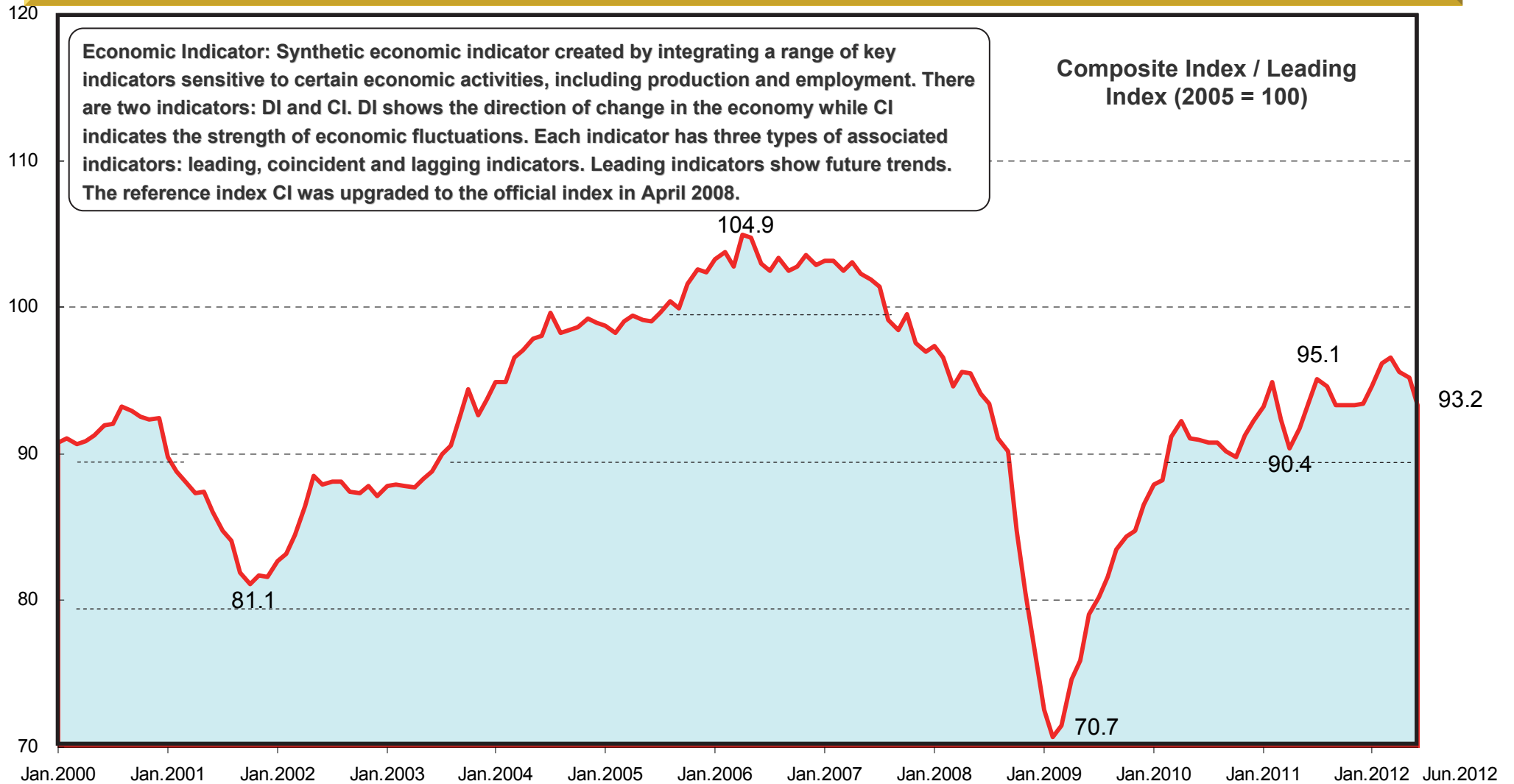




## 4. Market Review

# Economic Trends in Japan

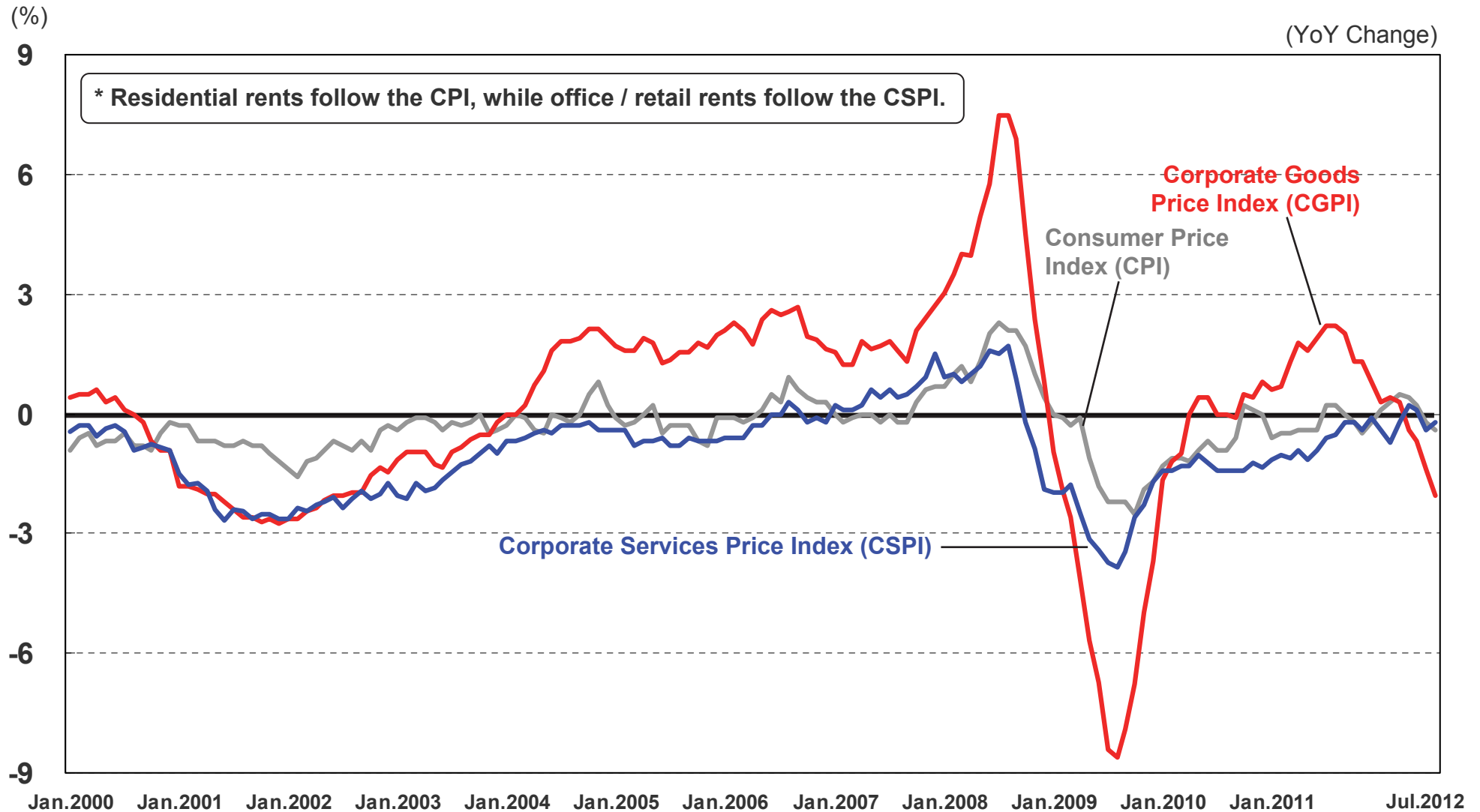
**\* The economy was in a standstill due to resurgence of the European sovereign debt problem.**



Source: Cabinet Office.

# Price Index

**\* The year-on-year decrease in the Corporate Services Price Index (CSPI) has been reduced.**

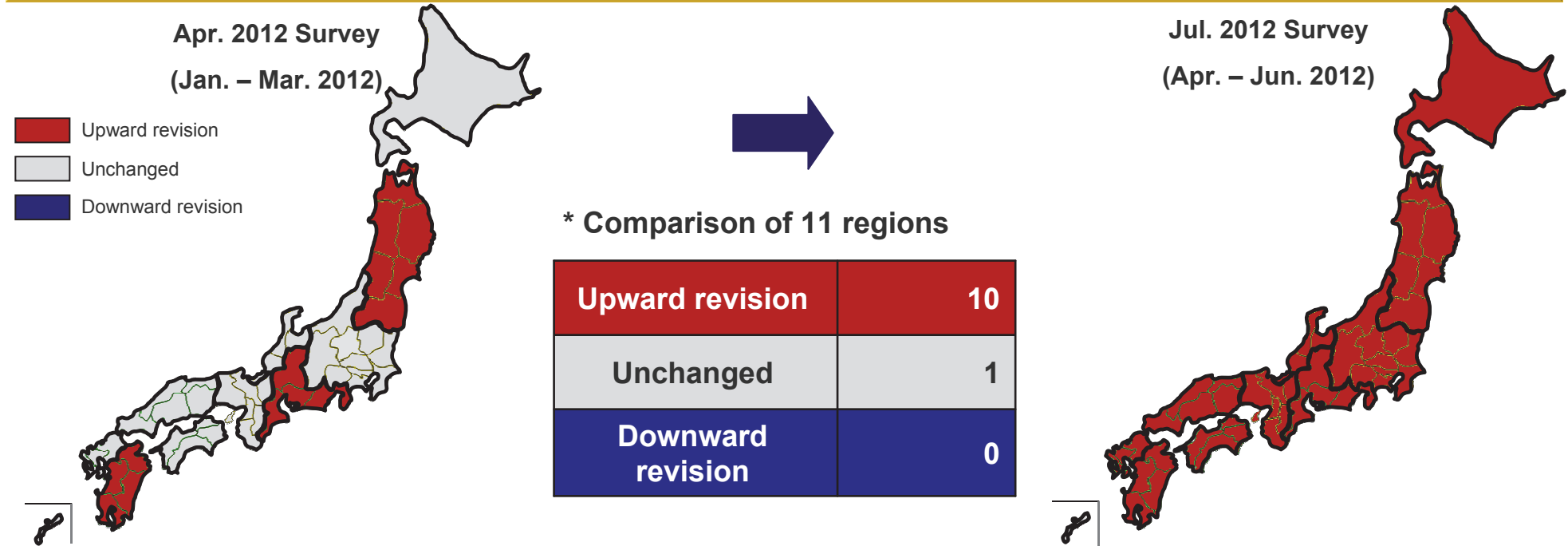


Source: Ministry of Internal Affairs and Communications, BOJ.

\*Comments by Tokyu REIM **68**

# 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.

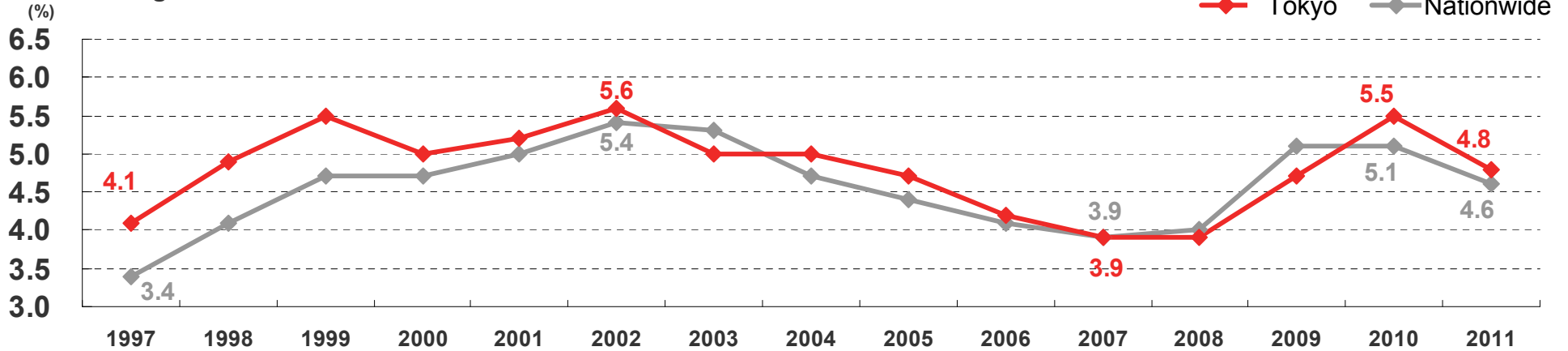
**In general, the regional economy is “moderately picking up as a whole.”**  
 (Ministry of Finance, Summary Report of Economic Conditions in Jurisdictions of Finance Bureaus in Japan, July 26, 2012)

**The economy has begun to pick up moderately with firm domestic demand, supported mainly by reconstruction-related demand and improvement in consumer sentiment.**  
 (Bank of Japan, Regional Economic Report, July 5, 2012)

