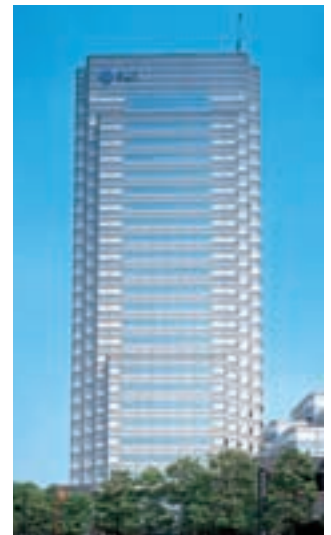


# TOKYU REIT

## TOKYU REIT, Inc. Semiannual Report

Fifth Fiscal Period  
From August 1, 2005 to January 31, 2006



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



**TOKYU REIT, Inc.**

**Semiannual Report  
Fifth Fiscal Period**

From August 1, 2005 to January 31, 2006

*5<sup>th</sup>*



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, 2006, the end of TOKYU REIT's fifth fiscal period, TOKYU REIT held nine retail facilities and eight office buildings, for a total of 17 properties.

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## HIGHLIGHTS

- Four consecutive periods of increased revenues and income
- Portfolio growth through property acquisition
- Outstanding occupancy rate (99.4%) as of January 31, 2006, at the end of the fifth fiscal period
- Implementation of strict corporate governance
- Proactive IR activities

## FINANCIAL SUMMARY

■ 5th Fiscal Period    ■ 4th Fiscal Period

### ■ Assets

Total Assets                      ¥171,791 million              ¥162,180 million

### ■ Debt

Interest-Bearing Liabilities      ¥53,000 million              ¥64,500 million

Total Assets Loan-to-Value (LTV) Ratio      30.9%                      39.8%

### ■ Income

Operating Revenues              ¥6,343 million              ¥5,684 million

Net Income                          ¥2,401 million              ¥1,959 million

### ■ Distributions

Cash Distribution per Unit              ¥14,179                      ¥13,798

### ■ Valuations

Average Market Price per Unit      ¥766,520                      ¥726,082

Distribution Yield                      3.67%                      3.83%



# To Our Unitholders

On behalf of TOKYU REIT, Inc. ("TOKYU REIT"), I would like to express my sincere appreciation to all our REIT unitholders for their continued support and understanding. The following pages provide an overview of the operating environment and our results for the fifth fiscal period, August 1, 2005 to January 31, 2006.

## Masahiro Horie

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



### Cash Distribution of ¥14,179 Per Unit

In the fiscal period under review, TOKYU REIT experienced an increase in both revenues and income. Operating revenues for the fifth fiscal period amounted to ¥6,343 million, while net income totaled ¥2,401 million. TOKYU REIT allocated 100% of its net income for a cash distribution of ¥14,179 per unit, up from ¥13,798 per unit in the previous fiscal period, and our second highest cash distribution after the second fiscal period of ¥14,230 per unit.

The proportion of interest-bearing liabilities to total assets was 33.6%, a lower leverage compared with the end of the previous fiscal period (39.8%) and the second fiscal period (48.9%). We believe that this figure reflects an improvement in the quality of our profit as indicated by the increased cash distribution and improved financial soundness. The total period-end appraisal value of properties (assessed by a qualified third-party appraiser) exceeded total book value by ¥17,325 million. This appraisal profit demonstrates TOKYU REIT's steady growth in asset value.

### Valuation Gains/Losses

			End of 1st Fiscal Period	End of 2nd Fiscal Period	End of 3rd Fiscal Period	End of 4th Fiscal Period	End of 5th Fiscal Period
Number of investment units	(A)	(unit)	98,000	98,000	142,000	142,000	169,380
Book value	(B)	(million yen)	104,002	110,448	133,415	147,819	157,104
Period-end appraisal value of properties	(C)	(million yen)	103,050	111,740	136,850	155,090	174,430
Appraisal profit/losses	(D) = (C) - (B)	(million yen)	(952)	1,291	3,434	7,270	17,325
Appraisal profit/losses per unit	(E) = (D) / (A)	(yen)	(9,715)	13,175	24,188	51,203	102,289

### Impact from the Economic Recovery of the Real Estate Leasing Business

Gross domestic product briskly expanded from the beginning of 2005, and indices showed that the economy gained momentum along with corporate confidence. This recovery was primarily attributed to improved corporate performance from the second half of 2002, which fueled capital investment, employment, individual incomes, personal consumption, creating a feedback effect that further improved corporate performance. These trends have led to the creation of domestic private-sector demand.

Along with the improvement in employment and personal consumption, the situation surrounding the real estate leasing market is showing signs of an upturn. Office buildings in central Tokyo are experiencing lower vacancy rates while advertised rents are increasing mainly for properties with prime locations and specifications. In addition, the outlook in retail is bright as higher sales led to increased revenues at shopping centers and department stores. Tenant leasing rates for shopping centers are buoyant, enjoying higher appreciation for retail facilities that draw customers. Along with the economic recovery, it is increasingly important in asset management to increase rental revenue as well as to maintain stable occupancy.

### Population in Tokyo Continues to Show Upward Trend

Demographic movement is a macro indicator that significantly impacts the real estate leasing business together with economic trends. In the case of real estate, properties situated in densely crowded areas tend to produce higher cash flows at

both office buildings and retail facilities.

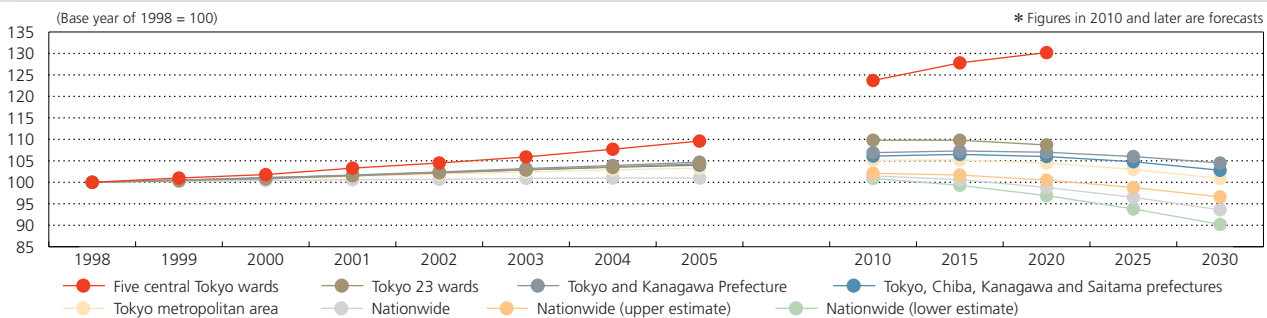
Although the country's population peaked in 2005, the population of the five central Tokyo wards is anticipated to continue its upward trend over the next ten years and into the future due to urban remigration. In addition, the flow of people moving to Tokyo, as well as Chiba, Kanagawa and Saitama prefectures is continuing, with approximately 100,000 people migrating from other prefectures in 2004. TOKYU REIT considers that the bipolarization between Tokyo and other regions will become increasingly prominent in light of the over-concentration of the population and economy in Tokyo.

In the Tokyu Areas, for example, the trend toward increasing numbers of train passengers developed more quickly for Tokyu

lines than any other train lines in the Tokyo metropolitan area. In an environment where people can choose where to live, relatively more people are moving to areas along the Tokyu lines. Users of Shibuya Station, a major hub of the Tokyu lines, have increased to approximately 1.41 million passengers a day.

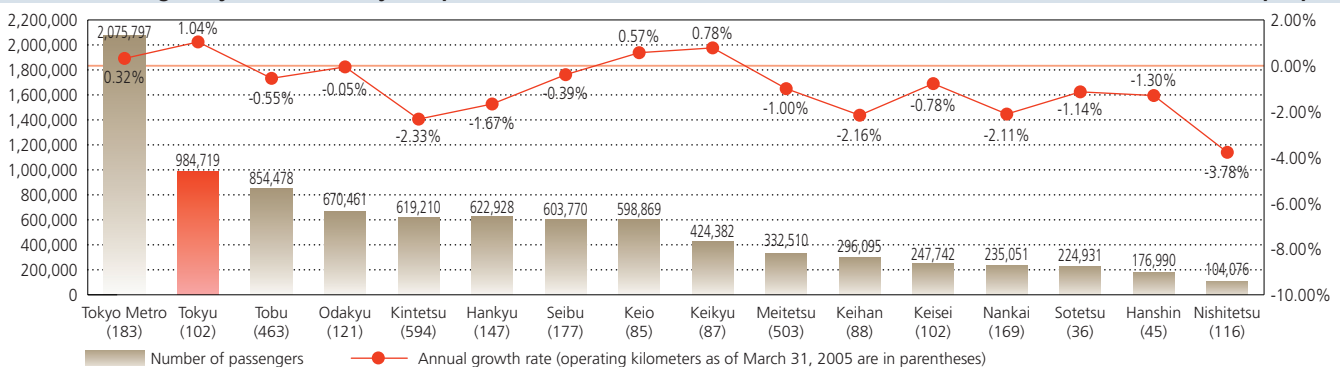
TOKYU REIT is a fund that focuses on the Tokyo metropolitan area, particularly Tokyo, and Chiba, Kanagawa and Saitama prefectures, and invests in prime properties that are highly competitive. We define the five central Tokyo wards and the Tokyu Areas, the areas adjoining the Tokyu railway network, in particular as key investment areas, positioning TOKYU REIT as a top real estate investment trust (REIT) that benefits from the economic recovery and population concentration in the Tokyo metropolitan area.

### Population Growth and Forecast



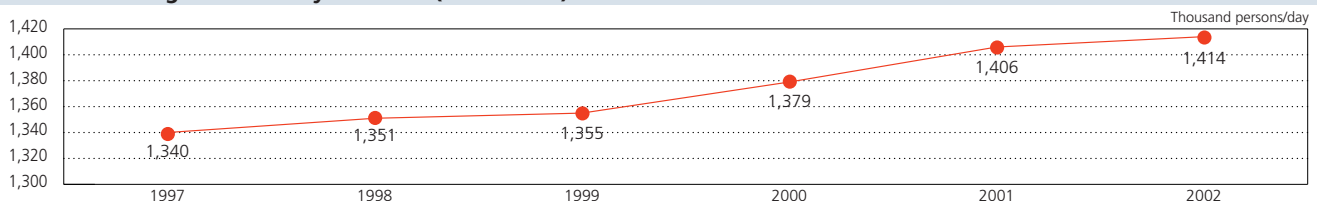
Sources: "Basic Resident Register Population Survey," Ministry of Internal Affairs and Communications; "Tokyo Population Forecast by Municipalities," Tokyo Metropolitan Government; "Estimated Population by Prefectures," National Institute of Population and Social Security Research.

### Number of Passengers by Private Railway Companies in Fiscal 2004 and Annual Growth Rate in the Past Five Years (thousands of people, %)



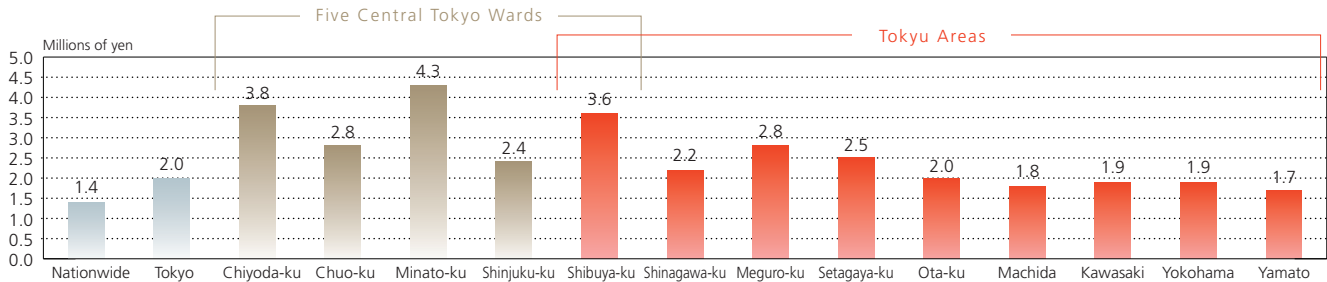
Note: The figures in the above chart were extracted from the aforementioned publication; the growth rates from 1999 to 2004 in the above chart were calculated based on the aforementioned publication.

### Number of Passengers at Shibuya Station (1997-2002)



Note: These figures are sum of passengers of JR lines, Tokyu Toyoko Line, Tokyu Den-en-toshi line, Keio Inokashira line and Tokyo Metro lines.

## Personal Income Taxation by Area (2004)



Source: "Personal Income Index, 2005," Japan Marketing Education Center Figures are extracted and calculated from "Survey of Municipal Taxation Situation," Ministry of Internal Affairs and Communications, by the Japan Marketing Education Center.

Note: The cities of Yokohama and Kawasaki include areas outside of the administrative districts of Tokyu Areas.

## Internal Growth through Increased Rental Income

Owing to its stable asset management, 14 of TOKYU REIT's 17 properties are fully tenanted as of the fifth fiscal period-end, and the overall occupancy rate stood at 99.4%. During the fiscal period under review, TOKYU REIT succeeded in contracting with tenants for the 16th floor of the Setagaya Business Square office tower, which had previously been unoccupied. We successfully attracted five tenants that are either new or seeking additional space, while six tenants withdrew or decreased their leasing space.

Amid the favorable turn in the real estate leasing market, TOKYU REIT made upward revisions to rental rates for urban multi-tenant retail facilities such as QFRONT, Lexington Aoyama and TOKYU REIT Omotesando Square. We believe that urban multi-tenant retail facilities in prime locations are properties that enable us to enjoy the benefits of the economic recovery more quickly than those of suburban shopping centers or urban office buildings.

On March 20, 2006, PICASSO347, an investment property of TOKYU REIT, reopened under the new name of "cocoti". In pursuit of higher competitiveness, we recreated the facility's concept and made an appropriate investment in this target property. The property's potential including its accessibility is expected to improve with the 2007 opening of the Tokyo Metro 13 Line and its planned direct link with the Tokyu Toyoko Line in 2012.

We also plan to make sequential increases in rental rates for office buildings with below-market rents at the timing of contract renewal or rent revision.

## Doubled Portfolio Assets Since IPO

TOKYU REIT acquired PICASSO347 on August 2, 2005, raising our asset portfolio to ¥157,860 million with 17 properties as of the end of the fifth fiscal period. This indicates that our initial asset portfolio of ¥80,300 million has nearly doubled within the two years since September 2003 when TOKYU REIT was listed on the Tokyo Stock Exchange. With the implementation of our investment management, I am strongly convinced that the size of asset portfolio is necessary for ¥300 billion or more when considering portfolio diversification and segmentation, mobility of property acquisition, and liquidity of investment units after assuring the property's market competitiveness. From that, we are positioning the seventh fiscal period ending January 31, 2007 as a milestone for achieving a ¥200,000 million-scale portfolio, as we strive for further external growth.

## The Priority of Higher Rent over High Interest Rates

I have been stating that current real estate prices, with few exceptions, are headed toward fair value based on the profits that properties can generate, as opposed to so-called "bubble" prices. Liquidity real estate continued to progress in 2005, and the market has been increasingly active. Some competitive properties in central Tokyo show NOI yields in the 3% range in the trading market. In comparison, the long-term government bond yield is in the range of 1%. This difference is by no means insignificant compared with figures in other countries. We can conclude, therefore, that real estate prices are not necessarily high. The important thing is to ensure an appropriate interest rate spread against the long-term government bond yield, which is subject to comparison in the event of an increase in long-term interest rates. A REIT's unit performance is affected by the level of investment in properties that can increase rent revenues during an economic recovery.

## Appropriate Disclosure of Risk Information

2005 was a year when serious issues that could negatively impact the Japanese real estate business were exposed, such as soil contamination, asbestos, and falsification of structural statements. Under the strategy of “Investment in highly competitive properties in areas with strong growth potential”, TOKYU REIT focuses on the Tokyo metropolitan area as its investment area. Along with this, TOKYU REIT establishes and complies with strict investment criteria for earthquake resistance, the environment and soil quality as well as location and scale, in order to invest in highly competitive properties. Furthermore, we report risk information regarding acquired properties to our investors.

