

TOKYU REIT

TOKYU REIT, Inc. **Semiannual Report** Third Fiscal Period
From August 1, 2004 to January 31, 2005



QFRONT

QFRONT is a retail property located directly across from Shibuya Station, an area identified as one of Japan's busiest retail districts. QFRONT contains a rental and retail store of videos and CDs, coffee shop, movie theater, and a variety of restaurants. Distinguished by the large LED advertising screen adorning the exterior, QFRONT has received considerable exposure from a variety of media.



TOKYU REIT Shibuya Udagawa-cho Square

TOKYU REIT Shibuya Udagawa-cho Square is a retail property located in the central area of Shibuya and faces the major retail thoroughfares Inokashira-dori and Shibuya Center-gai.

Setagaya Business Square

Setagaya Business Square is an office building situated above Yoga Station on the Tokyu Den-en-toshi Line, approximately 12 minutes from Shibuya Station.

Conveniently located, it can also be accessed by National Road No. 246, Kampachi-dori, and the Yoga interchange on Metropolitan Expressway Route No.3.



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

Yokohama Yamashita-cho Building is a retail property located in an area with a high concentration of popular sightseeing spots for which Yokohama is famous. These sightseeing spots include Motomachi, Yamashita Park, and Chukagai (Chinatown).



Stable Earnings and Cash Distributions through Investment in

TOKYU REIT Kamata Building

TOKYU REIT Kamata Building is an office building adjacent to the Ota City Office. Kamata is an area in the center of Ota-ku, and Kamata station, the closest railway station from this building is a convenient terminal served by two Tokyu railway lines and one JR line.



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. TOKYU REIT owns eight of the building's upper floors.

Fujita Kanko Toranomon Building

Fujita Kanko Toranomon Building is an office building located a one-minute walk from Kamiyacho Station. Since its completion, occupancy at this building has remained stable.



Highly Competitive Properties in Areas with Strong Growth Potential

Beacon Hill Plaza (Ito-Yokado Noukendai Store)

Ito-Yokado Noukendai Store, tenant of Beacon Hill Plaza, is a large-scale general merchandise store. Located in an area characterized by its steadily increasing population and limited vacant land for the development of competing properties, Beacon Hill Plaza offers significant potential for stable profit growth.



TOKYU REIT, Inc. "TOKYU REIT," established on June 20, 2003, listed its units on the Tokyo Stock Exchange on September 10, 2003 and has since grown to become one of Japan's leading real estate investment trusts (J-REIT).

With the ultimate goal of maximizing unitholder value, TOKYU REIT is engaged in asset investment and management based on principles of growth, stability, and transparency. TOKYU REIT is committed to securing stable earnings and cash distributions through investment in highly competitive properties in areas with strong growth potential.

TOKYU REIT invests primarily in retail and office properties located in the five central Tokyo wards (Chiyoda, Chuo, Minato, Shinjuku, and Shibuya wards) and the Tokyu Areas, which refers to the areas serviced by the Tokyu rail network. As of January 31, 2005, the end of TOKYU REIT's third fiscal period, TOKYU REIT held eight retail facilities and eight office buildings, for a total of 16 properties.



TOKYU REIT, Inc. Semiannual Report

Third Fiscal Period
From August 1, 2004 to January 31, 2005

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Highlights

- ↗ Two consecutive periods of increased revenues and income
- ↗ Portfolio growth through property acquisition
- ↗ Outstanding occupancy rate (97.5%) as of January 31, 2005, the end of third fiscal period
- ↗ Implementation of strict corporate governance
- ↗ Financial health and stability through additional issue of new investment units
- ↗ Proactive IR activities

FINANCIAL SUMMARY

■ 3rd Fiscal Period

■ 2nd Fiscal Period

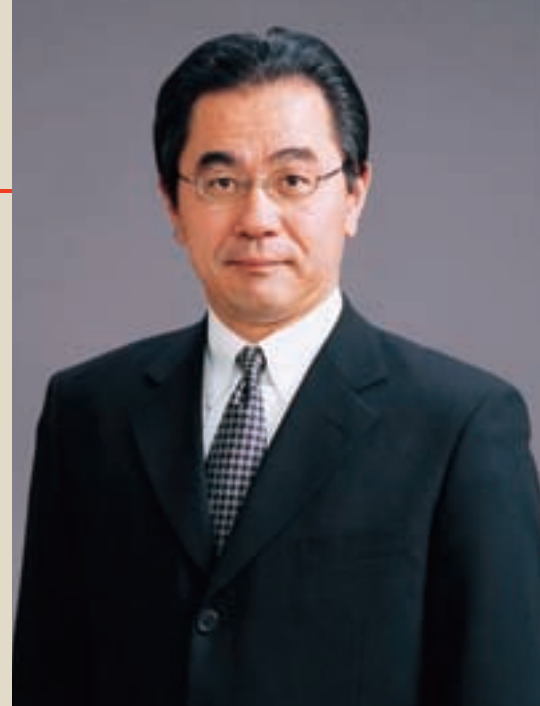
■ Assets		
Total Assets	¥147,230 million	¥122,583 million
■ Debt		
Interest-Bearing Liabilities	¥50,500 million	¥60,000 million
Total Assets Loan-to-Value (LTV) Ratio	34.3%	48.9%
■ Income		
Operating Revenues	¥5,044 million	¥4,341 million
Net Income	¥1,852 million	¥1,394 million
■ Distributions		
Cash Distribution per Unit	¥13,045	¥14,230
■ Valuations		
Average Market Price per Unit	¥690,705	¥643,097
Distribution Yield	3.75%	4.44%

To Our Unitholders

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. In the pages that follow, I would also like to provide an overview of the operating environment and our results for the third fiscal period, August 1, 2004 through January 31, 2005.

Masahiro Horie,

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



Cash Distribution of ¥13,045 Per Unit

In the fiscal period under review, TOKYU REIT experienced an increase in both revenues and income. Operating revenues for the third fiscal period amounted to ¥5,044 million, while net income totaled ¥1,852 million. Spurred by these positive results, TOKYU REIT paid a cash distribution of ¥13,045 per unit. Despite the increase in profits due to growth in our investment portfolio, cash distribution was down from ¥14,230 per unit compared with the second fiscal period owing to the issue of additional investment units in August 2004. While this increase in the number of investment units served to dilute cash distribution per unit, TOKYU REIT experienced an improvement in its interest-bearing liabilities ratio, reflecting repayment of interest-bearing debt. As a result, TOKYU REIT successfully reinforced its financial soundness, minimized the risk associated with interest rate fluctuation, and bolstered its ability to acquire additional properties through debt financing.

Steady Portfolio Expansion Driven by the Acquisition of Three Additional Properties (External Growth)

In the six-month period ended January 31, 2005, TOKYU REIT acquired three additional properties consistent with its fundamental investment policy. On August 3, 2004, we acquired both the Yokohama Yamashita-cho Building (Barneys New York Yokohama

Store) and the Beacon Hill Plaza (Ito-Yokado Noukendai Store). On December 15, 2004, TOKYU REIT acquired the Fujita Kanko Toranomom Building. As a result of the aforementioned acquisitions, TOKYU REIT successfully bolstered the quality of its property portfolio. As of January 31, 2005, our investment portfolio comprised 16 buildings with a total value of ¥133,360 million.

Selective Investment in Growth Areas

Put simply, TOKYU REIT has positioned the acquisition of competitive properties in growth areas at the core of its fundamental investment policy. Growth areas are defined as Central Tokyo, primarily the five central Tokyo wards, and the Tokyu Areas, which refer to the areas serviced by the Tokyu rail network.

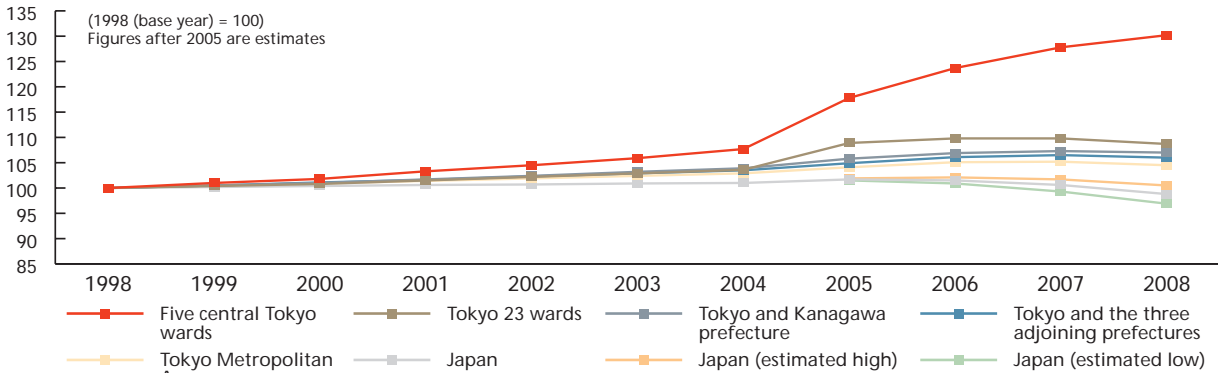
Japan's population is forecast to peak around 2006 and then decline. In the five central wards of Tokyo, however, the population is expected to increase as part of the nation's growing shift toward the Tokyo metropolitan area. At the same time, corporate sector expansion is anticipated to bolster the market for office buildings. Underpinned by a growing concentration toward Tokyo, both from a demographic and economic perspective, the polarization between Tokyo and regional areas is expected to become increasingly prominent.

The number of passengers that utilize the Tokyu rail network and, by extension, the number of households along the Tokyu area continue to rise at an increasingly accelerated pace. This can be attributed to the drop in

residential prices following the collapse of the economic bubble, a shift in residential trends as people become more selective in where they wish to live, and the popularity of the Tokyu Areas. Shibuya, the hub of the

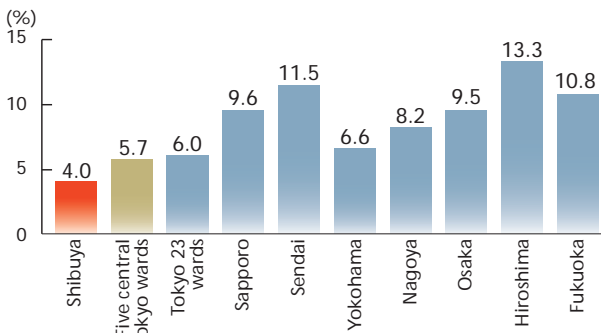
Tokyu rail network, is also attracting an increasing number of passengers. Currently 1.4 million commuters travel through Shibuya utilizing the Tokyu rail network on a daily basis.

Population Trends and Forecasts



Source: "Basic Resident Registers," Statistics Bureau, Ministry of Public Management, Home Affairs, Posts and Telecommunications; "Tokyo and National Population Forecasts by Region," Tokyo Metropolitan Government; "Prefectural and City Government Population Trend Estimates," National Institute of Population and Social Security Research

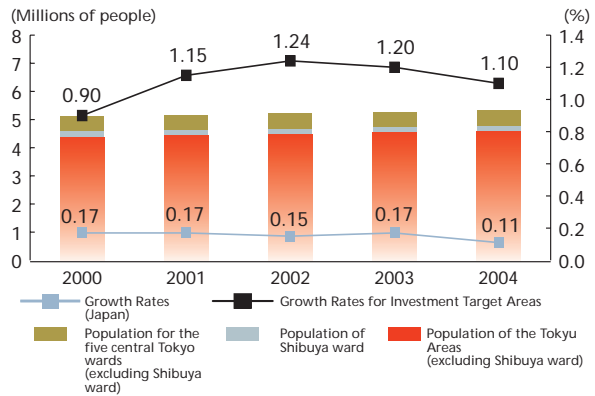
Metropolitan Property Vacancy Rates (December 2004)



Source: Office Market Report and Ikoma Data Service System Co., Ltd., IKOMA CB Richard Ellis

Notes: 1. The above graph (including data for Shibuya ward) was constructed from figures extracted from the source material.
2. The above graph provides vacancy rates for office buildings selected under certain criteria for certain areas of each metropolitan city or ward. They are not vacancy rates for each entire city region.

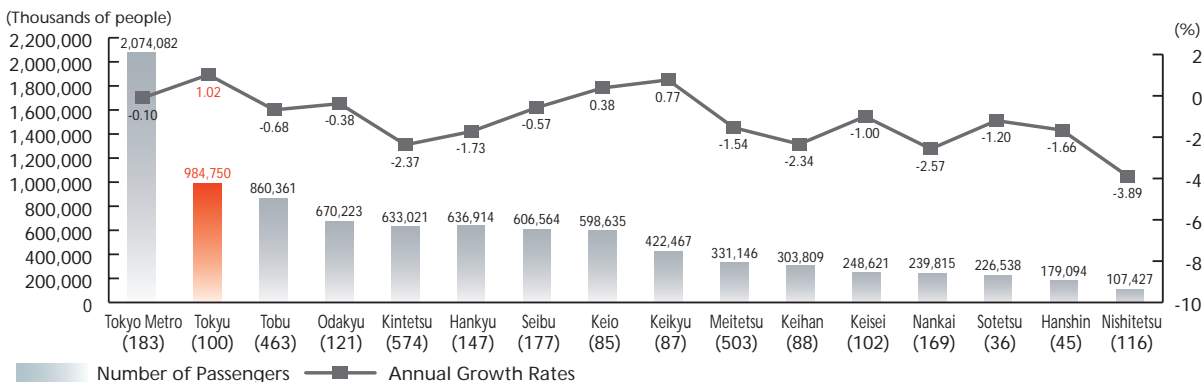
Population Growth by Region (From 2000 to 2004)



Source: "Basic Resident Registers," Statistics Bureau, Ministry of Public Management, Home Affairs, Posts and Telecommunications, compiled by the Japan Geographic Data Center

Note: The above graph was constructed from calculations utilizing figures extracted from the source material.

Fiscal 2003 The Number of Passengers and Fiscal 1999 Through Fiscal 2003 Growth Rates by Private Railway Companies

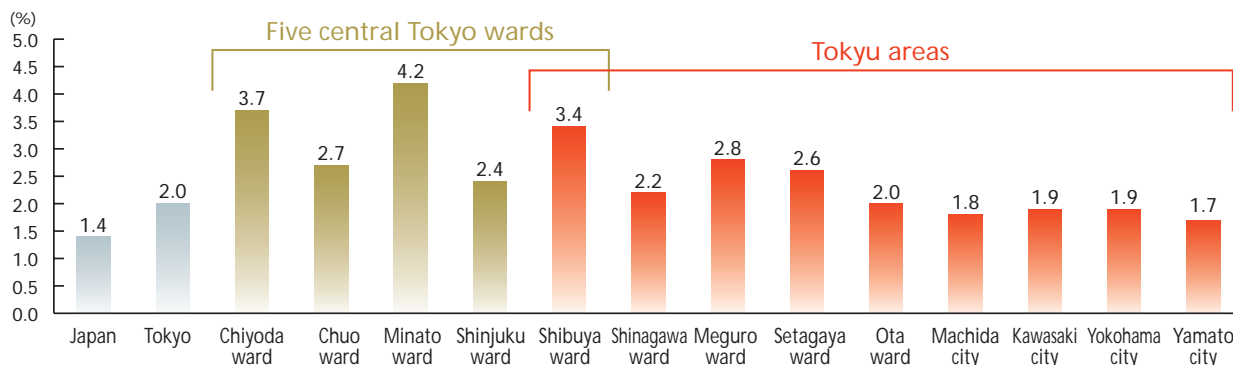


(Figures in parentheses represent the total length in kilometers of the rail network in operation for each private railway.)

Source: Association of Japanese Private Railways

Note: The above graph, including annual growth rates from fiscal 1999 through fiscal 2003, was constructed from figures in the "Overview" section included in the "Profile of Major Private Railways Companies," published by the aforementioned association's report.

Per Capita Taxable Income by Region



Source: "Per Capita Taxable Income," Japan Marketing Education Center

Notes: 1. The above graph was constructed utilizing extracts from a survey of municipal and regional tax conducted by the Ministry of Public Management, Home Affairs, Posts and Telecommunications, and compiled by the Japan Marketing Education Center.

2. Yokohama and Kawasaki cities include districts within the Tokyu Areas excluding government districts.

Strict Investment Criteria — Acquisition of Prime Property

TOKYU REIT adheres to strict criteria in the selection of investment properties, focusing on the competitiveness of each prospective purchase. We strive to establish and maintain a stable and high-quality portfolio comprised entirely of properties that exhibit superior appeal to tenants, minimal risk of earnings fluctuation, and the potential for strong cash flow growth.

In addition, the property market in Japan today is characterized by increasing polarization. This is most evident along two fronts, namely the widening gap between properties located in Tokyo and other regions and the growing disparity between prime real estate

and other properties in Tokyo. Since its establishment, TOKYU REIT has implemented a property acquisition strategy consistent with prevailing conditions. A measure of the success of this strategy is the unrealized capital gain of ¥3.4 billion (2.6%) against book value in connection with our investment portfolio as of January 31, 2005.