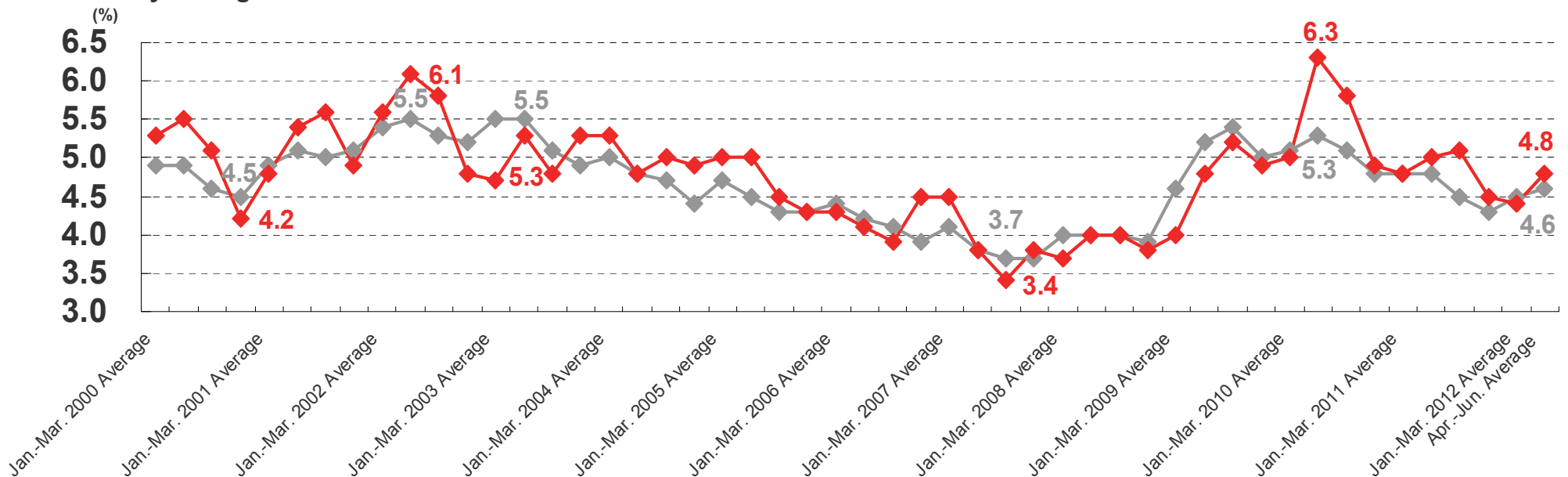
# Unemployment Rate

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

<Annual average>



<Quarterly average>

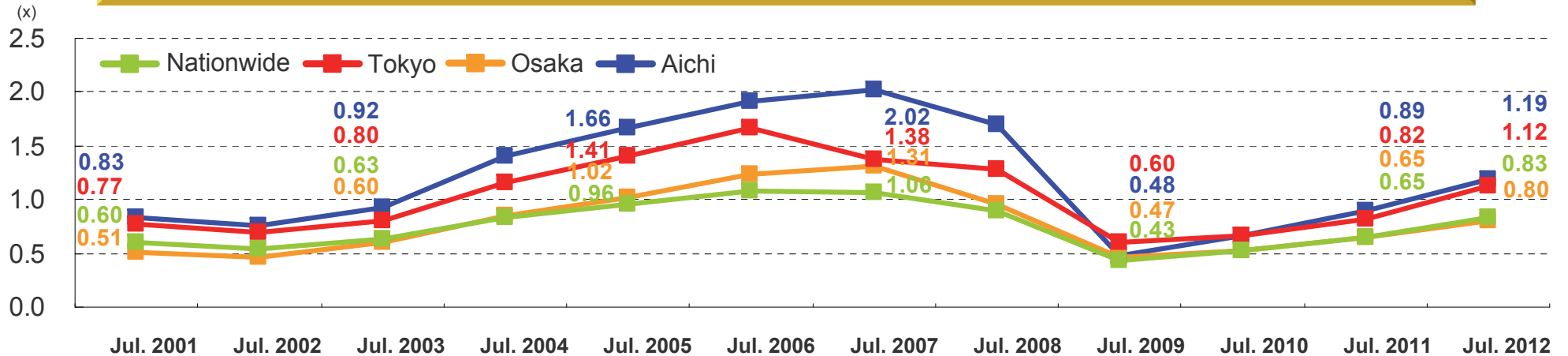


Source: "Labor Force Survey" by the Ministry of Internal Affairs and Communications.

# Employment Trends in Japan (Job Openings)

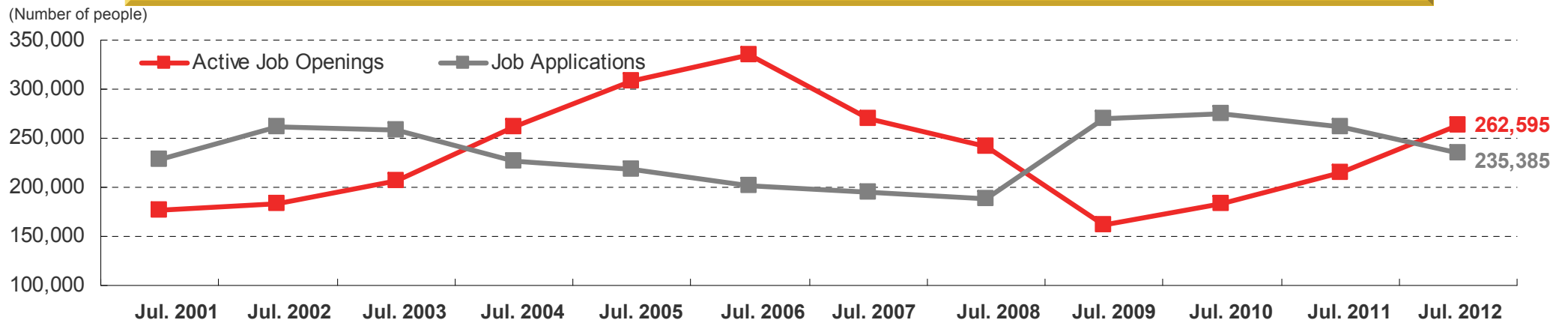
## Job to Application Ratio (Seasonally Adjusted)

\* Tokyo improved to as high as 1.12x.



## Active Job Openings / Job Applications in Tokyo

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



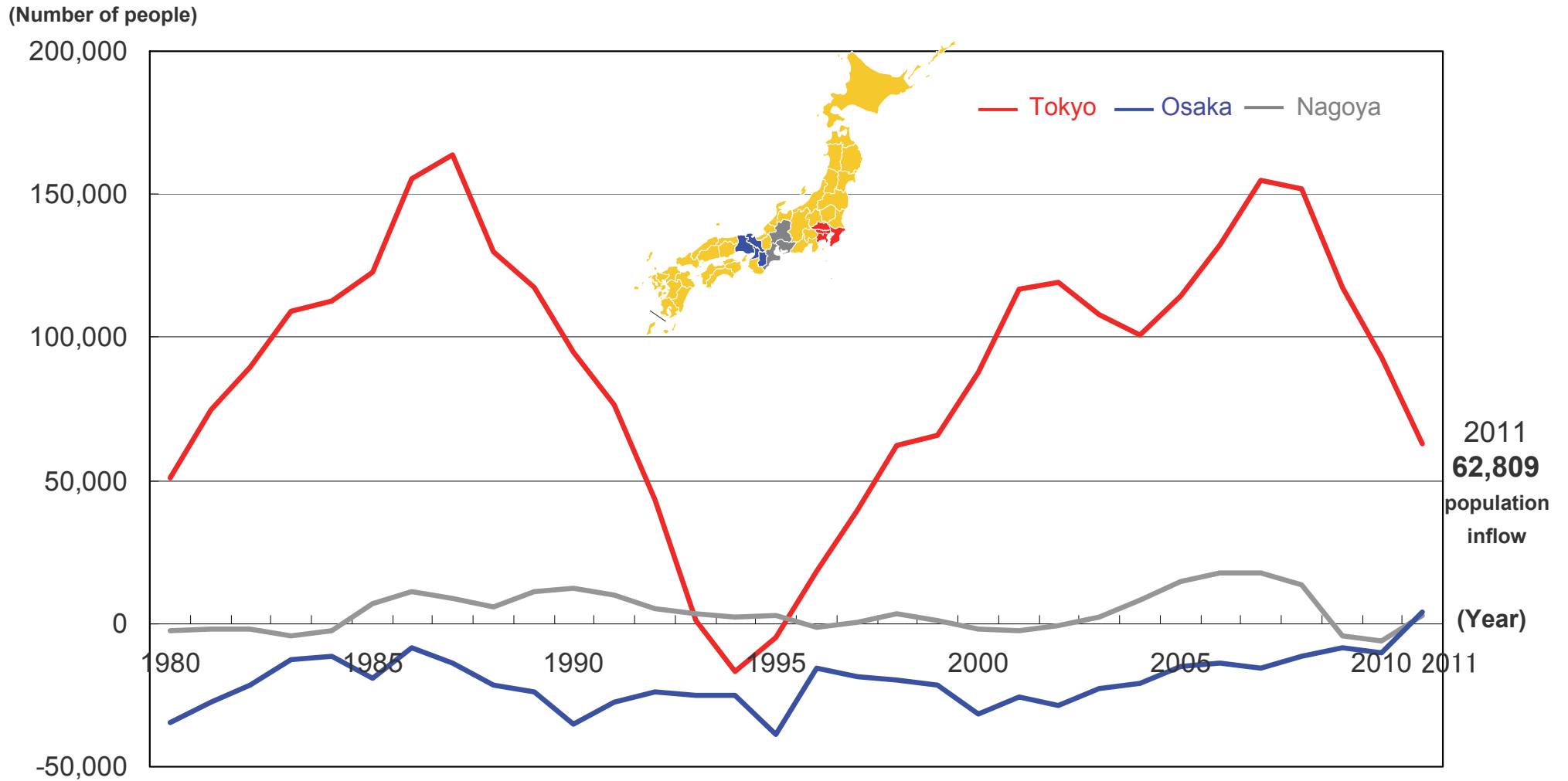
Source: "Employment Service" by the Ministry of Health, Labour and Welfare.

\*Comments by Tokyu REIM **71**



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

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

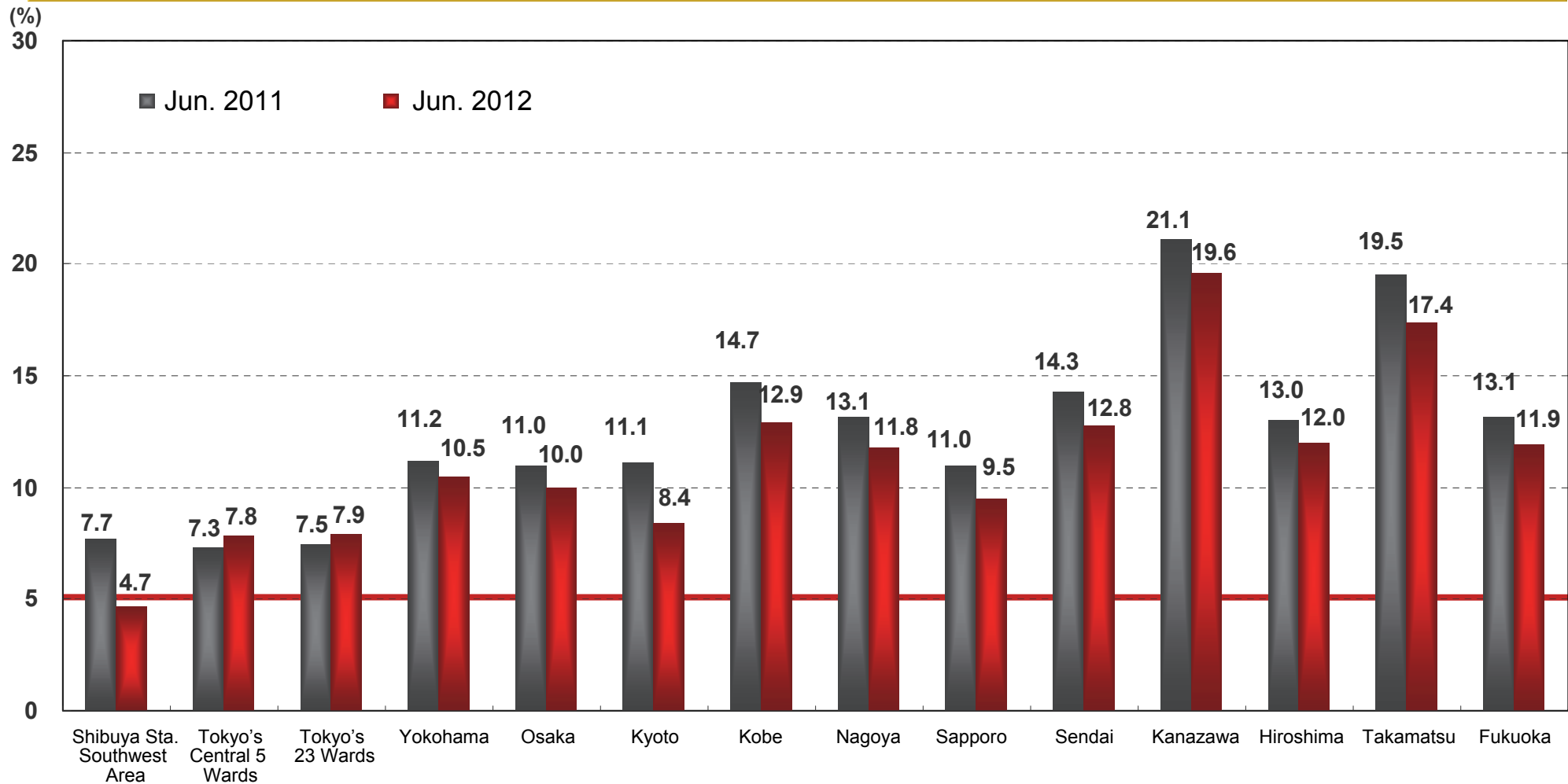


Source: Population Movement from Basic Resident Register, Ministry of Internal Affairs and Communications.

