

TOKYU REIT

Sixth Fiscal Period (July 2006) Presentation

TOKYU REIT, Inc.

8957

<http://www.tokyu-reit.co.jp/>



Investment



in Highly



Competitive Properties



in Areas



with Strong Growth Potential



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- **Holdings and Price of Investment Unit**
- **Topics**
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- **Appendix**



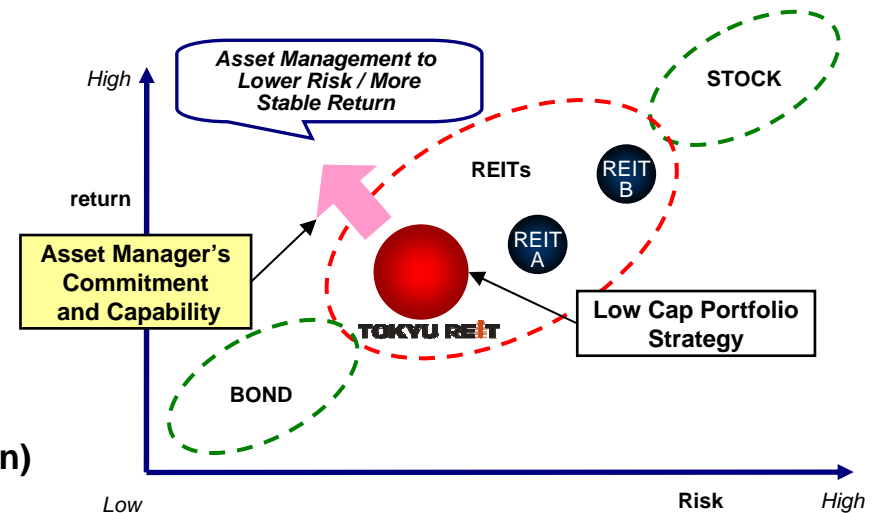
Investment Policy

Investment in Competitive Properties in Growth Areas

1. Target Product Profile

- (1) Yield product with attraction as equity
 - Seek EPS growth (higher earnings quality) and enhancement of asset value
- (2) Risk-return profile
 - Build portfolio with lower risk more stable return with promising growth in the future → "Low Cap Portfolio Strategy"
 - In addition, investment efforts to improve return while controlling risk (Focus on risk management emphasizing risk vs return)
- (3) Global Product
 - Provide quality product included in investment universe of all global investors including those with global asset allocation

Focus on unique position among REITs with medium risk/medium return profile



2. Investment Policy

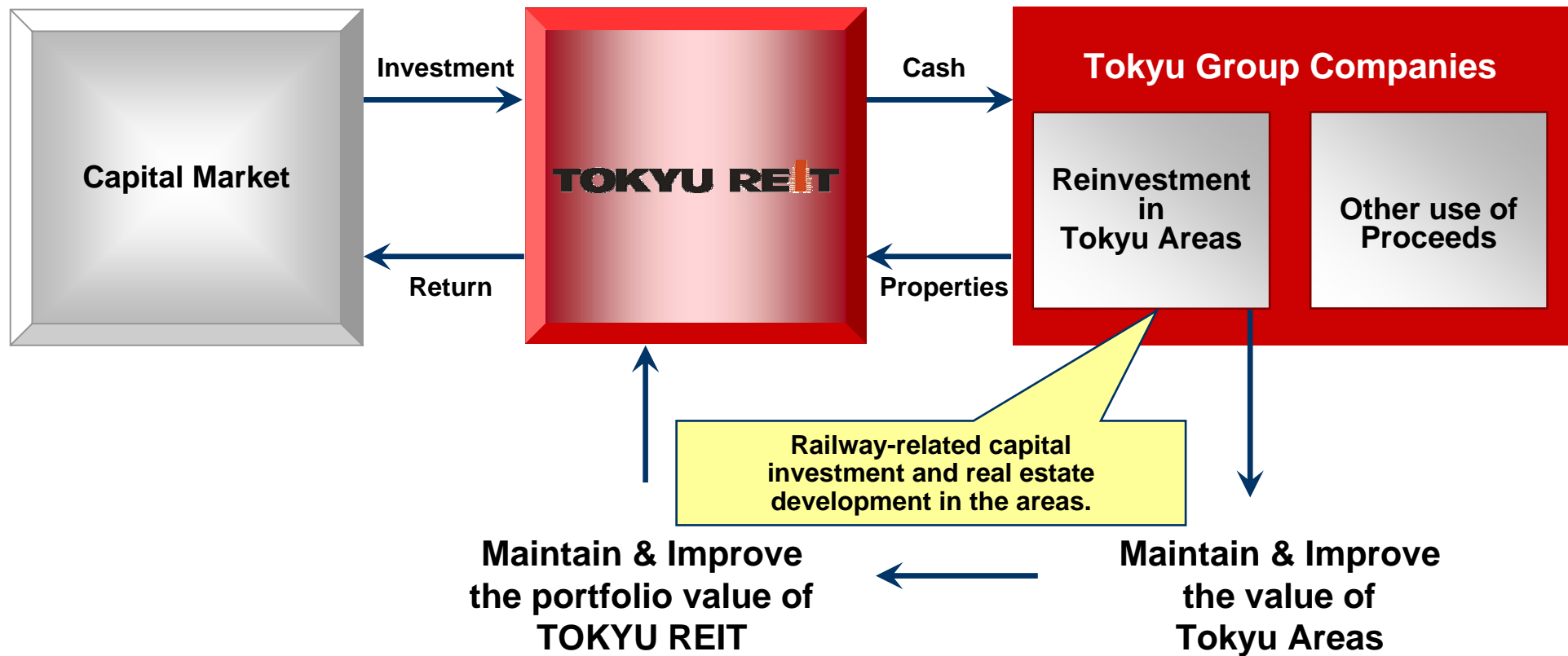
- (1) Target Areas Limited to Tokyo Metropolitan Areas (5 Central Wards in Tokyo + Tokyu Areas represent over 85%)
- (2) Sector Allocation Office : Retail = 60%:40% (±10 points)
- (3) Size of Properties In principal, invest in properties over 4 billion yen (for all properties), and over 5000m² (for office properties)

Aiming to improve the quality of the portfolio

- 1. Fiduciary Duties of TREIM as REIT Mgmt Co**
 - Investment stance enabling to fulfill “Fiduciary Duties” which is fundamental to the fiduciary asset manager and to provide added value
- 2. Fund structure with high transparency and accountability**
 - Improving disclosure including IR and adding independent third-party in decision making process to achieve accountable management
- 3. Collaboration**
 - Collaboration with Tokyu Group companies and value enhancing synergies with Tokyu Areas (Capital Reinvestment Model)
- 4. Brand Strategy**
 - Leverage “Tokyu Brand” in leasing operation based on brand license agreement
- 5. Enhanced Measures Against Conflicts of Interest**
 - Self-imposed rules to secure collaboration and operation taking advantage of it
- 6. Diversified Portfolio**
 - Diversifying effect to control downside risk of major properties/tenants
- 7. Conservative Financial Management**
 - Management focused on controlling required risk premium of debt/equity and to secure availability
- 8. Asset Management Fee (See Appendix)**
 - Management fee structure linked to 3 performance indexes to restrain conflict of “being in the same boat with investors”
 - Adopting a structure to expense the full amount and not to capitalized
- 9. Resource Allocation Seeking Stability and Growth**

Capitalize on Synergies with Tokyu Group Companies / Tokyu Areas

Reinvestment of Capital Generated through TOKYU REIT





Governance

Governance: “Excellent Governance as a Source of Competitiveness” ①

1. World-class “stricter” governance structure while paying attention to pass-through feature

Concept: Maximize supervisory function of the Board of Directors and the Board of Auditors under the governance structure, while taking advantage of Executive Director also serving as CEO of our Asset Manager

- (1) Related-party Transaction <Rules to ensure higher transparency/market-based pricing of related-party transactions closely linked to stronger collaboration>
 - Pre-approval only by Supervisory Directors and active use of third-party opinion to avoid conflicts of interest
 - Improve external monitoring of Asset Manager (Appointment of external members/accounting auditor)
 - Disclosure of agenda for Board resolutions
- (2) Board Management
 - Appointment of Supervisory Directors who actually exercise governance
 - Active discussions
- (3) Investor Relations
 - Avoid deterioration of governance structure on its own through active disclosure and IR efforts
- (4) Management Fee
 - Fully adopting incentive system and expensing the entire amount so that Asset Manager is in the same boat with investors
[Appraisal value of portfolio assets], [Cash flow of TOKYU REIT], [Fee structure linked to price of investment unit]

2. Meeting Schedule

(1) Overview of Meeting

- Holding a meeting
- Run by General Administrator (Mitsubishi UFJ Trust & Banking)
- Legal counsel (Mori Hamada & Matsumoto) to attend the meeting in principle
- Minutes prepared by General Administrator

(2) Meetings Held

- 87 meetings held (by end of 6th Period)
- Average meeting time: 89 minutes
- 168 resolutions and 345 reports in total (1.9 resolutions and 4.0 reports per meeting)

▪ Attendance

Name	Role	Attendance		Absence	Rate of Attendance
			by phone		
Masahiro Horie	Executive Director	87	—	—	100%
Giichi Yanagisawa	Supervisory Director	86	3	1	99%
Maruhito Kondo	Supervisory Director	87	2	—	100%
Mitsubishi UFJ T&B	General Administrator	87	—	—	100%
Mori Hamada & Matsumoto	Legal Counsel	83	8	4	95%

Governance:

“Excellent Governance as a Source of Competitiveness” ②

3. Remuneration of Directors

- (1) Structure
- Flat remuneration only, bonus linked to performance is not paid to allow 100% distribution of distributable profit. High level of remuneration in the industry, but upward revision under review taking into account responsibility and workload
 - In terms of incentives, it would be difficult to introduce stock option program since stock option is not discussed in the Investment Trust Law, such as at article 82, section 6.

(2) Remuneration	Name	Annual Remuneration	Main Occupation
	Masahiro Horie	0	Also serve as CEO of Asset Manager (approved by FSA)
	Giichi Yanagisawa	4.8 million yen	Representative of Shinsoh Audit Corporation, CPA, Tax Accountant
	Maruhito Kondo	4.8 million yen	Head of Maruhito Kondo Law Office, Attorney

(3) Rules on exemption from liability of investment corporation for directors

- It is stipulated in the Articles of Incorporation that the liability of directors can be exempt by the resolution of the Board to the extent allowed by the law

4. Cooperation between Supervisory Directors and Accounting Auditor

(1) Accounting Auditor and directors of TOKYU REIT meet at least once each period to exchange information

(2) Chuo Aoyama served as Accounting Auditor from establishment to July 14, 2006

(3) Arata Audit Corporation was temporarily appointed as Accounting Auditor on July 14, 2006

(4) Financials in 6th Period were audited by:

Name	Company	Audit Experience
Tsuyoshi Shimizu	Arata Audit	3 years ※
Katsushi Matsuki		1 year※

※ Inc. experience at Chuo Aoyama

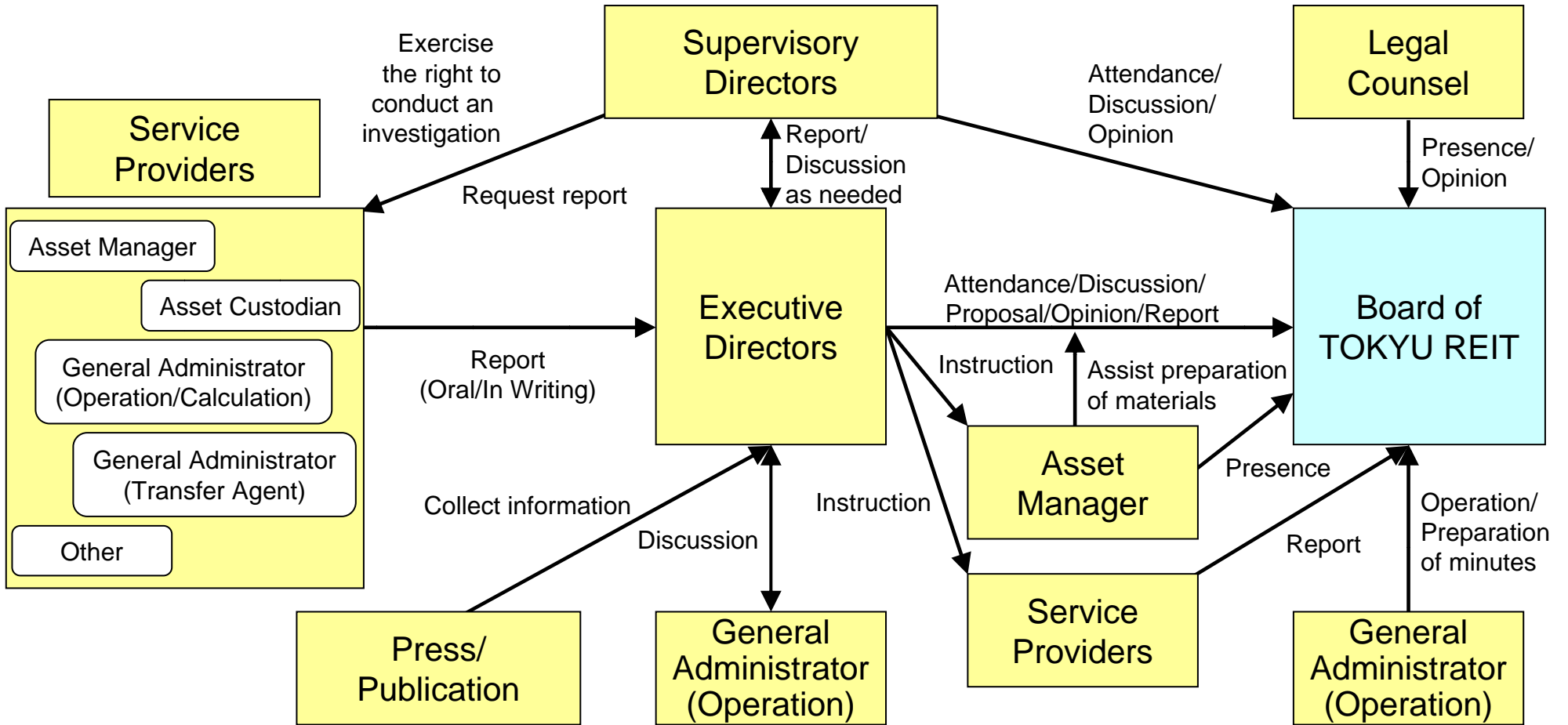
5. Other Supervision of Operation by Supervisory Directors (apart from the Board)

(1) Supervision of execution of duties by executive directors under Article 111 of the Investment Trust Law, including inspection of books and site reconnaissance as needed

(2) In addition to a report by service providers at the Board meeting, exercise the right to inspect key service providers provided in the agreement as needed

(3) Asset Manager or General Administrator assists Supervisory Directors since TOKYU REIT is not allowed to hire employees. Board of auditors are always able to consult Legal Counsel whenever legal assistance is needed

Flow of Discussion/Report at Board Meeting of TOKYU REIT



<Service Providers>

Asset Manager.....Tokyu Real Estate Investment Management Inc.

General Administrator...Mitsubishi UFJ Trust and Banking Corporation



Financial Results

Fiscal Results of July 06 Period

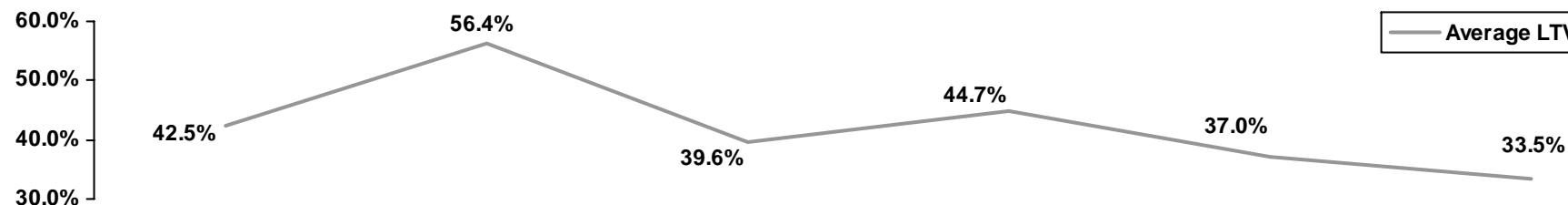
		6 th Period Actual 2006.7.31 (181 days)	5 th Period Actual 2006.1.31 (184 days)	Change		6 th Period Forecast at 2006.3.29	Change	
					(%)			(%)
Distribution per Unit	(¥)	22,162	14,179	7,983	56.30	21,300	862	4.05
Average LTV	(%)	33.5	37.0	-3.5	-9.46	33.7	-0.2	-0.59
LTV at End of Period	(%)	31.2	33.6	-2.4	-7.14	33.7	-3	-7.42
Acquisition Capacity by Debt	(¥ million)	70,433	57,064	13,369	23.43	57,524	12,908	22.44
Average Acquisition Price	(¥ million)	158,727	157,806	921	0.58	158,727	0	0.00
NOI Yield	(%)	5.5	5.4	0.1	1.10	5.3	0.1	1.89
Unrealized Profit/Loss	(¥ million)	29,271	17,325	11,946	68.95			
Adjusted Net Asset Value	(¥)	751,509	680,986	70,523	10.36			
Average Unit Price during the Period	(¥)	902,435	766,520	135,915	17.73			

- Average LTV = (Average Balance of Interest Bearing Debt + Average Balance of Securities Deposit without Reserved Cash) / Appraisal Value at End of Period or Average Appraisal Value at Acquisition
- LTV at End of Period = (Balance of Interest Bearing Debt at End of Period+ Balance of Securities Deposit without Reserved Cash at End of Period) / Appraisal Value at End of Period or Average Appraisal Value at Acquisition
- Acquisition Capacity by Debt indicates the potential acquisition by debt only assuming maximum LTV at end of period of 50%
- NOI Yield = Leasing NOI / Average Appraisal Value of Properties during the Period (See Appendix)
- Unrealized Profit/Loss is the balance after deducting book value from appraisal value of properties at the end of period
- Adjusted net asset value per share reflecting unrealized profit/loss does not include retained earnings

Improvement of Profits Quality

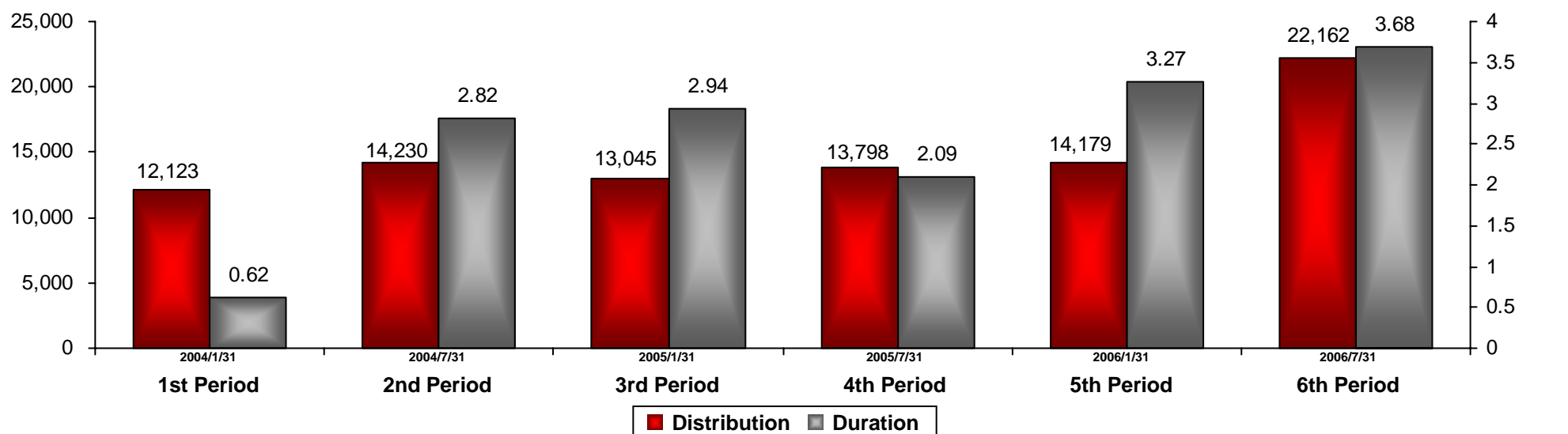
Lower LTV and extended duration (higher long-term fixed interest ratio) will steadily improve profits quality

Average LTV



** Average LTV = (Average Balance of Interest Bearing Debt + Average Balance of Securities Deposit without Reserved Cash) / Appraisal Value at End of Period or Average Appraisal Value at Acquisition

Distribution (¥)

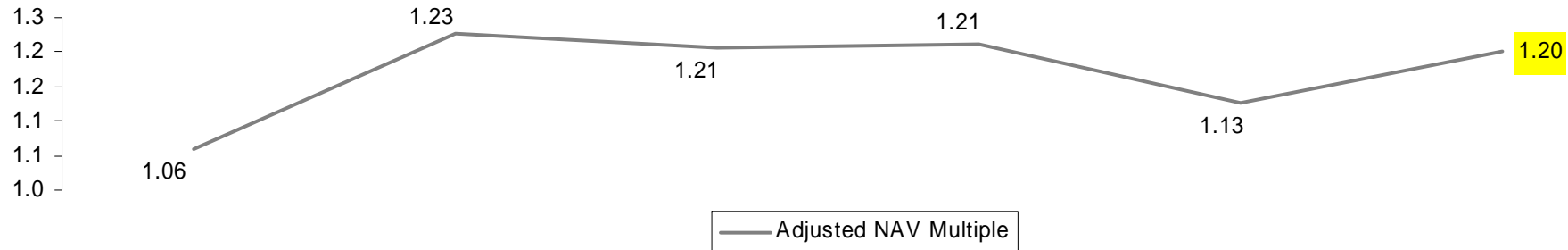


* Distribution in 1st Period was ¥9,488 based on the actual operating days of 144 days, but distribution of ¥12,123 recalculated based on 184 days is used in the above graph for the sake of comparison with 2nd Period onwards

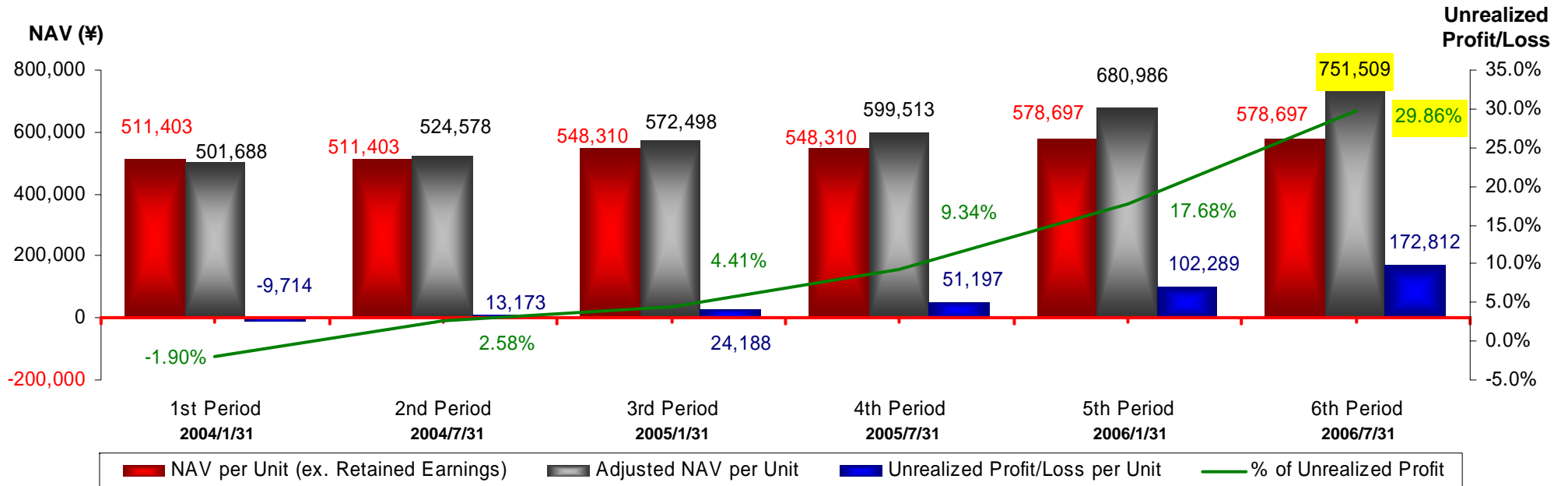
* Duration = Weighted Average Maturity of Debt

Improvement of Asset Value (Adjusted NAV)

Adjusted NAV Multiple



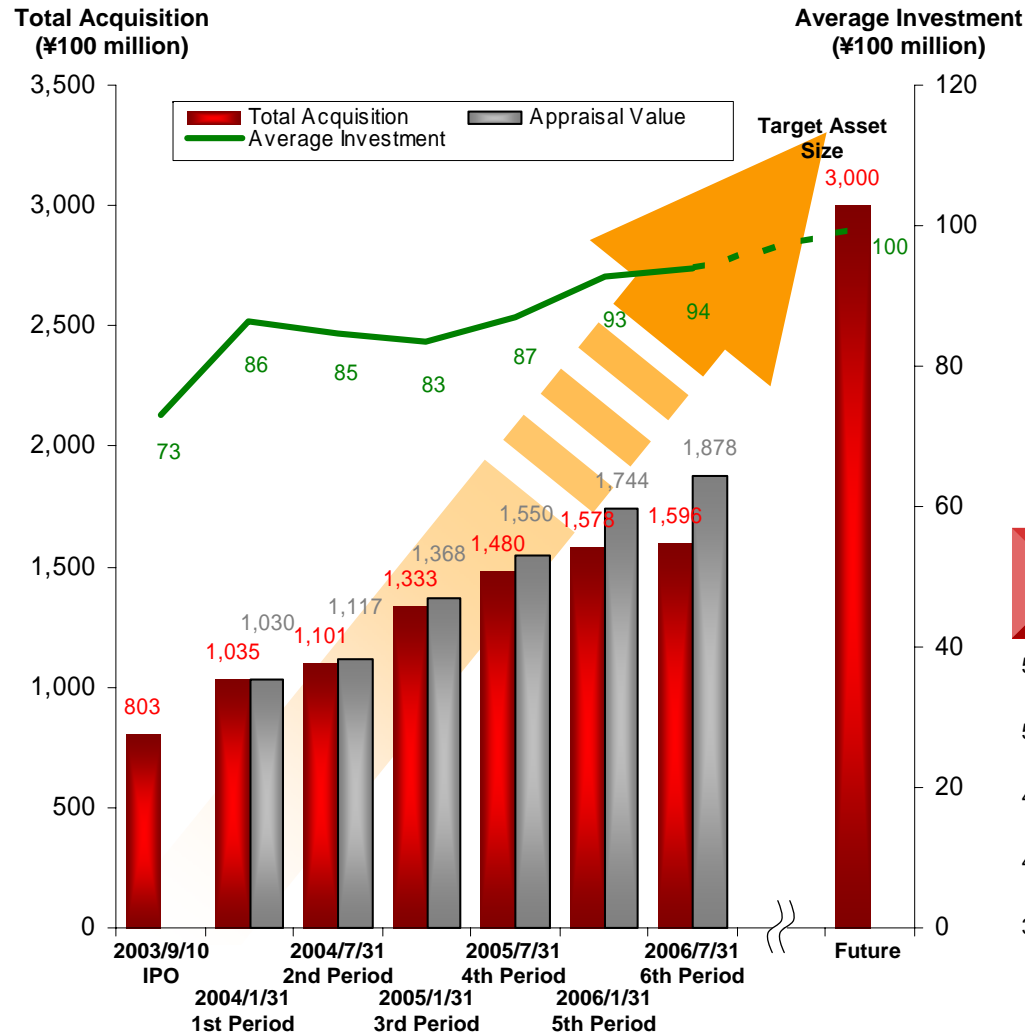
Adjusted NAV Multiple = Average Price of Investment Unit (Closing) / Adjusted NAV per Unit reflecting Unrealized Profit/Loss (End of Period)



