

Stock Code: 8957

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

**7th Fiscal Period (January 2007)  
Presentation**



# **Investment in Highly Competitive Properties in Areas with Strong Potentials**

QFRONT

Lexington Aoyama

TOKYU REIT Omotesando Square

Tokyu Saginuma Building (Saginuma Tokyu)

Tokyu Saginuma 2 Building

TOKYU REIT Shibuya Udagawa-cho Square

Beacon Hill Plaza (Ito-Yokado Noukendai)

Cocoti

Shonan Mall Fill (Land)

CONZE Ebisu

Setagaya Business Square

Tokyu Nampeidai-cho Building

Tokyu Sakuragaoka-cho Building

Tokyo Nissan Taito Building

TOKYU REIT Akasaka Hinokicho Building

TOKYU REIT Kamata Building

Resona Maruha Building

TOKYU REIT Toranomom Building

Sigma Hatchobori Building

# **TOKYU REIT**

- **Investment Policy**
- **TOKYU REIT Strategy Viewed from Valuation Metrics**
- **Regulatory/Macro Environment**
- **Toward 3rd General Meeting of Unitholders (Scheduled on April 17, 2007)**
- **Financial Results and Forecast**
- **Portfolio Overview and Risk Management/Debt Structure**
- **Holder and Price of Investment Unit**
- **Market Review**
- **Governance**
- **Revision of Investment Management Fee and Incentive Rate**
- **Appendix**



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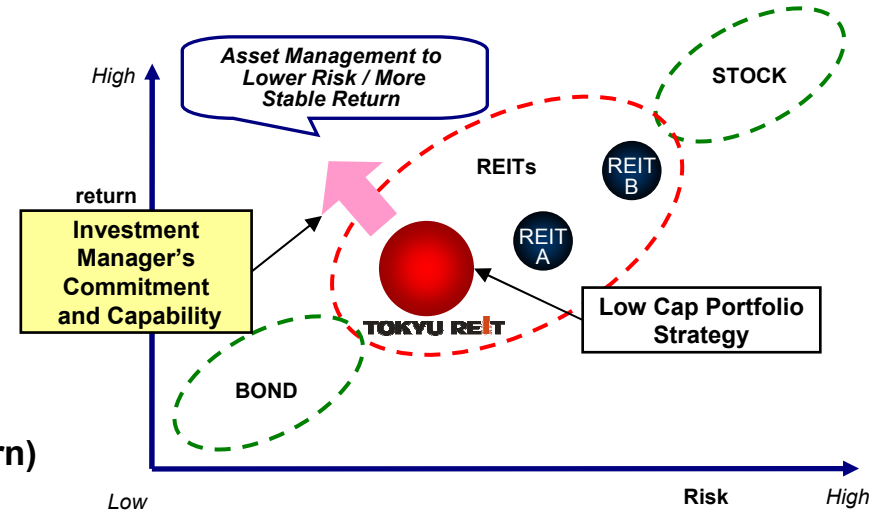
## Investment Policy

## 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



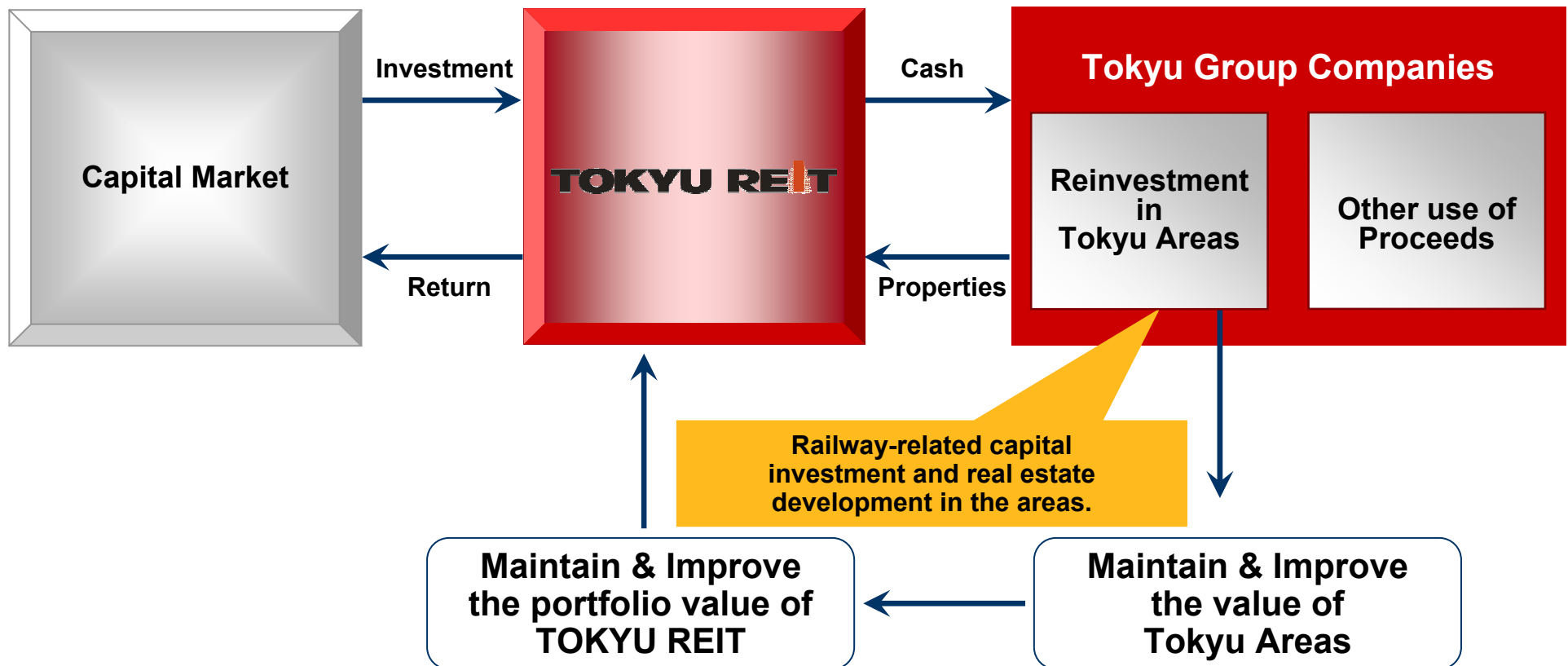
### 2. Investment Policy

- (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 5000m<sup>2</sup> (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 Investment 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. Investment 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**

## Reinvestment of Capital Generated through TOKYU REIT





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## **TOKYU REIT Strategy Viewed from Valuation Metrics**

1. Expected  
Dividend Yield:

$$\frac{\text{Dividend x 2}}{\text{Investment Unit Price}}$$

Due to 6-month  
accounting  
period of J-REIT

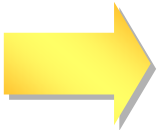
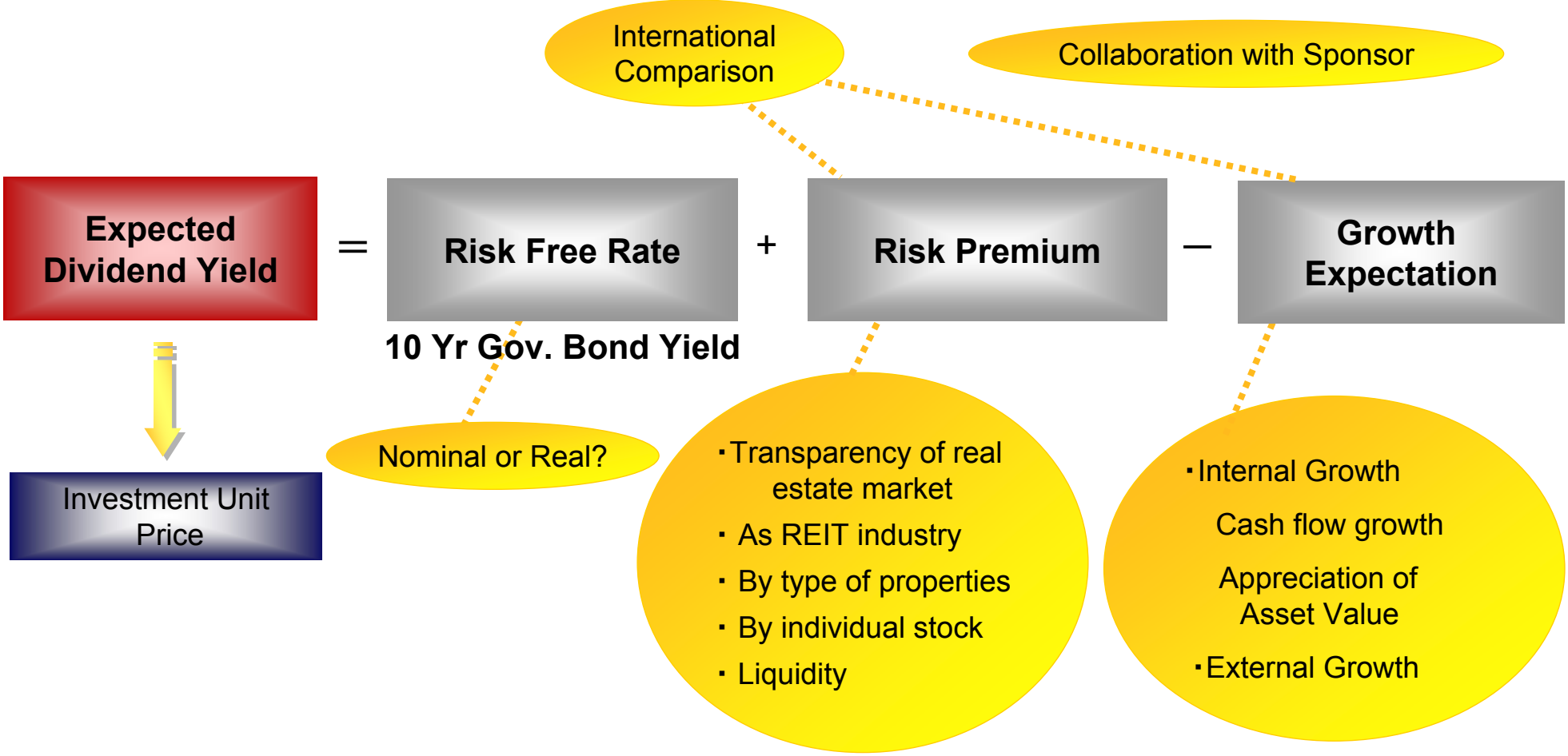
2. Adjusted NAV  
Multiple:

$$\frac{\text{Investment Unit Price}}{\text{Adjusted NAV per Unit}}$$

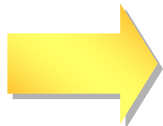
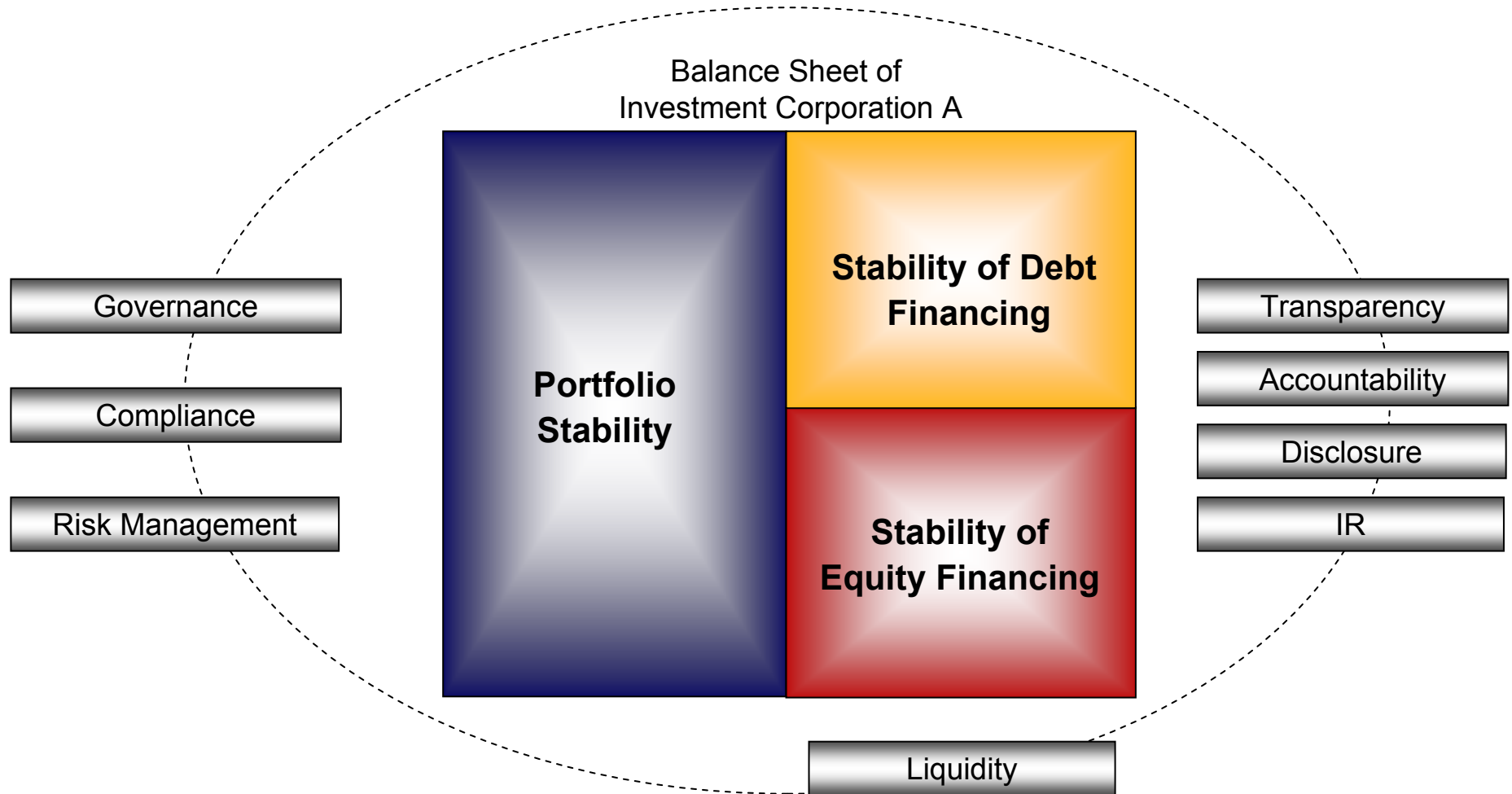
3. AFFO  
Multiple:

$$\frac{\text{Market Cap}}{\text{Net Income + Depreciation – Capex}}$$



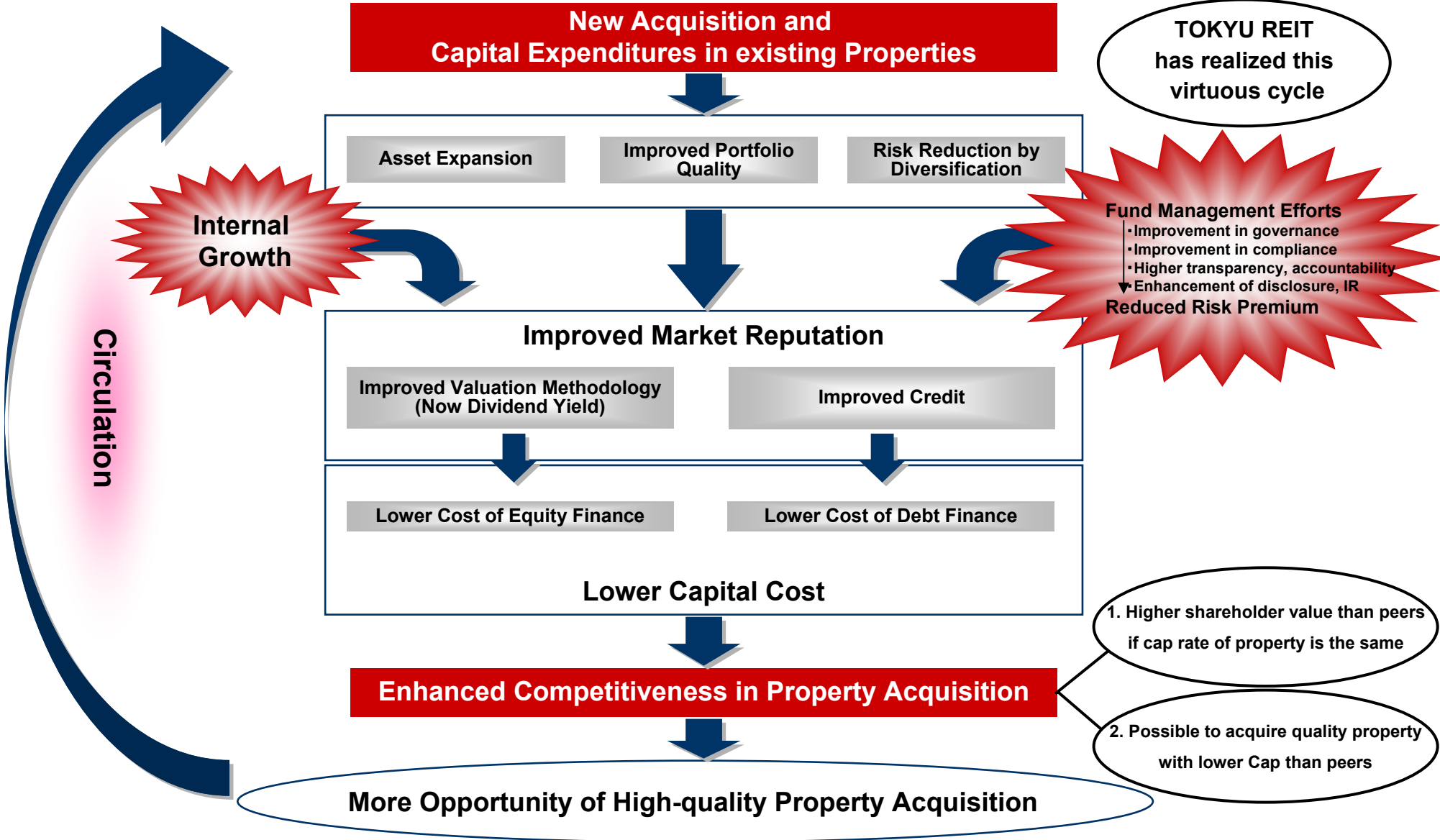


**Hope to meet expectations of investors by “reducing risk premium” and “securing growth”**

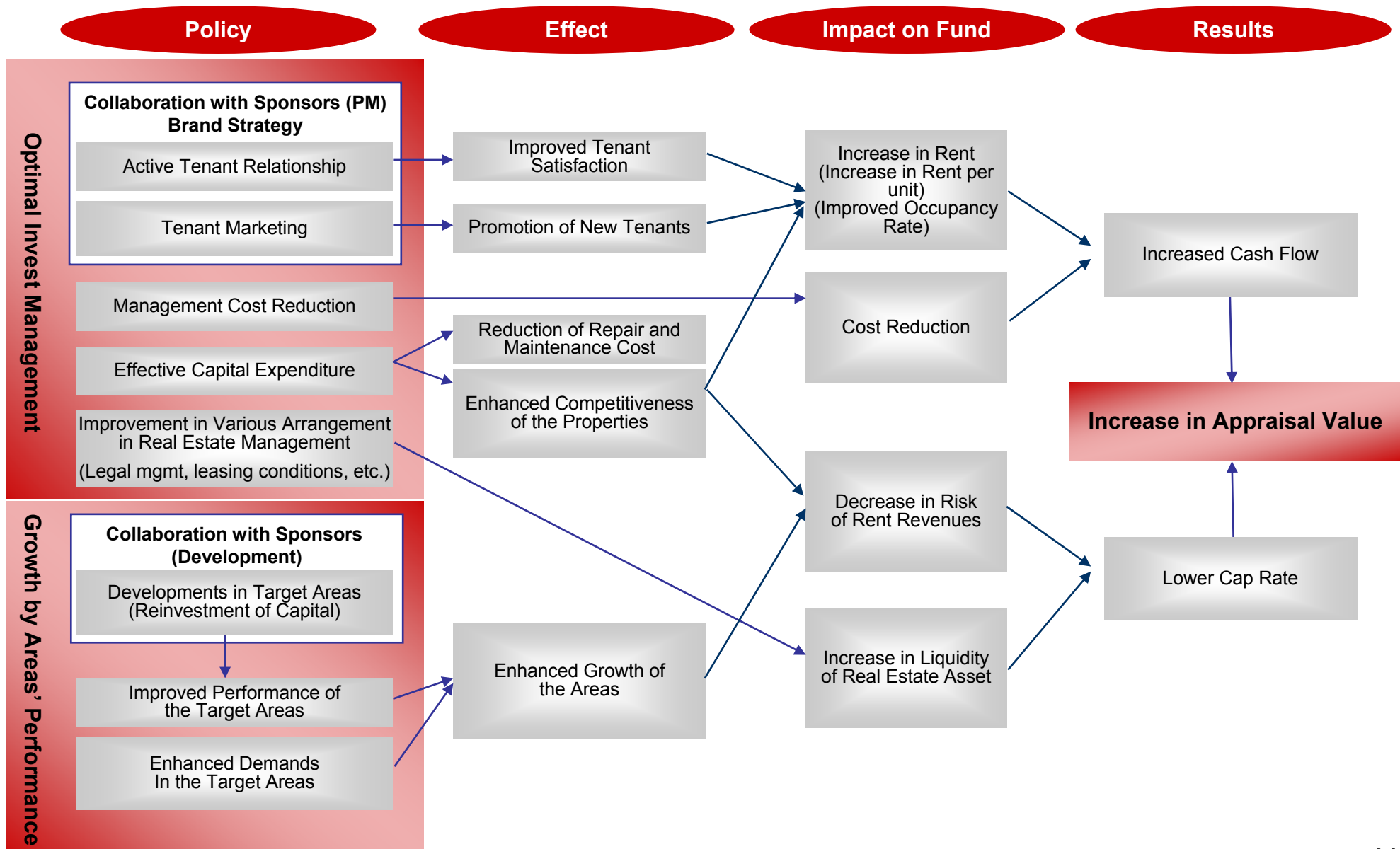


**Governance and compliance can affect cap rate and investment unit price through risk premium and even cost of debt such as distribution yield of debt**

# How to Achieve Our External Growth?



# How to Achieve Our Internal Growth?





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## Regulatory/Macro Environment

## 1. Regulatory Authorities

- (1) Administrative actions on trust banks (2006.4)**
- (2) Administrative actions on REITs (Investment Corporation/Investment Manager) (2006.4 -)**
- (3) Announcement of “Additional Statement on Annual Policies for the Supervision of Major Banks and Annual Policies for the Supervision of Securities Companies” by FSA (2006.12)**
- (4) Stricter monitoring of real estate related loans (Media reports)**
- (5) Application of 5% Rule to REITs (2007.1)**
- (6) Enforcement of the Financial Instruments and Exchange Law (no later than 18 months from the announcement in 2006.6)**
- (7) Various changes related to introduction of the new BIS rules**

## 2. Other Regulatory Organizations

**Changes related to improvement of listing system of the Tokyo Stock Exchange (2006.10)**

**→ Issuer of REIT securities is required to file a report on its management structures and systems**

**(In case of TOKYU REIT, it is available from its webpage; partially translated in English)**

## 1. Financial Market

- (1) Lifting of quantitative easing (2006.3), zero-interest rate policy (2006.7), interest rate increase (2007.2)
- (2) Unexpected depreciation of yen and continuing yen carry trade
- (3) Long-term interest rates stabilizing at a low level after interest rate increase (after 2007.2)

## 2. JREIT Market

- (1) Deterioration of the origination environment for REIT bonds from the shock of administrative actions
- (2) Higher REIT unit price supported by long-term interest rates stabilizing at a low level (Foreigner and Investment Trust are large net buyers)
- (3) Rise of soft activists and decreasing number of JREITs below public offering price
- (4) Active listing of Australian LPTs investing in Japanese real estate

## 3. Other

- (1) Revised population estimate (2006.12, National Institute of Population and Social Security Research)
- (2) Reconcentration of population into the Tokyo Metropolitan area (2007.1, reported by Nikkei, Ministry of Internal Affairs and Communications)
- (3) Corporate accounting scandals and breakup of leading accounting firm



**Toward 3rd General Meeting of Unitholders  
(Scheduled on April 17, 2007)**



## 1. Election of directors

- Reappointment of incumbent directors (multiple directorship of Executive Director to remain)
- No election to fill a vacant seat; respond by the existing system (temporary appointment of director)

## 2. Appointment of accounting auditor

- PricewaterhouseCoopers Aarata, appointed as “Temporary Accounting Auditor” by the Board upon resignation of Chuo Aoyama (then) on July 14, 2006, will be appointed as “Accounting Auditor”

## 3. Changes in investment portfolio

- No change in basic policy, although the scope of investment portfolio will be changed according to changes in the system

## 4. Revision of incentive rate (Invest Management Fee linked to investment unit price)

- Given changes in the environment, incentive rate will be changed to bring incentive to an appropriate level (1.0%→0.4%)

## 5. Any other presentation planned apart from matters to be resolved

- Increase remuneration of supervisory directors (planned in May after General Meeting of Unitholders)
  - Additional ¥100,000 to monthly payment of ¥400,000 per person
- Use of market value in investment criteria →From “Acquisition Price” to “Valuation at the end of period” or “Appraisal Value”
- End of statute of limitations on distribution



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## Financial Results and Forecast

# Fiscal Results of January 07 Period

|                                      |             | 7 <sup>th</sup> Period<br>Actual<br>2007.1.31<br>(184 days) | 6 <sup>th</sup> Period<br>Actual<br>2006.7.31<br>(181 days) | Change  | (%)    | 7 <sup>th</sup> Period<br>Forecast at<br>2006.9.14 | Change  |
|--------------------------------------|-------------|---|---|---------|--------|--|---------|
| Distribution per Unit                | (¥)         | 14,182  | 22,162  | ▲ 7,980 | ▲ 36.0 | 14,000   | 182     |
| Average LTV                          | (%)         | 34.0  | 33.5  | 0.5     | —      | 31.3   | 2.7     |
| LTV at End of Period                 | (%)         | 33.9  | 31.2  | 2.7     | —      | 31.2   | 2.7     |
| Acquisition Capacity by Debt         | (¥ million) | 67,746  | 70,433  | ▲ 2,687 | ▲ 3.8  | 70,433   | ▲ 2,687 |
| Average Acquisition Price            | (¥ million) | 166,961   | 158,727   | 8,234   | 5.2    | 159,620  | 7,341   |
| NOI Yield                            | (%)         | 5.39  | 5.46  | ▲ 0.07  | —      | 5.38   | 0.0     |
| Unrealized Profit/Loss               | (¥ million) | 40,148  | 29,270  | 10,878  | 37.2   |  |         |
| Adjusted Net Asset Value             | (¥)         | 815,729   | 751,509   | 64,220  | 8.5    |  |         |
| Average Unit Price during the Period | (¥)         | 958,306   | 902,435   | 55,871  | 6.2    |  |         |

- 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

## 8th period (ending at 7/2007)

### ■ EPS:14,000 yen (change from the 7th period ▲182 yen)

➤ Net Income : 2,371million yen (change from previous period ▲30 million yen)

□ Profit/Loss in operating income +93 million yen (higher profit)

✓ From Sigma Hatchobori Building + 37 million yen

✓ From CONZE Ebisu + 44 million yen

□ Invest Management Fee ▲61 million yen (lower profit)

□ Non operating expense ▲58 million yen (lower profit)

■ Average LTV: 33.9% LTV against the total asset (period end): 35.5% Long term loan ratio: 68.9%

## 9th period (ending at 1/2008)

### ■ EPS: 14,500 yen

➤ Operating Profit 6,714 million yen Recurring Profit 2,457 million yen Net Income 2,456 million yen

■ Average LTV: 33.9% LTV against the total asset (period end): 35.4% Long term loan ratio: 68.9%

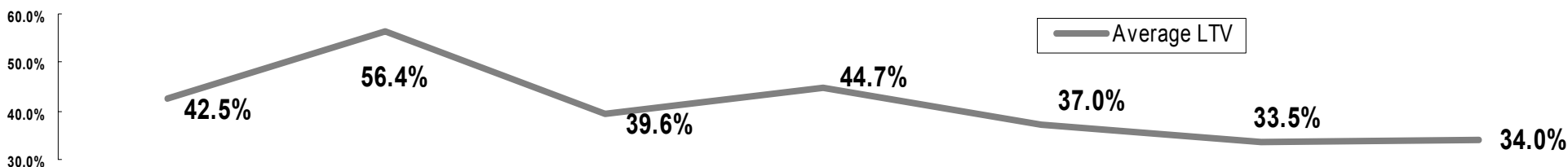
(1) Average LTV= (Interest bearing debt+ security deposit not backed by the corresponding bank deposit) ÷ expected asset value at period end or appraisal value at the acquisition

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

# Improvement of Profits Quality

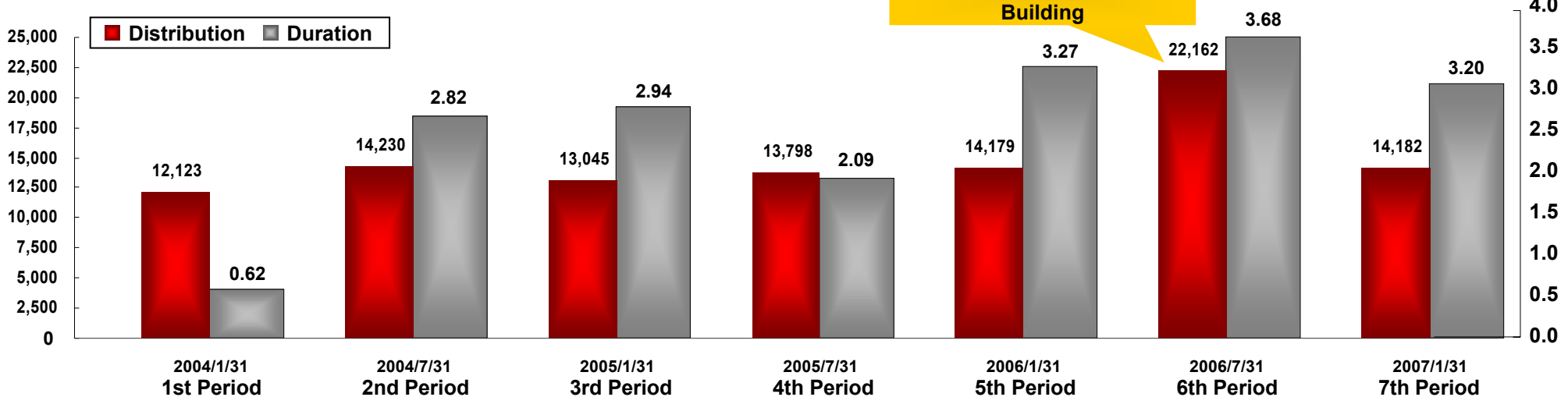
**Lower LTV and extended duration (higher long-term fixed interest ratio) will steadily improve profits quality**