\*Comments by Tokyu REIM **72**

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

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

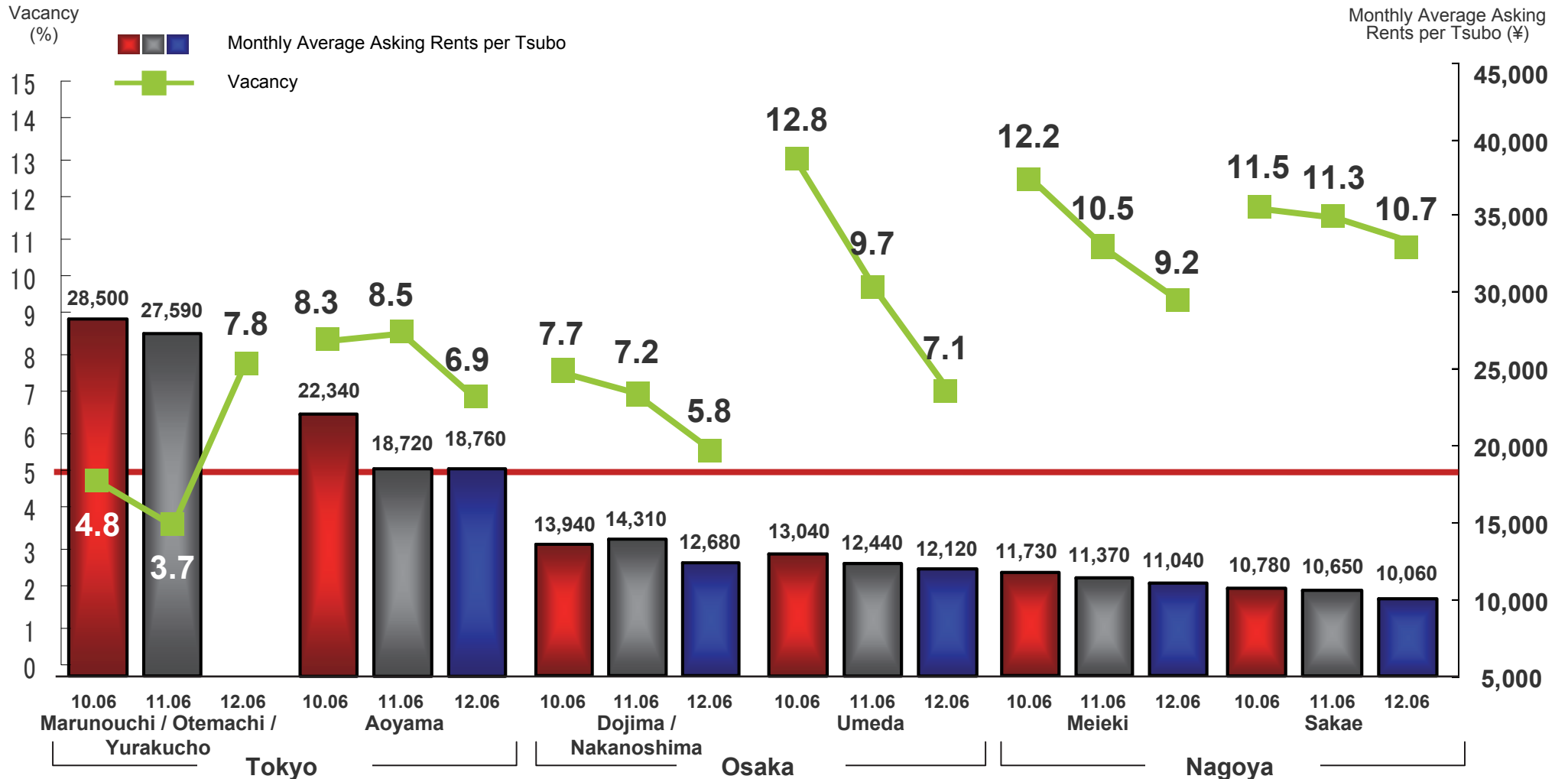


Source: CBRE K.K.

\* 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.

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

**\* Vacancy rate increased for office buildings in Marunouchi, Tokyo, due to large supply of office space.**



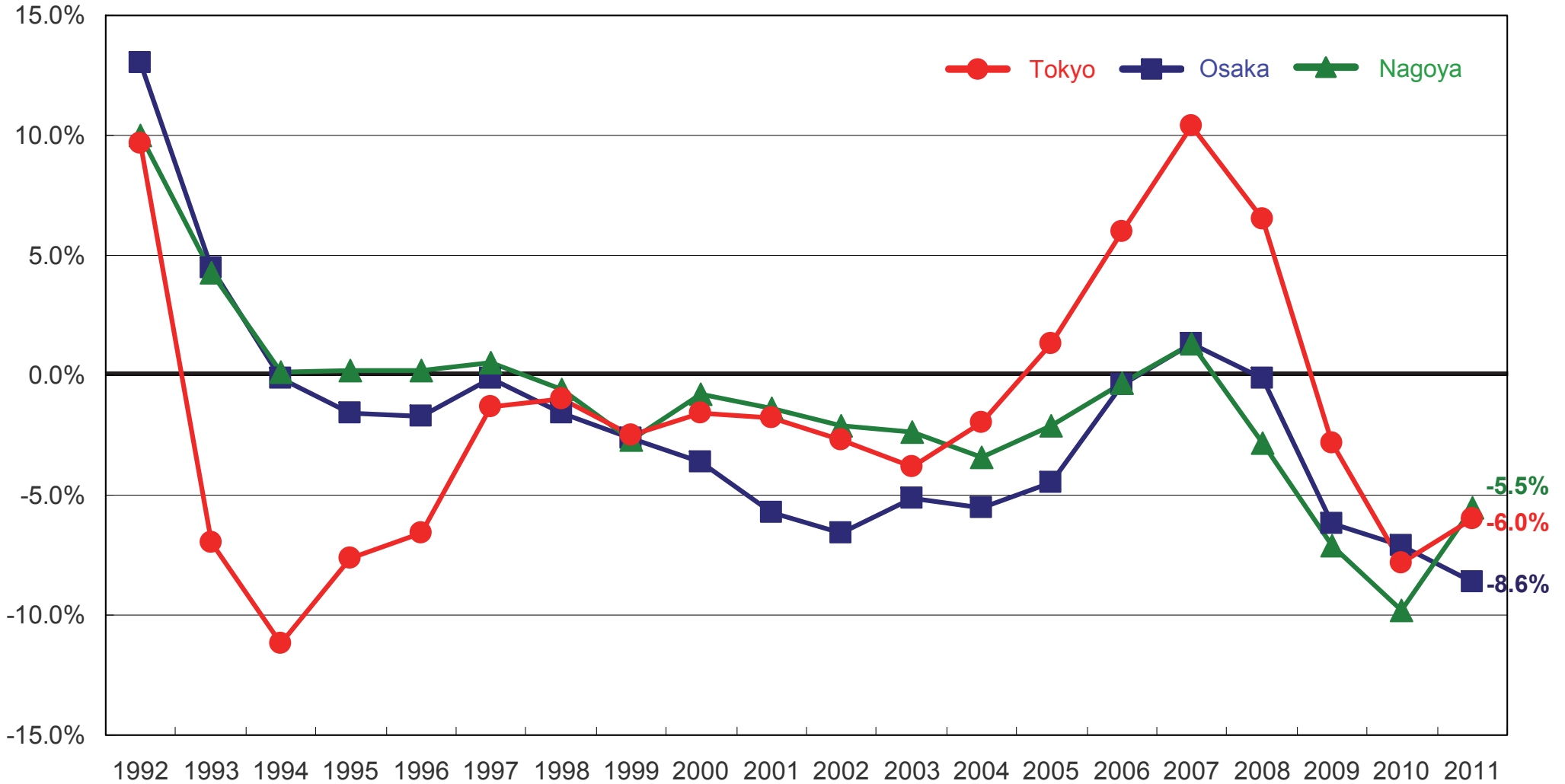
Source: CBRE K.K.

\*Data for Monthly Average Asking Rents per Tsubo in Marunouchi / Otemachi / Yurakucho as of June 2012 does not exist as there were no samples to be tallied.

\*Comments by Tokyu REIM **74**

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

\* Rent revisions continued to decrease in all three cities, but the amount of decrease was reduced in Tokyo and Nagoya.

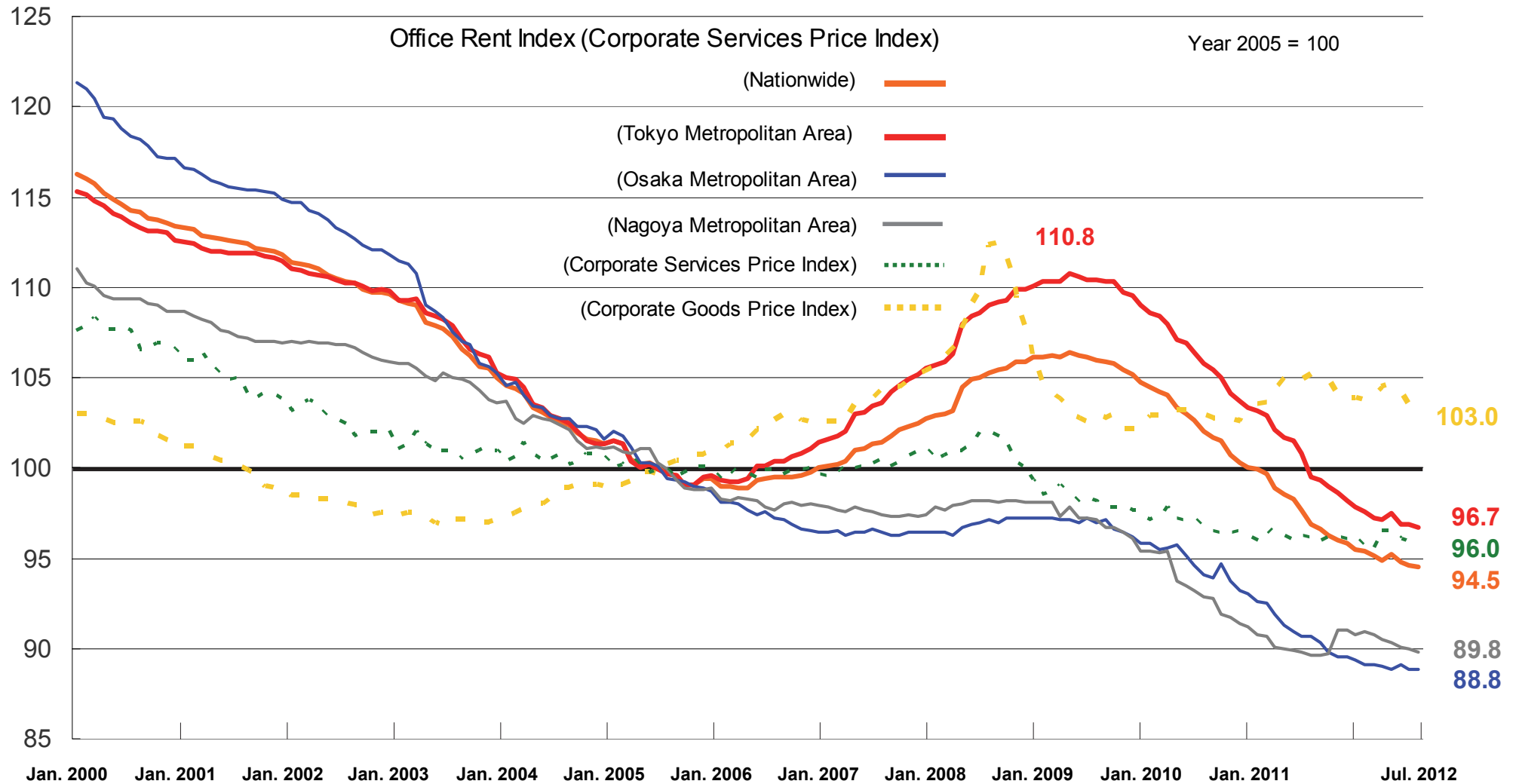


Source: CBRE K.K.

