

Capitalize on Time in Asset Management

# TOKYU REIT

TOKYU REIT, Inc. Semiannual Report

24th Fiscal Period From February 1, 2015 to July 31, 2015

Investment in **Highly Competitive Properties**  
in Areas with **Strong Growth Potential**

*Value & Contrary*



## BASIC POLICY

### 1 Investment strategy to secure **'growth potential'**

- Invest in areas with strong growth potential  
—Investment in properties in central Tokyo and Tokyu Areas
- Committed to continued collaboration with Tokyu Corporation and its subsidiaries <sup>(Note)</sup> (Sponsor collaboration)
- 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'**

- Adherence to strict internal rules for preventing conflicts of interest
- Independent third-party checks
- Proactive disclosure of transaction details



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### 24th Fiscal Period Cash Distribution per Unit

¥2,451 (Fixed)  
(Date of payment: Oct. 15, 2015)

### 25th Fiscal Period Cash Distribution per Unit

¥2,460 (Forecast)  
(Date of payment: Mid Apr. 2016)

### 26th Fiscal Period Cash Distribution per Unit

¥2,460 (Forecast)  
(Date of payment: Mid Oct. 2016)

## FINANCIAL SUMMARY

		23rd Fiscal Period	24th Fiscal Period
<b>Balance Sheets</b>	■ Number of Properties	29 properties	29 properties
	■ Total Assets	¥223,346 million	¥222,810 million
	■ Interest-Bearing Debt	¥97,000 million	¥97,000 million
	■ Total Assets Loan-to-Value (LTV) Ratio	43.4%	43.5%
<b>Statements of Income</b>	■ Operating Revenues	¥7,541 million	¥7,133 million
	■ Net Income	¥2,660 million	¥2,396 million
<b>Distributions</b>	■ Cash Distribution per Unit	¥2,586	¥2,451
	■ Average Market Price per Unit	¥150,756	¥153,975
	■ Distribution Yield	3.40%	3.21%

(Note) Tokyu Corporation and its subsidiaries referred to in this semiannual report collectively represent "Tokyu Corporation," "A consolidated subsidiary of Tokyu Corporation (not including equity method affiliates)," "A tokutei mokuteki kaisha (TMK) or special purpose entity (SPE) that was established based on the intention of Tokyu Corporation or a consolidated subsidiary of Tokyu Corporation and where the share of investment by undisclosed associations or other investment shares in that entity by the respective company exceeds 50%."

## Stable earnings and cash distributions through investment in highly competitive properties in areas with strong growth potential

### Areas with Strong Growth Potential

#### ■ Investment Area: Tokyo Metropolitan Area

- Investment of more than 85% in Tokyo's central five wards and areas along Tokyu rail lines, areas showing population growth and more growth potential in the Tokyo Metropolitan Area
  - 93.6% of investment in Tokyo's central five wards and areas along Tokyu rail lines as of the end of the 24th fiscal period
- Control earthquake risk through PML. (Set portfolio PML at 10% or lower)
  - Set portfolio PML of 24th fiscal period: 4.0%
- Oriented towards total return (comprised of income return (rental revenues, etc.) of each fiscal period and future capital return (gains on sales))

### Highly Competitive Properties

#### ■ Focus on Location

- Office properties
  - Within a seven-minute walk from the nearest station as a rule
- Retail properties
  - Conduct various surveys and analyses in many aspects, including purchasing power potential of the trade zone, growth potential, compatibility of tenants with the trade zone, and status of competition.
- Secure favorable location, with focus on exit price and liquidity.

77.9%\* of properties lie within three-minute range today

\* Based on acquisition price at end of the 24th fiscal period (July 31, 2015)

#### ■ Size of Properties

- Properties worth over ¥4 billion respectively as a rule
- Over 5,000m<sup>2</sup> of total floor space and over 330m<sup>2</sup> of exclusive area in typical floor space (for office properties) as a rule

Average amount invested per property is ¥8.0 billion\* at present

\* Based on appraisal value at end of the 24th fiscal period (July 31, 2015)

#### ■ Asset Class

- Office : Retail = 60 : 40\*

\* Long-term target

No investment in hotels and logistics facilities\*

\* TOKYU REIT may acquire properties that have residences and parking facilities, etc. added due to legal requirements and other reasons.

Office : Retail = 58.8%\* : 41.2%\* currently

\* Based on appraisal value at end of the 24th fiscal period (July 31, 2015)

(Note) The "Total" column of the "Probable Maximum Loss (PML) in Earthquake Risk Analysis" indicates the PML for the entire portfolio. There is no unified, strict definition of PML; as used in this semiannual report, PML represents the percentage of expected loss due to small- to large-level earthquakes (those statistically calculated as possible over a 475-year period) that occur during an assumed period for the economic life of a building, to procurement cost for restoring expected damage. Calculations incorporate data relating to individual property survey, assessment of building conditions, conformity to architectural design, surveys of local areas and structural evaluation. The PML and the probable lost days are based on the earthquake risk analysis reports prepared by Engineering & Risk Services Corporation and OYO RMS Corporation. 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.

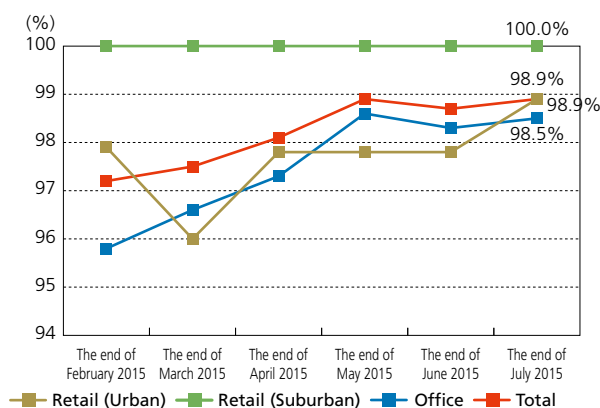
## Main Strategy and the Other

Being in the same boat as unitholders "investment management fee structure"	➔ Refer to Page 13
"Capital Re-investment Model" through collaboration with sponsors	➔ Refer to Page 15
"Value and contrarian investment strategy" focusing on cyclicity of real estate prices	➔ Refer to Page 16
Debt management strong against credit crises	➔ Refer to Page 18

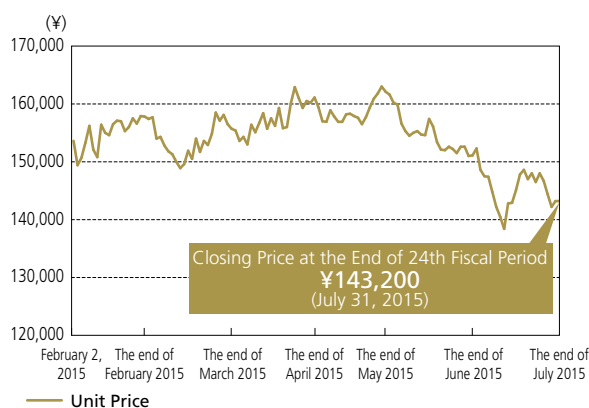
## Performance

TOKYU REIT, Inc. (**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 Tokyo's central five 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, 2015, the end of TOKYU REIT's 24th fiscal period, **TOKYU REIT** held 18 office buildings and 11 retail facilities, for a total of 29 properties.