Average Investment Unit Price	1st Period (2004/1/31)	2nd Period (2004/7/31)	3rd Period (2005/1/31)	4th Period (2005/7/31)	5th Period (2006/1/31)	6th Period (2006/7/31)
	¥530,828	¥643,097	¥690,705	¥726,082	¥766,520	¥902,435

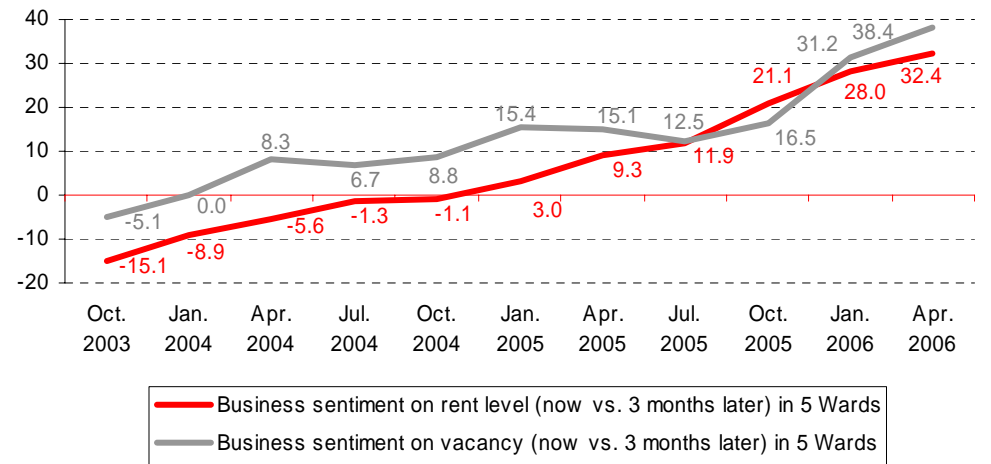
External Growth

External Growth (Steady Acquisition of Quality Assets)



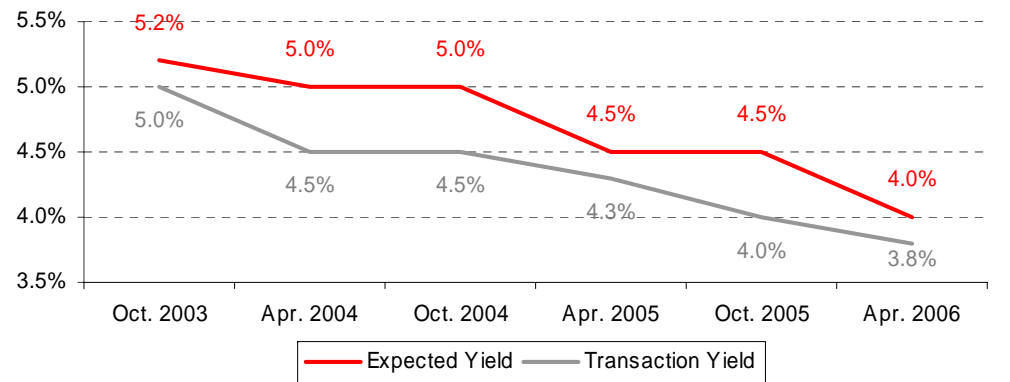
not necessary to keep the target of 200 billion yen

Business Sentiment on Rent Level and Vacancy (Central 5 Wards)



Source: Prepared by TREIM based on Building Owners and Managers Association's report "Building management trend survey" from 10/2003 to 4/2006

Expected Yield and Transaction Yield of Benchmark Buildings (Marunouchi/Otemachi)



Source: Prepared by TREIM based on Japan Real Estate Institute's "Japanese Real Estate Investors Survey (#9 - #14)"

Sales of Yokohama Yamashita-cho building (Barneys New York Yokohama)

1. Summary

- Disposal price : 6,480 million yen
- Appraisal (at the time of sale) : 5,670 million yen
- Book value (at the time of sale) : 4,810 million yen
- Capital gain : 1,636 million yen
(net after other costs related to sale)
- Acquisition price : 5,050 million yen
(acquired on 8/3/2004)
- Buyer : Yokohama Motomachi property
special purpose company
- Schedule : 3/29/2006 contract, 4/26/2006 closing



2. Background

- Tenants' demand for lower rents (currently it is higher than the market level)
- Difficulty to alternate tenants in the future
- Good real estate market (easy to sell at a good price)

3. Solution

- Lower the rent as requested
- At the same time, made a fixed period contract so that it becomes easier to dispose the property

...We concluded that capital gain from the sales would maximize the investors' benefit, rather than keeping the property long term to have income gain

4. Sales procedures

- Now that the market condition is good, we decided to sell the property
- Bids were invited to obtain the best price
- Stable cash flow and good tenants: we were able to price the property around 4% NOI cap rate

Acquiring Shonan Mall Fill (“Sokochi” ownership⁽¹⁾)

1. Summary

- Asset : Entrusted right on the land (Sokochi Ownership)
- Purpose・Tenant : Shopping center (Mall) ・Daiwa house Industry Co. Ltd.
- Location : Kanagawa pref. Fujisawa City Tsujido Shincho
- Land Area : 44,078.12m² (For reference: The area of the shops is 34,474m²)
- Acquisition Price : 6,810 million yen
- Appraisal Value : 6,870 million yen
- Acquisition Date : 4/28/2006
- Seller : Alpha Capital Co.,Ltd.
(SPC funded by Tokyu Corporation and Tokyu Land Corporation)
(The REIT will expense warehousing cost of 183 million yen, and add it to the asset value)
- Contract : Leasing contract (17 years left), Land price: 348million yen per year



2. Characteristics and Challenges

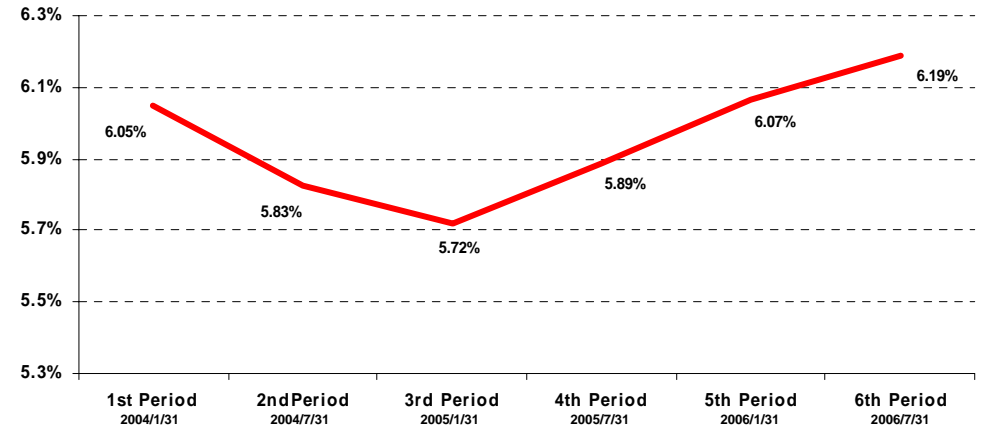
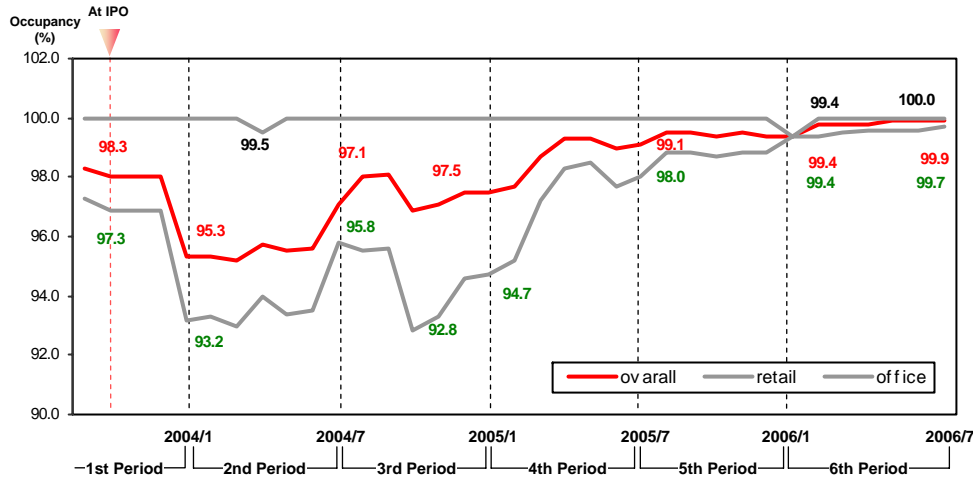
- Strength : Retail area with future growth potential, a large compound with a good tenant mix and competitiveness, the quality of tenants
- Weakness : Easy to access by cars but far from train stations. Low liquidity due to the fact that the land is restricted by the lending contract with the tenant
- Risk : New development project for shopping center would lower tenant’s ability to pay for the land usage
- Opportunity : Raise in Land usage fee, scheme change after the long term leasing contract ends
- Note : Lead contained in the soil exceeds the standard defined by Soil Contamination Countermeasures Law (solution: cover the land by asphalt, determine the acquisition price considering the fact into account.)

(1) TOKYU REIT owns land and the right to lend land to third parties. This case TOKYU REIT is lending the land to Daiwa House Industry

Internal Growth

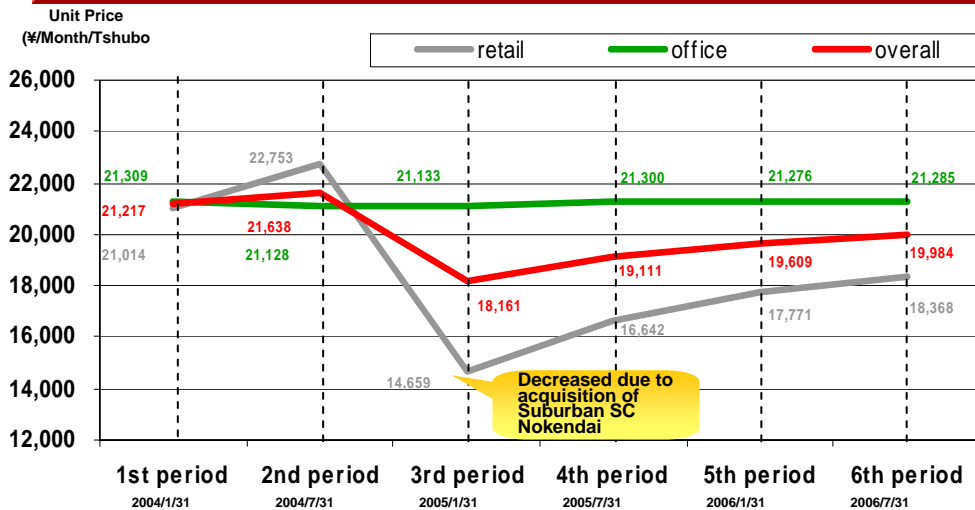
Historical Occupancy of Overall Portfolio

NOI Yield of 11 Properties at IPO (after capitalization effect of property and city planning taxes)



Average Rent (inc. Common Area Charge)

Monthly Rent Comparison at the end of the Fiscal Period



	End of 6th Period	End of 5th Period	Increase / Decrease
retail			
overall	355,575	348,450	7,125
Rent Increases from Existing Tenants			1,027
office			
overall	492,163	490,590	1,573
Rent Increases from Existing Tenants			860
total			
overall	847,738	839,040	8,698
Rent Increases from Existing Tenants			1,887

(Note 2) Excluding shonan Mall Fill (Sokochi)
(Note 2) Excluding parking lots and warehouses

* Yokohama Yamashita-cho Bldg.(Barneys New York Yokohama) and Shonan mall Fill (Sokochi) are excluded.
* Except for income from Parking and Signboard.

Forecast for the 7th&8th period

7th period (ending at 1/2007)

■ **EPS:14,000 yen (change from the 6th period ▲8,162 yen)**

➤ Net Income : 2,371million yen (change from previous period▲1,382 million yen)

□ Profit/Loss from selling properties	▲ 1,636 million yen
□ Profit/Loss in operating revenues	+102 million yen
✓ From Yokohama Yamashita-cho building	▲ 25 million yen
✓ From Shonan Mall Fill (Sokochi)	+83 million yen
✓ From cocoti renewal	+59 million yen
□ Asset management fee	+210 million yen
□ Non operating expense	▲ 48million yen

■ **Average LTV: 31.3% LTV against the total asset (period end): 30.9% Long term loan ratio :77.4%**
(67.9% excluding long term loans maturing within a year)

8th period (ending at 1/2008)

■ **EPS: 14,000 yen**

➤ Operating Profit 6,227 million yen Recurring Profit 2,372 million yen Net Income 2,371million yen

■ **Average LTV: 31.2% LTV against the total asset (period end): 30.9% Long term loan ratio :77.4%**

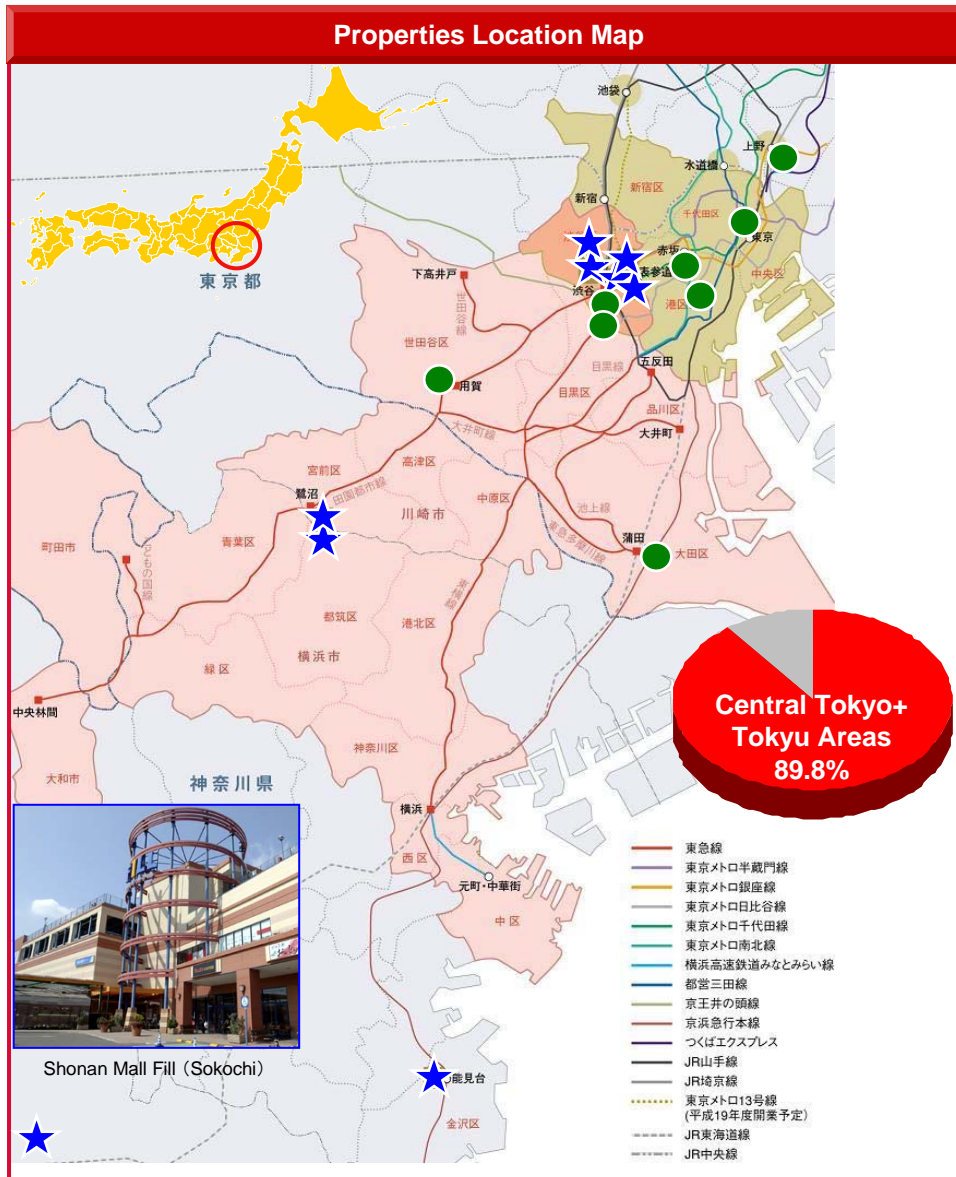
(1)Average LTV= (Interest bearing debt+ security deposit not backed by the corresponding bank deposit) ÷ expected asset value at period end or appraisal value at the acquisition

(2) LTV against the total asset (period end)=expected interest bearing debt ÷ expected total asset



Portfolio Overview and Risk/Return Profile

Portfolio Overview



Retail ☆

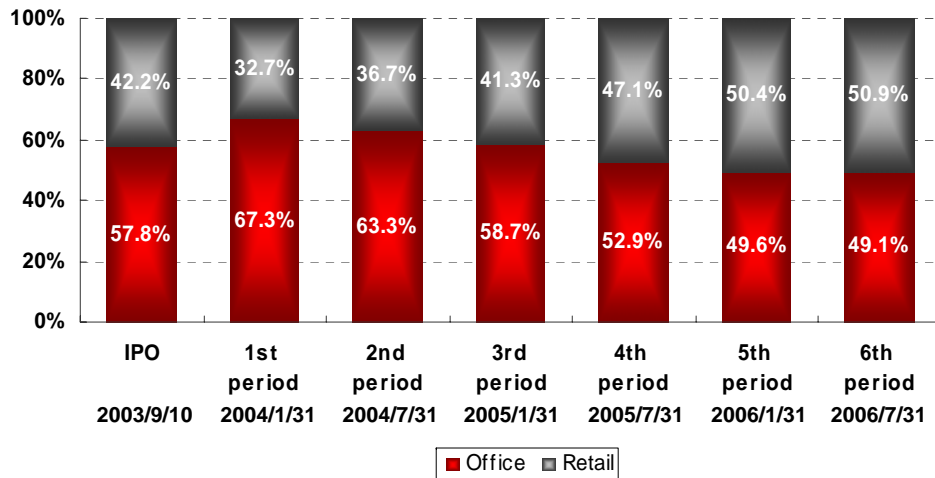
- QFRONT
- Lexington Aoyama
- TOKYU REIT Omotesando Sq.
- Tokyu Saginuma
- Tokyu Saginuma 2
- TOKYU REIT Shibuya Udagawa-cho Sq.
- Beacon Hill Plaza (Ito Yokado Nokendai)
- cocoti

Office ○

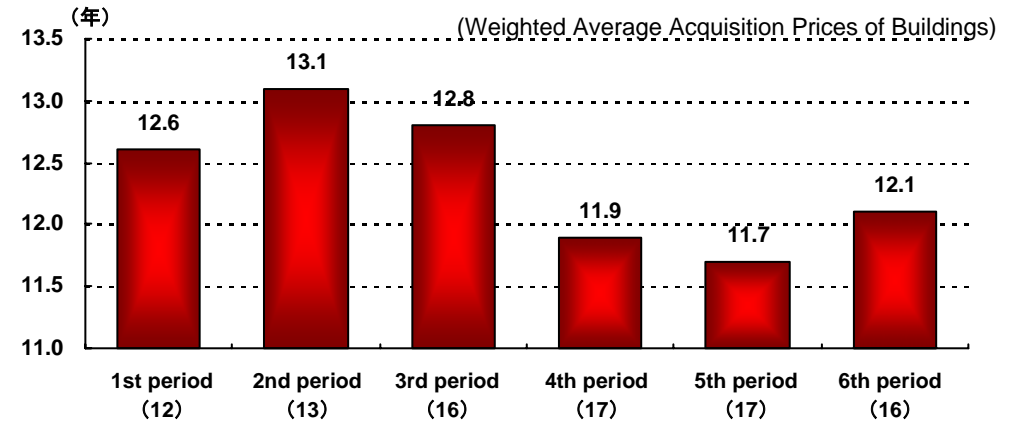
- Setagaya Business Square
- Tokyu Nampocho Bldg.
- Tokyu Sakuragaoka-cho Bldg.
- Tokyo Nissan Taito Bldg.
- TOKYU REIT Akasaka Hinoki-cho Bldg.
- TOKYU REIT Kamata Bldg.
- Resona Maruha Bldg.
- TOKYU REIT Toranomon Bldg.

Portfolio Quality Improvement (1)

Office/Retail Ratio

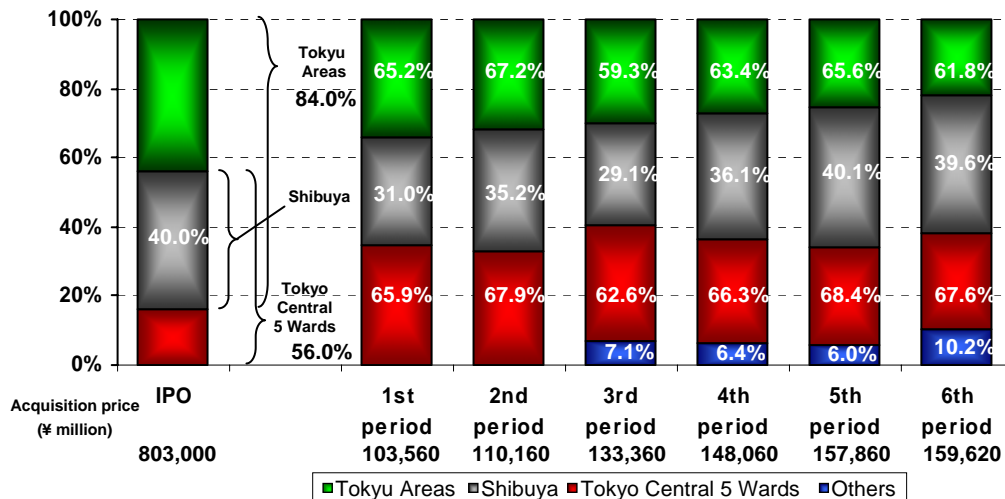


Weighted Average Years Built (as of 7/31/2006)

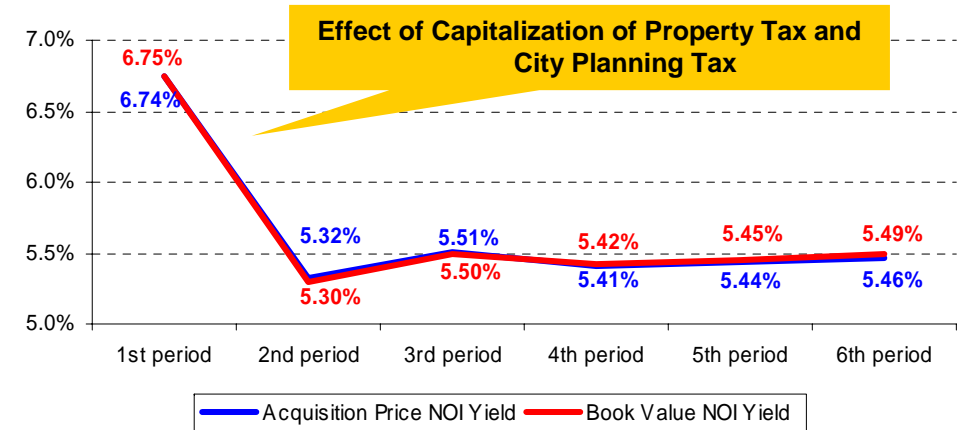


*The number for the 6th period does not include Shonan Mall Fill

Area



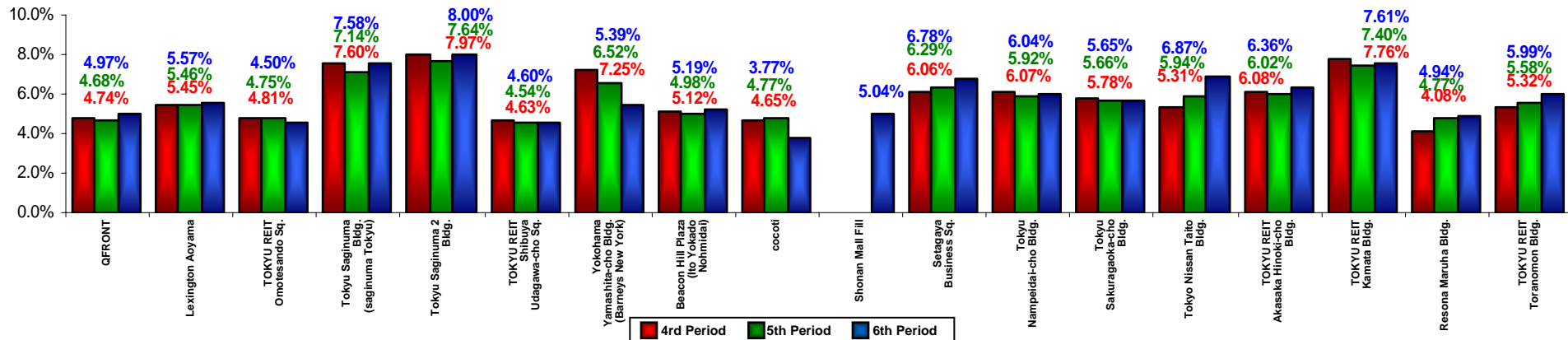
Acquisition Price NOI Yield - Book Value NOI Yield