According to our sampling surveys, for example, asbestos-containing materials have been used in parts of the Tokyu Saginuma Building,

Resona Maruha Building and Tokyu Sakuragaoka-cho Building. In accordance with laws and regulations, when materials containing a certain asbestos content ratio are removed and disposed of, measures must be taken to prevent such material from scattering. TOKYU REIT has confirmed that the materials will not cause any particular damage given the present condition of these properties, and has disclosed such information. Those parties involved in the properties’ construction, design, structural calculations and construction confirmation have also been disclosed in our presentation materials. The following charts (list of designers and constructors by properties) are available on our Web site. Along with strict compliance with laws and regulations, TOKYU REIT continues to fully utilize its abundant know-how accumulated from its rich experience to support measures that ensure risk management, and will fully disclose such risks in investment management.

### Investment Criteria

	Office Properties	Retail Properties
① Location	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 from a train station.	TOKYU REIT conducts a market evaluation. Areas of assessment include the latent purchasing power of residents of the targeted area, growth potential, compatibility between tenants and business category, current competition conditions 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 <sup>2</sup> of total floor space and at least 330 m <sup>2</sup> of proprietary floor space per standard floor.	TOKYU REIT determines the appropriate size of each retail property with consideration of location, market size, features of the area, standard floor space for each business category, and 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 designated 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 under the Building Standards Law, have been reinforced against earthquakes, and have a probable maximum loss (PML) of less than 15%.	
⑥ Environment and Soil Quality	Investment decisions are made following sufficient investigation of the toxic substance content of buildings, soil contamination and other issues. These findings are then considered for their medium- to long-term impact on TOKYU REIT's operations, after which, the decision is made for each property individually.	

### List of Designers and Constructors by Properties

	Construction Companies	Design Offices	Structural Recalculation Offices	Inspection Agencies
QFRONT	Tokyu Construction	Research Institute of Architecture	Kawaguchi & Engineers Co., Ltd.	Government
Lexington Aoyama	Kurimoto Construction Industry, Ltd.	Archi & Tects Associates	None	Government
TOKYU REIT Omotesando Square	Kajima Corporation	Matsuda Hirata Sakamoto Design Office	None	Government
Tokyu Saginuma Building	Tokyu Construction	Tokyu Architects & Engineers Inc.	None	Government
Tokyu Saginuma 2 Building	Tokyu Construction	Tokyu Architects & Engineers Inc.	None	Government
TOKYU REIT Shibuya Udagawa-cho Square	Tokyu Construction	Tokyu Construction	None	Government
Yokohama Yamashita-cho Building (Barneys New York Yokohama Store)	Takenaka Corporation	Takenaka Corporation	None	Government
Beacon Hill Plaza (Ito-Yokado Noukendai Store)	Shimizu Corporation	Institute of New Architecture Inc.	None	Government
cocoti	Taisei Corporation	Taisei Corporation	None	Private sector: The Building Center of Japan
Setagaya Business Square	Tokyu Construction	Tokyu Architects & Engineers Inc. (Design: Architect 5 Partnership)	None	Government
Tokyu Nampeidai-cho Building	Tokyu Construction	Tokyu Corporation	None	Government
Tokyu Sakuragaoka-cho Building	Tokyu Construction	Tokyu Architects & Engineers Inc.	None	Government
Tokyo Nissan Taito Building	Kajima Corporation, Nitto Construction Co., Ltd.	Nihon Sekkei, Inc.	None	Government
TOKYU REIT Akasaka Hinokicho Building	Kajima Corporation	Kajima Corporation	None	Government
TOKYU REIT Kamata Building	Kajima Corporation, Sumitomo Construction Co., Ltd.	Nikken Sekkei Ltd.	None	Government
Resona Maruha Building	Kajima Corporation, Tokai-Kogyo Co., Ltd., Takenaka Corporation, Shimizu Corporation, Aoki Construction Co., Ltd.	Endo Architectural Design Office, Matsuda Hirata Sakamoto Design Office, Kozo Keikaku Engineering Inc.	None (Kozo Keikaku Engineering Inc.)	Government
TOKYU REIT Toranomon Building	Obayashi Corporation, JDC Corporation, Dowa Construction Co., Ltd.	Kanko Kikaku Sekkeisha	Kozo Keikaku Engineering Inc.	Government

\* Structural recalculation offices were confirmed from the original structural statements and other related documents.  
\* Names of construction companies and design offices are as of the completion date of each building.

## Issuance of New Investment Units to Assure Financial Soundness

Guided by financial policies based on stability, mobility and efficiency, TOKYU REIT's financial soundness significantly improved during the fiscal period under review. For the purposes of obtaining a 40% quasi-co-ownership interest in PICASSO347 and repaying short-term debt financing, TOKYU REIT issued 27,380 new investment units (26,700 units as of August 2, 2005, and 680 units as of August 29, 2005) and procured ¥20,159 million. In addition, the period-end interest-bearing liabilities to total assets ratio was 30.9% due to the repayment of short-term debt financing of ¥17,500 million, a decrease of 8.9 percentage points from the end of the previous fiscal period. With ¥6,000 million of long-term debt, outstanding loans as of the end of the fiscal period under review totaled ¥53,000 million (¥41,000 million in long-term debt and ¥12,000 million in short-term debt). The weight-average interest rate was 1.13% for the fifth fiscal period.

In addition, TOKYU REIT secured issuer credit ratings from three rating agencies on September 6, 2005, for the purpose of diversifying the means of fund procurement (see page 15).

## The Social Mission of REITs

REITs enjoy tax privileges such as the approval to deduct cash distribution amounts. They are investment products supported by government policy, and many advanced countries have implemented such frameworks. Overall objectives include improving real estate liquidity and reversing deflation. The question can be asked: have REITs fulfilled their role after land prices in metropolitan areas bottomed out? The answer is "No," since I believe that they will continue to have a significant part. The improvement of real estate liquidity in the REIT sphere is important in terms of upgrading the socioeconomic infrastructure, so I believe they should make further progress.

First of all, the improvement of real estate liquidity through expansion of the REIT market contributes to economic revitalization. Properties that constitute REIT portfolios are most effectively utilized by professionals, and are expected to further contribute to regional economies. In addition to improving profitability, REITs contribute to reversing the chronic spiral of deflation.

Furthermore, infrastructure is being improved in terms of asset quality. In the process of property acquisitions and fund procurement, properties are investigated and reviewed by investment management companies, due diligence companies, law firms, lenders such as banks, and underwriting securities companies.

This process ensures that properties in our society are sound in terms of structure, facilities, environment, soil quality, ownership and other related conditions. The expansion of the REIT market also improves the earthquake resistance of buildings in Japan.

REITs are excellent recipients of assets, and far more importantly, stable providers of funds. Unutilized property owned by companies can become new sources for their capital investment funds when purchased by REITs. For example, a company's productivity will certainly improve if it sells a property with a 5% yield and invests the fund in its core business that is expected to bring a 15% return. Such extensive endeavors can help to offset the effects of the shrinking workforce caused by the aging of society and declining birthrate, thereby enhancing the nation's growth potential. The workforce cannot be expected to contribute to domestic growth in the short term, so I maintain that the solution depends on companies that enhance productivity by concentrating management resources in their main business and upgrading facilities. REITs have a new background role in society to supply stable funds. Tokyu REIM implements its daily investment management in accordance with the notion that it has a generally positive social role to play. In





disclosing such detailed property data to the public, TOKYU REIT is one of the real estate investment trusts in the world that implements information disclosure with high transparency. The original purpose of disclosure was for advancing investor relations in the capital market. On top of that, there was also a facet of obliging potential real estate sellers to sell their properties by properly formulating acquisition prices through minimizing skewed information in the real estate market.

## The Investment Management Company's Approach to Operations

Investment management companies are fiduciaries of REITs, and therefore are responsible for raising the level of performance and decision-making among their directors, officers and employees above that of regular companies. Tokyu Real Estate Investment Management Inc. ("Tokyu REIM") is the investment management company for TOKYU REIT, and acts as more than a passive fiduciary: It is active in developing an environment for individual directors, officers and employees to exercise their creativity in planning and proposals aimed to improve TOKYU REIT's

unitholder value. It is of particular importance to offer solutions regarding conflicts of interest in activities. In the event of a conflict of interest occurring between unitholders and other stakeholders, Tokyu REIM will fulfill its fiduciary role and put unitholders' interests first, or have a third party fairly determine the outcome. If the issue is related to purchasing price, Tokyu REIM will take every measure to ascertain the market price.

TOKYU REIT aims to be a global product chosen by investors from home and overseas. Moreover, we strive to assure the highest acclaim in the real estate investment industry and lead the J-REIT market by providing quality that meets global standards.



## Masahiro Horie

In his role as CEO 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 Executive vice president and representative director.

**2002**

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

**2003**

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



# Management

## TOKYU REIT, 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. During the fifth fiscal period, TOKYU REIT's Board of Directors met on ten occasions. 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 fifth fiscal period, there was one Executive Director and two Supervisory Directors at TOKYU REIT.



**Maruhito Kondo**  
Supervisory Director

**Masahiro Horie**  
Executive Director

**Giichi Yanagisawa**  
Supervisory Director

### 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
June 2003	Appointed supervisory director, TOKYU REIT, Inc. (current position)
December 2004	Appointed auditor, Recomm Co., Ltd. (current position)

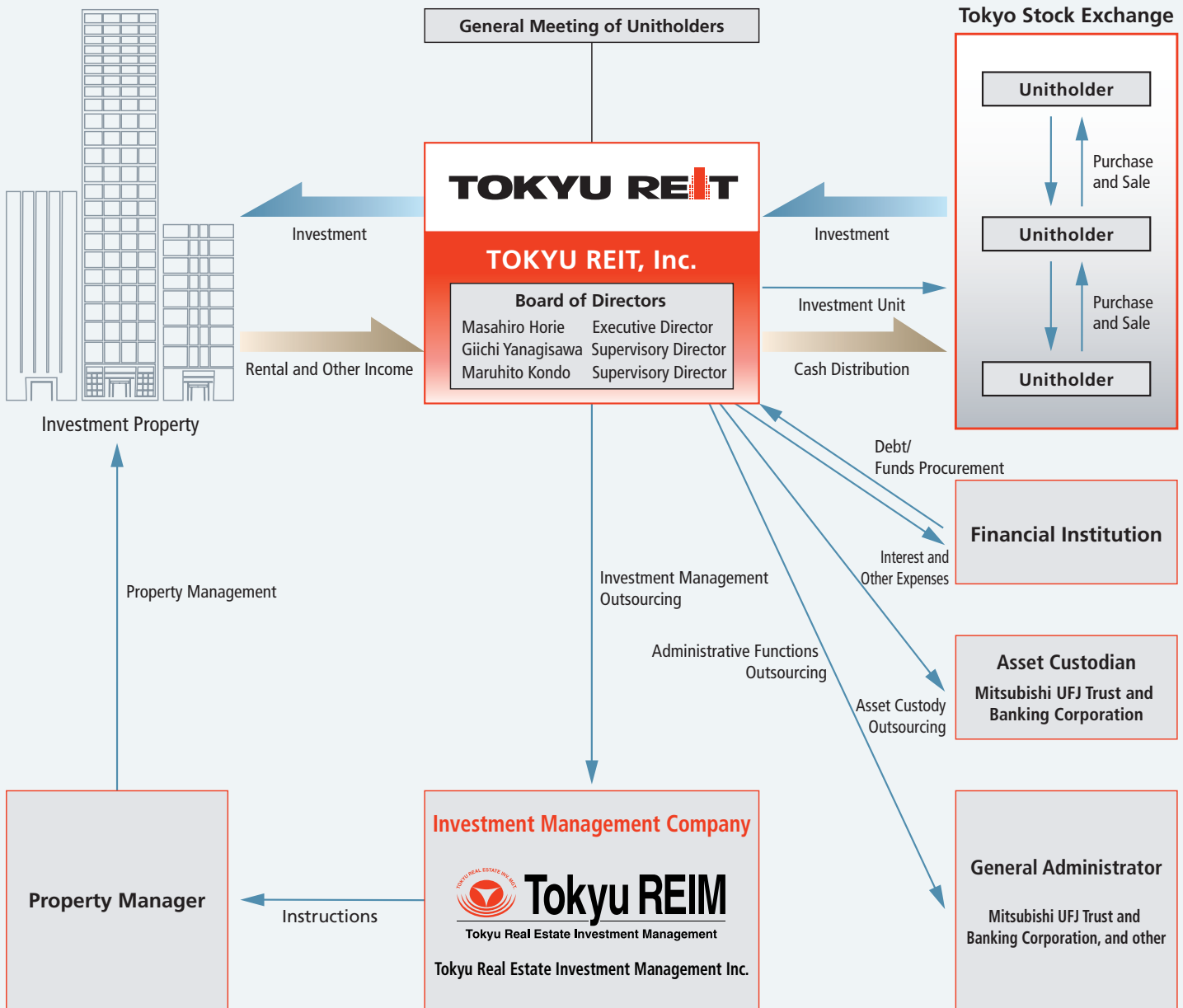
### Giichi Yanagisawa

Supervisory Director

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
June 2003	Appointed supervisory director, TOKYU REIT, Inc. (current position)
April 2004	Appointed representative director (current position)
July 2004	Appointed Executive Board of The Japanese Institute of Certified Public Accountants (current position)

Note: Masahiro Horie serves as executive director of TOKYU REIT and representative director, president and chief executive officer of its investment management company "Tokyu REIM". 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 Structure and External Service Providers



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

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.

## Tokyu Real Estate Investment Management Inc. Investment Management Company

URL: [www.tokyu-reim.co.jp](http://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.

### History

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

### Major Unitholders (as of March 31, 2006)

Name	Address	Shares Held	Ratio
Tokyu Corporation	5-6 Nampo-dai-cho, Shibuya-ku, Tokyo	3,600 shares	60%
Tokyu Land Corporation	1-21-2 Dogenzaka, Shibuya-ku, Tokyo	2,400 shares	40%
	Total	6,000 shares	100%

### Board of Directors

A management structure has been implemented 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 fifth fiscal period, the Board of Directors met on nine 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 fifth fiscal period, the Investment Committee met on thirteen occasions.

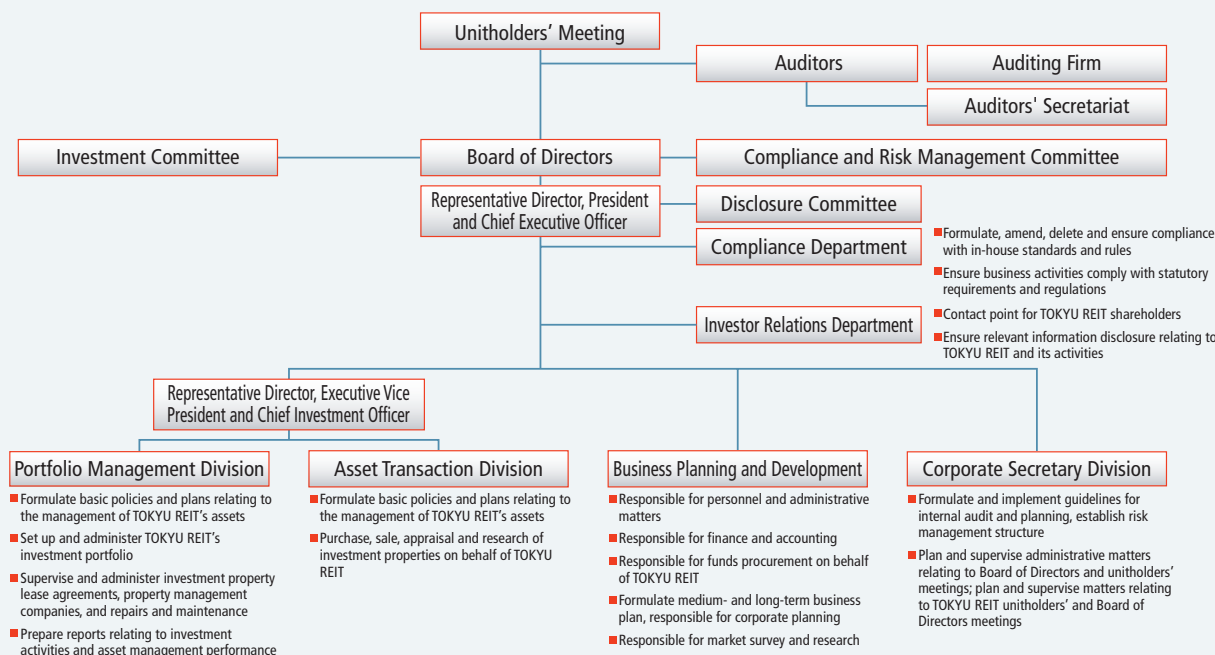
### Compliance and Risk Management Committee

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 fifth fiscal period, the Compliance and Risk Management Committee met on twelve occasions.

