

## **News Release**

September 20, 2005

To Whom It May Concern

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### **Notice of Second Issuance of Unsecured Convertible Bonds with Stock Acquisition Rights**

Tokyo Tatemono Co., Ltd. (President: Keisuke Minami; Head office: Chuo-ku, Tokyo), announced today that it approved at a meeting of its Board of Directors held on Tuesday, September 20, 2005 the issuance of the Company's second series of unsecured convertible bonds with stock acquisition rights. Details of the bond issue are provided below.

#### **Purpose of the Financing**

Tokyo Tatemono launched a new medium-term business plan during 2004, called "Leap to a New Stage," and built around the basic stance of "Innovation," "Challenge," and "Speed." Under this plan, the Company will proactively develop its business activities with the aim of "expanding opportunities for earnings through the development and expansion of a business model centered on real estate securitization." As a result of record-high sales and earnings for the Tokyo Tatemono Group for the past three consecutive years, the Company expects to meet the operating income and recurring income targets from this plan a year ahead of schedule.

The subject financing will be allocated for investment in the Otemachi Continuing Redevelopment Project and Nihonbashi Redevelopment Project currently in progress, anticipatory investment toward establishing a stable supply of 3,000 residential housing units annually, and investing in new businesses such as the Golf business, among others, with the aim of further enhancing earnings capacity and strengthening the financial position.

#### **Aim of the Issuance of Convertible Bonds with Stock Acquisition Rights**

We believe the current issue of Convertible Bonds with Stock Acquisition Rights to be an efficient means of financing, since because the bonds pay no interest it contributes to an improvement in the financial account balance by minimizing the financing cost, and since the stock acquisition rights are exercised and converted into shares the financial position will be strengthened through an expansion in shareholders' equity. Moreover, although conversion of the bonds with stock acquisition rights will be encouraged by the provisions for revision of the conversion price, the issue was made with sufficient conditions in consideration of the stock price, such as a lower limit to the conversion price of 92% of the initial conversion price.

1.	Name of bond	Tokyo Tatemono Co., Ltd., Second Series of Unsecured Convertible Bonds with Stock Acquisition Rights (Limited Inter-Bond <i>Pari Passu</i> Clause) (hereinafter referred to as the “Bonds with Stock Acquisition Rights,” of which the bonds are to be referred to as the “Bonds” and the stock acquisition rights are to be referred to as the “Stock Acquisition Rights”).
2.	Issue price	¥100 per ¥100 in face value (Face value of each bond ¥500 million)
3.	Issue price of Stock Acquisition Rights	Free
4.	Date of remittance	October 6, 2005 (Thursday)
5.	Particulars on offering	
	(1) Method of offering	The entire amount will be allocated to Daiwa Securities SMBC Co., Ltd. by means of a third-party allocation.
	(2) Issue price (offering price)	¥100 per ¥100 in face value
	(3) Subscription period	October 6, 2005 (Thursday)
	(4) Venue where subscriptions will be accepted	Tokyo Tatemono Co., Ltd., Accounting Department
6.	Particulars of the Stock Acquisition Rights	
	(1) Type and number of stock to be issued by Stock Acquisition Rights	The type of stock to be issued by the exercise of the Stock Acquisition Rights shall be the Company’s common stock, and the number of such common stock to be newly issued or transferred in substitution (issuance or transfer of the Company’s common stock is to be hereinafter referred to as “delivery”) upon request for such exercise shall be the maximum whole number obtained by dividing the aggregate issue price of the Bonds to be exercised by the Conversion Price defined in (3)(ii) of this Section (if the Conversion Price was amended or adjusted in accordance with (8) or (9) of this Section, such amended or adjusted Conversion Price). Any fraction of a share of stock shall be rounded down, and no cash adjustment shall be made.
	(2) Total number of Stock Acquisition Rights to be issued	One Stock Acquisition Right shall be attached to each of the Bonds, and 60 Stock Acquisition Rights shall be issued in total.
	(3) Amount payable upon exercise of Stock Acquisition Rights and Conversion Price	(i) The amount to be payable upon exercise of one Stock Acquisition Right shall be equal to the issue price of the Bonds. (ii) The amount payable for one share of stock upon exercise of the Stock Acquisition Right (hereinafter referred to as the “Conversion Price”) shall initially be set at ¥939.
	(4) Rationale for determining the issue price of the Stock Acquisition Rights as zero, and the payment amount on exercise	The issue price of the Stock Acquisition Rights was determined as zero, taking into consideration that this is an issue of Bonds with Stock Acquisition Rights, and the Bonds and the Stock Acquisition Rights are closely related to each other in that the Stock Acquisition Rights are attached to the convertible bond with stock acquisition rights and shall not be transferable separately from the Bonds, and that all the Bonds shall cease to exist upon exercise of the related Stock Acquisition Rights due to substitute payment, and in view of the estimated value of the Stock Acquisition Rights, as well as the economic value of the Bonds estimated from the interest rate, the issue price, and other terms of issue of the Bonds. In addition, since the Bonds with Stock Acquisition Rights are the convertible bonds with stock acquisition rights, the amount to be payable upon exercise of one Stock Acquisition Right was determined as the one equal to the issue price of the Bonds, and the initial Conversion Price was determined as an amount equal to the closing price of the Company’s common stock on the Tokyo Stock Exchange on September 20, 2005.

