

TOKYU REIT

Topics

**5th period
(1/2006)
Presentation**

1. Summary

- Disposal price : 6.48 billion yen
- Book value : 4.847 billion yen (difference from the disposal price:1.632billion yen)
- Acquisition price : 5.05 billion yen (acquired on 8/3/2004)
- Buyer : Yokohama Motomachi property special purpose company
- Schedule : 3/29/2006 contract, 4/26/2006 sales

2. Background

- Tenants' demand for lower rents (currently it is higher than the market level)
- Difficulty to alternate tenants in the future
- Good real estate market (easy to sell at a good price)

3. Solution

- Lower the rent as requested
- At the same time, made a fixed period contract so that it becomes easier to dispose the property

...We concluded that capital gain from the sales would maximize the investors' benefit, rather than keeping the property long term to have income gain

4. Sales procedures

- Now that the market condition is good, we decided to sell the property
- We arranged a posting to have the best price
- Stable cash flow and good tenants: we were able to price the property around 4% NOI cap rate

...we created win-win solution among the REIT, tenants and a buyer



1. Summary

- Asset : Entrusted right on the land (Sokochi Ownership)
- Purpose · Tenant : Shopping center (Mall) · Daiwa house Industry Co. Ltd.,
- Location : Kanagawa pref. Fujisawa City Tsujido Shincho
- Land Area : 44,078.12m² (For reference: The area of the shops is 34,474m²)
- Acquisition Price : 6.81 billion yen
- Acquisition Date : 4/28/2006
- Seller : Alpha Capital Co.,Ltd.
(SPC funded by Tokyu Corporation and Tokyu Land Corporation)
(The REIT will expense warehousing cost of 183 million yen, and add it to the asset value)
- Contract : Leasing contract (17 years left), Rent renewed every 3 years (contract articulates the current rent is the lowest rent possibly negotiated), Land price: 348million yen per year



2. Characteristics and Challenges

- Strength : Retail area with future growth potential, a large compound with a good tenant mix and competitiveness, the quality of tenants
- Weakness : Easy to access by cars but far from train stations. Low liquidity due to the fact that the land is restricted by the lending contract with the tenant
- Risk : New development project for shopping center would lower tenant’s ability to pay for the land usage
- Opportunity : Raise in Land usage fee, scheme change after the long term leasing contract ends
- Note : Lead contained in the soil exceeds the standard defined by Soil Contamination Countermeasures Law (solution: cover the land by asphalt, determine the acquisition price considering the fact into account.)

(1)TOKYU REIT owns land and the right to lend land to third parties. This case TOKYU REIT is lending the land to Daiwa House Industry

1. About cocoti (old name: PICASSO347)

- Strength : good location, large scale, new building, long term contract
- Weakness : not well recognized as a commercial building, needed improvement on building facilities
- Risk : Tenants might leave when their business goes bad
- Opportunity : General administration cost could be reduced, rent might rise, and have better transportation when the subway station will be opened nearby
- ❖ **Changed the name to cocoti for branding strategy. Also, valuing up by renewing the facilities, realizing its mid-long term growth potential**

2. Sales Promotion

- Built an effective marketing strategy based on the information obtained through the acquisition of the building
- Along with the name change, created new theme targeting and focusing on the specific customers
- Increased exposure to medias, gaining more recognition
- ❖ **Fully utilized skills of experienced staffs at Tokyu REIM, and Tokyu Merchandising & Management to better operate the property**

3. Repair

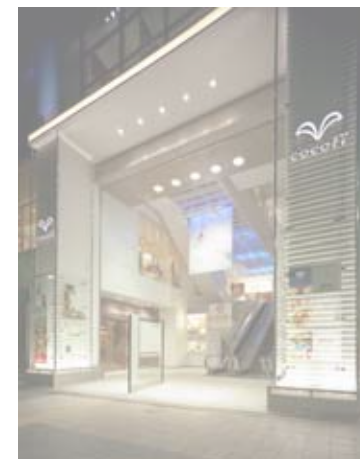
- By alternating 1st floor entrance and outlook to create better atmosphere as a retail property
- Deployed more advertisement signs, meeting tenants' needs.

