

Summary of Questions and Answers at the Analyst Meeting for the 20th Period Ended July 2013, Held on September 17, 2013

[Question and Answer Session]

<Questioner A>

(Question A-1)

You mentioned “property replacement” in the explanation of your investment activities policy on page 32 of the Financial Results Presentation. Which properties do you consider disposing with regard to property replacement, and what policy do you follow in selecting the area, asset class and other factors? In addition, what do you intend to do with the gains on property sales – keeping them as internal reserve, for example?

(Answer)

As a general theory for selecting candidate properties in the portfolio for disposal in terms of property replacement, we consider properties that were built many years ago or those that are out of scope of TOKYU REIT’s primary investment areas, as well as taking into account the tenant risk and other factors.

As for gains on property sales, accumulating them as internal reserve is an option, as it is permitted to internally reserve 80% of gains on sales of properties that have been held 10 years or more since their acquisition. Another option is to cancel gains on sales with losses on sales. We will make judgments on a case-by-case basis.

(Question A-2)

With regard to external growth on page 66 of the Financial Results Presentation, you envisioned a portfolio size of ¥300 billion or more and an average investment of ¥10 billion. Does this mean that there is a growing probability of acquiring large-scale properties that are each several tens of billions of yen?

(Answer)

The average investment amount of ¥10 billion represents our wish to acquire large-scale properties in view of the competitiveness of properties. It may be difficult to immediately achieve this target, but we hope to realize it over the long term by selling smaller properties and acquiring larger properties.

It is not that there has been any particular recent increase in the probability of acquiring large-scale properties. However, it is true that our capacity to incorporate

larger properties has expanded in line with the growth of the total portfolio size.

(Question A-3)

With regard to the Surf Plan, how long do you believe the period that is suitable for acquisitions will last, given the significant improvement in the Lending Attitude Diffusion Index?

(Answer)

Certainly the lending attitude has relaxed and the cap rate has decreased. However, with regard to rents over the medium to long term, the situation has not yet allowed buyers to conduct bullish pricing in appraisals using the DCF method, as they did in 2006 and 2007. Private placement funds and others, with whom we have had hearings, also still remain cautious in setting rents.

In our judgment, the shift from a period that is suitable for acquisitions to a period that is suitable for sales will take place at a time when various acquisition players start to appraise rents in a bullish mood.

We hope the current period that is suitable for acquisitions will last for another year or so, but we have to discern how the successful bid to host the 2020 Tokyo Olympic Games will impact investor confidence.

<Questioner B>

(Question B-1)

You referred to the 10-year performance of TOKYU REIT and compared it with that of the Global Sovereign Open fund. If you have also made comparisons with other REITs, can you share the results with us?

(Answer)

We made comparisons with the Global Sovereign Open fund in a hope that REITs as financial instruments are more widely recognized and there will be more investors favoring REITs. As for comparisons among REITs, we earnestly hope that analysts will cover such.

(Question B-2)

With regard to the current position of TOKYU REIT in the Surf Plan, you said at the Analyst Meeting half a year ago that it is at around the fifth station of ten to the peak,

or about half way. Presently, what station do you consider it to be in the period that is suitable for acquisitions?

(Answer)

We currently think that we are at around the sixth station.

(Question B-3)

The occupancy rate of Setagaya Business Square has continued to fluctuate. What is your view on the prospects of the property over the medium to long term? Also, please describe your medium- to long-term strategy for the property, such as reinforcing leasing while decreasing rents.

(Answer)

With the latest move-out notification received, Oracle Corporation Japan (former Sun Microsystems), which was the largest tenant, will completely moved-out of all floors it had leased at Setagaya Business Square. Consequently, we consider that the risk factor since listing will be eliminated. The volatility of the occupancy rate will be reduced by shifting the property to a multi-tenant building after the move-out of Oracle Corporation Japan.

As for the leasing strategy for the property, we are investigating implementation of renovation work to respond to needs for small-lot spaces, on top of flexibly setting rents. We are also investigating strategic leasing in coordination with office buildings owned by the sponsor along the Tokyu Den-en-toshi Line areas such as Sangenjaya and Futako Tamagawa.

Setagaya Business Square is one the properties we are focusing on, as it has a high vacancy rate and should have a large positive impact on earnings if the vacant spaces are filled. Accordingly, we intend to achieve steady leasing results for the property.

<Questioner C>

(Question C-1)

You said it is hard to acquire newly-built class S properties with rent premiums, as you sense they are too expensive compared to their value. However, do you have any intention to partially acquire the redevelopment properties in Shibuya owned by Tokyu Corporation, your sponsor, for one or two floors separately?

