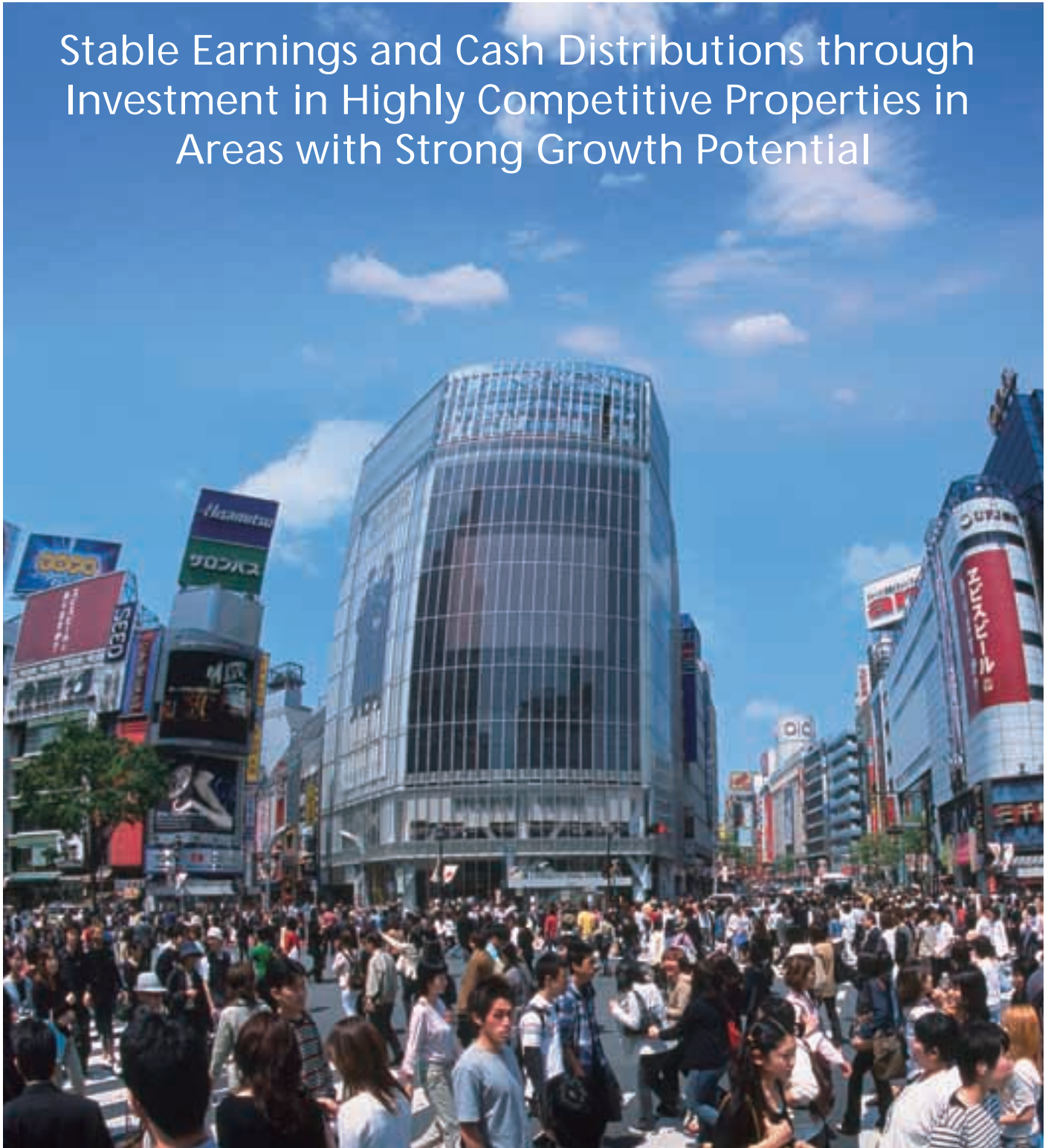


# TOKYU REIT

TOKYU REIT, Inc. **Semiannual Report** Second Fiscal Period  
From February 1, 2004 to July 31, 2004

Stable Earnings and Cash Distributions through  
Investment in Highly Competitive Properties in  
Areas with Strong Growth Potential



# Financial Summary

## Second Fiscal Period

(From February 1, 2004 to July 31, 2004)

2nd

### FINANCIAL SUMMARY

### ■ 2nd Fiscal Period

### ■ 1st Fiscal Period

	■ 2nd Fiscal Period	■ 1st Fiscal Period
<b>Assets</b>		
Total Assets	¥122,583 million	¥118,461 million
Period-End Appraisal Value	¥111,740 million	¥103,050 million
Net Asset Value (NAV*)	¥53,092 million	¥50,537 million
<b>Debt</b>		
Interest-Bearing Liabilities	¥60,000 million	¥56,700 million
Total Assets Loan-to-Value (LTV) Ratio	48.9 %	47.9 %
Period-End Appraisal LTV Ratio	53.7 %	55.0 %
<b>Income</b>		
Operating Revenues	¥4,341 million	¥2,896 million
Net Income	¥1,394 million	¥930 million
Funds From Operations (FFO)	¥2,003 million	¥1,397 million
<b>Distributions</b>		
Cash Distribution per Unit	¥14,230	¥9,488
Net Income per Unit (EPS**)	¥14,231	¥9,488
FFO per Unit	¥41,004 (Annualized)	¥36,123 (Annualized)
<b>Valuations</b>		
Average Market Price per Unit	¥643,097	¥530,828
NAV per Unit***	¥541,756	¥515,687
NAV Ratio	1.03 times	1.03 times
FFO Ratio	15.68 times (Annualized)	14.70 times (Annualized)
Distribution Yield	4.44 %	4.53 %

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

\*\* EPS of first fiscal period 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

# TOKYU REIT, Inc.

## **Second** Fiscal Period **Semiannual Report**

From February 1, 2004 to July 31, 2004

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# To Our Unitholders

## Masahiro Horie,

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



On behalf of TOKYU REIT, Inc. ("TOKYU REIT"), I would like to express my sincere appreciation to all unitholders for their continued support and understanding. I would also like to take this opportunity to provide an overview of investment results and to present our operating results for the second fiscal period, February 1, 2004 through July 31, 2004.

### Distribution of ¥14,230 Per Unit

In the second fiscal period, cash distributions were ¥14,230 per unit, reflecting operating revenues and net income of ¥4,341 million and ¥1,394 million, respectively. Compared with cash distributions of ¥9,488 per unit in first fiscal period, the main reason behind this significant increase was the actual number of operation days. It was substantially 144 days in the first fiscal period, whereas the second fiscal period was 182 days, the normal period base.

### Sturdy Expansion in Asset Scale (External Growth)

The addition of new properties including the Resona Maruha Building (acquired on January 15, 2004) and TOKYU REIT Shibuya Udagawa-cho Square (acquired on March 1, 2004) has significantly driven up profits and earnings. Add to these during the third fiscal period, acquisitions of the Yokohama Yamashita-cho Building (Barneys New York Yokohama Store) and the Beacon Hill Plaza (Ito-Yokado Noukendai Store) on August 3,

2004, which we decided to invest in during the second fiscal period, our current asset scale increases to ¥124,730 million. This represents a rise of approximately 50% in asset scale from ¥80,300 million when TOKYU REIT was listed. Asset scale at the end of the second period was ¥110,160 million.

TOKYU REIT Shibuya Udagawa-cho Square is a property formerly owned by Tokyu Construction Co., Ltd. Moreover, Beacon Hill Plaza (Ito-Yokado Noukendai Store) was acquired by utilizing Tokyu Land Corporation's information network. In addition such collaboration with Tokyu group companies, we intend to acquire a sound balance of properties from third parties and Tokyu group companies to enhance the quality of our asset portfolio while expanding asset scale.

### Attracting Tenants with Tokyu's Leasing Capabilities (Internal Growth)

During the second fiscal period, TOKYU REIT successfully attracted a number of new tenants. Our most significant achievement was the signing of leasing agreements for one floor (approximately 1,650 m<sup>2</sup>) of the Resona Maruha Building. More details are presented later in this report.

As two of the eight floors of the Resona Maruha Building that we acquired under compartmentalized ownership were vacant, the investment was considered a relatively expensive proposition from the outset. In line with our assumptions prior to the acquisition, however,

we were able to quickly find a tenant. As for the one remaining vacant floor, we have received several inquiries up to the end of September 2004, and we expect to conclude a contract to fill the vacancy during the third fiscal period.

I believe that this successful development reflects on the competitive strengths of the property, as well as our renovation planning capabilities and advanced expertise in leasing.

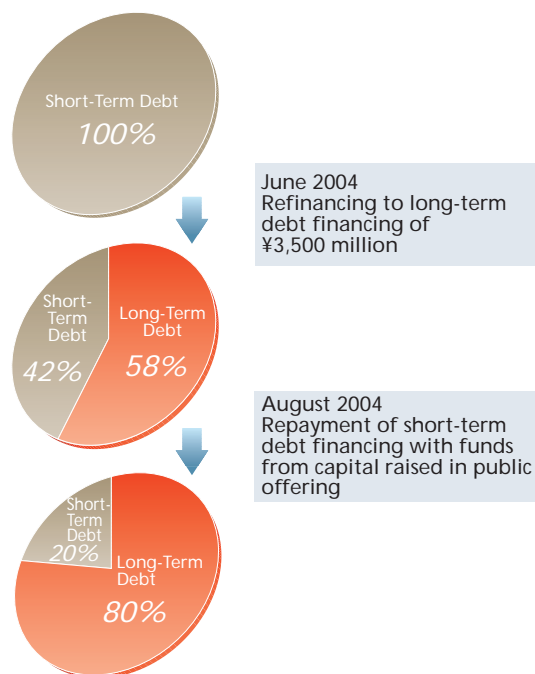
### Improving Unitholder Value Through Innovative Financing

In accordance with initial plans, TOKYU REIT addressed the extension of debt financing repayment terms and the fixation of interest rates during the second fiscal period. There was a concern that, should interest rates hike in the near future, interest expenses would increase for the short-term debt financing we have relied on for acquisitions. Attending to this concern, on June 25, 2004, we repaid in advance all of our short-term debt financing of ¥62,200 million, and newly acquired long-term debt financing of ¥35,000 million and short-term debt financing of ¥25,000 million, while settling the remaining ¥2,200 million of previous short-term debt financing with cash on hand. Subsequently, as described later, we raised capital for the repayment of debt financing, reducing the balance of short-term debt financing to ¥8,500 million and establishing a ratio of 80% in long-term fixed-rate debt financing as of August 31, 2004. The varying durations of three, four, five, six and eight years in repayment periods for long-term debt financing will serve to constrain risks related to future financing.

Furthermore, although all of our properties were collateralized for debt financing, TOKYU REIT has converted entirely to non-asset-backed debt financing. As a result, we are now able to rapidly build a financing procurement system for acquiring new properties.

In addition to maximizing real estate leasing revenues, TOKYU REIT also seeks to improve unitholder value by ensuring liquidity, stability and efficiency in its financing activities.

### Ratio of Long-Term to Short-Term Debt



### The Real Estate Investment Market

Certain properties in central Tokyo are trading at the high end of the market, sparking concerns for the formation of a bubble inflated by unreasonable valuations. Some news media reports have cited REITs as one cause of this phenomenon.

My thoughts on this topic are as follows:

First, with regard to these high-value transactions, certain properties are indeed being traded at higher prices than before. On the other hand, properties other than prime real estate in central Tokyo are generally trading at lower values than before, creating a bipolarization of the market.

Hence, are these property valuations unreasonably high? In my opinion, the answer is a resounding no.

Generally speaking, there are three valuation methods used to appraise real estate. The first is the sales comparison approach, which derives valuations from comparisons with neighboring properties and historical transactions for similar properties. The second valuation method is the cost approach, which adds building construction and land costs, and then deducts the depleted value of the property based on age. The third is the income approach, which calculates the

income that would be generated by the property after acquisition.

TOKYU REIT bases its investment decisions on the income approach to real estate appraisal. However, this approach has only begun to take hold in the real estate investment market in the past few years. In my opinion, REITs are in the position of promoting the income approach while fulfilling their disclosure obligations to investors. I believe the wider adoption of the income approach is spurring the revaluation of real estate based on the profitability of individual properties. As a result, real estate values are changing, with the values of high-earning properties rising and other properties decreasing. Without a doubt, there have been some inexplicably high transactions when viewed from the income approach. Excluding these unusual cases, however, I believe that current real estate values are trending toward reasonable valuations based on profitability, as opposed to reflecting “bubble economy” prices.

### Why TOKYU REIT Limits Investment to Certain Areas

For more than two years from the establishment of Tokyu Real Estate Investment Management Inc. (“Tokyu REIM”) to TOKYU REIT’s listing on the stock market, we meticulously formulated our investment policy while surveying business viability.

One aspect of the business viability survey we conducted was a fundamental review of the real estate market in Japan. For this, we relied on studies from macroeconomic and microeconomic perspectives, namely “The widening gap in population and economic activity between Tokyo and other regions” and “The growing gap between prime real estate and other properties in Tokyo,” to determine our investment policy of concentrating on competitive properties in the five central Tokyo wards (Chiyoda-ku, Chuo-ku, Minato-ku, Shinjuku-ku and Shibuya-ku) and the Tokyu areas, which refers to the areas covered by the Tokyu rail network, where we expect future growth. (Note: TOKYU REIT acquires property in areas outside the five central Tokyo wards and the Tokyu areas, but this amount is limited to 15% of total investments.)

Other reasons why we chose these areas as the primary focus of investment include being able to leverage the information network of Tokyu group companies while maximizing collaboration with them in the area.

Some unitholders may be concerned about a lack of latitude in management due to our concentrated focus. Regardless, we have formulated an investment policy that offers unitholders a readily comprehensible and stable prospectus by limiting our focus.

Our investment policy of focusing on office buildings and retail properties also entails avoiding

#### Investing in Competitive Properties in Growth Areas

##### Investing in areas with growth potential

- Five central Tokyo wards and the Tokyu Areas (more than 85% of total investment)

##### Low-risk, competitive properties

- Minimum investment per property: ¥4 billion
- Large-scale office buildings: Total floor space of 5,000 m<sup>2</sup> or more
- Location: Within a seven-minute walk of the closest train station

##### Balance growth potential with stability through dispersion of type

- Investment by type ratio: 60% office properties vs. 40% retail properties

##### Collaboration with Tokyu Group companies

- Growth by improving added value in the Tokyu Areas
- Property acquisition by “Pipeline Support” (first option in connection the sale of certain properties by Tokyu Corporation and Tokyu Land Corporation in the event they intend to dispose of properties to non-Tokyu group companies) and “Warehousing Functions.”



**Growth potential and stability of investment returns**

investments in hotels, residence and other properties, and is based on strict internal rules governing related-party transactions with Tokyu group companies.

As of September 30, 2004, the number of REIT funds had increased to 14 in Japan. Amid intense competition among REITs to attract investors, TOKYU REIT takes pride as being one with highly distinctive traits, separating it from the competition.

## Issuance of New Investment Units and Third Fiscal Period Outlook

On July 1, 2004, TOKYU REIT's Board of Directors passed a resolution for the additional issuance of 44,000 investment units. Of this amount, 2,000 investment units were allocated to third parties for over-allotments. With the ¥27,742 million in capital raised, TOKYU REIT acquired the Yokohama Yamashita-cho Building (Barneys New York Yokohama Store) and the Beacon Hill Plaza (Ito-Yokado Noukendai Store), and pared down short-term debt financing. As of August 31, 2004, debt financing stood at ¥43,500 million.

For the third fiscal period, ending January 31, 2005, TOKYU REIT estimates operating revenues of ¥4,904 million, net income of ¥1,775 million and cash distributions of ¥12,500 per unit.

We estimate a decline in cash distributions per unit compared with the ¥14,230 per unit in the second fiscal period due to an increase in the number of units issued

from the additional issuance of investment units at the start of the third fiscal period. Since the number of investment units would not increase if properties were acquired through debt financing, cash distributions per unit should increase, but an increase in debt financing would make ensuring the health of the REIT fund more difficult.

