

TOKYU REIT

TOKYU REIT, Inc. Semiannual Report Eighth Fiscal Period
From February 1, 2007 to July 31, 2007



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





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8th

TOKYU REIT listed its units on the Tokyo Stock Exchange on September 10, 2003.

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

TOKYU REIT invests primarily in retail and office properties located in the five central Tokyo wards (Chiyoda, Chuo, Minato, Shinjuku, and Shibuya wards) and the Tokyu Areas, which refers to the areas serviced by the Tokyu rail network. As of July 31, 2007, the end of TOKYU REIT's eighth fiscal period, TOKYU REIT held ten retail facilities and nine office buildings, for a total of 19 properties.

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Basic Policy of TOKYU REIT

1 Investment strategies that accelerate 'growth'

- Investment in properties in central Tokyo and the Tokyu Areas – areas with strong growth potential
- Committed to continued collaboration with Tokyu Group companies
- Growth through heightened added value of the Tokyu Areas

2 A portfolio that secures 'stability'

- Diversified property uses and limited investment regions
- Winning long-term contracts with well-balanced tenants
- Investment criteria aimed at low risk and steady returns

3 Fund structure that backs 'transparency'

- Original establishment of rules for preventing conflicts of interest
- Independent third-party checks
- Proactive disclosure of transaction details



HIGHLIGHTS

■ External Growth

- Decision to acquire Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)* (June 29, 2007).

*Scheduled to be acquired on January 31, 2008

■ Internal Growth

- Outstanding occupancy rate (99.6%) as of July 31, 2007, at the end of the eighth fiscal period.
- Rise by 2.7% of monthly rental income in the entire portfolio at the end of the eighth fiscal period. (Compared with seventh fiscal period)

■ Implementation of strict corporate governance

■ Proactive IR activities

■ Finance Soundness

- Rating and Investment Information, Inc. (R&I) Upgrades to AA- / Stable (April 13, 2007)



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

FINANCIAL SUMMARY

		8th Fiscal Period	7th Fiscal Period
Balance Sheets	Number of properties	19 properties	19 properties
	Total Assets	¥184,390 million	¥183,994 million
	Interest-Bearing Liabilities	¥65,300 million	¥65,300 million
	Total Assets Loan-to-Value (LTV) Ratio	35.4%	35.5%
Statements of Income	Operating Revenues	¥6,730 million	¥6,460 million
	Net Income	¥2,443 million	¥2,402 million
Distributions	Cash Distribution per Unit	¥14,427	¥14,182
	Average Market Price per Unit	¥1,241,537	¥958,306
	Distribution Yield	2.34%	2.94%

To Our Unitholders

On behalf of TOKYU REIT, Inc. (**TOKYU REIT**), I would like to express my sincere appreciation to all of our REIT unitholders for their continued support and understanding. The following pages provide an overview of the operating environment and our results for the eighth fiscal period, February 1, 2007 to July 31, 2007.

Masahiro Horie

Executive Director

TOKYU REIT, Inc.

Representative Director & President, Chief Executive Officer

Tokyu Real Estate Investment Management Inc.



Cash Distribution of ¥14,427 Per Unit

Operating revenues for the eighth fiscal period amounted to ¥6,730 million, while net income totaled ¥2,443 million. This represented an increase in both revenues and income compared with the previous fiscal period. Consistent with its existing distribution policy, **TOKYU REIT** allocated 100% of its net income for a cash distribution of ¥14,427 per unit. This was ¥245, or 1.7%, above the seventh fiscal period distribution of ¥14,182 per unit.

Net assets per unit stood at ¥593,124 as of July 31, 2007. Accounting for unrealized gains (the difference between the period-end appraisal values of investment properties and their book values), adjusted net assets per unit amounted to ¥904,709, an increase of ¥88,980 compared with the previous fiscal period.

TOKYU REIT continues to secure sound earnings per unit and growth in net assets per unit.

Continued Improvements in Rental Rates

Underpinned by stable investment management, 16 of TOKYU REIT's 19 properties were fully occupied as of the eighth fiscal period-end, and the occupancy rate for the entire portfolio was 99.6%. During the fiscal period under review, **TOKYU REIT** succeeded in contracting with new tenants for five floors of the TOKYU REIT Kamata Building, after being notified by existing occupants of their plan to vacate. In total, we attracted 11 tenants that were either new or seeking additional space to replace 8 tenants who vacated or decreased their leasing space.

In the context of a robust real estate leasing market, **TOKYU REIT** is proceeding with upward revisions to rental rates. Among the 32 tenants whose contracts were scheduled for renewal during the fiscal period under review, **TOKYU REIT** was successful in raising rental rates by an average of 10.7% (including service charges for

common areas) for 23 tenants. Consequently, rental revenues from 17 properties (excluding CONZE Ebisu and TOKYU REIT Hatchobori Building) increased 2.9% compared with the previous fiscal period, and 2.0% compared with the previous fiscal period-end on a rental rate basis.

Property Acquisition from Tokyu Group Companies

On June 29, 2007, **TOKYU REIT** decided to acquire Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building). This conveniently located office building is approximately four minutes on foot from Akasaka-Mitsuke and Nagatacho stations, which are serviced by five subway lines. The building is currently used as the head office of Tokyu Agency Inc.

The Akasaka area boasts a concentration of office buildings as well as a large number of restaurants, retail stores and hotels. Based on urban redevelopment plans, the area is expected to continue offering significant growth potential. In addition to its prime location, the building is a relatively new structure, completed in 2003. With excellent office specifications including high ceilings and individually controlled air conditioning systems, the property is expected to maintain a high level of competitiveness. Sold by a special purpose company established by Tokyu Agency Inc. and Tokyu Land Corporation, this acquisition is a prime example of collaboration with Tokyu Group companies. Looking ahead, **TOKYU REIT** will continue to invest in highly competitive properties in areas with strong growth potential.

Settlement for the building is scheduled for January 31, 2008. The total acquisition cost of TOKYU REIT's portfolio as of July 31, 2007 was ¥171.7 billion, unchanged from the previous fiscal period-end. However, reflecting movements

in real estate markets, the total period-end appraisal value of properties (assessed by a qualified third-party appraiser) was ¥224.3 billion, up ¥14.2 billion compared with January 31, 2007. This steady capital appreciation supports TOKYU REIT's fundamental investment policy to invest primarily in properties located in the five central Tokyo wards and the Tokyo Areas.

Outlook

On September 13, 2007, **TOKYU REIT** announced distribution forecasts of ¥14,700 and ¥15,000 per unit for the ninth and tenth fiscal periods, respectively. These forecasts are based upon contracts current as of the date of announcement. Looking ahead, the forecasts are subject to change due to a variety of potential factors.

Risk Management of Property Portfolio

Recent media reports have highlighted the broad spectrum of risks associated with real estate ownership and management. Under the condition, **TOKYU REIT** implements a variety of risk management initiatives. Taking into consideration each building's structure, facility specifications, type of ownership as well as cash flows and earnings, **TOKYU REIT** strives to eliminate, reduce and offset risk. Following the outbreak of a small fire in the back of the retail facility section of Tokyu Saginuma Building in January 2007, for example, **TOKYU REIT** was quick to restore the affected area to its original state and security cameras were installed as a means to reduce

the level of future risk and prevent reoccurrence. Also, through emergency inspections conducted for all the elevators at its portfolio properties, **TOKYU REIT** identified subsidiary fractures to a portion of the wire cables supporting one elevator at Setagaya Business Square. Although this damage was within acceptable parameters established under Japanese Industrial Standards and the elevator was in serviceable condition, **TOKYU REIT** replaced the cables in order to eliminate any possibility of risk. As an additional safety measure, seismic wave sensors are also being installed for all elevators on a progressive basis. In an effort to offset risk, **TOKYU REIT** has obtained a variety of insurance cover. On an individual incident basis, **TOKYU REIT** has obtained fire insurance totaling ¥5,000 million as well as water and other damage cover of ¥1,500 million. Furthermore, **TOKYU REIT** has secured profit insurance to a maximum of ¥12,000 million, which is equivalent to annual rental revenue projections made at the time of the insurance purchase, while securing public liability insurance to a maximum of ¥5,000 million. With regards to possible damage caused by earthquakes, TOKYU REIT's total portfolio has a probable maximum loss value of 4%. This falls well within the 10% established under TOKYU REIT's investment policy specific to insurance cover. Based on cost-benefit considerations, earthquake insurance has not been obtained.

Elevators at TOKYU REIT-Owned Properties

(As of July 31, 2007)

Use	Property Name	Number of Elevators	Manufacturer	Maintenance Company
R	QFRONT	Passenger 2/Passenger, Carrying, Emergency 1	Hitachi, Ltd.	Hitachi Building Systems Co., Ltd.
R	Lexington Aoyama	1	Toshiba Elevator and Building Systems Corporation	Toshiba Elevator and Building Systems Corporation
R	TOKYU REIT Omotesando Square	1	Nippon Otis Elevator Company	Japan Elevator Service Co., Ltd.
R	Tokyu Saginuma Building	3	Hitachi, Ltd.	Hitachi Building Systems Co., Ltd.
R	Tokyu Saginuma 2 Building	1	Hitachi, Ltd.	Hitachi Building Systems Co., Ltd.
R	TOKYU REIT Shibuya Udagawa-cho Square	1	Mitsubishi Electric Corporation	Mitsubishi Electric building techno-service co., Ltd.
R	Beacon Hill Plaza (Ito-Yokado Noukendai)	Passenger 4/Passenger, Carrying 1/Carrying 1	Toshiba Elevator and Building Systems Corporation	Toshiba Elevator and Building Systems Corporation
R	cocoti	Passenger 3/Passenger, Carrying, Emergency 1	Hitachi, Ltd.	Hitachi Building Systems Co., Ltd.
R	Shonan Mall Fill (Sokochi)	—	—	—
R	CONZE Ebisu	3	Hitachi, Ltd.	Hitachi Building Systems Co., Ltd.
○	Setagaya Business Square	Passenger 24/Passenger, Carrying 6/ Passenger, Carrying, Emergency 1/Emergency 1	Hitachi, Ltd. Mitsubishi Electric Corporation Fujitec co., Ltd.	Hitachi Building Systems Co., Ltd. Mitsubishi Electric building techno-service co., Ltd. Fujitec co., Ltd.
○	Tokyu Nampo-dai-cho Building	2	Mitsubishi Electric Corporation	Mitsubishi Electric building techno-service co., Ltd.
○	Tokyu Sakuragaoka-cho Building	2	Hitachi, Ltd.	Hitachi Building Systems Co., Ltd.
○	Tokyo Nissan Taito Building	Office 3/Residential 1	Hitachi, Ltd.	Hitachi Building Systems Co., Ltd.
○	TOKYU REIT Akasaka Hinokicho Building	2	Mitsubishi Electric Corporation	Mitsubishi Electric building techno-service co., Ltd.
○	TOKYU REIT Kamata Building	Passenger 2/Passenger, Carrying, Emergency 1	Mitsubishi Electric Corporation	Mitsubishi Electric building techno-service co., Ltd.
○	Resona Maruha Building	Passenger 4/Emergency 1*	Mitsubishi Electric Corporation	Mitsubishi Electric building techno-service co., Ltd.
○	TOKYU REIT Toranomon Building	3	Toshiba Elevator and Building Systems Corporation	Toshiba Elevator and Building Systems Corporation
○	TOKYU REIT Hatchobori Building	4	Hitachi, Ltd.	Saita Corporation, Ltd.

Note: Number of elevator in Resona Maruha Building is counted only in own part.

Opinions from Unitholders and Investors

On occasion, TOKYU REIT has received correspondence from unitholders and investors outlining certain views, requests and opinions. Unfortunately, we have not been in a position to respond individually to each communication. At this point, I would like to take the opportunity to respond to some of the more frequently raised issues, and to clarify my thoughts to all unitholders and investors.

Increase in the Remuneration Paid to Supervisory Directors

On March 16, 2007, TOKYU REIT announced its decision to increase the remuneration paid to supervisory directors. Regrettably, this generated negative feedback from certain unitholders and investors, prompting a measure of uncertainty and distrust. As outlined in Seventh Fiscal Period Semiannual Report, the purpose for increasing supervisory directors' remuneration was to further enhance the governance function. Two supervisory directors with no vested interest in the Tokyu Group are appointed to oversee and monitor the activities of TOKYU REIT's executive director and to protect the interests of unitholders. In this context, I believe that the decision to raise supervisory directors' remuneration from ¥400,000 to ¥500,000 per month was based on reasonable grounds and reflects the increase in their responsibilities and on-duty hours since TOKYU REIT's public listing as well as standard remuneration levels for external directors and outside corporate auditors performing comparable duties at listed companies. With the change effective from May 2007, TOKYU REIT announced details of its decision in the month prior to the General Meeting of Unitholders in April 2007. While revisions to remuneration do not require unitholder ratification, supervisory director appointments were confirmed at the General Meeting of Unitholders. Accordingly, I believe that the explanation at that time was appropriate.

Property Management Fees

In response to the July 27, 2006 press release concerning revisions to property management fees, certain individual investors expressed their concerns that revisions were tantamount to the transfer of profits to the Tokyu Group. Given the limited scope of existing property management fees, however, the revisions were made to better

accommodate properties such as cocoti, which introduced additional, unanticipated facility management responsibilities.

Essentially, the revisions comprised a two-tiered structure encompassing promotional fees and a new tenant merchandising management operations fee. The former fee was introduced to offset the additional operating burden imposed on property managers, while establishing incentives aimed at enhancing the appeal of retail facilities such as cocoti. The latter fee represents a payment to property managers who provide concrete support to new tenants. In helping new tenants to quickly settle in to the overall cocoti retail facility management concept, property managers are provided an incentive, which in turn contributes to overall property sales growth.

Traditionally, TOKYU REIT has outlined its property management fee structure in its Securities Report for each fiscal period. As a part of efforts to ensure the timely disclosure of information, and recognizing that the fee structure revision would entail an increase in payments to the Tokyu Group, TOKYU REIT decided to make the necessary announcement prior to the publication of its Securities Report.

TOKYU REIT has also received a third-party report from STB Research Institute Co., Ltd. confirming the validity of property management fee payments in comparison with other investment corporations. Since its public listing, TOKYU REIT has worked tirelessly to win the trust of its unitholders by ensuring that payments for services rendered by Sponsors are consistent with accepted market rates. Moreover, in response to concerns that the Investment Management Company is biased toward Sponsors relative to unitholders, and that TOKYU REIT announced its scheduled results disclosure date later than other companies, I can assure all concerned that as trustee, I have never failed to place the interests of unitholders other than as a first priority, and that the distribution of profits to unitholders will remain TOKYU REIT's principal goal. Indicative of this resolve are the strict measures to prevent conflicts of interest that TOKYU REIT has in place.

I would like to express my sincere appreciation to unitholders and investors for their comments and opinions. TOKYU REIT will also take steps to upgrade its Web site (<http://www.tokyu-reit.co.jp/eng>) with the aim of ensuring a more interactive portal. Readers are requested to access this site as an additional medium to register queries and concerns.

REIT Merchantability

Based on real estate rental income, REITs have traditionally represented medium risk for medium return. Recently, however, the price of REIT investment units has fluctuated significantly. Given the circumstance, I believe that it is now opportune to review the merchantability of REITs as a financial instrument. Characterized by stable cash flows and comparatively high payout ratios, REITs are generally referred to as “yield products.” Accordingly, the value of a REIT as an investment alternative is determined by its expected dividend yield (estimated dividend ÷ investment unit price) and the spread differential between that yield and long-term government bond yields. Whereas the principal investment in government bonds are redeemed after a fixed period, the principal investment in a REIT can only be recouped through market sale, as with stocks. As an investment alternative, REITs are therefore unsecured and subject to capital gain as well as loss. From the perspective of assessed cash flow growth potential, REITs can be considered a yield product while possessing the characteristics associated with stocks. Furthermore, in similar fashion to metals, oil, agricultural and other commodities, real estate investments are traditionally recognized as providing a hedge against inflation. Anticipating a decline in the monetary value of goods (an appreciation in the value of real estate), certain investors have positioned REITs, which deliver small-lot real estate investment opportunities together with high liquidity, as inflation-hedge products.

Responding to the Expectations of Unitholders

As REITs continue to forge a secure position among numerous investment alternatives, **TOKYU REIT** works diligently to enhance its value and returns to unitholders.

In order to generate and maintain a stable and long-term stream of rental income, **TOKYU REIT** adheres to strict portfolio management strategies and criteria. Focusing on the Tokyo Metropolitan area, a target market that offers the potential for long-term stable growth, **TOKYU REIT** will accordingly invest in properties distinguished by their competitive advantage.

While considerable emphasis is placed on progressively increasing rental rates at each contract renewal, TOKYU REIT's overall portfolio average rent remains below market levels. Looking ahead, I believe that ample opportunity exists for upward revision. **TOKYU REIT** is also one of Japan's leading REITs in terms of asset value appreciation, and it has enjoyed continuous growth since public listing. Unrealized gains, which I previously mentioned, totaled ¥55,200 million, or 32.7% above the portfolio's book value as of July 31, 2007, while adjusted net assets per unit reached ¥904,709. Based on steady increases in future asset values, I believe that investment in TOKYU REIT's investment units will contribute to providing an effective hedge against inflation. Moving forward, **TOKYU REIT** is committed to fulfilling the expectations of unitholders and to contributing to the enhancement of the position of J-REITs in general as a medium-risk / medium-return investment alternative.

September 2007



Masahiro Horie

In his role as CEO of REIT's investment manager, Mr. Horie draws on the wealth of experience he has accumulated since entering Tokyu Corporation.

1984

Entered Tokyu Corporation

1985

Participated in development planning of the Tama Den-en-toshi area.

1986

Logistical support in Japan for overseas real estate development projects located on the west coast of the United States and Hawaii.

1989

Transferred to hotel management company domiciled in Honolulu, Hawaii.

1994

Posted to the Finance & Accounting Division of Tokyu Corporation.

1996

Posted to the Group Controllers Division.

1999

Appointed to the Group Restructuring Strategy & Investor Relations Division. Promoted REIT business proposal as part of the Tokyu Group's Management Policy announced in 2000, commenced REIT business feasibility study.

2001

Posted to Tokyu Real Estate Investment Management Inc. (Tokyu REIM) at the time of company incorporation. Appointed Tokyu REIM Executive vice president and representative director.

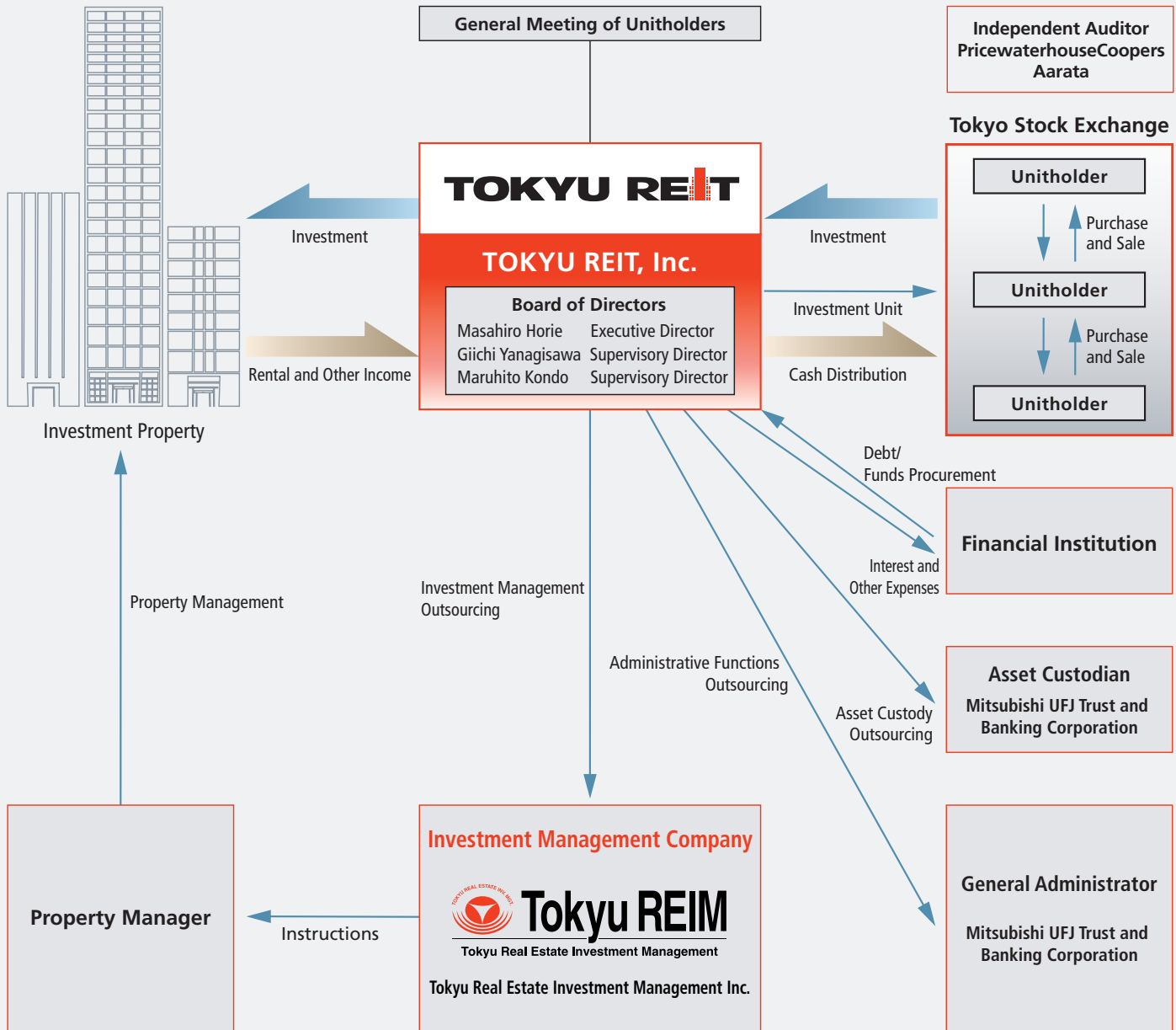
2002

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

2003

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

TOKYU REIT Structure and External Service Providers



Investment Management Fee

Base 1	Amount of total from the following calculation about asset value at the end of previous period ■ For the portion under 200 billion yen: Asset value at the end of previous period × 0.150% ■ For the portion exceeding 200 billion yen : Asset value at the end of previous period × 0.125%
Base 2	Amount of total from the following calculation about operating cash flow*1 in current period ■ For the portion under 5 billion yen: Operating cash flow in current period × 6.0% ■ For the portion exceeding 5 billion yen: Operating cash flow in current period × 5.0%
Incentive	Amount from the following calculation about closing price in current period ■ (Average price in current period- Record average price) × Number of investment unit × 0.4%*2

Notes: 1 Operating cash flow = ordinary income + depreciation and amortization of deferred assets – profit or loss from valuation

2 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.