Sound Asset Management (Internal Growth)

The primary focus of TOKYU REIT's asset management activities is to reduce the risks associated with the investment properties we have acquired, while at the same time maximizing investment returns. As of the end of the fiscal period under review, 14 properties of our 16-strong investment portfolio were fully tenanted with an overall occupancy rate of 97.5%.

Investment Criteria

	Office Properties	Retail Properties
① Location	With respect to the acquisition of office properties, TOKYU REIT assesses an area's concentration of office buildings, local rental market conditions, the centrality of the nearest train station and the proximity of the property to the nearest train station. In principle, TOKYU REIT only considers office properties that are within a seven-minute walk distance from a train station.	With respect to the acquisition of retail properties, TOKYU REIT conducts a market evaluation. Areas of assessment include the latent purchasing power of the targeted area, growth potential, compatibility between tenants and the business category, current competition conditions and competition from surrounding areas, plans for store openings by competitors, and other factors.
② Property Size	As a general policy, TOKYU REIT only invests in office properties with more than 5,000 m ² of total floor space and at least 330 m ² of proprietary floor space per standard floor.	TOKYU REIT determines the appropriate size of each retail property with consideration of location, market size, the features of the area and standard floor space for each business category, as well as the growth potential of the area.
③ Fixtures	TOKYU REIT invests in office properties with fixtures and equipment that are above standard with respect to floors, ceilings, facilities, common areas and other amenities.	TOKYU REIT considers retail properties individually, giving general consideration to the versatility of such property, the ability to alter its designed use and its accessibility for retail consumers.
④ Investment Amount	In principle, TOKYU REIT looks to invest in properties with an acquisition price exceeding ¥4.0 billion.	
⑤ Earthquake Resistance	TOKYU REIT intends to invest in properties that are in compliance with current earthquake regulatory standards in Building Standards Law, have been reinforced against earthquakes, and have a probable maximum loss (PML) of less than 15%.	

During the third fiscal period, TOKYU REIT secured new tenants for the Tokyo Nissan Taito Building and the TOKYU REIT Akasaka Hinokicho Building, which had remained partially vacant for a short period. Tenants were also found for one of three floors vacated in tower building of the Setagaya Business Square. Accounting for these and other tenant movements, TOKYU REIT continued its strong tenant management and leasing performance. During the fiscal period under review, eight tenants terminated all or part of their leasing spaces. This was offset by the increase in leased floor space by existing tenants and leasing agreements executed by seven new tenants.

Despite the incidence of typhoons and earthquakes, natural disasters have had little or no impact on TOKYU REIT’s investment portfolio. As part of our risk management initiatives, we established a communication system with related parties and implemented a comprehensive structure for information disclosure. In order to bolster the aforementioned initiatives, TOKYU REIT also incorporates earthquake disaster risk analysis obtained from external specialists.

Collaboration with Tokyu Group Companies

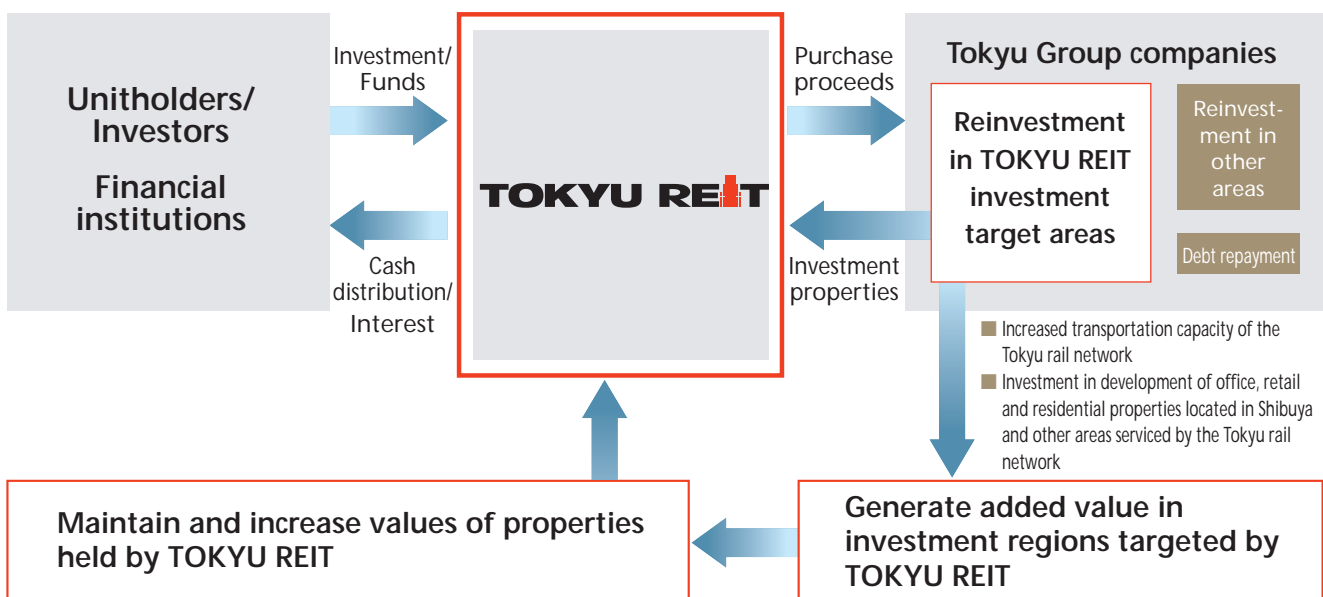
TOKYU REIT will continue to take full advantage of the management resources, including expert personnel,

accumulated property acquisition and management know-how of Tokyu Group companies with the aim of accelerating cash flow growth.

In particular, TOKYU REIT will utilize the “Pipeline Support” established with Tokyu Group companies, specifically the first option in connection with the sale of certain properties by Tokyu Corporation and Tokyu Land Corporation in the event either company decides to dispose of properties to third parties. As of March 31, 2005, seven of our 17-strong investment portfolio (total acquisition price ¥63,590 million), including QFRONT and the Setagaya Business Square, were property developments of Tokyu Group companies.

Creating a positive investment cycle, the proceeds paid to Tokyu Corporation, Tokyu Land Corporation, and other Tokyu Group companies are in part reinvested in the form of rail network, transportation capacity enhancement, property development projects, and the construction of office buildings, retail properties, residential and other developments in those areas targeted by TOKYU REIT. This generates added value and contributes to enhance the value of the area in which TOKYU REIT invested portfolio is located.

TOKYU REIT will continue to collaborate with Tokyu Group companies in an effort to maximize growth potential.



Corporate Governance

While maximizing the benefits to accrue from collaboration with Tokyu Group companies, TOKYU REIT adheres strictly to statutory requirements in connection with related-party transactions. To bolster this effort, we adopt strict internal rules to ensure clarity and transparency in our business activities. For example, TOKYU REIT does not acquire properties from Tokyu Group companies where the acquisition price exceeds the appraisal value determined by a third party licensed appraiser. At the same time, TOKYU REIT also obtains a second opinion from an independent third party as to the accuracy of the appraisal value in question. Regarding management fees paid to Tokyu Group companies, TOKYU REIT obtains a written third-party opinion confirming that the level of property management fees paid is within a range comparable with other publicly listed REITs.

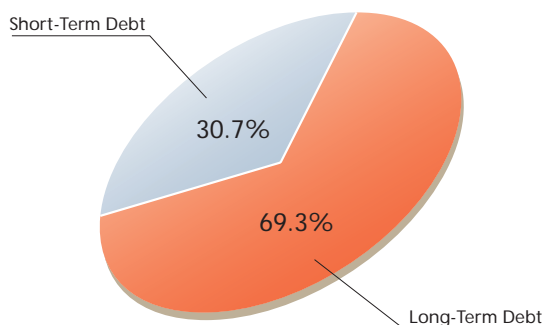
As an additional measure, the prior approval of Board of Directors of TOKYU REIT is required before we enter into any related-party transaction. As I hold the concurrent position of president and chief executive officer of Tokyu Real Estate Investment Management Inc., TOKYU REIT's asset management company, I am excluded from this decision-making process. Related-party transactions are accordingly approved by two supervisory directors who are independent from Tokyu Group companies. During the fiscal period under review, TOKYU REIT's Board of Directors met 13 times and discussed 21 items, including matters in connection with related-party transactions. In conjunction with two highly respected supervisory directors and within the framework of the Investment Trust Law, TOKYU REIT actively promotes material and committee-style management and the implementation of global standard corporate governance.

Financial Soundness Through Capital Increase

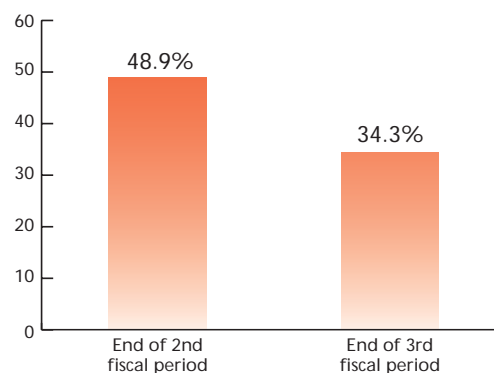
During the six months ended January 31, 2005, TOKYU REIT procured funds based on its fundamental financing policy to secure stability, flexibility, and efficiency. On August 3, 2004 and August 25, 2004, TOKYU REIT procured funds totaling ¥27,700 million through the

issue of 42,000 and 2,000 additional investment units, respectively. Proceeds were used to acquire the Yokohama Yamashita-cho Building (Barneys New York Yokohama Store) and the Beacon Hill Plaza (Ito-Yokado Noukendai Store), and to repay short-term debt. As a result, short-term debt as of January 31, 2005, fell ¥16,500 million from a balance of ¥25,000 million as of July 31, 2004. The closing balance of unsecured short-term debt as of the end of the fiscal period under review was ¥15,500 million, after repayments of ¥1,500 million brought forward on November 25, 2004 that utilized cash reserves, and drawdown of ¥8,500 million to fund the acquisition of the Fujita Kanko Toranomon Building on December 15, 2004. The period-end balance of interest-bearing liabilities was ¥50,500 million including long-term debt of ¥35,000 million. Accounting for all these factors, the debt ratio with interest to total assets was 34.3% and the average interest rate was 1.25%.

Ratio of Long-Term and Short-Term Debt to Total Debt



Ratio of Total Assets Loan-to Value (LTV) at the End of 2nd and 3rd Fiscal Period



Proactive Investor Relations

In addition to regulatory requirements, TOKYU REIT is committed to the timely disclosure of useful and

relevant information for investors. In an effort to ensure management transparency, TOKYU REIT utilizes a variety of media including its web site (URL: www.tokyu-reit.co.jp/), press releases, and other disclosure documents.

TOKYU REIT's Data Book, for example, which provides details of our investment portfolio, is well regarded by investors. In addition to an English web site, TOKYU REIT also publishes a semiannual report that includes details of our funds management policies, property and other information. Our goal is to provide investors with a better understanding of TOKYU REIT, its business, strategies, and future prospects.

TOKYU REIT also positions investor relations as a core priority for management. In the third fiscal period alone, management called on approximately 150 institutional investors both in Japan and overseas with the aim of explaining its investment policies and performance. In the future, TOKYU REIT will continue to promote and reinforce investor relations activities in an effort to expand its investor base from individual through institutional investors.

Fourth Fiscal Period Outlook

For the fourth fiscal period ending July 31, 2005, TOKYU REIT estimates operating revenues of ¥5,637 million, net income of ¥1,888 million, and a cash distribution of ¥13,300 per unit.

Against the cash distribution of ¥13,045 per unit in the third fiscal period, the forecast increase is attributed to a full-period's contribution from the Fujita Kanko Toranomom Building, acquired on December 15, 2004, and the purchase of PICASSO347 (Shibuya-ku 1-chome) on April 6, 2005.

As of March 31, 2005, there were 16 real estate investment trusts in Japan. This number is expected to double in the next one or two years. Against this backdrop, TOKYU REIT will continue to invest in competitive properties located in growth areas, pursue further collaboration with Tokyu Group companies, and promote transparency in management and business activities. As a result of these fundamental policies, TOKYU REIT will ensure stable earnings and cash distribution, and secure an unrivalled position in the J-REIT market.

April 2005



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.

Portfolio



Beacon Hill Plaza (Ito-Yokado Noukendai Store) (p. 20)



Yokohama Yamashita-cho Building (Barneys New York Yokohama Store) (p. 20)



Setagaya Business Square (p. 23)



OFRONT (p. 17)



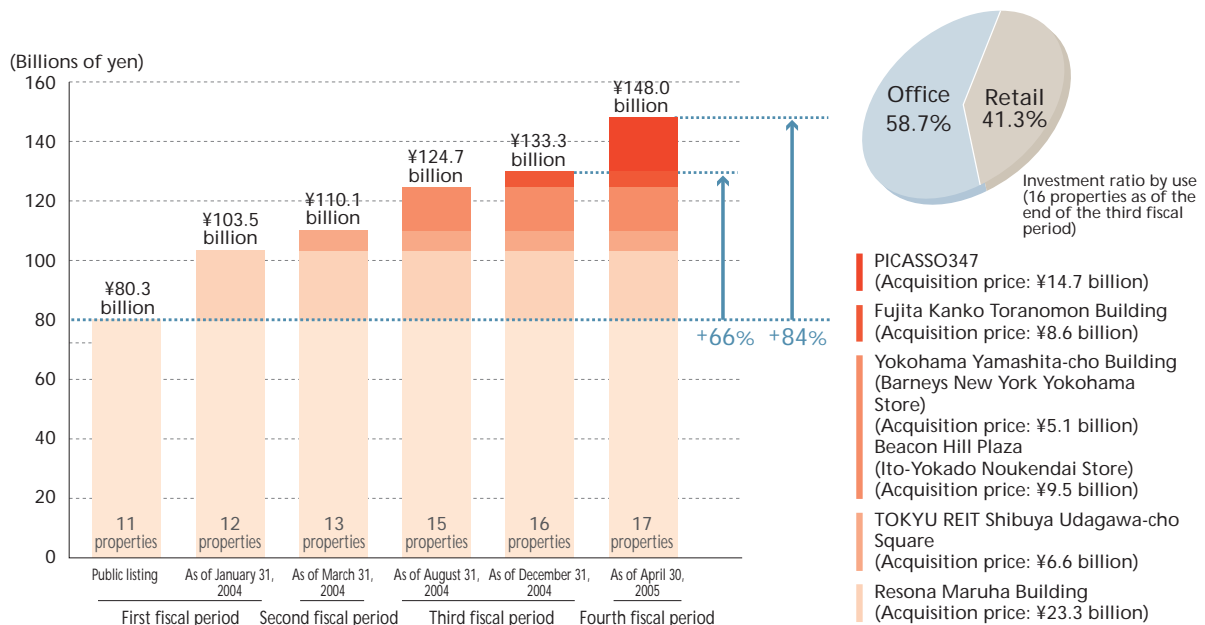
Fujita Kanko Toranomon Building (p. 28)

Investment Trends

TOKYU REIT observes strict selection criteria in its acquisition of investment properties. TOKYU REIT focuses on highly competitive office and retail properties located in major metropolitan areas.

TOKYU REIT has also identified an investment portfolio target of ¥200 billion by the end of the seventh fiscal period (the fiscal period ending January 31, 2007). Since its public listing in September 2003, TOKYU REIT has steadily increased its investment portfolio, as shown in the graph that follows.

In its focus on investment in office and retail properties, TOKYU REIT strives to maintain a ratio of 60% investment in office buildings and 40% investment in retail facilities, over the long term. As of the end of the third fiscal period, the ratio of office and retail property investment stood at 58.7% and 41.3%, respectively.