- (5) Amount capitalized from the issue price of new stock  
The amount to be capitalized from the issue price of one share of the Company's common stock to be issued upon exercise of the Stock Acquisition Right shall be the amount obtained by multiplying such issue price of such stock by 0.5, and any fraction less than one yen arising as a result of such calculation shall be rounded up to the nearest yen.
- (6) Exercise period for Stock Acquisition Rights  
The bondholders of the Bonds with Stock Acquisition Rights are entitled to request exercise of their Stock Acquisition Rights (hereinafter referred to as the "Request for Exercise") at any time during the period from October 7, 2005 through October 4, 2007.
- (7) Conditions for exercise of Stock Acquisition Rights  
If the Bonds shall have been redeemed before maturity at the option of the Company according to Section 7 (5) (ii) and (iii), or if the Bonds shall have become due and payable, the Stock Acquisition Rights may not be exercised on or after the date of such redemption or the date on which the Bonds become due and payable. If the Company determines to redeem the Bonds before maturity, either in whole or in part, at the request of the bondholders of the Bonds with Stock Acquisition Rights in accordance with Section 7 (5) (iv), the Stock Acquisition Rights may not be exercised from the point at which a written request for early redemption of the bonds applicable to the Bonds with Stock Acquisition Rights is submitted to the Venue for Redemption Money Payment. Moreover, no Stock Acquisition Right may be partially exercised.
- (8) Revision of Conversion Price  
From the business day following the third Friday of each month (hereinafter referred to as the "Determination Date") after the issuance of the Bonds with Stock Acquisition Rights, the Conversion Price will be revised to the amount corresponding to 96% of the average of the closing prices (including quotations) of the regular trading of the Company's common stock on the Tokyo Stock Exchange for five consecutive trading days immediately preceding the Determination Date (including that day) (excluding any trading day on which the closing price does not exist, and if the Determination Date is not a trading day, five consecutive trading days up to the trading day immediately preceding the Determination Date; hereinafter referred to as the "Market Price Computation Period") (the value shall be computed to the second decimal place and rounded down to the nearest first decimal place; hereinafter referred to as the "Revised Conversion Price"). If any of the events of adjustment of the Conversion Price mentioned in (9) below occurs during the Market Price Computation Period, the Revised Conversion Price shall be adjusted to the price the Company deems appropriate in accordance with the Terms and Conditions of the Bonds with Stock Acquisition Rights. However, if the Revised Conversion Price after such computation is less than ¥863.88 (hereinafter referred to as the "Minimum Conversion Price," but subject to adjustment under (9) of this Section), the Revised Conversion Price shall be the Minimum Conversion Price, and if the Revised Conversion Price after such computation is more than ¥1,314.6 (hereinafter referred to as the "Maximum Conversion Price," but subject to adjustment under (9) of this Section), the Revised Conversion Price shall be the Maximum Conversion Price.
- (9) Adjustment of Conversion Price  
The Conversion Price will be adjusted according to the following formula when the Company delivers its common stock or issues new shares of common stock at an issue price or a disposal price lower than the market price of the Company's common stock (except for the delivery as a result of conversion or exercise of the instruments to be converted or convertible to the Company's common stock or the stock acquisition rights (including those attached to the Bonds with Stock Acquisition Rights) by which delivery of the Company's common stock may be requested) after issuance of the Bonds with Stock Acquisition Rights. In the following formula, the "number of outstanding shares" means the number of the Company's common stock outstanding less the number of treasury common stock owned by the Company.

$$\text{Adjusted Conversion Price} = \text{Conversion Price before adjustment} \times \frac{\text{Number of outstanding shares} + \frac{\text{Number of shares newly issued or disposed of} \times \text{Issue price or disposal price per share}}{\text{Market price}}}{\text{Number of outstanding shares} + \text{Number of shares newly issued or disposed of}}$$

The Conversion Price shall also be adjusted as appropriate when the Company's common stock is split or consolidated, or when instruments to be converted or convertible to the Company's common stock at a price less than the market price, or instruments such as stock acquisition rights or bonds with stock acquisition rights representing a right to request delivery of the Company's common stock are issued. If common stock is issued through a stock split, the "Number of shares newly issued or disposed of" in the formula above will not include treasury common stock held by the Company as allocated to the Company at the shareholders allocation date. Reasons for cancellation have not been stipulated.

