



8th Fiscal Period (July 2007)

Presentation

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

Stock Code: 8957

**TOKYU REIT**



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

- **Investment Policy**
- **Topics (1) REIT Product Profile**
- **Topics (2) Revision of Investment Management Fee and Incentive Rate**
- **Financial Results and Forecast**
- **Portfolio Overview and Risk Management**
- **Debt Management**
- **Holder and Price of Investment Unit**
- **Market Review**
- **Appendix**

**TOKYU REIT**

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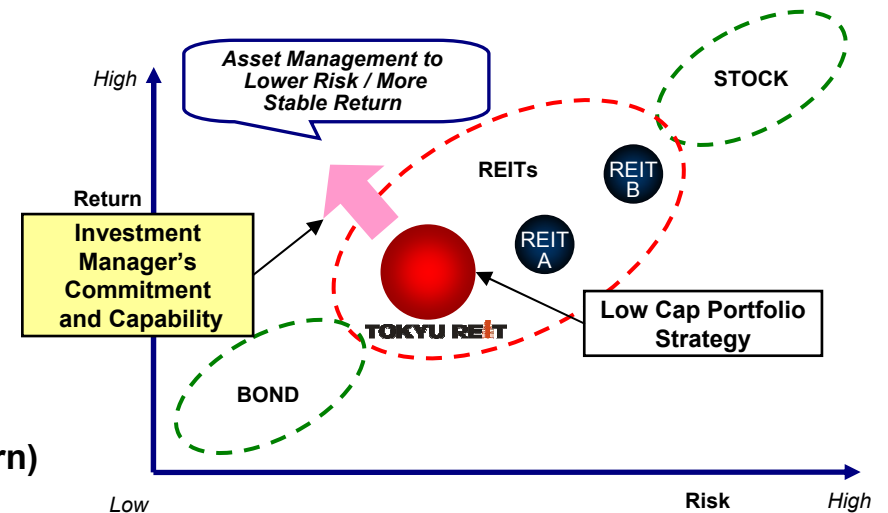
**Investment Policy**

## 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

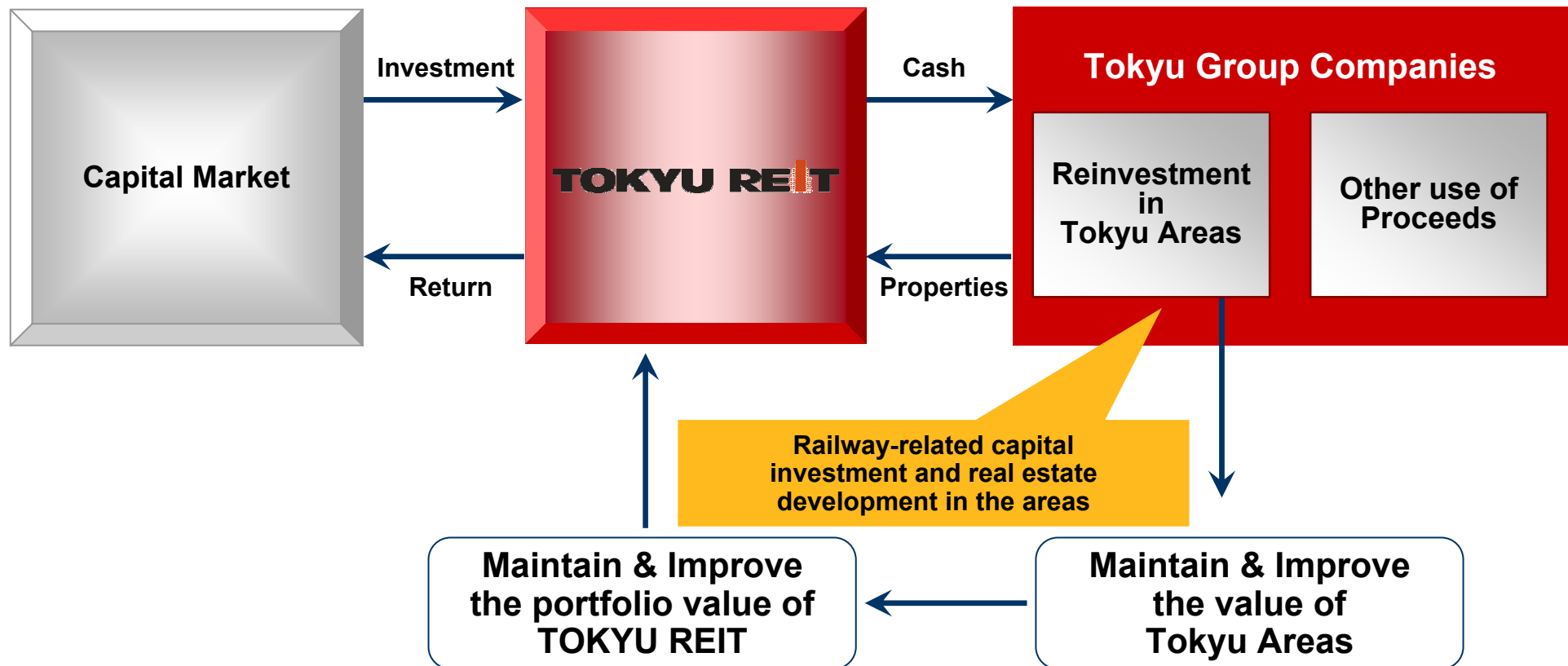
- (1) Target Areas                      Limited to Tokyo Metropolitan Areas (5 Central Wards in Tokyo + Tokyu Areas represent over 85%)
- (2) Sector Allocation              Office : Retail = 60%:40% (±10 points)
- (3) Size of Properties              In principal, invest in properties over 4 billion yen (for all properties), and over 5,000m<sup>2</sup> (for office properties)

**Aiming to improve the quality of the portfolio**

- 1. Fiduciary Duties of TREIM as REIT Management Company**
  - 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**

# Capitalize on Synergies with Tokyu Group Companies / Tokyu Areas

## Reinvestment of Capital Generated through TOKYU REIT

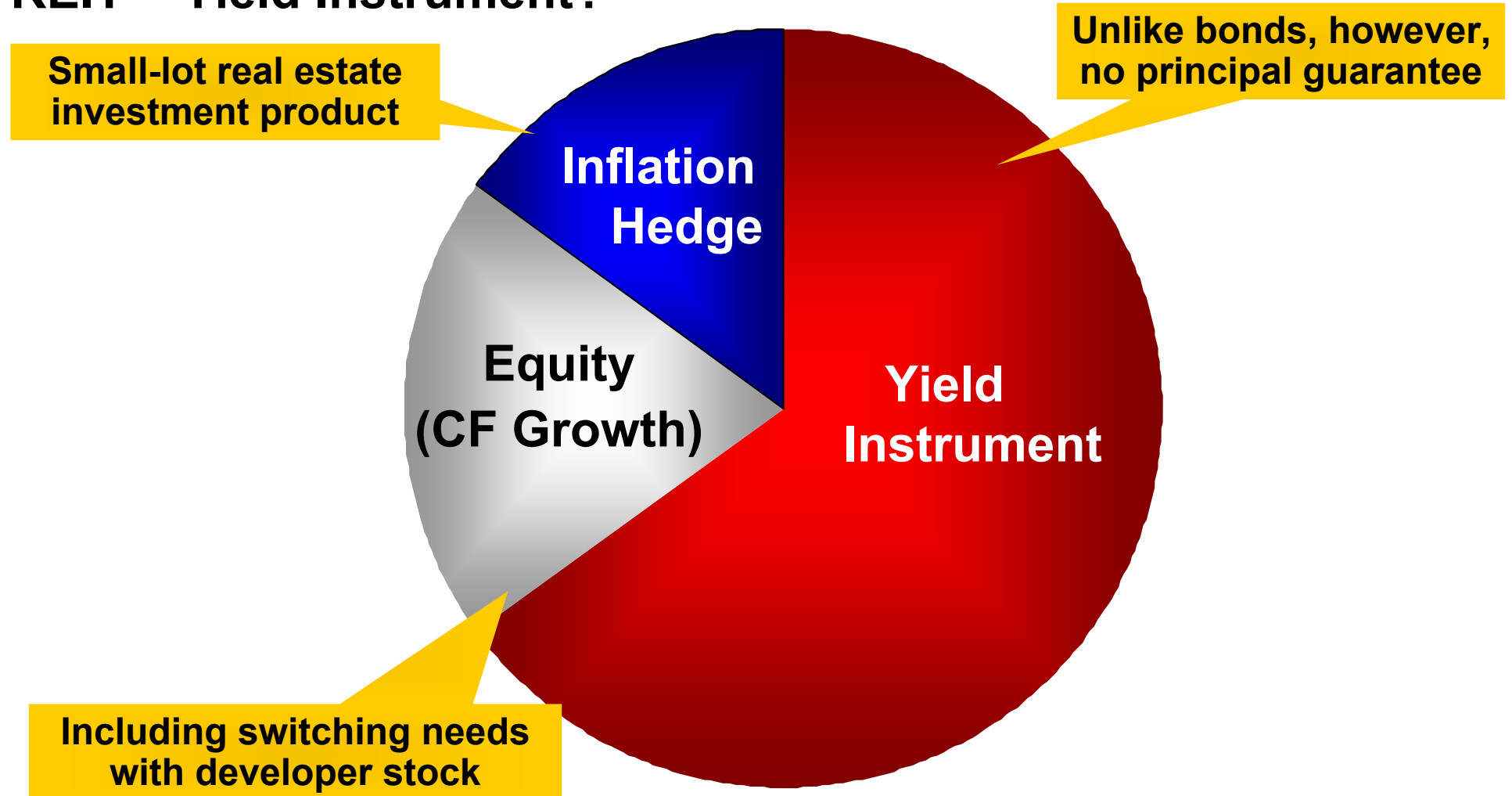




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## Topics (1) REIT Product Profile

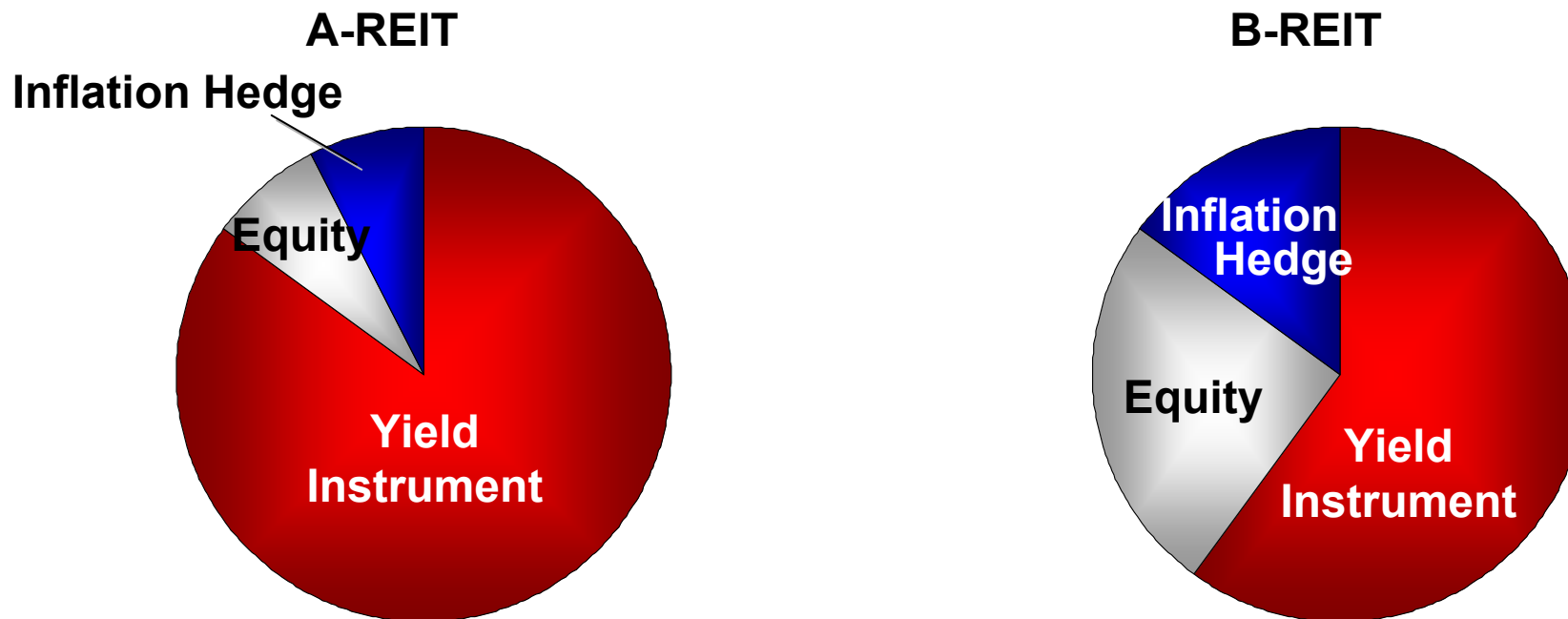
## REIT = Yield Instrument?



\* This page represents the view of Tokyu REIM



REIT product profile depends on product structuring of each REIT



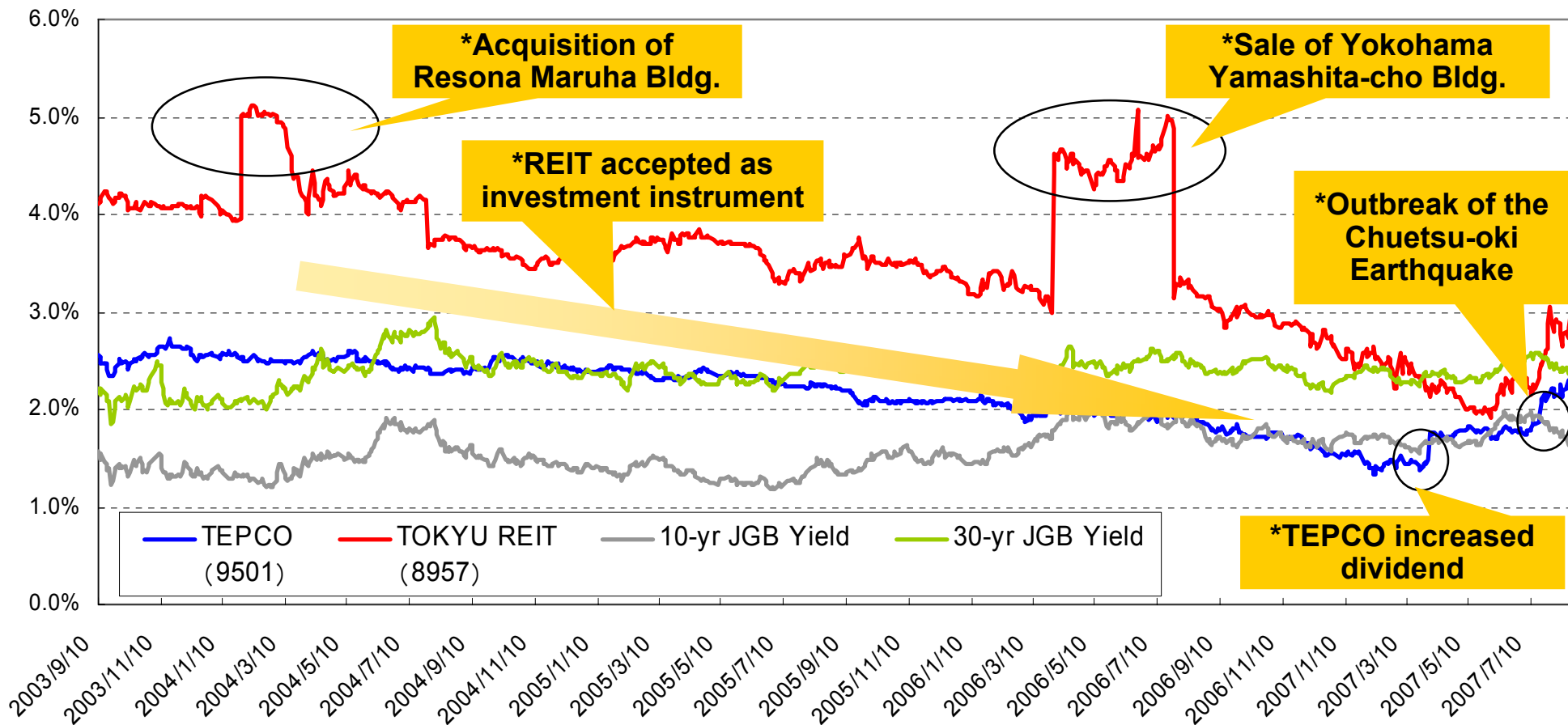
Investment policy (purpose, location, size), financial policy (leverage, long/short-term fixed interest) and internal growth can make a difference in targeted product profile



Also, it can be different depending on investors' interest from time to time

\*This page represents the view of Tokyu REIM.

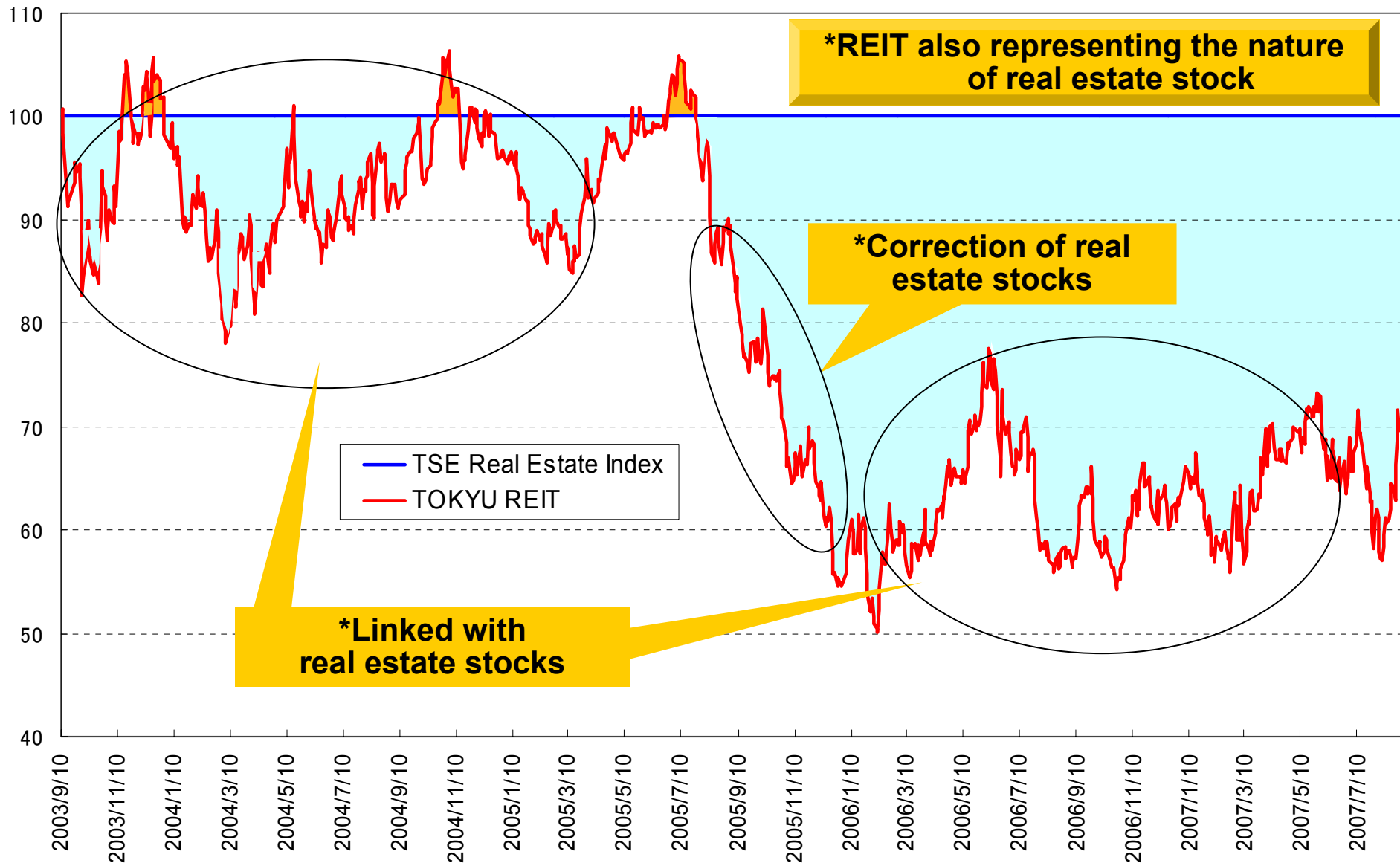
# Dividend Yield (TEPCO, TOKYU REIT, JGBs (10-yr/30-yr))



**Expected dividend (distribution) not available for the following periods:**  
**TEPCO: 06/03/28 – 07/02/23**  
**TOKYU REIT: 05/01/26 – 05/03/18, 06/01/26 – 06/03/29**

\*Comment by Tokyu REIM

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



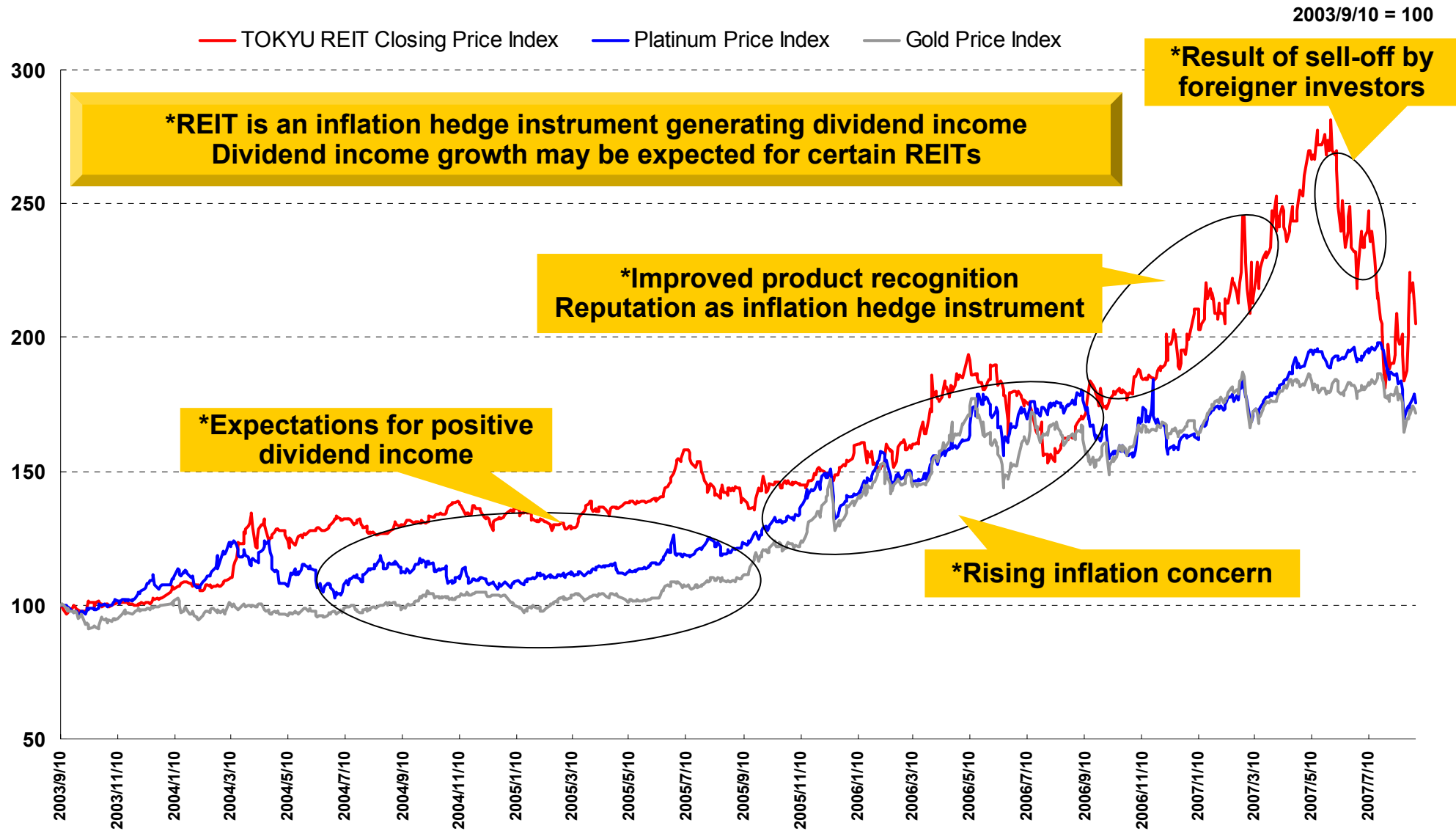
**\*Linked with real estate stocks**

**\*REIT also representing the nature of real estate stock**

**\*Correction of real estate stocks**

\*Comment by Tokyu REIM

# Comparison of TOKYU REIT (8957) and Precious Metals — Comparison of Inflation Hedge Instruments



\*Comment by Tokyu REIM



## Topics (2) Revision of Investment Management Fee and Incentive Rate

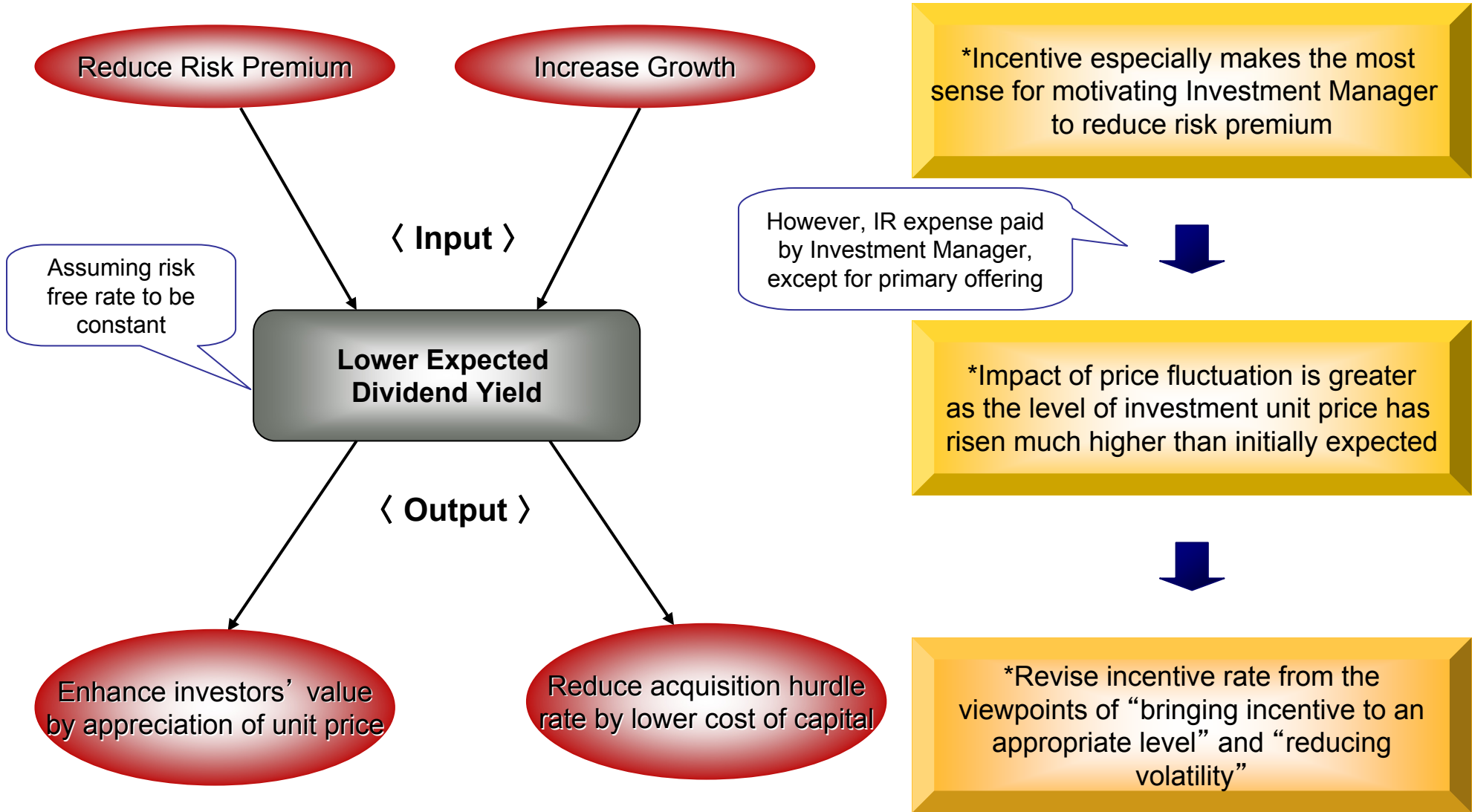
# Overview of Investment Management Fee

	Objective (Aim)	Formula	Note
Base 1 (Linked to asset valuation)	Increase Growth	Asset value at end of previous period × 0.150% (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 (Linked to cash flow)		Operating cash flow in current period × 6% (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 (Linked to investment unit price)		Reduce risk premium related to investment unit	(Average price in current period — Highest average price over all previous periods) × # of units × 0.4%

\* Apart from the above fees, Tokyu REIT pays service charges to an asset custodian firm (Mitsubishi UFJ Trust and Banking Corporation), general administration firm (Mitsubishi UFJ Trust and Banking Corporation), property management firm (Tokyu Corporation as well as Tokyu Land Corporation), and accounting auditor (PricewaterhouseCoopers Aarata) among others.