\*Comments by Tokyu REIM **75**

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

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



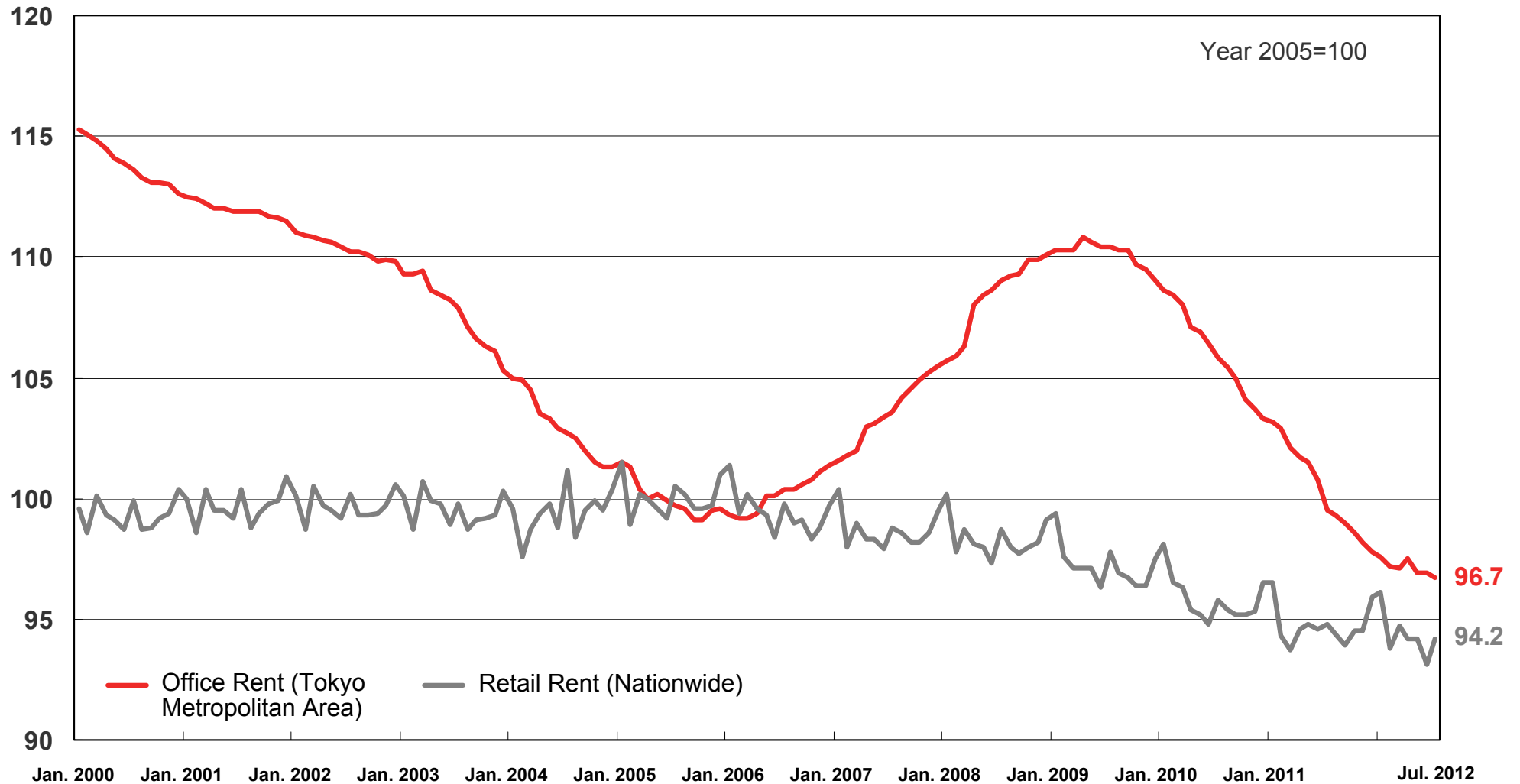
Source: Prepared by Tokyu REIM based on information from the BOJ website.

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

\*Comments by Tokyu REIM **76**

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

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



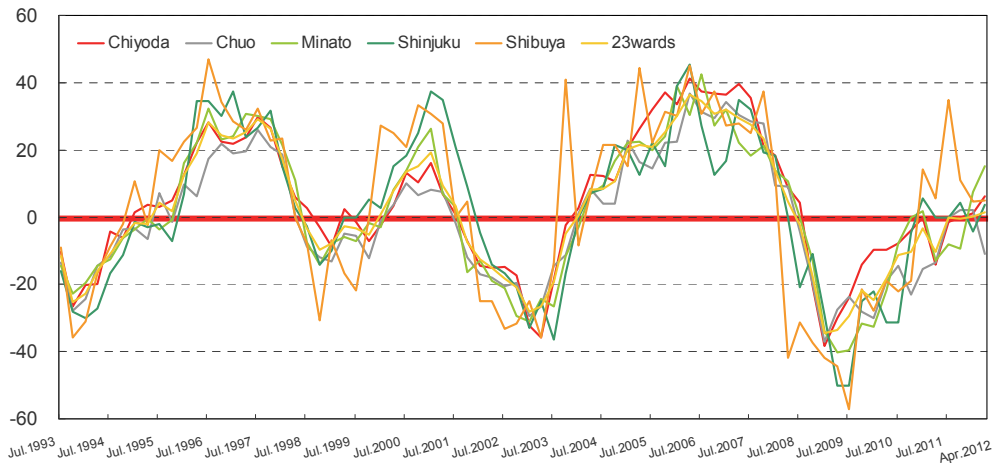
Source: Prepared by Tokyu REIM based on information from the BOJ website.

\*Comments by Tokyu REIM **77**

# Office Leasing Market Overview (6): Business Sentiment

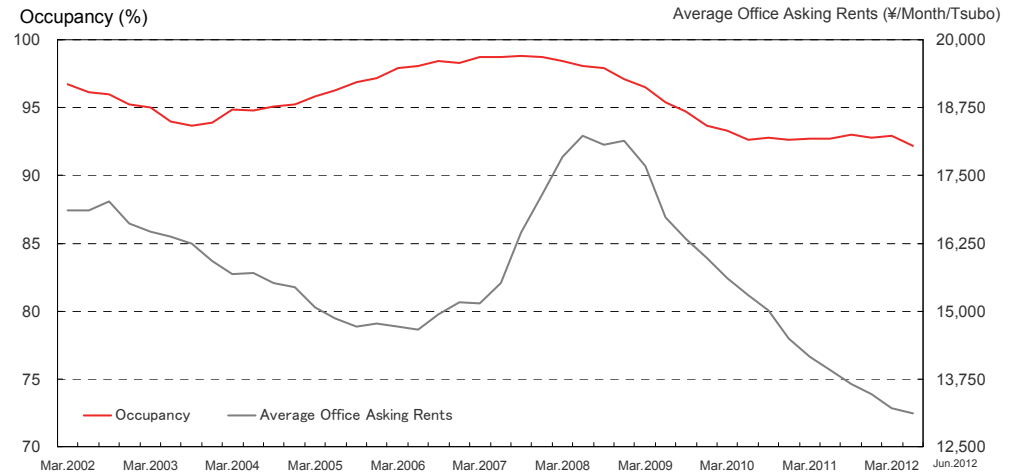
Business sentiments on both vacancy and rent levels show an improving trend.

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



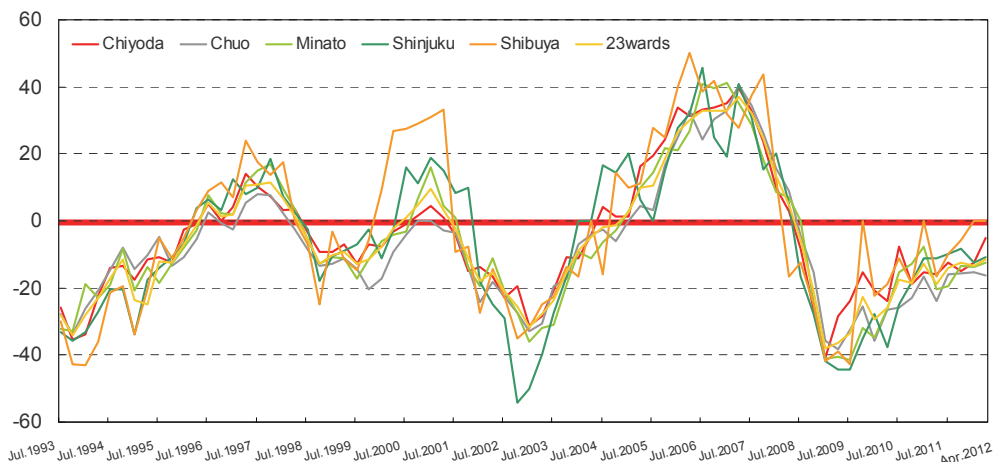
Source: Tokyo Building Owners and Managers Association

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



Source: CBRE K.K.

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



Source: Tokyo Building Owners and Managers Association.

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

25th Period Survey (as of October 2011)					26th Period Survey (as of April 2012)				
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	101	103	105
Shibuya, Shibuya Station area	100	100	101	102	Shibuya, Shibuya Station area	100	100	102	103
Nagoya, Nagoya Station area	98	98	100	100	Nagoya, Nagoya Station area	98	99	100	100
Osaka, along Midousuji line	98	98	100	100	Osaka, along Midousuji line	98	98	100	100

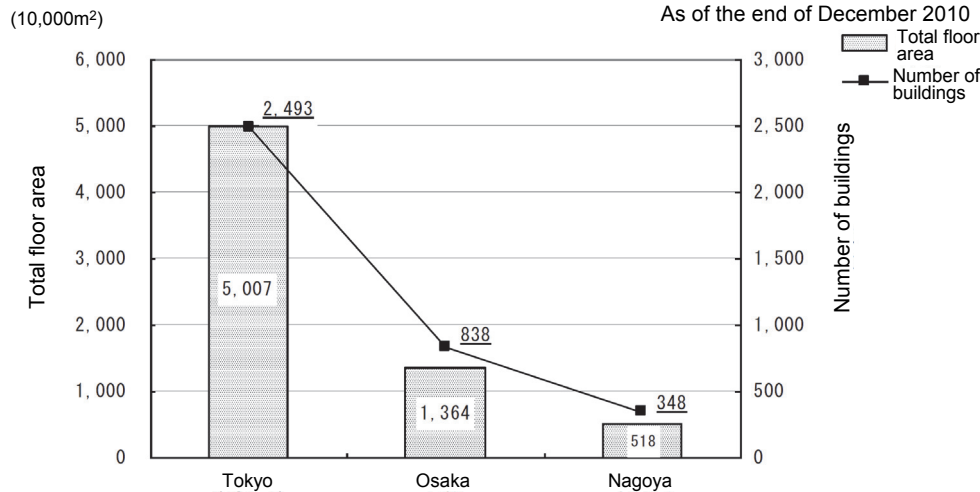
Source: Japan Real Estate Institute.