Special
Feature

TOKYU REIT's Asset Custody and General Administrative Functions

Pursuant to the Law Concerning Investment Trusts and Investment Corporations (the "Investment Trust Law"), real estate investment trusts (REITs) are required to outsource their investment management, asset custody and other administrative functions, which include administration of meetings, accounting operations and management of the register of unitholders. The directors of REITs are responsible for monitoring outsourcees for compliance with applicable laws and regulations as well as relevant contracts. TOKYU REIT currently outsources three operations—asset custody, administration of meetings and accounting operations—to Mitsubishi UFJ Trust and Banking Corporation. The concrete details of these outsourced duties and the role of the outsourcee are discussed in the following interview with Yoshifumi Hayasaka, Senior Manager of Business Promotions at Mitsubishi UFJ Trust and Banking Corporation in the Real Estate Trust and Custodian Service Division's REIT Group.



About Asset Custody

MC: Can you tell us about the role of trust banks as asset custodians?

Hayasaka: The Investment Trust Law requires REITs to outsource the custody of their assets. As TOKYU REIT's asset custodian, we are responsible for the custody of documents that prove ownership rights of acquired real estate, as well as bankbooks and other such items. This approach of employing a third party other than an investment management company as an asset custodian facilitates strict administration of assets, and we believe that such asset administration is exactly what we should aim to achieve.

MC: What companies are qualified to become an asset custodian?

Hayasaka: It must be some kind of trust company, a securities company or another body defined in Cabinet Office regulations. From what I have observed, publicly listed REITs outsource their asset custody to trust banks, as these banks have substantial experience in managing the real estate business and can share fiduciary duties.

MC: Does a trust company require a license to operate as an asset custodian?

Hayasaka: For a trust company or similar financial institution to be qualified as an asset custodian, it must provide fiduciary services, as stipulated under Article 4 of the Investment Trust Law. Revisions of the Trust Business Law in 2004 widened the window for trust businesses, and accordingly, fiduciary services can be undertaken by one of the following three types of companies: licensed (for general trust companies), registered (for management trust companies), or filed (for trusts held internally within group companies). However, publicly listed REITs are currently outsourcing their asset custody only to trust banks, which

fall under the category of "licensed."

MC: Hypothetically speaking, what would happen to a REIT's assets if the trust company functioning as its asset custodian became insolvent?

Hayasaka: The Investment Trust Law stipulates that the REIT's assets under custody must be managed separately from the trust company's own assets. This means that insolvency of a trust bank does not in any way affect the REIT's assets.

MC: Please discuss what you regard as the concrete business duties of an asset custodian.

Hayasaka: In terms of the asset custody treasury function, items held under custody for REITs include proof of rights to real estate and of trust beneficiary rights in real estate, the information notice of registration records and bankbooks. These items are kept under secure custody at our central bank. In addition, we administer the deposit and withdrawal of a REIT's funds based upon their instructions. Especially when funds are paid out to external parties, we do not accept instructions orally but require them to be in written form for payments and stamped with an official seal. We carry out instructions after confirming procedural details and validating the stamped seal against a registered seal certificate.

MC: What are an asset custodian's obligations with respect to the preparation of accounting records?

Hayasaka: Asset custodians are obligated to prepare their outsourcer's accounting records as well as to store such records for 10 years, as set out in Article 211 of the Investment Trust Law and Article 236 of the Enforcement Order for the Investment Trust Law. The accounting records to be prepared are statements of marketable securities under custody, statements of real estate assets under custody, and statements of other assets under custody.

MC: Are any other REITs outsourcing their asset custody to your company?

Hayasaka: Presently, 12 REITs are outsourcing asset custody as well as administrative functions to our group, which conducts activities through a 28-person framework.

MC: What procedures are taken when a REIT acquires a new asset?

Hayasaka: Allow me to answer this question with specific reference to **TOKYU REIT**. To commence with asset custody, we initially receive notification regarding the respective property for custody from **TOKYU REIT**. After confirming the details, we exchange a certificate of delivery with Investment Management Company and undertake procedures for securing the proof of rights documents and other items in the treasury.

MC: What stance have you taken in terms of your fiduciary obligations?

Hayasaka: We make every effort to serve as a fiduciant that meticulously commits itself to dedicated and competent management, as defined under the Investment Trust Law. Consistently recognizing the importance of our responsibilities as a fiduciant—the entrustment of assets purchased with funds held for investors—we fulfill our duties with prudence and the utmost care. Because these responsibilities demand the highest level of professionalism and ethical standards, we are keenly conscientious in the careful performance of our duties day in and day out.

MC: What kind of remuneration system have you put in place?

Hayasaka: As disclosed in REITs' financial statements and other documents, the amount of remuneration we request is based on our basic remuneration table. Specifically, the agreements with our client REITs determine the amount of remuneration in conjunction with their asset balances.

Administration of Meetings

MC: Could you tell us about the administration of meetings?

Hayasaka: The two principal fiduciary duties are the administration of board of directors meetings and administration of unitholders' general meetings. The former mainly consists of preparing and sending out meeting announcements, attending and running the actual meeting, recording and preparing minutes, binding final documents, requesting seals for document approval, as well as making copies of all documents to be placed in custody. Likewise, the latter involves making the

announcement to convene a meeting, arranging a meeting site, attending and running the meeting, recording and preparing minutes, binding final documents, requesting seals for document approval, and making copies of all documents to be placed in custody.

MC: Are there any requirements in the Investment Trust Law with respect to outsourcing the administration of meetings?

Hayasaka: There is no requirement in the law. But to date, all of the publicly listed REITs are outsourcing the administration of their meetings to either trust banks or their investment management companies.

MC: What were the achievements of TOKYU REIT's General Meeting of Unitholders and Board of Directors meetings?

Hayasaka: The Investment Trust Law provides that electing board members and revising any articles of incorporation require resolution at a general meeting of unitholders. TOKYU REIT's Articles of Incorporation now require its General Meeting of Unitholders to be held more than once within two years. Previously, the first General Meeting of Unitholders was held before public listing and two were held after (with the most recent meeting on April 17, 2007). Turning to the achievements of the Board of Directors meetings, the executive director is now required to provide a report on the performance of his professional duties to the Board at least once over a three-month span, based on Article 109, Item 3 of the Investment Trust Law. In actuality, Board of Directors meetings have been held twice per month on average for a total of 112 times since TOKYU REIT's establishment (as of the end of the eighth fiscal period). These meetings average about 100 minutes, and my impression is that the substance of debate is highly sophisticated. This represents, in my opinion, a remarkable level of involvement among the attending directors. Because the supervisory directors meticulously examine every aspect of resolutions, the discussions are highly detailed and rigorous at every meeting.

MC: At TOKYU REIT's Board of Directors meeting, which is the highest decision-making body next to the General Meeting of Unitholders, if insider information surfaces from administrative or other sources, how is it handled?

Hayasaka: Two internal rules have been established regarding insider information. The first rule prohibits all departments from sending out any information they have received in order to prevent information from leaking. The second rule absolutely prohibits the managers in charge of our department from buying or selling units of any of the 41 listed REITs in Japan, so that they are not in a position to conduct insider trading. Based on these two rules, which are

strictly enforced, insider trading is completely forestalled at our company.

Accounting Operations

MC: What exactly are the duties involved in preparing accounting and financial records?

Hayasaka: There are two aspects involved in this respect: the preparing accounting and financial records and assisting in tax payments. To prepare the accounting and financial records, we receive property management reports (covering property-specific operating performance) from the investment management company, whose asset manager receives them from outsourced property managers and trustees, and we prepare financial data. The numerical figures we receive are subject to multiple checks by our own investment management company and an audit firm for more thorough verification. Once the preparation of the records is complete, we provide them to the REIT and its investment management company on a monthly basis. After that, the records are subject to an accounting auditor check, an audit and a certified public tax accountant check.

REITs Structure from the Standpoint of Internal Controls

MC: Recently we hear the phrase “internal controls” many times. How does this relate to the REIT structure in your opinion?

Hayasaka: With the recent administrative measures taken against several REITs, I think we get a fresh opportunity to closely examine the seriousness of a fiduciary’s responsibility—investing funds held in custody for investors. Of course the possibility exists that someone involved in the REIT business might act in bad faith; but if a REIT has a structure in place for enabling checks by other fiduciaries, and assuming those respective fiduciaries are meticulous in

their duties, then we can safely assume that it has a superior structure in terms of disabling the possibility of conflicts of interest, arbitrary profit manipulation, or other issues along these lines. I believe that such a structure will only strengthen when the businesses of these fiduciaries individually embrace the fiduciary duties that I have been talking about.

Past Considerations and Future Ambitions

MC: Given your involvement in the formation of the REIT business in Japan, we would like to know how you consider its development thus far, as well as where you think it will be heading.

Hayasaka: I was given the opportunity to participate in the real estate securitization business when I was assigned to the former Ministry of Construction (now the Ministry of Land, Infrastructure and Transport), where I worked on its Urban Development and Real Estate Securitization research project. At that time, the real estate market had stagnated after the collapse of the bubble economy, and we were conducting research on various ways to promote municipal development by using capital markets. When the J-REIT system was introduced later on, I felt as if the entire real estate market had been reactivated, and simultaneously, municipalities were reawakening and cities were livening up. I was also struck by how TOKYU REIT’s acquisitions and investment in properties such as QFRONT and cocoti seemed to inject a new energy to the streets of Shibuya and the Tokyu Areas. I feel very fortunate to have been able to help along the revitalization of places where people carry out their lives. I imagine that a host of issues will probably develop down the road for REITs, but nevertheless, we should also expect to watch over continuous trends, and I hope to stay involved and help pass on the REIT structure to the next generation.

MC: We sincerely appreciate your time today, Mr. Hayasaka. Thank you very much.



Yoshifumi Hayasaka

Yoshifumi Hayasaka joined the Mitsubishi Trust and Banking Corporation (now Mitsubishi UFJ Trust and Banking Corporation) in 1987. There, he worked in real estate development management (land trust) for three years, the real estate brokerage and corporate finance for five years, and was assigned to the Ministry of Construction (now the Ministry of Land, Infrastructure, and Transport) for two years, where he was in charge of the Urban Development and Real Estate Securitization research project as well as other affairs.

In his current position, which he has held since August 2001, Mr. Hayasaka has participated in the establishment of numerous listed REITs. He is a member of the Association for Real Estate Securitization (ARES) and its research group that published the *Handbook on Real Estate Investment Trust (J-REIT) Establishment and IPOs*. In addition, Mr. Hayasaka is a real estate appraiser.

Tokyu Real Estate Investment Management Inc. Investment Management Company

URL: www.tokyu-reim.co.jp

Tokyu Real Estate Investment Management Inc. ("Tokyu REIM") contracted with **TOKYU REIT** on June 20, 2003, to act as its investment manager. Underpinned by investment policies held in common with **TOKYU REIT**, Tokyu REIM strives to maximize unitholder value through business growth, stability and transparent operations.

In addition, Tokyu REIM follows strict internal rules governing conflicts of interest and takes all necessary care in transactions with Tokyu Group companies. The Investment Manager is an investment trust management company under the Investment Trust and Investment Corporation Act of Japan (and will be a financial instruments trader under the Financial Instruments and Exchange Law on and after September 30, 2007).

History

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

Major Unitholders (as of March 31, 2007)

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

Board of Directors

A management structure has been implemented whereby the Board of Directors is responsible for business management, such as decision making on business strategy and other important matters relating to the execution of business operations. In addition, the Board of Directors supervises business operations undertaken by the representative director and executive officers. During the eighth fiscal period, the Board of Directors met on ten occasions.

Investment Committee

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

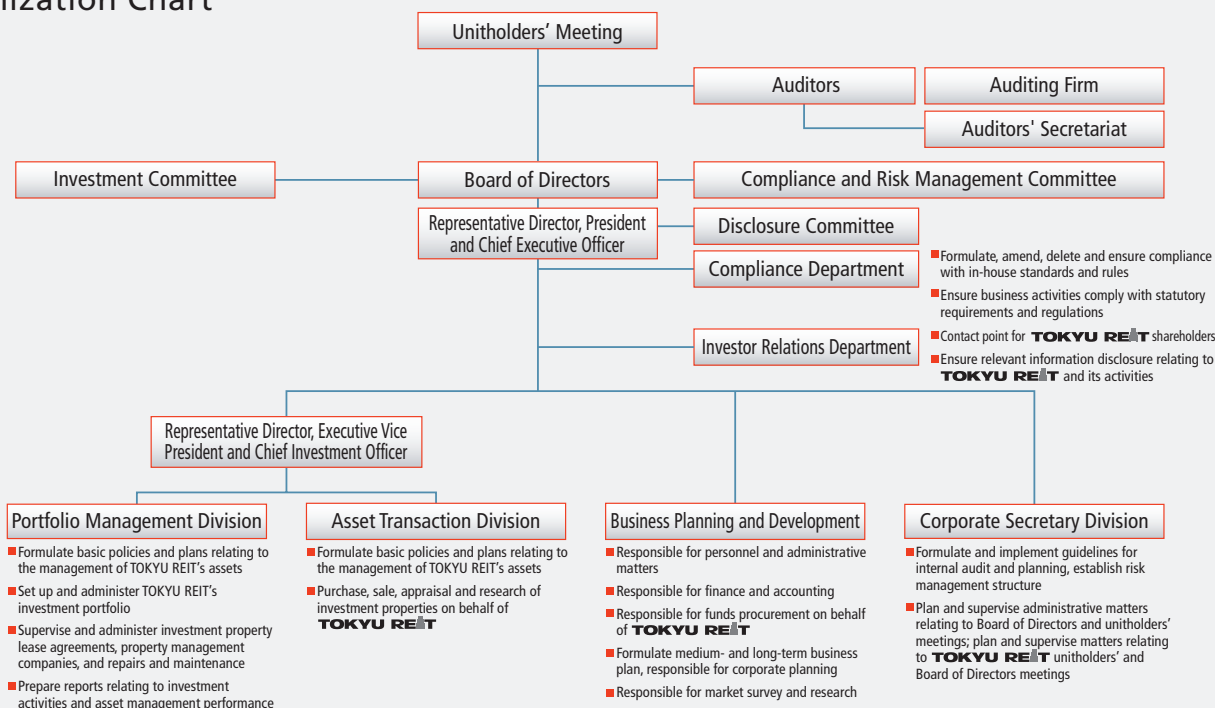
Compliance and Risk Management Committee

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

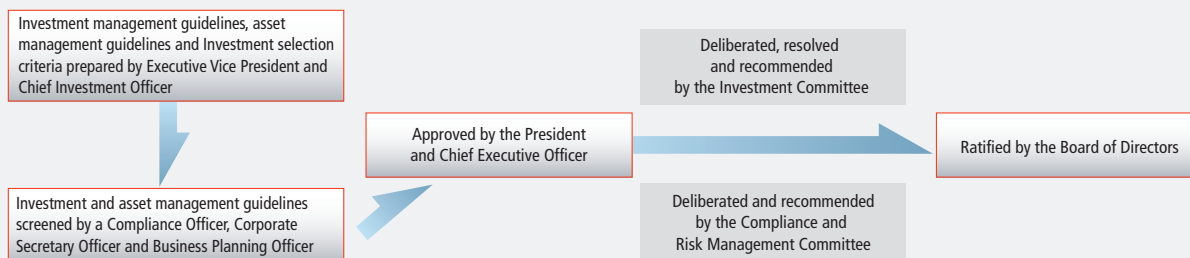
Disclosure Committee

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

Organization Chart



Decision-Making Process



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

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

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

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

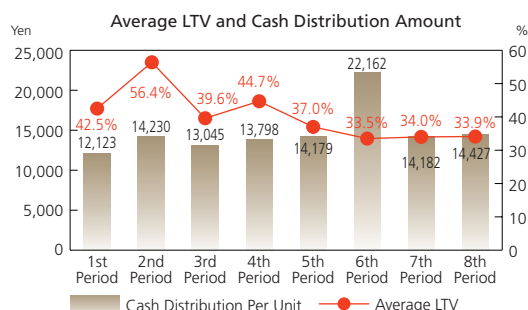
TOKYU REIT's Financial Strategies

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



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

Average LTV and Cash Distribution Amount



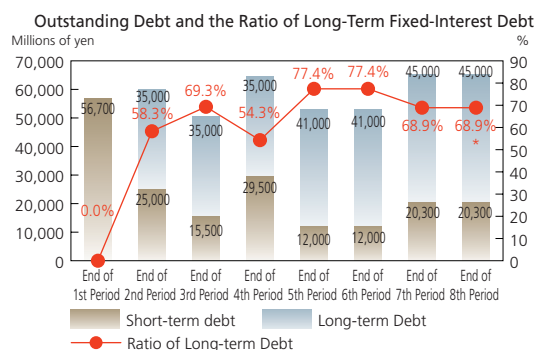
Generally, the level of cash distribution amount will increase as LTV rises by the leverage effect. An excessive increase of LTV, however, decreases financial soundness.

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

Cash distribution amount increased on the sixth fiscal period by selling the property.

Notes: 1 Average LTV = (Average interest-bearing debt during the period + Average security and guarantee deposits not matched by cash during the period) / Total appraisal value as of the acquisition date or average period-end appraisal value of properties during the period.
2 Cash distribution amount in 1st fiscal period was ¥9,488 based on the actual operating days of 144 days, but cash distribution amount of ¥12,123 recalculated based on 184 days is used in the above graph for the sake of comparison with 2nd fiscal period onwards.

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



TOKYU REIT has been implementing a conversion to long-term fixed-Interest debt financing, as shown left. The ratio of long-term fixed-Interest debt as of the end of the eighth fiscal period is 68.9% (61.3%: excluding the long term debt maturing within a year).

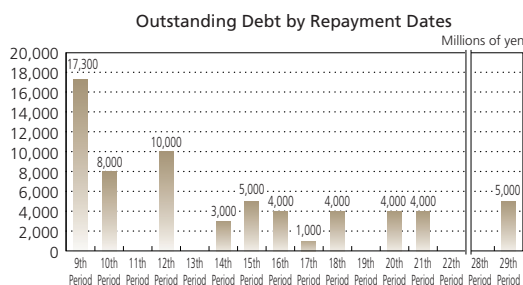
Long-term debt financing enables **TOKYU REIT** to curb any excessive burden resulting from increases in interest rates.

Note: 61.3% (excluding the long term debt maturing within a year)

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

Category	Lender	Amount (Millions of yen)	Interest Rate (%)	Drawdown Date	Repayment Date	Type
Short-Term Debt	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,000	1.05727	June 25, 2004	September 25, 2007	Unsecured
	Mitsubishi UFJ Trust and Banking Corporation	3,000	1.03417	April 28, 2006	April 28, 2008	
	The Sumitomo Trust and Banking Co., Ltd.	730	1.03417	September 29, 2006	September 28, 2007	
	The Chuo Mitsui Trust and Banking Company, Ltd.	730				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	730				
	Mizuho Corporate Bank, Ltd.	730				
	Mitsubishi UFJ Trust and Banking Corporation	4,380				
	The Sumitomo Trust and Banking Co., Ltd.	1,000	1.03818	October 31, 2006	October 31, 2007	
	The Chuo Mitsui Trust and Banking Company, Ltd.	1,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000				
	Mizuho Corporate Bank, Ltd.	1,000				
	Mitsubishi UFJ Trust and Banking Corporation	1,000				
		Sub Total	20,300	—	—	
Long-Term Debt	The Norinchukin Bank*	4,000	1.38875	June 25, 2004	June 25, 2008	Unsecured
	The Hyakugo Bank, Ltd.*	1,000	1.23875		June 25, 2009	
	The Chuo Mitsui Trust and Banking Company, Limited	5,000	1.68875		June 25, 2010	
	Mitsubishi UFJ Trust and Banking Corporation	5,000	2.03000		June 25, 2012	
	Aioi Insurance Co., Ltd.	1,000				
	Daido Life Insurance Company	1,000				
	Mitsui Sumitomo Insurance Company, Limited	1,000	1.26250	October 25, 2011		
	The Development Bank of Japan	4,000		October 25, 2011		
	The National Mutual Insurance Federation of Agricultural Cooperatives	1,000	1.26250	October 25, 2005	October 25, 2011	
	The Development Bank of Japan	5,000	1.95000	January 25, 2006	January 25, 2018	
	Nippon Life Insurance Company	4,000	1.93000	July 31, 2006	July 31, 2011	
	The Dai-ichi Mutual Life Insurance Company	4,000	2.21125		July 31, 2013	
	The Dai-ichi Mutual Life Insurance Company	1,000	1.92000	January 25, 2007	January 25, 2014	
	The National Mutual Insurance Federation of Agricultural Cooperatives	3,000				
	The Sumitomo Trust and Banking Co., Ltd.	5,000		1.81062	June 25, 2007	
	Sub Total	45,000	—	—	—	—
	Total	65,300	—	—	—	—

Note: Repayment date is within one year.



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

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

Execution of Commitment Line Agreement

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

The execution of the commitment line agreement allows us to undergo debt financing at any given time up to the designated amount. To this end, a flexible and efficient fund procurement system has been assured. During the eighth fiscal period, **TOKYU REIT** undertook debt financing ¥400 million on April 11, 2007 and full amount was repaid by April 18, 2007. **TOKYU REIT** amended the term of its commitment line agreement. This is made following expiry of the commitment line agreement executed on April 21, 2005. (commitment period after amendment is from April 21, 2007 to April 20, 2008)

Assurance of Method for Issuance of Investment Corporation Bonds

Acquisition of Ratings

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

TOKYU REIT acquired ratings on September 6, 2005 and Rating and Investment Information, Inc. (R&I) upgrades from A+ to AA- (April 13, 2007). Brief details are shown left. **TOKYU REIT** submitted a registration application relating to the issue of investment corporation bonds (for two years from December 5, 2005, with ¥100 billion) to the Ministry of Finance, and its Board of Directors made a comprehensive resolution to the issue of investment corporation bonds (from October 27, 2006 to December 4, 2007, within ¥50 billion), thereby ensuring the flexible issuance of investment corporation bonds.

Portfolio



Investment Policy: Investment in Highly Competitive Properties in Areas with Strong Growth Potential

Investment Targeted Areas	<ul style="list-style-type: none"> Focussing Five central Tokyo wards and Tokyu Areas expected economic and population growth. Limited to Tokyo Metropolitan areas.
Investment Criteria	<ul style="list-style-type: none"> Limited to office and retail portfolio with lower risk and more stable return. Limited to the properties with prime location and large scale for assuring market competitiveness.