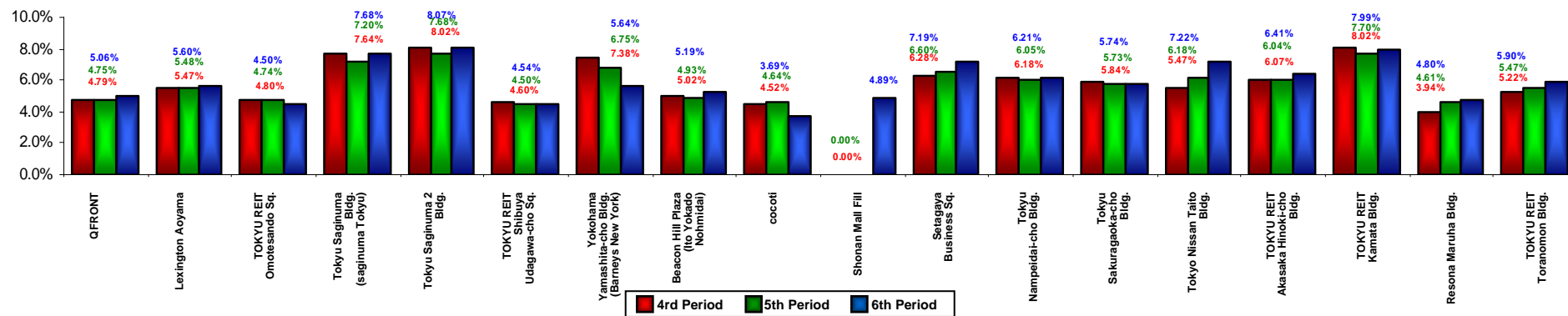
Portfolio Quality Improvement (2)

Useful to look at performance based on book value as accumulated depreciation after capital expenditures is retained by TOKYU REIT (= Recovery of Capital)

NOI Yield by Property in 6th Period (based on Acquisition Price)

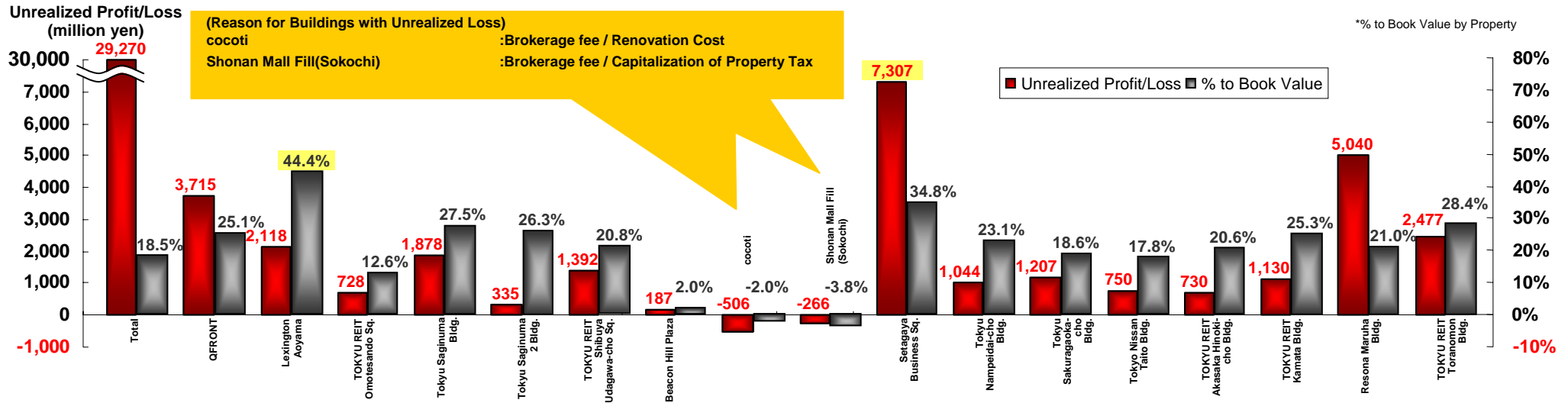


NOI Yield by Property in 6th Period (based on Book Value)



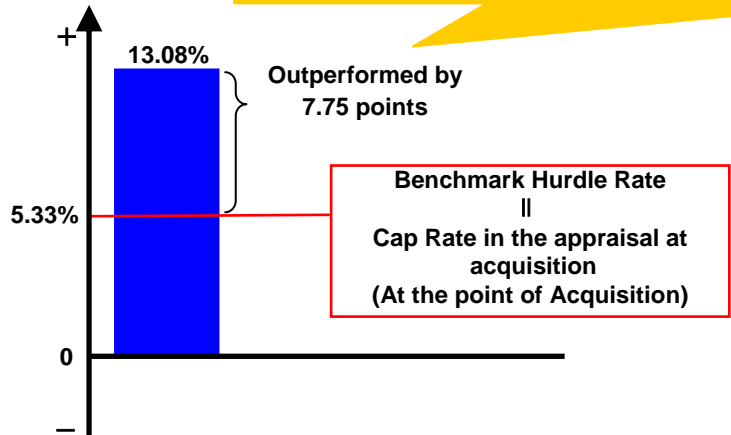
Portfolio Quality Improvement (3)

Unrealized Profit/Loss and Its % to Book Value by Property



Performance of our Portfolio Return

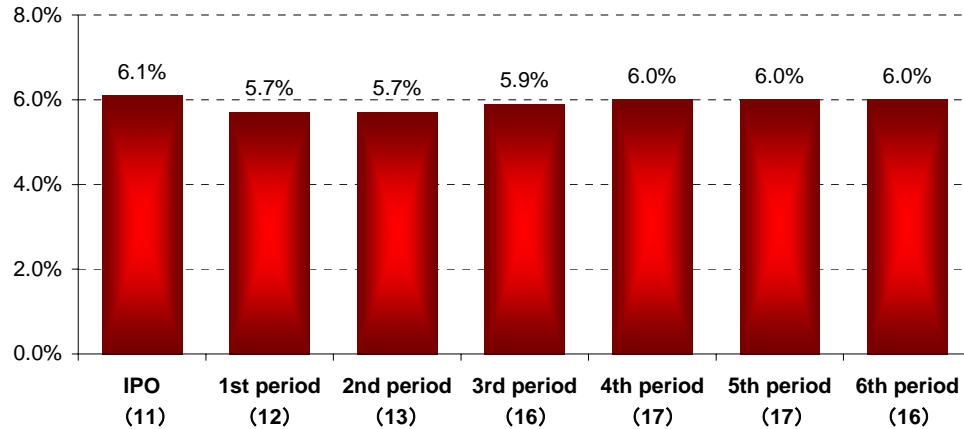
Since the acquisition of 13 properties, total return of those properties outperformed our benchmark by 7.75 points.



- Based on 13 properties we have been owning for more than 2 years (Acquisition Price: JPY 110,160 million)
- Property prices as of the end of each fiscal term are used to calculate IRR as deemed disposal price (sale price).
- Acquisition price doesn't include capitalized expense like broker's commission, property and city planning tax of the first year and rewards for agents
- Cash flow of leasehold and security deposits are not included

Risk Management (1)

Portfolio PML



*The number for the 6th period does not include Shonan Mall Fill

Portfolio PML kept at 6% though focused on Tokyo Metropolitan Areas

The sources of capital for CapEx are limited to depreciation for REIT which makes 100% distribution of profits.

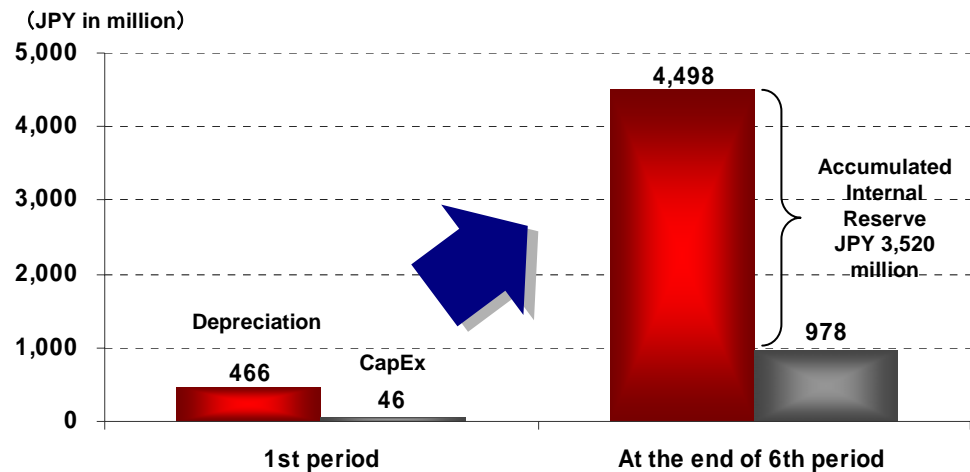
Therefore, we focus on the balance between total estimation of repair and maintenance cost and accumulated depreciation

Depreciation and Repair and Maintenance Costs for 15 years



※ numbers are updated when necessary

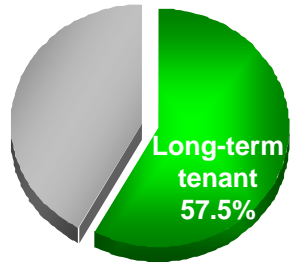
Accumulated Internal Reserve



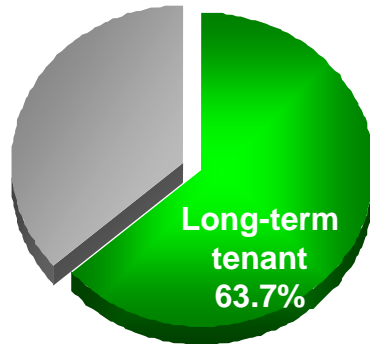
Risk Management(2)

Long-term Lease Ratio (based on Leasable Area)

Continue to attract long-term commitment



11 Properties at IPO (as of April 2003)

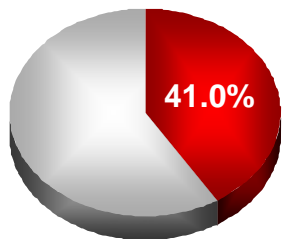


17 Properties at end of 6th Period (as of July 2006)

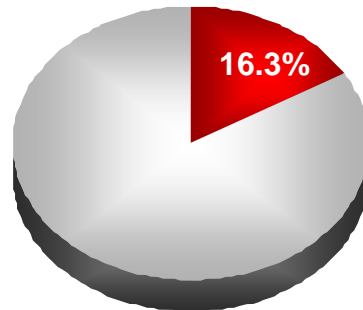
(Note) Long-term Contract without Revision of the Rents: 1.9%

Tokyu Group Tenant Concentration (based on Leasable Area)

Lower dependence on Tokyu Group Companies



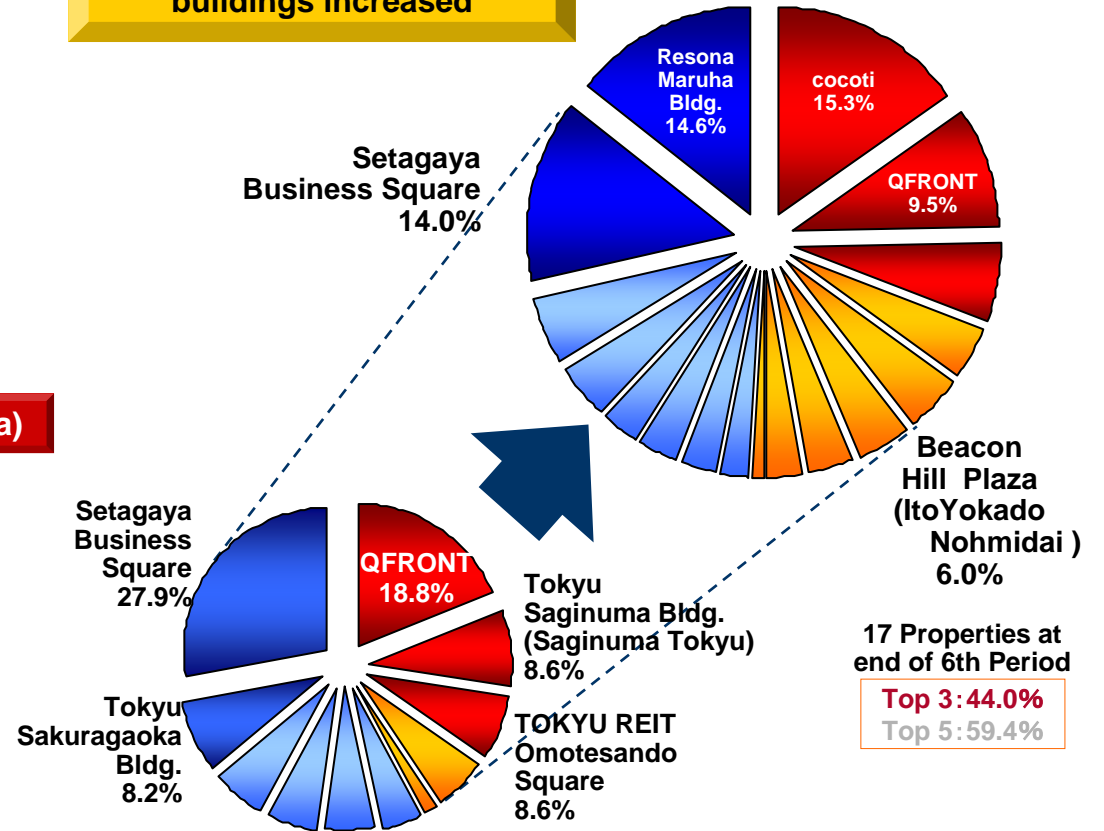
11 Properties at IPO (as of April 2003)



17 Properties at end of 6th Period (as of July 2006)

Main Properties Concentration (17 Properties at End of 6th Period)

% of each property decreased as the number of buildings increased



Risk events and solutions

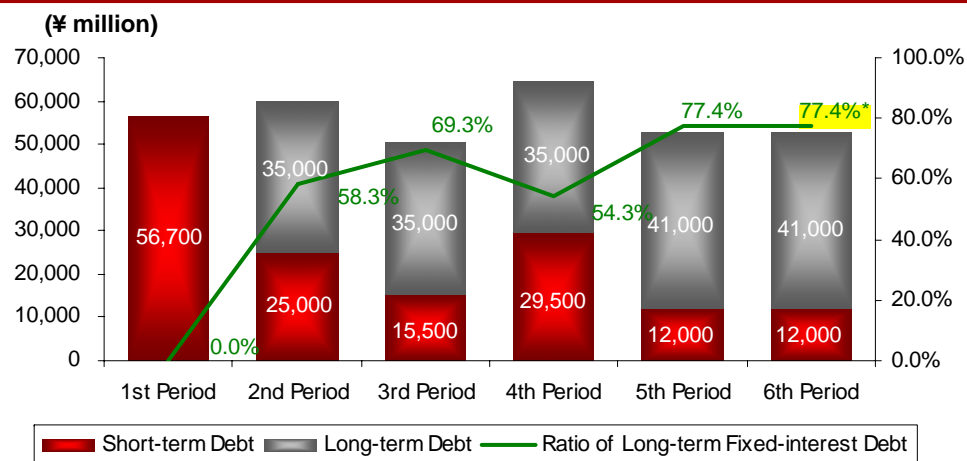
Event	Impact on us/REIT	Our Solution
Governmental orders	orders for several REITs to improve their operations	have a good fund governance, internal auditors
Compliance issue of the building standards law	Measures/Disclosure in case of noncompliance Authority's interest in acceptance of trust beneficiaries Authority's interest in real estate related loans	Maintain traditional DD standard/disclosure stance/follow-up solution Comply with the Law by removing or modifying the unlawful objects
Asbestos problem	Whether or not asbestos is used for portfolio properties <ul style="list-style-type: none"> ■ Resona Maruha bldg., Tokyu Saginuma bldg., Tokyu Sakuragaoka-cho bldg. If it is used 1. Is safety confirmed? 2. Is it disclosed?	Continue investigation as DD item Additional sample examination Continue usual procedure Monitoring & appropriate disclosure when the risk is high
Three laws concerning urban development <ul style="list-style-type: none"> ■ Areas with potential opening of large retail facilities are limited to neighborhood commercial, retail and light-industrial districts 	Beacon Hill Plaza is located in industrial district but is understood not to hamper operation of existing facility	Will have discussion with the government going forward to change use district and to take action to preserve asset value
The lift of zero interest policy	Increasing cost of debt finance/reduced availability, reduced spread of equity yield over risk free rate	Already included it in the forecast Acquisition of high rating, included in investment policy at product structuring, to pave way for direct finance to secure flexibility and to increase bargaining power against lenders More long term debt, longer duration Increase NOI by increasing the ratio of long-term and fixed-rate debt, longer duration and rent increase
Fabrication of structural calculation sheets	Created market interest in quake resistance of portfolio buildings	Confirmation and disclosure of builders/structural designers Checking engineering reports when they are prepared Request structural specialist to review safety as needed

Positive events and our response

Phenomenon	Influence over the REIT	Our solution
Designated area of emergency urban redevelopment	Areas around Shibuya Station designated in the 5 th program (December 28, 2005)	Wait for chance to acquire by closely watching planning/development trend

Debt Structure (1)

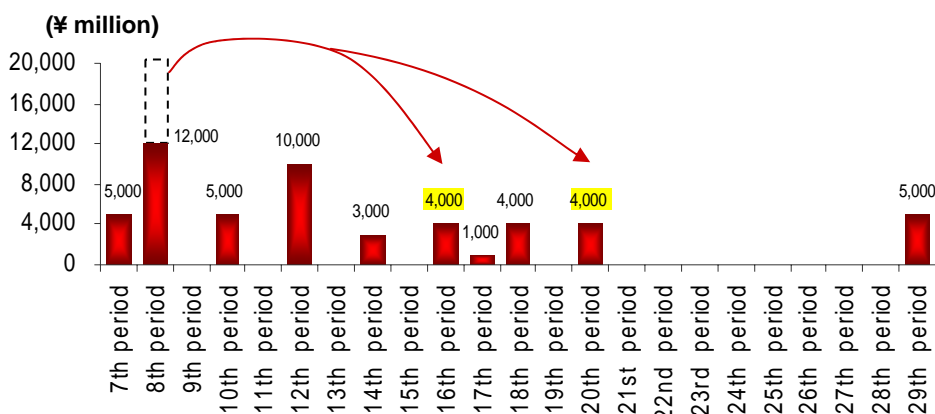
Borrowing and Ratio of Long-term Fixed-interest Debt



Shifting to long-term and fixed-rate debt anticipating potential lifting of quantitative easing

*67.9% excluding the long term debt maturing within a year

Maturity Ladder



Shifting to longer duration

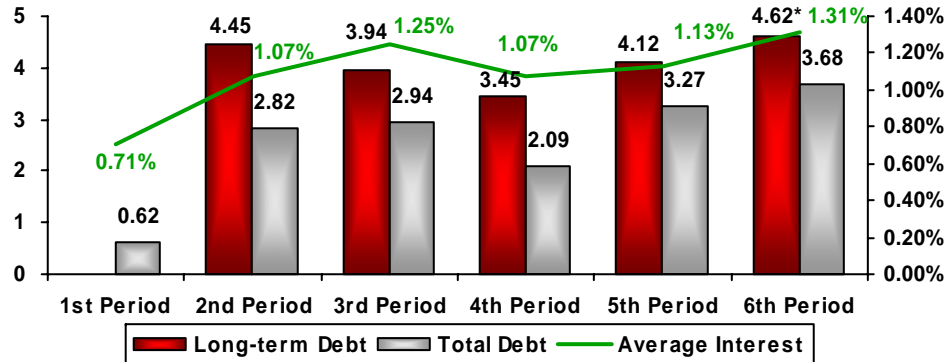
Term	Lender	Amounts (JPY bn)	Term (%)	Maturity	Note
Short-term	Bank of Tokyo-Mitsubishi UFJ	5.0	0.69364	2006/9/25	Unsecured
	Sumitomo Trust Bank	0.7	0.67364	2007/4/28	
	Chuo-Mitsui Trust Bank	0.7			
	Bank of Tokyo-Mitsubishi UFJ	0.7			
	Mizuho Corporate Bank	0.7			
	Mitsubishi UFJ Trust Bank	4.2			
Sub-total	12.0	-			-
Long-term	Sumitomo Trust Bank ⁽¹⁾	5.0	1.11625	2007/6/25	Unsecured
	The Norinchukin Bank	4.0	1.38875	2008/6/25	
	The Hyakugo Bank	1.0	1.23875		
	Chuo-Mitsui Trust Bank	5.0	1.68875	2009/6/25	
	Mitsubishi UFJ Trust Bank	5.0			
	Aioi Insurance Company, Ltd.	1.0	1.92750	2010/6/25	
	Daido Life Insurance Company	1.0			
	Mitsui Sumitomo Insurance	1.0			
	Development Bank of Japan	4.0	2.03000	2012/6/25	
	The National Mutual Insurance Federation of Agricultural Cooperation	1.0	1.26250	2011/10/25	
	Development Bank of Japan	5.0	1.95000	2018/1/25	
	Nippon Life Insurance	4.0	1.93000	2011/7/31	
	Daiichi Life Insurance	4.0	2.21125	2013/7/31	
	Sub-total	41.0	-	-	
Total		53.0	-	-	-

(1) Long Term Debt maturing within a year
 (2) Average Interest rate: 1.30716%

(as of Jul. 31, 2006)

Debt Structure (2)

Average Maturity of Debt and Average Interest



* 5.13 years excluding the long term debt maturing within a year

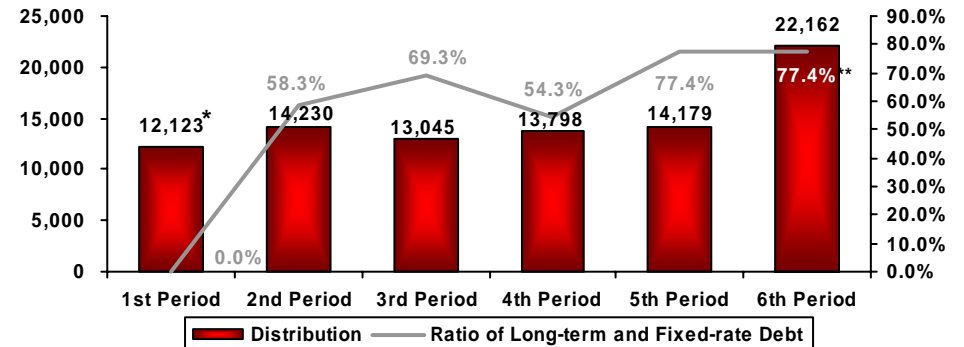
Control debt cost while increasing duration

Rating

- R&I** ■ Issuer Rating: A+ (Rating Outlook: Positive)
- S&P** ■ Long-term Corporate Credit Rating: A (Outlook: Stable)
■ Short-term Corporate Credit Rating: A-1
- Moody's** ■ Issuer Rating: A2 (Outlook: Stable)

High credit ratings to respond to changing monetary situations

Distribution and Ratio of Long-term and Fixed-Rate Debt

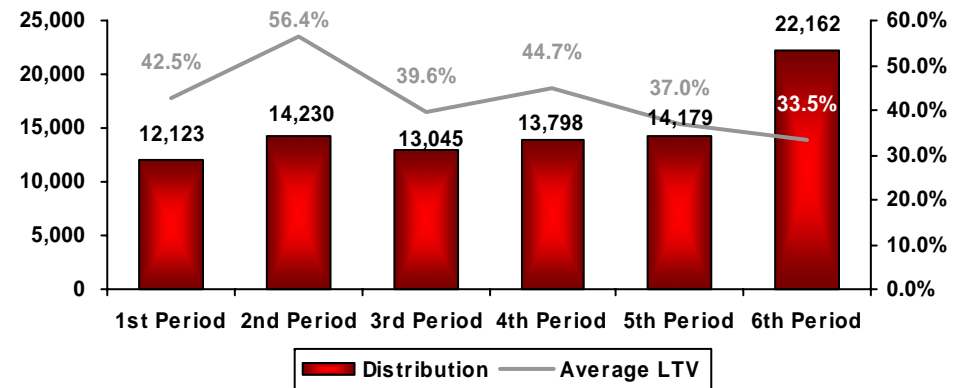


* Distribution in 1st Period was ¥9,488 based on the actual operating days of 144 days, but distribution of ¥12,123 recalculated based on 184 days is used in the above graph for the sake of comparison with 2nd Period onwards

** 67.9% excluding the long term debt maturing within a year

Focus on balance between EPS growth and earnings quality

Distribution and Average LTV



* Average LTV = (Average Balance of Interest Bearing Debt + Average Balance of Securities Deposit without Reserved Cash) / Appraisal Value at End of Period or Average Appraisal Value at Acquisition



Holders and Price of Investment Unit

The list of Unitholders

As of Jul. 31, 2005

	Investors	# of Units Held	Share (%)
1	Japan Trustee Services Bank Ltd.	12,333	8.69
2	The Master Trust Bank of Japan, Ltd.	7,732	5.45
3	Tokyu Corporation	5,880	4.14
4	Trust & Custody Services Bank, Ltd.	5,773	4.07
5	kawasaki Gakuen	5,000	3.52
6	AIG Star Life Insurance Co., Ltd.	4,633	3.26
7	The Gibraltar Life Insurance Co., Ltd.	4,052	2.85
8	Tokyu Land Corporation	3,920	2.76
9	NikkoCiti Trust and Banking Corporation	3,203	2.26
10	American Life Insurance Company	2,556	1.80
11	North Pacific Bank, Ltd.	2,450	1.73
12	The National Mutual Insurance Federation of Agricultural Cooperatives	2,164	1.52
13	Kansai Urban Banking Corporation	2,030	1.43
14	The Fuji Fire and Marine Insurance	1,903	1.34
15	The Hachijuni Bank, Ltd.	1,500	1.06
16	The Chukyo Bank, Limited	1,344	0.95
17	Aozora Bank Ltd.	1,263	0.89
18	The Hiroshima Bank Ltd.	1,229	0.87
19	SIS Sega intersettle AG	1,176	0.83
20	The Gunma Bank Ltd.	1,096	0.77
	Total	71,237	50.19

As of Jan. 31, 2006

	Investors	# of Units Held	Share (%)
1	Japan Trustee Services Bank Ltd.	16,549	9.77
2	NikkoCiti Trust and Banking Corporation	8,807	5.20
3	Trust & Custody Services Bank, Ltd.	7,421	4.38
4	kawasaki Gakuen	6,000	3.54
5	Tokyu Corporation	5,880	3.47
6	The Master Trust Bank of Japan, Ltd.	5,815	3.43
7	AIG Star Life Insurance Co., Ltd.	4,871	2.88
8	The Gibraltar Life Insurance Co., Ltd.	4,252	2.51
9	Tokyu Land Corporation	3,920	2.31
10	American Life Insurance Company	3,397	2.01
11	Bank of New York, Treaty JASDEC Account	3,198	1.89
12	The National Mutual Insurance Federation of Agricultural Cooperatives	2,505	1.48
13	North Pacific Bank, Ltd.	2,450	1.45
14	The Hiroshima Bank Ltd.	2,287	1.35
15	The Fuji Fire and Marine Insurance	2,144	1.27
16	Aozora Bank Ltd.	2,022	1.19
17	Kansai Urban Banking Corporation	1,930	1.14
18	The Hachijuni Bank, Ltd.	1,500	0.89
19	The Gunma Bank Ltd.	1,352	0.80
20	The Chukyo Bank, Limited	1,344	0.79
	Total	87,644	51.74