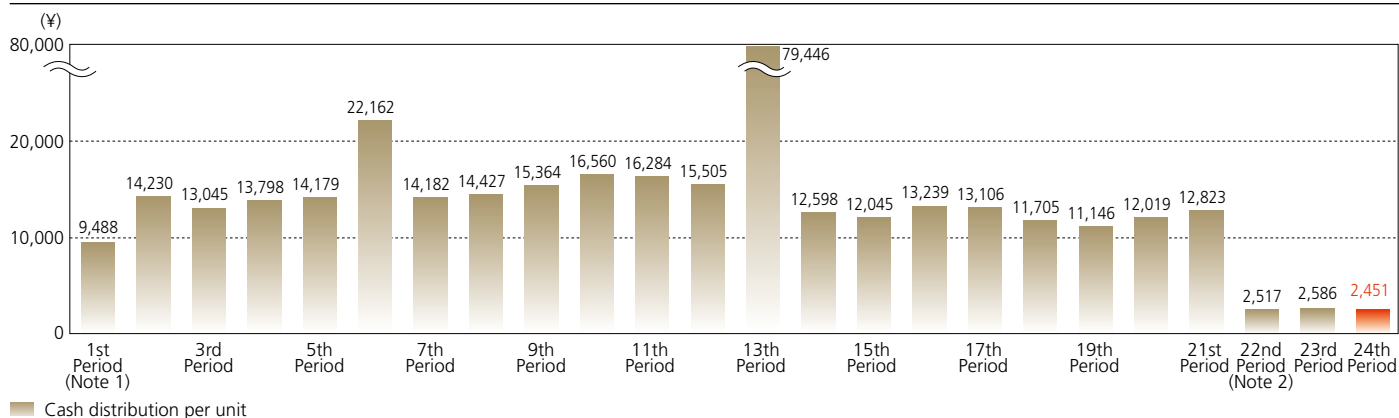
### Occupancy Rate



### Unit Price

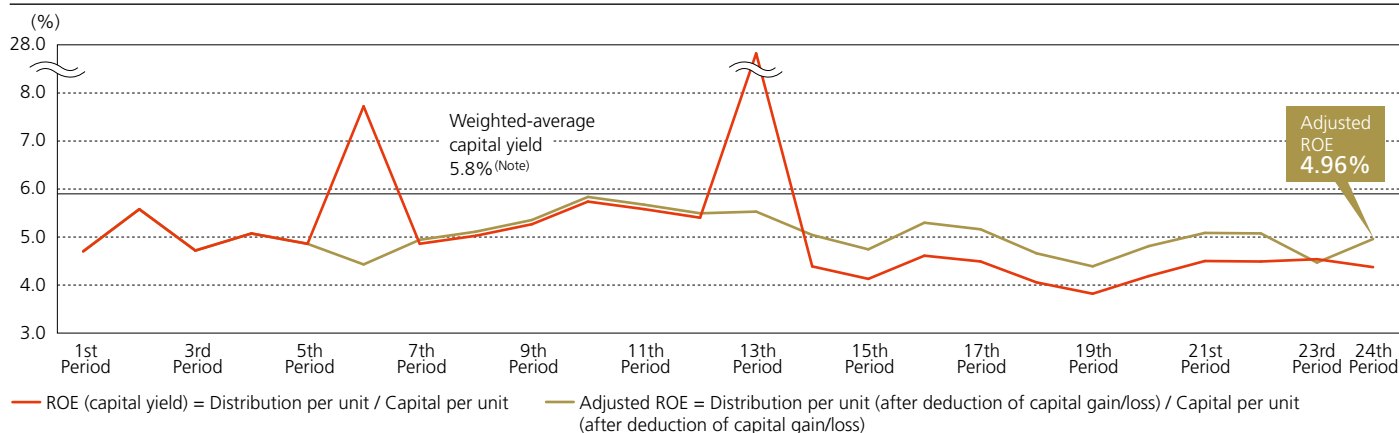


### Cash Distribution per Unit



(Notes) 1. Number of actual operating days in the 1st fiscal period was 144 days.  
2. **TOKYU REIT** conducted a five-for-one split of investment units with February 1, 2014 as the effective date.

### ROE (Capital Yield)



(Note) Period-end capital for the respective fiscal periods and weighted average based on number of actual operating days



On behalf of **TOKYU REIT**, I would like to express my sincere appreciation to all of you, our unitholders, for your continued support and patronage to us.

The following pages provide an overview of our operating environment and results for the 24th fiscal period (February 1, 2015 to July 31, 2015).

### Kazuyoshi Kashiwazaki

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

## Operating Results for the 24th Fiscal Period (Ended July 31, 2015)

For the 24th fiscal period, **TOKYU REIT** posted ¥7,133 million in operating revenues and ¥2,396 million in net income. As for cash distributions, we decided to declare a cash distribution per unit of ¥2,451, which decreased by ¥135, or down 5.2%, from the previous period's results (¥2,586 per unit) and exceeded the performance forecast announced on March 16, 2015 by ¥31, or up 1.3%.

Although revenues decreased from the previous period due to the lack of gains on sale (¥466 million) from the disposition of Beacon Hill Plaza (Ito-Yokado Noukendai Store), which was a factor particular to the previous period, revenues increased over the forecast as rental service expenses declined due to decrease in repair and utilities expenses while interest paid also decreased, in addition to the fact that rental revenue increased due to renewal of lease contracts with higher rents and move-ins by new tenants at multiple properties including Setagaya Business Square and CONZE Ebisu.

Furthermore, although reserve for reduction entry (¥132 million) reserved in line with accrual of the abovementioned gains on sale (¥466 million) was

scheduled to be reversed in the current period (the 24th fiscal period) and the next period (the 25th fiscal period) in the amount of ¥50 million and ¥82 million, respectively, **TOKYU REIT** has decided that such reversal shall not be made in these two periods and not in the 26th fiscal period, but will be made in the 27th fiscal period or later since renovations are planned along with the move-out of large tenants expected in the future as well as that the cash distribution outlook is likely to meet the initial forecast level due to the progress made in internal growth. Tenant move-outs will be discussed later in the report.

Net assets per unit (based on book value after deducting cash distributions) were ¥113,010, and with unrealized gains (the difference between book value and appraisal value at the end of period) taken into account, the NAV (adjusted net asset value) per unit was ¥136,824.

### ■ Report on Tenant Leasing and Rent Negotiation Activities

During the 24th fiscal period, although seven tenants vacated or decreased their leased floor space, 16 tenants moved in or increased their leased floor space. We proactively conducted value enhancement work for owned properties to further reinforce their

competitiveness by taking advantage of their good locations. These endeavors, on top of the improvement in the real estate leasing market for retail properties and office buildings in Tokyo, have maintained the recovery in occupancy rates at TOKYU REIT's properties.

As of the end of the 24th fiscal period (July 31, 2015), the occupancy rate of the entire portfolio was 98.9% (98.9% for urban retail properties, 100.0% for suburban retail properties, and 98.5% for office properties). The figure surpassed the figure at the end of the previous period by 1.8 percentage points and surpassed the figure assumed for the performance forecast by 0.9 percentage points. It also continued to exceed the average office occupancy rate for Tokyo's 23 wards published by CBRE, which stood at 96.3%.

Of the entire portfolio, approximately 24% of new leases or lease renewals made during the fiscal period under review were for rents higher than the previous amounts, approximately 20% were lower, and approximately 56% remained unchanged (in the previous period, approximately 27% were higher, 22% lower, and approximately 51% unchanged), all based on the number of cases.

Change in rent due to all revisions including status quo was + 2.2%.

### ■ Appraisal Value of Owned Properties

The portfolio is comprised of 29 properties as of the end of the 24th fiscal period, totaling ¥222.0 billion based on acquisition price, ¥210.1 billion in book value and ¥233.4 billion based on appraisal value to represent unrealized gains of ¥23.2 billion. The ratio of unrealized gains against the book value, standing at 11.1%, exceeds the average figure for all J-REITs (announced as 6.1% as of July 31, 2015).

Excluding Beacon Hill Plaza (Ito-Yokado Noukendai Store) that was disposed in the previous period (the 23rd fiscal period), the appraisal value increased by 2.1% period-on-period, marking the fifth consecutive period with an increase. By use, urban retail properties increased by 3.1% to mark the eighth consecutive period with an increase, while suburban retail facilities increased by 0.4% and office properties increased by 1.7%, all on a period-on-period basis.

### ■ Implementation of Environmentally Friendly Operations

TOKYU REIT recognizes the importance of environmental consideration in the property investment and management sector. TOKYU REIT established the "Environmental Policy" in March 2014 with an aim to continue to act towards reducing the environmental impact and helping transition to a sustainable society as a responsible corporation.

Furthermore, TOKYU REIT has been proactively working to acquire various environmental certifications.

Specifically, TOKYU REIT has acquired DBJ Green Building Certification and has been participating in the Global Real Estate Sustainability Benchmark (GRESB) survey.

The DBJ Green Building Certification program is a certification program established by Development Bank of Japan Inc. in order to support real estate demonstrating environmental and social awareness.

The program recognizes and certifies socially and economically desirable real estate, based on a comprehensive assessment that includes not only the property's environmental performance but also its addressing of disaster prevention, community consideration and other requirements of various stakeholders.

## Environmental Measures

**TOKYU REIT** will continue to implement environmentally-friendly operations.

### Acquisition of DBJ Green Building Certification

**cocoti**



Acquired certification in 24th period

Properties with excellent environmental & social awareness

**Tokyu Saginuma Building**



Acquired certification in 24th period

Properties with excellent environmental & social awareness

Acquired the certification for five properties including new acquisitions for three properties in the 24th period

**QFRONT**



Acquired certification in 24th period

Properties with high environmental & social awareness

**Setagaya Business Square**



Acquired certification in 23rd period

Properties with high environmental & social awareness

**Tokyu Toranomom Building**



Acquired certification in 23rd period

Properties with satisfactory environmental & social awareness

### Acquired "Green Star," the Highest Ranking, in 2015 GRESB Survey



GRESB (Global Real Estate Sustainability Benchmark) is a benchmark developed by a group of leading western pension funds. It evaluates the sustainability considerations of real estate companies and the managing entities, and is being utilized by major institutional investors when they select investment targets.

Tokyu REIM has been participating in GRESB survey since 2014 by placing **TOKYU REIT** as the target.

In 2015, **TOKYU REIT** acquired the highest ranking of "Green Star."

The DBJ Green Building Certification program is a certification program established by Development Bank of Japan Inc. in order to support real estate demonstrating environmental and social awareness ("Green Buildings").

GRESB (Global Real Estate Sustainability Benchmark) is a benchmark developed by a group of leading western pension funds. It evaluates the sustainability considerations of real estate companies and the managing entities. Tokyu REIM has participated in the GRESB survey since 2014 by placing **TOKYU REIT** as the target.

Please see above for the results of the assessments by these certifying institutions.

**TOKYU REIT** will promote the implementation of environmentally friendly operations going forward.

## Performance Forecasts for the 25th and 26th Fiscal Periods

Cash distribution per unit for the 25th fiscal period (ending January 31, 2016) is forecast to be ¥2,460, up ¥9 from the 24th fiscal period (ended July 31, 2015) due to internal growth.

Cash distribution per unit for the 26th fiscal period (ending July 31, 2016) is forecast to be the same as that of the 25th fiscal period at ¥2,460 due to decrease in interest paid and such, although rental revenues are



expected to decrease due to the move-out of a large tenant at Setagaya Business Square.

