

TOKYU REIT

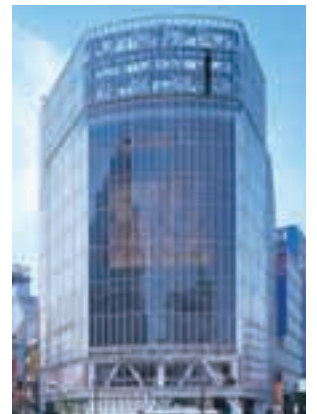


TOKYU REIT, Inc.

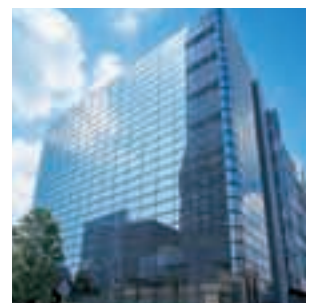
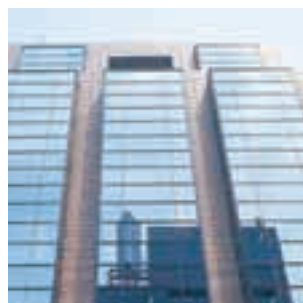
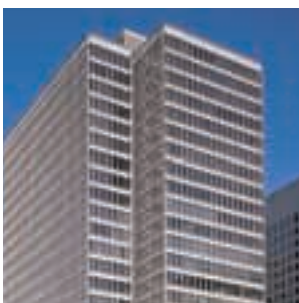
Semiannual Report

First Fiscal Period

From June 20, 2003 to January 31, 2004



Investment in
Highly Competitive Properties
in Areas with Strong Growth Potential



Financial Summary

First Fiscal Period

(From June 20, 2003 to January 31, 2004)

1st

FINANCIAL SUMMARY

Assets

Total Assets	¥118,461 million
Period-End Appraisal Value	¥103,050 million
Net Asset Value (NAV*)	¥50,537 million

Debt

Interest-Bearing Liabilities	¥56,700 million
Total Assets Loan-to-Value (LTV) Ratio	47.9 %
Period-End Appraisal LTV Ratio	55.0 %

Income

Operating Revenues	¥2,896 million
Net Income	¥930 million
Funds From Operations (FFO)	¥1,397 million

Distributions

Cash Distribution per Unit	¥9,488
Net Income per Unit (EPS**)	¥9,488
FFO per Unit	¥36,123 (Annualized)

Valuations

Average Market Price per Unit	¥530,828
NAV per Unit***	¥515,687
NAV Ratio	1.03 times
FFO Ratio	14.70 times (Annualized)
Distribution Yield	4.53 %

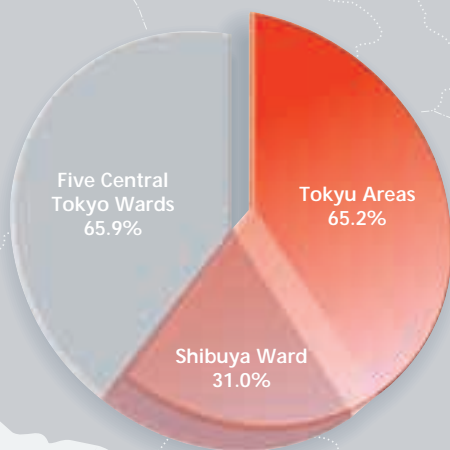
* NAV = Net Assets + (Period-End Appraisal Value – Acquisition Costs)

** EPS is calculated using the weighted-average number of investment units (98,000 units) for the actual number of asset management days for the period commencing September 10, 2003.

*** NAV per Unit = NAV / Number of units at the end of the fiscal period

Strong Growth Potential Areas

TOKYU REIT invests primarily in retail and office properties located in the Tokyo Metropolitan Area, an area characterized by its strong growth potential. Specifically, more than 85% of our investments are located in Central Tokyo (the five central Tokyo wards comprising Chiyoda, Chuo, Minato, Shibuya and Shinjuku wards) and the Tokyu Areas, which refers to the areas covered by the Tokyu rail network.



Highly Competitive Properties

The selection of individual investment properties is subject to strict investment standards and guidelines. Investment properties are characterized for their ability to attract and maintain tenants and for their low risk. TOKYU REIT acquires properties for medium- to long-term ownership with the aim of securing stable income and distributions to unitholders. TOKYU REIT aims to secure stable income through investment in properties with tenant appeal over the medium and long term and low risk.

1.9 minutes

Weighted-Average Walking Distance from Railway Station

12.6 years

Weighted-Average Building Age

9,000 tsubo (29,705m²)

Approximate Average Total Floor Area (Office)

¥8.6 billion

Average Investment Amount per Property

TOKYU REIT, Inc.

First Fiscal Period **Semiannual Report**

From June 20, 2003 to January 31, 2004



C O N T E N T S

- 6 ■ To Our Unitholders
- 12 ■ Management
- 17 ■ Portfolio
- 30 ■ Asset Management Report
- 50 ■ Report of Independent Auditors
- 51 ■ Balance Sheet
- 53 ■ Statement of Income and Retained Earnings
- 54 ■ Statement of Cash Flows (Unaudited)
- 55 ■ Notes to Financial Statements
- 62 ■ Unitholder Information

To Our Unitholders

Masahiro Horie,

TOKYU REIT, Inc.
Executive Director,
Tokyu Real Estate Investment Management Inc.
Representative Director & President, Chief Executive Officer



TOKYU REIT, Inc. (“TOKYU REIT”) listed on the Tokyo Stock Exchange Real Estate Investment Trust Market on September 10, 2003. I would like to take this opportunity to express my sincere appreciation to all unitholders for your support and understanding.

Highly Strategic REIT

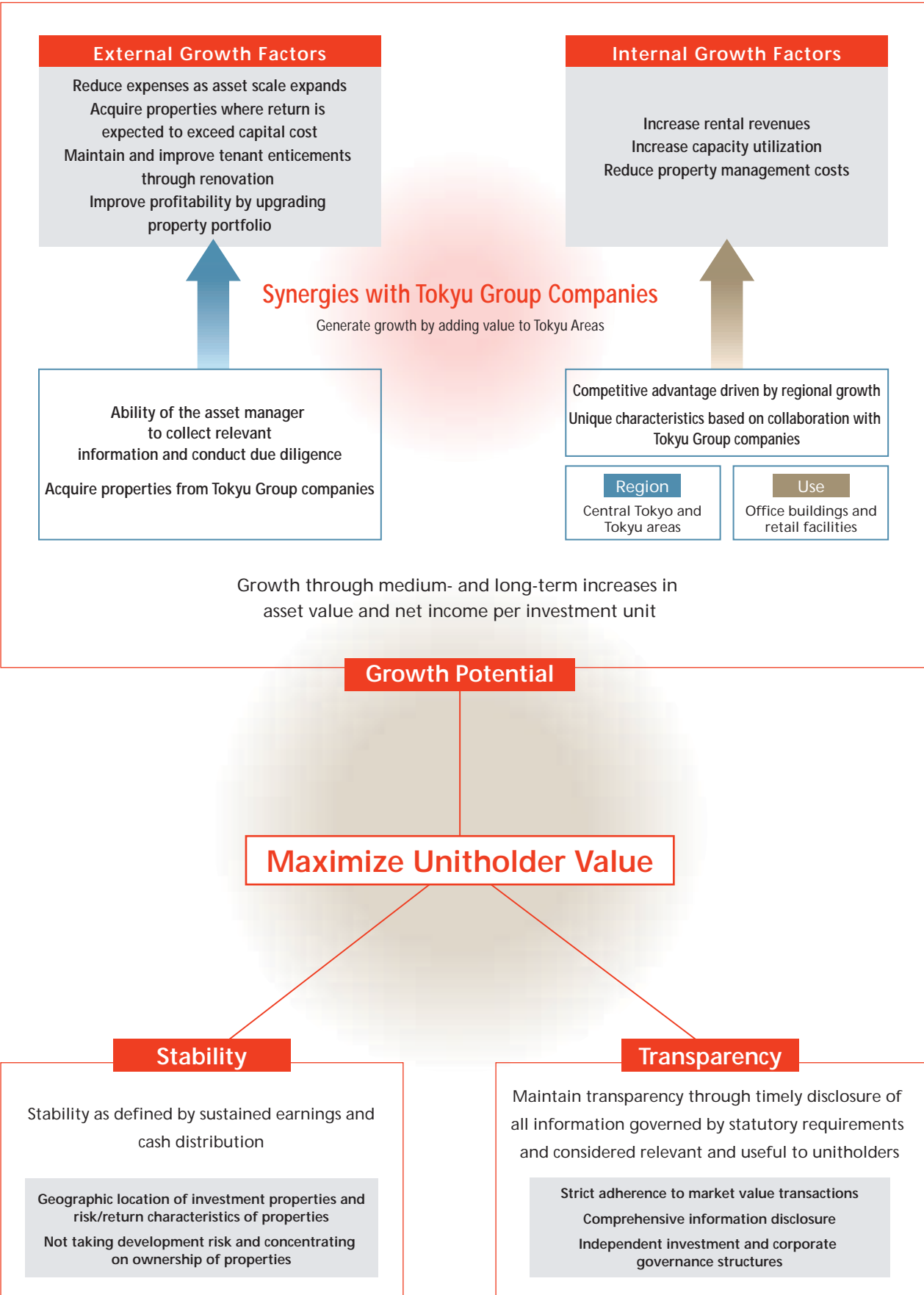
More than two years have passed since the incorporation of our asset manager, Tokyu Real Estate Investment Management Inc. (“Tokyu REIM”), and the listing of TOKYU REIT. During this period, we focused on evaluating business potential and formulating our investment principles and policies. Aiming for a highly strategic REIT, our basic policy is to pursue growth, stability and transparency in our investment activities with the ultimate goal of maximizing unitholder value.

Our management approach is to invest in low-risk properties that possess strong growth potential, create stable cash flows through investment management, and the ability to deliver continual increases in asset value.

Focused Investment in Strong Growth Potential Areas

TOKYU REIT’s principal investment policy is to secure an asset portfolio that exhibits strong growth potential. Accordingly, we focus primarily in competitive properties located in Central Tokyo (the five central Tokyo wards comprising Shinjuku, Shibuya, Chiyoda, Minato and Chuo wards), and the Tokyu Areas (areas covered by the Tokyu rail network).

Despite an overall slump in gross production throughout Japan, the trend toward concentration in key areas is leading to an increase in gross production in the Tokyo area and its three adjoining prefectures. While Japan’s population is forecast to peak around 2006, the number of residents in Five Central Tokyo Wards and Kanagawa Prefecture is expected to rise over the next decade or so. Quick to reflect this emerging trend, the number of passengers utilizing the Tokyu rail network, which services the southwest part of Tokyo Metropolitan Area, is increasing rapidly, and in line with the drop in housing prices





following the collapse of the bubble economy, these areas are attracting growing attention as the region of preferred residence.

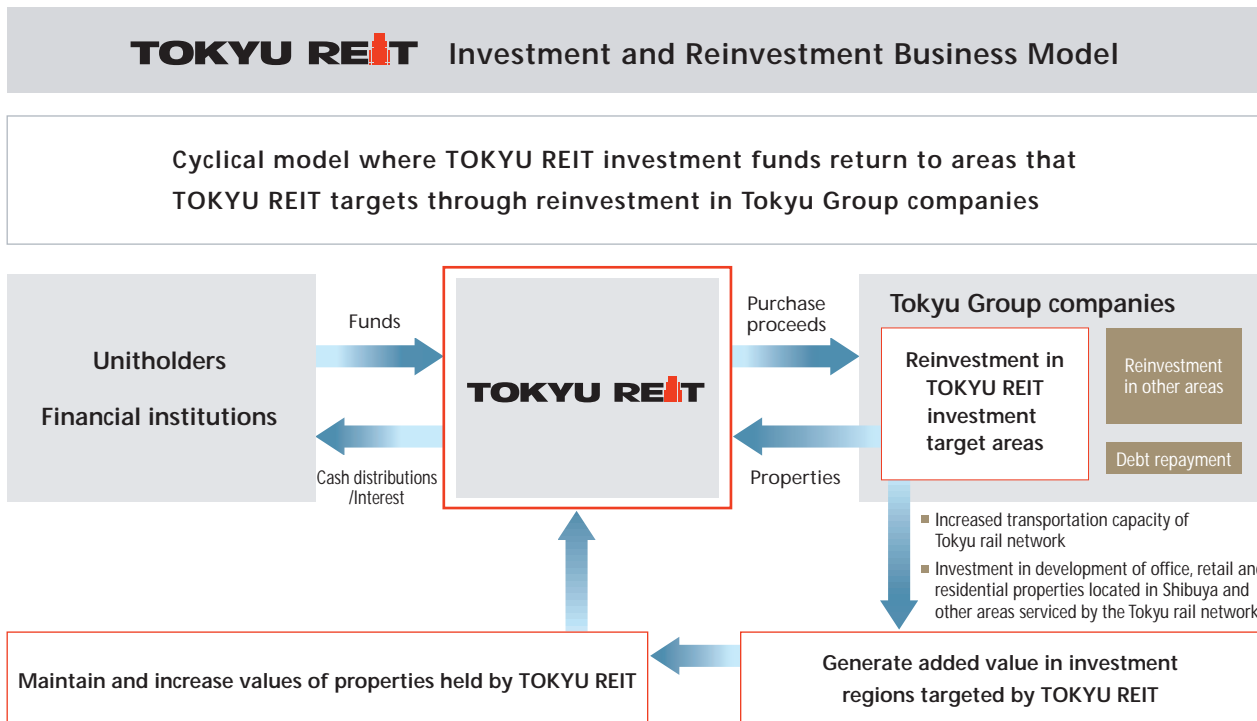
While investment in strong demand, growth potential areas are not a guarantee for high return in short term, TOKYU REIT has identified these areas as providing stable cash flow and low risk.

Stable Portfolio Investment

TOKYU REIT is committed to building a stable investment portfolio. The selection of individual properties is subject to the highest standards, and is restricted to quality properties with strong tenant appeal and low risk of earnings fluctuation.

Investments are also restricted to the office and retail sectors. REIT interest expenses are expected to increase from a rise in interest rates during periods of economic recovery. However, we believe that investing in competitive properties with strong potential for rental revenue growth can offset these higher expenses. In the office building sector, however, increases in rental revenues are invariably characterized by a one- or two-year time lag. This could serve to place downward pressure on profits for the period of adjustment.

In the retail sector, on the other hand, rental revenues tend to move in advance of or at the same time as fluctuations in interest rates. TOKYU



REIT is working to secure a stable earnings platform by eliminating time lags in its periodic review of retail property rental income while procuring financing. We are proactively looking to introduce a rent commission system linked to sales in an effort to stabilize cash flow.

Accelerated Growth through Collaboration with the Tokyu Group Companies

In addition, TOKYU REIT leverages the full management resources and know-how of the Tokyu Group Companies in the acquisition and management of investment properties. In establishing a structure of collaboration and cooperation with them, we strive to further accelerate cash flow growth. In particular, TOKYU REIT has entered into an agreement with Tokyu Corporation and Tokyu Land Corporation, which grants TOKYU REIT the right of first option in the event that any eligible investment-grade property, owned by a Tokyu Group company, is to be sold to a third party.

In a number of cases, proceeds from the purchase and sale of investment properties among Tokyu Group companies by TOKYU REIT will be reinvested in areas serviced by the Tokyu Area. This in turn serves to further enhance the targeted regions in which we invest, and contributes to maintaining and improving the value of our investment portfolio.



Rules Regarding Conflicts of Interest and Transparency in Related-Party Transactions

As part of our preparation for public listing, we formulated strict investment guidelines, which cover such items as stably acquiring funding in Japan as well as overseas. In the context of collaboration with Tokyu Group companies, we have also implemented internal rules to avoid conflicts of interest and established comprehensive governance guidelines and an investment structure with respect to related-party transactions. TOKYU REIT has earned high praise from overseas unitholders and is experiencing increasing demand from offshore sources. Accordingly, TOKYU REIT believes it has built a REIT portfolio consistent with global standards based on its highly transparent policies on conflicts of interest that satisfy the stringent requirements of overseas unitholders for governance.

TOKYU REIT is committed to timely disclosure on its Web site (www.tokyu-reit.co.jp) of all relevant information relating to third-party transactions.



Investment Unit Issue Price

TOKYU REIT adopted the book-building method in determining the issue price of its initial public offering of investment units. Against a provisional maximum issue price of ¥530,000, we experienced strong domestic and overseas demand. The initial offer was initially oversubscribed fourfold.