Average LTV



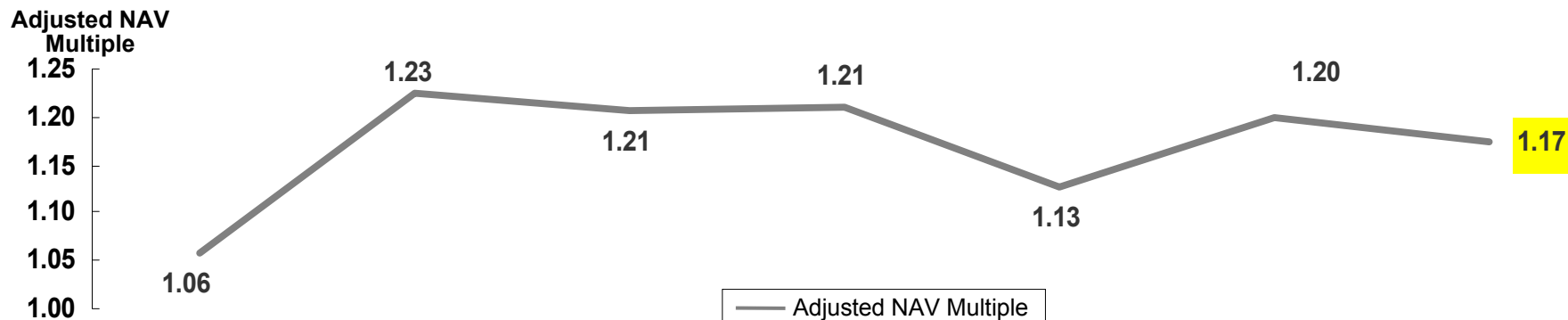
\*\* Average LTV = (Average Balance of Interest Bearing Debt + Average Balance of Securities Deposit without Reserved Cash) / Appraisal Value at End of Period or Average Appraisal Value at Acquisition

Distribution (¥)

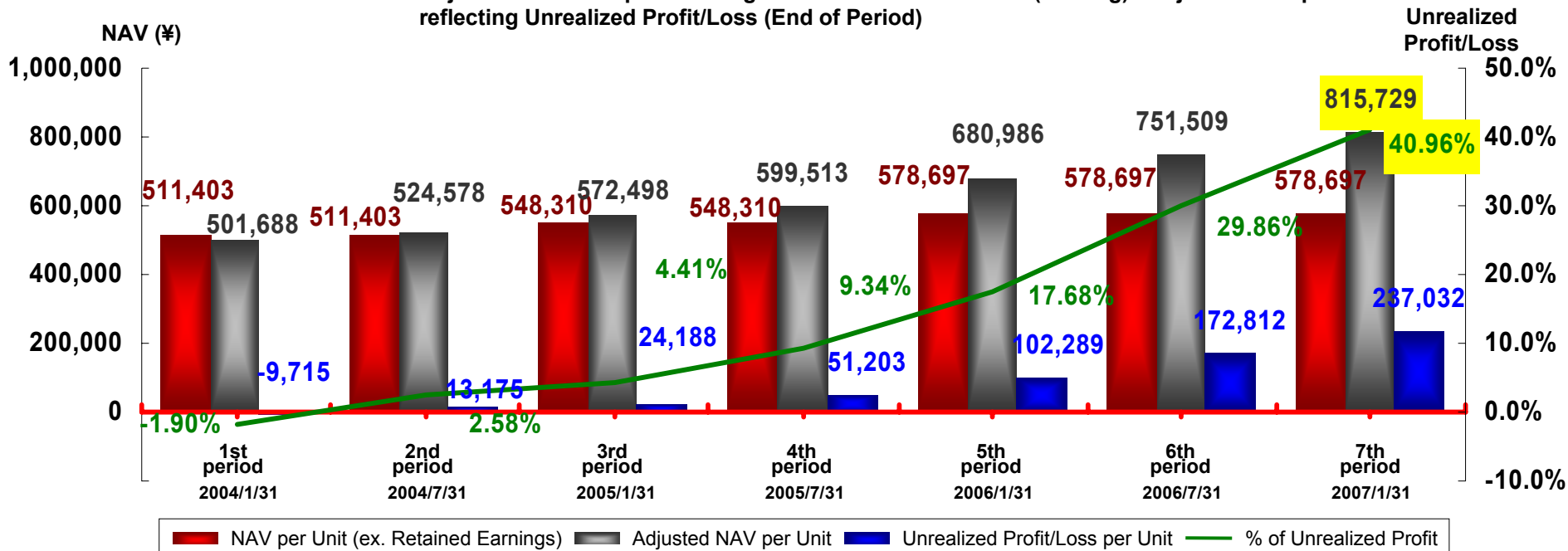


\* Distribution in 1st Period was ¥9,488 based on the actual operating days of 144 days, but distribution of ¥12,123 recalculated based on 184 days is used in the above graph for the sake of comparison with 2nd Period onwards  
 \* Duration = Weighted Average Maturity of Debt

# Improvement of Asset Value (Adjusted NAV)



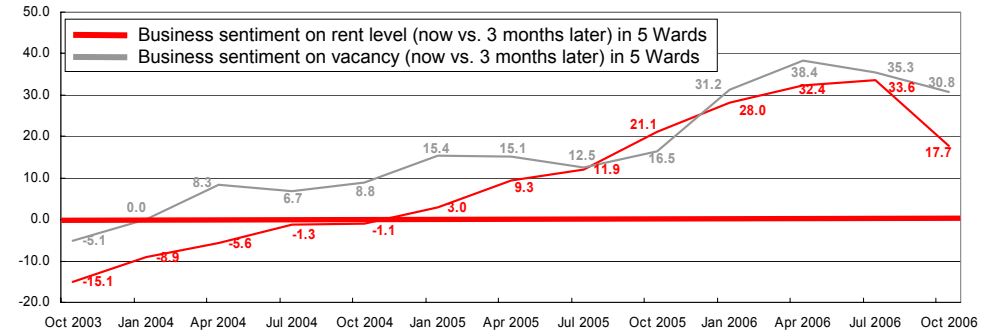
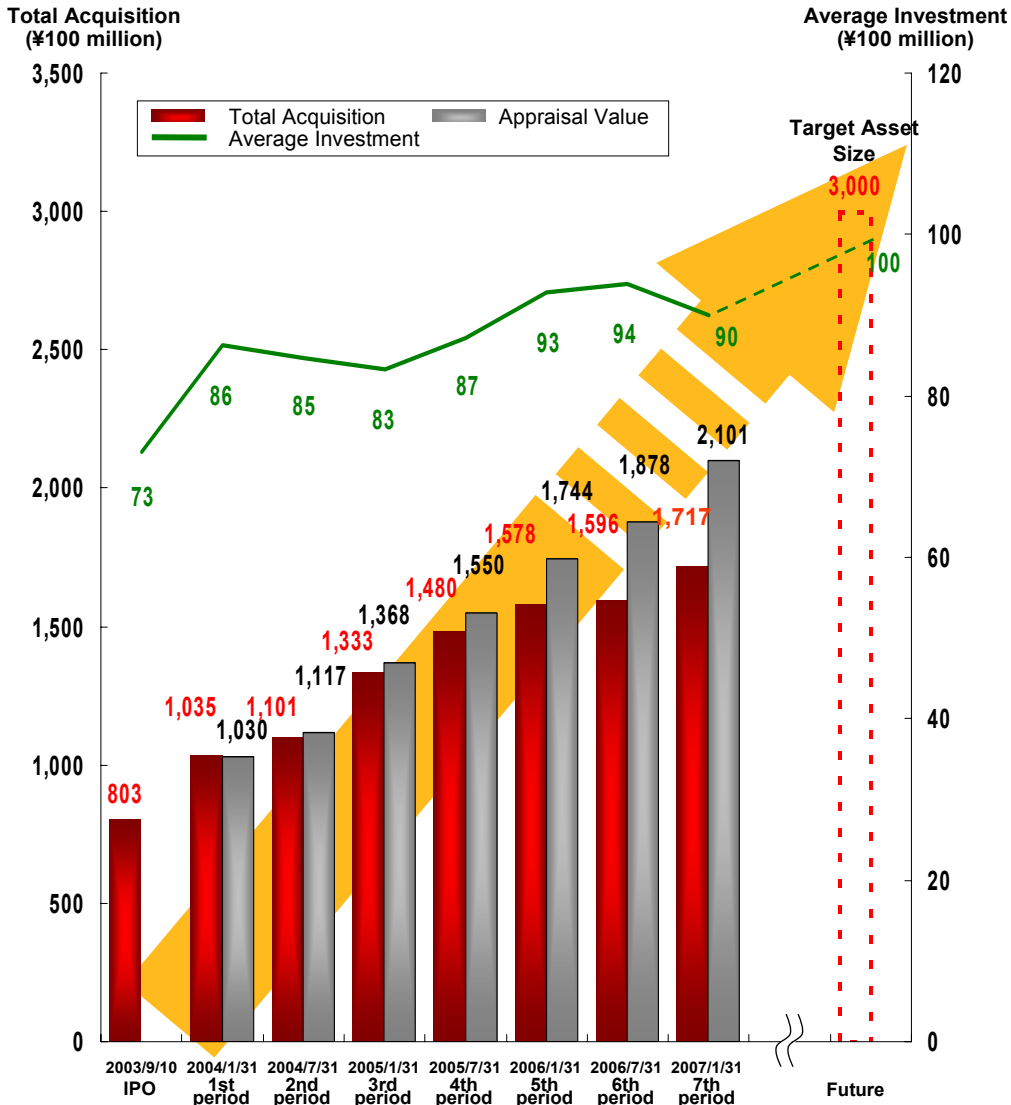
Adjusted NAV Multiple = Average Price of Investment Unit (Closing) / Adjusted NAV per Unit reflecting Unrealized Profit/Loss (End of Period)



| 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) | 7th period (2007/1/31) |
|-------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
|                               | ¥530,828               | ¥643,097               | ¥690,705               | ¥726,082               | ¥766,520               | ¥902,435               | ¥958,306               |

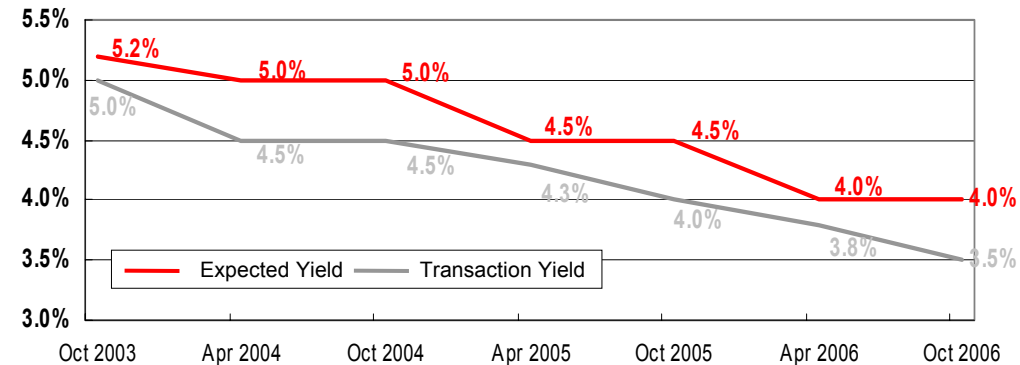
## External Growth (Steady Acquisition of Quality Assets)

## 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)"

## ■ Summary

- **Asset** : Trust beneficiary interest in real estate
- **Purpose·Tenant** : Office·Tokai Kogyo Co., Ltd. etc.
- **Location** : Hatchobori, Chuo-ku, Tokyo
- **Land Area** : 974.32㎡
- **Building** : 8,810.21㎡
- **Acquisition Price** : 7,000 million yen
- **Appraisal Value** : 7,310 million yen (as of September 1, 2006)
- **Acquisition Date** : September 29, 2006
- **Seller** : GE Real Estate Corporation



## ■ Characteristics and Challenges

- **Strength** : Traditional office district adjacent to Yaesu area of Tokyo Station, good access from a number of stations, the building facing roads
- **Weakness** : Years built (completed in September 1965), but full renovations of the building's exterior and entrance have been completed in 1999, seismic-reinforced construction (intermediate seismic isolation) completed in 2005 (PML: 4.0%)
- **Opportunity** : Potential rent increase
- **Note** : Existing unqualified building (floor area ratio, but reflected in appraisal), encroaching the boarder (5 cm)
- **Other** : The name of the building will be changed to “TOKYU REIT Hatchobori Building” on April 1, 2007



## ■ Summary

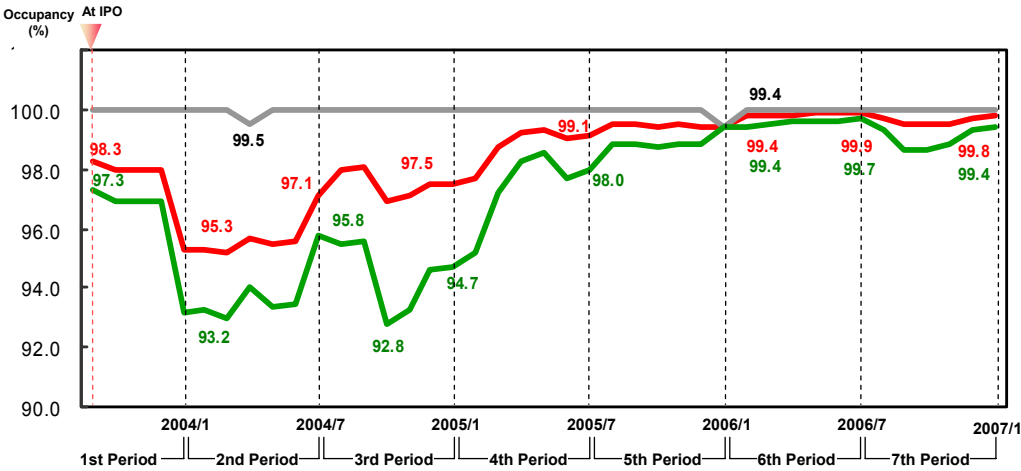
- **Asset** : Real estate
- **Purpose·Tenant** : Retail ·Food Scope Inc. etc.
- **Location** : Ebisu Minami, Shibuya-ku, Tokyo
- **Land Area** : 562.07m<sup>2</sup>
- **Building** : 2,789.35m<sup>2</sup>
- **Acquisition Price** : 5,117 million yen
- **Appraisal Value** : 5,020 million yen (as of September 1, 2006)
- **Acquisition Date** : October 31, 2006
- **Seller** : Nomura Real Estate Development Co., Ltd.



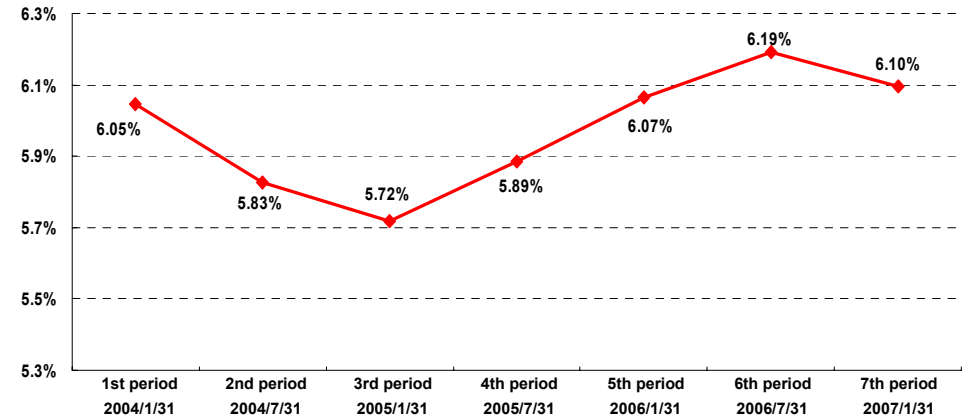
## ■ Characteristics and Challenges

- **Strength** : Fixed-term lease contract of 10 years (8 more years at acquisition) (with no cancellation and no claim rights for reducing leasing rates)  
: The building is located in Ebisu which draws new restaurants  
: Competitive edge of 90 tsubo per floor
- **Weakness** : Continuity of retail complex
- **Risk** : Potential opening of competitive outlets
- **Opportunity** : Consistency with the period of long-term lease contract (facilitating large-scale renovation), potential conversion to service related (beauty services, etc.)
- **Note** : Obtained reserved parking spaces immediately after acquisition (November 2006)

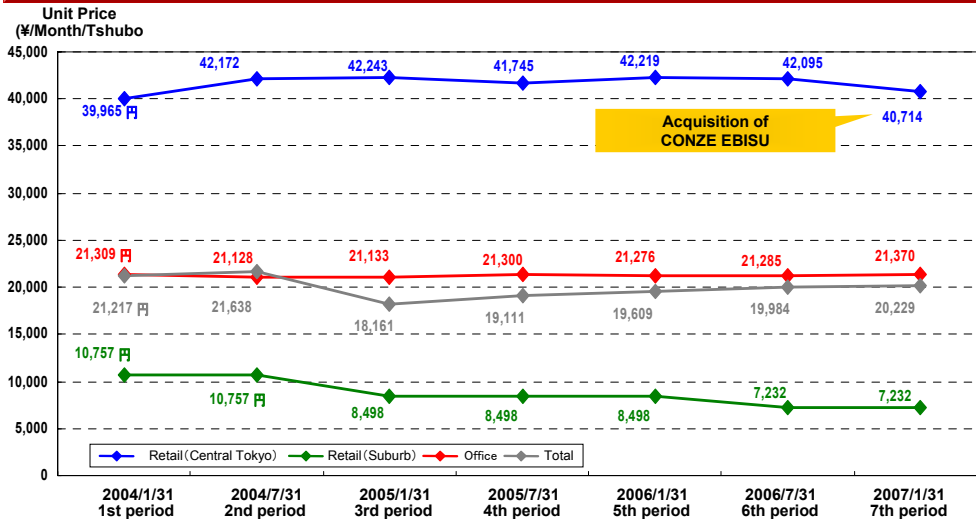
## Historical Occupancy of Overall Portfolio



## 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 7th Period | End of 6th Period | Increase / Decrease | Increase/Decrease (%) |
|--------------------------------------|-------------------|-------------------|---------------------|-----------------------|
| retail                               |                   |                   |                     |                       |
| overall                              | 385,566           | 384,575           | 991                 | 0.3%                  |
| Rent Increases from Existing Tenants |                   |                   | 83                  |                       |
| office                               |                   |                   |                     |                       |
| overall                              | 496,051           | 492,162           | 3,889               | 0.8%                  |
| Rent Increases from Existing Tenants |                   |                   | 5,397               |                       |
| total                                |                   |                   |                     |                       |
| overall                              | 881,618           | 876,738           | 4,880               | 0.6%                  |
| Rent Increases from Existing Tenants |                   |                   | 5,480               |                       |

(注) Excluding shonan Mall Fill (Sokochi)

(注) Retail (Central Tokyo) : OFRONT, TOKYU REIT Omotesando Sq., Lexington Aoyama, TOKYU REIT Shibuya Udagawa-cho Sq., cocoti, CONZE Ebisu  
Retail (Suburb) : Tokyu Saginuma, Tokyu Saginuma 2, Beacon Hill Plaza (Ito Yokado Nokendai), Yokohama Yamashita-cho Bldg.

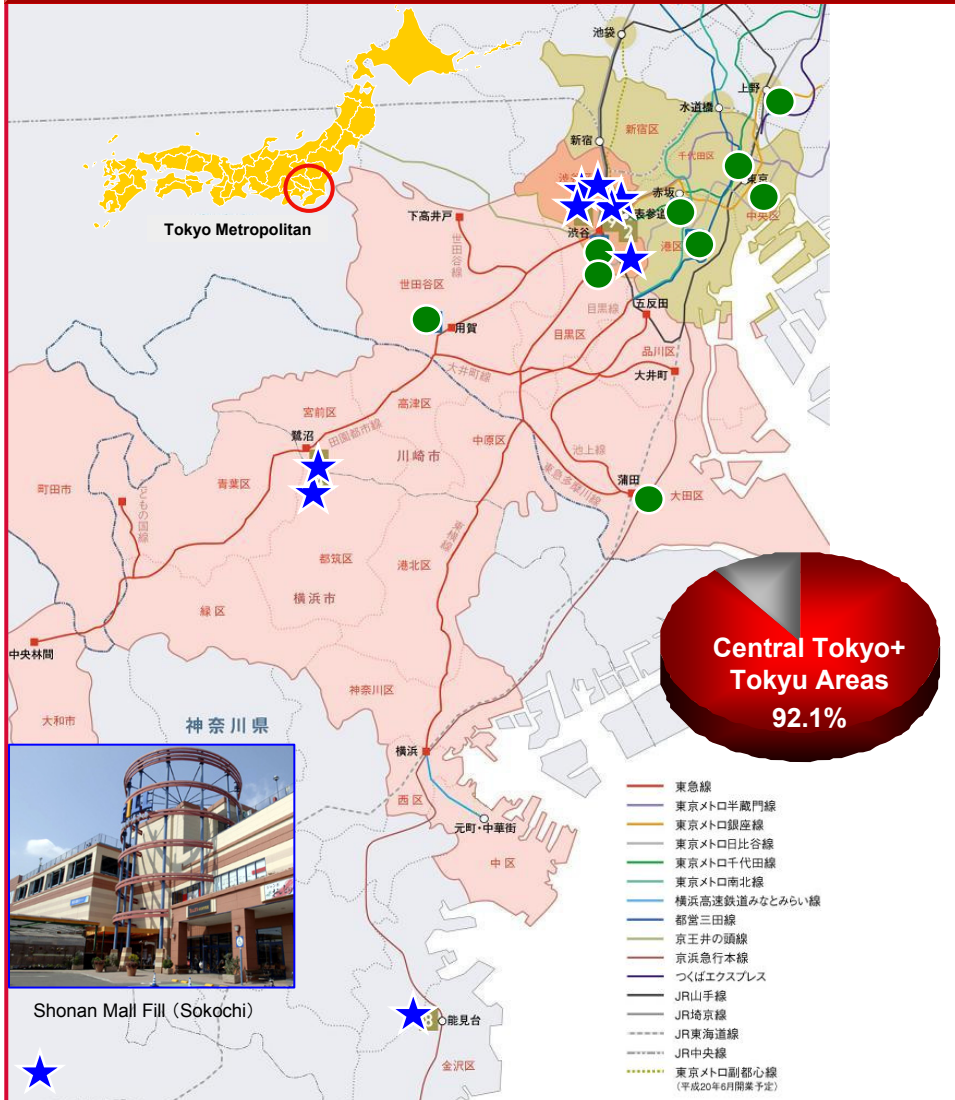
\* CONZE Ebisu and Sigma Hatchobori Bldg. are excluded.

\* Except for income from Parking and Signboard.



## **Portfolio Overview and Risk Management/Debt Structure**

## Properties Location Map



## Retail ☆

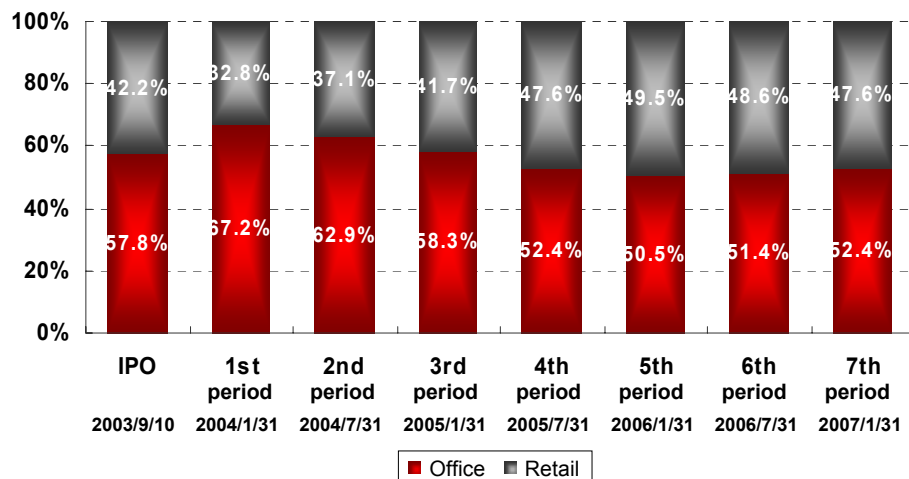


## Office ○

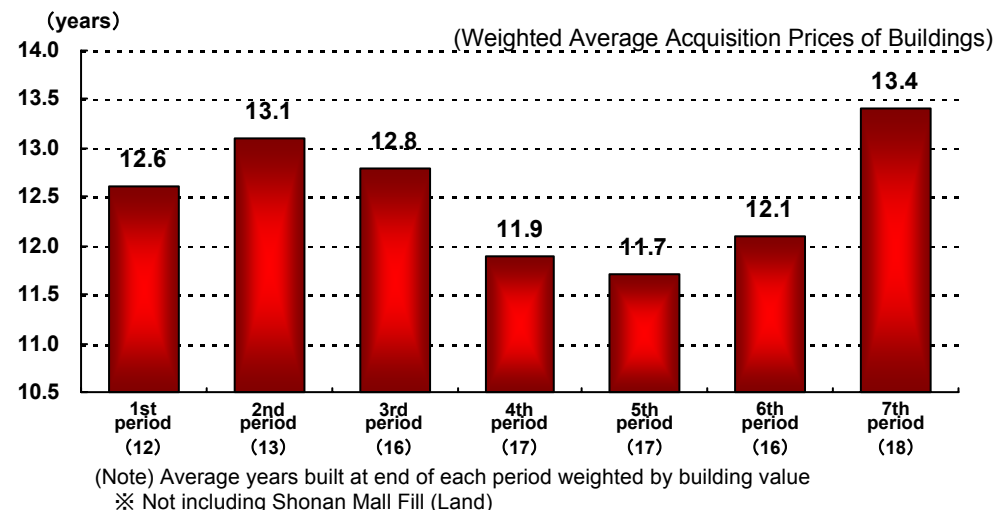


# Portfolio Quality Improvement (1)

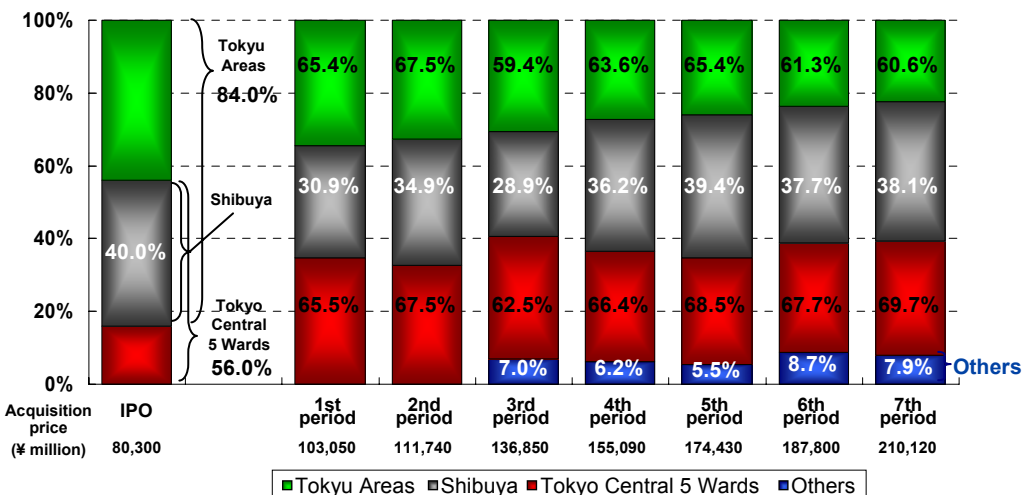
## Office/Retail Ratio (Based on Appraisal Value at End of Period)



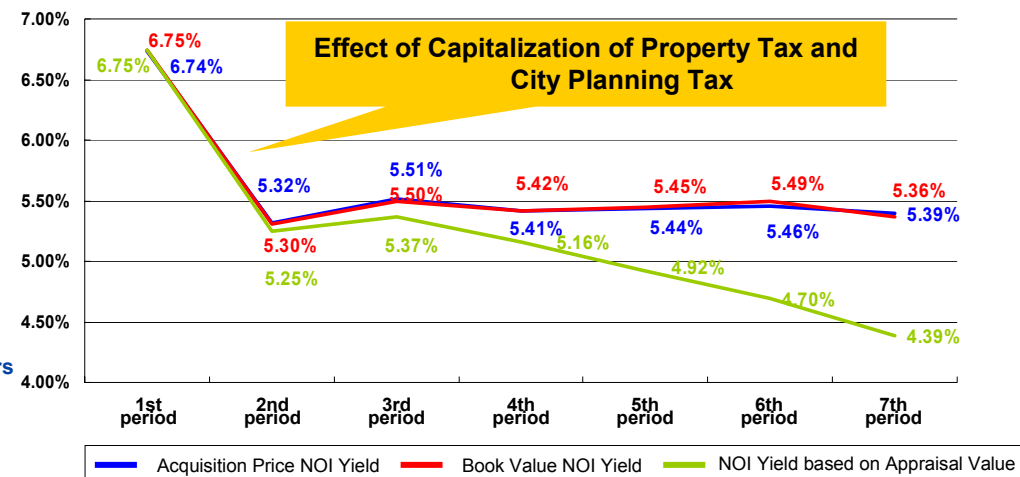
## Weighted Average Years Built (as of 1/31/2007)



## Area (Based on Appraisal Value at End of Period)



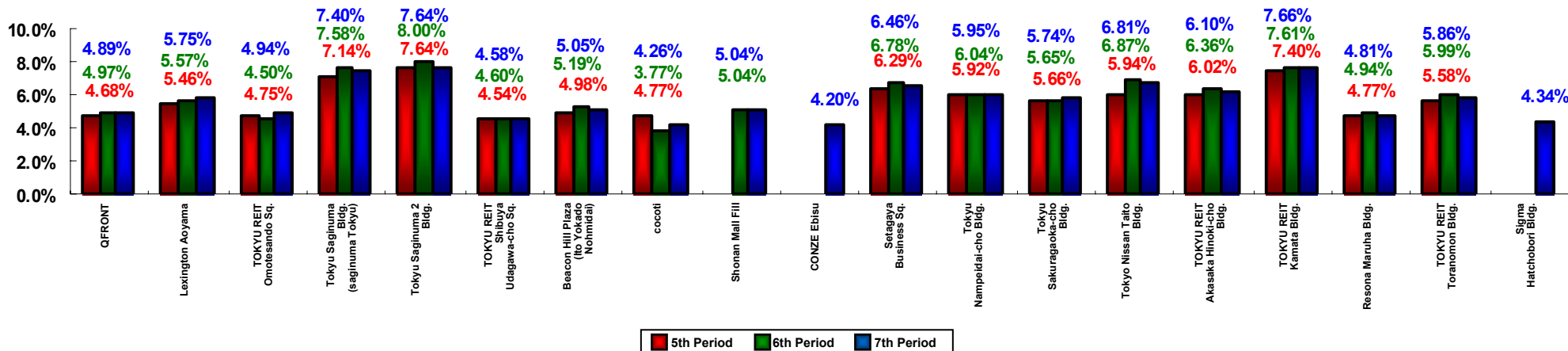
## NOI Yield



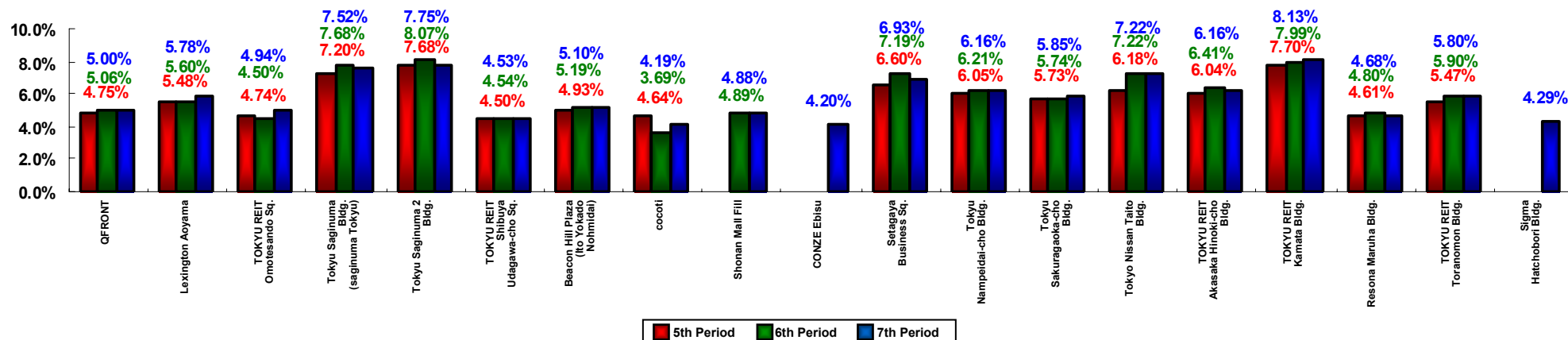
# Portfolio Quality Improvement (2)