Forecast cash flows and occupancy rates are calculated based on lease contracts effective as of August 31, 2015 and additionally factoring in move-ins and move-outs of tenants which are assumed highly likely to occur in the future as well as on increase/decrease in rents due to contract renewals. Furthermore, the target cash distribution level for the future remains unchanged at ¥2,600 per unit.

### Policy for Tenant Leasing and Rent Negotiation Activities

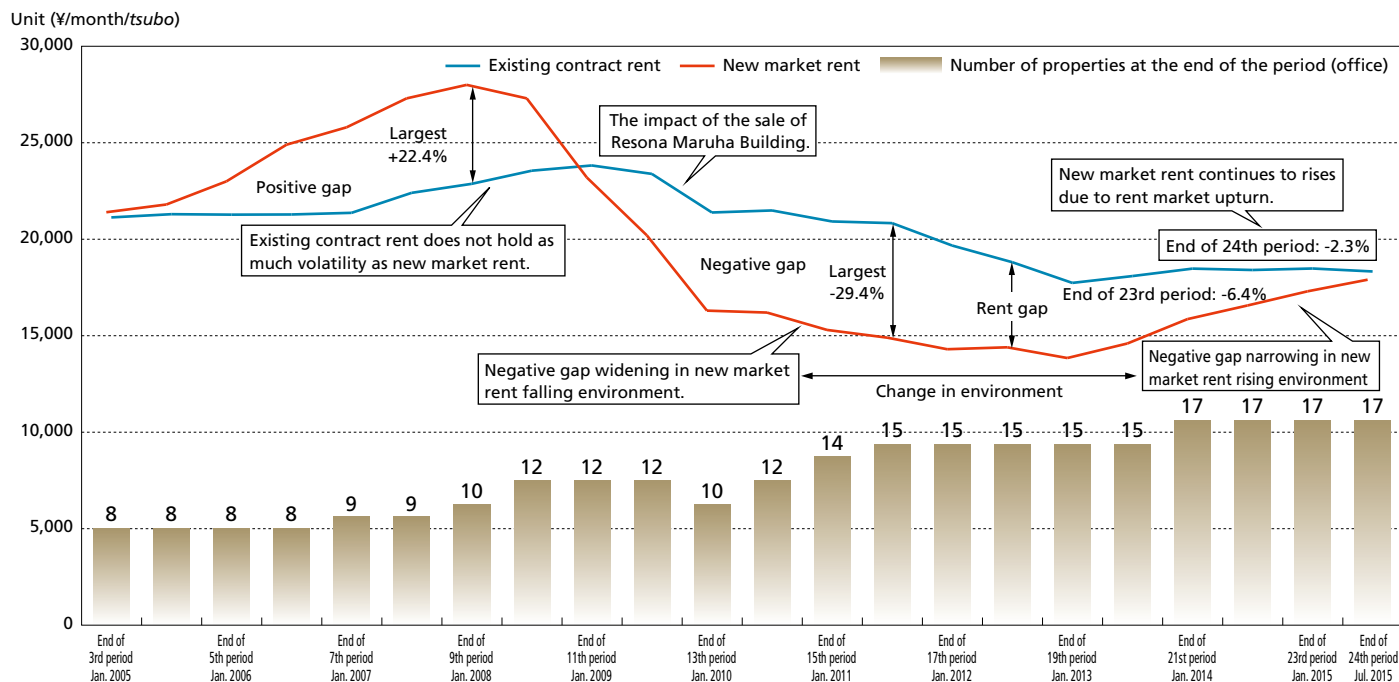
In the 25th and 26th fiscal periods, we will also make it a priority to attract tenants to vacant spaces and

conduct business by effectively implementing capital expenditures (CAPEX).

A property which particularly requires focused leasing activities is Setagaya Business Square, where a space of approximately 1,100 tsubos (3,636m<sup>2</sup>) (equivalent to the 55% co-ownership interest of TOKYU REIT) is expected to be vacated during the 26th fiscal period. As to the sections expected to be vacated, TOKYU REIT will work to minimize downtime (the period from move-out to move-in of tenants) by conducting leasing activities targeting demand overflow from Futako Tamagawa Rise, which was developed mainly by Tokyu Corporation, the sponsor, etc. and had its grand opening in 2015, in addition to the blue-chip local firms. Furthermore, as the measures to enhance property competitiveness, a renewal

### Changes in Rent Gap (Office)

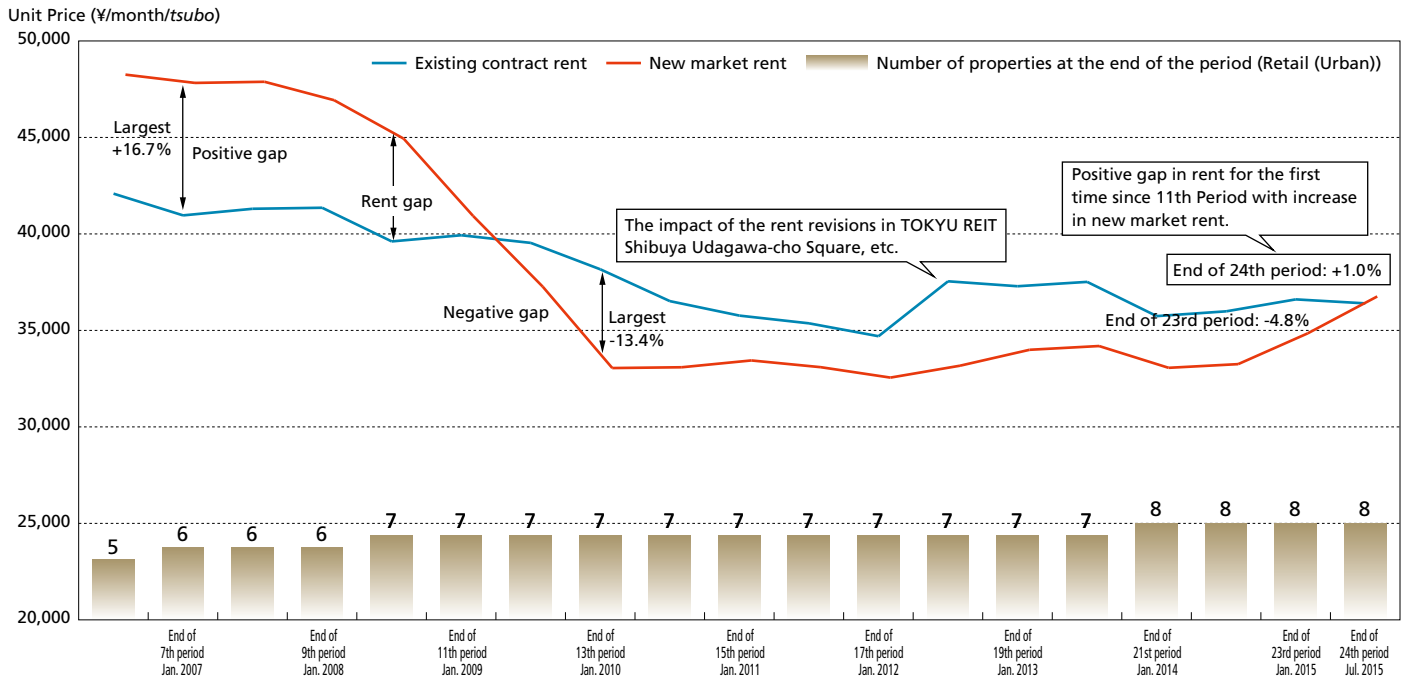
With new market rent increasing, narrowing in rent gap became clear. TOKYU REIT aims for internal growth through upward revision of rent.



- \* In calculating the existing contract rent, vacant spaces have not been factored in.
- \* Existing contract rent and new market rent include common area charges (excluding income from parking, warehousing and billboards).
- \* Oki System Center (sokochi) is excluded.
- \* New market rent is the mean value of rents appraised by CBRE for individual properties.

## Changes in Rent Gap (Retail (Urban))

With new market rent increasing, rent gap turned to positive for the first time since 11th Period. This will aid upward revision of rent.



\* In calculating the existing contract rent, vacant spaces have not been factored in.

\* Existing contract rent and new market rent include common area charges (excluding income from parking, warehousing and billboards).

\* New market rent is prepared by Tokyu REIM based on various reports and other materials.

master plan has been drawn up and renewal work will be implemented in tenant-exclusive areas and common areas upon move-outs.

Focus will continue to be placed on rent revisions with existing tenants. New market rents of office properties we own, which are evaluated every half year, have increased at 14 out of 17 properties (with three properties remaining unchanged). The increase rate was 5.2% (simple average). Consequently, the rent gap<sup>(Note)</sup> for the entire office property portfolio has decreased to -2.3%.

On the other hand, the rent gap for urban retail properties was +1.0%, indicating the first shift to a positive gap (situation where new market rents are surpassing existing contracted rents) since the 11th fiscal period (ended January 31, 2009).

(Note) The rent gap refers to the discrepancy between the rent level for leases contracted with existing tenants (existing contracted rent) and the rent level expected to be contracted if a new tenant were to be found (new market rent). Since rent is fixed for several years once a contract has been signed, deviation occurs between the new market rent, which changes over time, and the existing contracted rent. This rent gap serves as a reference index for predicting future trends in existing contracted rents. If new market rents are above existing contracted rents (positive gap), existing contracted rents will tend to approach the level of new market rents when existing tenants' leases are renewed in the future—i.e., they will increase. In the opposite case (negative gap), existing contracted rents will tend to decrease.