**\*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**

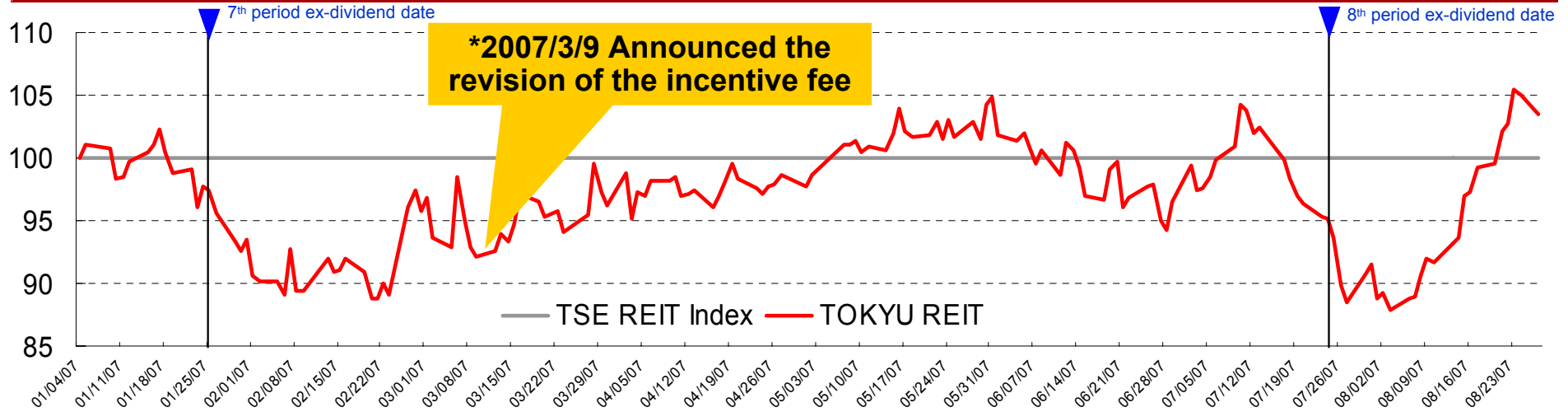
\*Comment by Tokyu REIM



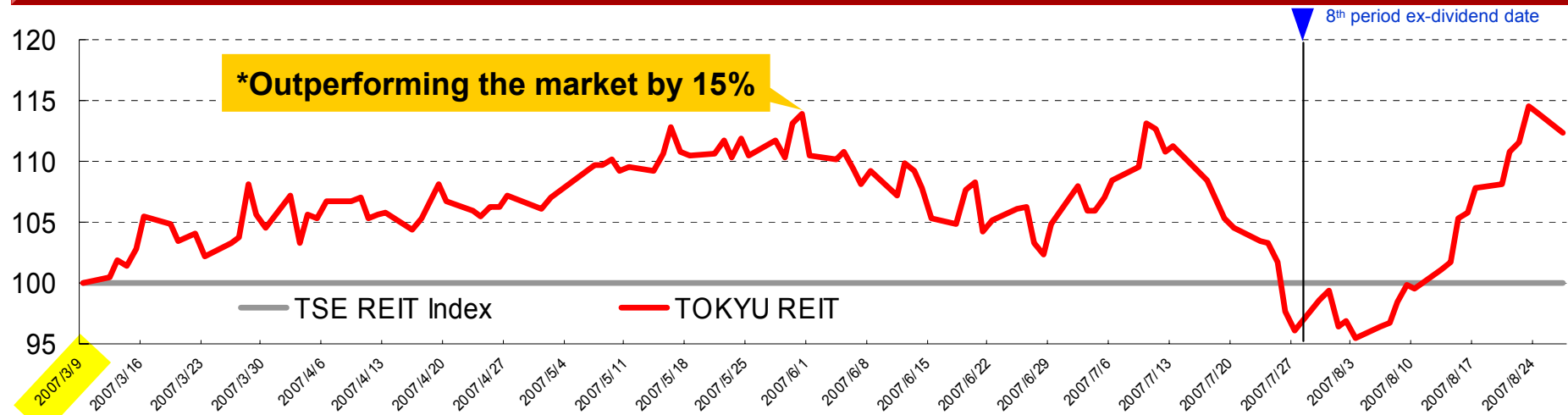
\*Comment by Tokyu REIM

# TOKYU REIT Performance after Revision of Incentive Rate

**TSE REIT Index and TOKYU REIT Investment Unit Price Performance (TSE REIT Index = 100, January 4, 2007 = 100)**



**TSE REIT Index and TOKYU REIT Investment Unit Price Performance (TSE REIT Index = 100, March 9, 2007 = 100)**



**\* Incentive rate revision supported by the market**

\*Comment by Tokyu REIM





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## Financial Results and Forecast

# Fiscal Results of July 07 Period

		8 <sup>th</sup> Period	7 <sup>th</sup> Period	Change	Change	8 <sup>th</sup> Period	Change	Change
		Actual	Actual			(%)		
		2007.7.31	2007.1.31			2007.3.16		
		(181 days)	(184 days)					
Distribution per Unit	(¥)	14,427	14,182	245	1.7	14,000	427	3.1
Average LTV	(%)	33.9	34.0	-0.1	—	33.9	0.0	—
LTV at End of Period	(%)	31.8	33.9	-2.1	—	33.9	-2.1	—
Acquisition Capacity by Debt	(¥ million)	81,849	67,746	14,103	20.8	67,746	14,103	20.8
Average Acquisition Price	(¥ million)	171,736	166,961	4,775	2.9	171,736	0	0.0
NOI Yield	(%)	5.59	5.39	0.20	—	5.45	0.14	—
Unrealized Profit/Loss	(¥ million)	55,220	40,148	15,072	37.5			
Adjusted Net Asset Value	(¥)	904,709	815,729	88,980	10.9			
Average Unit Price during the Period	(¥)	1,241,537	958,306	283,231	29.6			

- 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

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

■ **Projected EPS: 14,700 yen (change from the 8th period +273 yen)**

➤ Net Income : 2,489 million yen (change from previous period +46 million yen)

□ Profit/Loss in operating income ▲25 million yen (profit decrease)

✓ Profit increase from rent revision + 77 million yen (profit increase)

✓ Utilities/Maintenance fee increase ▲90 million yen (profit decrease)

✓ Property acquisition fee increase ▲20 million yen (profit decrease)

□ Non-operating expense decrease +147 million yen (profit increase)

Asset management fee: 182 million yen decrease,  
bond rating agency fee: 9 million yen increase,  
website updating fee: 9 million yen decrease

□ Interest expense increase ▲69 million yen (profit decrease)

Long-term loan ratio increase, Duration extension

■ **Average LTV: 31.7%    LTV to Total Asset (Period End): 38.1%    Long Term Loan Ratio: 81.6%**

## 10th period (ending at 7/2008) Estimates

■ **Projected EPS: 15,000 yen**

➤ Operating Profit 6,984 million yen    Recurring Profit 2,541 million yen    Net Income 2,540 million yen

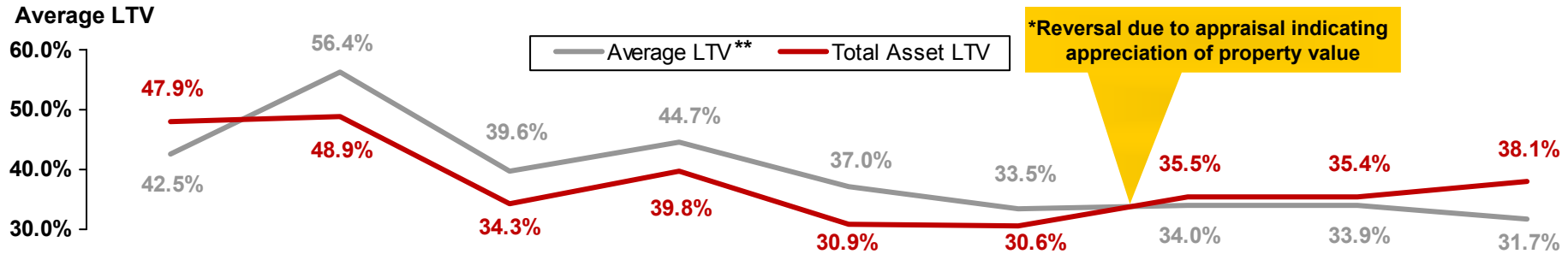
■ **Average LTV: 34.1%    LTV to Total Asset (Period End): 38.1%    Long Term Loan Ratio: 81.6%**

(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

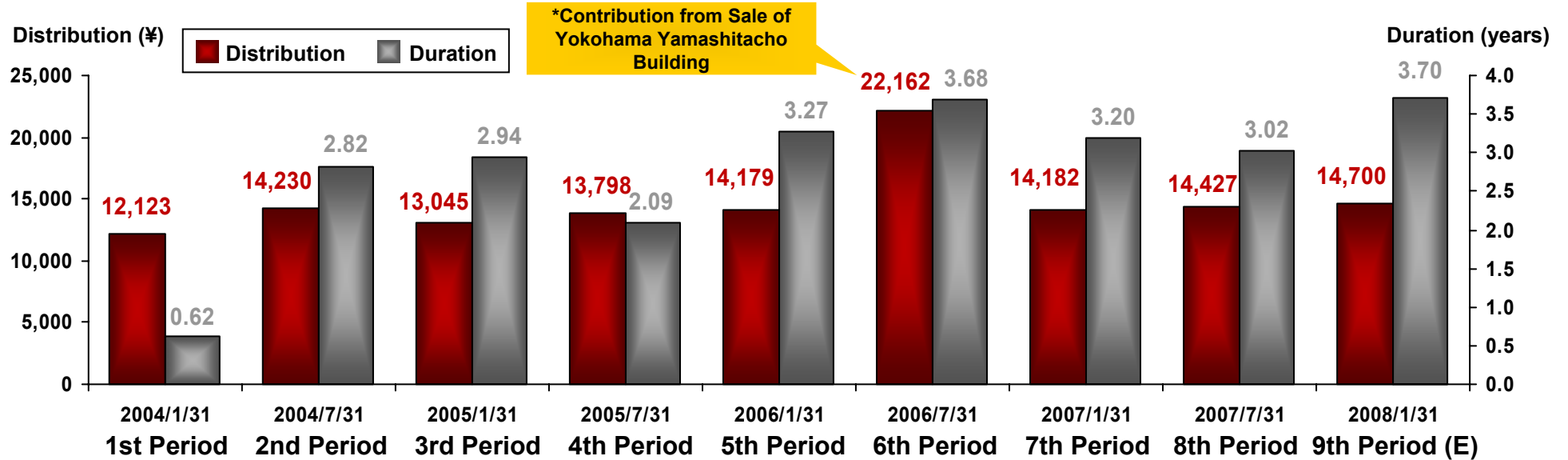
(2) LTV against the total asset (period end)=expected interest bearing debt ÷ expected total asset

# Improvement of Profits Quality

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



\*\* Average LTV = (Average 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  
 Total Asset LTV = Period End Interest-Bearing Debt / Period End Total Assets

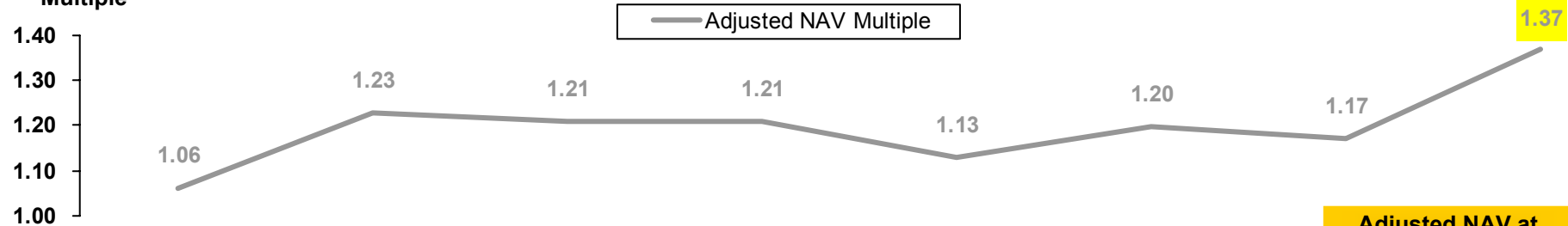


\* Distribution in 1st Period was ¥9,488 based on the actual operating days of 144 days, but distribution of ¥12,123 recalculated based on 184 days is used in the above graph for the sake of comparison with 2nd Period onwards

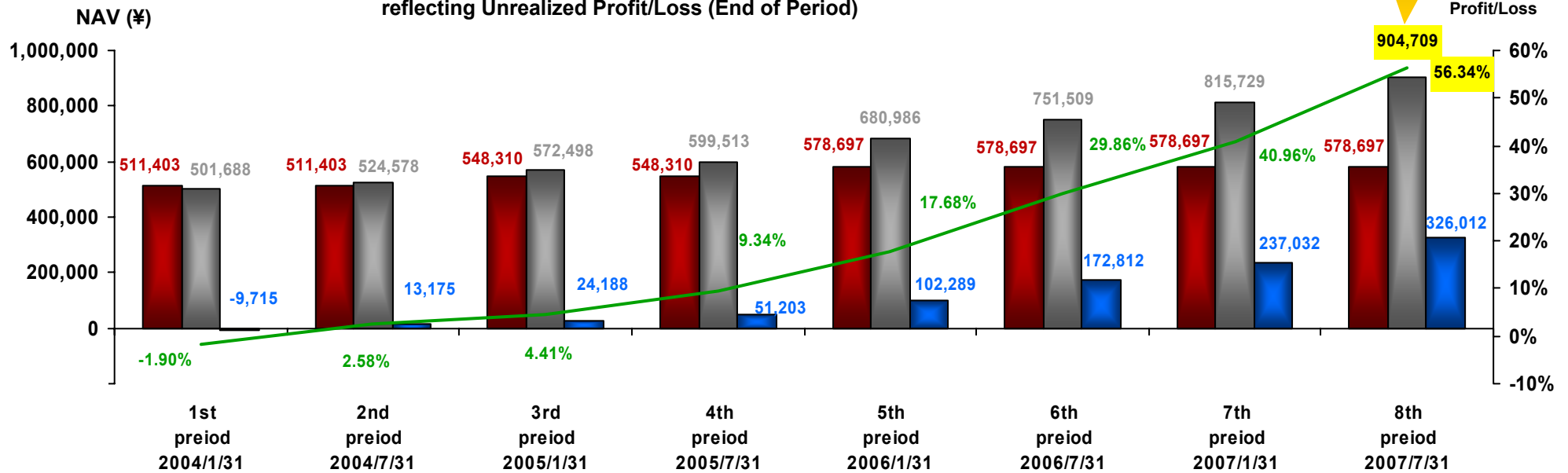
\*Comment by Tokyu REIM

# Improvement of Asset Value (Adjusted NAV)

Adjusted NAV Multiple



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

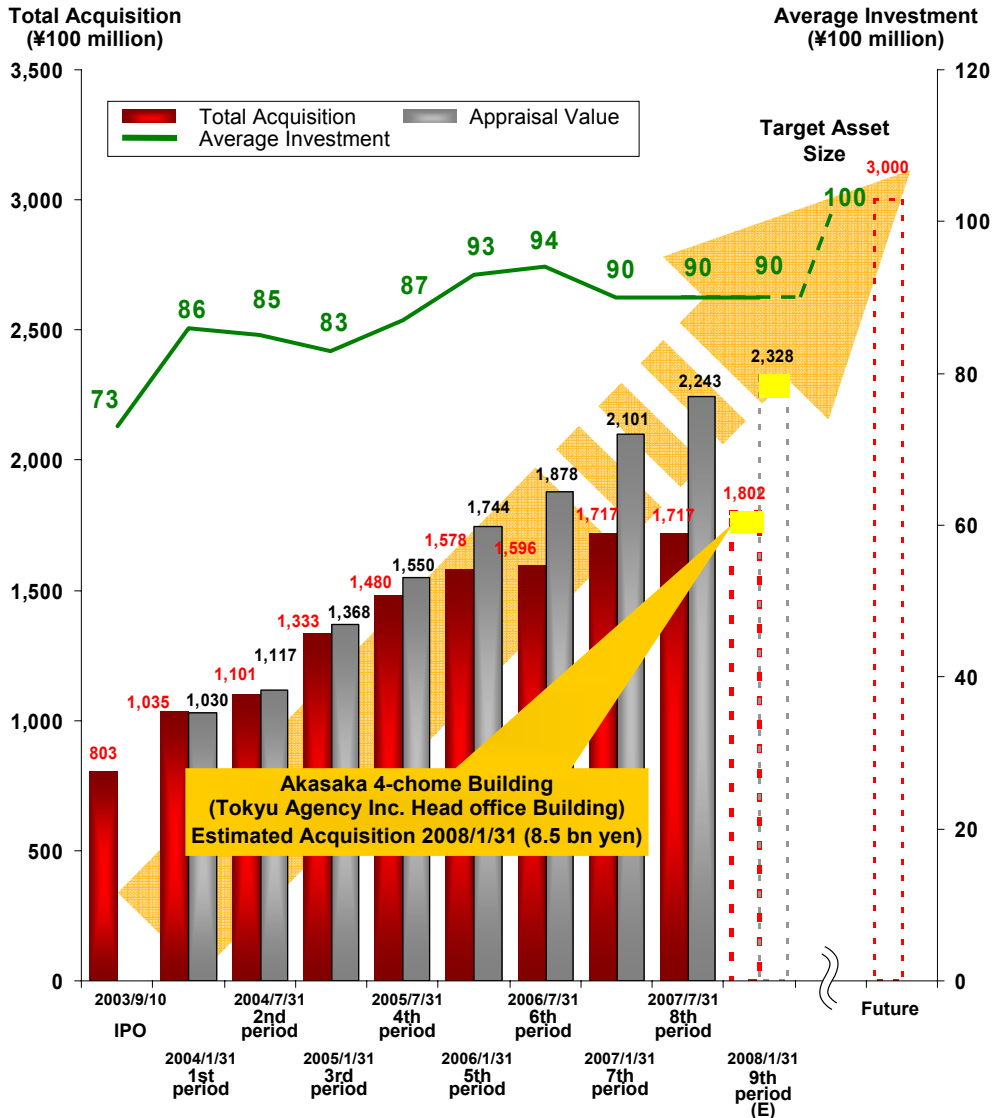


Legend: NAV per Unit (ex. Retained Earnings) (Red bar), Adjusted NAV per Unit (Grey bar), Unrealized Profit/Loss per Unit (Blue bar), % of Unrealized Profit (Green line)

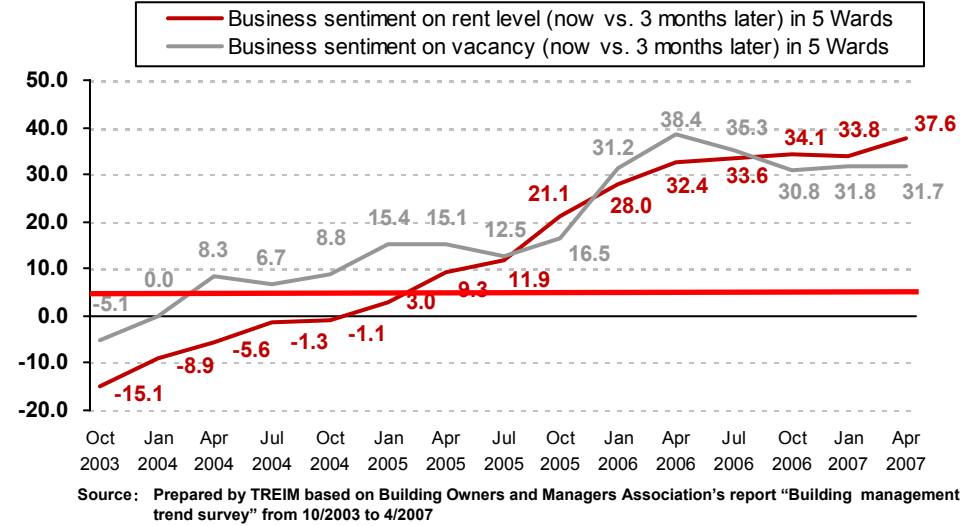
Average Investment Unit Price	1st period	2nd period	3rd period	4th period	5th period	6th period	7th period	8th period
	¥530,828	¥643,097	¥690,705	¥726,082	¥766,520	¥902,435	¥958,306	¥1,241,537

# External Growth

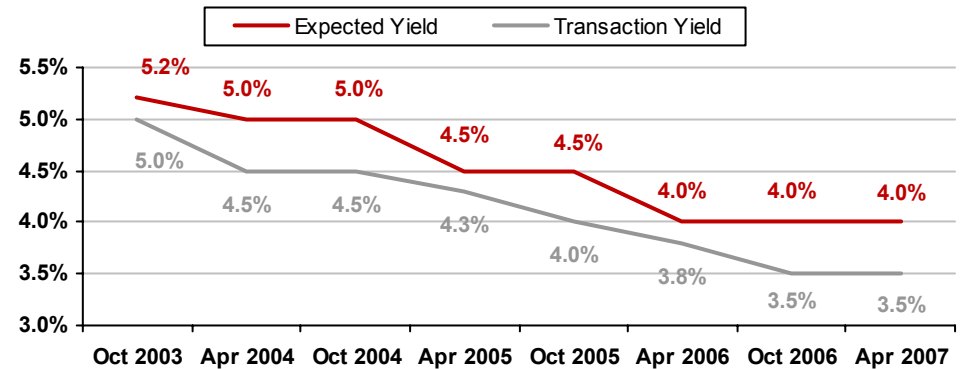
## External Growth (Steady Acquisition of Quality Assets)



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



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



# Acquisition of Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)

## ■ Summary

- Asset : Trust beneficiary interest in real estate
- Purpose/Tenant : Office/Tokyu Agency Inc.
- Location : Akasaka, Minato-ku, Tokyo
- Land Area : 712.49m<sup>2</sup>
- Building : 5,002.36m<sup>2</sup>
- Acquisition Price : 8,500 million yen
- Appraisal Value : 8,500 million yen (as of May 16, 2007)
- Scheduled Acquisition Date : January 31, 2008
- Seller : Amit Investment Ltd.  
(Special purpose company (SPC) established by Tokyu Agency, Inc. and Tokyu Land Corporation)

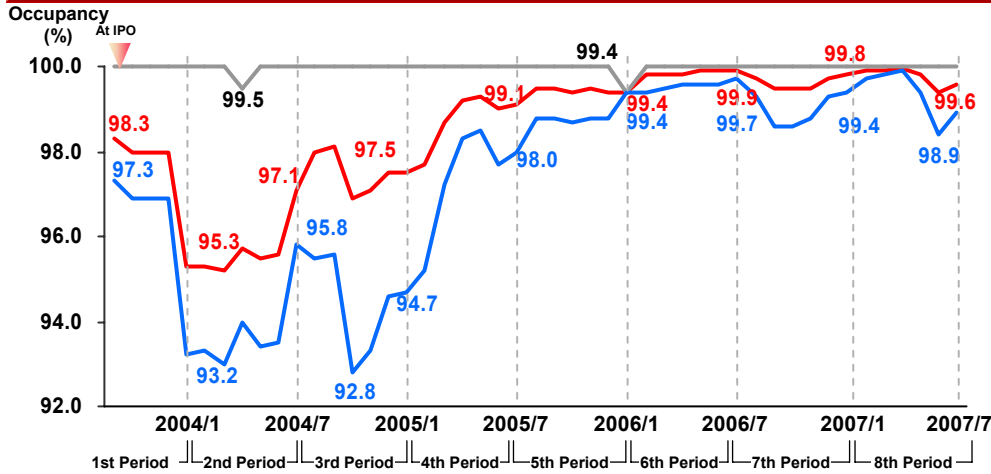


## ■ Characteristics and Challenges

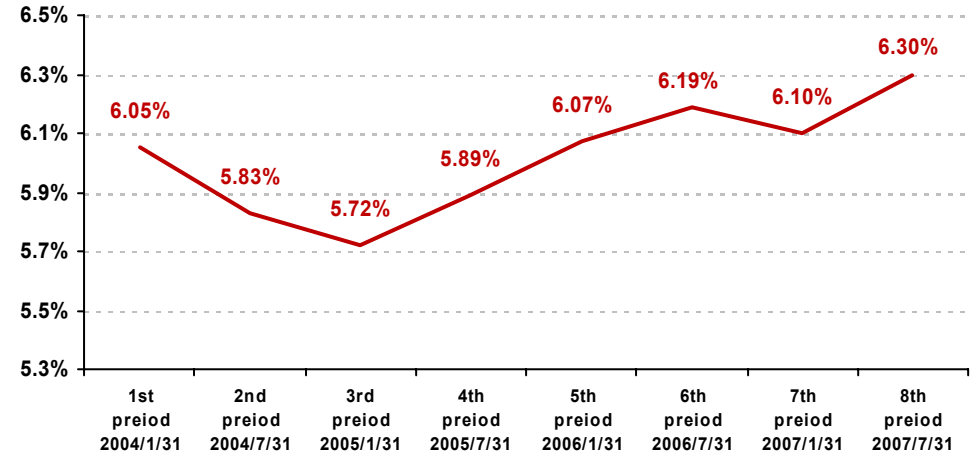
- Strength : Excellent access from numerous stations, high level of visibility from the prominent Aoyama Street, relatively new (completed in February 2003)
- Weakness : Risk of single tenant leaving the building  
(Concluded a 5-yr fixed-term lease contract effective from scheduled acquisition date)
- Opportunity : Higher potential from redevelopment of surrounding area
- Note : Conclusion of a 5-yr fixed-term lease contract, which is subject to the condition of implementation of interest transfer  
: Collaboration with Tokyu Group companies

# Internal Growth

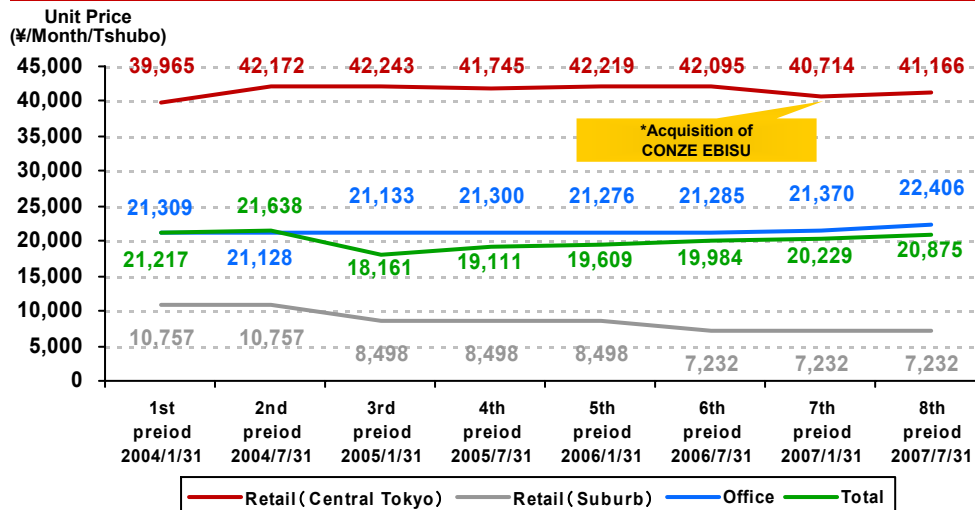
## Historical Occupancy of Overall Portfolio



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



## Average Rent (including Common Area Charge)



## Monthly Rent Comparison at the end of the Fiscal Period

		(thousand yen)			
		End of 8th Period	End of 7th Period	Increase / Decrease	Increase / Decrease (%)
retail	overall	408,015	405,057	2,959	0.7%
	Rent Increases from Existing Tenants			2,241	
office	overall	550,423	528,073	22,350	4.2%
	Rent Increases from Existing Tenants			15,902	
total	overall	958,439	933,130	25,309	2.7%
	Rent Increases from Existing Tenants			18,143	

(注) Excluding shonan Mall Fill (Sokochi)  
 (注) Retail (Central Tokyo): QFRONT, 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 Nokedai), Yokohama Yamashita-cho Bldg.

\* CONZE Ebisu and Sigma Hatchobori Bldg. are excluded.  
 \* Except for income from Parking and Signboard.

\*Comment by Tokyu REIM



## Divergence from the Market Rent

Asset Class	Current Monthly Rent (A)* (in JPY mm)	Market Rent (B)** (in JPY mm)	Difference in Value (B-A) (in JPY mm)	Average Divergence (B-A)/A (%)
Office	549	637	88	16.0
Retail	409	452	43	10.6
CBD	271	314	43	15.9
Suburbs	138	138	0	0.2
Total (19 Properties)	958	1,089	131	13.7

\* Current Monthly Rent includes Common Service Charge( except revenue from parking/sign charge) based on the contract as of 8/1/2007

\*\*Market Rent is calculated by Tokyu REIM based on market reports of third party

### <Reference> Number of Tenants Facing Rent Renegotiation (Rent Base) (%)

Asset Class	During 9th Period* Tenants Facing Rent Renegotiation	During 10th Period Tenants Facing Rent Renegotiation	11th-14th Periods Tenants Facing Rent Renegotiation	Total**
Office	6.6	30.1	86.5	123.2
Retail	1.8	18.5	65.0	85.3
CBD	0.0	6.3	41.6	47.9
Suburbs	1.8	12.2	23.4	37.4
Total (19 Properties)	4.6	25.2	77.2	107.0

\* 9<sup>th</sup> Period : 2007/8/01 – 2008/1/31      10<sup>th</sup> Period : 2008/2/01 – 2008/7/31

11<sup>th</sup> – 14<sup>th</sup> Periods : 2008/8/01 – 2010/7/31

\*\*As tenants who will renew their contracts multiple times have been included in the calculation, the total value does not equal 100%



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## Portfolio Overview and Risk Management

# Portfolio Overview



### Retail ☆

QFRONT

Lexington Aoyama

TOKYU REIT Omotesando Sq.

Tokyu Saginuma

Conze Ebisu

Tokyu Saginuma 2

TOKYU REIT Shibuya Udagawa-cho Sq.

Beacon Hill Plaza (Ito Yokado Nokendai)

cocoti

### Office ○

Setagaya Business Square

Tokyu Nampo-dai-cho Bldg.

Tokyu Sakuragaoka-cho Bldg.

Tokyo Nissan Taito Bldg.

TOKYU REIT Akasaka Hinoki-cho Bldg.

TOKYU REIT Kamata Bldg.

Resona Maruha Bldg.

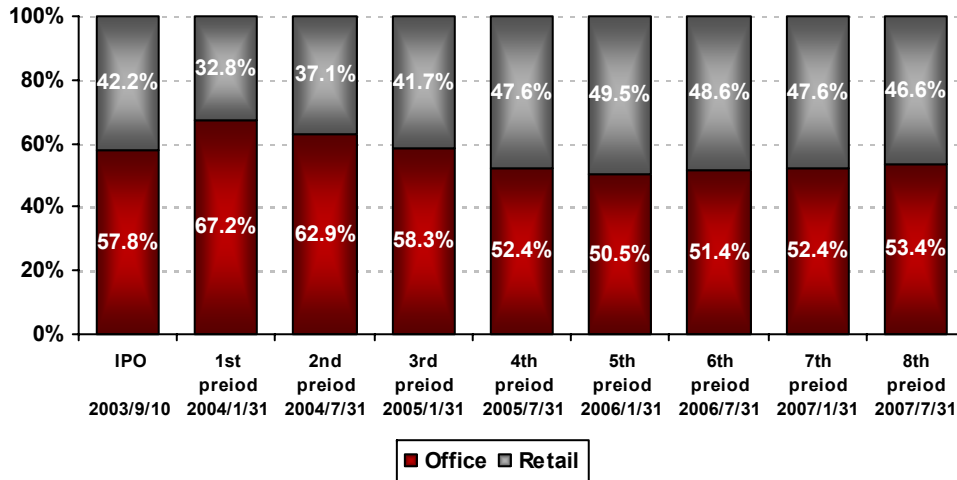
TOKYU REIT Toranomon Bldg.

Sigma Hatchobori Bldg.