4. Alternate tenants

- 12F THE LEGIAN TOKYO French Asian cuisine
- 3F chef'sV party Bar & Buffet
- 2F Penguin by Munsingwear

Cost

6th Period	
Cost	
Sales promotion	60 million yen
Repairs	10 million yen
Total	70 million yen
Capital expenditure	
Repairs	110 million yen



Asami Kiyokawa directed Symbol, Logo, Advertisement

1. Tokyu Land Corporation sold 45% of the ownership

- Date : 3/27/2006
- Buyer : Leo Property Co. Ltd.,
- Asset manager : AIG Global Real Estate Investment Japan Corporation



2. New agreement with the co-owner, new property management and master lease contract

- In essence, no change was made in the contract between TOKYU REIT and the new co-owner
- Tokyu Land Corporation continues to serve as PM and master lease (rent will pass through)

3. Unexercised right of first look

- Tokyu Land Corporation approached the REIT first, to see our interest in owning their co-ownership.
- Because of the price and portfolio allocation, Tokyu REIM investment committee declined exercising the right

	Share	Price	Date
TOKYU REIT acquiring price	55%	22.4 billion yen	9/11/03
The price of the co-ownership	45%	26.5 billion yen	3/27/06

6th period (ending at 7/2006)

■ EPS: 21,300 yen (change from the 5th period +7,122 yen)

- Net Income : 3.607 billion yen (change from the previous period +1.206 billion yen)
 - Profit from selling Yokohama Yamashita-cho building +1.636 billion yen
 - Loss in operating revenues 75 million yen
 - ✓ From Yokohama Yamashita-cho building 69 million yen (considering depreciation)
 - ✓ From Shonan Mall Fill (Sokochi) +89 million yen
 - ✓ From cocoti renewal 70 million yen
 - Construction fees (decrease) 63 million yen (counted in the 5th period)
 - Asset management fee 192 million yen
 - Non operating expense 87 million yen

■ Average LTV: 33.7% LTV against the total asset (period end): 31.1% Long term loan ratio 75.9%

7th period (ending at 1/2007)

■ EPS: 13,500 yen

- Operating profit 6.234 billion yen Recurring profit 2.287 billion yen Net Income 2.286 billion yen

■ Average LTV: 33.7% LTV against the total asset (period end): 31.3% Long term loan ratio 75.9%

(1)Average LTV= (Interesting bearing debt+ security deposit not backed by the corresponding bank deposit) ÷ expected asset value at period end or appraisal value at the acquisition

(2) LTV against the total asset (period end)=expected interesting bearing debt ÷ expected total asset