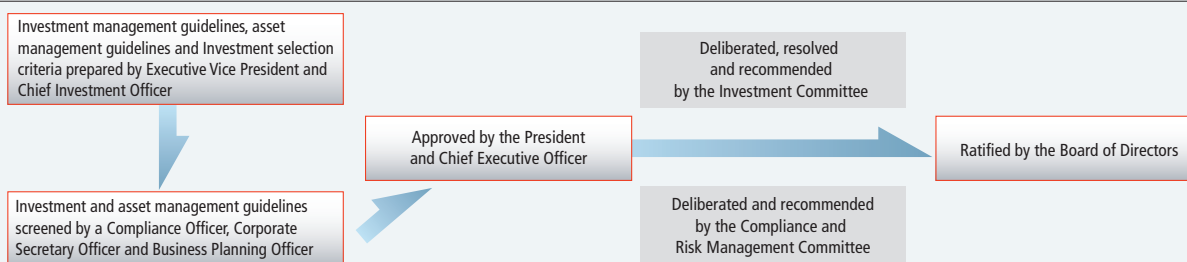
### Disclosure Committee

The head of the Disclosure Committee is the Investor Relations Officer. The other members of the Committee include the Compliance Officer, Corporate Secretary Officer, Business Planning Officer and other members the Committee head judged to be necessary. Of information that is disclosed on a timely basis, the Committee reviews the handling of disclosure concerning matters that occur regarding TOKYU REIT, Tokyu REIM and TOKYU REIT's assets under management. The results of the Committee's discussions are reported to the Representative Director, President and Chief Executive Officer. The Disclosure Committee met once during the fifth fiscal period.

## Organization Chart



## Decision-Making Process



Tokyu REIM's investment guidelines<sup>(1)</sup> and asset management plans<sup>(2)</sup> 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.

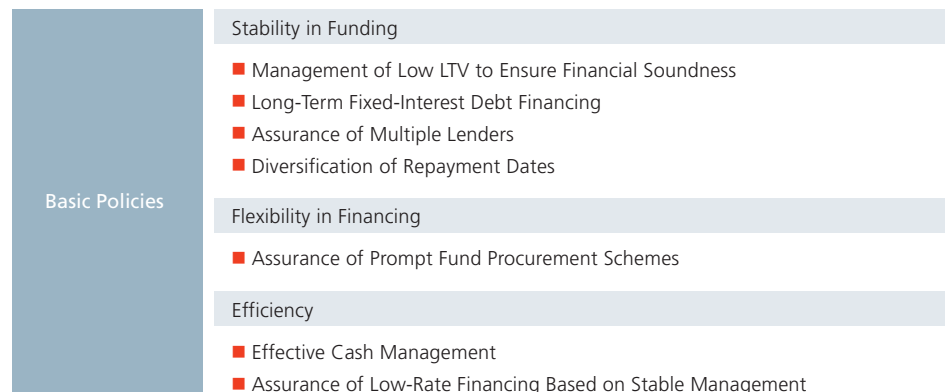
Note 1: Investment guidelines are defined as the basic policies including 1) internal regulations determined by Tokyu REIM for the consigned management of TOKYU REIT's assets, 2) the particulars of fundamental policies determined in the Articles of Incorporation, and 3) other management-related matters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

# Financial Strategies

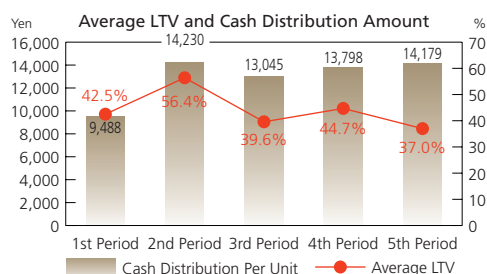
## TOKYU REIT's Financial Strategies

With its financial strategies based on stability, flexibility and efficiency, TOKYU REIT strives to maximize unitholder value by reducing capital costs as well as fostering external growth with minimal expenditures.



Note: LTV (Loan to Value) = (Interest-bearing debt + Security and guarantee deposits not matched by cash) / Total appraisal value as of the acquisition date or total period-end appraisal value of properties. This formula calculates the liability level to the acquired property's value. A low level (namely, less liabilities or over-valued property) is considered to indicate a high level of financial soundness.

## Average LTV and Cash Distribution Amount

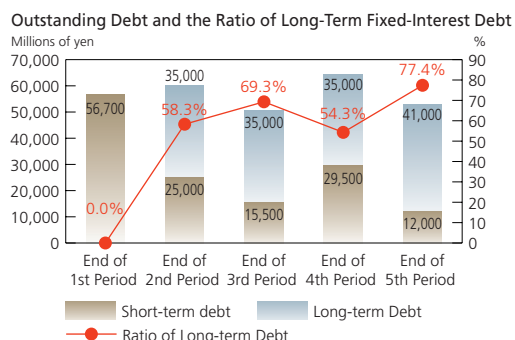


Generally, the level of cash distribution amount will increase as LTV rises by the leverage effect. An excessive increase of LTV, however, decreases financial soundness.

In light of this principle, **TOKYU REIT** implements conservative management that considers the balance between the level of cash distribution amount and financial soundness, as shown left.

Note: Average LTV = (Average interest-bearing debt during the period + Average security and guarantee deposits not matched by cash during the period) / Total appraisal value as of the acquisition date or average period-end appraisal value of properties during the period.

## Outstanding Debt and the Ratio of Long-Term Fixed-Interest Debt



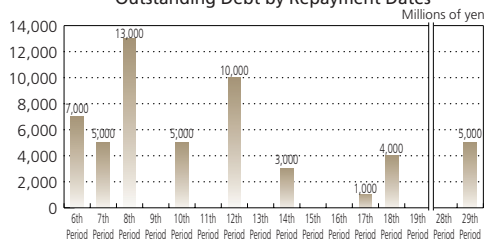
**TOKYU REIT** has been implementing a conversion to long-term fixed-Interest debt financing, as shown left. The ratio of long-term fixed-Interest debt as of the end of the fifth fiscal period is 77.4%.

Long-term debt financing enables **TOKYU REIT** to curb any excessive burden resulting from increases in interest rates.

## Lenders and Outstanding Debt by Repayment Dates (as of the end of the fifth fiscal period)

Category	Lender	Amount (millions of yen)	Interest (%)	Drawdown Date	Repayment Date	Type	
Short-term Debt	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,000	0.47000	June 25, 2004	September 25, 2006	Unsecured	
	The Chuo Mitsui Trust and Banking Company, Limited	7,000	0.47364	April 06, 2005	October 06, 2006		
	Sub Total	12,000	—	—	—		
Long-term Debt	The Sumitomo Trust and Banking Co., Ltd.	5,000	1.11625	June 25, 2004	June 25, 2007	Unsecured	
	The Dai-ichi Mutual Life Insurance Company	4,000			June 25, 2008		
	Nippon Life Insurance Company	4,000			June 25, 2009		
	The Norinchukin Bank	4,000	1.38875		June 25, 2010		
	The Hyakugo Bank, Ltd.	1,000	1.23875		June 25, 2012		
	The Chuo Mitsui Trust and Banking Company, Limited	5,000	1.68875		October 25, 2005		October 25, 2011
	Mitsubishi UFJ Trust and Banking Corporation	5,000			October 25, 2006		January 25, 2018
	Aioi Insurance Co., Ltd.	1,000	1.92750		—		—
	Daido Life Insurance Company	1,000			—		—
	Mitsui Sumitomo Insurance Company, Limited	1,000	2.03000		—		—
	The Development Bank of Japan	4,000			—		—
	The National Mutual Insurance Federation of Agricultural Cooperatives	1,000	1.26250		—		—
The Development Bank of Japan	5,000	1.95000	—	—			
Sub Total		41,000	—	—	—	—	
Total		53,000	—	—	—	—	

Outstanding Debt by Repayment Dates



Given changes in financial conditions, stable refinancing may not be assured if lenders and repayment dates are concentrated on a certain companies or dates.

**TOKYU REIT** reduces such risks in debt financing by diversifying lenders and repayment dates.

## Execution of Commitment Line Agreement

- Lender : The Sumitomo Trust and Banking Corporation, Ltd.  
The Chuo Mitsui Trust and Banking Corporation, Limited
- Commitment Line Limit : ¥1,000 million, respectively
- Securities/Guarantee : Unsecured/Unguaranteed

**TOKYU REIT** has executed commitment line agreements as of April 21, 2005, as shown left. The execution of the commitment line agreement allows us to undergo debt financing at any given time up to the designated amount. To this end, a flexible and efficient fund procurement system has been assured. Commitment lines were not implemented during the fifth fiscal period.

## Assurance of Method for Issuance of Investment Corporation Bonds

### Acquisition of Ratings

- Rating and Investment Information, Inc. (R&I)  
:R&I Issuer Rating A+ (Rating Outlook: Positive)
- Standard & Poor's (S&P)  
:Long-Term Issuer Rating A (Outlook: Stable)  
:Short-Term Issuer Rating A-1
- Moody's Investors Service (Moody's)  
:Moody's Issuer Rating A2 (Rating Outlook: Stable)

**TOKYU REIT** acquired ratings as of September 6, 2005. Brief details are shown left. **TOKYU REIT** submitted a registration application relating to the issue of investment corporation bonds (for two years from December 5, 2005, with ¥100 billion) to the Ministry of Finance, and its Board of Directors made a comprehensive resolution to the issue of investment corporation bonds (for one year from December 5, 2005, with ¥50 billion), thereby ensuring the flexible issuance of investment corporation bonds.

# PORTFOLIO

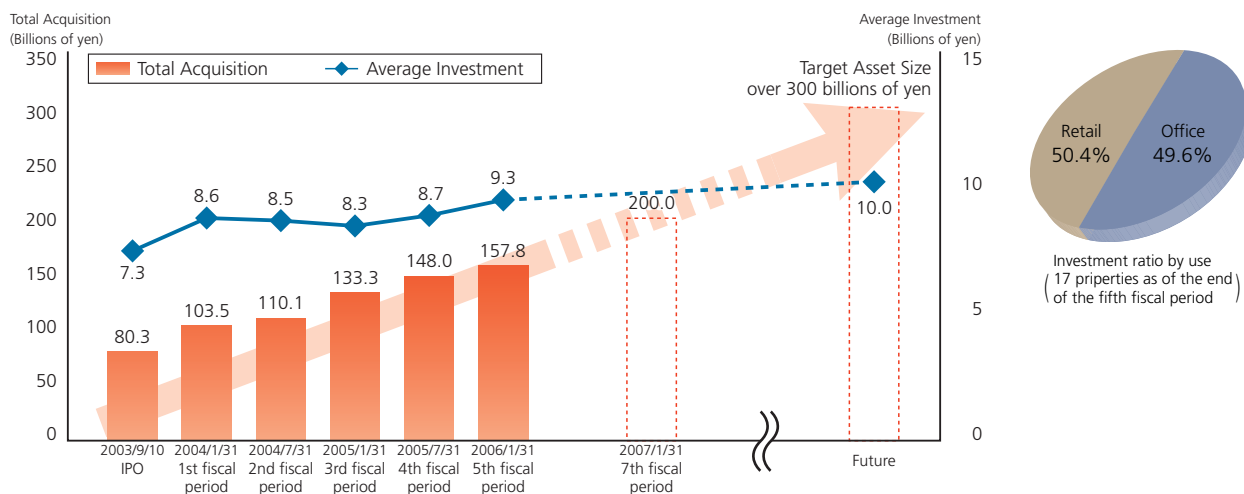


## Investment Trends

**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.

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 properties, over the long-term. As of the end of the fifth fiscal period, the ratio of office and retail property investment stood at 49.6% and 50.4%, respectively.

The asset portfolio as of the end of the fifth fiscal period ended January 31, 2006, stood at ¥157.8 billion, nearly doubling within two years since September 2003 when **TOKYU REIT** was listed on the Tokyo Stock Exchange with ¥80.3 billion in assets. We have positioned the seventh fiscal period ending January 31, 2007, as a milestone for achieving a ¥200.0 billion portfolio in asset scale while striving for further external growth. Given TOKYU REIT's portfolio diversification, mobility of property acquisition, and liquidity of investment units, we believe that the asset portfolio should eventually reach ¥300.0 billion or more.





## Portfolio Overview

(As of January 31, 2006)

Property Number	Name of Property	Location	Total Land Area (m <sup>2</sup> )	Total Floor Area (m <sup>2</sup> )	Structure/Floors	Completion	Type of Ownership	
							Land	Building
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	SRC, 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	RC, 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	SRC, 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	SRC, B2/7F	Jul. 1993	Proprietary ownership	Proprietary ownership
8	Beacon Hill Plaza (Ito-Yokado Noukendai Store)	Noukendai-Higashi, Kanazawa-ku, Yokohama City, Kanagawa	17,318.78	46,587.87	SRC, B2/4F	Jun. 1998	Proprietary ownership	Proprietary ownership
9	cocoti*1	Shibuya, Shibuya-ku, Tokyo	1,705.35	11,847.87	S/SRC, B2/12F	Sep. 2004	Proprietary ownership	Proprietary ownership
1	Setagaya Business Square	Yoga, Setagaya-ku, Tokyo	21,315.68	94,373.72	SRC/RCS, B2/28F	Sep. 1993	Co-ownership (55% interest)	Co-ownership (55% interest)
2	Tokyu Nampeidai-cho Building	Nampeidai-cho, Shibuya-ku, Tokyo	2,013.28	7,003.88	SRC, B2/5F	Jul. 1992	Proprietary ownership	Proprietary ownership
3	Tokyu Sakuragaoka-cho Building	Sakuragaoka-cho, Shibuya-ku, Tokyo	1,013.03	6,505.39	SRC, B3/9F	Jun. 1987	Proprietary ownership	Compartmentalized ownership
4	Tokyo Nissan Taito Building	Moto-Asakusa, Taito-ku, Tokyo	1,718.45	11,373.20	SRC, B2/10F	Sep. 1992	Proprietary ownership	Proprietary ownership
5	TOKYU REIT Akasaka Hinokicho Building	Akasaka, Minato-ku, Tokyo	866.61	4,058.92	RC, 7F	Aug. 1984	Proprietary ownership	Proprietary ownership
6	TOKYU REIT Kamata Building	Kamata, Ota-ku, Tokyo	1,642.86	10,244.51	S/SRC, B1/9F	Feb. 1992	Proprietary ownership	Proprietary ownership
7	Resona Maruha Building	Otemachi, Chiyoda-ku, Tokyo	6,893.71	74,379.30 (Compartmentalized ownership 19,542.77)	S/SRC, B4/25F	Nov. 1978	Co-ownership (27% interest)	Compartmentalized ownership
8	TOKYU REIT Toranomon Building*2	Toranomon, Minato-ku, Tokyo	1,728.38	15,343.73 (9,688.59)	SRC/RC, 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*5
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 Noukendai Store)	Other	9,520	Aug. 3, 2004	1	100.0%	9.8%
9	cocoti*1	Central Tokyo and Tokyu areas (Shibuya)	14,700*3 9,800*4	Apr. 6, 2005 Aug. 2, 2005	14	92.6%	11.4%
1	Setagaya Business Square	Tokyu areas	22,400	Sep. 11, 2003	59	99.2%	5.6%
2	Tokyu Nampeidai-cho 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	11	97.0%	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	4	100.0%	11.0%
7	Resona Maruha Building	Central Tokyo	23,260	Jan. 15, 2004	3	100.0%	7.7%
8	TOKYU REIT Toranomon Building*2	Central Tokyo	8,630	Dec. 15, 2004	6	100.0%	9.2%
	Total		157,860		121	99.4%	6.0%

Notes: 1 The property name was changed from PICASSO347 on Mar. 20, 2006.