Following our public listing, however, we experienced difficult conditions, most notably a rise in stock prices including the real estate sector and a surge in interest rates. As a result, TOKYU REIT's investment unit price fell below the issue

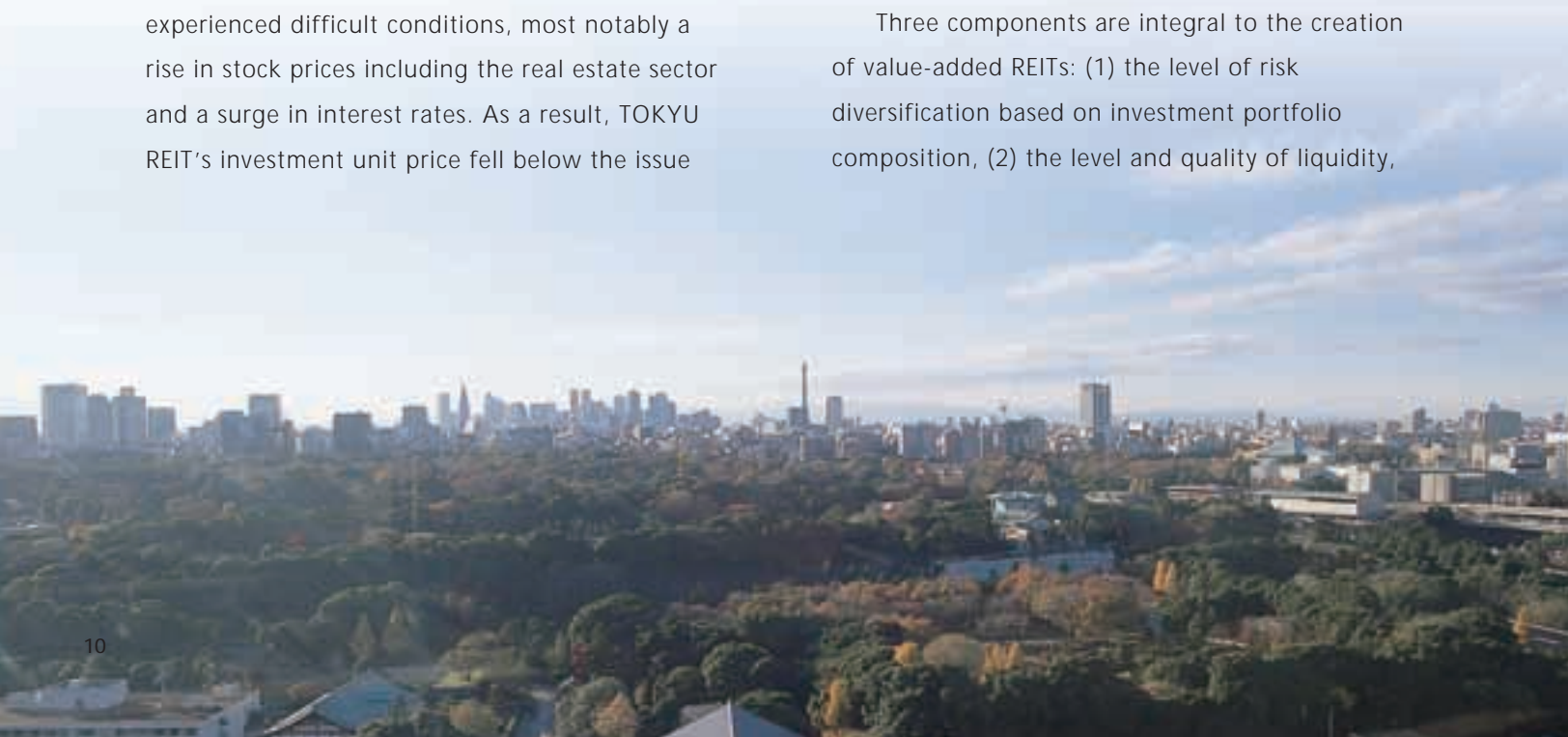
price for a few months, bottoming at a low of ¥503,000 as of September 16, 2003. We very much regret the concern and anxiety experienced by our unitholders during this period.

Although some observers felt that our investment unit issue price was high, our listing was implemented through the issue of new investment units and not a secondary offer. In connection with the system implemented to apply funds procured to the acquisition of investment assets, the issue price following public listing has been determined by the net asset value per investment unit excluding net proceeds to securities companies, and not by concerns for trading profit and loss to existing unitholders (sponsor companies). We chose to issue new investment units instead of a secondary offering in order to avoid any conflicts of interest among our new unitholders and sponsor companies.

Role of Asset Manager

I do not believe the value of investment units can be determined solely by a comparison of REIT net asset and market values. I believe the role of the asset manager is to generate added value in the context of net assets.

Three components are integral to the creation of value-added REITs: (1) the level of risk diversification based on investment portfolio composition, (2) the level and quality of liquidity,





growth potential and information disclosure relating to publicly listed REITs, and (3) the creation of additional value through strategic high-quality investment management.

Points (1) and (2) are essentially standard across the majority of publicly listed REITs. The third point, however, differs among REITs depending on the capabilities of the asset manager. At Tokyu REIM, we pride ourselves on the quality of our strategic investment policies, our asset management capabilities and strict adherence to corporate governance. We are committed to further enhancing the investment portfolio and to continuously increasing TOKYU REIT's corporate value.

Our goal is to address the needs of a broad investor base over the long term and to ensure a continuous source of funds for the purpose of asset acquisition. Through these means, we will strive to contribute to revitalizing Japan's capital and real estate markets.



Masahiro Horie

In his role as president of REITs asset manager, Mr. Horie draws on the wealth of experience he has accumulated throughout his career.

1984

Entered Tokyu Corporation

Posted to Saginuma Station, conductor servicing the Den-en Toshi Railway Line.

1985

Participated in development planning of the Tama Den-en Toshi area, undertook broad-based studies of the real estate business.

1986

Logistical support in Japan for overseas real estate development projects located on the west coast of the United States and Hawaii. Participated in broad-based activities including investment decision making, development, management, purchase and sale of resort facilities, commercial facilities, hotels, office buildings and residential properties.

1989

Transferred to hotel management company domiciled in Honolulu, Hawaii.

Engaged in business activities relating to finance, legal and development planning. Engaged in support work for private trustee. Served as assistant trustee.

1994

Posted to the Finance & Accounting Division of Tokyu Corporation. Engaged in activities relating to capital markets and the issue of ordinary bonds in Japan.

1996

Posted to the Group Controllers Division. Participated in formulation and reorganization plans of a number of Tokyu Group companies.

1999

Appointed to the Group Restructuring Strategy & Investor Relations Division. Engaged in restructuring Tokyu Group businesses and formulating Group company financial measurement indicators, M&A, share exchange and investor relations activities. Promoted REIT business proposal as part of the Tokyu Group's Management Policy announced in 2000, commenced REIT business feasibility study.

2001

Posted to Tokyu Real Estate Investment Management Inc. (Tokyu REIM) at the time of company incorporation. Appointed Tokyu REIM vice president and representative director.

2002

Appointed Representative Director, President and Chief Executive Officer of Tokyu REIM.

2003

Obtained approval from the Financial Services Agency in order to act as on executive director of TOKYU REIT, Inc. and as a representative director, president and chief executive officer of Tokyu REIM.

Management

TOKYU REIT, Inc. Board of Directors

TOKYU REIT is represented by an executive director whose responsibilities include the execution of operations. Supervisory directors oversee the activities of the executive director. The executive director is required to report at least twice every three months to the Board of Directors regarding the operations of TOKYU REIT. During TOKYU REIT's first fiscal period (From June 20, 2003 to January 31, 2004), 22 Board of Directors meetings were held.



Giichi Yanagisawa
Supervisory Director

Masahiro Horie
Executive Director

Maruhito Kondo
Supervisory Director

Giichi Yanagisawa

Supervisory Director

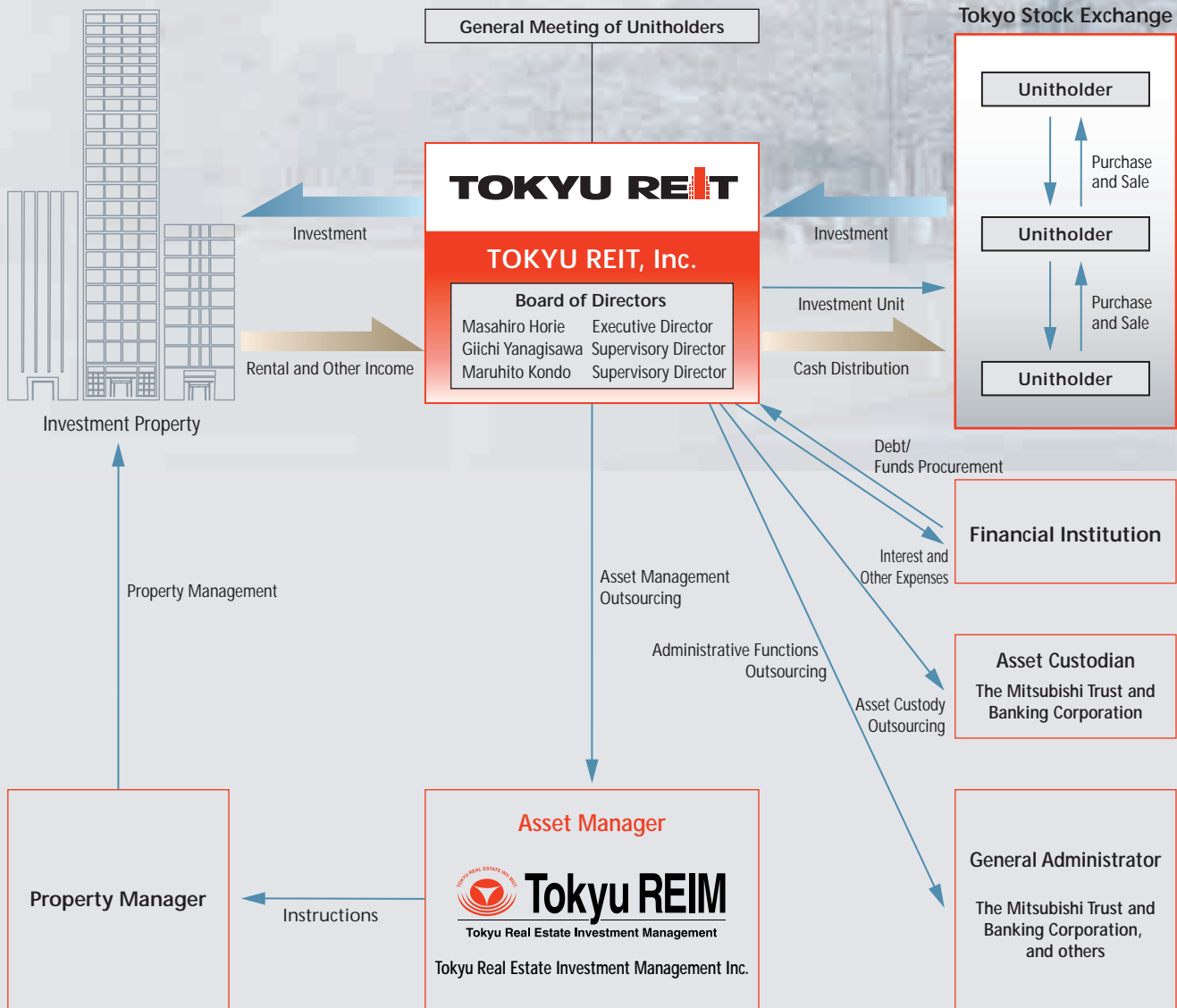
- April 1979 Appointed Senior Managing Director, Fuji Lumbering Corporation (current position)
- March 1985 Certified as a public accountant in Japan. Established Yanagisawa Certified Public Accountant Office (current position)
- May 1985 Certified as a tax accountant in Japan (current position)
- June 1990 Appointed Director, Accounting Consultant Group, Co., Ltd. (name changed to Shinsoh Consulting Corporation) (current position)
- June 2000 Appointed representative, Shinsoh Corporation (current position)
- July 2001 Appointed member of the Board of The Japanese Institute of Certified Public Accountants (current position)
- June 2003 Appointed supervisory director, TOKYU REIT, Inc. (current position)
- April 2004 Appointed representative director (current position)

Maruhito Kondo

Supervisory Director

- April 1988 Admitted to the Bar of Japan (Tokyo Bar Association), entered Ohara Law Office
- May 1988 Studied abroad to the Chinese University of Hong Kong
- September 1988 Studied abroad to Renmin University of China
- July 1989 Worked at Robert Lee & Fong Solicitors in Hong Kong
- February 1996 Opened Maruhito Kondo Law Office (current)
- May 1998 Admitted to Daini Tokyo Bar Association
- December 1999 Appointed Director of North Corporation (Manager, Internal Audit Office)
- June 2003 Appointed supervisory director, TOKYU REIT, Inc. (current position)

TOKYU REIT Structure and External Service Providers



TOKYU REIT outsources asset management, asset custody and administrative functions.

Masahiro Horie serves as executive director of **TOKYU REIT** and representative director, president and chief executive officer of Tokyu REIM concurrently with the aim of ensuring close ties between **TOKYU REIT** and its asset manager and promoting increased efficiency.

Tokyu Real Estate Investment Management Inc.

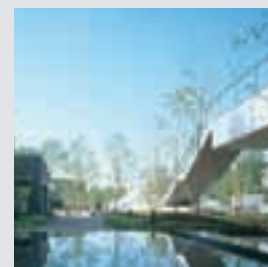
Asset Manager

URL: www.tokyu-reim.co.jp

Tokyu Real Estate Investment Management Inc. ("Tokyu REIM") has contracted with **TOKYU REIT** to act as its asset manager. Underpinned by investment policies held in common with **TOKYU REIT**, Tokyu REIM strives to maximize unitholder value through business growth, stability and transparent operations. In addition, Tokyu REIT follows strict internal rules governing conflicts of interest and takes all necessary care in transactions with Tokyu Group companies.

Board of Directors

Tokyu REIM has implemented a management structure whereby the Board of Directors is responsible for business management, such as decision making on business strategy and other important matters relating to the execution of business operations. In addition, the Board of Directors supervises business operations undertaken by the representative director and executive officers. During the first fiscal period, Tokyu REIM's Board of Directors met on 21 occasions.



Investment Committee

The investment committee is comprised of the president (who serves as chairperson), three non-executive directors and a property appraiser. The investment committee discusses the initial drafts of, and any amendments to TOKYU REIT's management guidelines and fund management plan, portfolio asset allocation, and possible investment and disposal of a property. This information is presented to the Board of Directors with the committee's opinion and recommendation. During the first fiscal period, the investment committee met on 27 occasions.

Compliance and Risk Management Committee

The compliance and risk management committee is comprised of two non-executive directors (one of whom serves as chairperson) and two external committee members. Under the guidance of the Board of Directors, the compliance and risk management committee discusses material matters relating to compliance and risk management, the adequacy of internal rules regarding related-party transactions, and provides TOKYU REIM's Board of Directors with committee opinions and recommendations. The compliance and risk management committee convened a meeting on 19 occasions during the first fiscal period ended January 31, 2004.

The compliance and risk management committee was established to ensure independent third party checks of our internal rules regarding related-party transactions. In addition, Tokyu REIM obtains a third party opinion in order to evaluate whether each related party transaction is in compliance with internal rules. In the event a third party determines a matter warrants special mention, the relevant transaction is referred to the compliance officer and forwarded to the compliance and risk management committee for discussion as required.

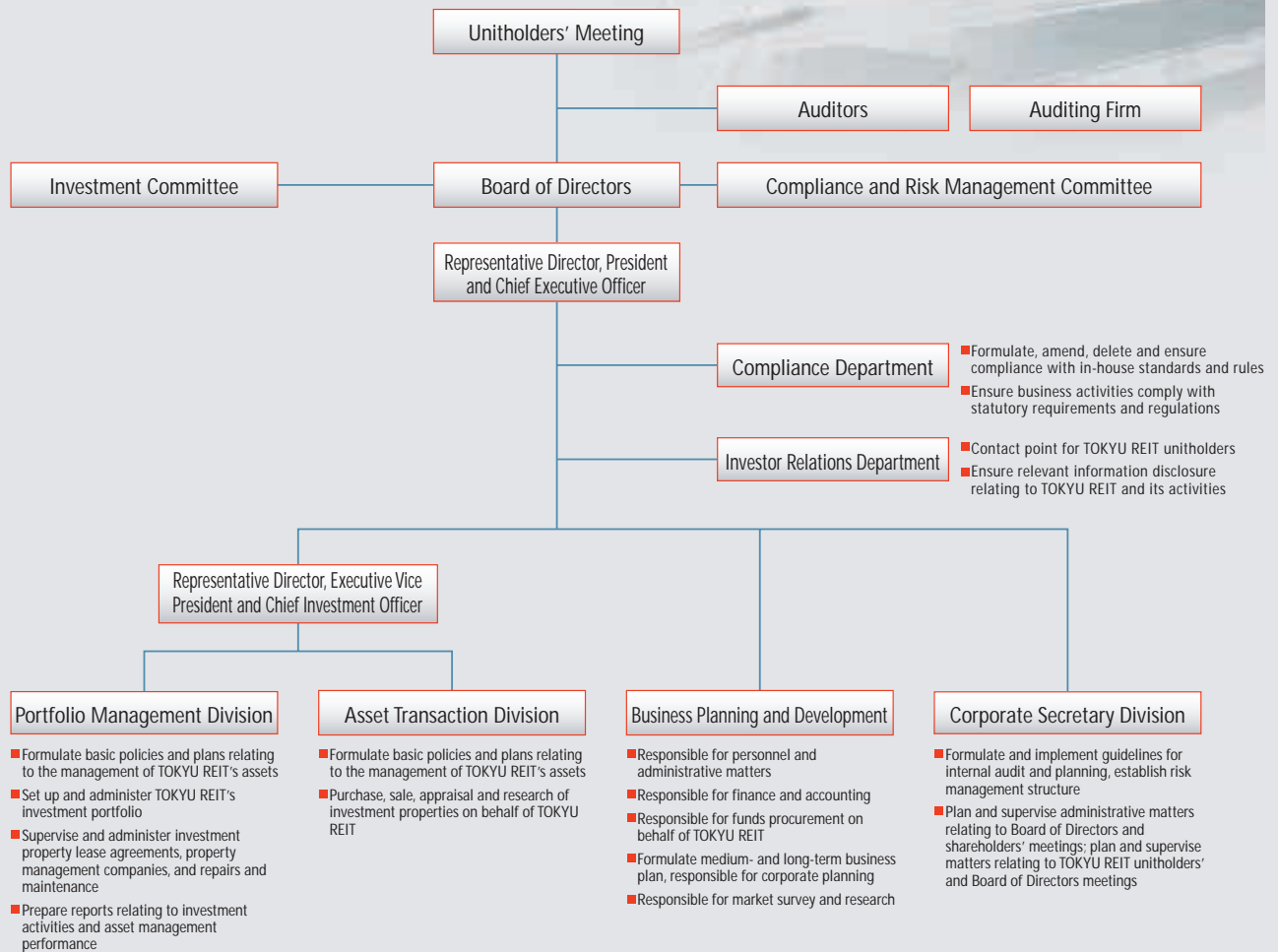
History

Date	Remark
June 27, 2001	Tokyu REIM established (Capital ¥100 million)
August 31, 2001	Acquired real estate brokerage license (No. 79964 Governor of Tokyo)
September 26, 2001	Capital increase (increase in capital from ¥100 million to ¥125 million)
September 28, 2002	Capital increase (increase in capital from ¥125 million to ¥300 million)
April 3, 2003	Acquired discretionary transaction agent approval in accordance with the Building Lots and Building Transactions Business Law (Minister of Land, Infrastructure and Transport No. 17)
June 16, 2003	Acquired investment trust management business transaction authorization from the Office of the Prime Minister (No. 27)
June 16, 2003	Acquired approval to provide consulting services and agency services (Financial Service Agency No. 1961)
June 20, 2003	Concluded an asset management agreement with TOKYU REIT
July 25, 2003	Registered as a general real estate investment management company (No. 000016)