As of Jul. 31, 2006

	Investors	# of Units Held	Share (%)
1	Japan Trustee Services Bank Ltd.	16,448	9.71
2	NikkoCiti Trust and Banking Corporation	12,152	7.17
3	Trust & Custody Services Bank, Ltd.	6,831	4.03
4	The Master Trust Bank of Japan, Ltd.	6,622	3.91
5	kawasaki Gakuen	6,000	3.54
6	Tokyu Corporation	5,880	3.47
7	AIG Star Life Insurance Co., Ltd.	4,871	2.88
8	The Gibraltar Life Insurance Co., Ltd.	4,252	2.51
9	Tokyu Land Corporation	3,920	2.31
10	American Life Insurance Company	3,746	2.21
11	CB London Standard Assurance, Ltd.	3,351	1.98
12	Bank of New York, Treaty JASDEC Account	3,231	1.91
13	The National Mutual Insurance Federation of Agricultural Cooperatives	2,505	1.48
14	North Pacific Bank, Ltd.	2,450	1.45
15	The Hiroshima Bank Ltd.	2,287	1.35
16	Kansai Urban Banking Corporation	1,930	1.14
17	Resona Bank, Ltd.	1,532	0.90
18	The Hokuto Bank, Ltd.	1,520	0.90
19	The Hachijuni Bank, Ltd.	1,516	0.90
20	The Gunma Bank Ltd.	1,352	0.80
	Total	92,396	47.99

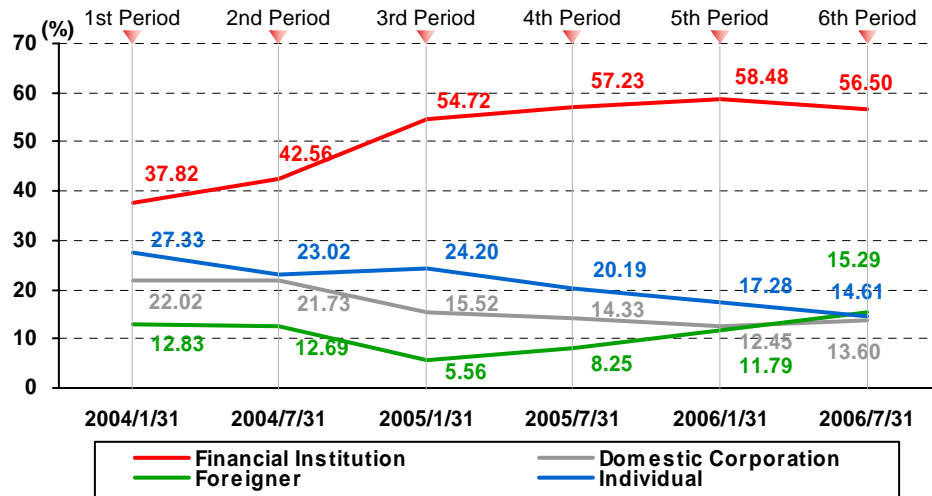
Trust Account Total 29,041 20.47

Trust Account Total 38,592 22.78

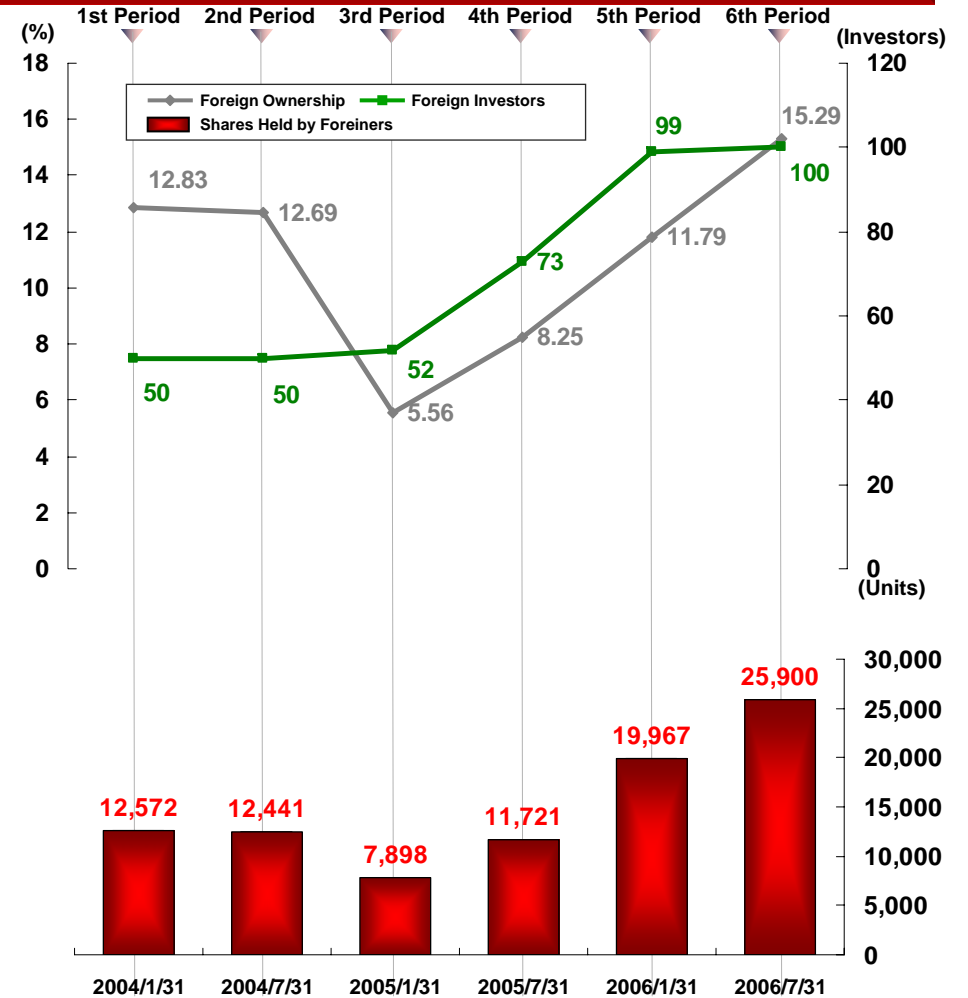
Trust Account Total 42,053 24.83

Investor Information

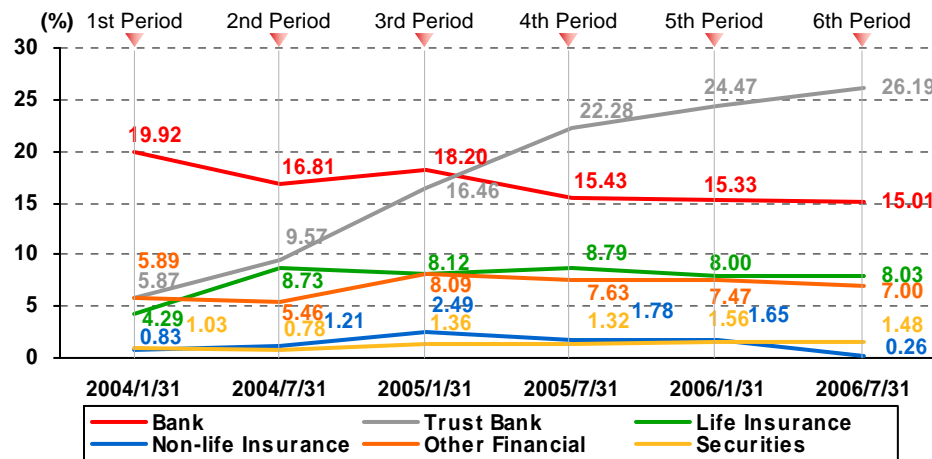
Ownership by Investor Type



Foreign Ownership and Number of Investors



Ownership by Investor Type (Financial Institutions)

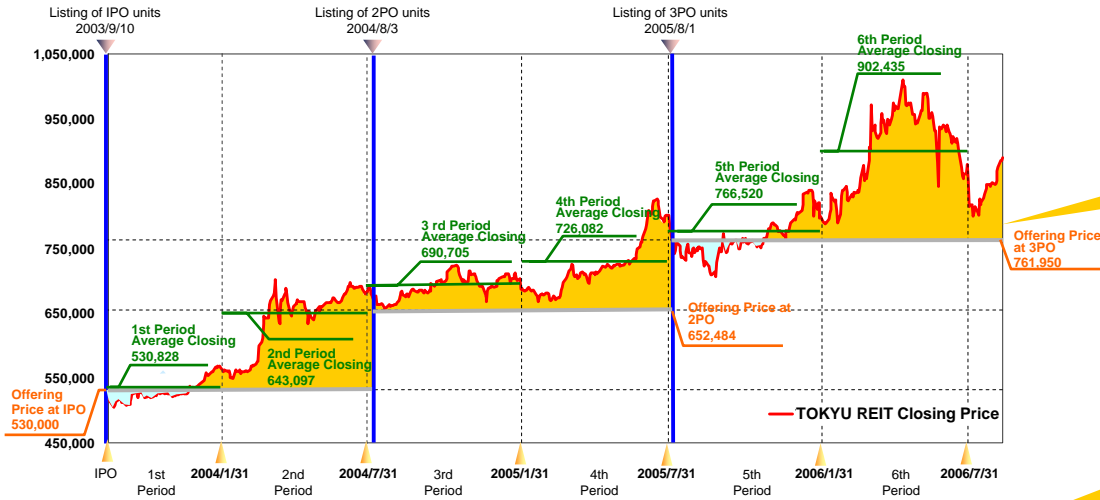


Individual ownership is decreasing but retail money has been flowing through fund of funds

Foreign ownership exceeds 15%

Information on TRE Investment Units

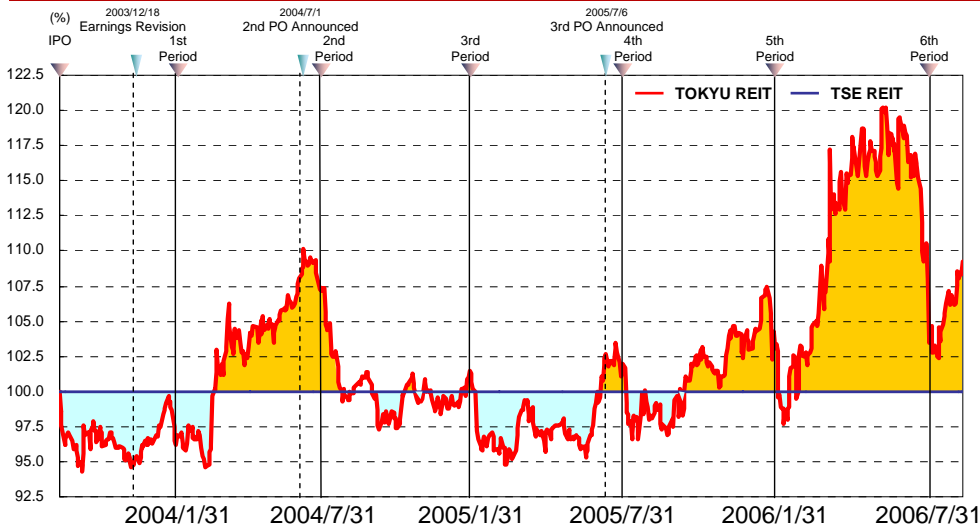
TOKYU REIT Public Offering Price and Investment Unit Price



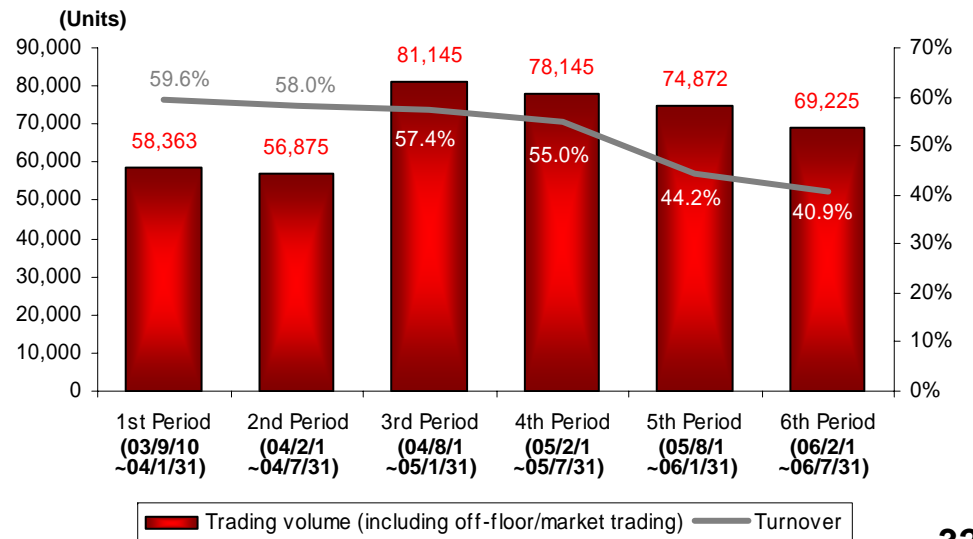
Price higher than public offering price of all 3 add-on offerings

Seek more outperformance against TSE REIT index

TOKYU REIT Investment Unit Price Performance (vs. TSE REIT Index)



Trading Volume and Turnover of TOKYU REIT Units



TOKYU REIT

Topics

- **Nikkei article on June 22 “Blind Spots of Growing REITs”**

TOKYU REIT’s “share price surged” prior to announcement of sale of “Yokohama Yamashita-cho Building” on March 29, which has generated “speculation” that “someone” “could have committed insider trading”

- **Tokyo Stock Exchange**

The Exchange usually inquires Issuer if there is any questionable share price movement. The same is true for investment units. TOKYU REIT has never been inquired by the Exchange since announcement

- **Market Trend Then**

The latest official land price released on March 23 indicated an increase of commercial land price in the three major cities for the first time in 15 years.

The article says “the unit price of TOKYU REIT surged,” but a number of REITs gained more than TOKYU REIT during the period between the announcement of official land price and disclosure of “Yokohama Yamashita-cho Building” sale on March 29.

- **Main Purpose of the Report**

We assume that the article intended to warn the market that “REITs are not subject to insider trading regulation”.

To avoid any concern with insider trading, our directors and directors of Asset Manager have been prohibited from acquiring and holding investment units of TOKYU REIT since its establishment.

In addition, we pay attention to information control by executing a confidentiality agreement with vendors.

- **Based on the Report**

In order to make sure that the parties involved who are classified as insiders of TOKYU REIT are not involved in any questionable transaction, we asked the parties involved to submit a “letter of confirmation of no trading of the investment units” to reconfirm that no insider was involved

1. Periodic review of their party estimate for long-term repair cost to rebalance capex

- Estimated cost of long-term repair is obtained from a third party and disclosed at the time of acquisition, but the remaining period becomes shorter as time goes by.
- Aware of the issue of potential gap of actual and estimated long-term repair costs based on actual repair/capital expenditures after acquisition
- Estimated long-term repair cost is obtained for 15 years; a report should be obtained again after 3 – 5 years from acquisition to recalculate estimated depreciation
- A report obtained again for 6 buildings in 5th Period and 3 buildings in 6th Period was reflected in valuation at the end of each period

2. Creation of “Resona Maruha Building” Management Association

- A lack of management association required discussion for each construction work of common area, making it difficult to perform construction in a timely manner in some cases.
- Starting discussions with joint co-owners in April 2005, an agreement was executed in July 2006 to establish a management association.
- Construction works approved by the association may be performed according to schedule, contributing to higher accuracy of income estimate and protection of assets

3. Efforts to ensure compliance with the construction law for “cocoti”

(Disclosed in disclosure material at additional acquisition, financial report, prospectus)

- It was revealed from due diligence at acquisition that there were movable partitions and eaves installed by a tenant without construction authorization
- Discussion/Confirmation with relevant agency to ensure compliance with the law and agreement on a plan executed among trustee, Investment Manager and TOKYU REIT before acquiring the building.
- Based on discussion/confirmation with relevant agency after acquisition, removal completed in January 2006 at the expense of tenant

4. Response to/and boundary issue of “TOKYU REIT Toranomon Building”

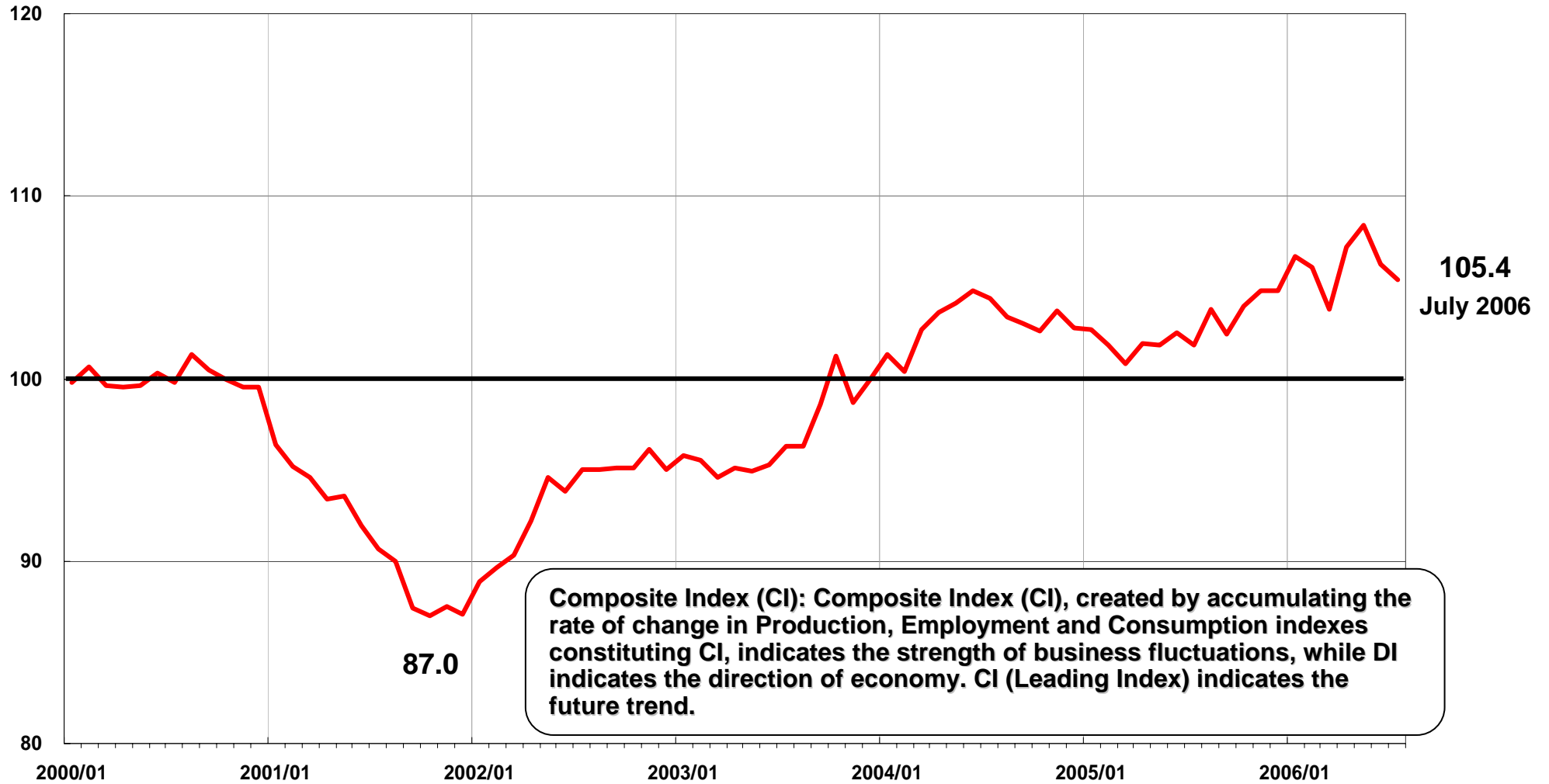
(Disclosed in disclosure material at acquisition and financial report)

- Existence of an object crossing a part of the boundary from adjacent land in southwest
- Lawsuit filed together with co-owner on April 7, 2005 against the owner of adjacent land/building regarding request for confirmation of co-ownership of the portion crossing the boundary
- In the first trial, the court ruled in favor of TOKYU REIT on August 28, 2006 after having oral proceedings.
(Now the decision is definite as no appeal was made)
- Rights protected by confirming co-ownership of the relevant portion. Proper operation as administrator of Management Association of the building



Market Review

Composite Index (2000=100)



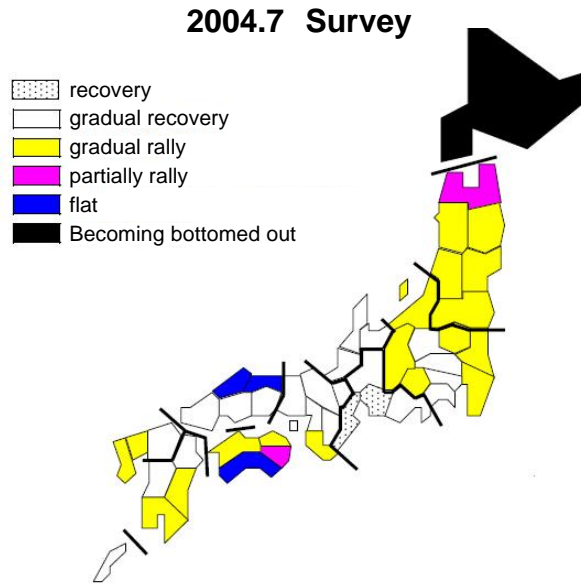
Steady Recovery of Japanese Economy

Source: Cabinet Office

※ Comment by Tokyu REIM **37**

Regional Gap in Business Confidence

Economic Conditions by Prefecture

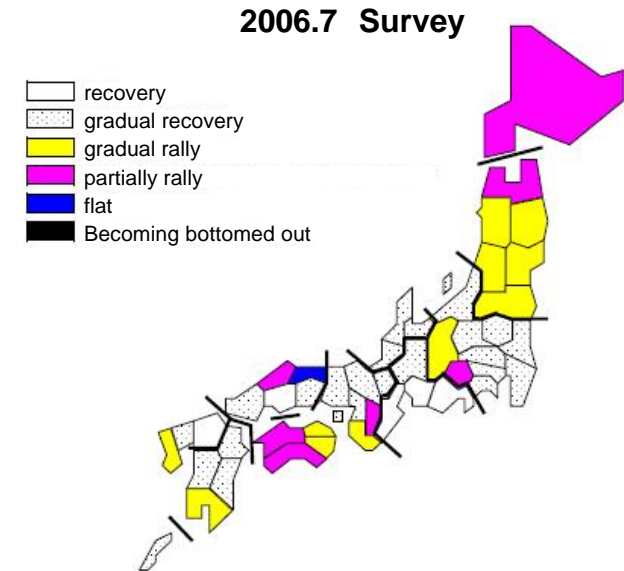


Regional gap continues to remain as the economy recovers



Comparison

Upward	+2 notches	1
	+1 notch	12
Unchanged	±0	31
Downward	-1 notch	2
	- 2notches	1



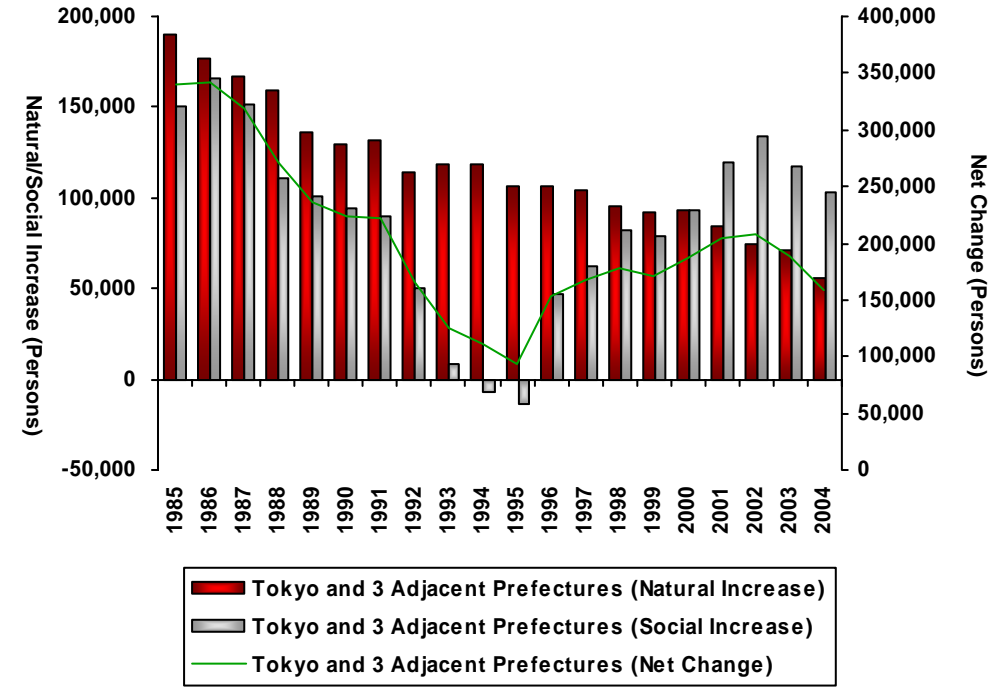
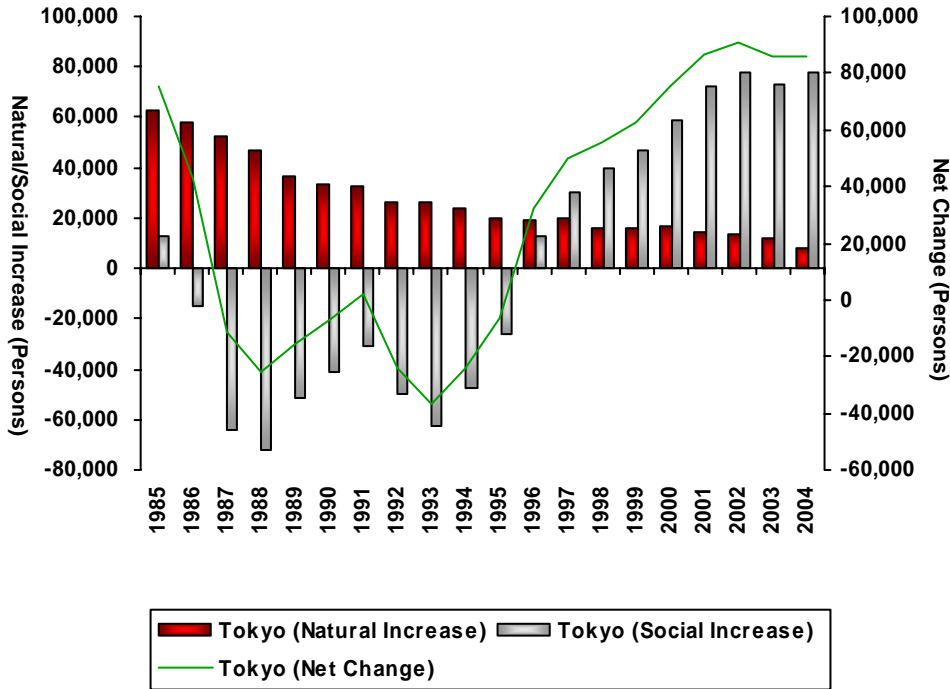
Source: Ministry of Finance
 * Comment and comparison by Tokyu REIM