In order to limit the financial impact of risks such as interest rate fluctuations, our policy is to limit the ratio of interest-bearing debt to total assets to 60% or less. The capital increase, at the start of the third fiscal period, is to ensure the soundness of our REIT fund and provide sufficient maneuverability for property acquisitions through debt financing.

Through capital increases and by listing on the market, TOKYU REIT has raised a total of ¥77,860 million in capital. By investing in competitive properties located in areas with growth potential, we aim to maximize unitholder value by ensuring stable revenues and distributions. We ask for the continued understanding and support of our unitholders.

October 2004



**Masahiro Horie**

In his role as president of REIT's investment 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**

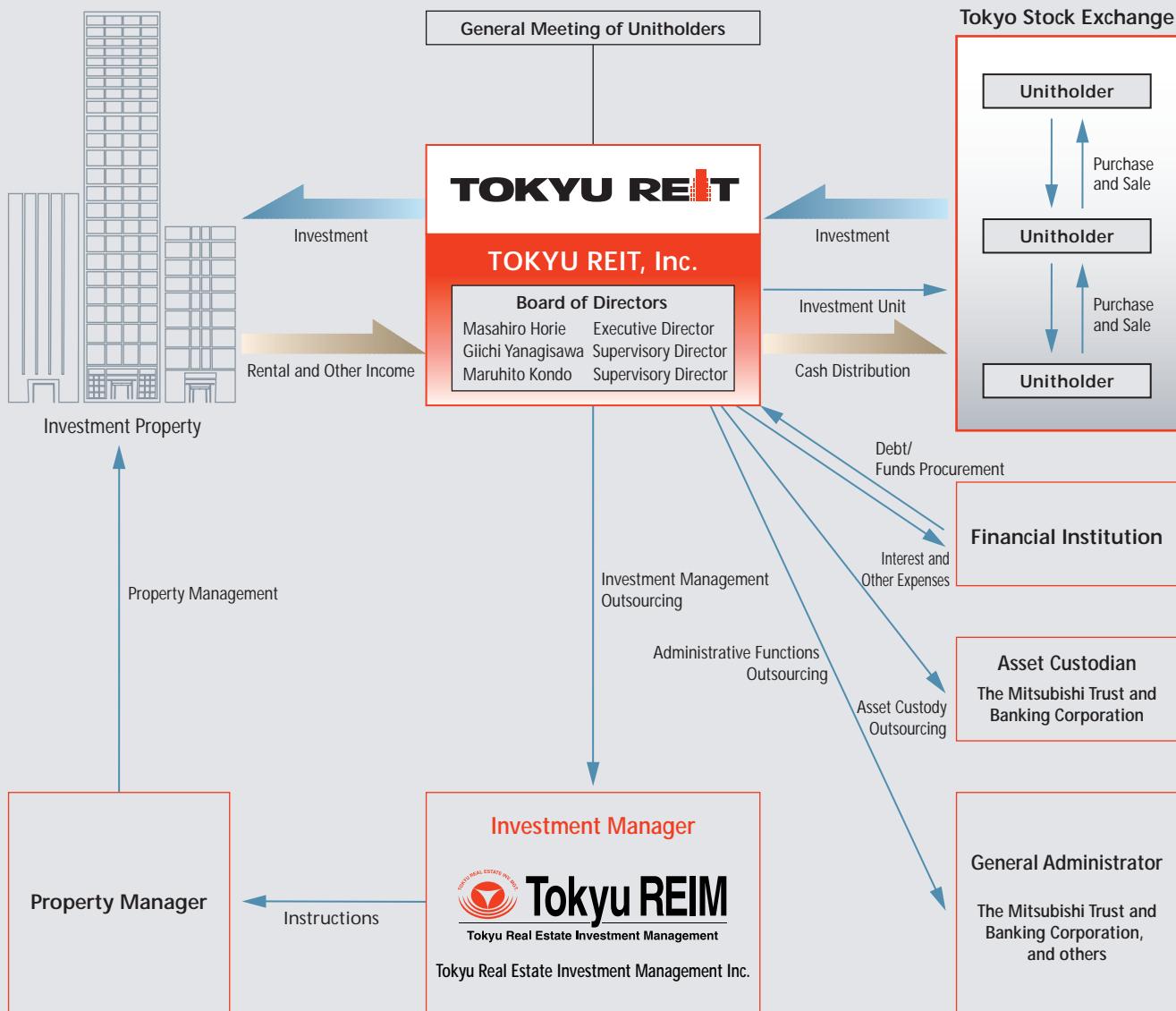
Appointed Representative Director, President and Chief Executive Officer of Tokyu REIM.

**2003**

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

# Management

## TOKYU REIT Structure and External Service Providers



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

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



# Investment Management Company

## Company Name, Capital and Business Activities

**Company Name:** Tokyu Real Estate Investment Management Inc.  
**Capital:** ¥300 million as of September 30, 2004  
**Business Activities:** Licensed under Article 2.17 of the Investment Trust Law as an asset manager for J-REITs. Also engaged as a discretionary transaction agent and consultant in transactions dealing with real estate.

## 1 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 <b>TOKYU REIT</b>
July 25, 2003	Registered as a general real estate investment management company (No. 000016)

## 2 Trends in the Number of Shares Issued and Outstanding and Capital

**Shares Authorized:** 10,000 shares as of September 30, 2004

**Shares Issued and Outstanding:** 6,000 shares as of September 30, 2004

### Movements in capital over the past five years

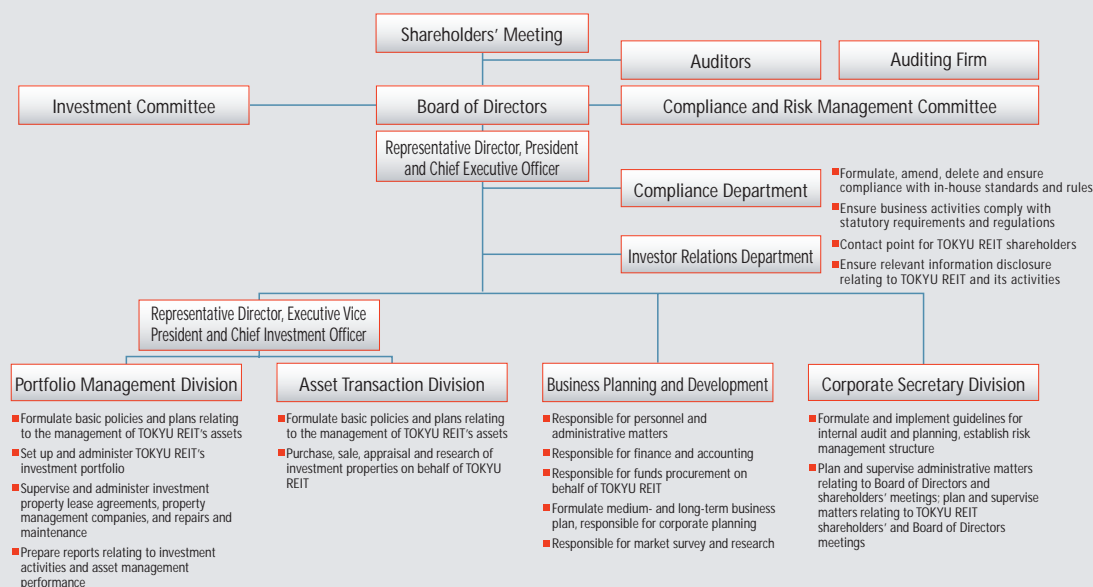
Date	Movements in Capital
September 26, 2001	Increase in capital from ¥100 million to ¥125 million
September 28, 2002	Increase in capital from ¥125 million to ¥300 million

## Shareholders (As of September 30, 2004)

Name	Address	Shareholding (Shares)	Shareholding (%)
Tokyu Corporation	5-6 Nampeidai-cho, Shibuya-ku, Tokyo	3,600	60
Tokyu Land Corporation	1-21-2 Dogenzaka, Shibuya-ku, Tokyo	2,400	40
Total		6,000	100

Note: The percentage of shareholding reflects the proportion of shares issued and outstanding held.

## Organization Chart



# Asset Management

Special  
Feature

Special Issue

## Portfolio Manager's Report

Nozomi Yanagihara,

Tokyu Real Estate Investment Management, Inc.  
Executive Officer & General Manager, Portfolio Management Division



In the REIT business, there are two types of growth: external and internal.

External growth means expanding scale through property acquisitions, while internal growth is gained by increasing the profit margin of acquired properties.

As the head of Tokyu REIM's asset management business (property management), Nozomi Yanagihara is responsible for orchestrating internal growth at TOKYU REIT.

### Asset Management that Emphasizes Internal Growth

Tokyu REIM's Portfolio Management Division (1) establishes the basic plans and guidelines related to TOKYU REIT's asset management, (2) manages TOKYU REIT's portfolio formation and tracks its investments, (3) manages the property portfolio's leases, property management (PM) companies and property repairs, and (4) reports on the financial performance of its asset management and investment operations. In other words, the division is responsible for all aspects of asset management other than property acquisition and disposal. I currently lead a team of five asset managers committed to maintaining and improving Net Operating Income (NOI is calculated as leasing income before deductions for depreciation) and the value of owned properties.

NOI for the second fiscal period totaled ¥2,894 million. In comparison, adjusting for the number of

operation days, the first fiscal period's NOI of ¥2,199 million (over an operating period of 144 days) would be ¥2,780 million (converted to 182 days), an increase of ¥114 million. The main contributing factor was the Resona Maruha Building, which was acquired on January 15, 2004. Although this represents external growth for the full period, the asset management team is also implementing a raft of measures to promote internal growth as well.

### Increasing Occupancy Rates by Attracting Tenants

To achieve internal growth, it is imperative to increase income or to reduce costs. The most effective means of increasing income is to quickly attract tenants to fill vacancies. As of January 31, 2004, TOKYU REIT's occupancy rate was 95.3%, and this improved to 97.1% by the end of July. In the second fiscal period, we successfully attracted tenants to a total of 5,559.55m<sup>2</sup> of floor space, including 1,658.86m<sup>2</sup> at the Resona Maruha Building, 1,487.24m<sup>2</sup> at the TOKYU REIT Omotesando Square and 2,340.08m<sup>2</sup> at the Setagaya Business Square (vacating tenants totaled 3,800.90m<sup>2</sup>).

In tenant leasing, asset and property managers make full use of their mutual information networks to research market conditions. They then exchange views on the market to formulate leasing policies. This process has a vitally important bearing on the success of the



lease. Although differences of opinion arise from time to time, discussions continue until a mutually acceptable settlement is reached. In the end, a favorable outcome is obtained relatively quickly by deepening our market insight. Should differences of opinion remain regarding the market, we are not able to conclude a contract promptly. Where there a gap in information, a single-minded effort may not bring intense contract negotiations through to a conclusion.

The expertise of our property managers determines whether TOKYU REIT's properties are appealing to the market, and whether quality prospective tenants are found. Leasing results in the second fiscal period reflect collaboration between asset managers and property managers who possess leasing expertise.

The Tokyu Land Corporation team assigned to Setagaya Business Square has been diligently working on site to meet tenants' everyday needs since construction on the building was completed in 1993. As a result, leasing activity tailored to existing tenants resulted in expanded leased floor space. In addition, tenants were attracted to TOKYU REIT Shibuya Udagawa-cho Square by Tokyu Corporation, which has a strong presence in the Shibuya area for leasing retail properties.



These are just a few examples of TOKYU REIT's unique strength in being able to fully leverage the know-how, experience and networks of the real estate businesses of Tokyu group companies.

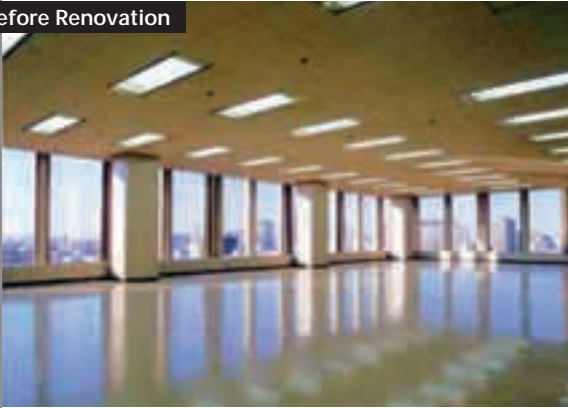
### Capital Expenditure to Maintain and Improve Competitiveness

Proactive and effective capital expenditure is also vital to attracting tenants. We focus on investing in competitive properties (those properties that meet strict criteria in terms of scale, resident tenant conditions, earthquake resistance, etc.) in the areas with the most growth potential (five central Tokyo wards and the Tokyu areas), but tenants' property needs are evolving on a daily basis. Accordingly, in order to improve the competitiveness of properties already in our portfolio, we are constantly gathering market information, making sound investments in facilities and carrying out repairs. From the tenants' perspective, having consistently attractive properties is of the utmost importance.

In the second fiscal period, we undertook extensive renovation work on two floors of the Resona Maruha Building after acquisition while they were still vacant. We greatly enhanced the property's attractiveness by installing an office automation (OA) floor, completely changing the interior to include restrooms and an elevator lobby, installing a precise-zone air-conditioning system and implementing 24-hour automated security. As a result, we succeed in attracting foreign-affiliated companies and meeting their high demands in terms of office quality.

## Resona Maruha Building

Before Renovation



After Renovation



We invested in TOKYU REIT Omotesando Square to improve its air-conditioning. A cooling tower that had been in operation for 18 years was dismantled and an air-cooled heat pump was settled. In addition to improving the air-conditioning, the capital investment has reduced operating costs and future outlays. The strain on the building's structure was also alleviated by the associated weight reduction.

Generally, REIT is limited in its ability to apply funding to capital expenditure in order to distribute roughly 100% of net income. TOKYU REIT, however, is able to undertake capital expenditure to constantly improve its competitiveness due to the accumulation of sufficient retained earnings and by recording depreciation, a non-cash expense.

### The Search for Cost Savings

The highest costs incurred in the real estate leasing business are those related to building maintenance work subcontracted to external suppliers for repairs, cleaning and security. In the second fiscal period, we strove to

## TOKYU REIT Omotesando Square

Before Renovation



After Renovation



reduce these costs further. In particular, in the case of the Resona Maruha Building, we conducted an extensive series of in-depth discussions with other compartmentalized owners, bringing about cost reductions through building maintenance contractor bidding without jeopardizing quality. As a result, compared with the first fiscal period, TOKYU REIT achieved a 50% cost reduction.

### Response to Risk

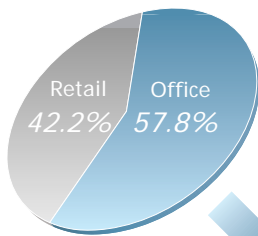
While increasing income and reducing costs, TOKYU REIT takes extensive measures to avoid risks. This is carried out not only through discussions with other PM companies, but also through deliberations in TOKYU REIT's Compliance and Risk Management Committee meetings in order to minimize operational risk. Taking the recent problem in Japan of revolving and automatic doors causing injuries at building entrances, we also made efforts to ensure the safety of escalators located within our retail premises.

## A Stable Portfolio

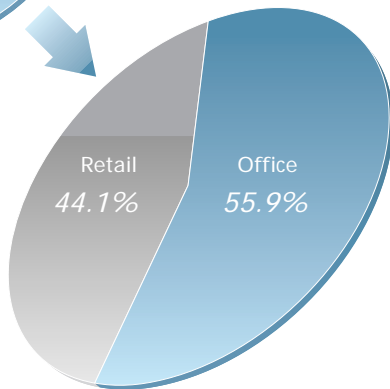
Going beyond the management of individual properties, the Portfolio Management Division engages in the portfolio management of each property held as a single entity. REITs are perceived to have lower risk than other listed financial products such as stock. Of all the REITs, TOKYU REIT distinguishes itself on the soundness of its offering. I would now like to describe the special characteristics of TOKYU REIT from the perspective of portfolio data, beginning with its stability.