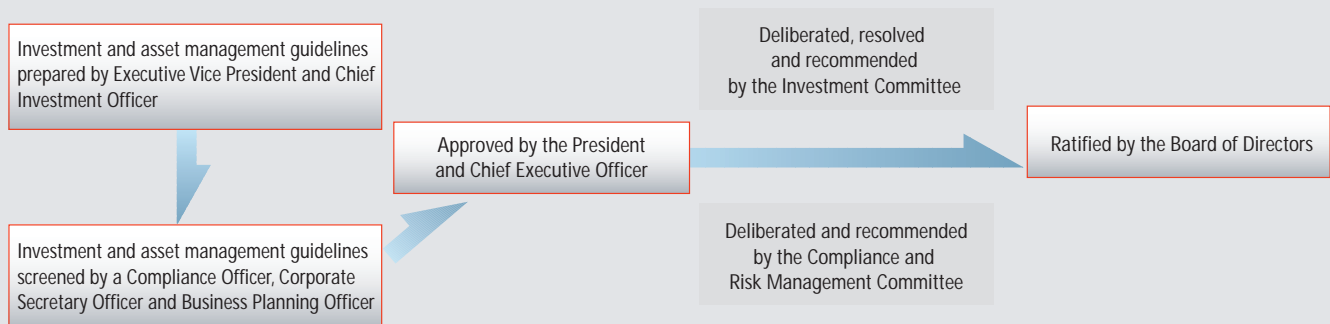
Unitholders

Tokyu Corporation	3,600 units	60%
Tokyu Land Corporation	2,400 units	40%

Organization Chart



Decision-Making Process



Internal Rules Regarding Related-Party Transactions

In contrast to the investment in and management of REITs in the United States, an external party independent of the asset owner undertakes the asset management function in Japan. As a result, concerns arise that the asset manager may not act in the interests of the investment company in cases where profits to accrue to each company are in conflict. Specifically, concerns arise that assets owned by the shareholders of the asset manager may be sold at an inflated price to the investment company and that excessive fees may be paid to property managers (PM) related to the asset manager. Accordingly, TOKYU REIT places significant importance on measures to avoid conflicts of interest and establishes strict internal rules regarding related-party transactions. Internal rules are published on our Web site. In the event TOKYU REIT's Board of Directors amends internal rules, the Web site is updated in a timely manner.

Market Value Transactions

In principle, transactions with Tokyu Group companies are conducted at market prices and subject to full disclosure. Detailed standards are formulated for each transaction. A brief overview is provided as follows:

- In the purchase of a property, the acquisition price shall not exceed the appraisal value provided by an independent property appraiser. The company will also obtain a second opinion from an independent third party with respect to such appraisal value (such independent third party currently being The Chuo Mitsui Trust and Banking Company, Limited).
- In the sale of a property, the sale price shall not be less than the appraisal value provided by an independent property appraiser. The company shall also obtain a second opinion from an independent third party with respect to such appraisal value.
- When leasing properties to Tokyu Group companies, the rental rate will be at the market price, based on market data, or opinions prepared by an independent third party.
- Property managers shall be appointed after due consideration to market standards, details of services to be provided and the volume of work to be undertaken. Property management fees must be approved by TOKYU REIT's Board of Directors taking into account a third party report (currently prepared by STB Research Institute) on the appropriateness of such fees. Tokyu REIM shall periodically review each property manager's performance. In the event a property manager's performance does not meet acceptable standards, the property management agreement shall not be renewed.
- If any Tokyu Group company acts as a real estate agent with respect to the acquisition or disposition of a property, related agency fees shall not exceed 3.0% of such acquisition or disposition price. In the case of leasing properties, any related agency fees shall not exceed an amount equal to one month's rent.
- If TOKYU REIT is considering outsourcing construction services to any Tokyu Group company, the costs of which are expected to be ¥10 million or more, TOKYU REIT shall obtain prior approval from its Board of Directors.
- For all other transactions with Tokyu Group companies, prior approval from TOKYU REIT's Board of Directors is required.
- Information relating to the aforementioned transactions shall be disclosed on TOKYU REIT's Web site, press releases, semiannual reports.

Multitiered Third Party Check and Balance System

A series of third party checks and balances have been implemented to ensure the asset manager complies with internal rules regarding third party transactions.

- The compliance and risk management committee, which includes two external committee members, formulates internal rules regarding related-party transactions and discusses the appropriateness of any rule amendments and changes.
- An audit firm other than TOKYU REIT's usual independent auditors confirms the appropriateness of internal rules applicable to each transaction.
- TOKYU REIT's Board of Directors, which include two external members, must provide prior approval for each transaction.

Securing and maintaining the long-term trust of capital markets underpins TOKYU REIT's focus on strict adherence to internal rules regarding third party transactions. This long-term trust is considered essential to ensuring sustainable business growth and to maximizing unitholder value, TOKYU REIT's fundamental business policy.

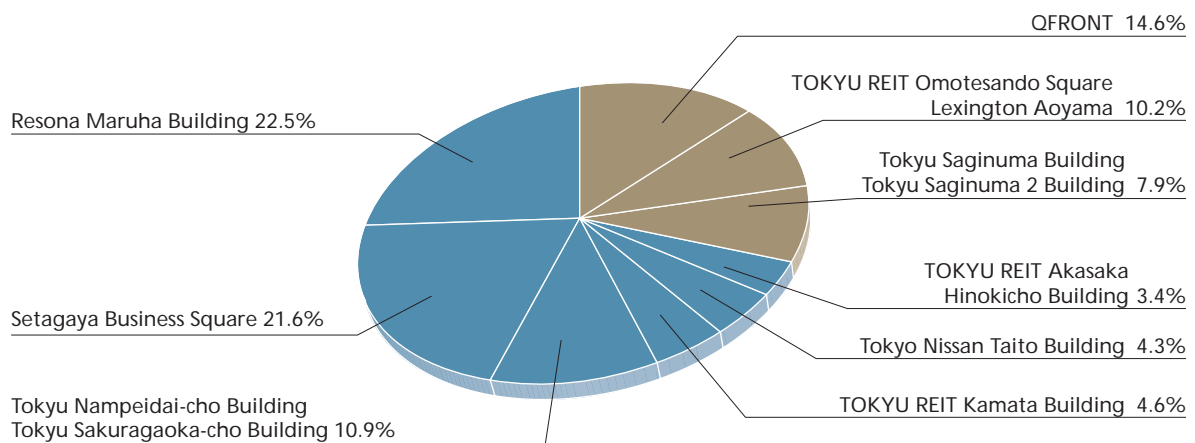
Portfolio



Use of Investment Funds

TOKYU REIT acquires properties for long-term ownership focusing office and retail properties. TOKYU REIT intends to invest approximately 60% of its funds to acquire office properties and 40% to acquire retail properties.

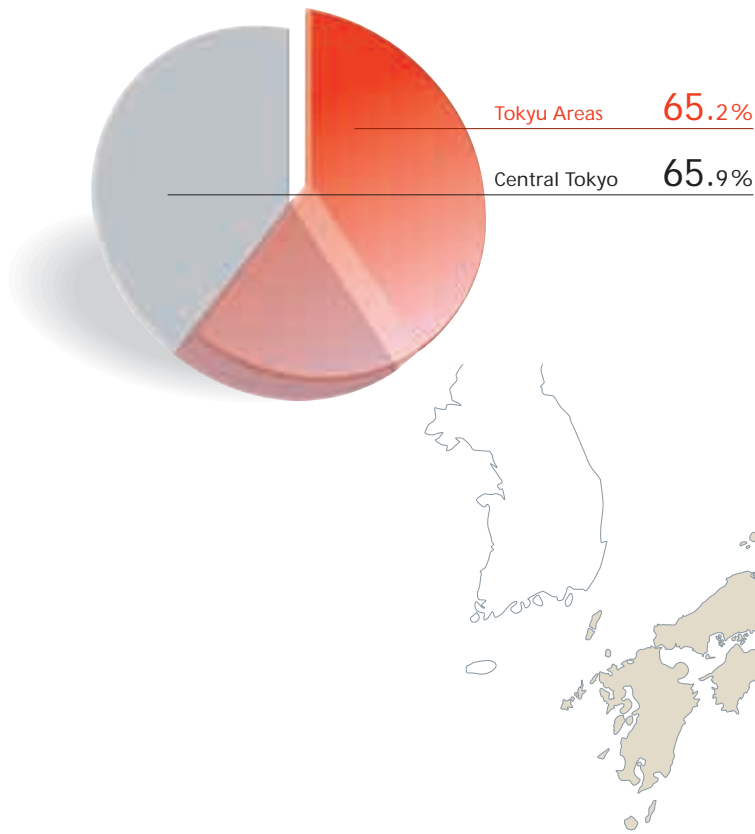
As of January 31, 2004 (the end of the first fiscal period), TOKYU REIT's investment portfolio comprised 67.3% office buildings and 32.7% retail properties.



■ Retail properties ■ Office properties

Investment Breakdown by Geographic Area

The area included in both the five Central Tokyo wards and the Tokyu Areas is Shibuya Ward, which accounts for 31% of investment.

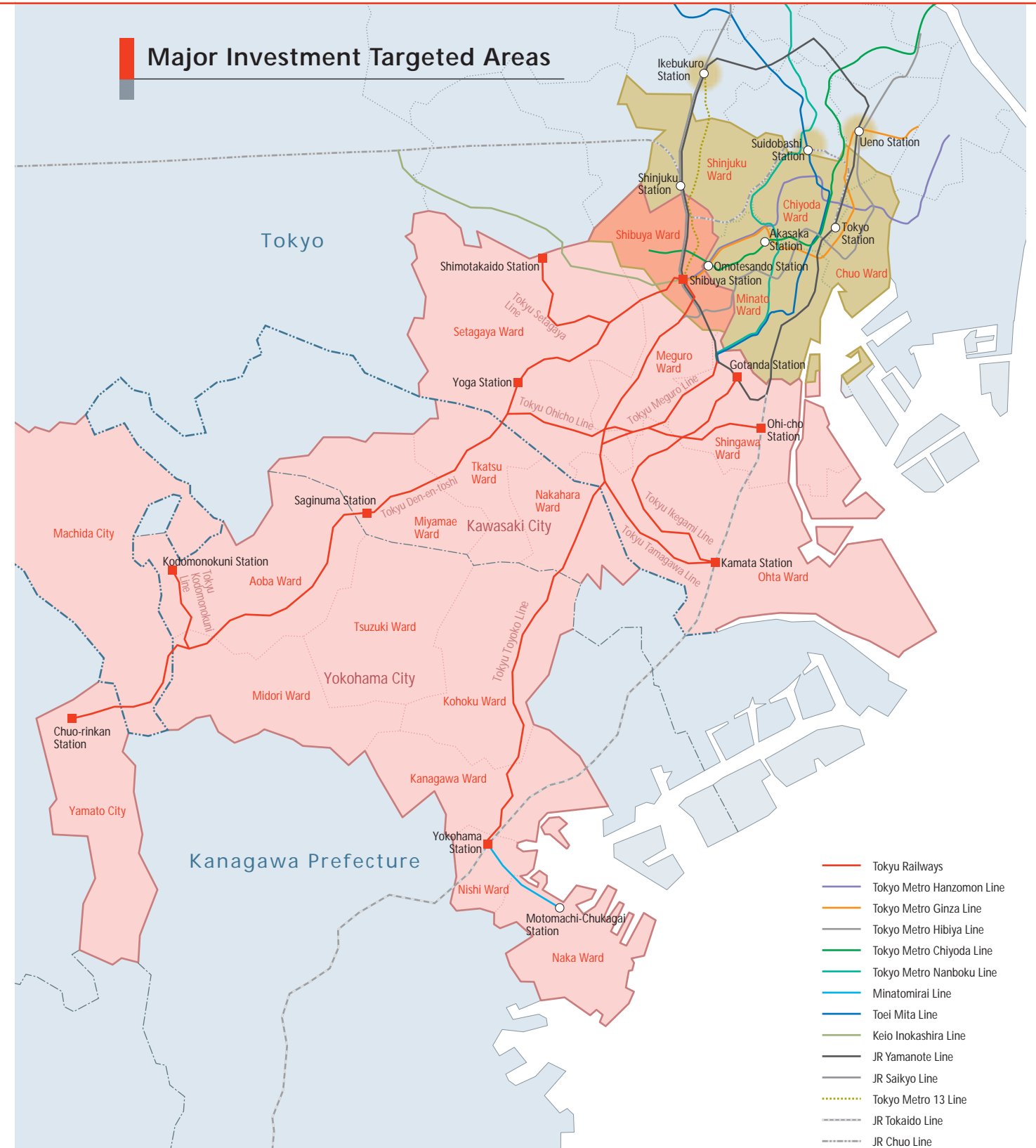


Tokyu REIT invests primarily in properties in central Tokyo and the areas along the Tokyu railways. It does not invest outside of the Tokyo Metropolitan Area.

Area	Targeted Areas of Investment	Investment Share
Central Tokyo	Five central Tokyo wards Chiyoda, Chuo, Minato, Shinjuku and Shibuya wards	More than 85%
	Other major commercial and retail districts of Tokyo The areas surrounding Ikebukuro, Koraku, Ueno and other areas	
Tokyu Areas	Tokyu Rail network hub Shibuya Ward	More than 85%
	Other Tokyu rail network areas Tokyo: Shinagawa, Meguro, Setagaya and Ota wards; Machida City Yokohama, Kanagawa Prefecture: Kouhoku, Kanagawa, Naka, Nishi, Midori, Aoba and Tsuzuki wards Kawasaki, Kanagawa Prefecture: Nakahara, Takatsu and Miyamae wards Yamato, Kanagawa Prefecture	
Other	Other districts in the Tokyo Metropolitan Area, including Kanagawa, Saitama and Chiba prefectures (excluding the separately mentioned areas above)	Less than 15%

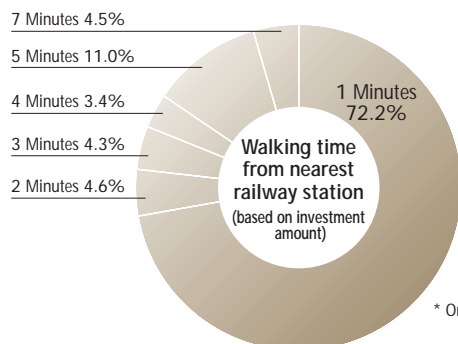
Note: Shibuya Ward is included in both the five Central Tokyo wards and the Tokyu Areas.

Major Investment Targeted Areas



TOKYU REIT carefully considers a variety of factors in connection the acquisition of investment properties. These factors include, but are not limited to the following: forecast revenue stream and cash flows; growth potential of the area in which the property is located; property size; construction and facility specifications; resistance to earthquakes; status of property ownership; occupancy and marketability to prospective tenants; property management; engineering, environmental and seismic reviews and; competitiveness.

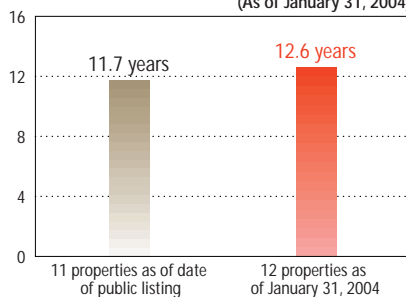
Location



The vast majority of investment properties held by **TOKYU REIT** are located approximately one minutes walking distance from the nearest railway station. A major consideration for tenants, close proximity to transport contributes to the stability of our portfolio.

Investment Property Age

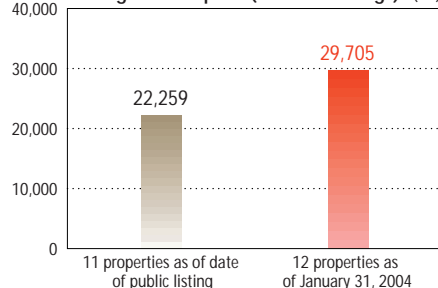
Weighted-Average Number of Years Since Construction
(As of January 31, 2004)



Following the acquisition of the Resona Maruha Building in January 2004, the weighted-average age of TOKYU REIT's property portfolio increased 0.9 years compared with the 11 properties held at the time of its public listing. In relative terms, **TOKYU REIT** maintains a young portfolio with the weighted-average construction completion date 1991.