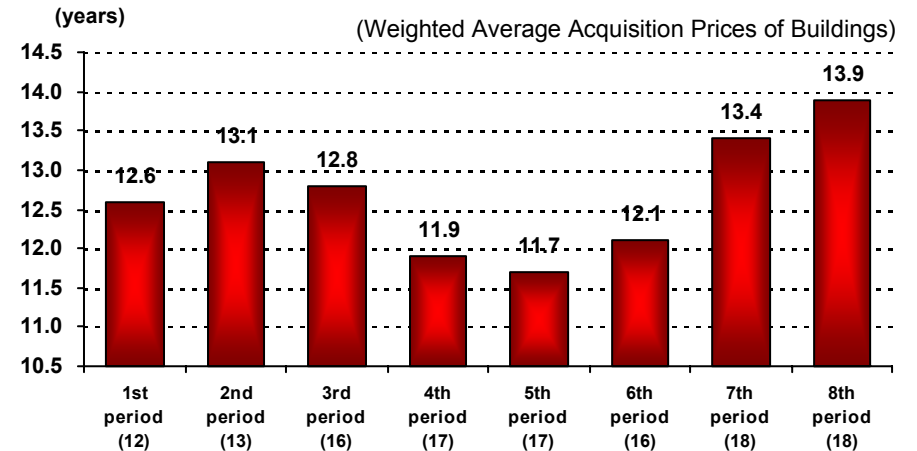
Akasaka 4-chome Bldg (Tokyu Agency Headquarters)

# Portfolio Overview(2)

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

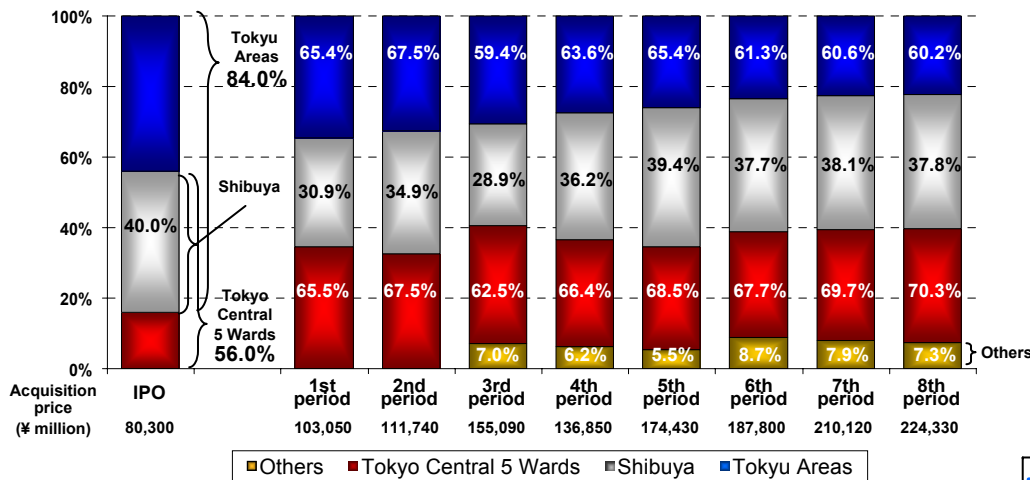


## Weighted Average Years Built (as of 7/31/2007)

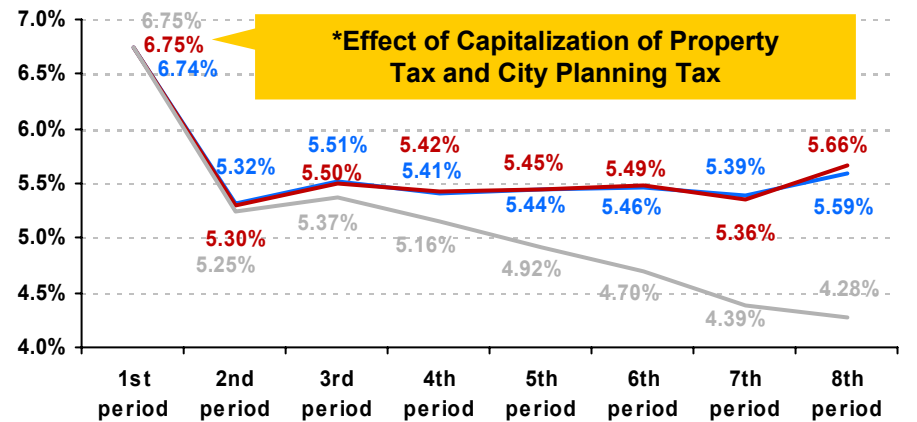


(Note) Average years built at end of each period weighted by building value  
 \* Not including Shonan Mall Fill (Land)

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



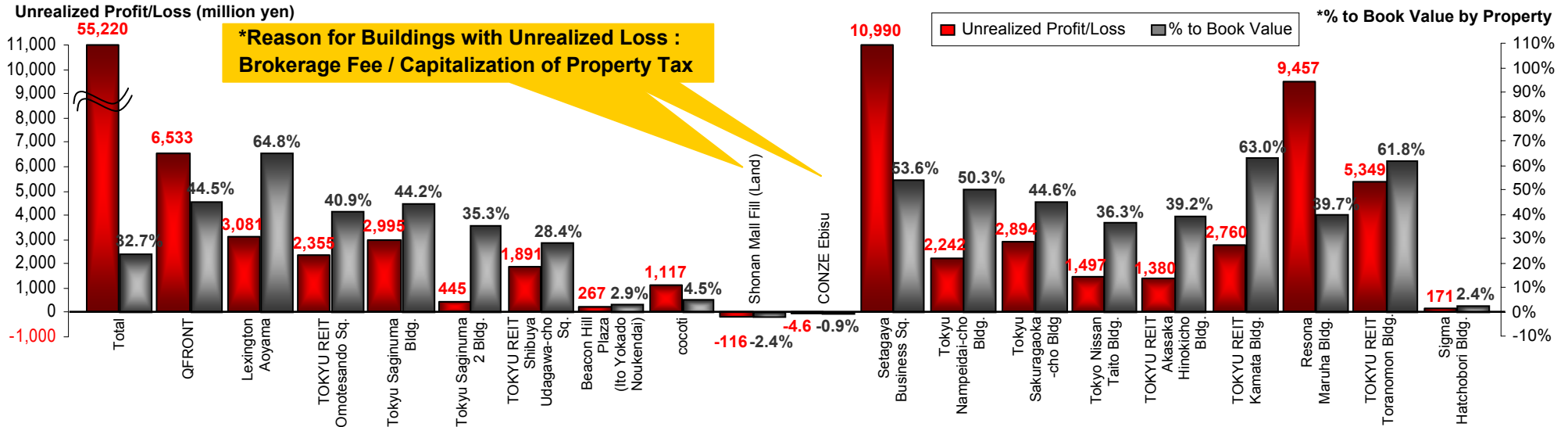
## NOI Yield



— Acquisition Price NOI Yield — Book Value NOI Yield — NOI Yield based on Appraisal Value

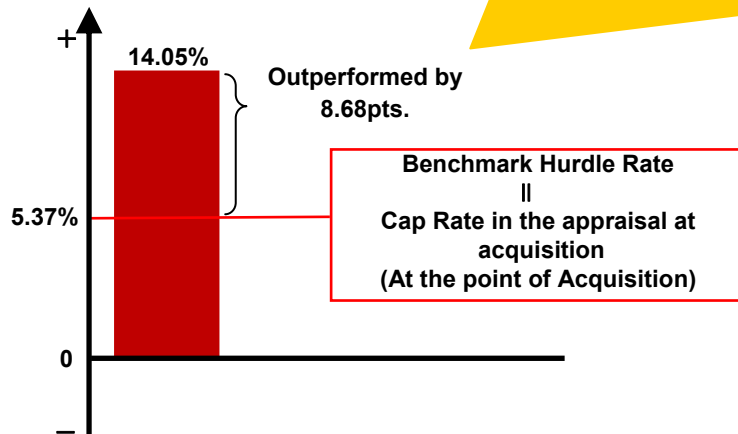
\*Comment by Tokyu REIM

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



## Performance of our Portfolio Return

\*Since the acquisition of 16 properties, total return of those properties outperformed our benchmark by 8.68 points.

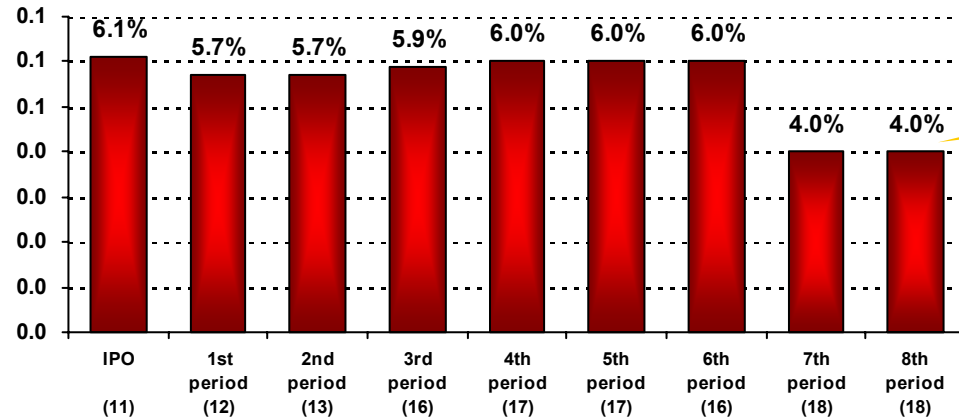


- Based on 16 properties we have been owning for more than 2 years (cocoti acquisition value is the total of both acquisition parts; excluding Yokohama Yamashita-cho Bldg. sold in 6th period) (Appraisal Price: 152,810 million yen)
- Property prices as of the end of each fiscal term are used to calculate 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 17 properties including Yokohama Yamashita-cho Bldg. (Acquisition Price: 157,860 million yen) is 14.18% (outperforming benchmark by 8.75pts.) (\*) Using the transfer price for sale of Yokohama Yamashita-cho Bldg.

\*Comment by Tokyu REIM

# Risk Management (1)

## Portfolio PML



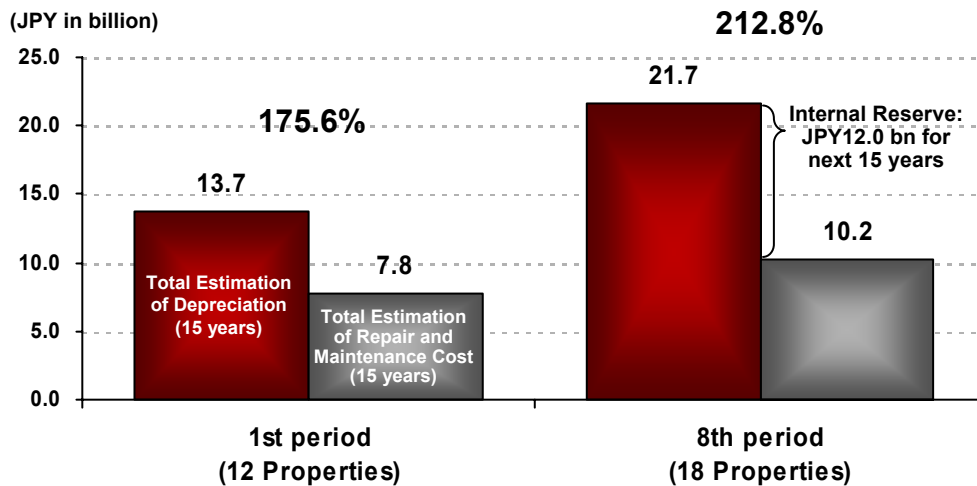
\*The number for the 6<sup>th</sup> period and 7<sup>th</sup> period does not include Shonan Mall Fill

**\*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.**

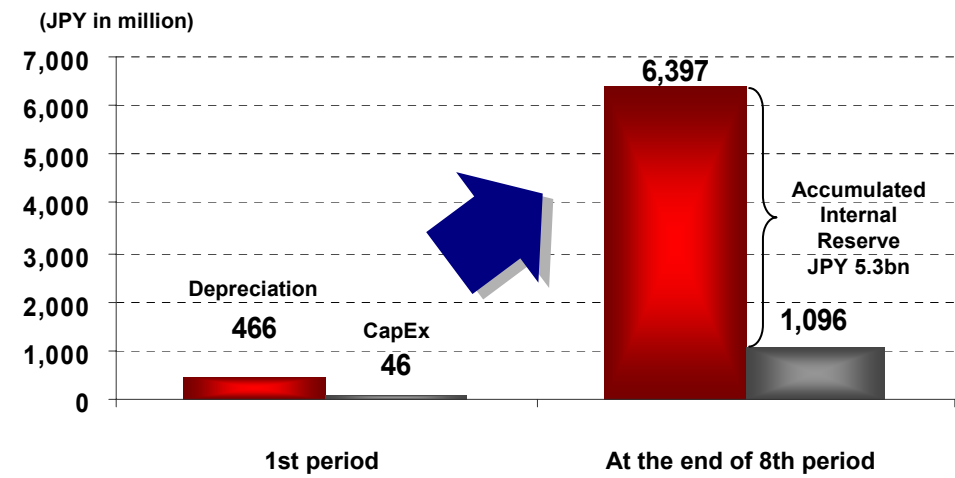
**Therefore, we focus on the balance between total estimation of repair and maintenance cost and accumulated depreciation**

## Depreciation and Repair and Maintenance Costs for 15 years



\* The number of repair and maintenance cost are updated when necessary  
 \* Not including Shonan Mall Fill (Land)

## Accumulated Internal Reserve

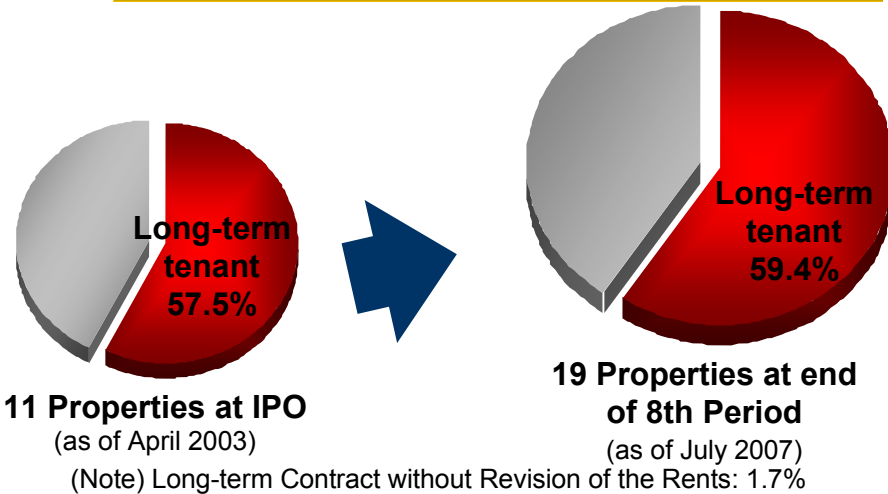


\*Comment by Tokyu REIM

# Risk Management (2)

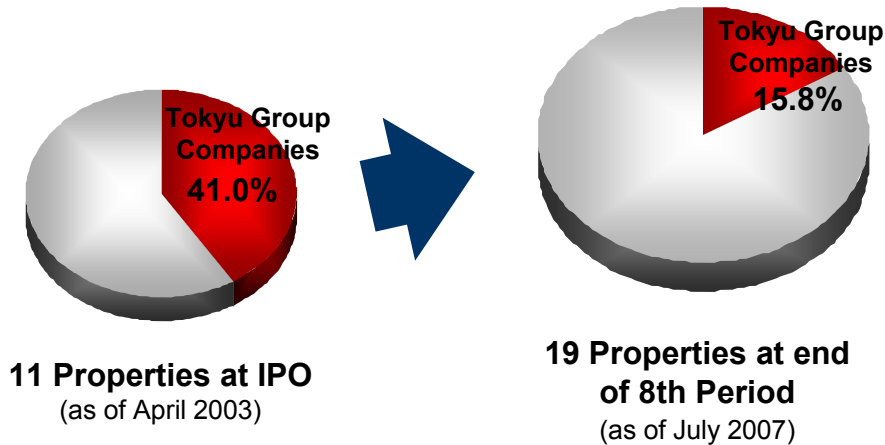
## Long-term Lease Ratio (based on Leasable Area)

**\*Continue to attract long-term commitment**



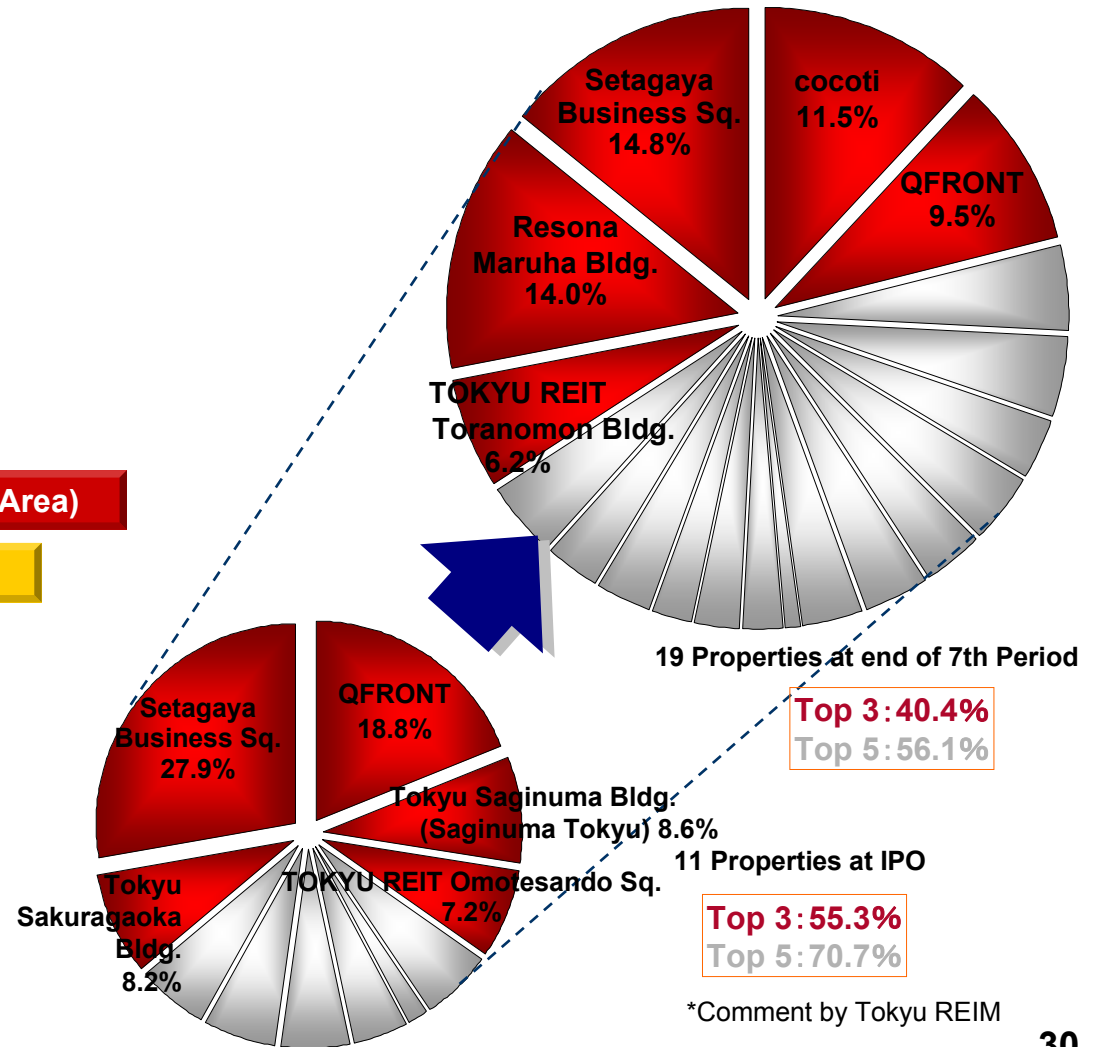
## Tokyu Group Tenant Concentration (based on Leasable Area)

**\*Lower dependence on Tokyu Group Companies**



## Main Properties Concentration (19 Properties at End of 8th Period)

**\*% of each property decreased as the number of buildings increased**



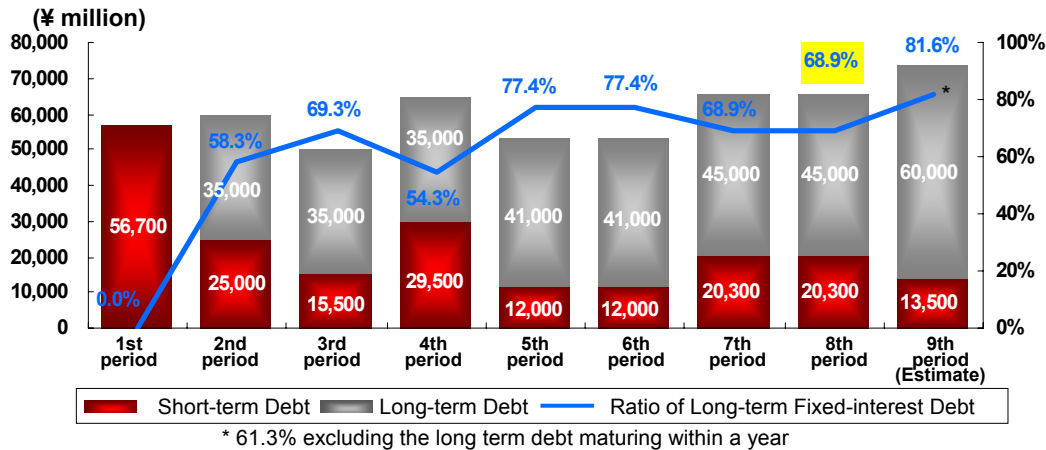


## Debt Management



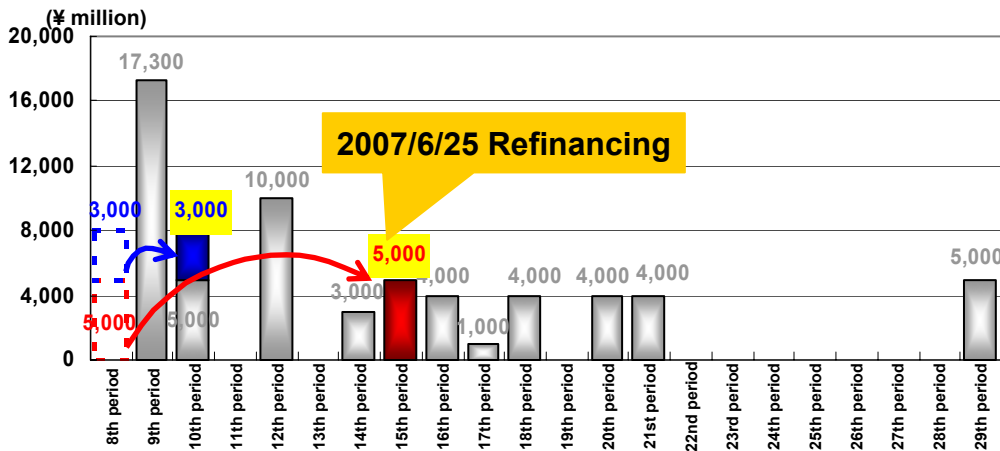
# Debt Structure (1)

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



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

## Maturity Ladder



**\*Shifting to longer duration**

Term	Lender	Amount (¥ in mm)	Interest (%)	Repayment Maturity		Note
				Maturity	Period	
Short-term	Bank of Tokyo-Mitsubishi UFJ	5,000	1.05727	2007/9/25	Period 9	Unsecured
	Mitsubishi UFJ Trust Bank	3,000	1.03417	2008/4/28	Period 10	
	Sumitomo Trust Bank	730				
	Chuo-Mitsui Trust Bank	730				
	Bank of Tokyo-Mitsubishi UFJ	730	1.03417	2007/9/28	Period 9	
	Mizuho Corporate Bank	730				
	Mitsubishi UFJ Trust Bank	4,380				
	Sumitomo Trust Bank	1,000				
	Chuo-Mitsui Trust Bank	1,000	1.03818	2007/10/31	Period 9	
	Bank of Tokyo-Mitsubishi UFJ	1,000				
	Mizuho Corporate Bank	1,000				
	Mitsubishi UFJ Trust Bank	1,000				
Sub-total	20,300	-	-	-	-	
Long-term	The Norinchukin Bank (1)	4,000	1.38875	2008/6/25	Period 10	Unsecured
	The Hyakugo Bank	1,000	1.23875			
	Chuo-Mitsui Trust Bank	5,000	1.68875	2009/6/25	Period 12	
	Mitsubishi UFJ Trust Bank	5,000				
	Aioi Insurance Company, Ltd.	1,000				
	Daido Life Insurance Company	1,000	1.92750	2010/6/25	Period 14	
	Mitsui Sumitomo Insurance	1,000				
	Development Bank of Japan	4,000	2.03000	2012/6/25	Period 18	
	The National Mutual Insurance Federation of Agricultural Cooperation	1,000	1.26250	2011/10/25	Period 17	
	Development Bank of Japan	5,000	1.95000	2018/1/25	Period 29	
	Nippon Life Insurance	4,000	1.93000	2011/7/31	Period 16	
	Daichi Life Insurance	4,000	2.21125	2013/7/31	Period 20	
	Daichi Life Insurance	1,000				
	The National Mutual Insurance Federation of Agricultural Cooperation	3,000	1.92000	2014/1/25	Period 21	
	Sumitomo Trust Bank	5,000	1.81062	2010/12/25	Period 15	
Sub-total	45,000	-	-	-	-	
<b>Total</b>		<b>65,300</b>	-	-	-	-

(1) Long Term Debt maturing within a year

(as of July. 31, 2007)

(2) Average Interest rate: 1.52%

## Rating

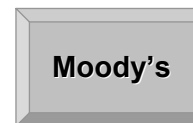


■ Issuer Rating: AA- (Rating Outlook: Stable)



■ Long-term Corporate Credit Rating: A (Outlook: Stable)

■ Short-term Corporate Credit Rating: A-1

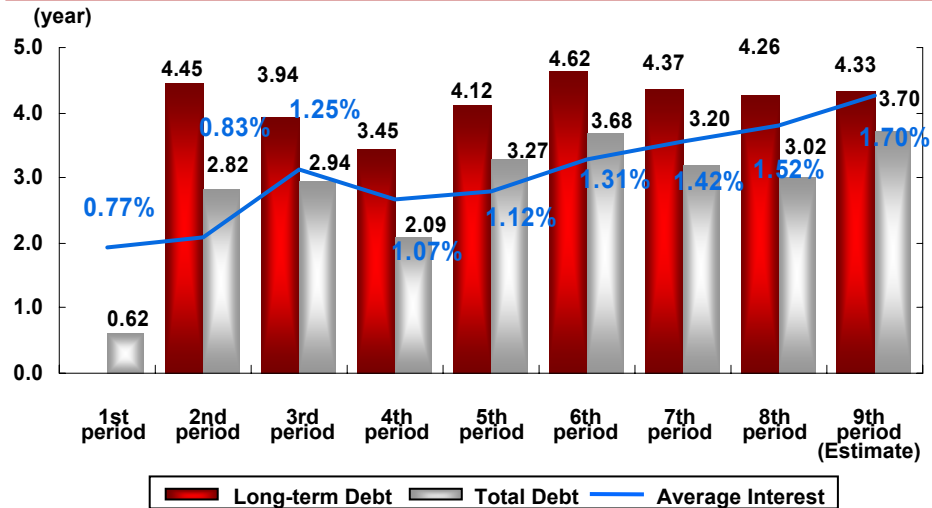


■ Issuer Rating: A2 (Outlook: Stable)

**\*High credit ratings to respond to changing monetary situations**

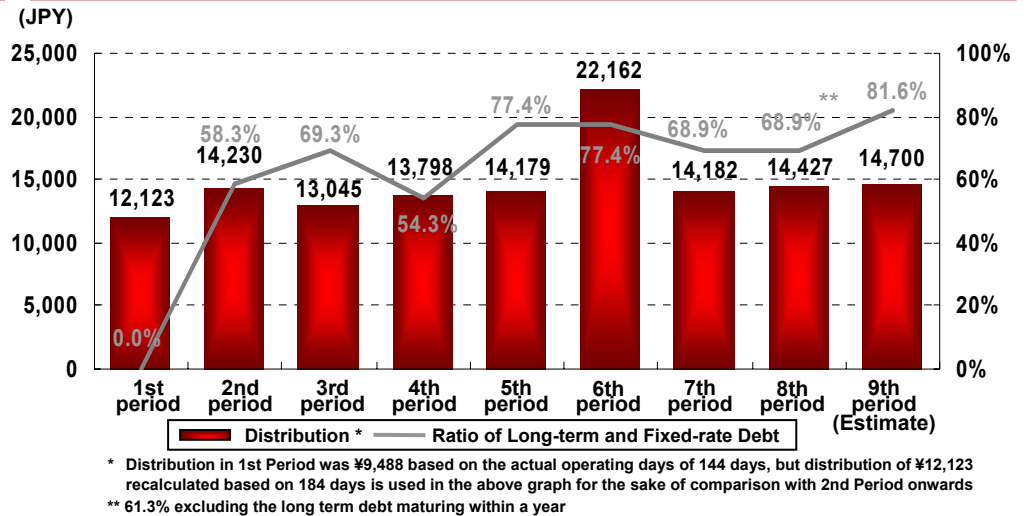
# Debt Structure (2)

## Average Maturity of Debt and Average Interest



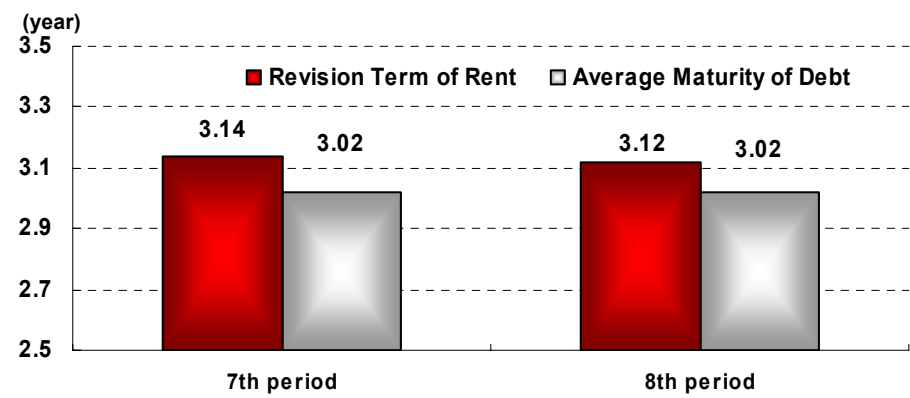
**\*Control debt cost while increasing duration**

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



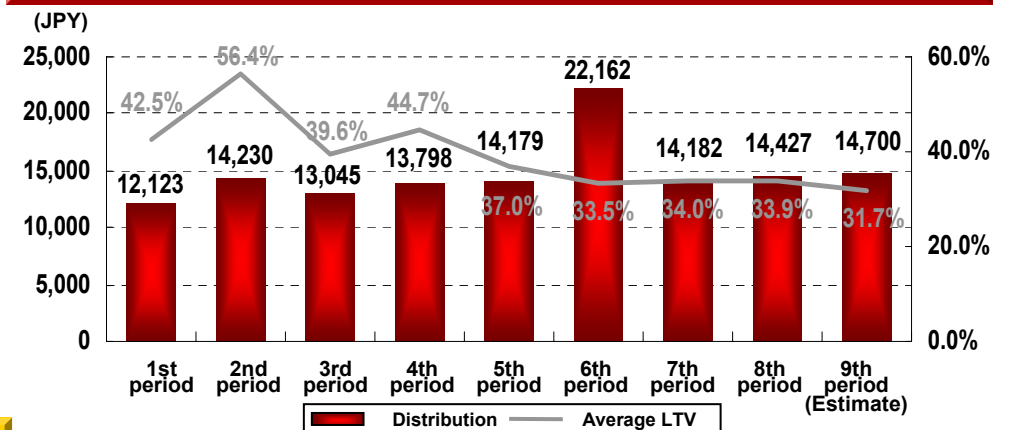
**\*Focus on balance between EPS growth and earnings quality**