Portfolio Overview

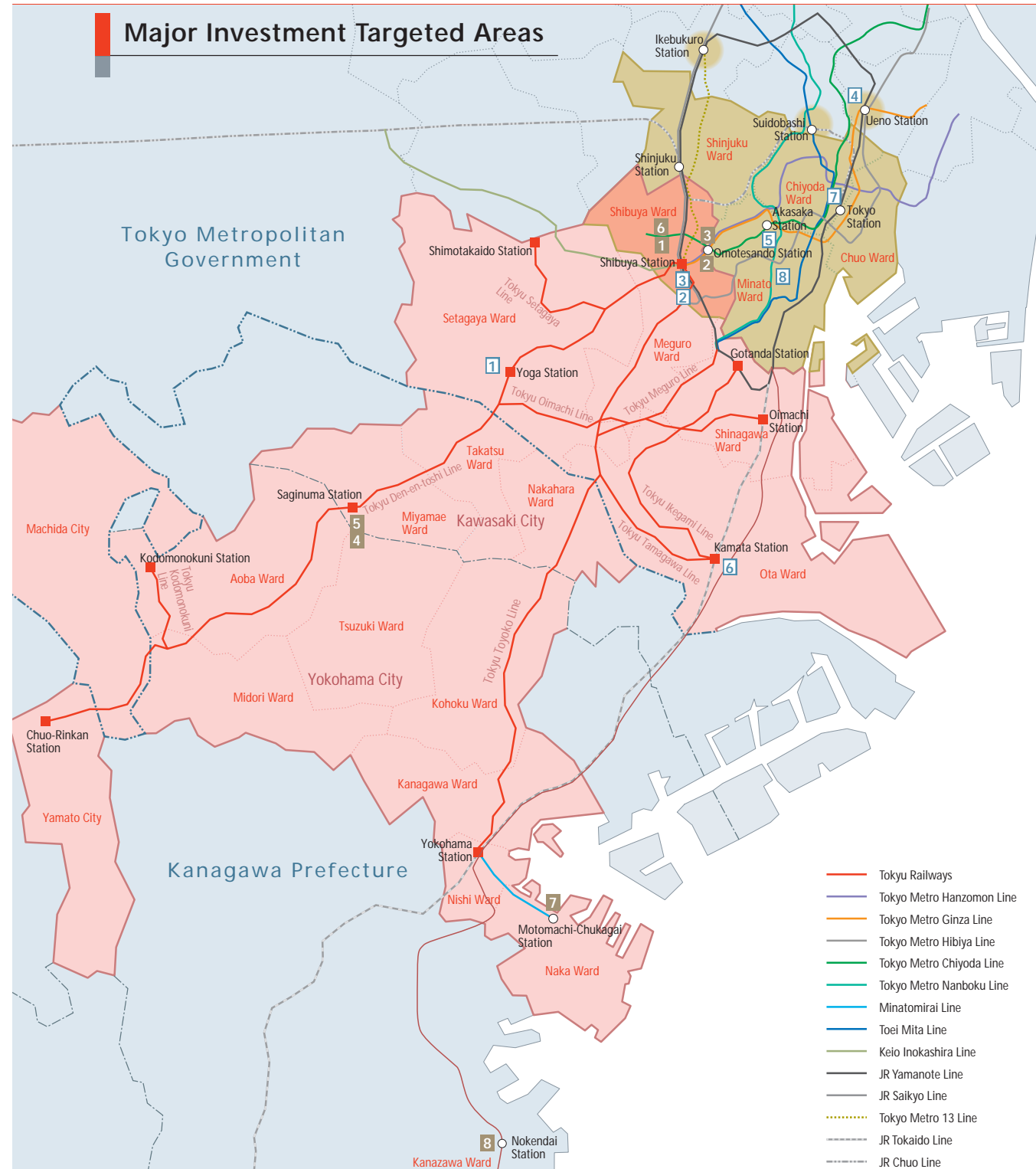
(As of January 31, 2005)

Property Number	Name of Property	Location	Total Land Area (m ²)	Total Floor Area (m ²)	Structure/floors	Completion	Type of Ownership	
							Land	Building
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
2	Lexington Aoyama	Minami-Aoyama, Minato-ku, Tokyo	776.59	2,342.21	S/R, B1/4F	Jan. 1998	Proprietary ownership	Proprietary ownership
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
4	Tokyu Saginuma Building	Saginuma, Miyamae-ku, Kawasaki City, Kanagawa	5,658.00	18,320.87	R, B1/4F	Sep. 1978	Proprietary ownership	Proprietary ownership
5	Tokyu Saginuma 2 Building	Kodai, Miyamae-ku, Kawasaki City, Kanagawa	1,807.21	4,409.50	S/R, B2/4F	Oct. 1979	Proprietary ownership	Proprietary ownership
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
7	Yokohama Yamashita-cho Building (Barneys New York Yokohama Store)	Yamashita-cho, Naka-ku, Yokohama City, Kanagawa	1,350.57	8,583.54	S/R, B2/7F	Jul. 1993	Proprietary ownership	Proprietary ownership
8	Beacon Hill Plaza (Ito-Yokado Noukandai Store)	Noukandai-Higashi, Kanazawa-ku, Yokohama City, Kanagawa	17,318.78	46,587.87	S/R, B2/4F	Jun. 1998	Proprietary ownership	Proprietary ownership
1	Setagaya Business Square	Yoga, Setagaya-ku, Tokyo	21,315.68	94,373.72	S/R/R/S, B2/28F	Sep. 1993	Co-ownership (55% interest)	Co-ownership (55% interest)
2	Tokyu Nampocho Building	Nampocho, Shibuya-ku, Tokyo	2,013.28	7,003.88	S/R, B2/5F	Jul. 1992	Proprietary ownership	Proprietary ownership
3	Tokyu Sakuragaoka-cho Building	Sakuragaoka-cho, Shibuya-ku, Tokyo	1,013.03	6,505.39	S/R, B3/9F	Jun. 1987	Proprietary ownership	Compartmentalized ownership
4	Tokyo Nissan Taito Building	Moto-Asakusa, Taito-ku, Tokyo	1,718.45	11,373.20	S/R, B2/10F	Sep. 1992	Proprietary ownership	Proprietary ownership
5	TOKYU REIT Akasaka Hinokicho Building	Akasaka, Minato-ku, Tokyo	866.61	4,058.92	R, 7F	Aug. 1984	Proprietary ownership	Proprietary ownership
6	TOKYU REIT Kamata Building	Kamata, Ota-ku, Tokyo	1,642.86	10,244.51	S/S/R, B1/9F	Feb. 1992	Proprietary ownership	Proprietary ownership
7	Resona Maruha Building	Otemachi, Chiyoda-ku, Tokyo	6,893.71	74,379.30 (Compartmentalized ownership 19,542.77)	S/S/R, B4/25F	Nov. 1978	Co-ownership (27% interest)	Compartmentalized ownership
8	Fujita Kanko Toranomon Building	Toranomon, Minato-ku, Tokyo	1,728.38	15,343.73 (9,688.59)	S/R-R, B2/9F	Apr. 1985	Co-ownership of the right to use the underlying building site (73.585%)	Compartmentalized ownership and co-ownership of compartmentalized ownership

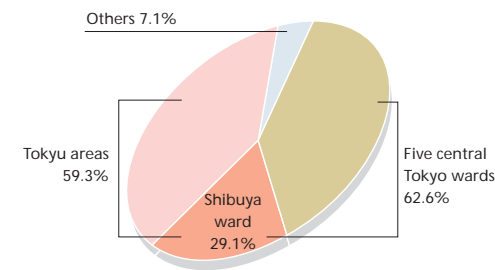
Property Number	Name of Property	Area	Acquisition Costs (Millions of Yen)	Acquisition Date	Number of Tenants	Occupancy Ratio	Earthquake PML*
1	QFRONT	Central Tokyo and Tokyu areas (Shibuya)	15,100	Sep. 10, 2003	4	100.0%	6.7%
2	Lexington Aoyama	Central Tokyo	4,800	Sep. 11, 2003	2	100.0%	5.0%
3	TOKYU REIT Omotesando Square	Central Tokyo and Tokyu areas (Shibuya)	5,770	Sep. 10, 2003	4	100.0%	11.3%
4	Tokyu Saginuma Building	Tokyu areas	6,920	Sep. 10, 2003	1	100.0%	12.3%
5	Tokyu Saginuma 2 Building	Tokyu areas	1,290	Sep. 11, 2003	1	100.0%	12.1%
6	TOKYU REIT Shibuya Udagawa-cho Square	Central Tokyo and Tokyu areas (Shibuya)	6,600	Mar. 1, 2004	2	100.0%	15.8%
7	Yokohama Yamashita-Cho Building (Barneys New York Yokohama Store)	Tokyu Areas	5,050	Aug. 3, 2004	1	100.0%	9.3%
8	Beacon Hill Plaza (Ito-Yokado Noukandai Store)	Other	9,520	Aug. 3, 2004	1	100.0%	9.8%
1	Setagaya Business Square	Tokyu areas	22,400	Sep. 11, 2003	54	89.7%	5.6%
2	Tokyu Nampocho Building	Central Tokyo and Tokyu areas (Shibuya)	4,660	Sep. 11, 2003	1	100.0%	12.8%
3	Tokyu Sakuragaoka-cho Building	Central Tokyo and Tokyu areas (Shibuya)	6,620	Sep. 11, 2003	2	100.0%	13.9%
4	Tokyo Nissan Taito Building	Central Tokyo	4,450	Sep. 11, 2003	13	100.0%	10.6%
5	TOKYU REIT Akasaka Hinokicho Building	Central Tokyo	3,570	Sep. 10, 2003	5	100.0%	12.6%
6	TOKYU REIT Kamata Building	Tokyu areas	4,720	Sep. 10, 2003	5	100.0%	11.0%
7	Resona Maruha Building	Central Tokyo	23,260	Jan. 15, 2004	2	88.5%	7.7%
8	Fujita Kanko Toranomon Building	Central Tokyo	8,630	Dec. 15, 2004	7	100.0%	9.2%
Total			133,360		105	97.5%	5.9%

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.



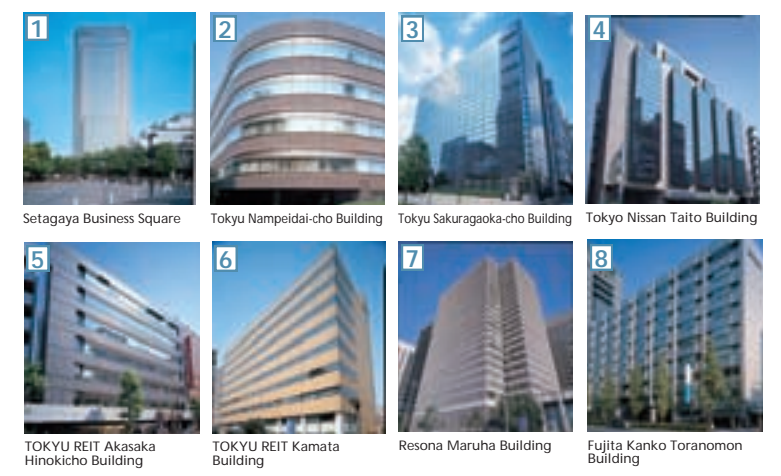
Investment Ratio by Region (16 properties as of the end of third fiscal period)



Retail



Office



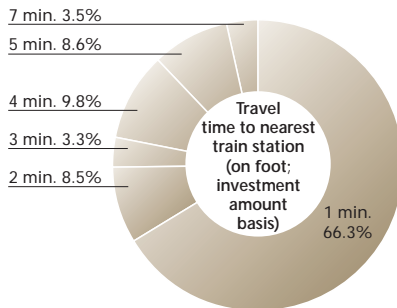
Tokyu REIT invests primarily in properties in central Tokyo and the areas along the Tokyu railways. It does not invest outside of the Tokyo Metropolitan Area.

Area	Targeted Areas of Investment	Investment Share
Central Tokyo	Five central Tokyo wards	More than 85%
	Other major commercial and retail districts of Tokyo	
Tokyu Areas	Tokyu Rail network hub	More than 85%
	Other Tokyu rail network areas	
Other	Other districts in the Tokyo Metropolitan Area, including Kanagawa, Saitama and Chiba prefectures (excluding the separately mentioned areas above)	Less than 15%

Note: Shibuya Ward is included in both the Five central Tokyo wards and the Tokyu Areas.

In the acquisition of investment properties, TOKYU REIT considers a variety of factors, including a comprehensive analysis of forecasted revenue stream, growth potential of the area, property size, construction and facility specifications, earthquake resistance, leasing rights, occupancy and appeal to tenants, property management, the environment and foundation quality, and the property's competitiveness.

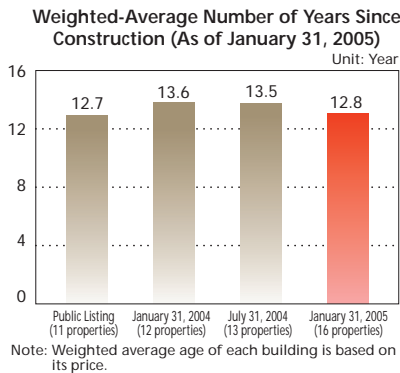
Location



Properties conveniently located near train stations increase the stability of TOKYU REIT's portfolio. In principal, TOKYU REIT only considers properties located within seven minutes walking distance to the nearest train station. TOKYU REIT decides to invest in retail properties based on a comprehensive analysis of the surrounding business area.

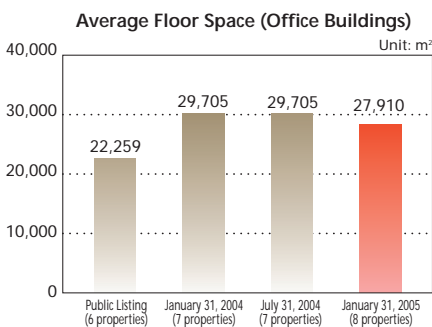
As of the end of the third fiscal period, approximately 75% (investment amount basis) of TOKYU REIT's properties were located within about three minutes of the nearest train station.

Investment Property Age

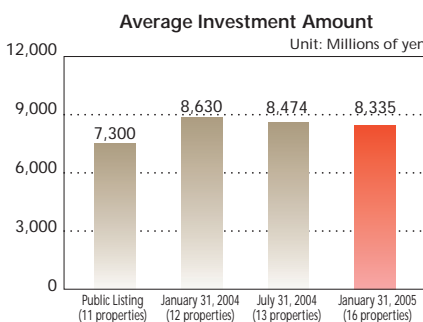


The graph on the left shows the weighted-average age of buildings (based on building price) from when TOKYU REIT listed on the Tokyo Stock Exchange to the end of January 2005. Based on the weighted-average age, TOKYU REIT's portfolio consists of relatively new properties that were constructed on average in 1992.

Investment Property Size



In principle, TOKYU REIT invests in office buildings with a total floor space exceeding 5,000 m² and office buildings with compartmentalized ownership of 330 m² or more of proprietary floor space per standard floor. Office buildings owned by TOKYU REIT have an average floor space of approximately 27,910 m².



In principle, TOKYU REIT invests a minimum of ¥4 billion in each property, excluding taxes and acquisition expenses.

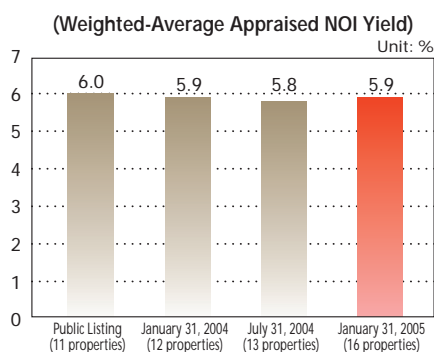
As of the end of the third fiscal period, TOKYU REIT had invested an average of ¥8.34 billion per property. TOKYU REIT intends to continue investing in mainly large-scale properties.

Top 10 Tenants by Leased Area

Top 10 Tenants by Leased Area

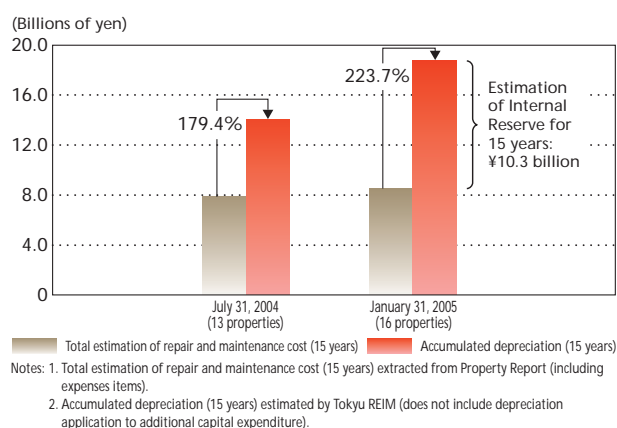
No.	Tenant Name	Business Category	Property Name	Leased Area (m ²)	Ratio
1	Ito-Yokado Co., Ltd.	Retail	8 Beacon Hill Plaza (Ito-Yokado Noukendai Store)	50,285.89	30.2%
2	Tokyu Store Chain Co., Ltd.	Retail	4 Tokyu Saginuma Building	19,610.06	11.8%
3	Maruha Corporation	Marine and Forestry	7 Resona Maruha Building	11,097.27	6.7%
4	Tokyu Corporation	Land Transport	2 Tokyu Nanpeidai-cho Building	7,148.18	4.3%
			3 Tokyu Sakuragaoka-cho Building	3,878.36	2.3%
5	ISETAN Co., Ltd.	Retail	7 Yokohama Yamashita-cho Building	8,958.70	5.4%
6	Japan Nuclear Safety Organization	Other	8 Fujita Kanko Toranomom Building	5,914.00	3.6%
7	Sun Microsystems K.K.	IT	1 Setagaya Business Square	5,800.76	3.5%
8	ITOCHU TECHNO-SCIENCE Corporation	IT	6 TOKYU REIT Kamata Building	4,253.55	2.6%
9	Tsutaya Stores Tokyo Co., Ltd.	Service	1 QFRONT	3,556.31	2.1%
			1 Setagaya Business Square	206.14	0.1%
10	Tonichi Carlife Group Inc.	Retail	4 Tokyo Nissan Taito Building	3,136.85	1.9%
Total leased area of top 10 tenants				123,846.07	74.4%
Total leased area of 16 properties at the end of third fiscal period				166,565.13	100.0%

Portfolio Cap Rate



TOKYU REIT has acquired some properties after listing, and as of the end of the third fiscal period, the weighted-average appraised NOI yield fell to 5.8%. A low appraised NOI yield is considered an indicator of reduced risk of a decrease in future earnings. TOKYU REIT will continue efforts to build a portfolio with low risks and stable returns in the future.