Investment Property Size

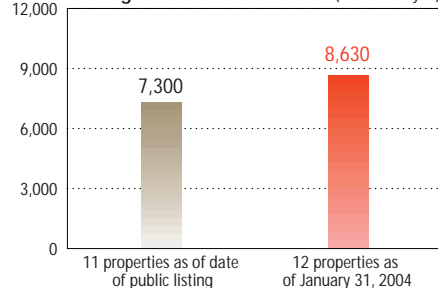
Average Floor Space (Office Buildings) (m²)



In principle, **TOKYU REIT** acquires office buildings with 330 m² (approximately 100 tsubo) of proprietary floor space per standard floor, and a total property floor space exceeding 5,000 m² (approximately 1,500 tsubo).

Following the acquisition of the Resona Maruha Building in January 2004, the average floor space of office buildings in TOKYU REIT's portfolio increased significantly to 29,705 m² (approximately 9,000 tsubo).

Average Investment Amount (Millions of yen)



In principle, **TOKYU REIT** acquires office buildings with a purchase price (excluding taxes, acquisition and other related costs) exceeding ¥4 billion.

The average investment amount for individual properties held by **TOKYU REIT** as of January 31, 2004 was ¥8.63 billion. We will continue to focus on large-scale investments in the future.

Top Ten Tenants by Leased Area

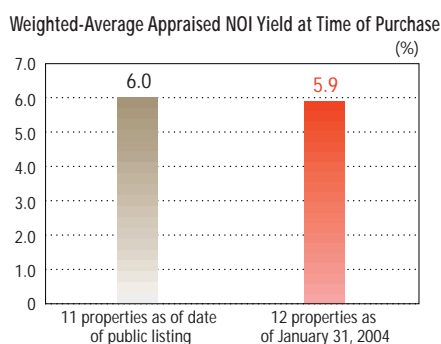
Top Ten Tenants by Leased Area

No.	Tenant	Name of Property	Business Type	Contract Expiration	Leased Area (m ²)	Notes
1	Tokyu Store Chain Co., Ltd.	R4 Tokyu Saginuma Building	Retail	Jun 30, 2018	19,610.06	Long-term *3
2	Maruha Corporation	07 Resona Maruha Building	Marine and Forestry	Jan 14, 2010	11,097.27	Long-term *3 Head office
3	Tokyu Corporation	02 Tokyu Nameidai-cho Building	Land Transport	Dec 31, 2012	7,148.18	Long-term *3 Head office
		03 Tokyu Sakuragaoka-cho Building		Dec 31, 2011	3,878.36	
4	Sun Microsystems K.K.	01 Setagaya Business Square	IT	Apr 30, 2010	7,644.20	Long-term *3 Head office
5	ITOCHU TECHNO-SCIENCE Corporation	06 TOKYU REIT Kamata Building	IT	Mar 14, 2005	4,253.55	—
6	Tsutaya Stores Tokyo Co., Ltd.	R1 QFRONT	Service	Dec 14, 2019	3,556.31	Long-term *3
7	Tonichi Carlife Group Inc. *1	04 Tokyo Nissan Taito Building	Retail	Aug 31, 2011 *2	3,136.85	Long-term *3
8	Tokyu Community Co., Ltd.	01 Setagaya Business Square	Service	Aug 31, 2004 *2	2,812.42	Head office
9	Oracle Corporation Japan	01 Setagaya Business Square	IT	Mar 31, 2005 *2	2,478.83	—
10	Q-TEC, Inc.	05 TOKYU REIT Akasaka Hinokicho Building	Service	Sept 30, 2004	2,274.84	Head office

Notes:

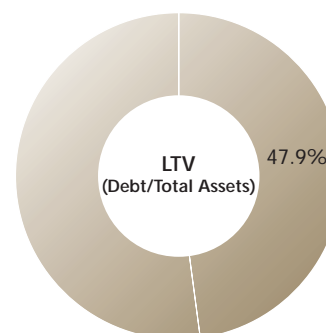
1. Tokyo Nissan Auto Sales Co., Ltd. changed to its current name from Tonichi Carlife Group Inc. on April 1, 2004.
2. The last date of the contract with the largest leasing space from among lease contracts.
3. "Long term" refers to contracts, whether fixed term or not, with a period of more than five years remaining from February 1, 2004.

Portfolio Cap Rate



Following the acquisition of the Resona Maruha Building in January 2004, the weighted-average appraised NOI yield at the time of purchase fell to 5.9%. A low appraised NOI yield is considered an indicator of reduced risk of a future earnings drop. **TOKYU REIT** will continue to advocate building a portfolio with low risk and stable returns.

LTV (Debt/Total Assets)



TOKYU REIT has set an upper limit for LTV of 60%. LTV as of January 31, 2004 was 47.9%, as shown in the above graph.

Portfolio Overview

(As of January 31, 2004)

Property Number	Name of Property	Location	Total Land Area (m ²)	Total Floor Area (m ²)	Structure/floors	Completion	Type of Ownership	
							Land	Building
R1	QFRONT	Udagawa-cho, Shibuya-ku, Tokyo	784.26 (Compartmentalized ownership 728.30)	6,692.14 (Compartmentalized ownership 4,821.09)	SRC/S, B3/8F	Oct. 1999	Compartmentalized ownership	Compartmentalized ownership
R2	Lexington Aoyama	Minami-aoyama, Minato-ku, Tokyo	776.59	2,342.21	S/RC, B1/4F	Jan. 1998	Proprietary ownership	Proprietary ownership
R3	TOKYU REIT Omotesando Square	Jingumae, Shibuya-ku, Tokyo	1,259.21	3,321.20	S/SRC, B1/4F	Oct. 1985	Proprietary ownership	Proprietary ownership
R4	Tokyu Saginuma Building	Saginuma, Miyamae-ku, Kawasaki City, Kanagawa	5,658.00	18,320.87	RC, B1/4F	Sep. 1978	Proprietary ownership	Proprietary ownership
R5	Tokyu Saginuma 2 Building	Kodai, Miyamae-ku, Kawasaki City, Kanagawa	1,807.21	4,409.50	SRC, B2/4F	Oct. 1979	Proprietary ownership	Proprietary ownership
O1	Setagaya Business Square	Yoga, Setagaya-ku, Tokyo	21,315.68	94,373.72	SRC/RC/S, B2/28F	Sep. 1993	Co-ownership (55% interest)	Co-ownership (55% interest)
O2	Tokyu Nampeidai-cho Building	Nampeidai-cho, Shibuya-ku, Tokyo	2,013.28	7,003.88	SRC, B2/5F	Jul. 1992	Proprietary ownership	Proprietary ownership
O3	Tokyu Sakuragaoka-cho Building	Sakuragaoka-cho, Shibuya-ku, Tokyo	1,013.03	6,505.39	SRC, B3/9F	Jun. 1987	Proprietary ownership	Compartmentalized ownership
O4	Tokyo Nissan Taito Building	Moto-asakusa, Taito-ku, Tokyo	1,718.45	11,373.20	SRC, B2/10F	Sep. 1992	Proprietary ownership	Proprietary ownership
O5	TOKYU REIT Akasaka Hinokicho Building	Akasaka, Minato-ku, Tokyo	866.61	4,058.92	RC, 7F	Aug. 1983	Proprietary ownership	Proprietary ownership
O6	TOKYU REIT Kamata Building	Kamata, Ota-ku, Tokyo	1,642.86	10,244.51	S/SRC, B1/9F	Feb. 1992	Proprietary ownership	Proprietary ownership
O7	Resona Maruha Building	Otemachi, Chiyoda-ku, Tokyo	6,893.71	74,379.30 (Compartmentalized ownership 19,542.77)	S/SRC, B4/25F	Nov. 1978	Co-ownership (27% interest)	Compartmentalized ownership

Property Number	Name of Property	Area	Acquisition Costs (Millions of Yen)	Acquisition Date	Number of Tenants	Occupancy Ratio	Earthquake PML *
R1	QFRONT	Central Tokyo and Tokyu Areas	15,100	Sep. 10, 2003	4	100.0%	6.7%
R2	Lexington Aoyama	Central Tokyo	4,800	Sep. 11, 2003	2	100.0%	5.0%
R3	TOKYU REIT Omotesando Square	Central Tokyo and Tokyu Areas	5,770	Sep. 10, 2003	3	100.0%	11.3%
R4	Tokyu Saginuma Building	Tokyu Areas	6,920	Sep. 10, 2003	1	100.0%	12.3%
R5	Tokyu Saginuma 2 Building	Tokyu Areas	1,290	Sep. 11, 2003	1	100.0%	12.1%
O1	Setagaya Business Square	Tokyu Areas	22,400	Sep. 11, 2003	54	94.8%	5.6%
O2	Tokyu Nampeidai-cho Building	Central Tokyo and Tokyu Areas	4,660	Sep. 11, 2003	1	100.0%	12.8%
O3	Tokyu Sakuragaoka-cho Building	Central Tokyo and Tokyu Areas	6,620	Sep. 11, 2003	2	100.0%	13.9%
O4	Tokyo Nissan Taito Building	Central Tokyo	4,450	Sep. 11, 2003	15	100.0%	10.6%
O5	TOKYU REIT Akasaka Hinokicho Building	Central Tokyo	3,570	Sep. 10, 2003	4	85.9%	12.6%
O6	TOKYU REIT Kamata Building	Tokyu Areas	4,720	Sep. 10, 2003	5	100.0%	11.0%
O7	Resona Maruha Building	Central Tokyo	23,260	Jan. 15, 2004	1	78.9%	7.7%
Total			103,560		93	95.3%	5.7%

Note: PML (Probable Maximum Loss) refers to the expected maximum loss ratio caused by earthquakes. As used in these documents PML is the percentage of expected loss due to small- to large-level earthquakes (those statistically calculated as possible over a 475 year period) that occur during an assumed period for the economic life of a building, to procurement cost for restoring expected damage. Calculations incorporate data relating to individual property survey, assessment of building conditions, conformity to architectural design, surveys of local areas and structural evaluation.

Damages in this instance refer to property damage and do not include secondary damages such as loss of life and damages to fixtures. In addition, damages are limited to structural damage and damages to facilities and building interior and exterior and do not cover damages caused by earthquake fire and fire damage from surrounding facilities.



Retail Properties

QFRONT

Lexington Aoyama

TOKYU REIT Omotesando Square

Tokyu Saginuma Building

Tokyu Saginuma 2 Building

R E T A I L P O R T F O L I O

Properties that comprise TOKYU REIT's retail portfolio are defined by their prime locations. Properties are located in areas exhibiting high growth potential, within close proximity to major railway stations, and are characterized as highly attractive to existing and prospective tenants.

As of the first fiscal period-end, **TOKYU REIT** maintained a retail portfolio comprising five buildings with total floor area of 35,085.92 m². The amount invested for the fiscal period ended January 31, 2004 totaled ¥33.8 billion. Operating results for the period under review (144 days) were revenues from property leasing of ¥1.02 billion, NOI of ¥0.81 billion, and operating income from property leasing activities of ¥0.71 billion. The weighted-average NOI yield for the period was 6.1% (figures do not include contribution from the **TOKYU REIT** Shibuya Udagawa-cho Square acquired on March 1, 2004).

TOKYU REIT's retail portfolio is distinguished for its prime location. Properties are situated in high-growth potential retail areas including Shibuya, Omotesando and Saginuma and in close proximity to major railway stations. In addition, buildings have been selected for their high appeal to existing and prospective tenants. In the event a tenant were to terminate its lease contract, replacement tenants can be found with relative ease. As of January 31, 2004, **TOKYU REIT** boasted an occupancy rate of 100%.

TOKYU REIT will adopt a cautious but proactive stance toward future investment in highly competitive retail properties in the future. TOKYU REIT's goal is to build a retail portfolio that will secure maximum unitholder return over the medium and long term by optimizing tenant satisfaction.

Retail Properties

R1

OFRONT is a retail property located directly across from Shibuya Station and in an area identified as one of Japan's busiest retail, shopping and entertainment districts. The main tenant is Tsutaya Stores Tokyo Co., Ltd., a large rental and retail store of videos and CDs.

OFRONT contains a coffee shop located on the first and second floors, a movie theater on the seventh floor and a variety of restaurants located on the eighth floor. The building is one of the more identifiable buildings in the area, distinguished by the large LED advertising screen which adorns the outside wall.



OFRONT

Address: 21-6, Udagawa-cho, Shibuya-ku, Tokyo
Nearest Station: Approximately a one minute walk from Shibuya Station—JR Yamanote line/ Tokyu Toyoko line/ Tokyu Den-en-toshi line/ Keio Inokashira line/ Tokyo Metro Hanzomon and Ginza lines

Total Land Space: 784.26m²

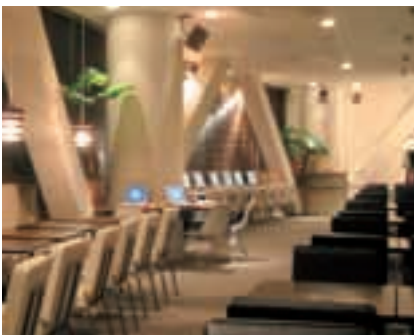
Total Floor Space: 6,692.14m²

Structure/Floors: SRC/S, B3/8F

Completed: October 1999

Type of Ownership: Land—Compartmentalized ownership,
Building—Compartmentalized ownership

Representative Tenants: Tsutaya Stores Tokyo Co., Ltd.;
Tokyu Corporation; Punraku Co., Ltd.



R2

Lexington Aoyama is a retail property along Kotto-dori (within walking distance from Omotesando Station). Main tenants include World Co., Ltd., with a long-term lease agreement through 2009, and Unimat Offisco Corporation (LE CAFE BLEU).

Located along Kotto-dori second only to Omotesando for fashion in the Aoyama district, Lexington Aoyama attracts many shoppers for its brand image and occupies a premier position among leading boutiques and outlets.



Lexington Aoyama

Address: 5-11-9, Minami-aoyama, Minato-ku, Tokyo
Nearest Station: Approximately 5 minutes walk from Omotesando Station—Tokyo Metro Chiyoda, Ginza and Hanzomon lines

Total Land Space: 776.59m²

Total Floor Space: 2,342.21m²

Structure/Floors: S/RC, B1/4F

Completed: January 1998

Type of Ownership: Land—Proprietary ownership,
Building—Proprietary ownership

Tenants: World Co., Ltd.; Unimat Offisco Corporation.



R3

TOKYU REIT Omotesando Square is a retail property located in Shibuya ward within one minute's walk of Omotesando Station. The main tenant is Royal Co., Ltd., which operates the Royal Host restaurant on the first floor. Omotesando has been earmarked for significant redevelopment and offers attractive potential for future growth. Within close proximity of the Doujyunkai Aoyama Apartment redevelopment project, TOKYU REIT Omotesando Square is expected to experience significant positive flow on effects.



TOKYU REIT Omotesando Square

Address: 4-3-2, Jingumae, Shibuya-ku, Tokyo
Nearest Station: Approximately a one minute walk from Omotesando Station—Tokyo Metro Chiyoda, Ginza and Hanzomon lines

Total Land Space: 1,259.21m²

Total Floor Space: 3,321.20m²

Structure/Floors: S/SRC, B1/4F

Completed: October 1985

Type of Ownership: Land—Proprietary ownership,
Building—Proprietary ownership

Representative Tenants: Royal Co., Ltd.; Wondertable, Ltd.



R4

Tokyu Saginuma Building is located in Miyamae ward, Kawasaki city, approximately 15 kilometers southwest of Shibuya. The area is a residential suburb of Tokyo with a growing population, increasing number of households and potential growth. The entire building is leased to Tokyu Store Corporation, which uses the property as an outlet of its general merchandise store Saginuma Tokyu.



Tokyu Saginuma Building

Address: 1-1-1, Saginuma, Miyamae-ku, Kawasaki City, Kanagawa

Nearest Station: Approximately a one minute walk from Saginuma Station—Tokyu Den-en-toshi line

Total Land Space: 5,658.00m²

Total Floor Space: 18,320.87m²

Structure/Floors: RC, B1/4F

Completed: September 1978

Type of Ownership: Land—Proprietary ownership,
Building—Proprietary ownership

Tenant: Tokyu Store Chain Co., Ltd.



R5

Tokyu Saginuma 2 Building was acquired to serve partly as a parking facility for the Tokyu Saginuma Building. Under the Large Retail Store Location Law, Tokyu Store Corporation, is required to provide 84 car parking spaces for customers of Saginuma Tokyu Chain. The building is comprised of three floors (the first to third floors) leased to a bank and three underground floors used as a parking facility.



Tokyo Saginuma 2 Building

Address: 1-18-5, Kodai, Miyamae-ku, Kawasaki City, Kanagawa

Nearest Station: Approximately a one minute walk from Saginuma Station—Tokyu Den-en-toshi line

Total Land Space: 1,807.21m²

Total Floor Space: 4,409.50m²

Structure/Floors: SRC, B2/4F

Completed: October 1979

Type of Ownership: Land—Proprietary ownership,
Building—Proprietary ownership

Tenant: UFJ Bank Limited





Office Properties

Setagaya Business Square
 Tokyu Nampeidai-cho Building
 Tokyu Sakuragaoka-cho Building
 Tokyo Nissan Taito Building
 TOKYU REIT Akasaka Hinokicho Building
 TOKYU REIT Kamata Building
 Resona Maruha Building

OFFICE PORTFOLIO

“Stability” is the defining feature of TOKYU REIT’s office portfolio. In maintaining a portfolio of office properties, we focus on three core principles: (1) securing “anchor contracts;” (2) concentrated investment in Central Tokyo and; (3) ensuring properties of high quality and functionality.