- ”We can conclude that the Japanese economy has been continuing a moderate recovery overall though some regional gaps are seen in the overall condition of regional economies. Economic recovery movement in each region has been ensured.”
 (MoF “Economic Report of Ministry of Finance Local Finance Bureaus”, July 11, 2006)
- ”... the economy as a whole continues to recover steadily as almost all regions continue to be on the expansion or recovery trend. ... However, degrees of improvement still differ among regions such as Hokkaido, which reported that “the pickup in the economy slowed,” and Tokai and Kinki, which reported that the economy has been expanding.”
 (BOJ “Regional Economic Report”, July 26, 2006)

Population in Tokyo

Population in Tokyo

Population in Tokyo and 3 Adjacent Prefectures



* (Note) Source: Basic Resident Register, Management and Coordination Agency

* (Note) Source: Basic Resident Register, Management and Coordination Agency

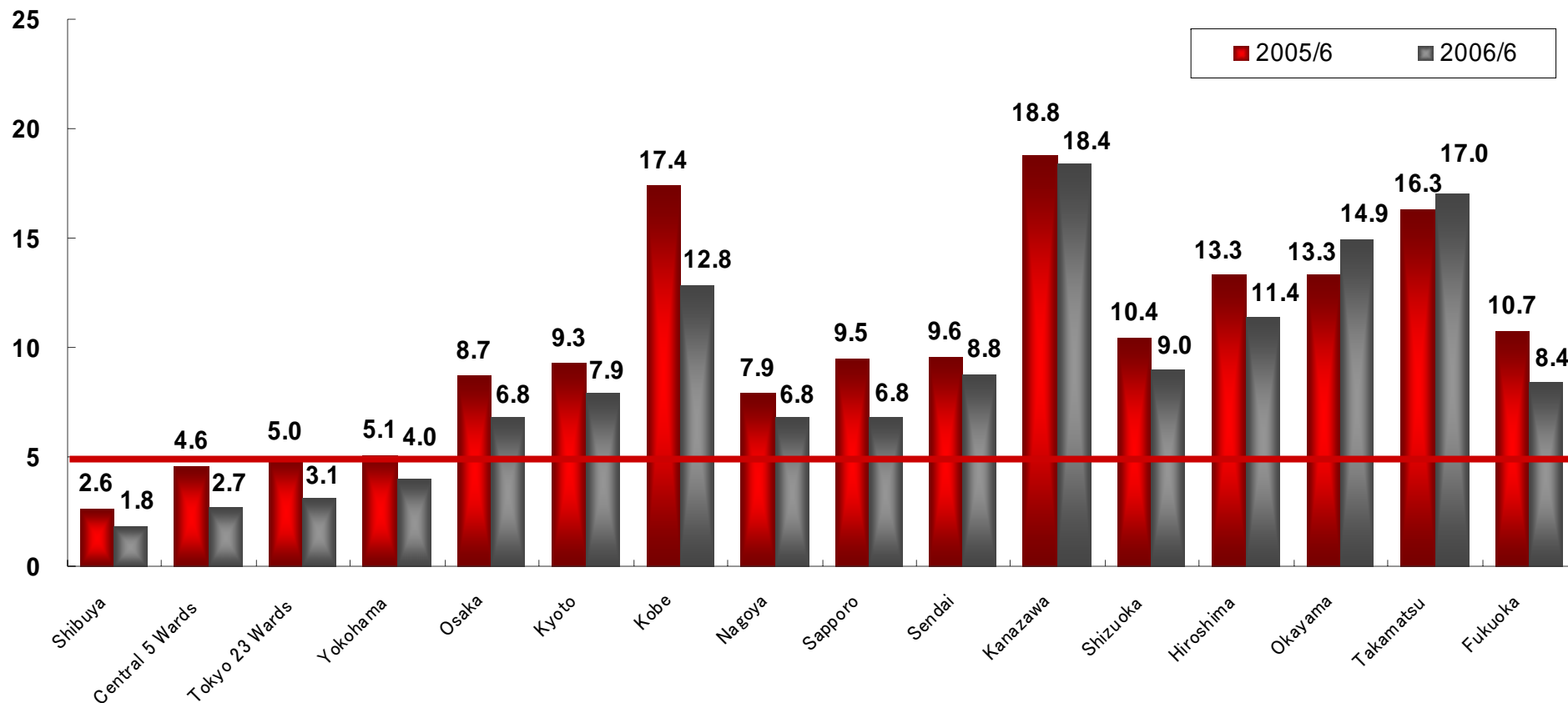
Tokyo and 3 adjacent prefectures maintain firm population growth supported by significant population returning to urban area

* Comment by Tokyu REIM

Office Leasing Market Overview (1)

Vacancy by Market

(%)



Vacancy has been decreasing in general, but vacancy of less than 5% is limited to Tokyo and Yokohama

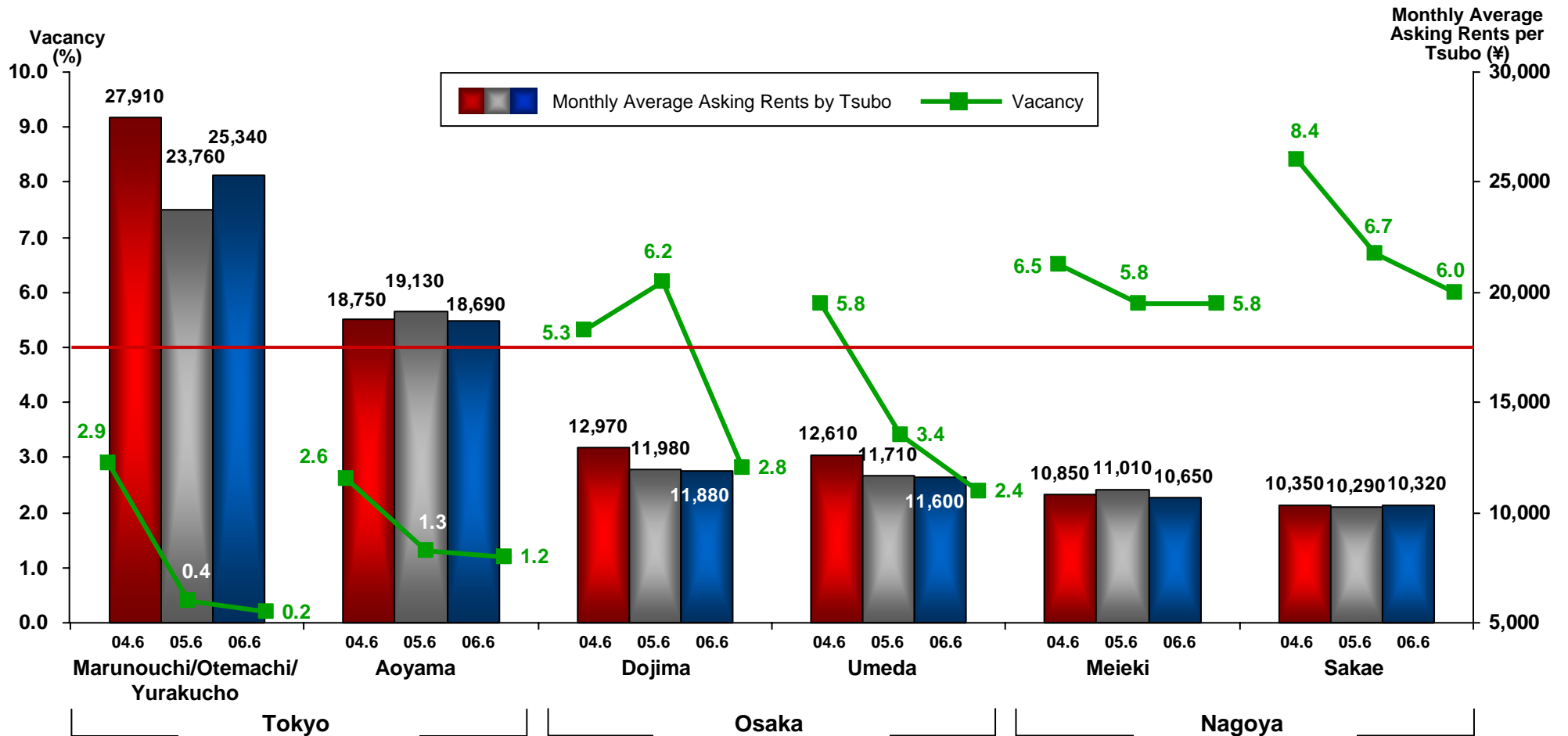
Source: Compiled by Tokyu REIM based on information from "Office Market Report" issued by CB Richard Ellis

※ Comment by Tokyu REIM

Office Leasing Market Overview (2)

Vacancy and Asking Rents by Market

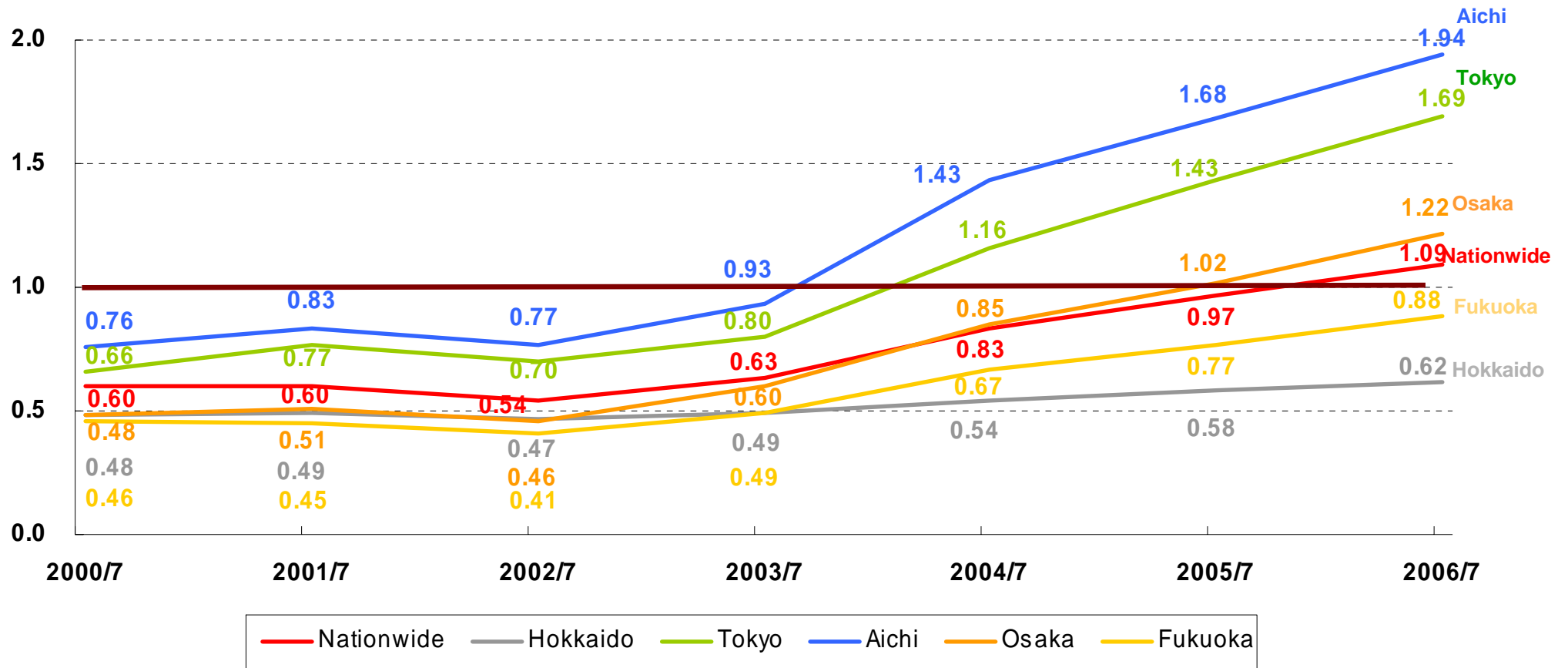
Asking rents are rising in some parts of prime location in three major cities as vacancy declines



Source: Compiled by Tokyu REIM based on information from "Office Market Report" issued by CB Richard Ellis
 * Comment by Tokyu REIM

Office Leasing Market Overview (3)

Job to Applicant Ratio (Seasonally Adjusted)

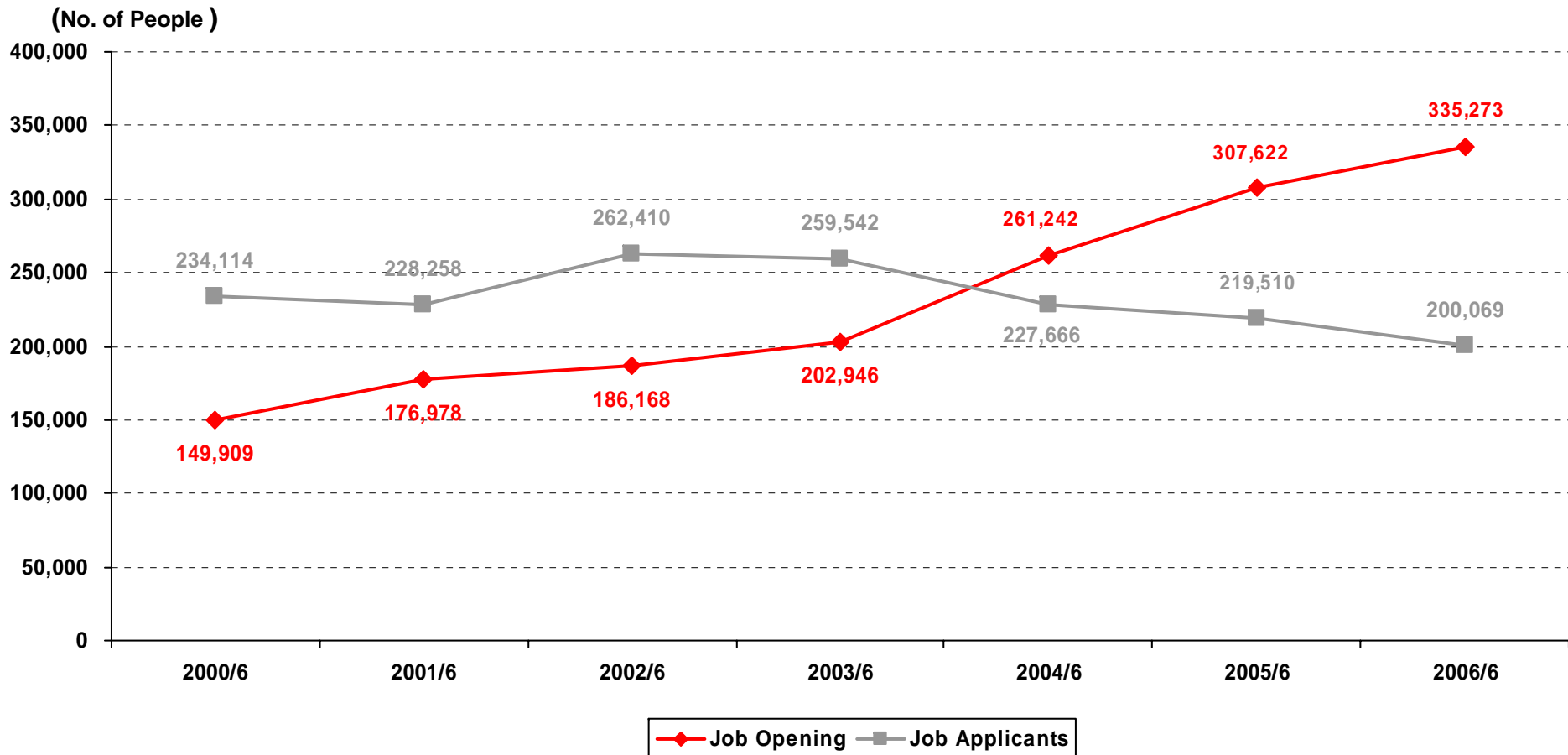


Source: Compiled by Tokyu REIM based on data from "Employment Service" by Health, Labour and Welfare Ministry

※ Comment by Tokyu REIM

Office Leasing Market Overview (4)

Active Job Opening/Job Applicants in Tokyo



Source: Compiled by Tokyu REIM based on Ministry of Health, Labour and Welfare's "Employment Exchange Service"

Office Leasing Market Overview (5)

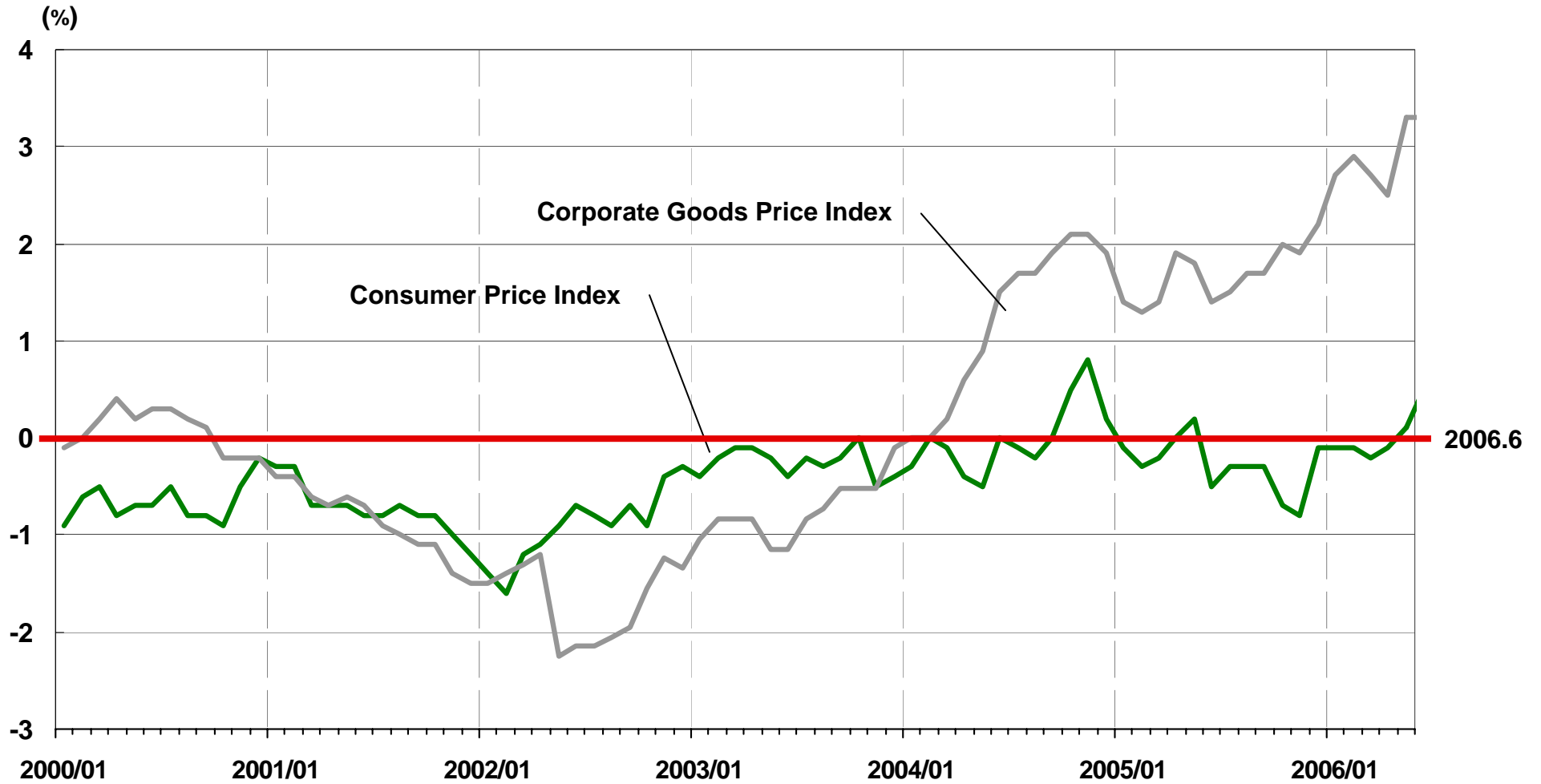
Motivation for Office Relocation (Tokyo)

Rank	FY2000		FY2004		FY2006	
1	Office reorganization to achieve cost saving	42.2%	Office reorganization to achieve cost saving	36.6%	Lack of space by new hiring	49.3%
2	Reorganization of internal structure	28.3%	Lack of space by new hiring	23.7%	Office reorganization to achieve cost saving	23.0%
3	Lack of space by new hiring	28.3%	Want to be in the office in good location	23.1%	Reorganization of internal structure	20.3%
4	Lack of space by introduction of OA equipment	23.6%	Increase space per employee	22.3%	New/Expansion of meeting room/dressing room/library	15.1%
5	New/Expansion of meeting room/dressing room/library	21.5%	New/Expansion of meeting room/dressing room/library	19.7%	Inadequate building facilities of the current office	15.1%
6	Increase space per employee	19.4%	Reorganization of internal structure	18.6%	Want to be in the office in good location	14.1%
7	Want to be in the office in good location	16.5%	Inadequate building facilities of the current office	18.6%	Inadequate structure of the current office	13.9%
8	Inadequate building facilities of the current office	14.8%	Lack of space by introduction of OA equipment	12.3%	Centralization of diversified offices	12.1%
9	Centralization of diversified offices	13.9%	Inadequate management/security system of the current office	12.0%	Increase space per employee	10.4%
10	Inadequate IT infrastructure of the current office	11.8%	Centralization of diversified offices	11.7%	Inadequate management/security system of the current office	9.9%

Source: Compiled by Tokyu REIM based on Ikoma Data Service System's "White Paper on Real Estate 2004, 2006"

Office Leasing Market Overview (6)

Price Index (YoY Change)



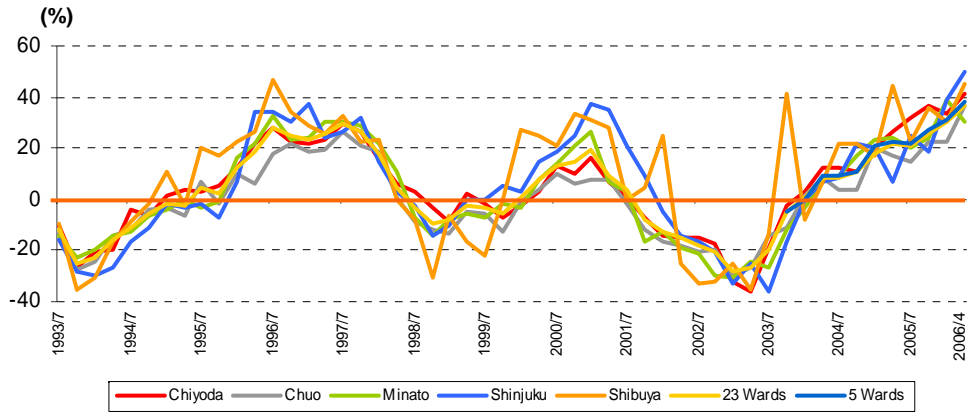
Source: Ministry of Internal Affairs and Communications, BOJ

※ Comment by Tokyu REIM

Leading corporate goods price index raising sharply, consumer price index in the positive territory

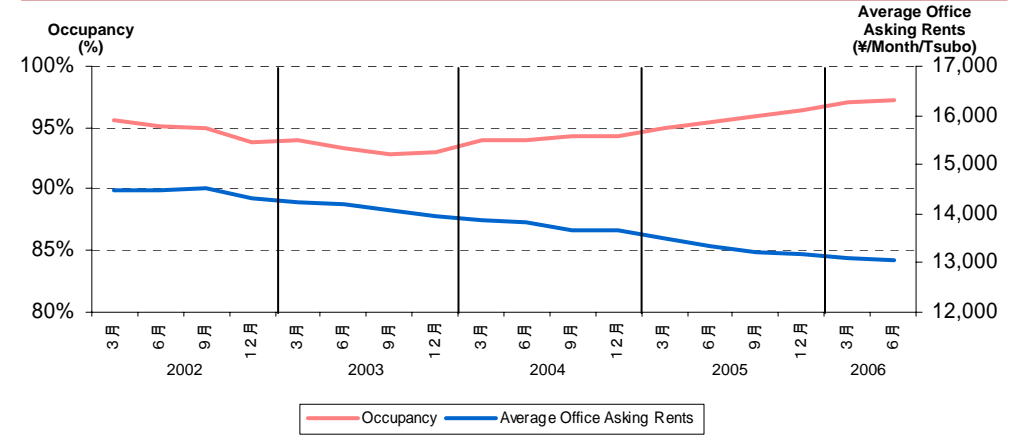
Office Leasing Market Overview (7)

Business Sentiment on Vacancy (Now vs. 3 Months Later)



*Source: Survey on building management by Japan Building Owners and Managers Association (Publications Oct. 2003 – Apr. 2006) Index for “5 Wards” calculated by Tokyu REIM based on the above data

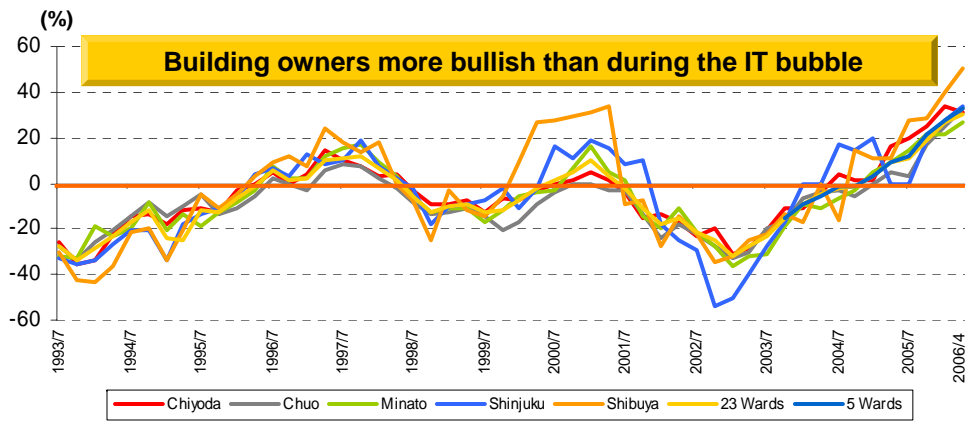
Occupancy and Asking Rents in 5 Central Wards of Tokyo