2 The property name was changed from Fujita Kanko Toranomon Building on Feb. 1, 2006.

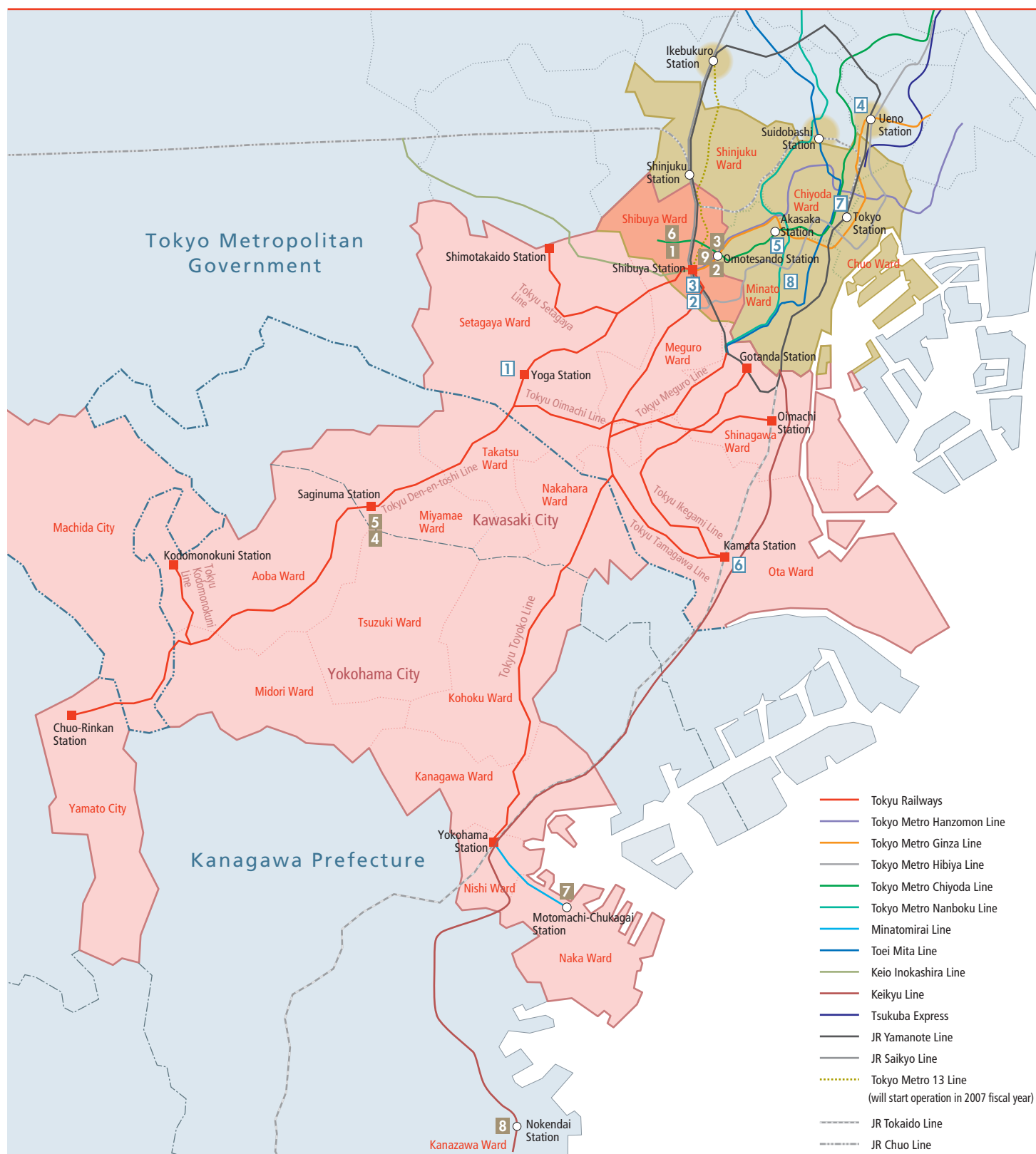
3 60% trust beneficiary interest

4 40% trust beneficiary interest

5 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.

## Major Investment Targeted Areas



### RETAIL PORTFOLIO



\*: "cocoti" changed name from "PICASSO347" on March 20, 2006.

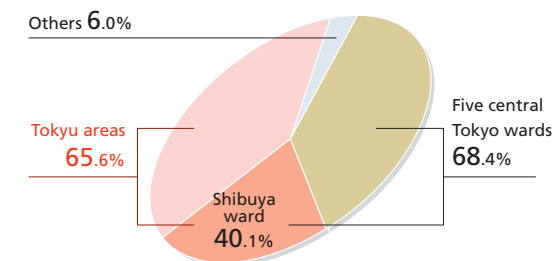
### OFFICE PORTFOLIO



\*\*:"TOKYU REIT Toranomon Building" changed name from "Fujita Kanko Toranomon Building" on February 1, 2006.



**Investment Ratio by Region**  
(17 properties as of the end of fifth fiscal period)



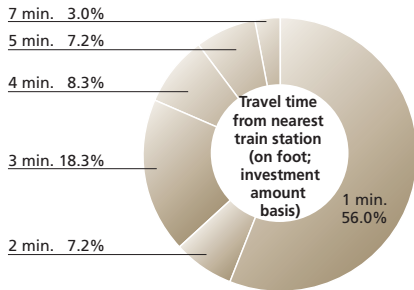
Tokyu REIT invests primarily in properties in central Tokyo and the areas along the Tokyu railways. It does not invest outside of the Tokyo Metropolitan Area.

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.

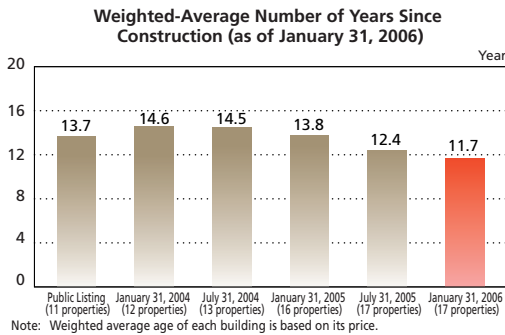
## Location



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 from the nearest train station. **TOKYU REIT** decides to invest in retail properties based on a comprehensive analysis of the surrounding business area.

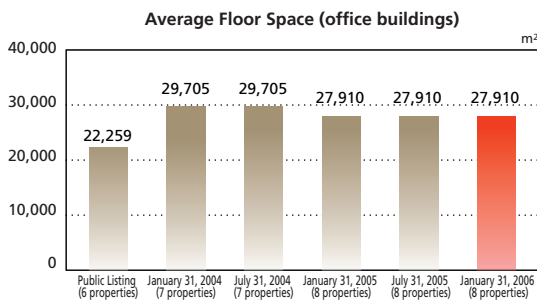
As of the end of the fifth fiscal period, approximately 80% (investment amount basis) of TOKYU REIT's properties were located within about three minutes of the nearest train station.

## Investment Property Age

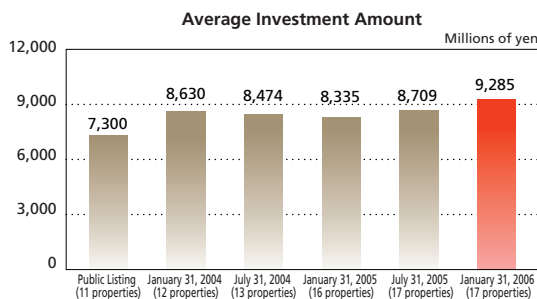


The graph on the left shows the weighted-average age of buildings (based on building price) from when **TOKYU REIT** listed on the Tokyo Stock Exchange to 31, January 2006. Based on the weighted-average age, TOKYU REIT's portfolio consists of relatively new properties that were constructed on average in 1994.

## Investment Property Size



In principle, **TOKYU REIT** invests in office buildings with a total floor space exceeding 5,000m<sup>2</sup> and office buildings with compartmentalized ownership of 330m<sup>2</sup> or more of proprietary floor space per standard floor. Office buildings owned by **TOKYU REIT** have an average floor space of approximately 27,910m<sup>2</sup>.



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

As of the end of the fifth fiscal period, **TOKYU REIT** had invested an average of ¥9,285 million per property. **TOKYU REIT** intends to continue investing in mainly large-scale properties.

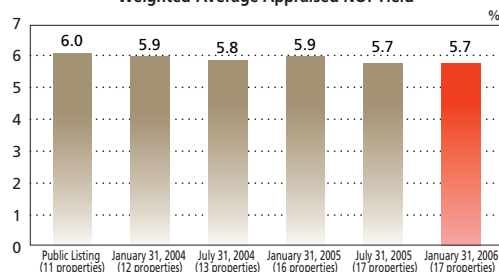
## Top 10 Tenants by Leased Area

Top 10 Tenants by Leased Area

No.	Tenant Name	Business Category	Property Name	Leased Area (m <sup>2</sup> )	Ratio
1	Ito-Yokado Co., Ltd.	Retail	8 Beacon Hill Plaza (Ito-Yokado Noukendai Store)	50,285.89	28.2%
2	Tokyu Store Chain Co., Ltd.	Retail	4 Tokyu Saginuma Building	19,610.06	11.0%
3	Maruha Corporation	Marine and Forestry	7 Resona Maruha Building	11,097.27	6.2%
4	Tokyu Corporation	Land Transport	2 Tokyu Nampeidai-cho Building	7,148.18	4.0%
			3 Tokyu Sakuragaoka-cho Building	3,878.36	2.2%
5	Isetan Co., Ltd.	Retail	7 Yokohama Yamashita-cho Building	8,958.70	5.0%
6	Japan Nuclear Safety Organization	Other	8 TOKYU REIT Toranomom Building	6,579.05	3.7%
7	Sun Microsystems K.K.	IT	1 Setagaya Business Square	5,800.76	3.3%
8	ITOCHU TECHNO-SCIENCE Corporation	IT	6 TOKYU REIT Kamata Building	4,253.55	2.4%
9	Tsutaya Stores Tokyo Co., Ltd.	Service	1 QFRONT	3,556.31	2.0%
			1 Setagaya Business Square	206.13	0.1%
10	Tonichi Carlife Group Inc.	Retail	4 Tokyo Nissan Taito Building	3,055.85	1.7%
Total leased area of top 10 tenants				124,430.12	69.8%
Total leased area of 17 properties at the end of fifth fiscal period				178,153.46	100.0%

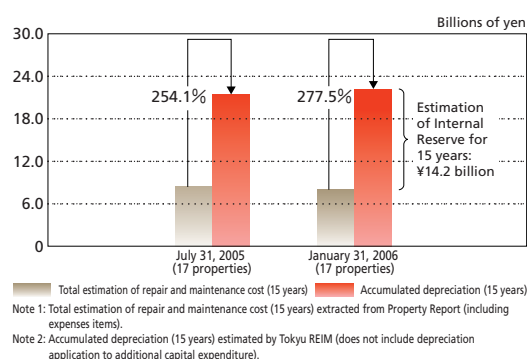
## Portfolio Cap Rate

Weighted-Average Appraised NOI Yield



TOKYU REIT has acquired some properties after listing, and as of the end of the fifth fiscal period, the weighted-average appraised NOI yield fell to 5.7%. 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 fifth fiscal period and over the next fifteen years, cumulative depreciation for the portfolio (seventeen properties) will significantly exceed total repair and maintenance cost, for a coverage ratio of 277.5%. This figure shows that TOKYU REIT has secured the funds necessary for projected repair and maintenance cost.

# RETAIL PORTFOLIO

## Retail Properties



- 1 QFRONT
- 2 Lexington Aoyama
- 3 TOKYU REIT Omotesando Square
- 4 Tokyu Saginuma Building
- 5 Tokyu Saginuma 2 Building
- 6 TOKYU REIT Shibuya Udagawa-cho Square
- 7 Yokohama Yamashita-cho Building (Barneys New York Yokohama Store)
- 8 Beacon Hill Plaza (Ito-Yokado Noukendai Store)
- 9 cocoti

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 fifth fiscal period, TOKYU REIT's retail portfolio comprised a total of nine properties. TOKYU REIT's retail properties have a total acquisition price of ¥79.55 billion and total floor space of 103,634.69m<sup>2</sup>. In the fifth fiscal period, revenues from property leasing totaled ¥2.72 billion, NOI was ¥2.07 billion, operating income from property leasing was ¥1.62 billion, and the weighted-average NOI yield was 5.2%.

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, 2006, an occupancy ratio of 99.4% indicates the strength of our portfolio.

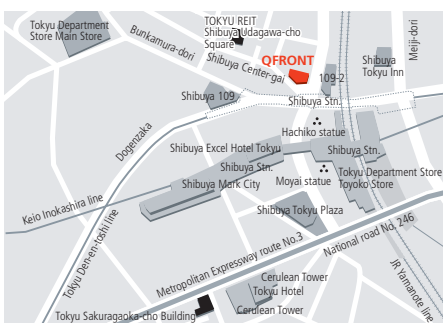
TOKYU REIT will continue to aggressively yet prudently acquire competitive properties that meet its strict investment criteria. From this approach, TOKYU REIT aims to build a retail portfolio that contributes to maximizing unitholder return over the medium- and long-term.

**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/ Tokyu Toyoko line/ Tokyu Den-en-toshi line/ Keio Inokashira line/ Tokyo Metro Hanzomon and Ginza lines  
 Total Land Space: 784.26m<sup>2</sup>  
 Total Floor Space: 6,692.14m<sup>2</sup>  
 Structure/Floors: SRC/S, B3/8F  
 Completed: October, 1999  
 Type of Ownership: Land—Proprietary ownership  
 Building—Compartmentalized ownership  
 Representative Tenants: Tsutaya Stores Tokyo Co., Ltd.; Tokyu Corporation; Punraku Co., Ltd.



**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. Like Omotesando, Kotto-dori offers a high status location in the Aoyama district, attracting the world's leading fashion brands.

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



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



# RETAIL PORTFOLIO

## 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: 5,658.00m<sup>2</sup>  
 Total Floor Space: 18,320.87m<sup>2</sup>  
 Structure/Floors: RC, B1/4F  
 Completed: September, 1978  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership  
 Tenant: Tokyu Store Chain Co., Ltd.



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



## 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 867 stores (as of March 10, 2006). The restaurant Tsukiji Gindaco, 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: 679.27m<sup>2</sup>  
 Total Floor Space: [Bldg.1] 1,473.10m<sup>2</sup>  
 [Bldg.2] 56.39m<sup>2</sup>  
 Structure/Floors: [Bldg.1] S, 3F  
 [Bldg.2] S, 2F  
 Completed: [Bldg.1] July, 1998  
 [Bldg.2] June, 1995  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership  
 Tenants: 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: 1,350.57m<sup>2</sup>

Total Floor Space: 8,583.54m<sup>2</sup>

Structure/Floors: SRC, B2/7F

Completed: July, 1993

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

Tenant: 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 m<sup>2</sup>) 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: 17,318.78m<sup>2</sup>

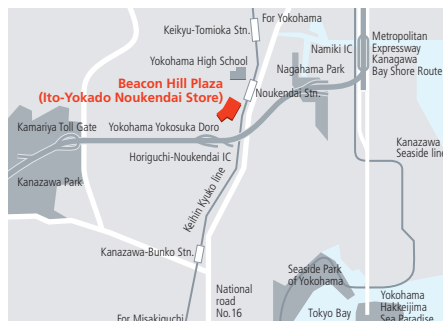
Total Floor Space: 46,587.87m<sup>2</sup>

Structure/Floors: SRC, B2/4F

Completed: June, 1998

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

Tenant: Ito-Yokado Co., Ltd.



**9** cocoti



cocoti 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." This property's tenants are comprised of brand shops, cafes, sports gyms, and other outlets. In order to maintain and further improve its competitiveness, the property was re-opened on March 20, 2006, after recreating the building concept, changing the property name and renovating mainly on the first floor entrance and external façade.

Address: 1-23-16 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: 1,705.35m<sup>2</sup>

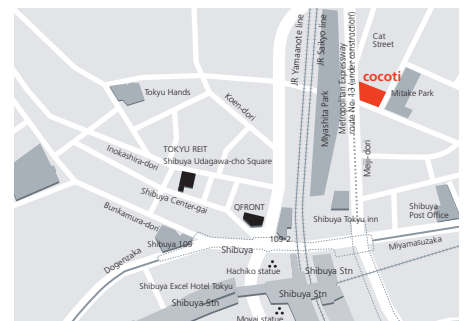
Total Floor Space: 11,847.87m<sup>2</sup>

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

Completed: September, 2004

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

Representative Tenants: TOMORROWLAND Co., Ltd.,  
CASSINA IXC Ltd, Rods.