As of the first fiscal period-end, **TOKYU REIT** maintained an office portfolio comprising seven buildings with total floor area of 207,938.92 m². The amount invested for the fiscal period ended January 31, 2004 totaled ¥69.6 billion. Operating results for the period under review were revenues from property leasing of ¥1.87 billion, NOI of ¥1.38 billion and operating income from property leasing activities of ¥1.01 billion. The weighted-average NOI yield for the period was 6.3%.

TOKYU REIT’s office portfolio is characterized for its stability. Approximately one third of the total rentable area is under fixed period lease agreements and one half leased to long-term (anchor) tenants. All buildings are located in Central Tokyo, an area where demand remains high.

As the first fiscal period-end, the occupancy rate was 93.2%, down 3.7 percentage points compared with December 31, 2003. This drop is attributed to vacancies across two floors of the Resona Maruha Building acquired on January 15, 2004. Cognizant of this vacancy and the optimum application of its property portfolio overall, **TOKYU REIT** is pursuing aggressive leasing activities and working to renovate, upgrade and maintain its property holdings to enhance functionality and competitive advantage.

Resona Maruha Building



Address: 1-1-2 Otemachi, Chiyoda-ku, Tokyo
 Nearest Station: Approximately a one minute walk from Otemachi Station—Tokyo Metro Chiyoda, Hanzomon, Tozai and Marunouchi lines/ Toei Mita line
 Total Land Space: 6,893.71m²
 Total Floor Space: 74,379.30m²
 Structure/Floors: S/SRC, B4/25F
 Completed: November 1978
 Type of Ownership: Land—Co-ownership (27% interest),
 Building—Compartmentalized ownership
 Tenants: Maruha Corporation

Reason for Acquisition

The Resona Maruha Building is a property with a favorable location and many other appealing aspects. However, there were also causes for concern, and the decision to acquire was carefully considered. It was finally decided that with proper countermeasures the competitiveness of the property could be improved. The addition of this property adds to the stability of the portfolio.

Competitive Advantages

The property has many strengths, outlined below, and will provide medium to long term earnings.

Favorable location

- Approximately a one minute walk from Otemachi Station in Japan's representative business district
- Favorable location in Otemachi, along Uchibori-dori

Large property

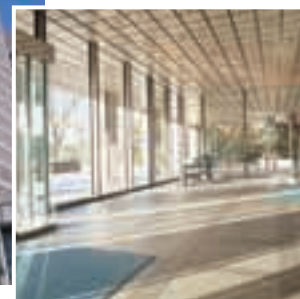
- 25 floors above ground, total floor space of approximately 20,000 tsubo, standard floor of approximately 500 tsubo

Long-term contracts

- Six of the eight floors acquired are occupied by Maruha Corporation, with which we have a six-year fixed-term lease

Potential for Reduction in Management Costs

- Security, water, electric, heating/cooling, shared management costs



Areas for Concern and Countermeasures

The property was completed in 1978, so does not necessarily meet the needs of tenants today. Also, two of the eight floors acquired are vacant.

TOKYU REIT determined that this was an excellent opportunity to enhance the added value of the property, and so will undertake a complete renovation of the two vacant floors in order to improve competitiveness. This will require approximately ¥300 million over the short term, and there will be a period when no lease income will be generated, but the measure allow us a stable cash flow over the medium to long term.

Measures such as these cannot be universally applied to any building, but the design of the Resona Maruha Building, height of the ceilings and ample facility space makes this plan possible.

Stabilization of the Portfolio

The acquisition of this property will have the following positive effects on our portfolio:

- Enhance the office portfolio (TOKYU REIT's first property in Chiyoda Ward)
- Important property that lessens reliance on Setagaya Business Square (Investment 27.9% to 20.3%)
- Portfolio dispersion lowers earthquake risk (Portfolio PML 6.1% to 5.7%)
- Higher ratio of long-term contract clients (Income comparison 56.0% to 62.6%)
- Lower ratio of Tokyu Group companies (Income comparison 30.4% to 25.9%)

Office Properties

01

Setagaya Business Square is a large complex of eight buildings situated above Yoga Station on the Tokyu Den-en-toshi Line, consisting of a 28-story high-rise connected to the station, four mid-size office towers, two terraces with commercial facilities and a community center. The site is in a high-traffic area, with good road access (Route 246, Beltway 8 and the Yoga interchange on Metropolitan Expressway Route 3), as well as rail (Yoga railway station, approximately 12 minutes to Shibuya Station, approximately 27 minutes to Otemachi Station).

Because the impact of the Year 2003 Problem was limited, the property was a 94.8% capacity as of the end of January 2004.



Setagaya Business Square

Address: 4-10-1,2,3,4,5,6, Yoga, Setagaya-ku, Tokyo
Nearest Station: Approximately a one minute walk from Yoga Station—Tokyu Den-en-toshi Line

Total Land Space: 21,315.68m²

Total Floor Space: 94,373.72m²

Structure/Floors: SRC/RC/S, B2/5F

Completed: September 1993

Type of Ownership: Land—Co-ownership, (55% interest)
Building—Co-ownership (55% interest)

Representative Tenants: Sun Microsystems K.K.; Tokyu Community Co., Ltd.; Oracle Corporation Japan



02

Tokyu Nampeidai-cho Building is a five-story office building located in Shibuya Ward, which Tokyu Corporation uses as its head office. A fixed-term lease contract is in effect until December 2012, contributing to earnings stability.



Tokyu Nampeidai-cho Building

Address: 5-6, Nampeidai-cho, Shibuya-ku, Tokyo
Nearest Station: Approximately a seven minute walk from Shibuya Station—JR Yamanote line/ Tokyu Toyoko line/ Tokyu Den-en-toshi line/ Keio Inokashira line/ Tokyu Metro Hanzomon and Ginza lines

Total Land Space: 2,013.28m²

Total Floor Space: 7,003.88m²

Structure/Floors: SRC, B2/5F

Completed: July 1992

Type of Ownership: Land—Proprietary ownership,
Building—Proprietary ownership

Tenant: Tokyu Corporation



03

Tokyu Sakuragaoka-cho Building is an eight-story office building located in Shibuya Ward, mostly occupied by Tokyu Corporation, which the operating division uses as its head office. A fixed-term lease contract is in effect until December 2011, contributing to earnings stability.



Tokyu Sakuragaoka-cho Building

Address: 31-2, Sakuragaoka-cho, Shibuya-ku, Tokyo
Nearest Station: Approximately a five minute walk from Shibuya Station—JR Yamanote line/ Tokyu Toyoko line/ Tokyu Den-en-toshi line/ Keio Inokashira line/ Tokyu Metro Hanzomon and Ginza lines

Total Land Space: 1,013.03m²

Total Floor Space: 6,505.39m²

Structure/Floors: SRC, B3/9F

Completed: June 1987

Type of Ownership: Land—Proprietary ownership,
Building—Compartmentalized ownership

Tenants: Tokyu Corporation; The Tokyo Electric Power Company, Incorporated



04

Tokyo Nissan Taito Building is a ten-story office building situated along Kiyosumbashi-dori. A fixed-term contract for the first two floors and the underground parking area is in place with the principal tenant, Tonichi Carlife Group Inc., contributing to earnings stability.

* Tonichi Carlife Group Inc. changed to its current name from Tokyo Nissan Auto Sales Co., Ltd. on April 1, 2004.



Tokyo Nissan Taito Building

Address: 2-6-6, Moto-asakusa, Taito-ku, Tokyo
Nearest Station: Approximately a three minute walk from Inari-cho Station—Tokyo Metro Ginza line, a four minute walk from Shin-Okachi-machi Station—Toei Oedo line, and a ten minute walk from Ueno Station—JR Yamanote line

Total Land Space: 1,718.45m²
Total Floor Space: 11,373.20m²
Structure/Floors: SRC, B2/10F
Completed: September 1992

Type of Ownership: Land—Proprietary ownership,
Building—Proprietary ownership
Representative Tenants: Tonichi Carlife Group Inc.;
Metropolitan Intercity Railway Company; Ataka Construction & Engineering Co., Ltd.



05

TOKYU REIT Akasaka Hinokicho Building is a seven-story office building situated along Akasaka-dori. During the first fiscal period an air-conditioning unit was installed in a vacant area of the sixth floor, and renovation work such as installation of sanitation facilities carried on the second through sixth floors to maintain competitiveness.



TOKYU REIT Akasaka Hinokicho Building

Address: 6-14-15, Akasaka, Minato-ku, Tokyo
Nearest Station: Approximately a four minute walk from Akasaka Station—Tokyo Metro Chiyoda line

Total Land Space: 866.61m²
Total Floor Space: 4,058.92m²
Structure/Floors: RC, 7F
Completed: August 1984

Type of Ownership: Land—Proprietary ownership,
Building—Proprietary ownership
Representative Tenants: Q-TEC, Inc.; Rome Tile Japan Co., Ltd.; Seven-Eleven Japan Co., Ltd.



06

TOKYU REIT Kamata Building is a nine-story office building adjacent to the Ota Ward Office. Kamata is an area in the center of Ota Ward, the third most populous district in Tokyo, while Kamata Station is a convenient terminal served by two Tokyu railway lines and one JR line. A proposed railway link between Tokyu Kamata Station and Keikyu Kamata Station enhances the possibility that the area will become even more convenient in the future. (Council for Transport Policy Report No. 18)



TOKYU REIT Kamata Building

Address: 5-13-23, Kamata, Ota-ku, Tokyo
Nearest Station: Approximately a two minute walk from Kamata Station—Tokyu Ikegami line/
Tokyu Tamagawa line/ JR Keihin Tohoku line.

Total Land Space: 1,642.86m²
Total Floor Space: 10,244.51m²
Structure/Floors: S/SRC, B1/9F
Completed: February 1992

Type of Ownership: Land—Proprietary ownership,
Building—Proprietary ownership
Representative Tenants: Itochu TECHNO-SCIENCE Corporation; Dai Nippon Toryo Co., Ltd.; NSP Limited



I. Asset management report

1. Financial Highlights

(1) Result of operation and financial position

		1st fiscal period From June 20, 2003 to January 31, 2004 (226 days)		
		Millions of yen, except per unit data or where otherwise indicated		
Result of operation	Statement of income	Operating revenues	¥2,896	
		Operating income	¥1,487	
		Net income	¥930	
	Operating income	Revenue from property leasing (a)	¥2,896	
		Rental service expenses (b)	¥1,163	
		Depreciation and amortization (included in (b)) (c)	¥467	
		Net Operating Income (a) - (b) + (c)	¥2,200	
	Cash flow	FFO (Funds from Operation) (d) (Note 2)	¥1,397	
		Capital expenditures (e)	¥47	
AFFO (Adjusted Funds from Operation) (d) - (e)		¥1,350		
Financial position	Balance sheet	Total assets (f)	¥118,461	
		Interest-bearing liabilities (g)	¥56,700	
		Total unitholders' equity ('Net assets') (h)	¥51,048	
		Unitholders' capital	¥50,118	
	Portfolio	Acquisition costs of properties (Note 3)	¥103,560	
		Book value of properties (Note 3)	¥104,002	
		Appraisal value of properties (i) (Note 3)	¥103,050	
		Number of properties	12	
		Total rentable area (Note 4)	99,784.28m ²	
		Occupancy ratio at the end of period (Notes 4 and 5)	95.3%	
	Other	Distribu-tion	Cash distribution	¥930
			Dividend per ratio (Note 6)	99.9%
Amount per unit		Number of units	98,000 unit	
		Unitholders' equity per unit	¥520,891	
		Cash distribution per unit	¥9,488	
Management index		Return on total unitholders' equity (annualized) (Notes 5 and 7)	4.7%	
		Equity ratio (h) / (f) (Note 5)	43.1%	
		Proportion of interest-bearing liabilities to total assets (g) / (f) (Note 5)	47.9%	
		Proportion of interest-bearing liabilities to appraisal value at the end of period (g) / (i) (Note 5)	55.0%	
		Average market price per unit (Note 8)	¥530,828	

- Note 1. Consumption tax is not included in operating revenues.
- Note 2. Net income + depreciation and amortization + other property related depreciation and amortization. During the current period, other property related depreciation and amortization was not recognized.
- Note 3. 'Properties' means investment properties held in the trust in substance, which is total assets in the trust less the money held in the trust.
- Note 4. Regarding the 'Total rentable area' and 'Occupancy ratio at the end of period', please refer to 3. Portfolio profile (2) Major portfolio Notes 2 and 3.
- Note 5. Figures are rounded to one decimal place.
- Note 6. Figures are rounded down to the second decimal place.
- Note 7. $\text{Net income}/(\text{net assets at the beginning of the period} + \text{net assets at the end of the period})/2 \times 365/\text{actual number of days of investment}$
- Note 8. Average price during the period (closing price) at the Tokyo Stock Exchange, Inc. ("Tokyo Stock Exchange"), on which the TOKYU REIT Inc. ("TOKYU REIT") is listed.

(2) Development of Asset Investment Management during the Current Period

TOKYU REIT's primary investment objective is to maximize the unitholder value, and TOKYU REIT's basic policy is to ensure growth, stability and transparency in asset management. Based on the above policy, TOKYU REIT carried out asset management in the following investment environment.

① Investment Environment

During the current period, long-term interest rate turned upward following the recovery trend in corporate results, such as improvements of operating income and capital investment. As seen in the increase of both the Nikkei stock average and TOPIX in the stock market, the recovery trend in the economy gradually became clear during this period. Especially in the area around Tokyo metropolitan area, it was recognized that corporate sentiment had improved, with the concentration of business in Tokyo.

Although there was concern about CBDs (the so-called "2003 problem") in the office building rental market in Tokyo, given the economic development mentioned above, because of the improvement of corporate results and the creation of demand by a new supply of office space, its impact was limited. Tokyo continues to retain the highest occupancy ratio compared with other major cities. The level of rent, however, remains weak and is still edging downward.

In the retail properties market, while sales are on a declining trend, both for retailers and large-scale retailers, on a nationwide scale, the total store space available is expanding and competition among stores is intensifying. Especially since the passing of the Law Concerning the Adjustment of Retail Business Operations in Large-scale Retail Stores in 2001, there has been intensified openings of new stores in the Tokyo metropolitan area (Tokyo, Kanagawa, Saitama and Chiba prefectures), and the same trend continues in the current period. It is believed that from the mid 1990s population began to return to the urban area, and the potential of its commercial area needs reevaluation.

Land price is affected by this development. While the ratio of decline in land price in Tokyo is shrinking, that across the country remains unchanged, and this fact bears out the process of concentration of business in Tokyo. In addition, the top 10 announced places in 2004 where the annual ratio of appreciation for declared land prices in business districts are concentrated in central Tokyo (Shibuya, Chuo, Minato and Chiyoda wards). Polarization in Tokyo is becoming obvious, as well as the concentration of business in the Tokyo area.

② Investment Performance Results

a. Acquisition of Properties

Under the conditions stated above, TOKYU REIT carried out investment management to

follow its basic policy - "Investment in highly competitive properties in areas with strong growth potential". TOKYU REIT issued new investment units on September 10, 2003 and acquired QFRONT and 4 other properties (total acquisition cost ¥36,080 million), among which are the 11 properties stated as "properties to be acquired" ("11 properties at listing") in the Prospectus for Securities Registration of Investment Unit Offering (issued on August 4, 2003). Subsequently, TOKYU REIT purchased Setagaya Business Square and 5 other remaining properties (total acquisition costs: ¥44,220 million) on the 11th of the same month, and started investment management (11 properties at listing) with a total acquisition cost of ¥80,300 million and a total rentable area of 85,719.75 square meters.

On January 15, 2004, TOKYU REIT also purchased Resona Maruha Building (acquisition costs: ¥23,260 million) and, thus expanded its investment portfolio. Following this last acquisition, the total acquisition cost of the 12 properties in its portfolio at the end of the current period came to ¥103,560 million, and the total rentable area amounted to 99,784.28 square meters. Furthermore, TOKYU REIT purchased TOKYU REIT Shibuya Udagawa-cho Square on December 12, 2003, (date of acquisition was March 1, 2004) and entered into this property purchase agreement. The regional allocation ratio for the five central Tokyo wards and the Tokyo Areas in which TOKYU REIT is required to invest 85% of its portfolio according to its investment policy is now 100%.

b. Investment Management Control

Stable investment management of existing properties maintained the occupancy ratio of the 11 properties at listing at the high level of 98.0% at the end of current period. As to tenant leasing, 5 tenants moved out or reduced rented area, but 4 new tenants moved in or expanded rented area during the current period, thus showing stable performance. Performance of Portfolio of the whole 12 properties, including the Resona Maruha Building, was 95.3% at the end of current period.

c. Corporate Governance

In order to ensure transparency, TOKYU REIT strictly complied with internal rules established to avoid conflicts of interest and carried out the prescribed procedures. For example, since the 11 properties at listing were purchased from a special purpose company in which Tokyu Group Companies invest through Tokumei-Kumiai ownership as described under the article 535 of the Commercial Code or as holders of preferred shares - all of them were acquired at a price not exceeding the real estate appraisal value. Moreover, TOKYU REIT obtained written opinions as a second opinion from The Chuo Mistui Trust and Banking Company Limited that the purchase price of the targeted properties and the price assessment process were generally reasonable and made public its summary. In addition, an audit firm other than TOKYU REIT's auditors confirmed the purchase procedures' compliance with the internal rules of conflicts of interest, and its board of directors approved it.