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| (10) | Reasons for cancellation and conditions for cancellation of Stock Acquisition Rights   |  |
| (11) | Starting date of dividend on stock delivered upon exercise of Stock Acquisition Rights | Cash dividends or distribution of money stipulated in Article 293-5 of the Commercial Code of Japan (interim dividends) on the Company's common stock delivered upon request for exercise will be paid by assuming that the Company's common stock has been delivered on January 1 when the request for exercise was made during the period from January 1 to June 30, and that the Company's common stock has been delivered on July 1 when the request for exercise was made during the period from July 1 to December 31. |
| (12) | Matters concerning substitute payment  | In accordance with Article 341-3-1 (7) and (8) of the Commercial Code of Japan, when a person exercises the Stock Acquisition Rights, such person shall be deemed to have requested that the total amount to be paid upon exercise of such Stock Acquisition Right has been paid in lieu of the full redemption of the Bonds, and it shall also be deemed that the payment on such request has been made.  |
| (13) | Receiving agent of request for exercise  | Transfer Agent Head Office Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd.  |
| (14) | Venue for request for exercise   | Not applicable.  |
| 7.   | Particulars of Bonds   |  |
| (1)  | Total amount of the Bonds  | ¥30.0 billion  |
| (2)  | Amount of each Bond certificate  | ¥500 million   |
| (3)  | Interest rate on the Bonds   | The Bonds shall bear no interest.  |
| (4)  | Redemption price   | ¥100 per ¥100 in face value<br>However, in the event of early redemption, the prices shown in (5) (ii) through (iv) of this Section shall apply.   |
| (5)  | Method and period of redemption  | (i) The aggregate amount of the Bonds shall be redeemed on October 5, 2007.  |

- (ii) Should the Company resolve to become a wholly owned subsidiary of another company by stock exchange or stock transfer at its general meeting of shareholders, the Company shall redeem the entirety of the remaining Bonds (partial redemption is not permitted) from the bondholders of the Bonds with Stock Acquisition Rights at the amounts shown below per ¥100 in face value, by giving to each bondholder of the Bonds with Stock Acquisition Rights prior notice of not less than 30 days and not more than 60 days of the redemption date.
- From October 7, 2005 to October 6, 2006    ¥101  
From October 7, 2006 to October 4, 2007    ¥100
- (iii) If the early redemption is to be implemented after the issue of the Bonds with Stock Acquisition Rights, the Company may redeem from the bondholders of the Bond with Stock Acquisition Rights before maturity the entirety of the remaining Bonds at ¥101 per ¥100 in face value (partial redemption is not permitted) upon prior notification to the bondholders of the Bonds with Stock Acquisition Rights and the Fiscal Agent on the second Friday of the month (when the second Friday is not a bank business day, the preceding bank business day) to become effective on the fourth Friday of the month (when the fourth Friday is not a bank business day, the preceding bank business day).
- (iv) The bondholders of the Bonds with Stock Acquisition Rights shall have the right to request the Company to redeem the entirety or a part of the Bonds held by it at ¥100 per ¥100 in face value, should the closing price (including quotations) for the Company's common stock fall below ¥751.2 for five consecutive trading days (with the amount adjusted in accordance with Section 6 (9)) should an adjustment to the Conversion Price be made as stipulated in Section 6 (9)), and upon exercise this right, by submitting, within two weeks from the last day of the corresponding five consecutive day period, prior notification in the form of a request determined by the Company (hereinafter referred to as the "Request for Early Redemption") to the main office of the Paying Agency noted in Section 12 below (hereinafter referred to as the "Venue for Redemption Money Payment") at least two weeks after and within four weeks before the scheduled redemption date, identifying the Bonds requested to be redeemed before maturity, after entering the date of request and affixing the bondholder's name and seal impression on it and attaching the bond certificates of the Bonds with Stock Acquisition Rights. A request for early redemption of the Bonds will become effective when documents necessary for a redemption request are received at the Venue for Redemption Money Payment. Bondholders who have submitted documents necessary for early redemption may not cancel such a request after this time.
- (v) If the day on which redemption is scheduled to be made falls on a bank holiday, the redemption date shall be brought forward to the preceding bank business day.
- (vi) The Company may purchase and cancel the Bonds with Stock Acquisition Rights or corporate bonds related to the Bonds with Stock Acquisition Rights at any time after the date of issuance of the same. However, it will not be possible to cancel the Stock Acquisition Rights only. In the event that the Company cancels corporate bonds related to the Bonds with Stock Acquisition Rights by purchase, it shall waive any and all rights to the Stock Acquisition Rights so obtained.