Recently, we are seeing cases in which rents have been revised upward for some office properties in addition to the urban retail properties that have recovered ahead of other property types. While it depends on respective cases, we will proactively negotiate for upward revisions of rents going forward.

Through these activities, we will work to maximize the cash flows produced by the portfolio, in an effort to achieve internal growth.

### ■ Policy for Investment Activities

The 25th fiscal period is positioned as the “property selling phase (internal growth phase)” due to the current real estate investment environment. **TOKYU REIT** will focus on internal growth while aiming to improve portfolio quality through disposition and replacement of properties.

First, concerning disposition of properties, **TOKYU REIT** will consider selection of properties subject to disposition, disposition methods, etc. by comprehensively taking into account future growth potential, unrealized gains/losses and other factors of owned properties.

Secondly, concerning acquisition of properties, **TOKYU REIT** will not acquire properties for the

purpose of expanding asset size. However, acquisition of adjacent land of owned properties and additional ownership, acquisition associated with replacement with disposed properties, acquisition through sponsor collaboration, etc. will continued to be considered.

As for extension work of Tokyu Toranomon Building for which commencement of construction had been postponed, TOKYU REIT will aim for further increase in asset value by making progress in negotiations with related parties including tenants, extension work plan upgrades, etc.

**TOKYU REIT** will strive to maximize unitholder value through “investment in highly competitive properties in areas with strong growth potential.”

**TOKYU REIT** greatly appreciates your continued support.

September 2015



**Kazuyoshi Kashiwazaki**

Representative Director & President, Chief Executive Officer

#### April 1985

Entered Tokyu Corporation, Railway Operation Division, Railway Business Unit

#### April 1986

Tokyu Corporation, Finance & Account Division

#### March 1998

Tokyu Corporation, Division I, Group Management Division

#### July 1999

Tokyu Corporation, Division II, Group Management Division

#### October 1999

Tokyu Corporation, Finance & Account Division

#### January 2000

Tokyu Corporation, Manager of Finance & Account Division

#### April 2003

Tokyu Corporation, Manager of Finance, Accounting & Group Strategy Headquarters

#### April 2005

Tokyu Corporation, Manager of Accounting & IR Division, Finance, Accounting & Group Strategy Headquarters

#### June 2006

Tokyu Corporation, Manager of Group Management & Planning Division, Finance, Accounting & Group Strategy Headquarters

#### April 2007

Tokyu Corporation, Manager of Group Strategy Division, Finance, Accounting & Group Strategy Headquarters

#### April 2008

Tokyu Corporation, General Manager of Group Strategy Division, Finance, Accounting & Group Strategy Headquarters

#### April 2009

Transferred to Tokyu Agency Inc., Executive Officer & Senior Executive General Manager of Corporate Management Division

#### June 2009

Tokyu Agency Inc., Director, Executive Officer & Senior Executive General Manager of Corporate Management Division

#### June 2010

Tokyu Agency Business Service Inc., President & Representative Director

#### April 2014

Tokyu Corporation, General Manager of Business Planning Department, Building Management Division, Urban Development Headquarters

#### April 2014

Tokyu REIM, Auditor (Non-Executive)

#### March 2015

Transferred to Tokyu REIM, Representative Director & Executive Vice President, Chief Investment Officer

#### May 2015

Tokyu REIM, Representative Director & President, Chief Executive Officer (current position)

#### May 2015

Executive Director of **TOKYU REIT** (current position)

## TOKYU REIT, Inc. Board of Directors

### The Board of Directors Meeting

TOKYU REIT's Board of Directors comprises Executive Directors that execute the operations of the investment corporation and Supervisory Directors that oversee the Executive Directors' execution of operations. The Articles of Incorporation stipulate that the Board of Directors must contain one or two Executive Directors and two or three Supervisory Directors, with at least one more Supervisory Director than the number of Executive Directors. It also limits the term of office of these directors at two years. As of the end of the 24th fiscal period, there were one Executive Director and two Supervisory Directors at **TOKYU REIT**.



**Giichi Yanagisawa**  
Supervisory Director



**Kazuyoshi Kashiwazaki**  
Executive Director



**Maruhito Kondo**  
Supervisory Director

#### Giichi Yanagisawa Supervisory Director

<b>March 1985</b>	Certified as a public accountant in Japan (current position). Established Yanagisawa Certified Public Accountant Office.
<b>May 1985</b>	Certified as a tax accountant in Japan (current position).
<b>June 2000</b>	Appointed representative, Shinsoh Audit Corporation.
<b>July 2001</b>	Appointed member of the Board of The Japanese Institute of Certified Public Accountants.
<b>June 2003</b>	Appointed Supervisory Director, TOKYU REIT, Inc. (current position)
<b>July 2004</b>	Appointed Executive Board of The Japanese Institute of Certified Public Accountants.
<b>July 2010</b>	Appointed Deputy President of the Tokyo Chapter of The Japanese Institute of Certified Public Accountants.
<b>April 2011</b>	Appointed Chief Representative, Shinsoh Audit Corporation (current position).
<b>June 2013</b>	Appointed President of the Tokyo Chapter of The Japanese Institute of Certified Accountants (current position).
<b>July 2013</b>	Appointed Deputy President of The Japanese Institute of Certified Public Accountants (current position).

#### Maruhito Kondo Supervisory Director

<b>April 1988</b>	Admitted to the Bar of Japan (Tokyo Bar Association). Entered Ohara Law Office.
<b>May 1988</b>	Studied abroad at the Chinese University of Hong Kong.
<b>September 1988</b>	Studied abroad at Renmin University of China.
<b>July 1989</b>	Worked at Robert Lee & Fong Solicitors in Hong Kong.
<b>February 1996</b>	Opened Maruhito Kondo Law Office (current position).
<b>May 1998</b>	Admitted to Daini Tokyo Bar Association (current position).
<b>June 2003</b>	Appointed Supervisory Director, TOKYU REIT, Inc. (current position).

Note: See page 11 about Kazuyoshi Kashiwazaki's career.

## TOKYU REIT's Initiatives (Governance)

### TOKYU REIT's Aim, Goals

- 1 Unitholder first**  
Willing to learn from investors but reject requests from short-term interests
- 2 Aim to become a "Global investment product"**  
Willing to become invest-worthy for all investors around the globe
- 3 Quality decision-making process**  
Highest level board management in the REIT industry
- 4 Aim to become the most reputable J-REIT**  
Outperform other J-REITs

### Characteristics of TOKYU REIT's Governance Structure

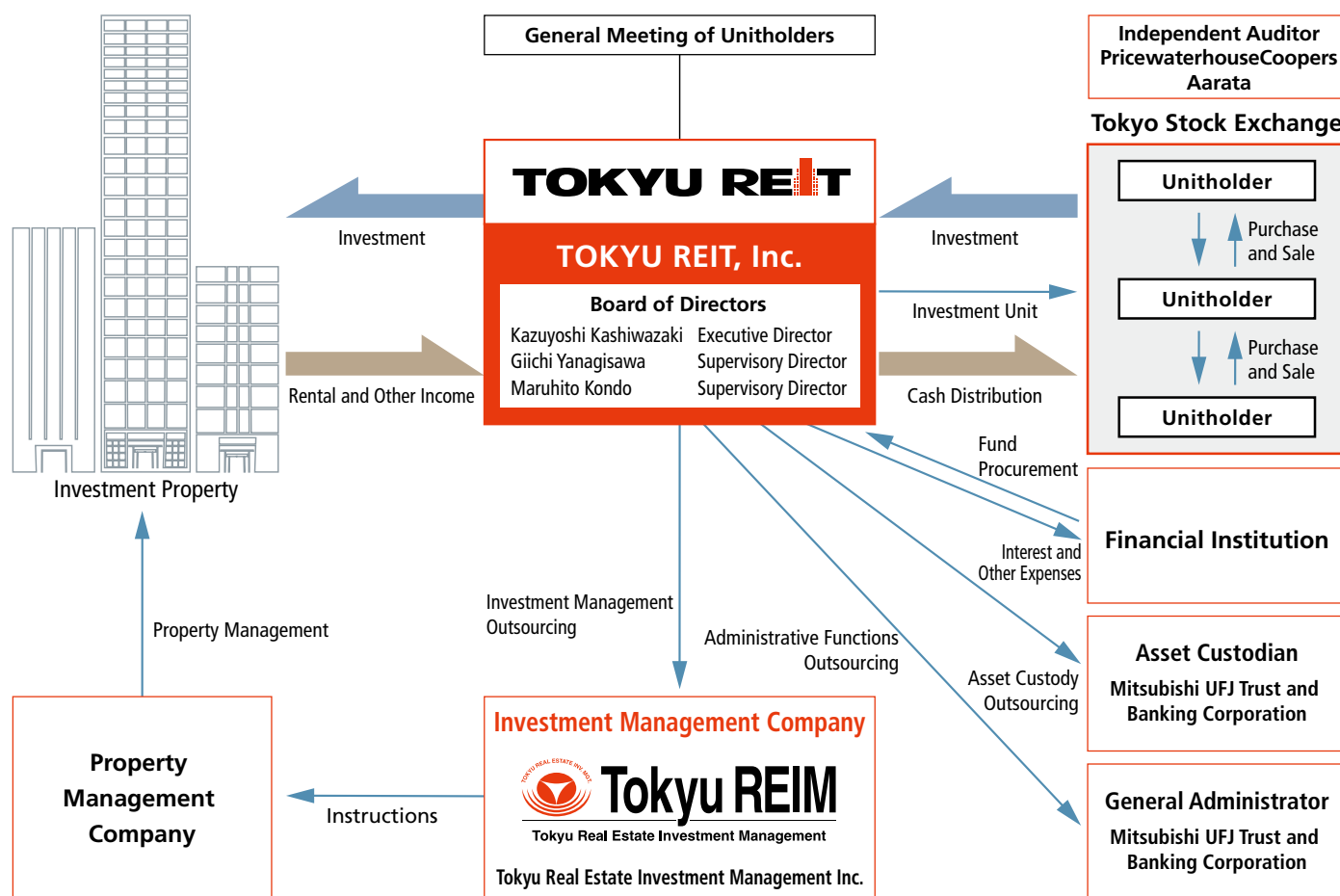
- 1 Involvement of independent outside board members**
- 2 Optimal balance between sponsor collaboration and independence**
- 3 Strict focus on fiduciary duty for investment management company and the others**
- 4 Management fee set to "being in the same boat as unitholders"**