Portfolio Overview

Use	Name of Property	Location	Area	Total Land Area (m ²)	Total Floor Area (m ²)
R	QFRONT	Udagawa-cho, Shibuya-ku, Tokyo	Five Central Tokyo wards Tokyu Areas (Shibuya)	784.26 (Compartmentalized ownership 728.30)	6,692.14 (Compartmentalized ownership 4,821.09)
R	Lexington Aoyama	Minami-Aoyama, Minato-ku, Tokyo	Five Central Tokyo wards	776.59	2,342.21
R	TOKYU REIT Omotesando Square	Jingumae, Shibuya-ku, Tokyo	Five Central Tokyo wards Tokyu Areas	1259.21	3,321.20
R	Tokyu Saginuma Building	Saginuma, Miyamae-ku, Kawasaki City, Kanagawa	Tokyu Areas	5,658.00	18,320.87
R	Tokyu Saginuma 2 Building	Kodai, Miyamae-ku, Kawasaki City, Kanagawa	Tokyu Areas	1,807.21	4,409.50
R	TOKYU REIT Shibuya Udagawa-cho Square	Udagawa-cho, Shibuya-ku, Tokyo	Five Central Tokyo wards Tokyu Areas (Shibuya)	679.27	(Bldg. 1) 1473.10 (Bldg. 2) 56.39
R	Beacon Hill Plaza (Ito-Yokado Noukendai Store)	Noukendai-Higashi, Kanazawa-ku, Yokohama City, Kanagawa	Other	17,318.78	46,587.87
R	cocoti	Shibuya, Shibuya-ku, Tokyo	Five Central Tokyo wards Tokyu Areas (Shibuya)	1,705.35	11,847.87
R	Shonan Mall Fill (<i>Sokochi</i>)*1	Tsujido Shinmachi, Fujisawa City, Kanagawa	Other	44,078.12	—
R	CONZE Ebisu	Ebisu Minami, Shibuya-ku, Tokyo	Five Central Tokyo wards Tokyu Areas	562.07	2,789.35
⊙	Setagaya Business Square	Yoga, Setagaya-ku, Tokyo	Tokyu Areas	21,315.68	94,373.72
⊙	Tokyu Nampoedai-cho Building	Nampoedai-cho, Shibuya-ku, Tokyo	Five Central Tokyo wards Tokyu Areas (Shibuya)	2,013.28	7,003.88
⊙	Tokyu Sakuragaoka-cho Building	Sakuragaoka-cho, Shibuya-ku, Tokyo	Five Central Tokyo wards Tokyu Areas (Shibuya)	1,013.03	6,505.39
⊙	Tokyo Nissan Taito Building	Moto-Asakusa, Taito-ku, Tokyo	Five Central Tokyo wards	1,718.45	11,373.20
⊙	TOKYU REIT Akasaka Hinokicho Building	Akasaka, Minato-ku, Tokyo	Five Central Tokyo wards	866.61	4,058.92
⊙	TOKYU REIT Kamata Building	Kamata, Ota-ku, Tokyo	Tokyu Areas	1,642.86	10,244.51
⊙	Resona Maruha Building	Otemachi, Chiyoda-ku, Tokyo	Five Central Tokyo wards	6,893.71	74,379.30 (Compartmentalized ownership 19,542.77)
⊙	TOKYU REIT Toranomon Building	Toranomon, Minato-ku, Tokyo	Five Central Tokyo wards	1,728.38	15,343.73 (9,688.59)
⊙	TOKYU REIT Hatchobori Building	Hatchobori, Chuoku, Tokyo	Five Central Tokyo wards	974.32	8,810.21
Total					

Notes: 1 '*Sokochi*' means ownership of land with a fixed-term leasehold for commercial use.

2 60% trust beneficiary interest 3 40% trust beneficiary interest

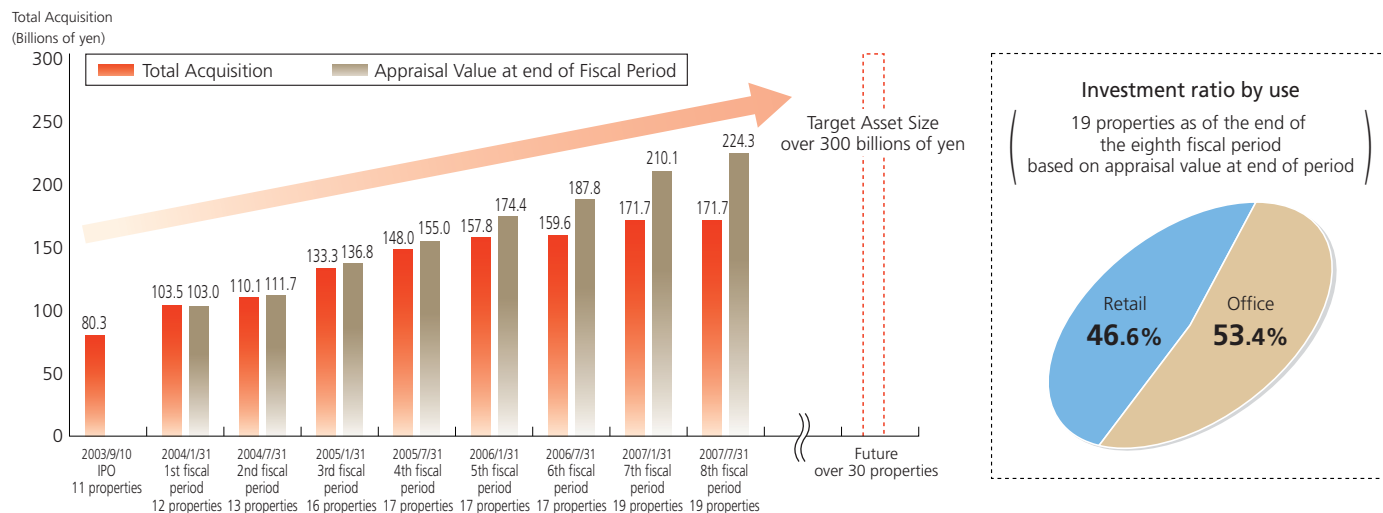
4 PML (Probable Maximum Loss) refers to the expected maximum loss ratio caused by earthquakes. As used in these documents PML is the percentage of expected loss due to small- to large-level earthquakes (those statistically calculated as possible over a 475 year period) that occur during an assumed period for the economic life of a building, to procurement cost for restoring expected damage. Calculations incorporate data

Total Acquisition Price and Appraisal Value, Investment Ratio

Total acquisition as of the end of the eighth fiscal period ended July 31, 2007, stood at ¥171.7 billion, and Appraisal Value at the end of fiscal period stood at ¥224.3 billion. Given TOKYU REIT's portfolio diversification, mobility of property acquisition, and liquidity of investment units, we believe that the asset portfolio should eventually reach ¥300.0 billion or more. TOKYU REIT will steadily expand asset size with high quality properties on proper price, not pursuing expansion of asset size only, but considering real estate market as intensification of property acquisition competition and rise of property price.

TOKYU REIT focuses on highly competitive office and retail properties and strives to maintain a ratio of 60% in office buildings and 40% in retail properties (based on appraisal value at the end of fiscal period) over the long-term.

As of the end of the eighth fiscal period (19 properties), investment ratio by use based on appraisal value at end of fiscal period is as follows.



(As of July 31, 2007)

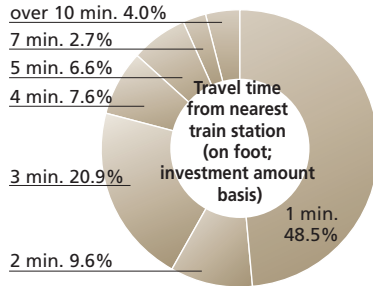
	Structure	Floors	Completion	Acquisition Date (millions of yen)	Acquisition Cost (millions of yen)	Appraisal Value	Type of Ownership		Property Management Company	Number of Tenants	Occupancy Ratio	Earthquake PML*4
							Land	Bulinding				
	SRC/S	B3/8F	Oct. 1999	Sep. 10, 2003	15,100	21,200	Proprietary Ownership	Compartmentalized ownership	Tokyu Corporation	4	100.0%	4.1%
	S/RC	B1/4F	Jan. 1998	Sep. 11, 2003	4,800	7,840	Proprietary Ownership	Proprietary Ownership	Tokyu Land Corpoation	2	100.0%	2.3%
	S/SRC	B1/4F	Oct. 1985	Sep. 10, 2003	5,770	8,110	Proprietary Ownership	Proprietary Ownership	Tokyu Land Corpoation	4	100.0%	9.5%
	RC	B1/4F	Sep. 1978	Sep. 10, 2003	6,920	9,780	Proprietary Ownership	Proprietary Ownership	Tokyu Corporation	1	100.0%	9.9%
	SRC	B2/4F	Oct. 1979	Sep. 11, 2003	1,290	1,710	Proprietary Ownership	Proprietary Ownership	Tokyu Corporation	1	100.0%	9.3%
	S	3F	Jul. 1998	Mar. 1, 2004	6,600	8,560	Proprietary Ownership	Proprietary Ownership	Tokyu Corporation	2	100.0%	7.3%
	S	2F	Jun. 1995	Mar. 1, 2004	6,600	8,560	Proprietary Ownership	Proprietary Ownership	Tokyu Corporation	2	100.0%	7.3%
	SRC	B2/4F	Jun. 1998	Aug. 3, 2004	9,520	9,550	Proprietary Ownership	Proprietary Ownership	Tokyu Land Corpoation	1	100.0%	9.5%
	S/SRC	B2/12F	Sep. 2004	Apr. 6, 2005 Aug. 2, 2005	14,700*2 9,800*3	25,800	Proprietary Ownership	Proprietary Ownership	Tokyu Corporation	16	100.0%	6.2%
	—	—	—	Apr. 28, 2006	6,810	6,860	Proprietary Ownership	—	—	1	100.0%	—
	S/SRC	B1/9F	Mar. 2004	Oct. 31, 2006	5,116	5,060	Proprietary Ownership	Proprietary Ownership	Tokyu Corporation	8	100.0%	4.1%
	SRC/RC/S	B2/28F	Sep. 1993	Sep. 11, 2003	22,400	31,500	Proprietary Ownership (55% interest)	Co-ownership (55% interest)	Tokyu Land Corpoation	61	99.8%	2.8%
	SRC	B2/5F	Jul. 1992	Sep. 11, 2003	4,660	6,700	Proprietary Ownership	Proprietary Ownership	Tokyu Corporation	1	100.0%	7.9%
	SRC	B3/9F	Jun. 1987	Sep. 11, 2003	6,620	9,380	Proprietary Ownership	Compartmentalized ownership	Tokyu Corporation	2	100.0%	11.1%
	SRC	B2/10F	Sep. 1992	Sep. 11, 2003	4,450	5,620	Proprietary Ownership	Proprietary Ownership	Tokyu Land Corpoation	13	100.0%	7.4%
	RC	7F	Aug. 1984	Sep. 10, 2003	3,570	4,900	Proprietary Ownership	Proprietary Ownership	Tokyu Land Corpoation	5	100.0%	11.2%
	S/SRC	B1/9F	Feb. 1992	Sep. 10, 2003	4,720	7,140	Proprietary Ownership	Proprietary Ownership	Tokyu Corporation	3	88.4%	7.7%
	S/SRC	B4/25F	Nov. 1978	Jan. 15, 2004	23,260	33,300	Proprietary Ownership (27% interest)	Compartmentalized ownership	Tokyu Land Corpoation	3	100.0%	4.1%
	SRC/RC	B2/9F	Apr. 1988	Dec. 15, 2004	8,630	14,000	Proprietary Ownership (73.585% interest)	Compartmentalized ownership and co-ownership of compartmentalized ownership	Tokyu Corporation	6	100.0%	7.2%
	SRC	B2/9F	Sep. 1965	Sep. 29, 2006	7,000	7,320	Proprietary Ownership	Proprietary Ownership	Tokyu Land Corpoation	9	99.0%	4.0%
					171,736	224,330				143	99.6%	4.0%

relating to individual property survey, assessment of building conditions, conformity to architectural design, surveys of local areas and structural evaluation.

Damages in this instance refer to property damage and do not include secondary damages such as loss of life and damages to fixtures. In addition, damages are limited to structural damage and damages to facilities and building interior and exterior, and do not cover damages caused by earthquake fire and fire damage from surrounding facilities. PML was revised on January 29, 2007 in accordance with new seismic risk analysis methods adopted by Engineering & Risk Services Corporation and OYO RMS Corporation, both of which were requested by TOKYU REIT to conduct an analysis.

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

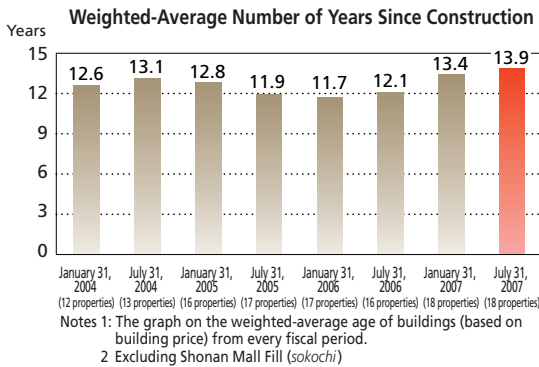
Location



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

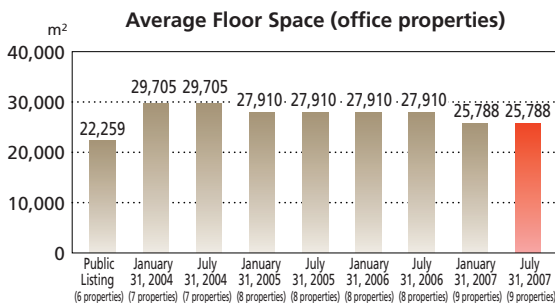
As of the end of the eighth fiscal period, approximately 80% (investment amount basis) of TOKYU REIT's properties were located within about three minutes from the nearest train station.

Investment Property Age

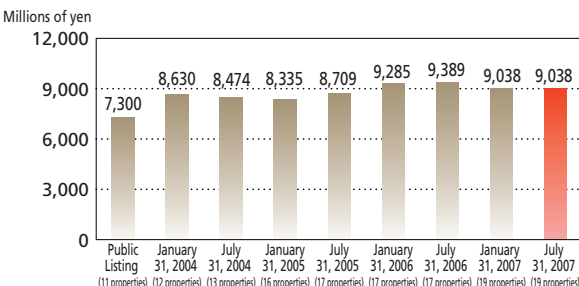


The graph on the left shows the weighted-average age of buildings (based on building price) at the end of each fiscal period. Based on 18 properties as of the end of the eighth fiscal period, it can be said TOKYU REIT's portfolio consists of relatively new properties in terms of its weighted-average age of buildings (13.9 years).

Investment Property Size



In principle, **TOKYU REIT** invests in office properties with a total floor space exceeding 5,000m² and office properties with compartmentalized ownership of 330m² or more of proprietary floor space per standard floor. Office properties owned by **TOKYU REIT** have an average floor space of approximately 25,788m².



In principle, **TOKYU REIT** invests a minimum of ¥4,000 million in each property, excluding taxes and acquisition expenses.

As of the end of the eighth fiscal period, **TOKYU REIT** had invested an average of ¥9,038 million per property. **TOKYU REIT** intends to continue investing in mainly large-scale properties.

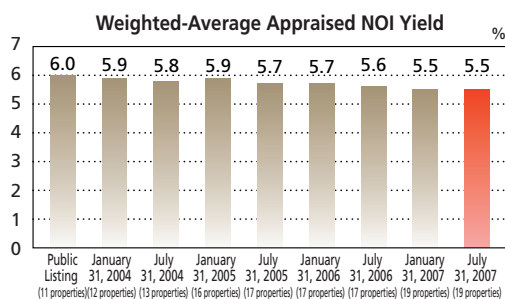
Top 10 Tenants by Leased Area

Top 10 Tenants by Leased Area

No.	Tenant Name	Business Category	Property Name	Leased Area (m ²)	Ratio (1)
1	Ito-Yokado Co., Ltd.	Retail	Beacon Hill Plaza (Ito-Yokado Noukendai Store)	50,285.89	22.7%
2	Daiwa House Industry Co., Ltd.	Construction	Shonan Mall Fill (<i>sokochi</i>)	44,078.12	19.9%
3	Tokyu Store Chain Co., Ltd.	Retail	Tokyu Saginuma Building	19,610.06	8.8%
4	Maruha Corporation	Fishery and Agriculture	Resona Maruha Building	11,097.27	5.0%
5	Tokyu Corporation	Land Transportation	Tokyu Nampeidai-cho Building	7,148.18	3.2%
			Tokyu Sakuragaoka-cho Building	3,878.36	1.7%
6	Japan Nuclear Energy Safety Organization	Other	TOKYU REIT Toranomon Building	6,579.05	3.0%
7	Sun Microsystems K.K.	Information Telecommunication	Setagaya Business Square (*2)	5,800.76	2.6%
8	Fujitsu Advanced Solutions Limited	Information Telecommunication	TOKYU REIT Kamata Building	4,253.55	1.9%
9	Tsutaya Stores Co., Ltd.	Service	QFRONT	3,556.31	1.6%
			Setagaya Business Square (*2)	206.13	0.1%
10	Tokyu Community Co., Ltd.	Service	Setagaya Business Square (*2)	3,004.40	1.4%
Total leased area of top 10 tenants				159,498.08	72.0%
Total leased area of 19 properties at the end of eighth fiscal period				221,678.75	100.0%

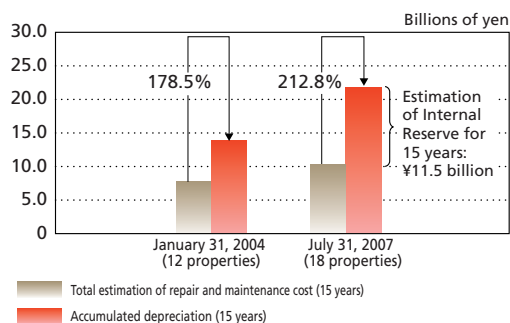
Notes: 1 "Ratio" indicates ratio of each tenant's leased areas to total leased area at the end of eighth fiscal period (19 properties).
2 "Leased Area" of tenants in Setagaya Business Square are calculated by 55%.

Portfolio Cap Rate



TOKYU REIT has acquired some properties after listing, and as of the end of the eighth fiscal period, the weighted-average appraised NOI yield fell to 5.5%. A low appraised NOI yield is considered an indicator of reduced risk of a decrease in future earnings. **TOKYU REIT** will continue efforts to build a portfolio with low risks and stable returns in the future.

Coverage Ratio by Depreciation of Repair and Maintenance Cost Estimation

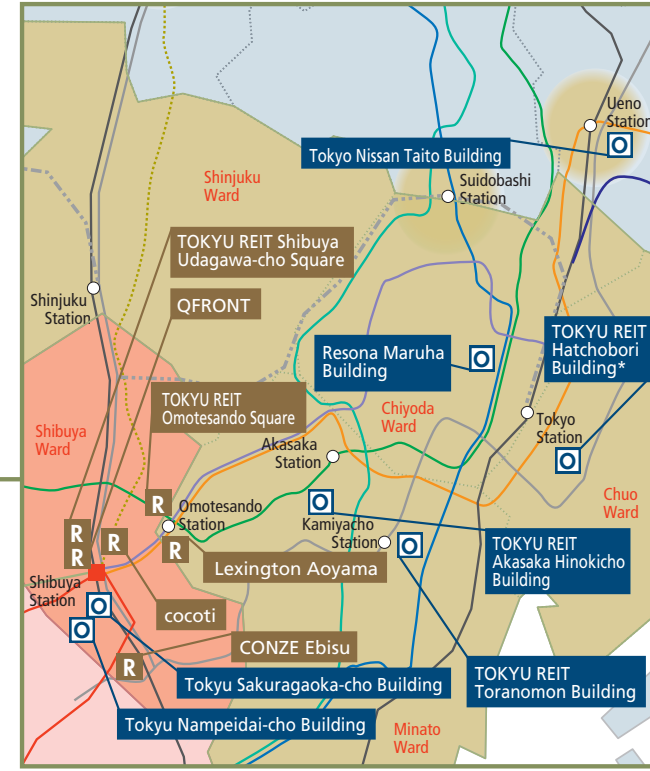
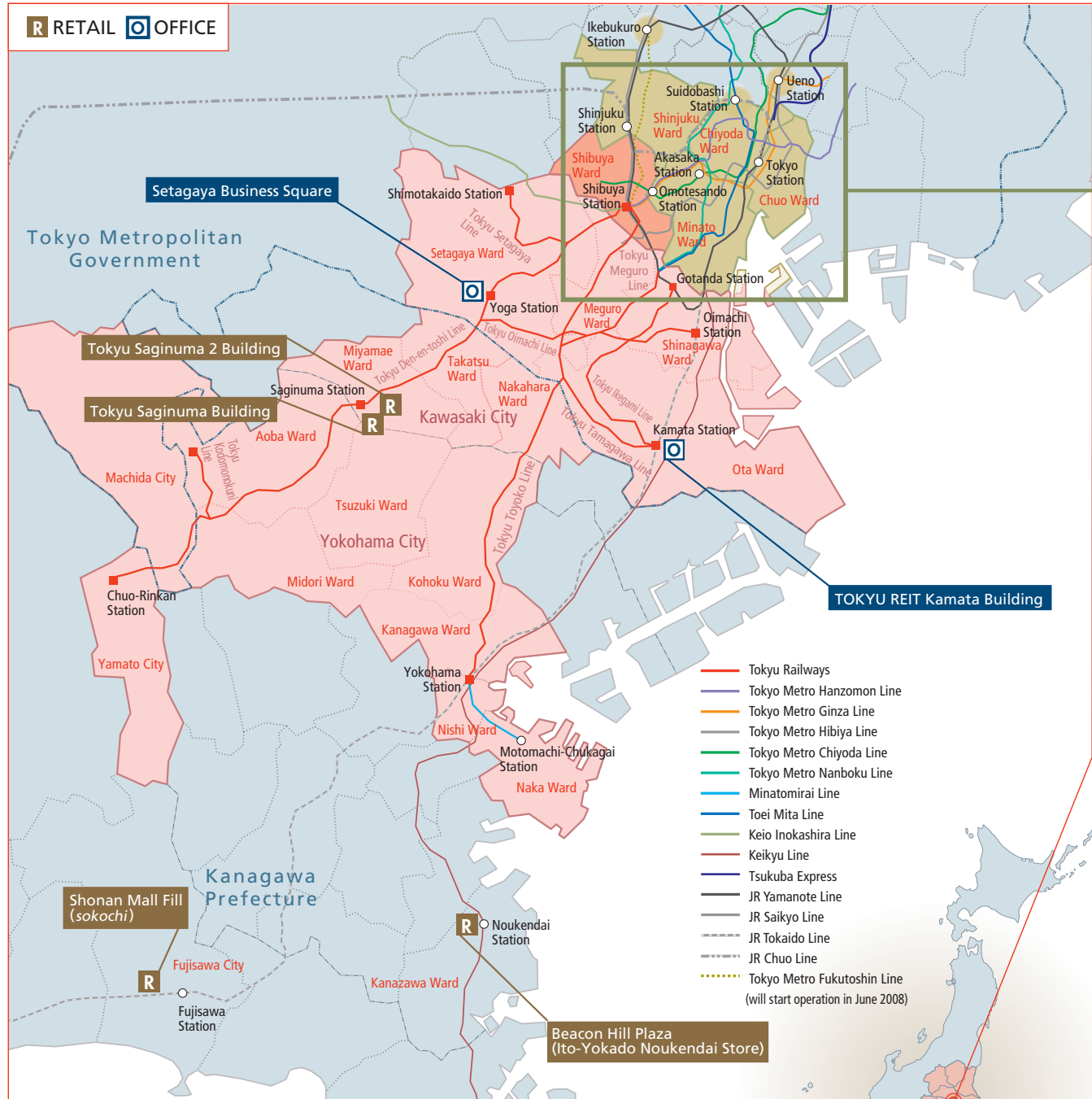


Note 1: Total estimation of repair and maintenance cost (15 years) extracted from Property Report (including expenses items).
2: Accumulated depreciation (15 years) estimated by Tokyu REIM (does not include depreciation application to additional capital expenditure).
3: Excluding Shonan Mall Fill (*sokochi*)

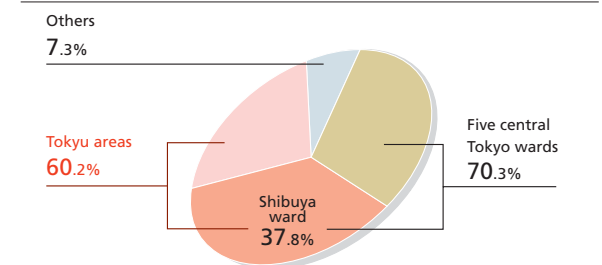
Buildings require repairs as they age. Even after recording items such as depreciation on financial statements, funds used for other intangible expenses must be replenished with additional borrowings on occasion.