\*Comments by Tokyu REIM **78**

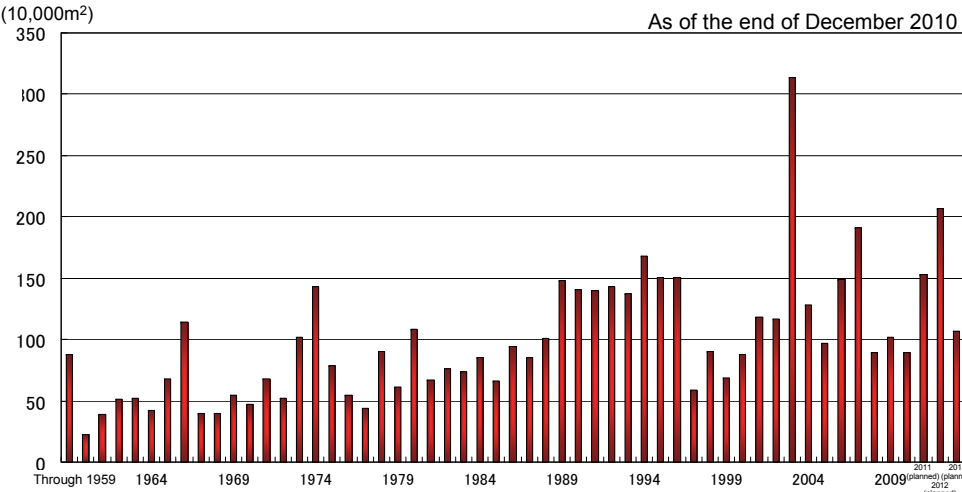
# Office Building Inventory Overview (1): Three Major Cities

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

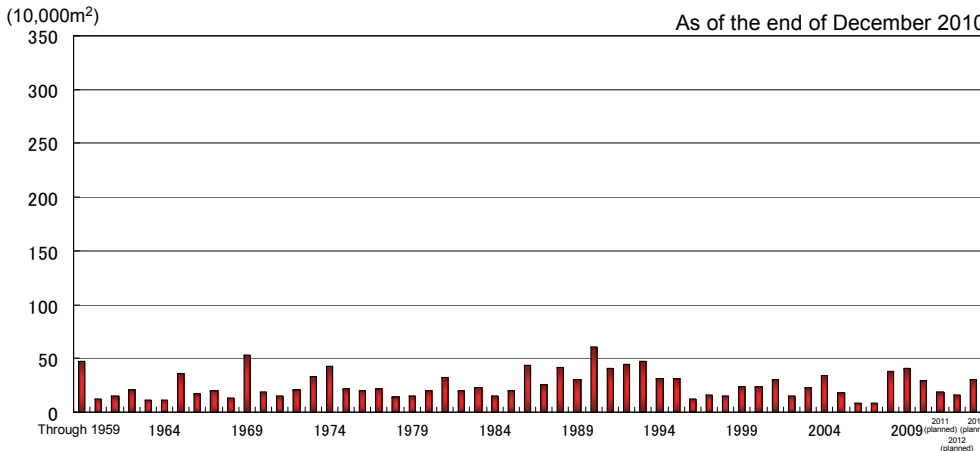
## Office Building Inventory in Three Major Cities



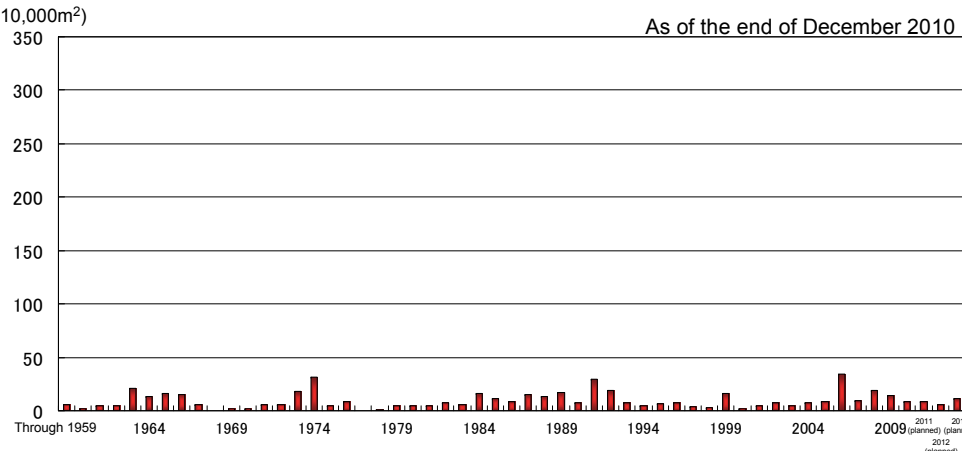
## Office Building Inventory by Year Built (Tokyo)



## 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).



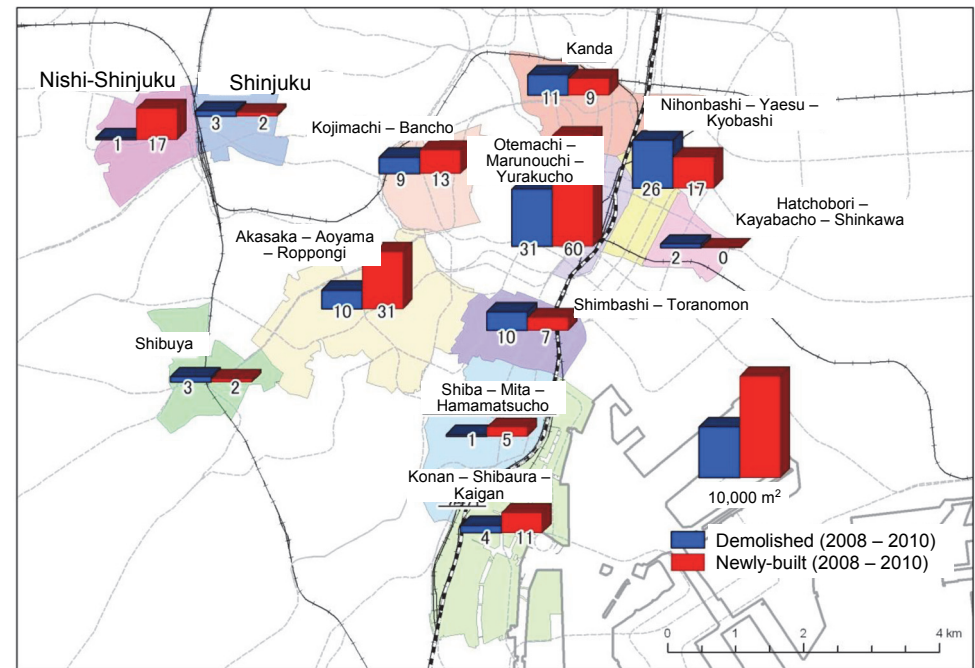
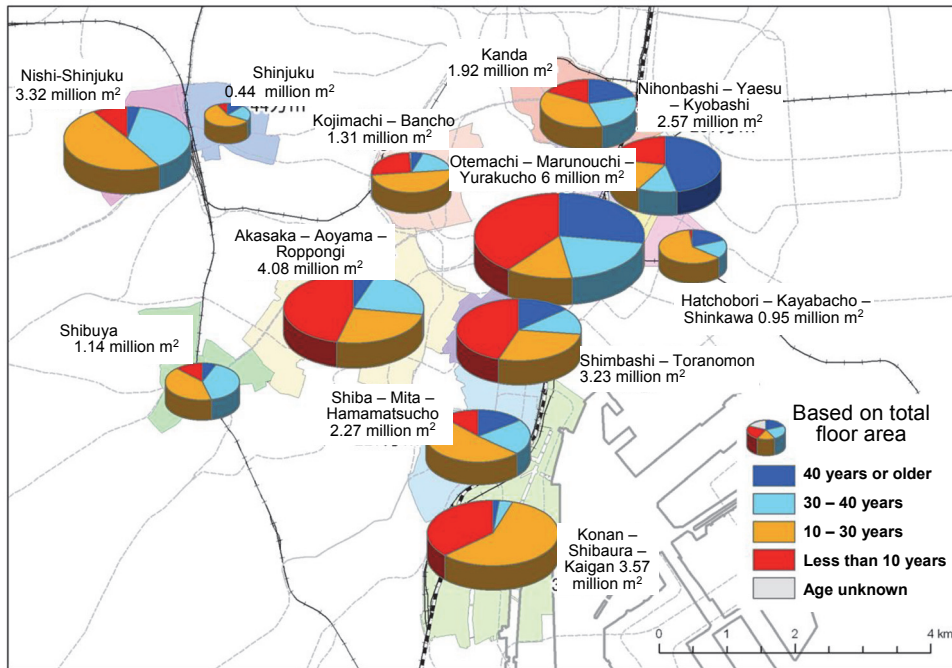
# Office Building Inventory Overview (2): Tokyo

**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.

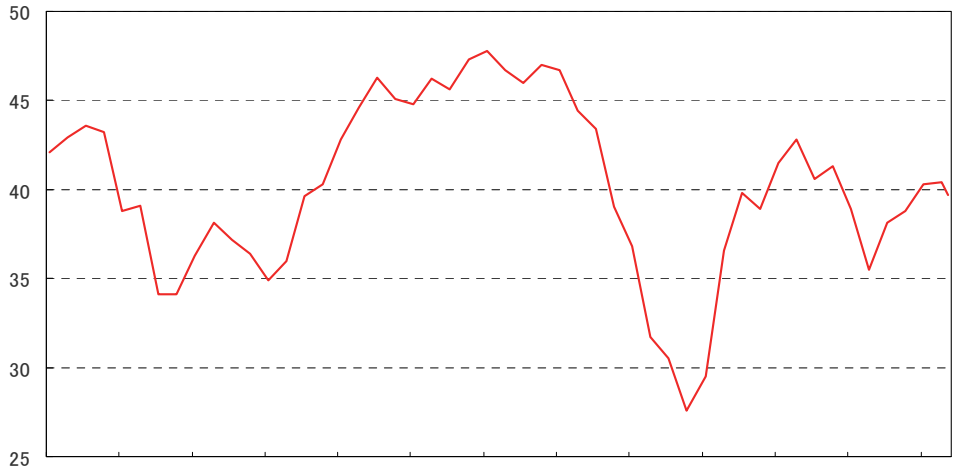
•The survey covers office buildings with 5,000m<sup>2</sup> or more of total floor area.

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

# Retail Leasing Market Overview

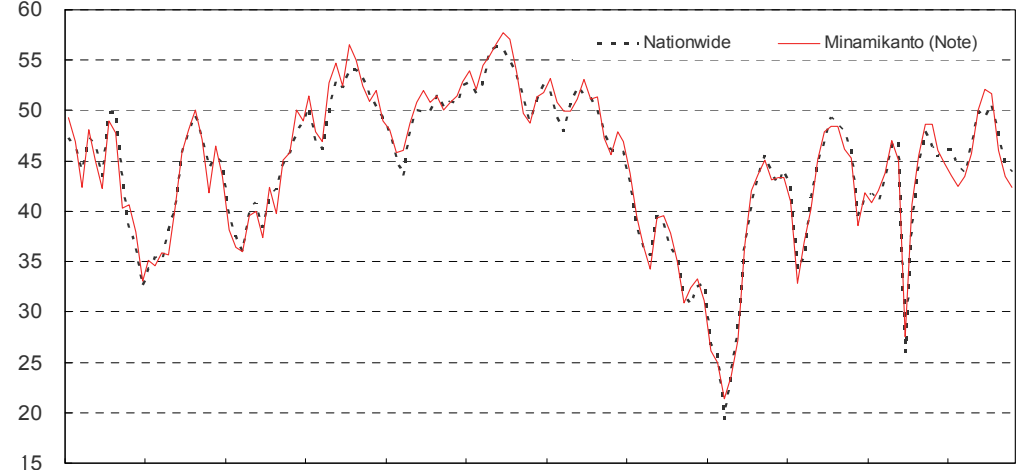
**\* Consumer confidence appears to be sluggish.**

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



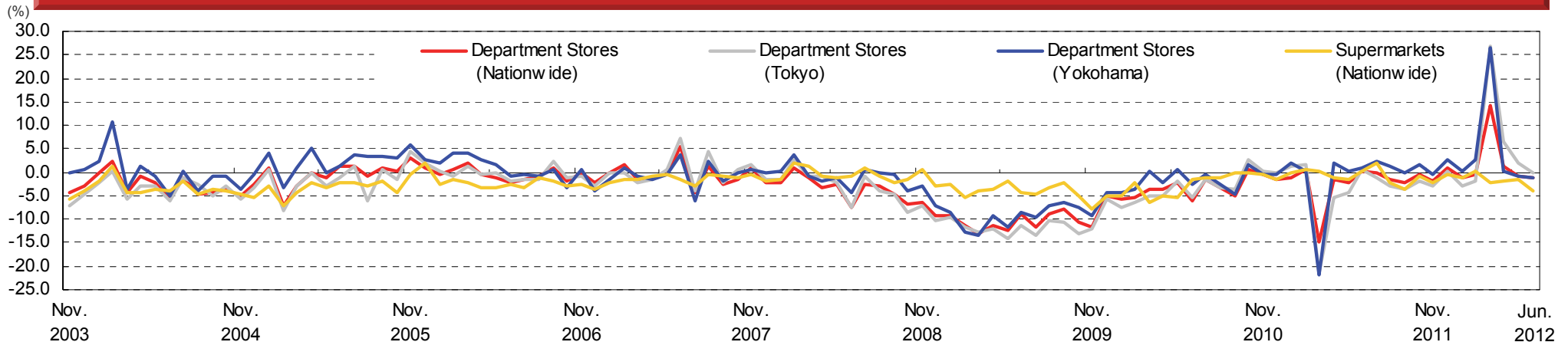
Source: Cabinet Office "Consumer Confidence Survey."

**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."

# Real Estate Trading Market Overview (1)

\* Efforts of related parties to further improve transparency of Japanese real estate market are required.

## Real Estate Transparency Index (CY2012)

Although Japan showed improvement in two years since the last survey, the transparency is still low compared to the maturity level of its economy.