## TOKYU REIT's Management Characteristics

<b>Excellent Governance as a Source of Competitiveness</b>	<b>Structural</b>	<ul style="list-style-type: none"> <li>■ Multiple layers of monitoring and proactive involvement of outside board members</li> <li>■ Management fee set to "being in the same boat as unitholders"</li> </ul>	<ul style="list-style-type: none"> <li>■ Stringent conflict of interest rules</li> <li>■ Board meetings held twice or more a month on a regular basis and enhanced resolution and reporting system</li> </ul>
	<b>Human Resources</b>	<ul style="list-style-type: none"> <li>■ Carefully select board members to enhance debate*</li> <li>■ Provide appropriate compensation to board members for the responsibility and the workload</li> </ul>	<ul style="list-style-type: none"> <li>■ Legal advisor to be present at board meetings</li> </ul>
	<b>Culture</b>	<ul style="list-style-type: none"> <li>■ Board members not hesitant to reject, waive resolution or agree with conditions</li> <li>■ Willing to debate among independent outside board members</li> </ul>	<ul style="list-style-type: none"> <li>■ Tokyu REIM's efforts                             <ul style="list-style-type: none"> <li>• Strict focus on fiduciary duty</li> <li>• Management fee programmed to enhance involvement of all business segments</li> <li>• Intend to allow all Tokyu REIM staff to face and communicate with investors</li> </ul> </li> </ul>
	<b>Track Record</b>	<ul style="list-style-type: none"> <li>■ Average number of board meetings per month: 2.2 times (since establishment)</li> <li>■ Average time per meeting: 1 hour and 39 minutes (since establishment)</li> </ul>	<ul style="list-style-type: none"> <li>■ Average board members' involvement besides board meetings: 0.7 times per member per month (24th period)</li> </ul>

\* Professional and a company manager with experience as an outside board member

TOKYU REIT Structure and External Service Providers



Overview of Investment Management Fee

Investment management fee structure linked to three performance indices aimed to balance conflicts of interest by “being in the same boat as unitholders”

	Objective (Aim)	Formula	Note
Base 1 (Linked to asset valuation)		Asset value at end of previous period × 0.125% (0.120% for the portion exceeding ¥200 billion and ¥300 billion or less) (0.115% for the portion exceeding ¥300 billion)	Encourage Investment Management Company to strive for asset appreciation by linking fee to valuation, not to the amount invested
Base 2 (Linked to cash flow)	Enhance Growth	Standard cash flow in current period × 6.0% (5.7% for the portion exceeding ¥5 billion and ¥7.5 billion or less) (5.4% for the portion exceeding ¥7.5 billion)	Standard cash flow here shall be the amount derived by subtracting an amount equivalent to 50% each of profit or loss from the sale of specified assets and profit or loss from the valuation of specified assets from the net income before income taxes, plus depreciation and amortization of deferred assets.
Incentive Fee (Linked to investment unit price)	Reduce risk premium related to investment unit price formation	(Average price in current period – Highest average price over all previous periods) × number of units × 0.4%	Change from 1.0% to 0.4%, approved by General Meeting of Unitholders on April 17, 2007

\* Apart from the above, TOKYU REIT pays predetermined fees, etc. to an asset custodian, general administrators, property management companies and an independent auditor, among others.

The above fees are all booked as expenses. TOKYU REIT does not adopt an acquisition incentive fee, which is capitalized on the balance sheet.

# Management

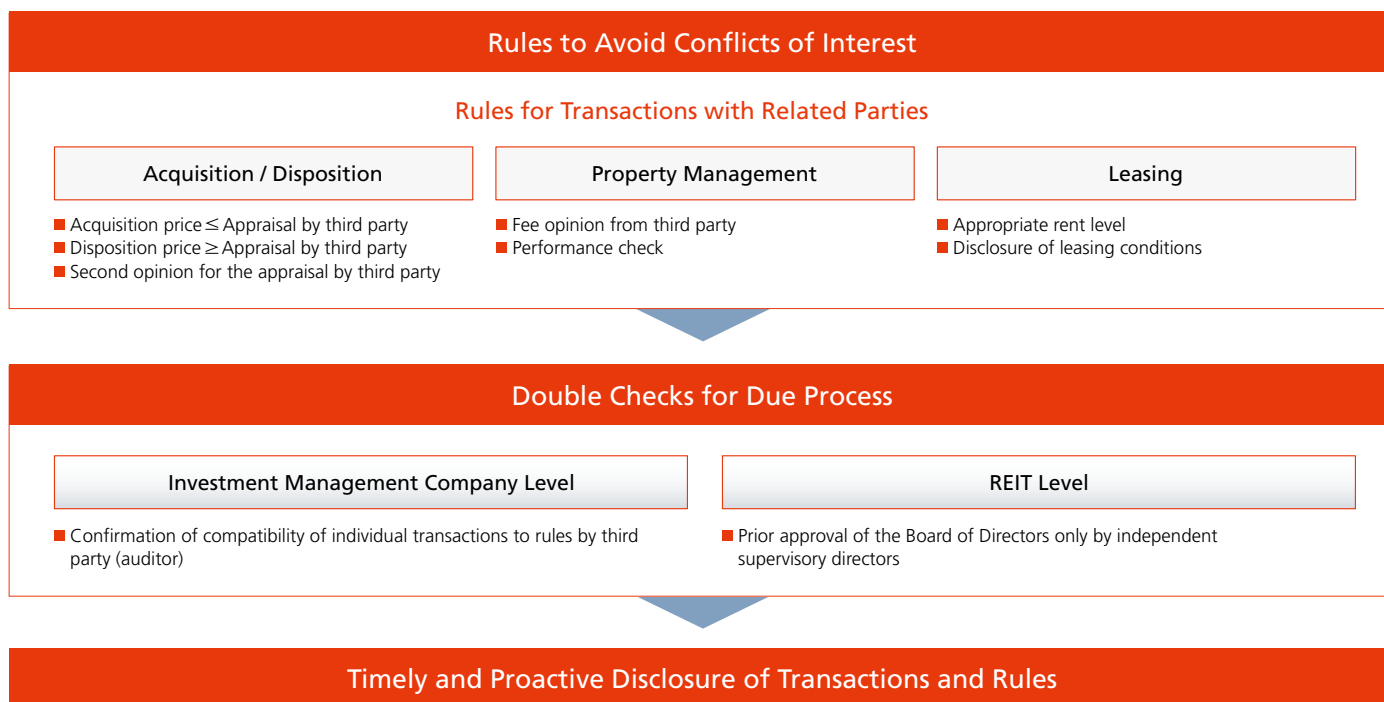
## Collaboration with Tokyu Corporation and Its Subsidiaries

To achieve external growth, **TOKYU REIT** works to acquire a balanced mix of properties from the real estate investment market as well as Tokyu Corporation and its subsidiaries. **TOKYU REIT** also conducts replacement of properties and other measures as needed in order to maintain and improve the portfolio quality, aiming to enhance its asset value and increase net income per unit. **TOKYU REIT** also endeavors to achieve internal growth by enhancing earnings stability and growth potential through collaboration with Tokyu Corporation and its subsidiaries in the areas of property maintenance and management.