## Revision Term of Rent to Average Maturity of Debt



**\*Revision Term of Rent remains about the same level as Duration of Debt**

## 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  
\*Comment by Tokyu REIM

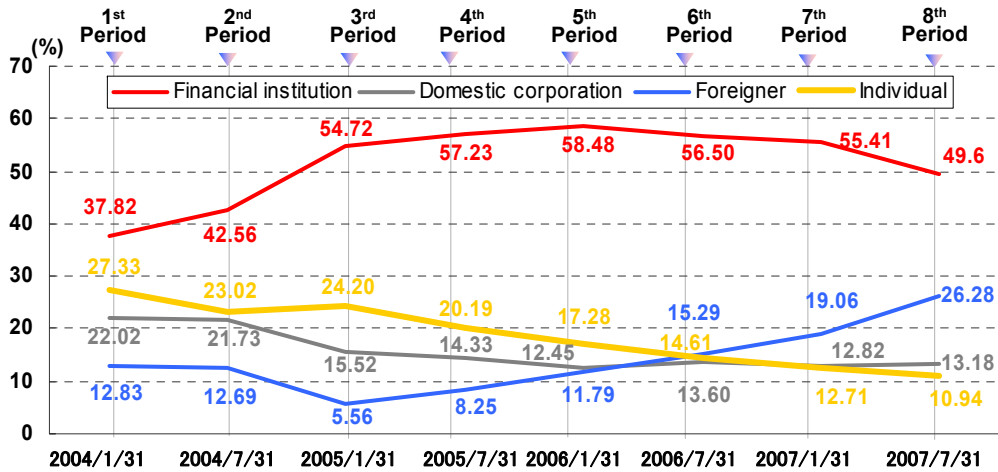


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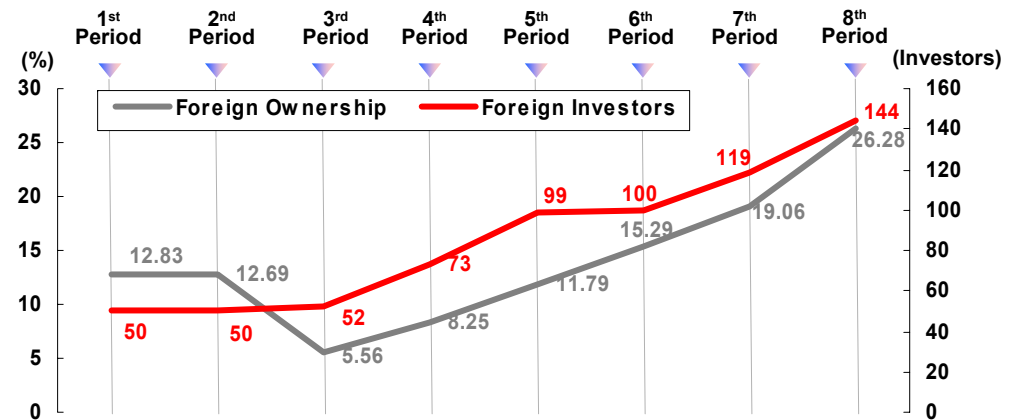
## Holders and Price of Investment Unit

# Investor Information

## Ownership by Investor Type

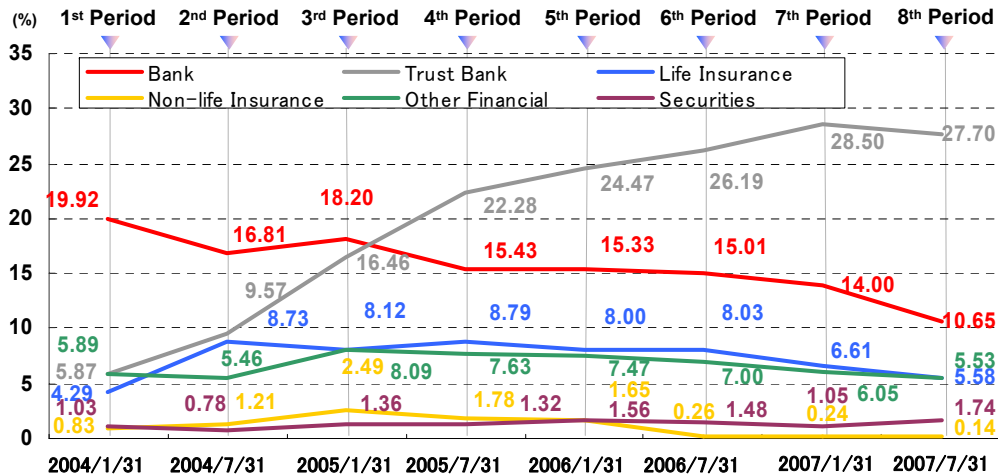


## Foreign Ownership and Number of Investors



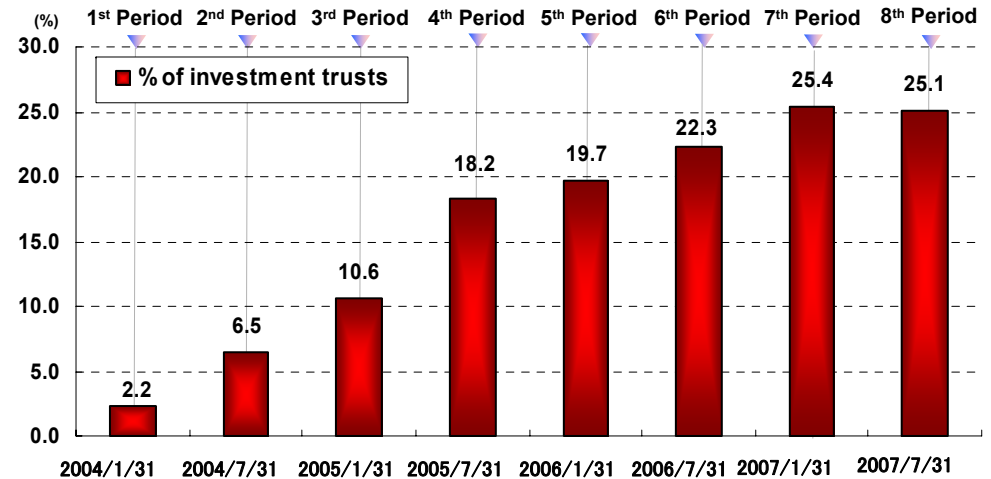
\* Foreign investors reaching 26%

## Ownership by Investor Type (Financial Institutions)



\* Stock price high leads to a decrease in individual ratios, and thus, new fund acquisition shifts to fund of funds technique

## Investment Trust as % of # of Investment Units (FOF Ratio)

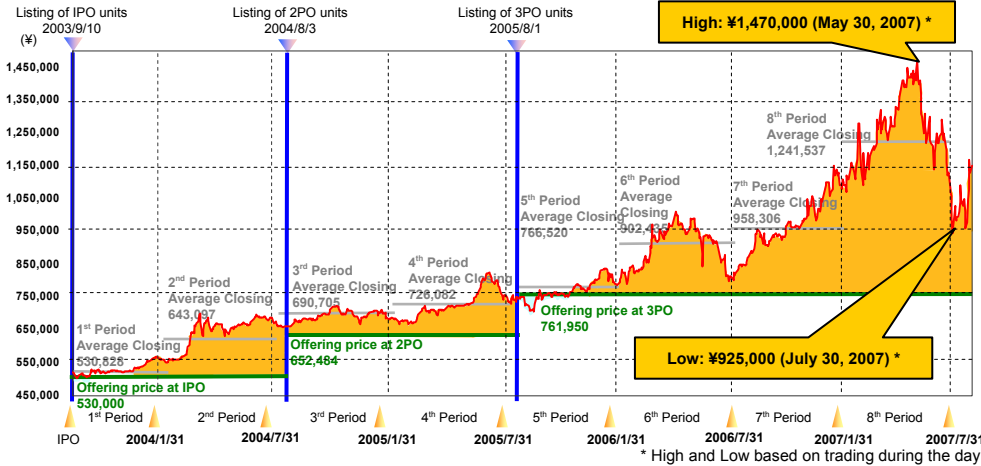


\* Investment units held by investment trusts represent a quarter of all investment units

\* Financial institutions excluding securities finance companies and adding securities companies

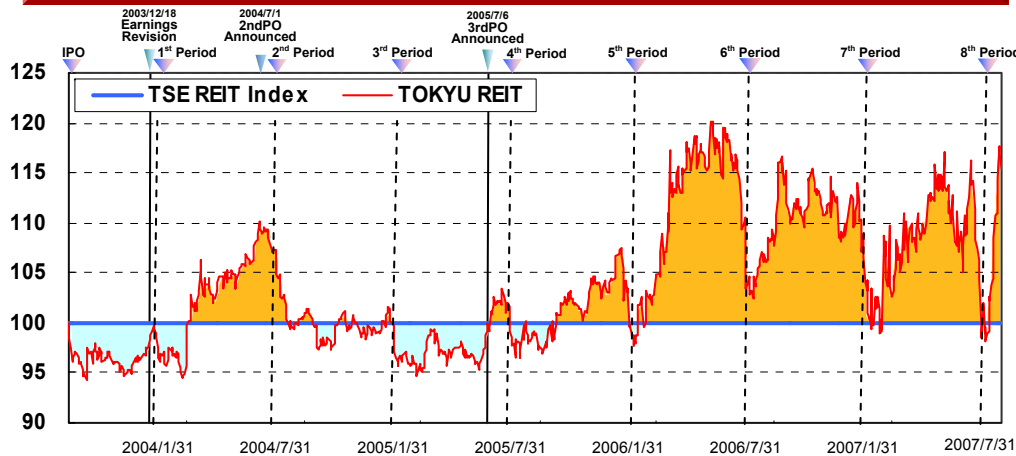
# Information on TOKYU REIT Investment Units

## TOKYU REIT Public Offering Price and Investment Unit Price



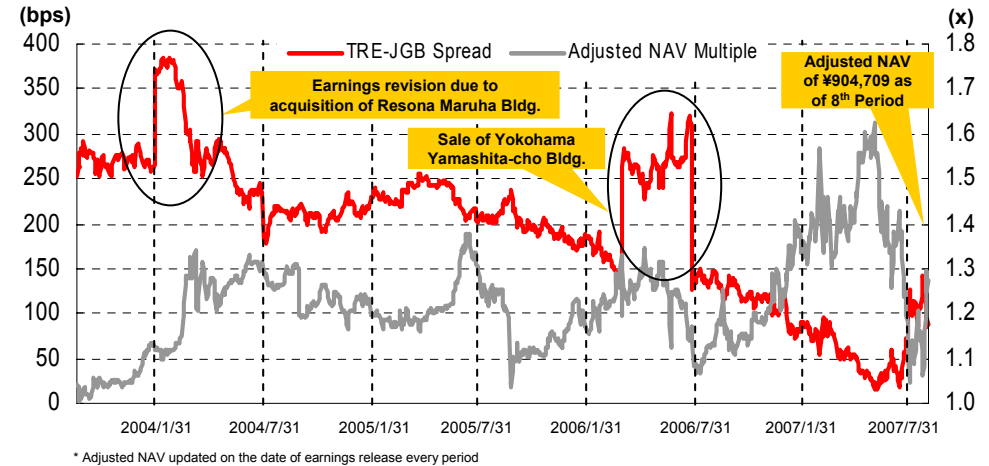
\*Price higher than public offering price of all 3 add-on offerings

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



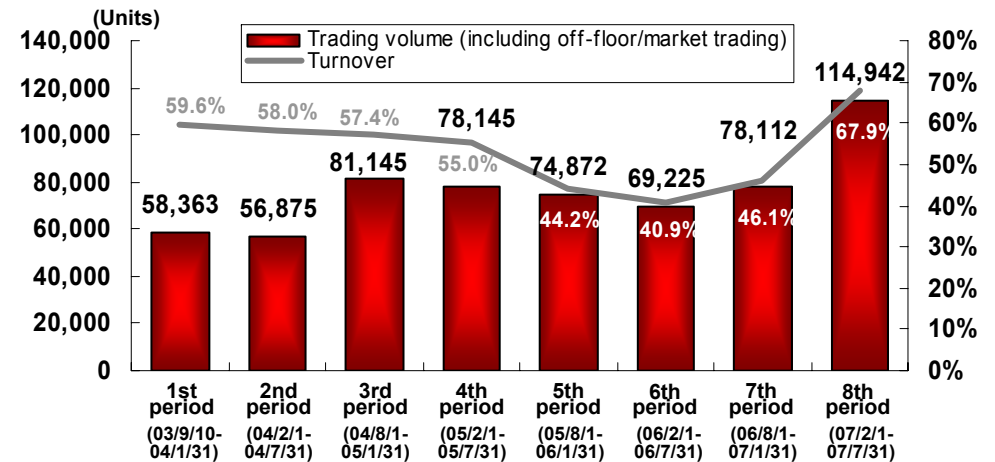
\*Seek more outperformance against TSE REIT index

## TOKYU REIT – JGB Spread and Adjusted NAV Multiple



\* Adjusted NAV multiple decreasing from an increase in unrealized profit

## Trading Volume and Turnover of TOKYU REIT Units



\* Liquidity also improving

# List of Unit-Holders

## As of Jul. 31, 2006

	Investors	No. 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	No. 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>

## As of Jul. 31, 2007

	Investors	No. of Units Held	Share (%)
1	Japan Trustee Services Bank Ltd.	12,564	7.41
2	NikkoCiti Trust and Banking Corporation	11,099	6.55
3	Trust & Custody Services Bank, Ltd	9,372	5.53
4	The Master Trust Bank of Japan, Ltd.	8,262	4.87
5	CB London Standard Assurance, Ltd.	6,583	3.88
6	Kawasaki Gakuen	6,000	3.54
7	Tokyu Corporation	5,880	3.47
8	AIG Star Life Insurance Co., Ltd.	4,871	2.87
9	Bank of New York, Treaty JASDEC Account	4,397	2.59
10	The Nomura Trust and Banking Co., Ltd	4,156	2.45
11	Tokyu Land Corporation	3,920	2.31
12	American Life Insurance Company	3,207	1.89
13	The National Mutual Insurance Federation of Agricultural Cooperatives	2,505	1.47
14	The Hiroshima Bank Ltd.	2,389	1.41
15	UBS AG London Asia Equities	2,368	1.39
16	State Street Bank & Trust Company	2,118	1.25
17	Merrill Lynch International Equity Derivatives	1,868	1.10
18	BBH Matthews Asian Growth and Income Fund	1,690	0.99
19	Nomura Securities	1,623	0.95
20	The Hachijuni Bank, Ltd.	1,516	0.89
	<b>Total</b>	<b>96,388</b>	<b>56.81</b>

# Analyst Coverage (7th Period, 8th Period) –Reference-

\*neutral, market perform, buy, hold

As of September 10, 2007

Rating	Date	TRE Closing Price	Analyst	Fair Price	Period
neutral	7/17/2007	1,200,000	Masato Nakagawa (Daiwa Institute of Research)		
neutral	6/15/2007	1,220,000			
neutral	2/2/2007	1,090,000			
neutral	1/19/2007	1,120,000			
neutral	12/11/2006	1,030,000			
neutral	11/16/2006	963,000			
neutral	10/12/2006	934,000			
neutral	9/11/2006	897,000			
neutral	8/15/2006	833,000			
buy	3/30/2007	1,280,000	Yoshizumi Kimura (Nikko Citigroup Limited)	1,370,000	12 months
hold	3/19/2007	1,200,000		1,160,000	12 months
hold	1/10/2007	1,060,000		1,160,000	12 months
hold	9/15/2006	958,000		950,000	12 months
neutral	5/22/2007	1,430,000	Toshiyuki Anegawa (Merrill Lynch Japan Securities)		
neutral	9/20/2006	944,000			
neutral	5/19/2006	956,000			
neutral	3/19/2007	1,200,000	Tomohiro Araki (Nomura Securities Financial & Economic Research Center)		
neutral	9/15/2006	958,000			
market perform	4/5/2007	1,260,000	Koki Ozawa (Mitsubishi UFJ Securities)		
market perform	9/22/2006	938,000			

Source: Bloomberg, compiled by Tokyu REIM

\* Ratings may have changed. Please confirm directly.

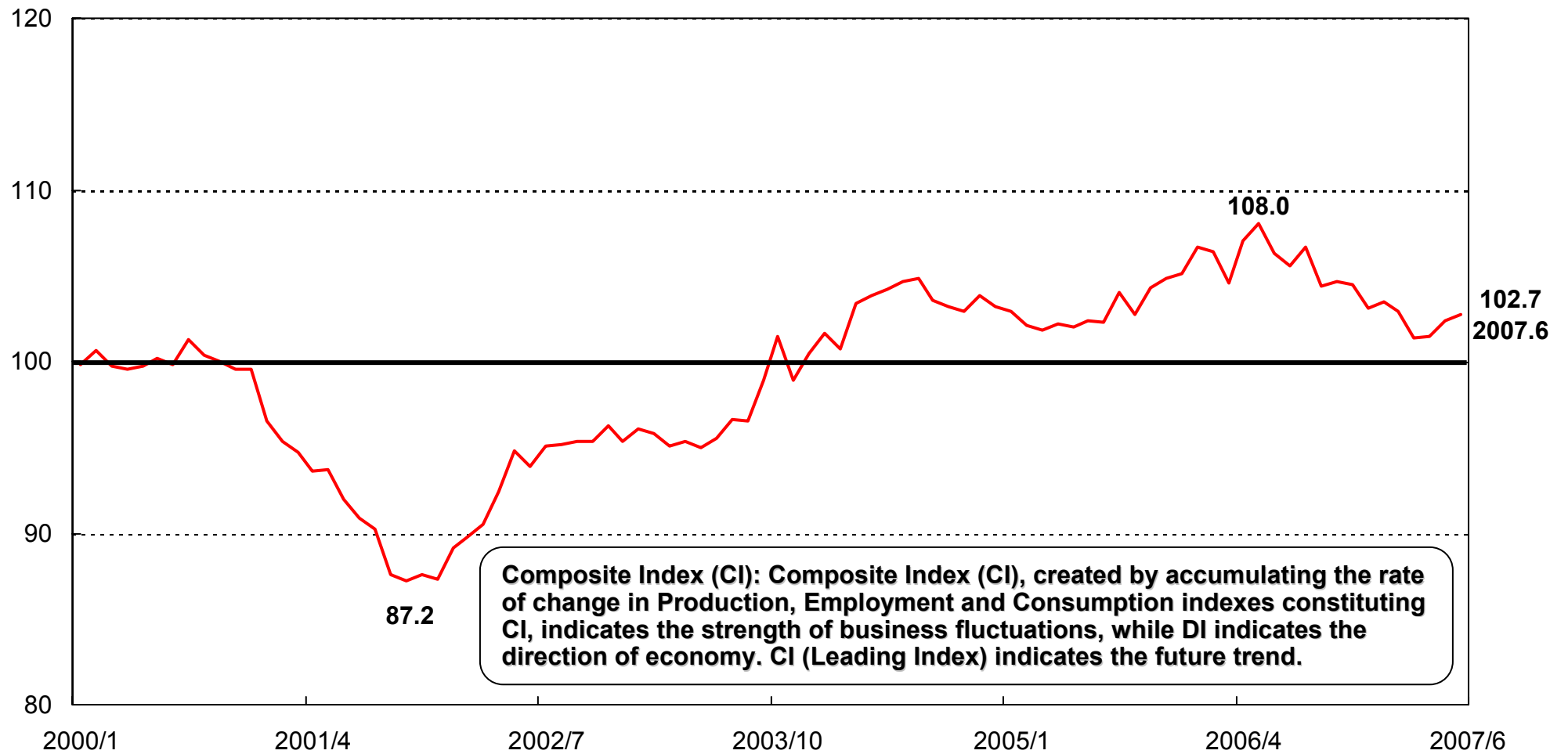
**TOKYU REIT**

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**Market Review**



## Composite Index (2000=100)



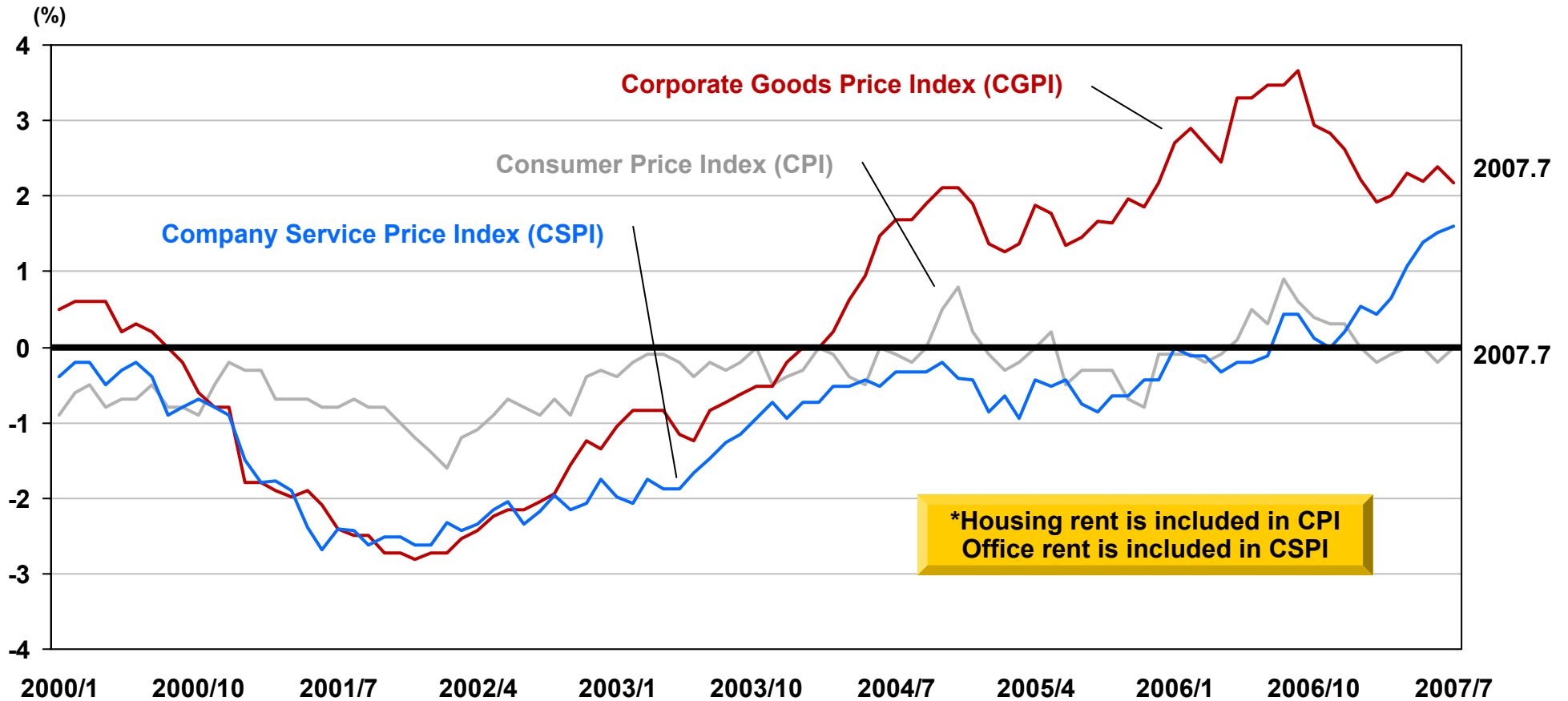
**\*Steady Recovery of Japanese Economy**

Source: Cabinet Office

\*Comment by Tokyu REIM

# Price Trend in Japan

## Price Index (YoY Change)



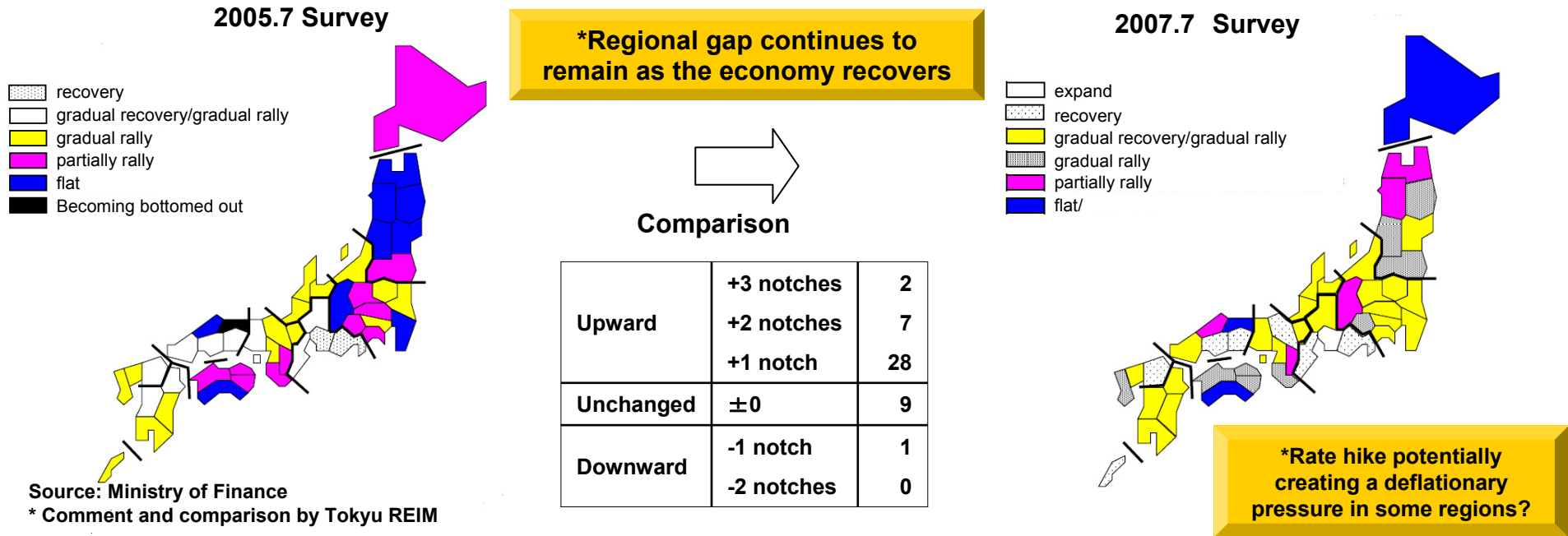
**\* The company is absorbing the inflation in raw material prices that have not yet been incorporated into the final cost of living calculations through an increase in productivity**

Source: Ministry of Internal Affairs and Communications, BOJ

\*Comment by Tokyu REIM

# Regional Gap in Business Confidence

## 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. The economy continues to be in a moderate recovery phase in a large sense."

(MoF "Economic Report of Ministry of Finance Local Finance Bureaus", July 31, 2007)

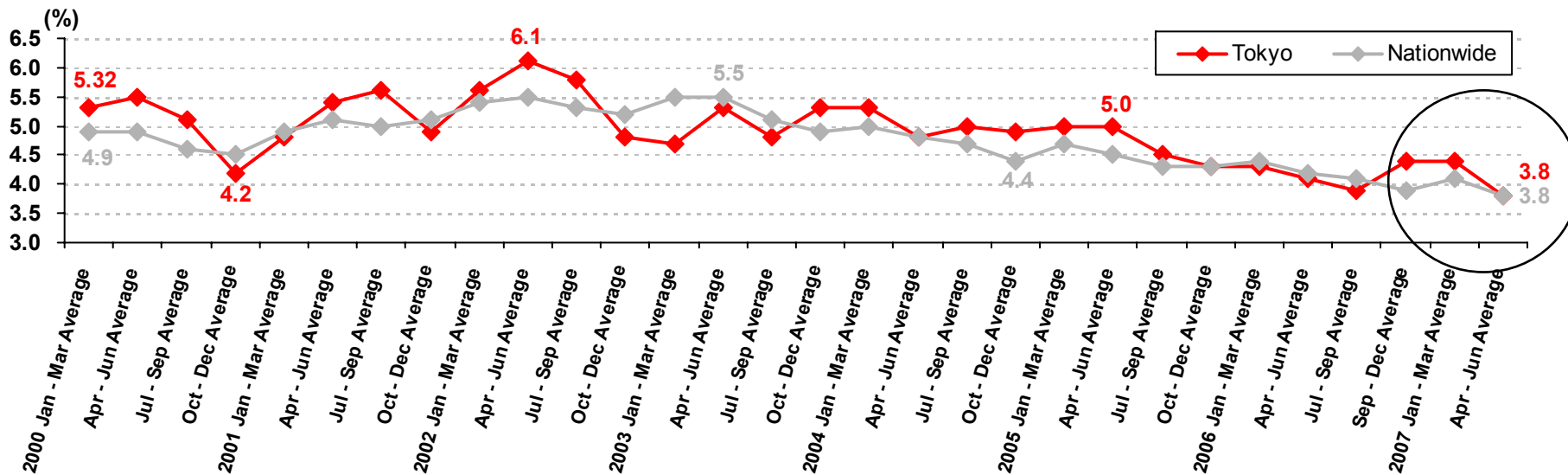
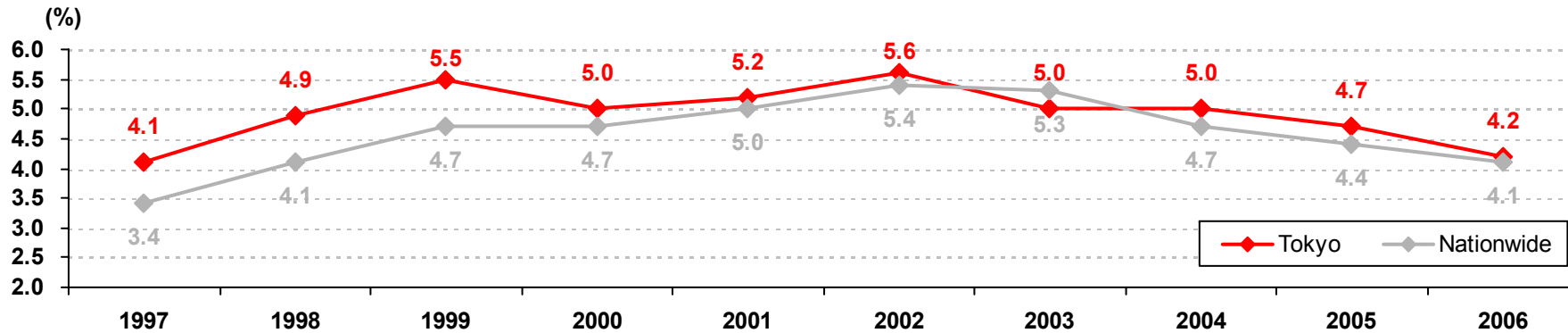
-"...the economy as a whole expanded moderately as all regions remained on an expansion or recovery trend, although there were regional differences. ... Assessments showed that regional differences remained: Kanto-Koshinetsu, Tokai, and Kinki described their economic activity as expanding, while the other regions described it as being on a recovery trend."