### Investment Ratio by Use

September 2003



August 2004



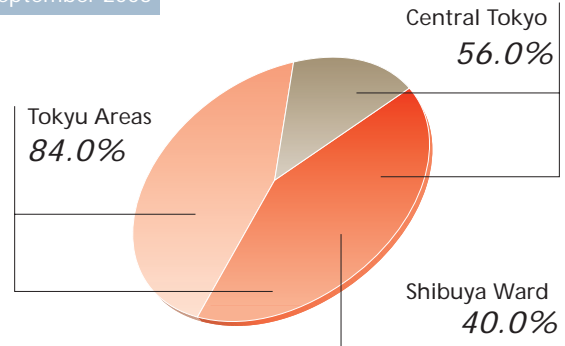
In 2004, there have been more months when consumer spending in Japan has shown a year-on-year increase. The economic recovery seems to be slowly manifesting in consumer confidence. Generally, for office buildings, there is a time lag over a certain period before rents increase—as contracts are renewed—to reflect the economic recovery. On the other hand, sales at retail facilities are expected to increase in tandem with or ahead of the economic recovery.

To benefit from the advantages of an economic recovery in a timely manner, TOKYU REIT introduced new leasing conditions (fixed rent plus sales-linked percentage rent) for two tenants of retail properties at the end of the second fiscal period.

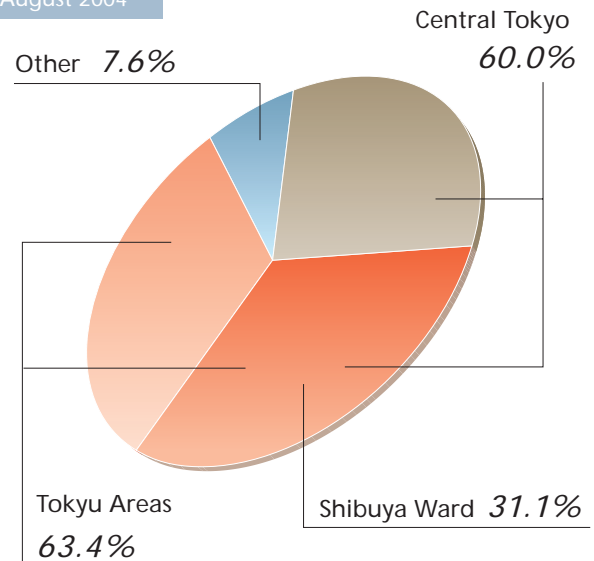
TOKYU REIT aims to stabilize revenues while balancing investments in office properties and retail properties in line with its long-term objective of a 60:40 ratio of office properties to retail properties.

### Investment Ratio by Region

September 2003

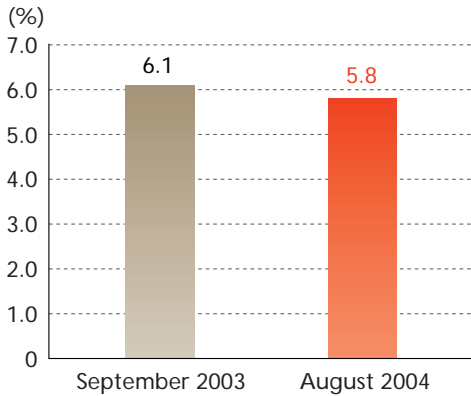


August 2004



TOKYU REIT restricts its investments to regions within metropolitan areas, focusing on the five central Tokyo wards and the Tokyu areas. Our policy is not to blindly accept risk for real estate over the entire country, but to take real estate risk in metropolitan areas where stable economic and population growth is expected.

**Portfolio PML**



Note: PML (Probable Maximum Loss) refers to the expected maximum loss ratio caused by earthquakes and is the percentage of expected loss due to small- and large-level earthquakes (those statistically possible over a 475-year period) that occur during an assumed period for the economic life of a building.

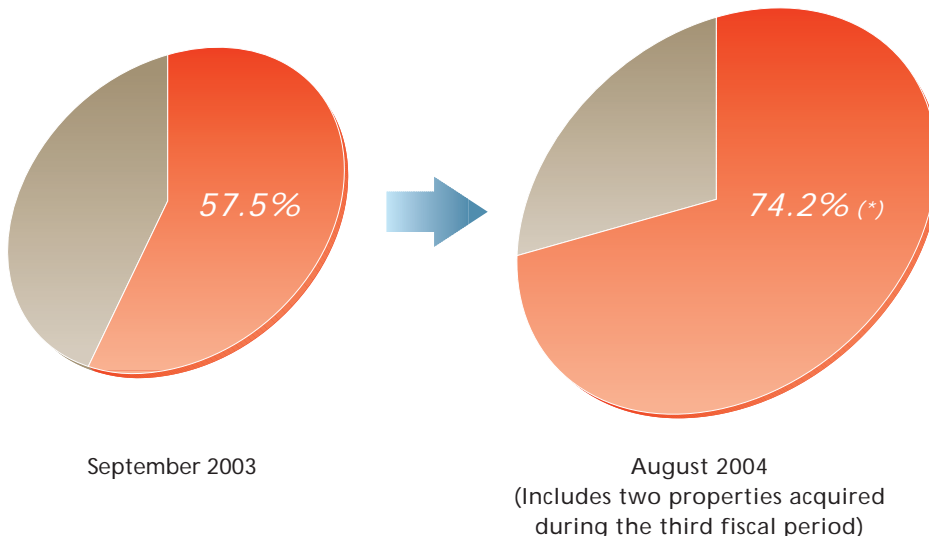
Some people have voiced the concern, "Isn't TOKYU REIT's earthquake risk high due to restricting investment to certain regions?" However, the PML for our total portfolio of 15 properties was 5.8% as of August 31,

2004, a reasonable level of earthquake risk compared with other REITs. This is one reason why TOKYU REIT selects properties on a case-by-case basis, stringently upholds its established investment policy and only acquires buildings with a high earthquake resistance.

At TOKYU REIT, tenants with more than five years remaining on their lease agreements are defined as long-term contract tenants. When TOKYU REIT became a listed company, the ratio of long-term contract tenants was 57.5%. This ratio had increased to 74.2% by August 31, 2004, making for a highly stable portfolio. We are looking into ways to sustain and improve our trust-based relationships with long-term tenants.



**Ratio of Long-Term Contracts (Based on Total Rentable Area)**



Note: 2.6% of long-term contracts have no-revision rent agreements during the contract period.

## Professional Preparedness

I hope that this provides an insight into a small part of our asset management activities. To produce results in line with the expectations of our unitholders, we are making every effort to carry out a series of crucial improvements in the asset management business. Adding to the level of expertise that we have already acquired, we aim to refine our capabilities through innovation and by honing our everyday skills in line with the demands of society. As real estate professionals, we are committed to maintaining the trust of our unitholders and delivering optimal results.



## Nozomi Yanagihara

1982

Entered Tokyu Land Corporation

Engaged in condominium and single-unit housing sales in the Tama Den-en-toshi area for Sales Division. Identified the area's growth potential by keeping in close contact with the real estate market of Tokyu areas.

1986

Set up account management, financial as well as medium- to long-term planning related to condominium and single-unit housing sales at Sales Division, developed a real estate-related accounting service. Engaged in transferring the housing sales business of Tokyu Land Corporation to Tokyu Livable, Inc.

1991

Undertook condominium and office building development planning for the Shibuya and Setagaya areas at Residential & high-to medium-rise Housing Development Division, made first step toward an urban leasing business.

1992

In charge of leasing office buildings to tenants and office market analysis at Urban Development Division, gained vital leasing know-how through direct marketing to prospective tenants. Then participated in the development of retail properties, including La Place de Daikanyama, accumulated expertise in leasing to retail tenants.

1999

While at Building Development Division and Asset Management Division, participated in the liquidation of real estate using special purpose companies (SPC). Built a mechanism for asset financing in support of real estate as a resource. Started to consider the prerequisites for REIT operations, asset management and property management (PM) that were nascent in real estate business at the time.

2000

As the first fund business deal for Tokyu Land Corporation, was involved in the acquisition of the Lexington Aoyama (acquired by TOKYU REIT in September 2003) through an SPC, and was thereafter involved in the asset management business.

2002

Transferred to Tokyu Real Estate Investment Management, Inc. Appointed Executive Officer and General Manager of Portfolio Management Division

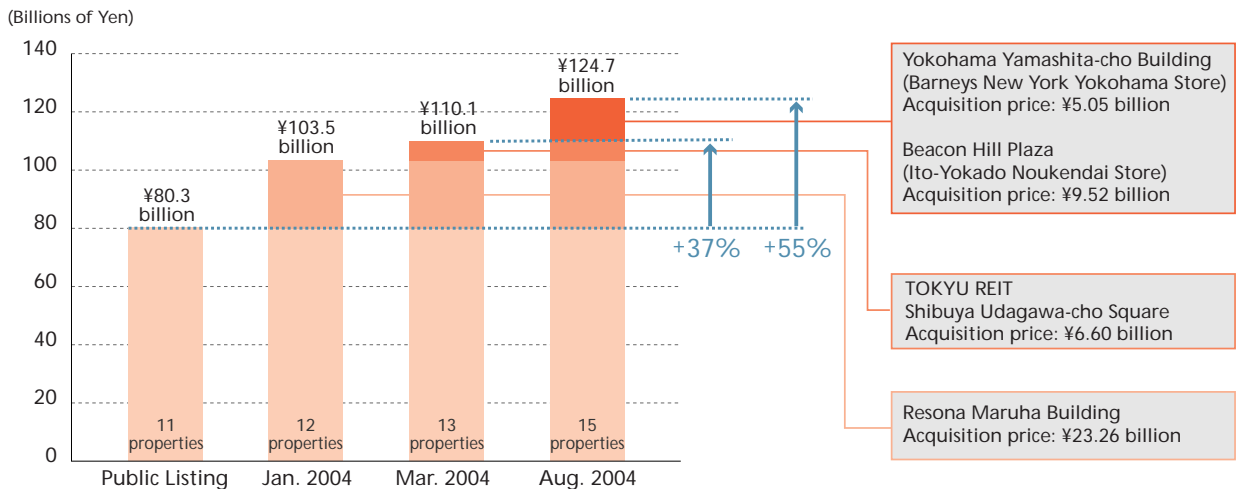
# Portfolio



## Investment Trends

TOKYU REIT's investment in office and retail properties has grown steadily since its public listing in September, 2003, as reflected in the following graph.

Since its public listing, TOKYU REIT has been identifying an investment amount of ¥200 billion to be achieved over a three to five year period. While this may appear a conservative estimate, the underlying driving force of TOKYU REIT is to maximize unitholder value by acquiring properties in line with its investment policy, even if expansion of asset scale is gradual.





# Portfolio Overview

(As of July 31, 2004)

Property Number	Name of Property	Location	Total Land Area (m <sup>2</sup> )	Total Floor Area (m <sup>2</sup> )	Structure/floors	Completion	Type of Ownership	
							Land	Building
R 1	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	Proprietary ownership	Compartmentalized ownership
R 2	Lexington Aoyama	Minami-Aoyama, Minato-ku, Tokyo	776.59	2,342.21	S/RC, B1/4F	Jan. 1998	Proprietary ownership	Proprietary ownership
R 3	TOKYU REIT Omotesando Square	Jingumae, Shibuya-ku, Tokyo	1,259.21	3,321.20	S/SRC, B1/4F	Oct. 1985	Proprietary ownership	Proprietary ownership
R 4	Tokyu Saginuma Building	Saginuma, Miyamae-ku, Kawasaki City, Kanagawa	5,658.00	18,320.87	RC, B1/4F	Sep. 1978	Proprietary ownership	Proprietary ownership
R 5	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
R 6	TOKYU REIT Shibuya Udagawa-cho Square	Udagawa-cho, Shibuya-ku, Tokyo	679.27	(Bldg. 1) 1,473.10 (Bldg. 2) 56.39	S, 3F S, 2F	Jul. 1998 Jun. 1995	Proprietary ownership Proprietary ownership	Proprietary ownership Proprietary ownership
O 1	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)
O 2	Tokyu Nampeidai-cho Building	Nampeidai-cho, Shibuya-ku, Tokyo	2,013.28	7,003.88	SRC, B2/5F	Jul. 1992	Proprietary ownership	Proprietary ownership
O 3	Tokyu Sakuragaoka-cho Building	Sakuragaoka-cho, Shibuya-ku, Tokyo	1,013.03	6,505.39	SRC, B3/9F	Jun. 1987	Proprietary ownership	Compartmentalized ownership
O 4	Tokyo Nissan Taito Building	Moto-Asakusa, Taito-ku, Tokyo	1,718.45	11,373.20	SRC, B2/10F	Sep. 1992	Proprietary ownership	Proprietary ownership
O 5	TOKYU REIT Akasaka Hinokicho Building	Akasaka, Minato-ku, Tokyo	866.61	4,058.92	RC, 7F	Aug. 1984	Proprietary ownership	Proprietary ownership
O 6	TOKYU REIT Kamata Building	Kamata, Ota-ku, Tokyo	1,642.86	10,244.51	S/SRC, B1/9F	Feb. 1992	Proprietary ownership	Proprietary ownership
O 7	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*
R 1	QFRONT	Central Tokyo and Tokyu areas (Shibuya)	15,100	Sep. 10, 2003	4	100.0%	6.7%
R 2	Lexington Aoyama	Central Tokyo	4,800	Sep. 11, 2003	2	100.0%	5.0%
R 3	TOKYU REIT Omotesando Square	Central Tokyo and Tokyu areas (Shibuya)	5,770	Sep. 10, 2003	4	100.0%	11.3%
R 4	Tokyu Saginuma Building	Tokyu areas	6,920	Sep. 10, 2003	1	100.0%	12.3%
R 5	Tokyu Saginuma 2 Building	Tokyu areas	1,290	Sep. 11, 2003	1	100.0%	12.1%
R 6	TOKYU REIT Shibuya Udagawa-cho Square	Central Tokyo and Tokyu areas (Shibuya)	6,600	Mar. 1, 2004	2	100.0%	15.8%
O 1	Setagaya Business Square	Tokyu areas	22,400	Sep. 11, 2003	55	99.2%	5.6%
O 2	Tokyu Nampeidai-cho Building	Central Tokyo and Tokyu areas (Shibuya)	4,660	Sep. 11, 2003	1	100.0%	12.8%
O 3	Tokyu Sakuragaoka-cho Building	Central Tokyo and Tokyu areas (Shibuya)	6,620	Sep. 11, 2003	2	100.0%	13.9%
O 4	Tokyo Nissan Taito Building	Central Tokyo	4,450	Sep. 11, 2003	11	92.4%	10.6%
O 5	TOKYU REIT Akasaka Hinokicho Building	Central Tokyo	3,570	Sep. 10, 2003	4	85.9%	12.6%
O 6	TOKYU REIT Kamata Building	Tokyu areas	4,720	Sep. 10, 2003	5	100.0%	11.0%
O 7	Resona Maruha Building	Central Tokyo	23,260	Jan. 15, 2004	2	88.5%	7.7%
	Total		110,160		94	97.1%	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

As of the second fiscal period-end, TOKYU REIT maintained a retail portfolio comprising six buildings acquired for a total of ¥40,480 million, an increase of one building compared with the first fiscal period-end reflecting the acquisition of TOKYU REIT Shibuya Udagawa-cho Square for ¥6.6 billion.

TOKYU REIT's retail portfolio contains contracts with some tenants that adopt percentage-of-sales rent. For office buildings, it generally takes a certain period of time before higher interest rates in a recovering economy can be reflected in higher leasing revenues from tenants. Sales at retail properties, however, grow in tandem with or ahead of interest rate increases.

By setting rents to a percentage of sales, TOKYU REIT aims to stabilize revenues by closing the gap between interest rate hikes and higher leasing revenues.

\*Note: The percentage-of-sales rent is divided into two portions comprising a fixed portion that sets a rent regardless of a tenant's sales, and a variable portion that changes along with sales. This method allows TOKYU REIT's leasing revenues to increase when sales expand at tenants.

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

### R1 QFRONT

QFRONT is a retail property located directly across from Shibuya Station an area identified as one of Japan's busiest retail districts. The main tenant is Tsutaya Stores Tokyo Co., Ltd., a large rental and retail store of videos and CDs. QFRONT 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 Tokyo's premier retail facilities distinguished by the large LED advertising screen which adorns the outside wall, and has received considerable exposure from a variety of media.