# OFFICE PORTFOLIO

## Office Properties



- 1 Setagaya Business Square
- 2 Tokyu Nampo-dai Building
- 3 Tokyu Sakuragaoka Building
- 4 Tokyo Nissan Taito Building
- 5 TOKYU REIT Akasaka Hinokicho Building
- 6 TOKYU REIT Kamata Building
- 7 Resona Maruha Building
- 8 TOKYU REIT Toranomon Building

“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, 2006. During the fifth fiscal period, TOKYU REIT’s office properties have a total acquisition price of ¥78.31 billion and total floor space of 223,282.65m<sup>2</sup>. Revenues from property leasing reached ¥3.56 billion, NOI was ¥2.26 billion, operating income from property leasing activities totaled ¥1.73 billion and the weighted-average NOI yield was 5.7% 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 5,000m<sup>2</sup>, and individual floor space in excess of 330m<sup>2</sup>.

At the end of the fifth fiscal period, approximately one-fifth 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, 2006, the occupancy ratio of the office portfolio reached 99.4%.

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

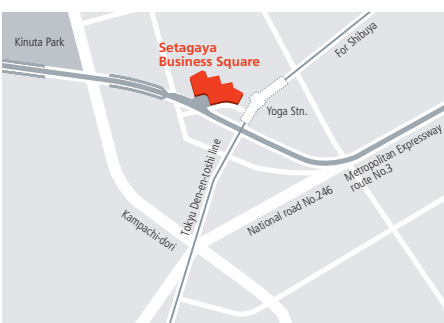
Address: 4-10-1,2,3,4,5,6, Yoga, Setagaya-ku, Tokyo  
Nearest Station: Approximately a one-minute walk from Yoga Station—Tokyu Den-en-toshi Line

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

Completed: September, 1993

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

Representative Tenants: Sun Microsystems K.K.; Tokyu Community Co., Ltd.; Tyco Healthcare



## 2 Tokyu Nampeidai-cho Building



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

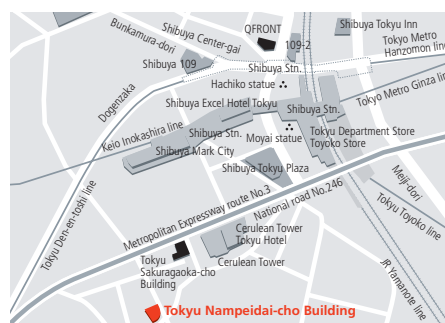
Address: 5-6, Nampeidai-cho, Shibuya-ku, Tokyo  
Nearest Station: Approximately a seven-minute walk from Shibuya Station—JR Yamanote line/ Tokyu Toyoko line/ Tokyu Den-en-toshi line/ Keio Inokashira line/ Tokyo Metro Hanzomon and Ginza lines

Total Land Space: 2,013.28m<sup>2</sup>  
Total Floor Space: 7,003.88m<sup>2</sup>

Structure/Floors: SRC, B2/5F  
Completed: July, 1992

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

Tenant: Tokyu Corporation



## 3 Tokyu Sakuragaoka-cho Building



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

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

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

Structure/Floors: SRC, B3/9F  
Completed: June, 1987

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

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



# OFFICE PORTFOLIO

## 4 Tokyo Nissan Taito Building



Tokyo Nissan Taito Building is a ten-story office building situated along Kiyosubashi-dori. The convenience of the location grew even further with the Shin-Okachimachi Station on the TSUKUBA EXPRESS line of the Metropolitan Intercity Railway Company opening in August 2005 only about a four-minute walk away. A fixed-term lease contract for the first two floors and the underground parking area is in place with the principal tenant, Tonichi Carlife Group Inc., contributing to earnings stability.

Address: 2-6-6, Moto-Asakusa, Taito-ku, Tokyo  
 Nearest Station: Approximately a three-minute walk from Inari-cho Station—Tokyo Metro Ginza line, a four-minute walk from Shin-Okachi-machi Station—Toei Oedo line, and a ten-minute walk from Ueno Station—JR Yamanote line  
 Total Land Space: 1,718.45m<sup>2</sup>  
 Total Floor Space: 11,373.20m<sup>2</sup>  
 Structure/Floors: SRC, B2/10F  
 Completed: September, 1992  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership  
 Representative Tenants: Tonichi Carlife Group Inc.; Ataka Construction & Engineering Co., Ltd.; Miyachi Corporation

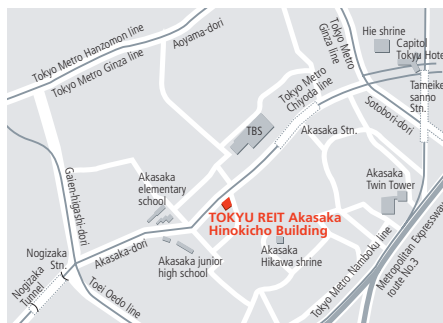


## 5 TOKYU REIT Akasaka Hinoki-cho Building



TOKYU REIT Akasaka Hinokicho Building is a seven-story office building situated along Akasaka-dori. The multiple large office buildings and multi-faceted retail properties in the area and the large redevelopments of Tokyo Midtown (tentative name) and the Akasaka 5-Chome TBS Plan (tentative name) will enliven the area and giving the building even greater potential.

Address: 6-14-15, Akasaka, Minato-ku, Tokyo  
 Nearest Station: Approximately a four-minute walk from Akasaka Station—Tokyo Metro Chiyoda line  
 Total Land Space: 866.61m<sup>2</sup>  
 Total Floor Space: 4,058.92m<sup>2</sup>  
 Structure/Floors: RC, 7F  
 Completed: August, 1984  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership  
 Representative Tenants: Q-TEC, Inc.; 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 Keiyou Airport Line enhances the possibility that the area will become even more convenient in the future. (Council for Transport Policy Report No. 18)

Address: 5-13-23, Kamata, Ota-ku, Tokyo  
 Nearest Station: Approximately a two-minute walk from Kamata Station—Tokyu Ikegami line/ Tokyu Tamagawa line/ JR Keihin Tohoku line.  
 Total Land Space: 1,642.86m<sup>2</sup>  
 Total Floor Space: 10,244.51m<sup>2</sup>  
 Structure/Floors: S/SRC, B1/9F  
 Completed: February, 1992  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership  
 Representative Tenants: Itochu TECHNO-SCIENCE Corporation; Dai Nippon Toryo Co., Ltd.; NSP Limited

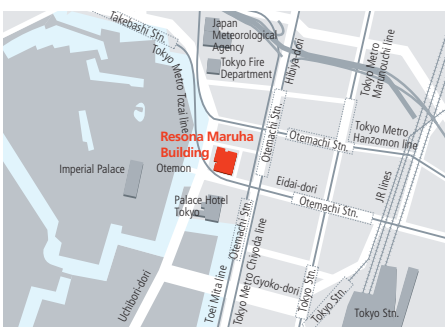


## 7 Resona Maruha Building



Resona Maruha Building is a unique office building facing Uchibori-dori in Otemachi, one of the most highly regarded office-building districts in Japan. Six of the eight upper floors that TOKYU REIT acquired are leased to Maruha Corporation. Two floors that were vacant at the time of acquisition were significantly renovated and then fully occupied as of the end of the fifth fiscal period.

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



## 8 TOKYU REIT Toranomon Building



TOKYU REIT Toranomon 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, and the property is expected to deliver competitive advantage. With the aim of raising awareness of the property in the leasing market and maintaining and further enhancing its competitiveness, the property name was changed as of February 1, 2006.

Address: 3-17-1 Toranomon, Minato-ku, Tokyo  
 Nearest Station: Approximately a one-minute walk from Kamiyacho Station—Tokyo Metro Hibiya line  
 Approximately a nine-minute walk from Toranomon Station—Tokyo Metro Ginza line  
 Approximately a nine-minute walk from Onarimon Station—Toei Mita line  
 Total Land Space: 1,728.38m<sup>2</sup>  
 Total Floor Space: 15,343.73m<sup>2</sup>  
 Structure/Floors: SRC/RC, B2/9F  
 Completed: April, 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.; Anzco Foods Japan Ltd.



. Asset management report

1. Financial Highlights

(1) Result of operation and financial position

		5th fiscal period From August 1, 2005 to January 31, 2006 (184 days)	4th fiscal period From February 1, 2005 to July 31, 2005 (181 days)	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	¥ 6,344	¥ 5,685	¥ 5,045	¥ 4,341	¥ 2,896
		Operating income	¥ 2,752	¥ 2,326	¥ 2,211	¥ 1,772	¥ 1,487
		Net income	¥ 2,403	¥ 1,959	¥ 1,852	¥ 1,395	¥ 930
	Operating income	Revenue from property leasing (a) (Note 2)	¥ 6,281	¥ 5,685	¥ 5,045	¥ 4,341	¥ 2,896
		Rental service expenses (b)	¥ 2,937	¥ 2,777	¥ 2,323	¥ 2,056	¥ 1,163
		Depreciation and amortization (included in (b)) (c) (Note 3)	¥ (982)	¥ (928)	¥ (802)	¥ (609)	¥ (467)
		Net Operating Income (a) - (b) + (c)	¥ 4,326	¥ 3,836	¥ 3,524	¥ 2,894	¥ 2,200
	Cash flow	FFO (Funds from Operation) (d) (Note 4)	¥ 3,383	¥ 2,888	¥ 2,654	¥ 2,004	¥ 1,397
		Capital expenditures (e)	¥ 154	¥ 143	¥ 69	¥ 388	¥ 47
		AFFO (Adjusted Funds from Operation) (d) - (e)	¥ 3,228	¥ 2,745	¥ 2,585	¥ 1,616	¥ 1,350
Financial position	Balance sheet	Total assets (f)	¥ 171,791	¥ 162,180	¥ 147,231	¥ 122,583	¥ 118,461
		(Change from the preceding period)	(5.9%)	(10.2%)	(20.1%)	(3.5%)	(-)
		Interest-bearing liabilities (g)	¥ 53,000	¥ 64,500	¥ 50,500	¥ 60,000	¥ 56,700
		Total unitholders' equity (Net assets) (h)	¥ 100,421	¥ 79,819	¥ 79,713	¥ 51,513	¥ 51,048
		(Change from the preceding period)	(25.8%)	(0.1%)	(54.7%)	(0.9%)	(-)
		Unitholders' capital	¥ 98,019	¥ 77,860	¥ 77,860	¥ 50,118	¥ 50,118
	Portfolio	Acquisition costs of properties (Note 5)	¥ 157,860	¥ 148,060	¥ 133,360	¥ 110,160	¥ 103,560
		Book value of properties (Note 5)	¥ 157,104	¥ 147,819	¥ 133,415	¥ 110,449	¥ 104,002
		Appraisal value of properties (i) (Note 5)	¥ 174,430	¥ 155,090	¥ 136,850	¥ 111,740	¥ 103,050
		Number of properties	17	17	16	13	12
		Total rentable area (Note 6)	179,211.29 m <sup>2</sup>	175,776.97 m <sup>2</sup>	170,785.00m <sup>2</sup>	101,518.37m <sup>2</sup>	99,784.28m <sup>2</sup>
		Occupancy ratio at the end of period (Note 6)	99.4%	99.1%	97.5%	97.1%	95.3%
	Other	Distribution	Cash distribution	¥ 2,402	¥ 1,959	¥ 1,852	¥ 1,395
Dividend per ratio (Note 7)			100.0%	99.9%	99.9%	99.9%	99.9%
Amount per unit		Number of units	169,380 units	142,000 units	142,000 units	98,000 units	98,000 units
		Unitholders' equity per unit	¥ 592,877	¥ 562,109	¥ 561,356	¥ 525,634	¥ 520,891
		Cash distribution per unit	¥ 14,179	¥ 13,798	¥ 13,045	¥ 14,230	¥ 9,488
Management index		Return on total unitholders' equity (annualized) (Note 8)	5.3%	5.0%	5.6%	5.5%	4.7%
		Equity ratio (h)/(f)	58.5%	49.2%	54.1%	42.0%	43.1%
		(Change from the preceding period)	(9.3%)	( 4.9%)	(12.1%)	( 1.1%)	(-)
		Proportion of interest-bearing liabilities to total assets (g)/(f)	30.9%	39.8%	34.3	48.9%	47.9%
		Proportion of interest-bearing liabilities to appraisal value at the end of period (g)/(i)	30.4%	41.6%	36.9%	53.7%	55.0%
Average market price per unit (Note 9)	¥ 766,520	¥ 726,082	¥ 690,705	¥ 643,097	¥ 530,828		

- Note 1. Consumption tax is not included in operating revenues.
- Note 2. 'Revenue from property leasing' on 5th fiscal period does not include construction fees (63 millions of yen)
- Note 3. 'Depreciation and amortization' on 4th fiscal period includes Loss on disposal of property and equipment (33 millions of yen).
- Note 4. Net income + depreciation and amortization + other property related depreciation and amortization. During the 1st, 2nd, 3rd 4th and 5th periods, other property related depreciation and amortization was not recognized.
- Note 5. '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 6. 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 4.
- Note 7. Figures are rounded down to the second decimal place.
- Note 8. Net income/(net assets at the beginning of the period + net assets at the end of the period)/2 x 365/number of days of investment
- Note 9. 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

### Investment Environment

During the fiscal period ended January 31, 2006, improved corporate earnings sent positive ripple effects across capital investment, employment, individual income and personal consumption. Against this backdrop, the Japanese economy displayed vigorous activity, supported by domestic private sector demand. Stock prices reflected this trend, showing a steady increase. The economy in the Tokyo metropolitan area also saw stable improvement on the back of an inflow of population from across Japan as well as the overall strength of the economy.

As a result of this general economic condition, the rental office market in Tokyo sustained its strong performance. In correlation with further reductions in vacancy rates, advertised rents are increasing for properties with good locations and high specifications.

Turning to retail properties, the outlook seems bright as sales increased at shopping centers and department stores. Tenant leasing rates for shopping centers are buoyant, enjoying higher appreciation for retail facilities that are able to draw customers.

Trends in land prices varied, taking an upturn in central Tokyo, bottoming out in the greater Tokyo economic area comprising Tokyo and Kanagawa, Chiba and Saitama prefectures, and continuing to decline on a nationwide scale. This illustrates the growth potential of Tokyo as a targeted area of real estate investment. There is also a clear bipolarization of land prices in Tokyo, with competitive real estate showing improved assessments.

### Investment Performance Results

#### a. Acquisition of Properties

TOKYU REIT continued to maintain strict investment criteria within this business climate and undertook investment management activities according to the policy of "Investment in highly competitive properties in areas with strong growth potential." On August 2, 2005, TOKYU REIT acquired 40% trust beneficial quasi-co-ownership interest (acquisition price of ¥9,800 million) in PICASSO347, renamed as cocoti on March 20, 2006, bringing the total portfolio acquisition price to ¥157,860 million and the total rentable area to 179,211.29 m<sup>2</sup> as of the end of the fifth fiscal period.

Furthermore, the end-of-period appraisal value for TOKYU REIT's portfolio surpasses the total book value by a margin of ¥17,325 million as of the end of this fiscal period.

#### b. Investment Management Control

Our dependable and stable asset management resulted in full occupancy at 14 of the 17 properties in our portfolio, bringing the overall occupancy rate to 99.4% as of the end of the fifth fiscal period. In the fiscal period under review, we were able to offset the termination of lease contracts and negotiations over reducing floor space by six tenants with five new lease contracts and an increase in leased floor space, including successfully renting the 16th floor of the tower building of the Setagaya Business Square, which had been vacant for a certain amount of time. In addition, we managed an upward revision of rental rates with existing tenants such as QFRONT, Lexington Aoyama, and TOKYU REIT Omotesando Square, posting a solid performance in terms of internal growth due to the improvement of our existing portfolio's profitability.

#### c. Financing

Based on our financial policy of stability, mobility and efficiency, TOKYU REIT significantly improved its financial soundness. Owing to the issuance and sale of new investment units (¥20,159 million) and the repayment of short-term debt financing (¥17,500 million), the period-end interest-bearing liabilities to total assets ratio was 30.9%, down by 8.9 percentage points from the previous fiscal period. With the initiation of a ¥6,000 million long-term loan, outstanding loans totaled ¥53,000 million (¥41,000 million in long-term debt and ¥12,000 million in short-term debt) as of the end of the fiscal period under review. The weighted-average interest rate was 1.12%.

Furthermore, TOKYU REIT secured issuer credit ratings from three rating agencies on September 6, 2005, for the purpose of diversifying the means of fund procurement.

#### d. Countering conflicts of interest

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. In connection with property management fees relating to TOKYU REIT's 17 investment portfolio properties (as of the end of the fiscal period under review) that were paid to Tokyu Group companies, we received written opinions from the STB Research Institute confirming that the level of these fees is within the range set by other REIT's listed on the Tokyo Stock Exchange.