Pipeline Support for Property Acquisition	<ul style="list-style-type: none"> <li>■ The memorandum requires that, when Tokyu Corporation and its subsidiaries attempt to sell their owned real estate assets that are qualified for investment by <b>TOKYU REIT</b>, they should preemptively offer the sale to <b>TOKYU REIT</b>. This arrangement will enable <b>TOKYU REIT</b> to make further progress in the implementation of its Capital Re-investment Model explained.</li> </ul>
Property Management	<ul style="list-style-type: none"> <li>■ Will be outsourced, in principle, to Tokyu Corporation and its subsidiaries.</li> <li>■ Arrangement with Tokyu Community Corporation will be sustained for the time being.</li> </ul>
Trademark License	<ul style="list-style-type: none"> <li>■ <b>TOKYU REIT</b> has received permission from Tokyu Corporation to use the trademarks of “東急” and “TOKYU.”</li> </ul>
Holding of Investment Units	<ul style="list-style-type: none"> <li>■ Tokyu Corporation owns 49,000 investment units (5.01% of total) of <b>TOKYU REIT</b>.</li> </ul>

## Related Party Transactions

Development of self-imposed rules on transactions with Related Parties<sup>(Note)</sup> and measures to avoid conflicts of interest through multiple checks



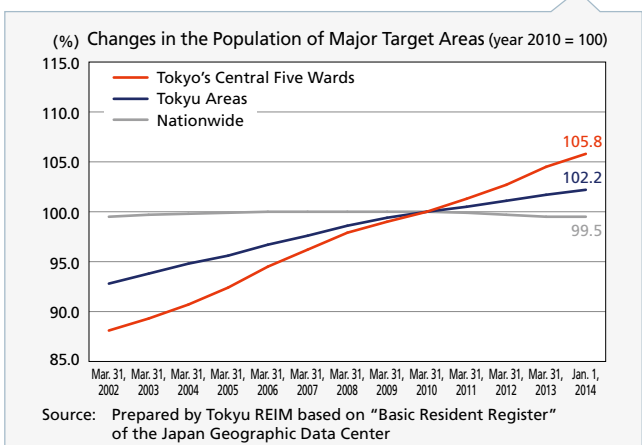
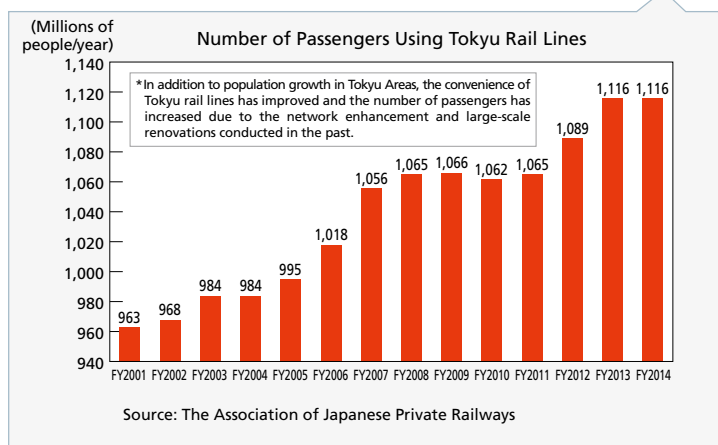
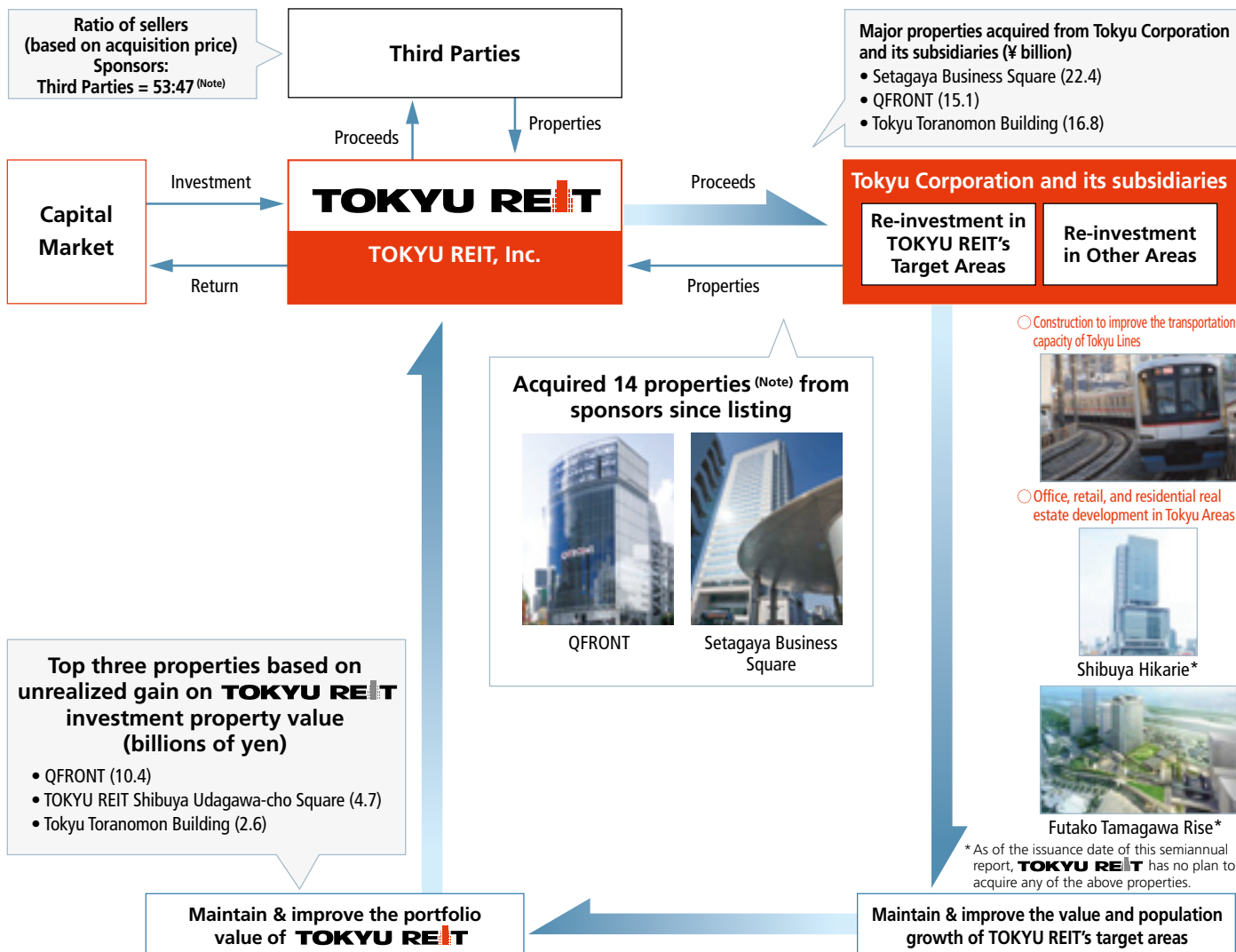
(Note) “Related Parties” is a collective term for “Tokyu Corporation and its subsidiaries,” “Affiliates of Tokyu Corporation except Tokyu Corporation’s subsidiaries,” and “Tokyu Land Corporation and its subsidiaries.”

1. “Tokyu Corporation and its subsidiaries” refers to any entity that falls under the following (i) to (iii):
  - (i) Tokyu Corporation
  - (ii) A consolidated subsidiary of Tokyu Corporation
  - (iii) A tokutei mokuteki kaisha (TMK) or special purpose entity (SPE) that was established based on the intention of Tokyu Corporation or a consolidated subsidiary of Tokyu Corporation and where the share of investment by undisclosed associations or other investment shares in that entity by the respective company exceeds 50%.
2. “Affiliates of Tokyu Corporation except Tokyu Corporation’s subsidiaries” refers to affiliates within the scope of consolidation of Tokyu Corporation.
3. “Tokyu Fudosan Holdings Corporation and its subsidiaries” refers to any entity that falls under the following (i) to (iii):
  - (i) Tokyu Fudosan Holdings Corporation (“Tokyu Fudosan Holdings”)
  - (ii) A consolidated subsidiary of Tokyu Fudosan Holdings
  - (iii) A tokutei mokuteki kaisha (TMK) or special purpose company (SPC) that was established based on the intention of Tokyu Fudosan Holdings or a consolidated subsidiary of Tokyu Fudosan Holdings and where the share of investment by undisclosed associations or other investment shares in that entity by the respective company exceeds 50%.

## Capital Re-investment Model

### “Capital Re-investment Model” through collaboration with sponsors

Our unique investment strategy involves a re-investment model. When we purchase properties from Tokyu Corporation and its subsidiaries, the proceeds are eventually used for re-investment in the Tokyu Areas by Tokyu Corporation and its subsidiaries, and therefore, contribute to maintaining and improving the value of our target area. While **TOKYU REIT** is not part of and is independent from the Tokyu Group, we try to explore opportunities for collaboration with Tokyu Corporation and its subsidiaries, while, at the same time, making sure we maintain and observe rules on conflicts of interest that investors also believe in.

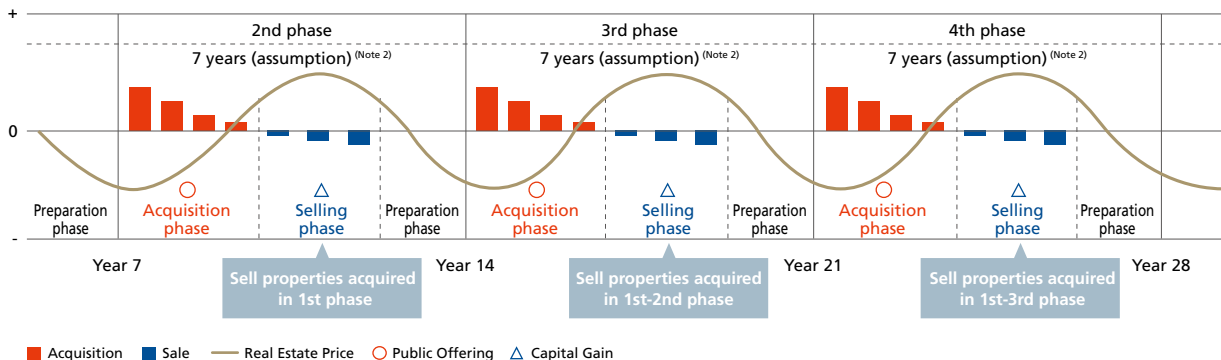


(Note) Includes properties acquired from sponsors which were contributed by Tokyu Land Corporation, a shareholder until June 2011 of Tokyu Real Estate Investment Management Inc. (Tokyu REIM), the asset management company, as well as by Tokyu Corporation.

