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To Whom It May Concern

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Our Views on the Tender Offer against Toho Real Estate Co., Ltd.

Toho Co., Ltd. ("Toho" or the "Tender Offeror") made a public announcement on January 8, 2013 that it will commence a tender offer (the "Tender Offer") to acquire all of the remaining shares of its listed subsidiary, Toho Real Estate Co., Ltd. ("Toho Real Estate" or the "Target") at 735 yen per share (the "TOB Price"), and filed a tender offer registration statement for the Tender Offer (the "TOB Registration Statement") on January 9, 2013. Prospect Asset Management, Inc. ("Prospect") currently owns 3,024,000 common shares of Toho Real Estate, which is equivalent to approximately 5.43% of all of the issued shares of Toho Real Estate. Prospect believes that the TOB Price is unfairly low, and is concerned that the minority shareholders will be squeezed out on such unfair terms. As such, Prospect has decided to express its objection against the Tender Offer as a shareholder of the Target to warn the unfairness of the Tender Offer to the other shareholders.

1. The TOB Price is unfairly low as it does not reflect the unrealized value of the real property owned by Toho Real Estate.

According to the Target's quarterly report dated January 8, 2013, the Target's book-value of net assets (on a consolidated basis) as of November 30, 2012 was 39,281 million yen. Further, according to page 23 of the Target's business report for the 73rd fiscal year, the market-value of the Target's owned real estate was 68,648 million yen (as of February 29, 2012), which was the amount determined by the real estate appraiser appointed by the Target. The total book value of such owned real property set out in the Target's consolidated balance sheet as of the same date was 23,902 million yen. The difference of these two amounts, 44,746 million yen, is unrealized value of such owned real estate as of February 29, 2012. As you know, the real estate market in Japan has been improving recently. As such, it is fair to assume that the Target's real property still has unrealized value of 44,746 million yen or greater. If so, the current market-value net assets of the Target should be 84,026 million yen or more (which is calculated by adding (i) the unrealized value of 44,746 million yen relating to the owned real property to (ii) the above-mentioned book-value net assets of 39,281 million yen as of November 30, 2012), which would make the market-value net assets per share (which is calculated by dividing the such market-value net assets of 84,026 million yen by the total number of the issued shares of the Target as of January 8, 2013 (55,688,795 shares)) approximately 1,508 yen. The TOB Price of 735 yen per share does not even reach half of such calculated market-value net assets per share, and is therefore unfairly low.

Further, we think that even the abovementioned "market-value" of the Target's owned real estate (i.e., 68,648 million yen) was overly conservative as the price was determined by the real estate appraiser who was appointed by the Target. By way of comparison, we would point out that the most recent roadside land value (*rosenka*) of major lands owned by the Target is significantly higher than either their book value or the abovementioned "market value" disclosed by the Target. For instance, roadside land value (*rosenka*) of Teigeki Building and Toho Twin Tower is approximately 54,774 million yen and 19,914 million yen, respectively[1]. Roadside land value (*rosenka*) is an official benchmark price annually published by the National Tax Agency and is used to calculate the amount of inheritance tax. Due to its public and objective nature, the *rosenka* is widely used and relied on under Japanese real property transactions. It is commonly recognized that the roadside land value (*rosenka*) generally represents only about 80% of fair market value of the land. Thus, we believe that the market value of the Teigeki Building and Toho Twin Tower would be 68,467 million yen and 24,892 million yen, respectively[2]. Therefore, the total of the estimated market value of these two lands alone would be 93,359 million yen. This figure is already greater than 68,648 million yen which is the purported "market value" of all lands for lease owned by the Target and its subsidiaries (which includes dozens of other lands in addition to Teigeki Building and Toho Twin Tower) as determined by the Target-appointed appraiser. Teigeki Building's and Toho Twin Tower's value can be summarized as below. The chart illustrates that the fair market value would be more than 130 times as valuable as the book value.