5th period (1/2006) Income Statement

ITEM	Fifth Period (Jan. 2006)		Fourth Period (July. 2005)		Change	NOTES
		(%)		(%)		
Total Operating Revenues	6,343	100.0%	5,684	100.0%	659	
Revenues from the real estate operation	6,280	99.0%	5,684	100.0%	595	
Rental revenues	5,746	90.6%	5,232	92.0%	513	
Rent	5,254	82.8%	4,768	83.9%	486	PICASSO (cocoti) 374 Maruha 63 SBS 43
Parking rent	110	1.7%	97	1.7%	12	PICASSO (cocoti) 11
Others	381	6.0%	366	6.5%	14	PICASSO (cocoti) 13
Other revenues	534	8.4%	452	8.0%	82	
Incidental revenues	458	7.2%	397	7.0%	60	PICASSO (cocoti) 33 SBS 7 Kamata 5
Other revenues	76	1.2%	54	1.0%	21	PICASSO (cocoti) 17
Construction fee	63	1.0%	-	-	63	The construction of ZARA Udagawacho
Total Operating Expenses	3,591	56.6%	3,359	59.1%	232	
Expenses from the real estate operation	2,936	46.3%	2,777	48.9%	159	
Expenses	1,954	30.8%	1,848	32.5%	105	
Utility charges	526	8.3%	473	8.3%	53	PICASSO (cocoti) 30 Maruha 5 SBS 5 Kamata 4
Building maintenance costs	431	6.8%	421	7.4%	9	PICASSO (cocoti) Toranomom 4 SBS 3
Property management expenses	140	2.2%	129	2.3%	10	PICASSO (cocoti)
Repairs and maintenance	111	1.8%	90	1.6%	20	SBS 14 Suginami 11 PICASSO (cocoti) Tamata 4 Yamashitacho 4 Toranomom 8 Maruha 10
Property and other taxes	507	8.0%	516	9.1%	-9	SBS 5 Maruha 2
Insurance expenses	18	0.3%	17	0.3%	1	
Other operating expenses	219	3.5%	198	3.5%	20	PICASSO (cocoti) 19
Depreciation	982	15.5%	895	15.8%	86	PICASSO (cocoti) 96
Loss from the removal of fixed assets	-	-	32	0.6%	-32	
Asset management fee	524	8.3%	454	8.0%	70	Asset mgmt fee
Fees for trust banks and general affair mgmt.	58	0.9%	54	1.0%	3	
Compensation for the board of directors	4	0.1%	4	0.1%	-	
Other operating expense	66	1.1%	68	1.2%	-1	
Net Operating Income	3,343	52.7%	2,907	51.1%	436	
Operating Profits	2,752	43.4%	2,325	40.9%	426	
Non-Operating Revenues	0	0.0%	4	0.1%	-4	
Non-Operating Expenses	350	5.5%	370	6.5%	-19	
Interest expenses	313	4.9%	317	5.6%	-3	Average interest rate 1.12% (4 th period: 1.07%)
Up Front fee	5	0.1%	5	0.1%	0	
Debt arrangement fee	2	0.0%	2	0.0%	-	
Unit listing expenses	26	0.4%	42	0.7%	-16	
Other non-operating expenses	2	0.0%	2	0.0%	-0	
Recurring Profits	2,402	37.9%	1,960	34.5%	442	
Income Before Income Taxes	2,402	37.9%	1,960	34.5%	442	
Corporate tax adjustment	0	0.0%	1	0.0%	-0	
Net Income	2,401	37.9%	1,959	34.5%	442	

	5 th period	change
Base1	232M	27M
Base2	234M	35M
Incentive	57M	7M

Net income per unit(yen)	14,178	13,798	380
Dividend per unit(yen)	14,179	13,798	381

(reference)					
Operating NOI	4,325	68.2%	3,835	67.5%	490
NOI return (NOI / Average Total Asset)	5.44%		5.41%		0.03%

5th period (1/2006) Balance Sheet

ITEM	Fifth period (Jan. 2006)	Fourth period (July. 2005)	changes
Total Assets	171,791	162,180	9,611
Current Assets	13,641	13,318	323
Fixed Assets	158,149	148,861	9,287
Total Liabilities	71,369	82,360	-10,990
Short-term Borrowings	12,000	29,500	-17,500
Long-term Borrowings	41,000	35,000	6,000
Leasehold and security deposits received	16,176	15,777	399
Other liabilities	2,192	2,083	109
Total Unitholders' Equity	100,421	79,819	20,601
Total Unitholders' capital	98,019	77,860	20,159
Retained earnings	2,401	1,959	442

· Cash and bank deposits	1,645
· Entrusted cash and deposits	11,797
· Consumption tax receivable	139
· Notes and accounts receivable	57

· buildings	2,158
· structures	1
· machinaries	2
· equipments	11
· land	13,295
· entrusted buildings	38,341
· entrusted structures	658
· entrusted machinaries	622
· entrusted equipments	113
· entrusted land	101,887
· leasehold and security deposit	105
· entrusted leasehold and security deposit	877

· Entrusted cash and deposits	360
· Consumption tax receivable	66

· acquiring the 40% of PICASSO(cocoti)	10,112
· depreciation	982

Repayment (short term) 8/25	10,500
Repayment (from short to long term debt) 10/25	1,000
Repayment (by cash) 12/26	1,000
Repayment (from short to long term debt) 1/25	5,000