Regarding the management fees paid to Tokyu Group Companies, who carry out property management of the 12 properties in its portfolio, TOKYU REIT received written opinion from STB Research Institute that their level is within the range laid down by other real estate investment trust companies listed on the Tokyo Stock Exchange.

d. Financing

TOKYU REIT offered additional investment units to the public on September 10, 2003 (97,600 units) and raised ¥49,917 million. Besides, it borrowed ¥32,700 million on September 11, 2003, and acquired the 11 properties at listing. After it borrowed ¥24,000 million to acquire the Resona Maruha Building, debt outstanding at the end of the period amounted to ¥56,700 million at the end of the current period (proportion of interest-bearing liability to total assets 47.9%). Further, weighted average interest rate at the end of the current period was 0.77%.

(3) Issuance of new investment units .

TOKYU REIT was established on June 20, 2003, under provision of the Investment Trust and Investment Corporation law of Japan (Number 198 of Law in 1951, including subsequent revisions), ("Investment Trust Law"), by Tokyu Real Estate Investment Management, Inc. ("Asset Manager"), which TOKYU REIT entrusts asset management with initial contributions of ¥200 million (400 units). Also, registration with the Kanto Local Finance Bureau was completed on July 18 in the same year (registration number: Bureau Head of Kanto Local Finance Bureau number 22) under Article 187 of the Investment Trust Law.

Besides, TOKYU REIT raised ¥49,917 million for additional issuance of investment units (97,600 units) by public offering on September 10, 2003, and TOKYU REIT was listed on the Tokyo Stock Exchange on the same day (issue number 8957).

The summary of issuance of new investment units was as follows:

Date	Remark	Number of units issued		Total unitholder's equity		Note
		Unit		Millions of yen		
		Change	Total	Change	Total	
June 20, 2003	Issuance of units under private offering	400	400	¥200	¥200	(Note 1)
September 10, 2003	Issuance of units under public offering	97,600	98,000	¥49,918	¥50,118	(Note 2)

Note 1. Incorporated with ¥500,000 per unit

Note 2. Issued new investment units in order to raise funds to acquire new property
offer price: ¥530,000 (issue price: ¥511,450)

【Movements of Market Price】

The highest and lowest (closing price) in the Tokyo Stock Exchange, on which TOKYU REIT is listed, are as follows:

	1st fiscal period From June 20, 2003 to January 31, 2004
	Yen
Highest	¥568,000
Lowest	¥505,000

(4) Distribution information

With respect to distribution for the current period, TOKYU REIT determined to distribute the whole unappropriated earnings (except for rounding amount which is the distribution per unit less than ¥1) for the current period to be eligible for special tax treatment (Article 67-15 of Special Taxation Measures Law (Law number 26 in 1957 including subsequent revisions)) that allows TOKYU REIT to deduct the maximum amount of profit distribution from taxable income. Accordingly, distribution per investment unit was ¥9,488.

	1st fiscal period From June 20, 2003 to January 31, 2004
	Millions of yen, except per unit data
Unappropriated retained earnings	¥930
Undistributed earnings	¥0
Cash distributions	¥930
(Cash distribution per unit)	¥9,488
Distribution of accumulated earnings	¥930
(Distribution of accumulated earnings per unit)	¥9,488
Cash distribution in excess of accumulated earnings	—
(Cash distribution in excess of accumulated earnings per unit)	—

(5) Future Policies of Investment Management

① Forecast of Future Movement

Given the background of the concentration of business in Tokyo, the economic upturn of the Tokyo metropolitan area can be recognized, while local business is still picking up, albeit unsteadily. Increasing disparities among regions, however, must be expected for a time. Besides, in addition to concentration of business in Tokyo, the polarization of Tokyo is making itself felt in the real estate investment market. The grounds for this situation is that as expansion of the property securitization market brought co-movement of the capital market and real estate investment market, the assessment of properties, based on the discounted cash flow approach and risk assessment, made inroads in the real estate sector. TOKYU REIT is sure that the tendency where “high-return properties increase their value and other properties decline.” will continue further in future. Accordingly, as investment policies, TOKYU REIT believes that for real estate investment trusts, including itself, investing in growing areas and selecting high-quality properties, securing these policies and, the investment management ability to carry out these policies will become increasingly important.

In such a real estate investment market, to attain external growth, TOKYU REIT will acquire properties from Tokyu Group companies and the market in a balanced way, aiming at expanding the scale of business, enhancing portfolio quality at the same time.

② Future Policies of Investment Management

In advance of incorporation, the policies of TOKYU REIT assumed such future movements through research on business potential, conducted by the Asset Manager for its establishment and these policies were laid down based on the stance of “Investments in highly competitive properties in areas with strong growth potential”. Specifically, targeted areas are limited to Central Tokyo, the five central Tokyo wards and the Tokyu Areas expected to continue to

grow in future. The selection of individual investment properties is subject to strict investment policies, such as the amount invested in individual property should be more than ¥4,000 million. TOKYU REIT will strictly follow these policies to build a high-quality portfolio.

In addition, by establishing a structure of collaboration and cooperation in acquisition and management of investment properties, TOKYU REIT creates stability and achieves growth of revenues. TOKYU REIT also performs cost controls over maintenance costs and re-investments.

Moreover, to ensure transparency, the Asset Manager will strive to attain awareness of fiduciary as the fund manager of a real estate investment trust and define responsibility and improve external monitoring functions and disclosures. In this way, the Asset Manager can offer a real estate investment trust as a financial instrument that meets global standards.

③ Issues to be resolved

- Enhance internal growth through renovating the Resona Maruha Building, which had 2 unoccupied floors when acquired, improve its competitiveness, as well as entice tenants by aggressive marketing activities. Also, with respect to other vacant properties, TOKYU REIT aims to generate rental revenues at the earliest feasible time.
- Following its financing policy, TOKYU REIT aims at converting some portion of its ¥56,700 million short-term debt into long-term debt.
- In addition to timely disclosure at the Tokyo Stock Exchange, TOKYU REIT is endeavoring to improve its Web site (www.tokyu-reit.co.jp/) and working to ensure transparency.

(Information after the end of the period)

The following events occurred after the end of the period:

TOKYU REIT acquired the asset, detailed below, on March 1, 2004. Its general description is as follows:

[R6] TOKYU REIT Shibuya Udagawa-cho Square

Location	Shibuya-ku, Tokyo
Total land space (Note1)	679.27m ²
Total floor space (Note 1)	<Building 1> 1,473.10m ² <Building 2> 56.39m ²
Structure / floors (Note1)	<Building 1> S,3F <Building 2> S,2F
Seller	TC PROPERTIES CO., LTD.
Type of ownership	(Land) Proprietary ownership (Building) Proprietary ownership
Tenants	Zara Japan Corporation, Tokyu Bus Corporation
Type of acquisition	Real estate
Acquisition costs (Note 2)	¥6,600 million
Rationale	This property is a retail facility owned by TC PROPERTIES CO., LTD. and located in Shibuya-ku, Tokyo. TOKYU REIT purchased it to realize its basic principle of investment by "collaboration with Tokyu Group companies" through acquisition from them.

Note 1. 'Total land space', 'Total floor space' and 'structure / floors' are based on the description stated in the registry book of the property.

Note 2. 'Acquisition costs' do not include expenditures incurred for the acquisition and are the transaction cost of the property stated in the sales contract.

(6) Subsequent events

TOKYU REIT is not aware of any circumstances that may have a material impact on TOKYU REIT's financial position after the period end.

2. Company Profiles

(1) Summary of unitholders' contributions

	1st fiscal period As of January 31, 2004
Authorized units (unit)	2,000,000
Units issued (unit)	98,000
Unitholders' capital (millions of yen)	¥50,118
Number of unitholders (persons)	11,363

(2) Major unitholders

The following table sets forth our major unitholders' information as of January 31, 2004.

Name	Address	Number of unitholders owned	Ownership
		Unit	%
Tokyu Corporation	5-6, Nanpeidai-cho, Shibuya-ku, Tokyo	5,880	6.00
Educational Corporation Kawasaki Gakuen	577, Matsushima, Kurashiki City, Okayama	5,000	5.10
Tokyu Land Corporation	21-2, Dogenzaka 1-chome, Shibuya-ku, Tokyo	3,920	4.00
Japan Trustee Services Bank, Ltd. (Trust)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	3,084	3.15
The Shinwa Bank, Ltd.	10-12, Shimanose-cho, Sasebo City, Nagasaki	2,794	2.85
Aozora Bank, Ltd.	3-1, Kudan-minami 1-chome, Chiyoda-ku, Tokyo	2,766	2.82
The Hiroshima Bank, Ltd.	3-8, Kamiya-cho 1-chome, Naka-ku, Hiroshima City, Hiroshima	2,064	2.11
Resona Bank, Limited.	2-1, Bingo-machi 2-chome, Chuo-ku, Osaka City, Osaka	2,043	2.08
Morgan Stanley & Co. Incorporated	1585 Broadway New York, New York 10036, U.S.A.	2,016	2.06
The Bank of Ikeda, Ltd.	1-11, Jonan 2-chome, Ikeda City, Osaka	1,917	1.96
Total		31,484	32.13

(3) Member of the Directors (as of January 31, 2004)

Titles	Name	Title of other companies
Executive Director	Masahiro Horie	Tokyu Real Estate Investment Management, Inc. Representative Director & President, Chief Executive Director
Supervisory Director	Giichi Yanagisawa	Certified tax accountant, Yanagisawa Certified Public Accountant Office Partner, Certified public accountant, Shinsoh Audit Corporation
Supervisory Director	Maruhito Kondo	Lawyer, Kondo Maruhito Law Office

Note The executive director and the supervising directors do not possess investment units of TOKYU REIT under their own name nor under another person's name. Besides, although there are cases that supervisory directors could be directors of other companies stated above, they have no particular interests in TOKYU REIT.

(4) Asset Manager, Asset Custodian and General Administrator at the end of the period

Business to be entrusted	Name
Asset Manager	Tokyu Real Estate Investment Management Inc.
Asset Custodian	The Mitsubishi Trust and Banking Corporation
General Administrator	The Mitsubishi Trust and Banking Corporation

Note At the time of public offering of additional investment units in September 2003, TOKYU REIT nominated as domestic underwriters: Merrill Lynch Japan Securities Co., Ltd., Nomura Securities Co., Ltd., Nikko Citigroup Limited, Daiwa Securities SMBC Co., Ltd., Mizuho Securities Co., Ltd., Mitsubishi Securities Co., Ltd., UFJ Tsubasa Securities Co., Ltd., Shinko Securities Co., Ltd., Norinchukin Securities Co., Ltd., Tokai Tokyo Securities Co., Ltd., Meiwa Securities Co., Ltd. and Utsumiya Securities Co., Ltd., and as overseas underwriters: Merrill Lynch International, Nomura International plc and Citigroup Global Markets Limited as general administrator entrusted by it under Article 111-1 of Investment Trust Law. Aforementioned public offering has been completed and entrusted business with respect to public offering of investment units is brought to completion as of January 31, 2004.

3. Portfolio profile
 (1) Component of assets

Asset type	Type	Area	Total amount held	Percentage of total assets
			Millions of yen	%
Properties trust beneficial interests	Retail	Central Tokyo and Tokyu Areas	¥33,872	28.6
		Other	—	—
		Sub total	33,872	28.6
	Office	Central Tokyo and Tokyu Areas	70,130	59.2
		Other	—	—
		Sub total	70,130	59.2
	Total		104,002	87.8
Other assets		14,459	12.2	
Total assets		¥118,461 (104,002)	100.0 (87.8)	

Note 1. 'Total amount held' is the amount allocated in the balance sheet at the end of the period (as to properties, figures are net book value after deducting depreciation).

Note 2. Figures in brackets represent the portion of actually held properties in the assets above.

(2) Major portfolio

Major portfolio held by TOKYU REIT is as follows:

Name of property	Book value	Rentable area	Leased area	Occupancy ratio	Percentage of total revenue from property leasing	Type	
	Millions of yen	m ²	m ²	%	%		
R1	QFRONT	¥15,079	4,544.07	4,544.07	100.0	15.7	Retail
R2	Lexington Aoyama	4,803	2,241.65	2,241.65	100.0	4.3	Retail
R3	TOKYU REIT Omotesando Square	5,769	2,879.37	2,879.37	100.0	5.2	Retail
R4	Tokyu Saginuma Building	6,931	19,610.06	19,610.06	100.0	8.4	Retail
R5	Tokyu Saginuma 2 Building	1,290	1,284.60	1,284.60	100.0	1.7	Retail
O1	Setagaya Business Square	22,269	24,931.53	23,638.65	94.8	34.2	Office
O2	Tokyu Nampeidai-cho Building	4,651	7,148.18	7,148.18	100.0	4.6	Office
O3	Tokyu Sakuragaoka-cho Building	6,615	4,737.19	4,737.19	100.0	6.3	Office
O4	Tokyo Nissan Taito Building	4,429	7,942.63	7,942.63	100.0	6.4	Office
O5	TOKYU REIT Akasaka Hinokicho Building	3,593	3,186.52	2,735.96	85.9	3.7	Office
O6	TOKYU REIT Kamata Building	4,697	7,213.95	7,213.95	100.0	7.7	Office
O7	Resona Maruha Building	23,876	14,064.53	11,097.27	78.9	1.8	Office
Total		¥104,002	99,784.28	95,073.58	95.3	100.0	

Note 1. The property trust beneficial interests possess the said whole 12 properties.

Note 2. 'Rentable area' is the total areas of rentable offices, stores and warehouses indicated in the agreements (common use space is included in those when leased. Spaces outside buildings are not included). However, regarding QFRONT, the fiduciary rents the partial space possessed by other owners and leases them as a block together with the entrusted property, the said spaces are included in it. As to Setagaya Business Square, the stated figure is given by multiplying rentable areas in the whole building by the ratio of common-use spaces (55%).

Note 3. 'Leased area' is the amount of square meters actually leased under lease contracts out of the total rentable square meters stated in contracts (parking lots, side signboards, other than leased floors leased under lease commitments, are not included). However, as to QFRONT, the fiduciary rents the partial space possessed by other owners and leases them as a block together with entrusted property, the said spaces are included in it. Regarding Setagaya Business Square, the stated figure is given by multiplying rentable areas in the whole building by the ratio of common use spaces (55%).

Note 4. 'Occupancy ratio' is the percentage of leased areas to rentable area at the end of the period.

(3) Details of Properties in Portfolio

Properties held by TOKYU REIT as of January 31, 2004 are as follows:

Name of property	Location	Invest-ment type	1st fiscal period From June 20, 2003 to January 31,2004						
			Appraisal value at the end of period	Number of tenants	Occupancy ratio	Revenue from property leasing	Percentage of total revenue from property leasing		
			Millions of yen		%	Millions of yen	%		
Retail Central Tokyo and Tokyu Areas	R1	QFRONT	75-8, Udagawa-cho, Shibuya-ku, Tokyo	Trust	¥15,100	4	100.0	¥455	15.7
	R2	Lexington Aoyama	235-7, Minami-aoyama 5-chome, Minato-ku, Tokyo	Trust	4,840	2	100.0	124	4.3
	R3	TOKYU REIT Omotesando Square	3-18, Jingumae 4-chome, Shibuya-ku, Tokyo	Trust	5,450	3	100.0	149	5.2
	R4	Tokyu Saginuma Building	1, Saginuma 1-chome, Miyamae-ku, Kawasaki City, Kanagawa	Trust	7,150	1	100.0	243	8.4
	R5	Tokyu Saginuma 2 Building	18-5, Kodai 1-chome, Miyamae-ku, Kawasaki City, Kanagawa	Trust	1,290	1	100.0	50	1.7
	Sub total				¥33,830	11	100.0	¥1,021	35.3
Total				¥33,830	11	100.0	¥1,021	35.3	
Office Central Tokyo and Tokyu Areas	O1	Setagaya Business Square	260-2, Yoga 4-chome, Setagaya-ku, Tokyo	Trust	¥22,400	54	94.8	¥991	34.2
	O2	Tokyu Nampeidai-cho Building	12-3, Nampeidai-cho, Shibuya-ku, Tokyo	Trust	4,660	1	100.0	133	4.6
	O3	Tokyu Sakuragaoka-cho Building	109-9, Sakuragaoka-cho, Shibuya-ku, Tokyo	Trust	6,620	2	100.0	182	6.3
	O4	Tokyo Nissan Taito Building	120-2, Moto-asakusa 2-chome, Taito-ku, Tokyo	Trust	4,450	15	100.0	185	6.4
	O5	TOKYU REIT Akasaka Hinokicho Building	1401, Akasaka 6-chome, Minato-ku, Tokyo	Trust	3,570	4	85.9	109	3.7
	O6	TOKYU REIT Kamata Building	13-7, Kamata 5-chome, Ota-ku, Tokyo	Trust	4,720	5	100.0	224	7.7
	O7	Resona Maruha Building	2-1, Otemachi 1-chome, Chiyoda-ku, Tokyo	Trust	22,800	1	78.9	51	1.8
	Sub total				¥69,220	82	93.2	¥1,875	64.7
Total				¥69,220	82	93.2	¥1,875	64.7	
Total				¥103,050	93	95.3	¥2,896	100.0	

Note 1. 'Location' is stated based on the description as stated in the register books of properties in trust. There are cases where the descriptions in the register books differ from the current status of the said properties in trust.