Average asking rents have not bottomed out even in CBD

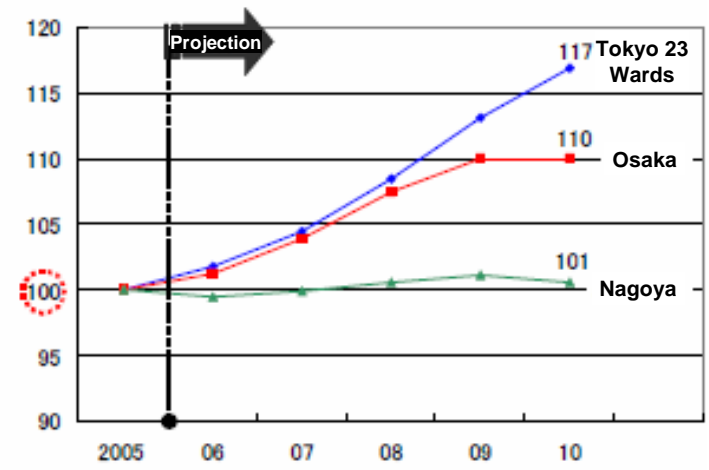
Source: Based on survey by Ikoma Data Service System ※Comment by Tokyu REIM

Business Sentiment on Rent Level (Now vs. 3 Months Later)



*Source: Survey on building management by Japan Building Owners and Managers Association (Publications Oct. 2003 – Apr. 2006) Index for “5 Wards” calculated by Tokyu REIM based on the above data

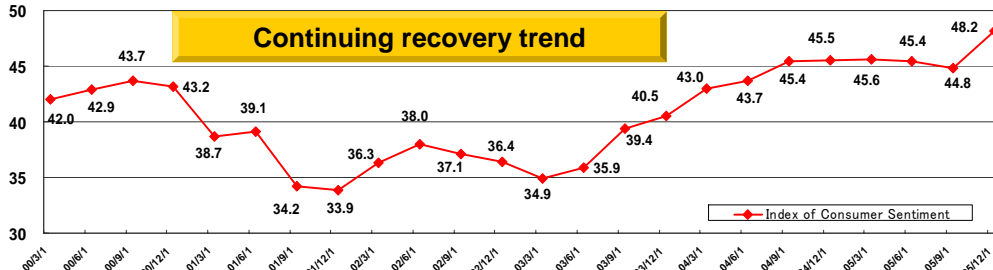
Rent Estimate in 3 Major Cities (2005=100)



Source: Based on survey by Ikoma Data Service System

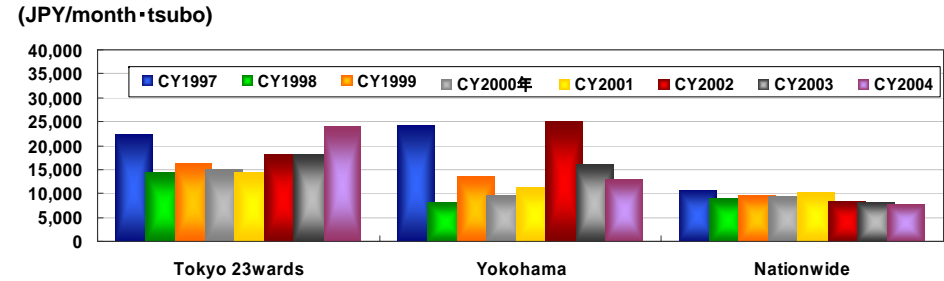
Retail Leasing Market Overview

Index of Consumer Sentiment (Nationwide General Household/Seasonally Adjusted)

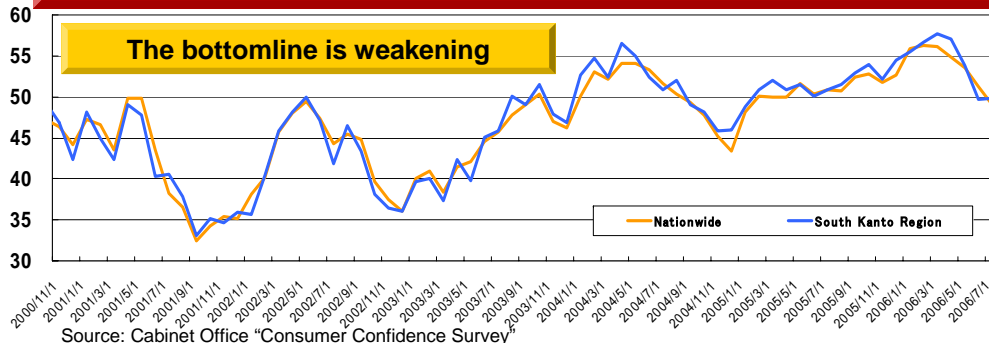


Source: Cabinet Office "Consumer Confidence Survey"

Average Rent of SC Tenants (Key Tenant)

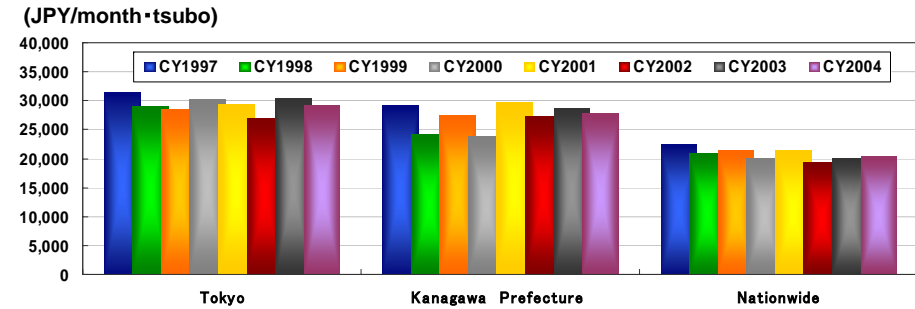


Economy Watchers Survey (Leading Indicator: Household Related)

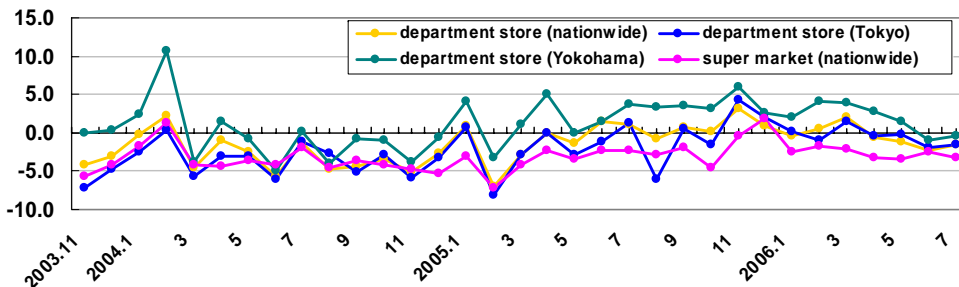


Source: Cabinet Office "Consumer Confidence Survey"

Average Rent of SC Tenants (Restaurants)

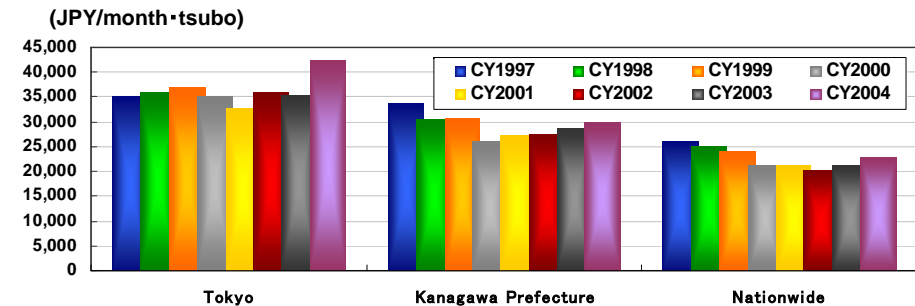


Department Store/GMS Sales (YoY Change)



Source: Website of Japan Department Stores Association, Japan Chain Stores Association "Statistics on Sales of Chain Stores"

Average Rent of SC Tenants (Retail Stores)



Source: Survey on shopping center rent and common service charge by Japan Council of Shopping Centers

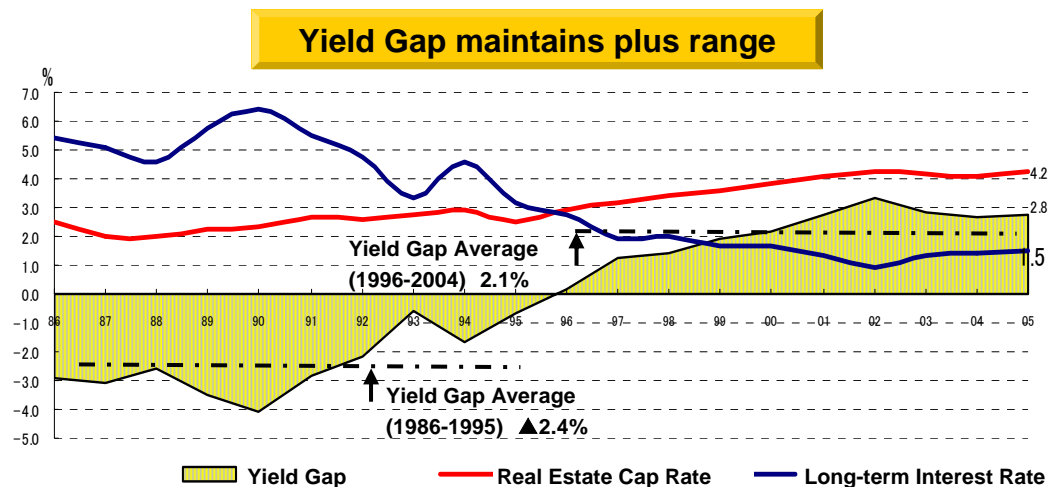
Real Estate Market Overview (1) (Trading Market)

Real Estate transparency score (CY2006)

Transparency level	CY2006 Ranking	Country Name	CY2006 Score	CY2004 Score	Transparency changing
High	1	Australia	1.15	1.19	No change
	1	United States	1.15	1.24	No change
	3	New Zealand	1.20	1.19	No change
	4	Canada	1.21	1.37	No change
	5	United Kingdom	1.25	1.24	No change
	6	Hong Kong	1.30	1.50	★
	7	Holland	1.37	1.37	No change
	8	Sweden	1.38	1.51	★
	9	France	1.40	1.62	No change
	10	Singapore	1.44	1.55	★
Middle – High	22	Malaysia	2.21	2.30	★★
	23	Japan	2.40	3.08	★★★
Middle	29	Taiwan	2.86	3.10	★★
	31	South Korea	2.88	3.36	★★
	36	Philippines	3.30	3.43	No change
	39	Thailand	3.40	3.44	No change
	41	India	3.46	3.90	★★★
Middle – Low	42	China	3.50	3.71	★
	43	Macau	3.65	na	No change
	46	Indonesia	3.90	4.11	★
Low	56	Vietnam	4.69	4.60	No change

The Survey addressed the following five attributes of real estate transparency. 1. Availability of investment performance indexes, 2. Availability of market fundamentals data, 3. Listed vehicle financial disclosure and governance, 4. Regulatory and legal factors, 5. Professional and ethical standards

Real Estate Cap Rate, Long-term Interest, Yield Gap



Source: Mitsubishi UFJ Trust & Banking "Real Estate Market Research Report"

While many countries in Asia Pacific witnessed an improvement in transparency over the last two years, the changes are not uniform. One of the highlights is the improvement for Japan, which moved from semitransparent status in the 2004 RETI to the lower end of the transparent tier in the 2006 RETI. A number of factors are responsible for this shift. The rapid development of the J-REIT market, the expansion of internationally listed trusts with Japanese assets and higher levels of international penetration into the markets more generally have boosted the availability of market information (also more information is available in English), promoting the efficiency and transparency of what has long been a relatively closed market.

Source : Jones Lang Lassale

J-REIT contribute to progress in the transparency in Japanese Real Estate Market

Source : Jones Lang Lassale

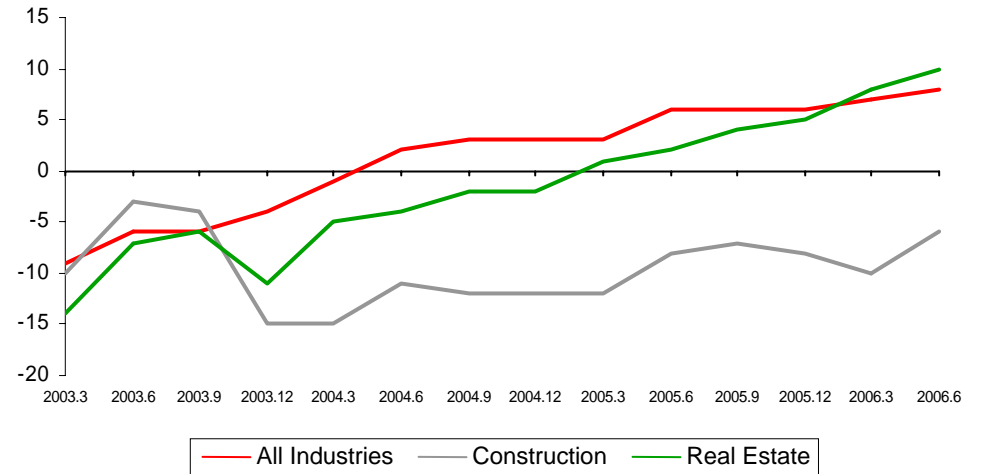
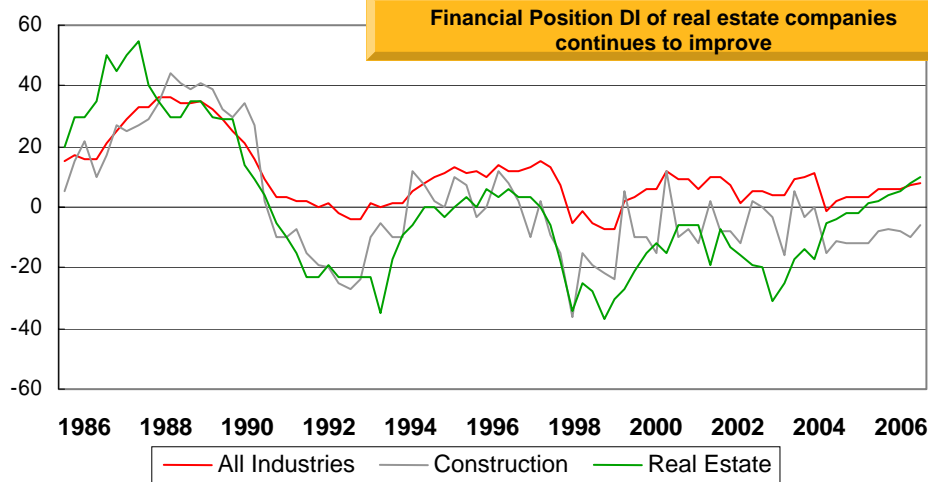
※ comment by Tokyu REIM

As of 9/30/2006

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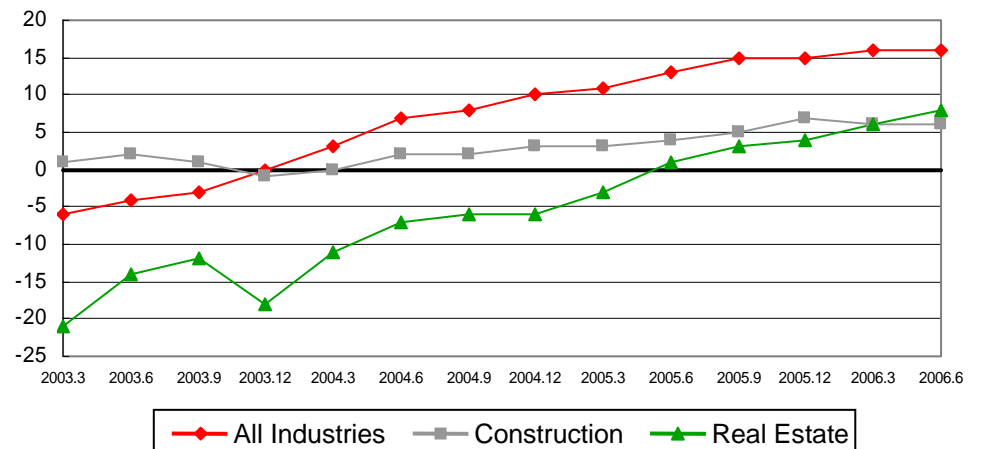
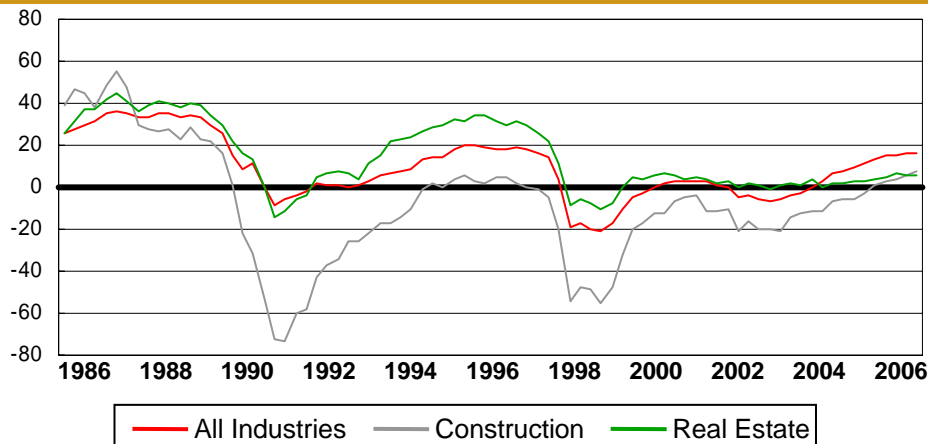
Real Estate Market Overview (2)

Financial Position DI by Industry



Lending Attitude DI by Industry

Need to watch impact from the end of zero interest policy and tighter control over illegality of real estate properties

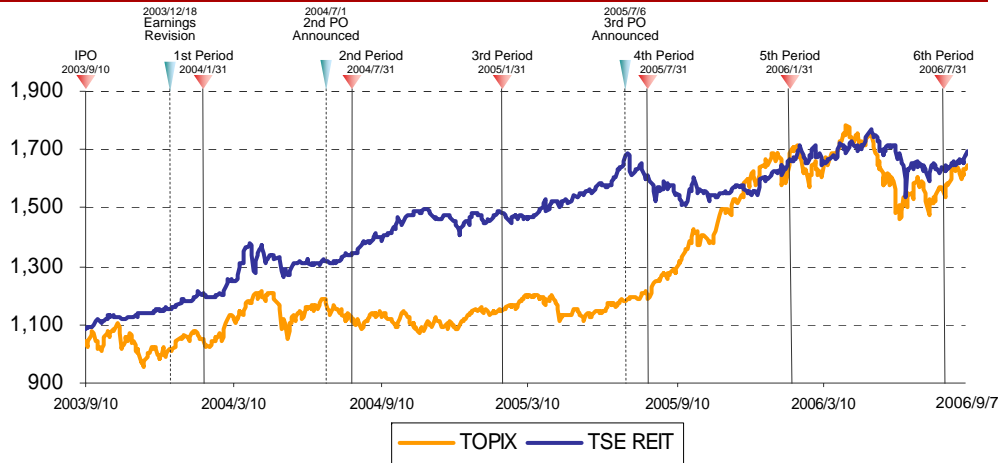


Source: BOJ "Tankan"

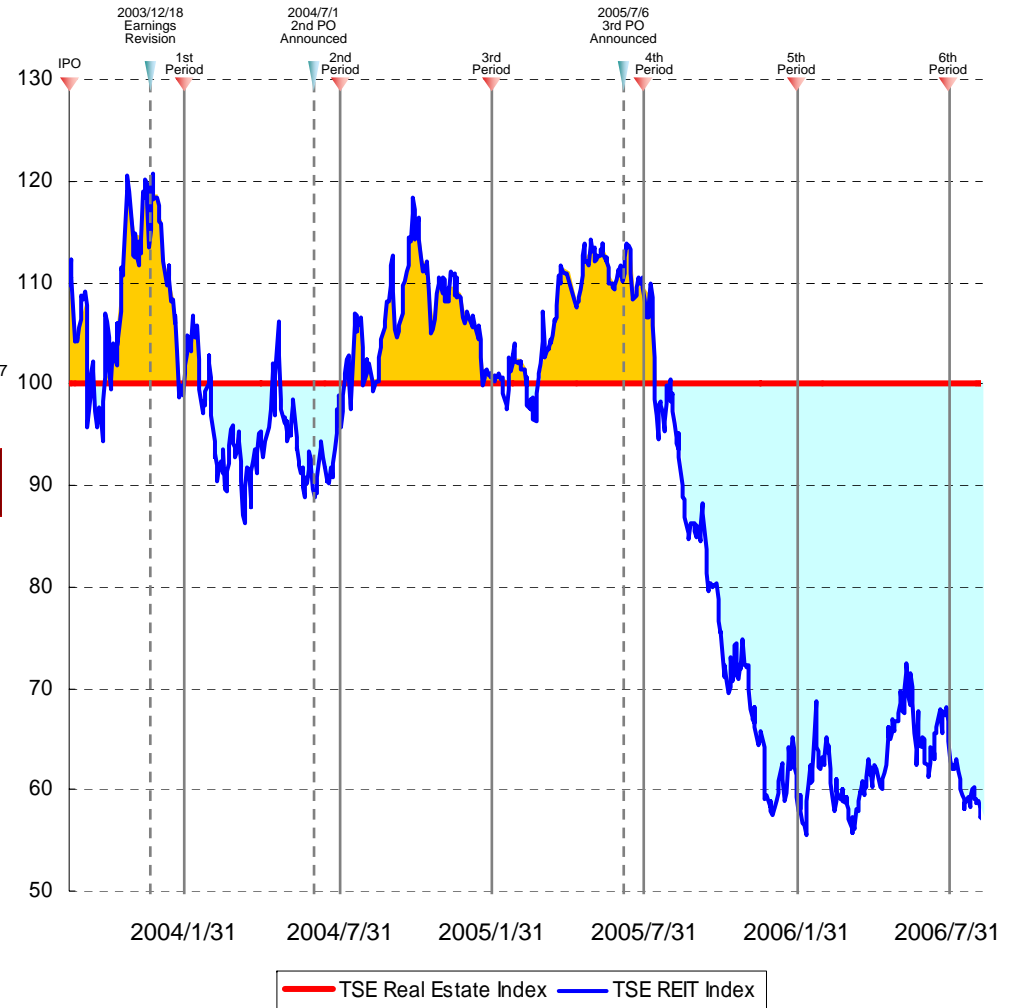
※Comment by Tokyu REIM

REIT Market Overview (1)

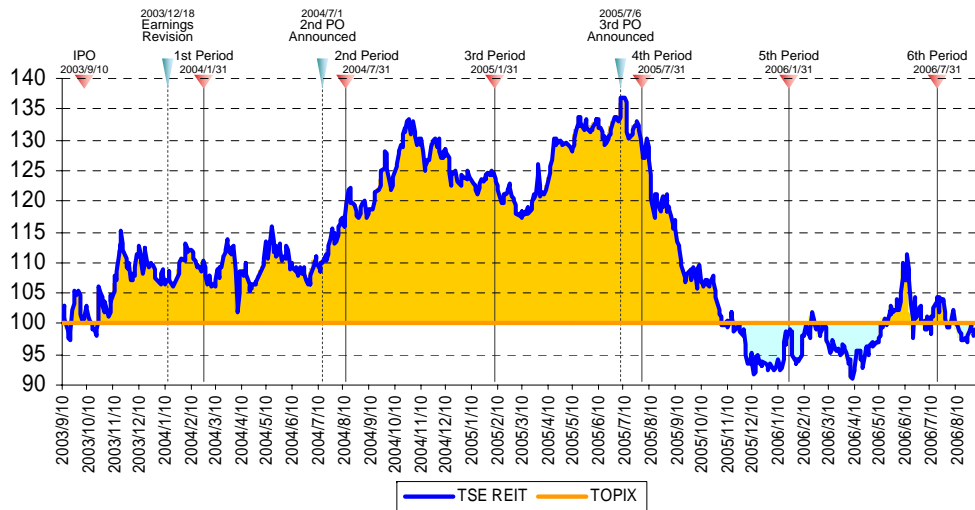
TOPIX and TSE REIT Index Performance



TSE REIT Index Performance (TSE REIT Index=100)



TSE REIT Index Performance (TOPIX=100)



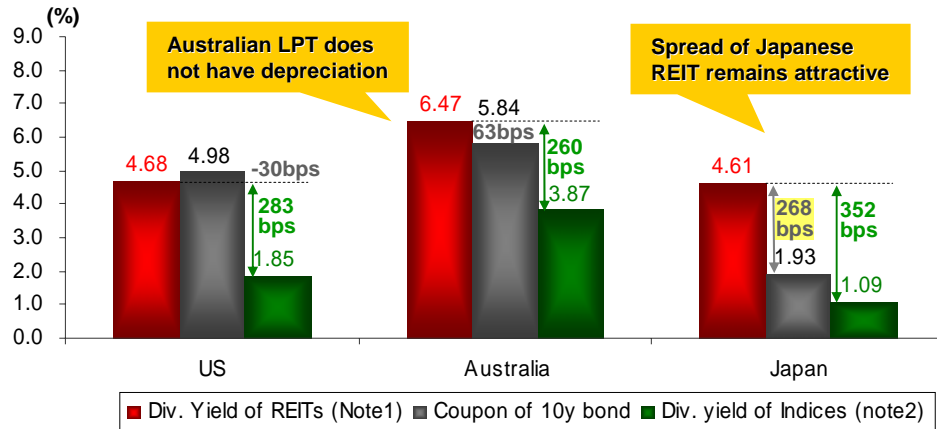
REIT Index has been performing in the stable range against TOPIX

※ Comment by Tokyu REIM

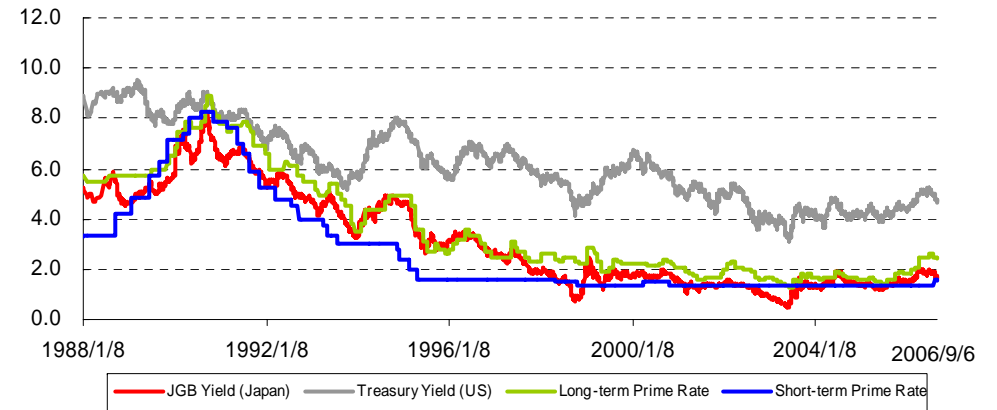
※Relative Change in TSE REIT Index When TSE Real Estate Indexed to 100 (2003.9.10 = 100)

REIT Market Overview (2)