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: 784.26m<sup>2</sup>  
 Total Floor Space: 6,692.14m<sup>2</sup>  
 Structure/Floors: SRC/S, B3/8F  
 Completed: October 1999

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

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



## R<sub>2</sub> Lexington Aoyama

Lexington Aoyama is a retail property along Kotto-dori in the Aoyama district. Main tenants include the specialist apparel company World Co., Ltd., with a long-term lease agreement through 2009, and Unimat Offisco Corporation (LE CAFÉ BLEU), a restaurant operator. Like Omotesando, Kotto-dori offers a high status location in the Aoyama district, attracting the world's leading fashion brands.



Address: 5-11-9, Minami-Aoyama, Minato-ku, Tokyo  
 Nearest Station: Approximately a five-minute walk from Omotesando Station—Tokyo Metro Chiyoda, Ginza and Hanzomon lines  
 Total Land Space: 776.59m<sup>2</sup>  
 Total Floor Space: 2,342.21m<sup>2</sup>  
 Structure/Floors: S/R, B1/4F  
 Completed: January 1998  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership  
 Tenants: World Co., Ltd.; Unimat Offisco Corporation



## R<sub>3</sub> TOKYU REIT Omotesando Square

TOKYU REIT Omotesando Square is a multi-faceted retail property located in Shibuya-ku within one minute's walk of Omotesando Station. The complex contains Barbacoa Grill, offering Churrasco Brazilian barbecue food operated by Wondertable, Ltd. on the first underground floor, and Royal Host, a restaurant managed by Royal Co., Ltd. on the first floor. On floors two through four, there is the GOLD'S GYM sports gymnasium, operated by Think Co., Ltd., and the beauty parlor, to neutral, operated by Acqua Artistic Association, which opened in July 2004.



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: 1,259.21m<sup>2</sup>  
 Total Floor Space: 3,321.20m<sup>2</sup>  
 Structure/Floors: S/SRC, B1/4F  
 Completed: October 1985  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership  
 Representative Tenants: Think Co., Ltd.; Royal Co., Ltd.; Wondertable, Ltd.



## R4 Tokyu Saginuma Building

Tokyu Saginuma Building is located in Miyamae-ku, 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 high growth potential. The entire building is leased to Tokyu Store Corporation, which uses the property as an outlet of its general merchandise store Saginuma Tokyu.



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: 5,658.00m<sup>2</sup>  
 Total Floor Space: 18,320.87m<sup>2</sup>  
 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

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 comprises three floors (the first to third floors) leased to a bank and three underground floors used as a parking facility.



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: 1,807.21m<sup>2</sup>  
 Total Floor Space: 4,409.50m<sup>2</sup>  
 Structure/Floors: SRC, B2/4F  
 Completed: October 1979  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership  
 Tenant: UFJ Bank Limited



## R6 TOKYU REIT Shibuya Udagawa-cho Square

TOKYU REIT Shibuya Udagawa-cho Square is located in the central area of Shibuya, one of Tokyo's main retail and commercial districts, and faces the major retail thoroughfares Inokashira-dori and Shibuya Center-gai. The building's principal tenant is ZARA, a Spain-based retailer of casual clothing. ZARA boasts a global network of over 626 stores in 46 countries (as of January 31, 2004). The restaurant Tsukiji Gindaco, operated by HotLand Corporation, opened in June 2004.



Address: [Bldg.1] 25-10 Udagawa-cho, Shibuya-ku, Tokyo  
 [Bldg.2] 25-5 Udagawa-cho, Shibuya-ku, Tokyo  
 Nearest Station: Approximately a two-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: 679.27m<sup>2</sup>  
 Total Floor Space: [Bldg.1] 1,473.10m<sup>2</sup>  
 [Bldg.2] 56.39m<sup>2</sup>  
 Structure/Floors: [Bldg.1] S, 3F  
 [Bldg.2] S, 2F  
 Completed: [Bldg.1] July 1998  
 [Bldg.2] June 1995  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership  
 Tenant: ZARA Japan Corporation; HotLand Corporation



### Reasons for Acquisition

TOKYU REIT Shibuya Udagawa-cho Square was acquired based on its strengths in the following areas.

#### Location

- Located within an approximate two-minute walk from Shibuya Station in Shibuya, one of Tokyo's main retail and commercial districts.
- Excellent location faces Inokashira-dori and Shibuya Center-gai, the main thoroughfares of Shibuya.

#### Long-Term Contract

- The primary tenant, ZARA Japan Corporation, which operates the ZARA store, has a long-term lease contract that expires in 2013.

#### Latent Added Value

- The property is located in a zone that permits a floor area ratio of 700%. Currently, the building has an unutilized floor area ratio of 475%, creating potential for further use in the future.

TOKYU REIT Shibuya Udagawa-cho Square was acquired from TC PROPERTIES CO., LTD. (formerly Tokyu Construction Co., Ltd.). This acquisition is consistent with TOKYU REIT's fundamental policy to leverage the collective strengths of the Tokyu group and represents a positive step in the purchase of Tokyu group properties. Accordingly, TOKYU REIT's Internal Rules Regarding Related Party Transactions\* have been applied to this transaction.

#### \* Internal Rules Regarding Related Party Transactions

In a property acquisition, the tender offer is determined by referring to the appraisal amount calculated by the real estate appraisers. In property acquisitions from Tokyu group companies, the property is not acquired if the investment exceeds the property's appraised value (excluding taxes and acquisition-related costs). In addition, a written opinion is received from an objective third party such as a trust bank to ascertain the fairness of the appraisal value, which is used as a basis for the tender offer. A summarized version of the appraised value and the written opinion concerning the appraised value are disclosed in a timely manner following the decision to acquire the property.

## Office Properties

As of the second fiscal period-end, TOKYU REIT maintained an office portfolio comprising seven buildings acquired for a total of ¥69,680 million, the same number of buildings as of the previous fiscal period-end.

However, the Resona Maruha Building had two vacant floors (17 and 18) when it was acquired in January 15, 2004, so TOKYU REIT renovated the floors to advanced specifications, increasing the competitiveness of the property. TOKYU REIT was able to lease one of the floors as a result of these measures and activities to attract tenants. The occupancy rate of our office portfolio improved to 95.8% as of the second fiscal period-end, compared with 93.2% as of the first fiscal period-end.



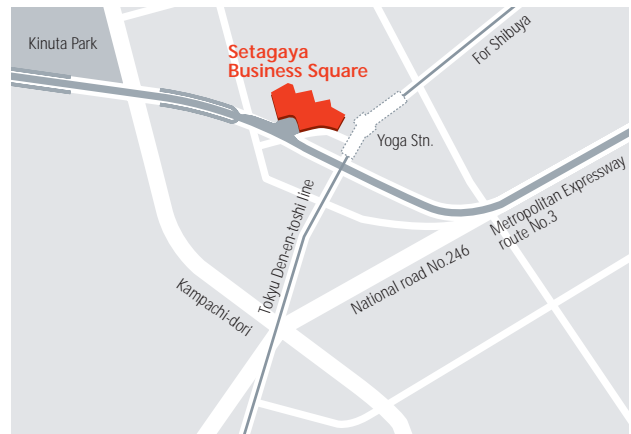
R E T A I L P O R T F O L I O

### 1 Setagaya Business Square

Setagaya Business Square is a large complex 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 sight is a high-traffic area, with good road access (National road No.246, Kampachi-dori and the Yoga interchange on Metropolitan Expressway Route No.3) as well as rail (Yoga Station, approximately 12 minutes to Shibuya Station and 27 minutes to Otemachi Station).



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: 21,315.68m<sup>2</sup>  
 Total Floor Space: 94,373.72m<sup>2</sup>  
 Structure/Floors: SRC/RC/S, B2/28F  
 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



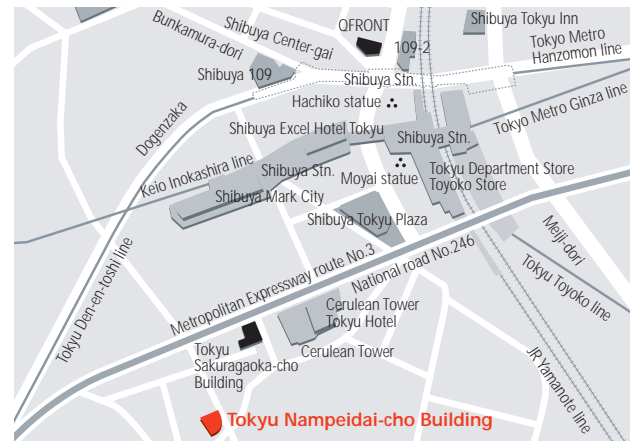
## 2 Tokyu Nampeidai-cho Building

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.



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/ Tokyo Metro Hanzomon and Ginza lines

Total Land Space: 2,013.28m<sup>2</sup>  
 Total Floor Space: 7,003.88m<sup>2</sup>  
 Structure/Floors: SRC, B2/5F  
 Completed: July 1992  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership  
 Tenant: Tokyu Corporation



## 3 Tokyu Sakuragaoka-cho Building

Tokyu Sakuragaoka-cho Building is a nine-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.



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/ Tokyo Metro Hanzomon and Ginza lines

Total Land Space: 1,013.03m<sup>2</sup>  
 Total Floor Space: 6,505.39m<sup>2</sup>  
 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





## 4 Tokyo Nissan Taito Building

Tokyo Nissan Taito Building is a ten-story office building situated along Kiyosubashi-dori. A fixed-term lease 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.



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: 1,718.45m<sup>2</sup>

Total Floor Space: 11,373.20m<sup>2</sup>

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.



## 5 TOKYU REIT Akasaka Hinokicho Building

TOKYU REIT Akasaka Hinokicho Building is a seven-story office building situated along Akasaka-dori. During the first fiscal period, TOKYU REIT renovated floors two to seven, upgrading sanitation facilities, and installed new air conditioners on the vacant sixth floor to increase competitiveness. TOKYU REIT signed a leasing agreement with a new tenant for the sixth floor to come into effect in the third fiscal period (September 2004).



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: 866.61m<sup>2</sup>

Total Floor Space: 4,058.92m<sup>2</sup>

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.



## 6 TOKYU REIT Kamata Building

TOKYU REIT Kamata Building is a nine-story office building adjacent to the Ota City Office. Kamata is an area in the center of Ota-ku, 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 the Tokyu Tamagawa Line and the Keikyū Airport Line enhances the possibility that the area will become even more convenient in the future. (Council for Transport Policy Report No. 18)



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: 1,642.86m<sup>2</sup>  
 Total Floor Space: 10,244.51m<sup>2</sup>  
 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

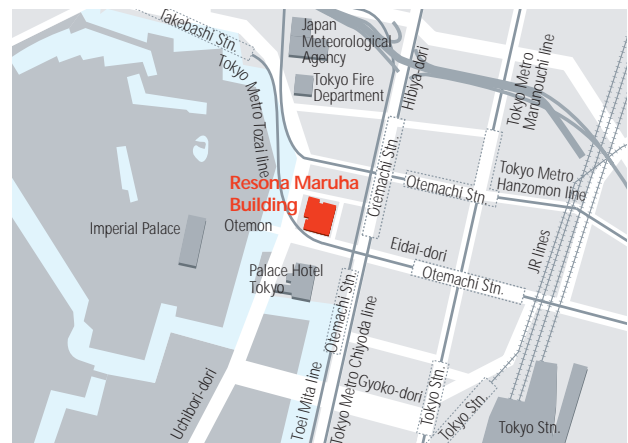


## 7 Resona Maruha Building

Resona Maruha Building is a unique office building facing Uchibori-dori in Otemachi, one of the most highly regarded office building districts in Japan. Six of the eight upper floors that TOKYU REIT acquired are leased to Maruha Corporation. Two of the floors that were vacant during the acquisition underwent substantial renovations, which were finished on June 15, 2004. TOKYU REIT signed a leasing contract with a new client for one of these floors.

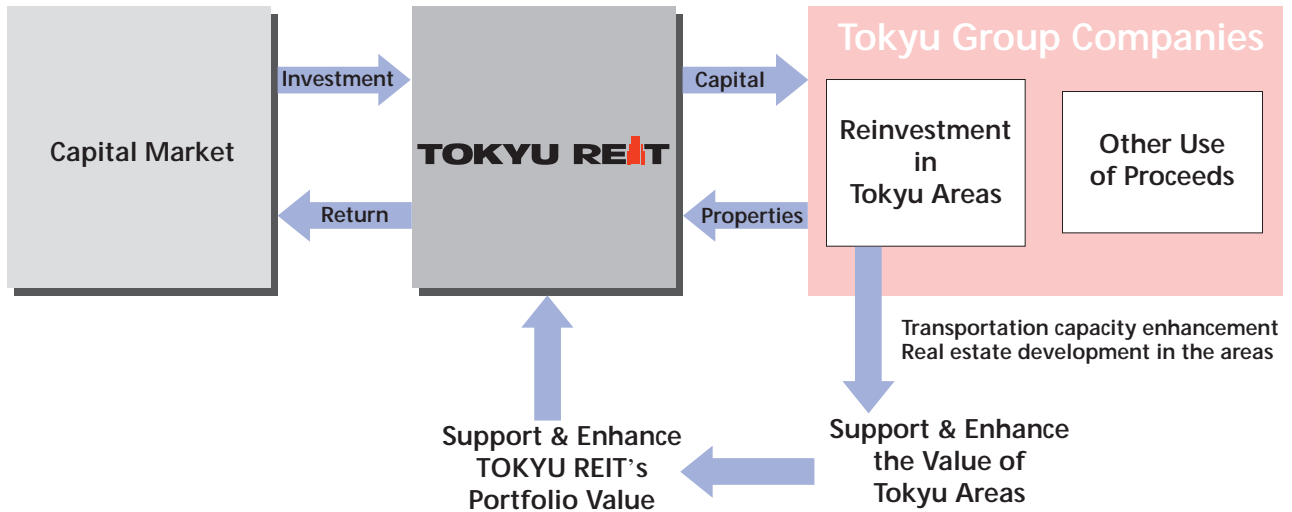


Address: 1-1-2 Otemachi, Chiyoda-ku, Tokyo  
 Nearest Station: Approximately a one-minute walk from Otemachi Station—Tokyo Metro Chiyoda, Hanzomon, Tozai and Marunouchi lines/ Toei Mita line  
 Total Land Space: 6,893.71m<sup>2</sup>  
 Total Floor Space: 74,379.30m<sup>2</sup>  
 Structure/Floors: S/SRC,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



# Capitalize on Synergies with Tokyu Group Companies/Tokyu areas

## Reinvestment of Capital Generated through TOKYU REIT



- One value-enhancing synergy between Tokyu group companies and Tokyu areas is TOKYU REIT's ability to acquire properties from Tokyu group companies. It is very unique that capital invested by TOKYU REIT in properties acquired from Tokyu group companies can be reinvested in Tokyu areas.
- For instance, Tokyu Corporation is involved in transportation capacity enhancement and redevelopment projects in Shibuya, the Tokyu Line Area terminus. We believe that reinvestment in Tokyu areas will make them more attractive for investment and enhance the value of TOKYU REIT's portfolio.
- These strategies are very unique to TOKYU REIT compared with other J-REITs.