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

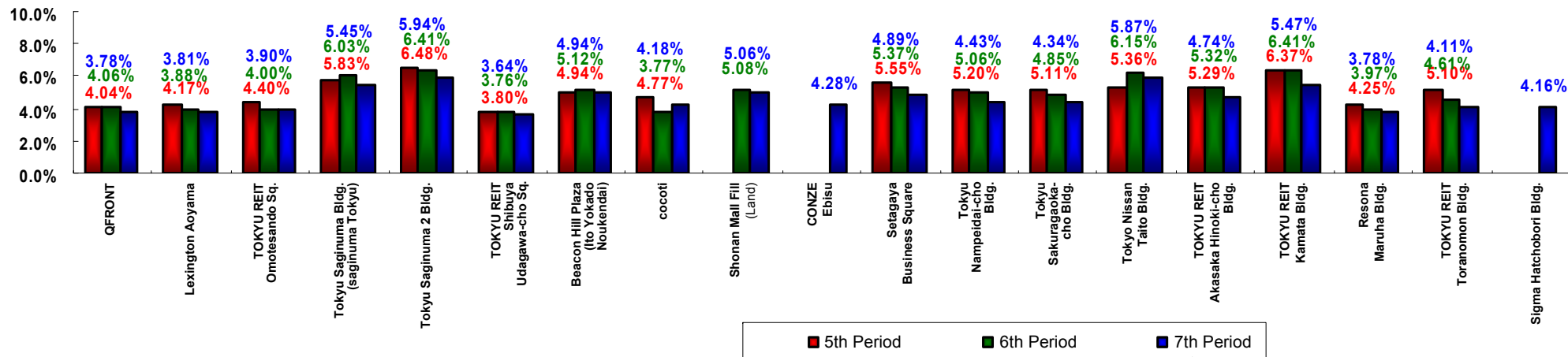
## NOI Yield by Property in 7th Period (based on Acquisition Price)



## NOI Yield by Property in 7th Period (based on Book Value)

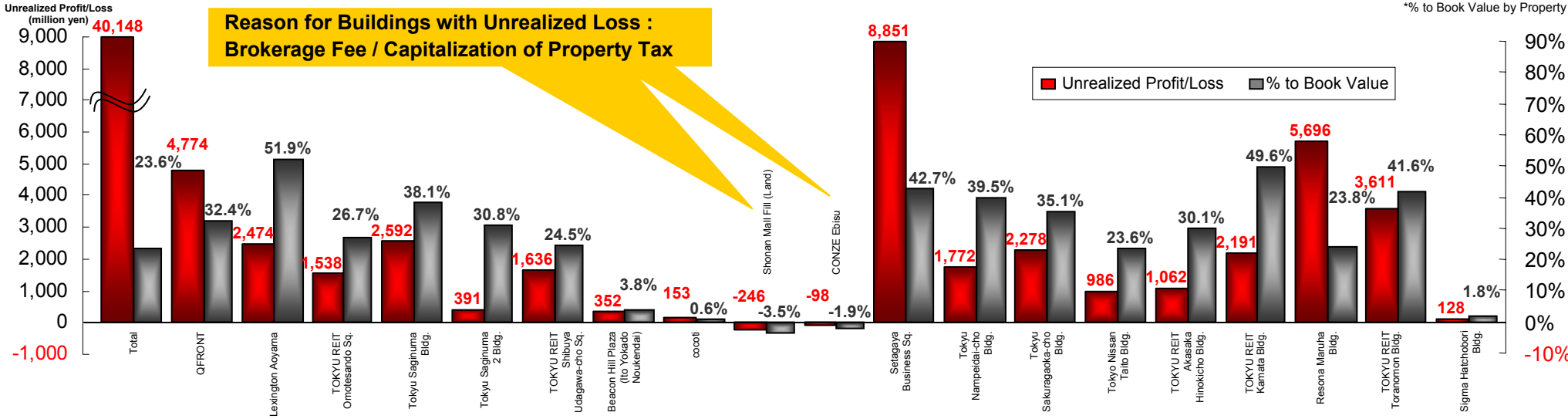


## NOI Yield by Property in 7th Period (based on Appraisal Value at End of Period)



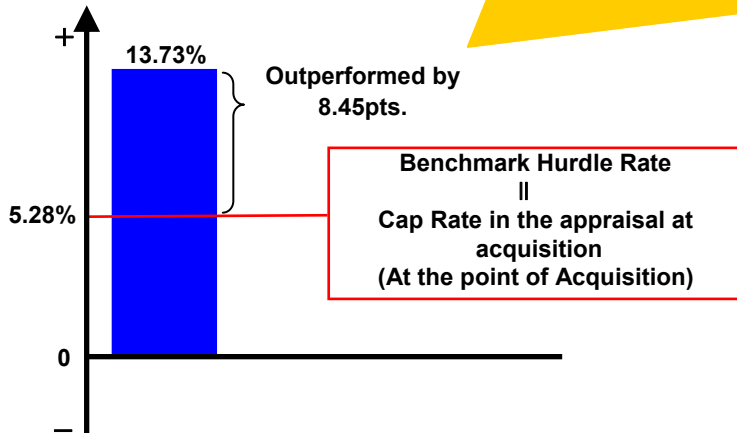
**NOI yield performance based on appraisal value at end of period representing market price should be helpful in understanding the real estate market trends**

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



## Performance of our Portfolio Return

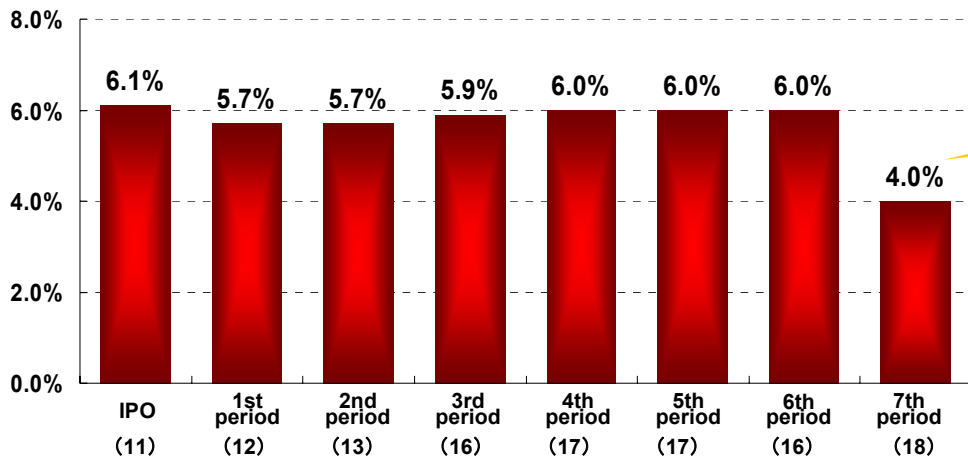
Since the acquisition of 15 properties, total return of those properties outperformed our benchmark by 8.45 points.



- Based on 15 properties we have been owning for more than 2 years (ex. Yokohama Yamashitacho Bldg. sold in 6th period) (Appraisal Price: 128,310 million yen)
- 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 gents
- Cash flow of leasehold and security deposits are not included
- IRR based on 16 properties including Yokohama Yamashita Bldg. (Acquisition Price: 133,360 million yen) is 13.89% (outperforming benchmark by 8.61pts.) (※) Using the transfer price for sale of Yokohama Yamashitacho Bldg.



## Portfolio PML



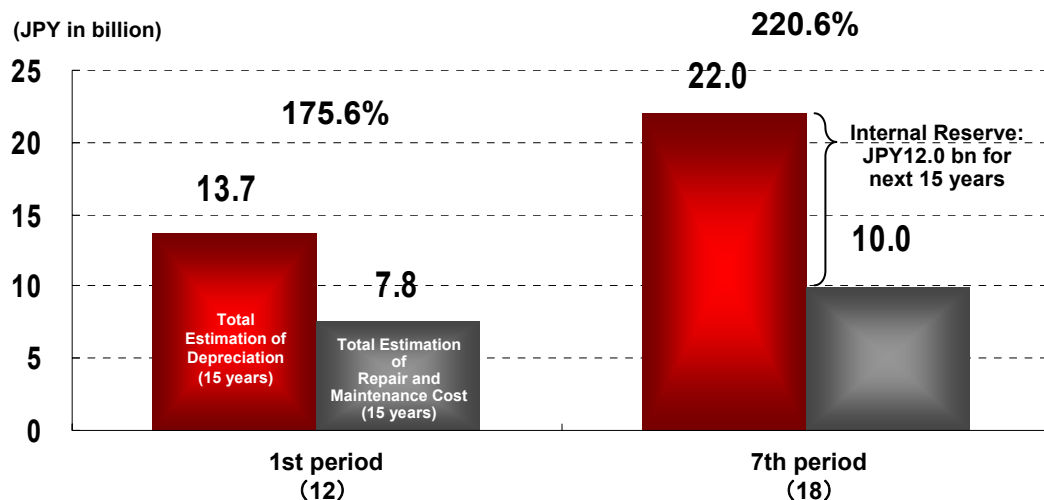
\*The number for the 6<sup>th</sup> period and 7<sup>th</sup> period does not include Shonan Mall Fill

PML decreased as Engineering & Risk Services Corporation and Oyo RMS Corporation, asked to perform analysis, changed evaluation method following the introduction of new seismic analysis

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

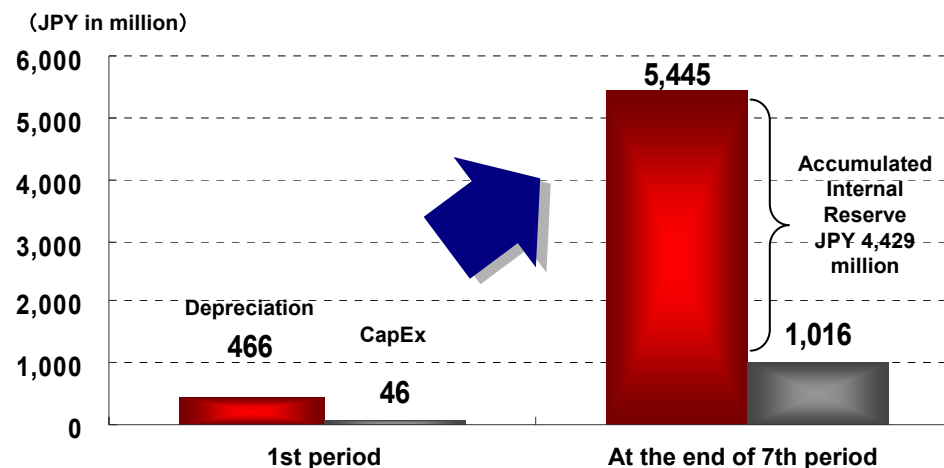
Therefore, we focus on the balance between total estimation of repair and maintenance cost and accumulated depreciation

## Depreciation and Repair and Maintenance Costs for 15 years



\* numbers are updated when necessary

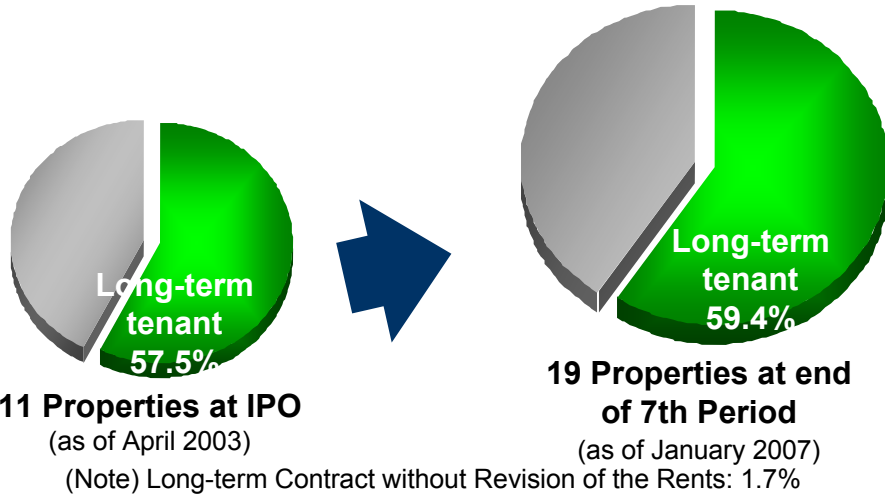
## Accumulated Internal Reserve



# Risk Management (2)

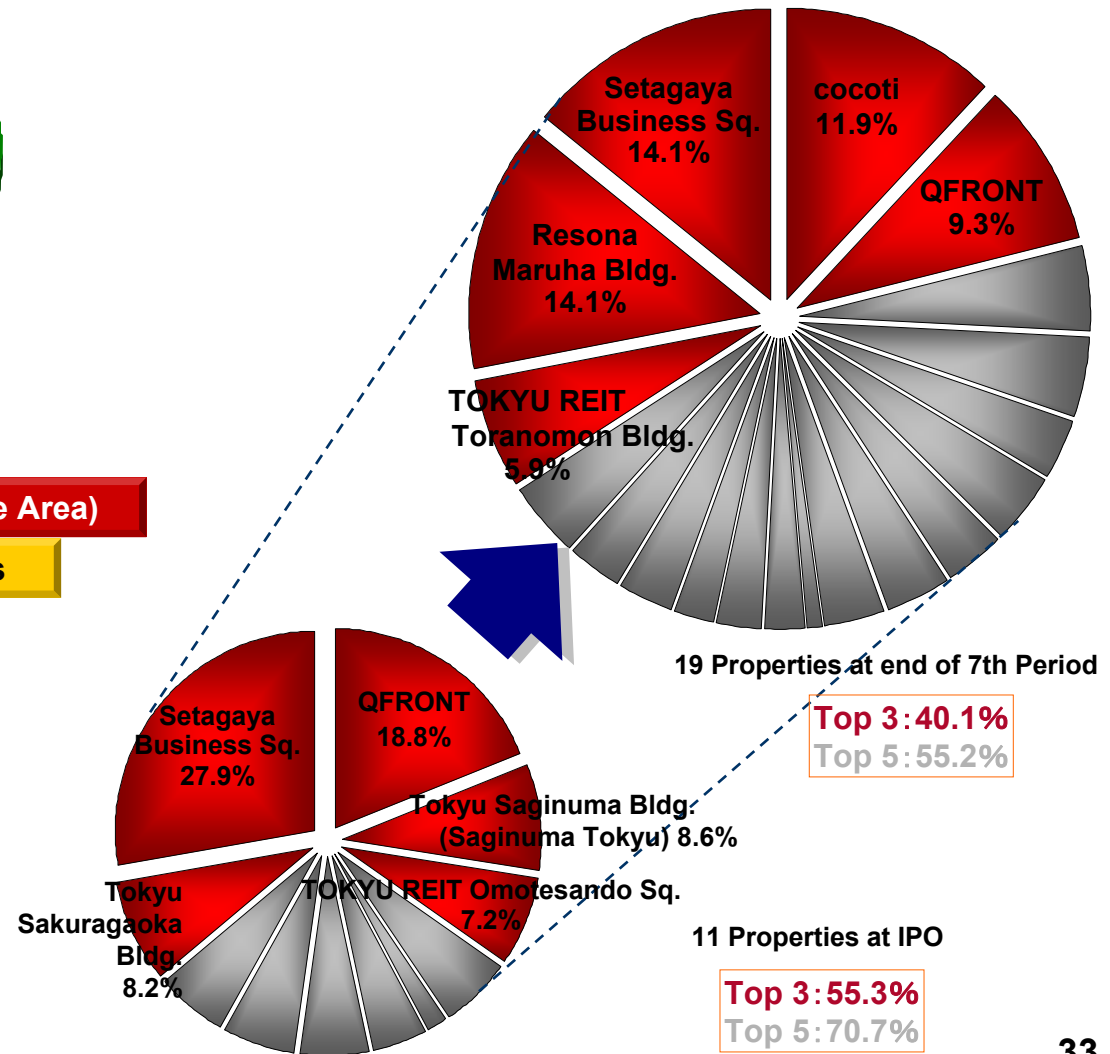
## Long-term Lease Ratio (based on Leasable Area)

Continue to attract long-term commitment



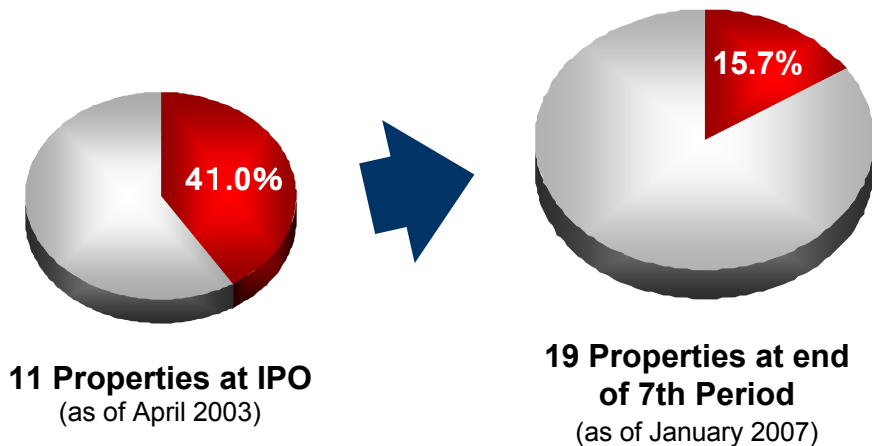
## Main Properties Concentration (19 Properties at End of 7th Period)

% of each property decreased as the number of buildings increased



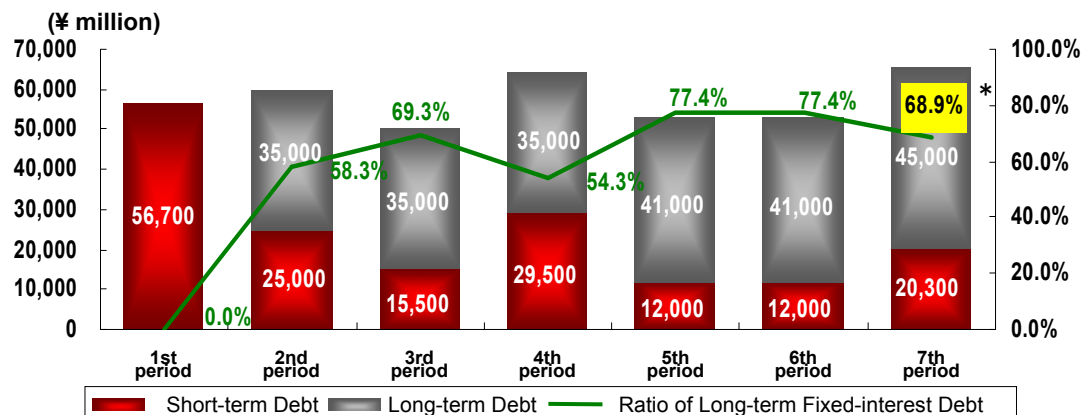
## Tokyu Group Tenant Concentration (based on Leasable Area)

Lower dependence on Tokyu Group Companies



# Debt Structure (1)

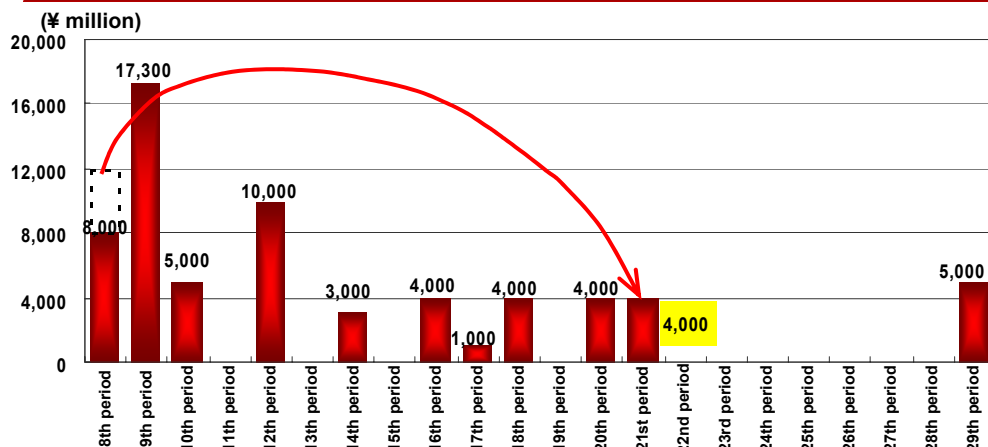
## Borrowing and Ratio of Long-term Fixed-interest Debt



\* 61.3% excluding the long term debt maturing within a year

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

## Maturity Ladder



Shifting to longer duration

| Term   | Lender                       | Amounts (JPY in bn)    | Term (%)           | Maturity   | Note      |           |           |
|--|------------------------------|------------------------|--------------------|------------|-----------|-----------|-----------|
| Short-term   | Bank of Tokyo-Mitsubishi UFJ | 5                      | 0.85727 (Floating) | 2007/9/25  | Unsecured |           |           |
|  | Mitsubishi UFJ Trust Bank    | 3                      | 0.89545 (Floating) | 2007/4/28  |           |           |           |
|  | Sumitomo Trust Bank          | 0.73                   | 0.84455 (Floating) | 2007/9/28  |           |           |           |
|  | Chuo-Mitsui Trust Bank       | 0.73                   |                    |            |           |           |           |
|  | Bank of Tokyo-Mitsubishi UFJ | 0.73                   |                    |            |           |           |           |
|  | Mizuho Corporate Bank        | 0.73                   |                    |            |           |           |           |
|  | Mitsubishi UFJ Trust Bank    | 4.38                   | 0.84455 (Floating) | 2007/10/31 |           |           |           |
|  | Sumitomo Trust Bank          | 1                      |                    |            |           |           |           |
|  | Chuo-Mitsui Trust Bank       | 1                      |                    |            |           |           |           |
|  | Bank of Tokyo-Mitsubishi UFJ | 1                      |                    |            |           |           |           |
|  | Mizuho Corporate Bank        | 1                      | -                  | -          |           |           |           |
|  | Mitsubishi UFJ Trust Bank    | 1                      |                    |            |           |           |           |
|  | Sub-total                    |                        | 20.3               | -          |           | -         | -         |
|  | Long-term                    | Sumitomo Trust Bank(1) | 5                  | 1.11625    |           | 2007/6/25 | Unsecured |
| The Norinchukin Bank   |                              | 4                      | 1.38875            | 2008/6/25  |           |           |           |
| The Hyakugo Bank   |                              | 1                      | 1.23875            |            |           |           |           |
| Chuo-Mitsui Trust Bank   |                              | 5                      | 1.68875            | 2009/6/25  |           |           |           |
| Mitsubishi UFJ Trust Bank  |                              | 5                      | 1.92750            | 2010/6/25  |           |           |           |
| Aioi Insurance Company, Ltd.   |                              | 1                      |                    |            |           |           |           |
| Daido Life Insurance Company   |                              | 1                      |                    |            |           |           |           |
| Mitsui Sumitomo Insurance  |                              | 1                      | 2.03000            | 2012/6/25  |           |           |           |
| Development Bank of Japan  |                              | 4                      |                    |            |           |           |           |
| The National Mutual Insurance Federation of Agricultural Cooperation |                              | 1                      | 1.26250            | 2011/10/25 |           |           |           |
| Development Bank of Japan  |                              | 5                      | 1.95000            | 2018/1/25  |           |           |           |
| Nippon Life Insurance  |                              | 4                      | 1.93000            | 2011/7/31  |           |           |           |
| Daiichi Life Insurance   |                              | 4                      | 2.21125            | 2013/7/31  |           |           |           |
| Daiichi Life Insurance   |                              | 1                      | 1.92000            | 2014/1/25  |           |           |           |
| The National Mutual Insurance Federation of Agricultural Cooperation |                              | 3                      |                    |            |           |           |           |
| Sub-total  |                              | 45                     | -                  | -          | -         |           |           |
| Total  |                              | 65.3                   | -                  | -          | -         |           |           |

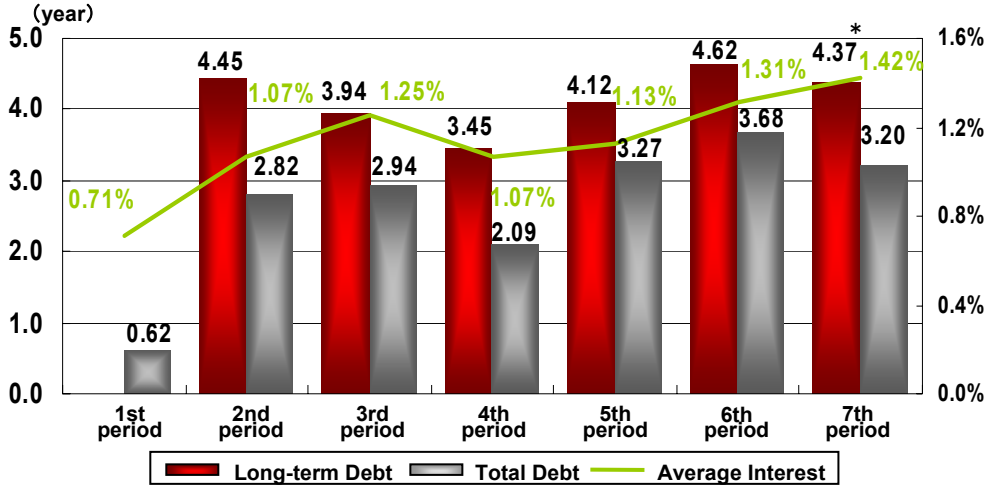
(1) Long Term Debt maturing within a year

(2) Average Interest rate: 1.42%

(as of Jan. 31, 2007)

# Debt Structure (2)

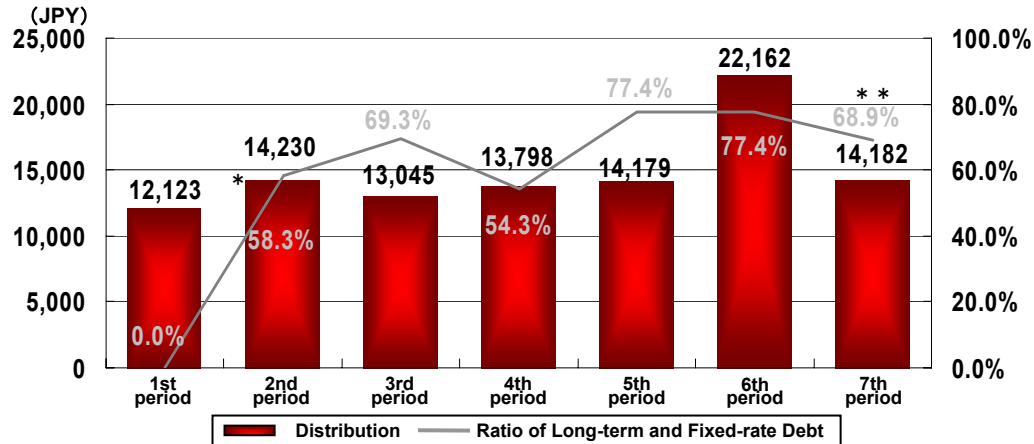
## Average Maturity of Debt and Average Interest



\* 4.86 years excluding the long term debt maturing within a year

Control debt cost while increasing duration

## 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

\*\* 61.3% excluding the long term debt maturing within a year

Focus on balance between EPS growth and earnings quality

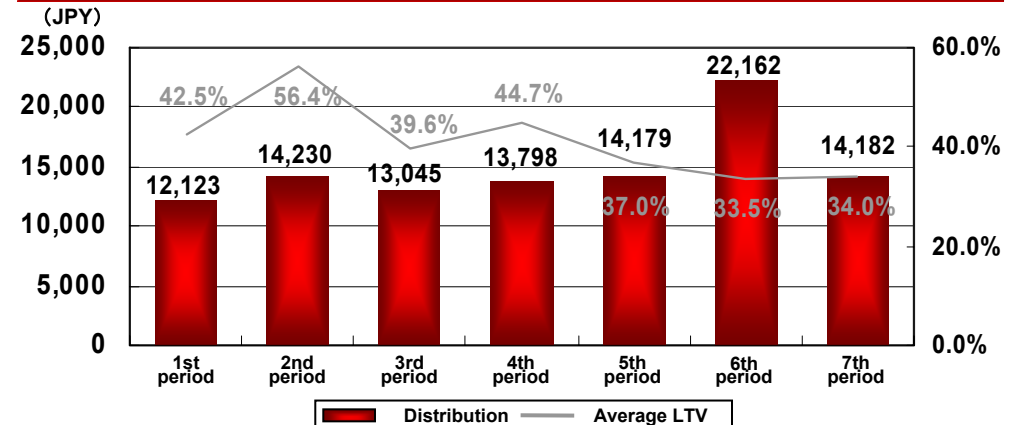
## Rating



- Issuer Rating: A+ (Rating Outlook: Positive)
- Long-term Corporate Credit Rating: A (Outlook: Stable)
- Short-term Corporate Credit Rating: A-1
- Issuer Rating: A2 (Outlook: Stable)