Loan (J A Kyosai) 10/25	1,000
Loan (DBJ) 1/25	5,000

PICASSO(cocoti)	322
SBS	66

New Unit Issuance	736,292yen x 169,380units
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LTV at the end of fiscal period

Interest bearing debt / Total asset	30.9%	39.8%	-8.9%
(Interest bearing debt + Security deposit)/Appraisal value	33.6%	45.3%	-11.6%

(Reference information)

Average total asset for the period	157,806	142,862	14,944
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Acquired 40% of Picasson(cocoti) (8/2/2005)

5th period (1/2006) Cashflow Statement

(in million yen)

Items	Fifth Period (Jan. 2006)	Fourth Period (July. 2005)	Change
Cash Flows from Operating Activities	3,546	3,480	66
Net Income before income taxes	2,402	1,960	442
Depreciation	982	928	53
Others	161	591	429
Cash Flows from Investing Activities	10,267	15,275	5,007
Purchase of fixed assets	10,267	15,332	5,064
Proceed from leasehold and security deposits received	399	531	132
Proceed from withdrawl of entrusted deposit with usage restriction	400	474	74
Cash flows from Financing Activities	6,701	12,153	5,452
Proceeds from/Repayment of short term borrowings	17,500	14,000	31,500
Proceeds from long term borrowing	6,000	-	6,000
Proceeds from issuance of units	20,159	-	20,159
Dividend payment	1,958	1,846	111
Net Increase in Cash and Cash Equivalents	19	358	378
Cash and Cash Equivalents at beginning of period	3,359	3,000	358
Cash and Cash Equivalents at end of period	3,339	3,359	19

increase/decrease of consumer tax receivable	248
increase/decrease of consumption tax receivable	144
increase/decrease of advance payments received	65
increase/decrease of consumer tax payable	39