(BOJ "Regional Economic Report", July 6, 2007)

\* Comment and Comparison number by Tokyu REIM

# Job Trend in Japan (Unemployment)

## Unemployment in Tokyo and Nationwide (Raw Data)



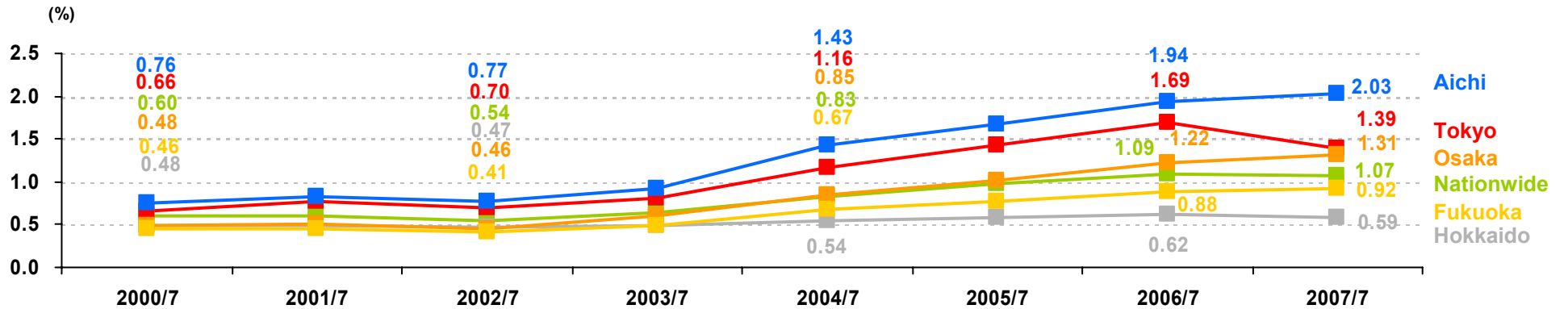
**\*Unemployment rate reached below 4%**

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

\*Comment by TOKYU REIM

# Job Trend in Japan (Job Opening)

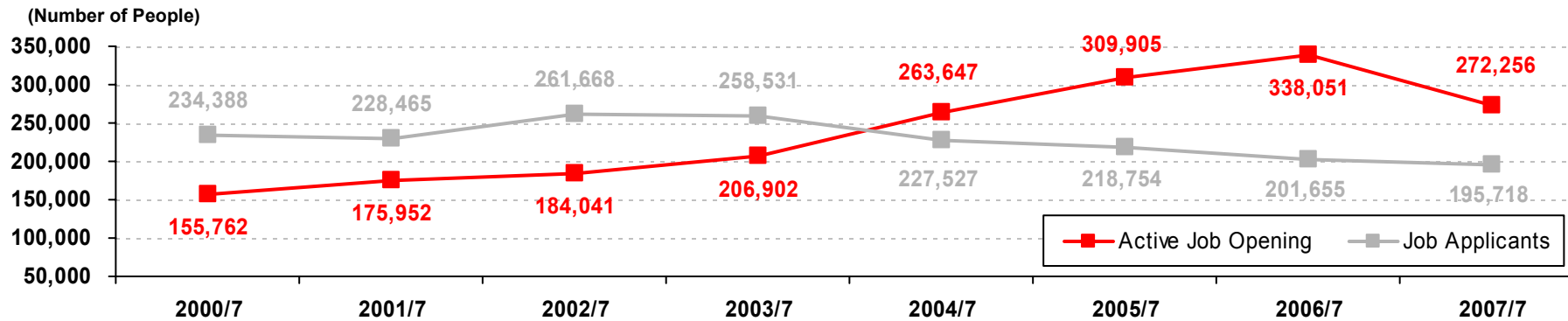
## Job to Applicant Ratio (Seasonally Adjusted)



**\* Significant gap among prefectures**

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

## Active Job Opening/Job Applicants in Tokyo

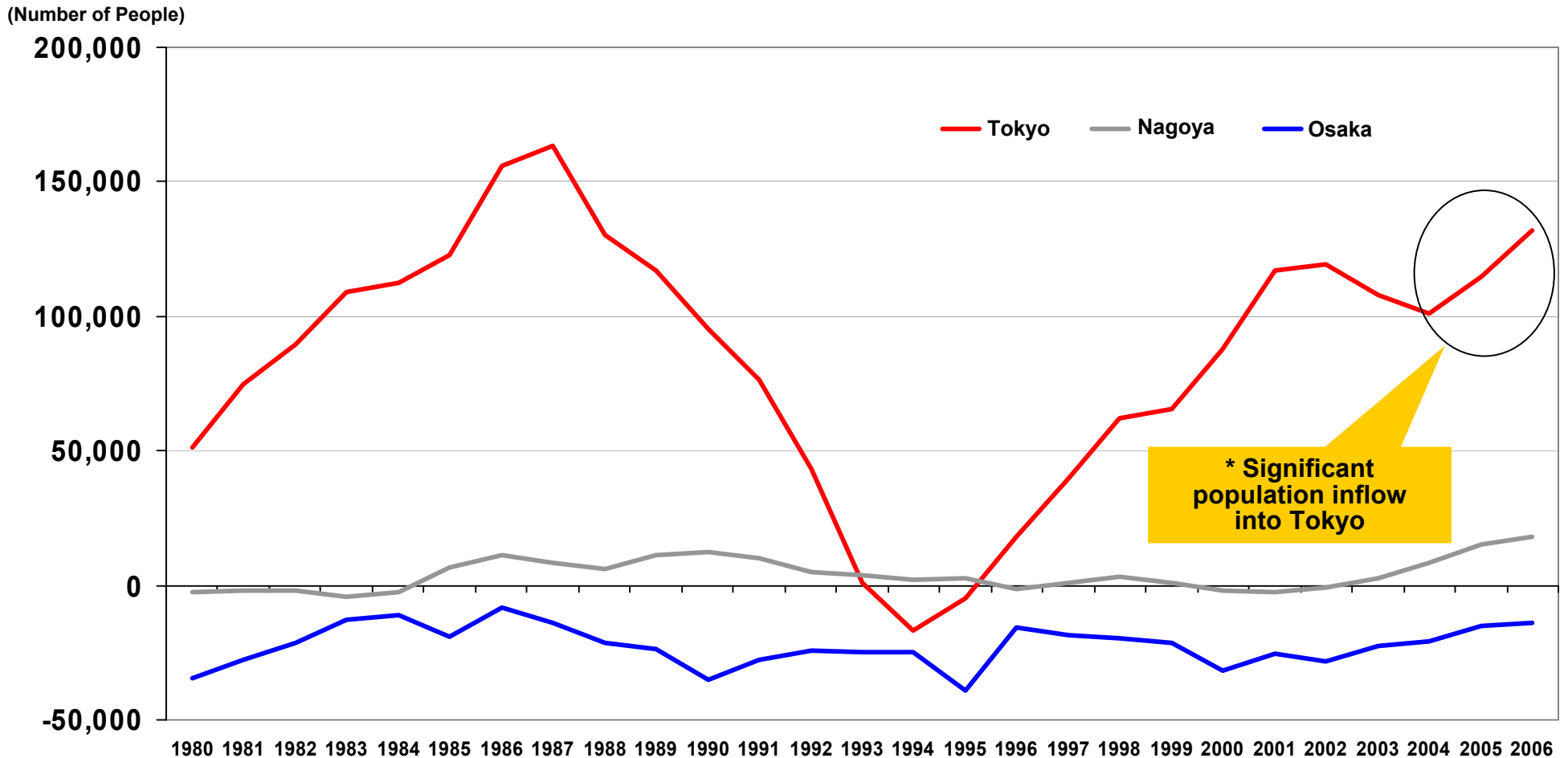


**\* Solid job openings in Tokyo should translate into robust office needs**

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

\*Comment by Tokyuu REIM

# Excess Population Inflow into 3 Major Metropolitan Areas (1980–2006)



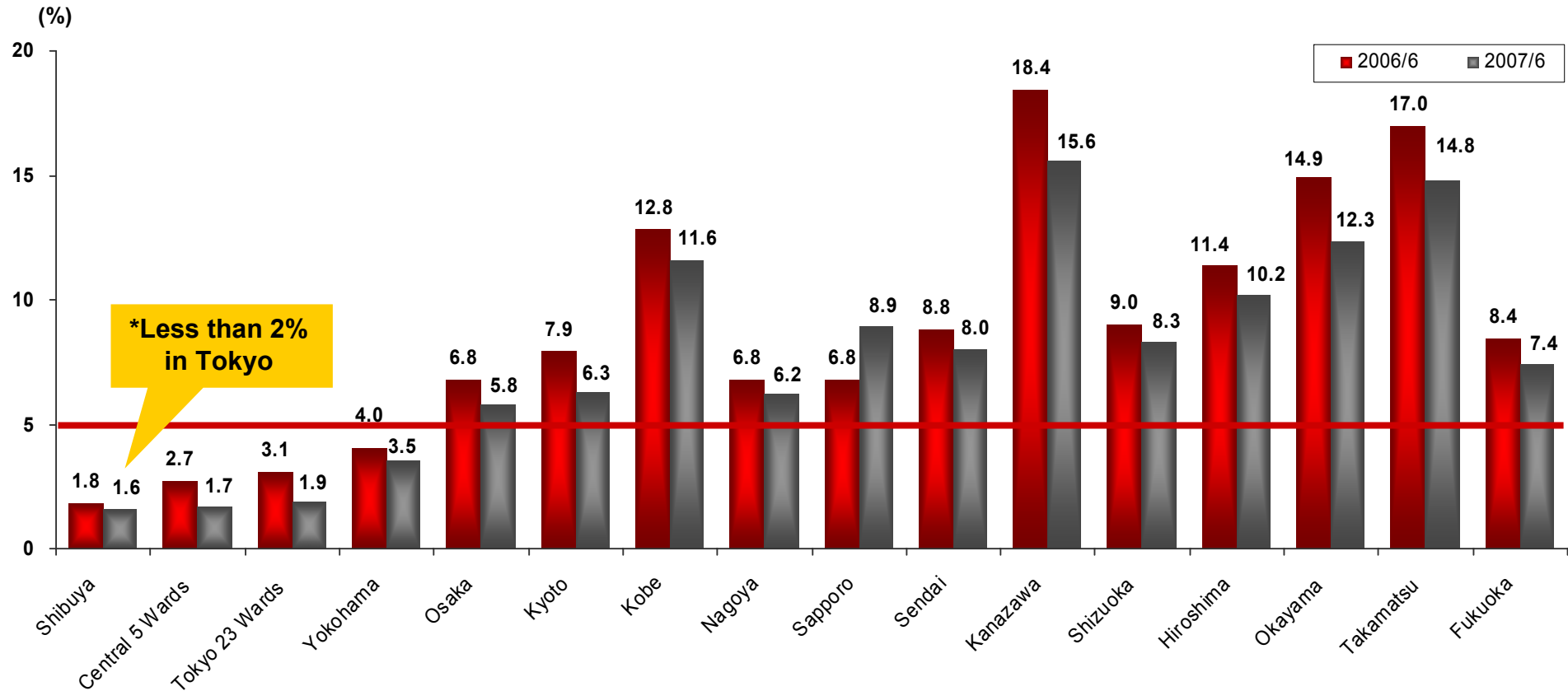
**\* Significant population inflow into Tokyo demonstrates structural economic concentration into Tokyo**

Source: Population Movement from Basic Resident Register, Ministry of Internal Affairs and Communications

\*Comment by Tokyu REIM

# Office Leasing Market Overview (1)

## Vacancy by Market



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

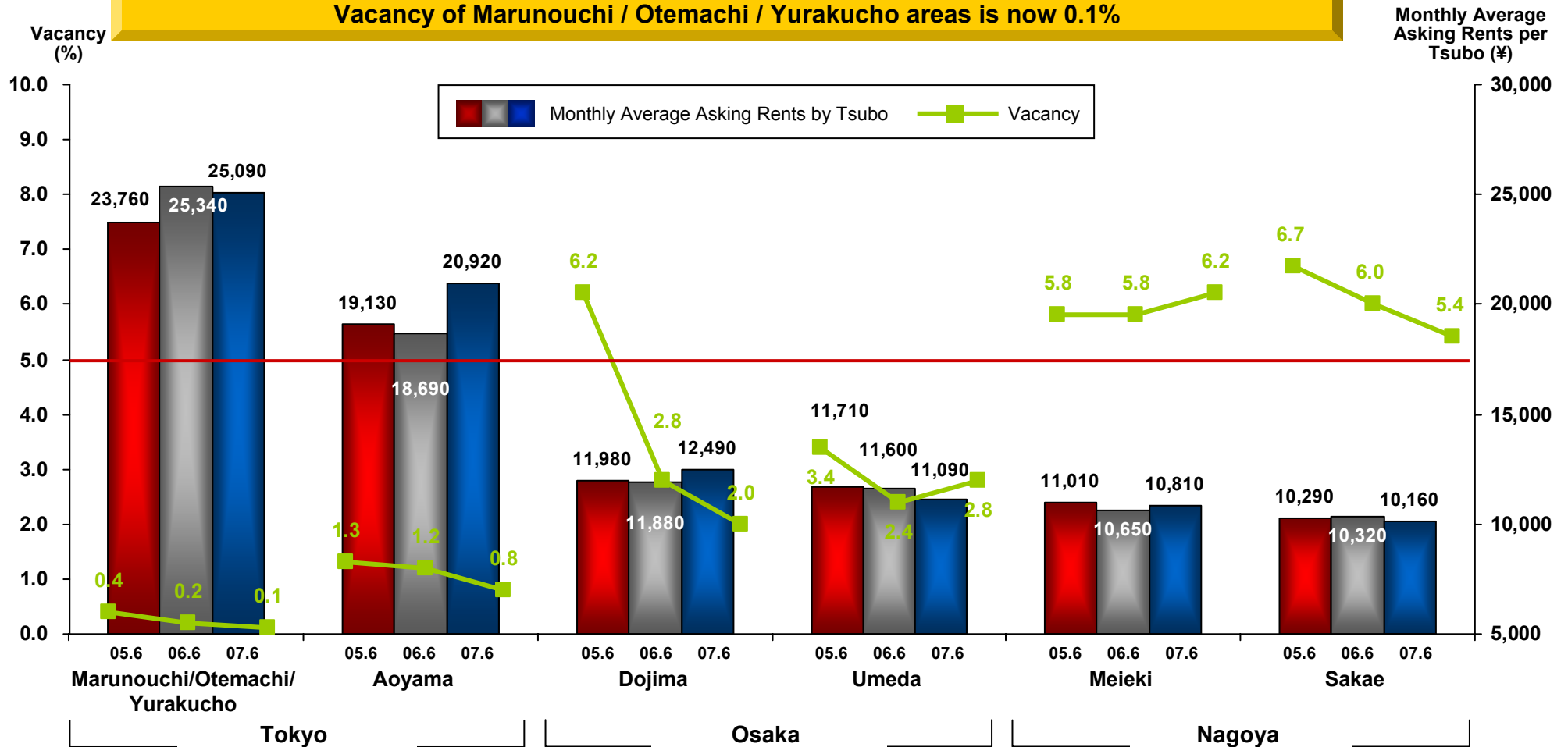
Source: Compiled by Tokyu REIM based on information from "Office Market Report" issued by CB Richard Ellis

\*Comment by Tokyu REIM

# Office Leasing Market Overview (2)

## Vacancy and Asking Rents for new tenant by Market

**\*Significant drop in vacancy in prime locations in three cities.  
Vacancy of Marunouchi / Otemachi / Yurakucho areas is now 0.1%**



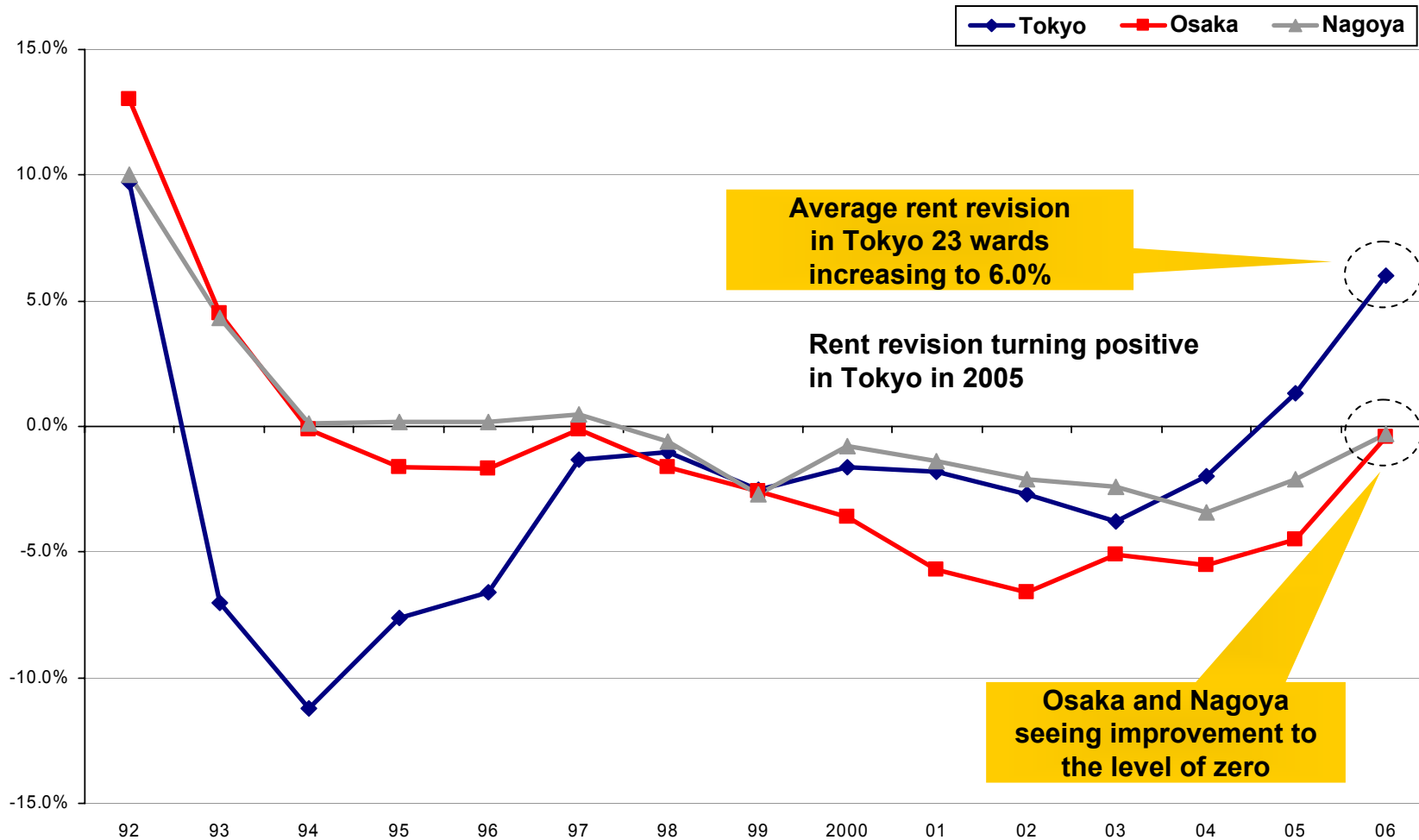
Source: Compiled by Tokyu REIM based on information from "Office Market Report" issued by CB Richard Ellis

\*Comment by Tokyu REIM



# Office Leasing Market Overview (3)

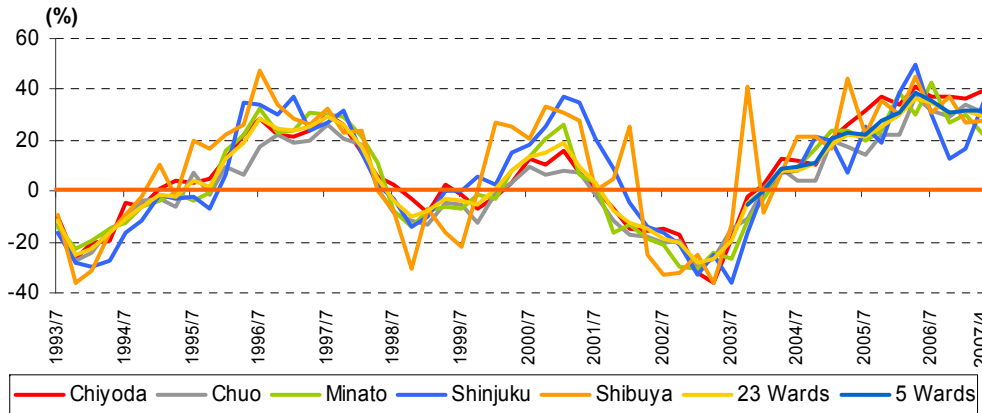
## Office Rent Revision in 3 Major Cities (Tokyo, Nagoya and Osaka)



Source: Survey by Ikoma Data Service System (released on May 29, 2007)

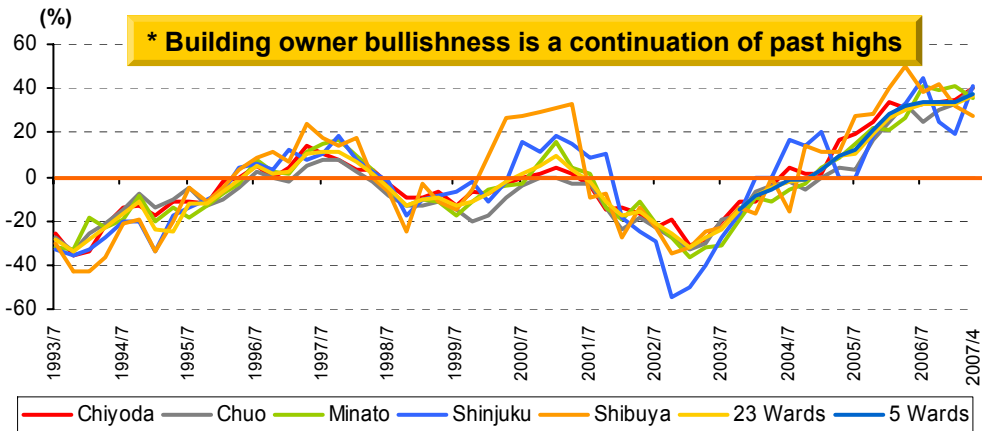
# Office Leasing Market Overview (4)

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



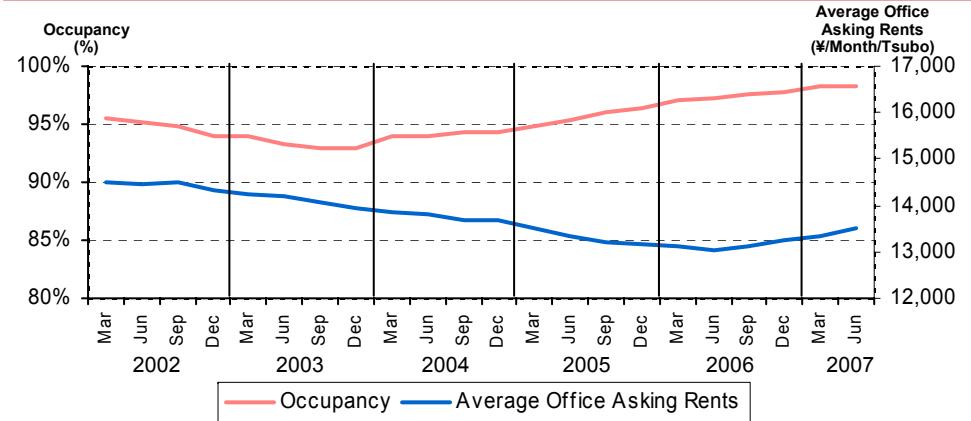
\*Source: Survey on building management by Japan Building Owners and Managers Association (Publications Oct. 2003 – Oct. 2006) Index for "5 Wards" calculated by Tokyu REIM based on the above data

## 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

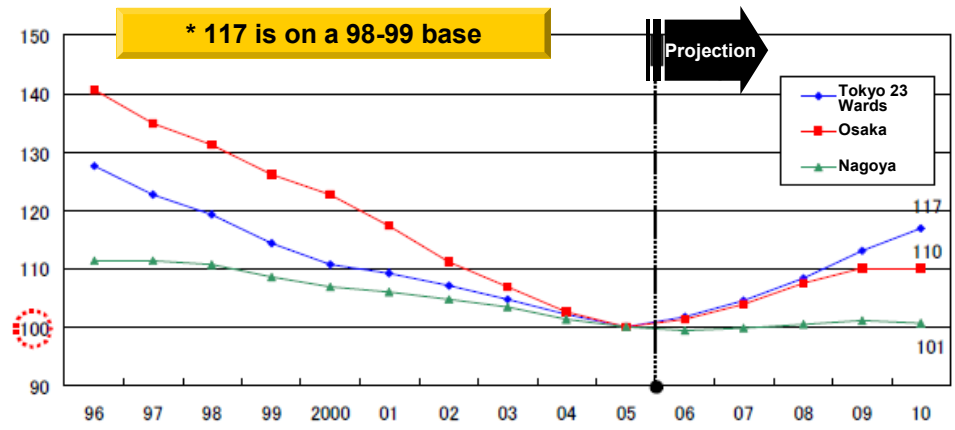
## Occupancy and Asking Rents in 5 Central Wards of Tokyo



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

Source: "Office Market Report" by issued by Ikoma Data Service \*Comment by Tokyu REIM

## Rent Base and Future Projections for 3 Major Cities (2005=100)

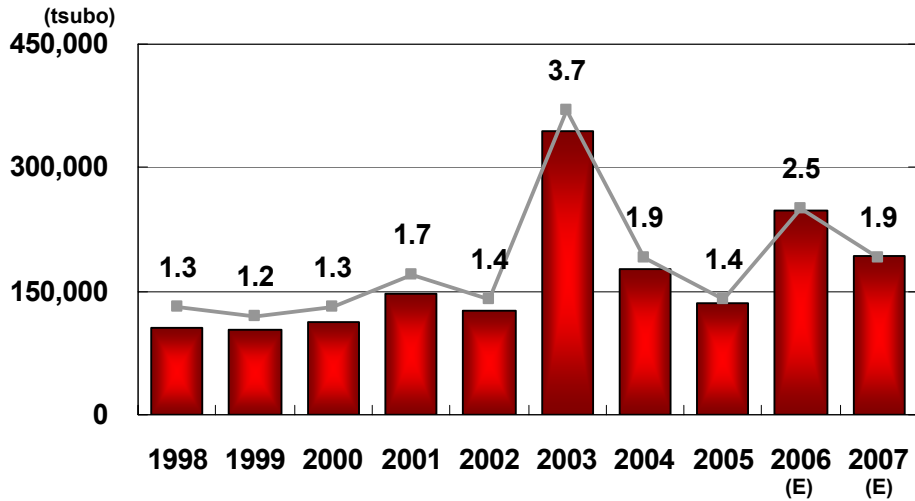


Source: Based on survey by Ikoma Data Service System

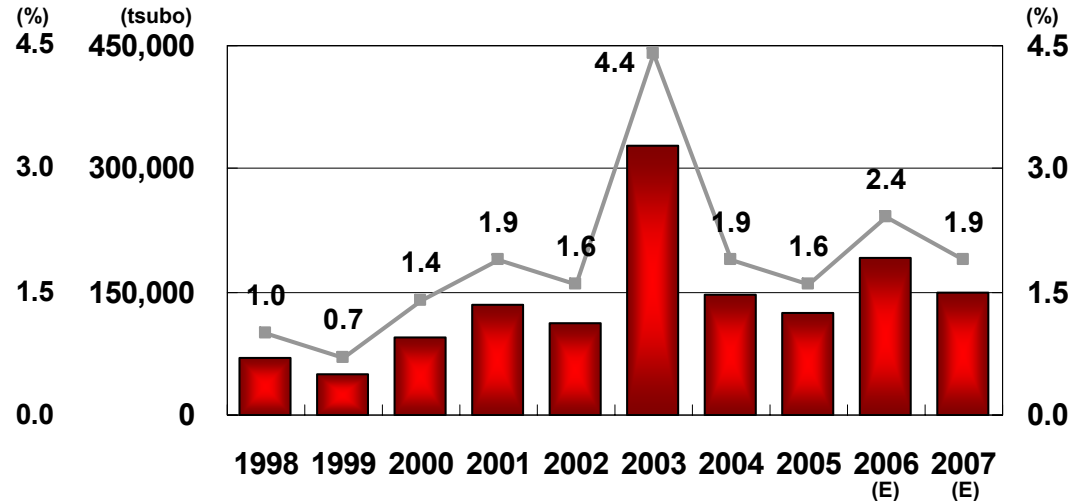
\* Comment by Tokyu REIM

# New Office Supply and % to Total Rental Area

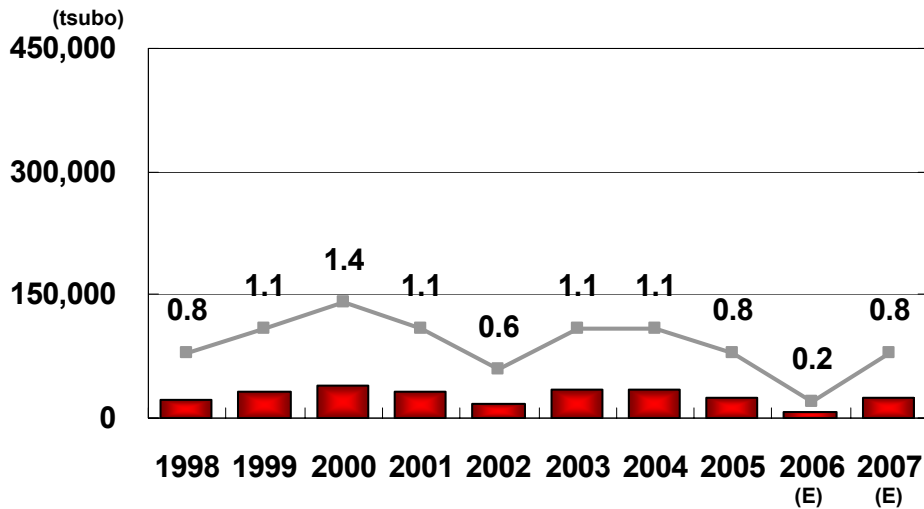
**Tokyo 23 Wards**



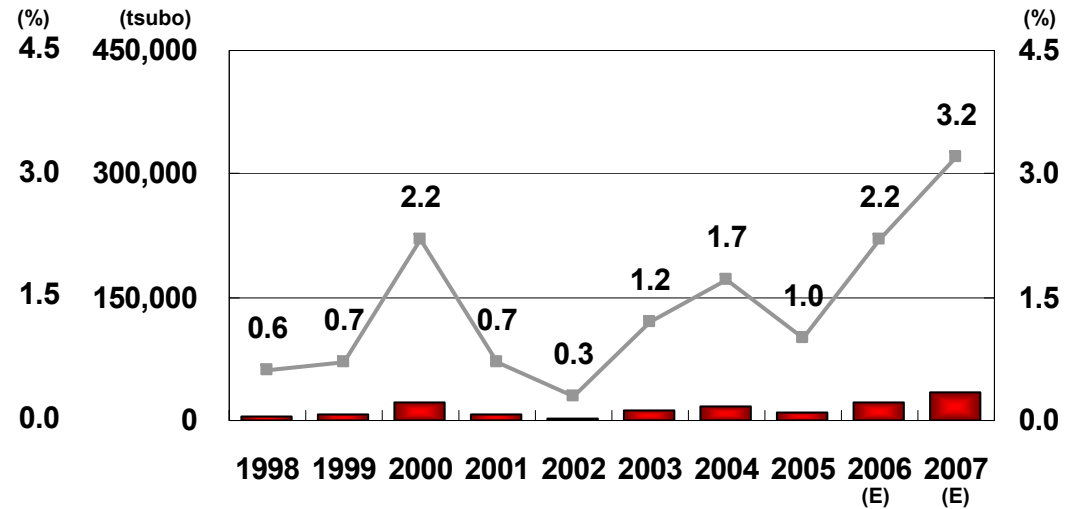
**Tokyo 5 Central Wards**



**Osaka**



**Nagoya**

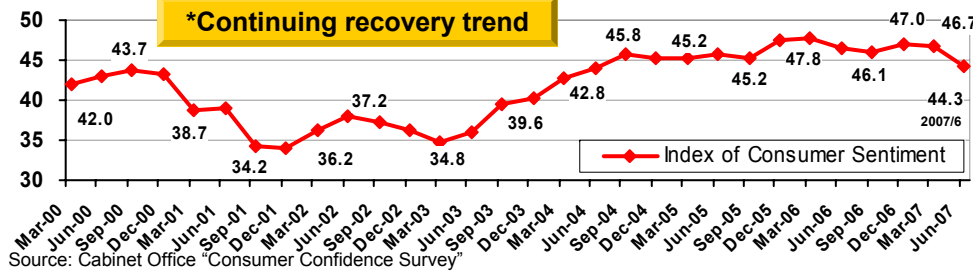


Source: Prepared by Tokyu REIM based on "Office Market Report" issued by Ikoma Data Service System