(JPY millions)

Real Property	Book value	Roadside land value (*Rosenka*)	Estimated fair market value (*Rosenka* x1.25)	Difference between book value and estimated fair market value
Teigeki	281	54,774	68,467	68,186
Toho Twin Tower	432	19,914	24,892	24,460
Total	713	74,688	93,359	92,646

1 *Rosenka* of Teigeki Building is 14,320,000 yen per one m² and its total site area is 3825 m². *Rosenka* of Toho Twin Tower is 13,200,000 yen per one m² and its total site area is 1508 m² (http://www.toho-twintower.jp/). We note that the most recent annual securities report of Toho Real Estate states that Toho Twin Tower's total site area is 1,474 m² and this does not perfectly match the figure disclosed on the website above. In this press release, we used the figure disclosed on the Toho Twin Tower's website.

2 54,774 million yen x 1.25 = 68,467 million yen. 19,914 million yen x 1.25 = 24,892 million yen.

If the Tender Offeror succeeds in acquiring shares at such an unfairly low price to make the Target its wholly-owned subsidiary, the Tender Offeror will gain excessive profits at the expense of minority shareholders.

The market-value net assets of a company should be the “liquidation value” of that company and its corporate value should be greater than, or at the least equal to, the market value of the net assets. Especially in the case of a real estate company, it would be inappropriate to calculate the corporate value without taking into consideration the unrealized value of the company’s owned real property, which constitute the core assets of its business. The TOB Price, however, was determined by the Tender Offeror based solely on the stock market price approach, the discounted cash flow (“DCF”) approach and the comparable companies analysis approach, and the net assets of the Target was completely ignored. Under the DCF approach, the corporate value is calculated based on the business plan, etc. prepared by the target company’s management and, as such, it not only lacks objectivity, but is also not suitable for the valuation of a company that does not generate much profits but owns real property of high market value. The Target’s stock price had been underperforming due, in part, to the worldwide decline in real estate prices and has not yet fully recovered from such deterioration. It is inappropriate to determine the TOB Price based on the stock price of the Target when the Target’s stock price is undervalued and not properly reflecting the actual corporate value of the Target. The comparable companies analysis valuation approach is also questionable in terms of objectivity since there is room for discretion in selecting which companies to use as reference.

The net assets approach, on the other hand, is objective and appropriate for valuating a real estate company. In particular, the market-value appraised amount (as of February 29, 2012) of the Target’s owned real property (68,648 million yen) is set out in page 23 of the Target’s own business report for the 73rd fiscal year. The market-value appraised amount of 68,648 million yen was calculated on February 29, 2012, which is approximately a year ago, and we expect a significant rise in value in respect of such real property in line with the recent increase in prices of real property in Japan, which should result in a higher amount of appraisal value. Furthermore, as discussed above, appraisal by the Target appears to be overly conservative when compared to the roadside land value (*rosenka*) announced by the National Tax Agency. The fair market value of the Target’s real property should be significantly higher than its book value.

Given that the Target is a company that mainly engages in the real estate business, the value of the Target depends largely on the value of the owned real property. We believe that the market-value net assets should have been considered as the most important factor in determining the TOB Price.

2. **The Tender Offeror is a parent company that owns more than half of the voting rights of the Target and this gives rise to structural conflict of interest.**

The Tender Offeror and its consolidated subsidiaries collectively own 59.77%[3] of all of the issued shares of the Target (excluding the treasury shares owned by the Target). As such, Toho has the power to appoint and dismiss all of the directors and statutory auditors of the Target at its sole discretion, meaning that it has control over the Target. This is clear from the fact that three out of the four statutory auditors of the Target are from Toho, two of which concurrently hold the position of the representative director and president of Toho and its subsidiary, that the Target's representative director and president was a director of Toho until 2003, and that the Target's board members and statutory auditors have always included such persons who came from Toho or who concurrently held the position of a director or similar important positions at Toho.

Against this background, it is highly likely that the Target will implement the Tender Offer and squeeze out the minority shareholders with terms and conditions favorable to Toho only. The Target has explained that it has dealt with such issue by establishing an independent committee, obtaining a share value calculation statement from a securities company and taking other measures in accordance with the rules of the Tokyo Stock Exchange. We, however, believe that such measures are far from being sufficient to resolve the issue of inherent conflict of interest.