### (3) Issuance of New Investment Units

Issuance of new investment units until the end of the fifth 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)
August 2, 2005	Issuance of units under public offering	26,700	168,700	¥ 19,658	¥ 97,519	(Note 5)
August 29, 2005	Issuance of units under third-party allotment	680	169,380	¥ 500	¥ 98,019	(Note 6)

- 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
- Note 5. Issued new investment units at offer price of ¥ 761,950 (issue price: ¥ 736,292) for the purpose of acquiring new properties and repayments of the short-term loans
- Note 6. Issued new investment units at issue price of ¥ 736,292 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:

	5th fiscal period From August 1, 2005 to January 31, 2006	4th fiscal period From February 1, 2005 to July 31, 2005	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	¥ 839,000	¥ 826,000	¥ 724,000	¥ 702,000	¥ 568,000
Lowest	¥ 707,000	¥ 668,000	¥ 658,000	¥ 550,000	¥ 505,000

#### (4) Distribution Information

With respect to distribution for the fifth 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 fifth fiscal period to be eligible for special tax treatment (Article 67-15 of Special Taxation Measures Law (Law number 26 in 1957, including subsequent revision) that allows TOKYU REIT to deduct the maximum amount of profit distribution from its taxable income. Accordingly, distribution per unit was ¥ 14,179.

	5th fiscal period From August 1, 2005 to January 31, 2006	4th fiscal period From February 1, 2005 to July 31, 2005	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	¥ 2,402	¥ 1,959	¥ 1,852	¥ 1,395	¥ 930
Undistributed earnings	¥ 0	¥ 0	¥ 0	¥ 0	¥ 0
Cash distributions	¥ 2,402	¥ 1,959	¥ 1,852	¥ 1,395	¥ 930
(Cash distribution per unit)	(¥ 14,179)	(¥ 13,798)	(¥ 13,045)	(¥ 14,230)	(¥ 9,488)
Distribution of accumulated earnings	¥ 2,402	¥ 1,959	¥ 1,852	¥ 1,395	¥ 930
(Distribution of accumulated earnings per unit)	(¥ 14,179)	(¥ 13,798)	(¥ 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

### Forecast of Future Movement

As employment conditions are improving owing to robust corporate performance while increasing personal consumption is fueling expectations of an economic turnaround, signs of economic recovery in the Tokyo metropolitan area have become evident against the backdrop of continued business concentration in the nation's capital. In addition to the aforementioned concentration of business in Tokyo, the value of real estate across Tokyo wards is growing more dichotomous. This is because the evaluation of properties based on the capitalization method and risk assessment is becoming more widespread as the capital and real estate markets increasingly interact, driven by expansion of the property securitization market. 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.

### Future policies of investment management and issues to be countered

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 and highly competitive 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. Specifically, we will strive to raise rental rates for tenants that will renew contracts since occupancy rates are nearly capped. In addition, TOKYU REIT will control costs in connection with property management and subsequent capital expenditure.

Moreover, to ensure transparency, the Asset Management Company will continue to manage the properties according to global standards, in an effort to further improve external monitoring functions and disclosure as well as to fulfill its fund manager responsibilities to TOKYU REIT.

### ( Information after the end of the fifth fiscal period )

There is no matter that needs describing as of March 20, 2006.

## (6) Subsequent events

There is no matter that needs describing as of March 20, 2006.

## 2 . Company Profiles

### (1) Summary of unitholders' contributions

	5th fiscal period as of January 31, 2006	4th fiscal period as of July 31, 2005	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	2,000,000	2,000,000
Units issued (unit)	169,380	142,000	142,000	98,000	98,000
Unitholders' capital (millions of yen)	¥ 98,019	¥ 77,860	¥ 77,860	¥ 50,118	¥ 50,118
Number of unitholders (persons)	13,385	12,944	14,958	9,961	11,363

### (2) Major unitholders

The following table sets forth our major unitholders' information as of January 31, 2006.

Name	Address	Number of unitholders owned	Owner- ship
		Unit	%
Japan Trustee Services Bank, Ltd. (Trust)	1-8-11, Harumi, Chuo-ku, Tokyo	16,549	9.77
NikkoCiti Trust and Banking Corporation (Trust)	2-3-14, Higashi-shinagawa, Shinagawa-ku, Tokyo	8,807	5.20
Trust & Custody Services Bank, Ltd.	Harumi Island Triton Square Office Tower-Z, 1-8-12, Harumi, Chuo-ku, Tokyo	7,421	4.38
Educational Corporation Kawasaki Gakuen	577, Matsushima, Kurashiki City, Okayama	6,000	3.54
Tokyu Corporation	5-6, Nanpeidai-cho, Shibuya-ku, Tokyo	5,880	3.47
The Master Trust Bank of Japan, Ltd. (Trust)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	5,815	3.43
AIG STAR LIFE INSURANCE CO., LTD.	2-3-14, Higashi-Shinagawa, Shinagawa-ku, Tokyo ( Standing Proxy : Citibank N.A. Tokyo Branch )	4,871	2.88
The Gibraltar Life Insurance Co., Ltd.	1-8-11, Harumi, Chuo-ku, Tokyo ( Standing Proxy : Japan Trustee Services Bank, Ltd. )	4,252	2.51
Tokyu Land Corporation	1-21-2, Dogenzaka, Shibuya-ku, Tokyo	3,920	2.31
American Life Insurance Company	2-3-14, Higashi-Shinagawa, Shinagawa-ku, Tokyo ( Standing Proxy : Citibank N.A. Tokyo Branch )	3,397	2.01
Total		66,912	39.50

### (3) Member of the Directors (as of January 31, 2006)

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 fifth fiscal period

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

### 3 . Portfolio profile

#### (1) Component of assets

Asset type	Type	Area	5th fiscal period As of January 31, 2006		4th fiscal period As of July 31, 2005	
			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	¥ 6,682	3.9	¥ 6,624	4.1
		Other	—	—	—	—
		Sub total	6,682	3.9	6,624	4.1
	Office	Central Tokyo and Tokyu Areas	8,786	5.1	8,828	5.4
		Other	—	—	—	—
		Sub total	8,786	5.1	8,828	5.4
	Total		15,468	9.0	15,452	9.5
Properties trust beneficial interests	Retail	Central Tokyo and Tokyu Areas	63,437	36.9	53,642	33.1
		Other	9,568	5.6	9,664	5.9
		Sub total	73,005	42.5	63,306	39.0
	Office	Central Tokyo and Tokyu Areas	68,631	40.0	69,061	42.6
		Other	—	—	—	—
		Sub total	68,631	40.0	69,061	42.6
	Total		141,636	82.5	132,367	81.6
Other assets		14,687	8.5	14,361	8.9	
Total assets		¥ 171,791 (¥ 157,104)	100.0 (91.5)	¥ 162,180 (¥ 147,819)	100.0 (91.1)	

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, 2006, is as follows:

Name of property		Book Value	Rentable area	Leased area	Occupancy ratio	Percentage of total revenue from property leasing	Type
		Millions of yen	m <sup>2</sup>	m <sup>2</sup>	%	%	
R1	QFRONT	¥ 14,844	4,544.07	4,544.07	100.0	9.4	Retail
R2	Lexington Aoyama	4,778	2,241.65	2,241.65	100.0	2.6	Retail
R3	TOKYU REIT Omotesando Square	5,776	2,702.42	2,702.42	100.0	2.7	Retail
R4	Tokyu Saginuma Building	6,847	19,610.06	19,610.06	100.0	4.9	Retail
R5	Tokyu Saginuma 2 Building	1,281	1,284.60	1,284.60	100.0	1.0	Retail
R6	TOKYU REIT Shibuya Udagawa-cho Square	6,682	1,543.05	1,543.05	100.0	2.7	Retail
R7	Yokohama Yamashita-cho Building	4,848	8,958.70	8,958.70	100.0	3.7	Retail
R8	Beacon Hill Plaza	9,568	50,285.89	50,285.89	100.0	4.8	Retail
R9	PICASSO 347	25,063	8,319.95	7,701.68	92.6	11.5	Retail
O1	Setagaya Business Square	21,232	24,931.53	24,734.31	99.2	20.3	Office
O2	Tokyu Nampeidai-cho Building	4,545	7,148.18	7,148.18	100.0	2.7	Office
O3	Tokyu Sakuragaoka-cho Building	6,526	4,737.19	4,737.19	100.0	3.8	Office
O4	Tokyo Nissan Taito Building	4,255	7,947.25	7,704.91	97.0	3.5	Office
O5	TOKYU REIT Akasaka Hinokicho Building	3,550	3,206.25	3,206.25	100.0	2.3	Office
O6	TOKYU REIT Kamata Building	4,522	7,337.82	7,337.82	100.0	4.4	Office
O7	Resona Maruha Building	24,002	14,414.99	14,414.99	100.0	12.6	Office
O8	Fujita Kanko Toranomom Building	8,786	9,997.69	9,997.69	100.0	7.1	Office
Total		¥ 157,104	179,211.29	178,153.46	99.4	100.0	

Note 1. The properties' trust beneficiary interests possessed the said whole of the 15 properties, except TOKYU REIT Shibuya Udagawa-cho Square and Fujita Kanko Toranomom Building (The name has been changed to "TOKYU REIT Toranomom Building" on February 1, 2006.).

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, Yokohama Yamashita-cho Building, Beacon Hill Plaza and Tokyu Nampeidai-cho Building, parking lots are included. Regarding QFRONT, the fiduciary rents the partial space possessed appropriately by other owners and leases them as a block together with the entrusted property, the said space is included in it. For Setagaya Business Square, jointly owned with another owner, the stated figure is given by multiplying rentable area in the whole building by the ratio of common-use space (55%, ratio of co-ownership). For Fujita Kanko Toranomom Building, the leased area includes exclusive-use areas jointly owned with another compartmentalized owner, an exclusive area (limited to an area on the second 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, Yokohama Yamashita-cho Building, Beacon Hill Plaza and Tokyu Nampeidai-cho Building, parking lots are included. Regarding QFRONT, the fiduciary rents partial space possessed appropriately by other owners and leases them as a block together with the entrusted property, and the said space is included in it. As to Setagaya Business Square, jointly owned with another owner, the stated figure is given by multiplying rentable area in the whole building by the ratio of common-use space (55%, ratio of co-ownership). For Fujita Kanko Toranomom Building, the leased area includes exclusive-use areas jointly owned with another compartmentalized owner, an exclusive area (limited to an area on the second 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.

Note 5. 'Percentage of total revenue from property leasing' is rounded off the second decimal place from this fiscal period. Therefore, sum of each item might be not corresponding to figure of 'Total'.

## (3) Details of Properties in Portfolio

Properties held by TOKYU REIT as of January 31, 2006 are as follows:

Name of property		Location	Investment Type	Rentable area	Appraisal value at the end of period	Book value		
				m <sup>2</sup>	Millions of yen	Millions of yen		
Retail	R1	QFRONT	75-8, Udagawa-cho, Shibuya-ku, Tokyo	Trust	4,544.07	¥ 17,500	¥ 14,844	
	R2	Lexington Aoyama	5-235-7, Minami-Aoyama, Minato-ku, Tokyo	Trust	2,241.65	6,280	4,778	
	R3	TOKYU REIT Omotesando Square	4-3-18, Jingumae, Shibuya-ku, Tokyo	Trust	2,702.42	6,220	5,776	
	R4	Tokyu Saginuma Building	1-1, Saginuma, Miyamae-ku, Kawasaki City, Kanagawa	Trust	19,610.06	8,470	6,847	
	R5	Tokyu Saginuma 2 Building	1-18-5, Kodai, Miyamae-ku, Kawasaki City, Kanagawa	Trust	1,284.60	1,520	1,281	
	R6	TOKYU REIT Shibuya Udagawa-cho Square	86-2, Udagawa-cho, Shibuya-ku, Tokyo	Real property	1,543.05	7,880	6,682	
	R7	Yokohama Yamashita-cho Building	36-1, Yamashita-cho, Naka-ku, Yokohama City, Kanagawa	Trust	8,958.70	4,410	4,848	
	R9	PICASSO 347	1-23-1, Shibuya, Shibuya-ku, Tokyo	Trust	8,319.95	24,500	25,063	
	Sub total					49,204.50	76,780	70,119
	Other	R8	Beacon Hill Plaza	88-1, Noukendai-higashi, Kanazawa-ku, Yokohama City, Kanagawa	Trust	50,285.89	9,590	9,568
Sub total					50,285.89	9,590	9,568	
Total					99,490.39	86,370	79,687	
Office	O1	Setagaya Business Square	4-260-2, Yoga, Setagaya-ku, Tokyo	Trust	24,931.53	25,400	21,232	
	O2	Tokyu Nampeidai-cho Building	12-3, Nampeidai-cho, Shibuya-ku, Tokyo	Trust	7,148.18	5,300	4,545	
	O3	Tokyu Sakuragaoka-cho Building	109-9, Sakuragaoka-cho, Shibuya-ku, Tokyo	Trust	4,737.19	7,340	6,526	
	O4	Tokyo Nissan Taito Building	2-120-2, Moto-Asakusa, Taito-ku, Tokyo	Trust	7,947.25	4,930	4,255	
	O5	TOKYU REIT Akasaka Hinokicho Building	6-1401, Akasaka, Minato-ku, Tokyo	Trust	3,206.25	4,060	3,550	
	O6	TOKYU REIT Kamata Building	5-13-7, Kamata, Ota-ku, Tokyo	Trust	7,337.82	5,480	4,522	
	O7	Resona Maruha Building	1-2-1, Otemachi, Chiyoda-ku, Tokyo	Trust	14,414.99	26,100	24,002	
	O8	Fujita Kanko Toranomom Building	3-45-6, Toranomom, Minato-ku, Tokyo	Real property	9,997.69	9,450	8,786	
	Sub total					79,720.90	88,060	77,417
Total					79,720.90	88,060	77,417	
Total					179,211.29	¥ 174,430	¥ 157,104	

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 Tokyu Saginuma Building, Yokohama Yamashita-cho Building, Beacon Hill Plaza and Tokyu Nampeidai-cho Building, parking lots are included. Regarding QFRONT, the fiduciary rents the partial space possessed appropriately by other owners and leases them as a block together with the entrusted property and

the said space is included in it. For Setagaya Business Square, jointly owned with another owner, the stated figure is given by multiplying rentable area in the whole building by the ratio of common-use space (55%, ratio of joint co-ownership). For Fujita Kanko Toranomom Building, the leased area includes exclusive-use areas jointly owned with another compartmentalized owner, an exclusive area (limited to an area on the second 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., Jones Lang LaSalle IP, Inc., and Daiwa Real Estate Appraisal Co., Ltd., 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		5th fiscal period From August 1, 2005 to January 31, 2006				4th fiscal period From February 1, 2005 to July 31, 2005					
		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	9.4	4	100.0	¥ 584	10.3
		R2	Lexington Aoyama	2	100.0	161	2.6	2	100.0	159	2.8
		R3	TOKYU REIT Omotesando Square	4	100.0	172	2.7	4	100.0	170	3.0
		R4	Tokyu Saginuma Building	1	100.0	310	4.9	1	100.0	310	5.5
		R5	Tokyu Saginuma 2 Building	1	100.0	65	1.0	1	100.0	65	1.1
		R6	TOKYU REIT Shibuya Udagawa-cho Square	2	100.0	169	2.7	2	100.0	168	3.0
		R7	Yokohama Yamashita-cho Building	1	100.0	232	3.7	1	100.0	242	4.3
		R9	PICASSO 347	14	92.6	723	11.5	14	100.0	273	4.8
			Sub total	29	98.7	2,422	38.6	29	100.0	1,971	34.7
		Other	R8	Beacon Hill Plaza	1	100.0	300	4.8	1	100.0	300
			Sub total	1	100.0	300	4.8	1	100.0	300	5.3
			Total	30	99.4	2,723	43.3	30	100.0	2,271	40.0
Office	Central Tokyo and Tokyo Areas	O1	Setagaya Business Square	59	99.2	1,274	20.3	61	97.0	1,219	21.5
		O2	Tokyu Nampeidai -cho Building	1	100.0	171	2.7	1	100.0	171	3.0
		O3	Tokyu Sakuragaoka -cho Building	2	100.0	238	3.8	2	100.0	238	4.2
		O4	Tokyo Nissan Taito Building	11	97.0	219	3.5	12	98.0	209	3.7
		O5	TOKYU REIT Akasaka Hinokicho Building	5	100.0	146	2.3	5	100.0	144	2.5
		O6	TOKYU REIT Kamata Building	4	100.0	274	4.4	5	100.0	270	4.8
		O7	Resona Maruha Building	3	100.0	791	12.6	3	100.0	723	12.7
		O8	Fujita Kanko Toranomom Building	6	100.0	446	7.1	6	93.3	440	7.7
				Sub total	91	99.4	3,558	56.7	95	98.0	3,414
			Total	91	99.4	3,558	56.7	95	98.0	3,414	60.0
			Total	121	99.4	¥ 6,281	100.0	125	99.1	¥ 5,685	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.
- Note 3. 'Percentage of total revenue from property leasing' is rounded off the second decimal place. Therefore, sum of each item might be not corresponding to figure of 'Total'.