■ New office supply — % of total rental area

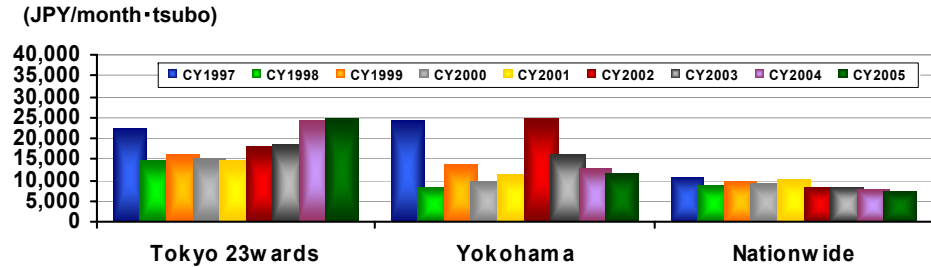
# Retail Leasing Market Overview

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

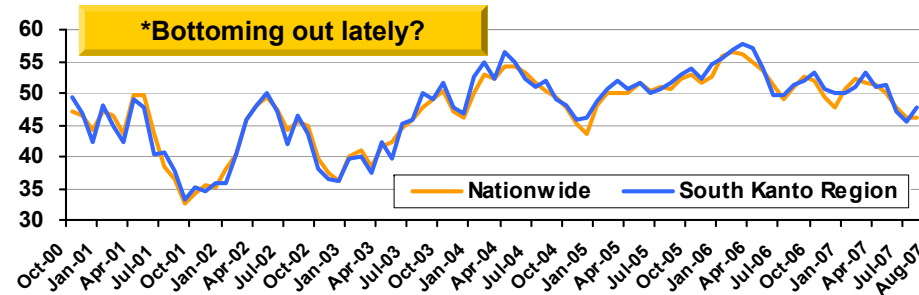


Source: Cabinet Office "Consumer Confidence Survey"

## Average Rent of SC Tenants (Key Tenant)

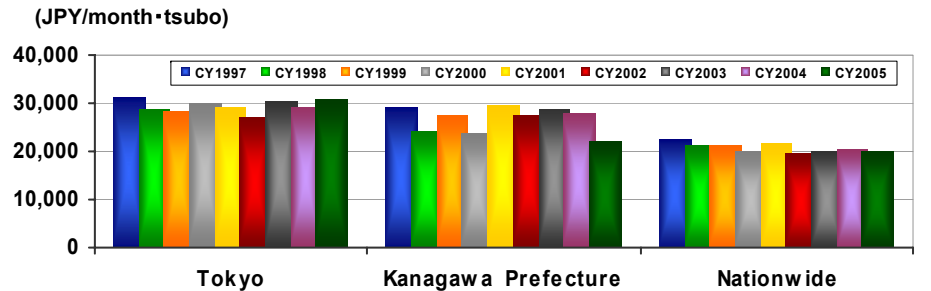


## Economy Watchers Survey (Leading Indicator: Household Related)

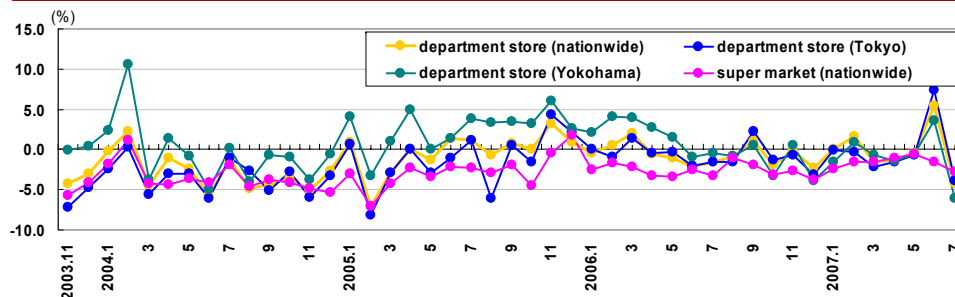


Source: Cabinet Office "Consumer Confidence Survey"

## Average Rent of SC Tenants (Restaurants)

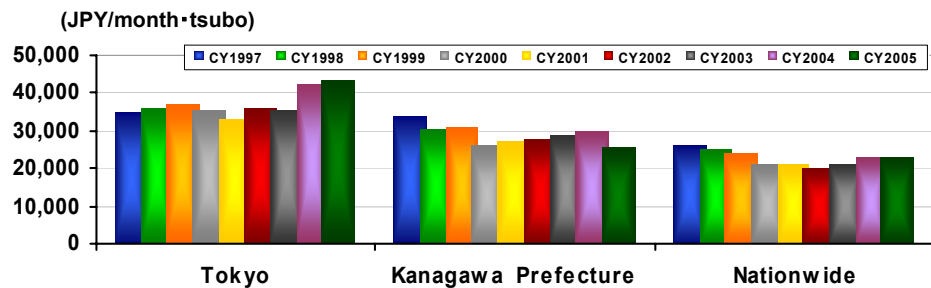


## Department Store/GMS Sales (YoY Change)



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  
\* Comment by Tokyu REIM

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

## Real Estate transparency score (CY2006)

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

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

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

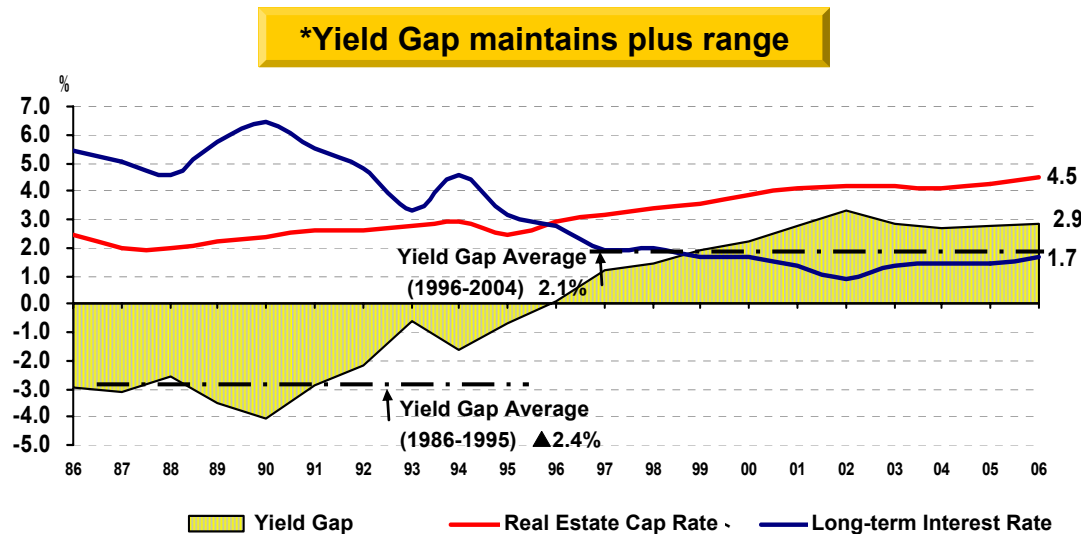
Source : Jones Lang Lassale

\* comment by Tokyu REIM

As of 9/13/2007

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

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



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

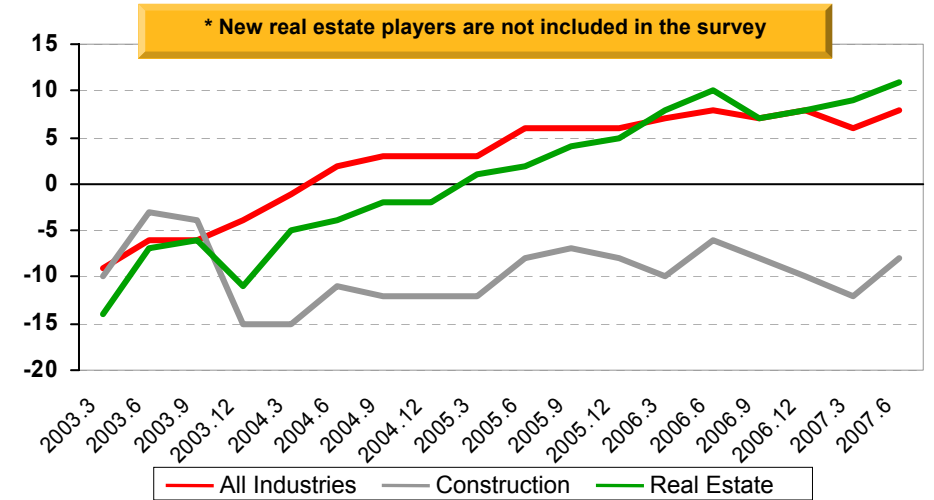
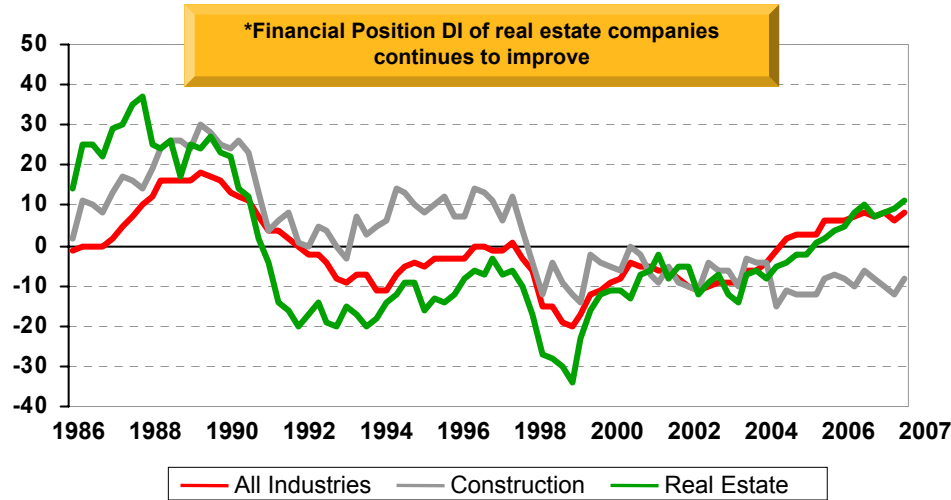
While many countries in Asia Pacific witnessed an improvement in transparency over the last two years, the changes are not uniform. One of the highlights is the improvement for Japan, which moved from semitransparent status in the 2004 RETI to the lower end of the transparent tier in the 2006 RETI. A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

Source : Jones Lang Lassale

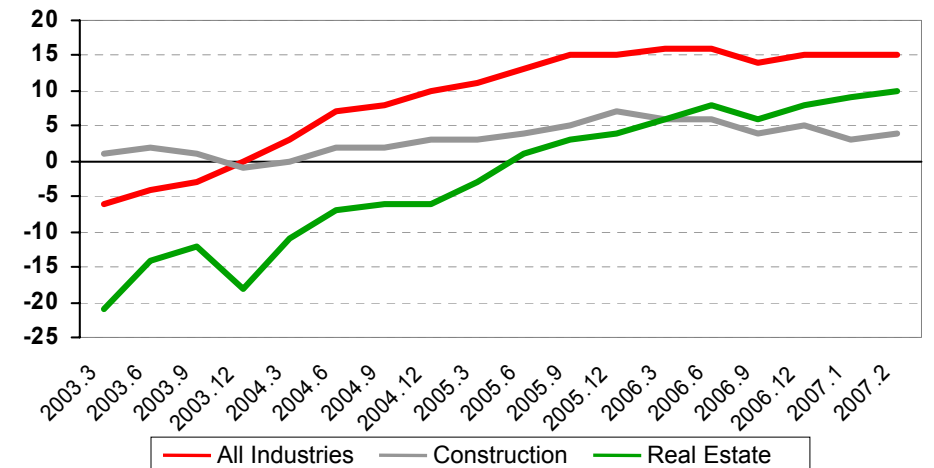
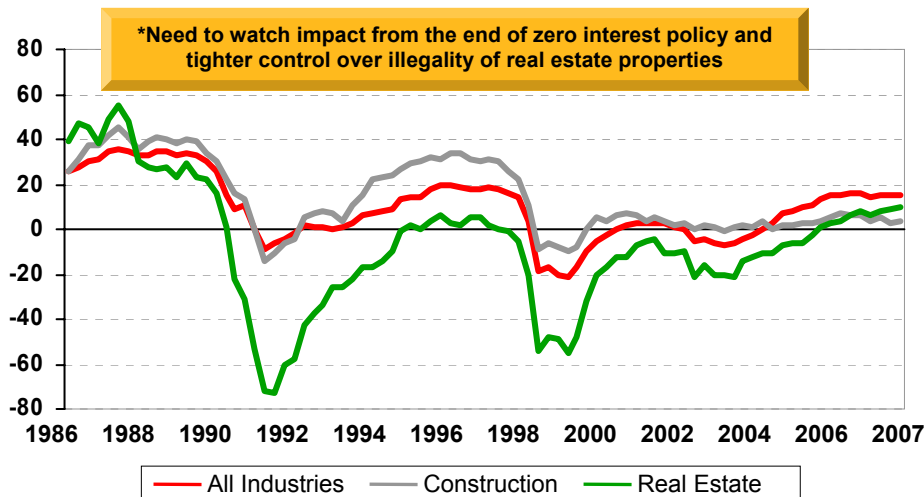
\*Comment by Tokyu REIM

# Real Estate Market Overview (2)

## Financial Position DI by Industry



## Lending Attitude DI by Industry

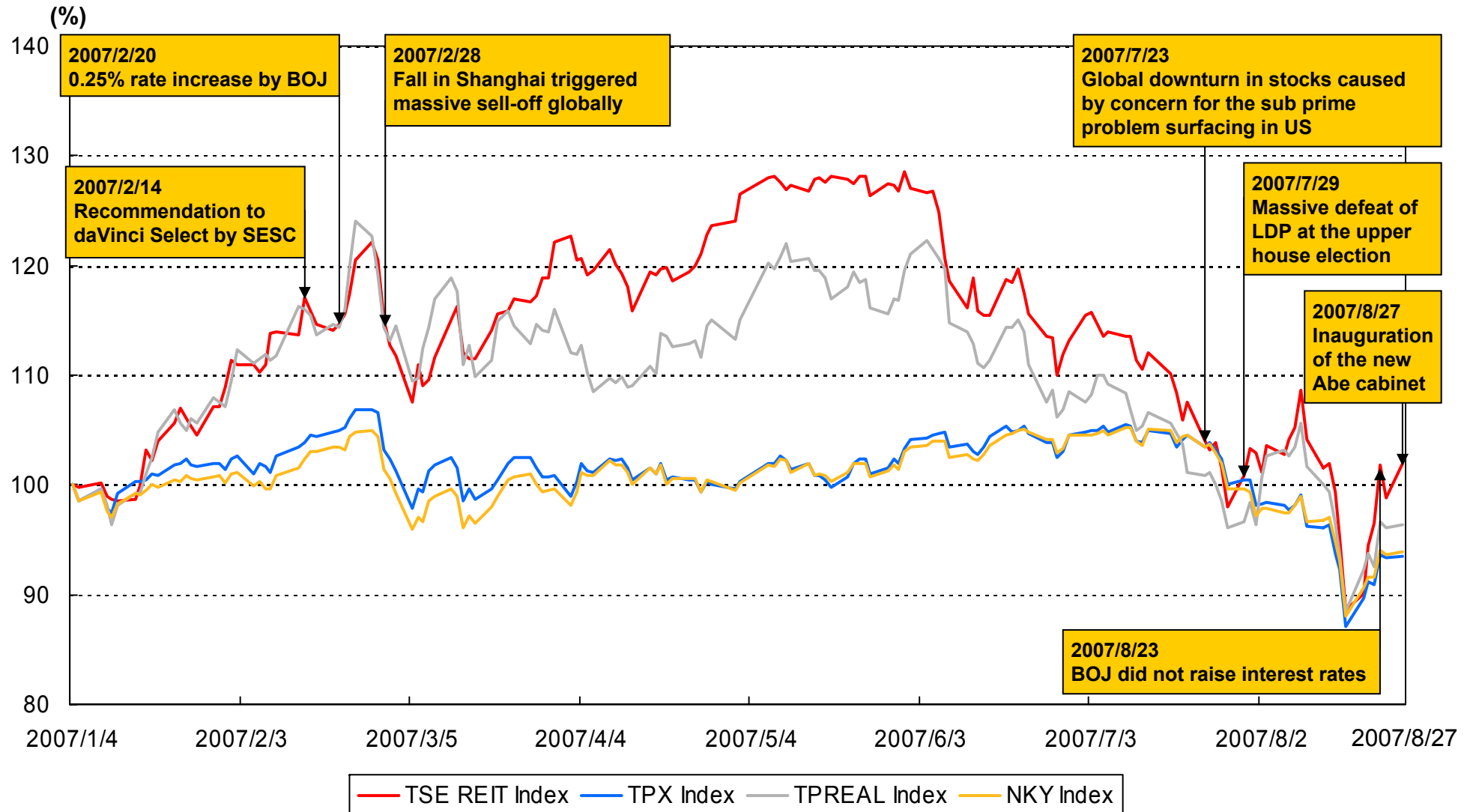


Source: BOJ "Tankan"

\*Comment by Tokyuu REIM

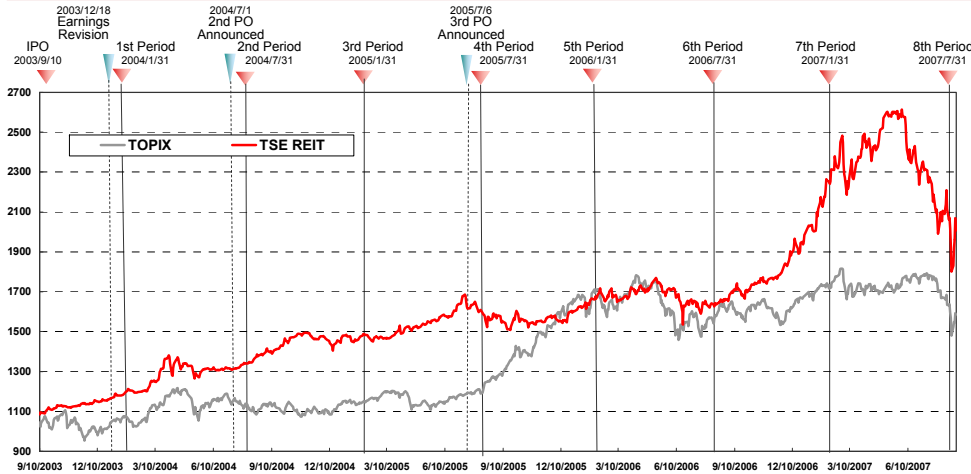
# REIT Market Overview (1) Events and Market Trends (Jan. 4, 2006 = 100)

## Events and Market Trends (2007/1/4 = 100)

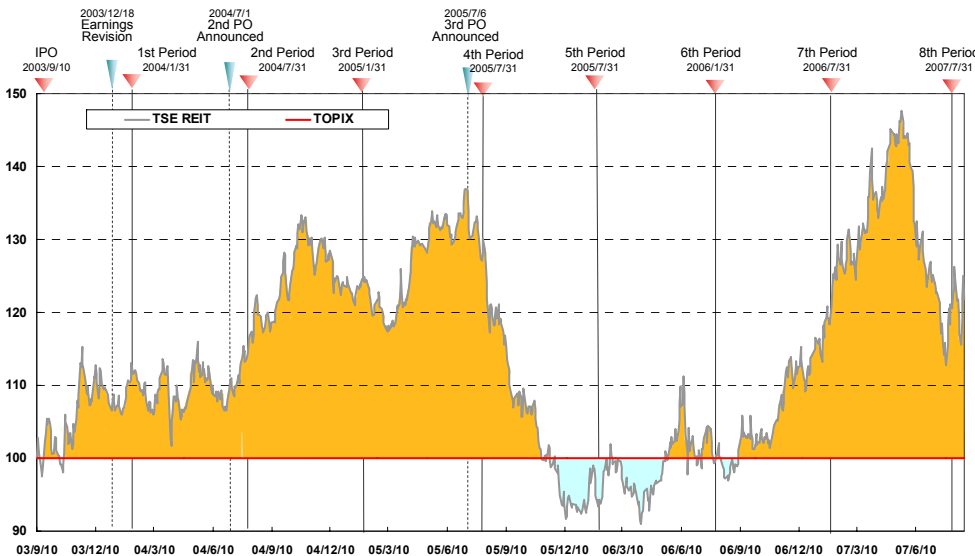


# REIT Market Overview (2)

## TOPIX and TSE REIT Index Performance

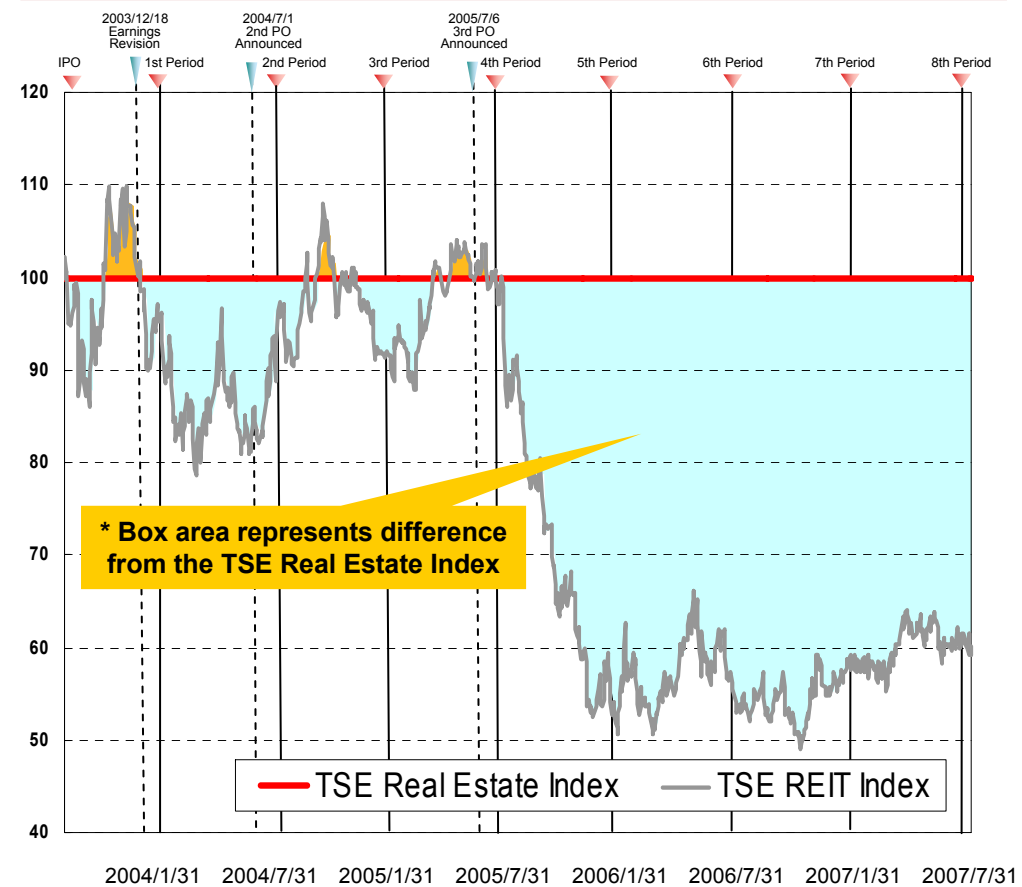


## TSE REIT Index Performance (TOPIX=100)



\* Comment by Tokyu REIM

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



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

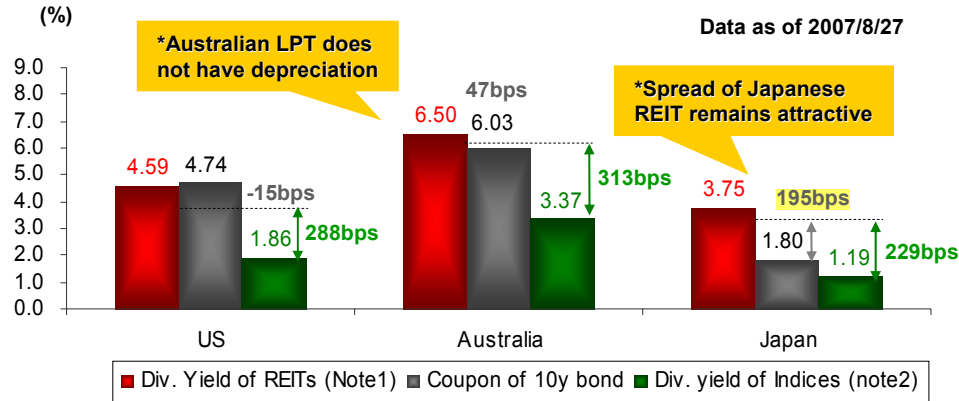
\*TSE REIT Index which substantially outperformed TOPIX since last fall has been underperforming from concern for higher long-term interest rates

\*Comment by Tokyu REIM



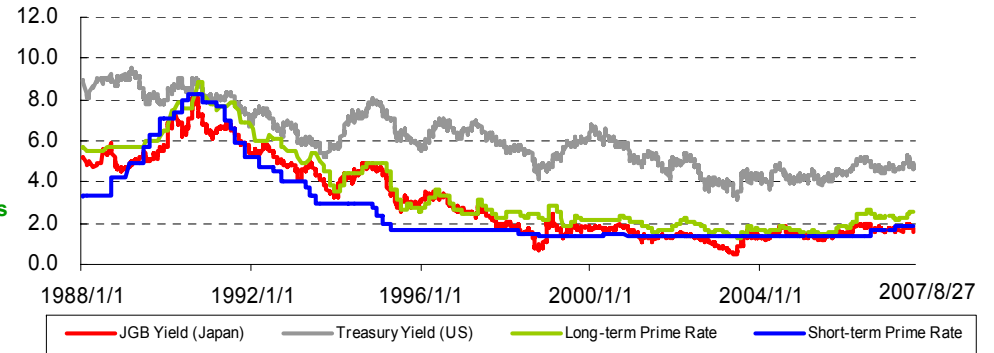
# REIT Market Overview (3)

## Spread Over Risk Free Rate

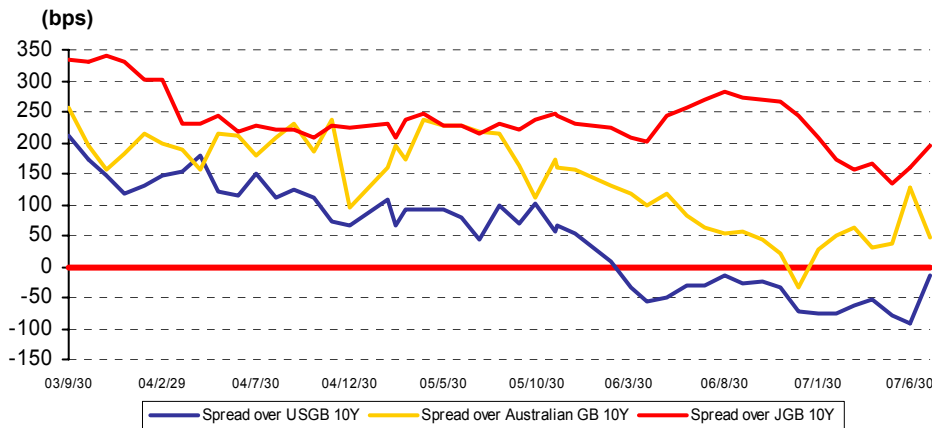


As of 2007/2/28

## Major Interest Rates

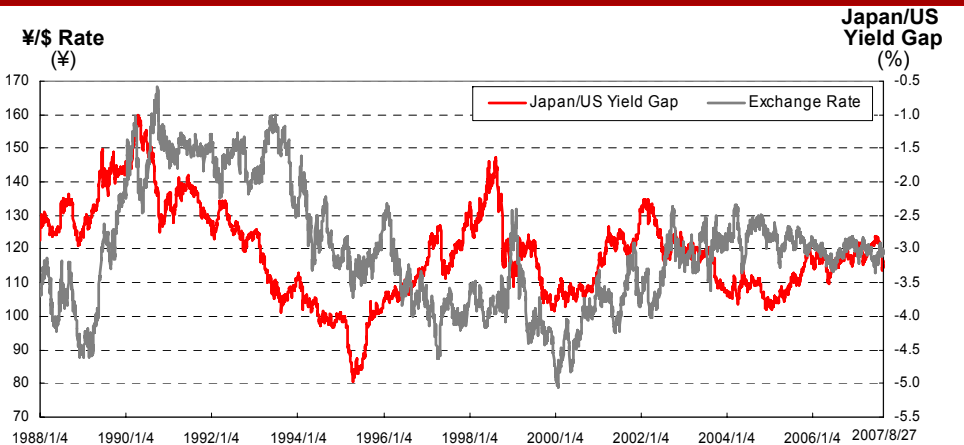


## Spread Comparison



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**

\*Comment by Tokyu REIM



## Appendix



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## Financial Statements and Data

# Major Financial Data

## Major Financial Data (1st period – 8th period)

			1 <sup>st</sup> Period (2004/1/31)	2 <sup>nd</sup> Period (2004/7/31)	3 <sup>rd</sup> Period (2005/1/31)	4 <sup>th</sup> Period (2005/7/31)	5 <sup>th</sup> Period (2006/1/31)	6 <sup>th</sup> Period (2006/7/31)	7 <sup>th</sup> Period (2007/1/31)	8 <sup>th</sup> Period (2007/7/31)
Number of Business Days	Days	(A)	226	182	184	181	184	181	184	181
Number of Properties at the end of the Period			12	13	16	17	17	17	19	19
Total Acquisition Price	JPY in mm		103,560	110,160	133,360	148,060	157,860	159,620	171,736	171,736
Average Acquisition Price during the Period	JPY in mm	(B)	82,738	109,108	126,822	142,862	157,806	158,727	166,961	171,736
Occupancy Rate at the end of the Period	%		95.3	97.1	97.5	99.1	99.4	99.9	99.8	99.6
Operating Revenue	JPY in mm		2,896	4,341	5,044	5,684	6,343	7,875	6,460	6,730
Net Operating Income	JPY in mm	(C)	2,199	2,894	3,523	3,835	4,325	4,297	4,539	4,756
NOI Yield	%	(C)×365/(A)/(B)	6.7	5.3	5.5	5.4	5.4	5.5	5.4	5.6
Operating Profits	JPY in mm		1,486	1,771	2,210	2,325	2,752	4,119	2,847	2,932
Net Income	JPY in mm	(D)	929	1,394	1,852	1,959	2,401	3,753	2,402	2,443
Total Units Outstanding	Units	(E)	98,000	98,000	142,000	142,000	169,380	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	14,427
Payout Ratio	%	((E)×(F))/(D)	99.9	99.9	99.9	99.9	100.0	100.0	100.0	99.9
FFO	JPY in mm	(G)	1,396	2,003	2,653	2,887	3,383	3,086	3,348	3,390
Capital Expenditure	JPY in mm	(H)	46	388	68	142	154	179	37	79
AFFO	JPY in mm	(I)=(G)-(H)	1,350	1,615	2,585	2,744	3,228	2,907	3,311	3,310
AFFO Payout Ratio	%	((E)×(F))/(I)	68.9	86.3	71.6	71.4	74.4	129.1	72.5	73.8
Total Assets	JPY in mm	(J)	118,460	122,583	147,230	162,180	171,791	172,929	183,994	184,390
Net Asset Value (except for undistributed profits)	JPY in mm	(K)	50,117	50,117	77,860	77,860	98,019	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	578,697
Book Value of the Properties	JPY in mm	(L)	104,002	110,448	133,415	147,819	157,104	158,529	169,971	169,109
Appraisal Value of the Properties at the End of the Period	JPY in mm	(M)	103,050	111,740	136,850	155,090	174,430	187,800	210,120	224,330
Unrealized Profit / Loss	JPY in mm	(N)=(M)-(L)	△952	1,291	3,434	7,270	17,325	29,270	40,148	55,220
Net Asset per Unit after adjustment of Unrealized Profit / Loss	JPY	((K)+(N))/(E)	501,688	524,578	572,497	599,513	680,986	751,509	815,729	904,709
Interest Bearing Debt	JPY in mm	(O)	56,700	60,000	50,500	64,500	53,000	53,000	65,300	65,300
Interest Bearing Debt + Security Deposits without reserved Cash	JPY in mm	(P)	56,700	60,000	56,126	70,183	58,682	58,683	71,186	71,240
LTV (Interest Bearing Debt / Total Asset)	%	(O)/(J)	47.9	48.9	34.3	39.8	30.9	30.6	35.5	35.4
LTV (Modified Interest Bearing Debt / Appraisal Value)	%	(P)/(M)	55.0	53.7	41.0	45.3	33.6	31.2	33.9	31.8
Average Unit Price during the Period	JPY		530,828	643,097	690,705	726,082	766,520	902,435	958,306	1,241,537

\* NOI Yield in 1st Period is based on actual operating days (144days).