High credit ratings to respond to changing monetary situations

## Distribution and Average LTV

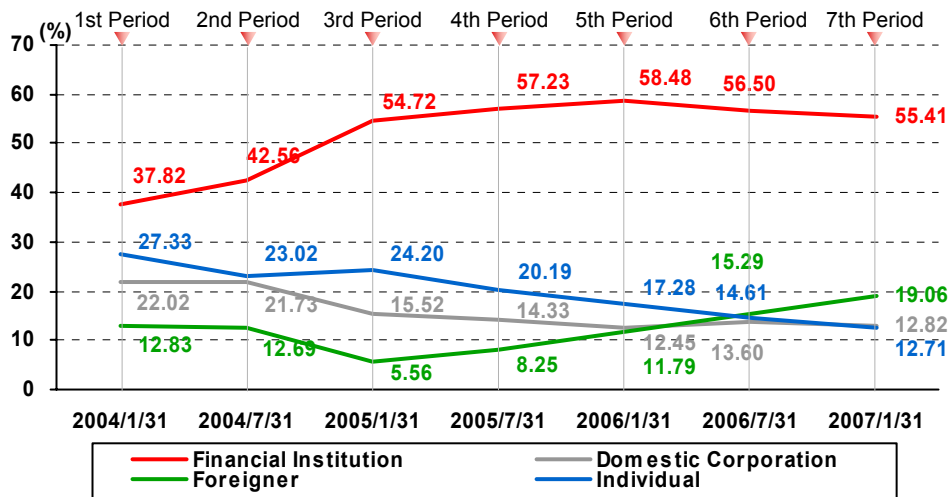


\* Average LTV = (Average Balance of Interest Bearing Debt + Average Balance of Securities Deposit without Reserved Cash) / Appraisal Value at End of Period or Average Appraisal Value at Acquisition

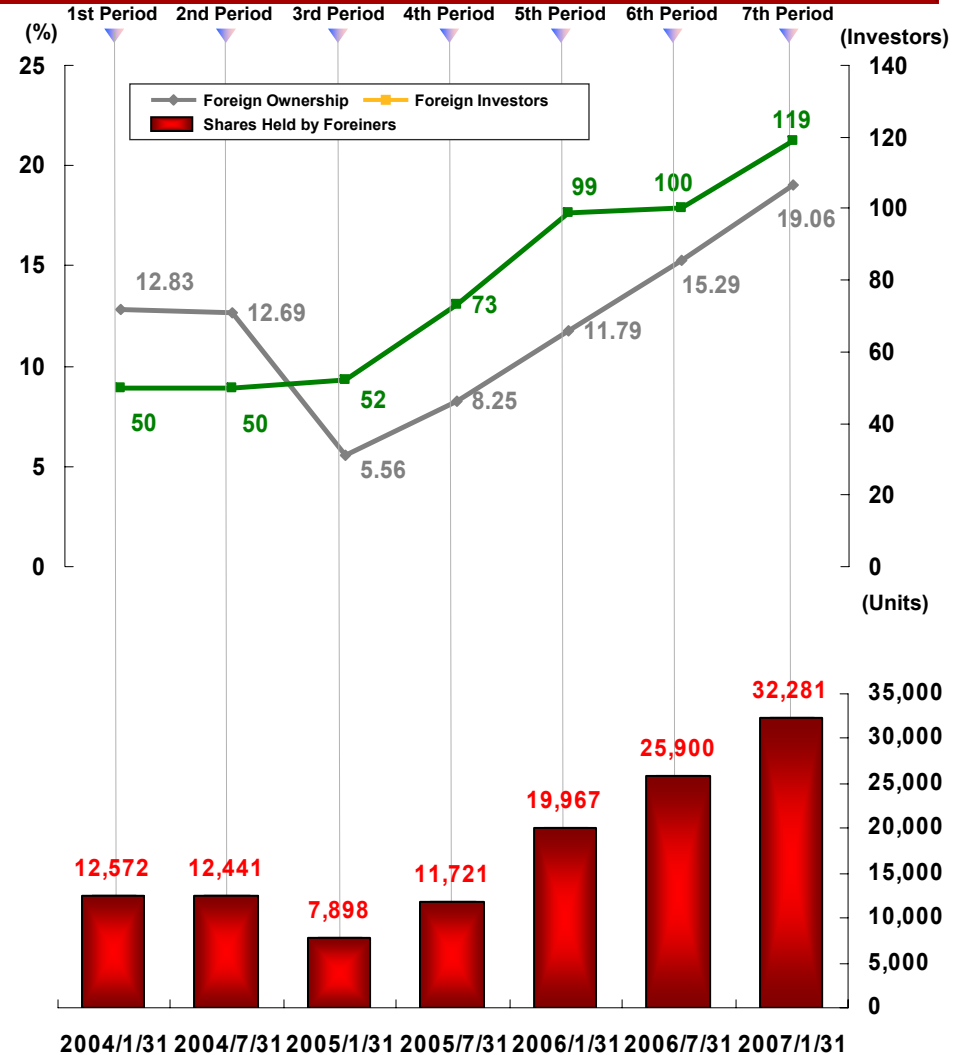


## Holders and Price of Investment Unit

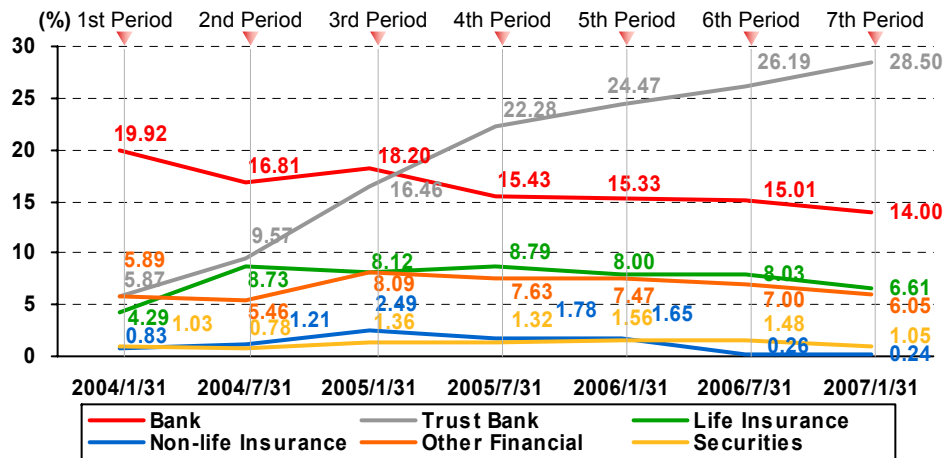
## Ownership by Investor Type



## Foreign Ownership and Number of Investors



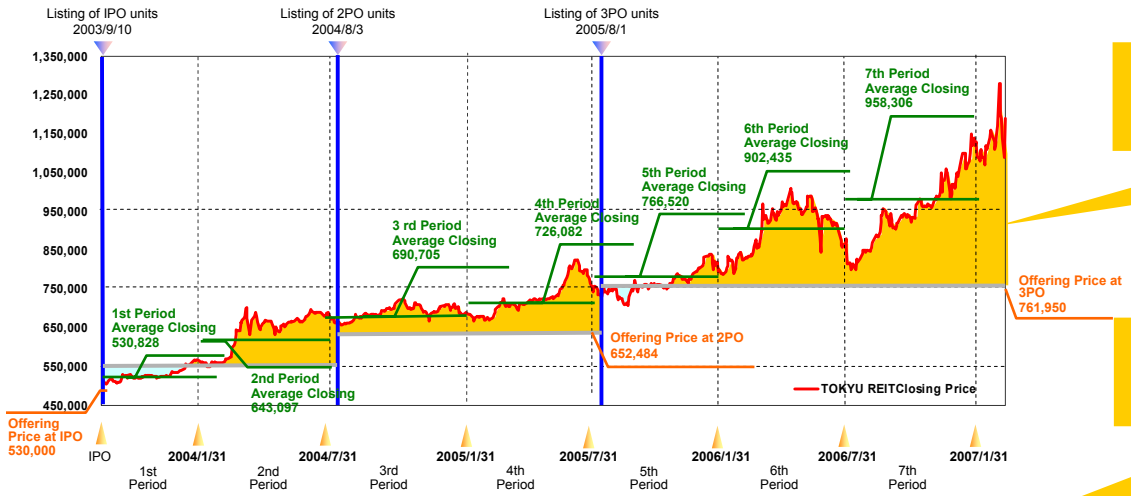
## Ownership by Investor Type (Financial Institutions)



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

Foreign ownership exceeds 20%

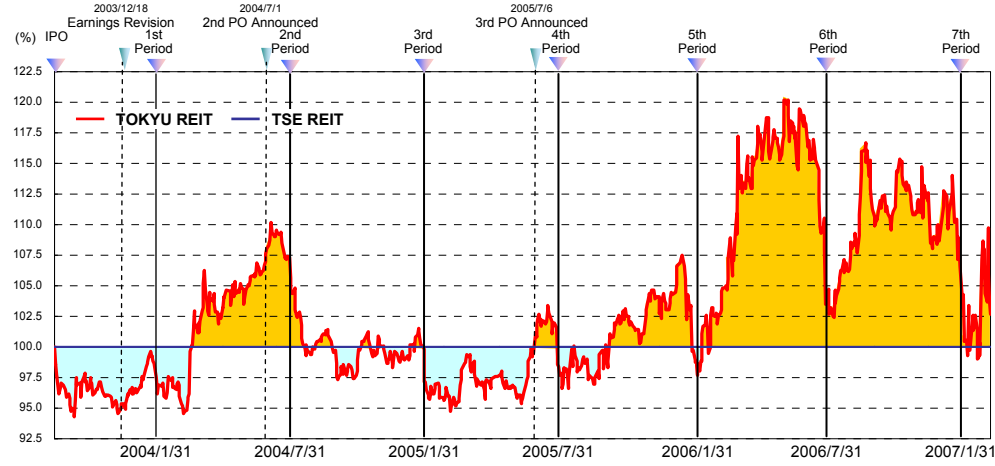
## TOKYU REIT Public Offering Price and Investment Unit Price



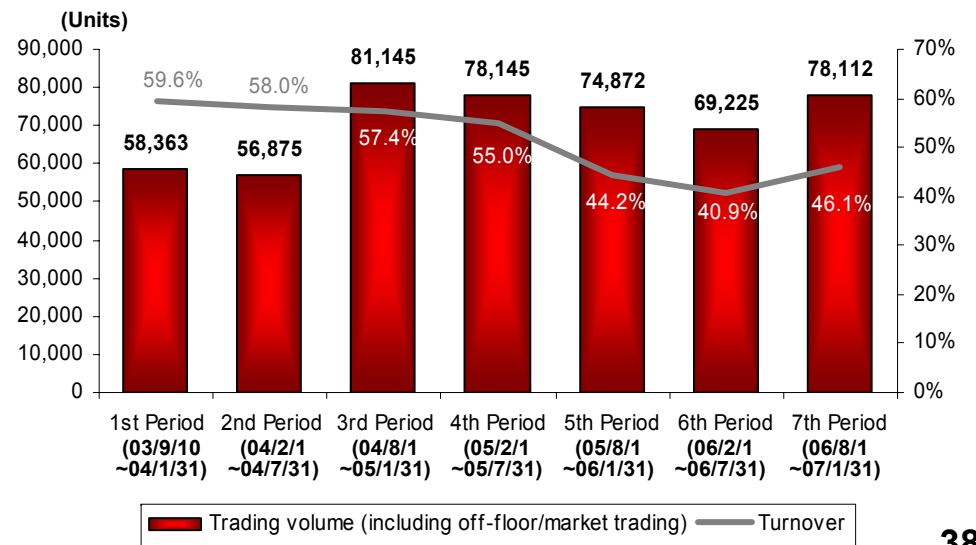
Price higher than public offering price of all 3 add-on offerings

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



On January 1, 2007, REITs became subject to a large holding report required for holders of more than 5% to report their holdings

Like shareholders, REIT investors are now required to report when they acquire more than 5% of investment units or any change in their stake of more than 1% after acquiring over 5%

## <Filing by Large Holders of TOKYU REIT>

As of March 16, 2007

| Filer                           | Shares Held | Owner-ship | Date of Triggering Reporting Obligation | Filing Date | Submission Times |
|---------------------------------|-------------|------------|---|-------------|------------------|
| Nikko Asset Management          | 12,154      | 7.18%      | 2007/1/15                               | 2007/1/17   | 1                |
| American International Group    | 10,488      | 6.19%      | 2007/1/15                               | 2007/1/22   | 1                |
| American Life Insurance Company | 3,207       | 1.89%      |   |             |                  |
| AIG Star Life Insurance         | 4,871       | 2.88%      |   |             |                  |
| AIG Edison Life Insurance       | 2,410       | 1.42%      |   |             |                  |
| Resona Holdings, Inc.           | 8,520       | 5.03%      | 2007/2/28                               | 2007/3/6    | 2                |
| Resona Bank                     | 3,671       | 2.17%      |   |             |                  |
| Resona Trust & Banking          | 4,526       | 2.67%      |   |             |                  |
| Kinki Osaka Bank                | 323         | 0.19%      |   |             |                  |



# The list of Unitholders

## 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         |
|    | <b>Total</b>  | <b>87,644</b>   | <b>51.74</b> |

## 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         |
|    | <b>Total</b>  | <b>92,396</b>   | <b>47.99</b> |

## As of Jan. 31, 2007

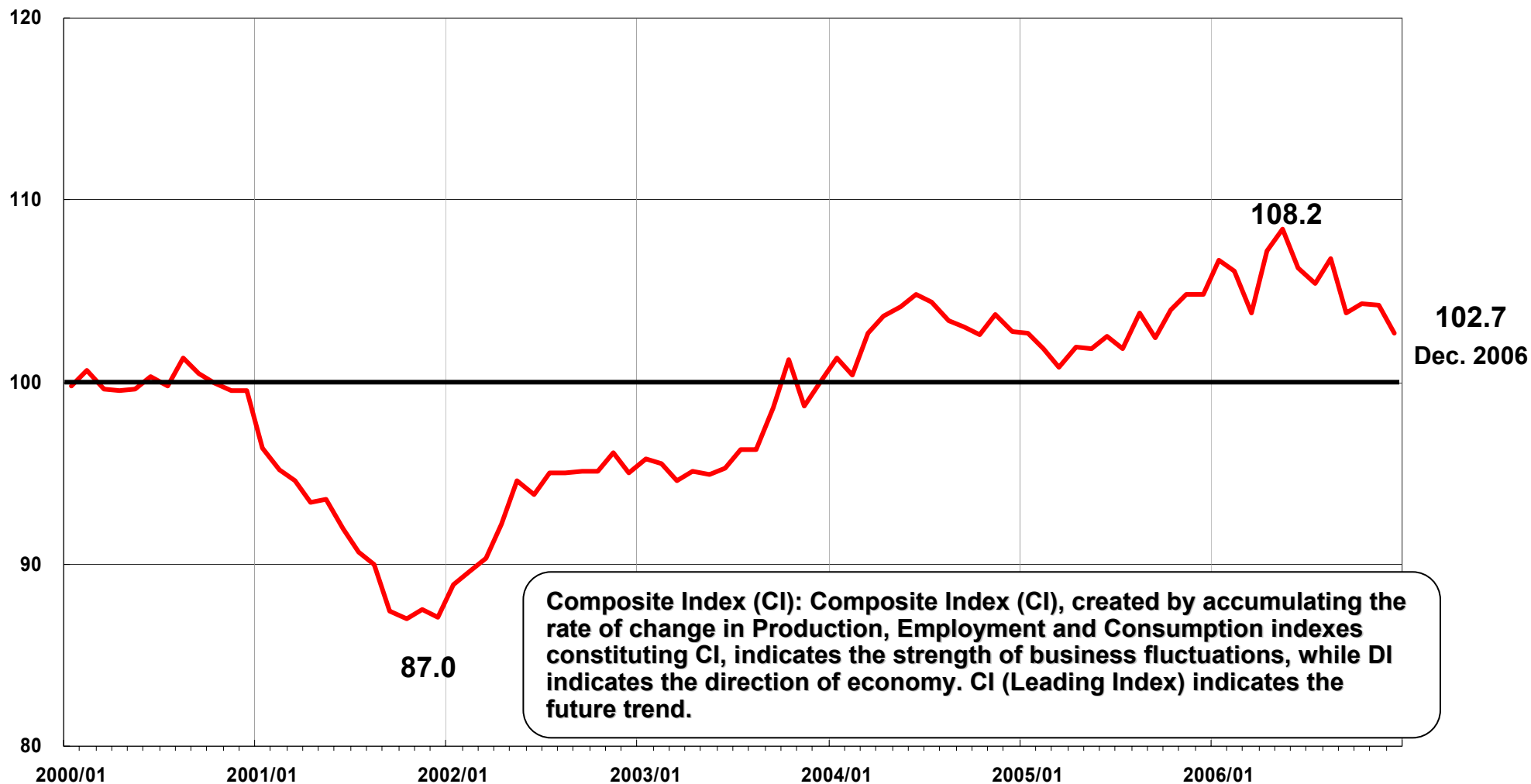
|    | Investors   | # of Units Held | Share (%)    |
|----|---|-----------------|--------------|
| 1  | Japan Trustee Services Bank Ltd.                                      | 16,184          | 9.55         |
| 2  | NikkoCiti Trust and Banking Corporation                               | 12,046          | 7.11         |
| 3  | The Master Trust Bank of Japan, Ltd.                                  | 8,140           | 4.81         |
| 4  | Trust & Custody Services Bank, Ltd                                    | 6,775           | 4.00         |
| 5  | kawasaki Gakuen   | 6,000           | 3.54         |
| 6  | Tokyu Corporation   | 5,880           | 3.47         |
| 7  | CB London Standard Assurance, Ltd.                                    | 5,012           | 2.96         |
| 8  | AIG Star Life Insurance Co., Ltd.                                     | 4,871           | 2.88         |
| 9  | Resona Bank, Ltd.   | 4,506           | 2.66         |
| 10 | Tokyu Land Corporation  | 3,920           | 2.31         |
| 11 | Bank of New York, Treaty JASDEC Account                               | 3,665           | 2.16         |
| 12 | The Hiroshima Bank Ltd.   | 3,584           | 2.12         |
| 13 | The Nomura Trust and Banking Co., Ltd                                 | 3,569           | 2.11         |
| 14 | American Life Insurance Company                                       | 3,207           | 1.89         |
| 15 | The Gibraltar Life Insurance Co., Ltd.                                | 2,580           | 1.52         |
| 16 | The National Mutual Insurance Federation of Agricultural Cooperatives | 2,505           | 1.48         |
| 17 | The Hachijuni Bank, Ltd.  | 1,516           | 0.90         |
| 18 | The Shinwa Bank, Ltd.   | 1,415           | 0.84         |
| 19 | The Gunma Bank Ltd.   | 1,352           | 0.80         |
| 20 | The Chukyo Bank, Ltd.   | 1,344           | 0.79         |
|    | <b>Total</b>  | <b>98,071</b>   | <b>57.90</b> |



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## Market Review

## Composite Index (2000=100)



**Composite Index (CI):** Composite Index (CI), created by accumulating the rate of change in Production, Employment and Consumption indexes constituting CI, indicates the strength of business fluctuations, while DI indicates the direction of economy. CI (Leading Index) indicates the future trend.

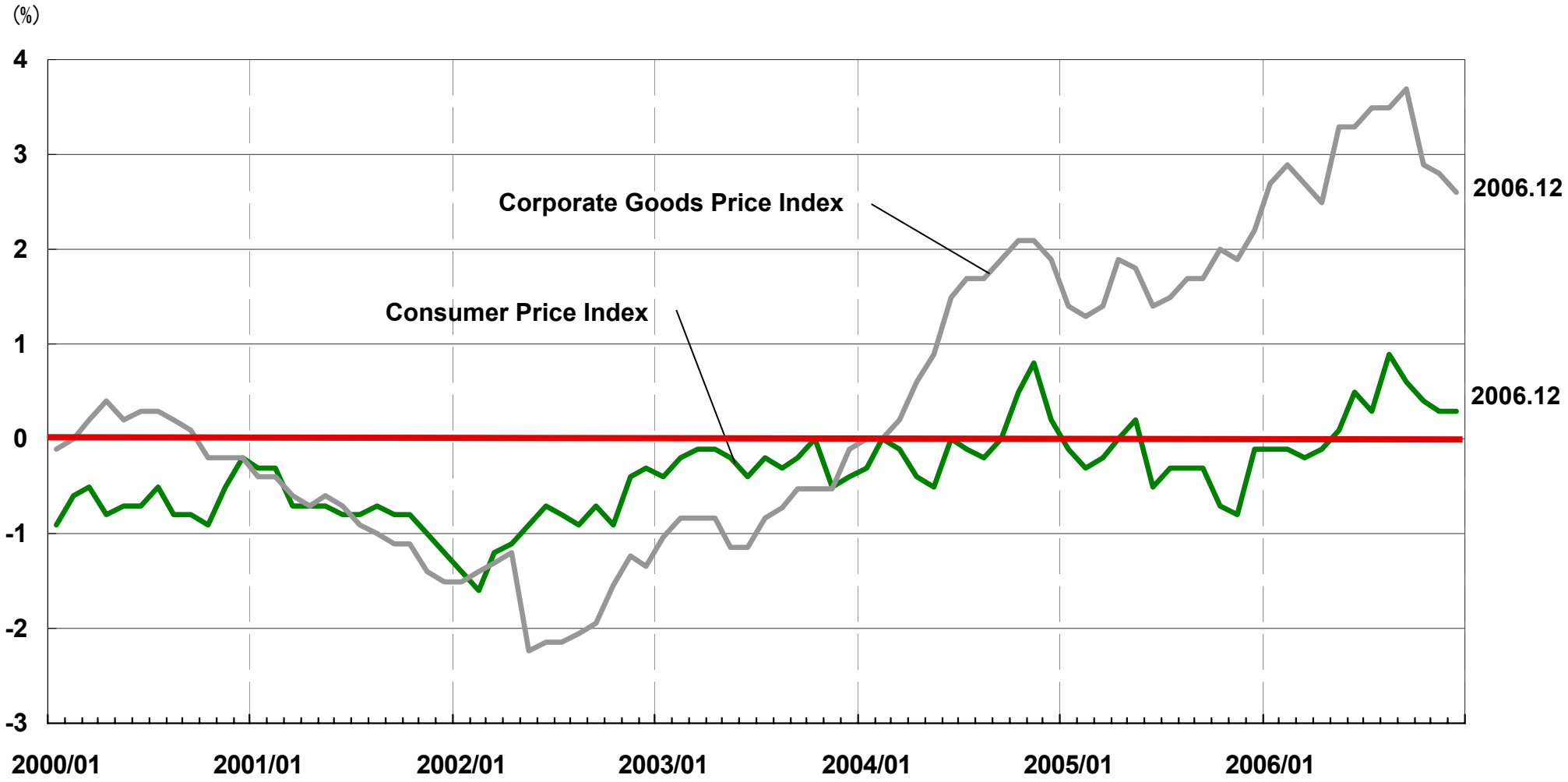
### Steady Recovery of Japanese Economy

Source: Cabinet Office

※ Comment by Tokyu REIM **42**

# Price Trend in Japan

## Price Index (YoY Change)

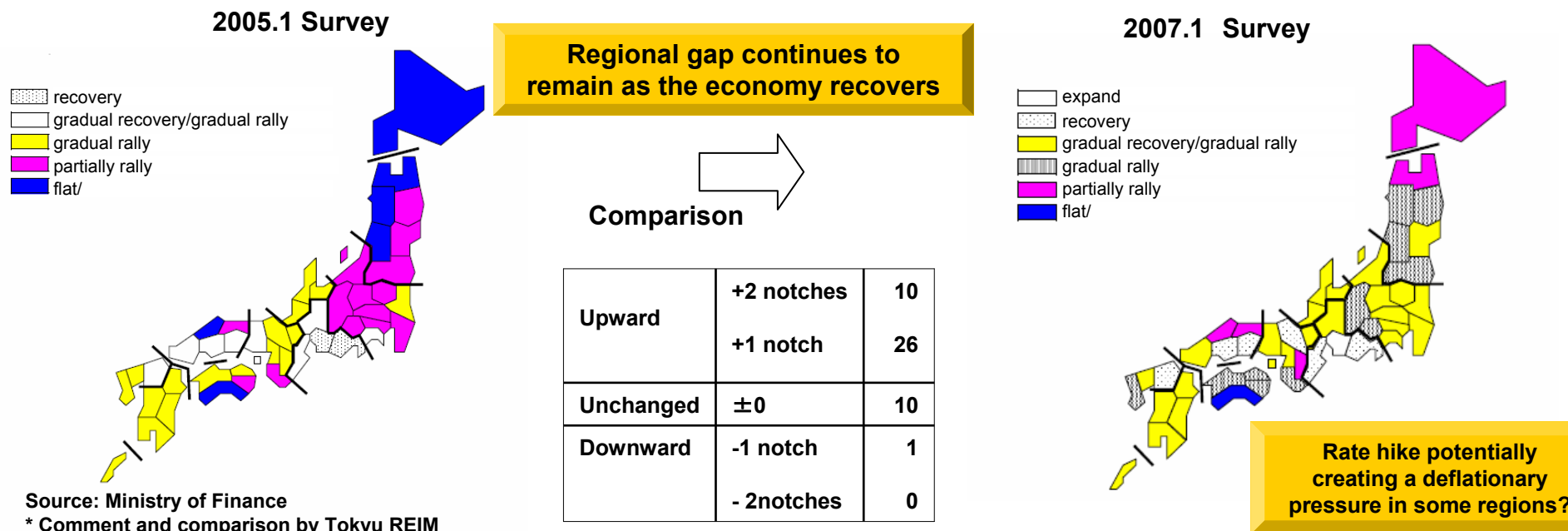


Source: Ministry of Internal Affairs and Communications, BOJ

※ Comment by Tokyu REIM

**Widening gap between leading corporate goods price index and consumer price index**

## Economic Conditions by Prefecture



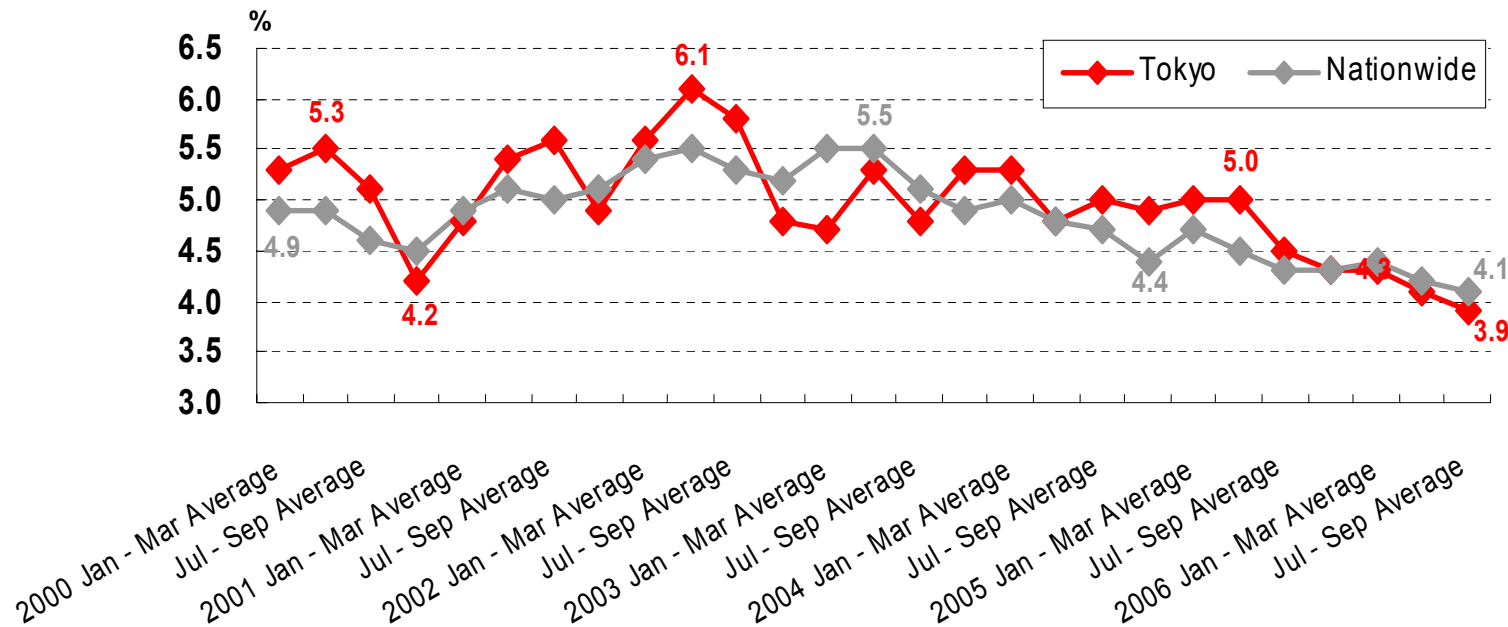
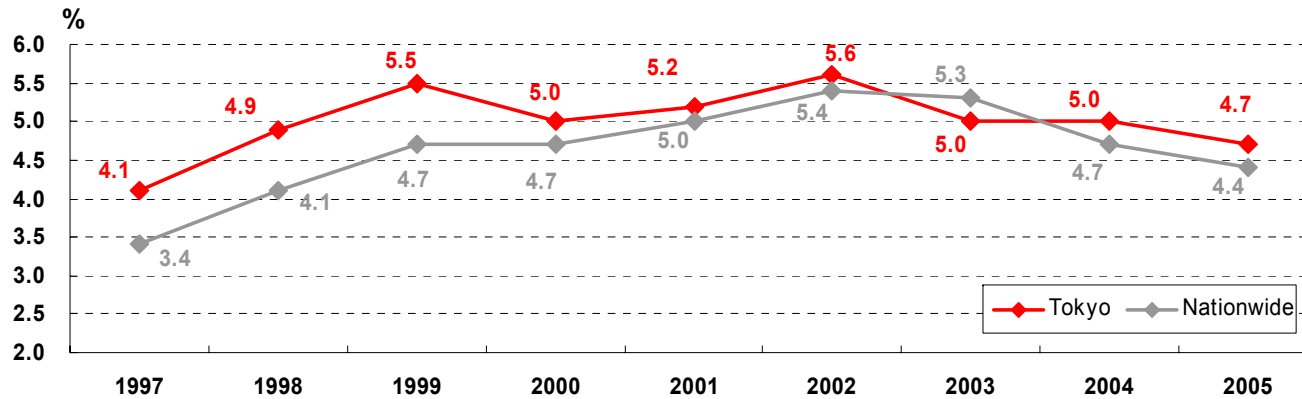
▪ "We can conclude that the Japanese economy has been continuing a moderate recovery overall though some regional gaps are seen in the overall condition of regional economies. Economic recovery movement in each region has been ensured."

(MoF "Economic Report of Ministry of Finance Local Finance Bureaus", January 22, 2007)

▪ "... the economy as a whole expanded moderately as all regions remained on an expansion or recovery trend, although there were regional differences. The degree and momentum of economic recovery, however, still varied: Kanto-Koshinetsu, Tokai, and Kinki described the economic activity as expanding, while the other regions described it as being on a recovery trend."