## TOKYU REIT's Long-Term Investment Management Strategy (Surf Plan)

### “Value and contrarian investment strategy” focusing on cyclicity of real estate prices

Since unveiling the Surf Plan in September 2009, **TOKYU REIT** has conducted investment with a focus on the cyclicity of real estate prices, in order to achieve enhanced portfolio quality. Specifically, **TOKYU REIT** has adopted the proprietary strategy established by the investment management company, Tokyu REIM, in which it conducts value investment and contrarian investment by focusing on the cyclicity of real estate prices, replacing properties on one hand and aiming to build a portfolio that boasts lasting competitiveness and balance sheets that are strong against even difficult economic times on the other hand. The objective of this approach is to accurately discern the ‘waves’ of prosperity and depression in real estate market conditions. <sup>(Note 1)</sup>



(Notes) 1. It is not intended for **TOKYU REIT** to engage in short-term trading in property investments.  
 2. Indicated as seven years as of matter of convenience, and actual assumptions differ.

### Investment Style

## Value & Contrary

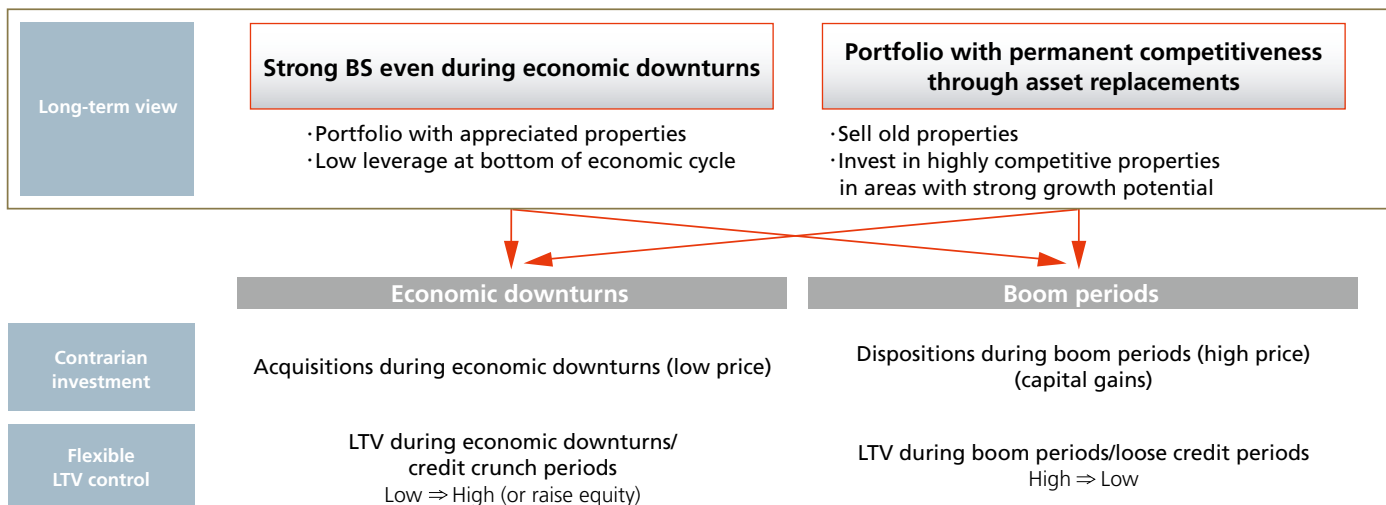
#### Value

An approach of investing into properties that are undervalued against the respective benchmarks. **TOKYU REIT** aims to secure high yield (total return) by acquiring properties that appear to be undervalued in terms of their appraisal values, NOI (net operating income) and other indicators.

#### Contrary

An approach of investing in the phase when prices are falling. **TOKYU REIT** aims to acquire properties when they are priced low and sell them when they are priced high, thereby recouping the investment.

### Concept





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

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

Tokyu Real Estate Investment Management Inc. ("Tokyu REIM") contracted with **TOKYU REIT** on June 20, 2003, to act as its investment manager.

Underpinned by investment policies held in common with **TOKYU REIT**, Tokyu REIM strives to maximize unitholder value through business growth, stability and transparent operations.

In addition, Tokyu REIM follows strict internal rules governing conflicts of interest and takes all necessary care in transactions with Tokyu Corporation and other related parties.

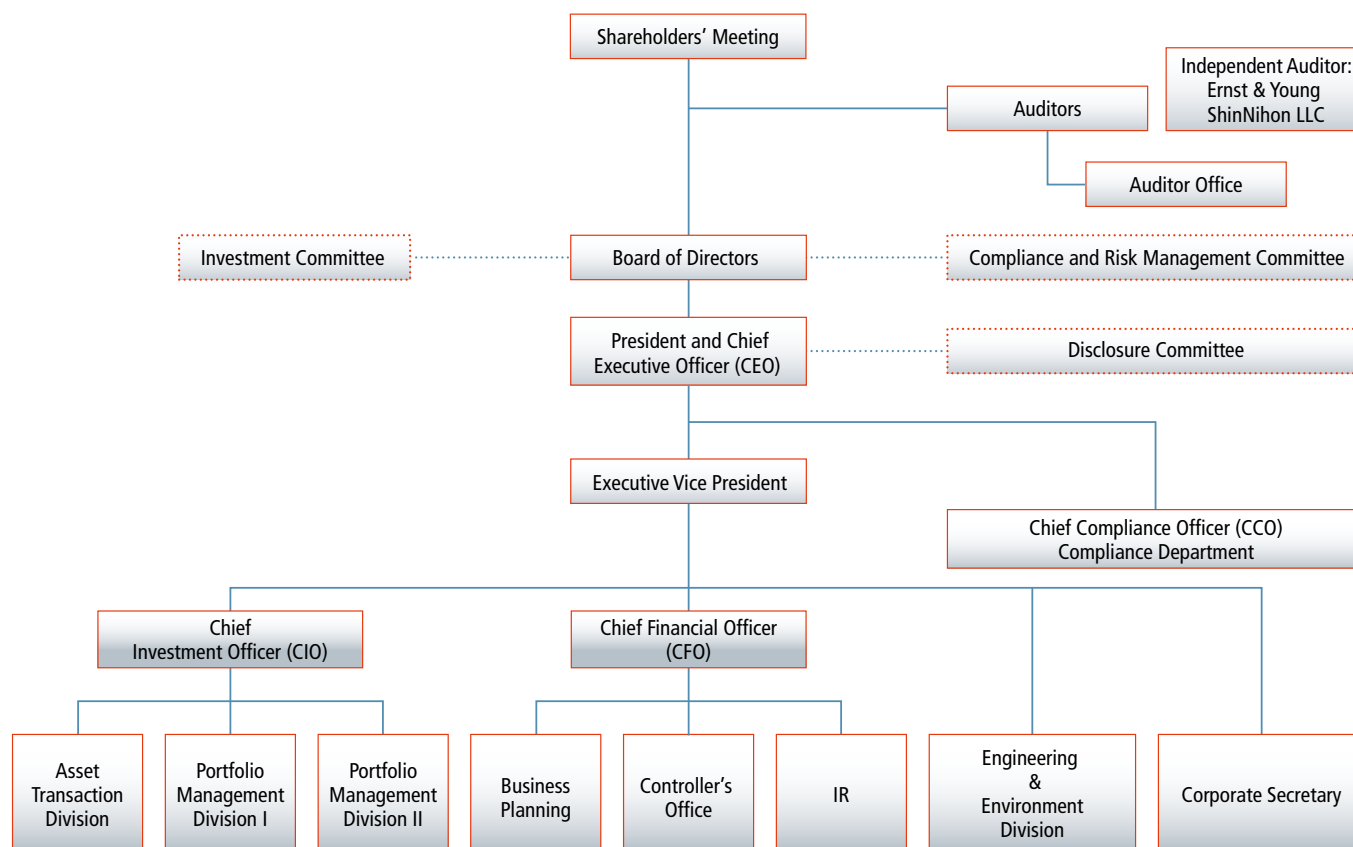
Tokyu REIM is a financial instruments dealer under the Financial Instruments and Exchange Law (Kanto Financial Bureau (*Kin-sho*) No. 360).

<b>Board of Directors</b>	<p><b>Function :</b> Decision-making on management strategy</p> <p><b>Members:</b> Representative director &amp; president, representative director &amp; executive vice president, two directors (full-time), and four directors (part-time) and two auditors (part-time) from sponsors</p>
<b>Compliance and Risk Management Committee</b>	<p><b>Function :</b> Advisory on compliance and risk management, and transactions with Related Parties</p> <p><b>Members:</b> Two directors (part-time), and two external committee members</p>
<b>Investment Committee</b>	<p><b>Function :</b> Advisory on investment decisions</p> <p><b>Members:</b> Representative director &amp; president (committee chairman), representative director &amp; executive vice president, three directors (part-time) and one appraiser</p>

**Major Shareholder**

Name	Address	Shares Held	Ratio
Tokyu Corporation	5-6, Nampeidai-cho, Shibuya-ku, Tokyo	6,000 shares	100%

**Organization Chart**



### Debt management strong against credit crises

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.