\* Excluding Profit on Sale of Yokohama Yamashita-cho Building, AFFO Payment Ratio in 6th Period surpassed 100%.

# Adjusted Net Asset Value Calculation

			1 <sup>st</sup> Period (2004/1/31)	2 <sup>nd</sup> Period (2004/7/31)	3 <sup>rd</sup> Period (2005/1/31)	4 <sup>th</sup> Period (2005/7/31)	5 <sup>th</sup> Period (2006/1/31)	6 <sup>th</sup> Period (2006/7/31)	7 <sup>th</sup> Period (2007/1/31)	8 <sup>th</sup> Period (2007/7/31)
Total Units Outstanding	Units	(A)	98,000	98,000	142,000	142,000	169,380	169,380	169,380	169,380
Book Value of Net Asset at the End of the Period (except for undistributed profits)	JPY in mm	(B)	50,117	50,117	77,860	77,860	98,019	98,019	98,019	98,019
Net Asset per Unit (except for undistributed profits)	JPY	(C)=(B)/(A)	511,403	511,403	548,310	548,310	578,697	578,697	578,697	578,697
Total Acquisition Price	JPY in mm	(D)	103,560	110,160	133,360	148,060	157,860	159,620	171,736	171,736
Cumulated Capitalized Expenses Related to Acquisition	JPY in mm	(E)	862	930	1,429	1,919	2,231	2,428	2,663	2,668
Property Tax and Others	JPY in mm	(e)	366	392	445	477	489	511	517	522
Cumulated Capital Expenditure	JPY in mm	(F)	46	434	502	645	800	979	1,016	1,101
Cumulated Less from the Removal of Fixed Assets	JPY in mm	(G)	—	—	—	32	32	61	61	61
Cumulated Depreciation	JPY in mm	(H)	466	1,075	1,877	2,772	3,754	4,436	5,383	6,335
Book Value at the End of the Period	JPY in mm	(I)=(D)+(E)+(F)-(G)-(H)	104,002	110,448	133,415	147,819	157,104	158,529	169,971	169,109
Appraisal Value at the End of the Period	JPY in mm	(J)	103,050	111,740	136,850	155,090	174,430	187,800	210,120	224,330
Unrealized Profit / Loss	JPY in mm	(K)=(J)-(I)	<b>△952</b>	1,291	3,434	7,270	17,325	29,270	40,148	55,220
Unrealized Profit / Loss per Unit	JPY	(L)=(K)/(A)	<b>△9,715</b>	13,175	24,188	51,203	102,289	172,812	237,032	326,012
Net Asset Value after Adjustment	JPY	(M)=(B)+(K)/(A)	501,688	524,578	572,497	599,513	680,986	751,509	815,729	904,709

# 8th Period (7/2007) Income Statement

JPY in mm

Item	8th Period (181 days) (Jul. 2007)		7th Period (184 days) (Jan. 2007)		Changes	Notes
		%		%		
Total Operating Revenues (A)	6,730	100.0%	6,460	100.0%	269	
Revenues from Real Estate Operation (B)	6,724	99.9%	6,460	100.0%	264	
Rental Revenues	6,225	92.5%	5,944	92.0%	280	<ul style="list-style-type: none"> <li>TOKYU REIT Hatchobori Building 64</li> <li>CONZE Ebisu 57</li> <li>Resona Maruha Building 55</li> <li>Setagaya Business Square 30</li> <li>TOKYU REIT Toranomon Building 21</li> </ul>
Rent	5,695	84.6%	5,420	83.9%	275	
Parking Rent	138	2.1%	136	2.1%	2	
Others	390	5.8%	387	6.0%	3	
Other Revenues	499	7.4%	515	8.0%	△16	<ul style="list-style-type: none"> <li>TOKYU REIT Kamata Building △24</li> <li>Setagaya Business Square △9</li> <li>Resona Maruha Building △5</li> <li>CONZE Ebisu 10</li> </ul>
Incidental Revenues	431	6.4%	461	7.1%	△29	
Other Revenues	68	1.0%	54	0.8%	13	
Revenues from Facility Acceptance	5	0.1%	—	—	5	<ul style="list-style-type: none"> <li>Tokyo Nissan Taito Building 6</li> <li>Cocoti 5</li> </ul>
Total Operating Expenses (C)	3,797	56.4%	3,612	55.9%	184	
Expenses from Real Estate Operation (D)	2,920	43.4%	2,867	44.4%	53	<ul style="list-style-type: none"> <li>Facility for Electric Power Supply (TOKYU REIT Kamata Building)</li> </ul>
Expenses	1,967	29.2%	1,920	29.7%	47	
Utility Charges	521	7.7%	536	8.3%	△15	
Building Management Costs	413	6.1%	408	6.3%	5	TOKYU REIT Hatchobori Building 6
Property Management Expenses	144	2.1%	137	2.1%	6	
Repairs and Maintenance	88	1.3%	84	1.3%	4	
Property and Other Taxes	547	8.1%	501	7.8%	46	Shonan Mall Fill 23 / TOKYU REIT Hatchobori Building 8
Insurance Expenses	16	0.3%	17	0.3%	△0	
Other Operating Expenses	235	3.5%	234	3.6%	0	<ul style="list-style-type: none"> <li>TOKYU REIT Kamata Building △12</li> <li>Setagaya Business Square △5</li> <li>Resona Maruha Building △5</li> <li>CONZE Ebisu 9</li> </ul>
Depreciation (E)	951	14.1%	946	14.7%	4	
Loss from the Removal of Fixed Assets (F)	0	0.0%	—	—	0	
Investment Management Fee	753	11.2%	614	9.5%	139	
Fees for the Trust Banks and General Affair Mgmt.	60	0.9%	60	0.9%	0	
Compensation for the Board of Directors	5	0.1%	4	0.1%	0	
Other Operating Expense	57	0.9%	66	1.0%	△8	
Net Operating Income (G)=(B)-(D)	3,804	56.5%	3,593	55.6%	211	
Operating Profits (A)-(C)	2,932	43.6%	2,847	44.1%	85	
Non-Operating Revenues	11	0.2%	1	0.0%	10	
Interest Income	6	0.1%	1	0.0%	5	
Returned Undividend	2	0.0%	—	—	2	
Additional Refund	2	0.0%	—	—	2	
Other Non-operating Revenues	0	0.0%	—	—	0	
Non-Operating Expenses	499	7.4%	445	6.9%	53	
Interest Expenses	490	7.3%	434	6.7%	56	Average Interest Rate 1.52% (7th Period 1.42%)
Up front Fee	5	0.1%	5	0.1%	△0	
Debt Arrangement Fee	2	0.0%	2	0.0%	—	
Other Non-operating Expenses	1	0.0%	3	0.1%	△2	
Recurring Profits	2,444	36.3%	2,403	37.2%	41	
Income Before Income Taxes	2,444	36.3%	2,403	37.2%	41	
Corporate Tax Adjustment	1	0.0%	0	0.0%	0	
Net Income	2,443	36.3%	2,402	37.2%	41	
Dividend per Unit	14,427		14,182		245	
<b>(Reference Information)</b>						
Operating NOI (G)+(E)+(F)	4,756	70.7%	4,539	70.3%	216	Average Acquisition Price during the Period 8th Period 171,736 7th Period 166,961
NOI Return (NOI/Average Total Asset)	5.59%		5.39%		0.19pts	

<Invest Management Fee>		
	Actual	Changes
■ Base 1	312	30
■ Base 2	248	11
■ Incentive	191	97
<Average Unit Price>		
■ 8th Period	1,241,537 JPY	
■ 7th Period	958,306 JPY	

# 8th Period (7/2007) Balance Sheet

JPY in mm

Item		8th Period (2007/7/31)	7th Period (2007/1/31)	Changes
<b>Total Assets</b>		184,390	183,994	395
Current Assets		14,238	12,986	1,251
Fixed Assets		170,151	171,007	△ 855
<b>Total Liabilities</b>		83,926	83,572	354
Short-term Borrowings		20,300	20,300	—
Long-term Borrowings maturing within a year		5,000	5,000	—
Long-term Borrowings		40,000	40,000	—
Leasehold and Security Deposits Received		16,269	16,257	12
Other Liabilities		2,356	2,015	341
<b>Total Unitholder's Equity</b>		100,463	100,421	41
Total Unitholder's Capital		98,019	98,019	—
Retained Earnings		2,443	2,402	41

LTV at the End of Fiscal Period		8th Period	7th Period	Changes
Interest Bearing Debt / Total Asset		35.4%	35.5%	△ 0.1pts
(Interest Bearing Debt + Security Deposit) / Appraisal Value		31.8%	33.9%	△ 2.1pts

■ Cash and Bank Deposits	2,390
■ Entrusted Cash and Deposits	11,646
■ Other Trade Receivables	146

■ Cash and Bank Deposits	1,426
■ Accounts Receivable from Consumption Tax	△ 152

■ Buildings	2,984
■ Structures	15
■ Machineries	0
■ Equipments	7
■ Land	17,416
■ Entrusted Buildings	34,925
■ Entrusted Structures	585
■ Entrusted Machineries	549
■ Entrusted Equipments	129
■ Entrusted Land	112,481
■ Leasehold and Security Deposit	105
■ Entrusted Leasehold and Security Deposits Received	873

■ Capital Expenditure	79
■ Depreciation	△ 951

■ Loan Commitment Line (Apr. 11)	400
■ Repayment Commitment Line (Apr. 18)	△ 400

■ Repayment The Sumitomo Trust & Banking Co., Ltd. (Jun. 25)	△ 5,000
■ Loan The Sumitomo Trust & Banking Co., Ltd. (Jun. 25)	5,000

■ Consumption Tax Payable	163
■ Accounts Payable	119

(Reference Information)

Average Total Asset for the Period)	171,736	166,961	4,775
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# 8th Period (7/2007) Cash Flow Statement

JPY in mm

Item	8th Period (Jul. 2007)	7th Period (Jan.2008)	Changes
<b>I Cash Flow from Operating Activities</b>	3,872	2,834	1,037
Net Income before Income Taxes	2,444	2,403	41
Depreciation	952	946	5
Others	475	△514	990
<b>II Cash Flow from Investing Activities</b>	△31	△12,185	12,153
Purchase of Fixed Assets	△85	△12,389	12,303
Proceed from Leasehold and Security Deposits Received	12	472	△460
Proceed from Withdrawal of Entrusted Deposit with Usage Restriction	41	△268	310
<b>III Cash Flow from Financing Activities</b>	△2,405	8,547	△10,953
Proceeds from / Repayment of Short-term Borrowings	—	8,300	△8,300
Proceeds from Long-term Borrowing	5,000	4,000	1,000
Repayment of Long-term Borrowings	△5,000	—	△5,000
Dividend Payment	△2,405	△3,752	1,346
<b>IV Net Increase in Cash and Cash Equivalents</b>	1,435	△802	2,237
<b>V Cash and Cash Equivalents at Beginning of Period</b>	3,145	3,948	△802
<b>VI Cash and Cash Equivalents at the end of Period</b>	4,580	3,145	1,435





# 9th Period (1/2008) Forecast of Income Statement

JPY in mm

Item	9th Period (Jan. 2008)		8th Period (Jul. 2007)		Changes
		%		%	
Total Operating Revenues (A)	6,802	100.0%	6,730	100.0%	72
Rental Revenues (B)	6,802	100.0%	6,724	99.9%	77
Rental Revenues	6,281	92.3%	6,225	92.5%	55
Rent	5,755	84.6%	5,695	84.6%	59
Parking Rent	137	2.0%	138	2.1%	△0
Others	388	5.7%	390	5.8%	△2
Other Revenues	521	7.7%	499	7.4%	22
Incidental Revenues	472	7.0%	431	6.4%	41
Other Revenues	48	0.7%	68	1.0%	△19
Revenues from Facility Acceptance	—	—	5	0.1%	△5
Total Operating Expenses (C)	3,752	55.2%	3,797	56.4%	△44
Rental Expenses (D)	3,023	44.4%	2,920	43.4%	103
Expenses	2,070	30.4%	1,967	29.2%	102
Utilities Charges	553	8.1%	521	7.7%	32
Building Maintenance Costs	418	6.1%	413	6.1%	4
Property Management Expenses	149	2.2%	144	2.1%	5
Repairs and Maintenance	145	2.1%	88	1.3%	56
Property and Other Taxes	539	7.9%	547	8.1%	△8
Insurance Expenses	18	0.3%	16	0.3%	1
Other Operating Expenses	246	3.6%	235	3.5%	10
Depreciation (E)	952	14.0%	951	14.1%	1
Loss from the Removal of Fixed Asse (F)	—	—	0	0.0%	△0
Administrative Expenses	729	10.7%	877	13.0%	△147
Investment Management Fees	571	8.4%	753	11.2%	△182
Profit from Rental Business (G)=(B)-(D)	3,779	55.6%	3,804	56.5%	△25
Operating Profits (A)-(C)	3,049	44.8%	2,932	43.6%	116
Non-Operating Revenues	10	0.1%	11	0.2%	△1
Non-Operating Expenses	568	8.4%	499	7.4%	69
Interest Expenses	560	8.2%	490	7.3%	69
Other Non-Operating Expenses	8	0.1%	8	0.1%	△0
Recurring Profits	2,490	36.6%	2,444	36.3%	46
Income before Income Taxes	2,490	36.6%	2,444	36.3%	46
Corporate Tax Adjustments	1	0.0%	1	0.0%	△0
Net Income	2,489	36.6%	2,443	36.3%	46
Dividend per Unit	14,700		14,427		273
Operating NOI (G)+(F)+(E)	4,732	69.6%	4,756	70.7%	△24
NOI Return (NOI/Average Total Asset)	5.46%		5.59%		△0.13pts

## Underlying Conditions

### (Asset)

No acquisition and disposition execute except for Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building) to be acquired on January 31, 2008.

### (Operating Revenue)

Based on the leasing contract as of September 13, 2007

### (Operating Expense)

As Included prime cost of acquisition, Fixed property tax for Acquisition of Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building) isn't added on 9th period Income Statement.

# 9th Period (1/2008) Forecast of Balance Sheet

JPY in mm

Item	9th Period (Jan. 2008)	8th Period (Jul. 2008)	Changes
Total Assets	192,999	184,390	8,609
Current Assets	15,012	14,238	774
Fixed Assets	177,987	170,151	7,835
Total Liabilities	92,490	83,926	8,563
Short-term Borrowings	13,500	20,300	△6,800
Long-term Borrowings	60,000	45,000	15,000
Leasehold and security deposits received	16,269	16,269	—
Other Liabilities	2,720	2,356	363
Total Unitholder's Equity	100,509	100,463	46
Total Unitholder's Capital	98,019	98,019	—
Retained Earnings	2,489	2,443	46

## LTV at the end of fiscal period

Interest Bearing Debt / Total Asset	38.1%	35.4%	2.7pts
(Interest Bearing Debt + Security Deposit)/ Appraisal Value at the End of Period	34.1%	31.8%	2.3pts

## (Reference Information)

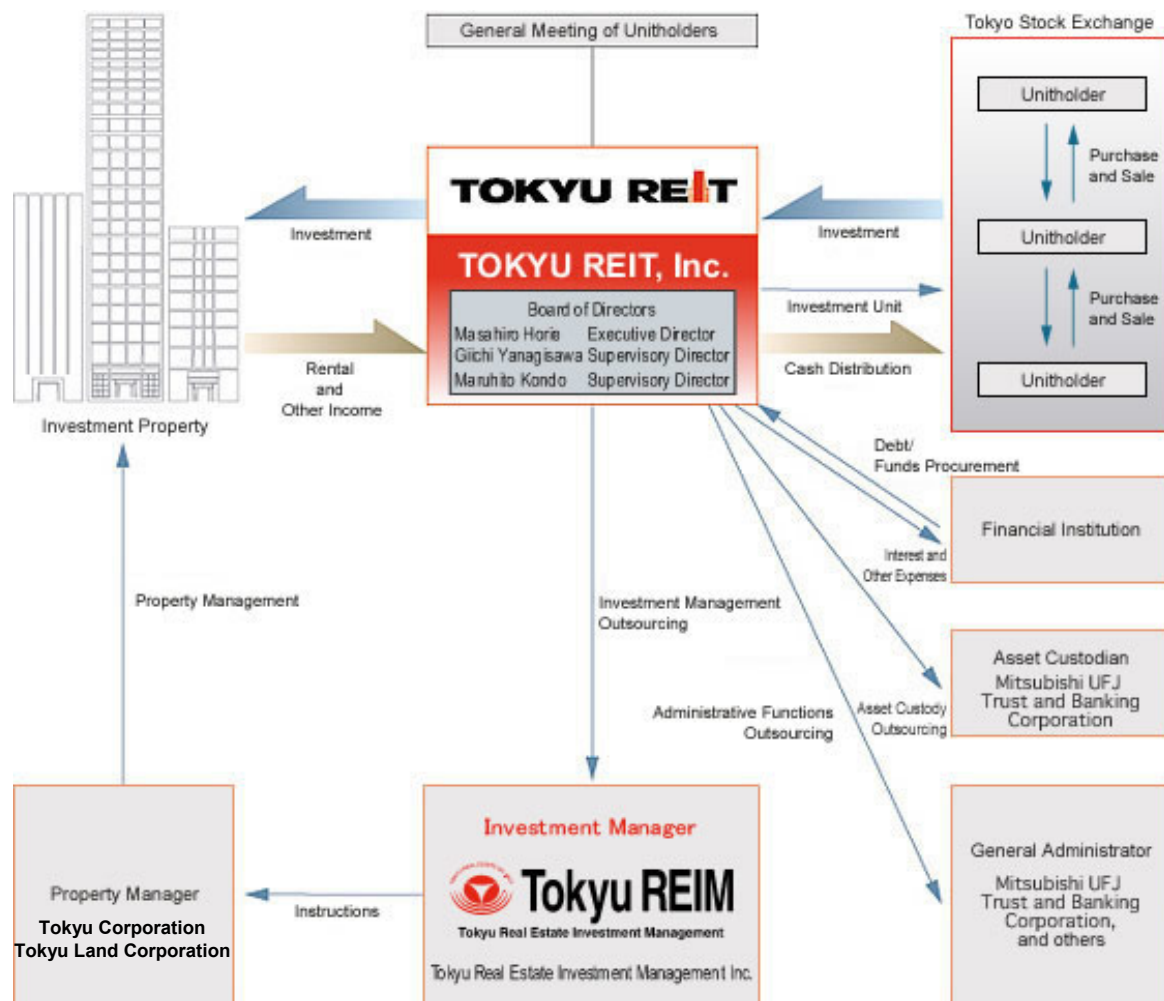
Average Total Assset for the Period	171,782	171,736	46
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## Governance

# Structure of TOKYU REIT, Inc.

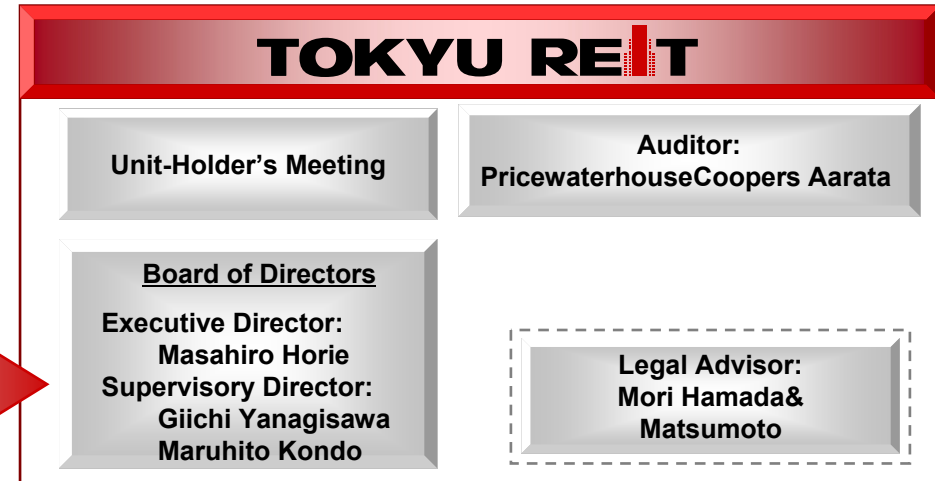
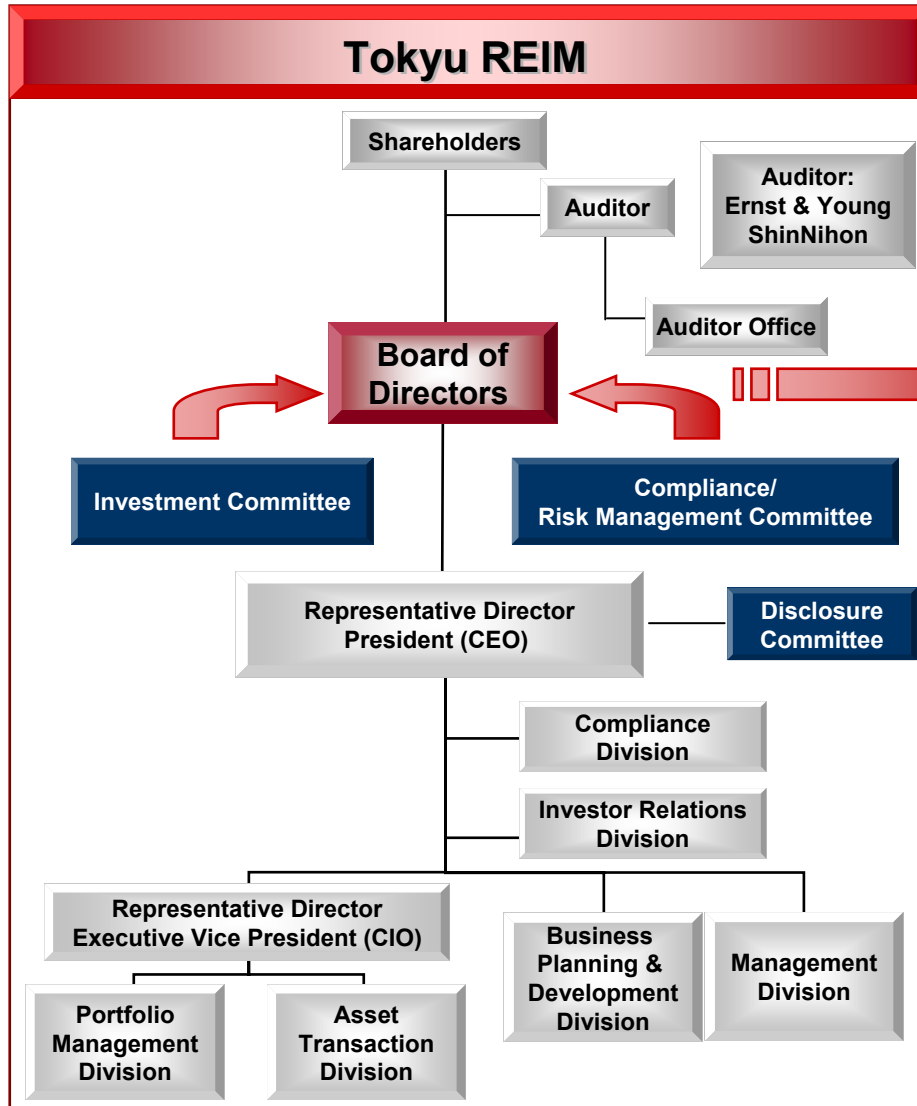


## TOKYU REIT, Inc.

- 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%)



- 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 by the Third Party  $\leq$  Disposition Price
- Second Opinion for the Appraisal by Third Party

#### Property Management

- Fee opinion from Third Party
- 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

# Governance:

## “Excellent Governance as a Source of Competitiveness” (1) TOKYU REIT

### 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

- 112 meetings held (by end of 8th Period)
- Average meeting time: 1 hour and 30 minutes
- 221 resolutions and 513 reports in total (2.0 resolutions and 4.6 reports per meeting)

• Attendance

Name	Role	Attendance	by phone	Absence	Rate of Attendance
Masahiro Horie	Executive Director	112	—	—	100%
Giichi Yanagisawa	Supervisory Director	111	3	1	99%
Maruhito Kondo	Supervisory Director	112	2	—	100%
Mitsubishi UFJ T&B	General Administrator	112	—	—	100%
Mori Hamada & Matsumoto	Legal Counsel	108	9	4	95%



# Governance:

## “Excellent Governance as a Source of Competitiveness” (2) TOKYU REIT

### 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

Name	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 was 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 unit-holders' 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 Aarata was temporarily appointed as Accounting Auditor on July 14, 2006 upon resignation of Chuo Aoyama

(4) PricewaterhouseCoopers Aarata was appointed as Accounting Auditor at 3<sup>rd</sup> General Meeting of Unit-Holders held on April 17, 2007

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

Company	Name	Audit Experience
Arata Audit	Takashi Sasaki	2 period *
	Katsushi Matsuki	5 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

# Meeting Operation Situation

(# of meetings held)

Organizations		1st Period	2nd Period	3rd period	4th Period	5th Period	6th Period	7th Period	8th Period						Total
									Feb	Mar	Apr	May	Jun	Jul	
TOKYU REIT	Unit-Holders' Meeting	1			1						1				3
	Board of Directors Meeting	22	16	11	16	10	12	12	2	3	3	1	2	2	112
Tokyu REIM	Board of Directors Meeting	22	15	7	14	9	13	11	1	3	1	1	3	1	101
	Investment Committee	24	9	7	14	12	12	7	1	1	2	0	1	2	92
	Compliance/Risk Management Committees	17	12	11	10	12	12	10	2	2	1	1	2	2	94
	Third party evaluation whether each related-party transaction complies with the rule	5	6	2	2	0	1	4	1	1			1	1	24

\*1 – 8 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	Feb/2007	Use of Venue for 3rd General Meeting of Unit-Holders (Shibuya Excel Hotel Tokyu)
2		Security guard service for 3rd General Meeting of Unit-Holders (Tokyu Facility Service)
3	Mar/2007	Payment of Invest Management Fee (Base 2) to Tokyu REIM
4		Payment of Invest Management Fee (Incentive) to Tokyu REIM
5	Jun/2007	Acquisition of trust beneficiary interest regarding land/building located at 4-chome Akasaka, Minatoku, Tokyo from related-party and conclusion of lease agreement with related-party (Tokyu Agency Inc.)
6		Conclusion of PM agreement for Akasaka 4-chome Building (Tokyu Agency Inc.) with related-party (Tokyu Land Corporation)
7		Conclusion of parking lot lease agreement for TOKYU REIT Omotesando Square (Tokyu Community)
8		Payment of Invest Management Fee (Base 1) to Tokyu REIM
9	Jul/2007	Renewal of PM agreement (Tokyu Corporation/Tokyu Land Corporation)



## Changes in Regulatory/Macro Environments

## 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) Financial Instruments and Exchange Law (announced in 2006.6, put in force in 2007/9)
- (7) Final draft of new BIS standard (100% risk-weight assigned to REIT) (2007/3 -)
- (8) Review of “Registration System of Real Estate Advisory Service” by Ministry of Land, Infrastructure and Transport (after 2007/9)
  1. Prohibition of acts of conflicts of interest,
  2. Enhanced information disclosure,
  3. Tightened surveillance on poor unqualified operators, etc.

## 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)

\* This page represents the view of Tokyu REIM

## 1. Financial Market

- (1) Lifting of quantitative easing (2006/3), zero-interest rate policy (2006/7), interest rate increase (2007/2), rising long-term interest rates (2007/4 – 2007/6), declining long-term interest rates (2007/6 -)
- (2) Depreciation of yen and continuing yen carry trades (- 2007/6)  
Strong yen and unwinding of yen carry trades triggered by US subprime problem (2007/7 -)

## 2. JREIT Market

- (1) Rising price of investment units on the back of expectations for rent increase (- 2007/5)
- (2) Large correction of investment unit prices led by net selling by foreigners (2007/6 -)
- (3) Correction of investment unit prices triggered by US subprime problem (2007/7 -)
- (4) Concern over satisfaction of conduit requirement regarding family-owned business

## 3. Other

- (1) Reconcentration of population into the Tokyo Metropolitan area (2007/1, reported by Nikkei, Ministry of Internal Affairs and Communications)
- (2) Revised population estimate (nationwide population revised down, while population in Tokyo and Kanagawa revised up) (2007/3; Tokyo, 2007/5; National Institute of Population and Social Security Research)
- (3) Growing number of IPOs by Australian LPT with exposure to Japanese assets

\* This page represents the view of Tokyu REIM



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**Summary of 3rd General Meeting of Unit-Holders  
(Scheduled on April 17, 2007)**

# Overview of General Meetings of Unit-Holders

## Overview of General Meetings of Unit-Holders

	1st (Note 1)	2nd	3rd
<b>Held on</b>	July 22, 2003	April 19, 2005	April 17, 2007
<b>Venue</b>	Mitsubishi Trust & Banking (Then) 4F Meeting Room	Shibuya Excel Hotel Tokyu (6F Planets Room)	Shibuya Excel Hotel Tokyu (6F Planets Room)
<b>Agenda</b>	<Proposal 1> Partial revision of Articles of Incorporation <Proposal 2> Conclusion of revised memorandum on Asset Management Agreement	<Proposal 1> Partial revision of Articles of Incorporation <Proposal 2> Election of 1 Executive Director <Proposal 3> Election of 2 Supervisory Directors	<Proposal 1> Partial revision of Articles of Incorporation <Proposal 2> Approval of partial revision of Asset Management Agreement <Proposal 3> Election of 1 Executive Director <Proposal 4> Election of 2 Supervisory Directors <Proposal 5> Election of Auditor

## Voting Rights Exercised

	1st Meeting (Note 1)	2nd Meeting		3rd Meeting		Change in Ratio (3rd - 2nd )
			Ratio		Ratio	
Unitholders with exercisable voting rights						
# of units	400	141,999	-	169,380	-	-
# of holders	2	14,957	-	9,997	-	-
Unitholders attending the meeting						
# of units	400	12,198	8.6%	10,938	6.5%	-2.1pts
# of holders	2	85	0.6%	82	0.8%	0.3pts
Unitholders exercising voting rights						
# of units	-	78,464	55.3%	97,959	57.8%	2.6pts
# of holders	-	3,852	25.8%	2,383	23.8%	-1.9pts
Deemed Agreement (Note 2) Unitholders						
# of units	-	51,337	36.2%	60,483	35.7%	-0.4pts
# of holders	-	11,020	73.7%	7,532	75.3%	1.7pts

(Note 1) The first general meeting of unit-holders was held before IPO.

(Note 2) "Deemed Agreement" means that when a unit-holder does not attend the general meeting of unit-holders and does not exercise any voting rights, such unit-holder will be deemed to have agreed to the agenda (if there are a number of agendas which include contradicting agendas, such agendas are excluded) under Article 93 of the Investment Trust Law.