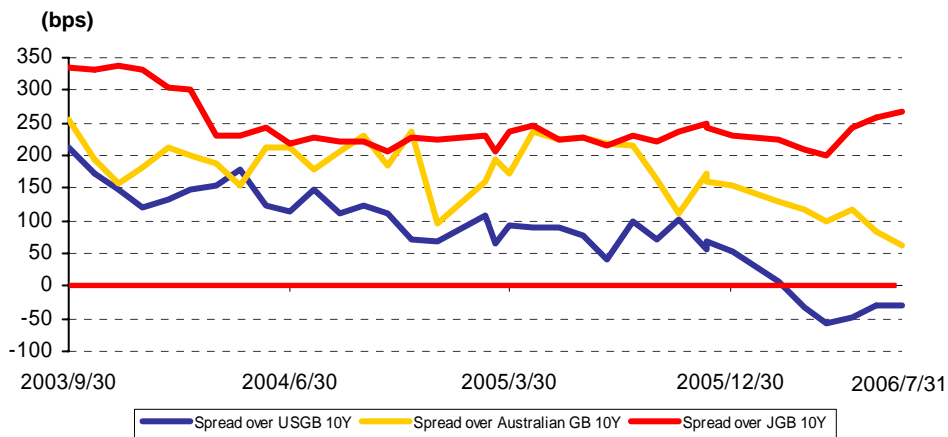
Spread Over Risk Free Rate



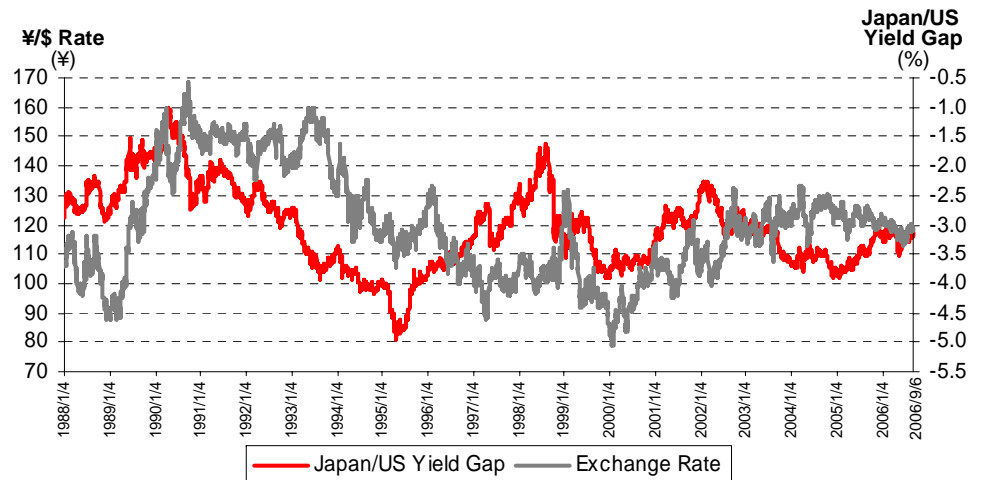
Major Interest Rates



Spread Comparison



Japan/US Yield Gap vs. Exchange Rate



Source: Bloomberg
 (Note 1) US data based on NAREIT, Australia based on the Property Trust GREEN Book issued by Merrill Lynch, Japan based on average expected yield of J-REIT since IPO
 (Note 2) US based on S&P500, Australia based on ASX All Ordinaries, Japan based on TOPIX

Japanese real estate yield highlighted positively through forward rate by widening interest gap



Appendix

Major Financial Data

Major Financial Data (1st period – 6th period)

			1 st period (2004/1/31)	2 nd period (2004/7/31)	3 rd period (2005/1/31)	4 th period (2005/7/31)	5 th Period (2006/1/31)	6 th Period (2006/7/31)
# of Business Days	Days	(A)	226	182	184	181	184	181
# of Properties at the end of the period			12	13	16	17	17	17
Total Acquisition Price	JPY in mn.		103,560	110,160	133,360	148,060	157,860	159,620
Average Acquisition Price during the period	JPY in mn.	(B)	82,738	109,108	126,822	142,862	157,806	158,727
Occupancy Rate at the end of the period	%		95.3	97.1	97.5	99.1	99.4	99.9
Operating Revenue	JPY in mn.		2,896	4,341	5,044	5,684	6,343	7,875
Net Operating Income	JPY in mn.	(C)	2,199	2,894	3,523	3,835	4,325	4,297
NOI Yield	%	(C) × 365/(A)/(B)	6.7	5.3	5.5	5.4	5.4	5.5
Operating Profits	JPY in mn.		1,486	1,771	2,210	2,325	2,752	4,119
Net Income	JPY in mn.	(D)	929	1,394	1,852	1,959	2,401	3,753
Total Units Outstanding		(E)	98,000	98,000	142,000	142,000	169,380	169,380
Distribution per Unit	JPY	(F)	9,488	14,230	13,045	13,798	14,179	22,162
Payout Ratio	%	((E) × (F))/(D)	99.9	99.9	99.9	99.9	100.0	100.0
FFO	JPY in mn.	(G)	1,396	2,003	2,653	2,887	3,383	3,036
Capital Expenditures	JPY in mn.	(H)	46	388	68	142	154	179
AFFO	JPY in mn.	(I)=(G)-(H)	1,350	1,615	2,585	2,744	3,228	2,907
AFFO Payout Ratio	%	((E) × (F))/(I)	68.9	86.3	71.6	71.4	74.4	129.1
Total Assets	JPY in mn.	(J)	118,460	122,583	147,230	162,180	171,791	172,929
Net Asset Value (except for undistributed profits)	JPY in mn.	(K)	50,117	50,117	77,860	77,860	98,019	98,019
Net Asset per Unit (except for undistributed profits)	JPY	(K)/(E)	511,403	511,403	548,310	548,310	578,697	578,697
Book value of the properties	JPY in mn.	(L)	104,002	110,448	133,415	147,819	157,104	158,529
Appraisal Value of the properties at the End of the Period	JPY in mn.	(M)	103,050	111,740	136,850	155,090	174,430	187,800
Unrealized Profit/Loss	JPY in mn.	(N)=(M)-(L)	△952	1,291	3,434	7,270	17,325	29,270
Net Asset per Unit after adjustment of Unrealized Profit/Loss	JPY	((K)+(N))/(E)	501,688	524,578	572,498	599,513	680,986	751,509
Interest Bearing Debt	JPY in mn.	(O)	56,700	60,000	50,500	64,500	53,000	53,000
Interest Bearing Debt + Security deposits without reserved cash	JPY in mn.	(P)	56,700	60,000	56,126	70,183	58,682	58,683
LTV (Interest Bearing Debt/Total Asset)	%	(O)/(J)	47.9	48.9	34.3	39.8	30.9	30.6%
LTV (Modified Interest Bearing Debt/Appraisal Value)	%	(P)/(M)	55.0	53.7	41.0	45.3	33.6	31.2%
Average Unit Price during the period	JPY		530,828	643,097	690,705	726,082	766,520	902,435

Adjusted Net Asset Value Calculation

		1st Period (2004/1/31)	2nd Period (2004/7/31)	3rd Period (2005/1/31)	4th Period (2005/7/31)	5th Period (2006/1/31)	6th Period (2006/7/31)
Total Units Outstanding	(A)	98,000	98,000	142,000	142,000	169,380	169,380
Book Value of Net Asset at the End of the Period	JPY in mn (B)	50,117	50,117	77,860	77,860	98,019	98,019
Net Asset Per Unit (Book Value)	JPY (C)=(B)/(A)	511,403	511,403	548,310	548,310	578,697	578,697
Total Acquisition Price	JPY in mn (D)	103,560	110,160	133,360	148,060	157,860	159,620
Cumulated Capitalized Expenses Related to Acquisition	JPY in mn (E)	862	930	1,429	1,919	2,231	2,428
Property tax and others	JPY in mn (e)	366	392	445	477	489	520
Cumulated Capital Expenditure	JPY in mn (F)	46	434	502	645	800	979
Retirement Cost	JPY in mn (G)	-	-	-	32	32	61
Depreciation (Cumulated)	JPY in mn (H)	466	1,075	1,877	2,772	3,754	4,436
Book Value of Properties	JPY in mn (I)=(D)+(E)+(F)-(G)-(H)	104,002	110,448	133,415	147,819	157,104	158,529
Appraisal Value at the end of the period	JPY in mn (J)	103,050	111,740	136,850	155,090	174,430	187,800
Unrealized Profit / Loss	JPY in mn (K)=(J)-(I)	952	1,291	3,434	7,270	17,325	29,270
Unrealized Profit / Loss per Unit	JPY (L)=(K)/(A)	9,715	13,175	24,188	51,203	102,289	172,812
Net Asset per Unit after Adjustment	JPY (M)=(B)+(K)/(A)	501,688	524,578	572,498	599,513	680,986	751,509

6th Period (7/2006) Income Statement

JPY in mn

ITEM	Sixth Period (Jul. 2006)		Fifth Period (Jan. 2007)		Change	NOTES
		%		%		
Total Operating Revenues (A)	7,875	100.0%	6,343	100.0%	1,532	
Revenues from the Real Estate Operation (B)	6,239	79.2%	6,280	99.0%	41	
Rental Revenues	5,744	72.9%	5,746	90.6%	1	
Rent	5,232	66.4%	5,254	82.8%	22	Yamashitacho Δ140M QFRONT 11M SBS 20M Shonan 89M
Parking Rent	124	1.6%	110	1.7%	14	cocoti 13M
Others	387	4.9%	381	6.0%	6	
Other Revenues	494	6.3%	534	8.4%	40	
Incidental Revenues	434	5.5%	458	7.2%	23	SBS Δ8M cocoti Δ5M Kamata Δ3M
Other Revenues	59	0.8%	76	1.2%	16	cocoti Δ20M
Revenues on sale of real estate	1,636	20.8%	-	-	1,636	Disposition of Yokohama Yamashitacho Building
Construction Fee	-	-	63	1.0%	63	Construction of Udagawacho Bldg.(ZARA)
Total Operating Expenses (C)	3,756	47.7%	3,591	56.6%	165	
Expenses from the Real Estate Operation (D)	2,911	37.0%	2,936	46.3%	25	
Expenses	1,941	24.7%	1,954	30.8%	12	
Utility Charges	516	6.6%	526	8.3%	9	
Building Maintenance Costs	409	5.2%	431	6.8%	22	Yamashitacho Δ21M
Property Management Expenses	133	1.7%	140	2.2%	6	SBS Δ5M
Repairs and Maintenance	75	1.0%	111	1.8%	35	Taito Δ13M SBS Δ9M Saginuma Δ8M Omotesando 10M
Property and Other Taxes	516	6.6%	507	8.0%	9	cocoti 35M Yamashitacho Δ4M SBS Δ7M
Insurance Expenses	17	0.2%	18	0.3%	1	
Other Operating Expenses	272	3.5%	219	3.5%	53	cocoti 59M
Depreciation (E)	940	11.9%	982	15.5%	41	Yamashitacho Δ37M
Loss from the Removal of Fixed Assets (F)	28	0.4%	-	-	28	Toranomon 26M Maruha 2M
Asset Management Fee	718	9.1%	524	8.3%	193	
Fees for Trust Banks and General Affair Mgmt.	60	0.8%	58	0.9%	2	
Compensation for the Board of Directors	4	0.1%	4	0.1%	-	
Other Operating Expense	60	0.8%	66	1.1%	6	
Net Operating Income (G)=(B)-(D)	3,327	42.2%	3,343	52.7%	16	
Operating Profits (A)-(C)	4,119	52.3%	2,752	43.4%	1,366	
Non-Operating Revenues	0	0.0%	0	0.0%	Δ0	
Non-Operating Expenses	364	4.6%	350	5.5%	14	
Interest Expenses	344	4.4%	313	4.9%	31	Average Interest Rate 1.31% (5th Period 1.13%)
Up front Fee	5	0.1%	5	0.1%	0	
Debt Arrangement Fee	2	0.0%	2	0.0%	-	
Unit Listing Expenses	-	-	26	0.4%	26	
Other Non-operating Expenses	12	0.2%	2	0.0%	10	Non-Deducted Consumption Tax 9M
Recurring Profits	3,754	47.7%	2,402	37.9%	1,352	
Income Before Income Taxes	3,754	47.7%	2,402	37.9%	1,352	
Corporate Tax Adjustment	0	0.0%	0	0.0%	0	
Net Income	3,753	47.7%	2,401	37.9%	1,352	
Dividend per Unit (Yen)	22,162		14,179		7,983	
(Reference)						
Operating NOI (G)+(E)+(F)	4,297	54.6%	4,325	68.2%	28	
NOI Return (NOI/Average Total Asset)	5.46%		5.44%		0.02%	

Asset Management Fee	6th	Change
Base1	261M	29M
Base2	226M	Δ7M
Incentive	230M	172M

6th Period (7/2006) Balance Sheet

JPY in mn

ITEM		Sixth Period (7/31/2006)	Fifth Period (1/31/2006)	比較増減
•Cash and Bank Deposits	1,913	172,929	171,791	1,138
•Entrusted Cash and Deposits	11,262			
•Consumption Tax Receivable	138			
•Notes and Accounts Receivable	37			
Total Assets				
Current Assets		13,357	13,641	284
Fixed Assets		159,572	158,149	1,422
Total Liabilities		71,155	71,369	213
Short-term Borrowings		12,000	12,000	-
Long-term Borrowings maturing within a year		5,000	-	5,000
Long-term Borrowings		36,000	41,000	5,000
Leasehold and Security Deposits Received		15,785	16,176	391
Other Liabilities		2,370	2,192	177
Total Unitholder's Equity		101,773	100,421	1,352
Total Unitholders' Capital		98,019	98,019	-
Retained Earnings		3,753	2,401	1,352

LTV at the end of fiscal period		Sixth Period	Fifth Period	比較増減
Interest bearing debt / Total Asset		30.6%	30.9%	0.2%
(Interest Bearing Debt + Security Deposit) / Appraisal Value		31.2%	33.6%	2.4%

(Reference Information)

Average Total Asset for the Period		Sixth Period	Fifth Period	比較増減
Average Total Asset for the Period		158,727	157,806	921

Yokohama Yamashitacho Building	Disposition (4/26/2006)
Shonan Mall Fill	Acquisition(4/28/2006)

•Cash and Bank Deposits	1,913
•Entrusted Cash and Deposits	11,262
•Consumption Tax Receivable	138
•Notes and Accounts Receivable	37

•Buildings	2,093
•Structures	1
•Machinaries	1
•Equipments	8
•Land	13,295
•Entrusted Buildings	34,922
•Entrusted Structures	620
•Entrusted Machinaries	594
•Entrusted Equipments	133
•Entrusted Land	106,842
•Leasehold and Security Deposit	105
•Entrusted Leasehold and	873

•Entrusted Cash and Deposits	△265
•Consumption Tax Receivable	△20

•Disposition of Yamashitacho	△4,810
•Acquisition of Shonan	7,026
•Depreciation	△940
•Loss on Disposal of	△28

•Loan(Acquire Shonan) 4/28	7,000
•Repayment 5/1	△7,000

•Repayment (Japan Life/Dai-ichi Life) 7/31	△8,000
•Repayment (Japan Life/Dai-ichi Life) 7/31	8,000
•From long-term to repayment within 2006 (Sumitomo Trust Bank)	△5,000

•Yamashitacho	△677
•Shonan	290

6th Period (7/2006) Cash Flow Statement

JPY in mn

Items	Sixth Period (July 2006)	Fifth Period (Jan. 2007)	Change
I Cash Flow from Operating Activities	9,729	3,546	6,183
Net Income before Income Taxes	3,754	2,402	1,352
Depreciation	940	982	41
Reduction by Disposition of Fixed Assets	4,810	-	4,810
Others	223	161	61
II Cash Flow from Investing Activities	7,204	10,267	3,062
Purchase of Fixed Assets	7,205	10,267	3,061
Proceed from Leasehold and Security Deposits Received	391	399	791
Proceed from Withdrawl of Entrusted Deposit with Usage Restriction	392	400	792
III Cash Flows from Financing Activities	2,398	6,701	9,100
Proceeds from / Repayment of Short Term Borrowings	-	17,500	17,500
Proceeds from Long Term Borrowing	8,000	6,000	2,000
Repayment of Long Term Borrowing	8,000	-	8,000
Proceeds from Issuance of Units	-	20,159	20,159
Dividend Payment	2,398	1,958	440
IV Net Increase in Cash and Cash Equivalents	126	19	146
V Cash and Cash Equivalents at Beginning of Period	3,339	3,359	19
VI Cash and Cash Equivalents at the end of Period	3,466	3,339	126

6th Period (7/2006) Income Statement by Properties



	Retail											Office									Total
	QFRONT	Lexington Aoyama	TOKYU REIT Omotesando Square	Tokyu Saginuma Building	Tokyu Saginuma 2 Building	TOKYU REIT Shibuya Udagawa-cho Square	Yokohama Yamashita-cho Building	Beacon Hill Plaza	Cocoti	Shonan Mall Fill	Subtotal	Setagaya Business Square	Tokyu Nampoedai-cho Building	Tokyu Sakuragaok-a-cho Building	Tokyo Nissan Taito Building	TOKYU REIT Akasaka Hinokicho Building	TOKYU REIT Kamata Building	Resona Maruha Building	TOKYU REIT Toranomon Building	Subtotal	
Operating Revenues	600,707	163,809	172,815	309,968	65,213	168,324	91,772	300,266	696,760	89,910	2,659,548	1,292,944	170,967	237,199	222,197	147,635	272,557	788,441	447,644	3,579,587	6,239,135
Rental Revenues	549,239	152,839	154,739	309,968	62,337	168,324	91,772	300,266	643,914	89,910	2,523,312	1,132,939	170,967	227,298	199,829	126,137	225,656	729,417	409,390	3,221,636	5,744,948
Other Revenues	51,467	10,969	18,076	—	2,875	—	—	—	52,845	—	136,235	160,005	—	9,900	22,367	21,498	46,900	59,024	38,253	357,951	494,186
Operating Expenses	288,528	38,115	55,779	76,380	23,032	22,686	66,099	151,073	401,693	560	1,123,949	789,032	60,940	76,350	120,736	49,903	146,958	281,810	261,935	1,787,668	2,911,618
Utility Charges	40,925	7,030	13,699	—	2,875	—	—	89	49,471	—	114,091	209,154	—	9,966	17,562	14,240	46,394	75,270	30,230	402,820	516,912
Building Maintenance Costs	61,343	4,116	5,151	15,071	1,582	—	19,282	1,419	36,198	—	144,165	132,131	9,063	10,155	19,866	7,571	15,582	29,608	41,103	265,083	409,248
Property Management Expenses	19,239	3,632	3,998	3,225	1,473	1,683	1,153	3,061	15,222	—	52,689	36,821	1,745	3,660	4,553	2,877	4,835	16,238	9,621	80,354	133,044
Repair and Maintenance	1,733	525	11,808	4,566	1,512	459	838	1,400	10,331	—	33,176	14,522	2,069	7,657	4,588	1,215	4,592	6,267	1,527	42,442	75,618
Property and Other Taxes	39,944	8,108	8,038	25,232	5,977	15,536	6,724	45,846	35,059	—	190,469	133,239	16,971	18,881	19,838	7,613	18,726	87,155	23,758	326,183	516,652
Insurance Expenses	1,153	134	199	620	127	91	590	1,717	3,120	—	7,754	4,732	706	582	1,057	260	1,068	747	666	9,822	17,577
Depreciation	59,844	6,869	11,753	26,542	8,982	4,814	37,020	95,962	162,790	—	414,579	249,278	29,520	24,696	50,221	14,925	52,458	63,556	70,437	555,095	969,675
Other Operating Expenses	64,343	7,698	1,129	1,121	501	102	490	1,576	89,499	560	167,022	9,152	863	749	3,048	1,199	3,299	2,964	84,588	105,865	272,888
Net Operating Income Less Depreciation	312,179	125,694	117,036	233,588	42,180	145,637	25,672	149,193	295,066	89,349	1,535,598	503,911	110,027	160,848	101,460	97,732	125,598	506,630	185,709	1,791,918	3,327,517
NOI	372,023	132,564	128,789	260,130	51,162	150,451	62,693	245,155	457,857	89,349	1,950,178	753,189	139,547	185,545	151,681	112,657	178,057	570,187	256,147	2,347,014	4,297,193
Capital Expenditure	1,213	331	6,345	1,858	2,916	490	—	450	106,417	—	120,023	10,074	368	1,036	14,490	5,024	—	21,593	6,593	59,179	179,202
Acquisition Price	15,100,000	4,800,000	5,770,000	6,920,000	1,290,000	6,600,000	5,050,000	9,520,000	24,500,000	6,810,000	86,360,000	22,400,000	4,660,000	6,620,000	4,450,000	3,570,000	4,720,000	23,260,000	8,630,000	78,310,000	164,670,000
Land	12,125,300	4,478,400	5,291,090	5,432,200	984,270	6,382,000	2,065,000	5,408,000	17,027,500	6,810,000	66,003,760	11,065,600	2,968,420	5,223,180	1,917,950	2,945,250	2,161,760	21,469,000	6,723,000	54,474,160	120,477,920
Building	2,974,700	321,600	478,910	1,487,800	305,730	218,000	2,985,000	4,112,000	7,472,500	—	20,356,240	11,334,400	1,691,580	1,396,820	2,532,050	624,750	2,558,240	1,791,000	1,907,000	23,835,840	44,192,080
Appraisal Value at the end of the Period	18,500,000	6,890,000	6,500,000	8,700,000	1,610,000	8,070,000	—	9,660,000	24,500,000	6,760,000	91,190,000	28,300,000	5,560,000	7,710,000	4,970,000	4,270,000	5,600,000	29,000,000	11,200,000	96,610,000	187,800,000
Book Value at the end of the Period	14,784,938	4,771,732	5,771,072	6,821,896	1,274,927	6,677,982	—	9,472,886	25,006,541	7,026,112	81,608,089	20,992,366	4,515,992	6,502,155	4,219,054	3,539,887	4,469,696	23,959,666	8,722,117	76,920,935	158,529,025
Land	12,147,079	4,485,503	5,296,945	5,446,615	988,169	6,446,436	—	5,585,737	17,554,598	7,026,112	64,977,197	11,081,787	2,974,520	5,233,294	1,922,944	2,950,298	2,165,631	21,983,090	6,848,971	55,160,540	120,137,738
Property (excl. land)	2,637,858	286,229	474,127	1,375,281	286,757	231,545	—	3,887,149	7,451,943	—	16,630,892	9,910,578	1,541,471	1,268,860	2,296,109	589,589	2,304,064	1,976,575	1,873,145	21,760,395	38,391,287

7th Period (1/2007) Forecast of Income Statement

JPY in mn

ITEM	Seventh Period (Jan, 2007)		Sixth Period (Jul, 2006)		Change
		%		%	
Total Operating Revenues (A)	6,244	100.0%	7,875	100.0%	1,631
Rental Revenues (B)	6,244	100.0%	6,239	79.2%	5
Rental Revenues	5,738	91.9%	5,744	72.9%	6
Rent	5,225	83.7%	5,232	66.4%	7
Parking Rent	124	2.0%	124	1.6%	0
Others	387	6.2%	387	4.9%	0
Other Revenues	506	8.1%	494	6.3%	12
Incidental Revenues	454	7.3%	434	5.5%	20
Other Revenues	51	0.8%	59	0.8%	7
Revenue from the Sales of Properties	-	-	1,636	20.8%	1,636
Total Operating Expenses (C)	3,458	55.4%	3,756	47.7%	297
Rental Expenses (D)	2,814	45.1%	2,911	37.0%	97
Expenses	1,919	30.7%	1,941	24.7%	22
Utility Charges	528	8.5%	516	6.6%	11
Building Maintenance Costs	397	6.4%	409	5.2%	12
Property Management Expenses	136	2.2%	133	1.7%	3
Repairs and Maintenance	116	1.9%	75	1.0%	41
Property and other taxes	501	8.0%	516	6.6%	15
Insurance Expenses	17	0.3%	17	0.2%	△0
Other Operating Expenses	221	3.5%	272	3.5%	51
Depreciation (E)	895	14.3%	940	11.9%	45
Loss on disposal of property and equipment (F)	-	-	28	0.4%	28
Administrative Expenses	644	10.3%	844	0.4%	200
Asset Management Fees	508	8.1%	718	9.1%	210
Profit from Rental Business (G)=(B)-(D)	3,430	54.9%	3,327	42.2%	102
Operating Profits (A)-(C)	2,785	44.6%	4,119	52.3%	1,333
Non-Operating Revenues	-	-	0	0.0%	△0
Non-Operating Expenses	413	6.6%	364	4.6%	48
Interest Expenses	404	6.5%	344	4.4%	60
Other Non-Operating Expenses	8	0.1%	20	0.3%	11
Recurring Profits	2,372	38.0%	3,754	47.7%	1,382
Income Before Income Taxes	2,372	38.0%	3,754	47.7%	1,382
Corporate Tax Adjustments	1	0.0%	0	0.0%	0
Net Income	2,371	38.0%	3,753	47.7%	1,382
Dividend per Unit	14,000		22,162		8,162
Operating NOI (G)+(E)+(F)	4,325	69.3%	4,297	54.6%	28
NOI return (NOI / Average Total Asset)	5.38%		5.46%		0.08%

Underlying Conditions

(Asset)

No acquisition and disposition execute from 7/31/2006

(Operating Revenue)

Based on the leasing contract as of 9/14/2006

7th Period (1/2007) Forecast of Balance Sheet

(JPY in mn)

ITEM	Seventh Period (Jan, 2007)	Sixth Period (Jul, 2006)	Changes
Total Assets	171,632	172,929	1,297
Current Assets	12,872	13,357	485
Fixed Assets	158,760	159,572	812
Total Liabilities	71,241	71,155	85
Short-term Borrowings	12,000	12,000	-
Long-term Borrowings maturing within a year	5,000	5,000	-
Long-term Borrowings	36,000	36,000	-
Leasehold and security deposits received	15,785	15,785	-
Other Liabilities	2,456	2,370	85
Total Unitholder's Equity	100,391	101,773	1,382
Total Unitholder's Capital	98,019	98,019	-
Retained Earnings	2,371	3,753	1,382