5th period (1/2006) Income Statement by properties

	Retail										Office									Total
	QFRONT	Lexington Aoyama	TOKYU REIT Omotesando Square	Tokyu Saginuma Building	Tokyu Saginuma 2 Building	TOKYU REIT Shibuya Utagawa-cho Square	Yokohama Yamashita-cho Building	Beacon Hill Plaza	cocoti	Subtotal	Setagaya Business Square	Tokyu Nampoedai-cho Building	Tokyu Sakuragaoka-cho Building	Tokyo Nissan Taito Building	TOKYU REIT Akasaka Hinokicho Building	TOKYU REIT Kameta Building	Resona Maruha Building	TOKYU REIT Toranomon Building	Subtotal	
Operating Revenues	590,447	160,799	171,993	310,162	65,397	168,614	231,870	300,266	722,954	2,722,505	1,274,045	170,967	237,643	218,633	145,890	273,852	791,457	445,657	3,558,147	6,280,652
Rental revenues	538,304	151,572	153,839	310,162	62,337	168,324	231,870	300,266	643,978	2,560,654	1,109,214	170,967	227,298	195,034	125,377	223,428	729,357	404,944	3,185,621	5,746,276
Other revenues	52,143	9,226	18,153	-	3,059	290	-	-	78,976	161,850	164,831	-	10,345	23,598	20,512	50,424	62,100	40,712	372,525	534,376
Operating Expenses	294,468	35,677	45,612	87,808	24,704	22,234	139,798	157,243	296,396	1,103,943	820,253	61,626	73,610	135,322	52,532	149,772	293,569	246,238	1,832,926	2,936,870
Utility charges	40,517	10,078	13,577	-	3,059	-	-	102	49,944	117,280	209,683	-	10,402	18,216	14,001	46,236	79,893	30,955	409,389	526,670
Building maintenance costs	62,856	4,116	5,225	15,264	1,582	-	40,832	1,419	33,323	164,621	132,951	9,063	10,171	19,866	7,530	15,582	29,710	42,040	266,917	431,539
Property management expenses	19,275	3,388	3,529	3,710	1,501	1,686	3,670	3,042	13,833	53,638	41,888	1,747	3,445	5,125	2,967	4,838	16,543	9,818	86,374	140,013
Repair and maintenance	3,262	66	1,235	13,507	2,483	660	6,338	1,472	5,641	34,667	23,570	1,606	4,369	18,284	3,242	7,161	11,318	7,205	76,756	111,424
Property and other taxes	40,763	8,174	7,841	27,026	6,086	15,184	11,642	49,544	-	166,261	141,165	17,736	18,828	21,496	7,827	19,755	90,025	24,228	341,062	507,324
Insurance expenses	1,251	135	201	625	128	91	1,256	1,730	3,137	8,557	4,769	711	587	1,065	262	1,076	753	803	10,031	18,588
Depreciation	60,148	6,866	11,635	26,653	8,958	4,607	74,020	95,959	160,762	449,611	256,577	29,711	24,896	49,923	14,894	51,909	61,041	43,504	532,459	982,070
Other operating expenses	66,392	2,851	2,366	1,019	905	4	2,037	3,972	29,753	109,303	9,646	1,050	910	1,344	1,808	3,212	4,282	87,681	109,935	219,239
Net Operating Income (NOI) less depreciation	295,978	125,122	126,380	222,353	40,692	146,379	92,072	143,023	426,559	1,618,561	453,792	109,340	164,032	83,311	93,357	124,079	497,888	199,418	1,725,220	3,343,782
NOI	356,127	131,988	138,016	249,006	49,650	150,986	166,093	238,982	587,320	2,068,172	710,370	139,051	188,929	133,234	108,251	175,989	558,929	242,923	2,257,679	4,325,852
Capital Expenditure	2,245	-	6,227	1,611	7,303	63,279	948	-	12,847	94,461	11,783	6,146	3,486	3,622	-	30,494	3,467	1,511	60,512	154,973
Acquisition price	15,100,000	4,800,000	5,770,000	6,920,000	1,290,000	6,600,000	5,050,000	9,520,000	24,500,000	79,550,000	22,400,000	4,660,000	6,620,000	4,450,000	3,570,000	4,720,000	23,260,000	8,630,000	78,310,000	157,860,000
Land	12,125,300	4,478,400	5,291,090	5,432,200	984,270	6,382,000	2,065,000	5,408,000	17,027,500	59,193,760	11,065,600	2,968,420	5,223,180	1,917,950	2,945,250	2,161,760	21,469,000	6,723,000	54,474,160	113,667,920
Building	2,974,700	321,600	478,910	1,487,800	305,730	218,000	2,985,000	4,112,000	7,472,500	20,356,240	11,334,400	1,691,580	1,396,820	2,532,050	624,750	2,558,240	1,791,000	1,907,000	23,835,840	44,192,080
Appraisal value at the end of the period	17,500,000	6,280,000	6,220,000	8,470,000	1,520,000	7,880,000	4,410,000	9,590,000	24,500,000	86,370,000	25,400,000	5,300,000	7,340,000	4,930,000	4,060,000	5,480,000	26,100,000	9,450,000	88,060,000	174,430,000
Appraisal value at the end of the period	14,843,569	4,778,271	5,776,480	6,846,579	1,280,992	6,682,306	4,847,845	9,568,398	25,062,914	79,687,358	21,231,570	4,545,144	6,525,816	4,254,785	3,549,788	4,522,155	24,001,629	8,785,961	77,416,852	157,104,210
land	12,147,079	4,485,503	5,296,945	5,446,615	988,169	6,446,436	2,071,062	5,585,737	17,554,598	60,022,147	11,081,787	2,974,520	5,233,294	1,922,944	2,950,298	2,165,631	21,983,090	6,848,971	55,160,540	115,182,688
property (excl. land)	2,696,489	292,768	479,535	1,399,964	292,823	235,870	2,776,782	3,982,661	7,508,316	19,665,210	10,149,782	1,570,624	1,292,521	2,331,840	599,490	2,356,523	2,018,538	1,936,990	22,256,311	41,921,522

6th period (7/2006) Forecast of Income Statement

(in million)