Note 2. 'Appraisal value at the end of period' is the assessed value based on the appraisal by real estate appraisers following the asset evaluation method, standards, reporting date and rules laid down in by laws and rules of The Investment Trust Association, Japan in our report (based on the report prepared by Japan Real Estate Institute, which adopt the period end date as the reporting date).

Note 3. With respect to 'Number of tenants', it is counted cumulatively, i.e., when one tenant leases plural rooms for rent in the same property, it is regarded as one tenant and when in plural properties, it is regarded as plural tenants.

Note 4. 'Occupancy ratio' is the percentage of leased areas to rentable area at the end of the period.

(4) Other Assets

As of January 31, 2004, there are no assets targeted for investments other than those described in said description.

4. Capital Expenditures for Properties Held

(1) Plan of Capital Expenditures

The expected capital expenditure for repair and maintenance works of properties held scheduled as of January 31, 2004 is as follows: The estimated construction cost below includes repair and maintenance costs to be charged to income.

Efficient repair and maintenance plans continue to be prepared for each property to maintain their competitiveness and from the view point of medium- to long-term improvements, as well as for repair and maintenance, and capital expenditures.

Name of property		Location	Objective	Estimated period	Estimated construction cost		
					Millions of yen		
					Total	Amount paid during this period	Amount paid by the end of period
R3	TOKYU REIT Omotesando Square	Shibuya-ku, Tokyo	Renewal of air-conditioning equipment	From March 2004 to April 2004	¥23	—	—
O7	Resona Maruha Building	Chiyoda-ku, Tokyo	Renewal	From March 2004 to May 2004	¥310	—	—

(2) Capital Expenditures made during the Period

The overview of construction works that fall under the category of capital expenditures for properties held is as follows:

Capital expenditures during the current period amounted to ¥47 million, and together with ¥19 million expenses for repair and maintenance costs, ¥66 million was spent for these works. The said works are renovations to improve the degree of satisfaction of current tenants and to maintain competitiveness for tenant enticement.

Name of property		Location	Objective	Period	Construction cost
					Millions of yen
O5	TOKYU REIT Akasaka Hinokicho Building	Minato-ku, Tokyo	Improvement of sanitation	From December, 2003 to January, 2004	¥15
Other					32
Total					¥47

(3) Reserve at the End of the Current Period (Reserve for Repairs and Maintenance)

Subject to the mid- and long-term future schedule for repair and maintenance decided for each property, TOKYU REIT accounted for reserves for repairs and maintenance from cash flow made during the period in order to pay for significant repair and maintenance plans as follows:

	1st fiscal period From June 20, 2003 to January 31, 2004
	Millions of yen
Reserve at the beginning of the period	—
Amount transferred to reserve in current period	¥214
Reversal from reserves in current period	—
Reserve at the ending of the period	¥214

Note TOKYU REIT received reserves made in the trust assets that the prior proprietor accounted for at the time of trade of beneficial interests in trust accounts and for the current period, such a reserve received is included in the "amount transferred to reserve in current period".

5. Expenses and debt

(1) Asset management expenses

	1st fiscal period From June 20, 2003 to January 31, 2004	
	Millions of yen	
(a) Asset management fees		
Asset-based fees	¥95	
Cash-based fees	95	
Unit price-based fees	—	¥190
(b) Asset custodian and general administration fees		22
(c) Director's fees		6
(d) Other expenses		28
Total		¥246

(2) Short-term debt

Short-term debt as of January 31, 2004 is as follows:

Category	Lender	Drawdown date	Balance as of June 20, 2003	Balance as of January 31, 2004	Average interest rate	Maturity date	Repayment method	Use of funds	Remark
			Millions of yen	Millions of yen	%				
Short-term debt	The Sumitomo Trust and Banking Company, Limited	September 11, 2003	—	¥3,140	0.700	September 11, 2004			Secured and Unguaranteed (Note 3)
	The Chuo Mitsui Trust and Banking Company, Limited		—	3,140					
	The Bank of Tokyo-Mitsubishi Corporation		—	3,140					
	Mizuho Corporate Bank, Ltd.		—	3,140					
	The Mitsubishi Trust and Banking Corporation		—	3,140					
	The Sumitomo Trust and Banking Company, Limited	September 11, 2003	—	3,400	0.700	September 11, 2004	Bullet payment	(Note 2)	Secured and Unguaranteed (Note 4)
	The Chuo Mitsui Trust and Banking Company, Limited		—	3,400					
	The Bank of Tokyo-Mitsubishi Corporation		—	3,400					
	Mizuho Corporate Bank, Ltd.		—	3,400					
	The Mitsubishi Trust and Banking Corporation		—	3,400					
	The Sumitomo Trust and Banking Company, Limited	January 15, 2004	—	4,800	0.870	September 11, 2004			Secured and Unguaranteed (Note 5)
	The Chuo Mitsui Trust and Banking Company, Limited		—	4,800					
	The Bank of Tokyo-Mitsubishi Corporation		—	4,800					
	Mizuho Corporate Bank, Ltd.		—	4,800					
	The Mitsubishi Trust and Banking Corporation		—	4,800					
	Total		—	¥56,700					

Note 1. Stated 'average interest rate' is weighted average interest rate.

Note 2. Use of Fund is to purchase property trust beneficial interests and payments of incidental expenses.

Note 3. Right of pledge is established on the property trust beneficiary interests, of which the trust assets are QFRONT and Setagaya Business Square.

Note 4. Right of pledge is established on the property trust beneficial interests, of which the trust assets are Lexington Aoyama, TOKYU REIT Omotesando Square, Tokyu Saginuma Building, Tokyu Saginuma 2 Building, Tokyu Nampeidai-cho Building, Tokyu Sakuragaoka-cho Building, Tokyo Nissan Taito Building, TOKYU REIT Akasaka Hinokicho Building and TOKYU REIT Kamata Building.

Note 5. Right of pledge is established on the property trust beneficial interests, of which the trust asset is the Resona Maruha Building.

(3) Bonds

TOKYU REIT didn't issue bonds during the 1st fiscal period.

6. Acquisitions and Dispositions during the period

(1) Sales and purchases of properties and asset backing securities, total trading amount and details of trading

Asset type	Name of property		Acquisition		Disposition			
			Acquisition date	Acquisition costs	Disposition date	Transfer price	Book value	Gain (loss) on sale
				Millions of yen		Millions of yen	Millions of yen	Millions of yen
Beneficial interests in trust	R1	QFRONT	September 10, 2003	¥15,100	—	—	—	—
	R2	Lexington Aoyama	September 11, 2003	4,800	—	—	—	—
	R3	TOKYU REIT Omotesando Square	September 10, 2003	5,770	—	—	—	—
	R4	Tokyu Saginuma Building	September 10, 2003	6,920	—	—	—	—
	R5	Tokyu Saginuma 2 Building	September 11, 2003	1,290	—	—	—	—
	O1	Setagaya Business Square	September 11, 2003	22,400	—	—	—	—
	O2	Tokyu Nampeidai-cho Building	September 11, 2003	4,660	—	—	—	—
	O3	Tokyu Sakuragaoka-cho Building	September 11, 2003	6,620	—	—	—	—
	O4	Tokyo Nissan Taito Building	September 11, 2003	4,450	—	—	—	—
	O5	TOKYU REIT Akasaka Hinokicho Building	September 10, 2003	3,570	—	—	—	—
	O6	TOKYU REIT Kamata Building	September 10, 2003	4,720	—	—	—	—
	O7	Resona Maruha Building	January 15, 2004	23,260	—	—	—	—
	Total			¥103,560		—	—	—

Note 'Acquisition costs' do not include expenses incurred for acquisition of said property, such as trade agency fee, tax and public duty. That is transfer price of properties described in the contract of transfer of beneficial interests in trust.

(2) Sales and purchases of other assets, total trading Amount and details of trading

Other major assets, excluding properties above and asset backing securities are generally deposits with banks and deposits with banks and lease deposits held in trust.

(3) Research on Prices of Specified Assets

Asset type	Name of property		Acquisition date	Acquisition costs	Research price of specified assets	(Reference only)
						Appraisal value at the end of period
Millions of yen						
Beneficial interests in trust	R1	QFRONT	September 10, 2003	¥15,100	¥15,100	¥15,100
	R2	Lexington Aoyama	September 11, 2003	4,800	4,800	4,840
	R3	TOKYU REIT Omotesando Square	September 10, 2003	5,770	5,770	5,450
	R4	Tokyu Saginuma Building	September 10, 2003	6,920	6,920	7,150
	R5	Tokyu Saginuma 2 Building	September 11, 2003	1,290	1,290	1,290
	O1	Setagaya Business Square	September 11, 2003	22,400	22,400	22,400
	O2	Tokyu Nampeidai-cho Building	September 11, 2003	4,660	4,660	4,660
	O3	Tokyu Sakuragaoka-cho Building	September 11, 2003	6,620	6,620	6,620
	O4	Tokyo Nissan Taito Building	September 11, 2003	4,450	4,450	4,450
	O5	TOKYU REIT Akasaka Hinokicho Building	September 10, 2003	3,570	3,570	3,570
	O6	TOKYU REIT Kamata Building	September 10, 2003	4,720	4,720	4,720
	O7	Resona Maruha Building	January 15, 2004	23,260	22,800	22,800
	Total				¥103,560	¥103,100

Note 1. The Investment Trust Law requires Certified Public Accountant or other expert's investigations of real estates and derivative financial instruments when investment trusts or investment corporations acquire or transfer such specified assets. Investigation procedures were conducted by ChuoAoyama PricewaterhouseCoopers in accordance with "Investigation of Values of Specified Assets Held by Investment Trust and Investment Corporations", Industry Audit Committee Report No. 23 issued by The Japanese Institute of Certified Public Accountants, and TOKYU REIT received their report which includes methods, results and other items regarding the investigation as shown in above table. The Industry Audit Committee Report requires a practitioner to obtain comparative values for such specified assets from an investment corporation and perform other necessary procedures. Accordingly, this investigation was not an examination, a review or an audit, the objective of which would be the expression of an opinion on the values of such specified assets.

Note 2. 'Acquisition costs' does not include expenses incurred at the acquisition of said property, such as trade agency fee, tax and public duty. That is transfer price of properties described in the contract of transfer of beneficial interests in trust.

Note 3. 'Appraisal value at the end of period' is not based on the research of prices of specified assets, and is attached as reference. Appraisal methods are described in "3. Portfolio profile (3) Details of Properties in Portfolio, Note 2."

(4) Trading with related party

① Status of trading

There are no items that fall under the category with respect to trades of specified assets with related parties during the current period.

② Amounts of commissions paid to related parties

Item	Total amounts of commissions paid (A) Thousands of yen	Paid to related parties		B/A (%)
		Payee	Amount of payment (B) Thousands of yen	
Utilities expenses	¥282,521	Yoga District Heating and Cooling Co., Ltd.	¥84,446	29.9
Subcontract expenses	244,896	its communications Inc.	17,306	7.1
		Kyodo Gijutsu Center Co., Ltd.	11,957	4.9
		Tokyu Community Co., Ltd.	151,745	62.0
		Tokyu Department Store Service Co., Ltd.	4,077	1.7
		Tokyu Facility Service, Co., Ltd.	39,667	16.2
Property management fees	69,034	Tokyu Land Corporation	42,967	62.2
		Tokyu Corporation	26,067	37.8
Insurance premium	9,082	Tokyu Insurance Consulting Co., Ltd.	9,082	100.0
Other rental service expenses	72,173	Ishikatsu Exterior, Inc.	165	0.2
		its communications Inc.	43	0.1
		Tokyu Community Co., Ltd.	110	0.2
Other operating expenses	28,424	QFRONT Co., Ltd.	100	0.4
		Tokyu Agency Inc.	4,800	16.9
		Tokyu Corporation	990	3.5

Note 1. Related party is those who have stake in the Asset Manager which is under contract with TOKYU REIT under Article 20 of Enforcement Regulation of Investment Trust Law and TOKYU REIT itself. Subsidiaries wholly owned by related parties are also included in this table. TOKYU REIT paid for commissions to the following parties during the current period: Ishikatsu Exterior, Inc., its communications Inc., Yoga District Heating and Cooling Co., Ltd., QFRONT Co., Ltd., Kyodo Gijutsu Center Co., Ltd., Tokyu Amenix Corporation, Tokyu Agency Inc., Tokyu Construction Co., Ltd., Tokyu Community Co., Ltd., Tokyu Department Store Service Co., Ltd., Tokyu Facility Service, Co., Ltd., Tokyu Land Corporation, Tokyu Insurance Consulting Co., Ltd., Tokyu Renewal Co., Ltd., Tokyu Corporation and Toyoko Industry Co., Ltd.

Note 2. In addition to the commissions paid described above, TOKYU REIT paid for commissions of ¥3,622 thousand and ¥14,783 thousand to third parties through related party, such as Tokyu Land Corporation and Tokyu Corporation.

Note 3. In addition to commissions paid described above, the amount paid for repair and maintenance works paid amount for orders placed to related party during current period are as follows (in addition to those, ¥7,561 thousand was paid to third parties for repair and maintenance works through Tokyu Land Corporation, a related party):

Kyodo Gijutsu Center Co., Ltd.	¥1,480 thousand
Tokyu Amenix Corporation	¥16,700 thousand
Tokyu Construction Co., Ltd.	¥1,992 thousand
Tokyu Community Co., Ltd.	¥11,994 thousand
Tokyu Facility Service Co., Ltd.	¥1,563 thousand

Tokyu Land Corporation	¥1,303 thousand
Tokyu Renewal Co., Ltd.	¥3,615 thousand
Tokyu Corporation	¥678 thousand
Toyoko Industry Co., Ltd.	¥830 thousand

- (5) Trading between Asset Manager and TOKYU REIT in the case that the Asset Manager Follow Securities Business, Realty Business and Specific Property Joint Undertaking as a Subsidiary Business

The Asset Manager (Tokyu Real Estate Investment Management, Inc.) does not carry out such business together.

7. Accounting

- (1) Assets, Liabilities, Unitholders' capital and Profit/Loss

See accompanying Balance Sheet and Statement of Income and Retained Earnings.

- (2) Change in depreciation method

It is not applicable as this is the 1st fiscal period for TOKYU REIT.

- (3) Change in valuation methods

It is not applicable as this is the 1st fiscal period for TOKYU REIT.

8. Others

(1) News

Overview of major contracts entered and revised, which have been approved by the board of directors are as follows:

Date of approval by board of directors	Subjects	Details
June 20, 2003	Executions of asset management agreement, asset custody agreement and general administration agreement	TOKYU REIT entrusted asset investment operation to Tokyu Real Estate Investment Management Inc. TOKYU REIT entrusted asset custody and administrative functions, such as accounting, unit transfer and management of institution to The Mitsubishi Trust and Banking Corporation.
June 30, 2003	Executions of trademark license agreement	TOKYU REIT was licensed to use the trademark "TOKYU" by Tokyu Corporation.
July 14, 2004	Executions of memorandum relating to the purchase and sale of real estate	Rules on trades of property held and treatment of information on real estate were laid down among Tokyu Corporation, Tokyu Land Corporation, TOKYU REIT and Tokyu Real Estate Investment Management Inc.
July 25, 2003	Executions of memorandum on unitholdings	TOKYU REIT's holding ratio of investment units, and their trades etc., were agreed among Tokyu Corporation, Tokyu Land Corporation, TOKYU REIT and Tokyu Real Estate Investment Management Inc.
July 25, 2003	Executions of memorandum on inhibition of insider trading	Voluntary rules on insider trading were laid down among Tokyu Corporation, Tokyu Land Corporation, TOKYU REIT and Tokyu Real Estate Investment Management Inc.
September 1, 2003	Executions of Japanese purchase agreement and international purchase agreement	TOKYU REIT offered 73,000 investment units to the public through Merrill Lynch Japan Securities Co., Ltd. and Nomura Securities Co., Ltd. as joint lead managers in Japan. In addition, at the same time, TOKYU REIT offered 24,600 investment units to the public overseas through Merrill Lynch International and Nomura International plc as joint global coordinators.

(2) Others

In this report, otherwise specifically mentioned, amounts are rounded down and ratios are rounded.

Report of Independent Auditors

To the Board of Directors of
TOKYU REIT, Inc.

We have audited the accompanying balance sheet of TOKYU REIT, Inc. (the "Company") as of January 31, 2004 and the related statement of income and retained earnings for the period from June 20, 2003, the date of incorporation, to January 31, 2004, all expressed in Japanese Yen. The financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TOKYU REIT, Inc. as of January 31, 2004, and the results of its operations for the period from June 20, 2003 to January 31, 2004 in conformity with accounting principles and practices generally accepted in Japan (see Note 1 (b)).



Tokyo, Japan
April 14, 2004

Notice to Readers:

Effective April 15, 2004, ChuoAoyama Audit Corporation has been renamed ChuoAoyama PricewaterhouseCoopers.

TOKYU REIT, Inc.

Balance Sheet
As of January 31, 2004

<u>ASSETS</u>	<u>Millions of yen</u>
Current assets:	
Cash and deposits with banks	¥1,893
Cash and deposits with banks held in trust	10,208
Tenant receivables	98
Consumption tax refund receivables	1,336
Other current assets	37
Total current assets	13,572
Fixed assets:	
Property and equipment held in trust	
Buildings and structures	27,530
Land	76,676
Other tangible assets	247
Less accumulated depreciation	(466)
Total property and equipment held in trust	103,987
Intangible assets held in trust	15
Investments and other assets	
Lease deposits held in trust	875
Other assets	12
Total investments and other assets	887
Total fixed assets	104,889
Total assets	¥118,461

The accompanying notes are an integral part of these financial statements.