(BOJ "Regional Economic Report", January 12, 2007)

## Unemployment in Tokyo and Nationwide (Raw Data)

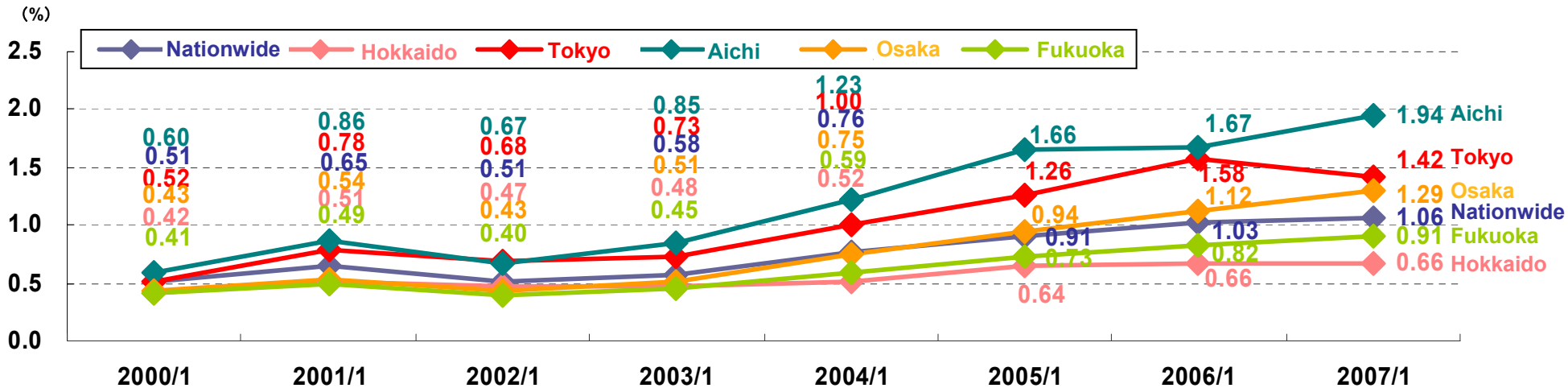


Source: Compiled by Tokyu REIM based on "Statistics of Tokyo," Ministry of Internal Affairs and Communications

The document is provided for information purpose only and is not intended as an inducement or invitation to invest and trade in securities issued by TOKYU REIT

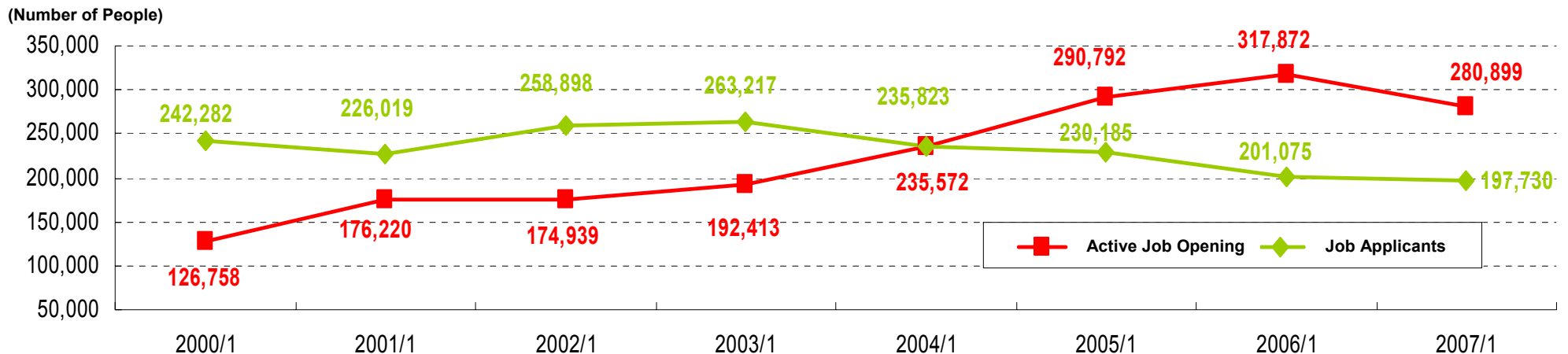
# Job Trend in Japan (Job Opening)

## Job to Applicant Ratio (Seasonally Adjusted)



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

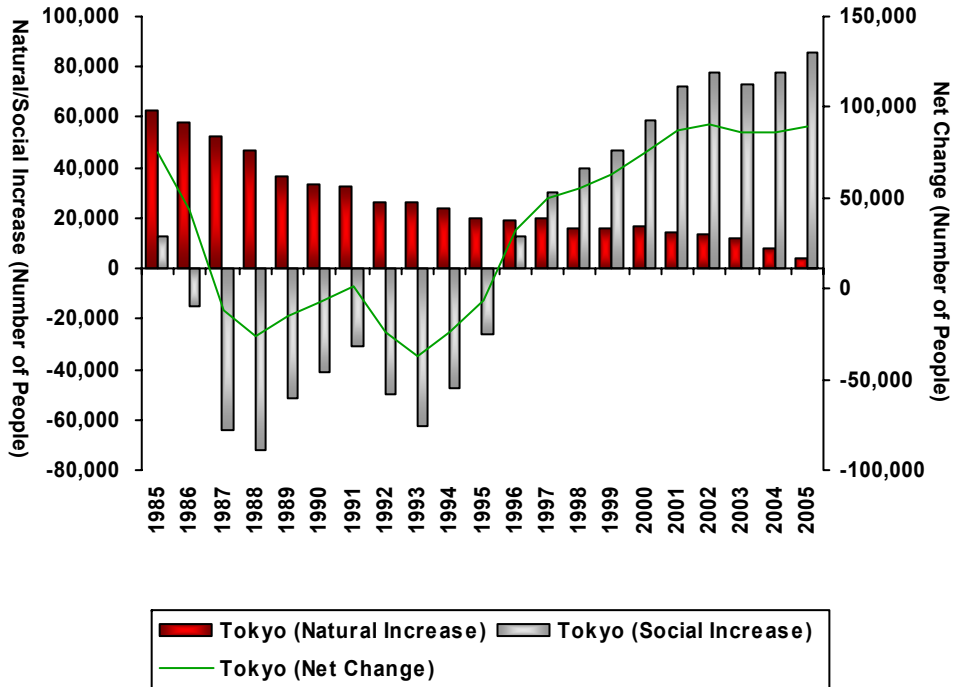
## Active Job Opening/Job Applicants in Tokyo



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

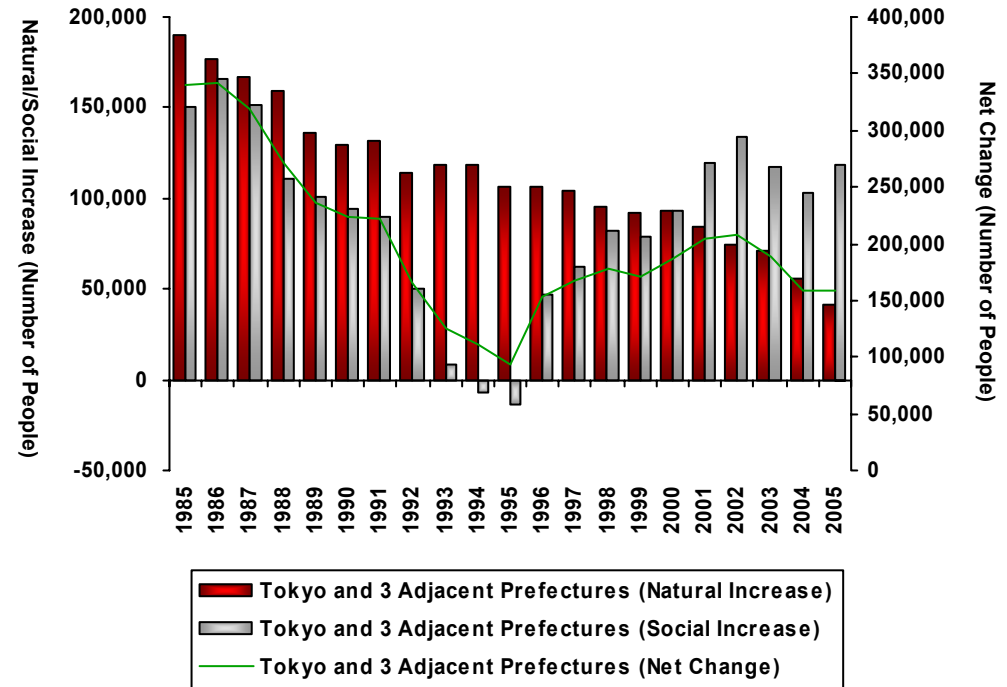
※ Comment by Tokyu REIM

## Population in Tokyo



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

## Population in Tokyo and 3 Adjacent Prefectures



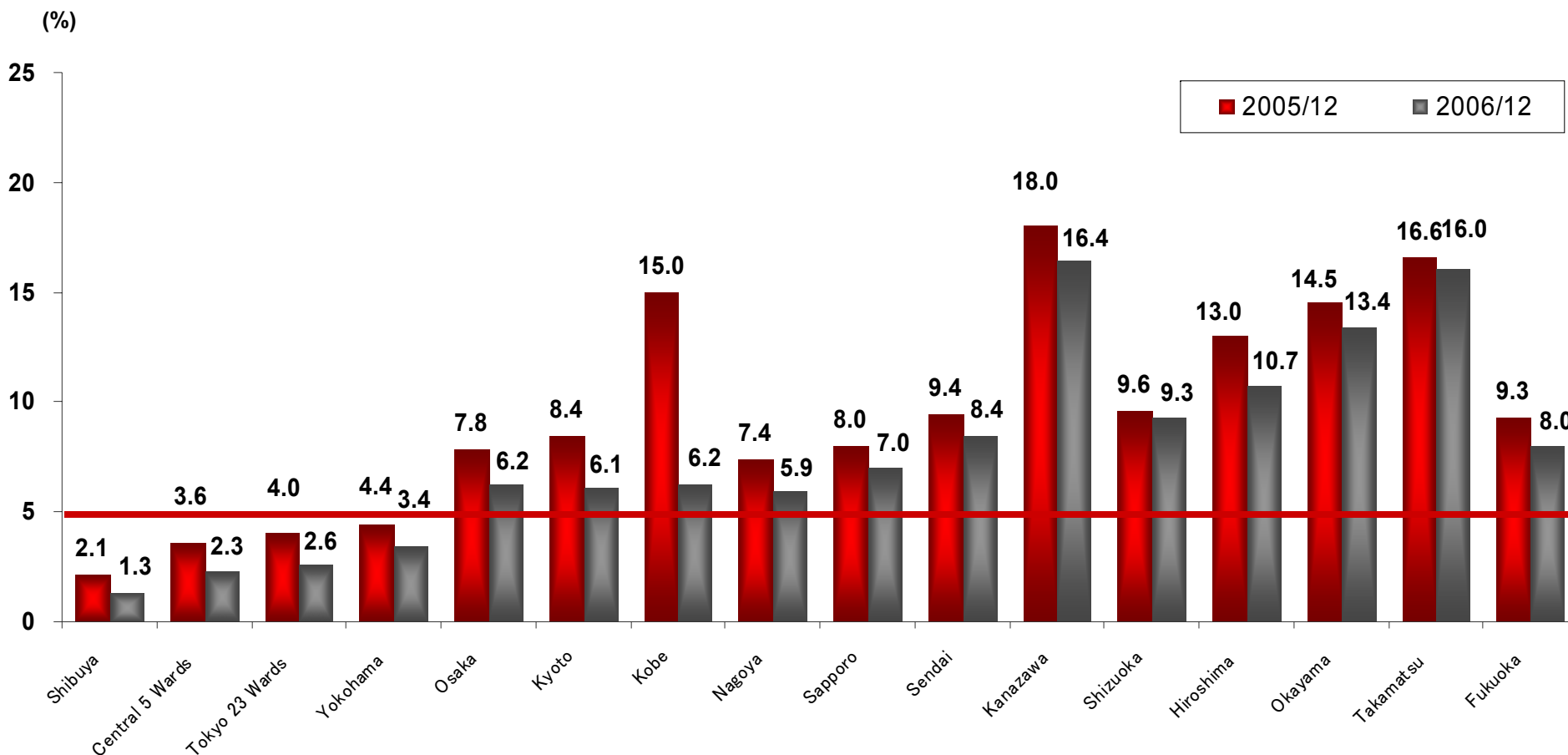
\* (Note) Source: Basic Resident Register, Management and Coordination Agency

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

\* Comment by Tokyu REIM



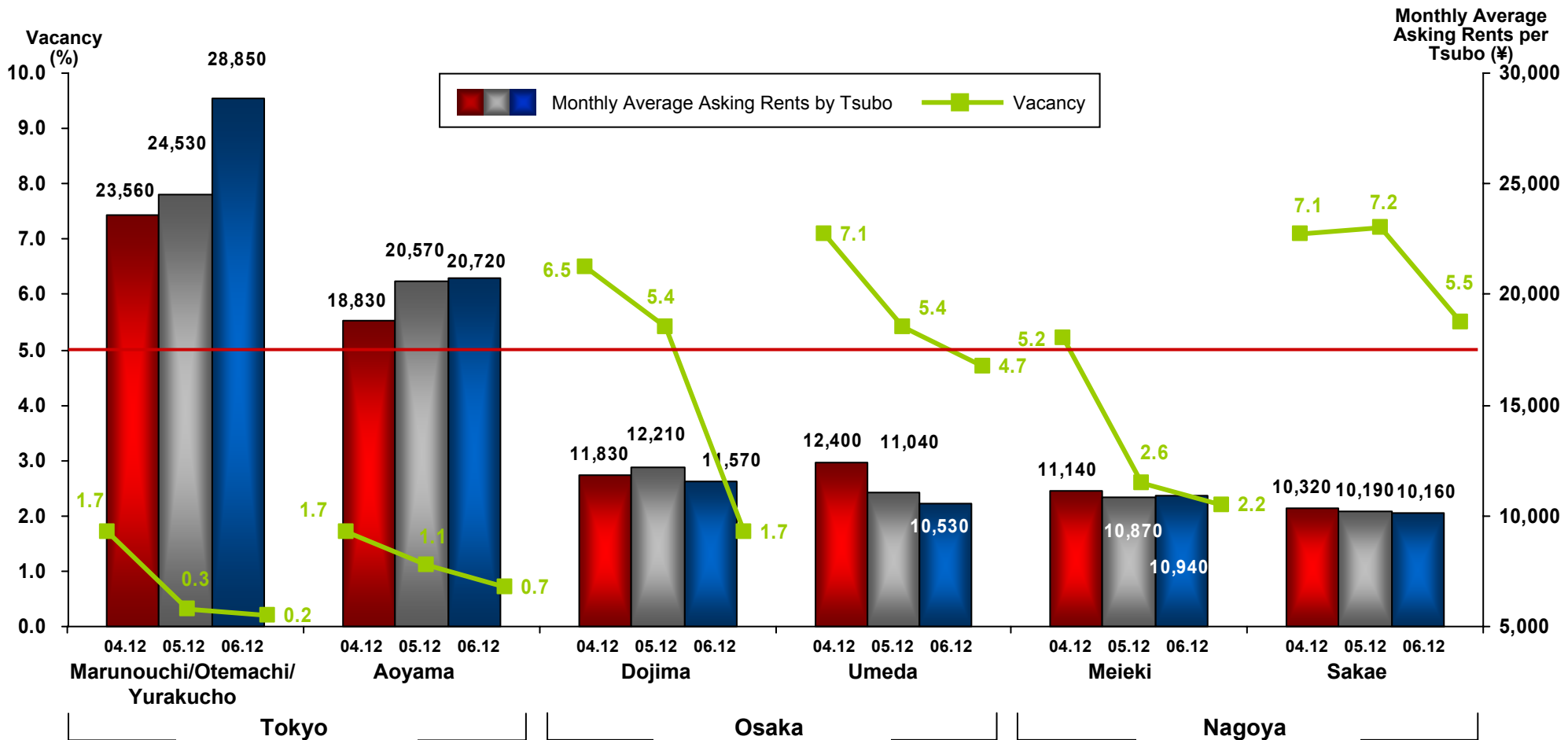
## Vacancy by Market



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

## Vacancy and Asking Rents for new tenant by Market

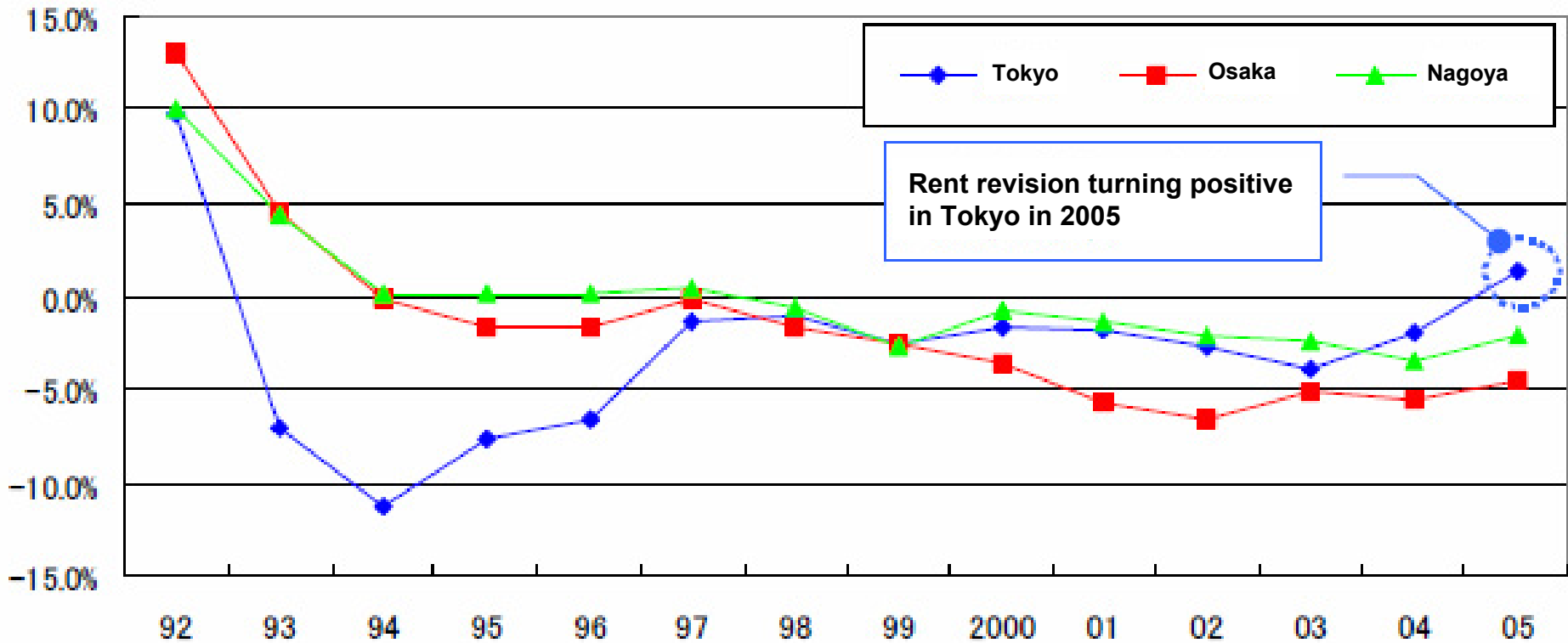
Significant drop in vacancy in prime locations in three cities. Asking rents rising in Tokyo



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

\* Comment by Tokyu REIM

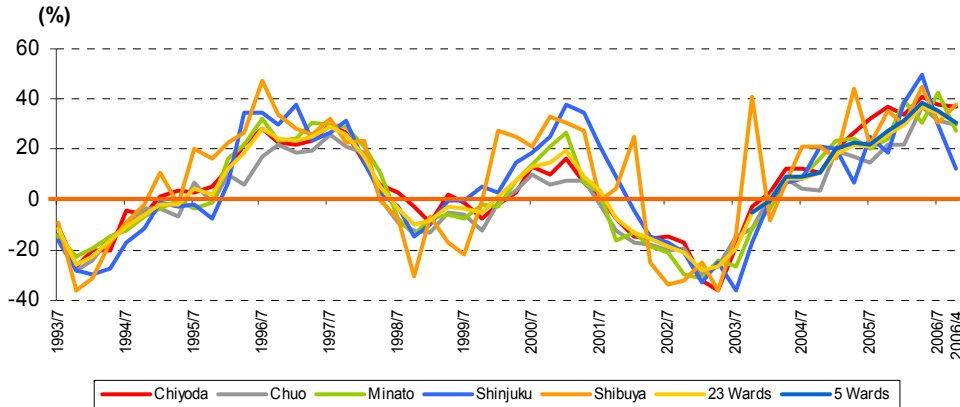
## Office Rent Revision in 3 Major Cities (Tokyo, Nagoya and Osaka)



Source: Survey by Ikoma Data Service System (released on December 13, 2006)

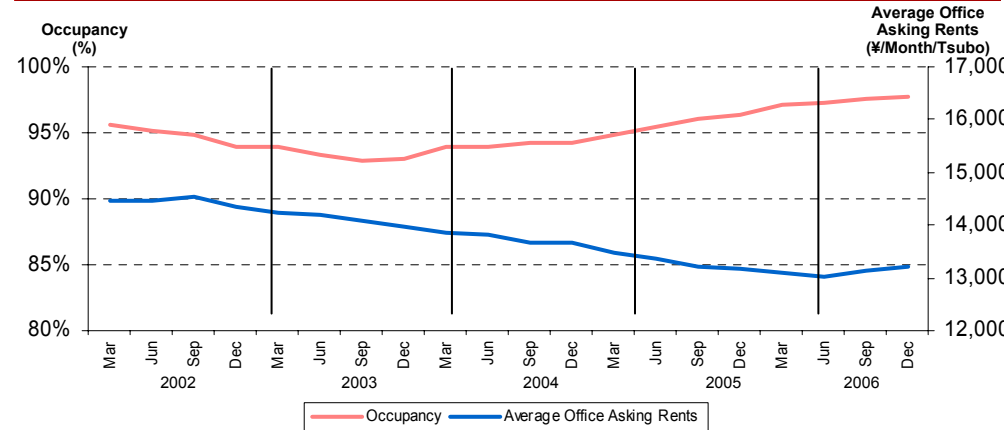
# Office Leasing Market Overview (4)

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



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

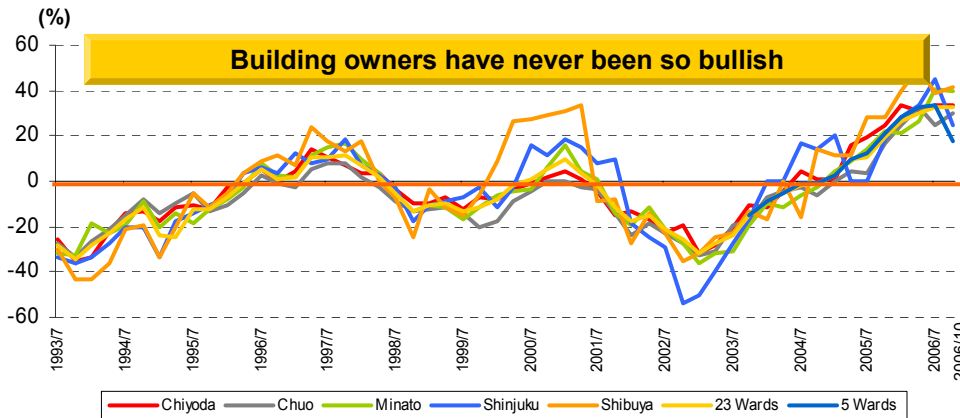
## Occupancy and Asking Rents in 5 Central Wards of Tokyo



**Somewhat mixed depending on size and specification, but average asking rents have bottomed out in central Tokyo**

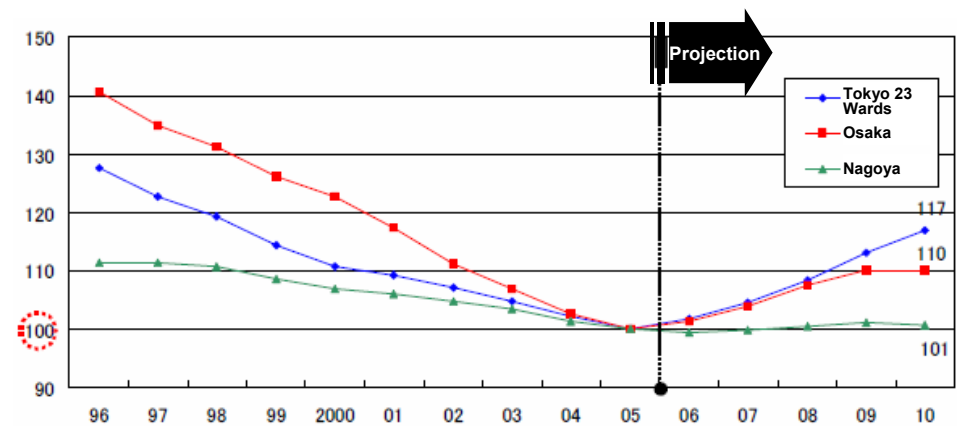
Source: Based on survey by Ikoma Data Service System ※Comment by Tokyu REIM

## 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 – Oct. 2006) Index for “5 Wards” calculated by Tokyu REIM based on the above data

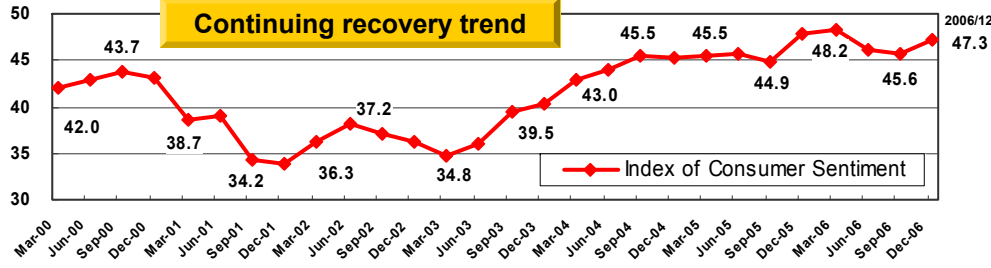
## Rent Estimate in 3 Major Cities (2005=100)



Source: Based on survey by Ikoma Data Service System

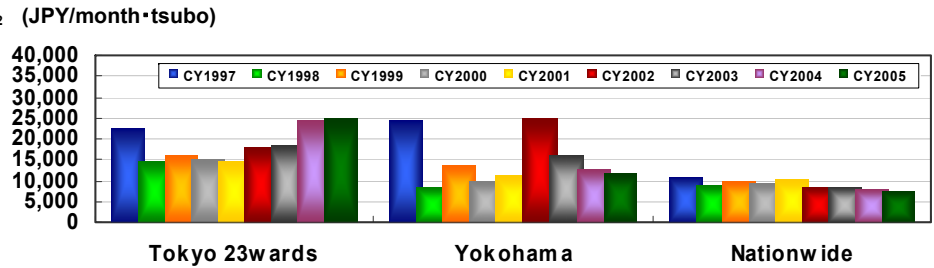
# Retail Leasing Market Overview

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

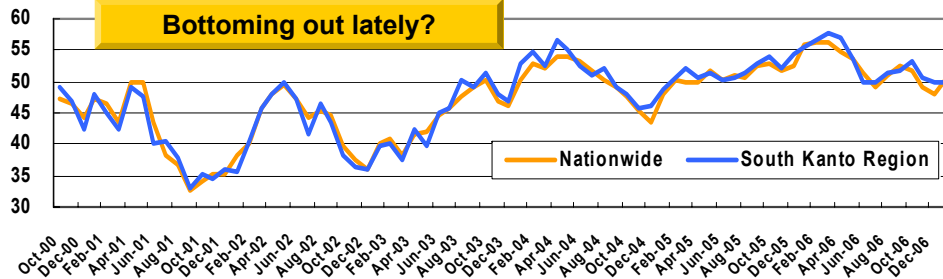


Source: Cabinet Office "Consumer Confidence Survey"

## Average Rent of SC Tenants (Key Tenant)

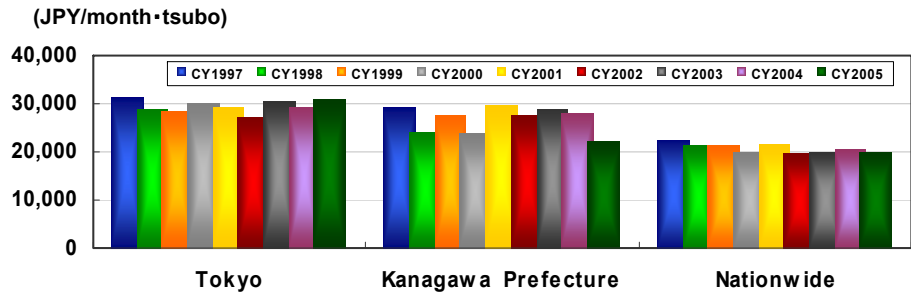


## Economy Watchers Survey (Leading Indicator: Household Related)

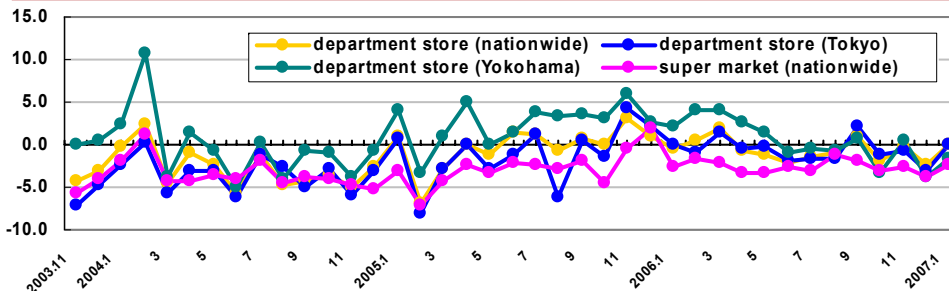


Source: Cabinet Office "Consumer Confidence Survey"

## Average Rent of SC Tenants (Restaurants)

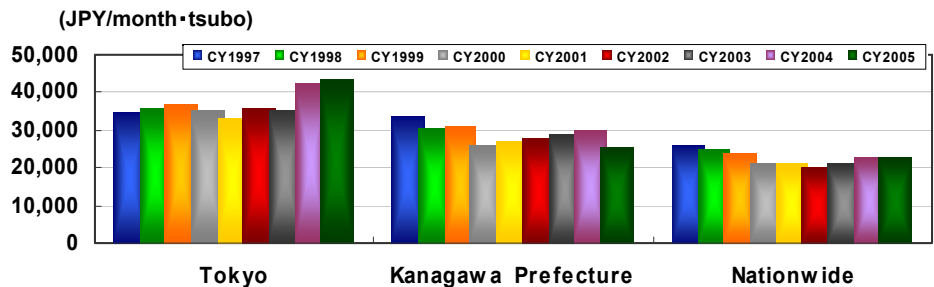


## Department Store/GMS Sales (YoY Change)



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

## Average Rent of SC Tenants (Retail Stores)



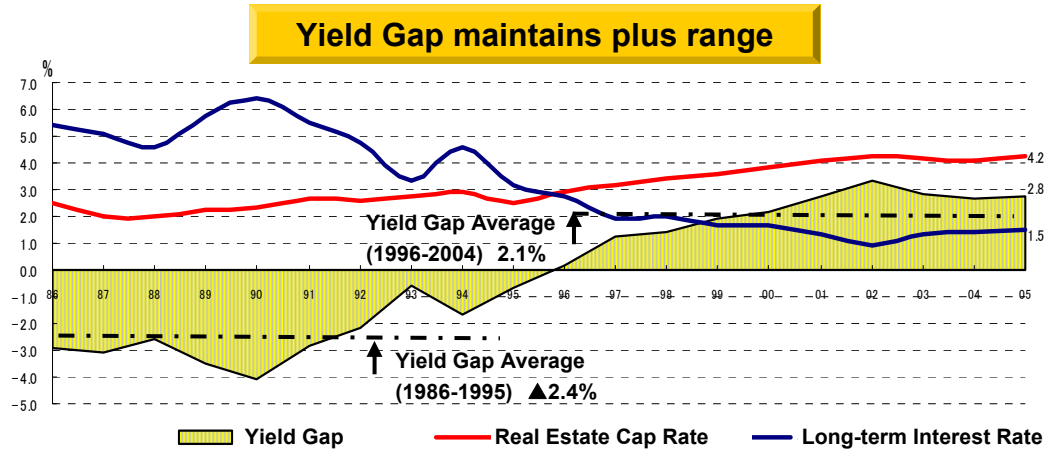
Source: Survey on shopping center rent and common service charge by Japan Council of Shopping Centers