#### (4) Other Assets

As of January 31, 2006, 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	
R3	TOKYU REIT Omotesando Square	Shibuya-ku, Tokyo	External tile repair	From April 2006 to June 2006	¥ 18	-	-
R9	PICASSO347	Shibuya-ku, Tokyo	Facilities renewal	From February 2006 to March 2006	¥ 120	-	-
O7	Resona Maruha Building	Chiyoda-ku, Tokyo	Relay renewal	From February 2006 to February 2006	¥ 14	-	-
O8	TOKYU REIT Toranomom Building	Minato-ku, Tokyo	Set up of air - conditioning equipment in common space	From June 2006 to June 2006	¥ 18	-	-

#### (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 ¥ 154 million, and together with ¥ 111 million expenses for repair and maintenance costs, ¥ 266 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	
R6	TOKYU REIT Shibuya Udagawa-cho Square	Shibuya-ku, Tokyo	External wall and others renewal	From August 2005 to September 2005	¥ 63
O6	TOKYU REIT Kamata Building	Ota-ku, Tokyo	Specification change of 1st floor	From November 2005 to January 2006	27
Other				174	
Total				¥ 266	



(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:

	5th fiscal period From August 1, 2005 to January 31, 2006	4th fiscal period From February 1, 2005 to July 31, 2005	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	¥ 331	¥ 330	¥ 276	¥ 214	—
Amount transferred to reserve in current period	108	143	204	571	¥ 214
Reversal from reserves in current period	194	142	150	509	—
Reserve at the ending of the period	¥ 245	¥ 331	¥ 330	¥ 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

	5h fiscal period From August 1, 2005 to January 31, 2006		4th fiscal period From February 1, 2005 to July 31, 2005	
	Millions of yen			
(a) Asset management fees				
Asset-based fees	¥ 233		¥ 205	
Cash-based fees	235		199	
Unit price-based fees	57	¥ 525	50	¥ 454
(b) Asset custodian and general administration fees		58		55
(c) Director's fees		5		5
(d) Other expenses		67		68
Total		¥ 654		¥ 582

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

Short-term debt and Long-term debt from each financial institution, as of January 31, 2006, are as follows:

Category	Lender	Draw-down date	Balance as of July 31, 2005	Balance as of January 31, 2006	Average interest rate	Maturity date	Re-payment method	Use of funds	Remark
			Millions of yen	Millions of yen	%				
Short-term debt	Mitsubishi UFJ Trust and Banking Corporation	June 25, 2004	¥ 1,000	-	0.45120	August 25, 2005	Refinance fund		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		5,000	¥ 5,000	0.46812	September 25, 2006			
	The Sumitomo Trust and Banking Company, Limited	December 15, 2004	4,900	-	0.46080	December 15, 2005	Bullet payment	(Note 2)	Unsecured and Unguaranteed (Note 3)
	The Chuo Mitsui Trust and Banking Company, Limited		900	-					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		900	-					
	Mizuho Corporate Bank, Ltd.		900	-					
	Mitsubishi UFJ Trust and Banking Corporation	April 6, 2005	1,500	-	0.46573	April 6, 2006			
	The Sumitomo Trust and Banking Company, Limited		1,500	-					
	The Chuo Mitsui Trust and Banking Company, Limited		9,000	7,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		1,500	-					
	Mizuho Corporate Bank, Ltd.		1,500	-					
	Mitsubishi UFJ Trust and Banking Corporation		1,500	-					
	Sub total		29,500	12,000					
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				
	The Hyakugo Bank, Ltd.		1,000	1,000	1.23875	June 25, 2008			Unsecured and Unguaranteed (Notes 3 and 4)
	The Chuo Mitsui Trust and Banking Company, Limited		5,000	5,000	1.68875	June 25, 2009			Unsecured and Unguaranteed (Note 3)
	Mitsubishi UFJ Trust and Banking Corporation		5,000	5,000					
	Aioi Insurance Company, Limited		1,000	1,000	1.92750	June 25, 2010			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)
	The National Mutual Insurance Federation of Agricultural Cooperatives	October 25, 2005	-	1,000	1.26250	October 25, 2011			
	Development Bank of Japan	January 25, 2006	-	5,000	1.95000	January 25, 2018			
Sub total		35,000	41,000						
Total		¥ 64,500	¥ 53,000						

- 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 fifth 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
Trust	R9	PICASSO 347	August 2, 2005	¥ 98,000	—	—	—	
Total				¥ 98,000		—	—	

Note 1. '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.

Note 2. It is described 40% of trust beneficiary interest (quasi-co-ownership) acquired in fifth fiscal period.

(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		
Trust	R9	PICASSO 347	August 2, 2005	¥ 98,000	¥ 98,000	¥ 98,000
Total				¥ 98,000	¥ 98,000	¥ 98,000

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

Note 2. 'Acquisition costs' do not include expenditures incurred for the acquisition (such as trade agency fee, tax and public duty) and is the transaction cost of the property stated in the sales contract 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".

Note 4. 'It is described 40% of trust beneficiary interest (quasi-co-ownership) acquired in fifth fiscal period.

(4) Trading with related party

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.

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	¥ 526,670	Shibuya Underground Shopping Center, Inc.	¥ 57	0.0
		Yoga District Heating and Cooling Co., Ltd.	¥ 114,027	21.7
Subcontract expenses	431,539	its communications Inc.	20,065	4.6
		Kyodo Gijutsu Center Co., Ltd.	15,264	3.5
		Tokyu Community Co., Ltd.	211,720	49.1
		Tokyu Facility Service, Co., Ltd.	20,818	4.8
Property management fees	140,013	Tokyu Land Corporation	76,485	54.6
		Tokyu Corporation	63,527	45.4
Insurance premium	18,588	Tokyu Insurance Consulting Co., Ltd.	18,588	100.0
Other rental service expenses	219,239	Ishikatsu Exterior, Inc.	165	0.1
		its communications Inc.	55	0.0
		Shibuya Underground Shopping Center, Inc.	840	0.4
		Tokyu Community Co., Ltd.	3,175	1.4
		Tokyu Facility Service, Co., Ltd.	20	0.0
		Tokyu Land Corporation	1,924	0.9
		Tokyu Corporation	4,295	2.0

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, 2006. TOKYU REIT paid for commissions to the following parties during the fifth period: Ishikatsu Exterior, Inc., its communications Inc., Kyodo Gijutsu Center Co., Ltd., Shibuya Underground Shopping Center, Inc., 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 ¥ 23,440 thousand, and ¥ 105,337 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, ¥ 832 thousand was paid to third parties for repair and maintenance works through Tokyu Community Co., Ltd., a related party):

Ishikatsu Exterior, Inc.	¥ 95 thousand
Tokyu Construction Co., Ltd.	¥ 87,672 thousand
Tokyu Community Co., Ltd.	¥ 397 thousand
Tokyu Facility Service Co., Ltd.	¥ 5,442 thousand
Tokyu Land Corporation	¥ 1,174 thousand
Tokyu Corporation	¥ 2,415 thousand
Toyoko Industry Co., Ltd.	¥ 2,650 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, 2006 and July 31, 2005, and the related statements of income and retained earnings and cash flows for the six months ended January 31, 2006 and July 31, 2005, 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, 2006 and July 31, 2005 and the results of its operations and its cash flows for the six months ended January 31, 2006 and July 31, 2005 in conformity with accounting principles generally accepted in Japan.

As described in Note 15, TOKYU REIT, Inc. sold a property on April 26, 2006.

ChuoAoyama PricewaterhouseCoopers  
Tokyo, Japan  
June 12, 2006

**TOKYU REIT, Inc.**  
**Balance Sheets**  
As of January 31, 2006 and July 31, 2005

	January 31, 2006	July 31, 2005
	( Millions of yen )	
<b><u>ASSETS</u></b>		
<b>Current assets:</b>		
Cash and deposits with banks	¥ 1,645	¥ 1,625
Cash and deposits with banks held in trust	11,797	11,437
Tenant receivables	139	140
Consumption tax refund receivables	-	66
Other current assets	60	50
<b>Total current assets</b>	13,641	13,318
<b>Fixed assets:</b>		
Property and equipment		
Buildings and structures	2,269	2,205
Land	13,295	13,295
Other tangible assets	18	16
Buildings and structures held in trust	42,461	39,550
Land held in trust	101,887	94,863
Other tangible assets held in trust	912	646
Less accumulated depreciation	(3,751)	(2,769)
Total property and equipment	157,091	147,806
Intangible assets held in trust	13	13
Investments and other assets		
Lease deposits	106	106
Lease deposits held in trust	878	877
Other assets	62	60
Total investments and other assets	1,046	1,043
<b>Total fixed assets</b>	158,150	148,862
<b>Total assets</b>	¥ 171,791	¥ 162,180

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



**TOKYU REIT, Inc.**  
**Balance Sheets, continued**  
As of January 31, 2006 and July 31, 2005

	January 31, 2006	July 31, 2005
	( Millions of yen )	
<b><u>LIABILITIES</u></b>		
<b>Current liabilities:</b>		
Short-term debt	¥ 12,000	¥ 29,500
Accounts payable	888	870
Rent received in advance	997	935
Accrued expenses and other current liabilities	304	275
<b>Total current liabilities</b>	14,189	31,580
<b>Long-term liabilities:</b>		
Long-term debt	41,000	35,000
Tenant leasehold and security deposits	862	863
Tenant leasehold and security deposits held in trust	15,315	14,915
Other long-term liabilities	4	3
<b>Total long-term liabilities</b>	57,181	50,781
<b>Total liabilities</b>	71,370	82,361
 <b><u>UNITHOLDERS' EQUITY</u></b>		
Unitholders' capital:		
Units authorized – 2,000,000 units		
Units issued and outstanding – 169,380 units as of January 31, 2006 and 142,000 units as of July 31, 2005		
	98,019	77,860
Retained earnings	2,402	1,959
<b>Total unitholders' equity</b>	100,421	79,819
<b>Total liabilities and unitholders' equity</b>	¥ 171,791	¥ 162,180

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, 2006 and July 31, 2005

	For the six months ended	
	January 31, 2006	July 31, 2005
	( Millions of yen )	
<b>Operating revenues:</b>		
Rental revenue	¥ 5,747	¥ 5,233
Other	597	452
<b>Operating expenses:</b>		
Rental service expenses	(2,937)	(2,777)
Asset management fees	(525)	(454)
Other	(130)	(128)
<b>Operating income</b>	2,752	2,326
<b>Non-operating income:</b>		
Interest income	0	0
Other	0	4
<b>Non-operating expenses:</b>		
Interest expense	(313)	(317)
Unit issuance costs	(26)	(43)
Other	(10)	(10)
<b>Income before income taxes</b>	2,403	1,960
Income taxes:		
Current	(1)	(1)
Deferred	(0)	(0)
<b>Net income</b>	2,402	1,959
<b>Retained earnings at beginning of period</b>	0	0
<b>Retained earnings at end of period</b>	¥ 2,402	¥ 1,959

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, 2006 and July 31, 2005

	For the six months ended	
	January 31, 2006	July 31, 2005
	( Millions of yen )	
<b>Cash flows from operating activities:</b>		
Income before income taxes	¥ 2,403	¥ 1,960
Depreciation and amortization	982	895
Loss on disposal of property and equipment	-	33
Interest income	(0)	(0)
Interest expense	313	317
Decrease (increase) in tenant receivables	1	(31)
Decrease in consumption tax refund receivables	66	315
Increase in accounts payable	18	142
Increase in rent received in advance	62	128
Other, net	26	20
Total	3,871	3,779
Interest received	0	0
Interest paid	(323)	(298)
Income taxes paid	(1)	(1)
Net cash provided by operating activities	3,547	3,480
<b>Cash flows from investing activities:</b>		
Payments for purchases of property and equipment	(65)	(108)
Payments for purchases of property and equipment held in trust	(10,202)	(15,224)
Proceeds from tenant leasehold and security deposits	0	95
Payments for tenant leasehold and security deposits	(1)	(38)
Proceeds from tenant leasehold and security deposits held in trust	442	596
Payments for tenant leasehold and security deposits held in trust	(42)	(121)
Payments for restricted deposits with banks held in trust	(442)	(596)
Proceeds from restricted deposits with banks held in trust	42	121
Net cash used in investing activities	(10,268)	(15,275)
<b>Cash flows from financing activities:</b>		
Proceeds from short-term debt	-	15,000
Repayment of short-term debt	(17,500)	(1,000)
Proceeds from long-term debt	6,000	-
Proceeds from issuance of investment units	20,160	-
Payment of dividends	(1,958)	(1,846)
Net cash provided by financing activities	6,702	12,154
<b>Net change in cash and cash equivalents</b>	(19)	359
<b>Cash and cash equivalents at beginning of period</b>	3,359	3,000
<b>Cash and cash equivalents at end of period</b>	¥ 3,340	¥ 3,359

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, 2006 and July 31, 2005

**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 initial public offering. TOKYU REIT had acquired 11 properties with those proceeds and started its substantial operation.

In August 2004, TOKYU REIT completed its second public offering of 42,000 units and third party allotment of 2,000 units. Net proceeds totaling ¥27,743 million were utilized in the partial repayments of short-term loan and acquisition of additional 2 properties.

In August 2005, TOKYU REIT completed its third public offering of 26,700 units and third party allotment of 680 units. With net proceeds totaling ¥20,160 million, TOKYU REIT had repaid short-term debt and acquired 40% of trust beneficiary interest of PICASSO347, 60% of which had already acquired by TOKYU REIT in April 2005.

As at January 31, 2006, TOKYU REIT’s total capital has been ¥98,019 million with 169,380 units outstanding. And TOKYU REIT has been operating 17 properties at approximately 99.4% of occupancy rate. Total acquisition cost of those 17 properties is ¥157,860 million and total rentable area is 179,211.29 m<sup>2</sup>.

**(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, 2006 and July 31, 2005

**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 .....	3-16 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 26,700 investment units on August 2, 2005. 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 ¥685 million and therefore increased income before income taxes by ¥685 million compared to the Conventional Method for the six months ended January 31, 2006.

**(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 ¥ 19 thousand and ¥20 thousand are included in other current assets as of January 31, 2006 and July 31, 2005, 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 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 ¥12 million and ¥32 million for the six months ended January 31, 2006 and for the six months ended July 31, 2005, respectively

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2006 and July 31, 2005

- (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.
- (j) Accounting standard for impairment of fixed assets** – Effective August 1, 2005, TOKYU REIT adopted “Accounting Standard for Impairment of Fixed Assets” (“Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets” issued by the Business Accounting Deliberation Council in Japan on August 9, 2002) and “Implementation Guidance for the Accounting Standard for Impairment of Fixed Assets” (the Financial Accounting Standard Implementation Guidance No.6 issued by the Accounting Standards Board of Japan on October 31, 2003) . The standard requires the recognition of an impairment loss on fixed assets whenever events or changes in circumstances indicate that the carrying amounts of fixed assets may not be recoverable. The adoption of the new standard had no effect on the TOKYU REIT's financial position and result of operations.