Coverage Ratio by Depreciation of Repair and Maintenance Cost Estimation



Buildings require repairs as they age. Even after recording items such as depreciation on financial statements, funds used for other intangible expenses must be replenished with additional borrowings on occasion.

As of the end of the third fiscal period and over the next 15 years, cumulative depreciation for the 16 properties will significantly exceed total repair and maintenance cost, for a coverage ratio of 223.7%. This figure shows that TOKYU REIT has secured the funds necessary for projected repair and maintenance cost.

Retail Properties

QFRONT

Lexington Aoyama

TOKYU REIT Omotesando Square

Tokyu Saginuma Building

Tokyu Saginuma 2 Building

TOKYU REIT Shibuya Udagawa-cho Square

Yokohama Yamashita-cho Building

(Barneys New York Yokohama Store)

Beacon Hill Plaza (Ito-Yokado Noukendai Store)

Yokohama Yamashita-cho Building (Barneys New York Yokohama Store): See Page 19

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

The most attractive feature of TOKYU REIT's retail portfolio is the prime location of each of its properties. Adhering to strict criteria in the selection of investment properties, TOKYU REIT has maintained a retail portfolio with an extremely high occupancy ratio since it listed on the stock market.

At the end of the third fiscal period, TOKYU REIT's retail portfolio comprised a total of eight properties, an increase of two with the acquisition of the Yokohama Yamashita-cho Building (Barneys New York Yokohama Store) and the Beacon Hill Plaza (Ito-Yokado Noukendai Store). TOKYU REIT's retail properties have a total acquisition price of ¥55 billion and total floor space of 91,786.82 m². In the third fiscal period, revenues from property leasing totaled ¥1.99 billion, NOI was ¥1.56 billion, operating income from property leasing was ¥1.28 billion, and the weighted-average NOI yield was 5.6%.

The most attractive feature of TOKYU REIT's retail portfolio is the prime location of each of its properties near train stations in high-growth potential retail areas, including Shibuya, Omotesando, Saginuma and Yokohama. Even in the event that a tenant vacates, TOKYU REIT's portfolio consists of retail properties that quickly entice new tenants to enter leasing contracts. As of January 31, 2005, an occupancy ratio of 100% indicates the strength of our portfolio.

TOKYU REIT will continue to aggressively yet prudently acquire competitive properties that meet its strict investment criteria. From this approach, TOKYU REIT aims to build a retail portfolio that contributes to maximizing unitholder return over the medium- and long-term.

1 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/ Tokyo Toyoko line/ Tokyu Den-en-toshi line/ Keio Inokashira line/ Tokyo Metro Hanzomon and Ginza lines
 Total Land Space: 784.26m²
 Total Floor Space: 6,692.14m²
 Structure/Floors: SRC/S, B3/8F
 Completed: October 1999
 Type of Ownership: Land—Proprietary ownership
 Building—Compartmentalized ownership
 Representative Tenants: Tsutaya Stores Tokyo Co., Ltd.; Tokyu Corporation; Punraku Co., Ltd.



2 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: 776.59m²
 Total Floor Space: 2,342.21m²
 Structure/Floors: S/RC, B1/4F
 Completed: January 1998
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership
 Tenants: World Co., Ltd.; Unimat Offisco Corporation



3 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 one through three, there is the GOLD'S GYM sports gymnasium, operated by Think Co., Ltd., and on the fourth floor, a beauty parlor, to neutral, operated by Acqua Artistic Association.



Address: 4-3-2, Jingumae, Shibuya-ku, Tokyo
 Nearest Station: Approximately a one-minute walk from Omotesando Station—Tokyo Metro Chiyoda, Ginza and Hanzomon lines
 Total Land Space: 1,259.21m²
 Total Floor Space: 3,321.20m²
 Structure/Floors: S/SRC, B1/4F
 Completed: October 1985
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership
 Representative Tenants: Think Co., Ltd.; Royal Co., Ltd.; Wondertable, Ltd.



4 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: 5,658.00m²

Total Floor Space: 18,320.87m²

Structure/Floors: RC, B1/4F

Completed: September 1978

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

Tenant: Tokyu Store Chain Co., Ltd.



5 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: 1,807.21m²

Total Floor Space: 4,409.50m²

Structure/Floors: SRC, B2/4F

Completed: October 1979

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

Tenant: UFJ Bank Limited



6 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. Comprising two buildings, ZARA, a Spain-based retailer of casual clothing, is the principal tenant of Building 1. ZARA boasts a global network of 724 stores in 54 countries (February 2005). The restaurant Tsukiji Gandaco, operated by Hotland Corporation, is located in Building 2.



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/Tokyo Toyoko line/Tokyu Den-en-toshi line/Keio Inokashira line/Tokyo Metro Hanzomon and Ginza lines

Total Land Space: 679.27m²

Total Floor Space: [Bldg.1] 1,473.10m²

[Bldg.2] 56.39m²

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



7 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: 1,350.57m²
 Total Floor Space: 8,583.54m²
 Structure/Floors: SRC, B2/7F
 Completed: July 1993
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership
 Tenants: Isetan Company Limited



Reasons for Acquisition

Location

- Located within an approximate one-minute walk from Motomachi-Chukagai Station—Yokohama Minatomirai line. The Yokohama Minatomirai line began operation in February 2004.
- Located in the heart of Yokohama's principal tourist district and surrounded by Motomachi, Yamashita Park, China Town and Harbor View Park.
- The Yokohama Minatomirai line and Tokyu Toyoko line provide a direct link from Shibuya to Yokohama, greatly expanding the scale of operations and trading and delivering enhanced access from Shibuya.

Quality Tenant

- Isetan Company Limited
(Isetan Company Limited subleases to its wholly owned subsidiary Barneys Japan)

Long-Term Contract

- TOKYU REIT has executed a long-term lease agreement that expires in 2013 with Isetan Company Limited



8 Beacon Hill Plaza (Ito-Yokado Noukendai Store)

The sole tenant of Beacon Hill Plaza, 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 m²) of shopping space and provides space for approximately 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: 17,318.78m²

Total Floor Space: 46,587.87m²

Structure/Floors: SRC, B2/4F

Completed: June 1998

Type of Ownership: Land—Proprietary ownership

Building—Proprietary ownership

Tenants: Ito-Yokado Co., Ltd.



Reasons for Acquisition

Location

- Located within a residential district, an approximate four-minute walk from Noukendai Station on the Keihin-Kyuko Line.
- Potential for consistent population growth fueled by condominium development.
- The area is characterized by its high proportion of families, in comparison with the average for Kanagawa Prefecture, a pertinent factor for General Merchandise Stores.
- Residents exhibit a relatively high level of disposable income in comparison with other areas along the Keihin-Kyuko line.
- Limited number of sites for the future development of competing facilities.

Quality Tenant

- Ito-Yokado Co., Ltd.

Long-Term Contract

- TOKYU REIT has executed a long-term lease agreement that expires in 2018 with Ito-Yokado Co., Ltd.



9 PICASSO347

PICASSO347 is approximately a three-minute walk from Shibuya Station and faces Meiji Dori. The property is surrounded by casual brand stores and lies on the outskirts of an area known as “Ura Harajuku.” It offers a number of stable long-term lease agreements with tenants including brand shops, cafes, sports gyms, and other outlets. Access is expected to improve, with the 2007 opening of the Tokyo Metro 13 line, and the planned direct link of the Tokyo Metro 13 line and the Tokyu Toyoko line, in 2012. The area is viewed as having significant potential for further growth.



Address: 1-23-1 Shibuya, Shibuya-ku, Tokyo

Nearest Station: Approximately a three-minute walk from Shibuya Station (JR Yamanote line, Tokyu lines, Keio Inokashira line, Tokyo Metro lines)

Total Land Space: 1,705.35m²

Total Floor Space: 11,847.87m²

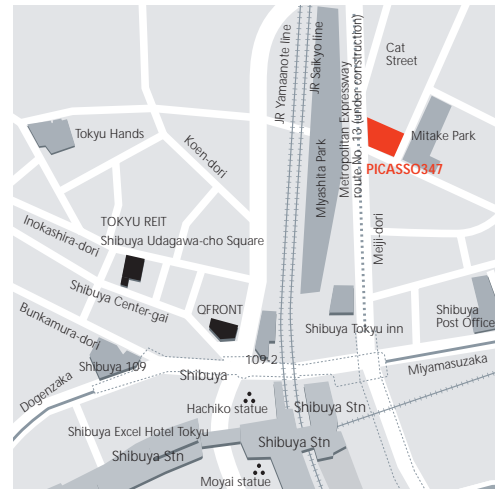
Structure/Floors: S/SRC, B2/12F

Completed: September 2004

Type of Ownership: Land—Proprietary ownership

Building—Proprietary ownership

Tenants: Rocs, TOMORROWLAND Co., Ltd., CASSINA IXC Ltd.



Reasons for Acquisition

Location

- Located within an approximate three-minute walk from Shibuya Station facing Meiji Dori, the principal thoroughfare connecting Shibuya and Harajuku.
- Scheduled opening in 2007 of the Tokyo Metro 13 line, and a direct link of the Tokyo Metro 13 line and the Tokyu Toyoko line, in 2012. (High potential for further growth, buoyed by the construction of a direct link connecting the broad area from south west of Saitama Prefecture through Yokohama.)
- Surrounded by casual brand stores, lying on the outskirts of an area known as “Ura Harajuku,” a premier retail district of Japan.

Quality Tenant

- Tenants appropriate to the area including brand shops, general merchandise and other stores.
- TOKYU REIT has executed fixed stable lease agreements.

Guided by the principle to maintain a sound financial position, TOKYU REIT plans to acquire a 60% trust beneficial co-ownership interest in PICASSO347. The remaining 40% will be acquired by a special purpose company (SPC) under the direction of Tokyu Land Corporation. Co-owners have executed a preference agreement allowing either party the first right of refusal in connection with the disposition of respective interest.

TOKYU REIT is committed to continued collaboration with Tokyu Group companies and other parties with the aim of ensuring sound management and further expansion of its property portfolio.

Office Properties

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

Fujita Kanko Toranomon Building (p. 25)

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

“Stability” is the defining feature of TOKYU REIT’s office portfolio. TOKYU REIT’S goal is to secure a stable earnings platform by adhering to strict property acquisition criteria, securing long-term leasing agreements, and attracting tenants through active marketing.

TOKYU REIT’s office portfolio comprised a total of eight buildings as of January 31, 2005. During the third fiscal period, TOKYU REIT acquired the Fujita Kanko Toranomon Building, located in Minato ward, Tokyo. TOKYU REIT’s office properties have a total acquisition price of ¥78.3 billion and total floor space of 223,282.65 m². Revenues from property leasing reached ¥3.04 billion, NOI was ¥1.95 billion, and operating income from property leasing activities totaled ¥1.44 billion for the fiscal period under review.

A number of factors make up TOKYU REIT’s real estate investment criteria, including the concentration of office buildings, local rental market conditions, the centrality of the nearest train station and the proximity of the property to the nearest train station in those areas earmarked for investment. In principle, TOKYU REIT will invest in large-scale properties that feature a high degree of convenience. TOKYU REIT will look toward office buildings with an acquisition price of a minimum ¥4.0 billion, total floor space exceeding 5,000 m², and individual floor space in excess of 300 m².

At the end of the third fiscal period, approximately one quarter of the office portfolio’s total leasable floor space was subject to lease agreements with an expiry date exceeding five years. TOKYU REIT recognizes the critical requirement for long-term (anchor) leasing contracts.

TOKYU REIT is also active in the promotion of leasing activities, well after property acquisition. As of January 31, 2005, the occupancy ratio of the office portfolio reached 94.7%.

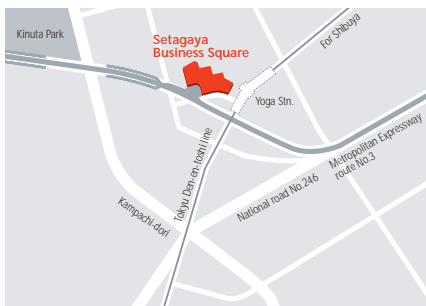
TOKYU REIT strives to further enhance earnings stability by investing in prime large-scale properties, securing long-term lease agreements, and actively promoting leasing activities.

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: 21,315.68m²
 Total Floor Space: 94,373.72m²
 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: 2,013.28m²
 Total Floor Space: 7,003.88m²
 Structure/Floors: SRC, B2/5F
 Completed: July 1992
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership
 Tenant: Tokyu Corporation



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: 1,013.03m²
 Total Floor Space: 6,505.39m²
 Structure/Floors: SRC, B3/9F
 Completed: June 1987
 Type of Ownership: Land—Proprietary ownership
 Building—Compartmentalized ownership
 Tenants: Tokyu Corporation; The Tokyo Electric Power Company, Incorporated



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: 1,718.45m²
 Total Floor Space: 11,373.20m²
 Structure/Floors: SRC, B2/10F
 Completed: September 1992
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership
 Representative Tenants: Tonichi Carlife Group Inc.; Metropolitan Intercity Railway Company; Ataka Construction & Engineering Co., Ltd.



5 TOKYU REIT Akasaka Hinokicho Building

TOKYU REIT Akasaka Hinokicho Building is a seven-story office building situated along Akasaka-dori. During the fiscal period under review, efforts were made to improve the sixth floor, which had remained vacant, and to attract new tenants. Improvements included the upgrade of air-conditioning systems. As of the date of this report, the property was fully tenanted.



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

Total Land Space: 866.61m²
 Total Floor Space: 4,058.92m²
 Structure/Floors: RC, 7F
 Completed: August 1984
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership
 Representative Tenants: Q-TEC, Inc.; Roadway Development and Reconstruction Association; Rome Tile Japan Co., Ltd.;



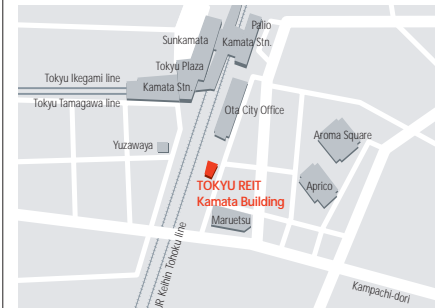
6 TOKYU REIT Kamata Building

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 Keikyu 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: 1,642.86m²
 Total Floor Space: 10,244.51m²
 Structure/Floors: S/SRC, B1/9F
 Completed: February 1992
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership
 Representative Tenants: Itochu TECHNO-SCIENCE Corporation; Dai Nippon Toryo Co., Ltd.; NSP Limited



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. As of the third fiscal period-end, one floor remained vacant. Following successful efforts to attract tenants during the fourth fiscal period, the building is currently fully tenanted.



Address: 1-1-2 Otemachi, Chiyoda-ku, Tokyo
Nearest Station: Approximately a one-minute walk from Otemachi Station—Tokyo Metro Chiyoda, Hanzomon, Tozai and Marunouchi lines/ Toei Mita line

Total Land Space: 6,893.71m²

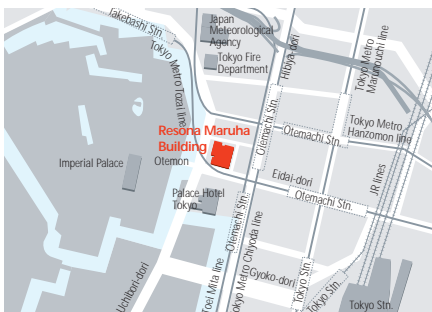
Total Floor Space: 74,379.30m²

Structure/Floors: S/SRC, B4/25F

Completed: November 1978

Type of Ownership: Land—Co-ownership (27% interest),
Building—Compartmentalized ownership

Representative Tenants: Maruha Corporation



8 Fujita Kanko Toranomom Building

Fujita Kanko Toranomom Building is a one-minute walk from Kamiyacho Station on the Tokyo Metro Hibiya line and faces National Route 1 (Sakurada-dori). Since its completion, occupancy has remained stable. The property is expected to deliver competitive advantage.



Address: 3-17-1 Toranomom, Minato-ku, Tokyo

Nearest Station: Approx. a one-minute walk from Kamiyacho Station—Tokyo Metro Hibiya line

Approx. a nine-minute walk from Toranomom Station—Tokyo Metro Ginza line

Approx. a nine-minute walk from Onarimon Station—Toei Mita line

Total Land Space: 1,728.38m²

Total Floor Space: 15,343.73m²

Structure/Floors: SRC/RC, B2/9F

Completed: May 1988

Type of Ownership: Land — Co-ownership

(73,585/100,000 interest)

Building — Compartmentalized

ownership and co-ownership of

compartmentalized ownership

Representative Tenants: Japan Nuclear Energy Safety Organization; Takihyo Co., Ltd.