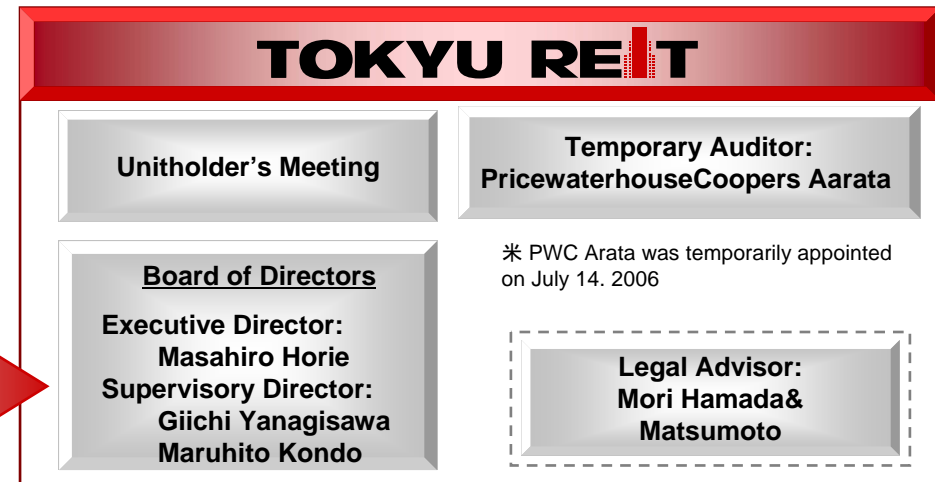
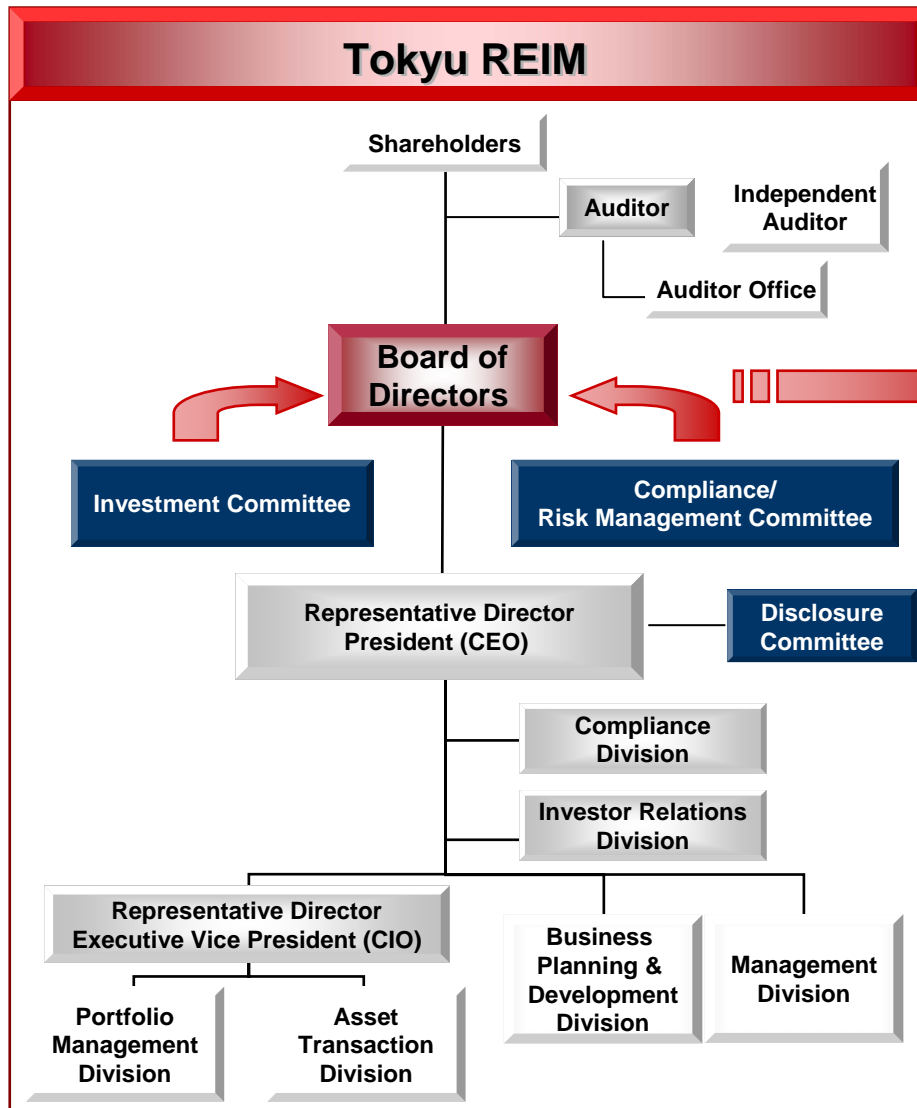
LTV at the end of fiscal period

Interest bearing debt / Total Asset	30.9%	30.6%	0.2%
(Interest bearing debt + Security deposit) / Appraisal Value	31.2%	31.2%	-

(Reference Information)

Average Total Asset for the Period	159,620	158,727	892
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Governance Structure



Related Party Transactions

- Development of self-imposed rules on transactions with group companies and measures to avoid conflicts of interest by multiple checks

Rules to avoid Conflicts of Interest

Rules for Transactions with Tokyu Group Companies

Acquisition / Disposition

- Acquisition Price \leq Appraisal \leq Disposition Price
- Second Opinion for the Appraisal

Property Management

- Fee opinion
- Performance check

Leasing

- Appropriate rent level
- Disclosure of Leasing Conditions

Double Checks for Due Process

Asset Manager Level

- Check by a third party (auditor)

REIT Level

- Prior Approval of the Board of Directors Approval only by independent supervisory directors

Disclosure of the Transactions and Rules

Meeting Operation Situation

(# of meetings held)

Organizations		1	2	3	4	5	2006						Total
							Feb	Mar	Apr	May	Jun	Jul	
TOKYU REIT	Unitholders' Meeting	1			1								2
	Board of Directors Meeting	22	16	11	16	10	2	3	2	1	2	2	87
Tokyu REIM	Board of Directors Meeting	22	15	7	14	9	1	4	2	1	2	3	80
	Investment Committee	24	9	7	14	12	0	3	2	1	1	5	78
	Compliance/Risk Management Committees	17	12	11	10	12	1	3	2	1	1	2	72
	Third party evaluation whether each related-party transaction complies with the rule	5	6	2	2	0	0	1	0	0	0	0	16

※1 – 5 indicates Period of TOKYU REIT

※1st Period is from June 20, 2003 to January 31, 2004

Resolution by the Board of Directors Relating to Related-Party Transactions

Items for resolution by the Board of Directors relating to internal rules regarding related-party transactions with the aim of avoiding conflicts of interest

Item	Month/Year	Agenda (Approval)
1	Mar/2006	Acquisition of beneficial interest in trust of Sokochi ownership of Shonan Mall Fill in Kanagawa
2		Payment of Asset Management Fee (Base 2) to Tokyu Real Estate Investment Management
3		Payment of Asset Management Fee (Incentive) to Tokyu Real Estate Investment Management
4	Jul/2006	Payment of Asset Management Fee (Base 1) to Tokyu Real Estate Investment Management
5		Payment of fee regarding related service of cocoti PM Service
6		Revision of cocoti PM Fee
7		Outsourcing of cocoti pre-leasing service
8		Renewal of PM Agreement (Tokyu Corporation, Tokyu Land Corporation)

1. Overview

- (1) **Current Board Members**
3 Members: 1 Executive Director and 2 Supervisory Directors
- (2) **CEO of TOKYU REIM, our Asset Manager, also serves as our Executive Director (approved by FSA)**
- (3) **Our directors receive only monthly compensation. Since they are not involved in investment decisions, we don't plan to pay them bonus at the moment in order to maximize return to investors.**
- (4) **A Supervisory Director is paid JPY400,000 (max. JPY 500,000 stipulated in the article of incorporation) a month considering the frequency of Board meeting held twice a month and the amount of work responsibility. Executive Director currently receives no payment (max. JPY1.0 million) because he also serves as CEO of Asset Manager.**

2. Historical Payment

Remuneration of Directors

		1st Period A	2nd Period A	3rd Period A	4th Period A	5th Period A	6th Period A	Total
Executive Director: Masahiro Horie	¥1,000	0	0	0	0	0	0	0
Supervisory Director: Giichi Yanagisawa	¥1,000	3,200	2,400	2,400	2,400	2,400	2,400	12,800
Supervisory Director: Maruhito Kondo	¥1,000	3,200	2,400	2,400	2,400	2,400	2,400	12,800
Total	¥1,000	6,400	4,800	4,800	4,800	4,800	4,800	25,600
Remuneration per Unit	Yen	65	49	34	34	28	28	210
(Reference)								
Distribution per Unit	Yen	9,488	14,230	13,045	13,798	14,179	22,162	64,740
Remuneration per Unit as % of above	%	0.7	0.3	0.3	0.2	0.2	0.1	0.3

Acquisition

■ Pipeline Support

- 6 Developed by Tokyu Group at IPO
- 2 Contributed from Tokyu Group at IPO
- Udagawa-cho Sq. : 2nd period / JPY6.6bn
: Contributed and Developed by Tokyu Group

■ Warehousing

- 3 properties acquired through warehousing by Tokyu Group : JPY14.1bn
- Yokohama Yamashita-cho Bldg. : 3rd period / JPY5.1bn
- Beacon Hill Plaza : 3rd period / JPY9.5bn
- cocoti (40%) : 5th period / JPY9.8bn
- Shonan Mall Fill (Sokochi Ownership) : 6th Period / JPY6.8 bn

■ Reference by Tokyu Land Corporation

- Resona Maruha Bldg.
- Beacon Hill Plaza

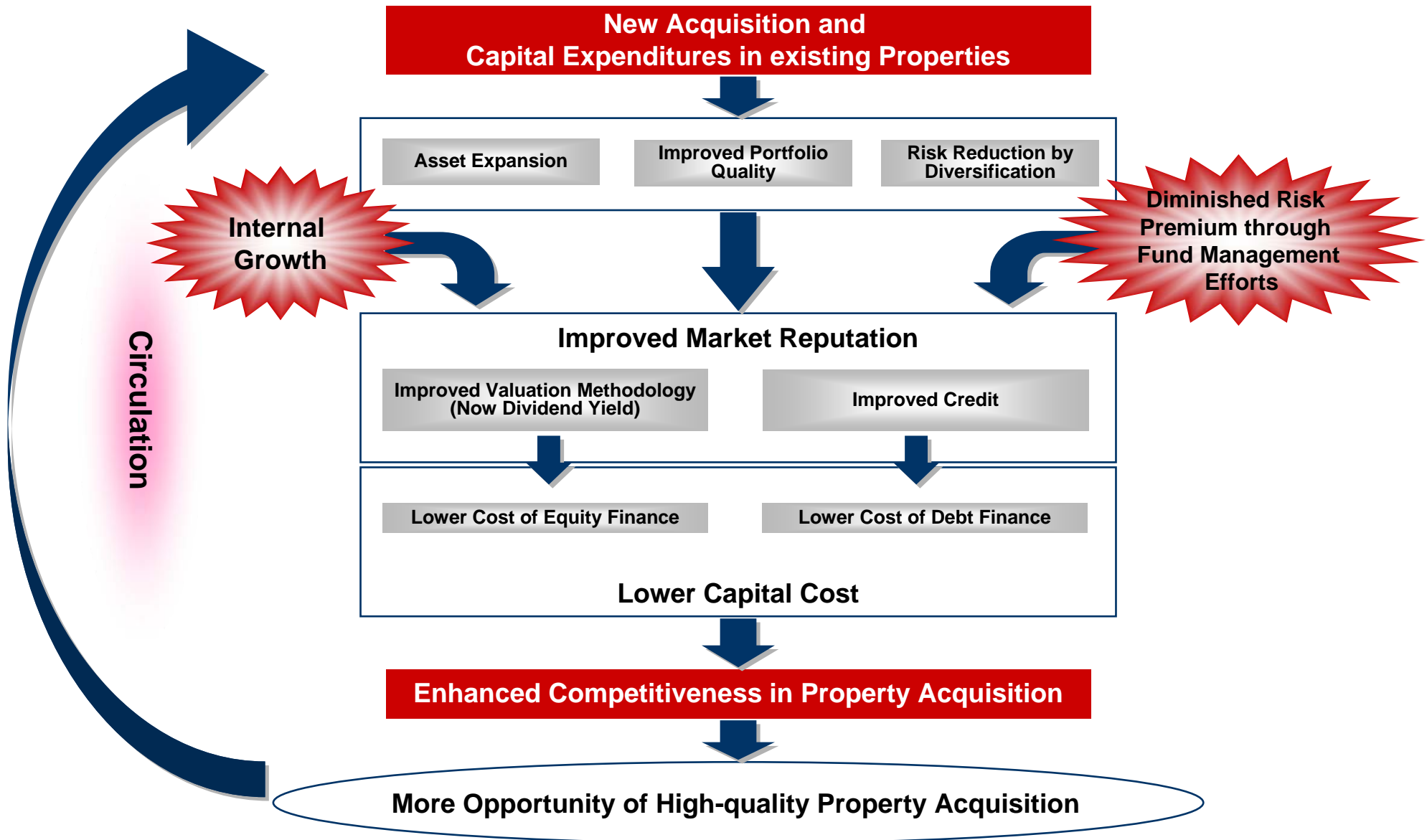
PM (Property Management)

- PM by Tokyu Corporation/Tokyu Land Corporation
- Community-based tenant promotion capability and cost reduction potential by scale of economy

Brand Strategy

- “TOKYU” brand licensing
 - “TOKYU REIT” name
 - Building name change to “TOKYU REIT” brand

How to Achieve Our External Growth?

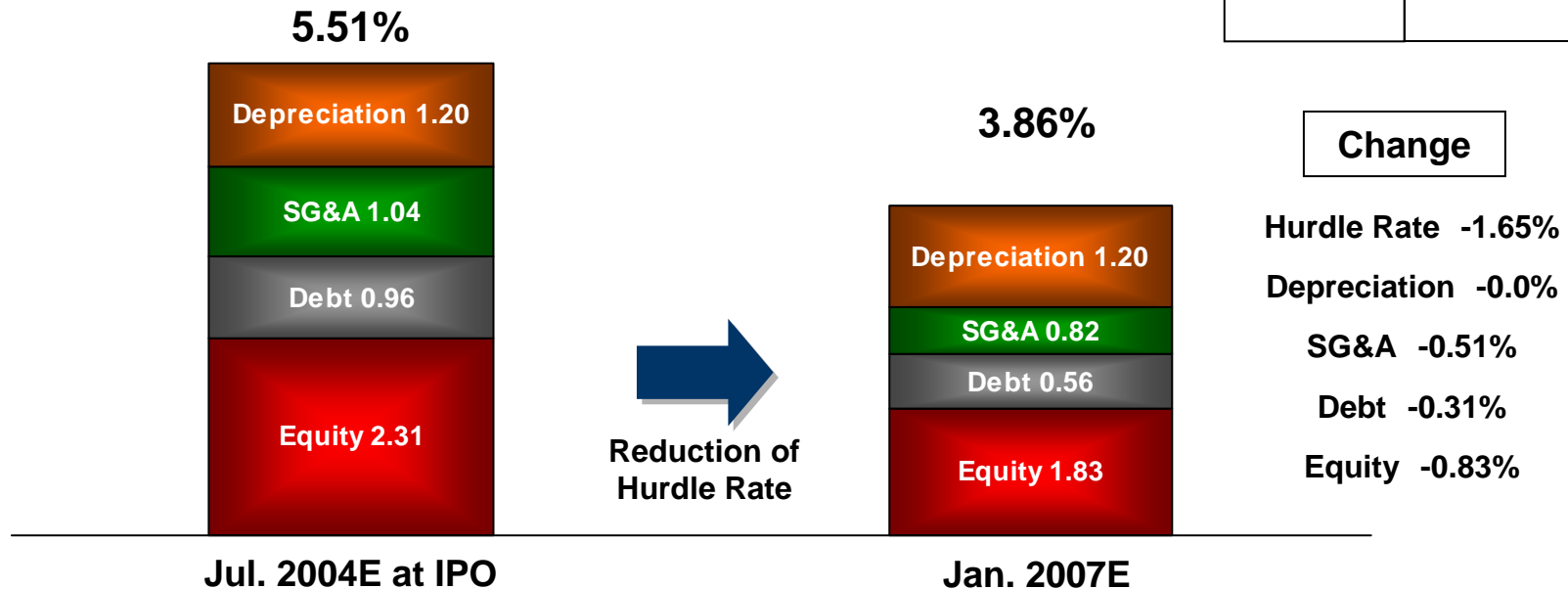


External Growth

- Changes in Acquisition Hurdle Rate (based on NOI)

- Cost shown as % of implied total acquisition
- Cost calculated based on LTV of maximum 50%
- Assuming that depreciation charge is 1.20% of acquisition (different from property to property)

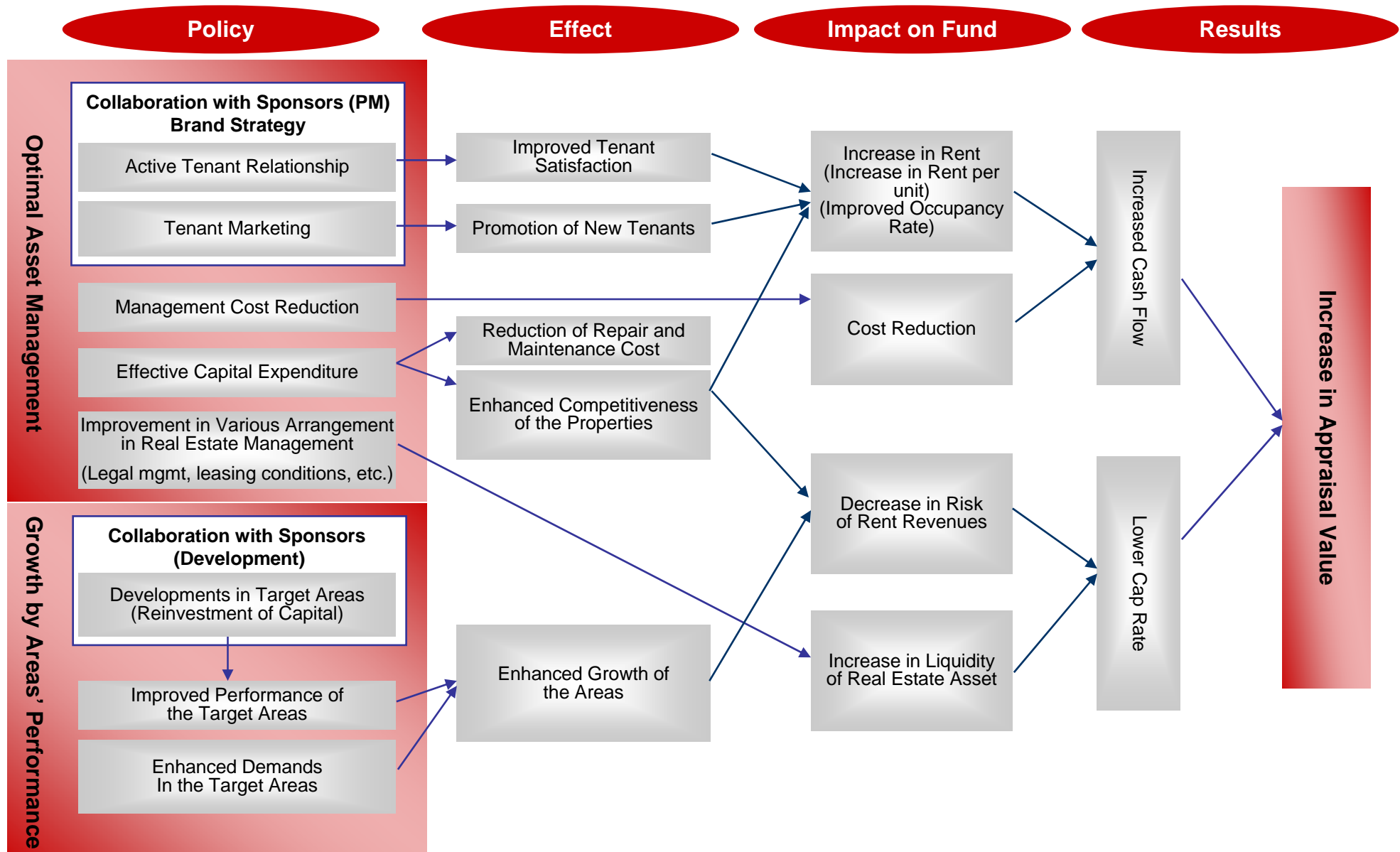
Acquisition Price	Debt 50
	Equity 50
100	



Acquisition hurdle rate based on NOI has decreased 1.65% since IPO of TOKYU REIT

- SG&A ratio is operating expense excluding leasing cost divided by average acquisition for respective periods
- Debt cost is equal to 50% of average interest during respective periods except Jul. 2004E at IPO which is an estimate then based on hearing from banks
- We regarded equity cost as 50% of yield (Distribution / Investment Unit Price) at respective periods in this presentation

How to Achieve Our Internal Growth?



1. Defensive portfolio construction during economic downturn with upside from NCF improvement in economic recovery

→Investing only in competitive properties located in growth areas

(Makes no investment in less competitive properties just because they present higher yield at the moment)

2. Solid investment structure of asset manager to generate internal growth

(1) Rent negotiation

(2) Capital expenditure

(3) Risk management

(4) Staffing

Revision of Rent (6th period)

	Rise	Drop	Status quo	Total
New	7 70.0%	3 30.0%	0 0.0%	10 100.0%
Continued	7 22.6%	2 6.5%	22 71.0%	31 100.0%
Total	14 34.1%	5 12.2%	22 53.7%	41 100.0%

Why Office and Retail? (1)

- As Our First Core Fund, TOKYU REIT is Designed to Achieve both Growth Potential and Stable Performance toward Interest Hike by Combining Office and Retail with Strict Investment Criteria



Built-in Stabilizer Function of Combining Office and Retail

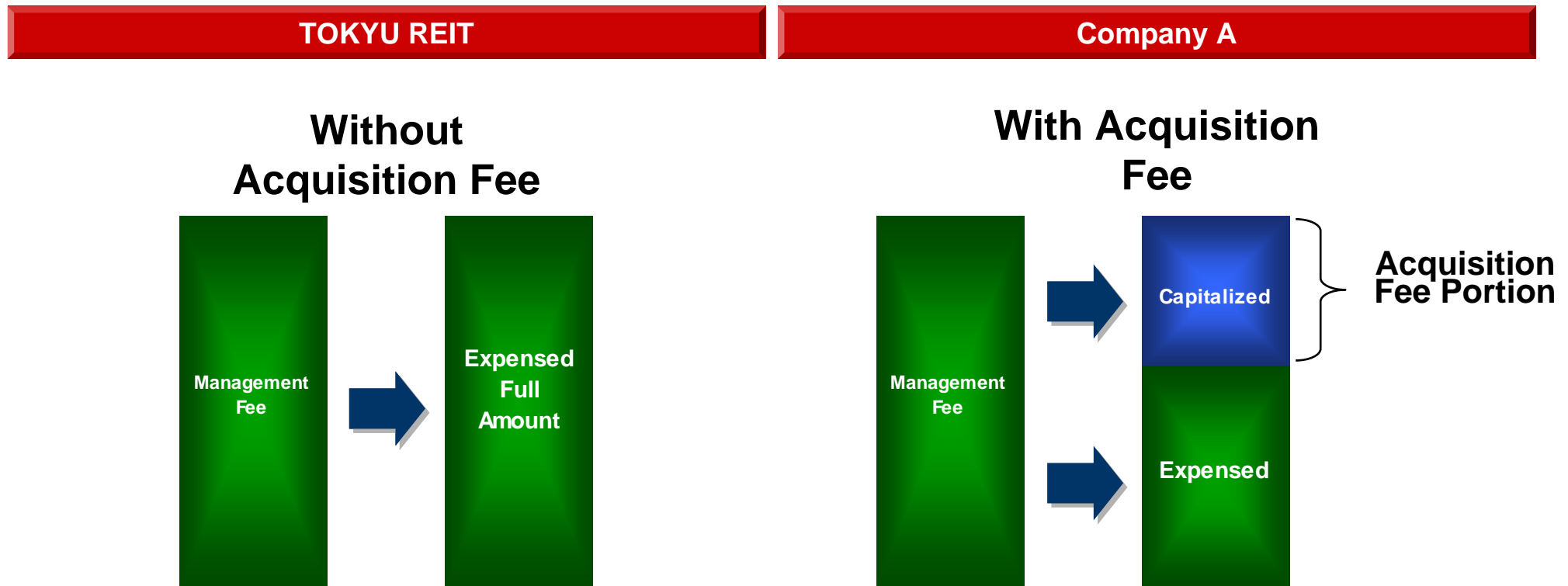
Why Office and Retail? (2)



Strategic Resource Allocation with Experienced Staffs who have Various Skills, Know-how, and Experiences in AM/PM Companies

 **Strategic Resource Allocation with Experienced Staffs who have Various Skills, Know-how, and Experiences in AM/PM Companies**

Management Fee Received by Asset Manager – Difference in Accounting Treatment (1)



➔ The portion recognized as asset management fee on income statement of respective investment corporations is the above part booked as expense. Acquisition fee will be on the balance sheet as cost related to asset acquisition in the same manner as brokerage fee and not expensed under the accounting rule

Management Fee Received by Asset Manager – Difference in Accounting Treatment (2)

Issues

- While we believe that there is no problem with our disclosure stance as each company provides a breakdown of management fees including acquisition fee in a separate disclosure,
- the fact that acquisition fee is not expensed but capitalized is hardly known to begin with,
 - if acquisition fee is expensed without being capitalized, distributable profit will decrease by the amount of acquisition fee, resulting in lower dividend per unit, and
 - the question remains if the current share price is formed after investors are fully aware of the above fact

Japanese Potential Growth and Social Responsibility of REIT Managers

1. Real Estate Viewpoint (most effective use of capital goods)

(1) Improving efficiency of real estate management

(2) Maintenance of quality real estate as stock of social capital

(3) Playing a part of infrastructure to allow real property market to function

2. Investment Market Viewpoint (to investors)

(1) Providing mid-risk/return financial vehicle

(2) Driver of disclosure in Japan

3. National Economic Viewpoint

(1) Bringing results as a silver bullet for real estate deflation

(2) Contributing to higher growth (potential growth) of

Potential Growth Japanese Economy (as of 2006/3) (Unit: %)

	Contribution			Potential Growth
	Capital Input	Labor Input	TFP	
1990	2.2	0.0	2.0	4.3
91	2.1	-0.2	1.8	3.7
92	2.0	-0.4	1.4	3.0
93	1.8	-0.4	0.9	2.3
94	1.5	-0.3	0.5	1.8
95	1.4	-0.1	0.2	1.5
96	1.2	-0.0	0.1	1.2
97	1.1	-0.1	0.0	1.0
98	1.1	-0.3	0.2	1.0
99	0.8	-0.4	0.4	0.8
2000	0.6	-0.4	0.7	0.9
01	0.4	-0.5	0.9	0.8
02	0.2	-0.5	1.0	0.7
03	0.3	-0.4	1.1	0.9
04	0.4	-0.3	1.1	1.2
05	0.5	-0.3	1.1	1.3

TFP: Total Factor Productivity

Japanese economy

We believe that REITs will help increase productivity by improving capital efficiency of the Japanese economy, while positive contribution is unlikely from its “labor force” in the medium-term, despite its potential growth, as it faces the impact of the falling birth rate and the aging population.

We also understand that there are benefits of the system for that reason.