ITEM	Sixth Period (July. 2006)		Fifth Period (Jan. 2006)		Change	
		%		%		
Total Operating Revenues	(A)	7,852	100.0%	6,343	100.0%	1,508
Rental revenues	(B)	6,215	79.2%	6,280	99.0%	64
Rental revenues		5,740	73.1%	5,746	90.6%	5
Rent		5,227	66.6%	5,254	82.8%	27
Parking rent		123	1.6%	110	1.7%	13
Others		389	5.0%	381	6.0%	7
Other revenues		475	6.1%	534	8.4%	59
Incidental revenues		425	5.4%	458	7.2%	32
Other revenues		49	0.6%	76	1.2%	26
Revenue from the sales of properties		1,636	20.8%	-	-	1,636
Construction fee		-	-	63	1.0%	63
Total Operating Expenses	(C)	3,805	48.5%	3,591	56.6%	214
Rental Expense	(D)	2,947	37.5%	2,936	46.3%	10
Expenses		2,005	25.5%	1,954	30.8%	50
Utility charges		501	6.4%	526	8.3%	24
Building maintenance costs		412	5.3%	431	6.8%	0
Property management expenses		136	1.7%	140	2.2%	3
Repairs and maintenance		102	1.3%	111	1.8%	8
Property and other taxes		548	7.0%	507	8.0%	41
Insurance expenses		17	0.2%	18	0.3%	0
Other operating expenses		285	3.6%	219	3.5%	65
Depreciation	(E)	941	12.0%	982	15.5%	40
Administrative expenses		858	10.9%	654	10.3%	203
Asset management fees		717	9.1%	524	8.3%	192
Profit from Rental business	(F)=(B)-(D)	3,268	41.6%	3,343	52.7%	75
Operating Profits	(A)-(C)	4,046	51.5%	2,752	43.4%	1,294
Non-Operating Revenues		-	-	0	0.0%	-
Non-Operating Expenses		437	5.6%	350	5.5%	87
Interest expenses		349	4.4%	313	4.9%	35
New unit-issuance expenses		-	-	26	0.4%	26
Other non-operating expenses		88	1.1%	10	0.2%	78
Recurring Profits		3,608	46.0%	2,402	37.9%	1,206
Income Before Income Taxes		3,608	46.0%	2,402	37.9%	1,206
Corporate Tax Adjustments		1	0.0%	0	0.0%	0
Net Income		3,607	45.9%	2,401	37.9%	1,206
Net income per unit (yen)		21,300		14,178		7,122
Dividend per Unit		21,300		14,179		7,121
Operating NOI	(F)+(E)	4,210	67.7%	4,325	68.2%	115
NOI return (NOI / Average Total Asset)		5.35%		5.44%		0.09%

Underlying
Conditions

(Asset)

4/26/2006: Sales of Yokohama Yamashita-cho bldg.

4/28/2006: Purchase of Shonan Mall Fill

(Operating revenue)

based on the leasing contract as of 3/29/2006

(Operating expense)

Taxes on the Shonan Mall Fill is calculated and added to the acquisition price

6th period (7/2006) Forecast of Balance Sheet

(in million)

ITEM	Sixth period (July, 2006)	Fifth period (Jan, 2006)	Changes
Total Assets	173,910	171,791	2,118
Current Assets	14,291	13,641	649
Fixed Assets	159,619	158,149	1,469
Total Liabilities	72,282	71,369	912
Short-term Borrowings	13,000	12,000	1,000
Long-term Borrowings	41,000	41,000	-
Leasehold and security deposits received	16,176	16,176	-
Other liabilities	2,105	2,192	87
Total Unitholders' Equity	101,627	100,421	1,206
Total Unitholders' capital	98,019	98,019	-
Retained earnings	3,607	2,401	1,206

LTV at the end of fiscal period

Interest bearing debt / Total asset	31.1%	30.9%	0.2%
(Interest bearing debt + Security deposit) / Appraisal value	33.7%	33.6%	0.1%

(Reference information)

Average total asset for the period	158,727	157,806	893
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* Sales of Yokohama Yamashita-cho building(4/26/2006) & acquisition of Shonan Mall Fill. (4/28/2006)