Reasons for Acquisition

Location

- Located in Toranomom (Minato ward), one of the most highly regarded office building districts in Tokyo.
- Close proximity to three major railway stations and three separate rail networks
- Faces National Route 1 (Sakurada-dori).

Large-Scale Property

- Standard floor space approximately 360 *tsubo*. (Second only to the Resona Maruha Building, with a standard floor space of approximately 500 *tsubo*.)

Quality Tenant

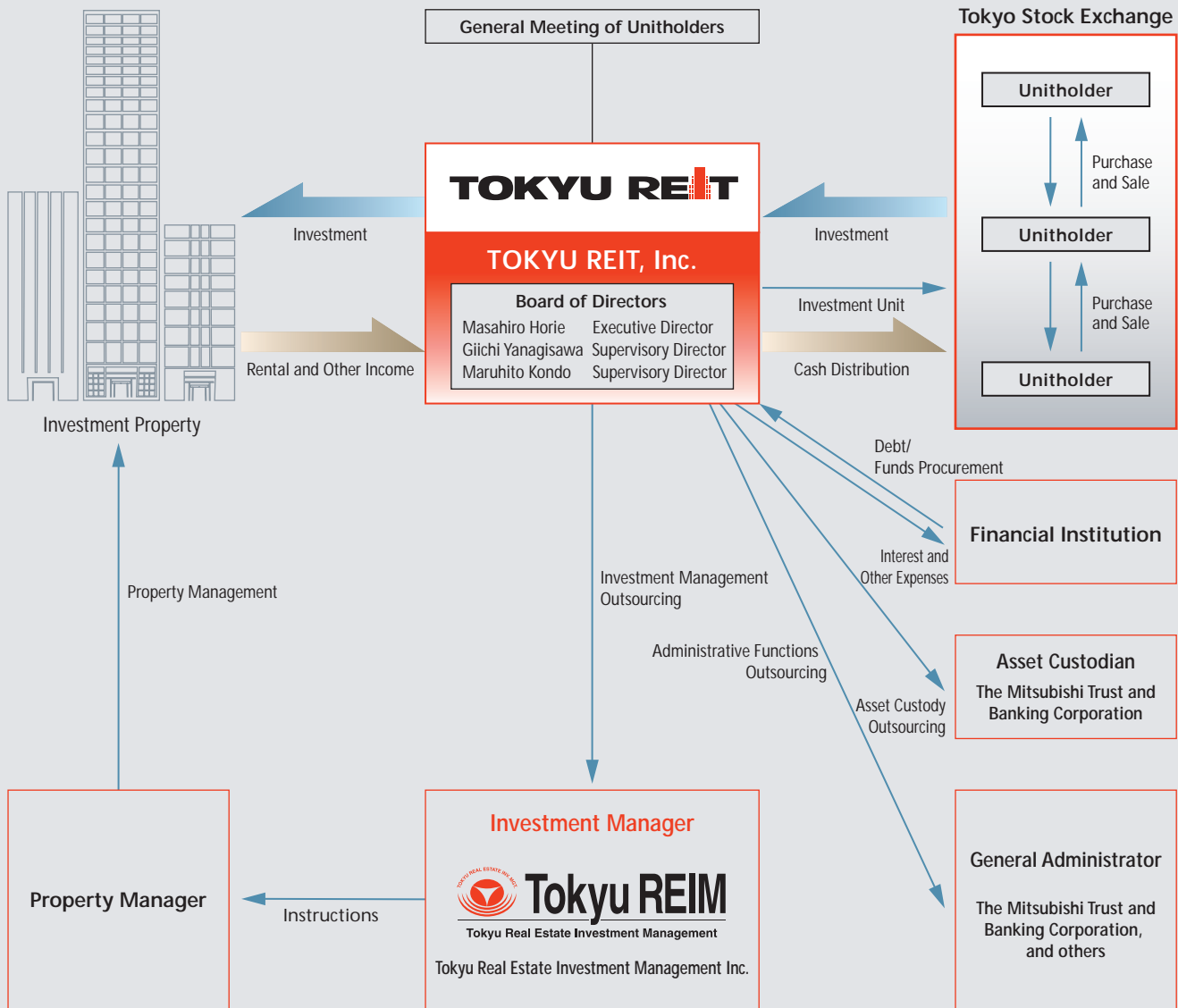
- High credit rating, quality tenants.

Proactive Property Management

- Proactive property management through transfer of management rights in accordance with property compartmentalized ownership laws. Reduction of compartmentalized and co-ownership risk.

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 its investment manager, “Tokyu REIM” concurrently with the aim of ensuring close ties between **TOKYU REIT** and Tokyu REIM and promoting increased efficiency.

Pursuant to Article 13 of the Investment Trust Law, the appointment of TOKYU REIT’s Executive Director was confirmed by the Financial Services Agency on June 16, 2003.

TOKYU REIT, Inc. Board of Directors

TOKYU REIT's Board of Directors comprises Executive Directors that execute the operations of the investment corporation and Supervisory Directors that oversee the Executive Directors' execution of operations. The Articles of Incorporation stipulate that the Board of Directors must contain one or two Executive Directors and two or three Supervisory Directors, with at least one more Supervisory Director than the number of Executive Directors. It also limits the term of office of these directors at two years. As of the end of the third fiscal period, there was one Executive Director and two Supervisory Directors at TOKYU REIT.



Giichi Yanagisawa
Supervisory Director



Masahiro Horie
Executive Director



Maruhito Kondo
Supervisory Director

Giichi Yanagisawa

Supervisory Director

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

Maruhito Kondo

Supervisory Director

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

Resolutions of the Board of Directors are passed, in principle, by a majority of directors in attendance when a majority of directors are present. The Board of Directors has the authority to approve the execution of certain operations. Based on both the Law for Investment Trusts and Investment Corporations and regulations created by the Board of Directors of the investment corporation, however, Executive Directors and Supervisory Directors with special conflicts of interest in the resolution are prohibited from participating in the decision-making process. In the event that they are present, Executive Directors and Supervisory Directors with special conflicts of interest are not counted in the number of directors for decision-making purposes.

TOKYU REIT is distinguished by its cooperation with companies of the TOKYU Group on various fronts, including "Pipeline Support" (first option in connection the sale of certain properties by Tokyu Group companies in the event they intend to dispose of properties to non-Tokyu Group companies), property management, and the use of brand licenses. To prevent conflicts of interest that may arise in transactions with TOKYU Group companies, the investment management company, Tokyu REIM (see page 28), makes every effort to maintain highly transparent management and strict risk management through such instruments as the Advisory Committee.

Tokyu REIM's management guidelines have clear rules governing related-party transactions, and the prior approval of the Board of Directors is required to conduct transactions with TOKYU Group companies given the likelihood of conflicts of interest.

TOKYU REIT's Board of Directors provides oversight for business decision-making and oversees the Executive Directors, who strive diligently to faithfully fulfill their duties to TOKYU REIT. The Board of Directors at TOKYU REIT receives reports from Tokyu REIM concerning important matters related to the management of consigned assets. In addition, TOKYU REIT has put in place a system of checks and balances for Tokyu REIM, which includes the requirement of the prior approval from the Board of Directors for transactions involving Group companies.

During the third fiscal period, the Board of Directors met 13 times, passed 21 resolutions, of which seven involved related parties, and reviewed 47 reports.

Tokyu Real Estate Investment Management Inc.

Investment Management Company

URL: www.tokyu-reim.co.jp

Tokyu Real Estate Investment Management Inc. ("Tokyu REIM") contracted with TOKYU REIT on June 20, 2003, to act as its investment manager. Underpinned by investment policies held in common with TOKYU REIT, Tokyu REIM strives to maximize unitholder value through business growth, stability and transparent operations. In addition, Tokyu REIM follows strict internal rules governing conflicts of interest and takes all necessary care in transactions with Tokyu group companies.

Board of Directors

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

Investment Committee

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

Compliance and Risk Management Committee

The Compliance and Risk Management Committee was established to ensure independent third-party checks of internal rules regarding related-party transactions. The Compliance and Risk Management Committee is comprised of two non-executive directors (one of whom serves as chairperson) and two external committee members. Under the guidance of the Board of Directors, the Compliance and Risk Management Committee discusses material matters relating to compliance and risk management as well as the adequacy of internal rules regarding related-party transactions. It also provides opinions and recommendations to Tokyu REIM's Board of Directors. While third-party confirmation is obtained regarding the adequacy of rules applicable to individual transactions, matters are referred to the compliance officer and forwarded to the Compliance and Risk Management Committee for discussion as required, when the third party determines the matter warrants special mention. During the third fiscal period, the Compliance and Risk Management Committee met on 11 occasions.

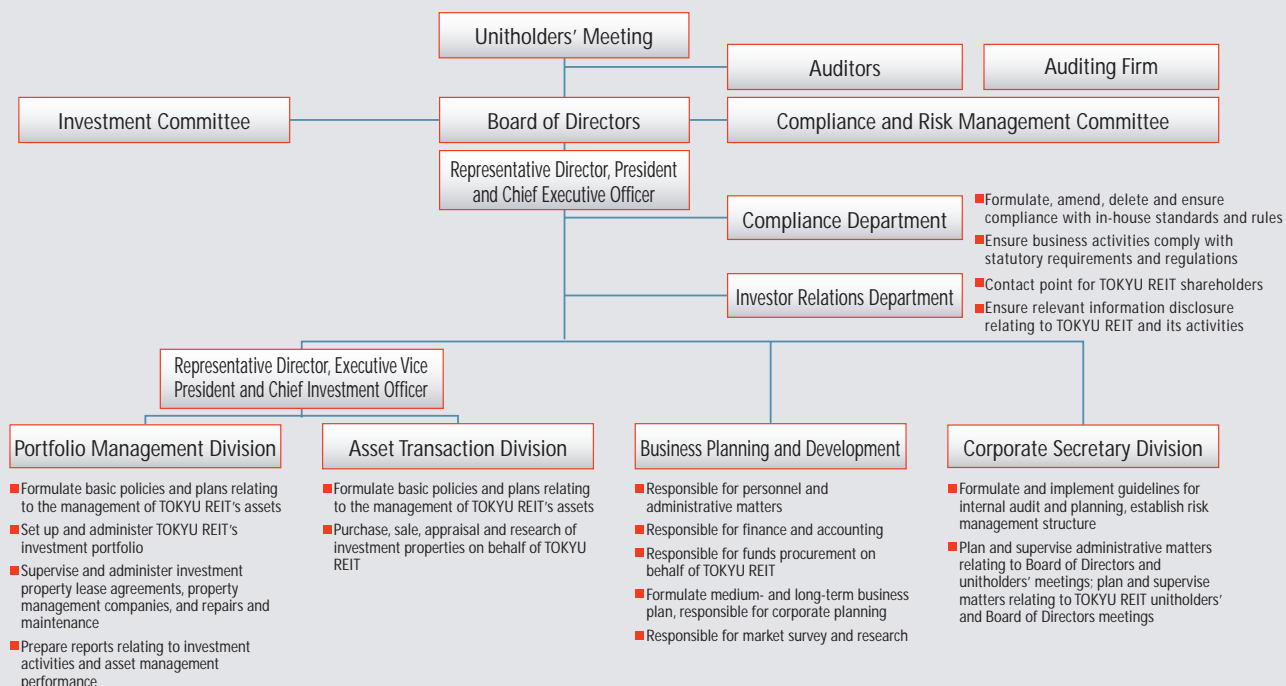
History

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

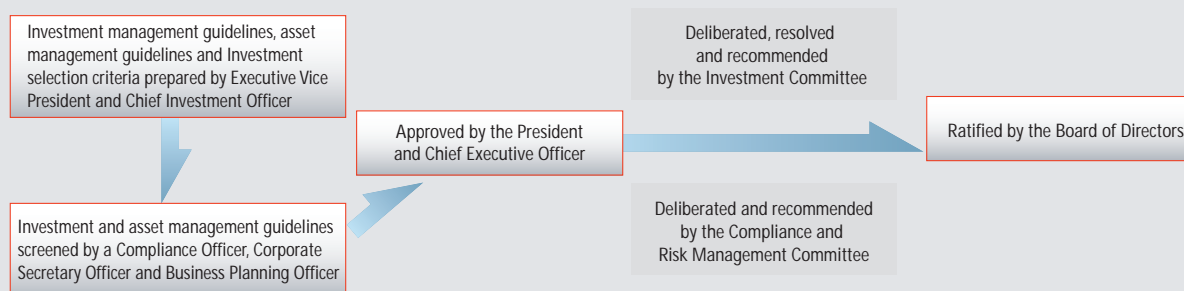
Shareholders

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

Organization Chart



Decision-Making Process



Tokyu REIM's investment guidelines⁽¹⁾ and asset management plans⁽²⁾ are formulated through collaboration among the Asset Transaction Division, Portfolio Management Division and Business Planning and Development Division, and then submitted to the Vice President, who is in charge of overseeing asset management operations. After a screening by the Compliance Officer, Corporate Secretary Officer and Business Planning Officer, the investment guidelines and asset management plans are reported to the President. After approval is received from the President, the investment guidelines and asset management plans are submitted to the Board of Directors, which when necessary requests the Investment Committee to deliberate, decide and respond to the proposals, and also the Compliance and Risk Management Committee to deliberate and respond to the proposals. Based on these responses, the Board of Directors makes a final decision and enacts the investment guidelines and asset management plans. The final investment guidelines and asset management plans are then reported to the Board of Directors at TOKYU REIT.

When acquiring new properties, the Asset Transaction Division and the Portfolio Management Division, which are overseen by the Vice President, conduct a detailed audit of the property, entailing an analysis of related interests in the property, building tenants, building lease agreements, maintenance history, building appraisal, and property appraisal including the surrounding areas and real estate appraisals. Properties that TOKYU REIT is able to invest in must match our investment policy and investment criteria. In order to reach an investment decision, the Asset Transaction Division and the Portfolio Management Division produce the documentation and contracts required for a property acquisition (or sale), present this material to the Vice President and then to the Board of Directors for the final decision. If a decision is made, the Vice President sets in motion initiatives to acquire the property.

Note 1: Investment guidelines are defined as the basic policies including 1) internal regulations determined by Tokyu REIM for the consigned management of TOKYU REIT's assets, 2) the particulars of fundamental policies determined in the Articles of Incorporation, and 3) other management-related matters regarding TOKYU REIT.

Note 2: Asset management plans are defined as property portfolio maintenance plans, property management plans including leasing and acquisition targets, and capital procurement plans.

I. Asset management report

1. Financial Highlights

(1) Result of operation and financial position

			3rd fiscal period From August 1, 2004 to January 31, 2005 (184 days)	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	¥ 5,045	¥ 4,341	¥ 2,896	
		Operating income	¥ 2,211	¥ 1,772	¥ 1,487	
		Net income	¥ 1,852	¥ 1,395	¥ 930	
	Operating income	Revenue from property leasing (a)	¥ 5,045	¥ 4,341	¥ 2,896	
		Rental service expenses (b)	¥ 2,323	¥ 2,056	¥ 1,163	
		Depreciation and amortization (included in (b)) (c)	¥ (802)	¥ (609)	¥ (467)	
		Net Operating Income (a) - (b) + (c)	¥ 3,524	¥ 2,894	¥ 2,200	
	Cash flow	FFO (Funds from Operation) (d) (Note 2)	¥ 2,654	¥ 2,004	¥ 1,397	
		Capital expenditures (e)	¥ 69	¥ 388	¥ 47	
		AFFO (Adjusted Funds from Operation) (d) - (e)	¥ 2,585	¥ 1,616	¥ 1,350	
	Financial position	Balance sheet	Total assets (f)	¥ 147,231	¥ 122,583	¥ 118,461
			(Change from the preceding period)	20.1%	(3.5%)	(-)
			Interest-bearing liabilities (g)	¥ 50,500	¥ 60,000	¥ 56,700
Total unitholders' equity (Net assets) (h)			¥ 79,713	¥ 51,513	¥ 51,048	
(Change from the preceding period)			54.7%	(0.9%)	(-)	
Portfolio		Unitholders' capital	¥ 77,860	¥ 50,118	¥ 50,118	
		Acquisition costs of properties (Note 3)	¥ 133,360	¥ 110,160	¥ 103,560	
		Book value of properties (Note 3)	¥ 133,415	¥ 110,449	¥ 104,002	
		Appraisal value of properties (i) (Note 3)	¥ 136,850	¥ 111,740	¥ 103,050	
		Number of properties	16	13	12	
		Total rentable area (Note 4)	170,785.00 m ²	101,518.37 m ²	99,784.28m ²	
Other		Distribution	Cash distribution	¥ 1,852	¥ 1,395	¥ 930
	Dividend per ratio (Note 5)		99.9%	99.9%	99.9%	
	Amount per unit	Number of units	142,000 units	98,000 units	98,000 units	
		Unitholders' equity per unit	¥ 561,356	¥ 525,634	¥ 520,891	
		Cash distribution per unit	¥ 13,045	¥ 14,230	¥ 9,488	
	Management index	Return on total unitholders' equity (annualized) (Note 6)	5.6%	5.5%	4.7%	
		Equity ratio (h)/(f)	54.1%	42.0%	43.1%	
		(Change from the preceding period)	12.1%	(△ 1.1%)	(-)	
		Proportion of interest-bearing liabilities to total assets (g)/(f)	34.3	48.9%	47.9%	
		Proportion of interest-bearing liabilities to appraisal value at the end of period (g)/(i)	36.9%	53.7%	55.0%	
Average market price per unit (Note 7)	¥ 690,705	¥ 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

General economic conditions during the six-month period ended January 31, 2005 were mixed. Despite continued improvement in corporate fundamentals, buoyed by an increase in operating income and capital expenditure, concerns over trends in crude oil prices and foreign exchange markets contributed to an overall depressed operating environment.