(Answer)

If we incorporate any single building of the newly-built redevelopment properties in Shibuya into our portfolio, it would become hard for us to maintain the distribution level as such properties have low yields. Nevertheless, we do not deny the possibility of acquiring compartmentalized ownership in large properties. We have received comments from many investors that they want us to acquire symbolic properties, even if only small equity interests, and we will continue our discussions with the sponsor.

Meanwhile, Tokyu Corporation has strong needs for capital, as it is involved in multiple large-scale projects around Shibuya Station. Accordingly, there may be cases when TOKYU REIT can fulfill a role for the sponsor.

(Question C-2)

In the Toranomon area, the office leasing market is getting tighter at the moment. However, the area had been on a weaker note following the Global Financial Crisis (Lehman Shock), and currently large office buildings are about to be completed. Can you give us your views on this market, including what tenant needs you can find in the Toranomon area?

(Answer)

At present, we see demand for expanded office space in Toranomon. But it is also true that the area had difficulties when the market situation worsened.

As for the future potential of the Toranomon area, we believe that the area of several hundred meters between Toranomon Station, near which Tokyu Toranomon Building is situated, and the McArthur Street will be fairly active. As the large redevelopment project in Toranomon may stimulate new demand, we do not have any negative impressions. In addition to the affiliated companies of those to be housed in the large redevelopment project, foreign companies and governmental agencies will also return to the area as tenants. As such, we presume that the Toranomon market will become even more stable than before.

(Question C-3)

It seems the acquisition from The Sankei Building at the time of the public offering was a good deal. Going forward, do you intend to expand the channel with The Sankei Building or other entities?

(Answer)

The transaction was realized as the sponsor and The Sankei Building are on good terms with each other. While KALEIDO Shibuya Miyamasuzaka was acquired directly from the seller through an introduction by the sponsor, Shibuya R Sankei Building was acquired by TOKYU REIT through brokerage of the sponsor in accordance with the public offering. Shibuya R Sankei Building has a large capacity for value enhancement, as developments will proceed around Shibuya Station. We are currently conducting leasing of the sections for which notices of cancellation have been received, and we have a solid feel for candidate tenants.

We hope to keep communicating with The Sankei Building to consider the next opportunity for acquisition, but we also want to proactively be involved with deals with operating companies. The *sokochi* (land with leasehold interest) in Warabi City was also a deal with an operating company. However, we need time and solutions to successfully close deals with operating companies. We will continue to work on such endeavors by harnessing the know-how we have accumulated over the past ten years.

<Questioner D>

(Question D-1)

What impact has there been on Shibuya from the mutual direct train service of Tokyu Toyoko Line and Tokyo Metro Fukutoshin Line? There were concerns that, contrary to the intent, people would flow into Shinjuku, but what is the actual situation?

(Answer)

There are some media reports that the number of passengers getting on and off trains at Shinjuku Sanjome Station has increased significantly. However, we have to check data over the medium to long term as the station originally did not have any great number of passengers. We need to look at Shibuya and Shinjuku, not from a viewpoint of competition between areas, but from a wider viewpoint of Tokyo as a whole and position them as a single commercial area in the west of Tokyo. Indeed, the subject has gathered attention as a competition between Shibuya and Shinjuku, and mass media have picked it up as such. But we view this positively, as such media reports will increase interest in the area and more people will come.

Furthermore, Tokyu Corporation primarily takes the initiative in redevelopments in Shibuya. Whether there is a developer that leads the town creation or not should make a big difference in enhancing the potential of the area.

(Question D-2)

The Financial Results Presentation describes the credit ratings and borrowing costs on pages 60 and 61. Please tell us what impact the implementation of the public offering has had on these factors. Do we understand correctly that you have already resolved the issues pointed out by rating agencies?

(Answer)

We initially wanted to implement the public offering at a larger size, but we placed priority on increasing unitholders' capital (paid-in capital) to at least ¥100 billion. We believe that the capital size surpassing ¥100 billion will help increase the number of investors willing to consider TOKYU REIT as an investment.

Some of the issues pointed out by rating agencies have been resolved, but there are still items that are to be improved. Although the ratings will not be upgraded anytime soon, we will work to gradually achieve better ratings.

As for internal ratings by financial institutions, we believe that the latest public offering will have a positive impact on various evaluation items for such ratings. The interest rate spread of TOKYU REIT may often appear to be large. However, it is because TOKYU REIT does not pay upfront fees when conducting borrowings. We would like to ask that this be considered when making comparisons with other J-REITs.