(Comments were prepared by Tokyu REIM based on the "Global Real Estate Transparency Index 2012" Report)

Transparency Level	CY 2012 Rank	CY 2010 Rank	Country Name	CY 2012 Score
High Transparency	1	6	United States	1.26
	2	3	United Kingdom	1.33
	3	1	Australia	1.36
	4	9	Holland	1.38
	5	4	New Zealand	1.48
	6	2	Canada	1.56
	7	8	France	1.57
	8	13	Finland	1.57
	9	4	Sweden	1.66
	10	20	Switzerland	1.67
Transparent	11	18	Hong Kong	1.76
	13	16	Singapore	1.85
	23	25	Malaysia	2.32
	25	26	Japan	2.39
Semi-Transparent	29	33	Taiwan	2.60
	32	45	China Tier 1 Cities (Note 1)	2.83
	35	48	Philippines	2.86
	38	57	Indonesia	2.92
	39	39	Thailand	2.94
	41	42	Korea	2.96
	46	54	China Tier 2 Cities (Note 1)	3.04
	48	41	India Tier 1 Cities (Note 2)	3.07
	49	49	India Tier 2 Cities (Note 2)	3.08
	50	55	India Tier 3 Cities (Note 2)	3.15
53	44	Macau	3.27	
55	65	China Tier 3 Cities (Note 1)	3.31	
Low Transparency	68	76	Vietnam	3.76

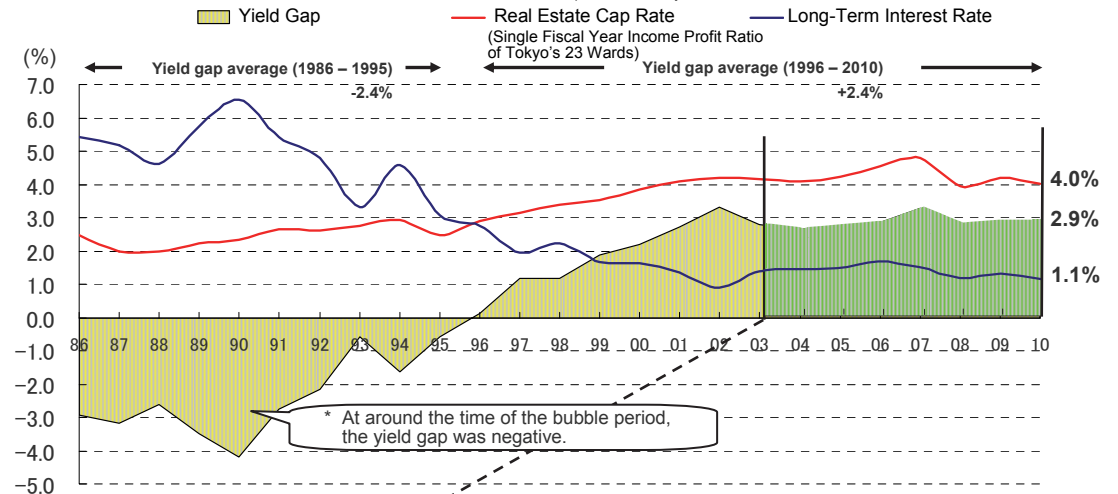
## Real Estate Cap Rate, Long-Term Interest, Yield Gap

### 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.

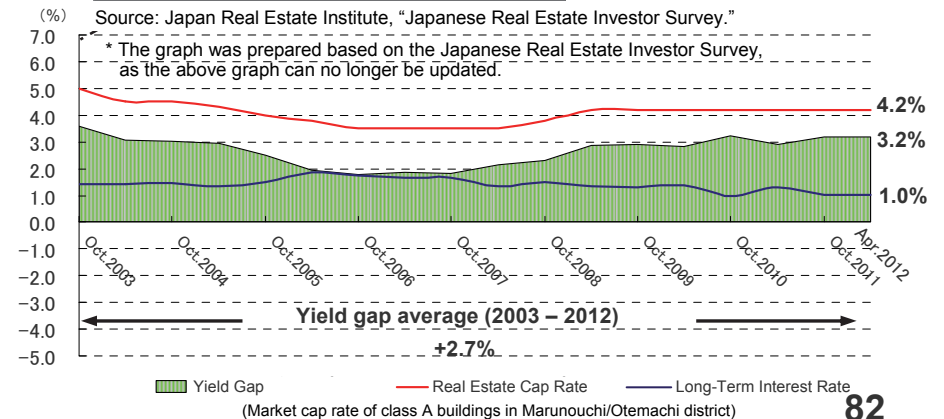
\* The MUTB-CBRE real estate investment index was discontinued and eliminated with the publication in May 2011 of data for 2010.



### Changes in Yield Gap (2003 – 2012)

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.



The survey addressed the following five attributes of real estate transparency: 1) "Performance Measurement," 2) "Market Fundamentals," 3) "Governance of 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 2010" Report and "Global Real Estate Transparency Index 2012" Report.

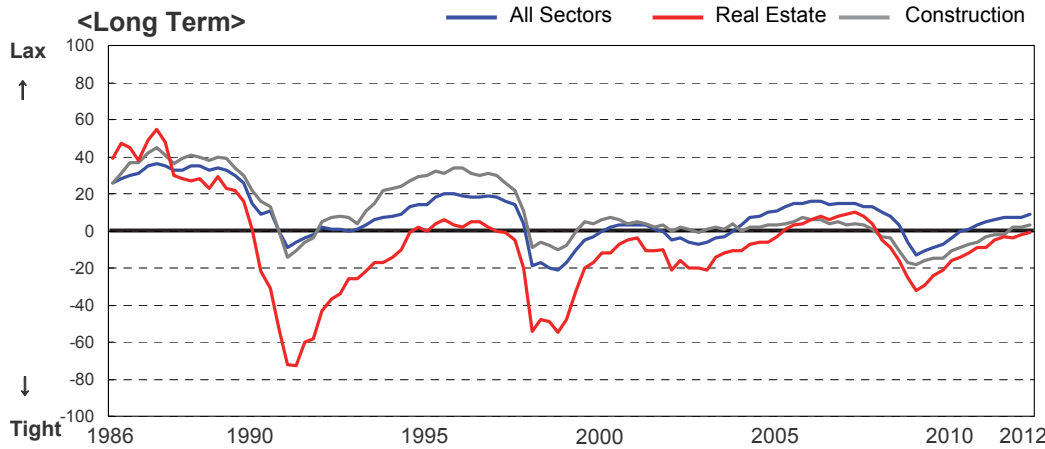
(Note 1) China Tier 1 Cities: Shanghai, Beijing, China Tier 2 Cities: Chongqing, Tianjin, China Tier 3 Cities: Wuxi, Zhengzhou.

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

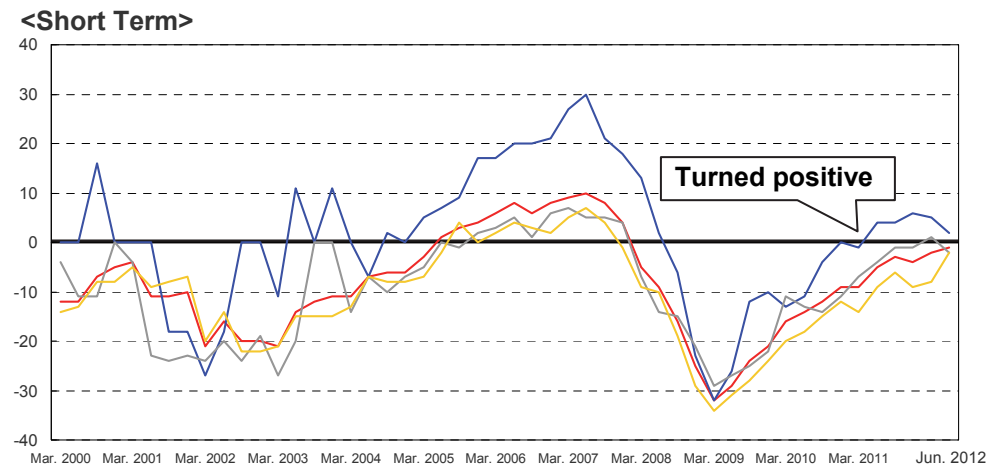
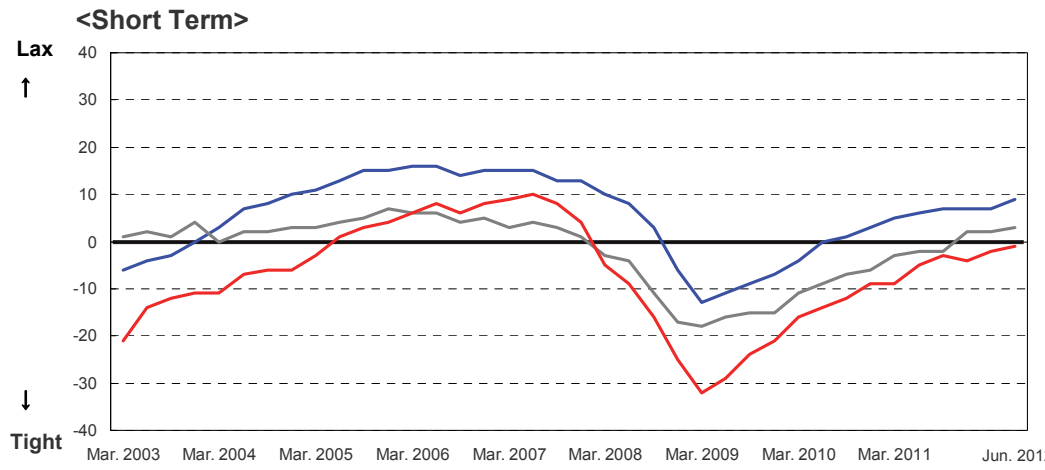
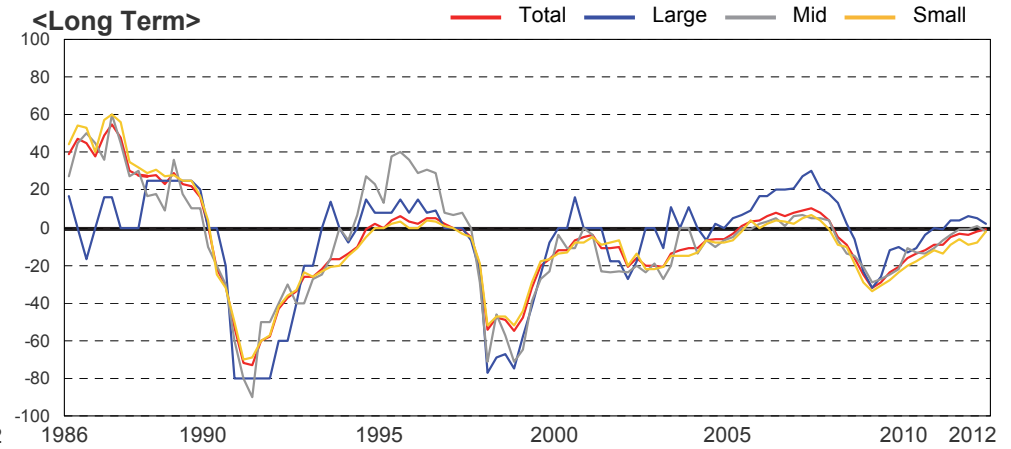
# Real Estate Trading Market Overview (2): Lending Attitude DI

\* 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)**



(Note) REITs not covered in the survey.