Rentals for office buildings located in certain areas of Tokyo were a notable exception to an overall weak property market; Tokyo can boast the nation's lowest vacancy rates and strong demand, particularly for conveniently located, high-specification properties. Conditions were also bolstered by population trends. While Japan's population is expected to peak in the short term, Tokyo's population is increasing by approximately 70,000 residents annually. This concentration continues to underpin the strong property market in the nation's capital.

In the retail property market, conditions are impacted by the continued drop in retail sales, including those of large-scale outlets. While total store space continues to expand, retailers are examining new concepts and formats as they work to distinguish themselves through the opening of new stores.

Although the price of land is recovering in certain areas, the gap between Tokyo and other regions continues to expand. This fuels real estate investment trends and is the basis for Tokyo's ongoing growth. The same can be said of Tokyo's retail property market: the disparity between areas where land prices are increasing and decreasing is becoming more pronounced. As a result, competitive retail properties are experiencing a sharp rise in value.

② Investment Performance Results

a. Acquisition of Properties

Under these conditions, TOKYU REIT undertook investment management activities in accordance with its basic policy of "investment in highly competitive properties in areas with strong growth potential." During the fiscal period under review, TOKYU REIT acquired the Yokohama Yamashita-cho Building (Barneys New York Yokohama Store) (acquisition cost: ¥5,050 million), and Beacon Hill Plaza (Ito-Yokado Noukendai Store) (acquisition cost: ¥9,520 million) on August 3, 2004 and the Fujita Kanko Toranomon Building on December 15, 2004 (acquisition cost: ¥8,630 million). As a result of these activities, as of the end of the third fiscal period the total acquisition cost and total rentable area for the 16 properties comprising TOKYU REIT's investment portfolio amounted to ¥133,360 million and 170,785.00 m², respectively.

b. Investment Management Control

Based on efforts to secure stable asset management, 14 properties of TOKYU REIT's 16-strong investment portfolio were fully occupied, and the overall portfolio occupancy rate was 97.5% as of January 31, 2005. In the fiscal period under review, TOKYU REIT was successful in attracting tenants for the previously vacant third floor of the Tokyo Nissan Taito Building and the sixth floor of TOKYU REIT Akasaka Hinokicho Building. Although the tower section of Setagaya Business Square was vacated during the period, a new tenant was found from another floor of the same building. During the third fiscal period, eight tenants either terminated their lease contracts or negotiated a reduction in floor space. This was offset by seven new lease contracts executed and an increase in floor space leased. As a result, TOKYU REIT's tenant leasing activities were strong and contributed to its solid operating performance. While the six-month period ended January 31, 2005 saw a succession of typhoons, earthquakes and other natural disasters, the impact on TOKYU REIT's investment portfolio was negligible.

c. Financing

During the fiscal period under review, TOKYU REIT continued to adopt a financial policy based on stability, mobility, and efficiency. On August 3, 2004 and August 25, 2004, TOKYU REIT issued 42,000 and 2,000 new investment units, respectively, for a total of 44,000 new investment units, raising proceeds to ¥27,742 million. These funds were utilized to acquire the Yokohama Yamashita-cho Building (Barneys New York Yokohama Store) and Beacon Hill Plaza (Ito-Yokado Noukendai Store), and for the repayment of short-term debt. As a result, TOKYU REIT repaid ¥16,500 million of short-term debt to form a balance of ¥25,000 million as of July 31, 2004. In addition, TOKYU REIT brought forward certain obligation settlements totaling ¥1,500 million on November 25, 2004, funded from surplus reserves on hand, and allocated ¥8,500 million of short-term debt for the acquisition of the Fujita Kanko Toranomom Building on December 15, 2004. After accounting for all these factors, unsecured short-term debt as of January 31, 2005 stood at ¥15,500 million, while unsecured fixed interest long-term debt amounted to ¥35,000 million. Furthermore, the period-end interest-bearing liabilities to total assets ratio was 34.3% with a weighted-average interest rate of 1.25%.

d. Corporate Governance

In order to ensure open and transparent business activities, TOKYU REIT strictly complies with internal rules regarding measures to prevent conflicts of interest relating to third-party transactions. For example, the Yokohama Yamashitacho Building (Barneys New York Yokohama Store) and Beacon Hill Plaza (Ito-Yokado Noukendai Store) were purchased from an anonymous special purpose company established by Tokyu Land Corporation, a Tokyu group company; the purchases were effected at a price not exceeding the real estate appraisal value. In addition, TOKYU REIT obtained a written second opinion from The Chuo Mitsui Trust and Banking Company, Limited, confirming that the acquisition price and the price evaluation process were relatively reasonable. This opinion summary was then made public. In addition, an audit firm other than the one generally employed by TOKYU REIT verified compliance with acquisition procedures and compliance with internal rules regarding measures to prevent conflicts of interest relating to third-party transactions. Acquisition of those properties was then confirmed by TOKYU REIT's Board of Directors.

Furthermore, in connection with property management fees relating to TOKYU REIT's 16-strong investment portfolio that were paid to Tokyu Group companies, we received written opinion from the STB Research Institute confirming that the level of these fees is within the range set by other REITs listed on the Tokyo Stock Exchange.

(3) Issuance of New Investment Units

Issuance of new investment units until the end of the third 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)
August 3, 2004	Issuance of units under public offering	42,000	140,000	¥ 26,481	¥ 76,599	(Note 3)
August 25, 2004	Issuance of units under third-party allotment	2,000	142,000	¥ 1,261	¥ 77,860	(Note 4)

Note 1. Incorporated with ¥ 500,000 per unit

Note 2. Issued new investment units at offer price of ¥ 530,000 (issue price: ¥ 511,450) for the purpose of acquiring new properties

Note 3. Issued new investment units at offer price of ¥ 652,484 (issue price: ¥ 630,512) for the purpose of acquiring new properties and repayments of the short-term loans

Note 4. Issued new investment units at issue price of ¥ 630,512 for the purpose of acquiring new properties and repayments of the short-term loans

【Movements of Market Price】

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

	3rd fiscal period From August 1, 2004 to January 31, 2005	2nd fiscal period From February 1, 2004 to July 31, 2004	1st fiscal period From June 20, 2003 to January 31, 2004
	Yen		
Highest	¥ 724,000	¥ 702,000	¥ 568,000
Lowest	¥ 658,000	¥ 550,000	¥ 505,000

(4) Distribution Information

With respect to distribution for the third 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 third 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 ¥ 13,045.

	3rd fiscal period From August 1, 2004 to January 31, 2005	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	¥ 1,852	¥ 1,395	¥ 930
Undistributed earnings	¥ 0	¥ 0	¥ 0
Cash distributions	¥ 1,852	¥ 1,395	¥ 930
(Cash distribution per unit)	(¥ 13,045)	(¥ 14,230)	(¥ 9,488)
Distribution of accumulated earnings	¥ 1,852	¥ 1,395	¥ 930
(Distribution of accumulated earnings per unit)	(¥ 13,045)	(¥ 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

Signs of continued economic recovery in the Tokyo Metropolitan area are increasingly evident: employment conditions are improving owing to robust corporate performance, increasing personal consumption is fueling expectations of an economic turnaround, and business concentration in the nation's capital is steadfast and persistent. Conditions in regional areas, however, will continue to be weak, with an increasing disparity between these areas and major metropolitan cities. In addition to the aforementioned concentration of business in Tokyo, bipolarization is becoming more pronounced. As the capital and real estate markets increasingly interact, driven by expansion of the property securitization market, and the evaluation of properties based on the capitalization method and risk assessment become more widespread, the tendency for high-return properties to increase in value and other properties to decrease in value is expected to intensify. Accordingly, investment in growth areas, the selection of prime properties, relevant investment policies, and the ability to execute these policies will become increasingly consequential for REITs in general.

② Future Policies of Investment Management

Prior to the formal establishment of the Asset Management Company, an assessment of future investment trends based on business growth potential was undertaken. From this research, TOKYU REIT adopted the basic investment management policy of investing in highly competitive properties in areas with strong growth potential. Specifically, targeted

areas are limited to the five central Tokyo wards of the Tokyo Metropolitan Area and the Tokyu Areas where growth is expected to continue into the future. The selection of individual investment properties is also subject to strict investment criteria. In order to ensure a high-quality portfolio, TOKYU REIT will, in principle, restrict individual investment to properties of ¥4,000 million or more. External growth is also a key factor, and therefore, TOKYU REIT will acquire properties from Tokyu Group companies and real estate markets in a manner that will ensure a balanced portfolio. At the same time, TOKYU REIT will focus on expanding the scale of its business as well as enhancing portfolio quality.

In the context of pursuing internal growth and from a property management perspective, TOKYU REIT will collaborate closely with Tokyu Group companies in an effort to ensure stability and realize growth potential. For example, TOKYU REIT will endeavor to quickly realize rental income in vacant areas of Setagaya Business Square. In addition, TOKYU REIT will control costs in connection with property management and subsequent capital expenditure.

Moreover, to ensure transparency, the Asset Management Company, which serves as fund manager for TOKYU REIT, will strive to fulfill its fiduciary responsibilities and improve external monitoring functions and disclosure. Through these efforts, TOKYU REIT will deliver a real estate investment trust product comparable to global standards.

(Information after the end of the third fiscal period)

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

TOKYU REIT executed a purchase agreement in connection with the acquisition of a trust beneficiary interest (quasi-co-ownership) in real estate on March 9, 2005 and will be acquired on April 6, 2005. Total acquisition cost of 17 properties will be 148.1billion and total rentable area of 17 properties will be 175,776.97 m² after its acquisition. Its general description on March 9, 2005 is as follows:

[R9] PICASSO347

Location	Shibuya-ku, Tokyo
Total land space (Note1)	1,705.35m ²
Total floor space (Note 1)	11,847.87m ²
Structure / floors (Note1)	S·SRC, B2/12F
Completion date (Note 1)	September 2004
Seller	Yugen Kaisha BIT FIRST
Type of ownership (Note 2)	(Land) Proprietary ownership (Building) Proprietary ownership
Principal tenants (Note 3)	Rocs, TOMORROWLAND Co., Ltd., CASSINA IXC. Ltd.
Acquisition costs (Note 4)	¥ 14,700 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. TOKYU REIT will acquire 60% of trust beneficiary interest (quasi-co-ownership)

Note 3. 'Principal tenants' are three tenants with a lot of payment of monthly rent.

Note 4. '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.

2. Company Profiles

(1) Summary of unitholders' contributions

	3rd fiscal period As of January 31, 2005	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	2,000,000
Units issued (unit)	142,000	98,000	98,000
Unitholders' capital (millions of yen)	¥ 77,860	¥ 50,118	¥ 50,118
Number of unitholders (persons)	14,958	9,961	11,363

(2) Major unitholders

The following table sets forth our major unitholders' information as of January 31, 2005.

Name	Address	Number of unitholders owned	Ownership
		Unit	%
Japan Trustee Services Bank, Ltd. (Trust)	1-8-11, Harumi, Chuo-ku, Tokyo	12,211	8.60
Tokyu Corporation	5-6, Nanpeidai-cho, Shibuya-ku, Tokyo	5,880	4.14
Educational Corporation Kawasaki Gakuen	577, Matsushima, Kurashiki City, Okayama	5,000	3.52
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)	4,633	3.26
Trust & Custody Services Bank, Ltd.	Harumi Island Triton Square Office Tower-Z, 1-8-12, Harumi, Chuo-ku, Tokyo	4,138	2.91
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)	3,952	2.78
Tokyu Land Corporation	1-21-2, Dogenzaka, Shibuya-ku, Tokyo	3,920	2.76
The Master Trust Bank of Japan, Ltd. (Trust)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	3,788	2.67
The Hiroshima Bank, Ltd.	1-3-8, Kamiya-cho, Naka-ku, Hiroshima City, Hiroshima	3,511	2.47
THE FUJI FIRE AND MARINE INSURANCE Co., Ltd.	1-18-11, Minami-semba, Chuo-ku, Osaka City, Osaka	2,903	2.05
Total		49,936	35.16

(3) Member of the Directors (as of January 31, 2005)

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 third 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	3rd fiscal period As of January 31, 2005		2nd fiscal period As of July 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	¥ 6,660	4.5	¥ 6,664	5.4
		Other	—	—	—	—
		Sub total	6,660	4.5	6,664	5.4
	Office	Central Tokyo and Tokyu Areas	8,762	6.0	—	—
		Other	—	—	—	—
		Sub total	8,762	6.0	—	—
	Total		15,422	10.5	6,664	5.4
Properties trust beneficial interests	Retail	Central Tokyo and Tokyu Areas	38,715	26.3	33,825	27.6
		Other	9,760	6.6	—	—
		Sub total	48,475	32.9	33,825	27.6
	Office	Central Tokyo and Tokyu Areas	69,518	47.2	69,960	57.1
		Other	—	—	—	—
		Sub total	69,518	47.2	69,960	57.1
	Total		117,993	80.1	103,785	84.7
Other assets		13,815	9.4	12,134	9.9	
Total assets		¥ 147,230 (¥ 133,415)	100.0 (90.6)	¥ 122,583 (¥ 110,449)	100.0 (90.1)	

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 January 31, 2005, is as follows:

	Name of property	Book Value	Rentable area	Leased area	Occupancy ratio	Percentage of total revenue from property leasing	Type
		Millions of yen	m ²	m ²	%	%	
R1	QFRONT	¥ 14,959	4,544.07	4,544.07	100.0	11.7	Retail
R2	Lexington Aoyama	4,791	2,241.65	2,241.65	100.0	3.1	Retail
R3	TOKYU REIT Omotesando Square	5,792	2,702.42	2,702.42	100.0	3.4	Retail
R4	Tokyu Saginuma Building	6,897	19,610.06	19,610.06	100.0	6.2	Retail
R5	Tokyu Saginuma 2 Building	1,282	1,284.60	1,284.60	100.0	1.3	Retail
R6	TOKYU REIT Shibuya Udagawa-cho Square	6,660	1,543.05	1,543.05	100.0	3.3	Retail
R7	Yokohama Yamashita-cho Building	4,995	8,958.70	8,958.70	100.0	4.7	Retail
R8	Beacon Hill Plaza	9,760	50,285.89	50,285.89	100.0	5.9	Retail
O1	Setagaya Business Square	21,741	24,931.53	22,370.52	89.7	24.3	Office
O2	Tokyu Nampeidai-cho Building	4,599	7,148.18	7,148.18	100.0	3.4	Office
O3	Tokyu Sakuragaoka-cho Building	6,571	4,737.19	4,737.19	100.0	4.7	Office
O4	Tokyo Nissan Taito Building	4,332	7,947.25	7,947.25	100.0	4.2	Office
O5	TOKYU REIT Akasaka Hinokicho Building	3,579	3,206.25	3,206.25	100.0	2.7	Office
O6	TOKYU REIT Kamata Building	4,595	7,231.48	7,231.48	100.0	5.5	Office
O7	Resona Maruha Building	24,100	14,414.99	12,756.13	88.5	13.3	Office
O8	Fujita Kanko Toranomom Building	8,762	9,997.69	9,997.69	100.0	2.3	Office
Total		¥ 133,415	170,785.00	166,565.13	97.5	100.0	

Note 1. The properties' trust beneficiary interests possessed the said whole of the 14 properties, except TOKYU REIT Shibuya Udagawa-cho Square and Fujita Kanko Toranomom Building.