# Our Challenges

		Achievements	Objectives
Growth	External Growth	<ul style="list-style-type: none"> <li>■ 4 properties acquired (JPY 44.4 billion)</li> <li>■ Collaboration with Tokyu group companies               <ul style="list-style-type: none"> <li>• Group pipeline in acquisition</li> <li>• Warehousing function</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>■ Acquire additional high-quality properties</li> <li>■ Collaborate with Tokyu group companies</li> </ul>
	Internal Growth	<ul style="list-style-type: none"> <li>■ Leasing-up in Setagaya Business Square, TOKYU REIT Omotesando Square, Resona Maruha Building, etc.</li> <li>■ Introduction of percentage rent system</li> <li>■ Optimal cost control through CapEx control</li> </ul>	<ul style="list-style-type: none"> <li>■ Lease-up of Resona Maruha Building, Setagaya Business Square, TOKYU REIT Akasaka Hinokichio Building</li> <li>■ Increase percentage rent system</li> <li>■ Continue cost reduction effort</li> </ul>
Stability	Portfolio	<ul style="list-style-type: none"> <li>■ Improved portfolio quality               <ul style="list-style-type: none"> <li>• Increased properties in Central Tokyo</li> <li>• Increased large-scale, high quality properties</li> <li>• Portfolio PML improved</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>■ Improve portfolio quality</li> </ul>
	Finance	<ul style="list-style-type: none"> <li>■ Long-term, fixed-rate interest, and dispersion of maturity dates</li> <li>■ Unsecured debt financing introduced</li> <li>■ Cash management by utilizing Beacon Hill Plaza deposit</li> </ul>	<ul style="list-style-type: none"> <li>■ Promote of Long-term, fixed-rate interest</li> <li>■ Diversify financing method incl. by obtaining ratings</li> </ul>
Transparency	Governance	<ul style="list-style-type: none"> <li>■ Fully utilized governance system</li> <li>■ Implementation of internal rules for related-party Transactions</li> </ul>	
	Disclosure and IR	<ul style="list-style-type: none"> <li>■ Web site launched</li> <li>■ Active investor meetings</li> </ul>	<ul style="list-style-type: none"> <li>■ Improve web site</li> <li>■ Hold more investor meetings</li> </ul>

■ The above chart shows TOKYU REIT's achievements and objectives from the viewpoint of its three key strategies: growth, stability and transparency.

■ TOKYU REIT will seek to acquire additional high-quality properties both from third parties and Tokyu group companies.

■ In terms of internal growth, TOKYU REIT seeks to lease-up Resona Maruha Building and TOKYU REIT Akasaka Hinokicho Building and is continuing to promote the introduction of a percentage rent system. TOKYU REIT's cost reduction efforts are ongoing.

■ TOKYU REIT will pursue lower cost debt financing from a wider range of sources.

■ TOKYU REIT will make constant efforts to maintain transparent governance and disclosure by such measures as web site improvements and more frequent investor meetings.

## R7 Yokohama Yamashita-cho Building (Barneys New York Yokohama Store)

The sole long-term leaseholder of Yokohama Yamashita-cho Building (Barneys New York Yokohama Store) is Isetan Company Limited, whose wholly owned subsidiary Barneys Japan Co., Ltd. operates under a sublease. The latter operates a Barneys New York store on the property that, since it opened for business as a select fashion store, has been acknowledged as representing the pinnacle among specialist stores of its kind in Japan. The property also contains two restaurants and a hair salon (mod's hair).

Address: Yamashita-cho 36-1, Naka-ku, Yokohama City, Kanagawa  
 Nearest Station: Approximately a one-minute walk from Motomachi-Chukagai Station-Yokohama Minatomirai line

Total Land Space: 1,350.57m<sup>2</sup>  
 Total Floor Space: 8,583.54m<sup>2</sup>  
 Structure/Floors: SRC, B2/7F  
 Completed: July 1993  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership  
 Tenants: Isetan Company Limited



## R8 Beacon Hill Plaza (Ito-Yokado Noukendai Store)

Ito-Yokado Noukendai Store is a large-scale General Merchandise Store (GMS) with 7,000 *tsubo* (a *tsubo* is Japan's former unit of area and is equivalent to 3.3 m<sup>2</sup>) of shopping space and provides space for 900 vehicles in its parking garage on the premises. The property is not situated in a major investment area, but was judged to be excellent for its location in a retail and commercial district that is expected to bring stable growth.

Address: Noukendai-Higashi 3-1, Kanazawa-ku, Yokohama City, Kanagawa  
 Nearest Station: Approximately a four-minute walk from Noukendai Station-Keihin Kyuko line

Total Land Space: 17,318.78m<sup>2</sup>  
 Total Floor Space: 46,587.87m<sup>2</sup>  
 Structure/Floors: SRC, B2/4F  
 Completed: June 1998  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership  
 Tenants: Ito-Yokado Co., Ltd.



I. Asset management report

1. Financial Highlights

(1) Result of operation and financial position

			2nd fiscal period From February 1, 2004 to July 31, 2004 (182 days)	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	¥ 4,341	¥ 2,896
		Operating income	¥ 1,772	¥ 1,487
		Net income	¥ 1,395	¥ 930
	Operating income	Revenue from property leasing (a)	¥ 4,341	¥ 2,896
		Rental service expenses (b)	¥ 2,056	¥ 1,163
		Depreciation and amortization (included in (b)) (c)	¥ (609)	¥ (467)
		Net Operating Income (a) - (b) + (c)	¥ 2,894	¥ 2,200
	Cash flow	FFO (Funds from Operation) (d) (Note 2)	¥ 2,004	¥ 1,397
		Capital expenditures (e)	¥ 388	¥ 47
		AFFO (Adjusted Funds from Operation) (d) - (e)	¥ 1,616	¥ 1,350
Financial position	Balance sheet	Total assets (f)	¥ 122,583	¥ 118,461
		(Change from the preceding period)	(3.5%)	(-)
		Interest-bearing liabilities (g)	¥ 60,000	¥ 56,700
		Total unitholders' equity (Net assets) (h)	¥ 51,513	¥ 51,048
		(Change from the preceding period)	(0.9%)	(-)
	Portfolio	Unitholders' capital	¥ 50,118	¥ 50,118
		Acquisition costs of properties (Note 3)	¥ 110,160	¥ 103,560
		Book value of properties (Note 3)	¥ 110,449	¥ 104,002
		Appraisal value of properties (i) (Note 3)	¥ 111,740	¥ 103,050
		Number of properties	13	12
Total rentable area (Note 4)	101,518.37 m <sup>2</sup>	99,784.28 m <sup>2</sup>		
Occupancy ratio at the end of period (Note 4)	97.1%	95.3%		
Other	Distrib- -ution	Cash distribution	¥ 1,395	¥ 930
		Dividend per ratio (Note 5)	99.9%	99.9%
	Amount per unit	Number of units	98,000 units	98,000 units
		Unitholders' equity per unit	¥ 525,634	¥ 520,891
		Cash distribution per unit	¥ 14,230	¥ 9,488
	Management index	Return on total unitholders' equity (annualized) (Note 6)	5.5%	4.7%
		Equity ratio (h)/(f)	42.0%	43.1%
		(Change from the preceding period)	(△ 1.1%)	(-)
		Proportion of interest-bearing liabilities to total assets (g)/(f)	48.9%	47.9%
		Proportion of interest-bearing liabilities to appraisal value at the end of period (g)/(i)	53.7%	55.0%
Average market price per unit (Note 7)	¥ 643,097	¥ 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 1st and 2nd periods, 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 down to the second decimal place.
- Note 6.  $\text{Net income} / (\text{net assets at the beginning of the period} + \text{net assets at the end of the period}) / 2 \times 365 / \text{number of days of investment}$
- Note 7. Average price during the period (closing price) at the Real Estate Investment Trust Market of the Tokyo Stock Exchange ("Tokyo Stock Exchange") on which TOKYU REIT Inc. ("TOKYU REIT") is listed.

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

### ① Investment Environment

During the second fiscal period, along with the increase of operating profit and capital expenditure of companies, corporate sentiment improved significantly and the stock market showed a turnaround. In particular, the economic upturn in the Tokyo metropolitan area spreaded over not only the corporate sector, but also the household sector, and consumer confidence showed an improvement. In Tokyo and the nearby three prefectures (Kanagawa, Saitama, and Chiba), population is growing by approximately 190,000 annually, and it is believed the concentration of population has brought firmness of Tokyo metropolitan area economy.

In the office building rental market in Tokyo, demand is showing an upturn with the recovery of business, and the occupancy ratio is rising and remains at the highest level in the country. The offer price for rent is in downtrend, but the degree of downtrend is beginning to moderate, and there are signs of a reversal in some areas.

With respect to the retail properties market, retailer sales continue to decline nationwide, including those of large-scale retailers in Tokyo metropolitan area. While total store space is expanding, each store faces severe competition.

Although the price of land is recovering in some areas of Nagoya City, there is no change in the tendency of expanding disparity between Tokyo and other districts, which bears out the growth potential of Tokyo as the real estate investment targeted area. In addition, according to the benchmark land prices announced in September 2004, the difference between areas where the land price is rising and where they are declining became pronounced, thus appreciation on competitive real estate is on the upturn.

### ② Investment Performance Results

#### a. Acquisition of Properties

Under the conditions stated above, TOKYU REIT carried out investment management following its basic policy of "Investment in highly competitive properties in areas with strong growth potential". TOKYU REIT acquired TOKYU REIT Shibuya Udagawa-cho Square on March 1, 2004 (acquisition cost: 6,600 million yen). The total acquisition costs for 13 properties, and the total rentable area at the end of the second fiscal period amounted to 110,160 million yen and 101,518.37 square meters, respectively.

Furthermore, on July 1, 2004, TOKYU REIT concluded the trust beneficiary transfer agreement of Yokohama Yamashita-cho Building (Barneys New York Yokohama Store) and Beacon Hill Plaza (Ito-Yokado Noukendai Store) (acquired on August 3, 2004). Total acquisition costs and total rentable area amounted to 124,730 million yen and 160,762.96 square meters, respectively.

#### b. Investment Management Control

Through stable investment management, the occupancy ratio of TOKYU REIT at the end of the second fiscal period was 97.1%. During the period, a renovation project was implemented in Resona Maruha Building and successfully attracted a tenant for one floor. Although the tenants occupying the second, third and fourth floor on TOKYU REIT Omotesando Square moved out, new tenants were swiftly obtained for these floors. As a result of this business management, 11 tenants moved out or reduced rented area, but 11 tenants moved in or increased rented area during the second fiscal period. TOKYU REIT showed solid performance in tenant leasing.

#### c. Financing

Because of the acquisition of TOKYU REIT Shibuya Udagawa-cho Square on March 1, 2004, the short-term loan balance increased to 62,200 million yen from 56,700 million yen (secured) as at the end of the first fiscal period. TOKYU REIT prepaid the loans on June 25, 2004, and refinanced it to a long-term loan (fixed rate, unsecured) of 35,000 million yen and to a short-term loan (unsecured) of 25,000 million yen (2,200 million yen was repaid using the cash reserve). This measure is based on the financing policy of TOKYU REIT to secure stability (fixing of interest rate on long term loans in anticipation of rising interest rates), mobility (making unsecured loans in preparation for acquisition of properties) and efficiency (control of funding costs). In addition, at the end of the second fiscal period, the debt ratio with interest to total assets was 48.9% and the weighted average rate for the second fiscal period was 0.83%.

#### d. Corporate Governance

To secure transparency, TOKYU REIT strictly complied with internal rules regarding conflicts of interest and implemented prescribed procedures. For example, since TOKYU REIT Shibuya Udagawa-cho Square was purchased from TC Properties Co., Ltd., a Tokyuu group company, it was acquired at a price not exceeding the real estate appraisal value. Moreover, for a second opinion, TOKYU REIT obtained a written opinion from Chuo Mitsui Trust and Banking Company Limited showing that the purchase price of the targeted property, and the price assessment process, were generally reasonable. This opinion summary was made public. In addition, an audit firm other than TOKYU REIT's auditors confirmed the purchase procedures' compliance with the internal rules regarding conflicts of interest, and its board of directors approved it.

Regarding management fees paid to Tokyuu group companies who, as at the end of second fiscal period, carried out property management of 13 properties, TOKYU REIT received written opinion from the STB Research Institute that the level of property management fees is within the range laid down by other REITs listed on the Tokyo Stock Exchange.

### (3) Issuance of New Investment Units

During the second fiscal period, TOKYU REIT did not increase its capital, so there is no change in the number of units issued or any increase or decrease in the total unitholder's equity.

In addition, at the board of directors held on July 20, 2004, the issuance of new investment units was determined, as set forth below, for the purpose of acquiring properties and repayments of the short-term loans of TOKYU REIT, while payments were completed on August 2 and August 24, 2004. With this issuance, the total unitholder's equity of capital and the number of units issued, as of August 25, 2004, stand at 77,860million yen, and 142,000 units, respectively. Its outline is defined in "(6) Subsequent Events ①Issuance of Investment Units" below. In addition, issuance of investment units until the end of the first fiscal period is as follows:



Date	Remark	Number of units issued		Total unitholders' 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 at offer price of ¥ 530,000 (issue price: ¥ 511,450) in order to raise funds to acquire new property

#### 【Movements of Market Price】

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

	2nd fiscal period From February 1, 2004 to July 31, 2004	1st fiscal period From June 20, 2003 to January 31, 2004
	Yen	
Highest	¥ 702,000	¥ 568,000
Lowest	¥ 550,000	¥ 505,000

#### (4) Distribution Information

With respect to distribution for the second fiscal period, TOKYU REIT determined to distribute the whole unappropriated earnings (except for the rounding amount, which is the distribution per unit of less than ¥ 1) for the second fiscal period to be eligible for special tax treatment (Article 67-15 of Special Taxation Measures Law (Law number 26 in 1957, including subsequent revision) that allows TOKYU REIT to deduct the maximum amount of profit distribution from its taxable income. Accordingly, distribution per unit was ¥ 14,230.

	2nd fiscal period From February 1, 2004 to July 31, 2004	1st fiscal period From June 20, 2003 to January 31, 2004
	Millions of yen, except per unit data	
Unappropriated retained earnings	¥ 1,395	¥ 930
Undistributed earnings	¥ 0	¥ 0
Cash distributions	¥ 1,395	¥ 930
(Cash distribution per unit)	¥ 14,230	¥ 9,488
Distribution of accumulated earnings	¥ 1,395	¥ 930
(Distribution of accumulated earnings per unit)	¥ 14,230	¥ 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

With the concentration of business in Tokyo, the economic upturn of the Tokyo metropolitan area is clear, and local business is still edging up. The increasing disparity between regions is expected to continue, at least for a time. In addition to the concentration of business in Tokyo, bipolarization in Tokyo is becoming obvious. This is because - given the expansion of the property securitization market that brought co-movement of the capital and real estate markets - evaluation of properties based on the capitalization method and risk assessment has become widespread and the tendency "high-return properties increase their value and other properties decline" is expected to intensify in future. Accordingly, TOKYU REIT believes that for REITs, including itself, investment 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 real estate investment market in a balanced way, aiming to expand the scale of business and enhance portfolio quality simultaneously.

### ② Future Policies of Investment Management

In advance of incorporation, TOKYU REIT assumed such future movements through research on business potential, conducted by the investment manager for TOKYU REIT's 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 where growth is expected to continue in future. The selection of individual investment properties is subject to strict investment policy, such as the amount invested in an individual property should be more than ¥ 4,000 million. In addition, to attain external growth, TOKYU REIT will acquire properties from Tokyu group companies and the real estate investment market in a balanced way, aiming to expand the scale of business and enhance portfolio quality simultaneously. Furthermore, collaborating with Tokyu group companies in acquisition and management of investment properties, TOKYU REIT will realize stability and growth of revenue. TOKYU REIT is controlling management costs of property and additional investments in properties.

Moreover, to ensure transparency, Tokyu Real Estate Investment Management Inc., (Tokyu REIM), the investment management company - as the fund manager of a REIT - will strive to attain awareness of fiduciary, define responsibility, and improve external monitoring functions and disclosures. In this way, Tokyu REIM can offer a real estate investment trust as a financial instrument that meets global standards.

### ③ Issues to be Resolved

- For vacant floors in properties such as Resona Maruha Building and Setagaya Business Square, TOKYU REIT aims to generate rental revenues at the earliest feasible time.
- In addition to timely disclosure at the Tokyo Stock Exchange, TOKYU REIT will strive to improve its Web site ([www.tokyu-reit.co.jp](http://www.tokyu-reit.co.jp)) and work to ensure transparency.

(Information after the end of the second fiscal period)

The following events occurred after the end of the second fiscal period:

TOKYU REIT acquired the properties, detailed below, on August 3, 2004. Their general descriptions are as follows:

[R7] Yokohama Yamashita-cho Building (Barneys New York Yokohama Store)

Location	Naka-ku, Yokohama City, Kanagawa
Total land space (Note1)	1,350.57m <sup>2</sup>
Total floor space (Note 1)	8,583.54m <sup>2</sup>
Structure / floors (Note1)	SRC, B2/7F
Completion date (Note 1)	July 1993
Seller	Gemini Capital Corporation
Type of ownership	(Land) Proprietary ownership (Building) Proprietary ownership
Tenants	Isetan Company Limited
Acquisition costs (Note 2)	¥ 5,050 million
Rationale	This property meets the "Targeted investment management and principles" of retail properties provided in the code of TOKYU REIT and was acquired for the purpose of stability and growth of its portfolio.