As of the end of the eighth fiscal period and over the next fifteen years, cumulative depreciation for the portfolio (eighteen properties) will significantly exceed total repair and maintenance cost, for a coverage ratio of 212.8%. This figure shows that **TOKYU REIT** has secured the funds necessary for projected repair and maintenance cost.

Investment Targeted Areas



Percentage share in total portfolio by Region (19 properties based on the appraisal value at the end of eighth fiscal period)



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

Area	Targeted Areas of Investment	Investment Share
Central Tokyo	Five central Tokyo wards	Chiyoda, Chuo, Minato, Shinjuku and Shibuya wards
	Other major commercial and retail districts of Tokyo	The areas surrounding Ikebukuro, Koraku, Ueno and other areas
Tokyu Areas	Tokyu Rail network hub	Shibuya Ward
	Other Tokyu rail network areas	Tokyo: Shinagawa, Meguro, Setagaya and Ota wards, Machida City Yokohama, Kanagawa Prefecture: Kouhoku, Kanagawa, Naka, Nishi, Midori, Aoba and Tsuzuki wards Kawasaki, Kanagawa Prefecture: Nakahara, Takatsu and Miyamae wards Yamato, Kanagawa Prefecture
Other	Other districts in the Tokyo Metropolitan Area, including Kanagawa, Saitama and Chiba prefectures (excluding the separately mentioned areas above)	Less than 15%

Notes: 1. Percentage share in total portfolio is calculated based on the appraisal value of properties as of the end of the previous fiscal period and the appraisal value (obtained at the time of intended property purchase) of properties purchased during the current fiscal period.
2. Shibuya Ward is included in both the Five central Tokyo wards and the Tokyu Areas.

RETAIL PORTFOLIO

- QFRONT
- Lexington Aoyama
- TOKYU REIT Omotesando Square
- Tokyu Saginuma Building
- Tokyu Saginuma 2 Building
- TOKYU REIT Shibuya Udagawa-cho Square
- Beacon Hill Plaza (Ito-Yokado Noukendai Store)
- cocoti
- Shonan Mall Fill (*sokochi*)
- CONZE Ebisu

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

At the end of the eighth fiscal period, TOKYU REIT's retail portfolio comprised a total of ten properties and TOKYU REIT's retail properties have a total acquisition price of ¥86.42 billion and total floor space of 97,840.50m². In the eighth fiscal period, revenues from property leasing totaled ¥2.83 billion, NOI was ¥2.16 billion, operating income from property leasing was ¥1.77 billion, and the weighted-average NOI yield was 5.1%.

The most attractive feature of TOKYU REIT's retail portfolio is the prime location. TOKYU REIT's retail properties situate in Central Tokyo and Tokyu Area, including Shibuya, Omotesando, Aoyama and Saginuma, and situate in suburbs including Noukendai and Fujisawa. Even in the event that a tenant vacates, TOKYU REIT's portfolio consists of retail properties that quickly entice new tenants to enter leasing contracts. As of July 31, 2007, an occupancy ratio of 100.0% indicates the strength of our portfolio.

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

R QFRONT



QFRONT is a retail property located directly across from Shibuya Station, an area identified as one of Japan's busiest retail districts. The main tenant is Tsutaya Stores Co., Ltd., a large rental and retail store of videos and CDs. QFRONT contains a coffee shop located on the first and second floors, a movie theater on the seventh floor and a variety of restaurants located on the eighth floor. The building is one of Tokyo's premier retail facilities distinguished by the large LED advertising screen which adorns the outside wall, and has received considerable exposure from a variety of media.

Address: 21-6, Udagawa-cho, Shibuya-ku, Tokyo
 Nearest Station: Approximately a one-minute walk from Shibuya Station—JR Yamanote Line/ Tokyu Toyoko Line/ Tokyu Den-en-toshi Line/ Keio Inokashira Line/ Tokyo Metro Ginza and Hanzomon Lines
 Total Land Space: 784.26m²
 Total Floor Space: 6,692.14m²
 Structure/Floors: SRC/S, B3/8F
 Completed: October, 1999
 Type of Ownership: Land—Proprietary ownership
 Building—Compartmentalized ownership
 Representative Tenants: Tsutaya Stores Co., Ltd.; Tokyu Corporation; Punraku Co., Ltd.



R Lexington Aoyama



Lexington Aoyama is a retail property along Kotto-dori in the Aoyama district. Main tenants include the specialist apparel company World Co., Ltd., Alux, a restaurant managed by avex Planning & Development Inc. opened on the first underground floor in July 2006. Like Omotesando, Kotto-dori offers a high status location in the Aoyama district, attracting the world's leading fashion brands.

Address: 5-11-9, Minami-Aoyama, Minato-ku, Tokyo
 Nearest Station: Approximately a five-minute walk from Omotesando Station—Tokyo Metro Ginza, Hanzomon and Chiyoda Lines
 Total Land Space: 776.59m²
 Total Floor Space: 2,342.21m²
 Structure/Floors: S/RC, B1/4F
 Completed: January, 1998
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership
 Tenant: World Co., Ltd.
 avex Planning & Development Inc.



R TOKYU REIT Omotesando Square



TOKYU REIT Omotesando Square is a multi-faceted retail property located in Shibuya-ku within one minute's walk of Omotesando Station. The complex contains Barbacoa Grill, offering Churrasco Brazilian barbecue food operated by Wondertable, Ltd. on the first underground floor, and Royal Host, a restaurant managed by Royal Holdings Co., Ltd. on the first floor. On floors one through three, there is the GOLD'S GYM sports gymnasium, operated by Think Fitness Corporation and on the fourth floor, there is an esthetics salon Ci:z. Labo, operated by DR. CI:LABO CO., LTD.

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



R Tokyu Saginuma Building



Tokyu Saginuma Building is located in Miyamae-ku, Kawasaki city, approximately 15 kilometers southwest of Shibuya. The area is a residential suburb of Tokyo with a growing population, increasing number of households and high growth potential. The entire building is leased to Tokyu Store Corporation, which uses the property as an outlet of its general merchandise store Saginuma Tokyu.

Address: 1-1-1, Saginuma, Miyamae-ku, Kawasaki City, Kanagawa
 Nearest Station: Approximately a one-minute walk from Saginuma Station—Tokyu Den-en-toshi Line
 Total Land Space: 5,658.00m²
 Total Floor Space: 18,320.87m²
 Structure/Floors: RC, B1/4F
 Completed: September, 1978
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership
 Tenant: Tokyu Store Chain Co., Ltd.



R Tokyu Saginuma 2 Building



Tokyu Saginuma 2 Building was acquired to serve partly as a parking facility for the Tokyu Saginuma Building. Under the Large Retail Store Location Law, Tokyu Store Corporation is required to provide 84 car parking spaces for customers of Saginuma Tokyu Chain. The building comprises three floors (the first to third floors) leased to a bank and three underground floors used as a parking facility.

Address: 1-18-5, Kodai, Miyamae-ku, Kawasaki City, Kanagawa
 Nearest Station: Approximately a one-minute walk from Saginuma Station—Tokyu Den-en-toshi Line
 Total Land Space: 1,807.21m²
 Total Floor Space: 4,409.50m²
 Structure/Floors: SRC, B2/4F
 Completed: October, 1979
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership
 Tenant: The Bank of Tokyo-Mitsubishi UFJ, Ltd.

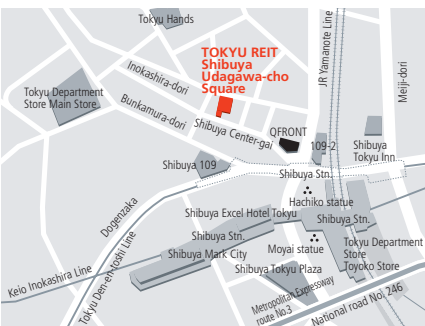


R TOKYU REIT Shibuya Udagawa-cho Square



TOKYU REIT Shibuya Udagawa-cho Square is located in the central area of Shibuya, one of Tokyo's main retail and commercial districts, and faces the major retail thoroughfares Inokashira-dori and Shibuya Center-gai. Comprising two buildings, ZARA, a Spain-based retailer of casual clothing, is the principal tenant of Building 1. ZARA boasts a global network of 1,047 stores (as of August 24, 2007). The restaurant UOGASHI NIHON ICHI operated by NIPPAN Co., Ltd. is located in Building 2.

Address: [Bldg.1] 25-10 Udagawa-cho, Shibuya-ku, Tokyo
 [Bldg.2] 25-5 Udagawa-cho, Shibuya-ku, Tokyo
 Nearest Station: Approximately a two-minute walk from Shibuya Station-JR Yamanote Line/Tokyo Toyoko Line/Tokyu Den-en-toshi Line/Keio Inokashira Line/Tokyo Metro Ginza and Hanzomon Lines
 Total Land Space: 679.27m²
 Total Floor Space: [Bldg.1] 1,473.10m²
 [Bldg.2] 56.39m²
 Structure/Floors: [Bldg.1] S, 3F
 [Bldg.2] S, 2F
 Completed: [Bldg.1] July, 1998
 [Bldg.2] June, 1995
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership
 Tenants: ZARA Japan Corporation;
 NIPPAN Co., Ltd.



R Beacon Hill Plaza (Ito-Yokado Noukendai Store)



The sole tenant of Beacon Hill Plaza, Ito-Yokado Noukendai Store is a large-scale General Merchandise Store (GMS) with 7,000 *tsubo* (a *tsubo* is Japan's former unit of area and is equivalent to 3.3 m²) of shopping space and provides space for approximately 900 vehicles in its parking garage on the premises. The property is not situated in a major investment area, but was judged to be excellent for its location in a retail and commercial district that is expected to bring stable growth.

Address: 3-1 Noukendai-Higashi, Kanazawa-ku, Yokohama City, Kanagawa
 Nearest Station: Approximately a four-minute walk from Noukendai Station-Keihin Kyuko Line
 Total Land Space: 17,318.78m²
 Total Floor Space: 46,587.87m²
 Structure/Floors: SRC, B2/4F
 Completed: June, 1998
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership
 Tenant: Ito-Yokado Co., Ltd.

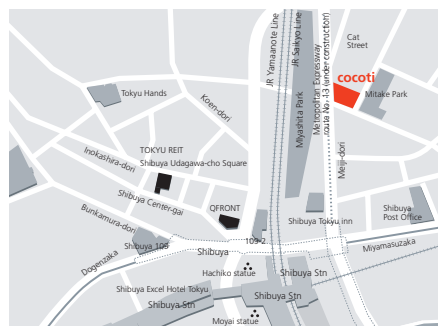


R cocoti



cocoti is approximately a three-minute walk from Shibuya Station and faces Meiji-dori. The property is surrounded by casual brand stores and lies on the outskirts of an area known as "Ura Harajuku." This property's tenants are comprised of brand shops, cafes, sports gyms, and other outlets and meet the various needs of a customer.

Address: 1-23-16 Shibuya, Shibuya-ku, Tokyo
 Nearest Station: Approximately a three-minute walk from Shibuya Station-JR Yamanote Line/Tokyo Toyoko Line/Tokyu Den-en-toshi Line/Keio Inokashira Line/Tokyo Metro Ginza and Hanzomon Lines
 Total Land Space: 1,705.35m²
 Total Floor Space: 11,847.87m²
 Structure/Floors: S/SRC, B2/12F
 Completed: September, 2004
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership
 Representative Tenants: TOMORROWLAND Co., Ltd.;
 West Corporation;
 CASSINA IXC Ltd.



R Shonan Mall Fill (*sokochi*)



Shonan Mall Fill is the retail property which situates between Fujisawa and Tsujido Stations on the JR Tokaido Line and has achieved steady sales growth since its opening.

TOKYU REIT acquired a trust beneficiary interest in real estate (Ownership of land only with a fixed-term leasehold for commercial use, namely *sokochi*).

While the property is inconsistent with TOKYU REIT's usual investment criteria, it is located an area offering stable growth potential.

Address: 4-1-1, Tsujido Shinmachi, Fujisawa City, Kanagawa Prefecture

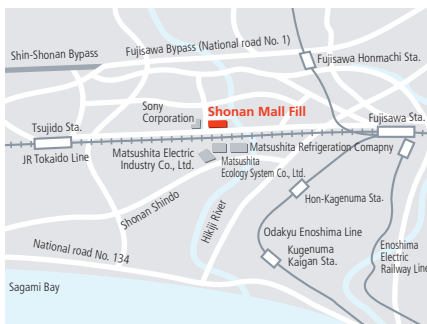
Nearest Station: Approximately three minutes by bus or a twenty-minute walk from Tsujido Station—JR Tokaido Line.

Approximately five minutes by bus from Fujisawa Station—JR Tokaido Line, Odakyu Enoshima Line and Enoshima Electric Railway Line.

Total Land Space: 44,078.12m²

Type of Ownership: Land—Proprietary Ownership

Representative Tenants: Daiwa House Industry Co., Ltd.



R CONZE Ebisu



CONZE Ebisu is situated approximately a two-minute walk from Ebisu Station on the Tokyo Metro Hibiya Line and a three-minute walk from Ebisu Station on the JR Yamanote and Saikyo Lines, and contains eight restaurants from the basement level to the eighth floor.

Ebisu Station, which is surrounded by Hiroo, Daikanyama and Nakameguro, which attract foreign companies and companies related to fashion, this is one of the areas in Tokyo that has recently drawn a great deal of attention from various media.

The area is particularly known as an ideal site for restaurants, and shows potential for further growth.

Address: 2-3-14, Ebisu-Minami, Shibuya-ku, Tokyo

Nearest Station: Approximately a two-minute walk from Ebisu Station—Tokyo Metro Hibiya Line.

Approximately a three-minute walk from Ebisu Station—JR Yamanote and Saikyo Lines.

Total Land Space: 562.07m²

Total Floor Space: 2,789.35m²

Structure/Floors: SRC B1/9F

Completed: March, 2004

Type of Ownership: Land—Proprietary ownership

Building—Proprietary ownership

Representative Tenants: Food Scope, Inc.;

Task;

MYU PLANNING & OPERATORS Inc.





OFFICE PORTFOLIO

- Setagaya Business Square
- Tokyu Nampoedai-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
- TOKYU REIT Hatchobori Building

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

TOKYU REIT’s office portfolio comprised a total of nine properties at the end of eighth fiscal period and TOKYU REIT’s office properties have a total acquisition price of ¥85.31 billion and total floor space of 232,092.86m². Revenues from property leasing reached ¥3.88 billion, NOI was ¥2.59 billion, operating income from property leasing activities totaled ¥2.03 billion and the weighted-average NOI yield was 6.1% for the fiscal period under review.

TOKYU REIT decided the acquisition of Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building) for the eighth fiscal period (Property scheduled for acquisition on January 31, 2008).

A number of factors make up TOKYU REIT’s real estate investment criteria, including the concentration of office buildings, local rental market conditions, the centrality of the nearest train station and the proximity of the property to the nearest train station in those areas earmarked for investment. In principle, **TOKYU REIT** will invest in large-scale properties that feature a high degree of convenience. **TOKYU REIT** will look toward office buildings with an acquisition price of a minimum ¥4.0 billion, total floor space exceeding 5,000m², and individual floor space in excess of 330m².

At the end of the eighth fiscal period, approximately 10.8% of the office portfolio’s total leasable floor space was subject to lease agreements with an expiry date exceeding five years. **TOKYU REIT** recognizes the critical requirement for long-term (anchor) leasing contracts.

TOKYU REIT is also active in the promotion of leasing activities, well after property acquisition. As of July 31, 2007, the occupancy ratio of the office portfolio reached 98.9%.

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

Setagaya Business Square



Setagaya Business Square is a large complex situated above Yoga Station on the Tokyu Den-en-toshi Line, consisting of a 28-story high-rise connected to the station, four mid-size office towers, two terraces with commercial facilities and a community center. The sight is a high-traffic area, with good road access (National road No.246, Kampachi-dori and the Yoga interchange on Metropolitan Expressway Route No.3) as well as rail (Yoga Station, approximately 12 minutes to Shibuya Station and 27 minutes to Otemachi Station).

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

Total Land Space: 21,315.68m²

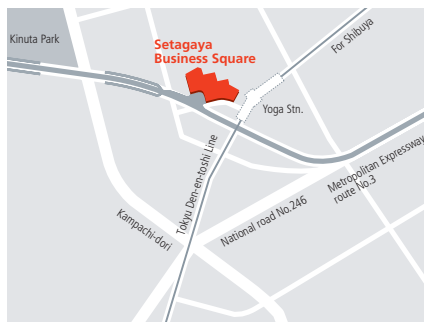
Total Floor Space: 94,373.72m²

Structure/Floors: SRC/RC/S, B2/28F

Completed: September, 1993

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

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



Tokyu Nampoedai-cho Building



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

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

Total Land Space: 2,013.28m²

Total Floor Space: 7,003.88m²

Structure/Floors: SRC, B2/5F

Completed: July, 1992

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

Tenant: Tokyu Corporation



Tokyu Sakuragaoka-cho Building



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

Address: 31-2, Sakuragaoka-cho, Shibuya-ku, Tokyo
 Nearest Station: Approximately a five-minute walk from Shibuya Station—JR Yamanote Line/ Tokyu Toyoko Line/ Tokyu Den-en-toshi Line/ Keio Inokashira Line/ Tokyo Metro Ginza and Hanzomon Lines
 Total Land Space: 1,013.03m²
 Total Floor Space: 6,505.39m²
 Structure/Floors: SRC, B3/9F
 Completed: June, 1987
 Type of Ownership: Land—Proprietary ownership
 Building—Compartmentalized ownership
 Tenants: Tokyu Corporation;
 The Tokyo Electric Power Company, Incorporated



Tokyo Nissan Taito Building



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

Address: 2-6-6, Moto-Asakusa, Taito-ku, Tokyo
 Nearest Station: Approximately a three-minute walk from Inari-cho Station—Tokyo Metro Ginza Line, a four-minute walk from Shin-Okachi-machi Station—Toei Oedo Line/Tsukuba Express Line, and a ten-minute walk from Ueno Station—JR Yamanote Line
 Total Land Space: 1,718.45m²
 Total Floor Space: 11,373.20m²
 Structure/Floors: SRC, B2/10F
 Completed: September, 1992
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership
 Representative Tenants: Tonichi Carlife Group Inc.;
 Miyachi Corporation;
 Ataka Construction & Engineering Co., Ltd.



TOKYU REIT Akasaka Hinokicho Building



TOKYU REIT Akasaka Hinokicho Building is a seven-story office building situated along Akasaka-dori. The multiple large office buildings and multi-faceted retail properties in the area and the large redevelopments of Tokyo Midtown and the Akasaka 5-Chome TBS Plan (tentative name) which will start operation in 2008 will enliven the area and giving the building even greater potential.

Address: 6-14-15, Akasaka, Minato-ku, Tokyo
 Nearest Station: Approximately a four-minute walk from Akasaka Station—Tokyo Metro Chiyoda Line
 Total Land Space: 866.61m²
 Total Floor Space: 4,058.92m²
 Structure/Floors: RC, 7F
 Completed: August, 1984
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership
 Representative Tenants: Q-TEC, Inc.;
 Roadway Development and Reconstruction Association;
 Rome Tile Japan Co., Ltd.



TOKYU REIT
Kamata Building



TOKYU REIT Kamata Building is a nine-story office building adjacent to the Ota City Office. Kamata is an area in the center of Ota-ku, the third most populous district in Tokyo, while Kamata Station is a convenient terminal served by two Tokyu railway lines and one JR line. A proposed railway link between the Tokyu Tamagawa Line and the Keikyū Airport Line enhances the possibility that the area will become even more convenient in the future. (Council for Transport Policy Report No. 18)

Address: 5-13-23, Kamata, Ota-ku, Tokyo
 Nearest Station: Approximately a two-minute walk from Kamata Station—Tokyu Ikegami Line/ Tokyu Tamagawa Line/ JR Keihin Tohoku Line
 Total Land Space: 1,642.86m²
 Total Floor Space: 10,244.51m²
 Structure/Floors: S/SRC, B1/9F
 Completed: February, 1992
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership
 Representative Tenants: Fujitsu Advanced Solutions Limited; Dai Nippon Toryo Co., Ltd.; Chuo Labour Bank

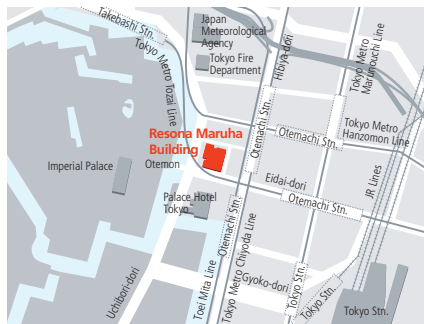


TOKYU REIT
Resona Maruha Building



Resona Maruha Building is a unique office building facing Uchibori-dori in Otemachi, one of the most highly regarded office-building districts in Japan. Six of the eight upper floors that **TOKYU REIT** acquired are leased to Maruha Corporation. Another two floors were significantly renovated after acquisition.