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, Tokyu Nampeidai-cho Building and Beacon Hill Plaza, 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). For Fujita Kanko Toranomom Building, which is jointly owned with another compartmentalized owner, the leased area includes exclusive-use areas jointly owned with another compartmentalized owner, an exclusive area (limited to an area on the 2nd floor) owned by another compartmentalized owner and leased by TOKYU REIT, and exclusive-use areas under proprietary 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, Tokyu Nampeidai-cho Building and Beacon Hill Plaza, 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). For Fujita Kanko Toranomom Building, which is jointly owned with another compartmentalized owner, the leased area includes exclusive-use areas jointly owned with another compartmentalized owner, an exclusive area (limited to an area on the 2nd floor) owned by another compartmentalized owner and leased by TOKYU REIT, and exclusive-use areas under proprietary 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 January 31, 2005 are as follows:

Name of property	Location	Investment type	3rd fiscal period From August 1, 2004 to January 31, 2005					
			Rentable area	Appraisal value at the end of period	Book value			
			m ²	Millions of yen	Millions of yen			
Retail	Central Tokyo and Tokyu Areas	R1	QFRONT	75-8, Udagawa-cho, Shibuya-ku, Tokyo	Trust	4,544.07	¥ 15,800	¥ 14,959
		R2	Lexington Aoyama	5-235-7, Minami-Aoyama, Minato-ku, Tokyo	Trust	2,241.65	5,220	4,791
		R3	TOKYU REIT Omotesando Square	4-3-18, Jingumae, Shibuya-ku, Tokyo	Trust	2,702.42	5,370	5,792
		R4	Tokyu Saginuma Building	1-1, Saginuma, Miyamae-ku, Kawasaki City, Kanagawa	Trust	19,610.06	7,510	6,897
		R5	Tokyu Saginuma 2 Building	1-18-5, Kodai, Miyamae-ku, Kawasaki City, Kanagawa	Trust	1,284.60	1,300	1,282
		R6	TOKYU REIT Shibuya Udagawa-cho Square	86-2, Udagawa-cho, Shibuya-ku, Tokyo	Real property	1,543.05	7,120	6,660
		R7	Yokohama Yamashita-cho Building	36-1, Yamashita-cho, Naka-ku, Yokohama City, Kanagawa	Trust	8,958.70	5,130	4,995
		Sub total					40,884.55	47,450
Other	R8	Beacon Hill Plaza	88-1, Noukendai-higashi, Kanazawa-ku, Yokohama City, Kanagawa	Trust	50,285.89	9,590	9,760	
	Sub total					50,285.89	9,590	9,760
Total						91,170.44	57,040	55,136
Office	Central Tokyo and Tokyu Areas	O1	Setagaya Business Square	4-260-2, Yoga, Setagaya-ku, Tokyo	Trust	24,931.53	22,700	21,741
		O2	Tokyu Nampeidai-cho Building	12-3, Nampeidai-cho, Shibuya-ku, Tokyo	Trust	7,148.18	4,660	4,599
		O3	Tokyu Sakuragaoka-cho Building	109-9, Sakuragaoka-cho, Shibuya-ku, Tokyo	Trust	4,737.19	6,620	6,571
		O4	Tokyo Nissan Taito Building	2-120-2, Moto-Asakusa, Taito-ku, Tokyo	Trust	7,947.25	4,530	4,332
		O5	TOKYU REIT Akasaka Hinokicho Building	6-1401, Akasaka, Minato-ku, Tokyo	Trust	3,206.25	3,620	3,579
		O6	TOKYU REIT Kamata Building	5-13-7, Kamata, Ota-ku, Tokyo	Trust	7,231.48	5,140	4,595
		O7	Resona Maruha Building	1-2-1, Otemachi, Chiyoda-ku, Tokyo	Trust	14,414.99	23,800	24,100
		O8	Fujita Kanko Toranomom Building	3-45-6, Toranomom, Minto-ku, Tokyo	Real property	9,997.69	8,740	8,762
		Sub total					76,614.56	79,810
Total						76,614.56	79,810	78,279
Total						170,785.00	¥ 136,850	¥ 133,415

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, Tokyu Nampeidai-cho Building and Beacon Hill Plaza, 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). For Fujita Kanko Toranomom Building, which is jointly owned with another compartmentalized owner, the leased area includes exclusive-use areas jointly owned with another compartmentalized owner, an exclusive area (limited to an area on the 2nd floor) owned by another compartmentalized owner

and leased by TOKYU REIT, and exclusive-use areas under proprietary 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, 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		3rd fiscal period From August 1, 2004 to January 31, 2005				2nd fiscal period From February 1, 2004 to July 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	Central Tokyo and Tokyo Areas	R1 QFRONT	4	100.0	¥ 590	11.7	4	100.0	¥ 588	13.5
		R2 Lexington Aoyama	2	100.0	159	3.1	2	100.0	158	3.7
		R3 TOKYU REIT Omotesando Square	4	100.0	169	3.4	4	100.0	169	3.9
		R4 Tokyu Saginuma Building	1	100.0	312	6.2	1	100.0	310	7.1
		R5 Tokyu Saginuma 2 Building	1	100.0	65	1.3	1	100.0	65	1.5
		R6 TOKYU REIT Shibuya Udagawa-cho Square	2	100.0	168	3.3	2	100.0	138	3.2
		R7 Yokohama Yamashita-cho Building	1	100.0	239	4.7	—	—	—	—
	Sub total	15	100.0	1,702	33.7	14	100.0	1,428	32.9	
	Other	R8 Beacon Hill Plaza	1	100.0	297	5.9	—	—	—	—
	Sub total	1	100.0	297	5.9	14	100.0	1,428	32.9	
Total	16	100.0	1,999	39.6	14	100.0	1,428	32.9		
Office	Central Tokyo and Tokyo Areas	O1 Setagaya Business Square	54	89.7	1,229	24.3	55	99.2	1,260	29.0
		O2 Tokyu Nampeidai-cho Building	1	100.0	171	3.4	1	100.0	171	3.9
		O3 Tokyu Sakuragaoka-cho Building	2	100.0	238	4.7	2	100.0	235	5.4
		O4 Tokyo Nissan Taito Building	13	100.0	209	4.2	11	92.4	227	5.2
		O5 TOKYU REIT Akasaka Hinokicho Building	5	100.0	137	2.7	4	85.9	133	3.1
		O6 TOKYU REIT Kamata Building	5	100.0	277	5.5	5	100.0	280	6.5
		O7 Resona Maruha Building	2	88.5	670	13.3	2	88.5	607	14.0
		O8 Fujita Kanko Toranomom Building	7	100.0	115	2.3	—	—	—	—
	Sub total	89	94.7	3,046	60.4	80	95.8	2,913	67.1	
Total	89	94.7	3,046	60.4	80	95.8	2,913	67.1		
Total	105	97.5	¥ 5,045	100.0	94	97.1	¥ 4,341	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 January 31, 2005, 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
R5 Tokyu Saginuma 2 Building	Kawasaki City, Kanagawa	Disaster prevention facilities repair	April 2005	¥ 12	—	—
O4 Tokyo Nissan Taito Building	Taito-ku, Tokyo	External wall repair	From March 2005 to May 2005	¥ 32	—	—
O8 Fujita Kanko Toranomom Building	Minato-ku, Tokyo	Work for move-in to 9th floor	From June 2005 to July 2005	¥ 77	—	—

(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 ¥ 68 million, and together with ¥ 130 million expenses for repair and maintenance costs, ¥ 198 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
O2 Tokyu Nampeidai-cho Building	Shibuya-ku, Tokyo	External wall repair	From November 2004 to January 2005	¥ 15
O7 Resona Maruha Building	Chiyoda-ku, Tokyo	Work for move-in to 17th floor	From July 2004 to September 2004	55
Other				128
Total				¥ 198

(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:

	3rd fiscal period From August 1, 2004 to January 31, 2005	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	¥ 276	¥ 214	—
Amount transferred to reserve in current period	204	571	¥ 214
Reversal from reserves in current period	150	509	—
Reserve at the ending of the period	¥ 329	¥ 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

	3rd fiscal period From August 1, 2004 to January 31, 2005		2nd fiscal period From February 1, 2004 to July 31, 2004	
	Millions of yen			
(a) Asset management fees				
Asset-based fees	¥ 167		¥ 155	
Cash-based fees	183		145	
Unit price-based fees	47	¥ 397	110	¥ 410
(b) Asset custodian and general administration fees		55		47
(c) Director's fees		5		5
(d) Other expenses		54		52
Total		¥ 511		¥ 514

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

Short-term debt and Long-term debt from each financial institution, as of January 31, 2005, are as follows:

Category	Lender	Draw-down date	Balance as of July 31, 2004	Balance as of January 31, 2005	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	June 25, 2004	¥ 2,000	—	0.47000	August 6, 2004	Bullet payment	Refinance fund	Unsecured and Unguaranteed (Note 3)
	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	2,000	0.46863	June 25, 2005			
	The Bank of Tokyo-Mitsubishi Corporation	5,000	5,000	0.51750					
	The Bank of Tokyo-Mitsubishi Corporation	December 25, 2004	—	900	0.46640	December 25, 2005	(Note 2)		
	Mizuho Corporate Bank, Ltd.		—	900					
	The Mitsubishi Trust and Banking Corporation		—	900					
The Chuo Mitsui Trust and Banking Company, Limited	—		900						
The Sumitomo Trust and Banking Company, Limited	—		4,900	0.46641					
	Sub total		25,000	15,500					
Long-term debt	The Sumitomo Trust and Banking Company, Limited	June 25, 2004	5,000	5,000	1.11625	June 25, 2007	Bullet payment	Refinance fund	Unsecured and Unguaranteed (Note 3)
	The Dai-ichi Mutual Life Insurance Company		4,000	4,000					
	Nippon Life Insurance Company		4,000	4,000					
	The Norinchukin Bank		4,000	4,000	1.38875	June 25, 2008			
	The Hyakugo Bank, Ltd.		1,000	1,000	1.23875				
	The Mitsubishi Trust and Banking Corporation		5,000	5,000	1.68875	June 25, 2009			Unsecured and Unguaranteed (Notes 3 and 4)
The Chuo Mitsui Trust and Banking Company, Limited	5,000	5,000	Unsecured and Unguaranteed (Note 3)						

Long-term debt	Aioi Insurance Company, Limited	June 25, 2004	1,000	1,000	1.92750	June 25, 2010	Bullet payment	Refinance fund	Unsecured and Unguaranteed (Notes 3 and 4)
	DAIDO LIFE INSURANCE COMPANY		1,000	1,000					
	Mitsui Sumitomo Insurance Company, Limited		1,000	1,000					
	Development Bank of Japan		4,000	4,000	2.03000	June 25, 2012	Unsecured and Unguaranteed (Note 3)		
Sub total			35,000	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. 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 4. 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 third 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	O8	Fujita Kanko Toranomom Building	December 15, 2004	¥ 8,630	—	—	—	
Trust	R7	Yokohama Yamashita-cho Building	August 3, 2004	5,050	—	—	—	
	R8	Beacon Hill Plaza	August 3, 2004	9,520	—	—	—	
		Total		¥ 23,200				

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	O8	Fujita Kanko Toranomom Building	December 15, 2004	¥ 8,630	¥ 8,640	¥ 8,740
Trust	R7	Yokohama Yamashita-cho Building	August 3, 2004	5,050	5,080	5,130
	R8	Beacon Hill Plaza	August 3, 2004	9,520	9,560	9,590
		Total		¥ 23,200	¥ 23,280	¥ 23,460

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. Furthermore, TOKYU REIT has acquired rights over security deposits in conjunction with the acquisition of Fujita Kanko Toranomom Building. In connection with this transaction, TOKYU REIT has received a report from ChuoAoyama PricewaterhouseCoopers detailing the results of investigation of values of specified assets in line with investigation of properties, as well as information and status reports regarding the type of credit receivables applicable to the property, the names and addresses of creditors and debtors, collateral, and details of other credit receivables.

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 or the contract of transfer of beneficial interests in trust.

Note 3. 'Appraisal value at the end of period' is not based on the research of prices of specified assets, and is attached as reference. Appraisal methods are described in "3. Portfolio Profile (3) Details of Properties in Portfolio, Note 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	¥ 444,396	Shibuya Underground Shopping Center, Inc.	¥ 57	0.0
		Yoga District Heating and Cooling Co., Ltd.	¥ 112,947	25.4
Subcontract expenses	380,608	its communications Inc.	20,065	5.3
		Kyodo Gijutsu Center Co., Ltd.	15,265	4.0
		Tokyu Community Co., Ltd.	199,825	52.5
		Tokyu Facility Service, Co., Ltd.	43,980	11.6
		Tokyu Corporation	6	0.0
Property management fees	108,810	Tokyu Land Corporation	67,198	61.8
		Tokyu Corporation	41,612	38.2
Insurance premium	16,736	Tokyu Insurance Consulting Co., Ltd.	16,736	100.0
Other rental service expenses	119,123	Ishikatsu Exterior, Inc.	165	0.1
		its communications Inc.	55	0.0
		Shibuya Underground Shopping Center, Inc.	840	0.7
		TOKYU AD COMMUNICATIONS Co.,Ltd	125	0.1
		Tokyu Community Co., Ltd.	3,107	2.6
		Tokyu Facility Service, Co., Ltd.	153	0.1
		Tokyu Land Corporation	1,984	1.7

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 January 31, 2005. TOKYU REIT paid for commissions to the following parties during the third period: Ishikatsu Exterior, Inc., its communications Inc., Kyodo Gijutsu Center Co., Ltd., Shibuya Underground Shopping Center, Inc., TOKYU AD COMMUNICATIONS Co.,Ltd, Tokyu Community Co., Ltd., 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 Land Corporation and Tokyu Corporation ¥ 18,707 thousand, and ¥ 65,236 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, ¥ 4,805 thousand was paid to third parties for repair and maintenance works through Tokyu Community Co., Ltd., a related party):

Kyodo Gijutsu Center Co., Ltd.	¥ 224 thousand
Tokyu Construction Co., Ltd.	¥ 17,873 thousand
Tokyu Green System Co.,LTD	¥ 1,111 thousand
Tokyu Community Co., Ltd.	¥ 5,240 thousand
Tokyu Facility Service Co., Ltd.	¥ 1,397 thousand
Tokyu Land Corporation	¥ 1,434 thousand

Tokyu Renewal Co., Ltd.	¥ 457 thousand
Tokyu Corporation	¥ 2,227 thousand
Token Sangyo	¥ 616 thousand
Toyoko Industry Co., Ltd.	¥ 250 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

There are no major contracts entered and revised, which have been approved by the board of directors during the current period.

- (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 January 31, 2005 and July 31, 2004, and the related statements of income and retained earnings and cash flows for the six months ended January 31, 2005 and July 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 January 31, 2005 and July 31, 2004 and the results of its operations and its cash flows for the six months ended January 31, 2005 and July 31, 2004 in conformity with accounting principles generally accepted in Japan.