# Real Estate Market Overview (1) (Trading Market)

## Real Estate transparency score (CY2006)

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

| 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             |



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

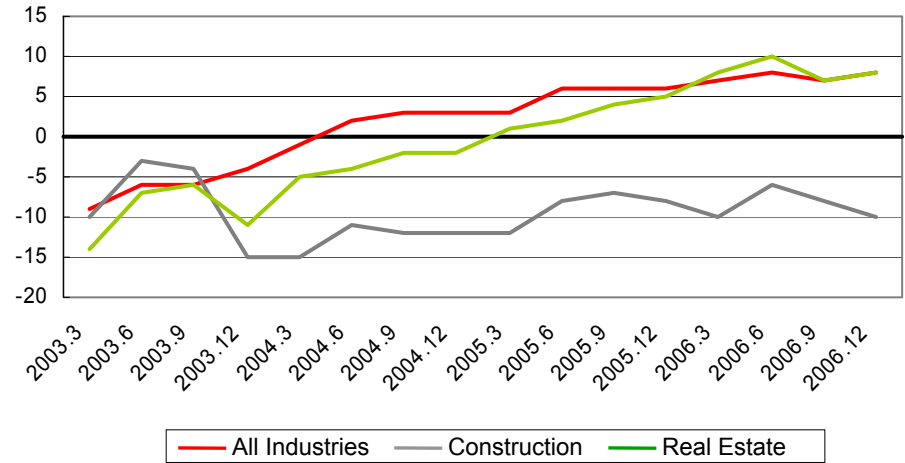
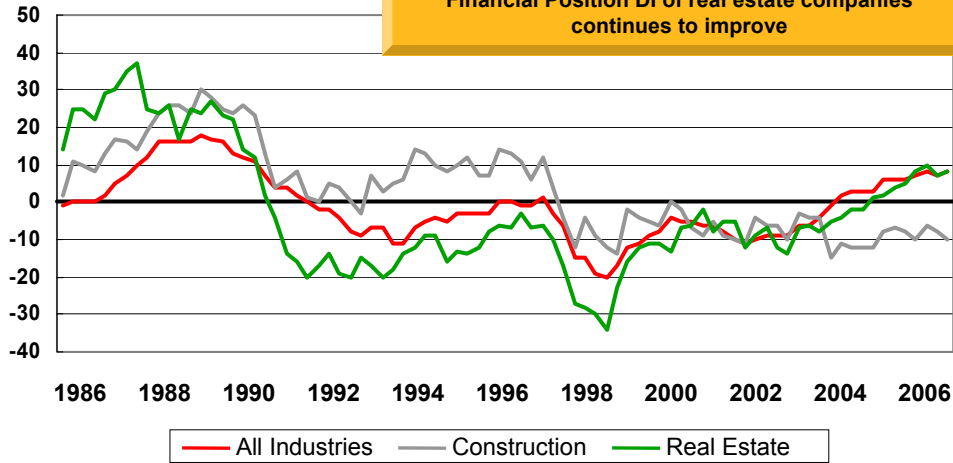
Source : Jones Lang Lassale

※ comment by Tokyu REIM

# Real Estate Market Overview (2)

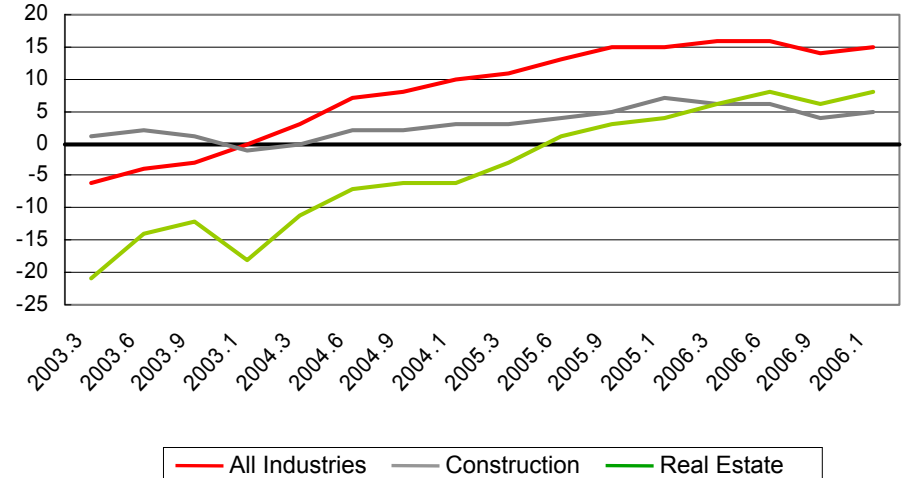
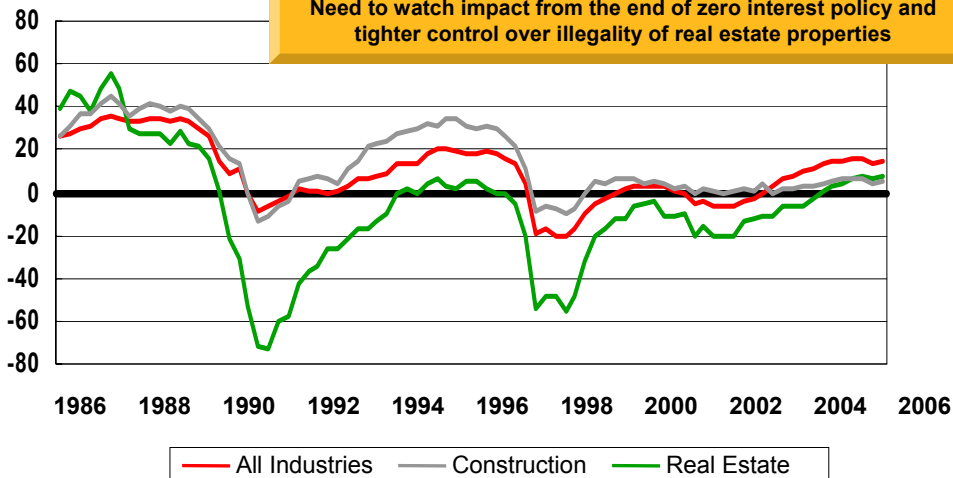
## Financial Position DI by Industry

Financial Position DI of real estate companies continues to improve



## Lending Attitude DI by Industry

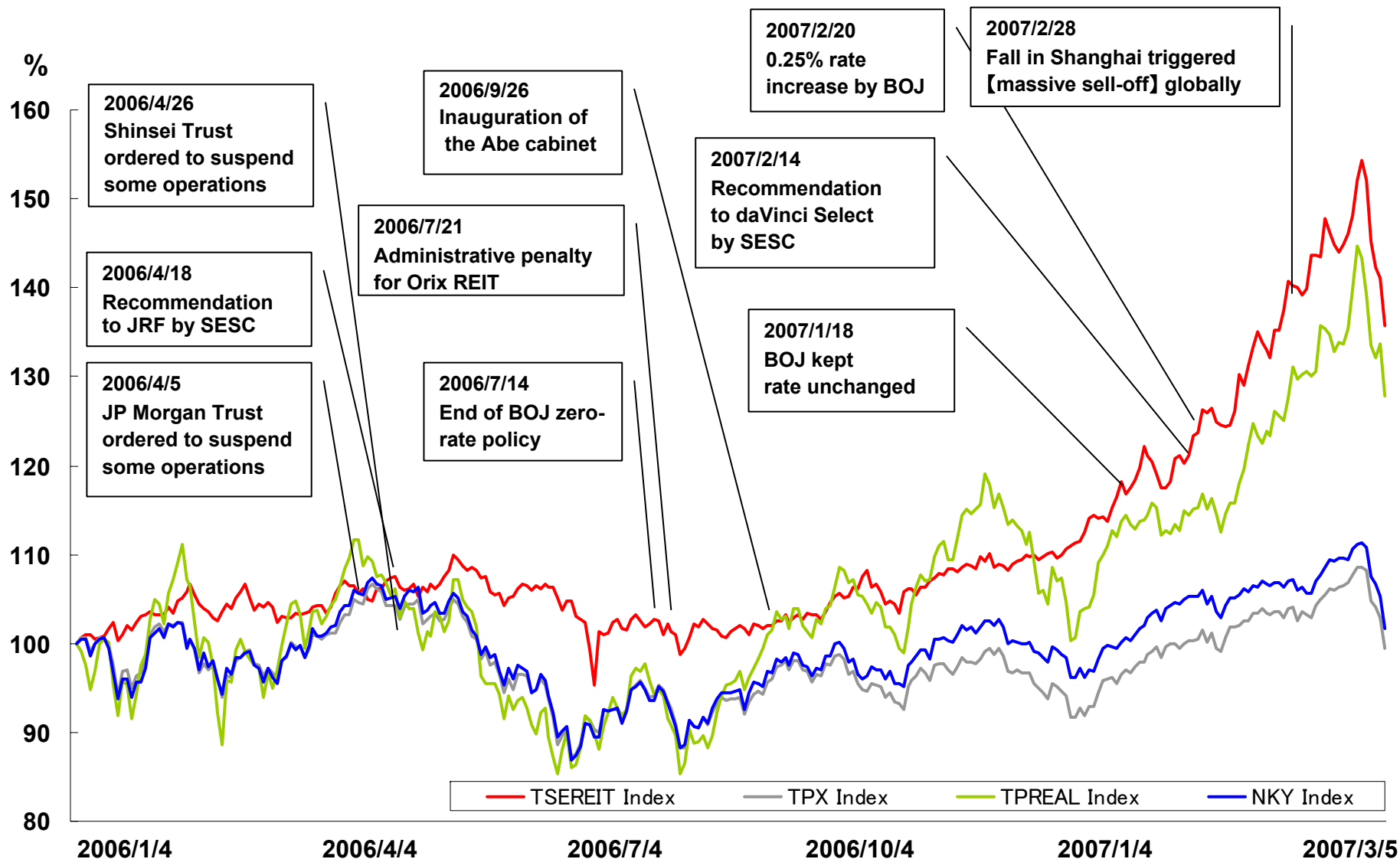
Need to watch impact from the end of zero interest policy and tighter control over illegality of real estate properties



Source: BOJ "Tankan"

※Comment by Tokyu REIM

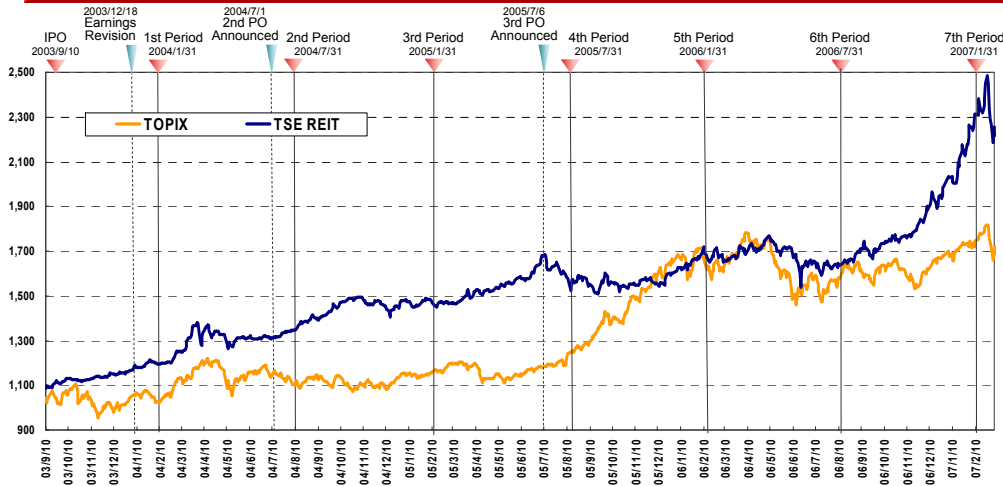
# REIT Market Overview (1) Events and Market Trends (Jan. 4, 2006 = 100)



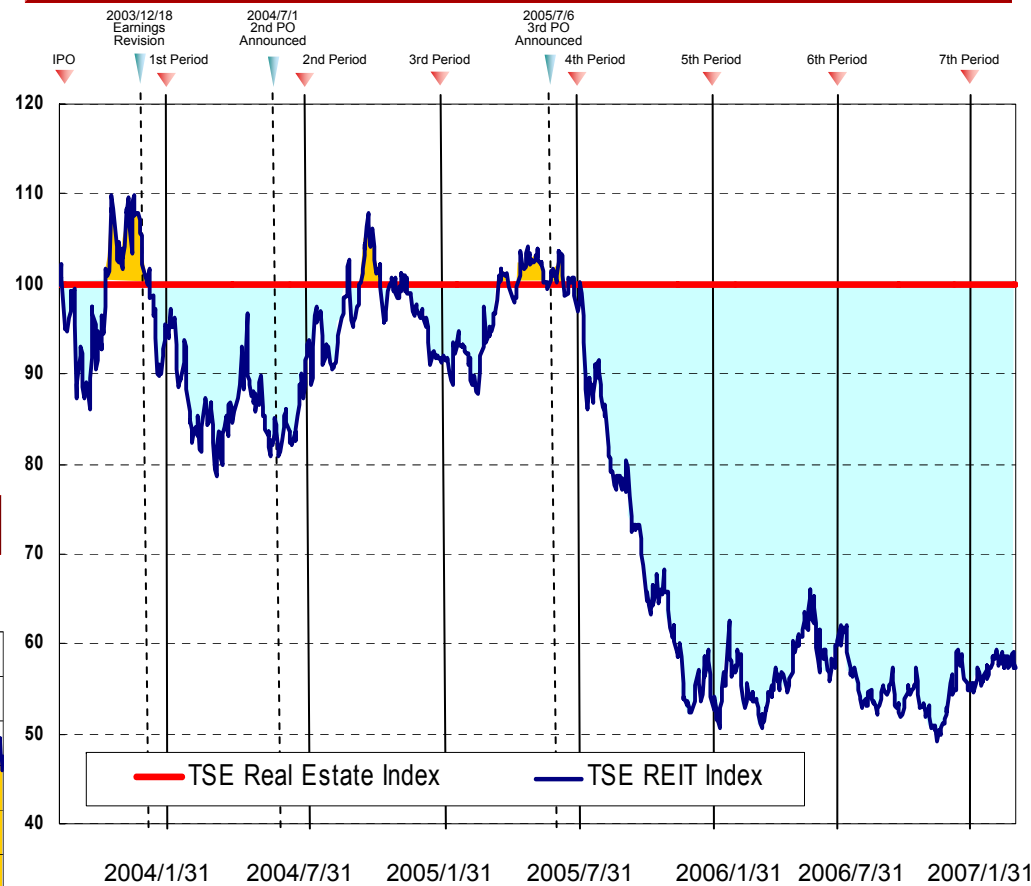


# REIT Market Overview (2)

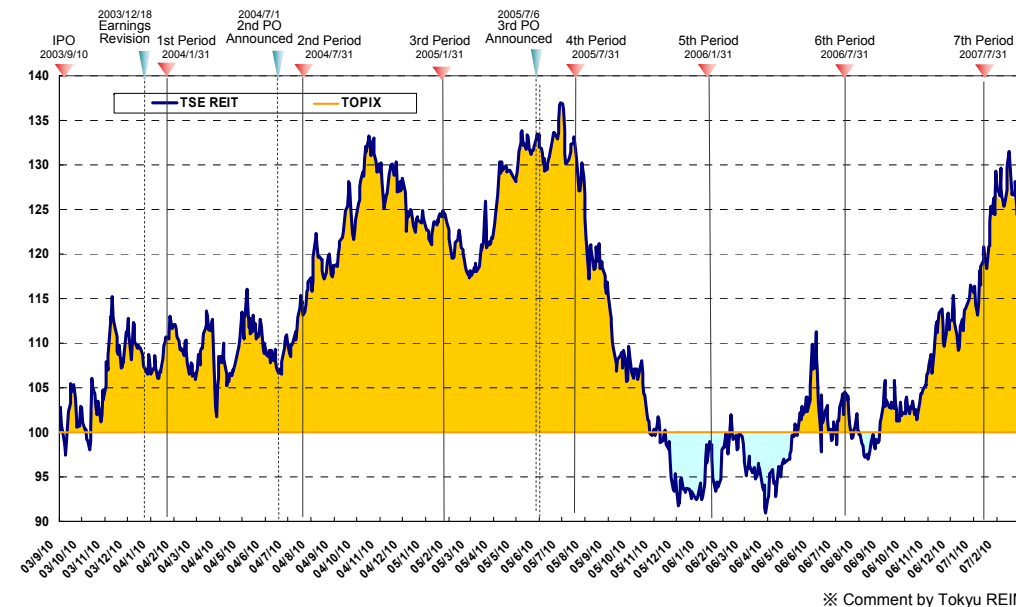
## TOPIX and TSE REIT Index Performance



## TSE REIT Index Performance (TSE Real Estate Index=100)



## TSE REIT Index Performance (TOPIX=100)

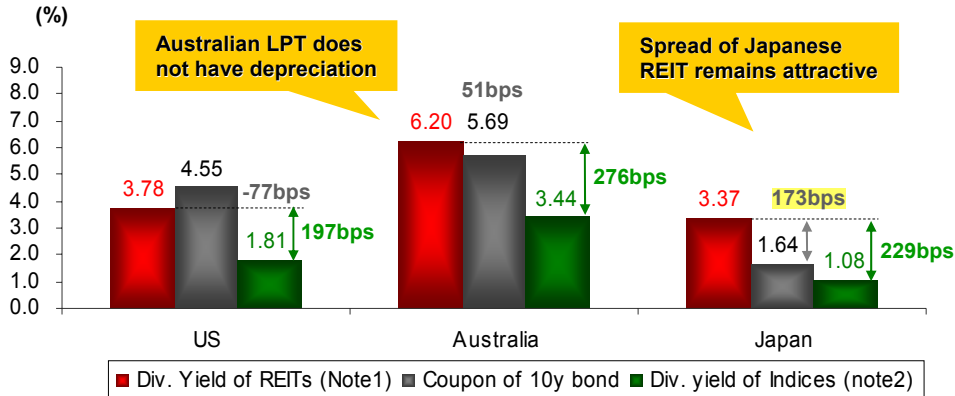


**Since last fall, TSE REIT Index has been outperforming TOPIX, while trading in a certain range against TSE Real Estate Index**

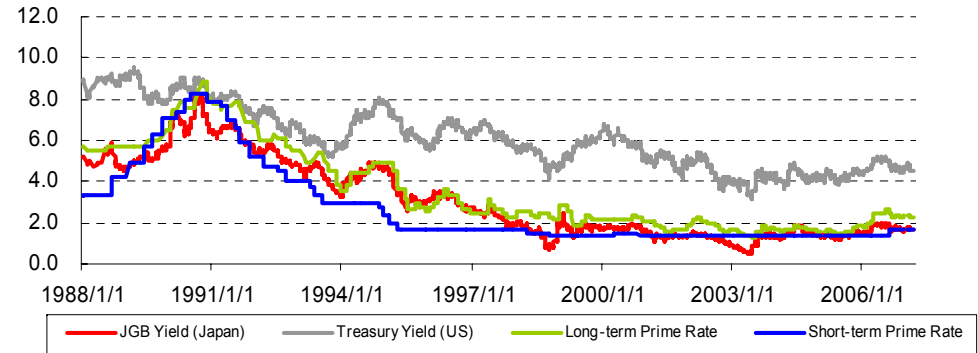
※ Relative Change in TSE REIT Index When TSE Real Estate Indexed to 100 (2003.9.10 = 100)

# REIT Market Overview (3)

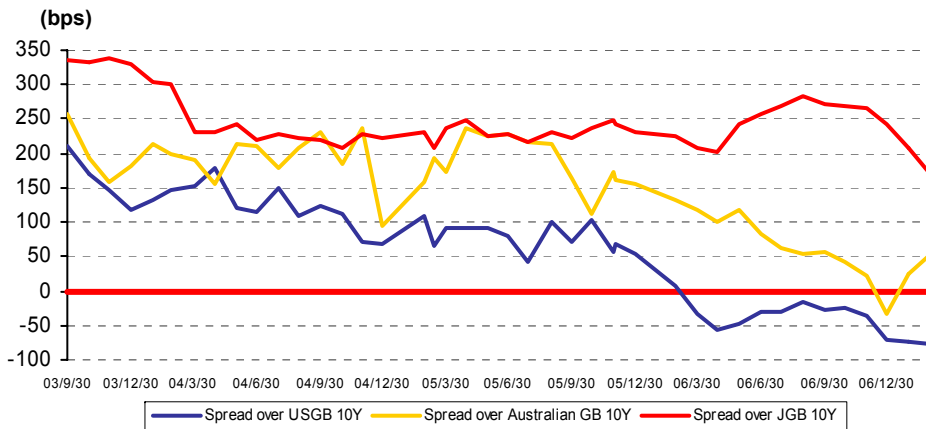
## Spread Over Risk Free Rate



## Major Interest Rates

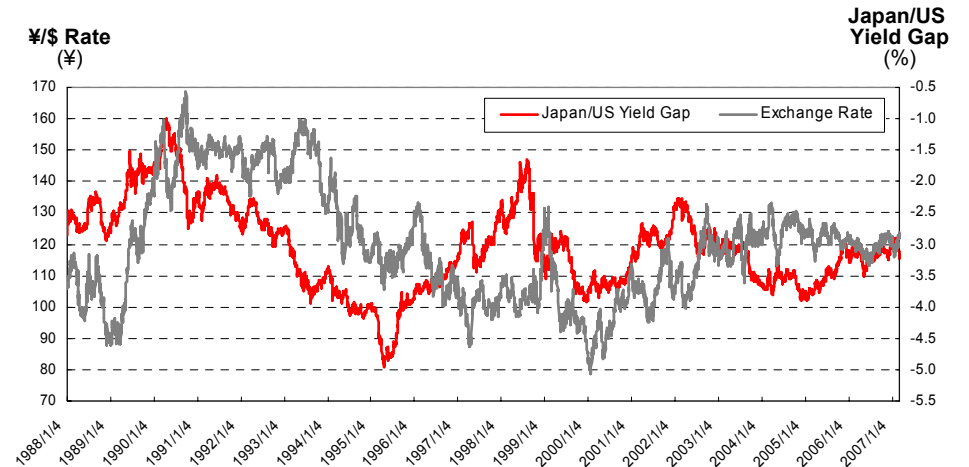


## Spread Comparison



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

## Japan/US Yield Gap vs. Exchange Rate

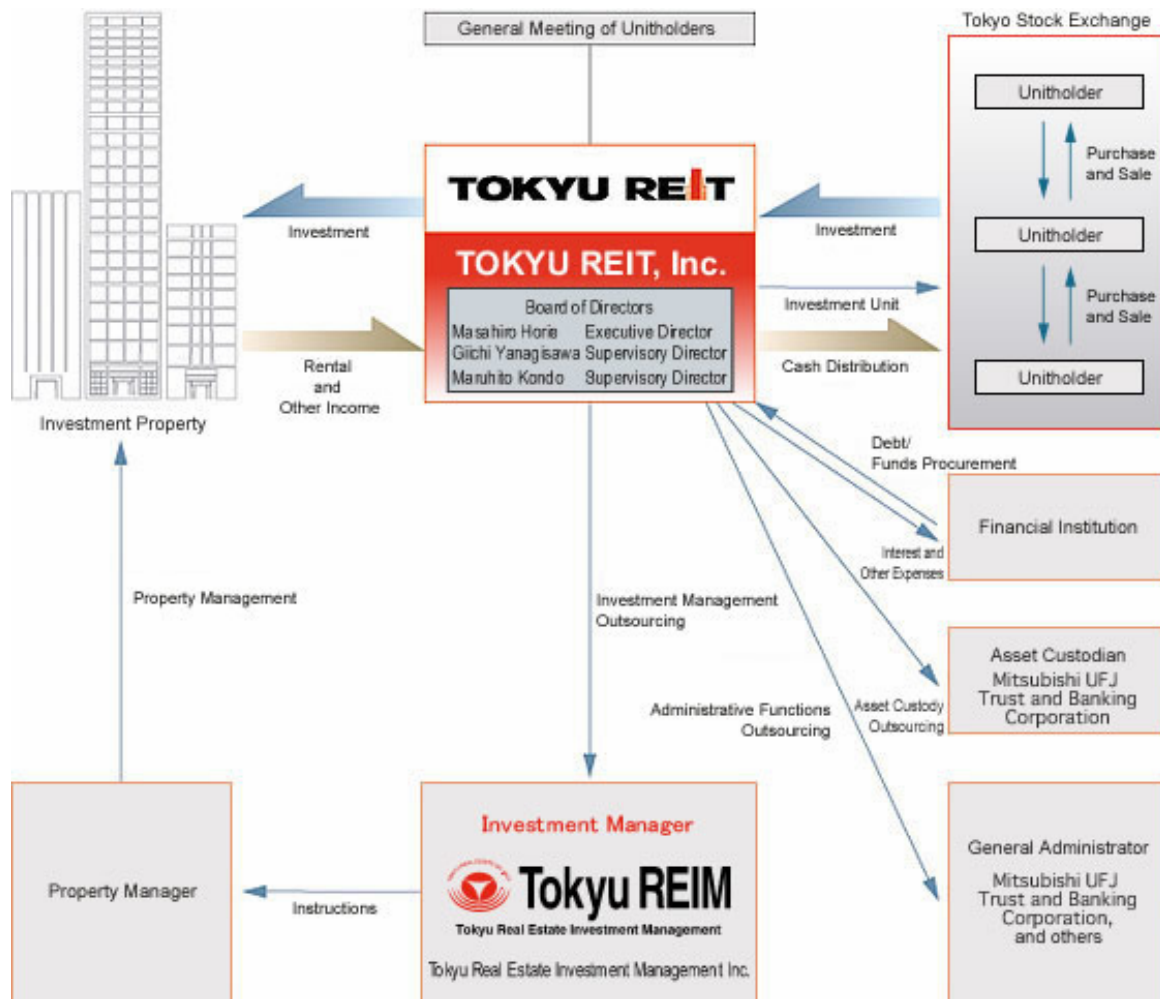


**Japanese real estate yield highlighted positively through forward rate by widening interest gap**



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## Governance



## TOKYU REIT, Inc.

- Listed: September 10, 2003
- Units Outstanding: 169,380 units
- Accounting Period: January and July
- Executive Director: Masahiro Horie
- Supervisory Director: Giichi Yanagisawa
- Supervisory Director: Maruhito Kondo

## Tokyu Real Estate Investment Management Inc.

- Established: June 27, 2001
- Business: Investment management
- Paid-in Capital: ¥300 million
- Shareholders: Tokyu Corporation (60%)  
Tokyu Land Corporation (40%)

### 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 Investment 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 Investment 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 Investment 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

- 99 meetings held (by end of 6th Period)
- Average meeting time: 88 minutes
- 188 resolutions and 426 reports in total (1.9 resolutions and 4.3 reports per meeting)

• Attendance

| Name                    | Role                  | Attendance |          | Absence | Rate of Attendance |
|-------------------------|-----------------------|------------|----------|---------|--------------------|
|                         |                       |            | by phone |         |                    |
| Masahiro Horie          | Executive Director    | 99         | —        | —       | 100%               |
| Giichi Yanagisawa       | Supervisory Director  | 98         | 3        | 1       | 99%                |
| Maruhito Kondo          | Supervisory Director  | 99         | 2        | —       | 100%               |
| Mitsubishi UFJ T&B      | General Administrator | 99         | —        | —       | 100%               |
| Mori Hamada & Matsumoto | Legal Counsel         | 95         | 8        | 4       | 95%                |

### 3. Remuneration of Directors

- (1) Structure
- Flat remuneration only, bonus linked to performance is not paid to allow 100% distribution of distributable profit.
  - 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

|                   | Monthly Remuneration |             | Main Occupation  |
|-------------------|----------------------|-------------|--|
|                   | Before               | After       |  |
| Masahiro Horie    | -                    | -           | Also serve as CEO of Investment Manager (approved by FSA)        |
| Giichi Yanagisawa | 400,000 yen          | 500,000 yen | Representative of Shinsoh Audit Corporation, CPA, Tax Accountant |
| Maruhito Kondo    | 400,000 yen          | 500,000 yen | Head of Maruhito Kondo Law Office, Attorney                      |

\* Remuneration of supervisory directors will be revised to reflect increased hours on duty and the level of remuneration for a similar position (in May 2007)

\* Executive Director also serves as CEO of Investment Manager, but he has submitted a letter to the Board stating that he works for maximization of unitholders' value and deals with potential conflicts of interest with caution of a bona fide administrator and fiduciary duty

(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) PricewaterhouseCoopers Arata was temporarily appointed as Accounting Auditor on July 14, 2006 upon resignation of Chuo Aoyama

- (4) PricewaterhouseCoopers Arata will be appointed as Accounting Auditor at 3<sup>rd</sup> General Meeting of Unitholders to be held on April 17, 2007

(4) Financials in 7th Period were audited by:

| Company     | Name             | Audit Experience |
|-------------|------------------|------------------|
| Arata Audit | Takashi Sasaki   | 1 period ※       |
|             | Katsushi Matsuki | 4 periods ※      |