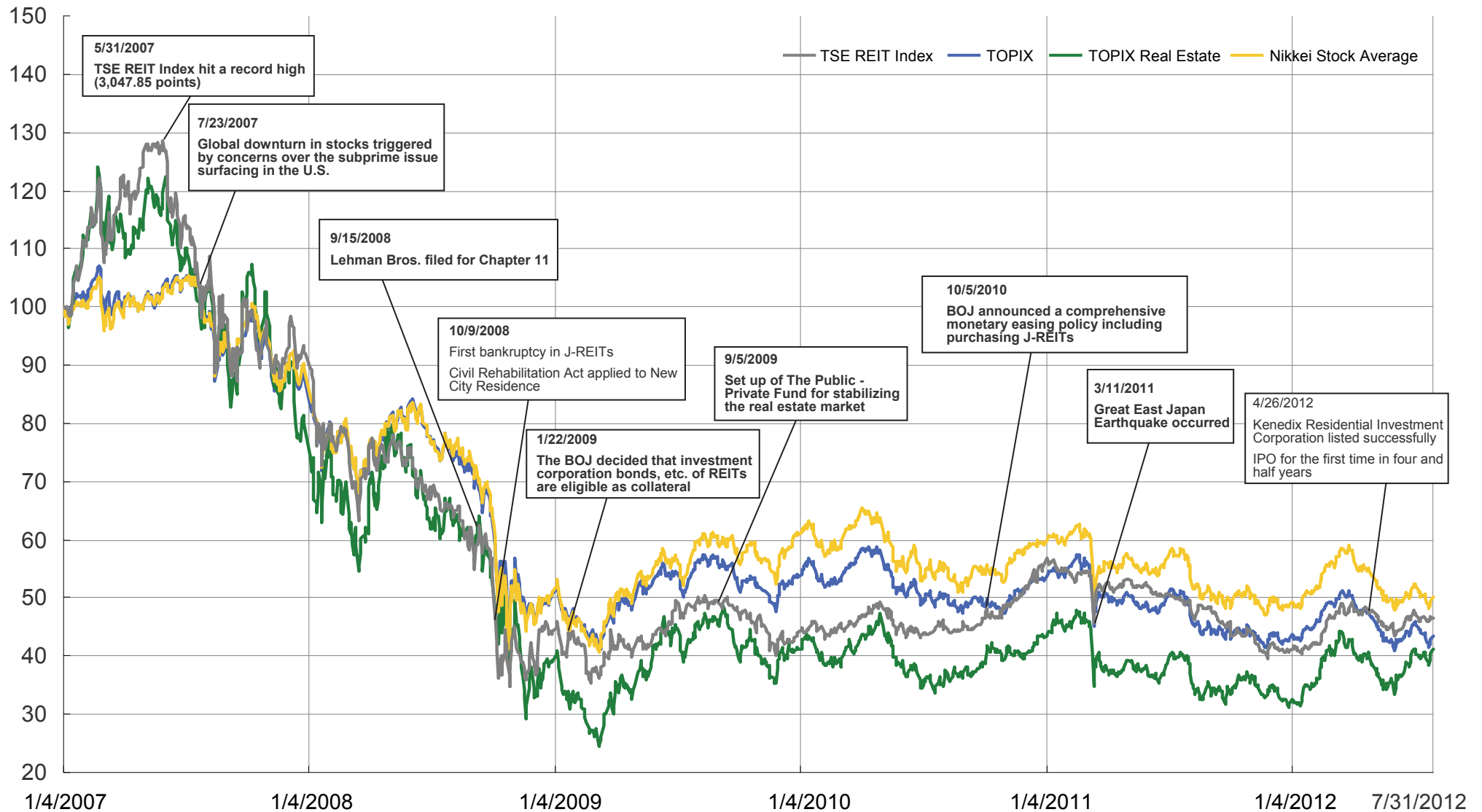
Source : BOJ "Tankan."

\* 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.

\*Comments by Tokyu REIM **83**

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

1/4/2007 = 100



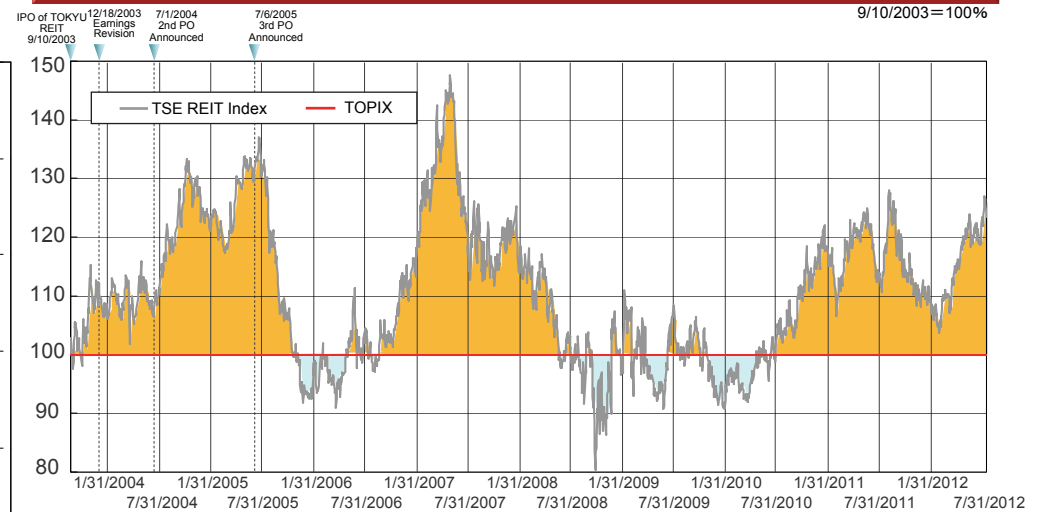
# REIT Market Overview (2): TSE REIT Index Performance

\* In the first half of 2012, the REIT Indices turned upward due to real estate market showing signs of bottoming out and support provided by the Japanese government.

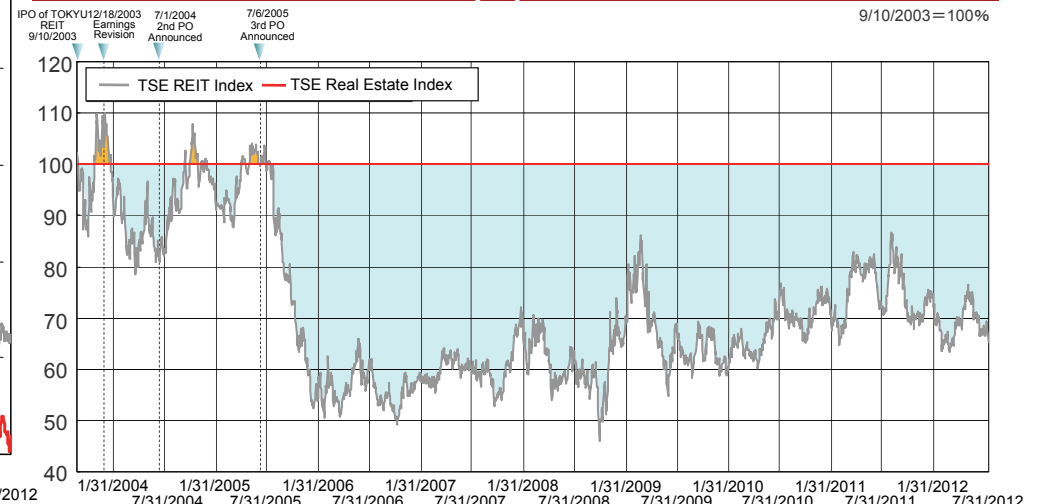
**TOPIX and TSE REIT Index Performance**



**TSE REIT Index Performance Relative to TOPIX**



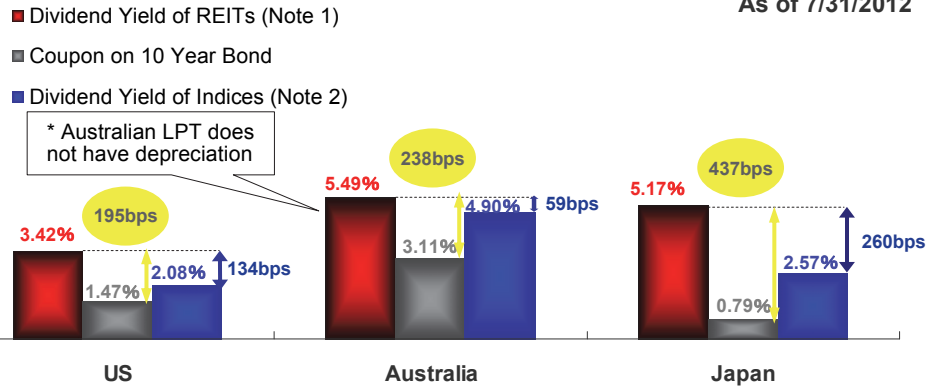
**TSE REIT Index Performance Relative to TSE Real Estate**



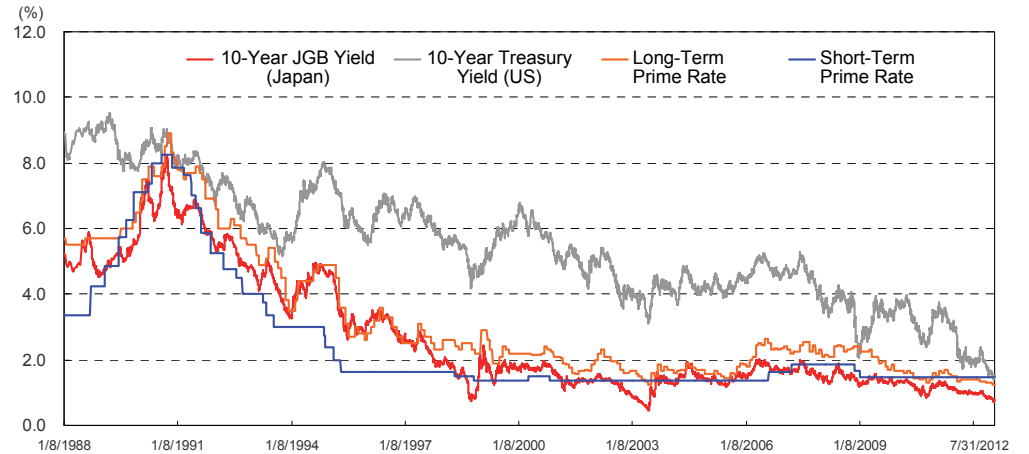
# REIT Market Overview (3): Comparison with Other Countries

## Spread Over Risk Free Rate

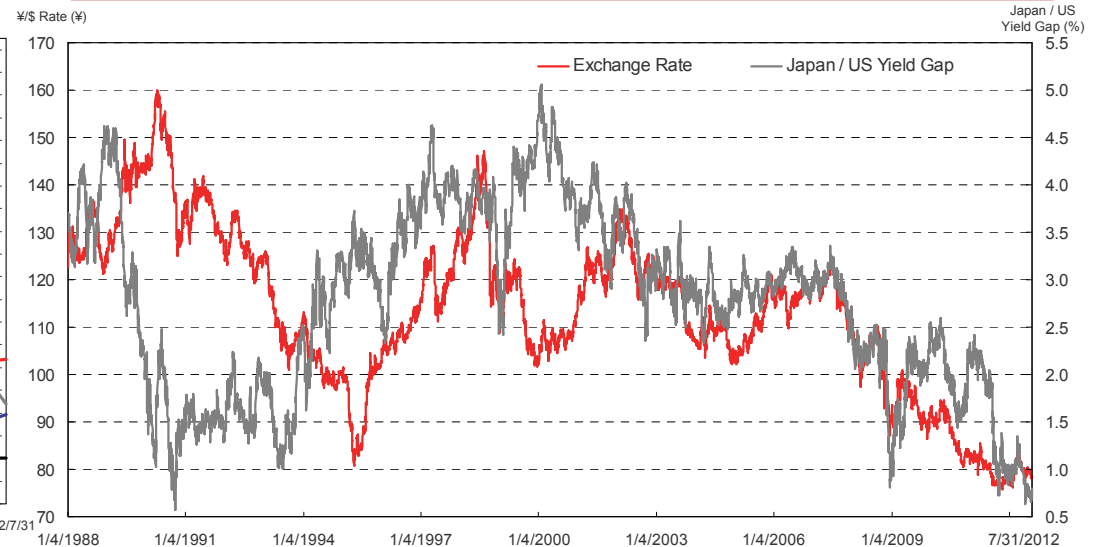
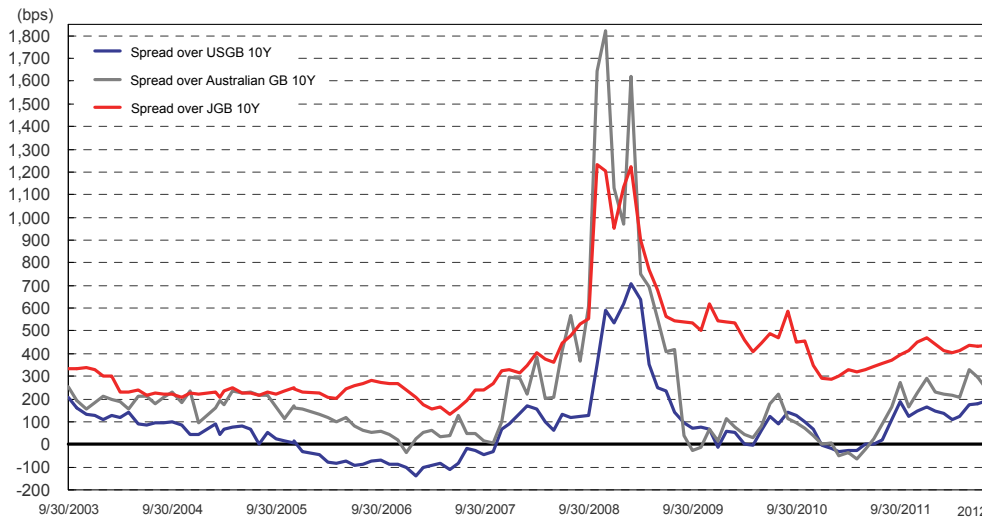
**\* Wider spread than the US and Australia.**