Address: 1-1-2 Otemachi, Chiyoda-ku, Tokyo
 Nearest Station: Approximately a one-minute walk from Otemachi Station—Tokyo Metro Chiyoda, Hanzomon, Tozai and Marunouchi Lines/ Toei Mita Line
 Total Land Space: 6,893.71m²
 Total Floor Space: 74,379.30m²
 Structure/Floors: S/SRC, B4/25F
 Completed: November, 1978
 Type of Ownership: Land—Compartmentalized ownership (27% interest),
 Building—Compartmentalized ownership
 Tenants: Maruha Corporation and two companies



TOKYU REIT
Toranomom Building



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

Address: 3-17-1 Toranomom, Minato-ku, Tokyo
 Nearest Station: Approximately a one-minute walk from Kamiyacho Station—Tokyo Metro Hibiya Line
 Approximately a nine-minute walk from Toranomom Station—Tokyo Metro Ginza Line
 Approximately a nine-minute walk from Onarimon Station—Toei Mita Line
 Total Land Space: 1,728.38m²
 Total Floor Space: 15,343.73m²
 Structure/Floors: SRC/RC, B2/9F
 Completed: April, 1988
 Type of Ownership: Land—Compartmentalized ownership (73,585/100,000 interest)
 Building—Compartmentalized ownership and co-ownership of compartmentalized ownership
 Representative Tenants: Japan Nuclear Energy Safety Organization; Takihyo Co., Ltd.; Anzco Foods Japan Ltd.



Acquisition for the ninth fiscal period

TOKYU REIT Hatchobori Building



TOKYU REIT Hatchobori Building is located in Hatchobori that has long had a high concentration of office buildings. This building is a large office building with standard floor layout of 200 tsubo. It is accessible to several stations, for example, a three-minute walk from Hatchobori Station on the Tokyo Metro Hibiya Line. The property has maintained competitiveness by certain refurbishments in terms of design including full renovations of the building's exterior, entrance and elevator hall since 1999. In addition, it has excellent earthquake resistance that far exceeds that of new structures as stipulated in the current Building Standards Law owing to its seismic-reinforced construction (intermediate seismicisolation) in 2005.

Address: 2-7-1, Hatchobori, Chuo-ku, Tokyo

Nearest Station: Approximately a three-minute walk from Hatchobori Station—Tokyo Metro Tozai and Hibiya Lines
 Approximately a six-minute walk from Kayabacho Station—Tokyo Metro Tozai and Hibiya Lines
 Approximately a six-minute walk from Takaracho Station—Toei Asakusa Line
 Approximately an eight-minute walk from Kyobashi Station—Tokyo Metro Ginza Line
 Approximately a ten-minute walk from Tokyo Station—JR Lines

Total Land Space: 974.32 m²

Total Land Space: 974.32 m²

Total Floor Space: 8,810.21 m²

Structure/Floors: S/SRC B2/9F

Completed: September, 1965

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

Representative Tenants: Tokai Kogyo Co., Ltd.;

Polaire Intellectual Property Corporation;
 ITOCHU CERATECH CORP.



AKASAKA 4-chome Building (Tokyu Agency Inc. Head Office Building)



Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building) is a relatively new office building located in the Akasaka area nearby the Kasumigaseki and Nagatacho districts where Central government and other public offices are located.

This property is located approximately a four-minute walk from Akasaka-Mitsuke and Nagatacho Stations and have excellent office specifications including ceiling height and individually controlled air conditioners.

Tokyu Agency, Inc. is currently using the property as its head office and entered into a fixed-term lease contract (with no cancellation and no claim rights for reducing leasing rates) for five years from January 31, 2008 (scheduled acquisition day)



Address: 4-8-18, Akasaka, Minato-Ku, Tokyo

Nearest Station: Approximately a four-minute walk from Akasaka-Mitsuke Station—Tokyo Metro Ginza and Marunouchi Lines
 Approximately a four-minute walk from Nagatacho Station—Tokyo Metro Yurakucho, Hanzomon and Namboku Lines

Total Land Space: 712.49 m²

Total Floor Space: 5,002.36 m²

Structure /Floors: S/SRC B1/9F

Completed: February, 2003

Type of Ownership: Land—Property ownership
 Building—Property ownership
 Representative Tenants: Tokyu Agency Inc.

Rationale

TOKYU REIT highly evaluates the growth potential of the area and the outstanding merits and stability of the property. Given these factors, the property is considered to be a major contribution to the improvement of TOKYU REIT's portfolio quality.

This acquisition is from a special purpose company (SPC) established by Tokyu Agency, Inc. and Tokyu Land Corporation. This is regarded as a part of collaboration activities with Tokyu group companies. It is scheduled to be acquired on January 31, 2008.

Location

- Akasaka area which neighbors the Kasumigaseki and Nagatacho districts where Central government and other public offices are located
- Highly convenient area that many restaurants and retail stores, hotels are located
- Located in the area nearby two stations which serves five Tokyo Metro lines
- Located along main road (Aoyama Dori)

Characteristics

- Relatively new building completed in February 2003
- Excellent office specifications including ceiling height, OA floors, pillar-free space and individually controlled air conditioners
- Highly versatile structure enables the property to be used as a multi-tenant building
- Superior view close to the Akasaka Imperial Gardens

I . Asset management report
1. Financial Highlights
(1) Result of operation and financial position

		8th fiscal period From February 1, 2007 to July 31, 2007 (181 days)	7th fiscal period From August 1, 2006 to January 31, 2007 (184 days)	6th fiscal period From February 1, 2006 to July 31, 2006 (181 days)	5th fiscal period From August 1, 2005 to January 31, 2006 (184 days)	4th fiscal period From February 1, 2005 to July 31, 2005 (181 days)	
		Millions of yen, except per unit data or where otherwise indicated					
Result of operation	Statement of income	Operating revenues	¥ 6,730	¥ 6,460	¥ 7,876	¥ 6,344	¥ 5,685
		Operating income	¥ 2,933	¥ 2,848	¥ 4,119	¥ 2,752	¥ 2,326
		Net income	¥ 2,444	¥ 2,402	¥ 3,754	¥ 2,402	¥ 1,959
	Operating income	Revenue from property leasing (a) (Note 2)	¥ 6,725	¥ 6,460	¥ 6,239	¥ 6,281	¥ 5,685
		Rental service expenses (b)	¥ 2,920	¥ 2,867	¥ 2,912	¥ 2,937	¥ 2,777
		Depreciation and amortization (included in (b)) (c) (Note 3)	¥ (952)	¥ (947)	¥ (970)	¥ (982)	¥ (928)
		Net Operating Income (a) – (b) + (c)	¥ 4,756	¥ 4,540	¥ 4,297	¥ 4,326	¥ 3,836
	Cash flow	FFO (Funds from Operation) (d) (Note 4)	¥ 3,390	¥ 3,349	¥ 3,087	¥ 3,383	¥ 2,888
		Capital expenditures (e)	¥ 80	¥ 38	¥ 179	¥ 154	¥ 143
		AFFO (Adjusted Funds from Operation) (d) – (e)	¥ 3,311	¥ 3,311	¥ 2,907	¥ 3,228	¥ 2,745
Financial position	Balance sheet	Total assets (f)	¥ 184,390	¥ 183,995	¥ 172,930	¥ 171,791	¥ 162,180
		(Change from the preceding period)	(0.2%)	(6.4%)	(0.7%)	(5.9%)	(10.2%)
		Interest-bearing liabilities (g)	¥ 65,300	¥ 65,300	¥ 53,000	¥ 53,000	¥ 64,500
		Total unitholders' equity (Net assets) (h)	¥ 100,463	¥ 100,421	¥ 101,774	¥ 100,421	¥ 79,819
		(Change from the preceding period)	(0.0%)	(△ 1.3%)	(1.3%)	(25.8%)	(0.1%)
		Unitholders' capital	¥ 98,019	¥ 98,019	¥ 98,019	¥ 98,019	¥ 77,860
	Portfolio	Acquisition costs of properties (Note 5)	¥ 171,737	¥ 171,737	¥ 159,620	¥ 157,860	¥ 148,060
		Book value of properties (Note 5)	¥ 169,110	¥ 169,971	¥ 158,529	¥ 157,104	¥ 147,819
		Appraisal value of properties (i) (Note 5)	¥ 224,330	¥ 210,120	¥ 187,800	¥ 174,430	¥ 155,090
		Number of properties	19	19	17	17	17
		Total rentable area (Note 6)	222,637.60 m ²	222,653.08 m ²	214,330.82 m ²	179,211.29 m ²	175,776.97 m ²
		Occupancy ratio at the end of period (Note 6)	99.6%	99.8%	99.9%	99.4%	99.1%
		Other	Distribution	Cash distribution	¥ 2,444	¥ 2,402	¥ 3,754
Dividend per ratio (Note 7)	99.9%			100.0%	100.0%	100.0%	99.9%
Amount per unit	Number of units		169,380 units	169,380 units	169,380 units	169,380 units	142,000 units
	Unitholders' equity per unit		¥ 593,124	¥ 592,879	¥ 600,860	¥ 592,877	¥ 562,109
	Cash distribution per unit		¥ 14,427	¥ 14,182	¥ 22,162	¥ 14,179	¥ 13,798
Management index	Return on total unitholders' equity (annualized) (Note 8)		4.9%	4.7%	7.5%	5.3%	5.0%
	Equity ratio (h)/(f)		54.5%	54.6%	58.9%	58.5%	49.2%
	(Change from the preceding period)		(△ 0.1%)	(△ 4.3%)	(0.4%)	(9.3%)	(△ 4.9%)
	Proportion of interest-bearing liabilities to total assets (g)/(f)		35.4%	35.5%	30.6%	30.9%	39.8%
	Proportion of interest-bearing liabilities to appraisal value at the end of period (g)/(i)		29.1%	31.1%	28.2%	30.4%	41.6%
	Average market price per unit (Note 9)		¥ 1,241,537	¥ 958,306	¥ 902,435	¥ 766,520	¥ 726,082

- Note 1. Consumption tax is not included in operating revenues.
- Note 2. 'Revenue from property leasing' does not include construction fees (63 millions of yen on 5th fiscal period) and revenues from facility acceptance (5 millions of yen on 8th fiscal period)
- Note 3. 'Depreciation and amortization' includes Loss on disposal of property and equipment (33 millions of yen on 4th fiscal period, 29 millions of yen on 6th fiscal period and 0 millions of yen on 8th fiscal period)
- Note 4. Net income + depreciation and amortization + other property related depreciation and amortization - revenue from the sales of properties - revenues from facility acceptance. Other property related depreciation and amortization was not recognized.
- Note 5. 'Properties' means investment properties held in the trust in substance, which is total assets in the trust less the money held in the trust.
- Note 6. Regarding the 'Total rentable area' and 'Occupancy ratio at the end of period', please refer to 3. Portfolio profile. (2) Major portfolio Notes 2 and 4.
- Note 7. Figures are rounded down to the second decimal place.
- Note 8. $\text{Net income} / (\text{net assets at the beginning of the period} + \text{net assets at the end of the period}) / 2 \times 365 / \text{number of days of investment}$
- Note 9. Average price during the period (closing price) at the Real Estate Investment Trust Market of the Tokyo Stock Exchange ("Tokyo Stock Exchange") on which TOKYU REIT Inc. ("TOKYU REIT") is listed.

(2) Development of Asset Investment Management during the Current Period

① Investment Environment

As the domestic economy continued to gain ground throughout the six months ended July 31, 2007, Japan experienced its longest period of economic expansion in the post-WWII era. Buoyed by robust corporate activity, the household sector also enjoyed positive conditions. Reflecting ongoing migration from other areas of Japan to Tokyo, and the inflow of people during daytime hours, economic growth in the Tokyo Metropolitan area outpaced the nation as a whole, exacerbating the disparity with other cities and regions.

Under these circumstances, vacancy rates in the office space leasing market in Tokyo's 23 wards fell to their lowest levels in the past decade, improving on the record set during the previous fiscal period. In addition, advertised rents continued to rise. While the level of improvement differs from ward to ward, the valuation of well-located properties with appealing features continues to rise. In the retail space leasing market, a positive year-on-year turnaround in household consumption expenditure is favorably impacting operating conditions. In specific terms, high expectations are held for a recovery in sales per square meter of floor space at large retail shops in Tokyo and Kanagawa Prefecture as this segment approaches a critical turning point.

Consistent with the six-month period ended January 31, 2007, the balance between supply and demand in the real estate investment market continued to tighten in the period under review. Expected investment returns on Tokyo properties remain entrenched in a downward spiral.

② Investment Performance Results

a. Acquisition of Properties

TOKYU REIT is guided by selective investment criteria and endeavors to invest in highly competitive properties in areas with strong growth potential. As of July 31, 2007, TOKYU REIT held an investment portfolio totaling 19 properties with a total acquisition cost of ¥171,737 million, total leasable floor space of 222,637.60m² and a fiscal period-end appraisal value of ¥224,330 million. As in the previous fiscal period, the period-end appraisal value again exceeded the book value, resulting in an unrealized gain of ¥55,220 million. Based on generally accepted accounting principles, unrealized gains are not reflected in TOKYU REIT's financial statements.

On June 29, 2007, TOKYU REIT decided to acquire a trust beneficiary interest in the Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building) at an acquisition price of ¥8,500 million. Settlement is scheduled for January 31, 2008.

b. Investment Management Control

Reflecting stable investment management, the occupancy rate for the entire portfolio of 19 properties stood at 99.6% as of July 31, 2007. TOKYU REIT is also actively working to increase rents. Consequently, as of the end of the eighth fiscal period, the average rental rate for the existing property portfolio increased 2.9% compared with January 31, 2007.

c. Financing

TOKYU REIT undertakes financing activities under a financial policy that emphasizes stability, flexibility and efficiency. Aiming to secure borrowings with fixed, long-term interest rates and to diversify repayment dates, TOKYU REIT refinanced its long-term debt in the fiscal period under review. The balance of interest-bearing liabilities as of July 31, 2007 was ¥65,300 million, consisting of ¥45,000 million in long-term debt (including ¥5,000 million of the current portion of long-term debt) and ¥20,300 million in short-term debt. The weighted-average interest rate was 1.52% (calculated from the annualized amount of interest payable for the eighth fiscal period divided by the average of remaining balances of each loan).

d. Countering conflicts of interest

To ensure the proprietary and transparency of transactions, TOKYU REIT strictly adheres to its self-imposed measures to prevent conflicts of interest, and accordingly, continued to follow prescribed procedures during the period under review. As an example, in the acquisition of the Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building) from a special-purpose company established under the direction of Tokyu Agency Inc. and Tokyu Land Corporation, TOKYU REIT took steps to ensure that the acquisition price did not exceed the appraisal value. Accordingly, the selection and determination procedure was consistent with the aforementioned measures to prevent conflicts of interest. TOKYU REIT also obtained the opinion of The Chuo Mitsui Trust and Banking Company, Limited, an independent third party, confirming the validity of the acquisition price and its method of calculation. This second opinion has been publicly disclosed together with the property appraisal summary. Furthermore, TOKYU REIT received confirmation from an audit firm other than its regular independent auditor that implementation of the acquisition procedures was consistent with the measures to prevent conflicts of interest. On this basis, the decision to acquire the Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building) was ratified by the Board of Directors.

Moreover, TOKYU REIT received an opinion report from STB Research Institute Co., Ltd. stating that fees paid to Tokyu Group companies for property management services pertaining to properties in the portfolio at the period-end were within the range set by other REITs listed on the Tokyo Stock Exchange.

(3) Issuance of New Investment Units

There were no new investment units issued during the fiscal period under review, and there were no increase or decrease in the number of units issued and total unitholder's equity. Issuance of new investment units until the end of the previous fiscal period is as follows:

Date	Remark	Number of units issued		Total unitholders' equity		Note
		Unit		Millions of yen		
		Change	Total	Change	Total	
June 20, 2003	Issuance of units under private offering	400	400	¥ 200	¥ 200	(Note 1)
September 10, 2003	Issuance of units under public offering	97,600	98,000	¥ 49,918	¥ 50,118	(Note 2)
August 3, 2004	Issuance of units under public offering	42,000	140,000	¥ 26,481	¥ 76,599	(Note 3)
August 25, 2004	Issuance of units under third-party allotment	2,000	142,000	¥ 1,261	¥ 77,860	(Note 4)
August 1, 2005	Issuance of units under public offering	26,700	168,700	¥ 19,658	¥ 97,519	(Note 5)
August 26, 2005	Issuance of units under third-party allotment	680	169,380	¥ 500	¥ 98,019	(Note 6)

Note 1. Incorporated with ¥ 500,000 per unit

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

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

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

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

Note 6. Issued new investment units at issue price of ¥ 736,292 for the purpose of acquiring new properties and repayments of the short-term loans

【Movements of Market Price】

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

	8th fiscal period From February 1, 2007 to July 31, 2007	7th fiscal period From August 1, 2006 to January 31, 2007	6th fiscal period From February 1, 2006 to July 31, 2006	5th fiscal period From August 1, 2005 to January 31, 2006	4th fiscal period From February 1, 2005 to July 31, 2005
	Yen				
Highest	¥ 1,470,000	¥ 1,150,000	¥ 1,010,000	¥ 839,000	¥ 826,000
Lowest	¥ 945,000	¥ 800,000	¥ 788,000	¥ 707,000	¥ 668,000

(4) Distribution Information

With respect to distribution for the eighth fiscal period, TOKYU REIT determined to distribute the whole unappropriated earnings (except for the rounding amount, which is the distribution per unit of less than ¥ 1) for the eighth fiscal period to be eligible for special tax treatment (Article 67-15 of Special Taxation Measures Law (Law number 26 in 1957, including subsequent revision) that allows TOKYU REIT to deduct the maximum amount of profit distribution from its taxable income. Accordingly, distribution per unit was ¥14,427.

	8th fiscal period From February 1, 2007 to July 31, 2007	7th fiscal period From August 1, 2006 to January 31, 2007	6th fiscal period From February 1, 2006 to July 31, 2006	5th fiscal period From August 1, 2005 to January 31, 2006	4th fiscal period From February 1, 2005 to July 31, 2005
Millions of yen, except per unit data					
Unappropriated retained earnings	¥ 2,444	¥ 2,402	¥ 3,754	¥ 2,402	¥ 1,959
Undistributed earnings	¥ 0	¥ 0	¥ 0	¥ 0	¥ 0
Cash distributions	¥ 2,444	¥ 2,402	¥ 3,754	¥ 2,402	¥ 1,959
(Cash distribution per unit)	(¥ 14,427)	(¥ 14,182)	(¥ 22,162)	(¥ 14,179)	(¥ 13,798)
Distribution of accumulated earnings	¥ 2,444	¥ 2,402	¥ 3,754	¥ 2,402	¥ 1,959
(Distribution of accumulated earnings per unit)	(¥ 14,427)	(¥ 14,182)	(¥ 22,162)	(¥ 14,179)	(¥ 13,798)
Cash distribution in excess of accumulated earnings	—	—	—	—	—
(Cash distribution in excess of accumulated earnings per unit)	(—)	(—)	(—)	(—)	(—)

(5) Future Policies of Investment Management

① Forecast of Future Movement

As the domestic household sector enjoys a positive flow-on effect from robust corporate activity, Japan's economy continues to experience its longest period of uninterrupted expansion seen in the post-WWII era. Along with these positive circumstances, real estate prices continue to recover in certain areas of the country; however the polarization between Tokyo and other regions and even within Tokyo itself is widening. Underpinning this phenomenon is the increasing link between capital and real estate markets due to the expansion of the property securitization market, which in turn has led to the revaluation and setting of real estate prices based on the capitalization method and risk assessment. Consequently, TOKYU REIT expects further progression in the trend toward rising prices for low-risk, high-return properties and decreasing prices for other properties. In such an environment, investment in growth areas, the selection of prime properties, relevant investment policies, the ability to execute these policies and good corporate governance will become all the more important for TOKYU REIT and REITs in general.

② Future Policies of Investment Management and Issues to be Countered

Prior to the formal establishment of TOKYU REIT, Tokyu REIM undertook an assessment of future investment trends based on business growth potential. Based on this assessment, it was decided that TOKYU REIT would adopt a stance of investing in highly competitive properties in areas with strong growth potential. Specifically, TOKYU REIT will continue to focus on an investment area mainly limited to the five central wards of Tokyo, where ongoing growth is expected, and to Tokyu Areas, the areas serviced by the Tokyu rail network.

As it builds a competitive, high-quality portfolio, TOKYU REIT will continue to adhere firmly to stringent investment criteria for selecting individual properties. Aiming to achieve external growth, TOKYU REIT will obtain a balanced mix of properties from Tokyu Group companies and the overall real estate market. TOKYU REIT will work in this manner to improve the quality of its portfolio and expand the scale of its business.

TOKYU REIT will endeavor to achieve internal growth by enhancing earnings stability and growth potential through collaboration with Tokyu Group companies in the areas of property maintenance and management. Maintaining a careful watch on corporate

earnings and consumption trends, TOKYU REIT will make every effort to manage facilities in a way that makes each property the choice of corporate tenants and visitors over the medium to long term. With the objective of raising rent levels, TOKYU REIT will make strategic and appropriate renovations commensurate with the grade of the properties being improved and implement leasing activities from a medium- to long-term perspective. TOKYU REIT will also implement appropriate cost control measures with regard to maintenance fees and additional capital expenditures.

To assure transparency, Tokyu REIM will improve external audit functions and disclosure activities so as to fulfill its responsibilities as a REIT fund manager operating according to global standards.

(6) Subsequent events

TOKYU REIT issued investment corporation bonds on October 24, 2007.

Details are described on page 61, 'Notes to Financial Statements', '15. Subsequent event.'

(Information after the end of the eighth fiscal period)

① TOKYU REIT executed a purchase agreement in connection with the acquisition of a trust beneficiary interest in real estate on June 29, 2007 and will be acquired on January 31, 2008. Its general description on June 29, 2007 is as follows.

Property name	Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)		
Location (Note 1)	(Registered) 4-806, 4-819, Akasaka, Minato-ku, Tokyo		
	(Residential) 4-8-18, Akasaka, Minato-ku, Tokyo		
Nearest station (Note 2)	Approximately a four-minute walk from Akasaka-Mitsuke Station, Tokyo Metro Ginza and Marunouchi Lines. Approximately a four-minute walk from Nagatacho Station, Tokyo Metro Yurakucho, Hanzomon and Namboku Lines.		
Total land space (Note 1)	712.49 m ²	Total floor space (Note 1)	5,002.36 m ²
Structure/Floors (Note 1)	S/SRC B1/9F	Completed (Note 1)	February, 2003
Type of ownership	Land - Proprietary ownership Building - Proprietary ownership		
Tenants	Tokyu Agency Inc.		
Type of specified assets	Trust beneficiary interest in real estate		
Acquisition price (Note 3)	8,500 million		
Rationale	This property is an office building that meets TOKYU REIT's fundamental investment/acquisition policy as outlined in its Articles of Incorporation. The decision to undertake this acquisition was made to further enhance TOKYU REIT's property portfolio.		