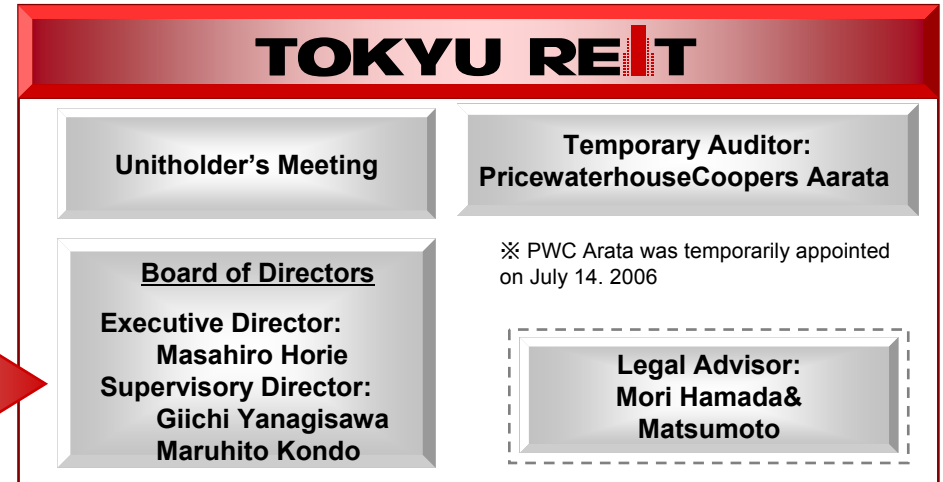
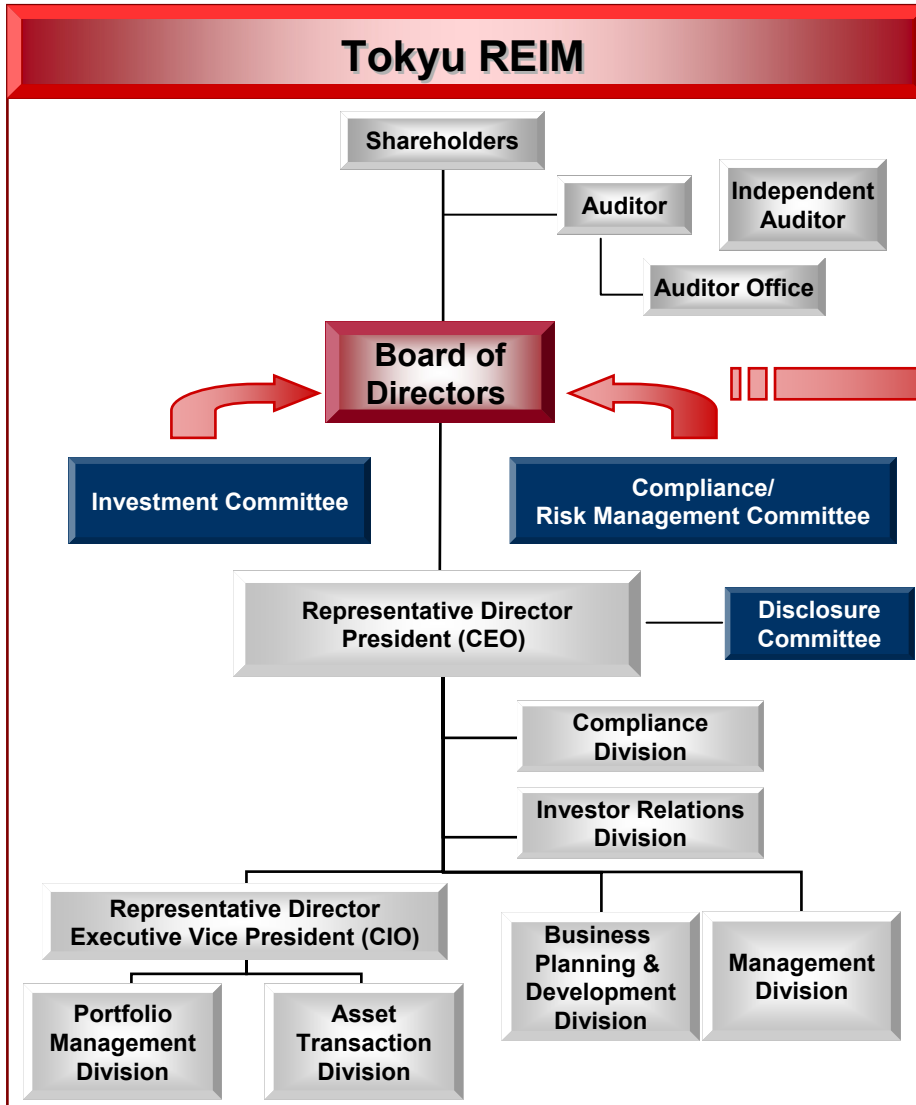
※ Inc. experience at Chuo Aoyama

### 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) Investment 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



- 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

#### Investment 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 |  | 1st Period | 2nd Period | 3rd period | 4th Period | 5th Period | 6th Period | 7th Period |     |     |     |     | Total |     |
|---------------|--|------------|------------|------------|------------|------------|------------|------------|-----|-----|-----|-----|-------|-----|
|               |  |            |            |            |            |            |            | Aug        | Sep | Oct | Nov | Dec |       | Jan |
| TOKYU REIT    | Unitholders' Meeting   | 1          |            |            | 1          |            |            |            |     |     |     |     |       | 2   |
|               | Board of Directors Meeting   | 22         | 16         | 11         | 16         | 10         | 12         | 2          | 2   | 2   | 2   | 2   | 2     | 99  |
| Tokyu REIM    | Board of Directors Meeting   | 22         | 15         | 7          | 14         | 9          | 13         | 1          | 3   | 2   | 2   | 1   | 2     | 91  |
|               | Investment Committee   | 24         | 9          | 7          | 14         | 12         | 12         | 1          | 2   | 2   | 0   | 0   | 2     | 85  |
|               | Compliance/Risk Management Committees  | 17         | 12         | 11         | 10         | 12         | 12         | 1          | 2   | 2   | 2   | 1   | 2     | 84  |
|               | Third party evaluation whether each related-party transaction complies with the rule | 5          | 6          | 2          | 2          | 0          | 1          | 0          | 2   | 0   | 0   | 0   | 2     | 20  |

※1 – 7 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    | Sep/2006   | Payment of Invest Management Fee (Base 2) to Tokyu Real Estate Investment Management                            |
| 2    |            | Payment of Invest Management Fee (Incentive) to Tokyu Real Estate Investment Management                         |
| 3    |            | Execution of Sigma Hatchobori PM Agreement (Tokyu Land Corporation)   |
| 4    |            | Execution of CONZE Ebisu PM Agreement (Tokyu Corporation)   |
| 5    | Jan/2007   | Rent revision of Tokyu Nampeidai-cho Bldg. and Tokyu Sakuragaoka-cho Bldg. with their tenant, Tokyu Corporation |
| 6    |            | Payment of Invest Management Fee (Base 1) to Tokyu Real Estate Investment Management                            |

## 1. Overview

### (1) Current Board Members

**3 Members: 1 Executive Director and 2 Supervisory Directors**

### (2) CEO of Tokyu REIM, our Investment 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) Remuneration of Supervisory Directors will be revised to reflect increased hours on duty and the level of remuneration for a similar position (from JPY400,000 to JPY500,000 in May 2007)**

**(5) Executive Director also serves as CEO of Investment Manager, but he has submitted a letter to the Board stating that he works for maximization of unitholders' value and deals with potential conflicts of interest with caution of a bona fide administrator and fiduciary duty**

## 2. Historical Payment

### Remuneration of Directors

|   |        | 1st Period | 2nd Period | 3rd Period | 4th Period | 5th Period | 6th Period | 7th Period | Total   |
|---|--------|------------|------------|------------|------------|------------|------------|------------|---------|
| Executive Director: Masahiro Horie      | ¥1,000 | 0          | 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      | 2,400      | 17,600  |
| Supervisory Director: Maruhito Kondo    | ¥1,000 | 3,200      | 2,400      | 2,400      | 2,400      | 2,400      | 2,400      | 2,400      | 17,600  |
| Total                                   | ¥1,000 | 6,400      | 4,800      | 4,800      | 4,800      | 4,800      | 4,800      | 4,800      | 35,200  |
| Remuneration per Unit                   | Yen    | 65         | 49         | 34         | 34         | 28         | 28         | 28         | 267     |
| (Reference)                             |        |            |            |            |            |            |            |            |         |
| Distribution per Unit                   | Yen    | 9,488      | 14,230     | 13,045     | 13,798     | 14,179     | 22,162     | 14,182     | 101,084 |
| Remuneration per Unit as % of above     | %      | 0.7        | 0.3        | 0.3        | 0.2        | 0.2        | 0.1        | 0.2        | 0.3     |

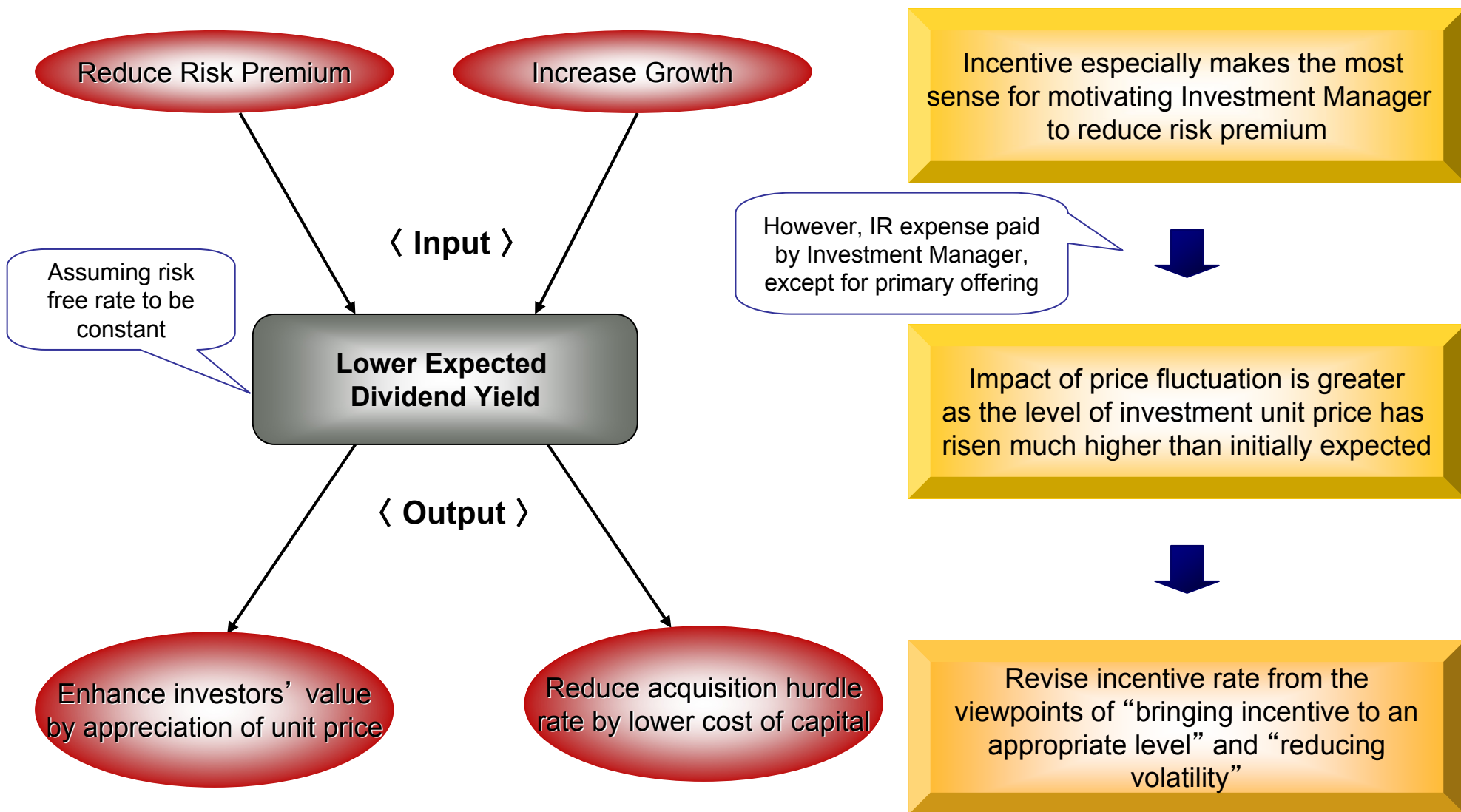


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## Investment Management Fee and Revision of Incentive Rate

|  | Objective (Aim) | Formula  | Note   |
|--|-----------------|--|--|
| Base 1<br>(Linked to asset valuation)          | Increase growth | Asset value at end of previous period × 0.150%<br>(0.125% for the portion exceeding 200 billion yen) | Encourage Asset Manager to strive for asset appreciation by linking fee to valuation, not to the amount invested                                     |
| Base 2<br>(Linked to cash flow)                |                 | Operating cash flow in current period × 6%<br>(5% for the portion exceeding 5 billion yen)           | Operating cash flow is the amount equal to ordinary income plus depreciation and amortization of deferred assets minus profit or loss from valuation |
| Incentive<br>(Linked to investment unit price) |                 | Reduce risk premium related to investment unit   | (Average price in current period – Record average price) × # of units × 1%   |

The above fees are all booked as expenses. TOKYU REIT does not adopt any fee structure like so-called acquisition fee which is capitalized as acquisition cost and does not appear on income statement



# View on Revision of Incentive Rate (2) ~Model Case Comparison TOKYU REIT

## Comparison of Incentive by Reducing Risk Premium Constituting Expected Dividend Yield

| Item  | Initial Estimate | Present    | Proposed Revision |
|---|------------------|------------|-------------------|
| Expected Dividend (Yen)                                 | 12,500           | 12,500     | 12,500            |
| Expected Dividend Yield (%)                             | 5.00             | 2.50       | 2.50              |
| Theoretical Unit Price (Yen).....①                      | 500,000          | 1,000,000  | 1,000,000         |
| Change in Theoretical Unit Price by Reducing Spread (%) | 1.00             | 1.00       | 1.00              |
| Theoretical Unit Price after Reduction (Yen)            | 505,000          | 1,010,000  | 1,010,000         |
| Increase in Unit Price (Yen).....②－①                    | 5,000            | 10,000     | 10,000            |
| Incentive Rate (%)                                      | 1.00             | 1.00       | 0.40              |
| <b>Incentive (Yen/Unit)</b>                             | <b>50</b>        | <b>100</b> | <b>40</b>         |

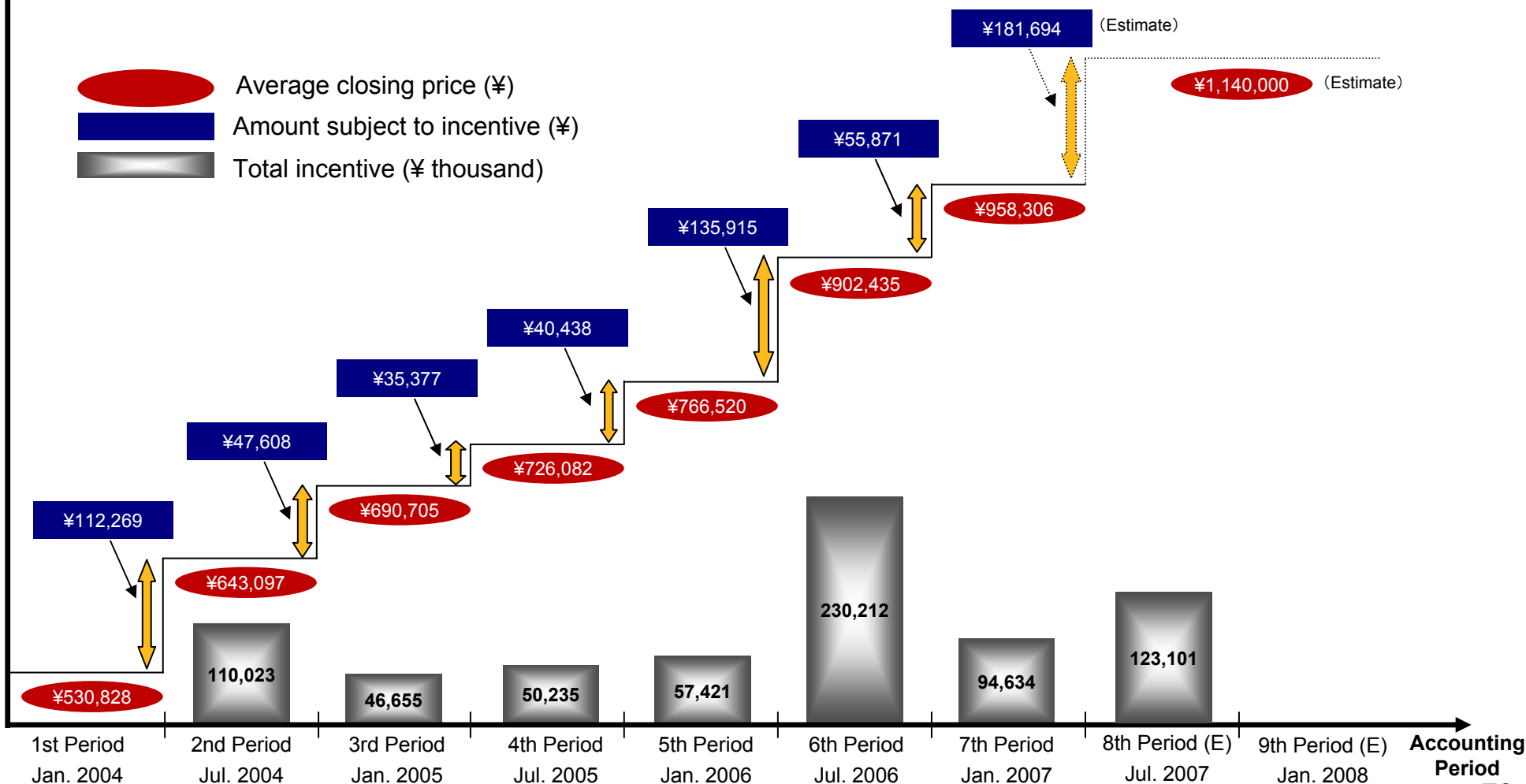
※ Difference in investment unit price level between the initial estimate and at present as well as an increase in the number of outstanding units used for calculation are taken into consideration before revising incentive rate to bring fee to an appropriate level

# Changes in Incentive

Investment Unit Price

## Average Closing Price and Incentive (High-Water Mark)

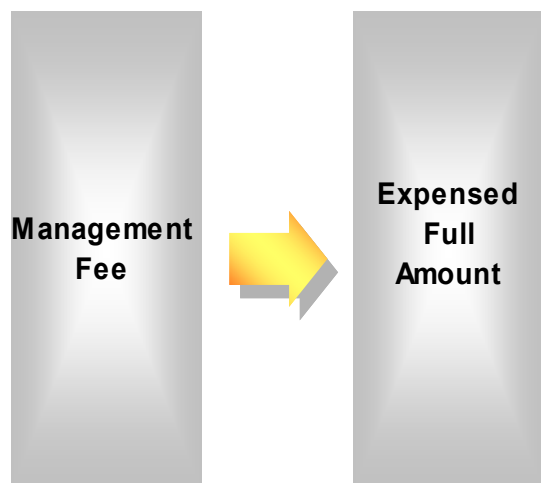
- Average closing price (¥)
- Amount subject to incentive (¥)
- Total incentive (¥ thousand)



# Management Fee Received by Investment Manager – Difference in Accounting Treatment

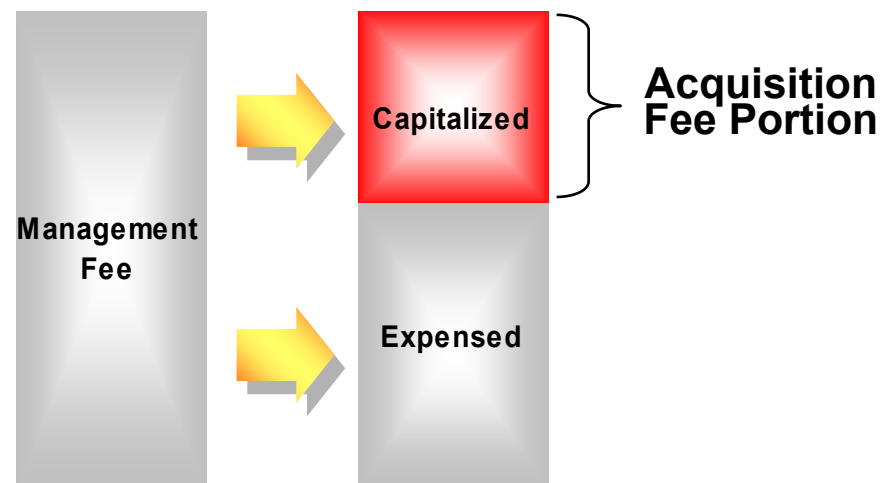
## TOKYU REIT

### Without Acquisition Fee



## REIT A

### With Acquisition Fee



➔ The portion recognized as Invest 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

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.





## Appendix

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

|   |            |                   | 1 <sup>st</sup> period<br>(2004/1/31) | 2 <sup>nd</sup> period<br>(2004/7/31) | 3 <sup>rd</sup> period<br>(2005/1/31) | 4 <sup>th</sup> period<br>(2005/7/31) | 5 <sup>th</sup> Period<br>(2006/1/31) | 6 <sup>th</sup> Period<br>(2006/7/31) | 7 <sup>th</sup> Period<br>(2007/1/31) |
|---|------------|-------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| # of Business Days  | Days       | (A)               | 226                                   | 182                                   | 184                                   | 181                                   | 184                                   | 181                                   | 184                                   |
| # of Properties at the end of the period                        |            |                   | 12                                    | 13                                    | 16                                    | 17                                    | 17                                    | 17                                    | 19                                    |
| Total Acquisition Price   | JPY in mn. |                   | 103,560                               | 110,160                               | 133,360                               | 148,060                               | 157,860                               | 159,620                               | 171,736                               |
| Average Acquisition Price during the period                     | JPY in mn. | (B)               | 82,738                                | 109,108                               | 126,822                               | 142,862                               | 157,806                               | 158,727                               | 166,961                               |
| Occupancy Rate at the end of the period                         | %          |                   | 95.3                                  | 97.1                                  | 97.5                                  | 99.1                                  | 99.4                                  | 99.9                                  | 99.8                                  |
| Operating Revenue   | JPY in mn. |                   | 2,896                                 | 4,341                                 | 5,044                                 | 5,684                                 | 6,343                                 | 7,875                                 | 6,460                                 |
| Net Operating Income  | JPY in mn. | (C)               | 2,199                                 | 2,894                                 | 3,523                                 | 3,835                                 | 4,325                                 | 4,297                                 | 4,539                                 |
| NOI Yield   | %          | (C) × 365/(A)/(B) | 6.7                                   | 5.3                                   | 5.5                                   | 5.4                                   | 5.4                                   | 5.5                                   | 5.4                                   |
| Operating Profits   | JPY in mn. |                   | 1,486                                 | 1,771                                 | 2,210                                 | 2,325                                 | 2,752                                 | 4,119                                 | 2,847                                 |
| Net Income  | JPY in mn. | (D)               | 929                                   | 1,394                                 | 1,852                                 | 1,959                                 | 2,401                                 | 3,753                                 | 2,402                                 |
| Total Units Outstanding   |            | (E)               | 98,000                                | 98,000                                | 142,000                               | 142,000                               | 169,380                               | 169,380                               | 169,380                               |
| Distribution per Unit   | JPY        | (F)               | 9,488                                 | 14,230                                | 13,045                                | 13,798                                | 14,179                                | 22,162                                | 14,182                                |
| Payout Ratio  | %          | ((E) × (F))/(D)   | 99.9                                  | 99.9                                  | 99.9                                  | 99.9                                  | 100.0                                 | 100.0                                 | 100.0                                 |
| FFO   | JPY in mn. | (G)               | 1,396                                 | 2,003                                 | 2,653                                 | 2,887                                 | 3,383                                 | 3,036                                 | 3,348                                 |
| Capital Expenditures  | JPY in mn. | (H)               | 46                                    | 388                                   | 68                                    | 142                                   | 154                                   | 179                                   | 37                                    |
| AFFO  | JPY in mn. | (I)=(G)-(H)       | 1,350                                 | 1,615                                 | 2,585                                 | 2,744                                 | 3,228                                 | 2,907                                 | 3,311                                 |
| AFFO Payout Ratio   | %          | ((E) × (F))/(I)   | 68.9                                  | 86.3                                  | 71.6                                  | 71.4                                  | 74.4                                  | 129.1                                 | 72.5                                  |
| Total Assets  | JPY in mn. | (J)               | 118,460                               | 122,583                               | 147,230                               | 162,180                               | 171,791                               | 172,929                               | 183,994                               |
| Net Asset Value (except for undistributed profits)              | JPY in mn. | (K)               | 50,117                                | 50,117                                | 77,860                                | 77,860                                | 98,019                                | 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                               | 578,697                               |
| Book value of the properties                                    | JPY in mn. | (L)               | 104,002                               | 110,448                               | 133,415                               | 147,819                               | 157,104                               | 158,529                               | 169,971                               |
| 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                               | 210,120                               |
| Unrealized Profit/Loss  | JPY in mn. | (N)=(M)-(L)       | △952                                  | 1,291                                 | 3,434                                 | 7,270                                 | 17,325                                | 29,270                                | 40,148                                |
| 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                               | 815,729                               |
| Interest Bearing Debt   | JPY in mn. | (O)               | 56,700                                | 60,000                                | 50,500                                | 64,500                                | 53,000                                | 53,000                                | 65,300                                |
| Interest Bearing Debt + Security deposits without reserved cash | JPY in mn. | (P)               | 56,700                                | 60,000                                | 56,126                                | 70,183                                | 58,682                                | 58,683                                | 71,186                                |
| LTV (Interest Bearing Debt/Total Asset)                         | %          | (O)/(J)           | 47.9                                  | 48.9                                  | 34.3                                  | 39.8                                  | 30.9                                  | 30.6%                                 | 35.5                                  |
| LTV (Modified Interest Bearing Debt/Appraisal Value)            | %          | (P)/(M)           | 55.0                                  | 53.7                                  | 41.0                                  | 45.3                                  | 33.6                                  | 31.2%                                 | 33.9                                  |
| Average Unit Price during the period                            | JPY        |                   | 530,828                               | 643,097                               | 690,705                               | 726,082                               | 766,520                               | 902,435                               | 958,306                               |

\* Excluding profit on sale of Yamashitacho, AFFO Payout Ratio in 6th period surpassed 100%

# Adjusted Net Asset Value Calculation

|   |                                   | 1st Period<br>(2004/1/31) | 2nd Period<br>(2004/7/31) | 3rd Period<br>(2005/1/31) | 4th Period<br>(2005/7/31) | 5th Period<br>(2006/1/31) | 6th Period<br>(2006/7/31) | 7th Period<br>(2007/1/31) |
|---|-----------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Total Units Outstanding                               | (A)                               | 98,000                    | 98,000                    | 142,000                   | 142,000                   | 169,380                   | 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                    | 98,019                    |
| Net Asset Per Unit (Book Value)                       | JPY (C)=(B)/(A)                   | 511,403                   | 511,403                   | 548,310                   | 548,310                   | 578,697                   | 578,697                   | 578,697                   |
| Total Acquisition Price                               | JPY in mn (D)                     | 103,560                   | 110,160                   | 133,360                   | 148,060                   | 157,860                   | 159,620                   | 171,736                   |
| Cumulated Capitalized Expenses Related to Acquisition | JPY in mn (E)                     | 862                       | 930                       | 1,429                     | 1,919                     | 2,231                     | 2,428                     | 2,663                     |
| Property tax and others                               | JPY in mn (e)                     | 366                       | 392                       | 445                       | 477                       | 489                       | 520                       | 517                       |
| Cumulated Capital Expenditure                         | JPY in mn (F)                     | 46                        | 434                       | 502                       | 645                       | 800                       | 979                       | 1,016                     |
| Retirement Cost                                       | JPY in mn (G)                     | —                         | —                         | —                         | 32                        | 32                        | 61                        | 61                        |
| Depreciation (Cumulated)                              | JPY in mn (H)                     | 466                       | 1,075                     | 1,877                     | 2,772                     | 3,754                     | 4,436                     | 5,383                     |
| 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                   | 169,971                   |
| Appraisal Value at the end of the period              | JPY in mn (J)                     | 103,050                   | 111,740                   | 136,850                   | 155,090                   | 174,430                   | 187,800                   | 210,120                   |
| Unrealized Profit / Loss                              | JPY in mn (K)=(J)-(I)             | △952                      | 1,291                     | 3,434                     | 7,270                     | 17,325                    | 29,270                    | 40,148                    |
| Unrealized Profit / Loss per Unit                     | JPY (L)=(K)/(A)                   | △9,715                    | 13,175                    | 24,188                    | 51,203                    | 102,289                   | 172,812                   | 237,032                   |
| Net Asset per Unit after Adjustment                   | JPY (M)=((B)+(K))/(A)             | 501,688                   | 524,578                   | 572,498                   | 599,513                   | 680,986                   | 751,509                   | 815,729                   |