## 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)

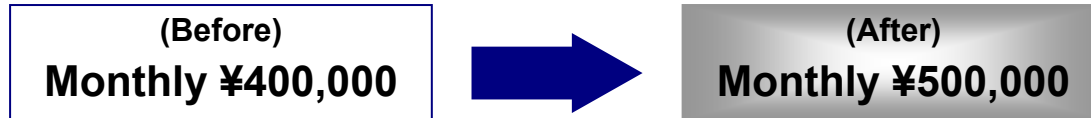
- Given changes in the environment, incentive rate will be changed to bring incentive to an appropriate level (1.0%→0.4%)

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

- Increase remuneration of supervisory directors (planned in May after General Meeting of Unit-Holders)
  - 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



## 1. Revision



- \* The maximum amount (¥800,000) provided in the Articles of Incorporation remains unchanged
- \* No change to remuneration of Executive Directors (¥0)

## 2. Reasons for Revision

### 1. Increased social expectations for roles played by Supervisory Director

Duties

- Supervision of execution of duties by executive directors
- Request report on investment and condition of property to General Administrator, Investment Manager and Asset Custodian or perform an inspection as needed

**\* Social expectations for functions of supervisory directors are rising in the aftermath of a spate of administrative punishments on investment corporations and investment managers**

### 2. Increased hours on duty from higher responsibilities

Increased burden including attending the meeting of board of directors, requesting reports to service providers, performing necessary inspections, examining legal documents and holding meetings

**\* Duties of Supervisory Director have exceeded the estimate at the time when the amount of remuneration was initially determined**

### 3. Increased level of remuneration for a similar position (Outside Directors and Auditors)

Level of remuneration is increasing for outside directors and auditors of listed companies in general

**\* Supervisory Director is serving as both Outside Director and Outside Auditor**

\*Comment by Tokyu REIM

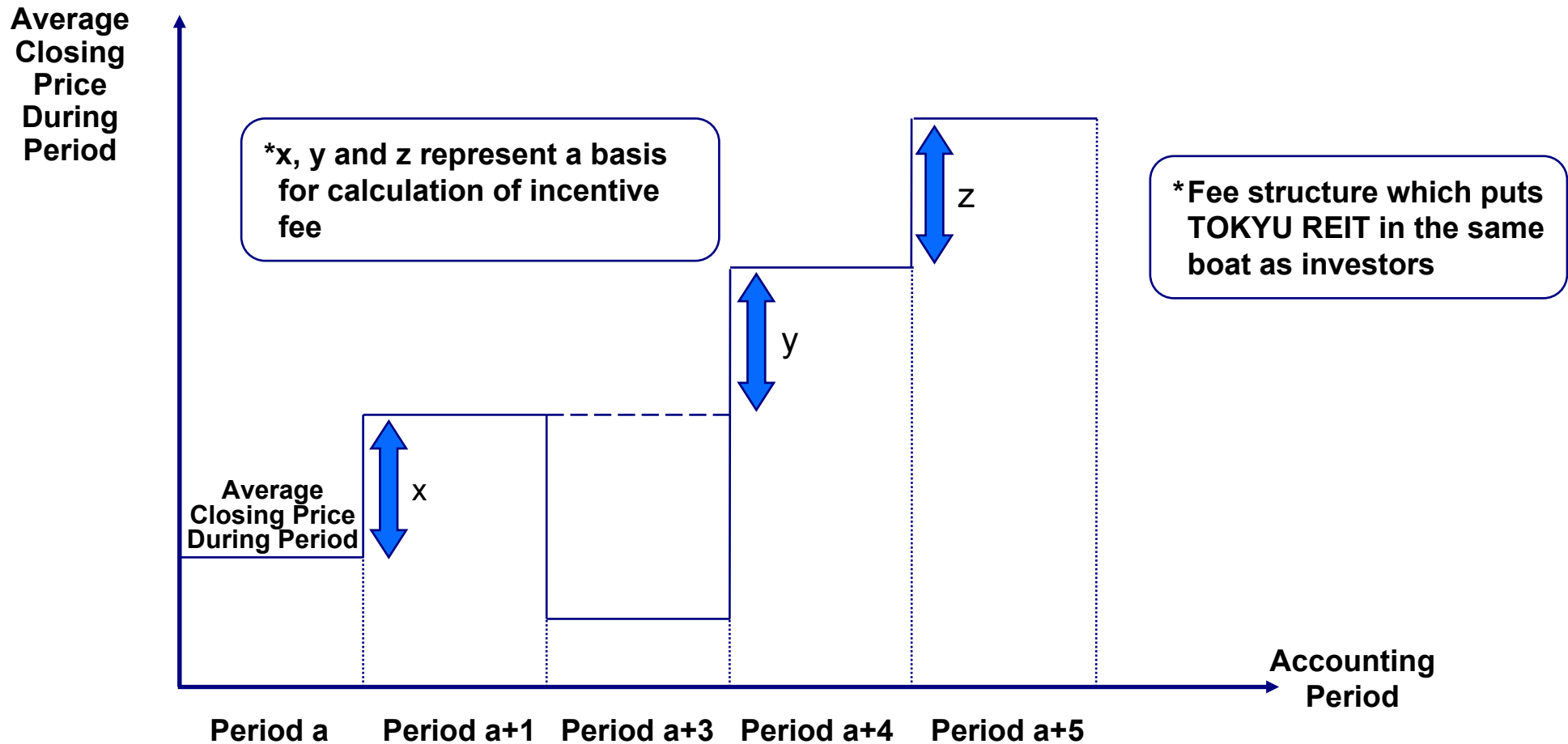


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## Incentive Fee Structure

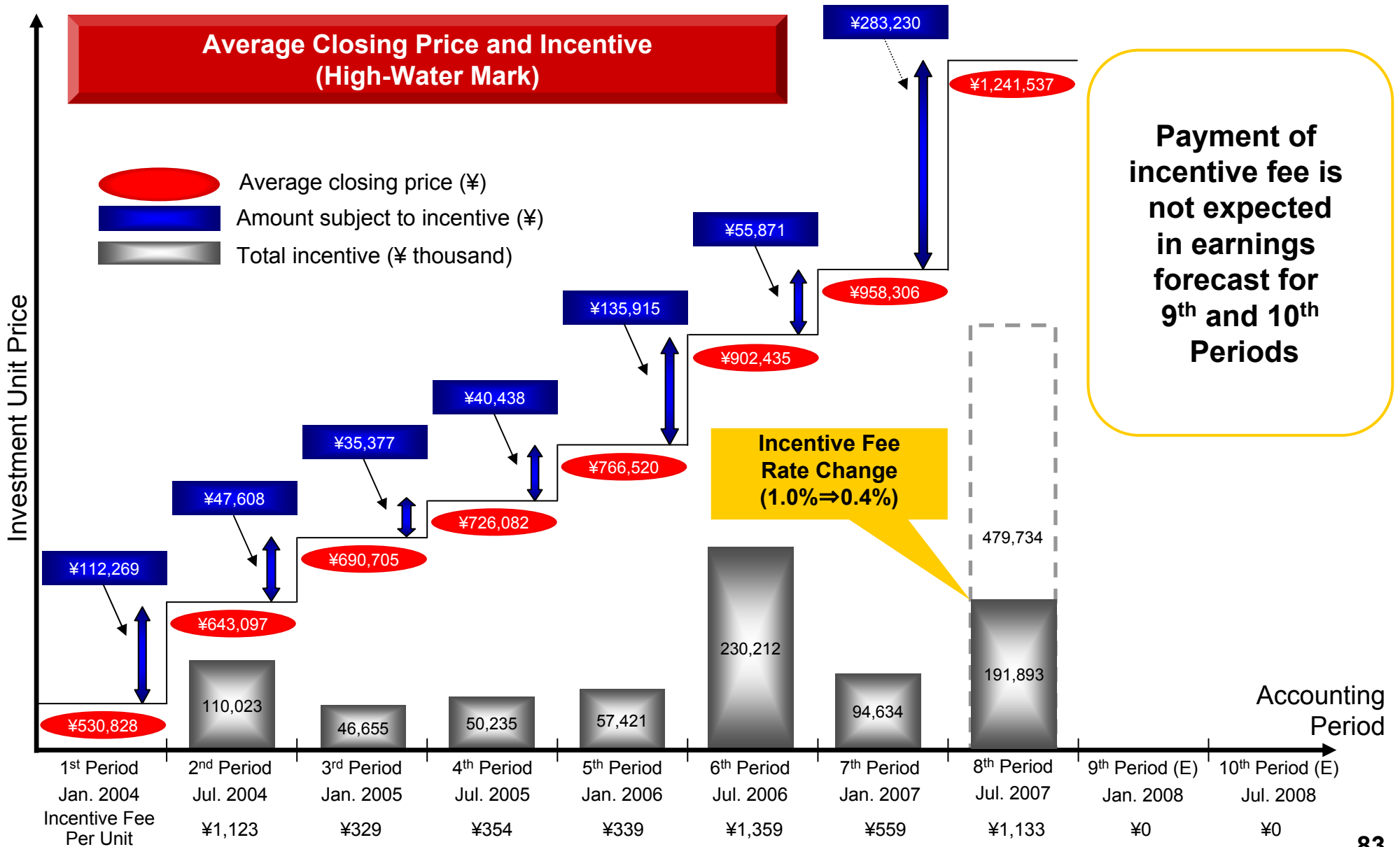
# Incentive Fee Structure

**\*Incentive fee is paid when the average share price of TOKYU REIT exceeds the historical average high**



**Incentive Fee = No. of Units Outstanding at the End of Previous Period x (x, y or z) x 0.4%**

# Changes in Incentive Fee



# EPS Before Incentive Fee

Item	1st Period A 144 days	2nd Period A 182 days	3rd Period A 184 days	4th Period A 181 days	5th Period A 184 days	6th Period A 181 days	7th Period A 184 days	8th Period A 181 days	9th Period E 184 days	10th Period E 182 days	2nd - 10th Period Total
Incentive Fee (¥ million)	0	110	47	50	57	230	95	192	0	0	781
Incentive Fee per Unit (¥)	0	1,123	329	354	339	1,359	559	1,133	0	0	559
Units Outstanding	98,000	98,000	142,000	142,000	169,380	169,380	169,380	169,380	169,380	169,380	1,398,280
EPS (¥) *	12,123	14,230	13,045	13,798	14,179	22,162	14,182	14,427	14,700	15,000	15,080
Annual EPS Growth (%/Simple Interest)	-	34.76	7.61	9.21	8.48	33.12	5.66	5.43	5.31	5.27	5.42
EPS before Incentive Fee (¥)*	12,123	15,353	13,374	14,152	14,518	23,521	14,741	15,560	14,700	15,000	15,658
Annual EPS Growth (%/Simple Interest)	-	53.29	10.32	11.16	9.88	37.61	7.20	8.10	5.31	5.27	6.48

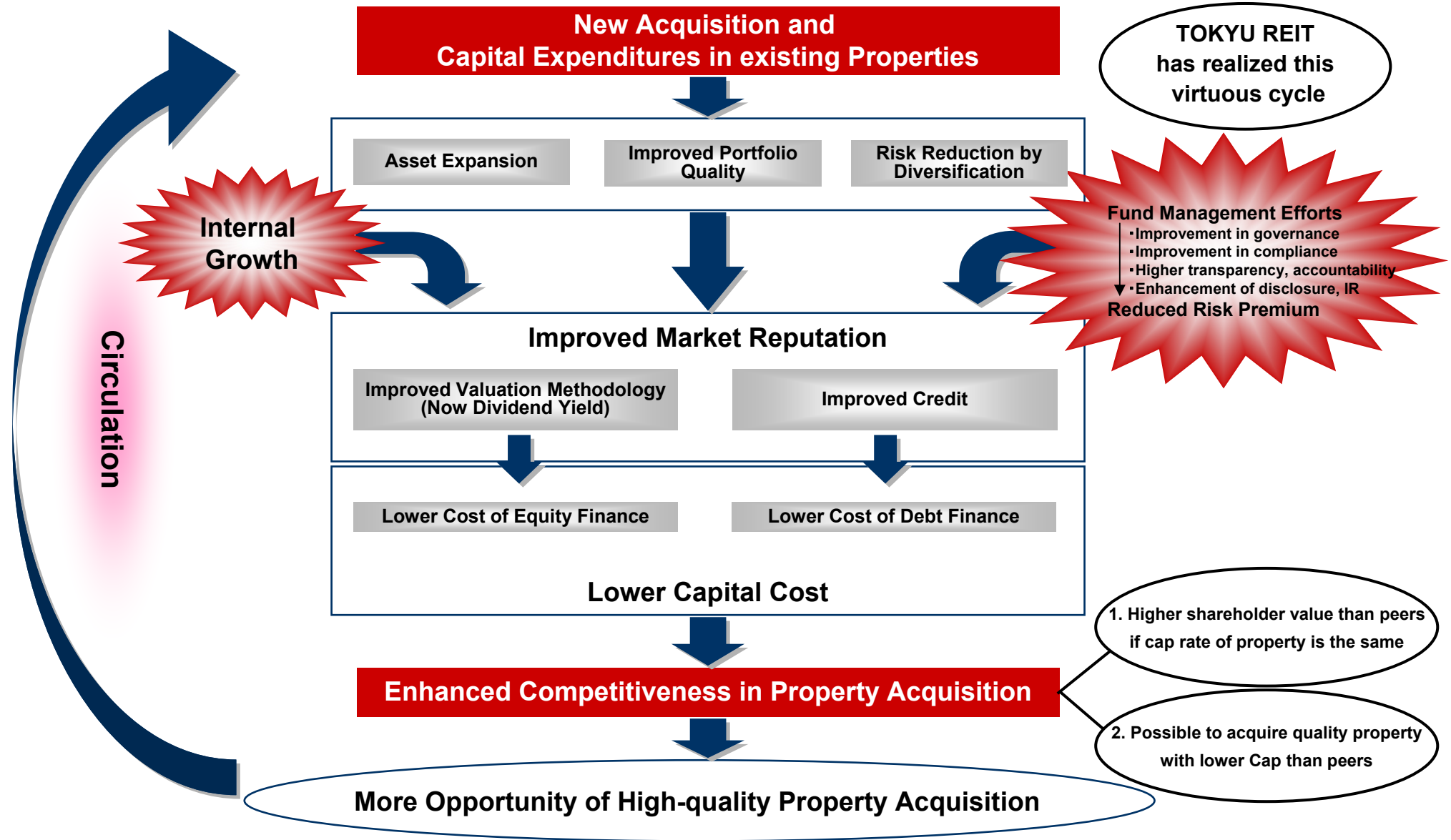
\* 1st Period adjusted to 184 days

**TOKYU REIT**

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**Others**

# How to Achieve Our External Growth?



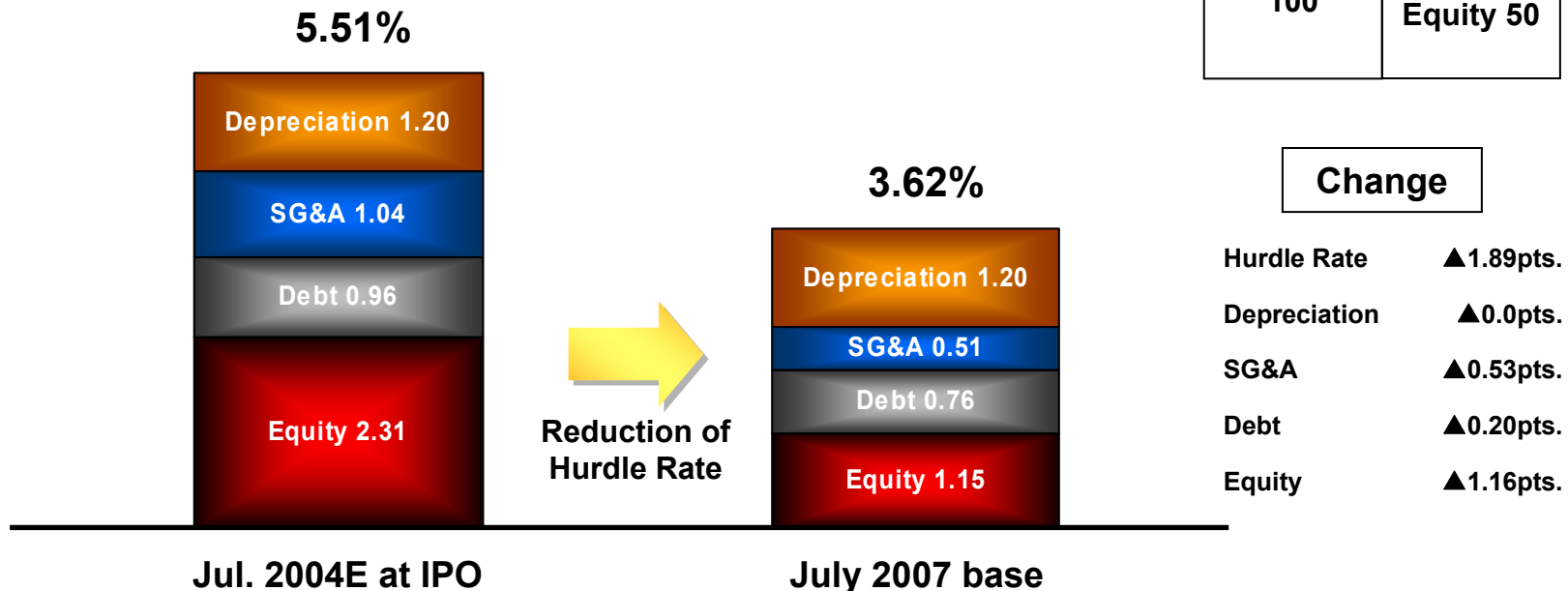
\* This page represents the view of Tokyu REIM **86**

# 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	



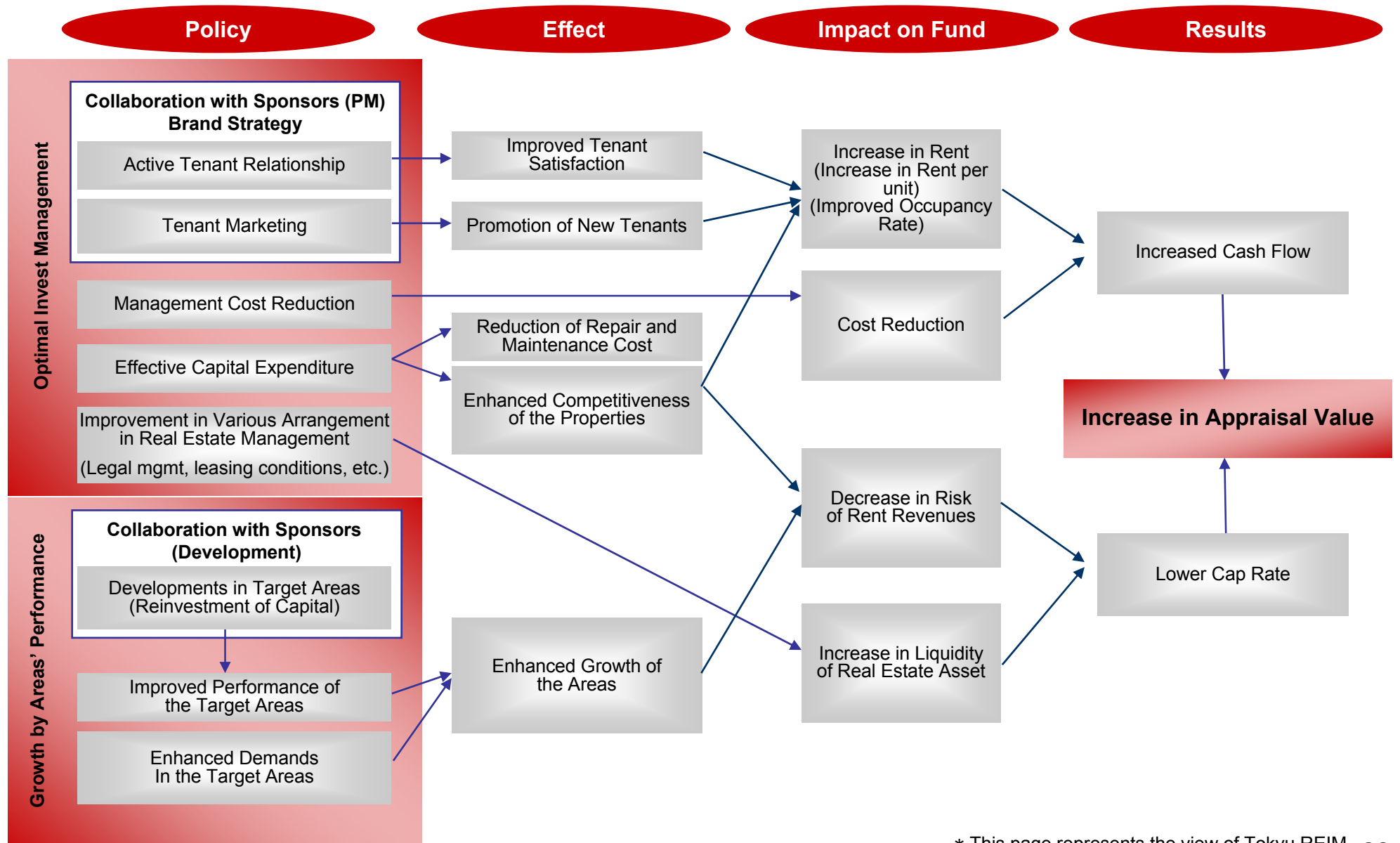
**Acquisition hurdle rate based on NOI has decreased 1.89% since IPO of TOKYU REIT**

- 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

\* This page represents the view of Tokyuu REIM

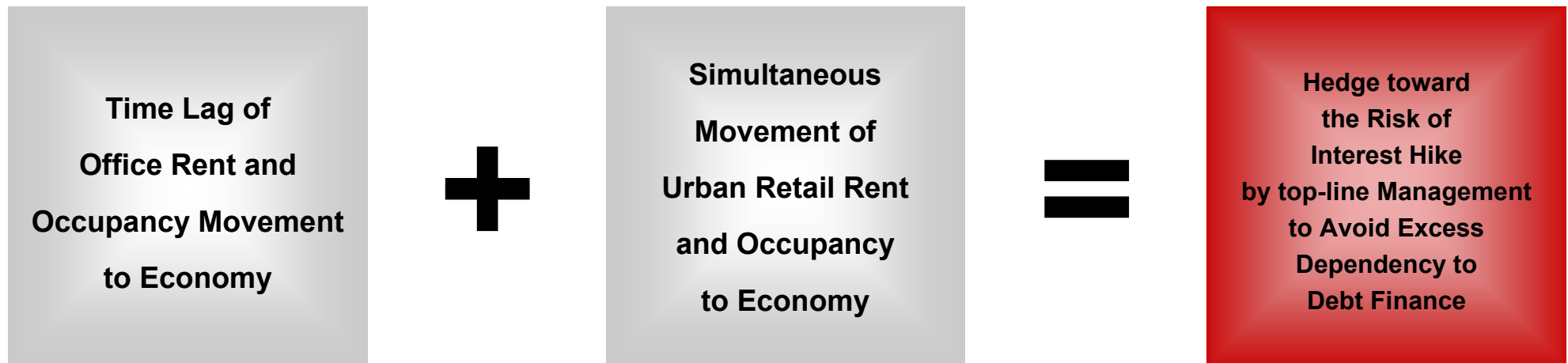


# How to Achieve Our Internal Growth?



\* This page represents the view of Tokyu REIM

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



**Built-in Stabilizer Function of Combining Office and Retail**

## Why Office and Retail? (2)



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



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

## Acquisition

## PM (Property Management)

## Brand Strategy

- Pipeline Support: 10 of 20 Properties (Acquisition price, inclusive of estimates, 81.34 bn yen of 180.23 bn yen)
  - 6 of 11 Properties at time of IPO
  - TOKYU REIT Shibuya Udagawa-cho Square (2<sup>nd</sup> Period Acquisition, JPY 6.6 bn)
  - Akasaka 4-chome Building (Tokyu Agency Inc. Head office Building) (9th Period Estimated Acquisition, JPY 8.5 bn)
  - 2 of 11 Properties at time of IPO – contributed by Tokyu Group companies
- 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 (Ito-Yokado Noukendai)
- PM by Tokyu Corporation/Tokyu Land Corporation
- Community-based tenant promotion capability and cost reduction potential by scale of economy
- “TOKYU” brand licensing
  - “TOKYU REIT” name
  - Building name change to “TOKYU REIT” brand

Contributions developed by Tokyu Group companies

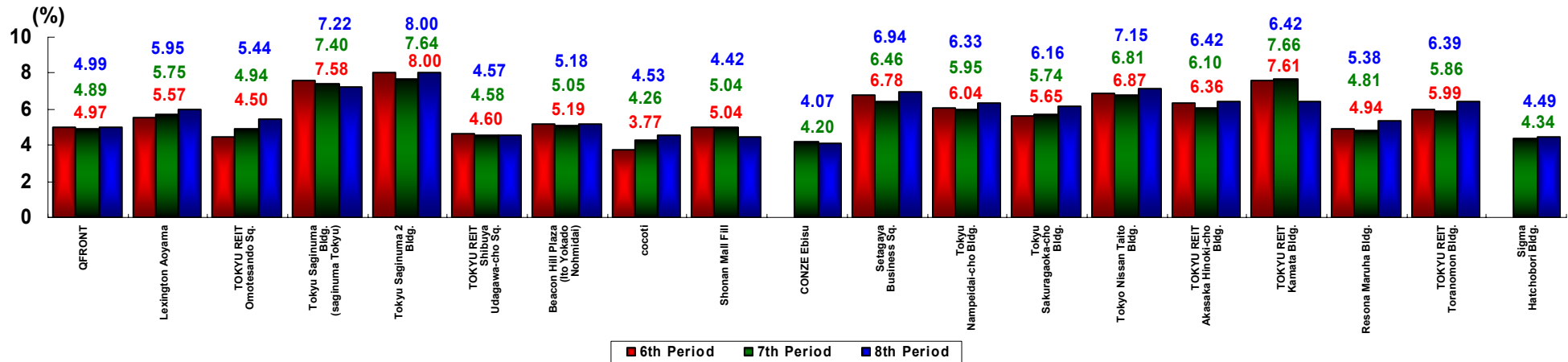
## Revision of Rent (8th period)

	Rise	Drop	Status quo	Total
<b>New</b>	8 100.0%	0 0.0%	0 0.0%	8 100.0%
<b>Continued</b>	23 71.9%	0 0.0%	9 28.1%	32 100.0%
<b>Total</b>	31 77.5%	0 0.0%	9 22.5%	40 100.0%

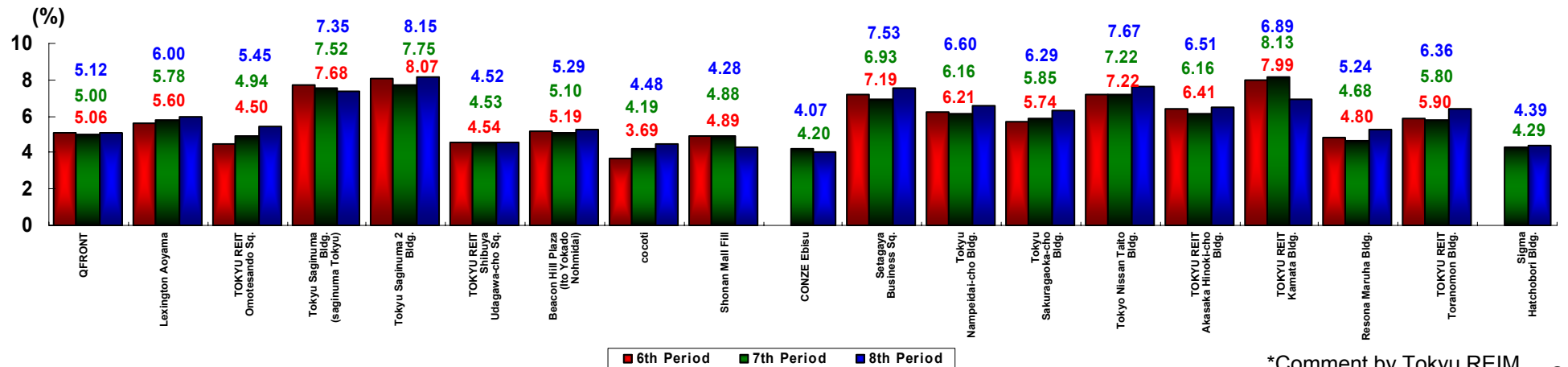
# NOI Yield by Property (1)

**\*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 8th Period (based on Acquisition Price)



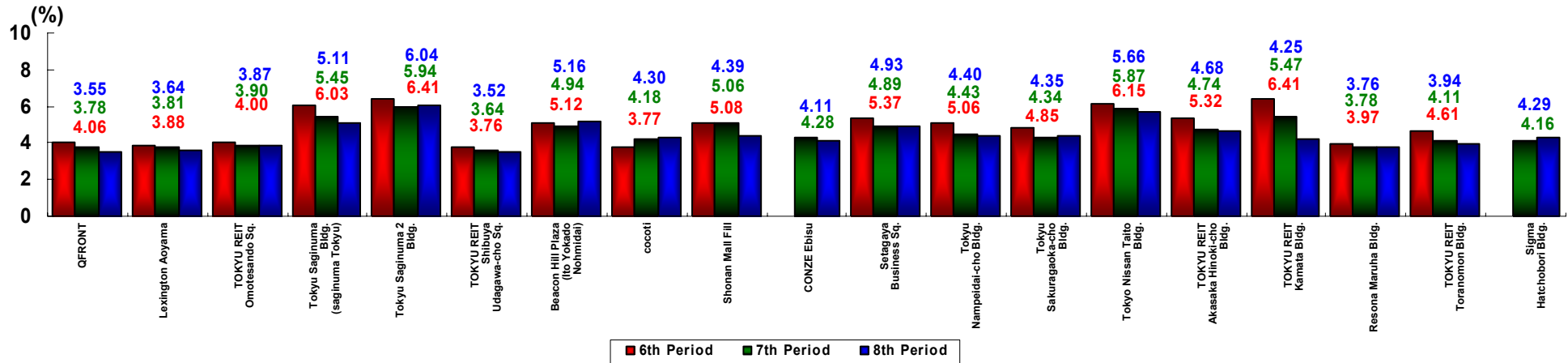
## NOI Yield by Property in 8th Period (based on Book Value)



\*Comment by Tokyu REIM

# NOI Yield by Property (2)

## NOI Yield by Property in 8th 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**

\*Comment by Tokyu REIM

**By the revision of the rule for Large Holding Report, 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 September 10, 2007

Filer	Shares Held	Ownership	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.	6,305	3.72%	2007/4/13	2007/4/18	3
Resona Bank	2,226	1.31%			
Resona Trust & Banking	3,756	2.22%			
Kinki Osaka Bank	323	0.19%			
Nomura Securities Co., Ltd	8,996	5.31%	2007/7/31	2007/8/7	1
Nomura Securities Co., Ltd	1,498	0.88%			
NOMURA INTERNATIONAL PLC	237	0.14%			
Nomura Asset Management Co., Ltd	7,261	4.29%			



# 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 2007/8/7) (Unit: %)

	Contribution			Potential Growth
	Capital Input	Labor Input	TFP	
1990	2.2	0.0	2.1	4.3
91	2.1	-0.2	1.8	3.8
92	2.0	-0.4	1.4	3.0
93	1.8	-0.4	1.0	2.4
94	1.6	-0.3	0.6	1.9
95	1.4	-0.1	0.3	1.6
96	1.2	0.0	0.2	1.3
97	1.1	-0.1	0.1	1.1
98	1.2	-0.3	0.2	1.1
99	0.8	-0.4	0.4	0.8
2000	0.6	-0.4	0.6	0.8
01	0.4	-0.5	0.8	0.8
02	0.2	-0.4	0.9	0.7
03	0.2	-0.3	0.9	0.9
04	0.4	-0.2	0.9	1.1
05	0.5	-0.1	0.9	1.3
06	0.6	0.0	0.8	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.

\* This page represents the view of Tokyu REIM

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