② TOKYU REIT executed a purchase agreement in connection with the acquisition of real estate on September 21, 2007 and acquired on that day. Its general description on September 21, 2007 is as follows.

Property name	TOKYU REIT Toranomom Building (Additional Ownership)		
Location (Note 1)	(Registered) 3-45-6, Toranomom, Minato-ku, Tokyo		
	(Residential) ①Building areas: 201, 202 3-45-6-8 / 3-45-6-9, Toranomom, Minato-ku, Tokyo		
	②Building area: 203 3-45-6-10, Toranomom, Minato-ku, Tokyo		
	(Residential) 3-17-1, Toranomom, Minato-ku, Tokyo		
Nearest station (Note 2)	Approximately a one-minute walk from Kamiyacho Station, Tokyo Metro Hibiya Line. Approximately a nine-minute walk from Toranomom Station, Tokyo Metro Ginza Line. Approximately nine-minute walk from Onarimon Station, Toei Mita Line.		
Total land space (Note 1)	Site rights area: 1,728.38m ² ①Interest: 8,579/100,000, ②Interest: 1,322/100,000		
Total floor space (Note 1)	①865.14 m ² , ②139.93 m ²		

Structure/Floors (Note 1)	SRC/RC B2/9F (whole building)
Completed (Note 1)	April, 1988
Seller	①Fujita Kanko Inc., ②Four individuals
Type of ownership	Land - Site rights / Buliding - Compartmentalized ownership
Tenants	Takihiyo Co., Ltd.
Type of specified assets	Real Estate
Acquisition price (Note 3)	①¥ 1,100 million / ②¥ 200 million
Rationale	Anticipating improvements in both the value of its investment assets and its management efficiency, TOKYU REIT decided to acquire additional compartmentalized ownership of the property.

③ TOKYU REIT executed a purchase agreement in connection with the acquisition of real estate on October 26, 2007 and acquired on that day. Its general description on October 26, 2007 is as follows.

Property name	TOKYU REIT Toranomom Building (Additional Ownership)
Location (Note 1)	(Registered) 3-45-6, Toranomom, Minato-ku, Tokyo (Residential) Building area: 105 3-45-6-6, Toranomom, Minato-ku, Tokyo (Residential) 3-17-1, Toranomom, Minato-ku, Tokyo
Nearest station (Note 2)	Approximately a one-minute walk from Kamiyacho Station, Tokyo Metro Hibiya Line. Approximately a nine-minute walk from Toranomom Station, Tokyo Metro Ginza Line. Approximately nine-minute walk from Onarimon Station, Toei Mita Line.
Total land space (Note 1)	Site rights area: 1,728.38m ² Interest: 1,166/100,000
Total floor space (Note 1)	93.93 m ²
Structure/Floors (Note 1)	SRC/RC B2/9F (whole building)
Completed (Note 1)	April, 1988
Seller	One individual
Type of ownership	Land - Site rights / Buliding - Compartmentalized ownership
Tenants	Forza Co., Ltd.
Type of specified assets	Real Estate
Acquisition price (Note 3)	¥ 140 million
Rationale	Anticipating improvements in both the value of its investment assets and its management efficiency, TOKYU REIT decided to acquire additional compartmentalized ownership of the property.

Note 1. 'Location (Registered)', 'Total land space', 'Total floor space', 'Structure / Floors' and 'Completed' are based on the description stated in the registry book of the property. The present status of the said property might not correspond to th edescriptions in the registry book.

Note 2. The figures are calculated as it takes one minute for 80 meters based on fair competition rules concerning real estate indication.

Note 3. 'Acquisition cost' does not include expenditures incurred (such as trade agency fee, tax and public duty) and is the transfer price of property described in the contract of beneficial interests in trust.

2. Company Profiles

(1) Summary of unitholders' contributions

	8th fiscal period as of July 31, 2007	7th fiscal period as of January 31, 2007	6th fiscal period as of July 31, 2006	5th fiscal period as of January 31, 2006	4th fiscal period as of July 31, 2005
Authorized units (unit)	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Units issued (unit)	169,380	169,380	169,380	142,000	142,000
Unitholders' capital (millions of yen)	¥ 98,019	¥ 98,019	¥ 98,019	¥ 77,860	¥ 77,860
Number of unitholders (persons)	8,821	9,997	11,241	13,385	12,944

(2) Details Regarding TOKYU REIT's Unitholders

The following table sets forth our major unitholders' information as of July 31, 2007.

Name	Address	Number of unitholders owned	Ownership
		Unit	%
Japan Trustee Services Bank, Ltd. (Trust)	1-8-11, Harumi, Chuo-ku, Tokyo	12,564	7.42
NikkoCiti Trust and Banking Corporation (Trust)	2-3-14, Higashi-shinagawa, Shinagawa-ku, Tokyo	11,099	6.55
Trust & Custody Services Bank, Ltd.	Harumi Island Triton Square Office Tower-Z, 1-8-12, Harumi, Chuo-ku, Tokyo	9,372	5.53
The Master Trust Bank of Japan, Ltd. (Trust)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	8,262	4.88
CB LONDON STANDARDLIFE ASSURANCE LIMITED	Standard Life House, 30 Lothian Road, Edinburgh, EH1 2DH, British (Standard Proxy : Citibank N.A. Tokyo Branch)	6,583	3.89
Educational Corporation Kawasaki Gakuen	577, Matsushima, Kurashiki City, Okayama	6,000	3.54
Tokyu Corporation	5-6, Nampeidai-cho, Shibuya-ku, Tokyo	5,880	3.47
AIG STAR LIFE INSURANCE CO., LTD.	4-1-3, Taihei, Sumida-ku, Tokyo (Standing Proxy : Citibank N.A. Tokyo Branch)	4,871	2.88
Bank of New York, Treaty JASDEC Account	AVENUE DES ARTS, 35 KUNSTLLAN, 1040 BRUSSELS, BELGIUM (Standard Proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd)	4,397	2.60
The Nomura Trust and Banking Co., Ltd	2-2-2, Otemachi, Chiyoda-ku, Tokyo	4,156	2.45
Total		73,184	43.21

(3) Details of TOKYU REIT's Directors and Auditors

① Member of the Directors and Auditor (as of July 31, 2007)

Titles	Name	Title of other companies	Total fee for each titles (Note 2) (Thousands of Yen)
Executive Director	Masahiro Horie	Tokyu Real Estate Investment Management, Inc. Representative Director & President, Chief Executive Director	— (Note 3)
Supervisory Director	Giichi Yanagisawa	Certified public accountant, Shinsoh Audit Corporation	2,700
Supervisory Director	Maruhito Kondo	Lawyer, Kondo Maruhito Law Office	2,700
Independent Auditor	PricewaterhouseCoopers Aarata		6,500 (Note 4)

Note 1. The executive director, the supervising directors and the independent auditor do not possess investment units of TOKYU REIT under their own name nor under another person's name. Besides, although there are cases that supervisory directors could be directors of other companies stated above, they have no particular interests in TOKYU REIT.

Note 2. Amounts paid to the executive director and supervisory directors and the amount due to independent auditors are shown above.

Note 3. The executive director serves without compensation

Note 4. During the fiscal period under review, TOKYU REIT paid ¥1 million for agreed upon work other than that stipulated in the Certified Public Accountant Law (Law No. 103 of 1948, including amendments thereafter), Article, 2 Paragraph 1.

② Policies Regarding the Decision of Dismissing and Not Reappointing Independent Auditors

The dismissal of independent auditors is in accordance with the Law Concerning Investment Trusts and Investment Corporations, and rejection of reappointment is examined at TOKYU REIT's Board of Directors' meetings, with consideration of audit quality, compensation and various other factors.

(4) Investment Manager, Asset Custodian and General Administrator at the end of the eighth fiscal period.

The following table sets forth information of our Investment manager, asset custodian and general administrator as of July 31, 2007.

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

3. Portfolio profile

(1) Component of assets

Asset type	Type	Area	8th fiscal period As of July 31, 2007		7th fiscal period As of January 31, 2007	
			Total amount held	Percentage of total assets	Total amount held	Percentage of total assets
			Millions of yen	%	Millions of yen	%
Real property	Retail	Central Tokyo and Tokyu Areas	11,774	6.4	¥ 11,792	6.4
		Other	—	—	—	—
		Sub total	11,774	6.4	11,792	6.4
	Office	Central Tokyo and Tokyu Areas	8,651	4.7	8,689	4.7
		Other	—	—	—	—
		Sub total	8,651	4.7	8,689	4.7
	Total		20,425	11.1	20,481	11.1
Properties trust beneficial interests	Retail	Central Tokyo and Tokyu Areas	57,910	31.4	58,165	31.6
		Other	16,308	8.8	16,403	8.9
		Sub total	74,219	40.3	74,568	40.5
	Office	Central Tokyo and Tokyu Areas	74,466	40.4	74,922	40.7
		Other	—	—	—	—
		Sub total	74,466	40.4	74,922	40.7
	Total		148,685	80.6	149,491	81.2
Other assets		15,280	8.3	14,023	7.6	
Total assets		¥ 184,390 (¥169,110)	100.0 (91.7)	¥ 183,995 (¥169,971)	100.0 (92.4)	

Note 1. 'Total amount held' is the amount allocated in the balance sheet at the end of the period (as to properties, figures are net book value after deducting depreciation).

Note 2. Figures in brackets of 'Total assets' represent the portion of actually held properties in the target assets above.

(2) Major portfolio

Major portfolio held by TOKYU REIT as of July 31, 2007, is as follows:

	Name of property	Book Value	Rentable area	Leased area	Occupancy ratio	Percentage of revenue from property leasing	Type
		Millions of yen	m ²	m ²	%	%	
R	QFRONT	¥ 14,667	4,544.07	4,544.07	100.0	9.0	Retail
R	Lexington Aoyama	4,758	2,241.76	2,241.76	100.0	2.5	Retail
R	TOKYU REIT Omotesando Square	5,754	2,702.42	2,702.42	100.0	2.8	Retail
R	Tokyu Saginuma Building	6,784	19,610.06	19,610.06	100.0	4.6	Retail
R	Tokyu Saginuma 2 Building	1,264	1,284.60	1,284.60	100.0	1.0	Retail
R	TOKYU REIT Shibuya Udagawa-cho Square	6,668	1,543.05	1,543.05	100.0	2.5	Retail
R	Beacon Hill Plaza (Ito-Yokado Noukendai Store)	9,282	50,285.89	50,285.89	100.0	4.5	Retail
R	cocoti	24,683	8,319.95	8,319.95	100.0	10.7	Retail
R	Shonan Mall Fill (<i>sokochi</i>)	7,026	44,078.12	44,078.12	100.0	2.6	Retail
R	CONZE Ebisu	5,106	2,319.24	2,319.24	100.0	2.1	Retail
O	Setagaya Business Square	20,509	24,857.50	24,808.86	99.8	19.2	Office
O	Tokyu Nampeidai-cho Building	4,458	7,148.18	7,148.18	100.0	2.7	Office
O	Tokyu Sakuragaoka-cho Building	6,485	4,737.19	4,737.19	100.0	3.8	Office
O	Tokyo Nissan Taito Building	4,123	7,947.25	7,947.25	100.0	3.5	Office
O	TOKYU REIT Akasaka Hinokicho Building	3,520	3,206.25	3,206.25	100.0	2.2	Office
O	TOKYU REIT Kamata Building	4,380	7,337.82	6,487.11	88.4	3.7	Office
O	Resona Maruha Building	23,843	14,414.99	14,414.99	100.0	12.5	Office
O	TOKYU REIT Toranomom Building	8,651	10,038.01	10,038.01	100.0	7.0	Office
O	TOKYU REIT Hatchobori Building	7,149	6,021.75	5,961.25	99.0	3.1	Office
Total		¥ 169,110	222,637.60	221,678.75	99.6	100.0	

Note 1. The properties' trust beneficiary interests possessed the said whole of the 16 properties, except TOKYU REIT Shibuya Udagawa-cho Square, CONZE Ebisu and TOKYU REIT Toranomom Building.

Note 2. 'Rentable area' is the total area of rentable offices, stores, warehouses and land indicated in the agreements and drawing (common use space is included when leased.). With respect to Tokyu Saginuma Building, Beacon Hill Plaza and Tokyu Nampeidai-cho Building, parking lots are included. Regarding QFRONT, the fiduciary rents the partial space possessed appropriately by other owners and leases them as a block together with the entrusted property, the said space is included in it. For Setagaya Business Square, jointly owned with another owner, the stated figure is given by multiplying rentable area in the whole building by the ratio of common-use space (55%, ratio of co-ownership). For TOKYU REIT Toranomom Building, the leased area includes exclusive-use areas jointly owned with another compartmentalized owner, an exclusive area (limited to an area on the second floor) owned by another compartmentalized owner and leased by TOKYU REIT, and exclusive-use areas under proprietary ownership. The figure of Shonan Mall Fill indicates leased area of land.

Note 3. 'Leased area' is the amount of square meters actually leased, under lease contracts, out of the total square meters stated in contracts (parking lots, side signboards leased under commitments, are not included). For Tokyu Saginuma Building, Beacon Hill Plaza and Tokyu Nampeidai-cho Building, parking lots are included. Regarding QFRONT, the fiduciary rents partial space possessed appropriately by other owners and leases them as a block together with the entrusted property, and the said space is included in it. As to Setagaya Business Square, jointly owned with another owner, the stated figure is given by multiplying rentable area in the whole building by the ratio of common-use space (55%, ratio of co-ownership). For TOKYU REIT Toranomom Building, the leased area includes exclusive-use areas jointly owned with another compartmentalized owner, an exclusive area (limited to an area on the second floor) owned by another compartmentalized owner and leased by TOKYU REIT, and exclusive-use areas under proprietary ownership. The figure of Shonan Mall Fill indicates leased area of land.

Note 4. 'Occupancy ratio' is the percentage of leased areas to rentable area at the end of the period.

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

(3) Details of properties in portfolio

Properties held by TOKYU REIT as of July 31, 2007 are as follows:

Name of property		Location	Investment Type	Rentable area	Appraisal value at the end of period	Book value		
				m ²	Millions of yen	Millions of yen		
Retail	Central Tokyo and Tokyo Areas	R QFRONT	75-8, Udagawa-cho, Shibuya-ku, Tokyo	Trust	4,544.07	¥ 21,200	¥ 14,667	
		R Lexington Aoyama	5-235-7, Minami-Aoyama, Minato-ku, Tokyo	Trust	2,241.76	7,840	4,758	
		R TOKYU REIT Omotesando Square	4-3-18, Jingumae, Shibuya-ku, Tokyo	Trust	2,702.42	8,110	5,754	
		R Tokyu Saginuma Building	1-1, Saginuma, Miyamae-ku, Kawasaki City, Kanagawa	Trust	19,610.06	9,780	6,784	
		R Tokyu Saginuma 2 Building	1-18-5, Kodai, Miyamae-ku, Kawasaki City, Kanagawa	Trust	1,284.60	1,710	1,264	
		R TOKYU REIT Shibuya Udagawa-cho Square	86-2, Udagawa-cho, Shibuya-ku, Tokyo	Real property	1,543.05	8,560	6,668	
		R cocoti	1-23-1, Shibuya, Shibuya-ku, Tokyo	Trust	8,319.95	25,800	24,683	
		R CONZE Ebisu	2-3-5, Ebisu Minami Shibuya-ku, Tokyo	Real property	2,319.24	5,060	5,106	
	Sub total					42,565.15	88,060	69,685
	Other	R Beacon Hill Plaza (Ito-Yokado Noukendai Store)	88-1, Noukendai-higashi, Kanazawa-ku, Yokohama City, Kanagawa	Trust	50,285.89	9,550	9,282	
		R Shonan mall Fill (Sokochi)	4-4300-1, Tsujido Shinmachi, Fujisawa City, Kanagawa	Trust	44,078.12	6,860	7,026	
	Sub total					94,364.01	16,410	16,308
	Total					136,929.16	104,470	85,993
	Office	Central Tokyo and Tokyo Areas	O Setagaya Business Square	4-260-2, Yoga, Setagaya-ku, Tokyo	Trust	24,857.50	31,500	20,509
			O Tokyu Nampeidai-cho Building	12-3, Nampeidai-cho, Shibuya-ku, Tokyo	Trust	7,148.18	6,700	4,458
O Tokyu Sakuragaoka-cho Building			109-9, Sakuragaoka-cho, Shibuya-ku, Tokyo	Trust	4,737.19	9,380	6,485	
O Tokyo Nissan Taito Building			2-120-2, Moto-Asakusa, Taito-ku, Tokyo	Trust	7,947.25	5,620	4,123	
O TOKYU REIT Akasaka Hinokicho Building			6-1401, Akasaka, Minato-ku, Tokyo	Trust	3,206.25	4,900	3,520	
O TOKYU REIT Kamata Building			5-13-7, Kamata, Ota-ku, Tokyo	Trust	7,337.82	7,140	4,380	
O Resona Maruha Building			1-2-1, Otemachi, Chiyoda-ku, Tokyo	Trust	14,414.99	33,300	23,843	
O TOKYU REIT Toranomom Building			3-45-6, Toranomom, Minato-ku, Tokyo	Real property	10,038.01	14,000	8,651	
O TOKYU REIT Hatchobori Building			2-104-1, Hatchobori, Chuo-ku, Tokyo	Trust	6,021.75	7,320	7,149	
Sub total					85,708.44	119,860	83,117	
Total					85,708.44	119,860	83,117	
Total					222,637.60	¥ 224,330	¥ 169,110	

Note 1. 'Location' is stated as based on the description shown in the registry book. The present status of the said property might not correspond to the descriptions in the registry book.

Note 2. 'Rentable area' is the total area of rentable offices, stores and warehouses indicated in the agreements and drawings (common use space is included when it is leased.). With respect to Tokyu Saginuma Building,

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

Note 3. 'Appraisal value at the end of period' is the assessed value based on the appraisal by real estate appraisers following the asset evaluation method, standards, reporting date and rules laid down in the laws and rules of the Investment Trust Association, Japan, (based on the report prepared by Japan Real Estate Institute, HIRO & REAS network, Inc., Jones Lang LaSalle IP, Inc., and Daiwa Real Estate Appraisal Co., Ltd., which adopt the period end date as the date of value estimate).

Development of Leasing Business of Properties Held by TOKYU REIT

Name of property		8th fiscal period From February 1, 2007 to July 31, 2007				7th Fiscal Period From August 1, 2006 to January 31, 2007					
		Number of tenants	Occupancy ratio	Revenue from property leasing	Percentage of revenue from property leasing	Number of tenants	Occupancy ratio	Revenue from property leasing	Percentage of revenue from property leasing		
			%	Millions of yen	%		%	Millions of yen	%		
Retail	R	QFRONT	4	100.0	¥ 608	9.0	4	100.0	¥606	9.4	
	R	Lexington Aoyama	2	100.0	168	2.5	2	100.0	169	2.6	
	R	TOKYU REIT Omotesando Square	4	100.0	187	2.8	4	100.0	176	2.7	
	R	Tokyu Saginuma Building	1	100.0	310	4.6	1	100.0	310	4.8	
	R	Tokyu Saginuma 2 Building	1	100.0	65	1.0	1	100.0	65	1.0	
	R	TOKYU REIT Shibuya Udagawa-cho Square	2	100.0	168	2.5	2	100.0	171	2.7	
	R	cocoti	16	100.0	717	10.7	16	100.0	711	11.0	
	R	CONZE Ebisu	8	100.0	139	2.1	8	100.0	71	1.1	
		Sub total	38	100.0	2,362	35.1	38	100.0	2,279	35.3	
	Other	R	Beacon Hill Plaza (Ito-Yokado Noukendai Store)	1	100.0	300	4.5	1	100.0	300	4.6
		R	Shonan mall Fill (Sokochi)	1	100.0	174	2.6	1	100.0	174	2.7
			Sub total	2	100.0	474	7.1	2	100.0	474	7.3
		Total	40	100.0	2,836	42.2	40	100.0	2,753	42.6	
	Office	O	Setagaya Business Square	61	99.8	1,293	19.2	58	98.3	1,266	19.6
O		Tokyu Nampeidai-cho Building	1	100.0	182	2.7	1	100.0	173	2.7	
O		Tokyu Sakuragaoka-cho Building	2	100.0	254	3.8	2	100.0	241	3.7	
O		Tokyo Nissan Taito Building	13	100.0	234	3.5	12	99.0	225	3.5	
O		TOKYU REIT Akasaka Hinokicho Building	5	100.0	150	2.2	5	100.0	149	2.3	
O		TOKYU REIT Kamata Building	3	88.4	252	3.7	4	100.0	274	4.2	
O		Resona Maruha Building	3	100.0	842	12.5	3	100.0	787	12.2	
O		TOKYU REIT Toranomom Building	6	100.0	470	7.0	6	100.0	453	7.0	

	○	TOKYU REIT Hatchobori Building	9	99.0	212	3.1	9	99.0	139	2.2
		Sub total	103	98.9	3,888	57.8	100	99.4	3,707	57.4
		Total	103	98.9	3,888	57.8	100	99.4	3,707	57.4
		Total	143	99.6	6,725	100.0	140	99.8	¥ 6,461	100.0

Note 1. With respect to 'Number of tenants', this is counted cumulatively, i.e., when one tenant leases plural rooms for rent in the same property, it is regarded as one tenant, and when in plural properties, it is regarded as plural tenants.

Note 2. 'Occupancy ratio' is the percentage of leased areas to rentable area at the end of the period.

Note 3. 'Percentage of revenue from property leasing' is rounded off the second decimal place. Therefore, sum of each item might be not corresponding to figure of 'Total'.

(4) Other Assets

As of July 31, 2007, there are no assets targeted for investments other than those described in said above.

4. Capital Expenditures for Properties Held

(1) Plan of Capital Expenditures

Major capital expenditure for repair and maintenance works of properties held, as scheduled as of July 31, 2007, is as follows: The estimated construction costs shown below includes repair and maintenance costs to be charged to income.

Efficient repair and maintenance plans continue to be prepared for each property to maintain their competitiveness and from the view point of medium- to long-term improvements, as well as for repair and maintenance, and capital expenditure.

Name of property	Location	Objective	Estimated period	Estimated construction cost		
				Millions of yen		
				Total	Amount paid during this period	Amount paid by the end of period
○ Setagaya Business Square	Setagaya-ku, Tokyo	Exchange of blind	From October 2007 to November 2007	¥ 11	—	—
○ Resona Maruha Building	Chiyoda-ku, Tokyo	Repair of elevator control	From December 2007 to January 2008	¥ 70	—	—
○ Resona Maruha Building	Chiyoda-ku, Tokyo	Renewal of calorie meter and steam flowmeter	From December 2007 to January 2008	¥ 22	—	—
○ Resona Maruha Building	Chiyoda-ku, Tokyo	Renewal of direct current facility	From November 2007 to November 2007	¥ 16	—	—
○ TOKYU REIT Hatchobori Building	Chuo-ku, Tokyo	Renewal of humidifier	From December 2007 to January 2008	¥ 25	—	—

(2) Capital Expenditures made during the Period

The overview of construction works that fall under the category of capital expenditures for properties held, is as follows:

Capital expenditures during the current period amounted to ¥ 80 million, and together with ¥ 88 million expenses for repair and maintenance costs, ¥ 168 million was spent for these works. Additionally, fixed assets have been increased ¥ 5 million by acceptance of asset.