For example, the directors and statutory auditors of the Target who used to be an officer/employee of Toho include, not only the statutory auditors who did not participate in the board resolution of the Target for the Tender Offer (Mr. Shimatani and Mr. Matsuoka), but also Mr. Hachiuma (representative director) and Mr. Yamada (statutory auditor), who approved the Tender Offer. A resolution by the board of directors of the Target (for which the Tender Offeror has the power to determine the members) cannot be an evidence of fairness of the price and procedures. Furthermore, even though an "independent committee" has been established to in an attempt to ensure the fairness of the Tender Offer, such "independent committee" has not appointed independently either its own law firm or securities company as its own advisor. The "independent committee" merely obtained information from the advisors of Tender Offeror or the Target, and has not actively negotiated the deal on behalf of the Target's board of directors, which is controlled by the Tender Offeror. Moreover, the securities company that prepared the valuation report were under the Tender Offeror's influence and had a conflict of interest in the Tender Offer, as more fully discussed below. The board of directors of the Target therefore ended up expressing its opinion that it supports the Tender Offer despite the unfairly low TOB Price of 735 yen

3 In this press release, references to the shareholding ratio in the Target shall be as of August 31, 2012 unless otherwise noted.

per share, which is less than half of 1508 yen, which is the market-value net assets per share according to the real estate appraisal value reported by the Target itself[4]. Thus, the measures taken to mitigate the conflict of interest were not effective at all. As stated above, the TOB Price is unfairly low and it would benefit the Tender Offeror only at the sacrifice of the minority shareholders.

3. The Tender Offer is structured in such a way that the minority shareholders would be forced into tendering their shares, deprived of the opportunity to make a proper decision.

It is almost certain that Tender Offeror would come to own at least two-thirds of all voting rights in the Target. As noted above, the Tender Offeror and its consolidated subsidiaries collectively own 59.77% of all of the issued shares of the Target (excluding the treasury shares owned by the Target). In addition, the TOB Registration Statement reads that each of Hankyu Hanshin Holdings, Inc. ("Hankyu Hanshin", shareholding ratio: 5.38%) and H_2O Retailing Corporation ("H_2O", shareholding ratio: 1.52%) would be entering into an tender offer agreement with the Tender Offeror on January 11, 2013 to unconditionally tender their shares in the Tender Offer. This means that the Tender Offeror will come to own at least 67.67% of the voting rights in the Target. Under the Companies Act, a shareholder that owns two-thirds or more of all of the issued shares of the target may squeeze out the minority shareholders even against the objections from all of the other shareholders. As such, with respect to the Tender Offer, the minority shareholders do not have a means to prevent the proposed squeeze out. Accordingly, the minority shareholders of the Target would have no option other than to tender shares or to be squeezed out at a price of 735 yen.

Thus, the Tender Offer is structured so that the shareholders would be coerced into tendering their shares, and is highly likely to deprive the shareholders of the opportunity to properly determine whether or not to tender their shares. The Tender Offeror is taking advantage of its position that enables it to squeeze out the minority shareholders, and setting the TOB Price unfairly low. Such an act is nothing but a betrayal against the expectations and interests of the minority shareholders.

Further, based on the quarterly report of Toho dated October 15, 2012, Hankyu Hanshin and H_2O have 12.06% and 7.23% stake in Toho, respectively, as of August 31, 2012, and based on the publicly available information (including large shareholding report and its amendments), there is no indication that these number have changed since then. Hankyu Hanshin's and H_2O's stake in the Tender Offeror (i.e.,

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[4] Again, such a valuation by the Target was overly conservative and we think it is still much lower than the true fair market value, however, we are raising this figure because we believe the that price should be, at the least, the lowest market value of the Target's real property.