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| (6) | Form of bond certificate  | Bearer form<br>In accordance with Article 341-2-4 of the Commercial Code of Japan, the transfer of either of the Bonds or the Stock Acquisition Rights of the Bonds with Stock Acquisition Rights is not permitted.  |
| (7) | Collateral and guarantees   | There exists no collateral or guarantees on the Bonds with Stock Acquisition Rights, and no asset is reserved particularly for the Bonds with Stock Acquisition Rights.  |
| (8) | Financial covenants<br>(restrictions on provision of collateral)  | As long as any outstanding balance of the Bonds with Stock Acquisition Rights exists, if the Company intends to establish a mortgage on other convertible bonds issued in Japan by the Company or other convertible bond-type bonds with stock acquisition rights to be issued in future in Japan by the Company after issuance of the Bonds with Stock Acquisition Rights, such mortgage shall be <i>pari passu</i> with that on the Bonds in accordance with the Secured Bonds Trust Law, for the benefit of the Bonds with Stock Acquisition Rights. The convertible bonds with stock acquisition rights means the bonds with stock acquisition rights stipulated in Article 341-2 of the Commercial Code of Japan as to which it has been resolved by the Board of Directors that when a holder of the bonds with stock acquisition rights exercises the stock acquisition rights, such holder shall be deemed to have requested that the total amount to be paid upon exercise of such stock acquisition right has been paid in lieu of the redemption of the total amount of the bonds and it shall also be assumed that the payment on such request has been made in accordance with Article 341-3-1 (7) and (8) of the Commercial Code of Japan. |
| 8.  | Recording agency of the bond  | The Bonds with Stock Acquisition Rights meet the requirements of the provision of Article 297 of the Commercial Code of Japan, and therefore the Company has not established a recording agency of the bond.   |
| 9.  | Rating acquired   | Not acquired.  |
| 10. | Registrar   | Not applicable.  |
| 11. | Fiscal agent  | Not applicable.  |
| 12. | Paying agent for redemption money (Venue for Redemption Money Payment)                                    | Tokyo Tatemono Co., Ltd., Accounting Department  |
| 13. | Application for listing   | None   |
| 14. | The above items are subject to the submissions made under the Securities Exchange Law becoming effective. |  |

## FOR REFERENCE

### 1. Use of Funds Raised

- (1) Use of funds raised in current financing:  
The Company plans to use the entire amount, an estimated net amount of ¥29,850 million, as real estate development capital.
- (2) Use of funds raised in previous financing:  
Not applicable
- (3) Impact on Company earnings outlook:  
The Company will not change its earnings forecasts for the fiscal year ending December 31, 2005.

### 2. Distribution of Profits to Shareholders

- (1) Basic profit distribution policy  
The Company's basic policy is to ensure sufficient retained earnings to strengthen the Company's business foundations and financial position, and with collective consideration of the business environment, business development and the Company's performance, to provide for the stable return of profit to all shareholders.
- (2) Approach to setting dividends  
The Company will give careful consideration to increases in retained earnings from the standpoint of strengthening the financial position.
- (3) Use of retained earnings  
Retained earnings will be used for distribution of profit, and as investment capital for development of high-quality real estate properties.
- (4) Dividend information over the last three fiscal years (years ended December 31)

	2002	2003	2004
Net income per share	¥17.94	¥25.66	¥35.30
Annual dividend per share	¥6.00 (¥0.00)	¥7.00 (¥3.00)	¥8.00 (¥4.00)
Dividend payout ratio	33.4%	27.3%	22.7%
Return on shareholders' equity	4.4%	5.8%	7.6%
Dividend rate for shareholders' equity	1.4%	1.5%	1.6%

#### Notes:

1. Net income per share is calculated by dividing net income by the average number of shares outstanding during the term.
2. The dividend payout ratio is calculated by dividing total dividends paid by net income during the term.
3. Return on shareholders' equity (%) is calculated by dividing net income by the average of the sum of shareholders' equity at the beginning of the term and at the end of the term.
4. Dividend rate for shareholders' equity is calculated by dividing total dividends distributed for the year by the shareholders' equity at the end of the term.
5. Effective from the fiscal year ended December 31, 2003, the Company adopted the new accounting standard for earnings per share and related guidance (Accounting Standards Board Statement No. 2, "Accounting Standard for Net Income per Share" and Practical Guidelines for Corporate Accounting Standards No. 4 "Practical Guidelines for Accounting Standards for Net Income per Share").