Name of property	Location	Objective	Period	Construction Cost
○ TOKYU REIT Hatchobori Building	Chuo-ku, Tokyo	Renewal of air-conditioning equipment	From May 2007 to June 2007	¥ 15
Others				¥ 65
Total				¥ 80

(3) Reserve for Long-Term Repair and Maintenance Plan
(Reserve for Repair and Maintenance)

Subject to the mid- and long-term future schedule for repair and maintenance decided for each property, TOKYU REIT accounted for reserves for repair and maintenance from cash flow made during the period in order to pay for significant repair and maintenance plans as follows :

	8th fiscal period From February 1, 2007 to July 31, 2007	7th fiscal period From August 1, 2006 to January 31, 2007	6th fiscal period From February 1, 2006 to July 31, 2006	5th fiscal period From August 1, 2005 to January 31, 2006	4th fiscal period From February 1, 2005 to July 31, 2005
Millions of yen					
Reserve at the beginning of the period	¥ 270	¥ 208	¥ 245	¥ 331	¥ 330
Amount transferred to reserve in current period	128	212	242	108	143
Reversal from reserves in current period	125	149	279	194	142
Reserve at the ending of the period	¥ 274	¥ 270	¥ 208	¥ 245	¥ 331

Note TOKYU REIT took over reserves made in the trust assets that the prior proprietor accounted for at the time of trade of beneficial interests in trust accounts and for the current period, such reserves are included in the "amount transferred to reserve in current period".

5. Expenses and debt

(1) Investment management expenses

	8th fiscal period From February 1, 2007 to July 31, 2007	7th fiscal period From August 1, 2006 to January 31, 2007
Millions of yen		
(a) Investment management fees		
Asset-based fees	¥ 313	¥ 282
Cash-based fees	249	238
Unit price-based fees	192	95
	¥ 754	¥ 614
(b) Asset custodian and general administration fees	61	60
(c) Director's fees	5	5
(d) Other expenses	57	66
Total	¥ 877	¥ 745

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

Short-term debt and Long-term debt from each financial institution, as of July 31, 2007, are as follows:

Category	Lender	Draw-down date	Balance as of July 31, 2007	Balance as of January 31, 2007	Average interest Rate (Note 1)	Maturity date	Re-payment method	Use of funds	Remark
			Millions of yen	Millions of yen	%				
short-term debt	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	June 25, 2004	¥ 5,000	¥ 5,000	0.99871	September 25, 2007	Bullet Payment	Refinance fund	Unsecured and Unguaranteed (Note 3)
	Mitsubishi UFJ Trust and Banking Corporation	April 28, 2006	¥ 3,000	¥ 3,000	0.93732	April 28, 2008		(Note 2)	
	The Sumitomo Trust and Banking Company, Limited	September 29, 2006	730	730	0.95884	September 28, 2007			
	The Chuo Mitsui Trust and Banking Company, Limited		730	730					

	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		730	730						
	Mizuho Corporate Bank, Ltd.		730	730						
	Mitsubishi UFJ Trust and Banking Corporation		4,380	4,380						
	The Sumitomo Trust and Banking Company, Limited	October 31, 2006	1,000	1,000	1.01144	October 31, 2007				
	The Chuo Mitsui Trust and Banking Company, Limited		1,000	1,000						
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		1,000	1,000						
	Mizuho Corporate Bank, Ltd.		1,000	1,000						
	Mitsubishi UFJ Trust and Banking Corporation		1,000	1,000						
	Sub total		20,300	20,300						
Long-term debt	The Sumitomo Trust and Banking Company, Limited	June 25, 2004	—	5,000	1.10855	June 25, 2007	Bullet Payment	Refinance fund	Unsecured and Unguaranteed (Note 3)	
	The Norinchukin Bank		4,000	4,000	1.38875	June 25, 2008			Unsecured and Unguaranteed (Notes 3 and 4)	
	The Hyakugo Bank, Ltd.		1,000	1,000	1.23875				Unsecured and Unguaranteed (Notes 3, 4 and 5)	
	The Chuo Mitsui Trust and Banking Company, Limited		5,000	5,000	1.68875	June 25, 2009			Unsecured and Unguaranteed (Note 3)	
	Mitsubishi UFJ Trust and Banking Corporation		5,000	5,000						
	Aioi Insurance Company, Limited		1,000	1,000	1.92750	June 25, 2010			Unsecured and Unguaranteed (Notes 3 and 5)	
	DAIDO LIFE INSURANCE COMPANY		1,000	1,000						
	Mitsui Sumitomo Insurance Company, Limited		1,000	1,000						
	Development Bank of Japan			4,000	4,000	2.03000			June 25, 2012	
	The National Mutual Insurance Federation of Agricultural Cooperatives		October 25, 2005	1,000	1,000	1.26250			October 25, 2011	
	Development Bank of Japan		January 25, 2006	5,000	5,000	1.95000			January 25, 2018	
	Nippon Life Insurance Company		July 31, 2006	4,000	4,000	1.93000			July 31, 2011	Unsecured and Unguaranteed (Note 3)
	The Dai-ichi Mutual Life Insurance Company			4,000	4,000	2.21125			July 31, 2013	
	The Dai-ichi Mutual Life Insurance Company		January 25, 2007	1,000	1,000	1.92000			January 25, 2014	
	The National Mutual Insurance Federation of Agricultural Cooperatives			3,000	3,000					
	The Sumitomo Trust and Banking Company, Limited		June 25, 2007	5,000	—	1.86091			December 25, 2010	
			Sub total		45,000	45,000				
	Total		¥ 65,300	¥ 65,300						

Note 1. 'Average interest rate' is the weighted average interest rate during the period.

Note 2. Fund was used to purchase property and for expenditure pertaining to the purchase.

- Note 3. Depending on the financial position of TOKYU REIT, it is possible that financial restraint may occur, such as addition to interest rate and cash reserve, restraint on acquisition and disposal of assets, debt load and payment, dividends, offerings of additional pledge.
- Note 4. As of the fiscal period-end, the amounts are recorded in the balance sheets as “long-term debt financing due within one year” under “current liabilities.”
- Note 5. Initially, although TOKYU REIT implemented refinance of ¥ 6,000 million from Mizuho Corporate Bank on June 25, 2004, it transferred ¥ 4,000 million to The Hyakugo Bank, Ltd., Aioi Insurance Company, Limited, DAIDO LIFE INSURANCE COMPANY and Mitsui Sumitomo Insurance Company, Limited (¥ 1,000 million each) on the same day.

(3) Bonds

There was no items that fall under this category.

6. Acquisitions and Dispositions during the eighth fiscal period

(1) Sales and purchases of properties and asset backing securities

There was no items that fall under this category.

(2) Sales and purchases of other assets

There was no items that fall under this category.

(3) Research on Prices of Specified Assets

There was no items that fall under this category.

(4) Trading with related party

① Status of trading

There are no items that fall under the category with respect to trades of specified assets with related parties during the current period.

② Amounts of commissions paid to related parties

Item	Total amounts of commissions paid (A)	Paid to related parties		B/A (%)
		Payee	Amount of payment (B)	
	Thousands of yen		Thousands of yen	
Utilities expenses	¥ 521,056	Shibuya Underground Shopping Center, Inc.	¥ 57	0.0
		Yoga District Heating and Cooling Co., Ltd.	¥ 110,909	21.3
Subcontract expenses	413,904	its communications Inc.	20,065	4.8
		Kyodo Gijutsu Center Co., Ltd.	14,974	3.6
		Tokyu Community Co., Ltd.	244,033	59.0
		Tokyu Facility Service, Co., Ltd.	20,986	5.1
Property management fees	144,147	Tokyu Land Corporation	78,187	54.2
		Tokyu Corporation	65,960	45.8
Insurance premium	16,914	Tokyu Insurance Consulting Co., Ltd.	16,914	100.0
Other rental service expenses	235,660	its communications Inc.	62	0.0
		Shibuya Underground Shopping Center, Inc.	850	0.4
		Tokyu Community Co., Ltd.	3,295	1.4
		Tokyu Facility Service, Co., Ltd.	149	0.1
		Tokyu Land Corporation	6,423	2.7
		Tokyu Hotels Co., Ltd.	88	0.0
		TMD Corporation	2,987	1.3
Other operating expenses	57,334	Tokyu Corporation	16,247	6.9
		Kanto Tokyu Inn	2,390	4.2
Other non-operating expenses	8,843	Tokyu Facility Service, Co., Ltd.	75	0.1
		Tokyu Station Retail Service Co., Ltd.	400	4.5

Note 1. A related party is one that has a stake in TOKYU REIT and the investment manager, which is under contract with TOKYU REIT under Article 20 of Enforcement Regulation of Investment Trust Law. In addition to these, “(4) Trading with related party” includes wholly owned subsidiaries by said related party as of July 31, 2007. TOKYU REIT paid for commissions to the following parties during the eighth period: its communications Inc., Kanto Tokyu Inn., Kyodo Gijutsu Center Co., Ltd., Shibuya Underground Shopping Center, Inc., Tokyu Community Co., Ltd., Tokyu Station Retail Service Co., Ltd., Tokyu Facility Service Co., Ltd., Tokyu Land Corporation, Tokyu Insurance Consulting Co., Ltd., Tokyu Hotels Co., Ltd., TMD Corporation, Tokyu Corporation and Yoga District Heating and Cooling Co., Ltd.

Note 2. In addition to the commissions paid described above, TOKYU REIT paid for commissions to third parties through Tokyu Land Corporation and Tokyu Corporation ¥ 35,949 thousand and ¥ 43,367 thousand, respectively.

In addition to commissions paid as described above, the amount paid for repair and maintenance works placed to related parties are as follows :

Kyodo Gijutsu Center Co., Ltd.	¥ 1,429 thousand
Tokyu Construction Co., Ltd.	¥ 25,562 thousand
Tokyu Community Co., Ltd.	¥ 4,226 thousand
Tokyu Security Co., Ltd.	¥ 9,034 thousand
Tokyu Facility Service Co., Ltd.	¥ 1,498 thousand
Tokyu Land Corporation	¥ 1,166 thousand
Tokyu Corporation	¥ 2,428 thousand

(5) Trading between the investment manager and TOKYU REIT where the investment manager follows other business.

The investment manager (Tokyu Real Estate Investment Management Inc.) does not carry out other business such as Securities Business, Realty Business and Specific Property Joint Undertaking as a Subsidiary Business.

7. Accounting

(1) Assets, Liabilities, Unitholders' capital and Profit/Loss

See accompanying Balance Sheets, Statements of Income, Statements of changes in Unitholders' Equity and Notes.

(2) Change in depreciation method

Following the 2007 Tax Reform in Japan, TOKYU REIT has discarded the use of residual values allowing fixed assets acquired on or after April 1, 2007 to be fully depreciated until the depreciation balance for each asset is ¥1 (memorandum value) over its useful life.

Depreciation of fixed assets calculated according to the rules before reformation is ¥ 950,846 thousand and is ¥ 950,933 thousand calculated according to the rules after reformation.

(3) Change in valuation methods

There is no item that falls under this category.

8. Others

(1) News

Partial amendments to the investment management agreement with the investment management company, Tokyu Real Estate Investment Management, Inc., dated June 20, 2003 was decided at the Board of Directors Meeting held on March 9, 2007. The memorandum was exchanged with the investment management company on the day and the amendments were approved at the General Meeting of Unitholders held on April 17, 2007.

The amendments affect unit price-based fee calculation methods concerning investment management fees as stipulated by the investment management agreement. The calculation method was applied from February 1, 2007.

Before Amendments	After Amendments
<p>(Calculation Method and Payment Period)</p> <p>The unit price-based fee is calculated as follows based on the average closing price of TOKYU REIT units as reported on the Tokyo Stock Exchange. However, in the event that TOKYU REIT aggregates or splits its units, the following calculation methods may be revised.</p> <p>[Calculation Formula] (Average closing price of units during the fiscal period - Highest average closing price of units during the previous fiscal period) x Number of units outstanding <u>at the beginning of the fiscal period</u> x 1.0%</p> <p>The average closing price equals the aggregate sum of the closing price of units for each trading day during the fiscal period, divided by the total number of trading days during the fiscal period. Trading days with no closing price are omitted from the calculation.</p> <p><u>The unit price-based fee shall be zero yen in the event that the average closing price during the fiscal period does not exceed the highest average closing price in the past.</u></p> <p>The payment period is within two months of the end of the fiscal period.</p>	<p>(Calculation Method and Payment Period)</p> <p>(No change)</p> <p>[Calculation Formula] (Average closing price of units during the fiscal period - Highest average closing price of units <u>over all previous fiscal periods</u>) x Number of units outstanding <u>at the end of the previous fiscal period</u> x 0.4%</p> <p>(No change)</p> <p><u>The unit price-based fee shall be zero yen in the event that the average closing price during the fiscal period does not exceed the highest average closing price of units over all previous fiscal periods.</u></p> <p>(No change)</p>

(2) Others

In this report, unless otherwise specifically mentioned, amounts and ratios are rounded.

Report of Independent Auditors

To the Board of Directors of
TOKYU REIT, Inc.

We have audited the accompanying balance sheet of TOKYU REIT, Inc. (the "Company") as of July 31, 2007, and the related statements of income, changes in unitholders' equity and cash flows for the six months ended July 31, 2007, all expressed in Japanese Yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TOKYU REIT, Inc. as of July 31, 2007, and the results of its operations and its cash flows for the six months ended July 31, 2007 in conformity with accounting principles generally accepted in Japan.

As described in Note 15 "Subsequent event", TOKYU REIT, Inc. issued investment corporation bonds.

PricewaterhouseCoopers Aarata

October 25, 2007

TOKYU REIT, Inc.
Balance Sheets
As of July 31 and January 31, 2007

	July 31, 2007	January 31, 2007
	(Millions of yen)	
<u>ASSETS</u>		
Current assets:		
Cash and deposits with banks	¥ 2,391	¥ 964
Cash and deposits with banks held in trust	11,646	11,678
Tenant receivables	146	131
Consumption tax refund receivables	-	153
Other current assets	55	61
Total current assets	14,238	12,987
Fixed assets:		
Property and equipment		
Buildings and structures	3,270	3,264
Land	17,417	17,415
Other tangible assets	13	13
Buildings and structures held in trust	41,261	41,191
Land held in trust	112,481	112,481
Other tangible assets held in trust	972	961
Less accumulated depreciation	(6,317)	(5,368)
Total property and equipment	169,097	169,957
Intangible assets		
Intangible assets	1	1
Intangible assets held in trust	12	13
Total intangible assets	13	14
Investments and other assets		
Lease deposits	106	106
Lease deposits held in trust	874	874
Other assets	62	57
Total investments and other assets	1,042	1,037
Total fixed assets	170,152	171,008
Total assets	¥ 184,390	¥ 183,995

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

TOKYU REIT, Inc.
Balance Sheets, continued
As of July 31 and January 31, 2007

	July 31, 2007	January 31, 2007
	(Millions of yen)	
<u>LIABILITIES</u>		
Current liabilities:		
Short-term debt	¥ 20,300	¥ 20,300
Long-term debt due within one year	5,000	5,000
Accounts payable	994	840
Consumption tax refund payable	164	-
Rent received in advance	1,054	1,040
Tenant leasehold and security deposits held in trust due within one year	72	-
Accrued expenses and other current liabilities	141	132
Total current liabilities	27,725	27,312
Long-term liabilities:		
Long-term debt	40,000	40,000
Tenant leasehold and security deposits	1,120	1,066
Tenant leasehold and security deposits held in trust	15,078	15,192
Other long-term liabilities	4	4
Total long-term liabilities	56,202	56,262
Total liabilities	83,927	83,574
 <u>NET ASSETS</u>		
Unitholders' capital:		
Units authorized - 2,000,000 units		
Units issued and outstanding - 169,380 units as of July 31 and January 31, 2007	98,019	98,019
Retained earnings	2,444	2,402
Total net assets	100,463	100,421
Total liabilities and net assets	¥ 184,390	¥ 183,995

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

TOKYU REIT, Inc.
Statements of Income
For the six months ended July 31 and January 31, 2007

	For the six months ended	
	July 31, 2007	January 31, 2007
	(Millions of yen)	
Operating revenues:		
Rental revenue	¥ 6,225	¥ 5,944
Other	505	516
Operating expenses:		
Rental service expenses	(2,920)	(2,867)
Asset management fees	(753)	(614)
Other	(124)	(131)
Operating income	2,933	2,848
Non-operating income:		
Interest income	6	1
Other	6	-
Non-operating expenses:		
Interest expense	(491)	(435)
Other	(9)	(11)
Income before income taxes	2,445	2,403
Income taxes:		
Current	(1)	(1)
Deferred	0	(0)
Net income	2,444	2,402
Retained earnings at beginning of period	0	0
Retained earnings at end of period	¥ 2,444	¥ 2,402

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

TOKYU REIT, Inc.
Statements of Changes in Unitholders' Equity
For the six months ended July 31 and January 31, 2007

For the six months ended July 31, 2007

	Unitholders' capital	Retained earnings	Total
		(Millions of yen)	
Balance at January 31, 2007	¥ 98,019	¥ 2,402	¥100,421
Changes during the period			
Cash distributions declared	-	(2,402)	(2,402)
Net income	-	2,444	2,444
Total changes during the period	-	42	42
Balance at July 31, 2007	¥ 98,019	¥ 2,444	¥100,463

For the six months ended January 31, 2007

	Unitholders' capital	Retained earnings	Total
		(Millions of yen)	
Balance at July 31, 2006	¥ 98,019	¥ 3,754	¥101,773
Changes during the period			
Cash distributions declared	-	(3,754)	(3,754)
Net income	-	2,402	2,402
Total changes during the period	-	(1,352)	(1,352)
Balance at January 31, 2007	¥ 98,019	¥ 2,402	¥100,421

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

TOKYU REIT, Inc.
Statements of Cash Flows
For the six months ended July 31 and January 31, 2007

	For the six months ended	
	July 31, 2007	January 31, 2007
	(Millions of yen)	
Cash flows from operating activities:		
Income before income taxes	¥ 2,444	¥ 2,403
Depreciation and amortization	952	947
Loss on disposal of property and equipment	0	-
Interest income	(6)	(1)
Interest expense	491	435
(Increase) decrease in tenant receivables	(16)	7
Decrease (Increase) in consumption tax refund receivables	153	(153)
Increase (decrease) in consumption tax payable	164	(302)
Increase (decrease) in accounts payable	154	(154)
Increase in rent received in advance	14	52
Other, net	(7)	(11)
Total	4,343	3,223
Interest received	7	1
Interest paid	(475)	(388)
Income taxes paid	(2)	(1)
Net cash provided by operating activities	3,873	2,835
Cash flows from investing activities:		
Payments for purchases of property and equipment	(8)	(5,138)
Payments for purchases of property and equipment held in trust	(77)	(7,250)
Payments for purchases of intangible assets	-	(1)
Proceeds from tenant leasehold and security deposits	54	222
Payments for tenant leasehold and security deposits	(0)	(19)
Proceeds from tenant leasehold and security deposits held in trust	309	391
Payments for tenant leasehold and security deposits held in trust	(351)	(123)
Payments for restricted deposits with banks held in trust	(309)	(391)
Proceeds from restricted deposits with banks held in trust	351	123
Net cash used in investing activities	(31)	(12,186)
Cash flows from financing activities:		
Proceeds from short-term debt	400	13,872
Repayment of short-term debt	(400)	(5,572)
Proceeds from long-term debt	5,000	4,000
Repayment of long-term debt	(5,000)	-
Payment of dividends	(2,406)	(3,752)
Net cash (used in) provided by financing activities	(2,406)	8,548
Net change in cash and cash equivalents	1,436	(803)
Cash and cash equivalents at beginning of period	3,145	3,948
Cash and cash equivalents at end of period	¥ 4,581	¥ 3,145

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

TOKYU REIT, Inc.
Notes to Financial Statements

For the six months ended July 31 and January 31, 2007

1. Organization and basis of presentation

(a) Organization

TOKYU REIT, Inc. ("TOKYU REIT"), a real estate investment corporation with initial capital of ¥200 million, was formed on June 20, 2003 under the Investment Trust and Investment Corporation Law of Japan ("Investment Trust Law"). Registration with the Kanto Local Finance Bureau of the Ministry of Finance was completed on July 18, 2003 in accordance with the Investment Trust Law.

On September 10, 2003, TOKYU REIT was listed on the Tokyo Stock Exchange and issued 97,600 investment units for proceeds totaling ¥49,918 million through initial public offering. TOKYU REIT had acquired 11 properties with those proceeds and started its substantial operation.

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

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

As at July 31, 2007, TOKYU REIT's total capital has been ¥98,019 million with 169,380 units outstanding. And TOKYU REIT has been operating 19 properties at approximately 99.6% of occupancy rate. Total acquisition cost of those 19 properties is ¥171,737 million and total rentable area is 222,637.60 m².

(b) Basis of presentation

The financial statements of TOKYU REIT, which is incorporated in Japan, have been prepared in accordance with the provisions set forth in the Commercial Code of Japan, the Investment Trust Law, the Securities and Exchange Law of Japan ("Securities and Exchange Law" as replaced by "Financial Instruments and Exchange Law") and related regulations and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects to the application and disclosure requirements of International Financial Reporting Standards.

Certain items presented in the financial statements for domestic purposes, which were submitted to the Director of the Kanto Local Financial Bureau of the Ministry of Finance, have been reclassified in the accompanying financial statements for the convenience of readers outside Japan.

The accompanying financial statements are a translation of the audited financial statements that were prepared for Japanese domestic purposes from the accounts and records maintained by TOKYU REIT and were filed with the Kanto Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. TOKYU REIT does not prepare consolidated financial statements, as TOKYU REIT has no subsidiaries.

TOKYU REIT's first fiscal period began on June 20, 2003, the date of incorporation, and ended on January 31, 2004. TOKYU REIT's fiscal period is a six-month period, which ends respectively at the end of each January and July of each year.

TOKYU REIT, Inc.
Notes to Financial Statements, continued
For the six months ended July 31 and January 31, 2007

2. Significant accounting policies

(a) Cash and cash equivalents - Cash and cash equivalents consist of cash, demand deposits, cash and deposits held in trust and short-term investments which are highly liquid, readily convertible to cash and with insignificant risk of price fluctuation, and which expire within three months from the date of acquisition.

(b) Property and equipment - Property and equipment are carried at cost, less accumulated depreciation. Depreciation of property and equipment, except for land, is computed by using the straight-line method at rates based on the estimated useful lives of the respective assets.