Note 1. 'Total land space', 'Total floor space', 'Structure / floors' and 'Completion date' are based on the description stated in the registry book of the property. The present status of the said property might not correspond to the descriptions in the registry book.

Note 2. 'Acquisition cost' does not include expenditures incurred (such as trade agency fee, tax and public duty) and is the transfer price of property described in the contract of transfer of beneficial interests in trust.

[R8] Beacon Hill Plaza (Ito-Yokado Noukendai Store)

Location	Kanazawa-ku, Yokohama City, Kanagawa
Total land space (Note1)	17,318.78m <sup>2</sup>
Total floor space (Note 1)	46,587.87m <sup>2</sup>
Structure / floors (Note1)	SRC, B2/4F
Completion date (Note1)	June 1998
Seller	Leo Capital Corporation
Type of ownership	(Land) Proprietary ownership (Building) Proprietary ownership
Tenants	ITO-YOKADO CO., LTD.
Acquisition costs (Note 2)	¥ 9,520 million
Rationale	This property meets the "Targeted investment management and principles" of retail properties provided in the code of TOKYU REIT and was acquired for the purpose of stability and growth of its portfolio. Although this property is not situated in TOKYU REIT's major investment area, it is judged the property is located in the area that is expected stable growth.

Note 1. 'Total land space', 'Total floor space', 'structure / floors' and 'completion date' are based on the description stated in the registry book of the property. The present status of the said property might not correspond to the descriptions in the registry book.

Note 2. 'Acquisition cost' does not include expenditures incurred (such as trade agency fee, tax and public duty) and is the transfer price of property described in the contract of transfer of beneficial interests in trust.

(6) Subsequent events

The following events occurred after the end of the period:

① Issuance of Investment Units

On July 20, 2004, the Board of Directors determined to issue the following new investment units for the purpose of repayments of short-term loans and acquisition of properties, while payments were completed on August 2 and August 24, 2004. As a result, the total amount of capital and the number of issued units became ¥ 77,860 million and 142,000, respectively, on August 25, 2004.

Issuance of Investment Units through Primary Offering	Issuance of Investment Units through Third-Party Allotment
Total number of new units to be issued : 42,000 units	Total number of new units to be issued : 2,000 units
Offering price unit : ¥ 652,484	Offering price per unit : ¥ 652,484
Total offering amount : ¥ 27,404 million	Issue price per unit : ¥ 630,512
Issue price per unit : ¥ 630,512	Total issue amount : ¥ 1,261 million
Total issue amount : ¥ 26,482 million	Payment date : August 24,2004
Payment date : August 2,2004	Issue date of new unit : August 25,2004
Issue date of new unit : August 3,2004	Dividend calculation date : August 1,2004
Dividend calculation date : August 1,2004	Allottee : Nomura Securities Co., Ltd.

2. Company Profiles

(1) Summary of unitholders' contributions

	2nd fiscal period As of July 31, 2004	1st fiscal period As of January 31, 2004
Authorized units (unit)	2,000,000	2,000,000
Units issued (unit)	98,000	98,000
Unitholders' capital (millions of yen)	¥ 50,118	¥ 50,118
Number of unitholders (persons)	9,961	11,363

## (2) Major unitholders

The following table sets forth our major unitholders' information as of July 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
AIG STAR LIFE INSURANCE CO.,LTD. (Standing proxy: Citibank N.A. Tokyo Branch)	Harumi Island Triton Square Office Tower-Z, 1-8-12, Harumi, Chuo-ku, Tokyo (2-3-14, Higashi-shinagawa, Shinagawa-ku, Tokyo)	4,983	5.08
Japan Trustee Services Bank, Ltd. (Trust)	1-8-11, Harumi, Chuo-ku, Tokyo	4,230	4.31
Tokyu Land Corporation	1-21-2, Dogenzaka, Shibuya-ku, Tokyo	3,920	4.00
The Shinwa Bank, Ltd.	10-12, Shimanose-cho, Sasebo City, Nagasaki	3,094	3.16
Trust & Custody Services Bank, Ltd.	Harumi Island Triton Square Office Tower-Z, 1-8-12, Harumi, Chuo-ku, Tokyo	3,008	3.07
The Gibraltar Life Insurance Co., Ltd. (Standing proxy: Japan Trustee Services Bank, Ltd).	2-13-10, Nagata-cho, Chiyoda-ku, Tokyo (1-8-11, Harumi, Chuo-ku, Tokyo)	2,312	2.36
North Pacific Bank, Ltd.	3-11, Odori Nishi, Chuo-ku, Sapporo City, Hokkaido	2,300	2.35
Goldman Sachs International (Standing proxy: Goldman Sachs (Japan) Ltd.)	133 Fleet Street, London EC4A 2BB, U.K. (Roppongi Hills Mori Tower 6-10-1, Roppongi, Minato-ku, Tokyo)	2,124	2.17
Total		36,851	37.60

## (3) Member of the Directors (as of July 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 public accountant, Shinsoh Audit Corporation/ Certified tax accountant, Shinsoh Certified Tax Accountant Office
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) Investment Manager, Asset Custodian and General Administrator at the end of the second fiscal period

Business to be entrusted	Name
Investment 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 board of directors held on July 1, 2004, TOKYU REIT concluded the underwriting contract for additional investment units, nominating, Nomura Securities Co., Ltd, Merrill Lynch Japan 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., Tokai Tokyo Securities Co., Ltd., and Utsumiya Securities Co., Ltd. as underwriters and general administrators entrusted by it under Article 111-1 of the Law for Investment Trust and Investment Trust Company ("the Investment Trust Law"). Payments of the aforementioned public offering were completed on August 2, 2004, and the entrusted business with respect to this public offering is brought to completion as of the date of preparation of this report.

### 3. Portfolio profile

#### (1) Component of assets

Asset type	Type	Area	2nd fiscal period As of July 31, 2004		1st fiscal period As of January 31, 2004	
			Total amount held	Percentage of total assets	Total amount held	Percentage of total assets
			Millions of yen	%	Millions of yen	%
Real property	Retail	Central Tokyo and Tokyu Areas	¥ 6,664	5.4	—	—
		Other	—	—	—	—
		Sub total	6,664	5.4	—	—
Properties trust beneficial interests	Retail	Central Tokyo and Tokyu Areas	33,825	27.6	¥ 33,872	28.6
		Other	—	—	—	—
		Sub total	33,825	27.6	33,872	28.6
	Office	Central Tokyo and Tokyu Areas	69,960	57.1	70,130	59.2
		Other	—	—	—	—
		Sub total	69,960	57.1	70,130	59.2
	Total		103,785	84.7	104,002	87.8
Other assets			12,134	9.9	14,459	12.2
Total assets			¥ 122,583 (¥ 110,449)	100.0 (90.1)	¥ 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 of 'Total assets' represent the portion of actually held properties in the target assets above.

## (2) Major portfolio

Major portfolio held by TOKYU REIT as of July 31, 2004, 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 <sup>2</sup>	m <sup>2</sup>	%	%	
R1	QFRONT	¥ 15,019	4,544.07	4,544.07	100.0	13.5	Retail
R2	Lexington Aoyama	4,797	2,241.65	2,241.65	100.0	3.7	Retail
R3	TOKYU REIT Omotesando Square	5,803	2,702.42	2,702.42	100.0	3.9	Retail
R4	Tokyu Saginuma Building	6,919	19,610.06	19,610.06	100.0	7.1	Retail
R5	Tokyu Saginuma 2 Building	1,286	1,284.60	1,284.60	100.0	1.5	Retail
R6	TOKYU REIT Shibuya Udagawa-cho Square	6,664	1,543.05	1,543.05	100.0	3.2	Retail
O1	Setagaya Business Square	22,005	24,931.53	24,736.39	99.2	29.0	Office
O2	Tokyu Nampeidai-cho Building	4,622	7,148.18	7,148.18	100.0	3.9	Office
O3	Tokyu Sakuragaoka-cho Building	6,592	4,737.19	4,737.19	100.0	5.4	Office
O4	Tokyo Nissan Taito Building	4,381	7,942.63	7,342.64	92.4	5.2	Office
O5	TOKYU REIT Akasaka Hinokicho Building	3,581	3,186.52	2,735.96	85.9	3.1	Office
O6	TOKYU REIT Kamata Building	4,646	7,231.48	7,231.48	100.0	6.5	Office
O7	Resona Maruha Building	24,134	14,414.99	12,756.13	88.5	14.0	Office
Total		¥ 110,449	101,518.37	98,613.82	97.1	100.0	

Note 1. The properties' trust beneficiary interests possessed the said whole of the 12 properties, except TOKYU REIT Shibuya Udagawa-cho Square.

Note 2. 'Rentable area' is the total area of rentable offices, stores and warehouses indicated in the agreements and drawing (common use space is included when leased. Spaces outside buildings are not included). With respect to Tokyu Saginuma Building and Tokyu Nampeidai-cho Building, parking lots are included. Regarding QFRONT, the fiduciary rents the partial space possessed appropriately by other owners and leases them as a block together with the entrusted property, the said space is included in it. For Setagaya Business Square, jointly owned with another owner, the stated figure is given by multiplying rentable area in the whole building by the ratio of common-use space (55%, ratio of co-ownership).

Note 3. 'Leased area' is the amount of square meters actually leased, under lease contracts, out of the total square meters stated in contracts (parking lots, side signboards or other than floors leased under commitments, are not included). For Tokyu Saginuma Building and Tokyu Nampeidai-cho Building, parking lots are included. Regarding QFRONT, the fiduciary rents partial space possessed appropriately by other owners and leases them as a block together with the entrusted property, and the said space is included in it. As to Setagaya Business Square, jointly owned with another owner, the stated figure is given by multiplying rentable area in the whole building by the ratio of common-use space (55%, ratio of co-ownership).

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 July 31, 2004 are as follows:

Name of property	Location	Investment type	2nd fiscal period From February 1, 2004 to July 31, 2004				
			Rentable area	Appraisal value at the end of period	Book value		
			m <sup>2</sup>	Millions of yen	Millions of yen		
Retail Central Tokyo and Tokyo Areas	R1	QFRONT	75-8, Udagawa-cho, Shibuya-ku, Tokyo	Trust	4,544.07	¥ 15,400	¥ 15,019
	R2	Lexington Aoyama	5-235-7, Minami-Aoyama, Minato-ku, Tokyo	Trust	2,241.65	5,030	4,797
	R3	TOKYU REIT Omotesando Square	4-3-18, Jingumae, Shibuya-ku, Tokyo	Trust	2,702.42	5,370	5,803
	R4	Tokyu Saginuma Building	1-1, Saginuma, Miyamae-ku, Kawasaki City, Kanagawa	Trust	19,610.06	7,360	6,919
	R5	Tokyu Saginuma 2 Building	1-18-5, Kodai, Miyamae-ku, Kawasaki City, Kanagawa	Trust	1,284.60	1,290	1,286
	R6	TOKYU REIT Shibuya Udagawa-cho Square	86-2, Udagawa-cho, Shibuya-ku, Tokyo	Real property	1,543.05	6,980	6,664
	Sub total					31,925.85	41,430
Total					31,925.85	41,430	40,489
Office Central Tokyo and Tokyo Areas	O1	Setagaya Business Square	4-260-2, Yoga, Setagaya-ku, Tokyo	Trust	24,931.53	22,700	22,005
	O2	Tokyu Nampeidai-cho Building	12-3, Nampeidai-cho, Shibuya-ku, Tokyo	Trust	7,148.18	4,660	4,622
	O3	Tokyu Sakuragaoka-cho Building	109-9, Sakuragaoka-cho, Shibuya-ku, Tokyo	Trust	4,737.19	6,620	6,592
	O4	Tokyo Nissan Taito Building	2-120-2, Moto-Asakusa, Taito-ku, Tokyo	Trust	7,942.63	4,450	4,381
	O5	TOKYU REIT Akasaka Hinokicho Building	6-1401, Akasaka, Minato-ku, Tokyo	Trust	3,186.52	3,570	3,581
	O6	TOKYU REIT Kamata Building	5-13-7, Kamata, Ota-ku, Tokyo	Trust	7,231.48	5,010	4,646
	O7	Resona Maruha Building	1-2-1, Otemachi, Chiyoda-ku, Tokyo	Trust	14,414.99	23,300	24,134
	Sub total					69,592.52	70,310
Total					69,592.52	70,310	69,960
Total					101,518.37	¥ 111,740	¥ 110,449

Note 1. 'Location' is stated as based on the description shown in the registry book of the property. The present status of the said property might not correspond to the descriptions in the registry book.

Note 2. 'Rentable area' is the total area of rentable offices, stores and warehouses indicated in the agreements and drawings (common use space is included when it is leased. Spaces outside buildings are not included). With respect to the Tokyu Saginuma Building and Tokyu Nampeidai-cho Building, parking lots are included. Regarding QFRONT, the fiduciary rents the partial space possessed appropriately by other owners and leases them as a block together with the entrusted property, and the said space is included in it. For Setagaya Business Square, jointly owned with another owner, the stated figure is given by multiplying rentable area in the whole building by the ratio of common-use space (55%, ratio of joint co-ownership).

Note 3. '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 the laws and rules of the Investment Trust Association, Japan, (based on the report prepared by Japan Real Estate Institute, which adopt the period end date as the date of value estimate) or assessed value (taken from "Real Estate Appraisal Report" by HIRO & REAS network, Inc. and Jones Lang LaSalle IP, Inc. which adopt the period end date as the date of value estimate)

Development of Leasing Business of Properties Held by TOKYU REIT

Name of property		2nd fiscal period From February 1, 2004 to July 31, 2004				1st fiscal period From June 20, 2003 to January 31, 2004				
		Number of tenants	Occupancy ratio	Revenue from property leasing	Percentage of total revenue from property leasing	Number of tenants	Occupancy ratio	Revenue from property leasing	Percentage of total revenue from property leasing	
			%	Millions of yen	%		%	Millions of yen	%	
Retail	R1	QFRONT	4	100.0	¥ 588	13.5	4	100.0	¥ 455	15.7
	R2	Lexington Aoyama	2	100.0	158	3.7	2	100.0	124	4.3
	R3	TOKYU REIT Omotesando Square	4	100.0	169	3.9	3	100.0	149	5.2
	R4	Tokyu Saginuma Building	1	100.0	310	7.1	1	100.0	243	8.4
	R5	Tokyu Saginuma 2 Building	1	100.0	65	1.5	1	100.0	50	1.7
	R6	TOKYU REIT Shibuya Udagawa-cho Square	2	100.0	138	3.2	—	—	—	—
	Sub total			14	100.0	1,428	32.9	11	100.0	1,021
Total			14	100.0	1,428	32.9	11	100.0	1,021	35.3
Office	O1	Setagaya Business Square	55	99.2	1,260	29.0	54	94.8	991	34.2
	O2	Tokyu Nampeidai -cho Building	1	100.0	171	3.9	1	100.0	133	4.6
	O3	Tokyu Sakuragaoka -cho Building	2	100.0	235	5.4	2	100.0	182	6.3
	O4	Tokyo Nissan Taito Building	11	92.4	227	5.2	15	100.0	185	6.4
	O5	TOKYU REIT Akasaka Hinokicho Building	4	85.9	133	3.1	4	85.9	109	3.7
	O6	TOKYU REIT Kamata Building	5	100.0	280	6.5	5	100.0	224	7.7
	O7	Resona Maruha Building	2	88.5	607	14.0	1	78.9	51	1.8
Sub total			80	95.8	2,913	67.1	82	93.2	1,875	64.7
Total			80	95.8	2,913	67.1	82	93.2	1,875	64.7
Total			94	97.1	¥ 4,341	100.0	93	95.3	¥ 2,896	100.0

Note 1. With respect to 'Number of tenants', this 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 2. 'Occupancy ratio' is the percentage of leased areas to rentable area at the end of the period.

(4) Other Assets

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

#### 4. Capital Expenditures for Properties Held

##### (1) Plan of Capital Expenditures

Major capital expenditure for repair and maintenance works of properties held, as scheduled as of the date of this report, is as follows: The estimated construction costs shown 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 expenditure.