TOKYU REIT, Inc.
Balance Sheet, continued
As of January 31, 2004

<u>LIABILITIES</u>	<u>Millions of yen</u>
Current liabilities:	
Short-term debt	¥56,700
Accounts payable	528
Rent received in advance	638
Accrued expenses and other current liabilities	289
Total current liabilities	58,155
Long-term liabilities:	
Tenant leasehold and security deposits held in trust	9,257
Other long-term liabilities	1
Total long-term liabilities	9,258
Total liabilities	67,413
<u>UNITHOLDERS' EQUITY</u>	
Unitholders' capital, non-par value:	
Units authorized - 2,000,000 units	
Units issued and outstanding- 98,000 units as of January 31, 2004	50,118
Retained earnings	930
Total unitholders' equity	51,048
Total liabilities and unitholders' equity	¥118,461

The accompanying notes are an integral part of these financial statements.

TOKYU REIT, Inc.
Statement of Income and Retained Earnings
For the period from June 20, 2003 to January 31, 2004

	<i>Millions of yen</i>
Operating revenues:	
Rental revenue	¥2,631
Other	265
Operating expenses:	
Rental service expenses	1,163
Asset management fees	190
Other	56
Operating income	1,487
Non-operating income:	
Interest income	0
Non-operating expenses:	
Interest expense	(99)
Unit issuance costs	(255)
Initial public offering related costs	(47)
Start-up costs	(53)
Other	(102)
Income before income taxes	931
Income taxes:	
Current	(1)
Deferred	0
Net income	930
Retained earnings at end of period	¥930

The accompanying notes are an integral part of these financial statements.

TOKYU REIT, Inc.
Statement of Cash Flows (Unaudited)
For the period from June 20, 2003 to January 31, 2004

	<u>Millions of yen</u>
Cash flows from operating activities:	
Income before income taxes	¥931
Depreciation and amortization	467
Interest income	0
Interest expense	99
Increase in tenant receivables	(98)
Increase in consumption tax refund receivables	(1,336)
Increase in accounts payable	528
Increase in rent received in advance	638
Other, net	150
Total	1,379
Interest received	0
Net cash provided by operating activities	1,379
Cash flows from investing activities:	
Payment for purchases of property and equipment held in trust	(104,454)
Payment for lease deposits held in trust	(874)
Proceeds from tenant leasehold and security deposits held in trust	9,338
Payment for tenant leasehold and security deposits held in trust	(81)
Payment for restricted deposits with banks held in trust	(8,383)
Other, net	(25)
Net cash used in investing activities	(104,479)
Cash flows from financing activities:	
Proceeds from issuance of short-term debt	56,700
Proceeds from issuance of investment units	50,118
Net cash provided by financing activities	106,818
Net change in cash and cash equivalents	3,718
Cash and cash equivalents at beginning of period	—
Cash and cash equivalents at end of period	¥3,718

The accompanying notes are an integral part of these financial statements.

TOKYU REIT, Inc.

Notes to Financial Statements

1. Organization and basis of presentation

(a) Organization

TOKYU REIT, Inc. ("TOKYU REIT"), a real estate investment corporation with initial capital of ¥200 million, was formed on June 20, 2003 under the Investment Trust and Investment Corporation Law of Japan ("Investment Trust Law"). The sponsor of TOKYU REIT was Tokyu Real Estate Investment Management, Inc. Registration with the Kanto Local Finance Bureau of the Ministry of Finance was completed on July 18, 2003 in accordance with the Investment Trust Law.

On September 10, 2003, TOKYU REIT was listed on the Tokyo Stock Exchange and issued 97,600 investment units for proceeds totaling ¥49,918 million through an initial public offering.

TOKYU REIT acquired QFRONT and 4 other properties on September 10, 2003 and Setagaya Business Square and 5 other properties on September 11, 2003 (11 properties in all, with acquisition costs totaling ¥80,300 million and rentable area totaling 85,719.75m²). On January 15, 2004, TOKYU REIT also acquired the Resona Maruha Building (acquisition costs totaled ¥23,260 million). As of January 31, 2004, the end of the current period, TOKYU REIT had acquired 12 properties in its portfolio with acquisition costs totaling ¥103,560 million and rentable area totaling 99,784.28m². The occupancy ratio at the end of the period was approximately 95.3%.

(b) Basis of presentation

The financial statements of TOKYU REIT, which is incorporated in Japan, have been prepared in accordance with the provisions set forth in the Commercial Code of Japan, the Investment Trust Law, the Securities and Exchange Law of Japan ("Securities and Exchange Law") and related regulations and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The financial statements are not intended to present the financial position, result of operations and cash flows in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Certain items presented in the financial statements, which were submitted to the Director of the Kanto Local Financial Bureau of the Ministry of Finance have been reclassified for the convenience of readers outside Japan.

The accompanying financial statements are a translation of the audited financial statements that were prepared for Japanese domestic purposes from the accounts and records maintained by TOKYU REIT and were filed with the Kanto Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. TOKYU REIT does not prepare consolidated financial statements, as TOKYU REIT has no subsidiaries.

TOKYU REIT's first fiscal period began on June 20, 2003, the date of incorporation, and ended on January 31, 2004. TOKYU REIT's fiscal period is a six-month period which ends respectively at the end of each January and July of each year.

Although TOKYU REIT's first fiscal period began on June 20, 2003, TOKYU REIT only had substantial operations for 144 days during this fiscal period, starting from September 10, 2003 when TOKYU REIT acquired its first 5 properties.

TOKYU REIT, Inc.

Notes to Financial Statements, continued

2. Significant accounting policies

- (a) **Cash and cash equivalents (Unaudited)** - Cash and cash equivalents consist of cash, demand deposits, cash and deposits held in trust and short-term investments which are highly liquid, readily convertible to cash and with insignificant risk of price fluctuation, and which expire within three months from the date of acquisition.
- (b) **Property and equipment held in trust** - Property and equipment held in trust are carried at cost, less accumulated depreciation. Depreciation of property and equipment, except for land, is computed by using the straight-line method at rates based on the estimated useful lives of the respective assets.

The ranges of useful lives used in the computation of depreciation are generally as follows:

Buildings and structures held in trust	
Buildings	2-50 years
Structures	2-52 years
Other tangible assets held in trust	
Machinery and equipment	3-15years
Tools, furniture and fixtures	2-15years

- (c) **Intangible assets** - Amortization is computed by using the straight-line method.
- (d) **Start-up costs** - Start-up costs are recognized as an expense when they are incurred.
- (e) **Unit issuance costs** - Unit issuance costs are recognized as an expense as they are incurred. TOKYU REIT issued 97,600 investment units on September 10, 2003. The "Spread Method" is employed for the unit issuance. Under the Spread Method, securities underwriters underwrite the units at the issue price and offer them to investors at the offer price, which is different from the issue price. The difference between the issue price and the offer price is the commission received by the securities underwriters, eliminating the need for the issuer to pay underwriting commissions. If securities underwriters would have underwritten the units at the issue price and offered to investors at the offer price, which would have been the same as the issue price known as the "Conventional Method", a commission would have been incurred and it would have been expensed as unit issuance costs. Therefore, the Spread Method decreased unit issuance costs by ¥1,810 million and therefore increased income before income taxes by ¥1,810 million compared to the Conventional Method.
- (f) **Income taxes** - Income taxes are accounted for financial reporting purpose. The tax effect of temporary differences between the amount of assets and liabilities for financial statements and for income tax reporting is recognized as deferred taxes. A deferred tax asset of ¥24 thousand is included in other current assets as of January 31, 2004.
- (g) **Property-related taxes** - Property-related taxes (property tax, city planning tax and depreciable property tax) are imposed on property on a calendar year basis. The amount of such taxes assessed in the period are charged to income as rental service expenses. In accordance with Japanese business practice, at the time of disposal, the seller of the property is generally liable for property-related taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is

TOKYU REIT, Inc.

Notes to Financial Statements, continued

reimbursed by the purchaser of the property for the accrued property-related tax liabilities, and the amount of the settlement reflects this adjustment. TOKYU REIT is allocated the portion of the property-related taxes related to the period following the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of the related properties. Capitalized property-related taxes totaled ¥367 million for the period ended January 31, 2004.

- (h) **Revenue recognition** - TOKYU REIT operates retail and office properties that are rented to tenants. Revenue from leasing the retail and office space is recognized on an accrual basis over the life of each lease. Rental revenue includes fixed rental revenues, recoveries of utility charges and other income.
- (i) **Accounting treatment of beneficiary interest in trust accounts, including real estate**- For trust beneficiary interests in real estate, which are commonly utilized in the ownership of commercial properties in Japan and through which TOKYU REIT holds all of its property, all accounts of assets and liabilities within the trust, as well as all income generated and expenses incurred from assets in trust, are recognized in the relevant balance sheet and income statement accounts.
- (j) **Net income per unit** - Net income per unit is computed by dividing net income by the weighted-average number of units outstanding during each period.

3. Cash and cash equivalents (Unaudited)

Cash and cash equivalents, at January 31, 2004, consisted of the follows:

	<u>Millions of yen</u>
Cash and deposits with banks	¥1,893
Cash and deposits with banks held in trust	10,208
Restricted deposits with banks held in trust	<u>(8,383)</u>
Cash and cash equivalents	<u>¥3,718</u>

Restricted deposits with banks held in trust are retained for repayment of tenant leasehold and security deposits.

4. Schedule of property and equipment held in trust and intangible assets held in trust

Property and equipment held in trust and intangible assets held in trust as of January 31, 2004 consisted of the following:

TOKYU REIT, Inc.

Notes to Financial Statements, continued

	Millions of yen		
	Acquisition costs	Accumulated depreciation	Book value
Property and equipment held in trust			
Buildings and structures			
Buildings	¥27,085	¥(428)	¥26,657
Structures	445	(13)	432
Land	76,676	—	76,676
Other tangible assets			
Machinery and equipment	143	(9)	134
Tools, furniture and fixtures	104	(16)	88
Intangible assets held in trust	16	(1)	15
Total	¥104,469	¥(467)	¥104,002

5. Unitholders' equity

TOKYU REIT issues non-par value units in accordance with the Investment Trust Law. All the proceeds from the issuance of new units are designated as stated capital. TOKYU REIT maintains minimum net assets of at least ¥50 million as required by the Investment Trust Law.

6. Collateral pledged

Beneficiary interests in trusts (comprised of properties and deposits) were pledged as collateral to secure short-term debt of ¥56,700 million, and the net book value of the trust assets, as of January 31, 2004, were as follows:

	Millions of yen
Cash and deposits with banks held in trust	¥10,208
Property and equipment held in trust	
Buildings and structures	
Buildings	26,657
Structures	432
Land	76,676
Other tangible assets	
Machinery and equipment	134
Tools, furniture and fixtures	88
Intangible assets held in trust	15
Lease deposits held in trust	875
Total	¥115,085

7. Rental revenue and expenses

Rental revenues and expenses for the period ended January 31, 2004 were as follows:

TOKYU REIT, Inc.

Notes to Financial Statements, continued

	<u>Millions of yen</u>
Revenue from property leasing:	
Rental revenue:	
Rental revenue	¥1,963
Common area charges	333
Parking lot revenue under monthly contract	65
Other	270
Sub total	2,631
Other:	
Incidental income	237
Other	28
Sub total	265
Total revenue from property leasing	(a) 2,896
Rental service expenses:	
Utilities expenses	282
Subcontract expenses	245
Property management fees	69
Repairs and maintenance expenses	19
Property-related taxes	0
Insurance premium	9
Depreciation and amortization	467
Other	72
Total rental service expenses	(b) 1,163
Operating income from property leasing activities	(a)-(b) ¥1,733

8. Income taxes

Income taxes in Japan applicable to TOKYU REIT consist of corporate income tax, enterprise tax and inhabitant tax. The following is reconciliation between the statutory income tax rate in Japan and the effective tax rate reflected in the accompanying financial statements for the period ended January 31, 2004.

	<u>For the period from June 20, 2003 to January 31, 2004</u>
Statutory income tax rate	39.39%
Deductible cash distributions	(39.34)
Other	0.08
Effective tax rate	0.13%

TOKYU REIT has a policy of making cash distributions in excess of 90% of distributable income as defined in the Special Taxation Measures Law of Japan ("Special Taxation Measures Law") for the fiscal period to qualify for conditions as set forth in Special Taxation Measures Law to achieve a deduction of cash distributions for income tax purposes. Based on such policy,

TOKYU REIT, Inc.

Notes to Financial Statements, continued

TOKYU REIT treated the cash distributions as a tax allowable distribution as defined in Special Taxation Measures Law.

9. Per unit information

The following table summarizes the net income per unit for the period ended January 31, 2004 and the unitholders' equity per unit as of January 31, 2004.

	For the period from June 20, 2003 to January 31, 2004
Net income per unit	¥14,856
Weighted-average number of units	62,588 units
	As of January 31, 2004
Unitholders' equity per unit	¥520,891

Diluted net income per unit is not presented since no warrants and convertible bonds were issued during the period.

10. Leases

TOKYU REIT leases its properties to tenants under non-cancelable operating leases. As of January 31, 2004, the future lease revenues under the non-cancelable operating leases were as follows:

	Millions of yen
Due within one year	¥3,962
Due after one year	35,891
Total	¥39,853

As of January 31, 2004, the future lease payments under the non-cancelable operating leases were as follows:

	Millions of yen
Due within one year	¥118
Due after one year	2,662
Total	¥2,780

TOKYU REIT, Inc.

Notes to Financial Statements, continued

11. Details on the financial results of each property for the period from June 20, 2003 to January 31, 2004 (Unaudited)

Name of building	Revenue from property leasing	Property leasing expenses (*1)	NOI (*2)	Depreciation and amortization	Operating income from property leasing activities
Millions of yen					
R1 QFRONT	¥455	¥149	¥306	¥51	¥255
R2 Lexington Aoyama	124	18	106	6	100
R3 TOKYU REIT Omotesando Square	149	16	133	9	124
R4 Tokyu Saginuma Building	243	22	221	21	200
R5 Tokyu Saginuma 2 Building	50	5	45	7	38
O1 Setagaya Business Square	991	324	667	224	443
O2 Tokyu Nampeidai-cho Building	133	10	123	25	98
O3 Tokyu Sakuragaoka-cho Building	182	20	162	20	142
O4 Tokyo Nissan Taito Building	185	40	145	41	104
O5 TOKYU REIT Akasaka Hinokicho Building	109	26	83	11	72
O6 TOKYU REIT Kamata Building	224	58	166	43	123
O7 Resona Maruha Building	51	8	43	9	34
Total	¥2,896	¥696	¥2,200	¥467	¥1,733

(*1) Property leasing expenses are defined as rental service expenses adjusted for depreciation and amortization.

(*2) NOI represents net operating income, calculated as revenue from property leasing minus property leasing expenses.

12. Distribution information

On March 26, 2004, the Board of Directors of TOKYU REIT resolved to effect payment of cash distributions of ¥9,488 per unit to unitholders of record on January 31, 2004. Retained earnings carried forward after the distribution are as follows:

	Millions of yen
Retained earnings at end of period	¥930
Cash distributions declared	930
Retained earnings carried forward	¥0

13. Subsequent events

TOKYU REIT is not aware of any circumstances that may have a material impact on TOKYU REIT's financial position after the period end.

Unitholder Information

Unit Price

Date of listing (Sep. 10, 2003)	¥530,000
Highest point since listing	¥570,000 (Jan. 23, 2004)
Lowest point since listing	¥503,000 (Sep. 16, 2003)
Closing price for first period (Jan. 30, 2004)	¥561,000

Unitholder Composition

	Individuals in Japan	Domestic Financial Institutions	Other Domestic Corporations	Foreign Corporations and Individuals
By investment unit (98,000 units total)	27.3%	36.8%	23.1%	12.8%
By unitholder (11,363 unitholders total)	96.0%	0.9%	2.7%	0.4%

Results Reporting Schedule (tentative)

Date of settlement	Jan. 31	Jul. 31
Results announcement	Late March	Late September
Shipment of asset management report	Late April	Late October
Payment of dividends	Late April	Late October

Address

2-17 Nampeidai-cho, Shibuya-ku, Tokyo

Established

June 20, 2003

Executive Director

Masahiro Horie

Supervisory Directors

Yoshikazu Yanagisawa

Maruhito Kondo

Independent Auditors

ChuoAoyama PricewaterhouseCoopers

3-2-5 Kasumigaseki, Chiyoda-ku, Tokyo

Date of Settlement

Annually on January 31 and July 31

Unitholders' General Meeting

More than once every two years

Date for Finalizing General Meeting Voting Rights

As designated under Article 13 of the by laws

Date for Determining Dividend Payments

Annually on January 31 and July 31

(Dividends paid within three months of this date)

Transfer Agent

The Mitsubishi Trust and Banking Corporation

1-4-5 Marunouchi, Chiyoda-ku, Tokyo

Transfer Agent's Head Business Office

Transfer Agent Department

The Mitsubishi Trust and Banking Corporation

1-7-7 Nishi-Ikebukuro, Toyoshima-ku, Tokyo

Tel: +81-3-5391-1900

Transfer Agent Locations

Nationwide branches of The Mitsubishi Trust and Banking Corporation

Listing

Tokyo Stock Exchange (8957)

For further information please visit the TOKYU REIT website at (www.tokyu-reit.co.jp)

TOKYU REIT

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