**3. Cash and cash equivalents**

Cash and cash equivalents, at January 31, 2006 and July 31, 2005 consisted of the follows:

	January 31, 2006	July 31, 2005
	( Millions of yen )	
Cash and deposits with banks	¥ 1,645	¥ 1,625
Cash and deposits with banks held in trust	11,797	11,437
Restricted deposits with banks held in trust	(10,102)	(9,703)
Cash and cash equivalents	¥ 3,340	¥ 3,359

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, 2006 and July 31, 2005

**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, 2006 and July 31, 2005 consisted of the following:

	January 31, 2006			July 31, 2005		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
	( Millions of yen )					
Property and equipment						
Buildings and structures						
Buildings	¥ 2,268	¥ (109)	¥ 2,159	¥ 2,204	¥ (63)	¥ 2,141
Structures	1	(0)	1	1	(0)	1
Land	13,295	-	13,295	13,295	-	13,295
Other tangible assets						
Machinery and equipment	3	(1)	2	3	(1)	2
Tools, furniture and fixtures	15	(4)	11	13	(2)	11
Property and equipment held in trust						
Buildings and structures						
Buildings	41,711	(3,370)	38,341	38,845	(2,502)	36,343
Structures	750	(92)	658	705	(70)	635
Land	101,887	-	101,887	94,863	-	94,863
Other tangible assets						
Machinery and equipment	704	(81)	623	474	(52)	422
Tools, furniture and fixtures	208	(94)	114	172	(79)	93
Intangible assets held in trust	15	(2)	13	15	(2)	13
Total	<u>¥160,858</u>	<u>¥ (3,753)</u>	<u>¥157,104</u>	<u>¥150,590</u>	<u>¥ (2,771)</u>	<u>¥147,819</u>

**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. Short-term debt and Long-term debt**

Short-term debt and long-term debt as of January 31, 2006 and July 31, 2005 consisted of the following:

	January 31, 2006	July 31, 2005
	(Millions of yen)	
Short-term debt		
Unsecured loans due on September 25, 2006 with floating rate	¥ 5,000	¥ 5,000
Unsecured loans due on April 6, 2006 with floating rate	7,000	15,000
Unsecured loans due on August 25, 2005 with floating rate	-	1,000
Unsecured loans due on December 15, 2005 with floating rate	-	8,500
Sub total	<u>12,000</u>	<u>29,500</u>
Long-term debt		
Unsecured loans due on June 25, 2007 with fixed rate	13,000	13,000
Unsecured loans due on June 25, 2008 with fixed rate	5,000	5,000
Unsecured loans due on June 25, 2009 with fixed rate	10,000	10,000
Unsecured loans due on June 25, 2010 with fixed rate	3,000	3,000
Unsecured loans due on June 25, 2012 with fixed rate	4,000	4,000
Unsecured loans due on October 25, 2011 with fixed rate	1,000	-
Unsecured loans due on January 25, 2018 with fixed rate	5,000	-
Sub total	<u>41,000</u>	<u>35,000</u>
Total	<u>¥53,000</u>	<u>¥64,500</u>
Weighted average interest cost	<u>1.12%</u>	<u>1.07%</u>

On April 21, 2005, TOKYU REIT executed commitment line agreements which provided credit

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2006 and July 31, 2005

facilities totaling 2 billions of yen with two banks. No amount has been drawn down as of January 31, 2006 and July 31, 2005.

**7. 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, 2006 and July 31, 2005 were as follows:

	January 31, 2006	July 31, 2005
	( Millions of yen )	
Property and equipment held in trust		
Buildings and structures		
Buildings	¥ 3,826	¥ 3,919
Structures	156	159
Land	5,586	5,586
Other tangible assets		
Tools, furniture and fixtures	0	0
Total	<u>¥ 9,568</u>	<u>¥ 9,664</u>

**8. Rental revenue and expenses**

Rental revenues and expenses for the six months ended January 31, 2006 and July 31, 2005 were as follows:

	For the six months ended	
	January 31, 2006	July 31, 2005
	( Millions of yen )	
Revenue from property leasing:		
Rental revenue:		
Rental revenue	¥ 4,593	¥ 4,156
Common area charges	663	613
Parking lot revenue under monthly contract	110	97
Other	381	367
Sub total	<u>5,747</u>	<u>5,233</u>
Other:		
Incidental income	458	398
Other	76	54
Sub total	<u>534</u>	<u>452</u>
Total revenue from property leasing	(a) <u>6,281</u>	<u>5,685</u>
Rental service expenses:		
Utilities expenses	527	474
Subcontract expenses	432	422
Property management fees	140	130
Repairs and maintenance expenses	111	91
Property-related taxes	507	516
Insurance premium	19	17
Depreciation and amortization	982	895
Loss on disposal of property and equipment	-	33
Other	219	199
Total rental service expenses	(b) <u>2,937</u>	<u>2,777</u>
Operating income from property leasing activities	(a)-(b) <u>¥ 3,344</u>	<u>¥ 2,908</u>



**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2006 and July 31, 2005

**9. 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 six months ended January 31, 2006 and July 31, 2005.

	January 31, 2006	July 31, 2005
Statutory income tax rate	39.39%	39.39%
Deductible cash distributions	(39.37)	(39.37)
Other	0.02	0.03
Effective tax rate	0.04%	0.05%

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.

**10. Per unit information**

The following table summarizes the net income per unit for the six months ended January 31, 2006 and July 31, 2005 and the unitholders’ equity per unit as of January 31, 2006 and July 31, 2005.

	For the six months ended	
	January 31, 2006	July 31, 2005
Net income per unit	¥ 14,200	¥ 13,798
Weighted-average number of units	169,131 units	142,000 units
1 Average number of units weighed by days in each fiscal period.		
	As of January 31, 2006      As of July 31, 2005	
Unitholders’ equity per unit	¥ 592,877	¥ 562,109

Diluted net income per unit is not presented since no warrants and convertible bonds were issued during the six months ended January 31, 2006 and July 31, 2005.

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2006 and July 31, 2005

**11. Leases**

TOKYU REIT leases its properties to tenants under non-cancelable operating leases. As of January 31, 2006 and July 31, 2005, the future lease revenues under the non-cancelable operating leases were as follows:

	January 31, 2006	July 31, 2005
	( Millions of yen )	
Due within one year	¥ 5,555	¥ 5,243
Due after one year	33,899	33,739
Total	¥ 39,454	¥ 38,982

As of January 31, 2006 and July 31, 2005, the future lease payments under the non-cancelable operating leases were as follows:

	January 31, 2006	July 31, 2005
	( Millions of yen )	
Due within one year	¥ 286	¥ 286
Due after one year	2,654	2,776
Total	¥ 2,940	¥ 3,062

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2006 and July 31, 2005

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

Details on the financial results of each property for the six months ended January 31, 2006 and July 31, 2005 were as follows: (Unaudited)

**For the six months ended January 31, 2006**

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	¥ 234	¥ 356	¥ 60	¥ 296
R2	Lexington Aoyama	161	29	132	7	125
R3	TOKYU REIT Omotesando Square	172	34	138	12	126
R4	Tokyu Saginuma Building	310	61	249	27	222
R5	Tokyu Saginuma 2 Building	65	16	49	9	40
R6	TOKYU REIT Shibuya Udagawa-cho Square	169	18	151	4	147
R7	Yokohama Yamashita-cho Building	232	66	166	74	92
R8	Beacon Hill Plaza	300	61	239	96	143
R9	PICASSO347	723	135	588	161	427
O1	Setagaya Business Square	1,274	564	710	256	454
O2	Tokyu Nampeidai-cho Building	171	32	139	30	109
O3	Tokyu Sakuragaoka-cho Building	238	49	189	25	164
O4	Tokyo Nissan Taito Building	219	85	134	50	84
O5	TOKYU REIT Akasaka Hinokicho Building	146	38	108	15	93
O6	TOKYU REIT Kamata Building	274	98	176	52	124
O7	Resona Maruha Building	791	232	559	61	498
O8	Fujita Kanko Toranomom Building	446	203	243	43	200
Total		<u>¥ 6,281</u>	<u>¥ 1,955</u>	<u>¥ 4,326</u>	<u>¥ 982</u>	<u>¥ 3,344</u>

**For the six months ended July 31, 2005**

Name of building		Revenue from property leasing	Property leasing expenses (*1)	NOI (*2)	Depreciation and amortization (*3)	Operating income from property leasing activities
Millions of yen						
R1	QFRONT	¥ 584	¥ 229	¥ 355	¥ 61	¥ 294
R2	Lexington Aoyama	159	29	130	7	123
R3	TOKYU REIT Omotesando Square	170	32	138	12	126
R4	Tokyu Saginuma Building	310	49	261	27	234
R5	Tokyu Saginuma 2 Building	65	14	51	8	43
R6	TOKYU REIT Shibuya Udagawa-cho Square	168	17	151	37	114
R7	Yokohama Yamashita-cho Building	242	60	182	74	108
R8	Beacon Hill Plaza	300	58	242	96	146
R9	PICASSO347	273	54	219	64	155
O1	Setagaya Business Square	1,219	547	672	268	404
O2	Tokyu Nampeidai-cho Building	171	31	140	30	110
O3	Tokyu Sakuragaoka-cho Building	238	48	190	25	165
O4	Tokyo Nissan Taito Building	209	92	117	50	67
O5	TOKYU REIT Akasaka Hinokicho Building	144	36	108	15	93
O6	TOKYU REIT Kamata Building	270	89	181	51	130
O7	Resona Maruha Building	723	252	471	61	410
O8	Fujita Kanko Toranomom Building	440	212	228	42	186
Total		<u>¥ 5,685</u>	<u>¥ 1,849</u>	<u>¥ 3,836</u>	<u>¥ 928</u>	<u>¥ 2,908</u>

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2006 and July 31, 2005

- (Note1) Property leasing expenses are defined as rental service expenses adjusted for depreciation and amortization.
- (Note2) NOI represents net operating income, calculated as revenue from property leasing minus property leasing expenses.
- (Note3) Depreciation and amortization for 'TOKYU REIT Shibuya Udagawa-cho Square' includes Loss on disposal of property and equipment (¥ 33 millions).

**13. Related party transactions**

Masahiro Horie, who holds no voting units of TOKYU REIT, is executive director of TOKYU REIT and Representative Director & President, Chief Executive Officer of Tokyu Real Estate Investment Management. Tokyu Real Estate Investment Management, Inc. has entered into asset management agreement subject to the conditions set forth in the TOKYU REIT's articles of incorporation with TOKYU REIT. The amount of management fees incurred for the six months ended January 31, 2006 and payable due to asset manager as of then were as follows.

	January 31, 2006
	( Millions of yen )
Asset management fees for the period	¥ 525
Management fees payable due to asset manager	307

**14. Distribution information**

The Board of Directors of TOKYU REIT resolved on March 29, 2006 and September 16, 2005 to effect payment of cash distributions of ¥14,179 and ¥13,798 per unit to unitholders of record on January 31, 2006 and July 31, 2005, respectively. Retained earnings carried forward after the distributions are as follows:

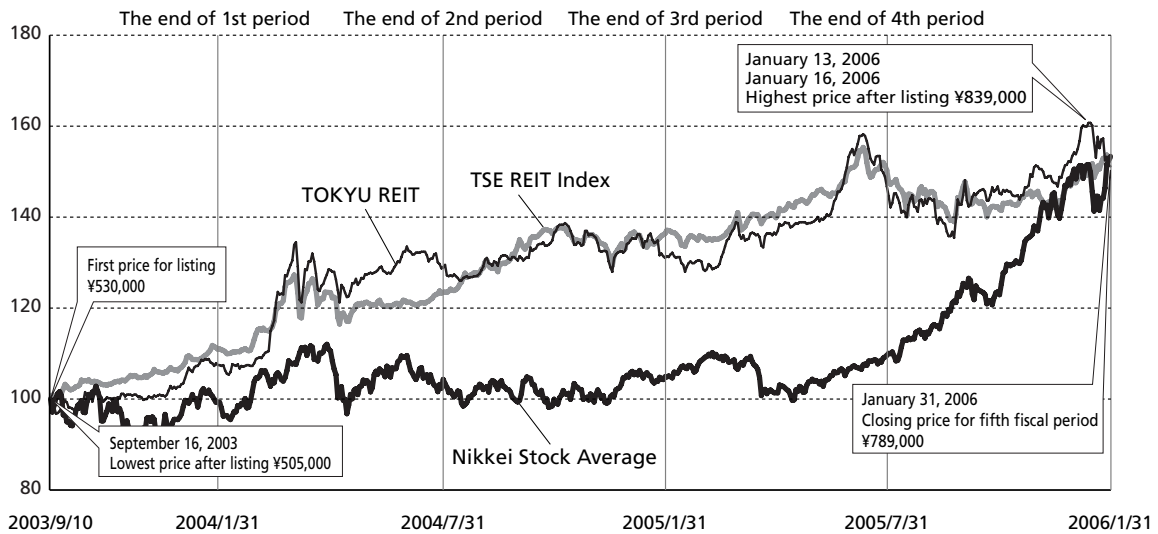
	January 31, 2006	July 31, 2005
	( Millions of yen )	
Retained earnings at end of period	¥ 2,402	¥ 1,959
Cash distributions declared	2,402	1,959
Retained earnings carried forward	¥ 0	¥ 0

**15. Subsequent events**

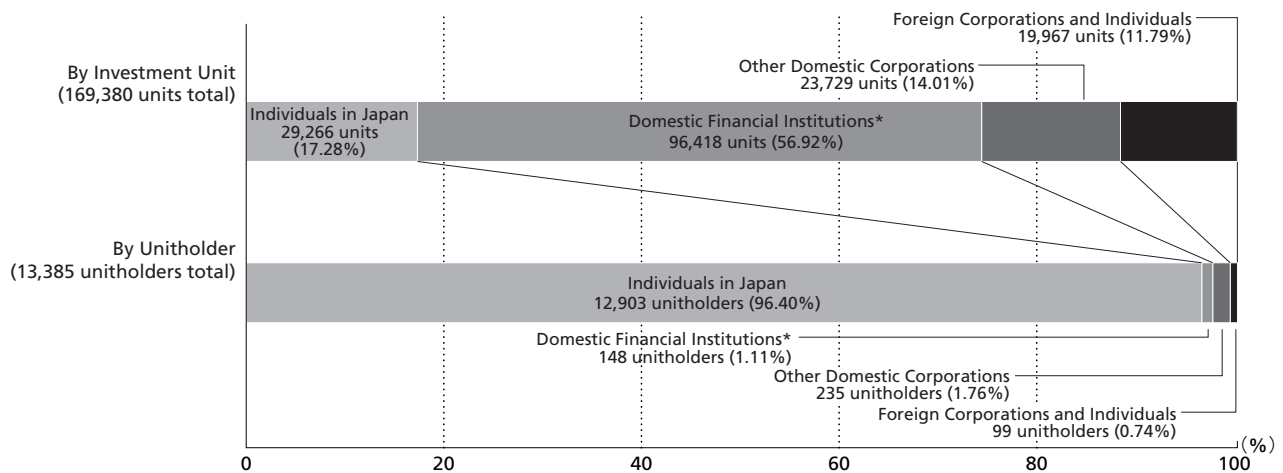
TOKYU REIT executed a trust beneficiary interest transfer agreement in connection with the sale of Yokohama Yamashita-cho Building(Barneys New York Yokohama Store) on March 29, 2006 and transferred to Yokohama Motomachi Property Special Purpose Company for ¥6,480 million(excluding property tax, city planning tax, consumption tax and other imposts) on April 26, 2006. Resulting from this transfer, TOKYU REIT intends to post gain on sale of investment properties of ¥1,636 million for the six months ended July 31, 2006.

# Unitholder Information

## Unit Price Chart



## Unitholder Composition



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

## Results Reporting Schedule

	5th Period	6th Period
Date of settlement	Jan. 31, 2006	Jul. 31, 2006
Announcement of results	Mar. 29, 2006	Mid Sep. 2006
Delivery of asset management report	Apr. 12, 2006	Mid Oct. 2006
Payment of dividends	Apr. 13, 2006	Mid Oct. 2006

## Address

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

## Established

June 20, 2003

## Executive Director

Masahiro Horie

## Supervisory Directors

Giichi Yanagisawa

Maruhito Kondo

## Independent Auditors

ChuoAoyama PricewaterhouseCoopers

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

## Date of Settlement

Annually on January 31 and July 31

## Unitholders' General Meeting

More than once every two years

## Date for Finalizing General Meeting Voting Rights

As designated under Article 13 of the by-laws

(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 UFJ Trust and Banking Corporation

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

## Transfer Agent Head Business Office

Transfer Agent Department

The Mitsubishi UFJ Trust and Banking Corporation

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

Tel: 0120-707-696 (Toll free number)

## Transfer Agent Locations

Nationwide branches of The Mitsubishi UFJ Trust and Banking Corporation

Nationwide head office and branch offices of Nomura Securities Co., Ltd.

## Listing

Tokyo Stock Exchange (8957)

**TOKYU REIT**

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