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	
O2	Tokyu Nampeidai-cho Building	Shibuya-ku, Tokyo	External wall repair	From November 2004 to December 2004	¥ 17	—	—
O7	Resona Maruha Building	Chiyoda-ku, Tokyo	Work for move-in to 17th floor	From July 2004 to September 2004	¥ 59	—	—

##### (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 ¥ 388 million, and together with ¥ 99 million expenses for repair and maintenance costs, ¥ 487 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 leasing.

Name of property	Location	Objective	Period	Construction costs	
				Millions of yen	
R3	TOKYU REIT Omotesando Square	Shibuya-ku, Tokyo	Renewal of air-conditioning equipment	From March 2004 to June 2004	¥ 23
O7	Resona Maruha Building	Chiyoda-ku, Tokyo	Renovation work	From March 2004 to June 2004	310
Other					55
Total					¥ 388

(3) Reserve for Long-Term Repair and Maintenance Plan

(Reserve for Repair 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 repair and maintenance from cash flow made during the period in order to pay for significant repair and maintenance plans as follows:

	2nd fiscal period From February 1, 2004 to July 31, 2004		1st fiscal period From June 20, 2003 to January 31, 2004	
	Millions of yen			
Reserve at the beginning of the period	¥ 214		—	
Amount transferred to reserve in current period	571		¥ 214	
Reversal from reserves in current period	509		—	
Reserve at the ending of the period	¥ 276		¥ 214	

Note TOKYU REIT took over 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 reserves are included in the "amount transferred to reserve in current period".

5. Expenses and debt

(1) Asset management expenses

	2nd fiscal period From February 1, 2004 to July 31, 2004		1st fiscal period From June 20, 2003 to January 31, 2004	
	Millions of yen			
(a) Asset management fees				
Asset-based fees	¥ 155		¥ 95	
Cash-based fees	145		95	
Unit price-based fees	110	¥ 410	—	¥ 190
(b) Asset custodian and general administration fees		47		22
(c) Director's fees		5		6
(d) Other expenses		52		28
Total		¥ 514		¥ 246

## (2) Short-term debt and Long-term debt

Short-term debt and Long-term debt from each financial institution, as of July 31, 2004, are as follows:

Category	Lender	Draw-down date	Balance as of July 31, 2004	Balance as of January 31, 2004	Average interest rate	Maturity date	Re-payment method	Use of funds	Remark			
			Millions of yen	Millions of yen	%							
Short-term debt	The Bank of Tokyo-Mitsubishi Corporation	September 11, 2003	—	¥ 3,140	0.68260	September 11, 2004	Bullet payment	(Note 2)	Secured and Unguaranteed (Notes 3 and 6)			
	Mizuho Corporate Bank, Ltd.		—	3,140								
	The Mitsubishi Trust and Banking Corporation		—	3,140								
	The Chuo Mitsui Trust and Banking Company, Limited		—	3,140								
	The Sumitomo Trust and Banking Company, Limited		—	3,140								
	The Bank of Tokyo-Mitsubishi Corporation	September 11, 2003	—	3,400		0.87014			September 11, 2004	Bullet payment	(Note 2)	Secured and Unguaranteed (Notes 4 and 6)
	Mizuho Corporate Bank, Ltd.		—	3,400								
	The Mitsubishi Trust and Banking Corporation		—	3,400								
	The Chuo Mitsui Trust and Banking Company, Limited		—	3,400								
	The Sumitomo Trust and Banking Company, Limited		—	3,400								
	The Bank of Tokyo-Mitsubishi Corporation	January 15, 2004	—	4,800	0.47000	August 6, 2004	Bullet payment	(Note 2)	Secured and Unguaranteed (Notes 5 and 6)			
	Mizuho Corporate Bank, Ltd.		—	4,800								
	The Mitsubishi Trust and Banking Corporation		—	4,800								
	The Chuo Mitsui Trust and Banking Company, Limited		—	4,800								
	The Sumitomo Trust and Banking Company, Limited		—	4,800								
	The Bank of Tokyo-Mitsubishi Corporation	June 25, 2004	¥ 2,000	—	0.51750	August 6, 2004			Bullet payment	(Note 2)	Unsecured and Unguaranteed (Note 6)	
	Mizuho Corporate Bank, Ltd.		2,000	—								
	The Mitsubishi Trust and Banking Corporation		2,000	—								
The Chuo Mitsui Trust and Banking Company, Limited	2,000		—									
The Sumitomo Trust and Banking Company, Limited	2,000		—									
The Mitsubishi Trust and Banking Corporation	10,000		—									
The Bank of Tokyo-Mitsubishi Corporation	5,000		—									
Sub total		25,000	56,700									

Long-term debt	The Sumitomo Trust and Banking Company, Limited	June 25, 2004	5,000	—	1.11625	June 25, 2007	Bullet payment	Refinance fund	Unsecured and Unguaranteed (Note 6)
	The Dai-ichi Mutual Life Insurance Company		4,000	—					
	Nippon Life Insurance Company		4,000	—					
	The Norinchukin Bank		4,000	—	1.38875	June 25, 2008			Unsecured and Unguaranteed (Notes 6 and 7)
	The Hyakugo Bank, Ltd.		1,000	—	1.23875				
	The Mitsubishi Trust and Banking Corporation		5,000	—	1.68875	June 25, 2009			Unsecured and Unguaranteed (Note 6)
	The Chuo Mitsui Trust and Banking Company, Limited		5,000	—					
	Aioi Insurance Company, Limited		1,000	—	1.92750	June 25, 2010			Unsecured and Unguaranteed (Notes 6 and 7)
	DAIDO LIFE INSURANCE COMPANY		1,000	—					
	Mitsui Sumitomo Insurance Company, Limited		1,000	—					
	Development Bank of Japan		4,000	—	2.03000	June 25, 2012			Unsecured and Unguaranteed (Note 6)
Sub total	35,000	—							
Total	¥ 60,000	¥ 56,700							

Note 1. 'Average interest rate' is the weighted average interest rate during the period.

Note 2. Fund was used to purchase property and for expenditure pertaining to the purchase.

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

Note 4. Right of pledge was established on the property trust beneficiary interests, of which the trust assets were 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 was established on the property trust beneficial interests, of which the trust asset is the Resona Maruha Building.

Note 6. Depending on the financial position of TOKYU REIT, it is possible that financial restraint may occur, such as addition to interest rate and cash reserve, restraint on acquisition and disposal of assets, debt load and payment, dividends, offerings of additional pledge.

Note 7. Initially, although TOKYU REIT implemented refinance of ¥ 6,000 million from Mizuho Corporate Bank on June 25, 2004, it transferred ¥ 4,000 million to The Hyakugo Bank, Ltd., Aioi Insurance Company, Limited, DAIDO LIFE INSURANCE COMPANY and Mitsui Sumitomo Insurance Company, Limited (¥ 1,000 million each) on the same day.

### (3) Bonds

There was no items that fall under this category.

6. Acquisitions and Dispositions during the second fiscal period

(1) Sales and purchases of properties and asset backing securities

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
Real property	R6 TOKYU REIT Shibuya Udagawa-cho Square	March 1, 2004	¥ 6,600	—	—	—	—
Total			¥ 6,600		—	—	—

Note. 'Acquisition costs' do not include expenditure incurred for acquisition (such as trade agency fee, tax and public duty) and is the transaction cost of the property stated in the sales contract.

(2) Sales and purchases of other assets

Other major assets, excluding properties above and asset backing securities, are generally deposit with banks and deposit 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					
Real property	R6 TOKYU REIT Shibuya Udagawa-cho Square	March 1, 2004	¥ 6,600	¥ 6,680	¥ 6,980
Total			¥ 6,600	¥ 6,680	¥ 6,980

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' do not include expenditures incurred for the acquisition (such as trade agency fee, tax and public duty) and is the transaction cost of the property stated in the sales contract.

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 3".

## (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	¥ 447,933	Yoga District Heating and Cooling Co., Ltd.	¥ 116,827	26.1
Subcontract expenses	355,486	its communications Inc.	20,808	5.9
		Kyodo Gijutsu Center Co., Ltd.	15,265	4.3
		Tokyu Community Co., Ltd.	238,011	67.0
		Tokyu Facility Service, Co., Ltd.	55,363	15.6
Property management fees	95,041	Tokyu Land Corporation	60,163	63.3
		Tokyu Corporation	34,878	36.7
Insurance premium	14,178	Tokyu Insurance Consulting Co., Ltd.	14,178	100.0
Other rental service expenses	109,692	its communications Inc.	55	0.1
		Shibuya Underground Shopping Center, Inc.	897	0.8
		TOKYU AD COMMUNICATIONS Co.,Ltd	125	0.1
		Tokyu Construction Co., Ltd.	1,900	1.7
		Tokyu Community Co., Ltd.	1,999	1.8
		Tokyu Facility Service, Co., Ltd.	163	0.1
		Tokyu Land Corporation	12,312	11.2
		Tokyu Corporation	1,595	1.5
Other operating expenses	52,262	Tokyu Architects & Engineers Inc.	1,400	2.7
		Tokyu Corporation	1,281	2.5

Note 1. A related party is one that has a stake in TOKYU REIT and the investment manager, which is under contract with TOKYU REIT under Article 20 of Enforcement Regulation of Investment Trust Law. In addition to these, "(4) Trading with related party" includes wholly owned subsidiaries by said related party as of July 31, 2004. TOKYU REIT paid for commissions to the following parties during the second period: its communications Inc., Kyodo Gijutsu Center Co., Ltd., Shibuya Underground Shopping Center, Inc., TOKYU AD COMMUNICATIONS Co.,Ltd , Tokyu Construction Co., Ltd., Tokyu Community Co., Ltd., Tokyu Architects & Engineers Inc.,Tokyu Facility Service Co., Ltd., Tokyu Land Corporation, Tokyu Insurance Consulting Co., Ltd., Tokyu Corporation and Yoga District Heating and Cooling Co., Ltd

Note 2. In addition to the commissions paid described above, TOKYU REIT paid for commissions to third parties through Tokyu Community Co., Ltd, Tokyu Land Corporation and Tokyu Corporation ¥ 6 thousand, ¥ 4,564 thousand, and ¥ 19,999 thousand, respectively.

Note 3. In addition to commissions paid as described above, the amount paid for repair and maintenance works placed to related parties are as follows (in addition to those, ¥ 7,122 thousand was paid to third parties for repair and maintenance works through Tokyu Community Co., Ltd., a related party):

Kyodo Gijutsu Center Co., Ltd.	¥ 66 thousand
Tokyu Amenix Corporation	¥ 46 thousand
Tokyu Construction Co., Ltd.	¥ 3,931 thousand



Tokyu Community Co., Ltd.	¥ 4,319 thousand
TOKYU PARKING SYSTEMS CO., LTD	¥ 737 thousand
Tokyu Facility Service Co., Ltd.	¥ 1,411 thousand
Tokyu Land Corporation	¥ 1,822 thousand
Tokyu Renewal Co., Ltd.	¥ 395 thousand
Tokyu Corporation	¥ 868 thousand
Toyoko Industry Co., Ltd.	¥ 150 thousand

- (5) Trading between the investment manager and TOKYU REIT where the investment manager follows other business.

The investment manager (Tokyu Real Estate Investment Management Inc.) does not carry out other business such as Securities Business, Realty Business and Specific Property Joint Undertaking as a Subsidiary Business.

## 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  
There is no item that falls under this category.
- (3) Change in valuation methods  
There is no item that falls under this category.

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
July 1, 2004	Execution of underwriting agreement of issuance of new units and subscription agreement of new investment units pertaining to green shoe option	For issuance of additional investment units, TOKYU REIT entrusted general administration pertaining to this offering to underwriting companies (Nomura Securities Co., Ltd. , Merrill Lynch Japan and 8 companies (Note)). And to grant green shoe options pertaining to additional investment units, TOKYU REIT executed a subscription agreement with Nomura Securities Co., Ltd.

Note. 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., Tokai Tokyo Securities Co., Ltd. and Utsumiya Securities Co., Ltd.

(2) Others

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

**Report of Independent Auditors**

To the Board of Directors of  
TOKYU REIT, Inc.

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

We conducted our audits in accordance with auditing standards generally accepted 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 audits provide 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 July 31, 2004 and January 31, 2004, and the results of its operations for the six months ended July 31, 2004 and for the period from June 20, 2003, the date of incorporation, to January 31, 2004 in conformity with accounting principles generally accepted in Japan.



Tokyo, Japan  
October 14, 2004

**TOKYU REIT, Inc.**  
**Balance Sheets**  
As of July 31 and January 31, 2004

	Millions of yen	
	July 31, 2004	January 31, 2004
<b><u>ASSETS</u></b>		
<b>Current assets:</b>		
Cash and deposits with banks	¥ 947	¥ 1,893
Cash and deposits with banks held in trust	10,099	10,208
Tenant receivables	128	98
Consumption tax refund receivables	-	1,336
Other current assets	29	37
<b>Total current assets</b>	11,203	13,572
 <b>Fixed assets:</b>		
Property and equipment		
Buildings and structures	222	-
Land	6,446	-
Buildings and structures held in trust	27,889	27,530
Land held in trust	76,676	76,676
Other tangible assets held in trust	277	247
Less accumulated depreciation	(1,075)	(466)
Total property and equipment	110,435	103,987
Intangible assets held in trust	14	15
Investments and other assets		
Lease deposits held in trust	876	875
Other assets	55	12
Total investments and other assets	931	887
<b>Total fixed assets</b>	111,380	104,889
<b>Total assets</b>	¥ 122,583	¥ 118,461

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

TOKYU REIT, Inc.  
 Balance Sheets, continued  
 As of July 31 and January 31, 2004

	Millions of yen	
	July 31, 2004	January 31, 2004
<b><u>LIABILITIES</u></b>		
<b>Current liabilities:</b>		
Short-term debt	¥ 25,000	¥ 56,700
Accounts payable	762	528
Rent received in advance	635	638
Accrued expenses and other current liabilities	366	289
<b>Total current liabilities</b>	<b>26,763</b>	<b>58,155</b>
<b>Long-term liabilities:</b>		
Long-term debt	35,000	-
Tenant leasehold and security deposits	191	-
Tenant leasehold and security deposits held in trust	9,114	9,257
Other long-term liabilities	2	1
<b>Total long-term liabilities</b>	<b>44,307</b>	<b>9,258</b>
<b>Total liabilities</b>	<b>71,070</b>	<b>67,413</b>
 <b><u>UNITHOLDERS' EQUITY</u></b>		
Unitholders' capital:		
Units authorized - 2,000,000 units		
Units issued and outstanding - 98,000 units as of		
July 31, 2004 and January 31, 2004	50,118	50,118
Retained earnings	1,395	930
<b>Total unitholders' equity</b>	<b>51,513</b>	<b>51,048</b>
<b>Total liabilities and unitholders' equity</b>	<b>¥ 122,583</b>	<b>¥ 118,461</b>

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

**TOKYU REIT, Inc.**

**Statements of Income and Retained Earnings**

For the six months ended on July 31, 2004 and for the period from June 20, 2003 to January 31, 2004

	Millions of yen	
	For the period from February 1, 2004 to July 31, 2004	For the period from June 20, 2003 to January 31, 2004
<b>Operating revenues:</b>		
Rental revenue	¥ 3,916	¥ 2,631
Other	425	265
<b>Operating expenses:</b>		
Rental service expenses	(2,056)	(1,163)
Asset management fees	(409)	(190)
Other	(104)	(56)
<b>Operating income</b>	1,772	1,487
<b>Non-operating income:</b>		
Interest income	0	0
Other	18	-
<b>Non-operating expenses:</b>		
Interest expense	(253)	(99)
Unit issuance costs	(64)	(255)
Initial public offering related costs	-	(47)
Start-up costs	-	(53)
Other	(77)	(102)
<b>Income before income taxes</b>	1,396	931
Income taxes:		
Current	(1)	(1)
Deferred	0	0
<b>Net income</b>	1,395	930
<b>Retained earnings at beginning of period</b>	0	-
<b>Retained earnings at end of period</b>	¥ 1,395	¥ 930