# 7<sup>th</sup> Period (1/2007) Income Statement

JPY in mn

| ITEM  |             | 7 <sup>th</sup> Period<br>(Jan, 2007) |        | 6 <sup>th</sup> Period<br>(Jul, 2006) |        | Change | NOTES  |
|---|-------------|---------------------------------------|--------|---------------------------------------|--------|--------|--|
|   |             |                                       | %      |                                       | %      |        |  |
| Total Operating Revenues                      | (A)         | 6,460                                 | 100.0% | 7,875                                 | 100.0% | △1,415 |  |
| Revenues from the Real Estate Operation       | (B)         | 6,460                                 | 100.0% | 6,239                                 | 79.2%  | 221    |  |
| Rental Revenues                               |             | 5,944                                 | 92.0%  | 5,744                                 | 72.9%  | 199    |  |
| Rent  |             | 5,420                                 | 83.9%  | 5,232                                 | 66.4%  | 187    | Sigma Hatchobori 121M Shonan 84M CONZE Ebisu 59M Yamashitacho Δ91M |
| Parking Rent                                  |             | 136                                   | 2.1%   | 124                                   | 1.6%   | 11     | QFRONT 4M Sigma Hatchobori 4M                                      |
| Others  |             | 387                                   | 6.0%   | 387                                   | 4.9%   | 0      |  |
| Other Revenues                                |             | 515                                   | 8.0%   | 494                                   | 6.3%   | 21     |  |
| Incidental Revenues                           |             | 461                                   | 7.1%   | 434                                   | 5.5%   | 26     | CONZE Ebbisu 11M Sigma Hatchobori 7M                               |
| Other Revenues                                |             | 54                                    | 0.8%   | 59                                    | 0.8%   | △5     | SBSΔ5M   |
| Revenues on sale of real estate               |             | —                                     | —      | 1,636                                 | 20.8%  | △1,636 |  |
| Construction Fee                              |             | —                                     | —      | —                                     | —      | —      |  |
| Total Operating Expenses                      | (C)         | 3,612                                 | 55.9%  | 3,756                                 | 47.7%  | △144   |  |
| Expenses from the Real Estate Operation       | (D)         | 2,867                                 | 44.4%  | 2,911                                 | 37.0%  | △44    |  |
| Expenses                                      |             | 1,920                                 | 29.7%  | 1,941                                 | 24.7%  | △21    |  |
| Utility Charges                               |             | 536                                   | 8.3%   | 516                                   | 6.6%   | 19     | CONZE Ebisu 10M Sigma Hatchobori 9M                                |
| Building Maintenance Costs                    |             | 408                                   | 6.3%   | 409                                   | 5.2%   | △0     | YamashitachoΔ19M CONZE Ebisu 3M Sigma Hatchobori 11M               |
| Property Management Expenses                  |             | 137                                   | 2.1%   | 133                                   | 1.7%   | 4      |  |
| Repairs and Maintenance                       |             | 84                                    | 1.3%   | 75                                    | 1.0%   | 8      | Resona Maruha 7M SBS 7M Omotesando Δ11M                            |
| Property and Other Taxes                      |             | 501                                   | 7.8%   | 516                                   | 6.6%   | △15    | YamashitachoΔ6M SBS Δ5M Resona Maruha Δ2M                          |
| Insurance Expenses                            |             | 17                                    | 0.3%   | 17                                    | 0.2%   | △0     |  |
| Other Operating Expenses                      |             | 234                                   | 3.6%   | 272                                   | 3.5%   | △38    | cocoti Δ53M Sigma Hatchobori 10M                                   |
| Depreciation                                  | (E)         | 946                                   | 14.7%  | 940                                   | 11.9%  | 5      | Sigma Hatchobori 39M CONZE Ebisu 11M YamashitachoΔ37M              |
| Loss from the Removal of Fixed Assets         | (F)         | —                                     | —      | 28                                    | 0.4%   | △28    |  |
| Invest Management Fee                         |             | 614                                   | 9.5%   | 718                                   | 9.1%   | △104   |  |
| Fees for Trust Banks and General Affair Mgmt. |             | 60                                    | 0.9%   | 60                                    | 0.8%   | △0     |  |
| Compensation for the Board of Directors       |             | 4                                     | 0.1%   | 4                                     | 0.1%   | —      |  |
| Other Operating Expense                       |             | 66                                    | 1.0%   | 60                                    | 0.8%   | 5      |  |
| Net Operating Income                          | (G)=(B)-(D) | 3,593                                 | 55.6%  | 3,327                                 | 42.2%  | 265    |  |
| Operating Profits                             | (A)-(C)     | 2,847                                 | 44.1%  | 4,119                                 | 52.3%  | △1,271 |  |
| Non-Operating Revenues                        |             | 1                                     | 0.0%   | 0                                     | 0.0%   | 1      |  |
| Non-Operating Expenses                        |             | 445                                   | 6.9%   | 364                                   | 4.6%   | 81     |  |
| Interest Expenses                             |             | 434                                   | 6.7%   | 344                                   | 4.4%   | 90     | Average Interest Rate 1.42% (6th Period 1.31%)                     |
| Up front Fee                                  |             | 5                                     | 0.1%   | 5                                     | 0.1%   | 0      |  |
| Debt Arrangement Fee                          |             | 2                                     | 0.0%   | 2                                     | 0.0%   | —      |  |
| Unit Listing Expenses                         |             | 0                                     | 0.0%   | 0                                     | 0.0%   | 0      |  |
| Other Non-operating Expenses                  |             | 3                                     | 0.1%   | 12                                    | 0.2%   | △8     | Non-Deducted Consumption Tax Δ9M                                   |
| Recurring Profits                             |             | 2,403                                 | 37.2%  | 3,754                                 | 47.7%  | △1,351 |  |
| Income Before Income Taxes                    |             | 2,403                                 | 37.2%  | 3,754                                 | 47.7%  | △1,351 |  |
| Corporate Tax Adjustment                      |             | 0                                     | 0.0%   | 0                                     | 0.0%   | △0     |  |
| Net Income                                    |             | 2,402                                 | 37.2%  | 3,753                                 | 47.7%  | △1,351 |  |

|                         |  |        |  |        |  |        |
|-------------------------|--|--------|--|--------|--|--------|
| Dividend per Unit (Yen) |  | 14,182 |  | 22,162 |  | △7,980 |
|-------------------------|--|--------|--|--------|--|--------|

|                                      |             |       |       |       |       |        |
|--------------------------------------|-------------|-------|-------|-------|-------|--------|
| (Reference)                          |             |       |       |       |       |        |
| Operating NOI                        | (G)+(E)+(F) | 4,539 | 70.3% | 4,297 | 54.6% | 242    |
| NOI Return (NOI/Average Total Asset) |             | 5.39% |       | 5.46% |       | △0.07% |

# 7<sup>th</sup> Period (1/2007) Balance Sheet

JPY in mn

| ITEM   |   | 7 <sup>th</sup> Period<br>(1/31/2007) | 6 <sup>th</sup> Period<br>(7/31/2006) | 比較増減    |
|--|---|---------------------------------------|---------------------------------------|---------|
| <ul style="list-style-type: none"> <li>•Cash and Bank Deposits 964</li> <li>•Entrusted Cash and Deposits 11,678</li> <li>•Other Trade Receivables 130</li> <li>•Accounts Receivable from Consumption Tax 152</li> </ul>  | <b>Total Assets</b>                         | 183,994                               | 172,929                               | 11,064  |
|  | Current Assets                              | 12,986                                | 13,357                                | △370    |
|  | Fixed Assets                                | 171,007                               | 159,572                               | 11,435  |
|  | <b>Total Liabilities</b>                    | 83,572                                | 71,155                                | 12,416  |
|  | Short-term Borrowings                       | 20,300                                | 12,000                                | 8,300   |
|  | Long-term Borrowings maturing within a year | 5,000                                 | 5,000                                 | —       |
|  | Long-term Borrowings                        | 40,000                                | 36,000                                | 4,000   |
|  | Leasehold and Security Deposits Received    | 16,257                                | 15,785                                | 472     |
|  | Other Liabilities                           | 2,015                                 | 2,370                                 | △355    |
|  | <b>Total Unitholder's Equity</b>            | 100,421                               | 101,773                               | △1,351  |
|  | Total Unitholders' Capital                  | 98,019                                | 98,019                                | —       |
|  | Retained Earnings                           | 2,402                                 | 3,753                                 | △1,351  |
| <ul style="list-style-type: none"> <li>•Buildings 3,040</li> <li>•Structures 16</li> <li>•Machinaries 1</li> <li>•Equipments 8</li> <li>•Land 17,414</li> <li>•Entrusted Buildings 35,683</li> <li>•Entrusted Structures 605</li> <li>•Entrusted Machinaries 578</li> <li>•Entrusted Equipments 128</li> <li>•Entrusted Land 112,481</li> <li>•Leasehold and Security Deposit 105</li> <li>•Entrusted Leasehold and 873</li> </ul> |   |                                       |                                       |         |
| <b>LTV at the end of fiscal period</b>   |   |                                       |                                       |         |
| Interest bearing debt / Total Asset  |   | 35.50%                                | 30.60%                                | 4.8pts. |
| (Interest Bearing Debt + Security Deposit) / Appraisal Value   |   | 33.90%                                | 31.20%                                | 2.6pts. |
| <b>(Reference Information)</b>   |   |                                       |                                       |         |
| Average Total Asset for the Period   |   | 166,961                               | 158,727                               | 8,233   |

|   |        |
|---|--------|
| •Cash and Bank Deposits   | △949   |
| •Entrusted Cash and Deposits  | 415    |
| •Accounts Receivable from Consumption Tax   | 152    |
| •Acquisition of Sigma Hatchobori Building   | 7,220  |
| •Acquisition of CONZE Ebisu   | 5,130  |
| •Depreciation   | △946   |
| •Loan acquire Sigma Hatchobori (9/29)   | 7,300  |
| •Loan acquire CONZE Ebisu (10/31)   | 5,000  |
| •Repayment refinance (1/25)   | △4,000 |
| •Loan The National Mutual Insurance Federation of Agricultural Cooperation (1/25) | 3,000  |
| •Loan Dai-ichi-Life (1/25)  | 1,000  |
| •Sigma Hatchobori   | 254    |
| •CONZE Ebisu  | 191    |

Sigma Hatchobori Building Acquisition (2006/9/29)  
 CONZE Ebisu Acquisition (2006/10/31)

# 7<sup>th</sup> Period (1/2007) Cash Flow Statement

JPY in mn

| Items   | 7 <sup>th</sup> Period<br>(Jan, 2007) | 6 <sup>th</sup> Period<br>(Jul, 2006) | Change |
|---|---------------------------------------|---------------------------------------|--------|
| <b>I Cash Flow from Operating Activities</b>                        | 2,834                                 | 9,729                                 | △6,895 |
| Net Income before Income Taxes                                      | 2,403                                 | 3,754                                 | △1,351 |
| Depreciation  | 946                                   | 969                                   | △23    |
| Reduction by Disposition of Fixed Assets                            | —                                     | 4,810                                 | △4,810 |
| Others  | △514                                  | 194                                   | △709   |
| <b>II Cash Flow from Investing Activities</b>                       | △12,185                               | △7,204                                | △4,980 |
| Purchase of Fixed Assets  | △12,389                               | △7,205                                | △5,183 |
| Proceed from Leasehold and Security Deposits Received               | 472                                   | △391                                  | 864    |
| Proceed from Withdrawal of Entrusted Deposit with Usage Restriction | △268                                  | 392                                   | △661   |
| <b>III Cash Flows from Financing Activities</b>                     | 8,547                                 | △2,398                                | 10,946 |
| Proceeds from / Repayment of Short Term Borrowings                  | 8,300                                 | —                                     | 8,300  |
| Proceeds from Long Term Borrowing                                   | 4,000                                 | 8,000                                 | △4,000 |
| Repayment of Long Term Borrowing                                    | —                                     | △8,000                                | 8,000  |
| Proceeds from Issuance of Units                                     | —                                     | —                                     | —      |
| Dividend Payment  | △3,752                                | △2,398                                | △1,353 |
| <b>IV Net Increase in Cash and Cash Equivalents</b>                 | △802                                  | 126                                   | △929   |
| <b>V Cash and Cash Equivalents at Beginning of Period</b>           | 3,466                                 | 3,339                                 | 126    |
| <b>VI Cash and Cash Equivalents at the end of Period</b>            | 2,663                                 | 3,466                                 | △802   |

# 7<sup>th</sup> Period (1/2007) Income Statement by Properties

JPY in thousand

|  | Retail     |                  |                               |                         |                           |                                       |                   |            |                  |             |            | Office                   |                             |                                |                             |   |                            |                        |                               |                        |             | Total       |
|--|------------|------------------|-------------------------------|-------------------------|---------------------------|---------------------------------------|-------------------|------------|------------------|-------------|------------|--------------------------|-----------------------------|--------------------------------|-----------------------------|---|----------------------------|------------------------|-------------------------------|------------------------|-------------|-------------|
|  | QFRONT     | Laxington Aoyama | TOKYU REIT Omote-sando Square | Tokyu Saginuma Building | Tokyu Saginuma 2 Building | TOKYU REIT Shibuya Udagawa-cho Square | Beacon Hill Plaza | Cocoti     | Shonan Mall Fill | Conze Ebisu | Subtotal   | Setagaya Business Square | Tokyu Nampodal-cho Building | Tokyu Sakuragaoka-cho Building | Tokyo Nissan Taito Building | TOKYU REIT Akihabara Hinokicho Building | TOKYU REIT Kamata Building | Resona Maruha Building | TOKYU REIT Toranomon Building | Sigma Hatchobori Bldg. | Subtotal    |             |
| Operating Revenues                       | 606,264    | 168,627          | 176,263                       | 309,872                 | 65,156                    | 171,372                               | 300,266           | 710,605    | 174,024          | 70,703      | 2,753,155  | 1,265,562                | 173,028                     | 240,790                        | 225,144                     | 148,879                                 | 273,700                    | 787,495                | 453,026                       | 139,495                | 3,707,122   | 6,460,277   |
| Rental Revenues                          | 553,633    | 160,386          | 159,199                       | 309,872                 | 62,337                    | 168,324                               | 300,266           | 654,554    | 174,019          | 59,349      | 2,601,942  | 1,111,271                | 173,028                     | 230,516                        | 202,624                     | 127,760                                 | 225,682                    | 729,417                | 411,095                       | 131,235                | 3,342,630   | 5,944,573   |
| Other Revenues                           | 52,631     | 8,241            | 17,063                        | —                       | 2,819                     | 3,048                                 | —                 | 56,050     | 4                | 11,354      | 151,212    | 154,291                  | —                           | 10,273                         | 22,519                      | 21,118                                  | 48,018                     | 58,078                 | 41,931                        | 8,259                  | 364,491     | 515,704     |
| Operating Expenses                       | 293,836    | 36,487           | 42,350                        | 78,036                  | 24,060                    | 23,920                                | 153,799           | 348,717    | 1,023            | 27,889      | 1,030,123  | 785,516                  | 62,762                      | 70,837                         | 123,181                     | 51,155                                  | 143,939                    | 285,118                | 239,591                       | 74,861                 | 1,836,963   | 2,867,086   |
| Utility Charges                          | 41,588     | 7,879            | 12,641                        | —                       | 2,819                     | —                                     | 101               | 51,427     | —                | 10,150      | 126,609    | 206,026                  | —                           | 10,330                         | 17,783                      | 14,551                                  | 47,148                     | 73,549                 | 30,784                        | 9,561                  | 409,735     | 536,345     |
| Building Maintenance Costs               | 61,607     | 4,116            | 4,521                         | 14,974                  | 1,582                     | 55                                    | 1,419             | 38,257     | —                | 3,480       | 130,015    | 131,736                  | 9,063                       | 10,155                         | 19,866                      | 7,543                                   | 15,582                     | 29,872                 | 43,193                        | 11,783                 | 278,797     | 408,813     |
| Property Management Expenses             | 19,408     | 3,728            | 3,656                         | 3,331                   | 1,506                     | 1,683                                 | 3,162             | 16,661     | —                | 1,327       | 54,465     | 36,376                   | 1,744                       | 3,465                          | 4,783                       | 3,009                                   | 4,581                      | 16,654                 | 9,877                         | 2,829                  | 83,323      | 137,788     |
| Repair and Maintenance                   | 2,622      | 3,070            | 166                           | 6,342                   | 3,028                     | 154                                   | 4,159             | 3,905      | —                | 170         | 23,618     | 21,762                   | 2,332                       | 3,165                          | 7,900                       | 3,633                                   | 2,250                      | 13,582                 | 5,917                         | 99                     | 60,664      | 84,283      |
| Property and Other Taxes                 | 39,913     | 8,106            | 8,038                         | 25,228                  | 5,884                     | 15,534                                | 45,842            | 34,952     | —                | 5           | 183,502    | 127,527                  | 16,972                      | 18,880                         | 19,837                      | 7,570                                   | 18,273                     | 84,781                 | 23,750                        | 8                      | 317,600     | 501,103     |
| Insurance Expenses                       | 1,133      | 131              | 195                           | 607                     | 124                       | 89                                    | 1,678             | 3,050      | —                | 202         | 7,212      | 4,627                    | 690                         | 569                            | 1,033                       | 254                                     | 1,044                      | 731                    | 659                           | 415                    | 10,027      | 17,239      |
| Depreciation                             | 59,548     | 6,888            | 9,758                         | 28,125                  | 8,614                     | 4,826                                 | 95,982            | 164,720    | —                | 11,982      | 388,448    | 249,357                  | 29,541                      | 21,628                         | 50,742                      | 12,057                                  | 52,469                     | 61,658                 | 41,284                        | 39,468                 | 558,208     | 946,657     |
| Other Operating Expenses                 | 68,012     | 2,567            | 3,372                         | 1,426                   | 501                       | 1,577                                 | 1,454             | 35,741     | 1,023            | 571         | 116,250    | 8,081                    | 2,416                       | 2,640                          | 1,233                       | 2,535                                   | 2,588                      | 4,289                  | 84,124                        | 10,695                 | 118,605     | 234,855     |
| Net Operating Income Less Depreciation   | 312,428    | 132,139          | 133,912                       | 231,835                 | 41,096                    | 147,451                               | 146,466           | 361,887    | 173,000          | 42,813      | 1,723,031  | 480,046                  | 110,266                     | 169,953                        | 101,963                     | 97,723                                  | 129,760                    | 502,376                | 213,435                       | 64,633                 | 1,870,159   | 3,593,191   |
| NOI                                      | 371,976    | 139,028          | 143,671                       | 257,961                 | 49,710                    | 152,278                               | 242,449           | 526,608    | 173,000          | 54,796      | 2,111,480  | 729,403                  | 139,807                     | 191,582                        | 152,705                     | 109,781                                 | 182,230                    | 564,035                | 254,720                       | 104,102                | 2,428,368   | 4,539,848   |
| Capital Expenditure                      | —          | 483              | 227                           | 1,733                   | 2,387                     | —                                     | 380               | 4,790      | —                | —           | 10,003     | 5,296                    | 741                         | 1,171                          | 5,118                       | —                                       | 1,591                      | 5,157                  | 8,149                         | 380                    | 27,606      | 37,609      |
| Acquisition Price                        | 15,100,000 | 4,800,000        | 5,770,000                     | 6,920,000               | 1,290,000                 | 6,600,000                             | 9,520,000         | 24,500,000 | 6,810,000        | 5,116,750   | 86,426,750 | 22,400,000               | 4,660,000                   | 6,620,000                      | 4,450,000                   | 3,570,000                               | 4,720,000                  | 23,260,000             | 8,630,000                     | 7,000,000              | 85,310,000  | 171,736,750 |
| Land                                     | 12,125,300 | 4,478,400        | 5,291,090                     | 5,432,200               | 984,270                   | 6,382,000                             | 5,408,000         | 17,027,500 | 6,810,000        | 4,108,750   | 68,047,510 | 11,065,600               | 2,968,420                   | 5,223,180                      | 1,917,950                   | 2,945,250                               | 2,161,760                  | 21,469,000             | 6,723,000                     | 5,467,000              | 59,941,160  | 127,988,670 |
| Building                                 | 2,974,700  | 321,600          | 478,910                       | 1,487,800               | 305,730                   | 218,000                               | 4,112,000         | 7,472,500  | —                | 1,008,000   | 18,379,240 | 11,334,400               | 1,691,580                   | 1,396,820                      | 2,532,050                   | 624,750                                 | 2,558,240                  | 1,791,000              | 1,907,000                     | 1,533,000              | 25,368,840  | 43,748,080  |
| Appraisal Value at the end of the Period | 19,500,000 | 7,240,000        | 7,300,000                     | 9,390,000               | 1,660,000                 | 8,310,000                             | 9,730,000         | 25,000,000 | 6,780,000        | 5,020,000   | 99,930,000 | 29,600,000               | 6,260,000                   | 8,760,000                      | 5,160,000                   | 4,590,000                               | 6,610,000                  | 29,600,000             | 12,300,000                    | 7,310,000              | 110,190,000 | 210,120,000 |
| Book Value at the end of the Period      | 14,725,389 | 4,765,327        | 5,761,541                     | 6,797,504               | 1,268,700                 | 6,673,155                             | 9,377,284         | 24,846,611 | 7,026,112        | 5,118,474   | 86,360,101 | 20,748,306               | 4,487,191                   | 6,481,698                      | 4,173,430                   | 3,527,829                               | 4,418,818                  | 23,903,165             | 6,888,961                     | 7,181,864              | 83,611,287  | 169,971,388 |
| 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        | 4,119,147   | 69,096,344 | 11,081,787               | 2,974,520                   | 5,233,294                      | 1,922,944                   | 2,950,298                               | 2,165,631                  | 21,983,090             | 6,848,971                     | 5,638,709              | 60,799,249  | 129,895,594 |
| Property (excl. land)                    | 2,578,309  | 279,824          | 464,596                       | 1,350,888               | 280,531                   | 226,719                               | 3,791,546         | 7,292,012  | —                | 999,327     | 17,263,756 | 9,666,518                | 1,512,671                   | 1,248,403                      | 2,250,485                   | 577,531                                 | 2,253,186                  | 1,920,074              | 1,840,010                     | 1,543,154              | 22,812,037  | 40,075,793  |

# 8th Period (7/2007) Forecast of Income Statement

JPY in mn

| ITEM                                    | 8 <sup>th</sup> Period<br>(Jul, 2007) |        | 7 <sup>th</sup> Period<br>(Jan, 2007) |        | Change |
|---|---------------------------------------|--------|---------------------------------------|--------|--------|
|   |                                       | %      |                                       | %      |        |
| Total Operating Revenues (A)            | 6,691                                 | 100.0% | 6,460                                 | 100.0% | 230    |
| Rental Revenues (B)                     | 6,691                                 | 100.0% | 6,460                                 | 100.0% | 230    |
| Rental Revenues                         | 6,162                                 | 92.1%  | 5,944                                 | 92.0%  | 218    |
| Rent                                    | 5,632                                 | 84.2%  | 5,420                                 | 83.9%  | 212    |
| Parking Rent                            | 137                                   | 2.1%   | 136                                   | 2.1%   | 1      |
| Others                                  | 392                                   | 5.9%   | 387                                   | 6.0%   | 4      |
| Other Revenues                          | 528                                   | 7.9%   | 515                                   | 8.0%   | 12     |
| Incidental Revenues                     | 469                                   | 7.0%   | 461                                   | 7.1%   | 8      |
| Other Revenues                          | 58                                    | 0.9%   | 54                                    | 0.8%   | 4      |
| Revenue from the Sales of Properties    | —                                     | —      | —                                     | —      | —      |
| Total Operating Expenses (C)            | 3,816                                 | 57.0%  | 3,612                                 | 55.9%  | 204    |
| Rental Expenses (D)                     | 3,004                                 | 44.9%  | 2,867                                 | 44.4%  | 137    |
| Expenses                                | 2,050                                 | 30.6%  | 1,920                                 | 29.7%  | 129    |
| Utility Charges                         | 555                                   | 8.3%   | 536                                   | 8.3%   | 19     |
| Building Maintenance Costs              | 419                                   | 6.3%   | 408                                   | 6.3%   | 11     |
| Property Management Expenses            | 145                                   | 2.2%   | 137                                   | 2.1%   | 7      |
| Repairs and Maintenance                 | 131                                   | 2.0%   | 84                                    | 1.3%   | 47     |
| Property and other taxes                | 549                                   | 8.2%   | 501                                   | 7.8%   | 47     |
| Insurance Expenses                      | 17                                    | 0.3%   | 17                                    | 0.3%   | △0     |
| Other Operating Expenses                | 231                                   | 3.5%   | 234                                   | 3.6%   | △3     |
| Depreciation (E)                        | 954                                   | 14.3%  | 946                                   | 14.7%  | 7      |
| Administrative Expenses                 | 812                                   | 12.1%  | 745                                   | 11.5%  | 67     |
| Invest Management Fees                  | 675                                   | 10.1%  | 614                                   | 9.5%   | 61     |
| Profit from Rental Business (F)=(B)-(D) | 3,686                                 | 55.1%  | 3,593                                 | 55.6%  | 93     |
| Operating Profits (A)-(C)               | 2,874                                 | 43.0%  | 2,847                                 | 44.1%  | 26     |
| Non-Operating Revenues                  | —                                     | —      | 1                                     | 0.0%   | △1     |
| Non-Operating Expenses                  | 502                                   | 7.5%   | 445                                   | 6.9%   | 56     |
| Interest Expenses                       | 493                                   | 7.4%   | 434                                   | 6.7%   | 58     |
| Other Non-Operating Expenses            | 8                                     | 0.1%   | 11                                    | 0.2%   | △2     |
| Recurring Profits                       | 2,372                                 | 35.5%  | 2,403                                 | 37.2%  | △30    |
| Income Before Income Taxes              | 2,372                                 | 35.5%  | 2,403                                 | 37.2%  | △30    |
| Corporate Tax Adjustments               | 1                                     | 0.0%   | 0                                     | 0.0%   | 0      |
| Net Income                              | 2,371                                 | 35.4%  | 2,402                                 | 37.2%  | △30    |
| Dividend per Unit                       | 14,000                                |        | 14,182                                |        | △182   |
| Operating NOI (F)+(E)                   | 4,641                                 | 69.4%  | 4,539                                 | 70.3%  | 101    |
| NOI return (NOI / Average Total Asset)  | 5.45%                                 |        | 5.39%                                 |        | 0.06%  |

## Underlying Conditions

### (Asset)

No acquisition and disposition execute from 1/31/2007

### (Operating Revenue)

Based on the leasing contract as of 3/16/2007



# 8th Period (7/2007) Forecast of Balance Sheet

JPY in mn

| ITEM  | 8 <sup>th</sup> Period<br>(Jul, 2007) | 7 <sup>th</sup> Period<br>(Jan, 2007) | Changes |
|---|---------------------------------------|---------------------------------------|---------|
| Total Assets                                | 183,959                               | 183,994                               | △35     |
| Current Assets                              | 13,793                                | 12,986                                | 806     |
| Fixed Assets                                | 170,165                               | 171,007                               | △841    |
| Total Liabilities                           | 83,568                                | 83,572                                | △4      |
| Short-term Borrowings                       | 20,300                                | 20,300                                | —       |
| Long-term Borrowings maturing within a year | —                                     | 5,000                                 | △5,000  |
| Long-term Borrowings                        | 45,000                                | 40,000                                | 5,000   |
| Leasehold and security deposits received    | 16,257                                | 16,257                                | —       |
| Other Liabilities                           | 2,010                                 | 2,015                                 | △4      |
| Total Unitholder's Equity                   | 100,391                               | 100,421                               | △30     |
| Total Unitholder's Capital                  | 98,019                                | 98,019                                | —       |
| Retained Earnings                           | 2,371                                 | 2,402                                 | △30     |

## LTV at the end of fiscal period

|  |       |       |      |
|--|-------|-------|------|
| Interest bearing debt / Total Asset                          | 35.5% | 35.5% | 0.0% |
| (Interest bearing debt + Security deposit) / Appraisal Value | 33.9% | 33.9% | —    |

## (Reference Information)

|                                    |         |         |       |
|------------------------------------|---------|---------|-------|
| Average Total Asset for the Period | 171,736 | 166,961 | 4,775 |
|------------------------------------|---------|---------|-------|

## 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

# Revision of Rent (7th period)

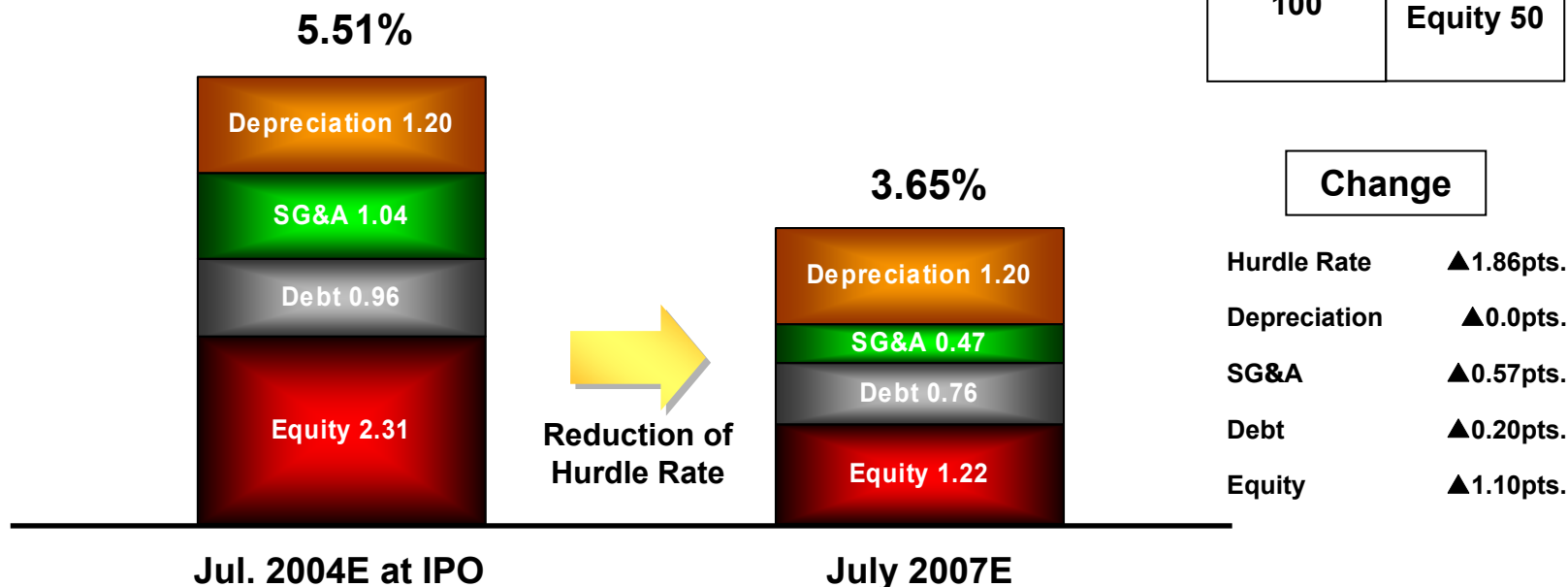
|                  | Rise        | Drop      | Status quo  | Total        |
|------------------|-------------|-----------|-------------|--------------|
| <b>New</b>       | 7<br>87.5%  | 0<br>0.0% | 1<br>12.5%  | 8<br>100.0%  |
| <b>Continued</b> | 9<br>37.5%  | 1<br>4.2% | 14<br>58.3% | 24<br>100.0% |
| <b>Total</b>     | 16<br>50.0% | 1<br>3.1% | 15<br>46.9% | 32<br>100.0% |

# 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)

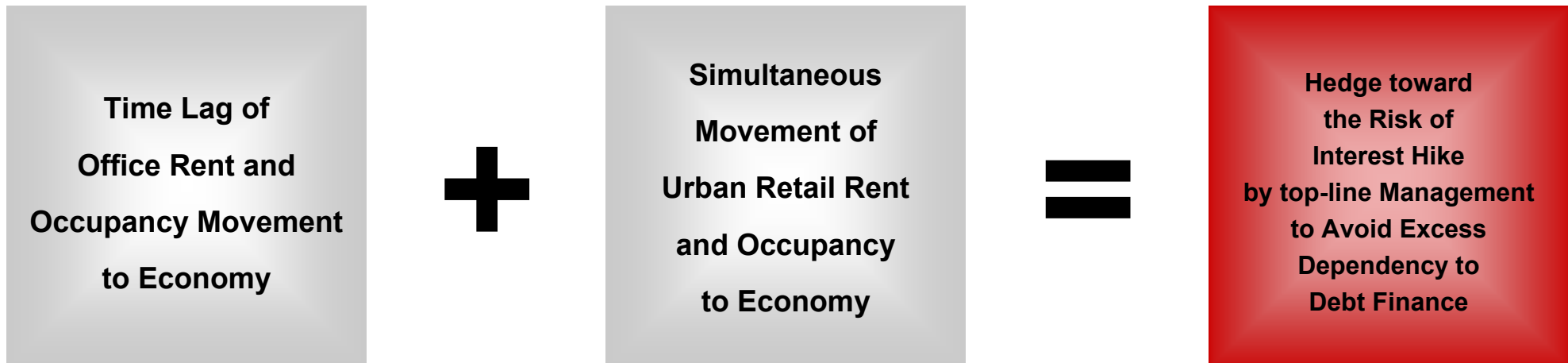
|                   |           |
|-------------------|-----------|
| Acquisition Price | Debt 50   |
|                   | Equity 50 |
| 100               |           |



**Acquisition hurdle rate based on NOI has decreased 1.86% 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

- **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**



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



On the other hand, not invest in hotels and residential properties which shows different risk-return profile to office/retail

# 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 Japanese economy

Potential Growth Japanese Economy (as of 2006/7/18) (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   | 1.2           | -0.3        | 0.1 | 1.1              |
| 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           | -0.4        | 1.0 | 0.8              |
| 03   | 0.3           | -0.3        | 1.0 | 1.0              |
| 04   | 0.4           | -0.2        | 1.1 | 1.2              |
| 05   | 0.5           | -0.2        | 1.1 | 1.4              |

TFP: Total Factor Productivity

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.