The ranges of useful lives used in the computation of depreciation are generally as follows (including those held in trust):

	July 31, 2007	January 31, 2007
	(years)	
Buildings and structures		
Buildings	2-50	2-50
Structures	2-52	2-52
Other tangible assets		
Machinery and equipment	3-17	3-16
Tools, furniture and fixtures	2-15	2-15

(c) Intangible assets - Amortization is computed by using the straight-line method.

(d) Income taxes - Income taxes are accounted for financial reporting purpose. The tax effect of temporary differences between the amount of assets and liabilities for financial statements and for income tax reporting is recognized as deferred taxes. A deferred tax asset of ¥ 21 thousand and ¥ 19 thousand are included in other current assets as of July 31, 2007 and January 31, 2007, respectively.

(e) Property-related taxes - Property-related taxes (property tax, city planning tax and depreciable property tax) are imposed on property on a calendar year basis. The amount of such taxes assessed in the period is charged to income as rental service expenses. In accordance with Japanese business practice, at the time of disposal, the seller of the property is generally liable for property-related taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is reimbursed by the purchaser of the property for the accrued property-related tax liabilities up to the time of disposal, and the amount of the settlement reflects this adjustment when acquiring a property. TOKYU REIT is allocated the portion of the property-related taxes related to the period following the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of the related properties. Capitalized property-related taxes totals ¥6 million for the six months ended January 31, 2007.

(f) Revenue recognition - TOKYU REIT operates retail and office properties that are rented to tenants. Revenue from leasing the retail and office space is recognized on an accrual basis over the life of each lease. Rental revenue includes fixed rental revenues, recoveries of utility charges and other income.

(g) Accounting treatment of beneficiary interest in trust accounts, including real estate- For trust beneficiary interests in real estate, which are commonly utilized in the ownership of commercial properties in Japan and through which TOKYU REIT holds most of its property, all accounts of assets and liabilities within the trust, as well as all income generated and expenses incurred from assets and liabilities in the trust, are recognized in the balance sheet and income statement accounts.

(h) Net income per unit - Net income per unit is computed by dividing net income by the weighted-average number of units outstanding during each period.

TOKYU REIT, Inc.

Notes to Financial Statements, continued

For the six months ended July 31 and January 31, 2007

- (i) **Accounting standard for impairment of fixed assets** - Effective August 1, 2005, TOKYU REIT adopted "Accounting Standard for Impairment of Fixed Assets" ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council in Japan on August 9, 2002) and "Implementation Guidance for the Accounting Standard for Impairment of Fixed Assets" (the Financial Accounting Standard Implementation Guidance No.6 issued by the Accounting Standards Board of Japan on October 31, 2003). The standard requires the recognition of an impairment loss on fixed assets whenever events or changes in circumstances indicate that the carrying amounts of fixed assets may not be recoverable.
- (j) **Depreciation Method for Fixed Assets** - Following the 2007 Tax Reform in Japan, TOKYU REIT has discarded the use of residual values allowing fixed assets acquired on or after April 1, 2007 to be fully depreciated until the depreciation balance for each asset is ¥1 (memorandum value) over its useful life. As a result of this change, for the six months ended July 31, 2007, rental service expenses increased by ¥87 thousand compared with the previously used depreciation method.

3. Cash and cash equivalents

Cash and cash equivalents, at July 31 and January 31, 2007 consisted of the follows:

	July 31, 2007	January 31, 2007
(Millions of yen)		
Cash and deposits with banks	¥ 2,391	¥ 964
Cash and deposits with banks held in trust	11,646	11,678
Restricted deposits with banks held in trust	(9,456)	(9,497)
Cash and cash equivalents	¥ 4,581	¥ 3,145

Restricted deposits with banks held in trust are retained for repayment of tenant leasehold and security deposits.

4. Schedule of property and equipment and intangible assets held in trust

Property and equipment and intangible assets held in trust as of July 31 and January 31, 2007 consisted of the following:

	July 31, 2007			January 31, 2007		
	(Millions of yen)					
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Property and equipment						
Buildings and structures						
Buildings	¥ 3,253	¥ (269)	¥ 2,984	¥ 3,247	¥ (207)	¥ 3,040
Structures	17	(1)	16	17	(1)	16
Land	17,417	-	17,417	17,415	-	17,415
Other tangible assets						
Machinery and equipment	3	(2)	1	3	(2)	1
Tools, furniture and fixtures	10	(3)	7	10	(2)	8
Intangible assets	1	(0)	1	1	(0)	1
Property and equipment held in trust						
Buildings and structures						
Buildings	40,527	(5,601)	34,926	40,458	(4,774)	35,684
Structures	734	(148)	586	733	(128)	605
Land	112,481	-	112,481	112,481	-	112,481
Other tangible assets						
Machinery and equipment	721	(172)	549	721	(142)	579
Tools, furniture and fixtures	251	(121)	130	240	(112)	128
Intangible assets held in trust	17	(5)	12	17	(4)	13
Total	¥175,432	¥ (6,322)	¥169,110	¥175,343	¥ (5,372)	¥169,971

TOKYU REIT, Inc.
Notes to Financial Statements, continued

For the six months ended July 31 and January 31, 2007

5. Unitholders' equity

TOKYU REIT issues investment units in accordance with the Investment Trust Law. All the proceeds from the issuance of new units are designated as stated capital. TOKYU REIT maintains minimum net assets of at least ¥50 million as required by the Investment Trust Law.

6. Short-term debt and Long-term debt

Short-term debt and long-term debt as of July 31 and January 31, 2007 consisted of the following:

	July 31, 2007	January 31, 2007
	(Millions of yen)	
Short-term debt		
Unsecured loans due on September 25, 2007 with floating rate	¥ 5,000	¥ 5,000
Unsecured loans due on September 28, 2007 with floating rate	7,300	7,300
Unsecured loans due on October 31, 2007 with floating rate	5,000	5,000
Unsecured loans due on April 28, 2008 with floating rate	3,000	3,000
Sub total	<u>20,300</u>	<u>20,300</u>
Long-term debt		
Unsecured loans due on June 25, 2007 with fixed rate	-	5,000
Unsecured loans due on June 25, 2008 with fixed rate	5,000	5,000
Unsecured loans due on June 25, 2009 with fixed rate	10,000	10,000
Unsecured loans due on June 25, 2010 with fixed rate	3,000	3,000
Unsecured loans due on December 25, 2010 with fixed rate	5,000	-
Unsecured loans due on July 31, 2011 with fixed rate	4,000	4,000
Unsecured loans due on October 25, 2011 with fixed rate	1,000	1,000
Unsecured loans due on June 25, 2012 with fixed rate	4,000	4,000
Unsecured loans due on July 31, 2013 with fixed rate	4,000	4,000
Unsecured loans due on January 25, 2014 with fixed rate	4,000	4,000
Unsecured loans due on January 25, 2018 with fixed rate	5,000	5,000
Sub total	<u>45,000</u>	<u>45,000</u>
Total	<u>¥65,300</u>	<u>¥65,300</u>
Weighted average interest cost	<u>1.52%</u>	<u>1.42%</u>

On April 21, 2005, TOKYU REIT executed commitment line agreements which provide credit facilities totaling ¥2 billions with two banks. No amount has been drawn down as of July 31 and January 31, 2007.

7. Collateral pledged

The net book value pledged as collateral to secure tenant lease hold and security deposits of ¥4,821 million outstanding as of July 31 and January 31, 2007 were as follows:

	July 31, 2007	January 31, 2007
	(Millions of yen)	
Property and equipment held in trust		
Buildings and structures		
Buildings	¥ 3,546	¥ 3,639
Structures	150	152
Land	5,586	5,586
Other tangible assets		
Tools, furniture and fixtures	0	0
Total	<u>¥ 9,282</u>	<u>¥ 9,377</u>

TOKYU REIT, Inc.
Notes to Financial Statements, continued
For the six months ended July 31 and January 31, 2007

8. Rental revenue and expense

Rental revenues and expenses for the six months ended July 31 and January 31, 2007 were as follows:

	For the six months ended	
	July 31, 2007	January 31, 2007
(Millions of yen)		
Revenue from property leasing:		
Rental revenue:		
Rental revenue	¥ 5,047	¥ 4,795
Common area charges	648	625
Parking lot revenue under monthly contract	139	136
Other	391	388
Sub total	6,225	5,944
Other:		
Incidental income	431	461
Other	69	55
Sub total	500	516
Total revenue from property leasing (a)	6,725	6,460
Rental service expenses:		
Utilities expenses	521	536
Subcontract expenses	414	409
Property management fees	144	138
Repairs and maintenance expenses	88	84
Property-related taxes	548	501
Insurance premium	17	17
Depreciation and amortization	952	947
Loss on disposal of property and equipment	0	-
Other	236	235
Total rental service expenses (b)	2,920	2,867
Operating income from property leasing activities (a)-(b)	¥ 3,805	¥ 3,593

9. Income taxes

Income taxes in Japan applicable to TOKYU REIT consist of corporate income tax, enterprise tax and inhabitant tax. The following is reconciliation between the statutory income tax rate in Japan and the effective tax rate reflected in the accompanying financial statements for the six months ended July 31 and January 31, 2007.

	July 31, 2007	January 31, 2007
Statutory income tax rate	39.39%	39.39%
Deductible cash distributions	(39.37)	(39.37)
Other	0.02	0.02
Effective tax rate	0.04%	0.04%

TOKYU REIT has a policy of making cash distributions in excess of 90% of distributable income as defined in the Special Taxation Measures Law of Japan ("Special Taxation Measures Law") for the fiscal period to qualify for conditions as set forth in Special Taxation Measures Law to achieve a deduction of cash distributions for income tax purposes. Based on such policy, TOKYU REIT treated the cash distributions as a tax allowable distribution as defined in Special Taxation Measures Law.

TOKYU REIT, Inc.
Notes to Financial Statements, continued

For the six months ended July 31 and January 31, 2007

10. Per unit information

The following table summarizes the net income per unit for the six months ended July 31 and January 31, 2007 and the unitholders' equity per unit as of July 31 and January 31, 2007.

	For the six months ended	
	July 31, 2007	January 31, 2007
Net income per unit	¥ 14,427	¥ 14,182
Weighted-average number of units ※1	169,380 units	169,380 units

※1 Average number of units weighed by days in each fiscal period.

	As of July 31, 2007	As of January 31, 2007
Unitholders' equity per unit	¥ 593,124	¥ 592,879

Diluted net income per unit is not presented since no warrants and convertible bonds were issued during the six months ended July 31 and January 31, 2007.

11. Leases

TOKYU REIT leases its properties to tenants under non-cancelable operating leases. As of July 31 and January 31, 2007, the future lease revenues under the non-cancelable operating leases were as follows:

	July 31, 2007	January 31, 2007
	(Millions of yen)	
Due within one year	5,618	¥ 5,639
Due after one year	31,379	32,697
Total	36,997	¥ 38,336

As of July 31 and January 31, 2007, the future lease payments under the non-cancelable operating leases were as follows:

	July 31, 2007	January 31, 2007
	(Millions of yen)	
Due within one year	257	¥ 286
Due after one year	2,266	2,368
Total	2,523	¥ 2,654

TOKYU REIT, Inc.

Notes to Financial Statements, continued

For the six months ended July 31 and January 31, 2007

12. The financial results of each property (Unaudited)

Details on the financial results of each property for the six months ended July 31 and January 31, 2007 were as follows: (Unaudited)

For the six months ended July 31, 2007

Name of building	Revenue from property leasing	Property leasing expenses (*1)	NOI (*2)	Depreciation and amortization (*2)	Operating income from property leasing activities
Millions of yen					
R QFRONT	¥ 608	¥ 235	¥ 373	¥ 59	¥ 314
R Lexington Aoyama	168	26	142	7	135
R TOKYU REIT Omotesando Square	187	32	155	7	148
R Tokyu Saginuma Building	310	62	248	26	222
R Tokyu Saginuma 2 Building	65	14	51	8	43
R TOKYU REIT Shibuya Udagawa-cho Square	168	19	149	5	144
R Beacon Hill Plaza	300	56	244	96	148
R cocoti	717	167	550	165	385
R Shonan Mall Fill (Sokochi)	174	25	149	-	149
R CONZE Ebisu	139	36	103	18	85
O Setagaya Business Square	1,293	523	770	249	521
O Tokyu Nampeidai-cho Building	182	35	147	30	117
O Tokyu Sakuragaoka-cho Building	254	52	202	19	183
O Tokyo Nissan Taito Building	234	76	158	51	107
O TOKYU REIT Akasaka Hinokicho Building	150	36	114	9	105
O TOKYU REIT Kamata Building	252	101	151	53	98
O Resona Maruha Building	842	221	621	61	560
O TOKYU REIT Toranomom Building	470	196	274	41	233
O TOKYU REIT Hatchobori Building	212	56	156	48	108
Total	¥ 6,725	¥ 1,968	¥ 4,757	¥ 952	¥ 3,805

For the six months ended January 31, 2007

Name of building	Revenue from property leasing	Property leasing expenses (*1)	NOI (*2)	Depreciation and amortization	Operating income from property leasing activities
Millions of yen					
R QFRONT	¥ 606	¥ 234	¥ 372	¥ 60	¥ 312
R Lexington Aoyama	169	30	139	7	132
R TOKYU REIT Omotesando Square	176	33	143	9	134
R Tokyu Saginuma Building	310	52	258	26	232
R Tokyu Saginuma 2 Building	65	15	50	9	41
R TOKYU REIT Shibuya Udagawa-cho Square	171	19	152	5	147
R Beacon Hill Plaza	300	58	242	96	146
R cocoti	711	184	527	165	362
R Shonan Mall Fill (Sokochi)	174	1	173	-	173
R CONZE Ebisu	71	16	55	12	43
O Setagaya Business Square	1,266	537	729	249	480
O Tokyu Nampeidai-cho Building	173	33	140	30	110
O Tokyu Sakuragaoka-cho Building	241	49	192	22	170
O Tokyo Nissan Taito Building	225	72	153	51	102
O TOKYU REIT Akasaka Hinokicho Building	149	39	110	12	98
O TOKYU REIT Kamata Building	274	92	182	52	130
O Resona Maruha Building	787	223	564	62	502
O TOKYU REIT Toranomom Building	453	198	255	41	214
O TOKYU REIT Hatchobori Building	139	35	104	39	65
Total	¥ 6,460	¥ 1,920	¥ 4,540	¥ 947	¥ 3,593

TOKYU REIT, Inc.
Notes to Financial Statements, continued

For the six months ended July 31 and January 31, 2007

- (Note 1) Property leasing expenses are defined as rental service expenses adjusted for depreciation and amortization.
- (Note 2) NOI represents net operating income, calculated as revenue from property leasing minus property leasing expenses.
- (Note 3) Depreciation and amortization for cocoti and Setagaya Business Square include Loss on disposal of property and equipment.

13. Related party transactions

Masahiro Horie, who holds no voting units of TOKYU REIT, is executive director of TOKYU REIT and Representative Director & President, Chief Executive Officer of Tokyu Real Estate Investment Management. Tokyu Real Estate Investment Management, Inc. has entered into asset management agreement subject to the conditions set forth in the TOKYU REIT's articles of incorporation with TOKYU REIT. The amount of management fees incurred for the six months ended July 31 and January 31, 2007 and payable due to asset manager as of then were as follows:

	July 31, 2007	January 31, 2007
	(Millions of yen)	
Asset management fees for the period	¥ 753	¥ 614
Management fees payable due to asset manager	463	349

14. Distribution information

The Board of Directors of TOKYU REIT resolved on September 13 and March 16, 2007 to effect payment of cash distributions of ¥14,427 and ¥14,182 per unit to unitholders of record on July 31 and January 31, 2007, respectively. Retained earnings carried forward after the distributions are as follows:

	July 31, 2007	January 31, 2007
	(Millions of yen)	
Retained earnings at end of period	¥ 2,444	¥ 2,402
Cash distributions declared	2,444	2,402
Retained earnings carried forward	¥ 0	¥ 0

15. Subsequent event

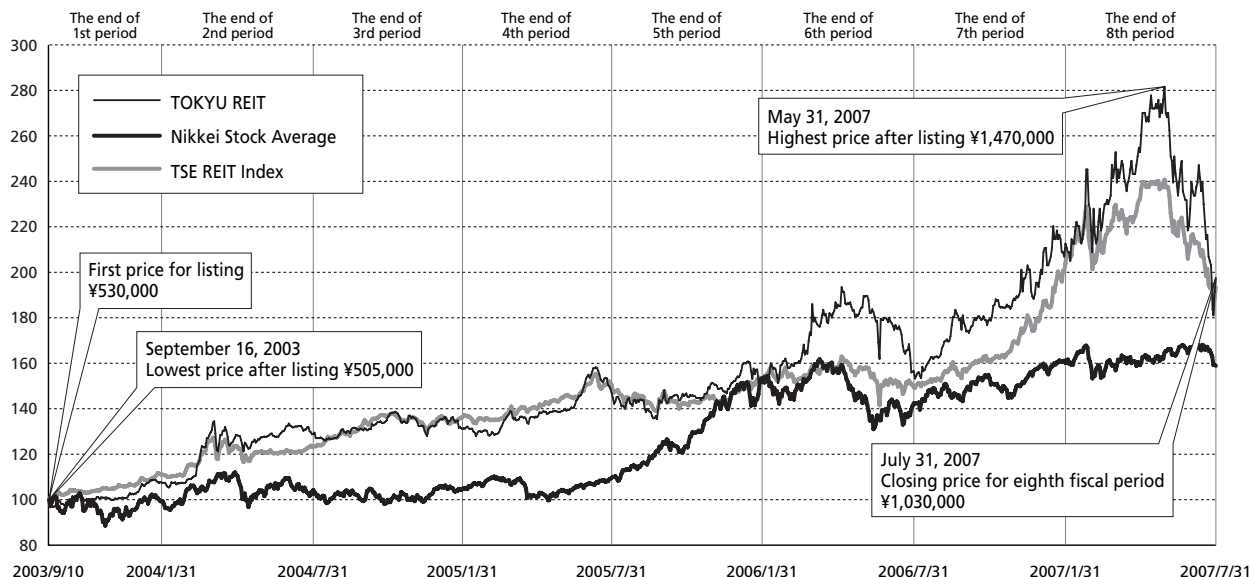
TOKYU REIT issued investment corporation bonds on October 24, 2007 for the purpose of repaying short term debt, based on a resolution by the Board of Directors meeting held on October 27, 2006. The investment corporation bonds are unsecured, unguaranteed and not backed by specific assets. Details are as follows.

	First series	Second Series
Investment Corporation Bond		
Issue date	October 24, 2007	October 24, 2007
Issue amount	¥5,000 million	¥5,000 million
Interest rate	1.65%	1.89%
Interest payment date	April 24 and October 24	April 24 and October 24
Maturity date	October 24, 2012	October 24, 2014
Redemption method (Note 1)	Repayment in full on maturity date	Repayment in full on maturity date

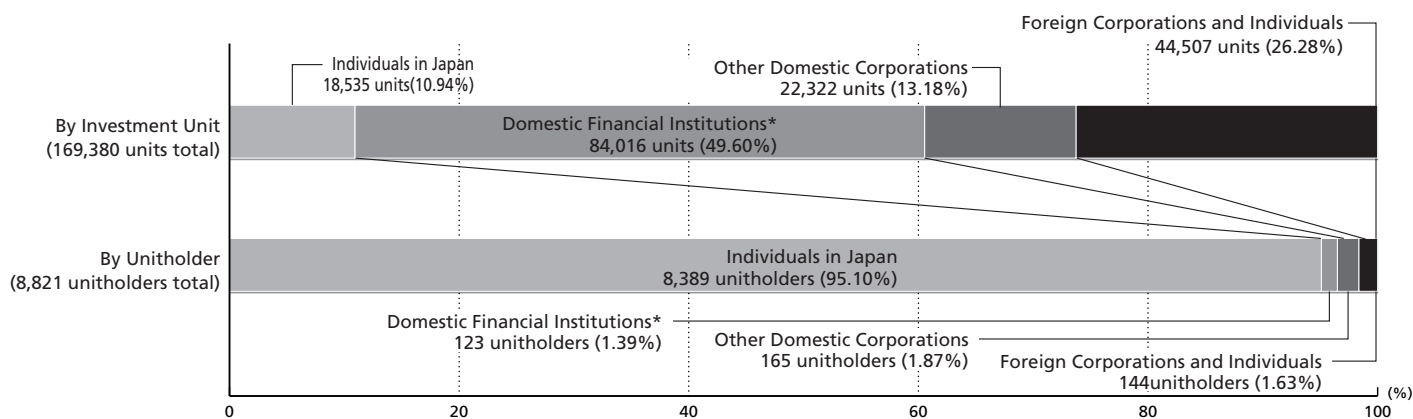
(Note 1) The investment corporation bonds may be redeemed at any time, unless determined otherwise by the transfer agent.

Unitholder Information

Unit Price Chart



Unitholder Composition



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

Results Reporting Schedule

	8th Period	9th Period
Date of settlement	Jul. 31, 2007	Jan. 31, 2008
Announcement of results	Sep. 13, 2007	Mid Mar. 2008
Delivery of asset management report	Oct. 9, 2007	Mid Apr. 2008
Payment of dividends	Oct. 10, 2007	Mid Apr. 2008

Address

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

Established

June 20, 2003

Executive Director

Masahiro Horie

Supervisory Directors

Giichi Yanagisawa

Maruhito Kondo

Independent Auditors

PricewaterhouseCoopers Aarata

4-2-8 Shibaura, Minato-Ku, Tokyo

Date of Settlement

Annually on January 31 and July 31

Unitholders' General Meeting

More than once every two years

Date for Finalizing General Meeting Voting Rights

As designated under Article 13 of the by-laws

Date for Determining Dividend Payments

Annually on January 31 and July 31

(Dividends paid within three months of each date)

The Administrator of the Register of Unitholders

The Mitsubishi UFJ Trust and Banking Corporation

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

Transfer Agent Head Business Office

The Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

Contact · Address

7-10-11 Higashi-Suna, Koto-ku, Tokyo

Tel: 0120-232-7111 (Toll free Number: in Japan only)

Transfer Agent Locations

Nationwide branches of The Mitsubishi UFJ Trust and Banking Corporation

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

Listing

Tokyo Stock Exchange (8957)

■ Distributions**The Time Limit for Claiming Cash Distributions**

The Articles of Incorporation of TOKYU REIT stipulates that the time limit for claiming cash distributions shall be three years from the date on which payment commenced, at which point the right of unitholders to receive cash distributions that remain unclaimed shall be annulled.

The date on which payment commenced for the second fiscal period (ended July 31, 2004) is on October 19, 2004 and for the third fiscal period (ended January 31, 2005) is on April 13, 2005.

■ Investment Management Company

Tokyu Real Estate Investment Management Inc. TEL 81-3-5428-5828

TOKYU REIT

TOKYU REIT, Inc.
www.tokyu-reit.co.jp/eng/