### 3. Other

#### (1) Information of dilutive effect of residual securities

This round of financing is expected to result in residual securities of 11.25% compared with the total number of shares outstanding as of September 20, 2005.

Note: The percentage of residual securities is calculated assuming that the Stock Subscription Rights on the Unsecured Convertible Bonds with Stock Acquisition Rights mentioned above are all exercised at the initial Conversion Price and that the number of shares issued is deducted from the most recent total. The percentage of residual securities that will result should all Bonds with Stock Acquisition Rights in the current financing be exercised at the upper limit will be 8.03%, and 12.22% should all Bonds be exercised at the lower limit.

#### (2) Equity financing conducted over the past three years

##### a. Status of equity financing

Date	Amount of increase (¥ million)	Amount of capital after financing (¥ million)
May 25, 2004 (Note 1)	9,208.0	50,243
June 16, 2004 (Note 2)	2,762.4	51,629
April 25, 2005 (Note 3)	21,078	62,190

Notes:

1. Public offering (Issue price of ¥460.40, ¥231 added to capital).
2. Third-party share sale through over-allotment (Issue price of ¥460.40, ¥231 added to capital).
3. Capital increase from First Issuance of Unsecured Convertible Bonds with Stock Acquisition Rights (Full conversion completed on August 18, 2005).

##### b. Share price trends over the past three fiscal years (years ended December 31)

	2002	2003	2004	2005
Open	¥179	¥181	¥444	¥677
High	¥260	¥550	¥748	¥940
Low	¥158	¥172	¥427	¥665
Close	¥180	¥429	¥667	¥939
PER	10.0 times	16.7 times	26.0 times	—

Notes:

1. Share price figures are quotations from the First Section of the Tokyo Stock Exchange.
2. Figures for the fiscal year ending December 31, 2005 are as of September 20, 2005.
3. PER is calculated by dividing the share price at the end of the term (closing price) by net income per share at the end of the previous term.

#### 4. Party to Whom Bonds with Stock Acquisition Rights Will Be Allocated

##### (1) Overview of the Allocation

Party to whom the Bonds with Stock Acquisition Rights will be allocated		Daiwa Securities SMBC Co., Ltd.	
Bonds with Stock Acquisition Rights to be allocated (face value)		¥30,000,000,000	
Amount paid		¥30,000,000,000	
Information concerning the party to whom the Bonds with Stock Acquisition Rights will be allocated	Address	8-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo	
	Name of representative	Tatsuei Saito, President	
	Amount of capital	¥205.6 billion*	
	Business category	Securities business	
	Major shareholders and percentage holding	Daiwa Securities Group Inc.(60%)* Sumitomo Mitsui Financial Group (40%)	
Relationship with the Company	Investment relationship	Number of the Company's stock held by the party to whom the Bonds with Stock Acquisition Rights will be allocated:	None*
		Number of stock in the party to whom the Bonds with Stock Acquisition Rights will be allocated held by the Company:	91,000 shares*
	Business relationship	Lead managing underwriter	
	HR relationship	None	

\* Information regarding "Amount of capital" and "Major shareholders and percentage holding" is as of September 16, 2005.

##### (2) Other

The Company plans to place restrictions on transfer of the Bonds with Stock Acquisition Rights. Also, Daiwa Securities SMBC Co., Ltd., the party to whom the Bonds with Stock Acquisition Rights will be allocated, intends on short selling with regard to this purchase deal, with the exception of the sale of shares of the same class as those handled within the scope of the number of shares obtained through exercise of stock acquisition rights attached to the Bonds with Stock Acquisition Rights, so loaned stock for such shares will not be issued.

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#### Cautionary Statement

These materials were prepared for the public disclosure of information regarding Tokyo Tatemono's issuance of unsecured convertible bonds with stock acquisition rights. This release is not to be construed as an offer to buy or sell securities referred to herein.