Tokyo, Japan
April 13, 2005

TOKYU REIT, Inc.
Balance Sheets
As of January 31, 2005 and July 31, 2004

	January 31, 2005	July 31, 2004
	(Millions of yen)	
<u>ASSETS</u>		
Current assets:		
Cash and deposits with banks	¥ 1,400	¥ 947
Cash and deposits with banks held in trust	10,828	10,099
Tenant receivables	110	128
Consumption tax refund receivables	381	-
Other current assets	55	29
Total current assets	12,774	11,203
Fixed assets:		
Property and equipment		
Buildings and structures	2,149	222
Land	13,282	6,446
Other tangible assets	12	-
Buildings and structures held in trust	35,222	27,889
Land held in trust	84,333	76,676
Other tangible assets held in trust	279	277
Less accumulated depreciation	(1,876)	(1,075)
Total property and equipment	133,401	110,435
Intangible assets held in trust	14	14
Investments and other assets		
Lease deposits	106	-
Lease deposits held in trust	876	876
Other assets	60	55
Total investments and other assets	1,042	931
Total fixed assets	134,457	111,380
Total assets	¥ 147,231	¥ 122,583

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

TOKYU REIT, Inc.
Balance Sheets, continued
As of January 31, 2005 and July 31, 2004

	January 31, 2005	July 31, 2004
	(Millions of yen)	
<u>LIABILITIES</u>		
Current liabilities:		
Short-term debt	¥ 15,500	¥ 25,000
Accounts payable	728	762
Rent received in advance	808	635
Accrued expenses and other current liabilities	234	366
Total current liabilities	17,270	26,763
Long-term liabilities:		
Long-term debt	35,000	35,000
Tenant leasehold and security deposits	806	191
Tenant leasehold and security deposits held in trust	14,440	9,114
Other long-term liabilities	3	2
Total long-term liabilities	50,249	44,307
Total liabilities	67,519	71,070
 <u>UNITHOLDERS' EQUITY</u>		
Unitholders' capital:		
Units authorized - 2,000,000 units		
Units issued and outstanding - 142,000 units as of January 31, 2005 and 98,000 units as of July 31, 2004	77,860	50,118
Retained earnings	1,852	1,395
Total unitholders' equity	79,712	51,513
Total liabilities and unitholders' equity	¥ 147,231	¥ 122,583

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 January 31, 2005 and July 31, 2004

	For the six months ended	
	January 31, 2005	July 31, 2004
	(Millions of yen)	
Operating revenues:		
Rental revenue	¥ 4,630	¥ 3,916
Other	415	425
Operating expenses:		
Rental service expenses	(2,323)	(2,056)
Asset management fees	(397)	(409)
Other	(114)	(104)
Operating income	2,211	1,772
Non-operating income:		
Interest income	0	0
Other	0	18
Non-operating expenses:		
Interest expense	(289)	(253)
Unit issuance costs	(60)	(64)
Other	(9)	(77)
Income before income taxes	1,853	1,396
Income taxes:		
Current	(1)	(1)
Deferred	0	0
Net income	1,852	1,395
Retained earnings at beginning of period	0	0
Retained earnings at end of period	¥ 1,852	¥ 1,395

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

TOKYU REIT, Inc.
Statements of Cash Flows
For the six months ended January 31, 2005 and July 31, 2004

	For the six months ended	
	January 31, 2005	July 31, 2004
	(Millions of yen)	
Cash flows from operating activities:		
Income before income taxes	¥ 1,853	¥ 1,396
Depreciation and amortization	802	609
Interest income	0	0
Interest expense	289	253
Decrease (increase) in tenant receivables	19	(31)
(Increase) decrease in consumption tax refund receivables	(381)	1,336
(Decrease) increase in accounts payable	(33)	233
Increase (decrease) in rent received in advance	172	(3)
Other, net	(166)	71
Total	2,555	3,864
Interest received	0	0
Interest paid	(300)	(287)
Income taxes paid	(1)	(1)
Net cash provided by operating activities	2,254	3,576
Cash flows from investing activities:		
Payments for purchases of property and equipment	(8,776)	(6,668)
Payments for purchases of property and equipment held in trust	(14,992)	(388)
Payments for lease deposits	(96)	-
Proceeds from tenant leasehold and security deposits	615	194
Payments for tenant leasehold and security deposits	-	(3)
Proceeds from tenant leasehold and security deposits held in trust	5,610	378
Payments for tenant leasehold and security deposits held in trust	(285)	(520)
Payments for restricted deposits with banks held in trust	(1,272)	(378)
Proceeds from restricted deposits with banks held in trust	285	520
Net cash used in investing activities	(18,911)	(6,865)
Cash flows from financing activities:		
Proceeds from short-term debt	8,500	30,500
Repayment of short-term debt	(18,000)	(62,200)
Proceeds from long-term debt	-	35,000
Proceeds from issuance of investment units	27,743	-
Payment of dividends	(1,392)	(923)
Net cash provided by financing activities	16,851	2,377
Net change in cash and cash equivalents	194	(912)
Cash and cash equivalents at beginning of period	2,806	3,718
Cash and cash equivalents at end of period	¥ 3,000	¥ 2,806

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

TOKYU REIT, Inc.
Notes to Financial Statements
For the six months ended January 31, 2005 and July 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.

On August 3, 2004 and August 25, 2004, TOKYU REIT had 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. As a result, the total amount of capital became 77,860 million and the number of issued units became 142,000 as of January 31, 2005.

TOKYU REIT has acquired 16 properties (Office: 8 properties, Retail: 8 properties) as of January 31, 2005, the end of the third fiscal period. Total acquisition cost of the 16 properties was ¥133,360 million and total rentable area was 170,785.00 m². The occupancy ratio at the end of the third fiscal period was approximately 97.5%.

After the third fiscal period, TOKYU REIT has acquired PICASSO 347 on April 6, 2005. PICASSO 347 is a retail property located in Shibuya. The total acquisition cost has become 148,060million and total rentable area has become 175,776.97 m² after the acquisition.

(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.

TOKYU REIT, Inc.
Notes to Financial Statements, continued
For the six months ended January 31, 2005 and July 31, 2004

2. Significant accounting policies

- (a) **Cash and cash equivalents** - 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) **Unit issuance costs** - Unit issuance costs are recognized as an expense as they are incurred. TOKYU REIT issued 44,000 investment units on August 3, 2004. 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 ¥923 million and therefore increased income before income taxes by ¥923 million compared to the Conventional Method for the six months ended January 31, 2005.
- (e) **Income taxes** - Income taxes are accounted for financial reporting purpose. The tax effect of temporary differences between the amount of assets and liabilities for financial statements and for income tax reporting is recognized as deferred taxes. A deferred tax asset of ¥ 24 thousand and ¥21 thousand are included in other current assets as of January 31, 2005 and July 31, 2004, respectively.
- (f) **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 related to the period following the purchase date of each property through the end of the

TOKYU REIT, Inc.
Notes to Financial Statements, continued
For the six months ended January 31, 2005 and July 31, 2004

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 ¥53 million and ¥25 million for the six months ended January 31, 2005 and for the six months ended July 31, 2004, respectively

- (g) **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.
- (h) **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.
- (i) **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

Cash and cash equivalents, at January 31, 2005 and July 31, 2004, consisted of the follows:

	January 31, 2005	July 31, 2004
	(Millions of yen)	
Cash and deposits with banks	¥ 1,400	¥ 947
Cash and deposits with banks held in trust	10,828	10,099
Restricted deposits with banks held in trust	(9,228)	(8,240)
Cash and cash equivalents	¥ 3,000	¥ 2,806

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 January 31, 2005 and July 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 January 31, 2005 and July 31, 2004 consisted of the following:

	January 31, 2005			July 31, 2004		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
	(Millions of yen)					
Property and equipment						
Buildings and structures						
Buildings	¥ 2,148	¥ (21)	¥ 2,127	¥ 222	¥ (3)	¥ 219
Structures	1	(0)	1	-	-	-
Land	13,282	-	13,282	6,446	-	6,446
Other tangible assets						
Machinery and equipment	3	(0)	3	-	-	-
Tools, furniture and fixtures	9	(0)	9	-	-	-
Property and equipment held in trust						
Buildings and structures						
Buildings	34,588	(1,716)	32,872	27,442	(985)	26,457
Structures	634	(48)	586	447	(29)	418
Land	84,333	-	84,333	76,676	-	76,676
Other tangible assets						
Machinery and equipment	144	(34)	110	144	(22)	122
Tools, furniture and fixtures	135	(57)	78	133	(36)	97
Intangible assets held in trust	15	(1)	14	15	(1)	14
Total	¥135,292	¥ (1,877)	¥133,415	¥111,525	¥ (1,076)	¥110,449

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

The net book value pledged as collateral to secure tenant lease hold and security deposits of ¥4,821 million outstanding as of January 31, 2005 were as follows:

	January 31, 2005	July 31, 2004
	(Millions of yen)	
Property and equipment held in trust		
Buildings and structures		
Buildings	¥ 4,013	¥ -
Structures	161	-
Land	5,586	-
Other tangible assets		
Tools, furniture and fixtures	0	-
Total	¥ 9,760	¥ -

TOKYU REIT, Inc.
Notes to Financial Statements, continued
For the six months ended January 31, 2005 and July 31, 2004

7. Rental revenue and expenses

Rental revenues and expenses for the period ended and July 31, 2004 and January 31, 2005 were as follows:

	For the six months ended	
	January 31, 2005	July 31, 2004
(Millions of yen)		
Revenue from property leasing:		
Rental revenue:		
Rental revenue	¥ 3,679	¥ 3,055
Common area charges	518	428
Parking lot revenue under monthly contract	85	84
Other	348	349
Sub total	4,630	3,916
Other:		
Incidental income	359	363
Other	56	62
Sub total	415	425
Total revenue from property leasing	5,045	4,341
Rental service expenses:		
Utilities expenses	444	448
Subcontract expenses	381	355
Property management fees	109	95
Repairs and maintenance expenses	130	100
Property-related taxes	321	325
Insurance premium	17	14
Depreciation and amortization	802	609
Other	119	110
Total rental service expenses	2,323	2,056
Operating income from property leasing activities	¥ 2,722	¥ 2,285

TOKYU REIT, Inc.
Notes to Financial Statements, continued
For the six months ended January 31, 2005 and July 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 January 31, 2005 and for the period ended July 31, 2004.

	For the six months ended	
	January 31, 2005	July 31, 2004
Statutory income tax rate	39.39%	39.39%
Deductible cash distributions	(39.36)	(39.36)
Other	0.04	0.04
Effective tax rate	0.07%	0.07%

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 January 31, 2005 and July 31, 2004 and the unitholders’ equity per unit as of January 31, 2005 and July 31, 2004.

	For the six months ended	
	January 31, 2005	July 31, 2004
Net income per unit	¥ 13,111	¥ 14,231
Weighted-average number of units ※1	141,283 units	98,000 units
※1 Average number of units weighed by days in each fiscal period.		
	As of January 31, 2005	As of July 31, 2004
Unitholders’ equity per unit	¥ 561,356	¥ 525,634

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 January 31, 2005 and July 31, 2004

10. Leases

TOKYU REIT leases its properties to tenants under non-cancelable operating leases. As of January 31, 2005 and July 31, 2004, the future lease revenues under the non-cancelable operating leases were as follows:

	For the six months ended	
	January 31, 2005	July 31, 2004
	(Millions of yen)	
Due within one year	¥ 4,951	¥ 4,055
Due after one year	35,286	34,247
Total	¥ 40,237	¥ 38,302

As of January 31, 2005 and July 31, 2004, the future lease payments under the non-cancelable operating leases were as follows:

	For the six months ended	
	January 31, 2005	July 31, 2004
	(Millions of yen)	
Due within one year	¥ 285	¥ 118
Due after one year	2,919	2,603
Total	¥ 3,204	¥ 2,721

TOKYU REIT, Inc.
Notes to Financial Statements, continued
For the six months ended January 31, 2005 and July 31, 2004

11. The financial results of each property (Unaudited)

Details on the financial results of each property for the six months ended January 31, 2005 and July 31, 2004 were as follows: (Unaudited)

For the six months ended January 31, 2005

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	¥ 590	¥ 233	¥ 357	¥ 61	¥ 296
R2	Lexington Aoyama	159	28	131	7	124
R3	TOKYU REIT Omotesando Square	169	37	132	11	121
R4	Tokyu Saginuma Building	312	55	257	27	230
R5	Tokyu Saginuma 2 Building	65	15	50	8	42
R6	TOKYU REIT Shibuya Udagawa-cho Square	168	2	166	4	162
R7	Yokohama Yamashita-cho Building	239	47	192	74	118
R8	Beacon Hill Plaza	297	13	284	96	188
O1	Setagaya Business Square	1,229	563	665	268	397
O2	Tokyu Nampeidai-cho Building	171	40	131	30	101
O3	Tokyu Sakuragaoka-cho Building	238	49	189	25	164
O4	Tokyo Nissan Taito Building	209	85	124	50	74
O5	TOKYU REIT Akasaka Hinokicho Building	137	39	98	15	83
O6	TOKYU REIT Kamata Building	277	97	181	52	129
O7	Resona Maruha Building	670	175	495	60	435
O8	Fujita Kanko Toranomom Building	115	43	72	14	58
Total		<u>¥ 5,045</u>	<u>¥ 1,521</u>	<u>¥ 3,524</u>	<u>¥ 802</u>	<u>¥ 2,722</u>

For the six months ended 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>

TOKYU REIT, Inc.
Notes to Financial Statements, continued
For the six months ended January 31, 2005 and July 31, 2004

- (*1) Property leasing expenses are defined as rental service expenses adjusted for depreciation and amortization.
- (*2) NOI represents net operating income, calculated as revenue from property leasing minus property leasing expenses.

12. Distribution information

The Board of Directors of TOKYU REIT resolved on March 18, 2005 and September 24, 2004 to effect payment of cash distributions of ¥13,045 and ¥14,230 per unit to unitholders of record on January 31, 2005 and July 31, 2004, respectively. Retained earnings carried forward after the distributions are as follows:

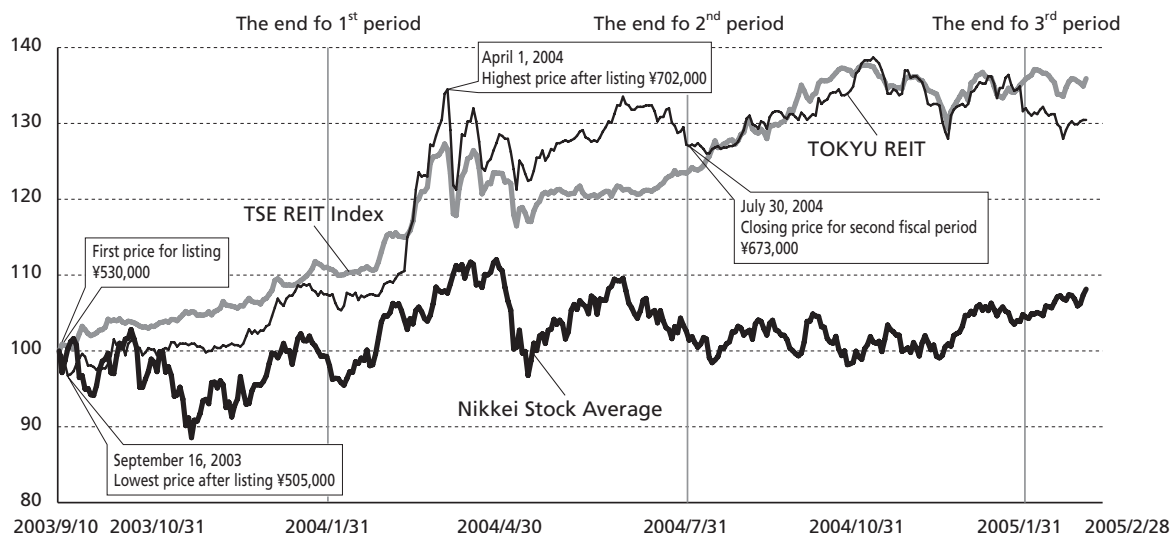
	<u>January 31, 2005</u>	<u>July 31, 2004</u>
	(Millions of yen)	
Retained earnings at end of period	¥ 1,852	¥ 1,395
Cash distributions declared	1,852	1,395
Retained earnings carried forward	<u>¥ 0</u>	<u>¥ 0</u>

13. Subsequent events

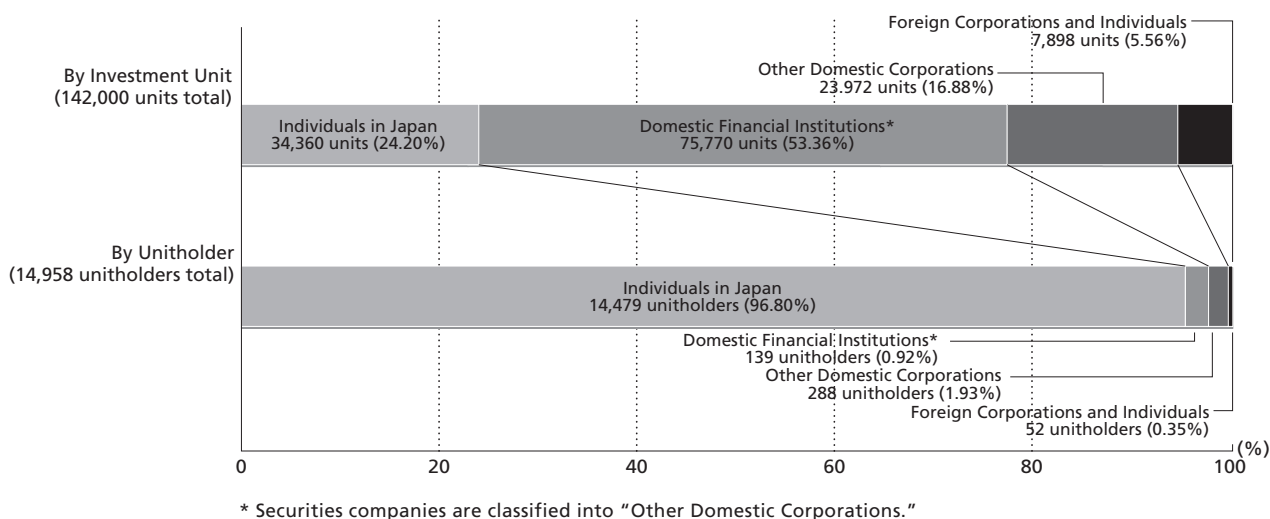
TOKYU REIT is not aware of any circumstances that may have a material impact on TOKYU REIT's financial position after the third fiscal period end.

Unitholder Information

Unit Price Chart



Unitholder Composition



Results Reporting Schedule

	3rd Period	4th Period
Date of settlement	Jan. 31, 2005	Jul. 31, 2005
Announcement of results	Mar. 18, 2005	Mid Sep. 2005
Delivery of asset management report	Mid Apr. 2005	Mid Oct. 2005
Payment of dividends	Mid Apr. 2005	Mid Oct. 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

* The 2nd Unitholders' General Meeting is scheduled for April 19, 2005

Date for Finalizing General Meeting Voting Rights

As designated under Article 13 of the by-laws (Unitholders of record as of January 31, 2005 are eligible to exercise voting rights at the 2nd Unitholders' General Meeting.)

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