12.06% and 7.23%) are much larger than their stake in the Target (i.e., 5.38% and 1.52%). In terms of value of these shares, based on the recent Toho's and Toho Real Estate's market capitalization[5], Hankyu Hanshin and H_2O have shares worth 39,577 million yen and 23,707 million yen, respectively, in the Tender Offeror whereas Hankyu Hanshin and H_2O have shares worth only 2,232 million yen and 630 million yen, respectively, in the Target. Thus, Hankyu Hanshin and H_2O have much larger stake in the Tender Offeror than in the Target. This means that their economic interest is largely the same as that of the Tender Offeror, and that they can be benefited at the expense of minority shareholders. The Tender Offeror did not mention any of these conflicts of interests in its TOB Registration Statement. Economically, they are in a position to be benefited by the lower TOB Price, and this explains why they agreed to tender their shares unconditionally even though the price is extremely low. Clearly, the fact that they are tendering their shares does not support the reasonableness of the TOB Price. The fact would rather suggest that the TOB Price is low and beneficial for the tender offeror in which they have larger stake than in the Target. By way of comparison, Hankyu Hanshin's and H_2O's stake can be illustrated as below.

9602 TOHO			
(JPY Millions)	Shareholder	% ownership	JPY Value (Millions)
Market Cap	Hankyu Hanshin	12.06%	39,544
327,899	H_2O	7.23%	23,707

8833 TOHO REAL ESTATE			
(JPY Millions)	Shareholder	% ownership	JPY value (Millions)
Market Cap	Hankyu Hanshin	5.38%	2,224
41,488	H_2O	1.52%	349

4. The valuation approach used to calculate the value of the shares of the Target was grossly inappropriate.

The share valuation report prepared by Daiwa Securities Co., Ltd. ("Daiwa Securities") dated January 7, 2013, which is attached to the TOB Registration Statement, indicates that as the consideration for the services, Daiwa Securities will receive certain fees from the Tender Offeror on condition that the Tender Offer is successfully closed. In addition, according to the tender offer statement, Mitsubishi UFJ Morgan Stanley Securities, Co., Ltd. ("Mitsubishi UFJ Morgan Stanley Securities"), which was retained by the Target to calculate the value of the shares of the Target, will also receive certain fees on the same condition. The Tender Offeror would argue that these securities companies evaluated the Target shares independently, but they indeed had a strong incentive to ensure a successful closing of the Tender Offer under the fee structure where a portion of the fee would only be paid conditional upon successful closing of the

[5] The number is based on the market data as of February 8, 2013.

tender offer. Each of the securities companies retained by the Tender Offeror and the Target, respectively, was given an economic incentive by the Tender Offeror and the Target to prepare valuation reports which give the impression that the TOB Price is reasonable for the minority shareholders to make sure the successful closing of the Tender Offer. In fact, neither the Tender Offeror nor the Target has sought or obtained from Daiwa Securities or Mitsubishi UFJ Morgan Stanley Securities a "fairness opinion" in respect of the TOB Price. The TOB Registration Statement suggests that a fairness opinion was obtained from the independent committee, but there is no reasonable explanation as to why the fairness opinion was not obtained from Daiwa Securities or Mitsubishi UFJ Morgan Stanley Securities, which would be more experienced in the valuation of shares. Also, the independent committee did not retained its own advisors. We cannot but suspect that the independent committee has been established merely for the purpose of glossing over the ostensible formality, because the securities companies would not agree to issue a fairness report for this Tender Offer.

In a case where a parent company seeks to make its listed subsidiary into its wholly-owned subsidiary by acquiring all of the remaining shares (as is the case here), a structural conflict of interest becomes an issue, as there is a risk of the parent company attempting to acquire the shares of the subsidiary at an unfairly low price to the detriment of the minority shareholders of the subsidiary. In the U.S. and in other developed countries, companies are generally required to obtain a "fairness opinion" from an expert pursuant to the "entire fairness rules", but no "fairness opinion" has been obtained for this Tender Offer. The process of determining the tender offer price was far from fair.

5. Conclusion

Therefore, we believes that the tender offer price is unfairly low as compared against the corporate value (especially the market value of the net assets) of the Target and would result in harming the interests of the minority shareholders. We recommend that each minority shareholder object to the Tender Offer and refrain from tendering shares in the Target or, if shares are already tendered, that should be promptly cancelled.

If you have any questions concerning the contents of this press release, please contact us (Tel: +1-808-955-7082, E-mail: info@prospectjapan.com).