## Major Interest Rates



## 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

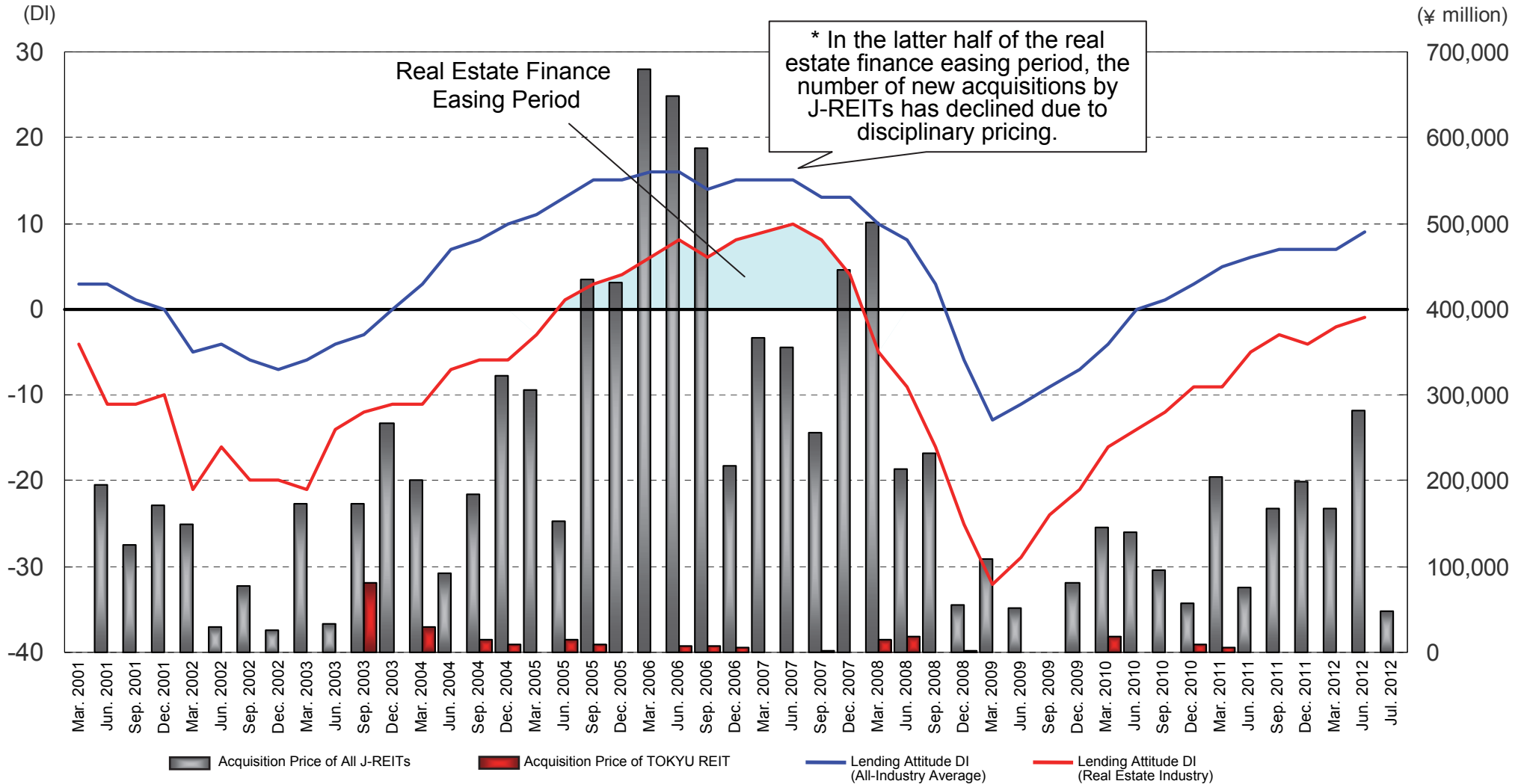


## 5. Appendix



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

\* TOKYU REIT has employed contrarian measures during real estate finance easing periods and has decreased its amount of new investment.



• 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, "Jul. 2012" indicates results for the period from July 1, 2012 to July 31, 2012.)

Source: BOJ (Tankan Survey).

\*Comments by Tokyu REIM **88**

# 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 in 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 and education of additional human resources
- Profess 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)
- Relatively low occupancy rate (office)
  - Affected by large tenants moving out

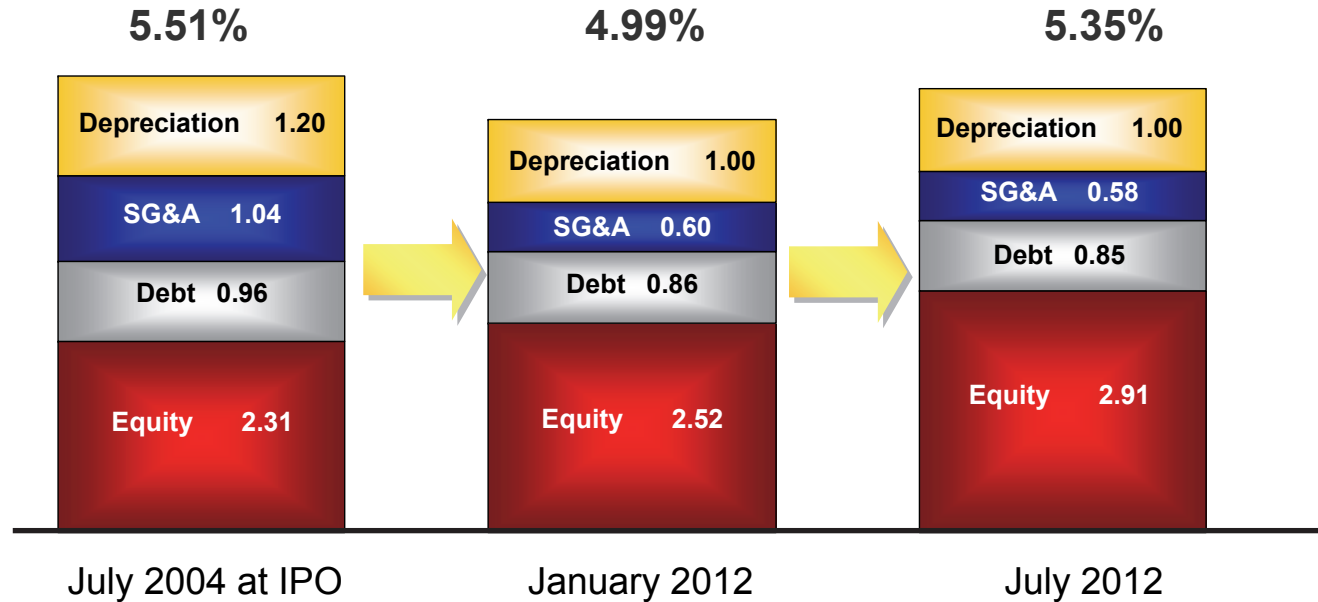
## <Solutions>

- 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
- Broad leasing activities  
(Maintain and enhance competitiveness of properties through strategic renovation work and implementation of marketing via telephone by the Investment Management Company and other measures)
  - Recovery in cash flows in accordance with increase in leased area

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

Placing 5.35% as the base rate, coupled with CF growth of properties, utilized for assessment.

NOI Yield (based on acquisition price): NOI Yield (based on acquisition price): NOI Yield (based on acquisition price):



Acquisition Price	Debt 50
100	Equity 50

July 2012 vs. IPO

Hurdle Rate	-0.16 pts.
Depreciation	-0.20 pts.
SG&A	-0.46 pts.
Debt	-0.11 pts.
Equity	0.60 pts.

- 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).
- 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 91

## Acquisition

## PM (Property Management)

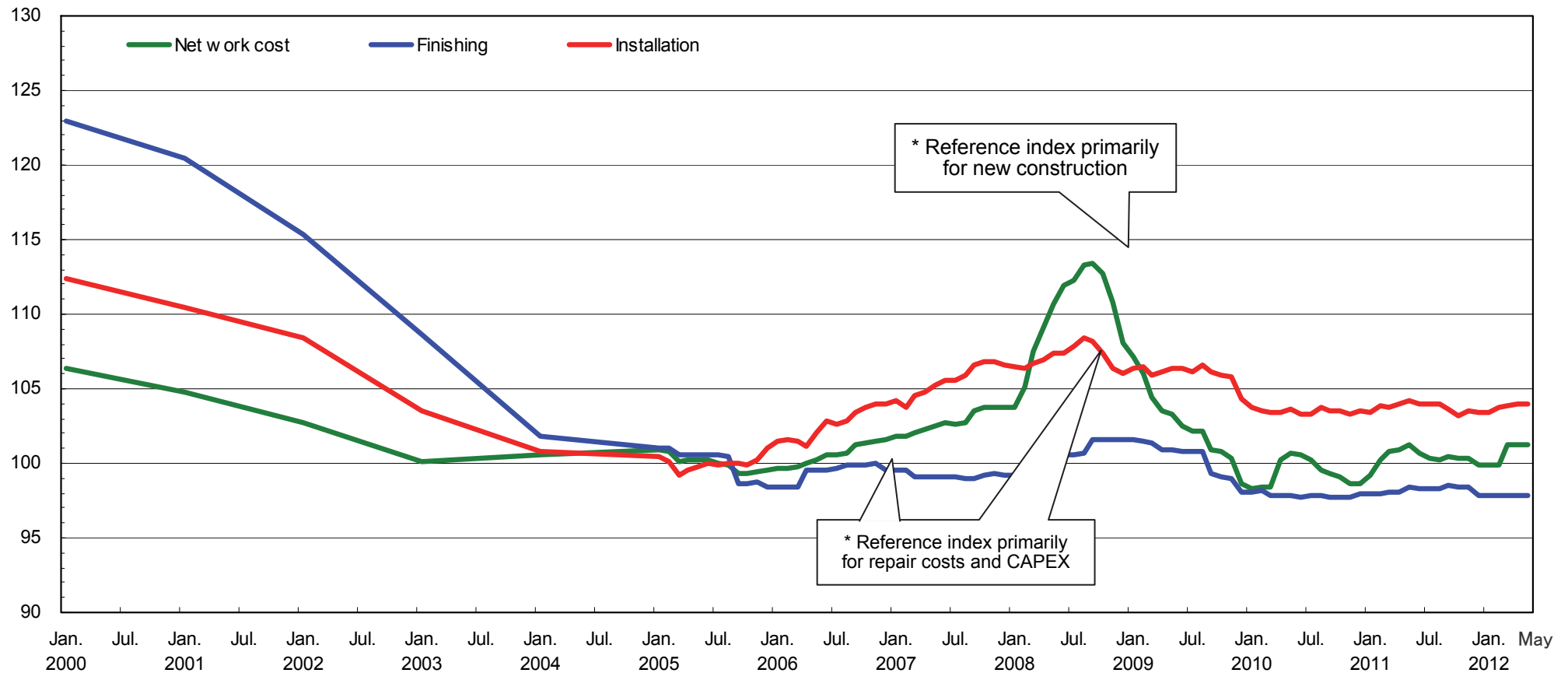
## Brand Strategy

- **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
- 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 charge)
    - Building name change to “TOKYU REIT” brand (free of charge)
- ... Contributed by Tokyu Group companies  
(Note) Contributed by Tokyu Land Corporation and its subsidiaries

“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 (1) to (3):
  - (1) Tokyu Land
  - (2) A consolidated subsidiary of Tokyu Land
  - (3) 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 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~18th fiscal period results and 19th~20th 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))

- This document is solely intended to provide information and is not intended to solicit securities or special product transactions.
- In addition to information on TOKYU REIT, Inc. (“TOKYU REIT”), this document includes charts and data prepared by Tokyu Real Estate Investment Management Inc. (the “Investment Management Company”) based on data/index and other information released by third parties. Also, analyses, judgments and other views of the Investment Management Company on such information at the moment are included in this document.
- The Investment Management Company is a financial instruments dealer under the Financial Instruments and Exchange Law (Kanto Financial Bureau (Kin-sho) No. 360).
- The information contained in this document is not audited and there is no assurance regarding the accuracy and certainty of the information. Analyses, judgments and other non-factual views of the Investment Management Company merely represent views of the Investment Management Company as of the preparation date. Different views may exist and the Investment Management Company may change its views in the future.
- Numbers for the same item may be different from other disclosure materials due to difference in rounding.
- Although much attention has been paid to the inclusion of all relevant information in this document, there may be errors and omissions. Therefore, they are subject to correction or amendment without prior notice.
- TOKYU REIT and the Investment Management Company assume no responsibility for the accuracy of data, indexes and other information released by third parties.
- This document contains forward-looking statements, such as current plans, strategies and future performance. These forward-looking statements are based on judgments obtained from currently available information. Please be advised that, for a variety of reasons, actual results may differ materially from those discussed in the forward-looking statements. Events that might affect actual results include, but are not limited to, fluctuations of the real estate market in Japan, general conditions of the Japanese economy, competitive pressures and relevant regulations.
- The property name of Kiba Eitai Building was changed to TOKYU REIT Kiba Building on August 1, 2012 but it is unified as the former name.
- Dates indicated in this document may differ from business days for the convenience of preparing charts.
- This document is a translation of the original document in Japanese and is prepared solely for the convenience of non-Japanese speakers. There is no assurance as to the accuracy of the English translation. The original Japanese document shall prevail in the event of any discrepancies between the translation and the Japanese original.