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

**TOKYU REIT, Inc.**  
**Statements of Cash Flows (Unaudited)**

For the six months ended on July 31, 2004 and for the period from June 20, 2003 to January 31, 2004

	Millions of yen	
	For the period From February 1, 2004 to July 31, 2004	For the period From June 20, 2003 To January 31, 2004
<b>Cash flows from operating activities:</b>		
Income before income taxes	¥ 1,396	¥ 931
Depreciation and amortization	609	467
Interest income	0	0
Interest expense	253	99
Increase in tenant receivables	(31)	(98)
Increase (decrease) in consumption tax refund receivables	1,336	(1,336)
Increase in accounts payable	233	528
(Decrease) increase in rent received in advance	(3)	638
Other, net	71	150
Total	3,864	1,379
Interest received	0	0
Interest paid	(287)	-
Income taxes paid	(1)	-
Net cash provided by operating activities	3,576	1,379
<b>Cash flows from investing activities:</b>		
Payments for purchases of property and equipment	(6,668)	-
Payments for purchases of property and equipment held in trust	(388)	(104,454)
Payments for lease deposits held in trust	-	(874)
Proceeds from tenant leasehold and security deposits	194	-
Payments from tenant leasehold and security deposits	(3)	-
Proceeds from tenant leasehold and security deposits held in trust	378	9,338
Payments for tenant leasehold and security deposits held in trust	(520)	(81)
Payments for restricted deposits with banks held in trust	(378)	(8,383)
Proceeds from restricted deposits with banks held in trust	520	-
Other, net	-	(25)
Net cash used in investing activities	(6,865)	(104,479)
<b>Cash flows from financing activities:</b>		
Proceeds from short-term debt	30,500	56,700
Repayment of short-term debt	(62,200)	-
Proceeds from long-term debt	35,000	-
Proceeds from issuance of investment units	-	50,118
Payment of dividends	(923)	-
Net cash provided by financing activities	2,377	106,818
Net change in cash and cash equivalents	(912)	3,718
Cash and cash equivalents at beginning of period	3,718	-
Cash and cash equivalents at end of period	¥ 2,806	¥ 3,718

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

## TOKYU REIT, Inc.

### Notes to Financial Statements, continued

For the six months ended on July 31, 2004 and for the period from June 20, 2003 to January 31, 2004

#### 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"). 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 85,719.75m<sup>2</sup>). On January 15 and March 1, 2004, TOKYU REIT also acquired the Resona Maruha Building (acquisition costs totaled ¥23,260 million) and TOKYU REIT Shibuya Udagawa-cho Square (acquisition costs totaled ¥6,600 million), respectively. As of July 31, 2004, the end of the second fiscal period, TOKYU REIT had acquired 13 properties in its portfolio with acquisition costs totaling ¥110,160 million and rentable area totaling 101,518.37m<sup>2</sup>. The occupancy ratio at the end of the second fiscal period was approximately 97.1%.

##### (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.

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 first fiscal period, starting from September 10, 2003 when TOKYU REIT acquired its first 5 properties.



TOKYU REIT, Inc.

Notes to Financial Statements, continued

For the six months ended on July 31, 2004 and for the period from June 20, 2003 to January 31, 2004

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** - Property and equipment 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 (including those held in trust):

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

- (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" was 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 for the period from June 20, 2003 to January 31, 2004.
- (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 ¥ 21 thousand and ¥24 thousand are included in other current assets as of July 31, 2004 and January 31, 2004, respectively.
- (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 is 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 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

**TOKYU REIT, Inc.**

**Notes to Financial Statements, continued**

For the six months ended on July 31, 2004 and for the period from June 20, 2003 to January 31, 2004

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 totals ¥25 million and ¥367 million for the period ended July 31, 2004 and for the period ended January 31, 2004, respectively

- (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 July 31, 2004 and January 31, 2004, consisted of the follows:

	Millions of yen	
	July 31, 2004	January 31, 2004
Cash and deposits with banks	¥ 947	¥ 1,893
Cash and deposits with banks held in trust	10,099	10,208
Restricted deposits with banks held in trust	(8,240)	(8,383)
Cash and cash equivalents	¥ 2,806	¥ 3,718

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

TOKYU REIT, Inc.

Notes to Financial Statements, continued

For the six months ended on July 31, 2004 and for the period from June 20, 2003 to January 31, 2004

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

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

	Millions of yen					
	July 31, 2004			January 31, 2004		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Property and equipment						
Buildings	¥ 222	¥ (3)	¥ 219	¥ -	¥ -	¥ -
Land	6,446	-	6,446	-	-	-
Property and equipment held in trust						
Buildings and structures						
Buildings	27,442	(985)	26,457	27,085	(428)	26,657
Structures	447	(29)	418	445	(13)	432
Land	76,676	-	76,676	76,676	-	76,676
Other tangible assets						
Machinery and equipment	144	(22)	122	143	(9)	134
Tools, furniture and fixtures	133	(36)	97	104	(16)	88
Intangible assets held in trust	15	(1)	14	16	(1)	15
Total	¥111,525	¥ (1,076)	¥110,449	¥104,469	¥ (467)	¥104,002

5. Unitholders' equity

TOKYU REIT issues investment 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

On June 25, 2004, TOKYU REIT had decided to refinance short-term debt outstanding as at that date and secured short-term debt totaling ¥62,200 million had been refinanced and replaced by unsecured debt comprising short-term debt of ¥25,000 million and long-term debt of ¥35,000 million. The net book value pledged as collateral to secure short-term debt of ¥56,700 million outstanding as of January 31, 2004 were as follows:

	Millions of yen	
	July 31, 2004	January 31, 2004
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

TOKYU REIT, Inc.

Notes to Financial Statements, continued

For the six months ended on July 31, 2004 and for the period from June 20, 2003 to January 31, 2004

7. Rental revenue and expenses

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

		Millions of yen	
		For the period From February 1, 2004 to July 31, 2004	For the period From June 20, 2003 to January 31, 2004
Revenue from property leasing:			
Rental revenue:			
Rental revenue		¥ 3,055	¥ 1,963
Common area charges		428	333
Parking lot revenue under monthly contract		84	65
Other		349	270
Sub total		<u>3,916</u>	<u>2,631</u>
Other:			
Incidental income		363	237
Other		62	28
Sub total		<u>425</u>	<u>265</u>
Total revenue from property leasing	(a)	<u>4,341</u>	<u>2,896</u>
Rental service expenses:			
Utilities expenses		448	282
Subcontract expenses		355	245
Property management fees		95	69
Repairs and maintenance expenses		100	19
Property-related taxes		325	0
Insurance premium		14	9
Depreciation and amortization		609	467
Other		110	72
Total rental service expenses	(b)	<u>2,056</u>	<u>1,163</u>
Operating income from property leasing activities	(a)-(b)	<u>¥ 2,285</u>	<u>¥ 1,733</u>

**TOKYU REIT, Inc.**

**Notes to Financial Statements, continued**

For the six months ended on July 31, 2004 and for the period from June 20, 2003 to January 31, 2004

**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 July 31, 2004 and for the period ended January 31, 2004.

	For the period From February 1, 2004 to July 31, 2004	For the period From June 20, 2003 to January 31, 2004
Statutory income tax rate	39.39%	39.39%
Deductible cash distributions	(39.36)	(39.34)
Other	0.04	0.08
Effective tax rate	0.07%	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 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 July 31, 2004 and January 31, 2004 and the unitholders' equity per unit as of July 31, 2004 and January 31, 2004.

	For the period From February 1, 2004 to July 31, 2004	For the period From June 20, 2003 to January 31, 2004
Net income per unit	¥ 14,231	¥ 14,856
Weighted-average number of units	98,000 units	62,588 units
	As of July 31, 2004	As of January 31, 2004
Unitholders' equity per unit	¥ 525,634	¥ 520,891

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

TOKYU REIT, Inc.

Notes to Financial Statements, continued

For the six months ended on July 31, 2004 and for the period from June 20, 2003 to January 31, 2004

10. Leases

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

	Millions of yen	
	For the period From February 1, 2004 to July 31, 2004	For the period From June 20, 2003 to January 31, 2004
Due within one year	¥ 4,055	¥ 3,962
Due after one year	34,247	35,891
Total	¥ 38,302	¥ 39,853

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

	Millions of yen	
	For the period From February 1, 2004 to July 31, 2004	For the period From June 20, 2003 to January 31, 2004
Due within one year	¥ 118	¥ 118
Due after one year	2,603	2,662
Total	¥ 2,721	¥ 2,780

**TOKYU REIT, Inc.**

**Notes to Financial Statements, continued**

For the six months ended on July 31, 2004 and for the period from June 20, 2003 to January 31, 2004

**11. The financial results of each property (Unaudited)**

Details on the financial results of each property for the period from February 1, 2004 to July 31, 2004 and for the period from June 20, 2003 to January 31, 2004 were as follows: (Unaudited)

**For the period from February 1, 2004 to July 31, 2004**

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	¥ 588	¥ 236	¥ 352	¥ 61	¥ 291
R2	Lexington Aoyama	158	28	130	7	123
R3	TOKYU REIT Omotesando Square	169	62	107	11	96
R4	Tokyu Saginuma Building	310	51	259	26	233
R5	Tokyu Saginuma 2 Building	65	14	51	8	43
R6	TOKYU REIT Shibuya Udagawa-cho Square	138	3	135	3	132
O1	Setagaya Business Square	1,260	569	691	268	423
O2	Tokyu Nampeidai-cho Building	171	32	139	30	109
O3	Tokyu Sakuragaoka-cho Building	235	49	186	25	161
O4	Tokyo Nissan Taito Building	227	80	147	50	97
O5	TOKYU REIT Akasaka Hinokicho Building	133	42	91	14	77
O6	TOKYU REIT Kamata Building	280	101	179	52	127
O7	Resona Maruha Building	607	180	427	54	373
Total		<u>¥ 4,341</u>	<u>¥ 1,447</u>	<u>¥ 2,894</u>	<u>¥ 609</u>	<u>¥ 2,285</u>

**For the period from June 20, 2003 to January 31, 2004**

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		<u>¥ 2,896</u>	<u>¥ 696</u>	<u>¥ 2,200</u>	<u>¥ 467</u>	<u>¥ 1,733</u>

(\*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.

**TOKYU REIT, Inc.**

**Notes to Financial Statements, continued**

For the six months ended on July 31, 2004 and for the period from June 20, 2003 to January 31, 2004

**12. Distribution information**

The Board of Directors of TOKYU REIT resolved on September 24 and March 26, 2004 to effect payment of cash distributions of ¥14,230 and ¥9,488 per unit to unitholders of record on July 31 and January 31, 2004, respectively. Retained earnings carried forward after the distributions are as follows:

	Millions of yen	
	July 31, 2004	January 31, 2004
Retained earnings at end of period	¥ 1,395	¥ 930
Cash distributions declared	1,395	930
Retained earnings carried forward	¥ 0	¥ 0

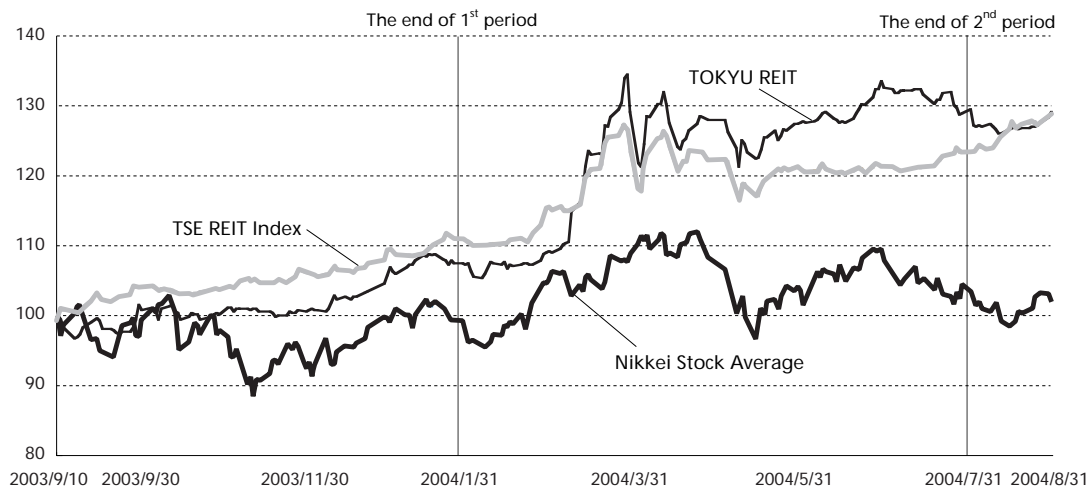
**13. Subsequent events**

On August 3 and August 25, 2004, TOKYU REIT completed a public offering of 42,000 units for the proceeds of ¥26,482 million and a third-party allotment of 2,000 units for the proceeds of ¥1,261 million, respectively. TOKYU REIT intends to use the proceeds for the purpose of repayments of short-term debt and acquisition of properties. As a result, the total amount of capital became ¥77,860 million and the number of issued units became 142,000 on August 25, 2004.



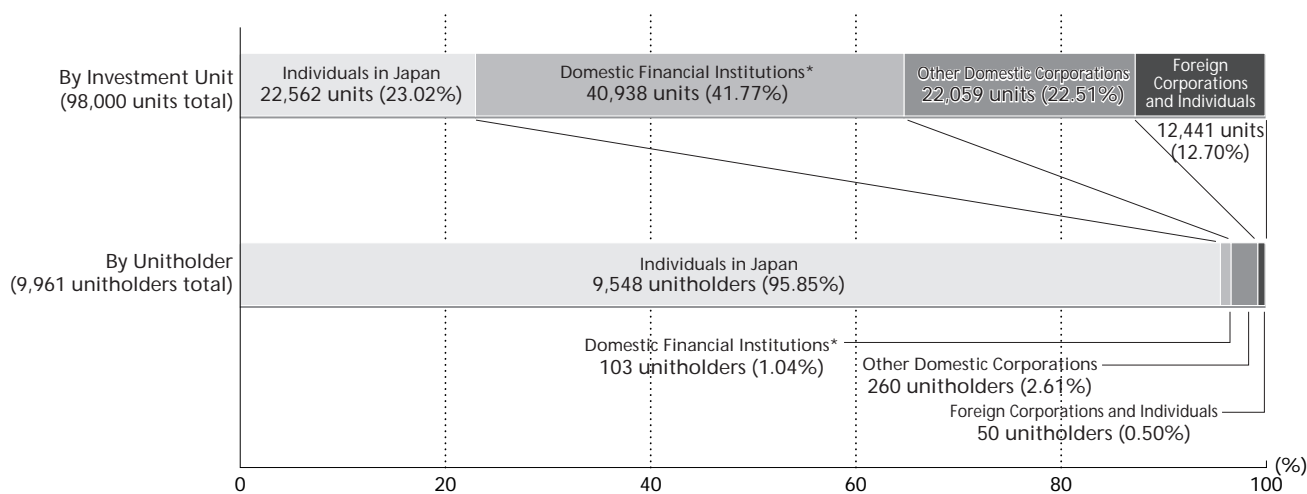
# Unitholder Information

## Unit Price Chart



\* The last price of September 10, 2003, TOKYU REIT was listed, is set to 100.

## Unitholder Composition



\* Securities companies are classified into "Other Domestic Corporations."

## Results Reporting Schedule

	2nd Period	3rd Period
Date of settlement	Jul. 31, 2004	Jan. 31, 2005
Results announcement	Sep. 24, 2004	Late Mar., 2005
Shipment of asset management report	Oct. 19, 2004	Middle Apr., 2005
Payment of dividends	Oct. 19, 2004	Middle Apr., 2005

## Address

1-12-1 Dogenzaka, Shibuya-ku, Tokyo

## Established

June 20, 2003

## Executive Director

Masahiro Horie

## Supervisory Directors

Giichi 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, Toshima-ku, Tokyo

Tel: +81-3-5391-1900

## Transfer Agent's Locations

Nationwide branches of The Mitsubishi Trust and Banking Corporation

## Listing

Tokyo Stock Exchange (8957)

**TOKYU REIT**

**TOKYU REIT, Inc.**  
[www.tokyu-reit.co.jp](http://www.tokyu-reit.co.jp)