Basic Policies	Stability in Funding
	<ul style="list-style-type: none"> <li>■ Management of Low LTV to Ensure Financial Soundness<sup>(Note)</sup></li> <li>■ Long-term Fixed-interest Debt Financing</li> <li>■ Assurance of Multiple Lenders</li> <li>■ Diversification of Repayment Dates</li> </ul>
	Flexibility in Financing
	<ul style="list-style-type: none"> <li>■ Assurance of Prompt Fund Procurement Schemes</li> </ul>
	Efficiency
	<ul style="list-style-type: none"> <li>■ Efficient Cash Management</li> <li>■ Assurance of Low-rate Financing Based on Stable Management</li> </ul>

(Note) An acronym for Loan to Value (LTV). The proportion of liabilities including bonds, debt financing and other interest-bearing liabilities to total asset value. This formula derives the liability level to the acquired property's value. Low LTV (namely, less liabilities or high-valued properties) is considered as high level of financial soundness.

### Debt

Total Interest-Bearing Debt	¥97 billion
Long-Term Fixed-Rate Ratio	100%
Avg. Duration	4.50 years
Committment Line	¥18 billion

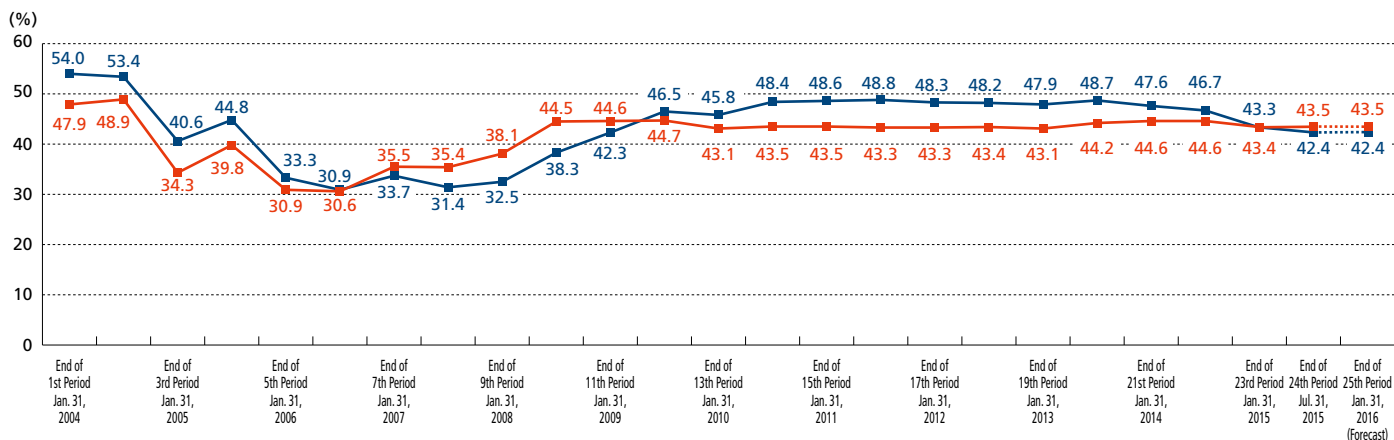
The execution of the commitment line agreement allows us to undergo debt financing at any given time up to the designated amount. To this end, a flexible and efficient fund procurement system has been assured. Moreover, there is no outstanding debt under the commitment line as of July 31, 2015.

### Ratings

■ Japan Credit Rating Agency, Ltd. (JCR)	Long-term Issuer Rating	AA- (Outlook: Stable)
■ Rating and Investment Information, Inc. (R&I)	Issuer Rating	A+ (Rating Outlook: Stable)
■ Standard & Poor's Ratings Japan K.K. (S&P)	Long-term Issuer Rating	A (Outlook: Stable)
	Short-term Issuer Rating	A-1

### Changes in LTV

TOKYU REIT controls its LTV in a conservative manner in order to secure financial soundness.



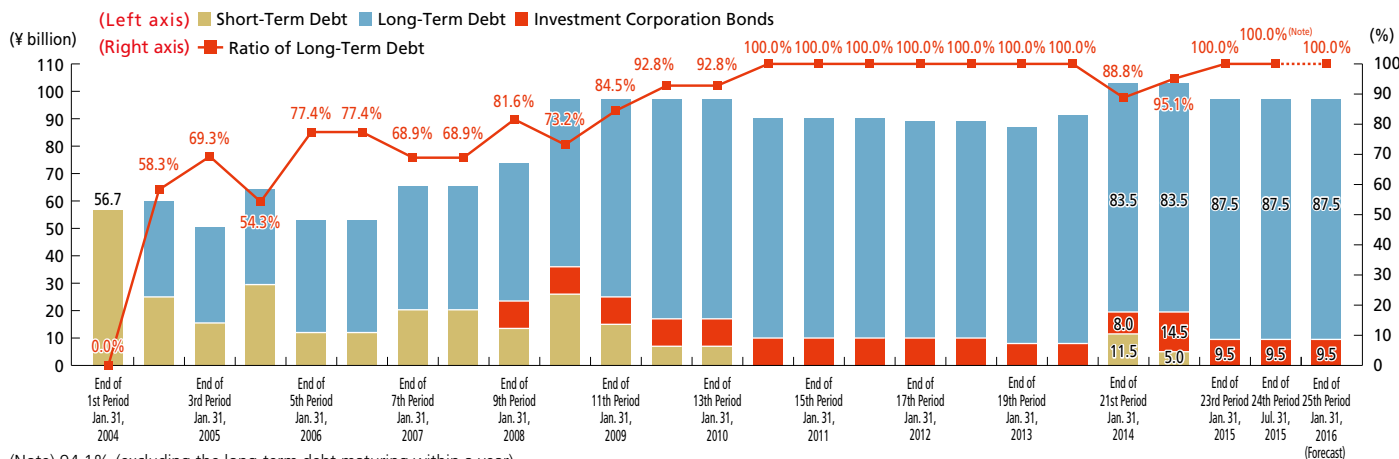
■ LTV / Total assets at end of period = Balance of period end interest-bearing debt / period end total assets

■ LTV at end of period = (Balance of interest-bearing debt at end of period + balance of securities deposit without reserved cash at end of period) / (appraisal value at end of period + balance of cash and deposits with banks at end of period)

LTV at end of period is calculated by using appraisal value, and thus increases or decreases if appraisal value at end of period decreases or increases.

### Outstanding Debt and the Ratio of Long-term Debt

TOKYU REIT conversion to long-term fixed-interest debt financing, as shown below. Long-term debt financing enables TOKYU REIT to curb any excessive burden resulting from increases in interest rates.

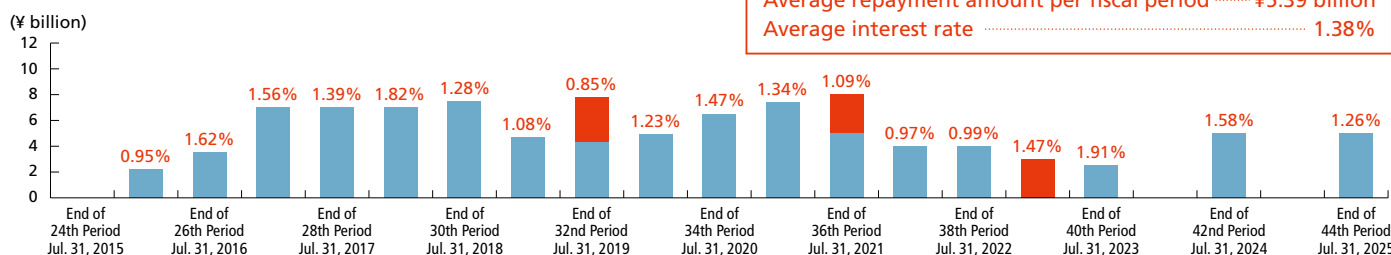


(Note) 94.1% (excluding the long-term debt maturing within a year)

### Diversification of Repayment and Redemption Dates of Interest-Bearing Debts

In addition, TOKYU REIT works to diversify repayment dates for its debt financing in order to avoid the risk of large-scale refinancing within a short period of time.

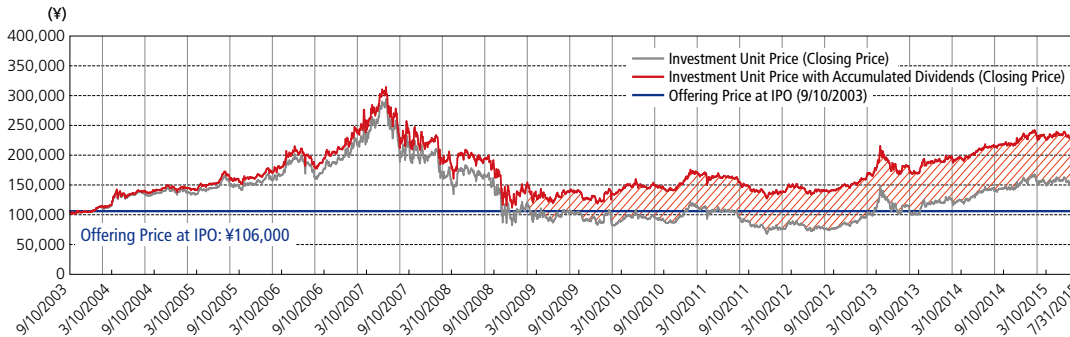
■ Investment Corporation Bonds ■ Long-Term Debt ■ Short-Term Debt  
Weighted average annual interest rate (excluding short-term debt)



## Performance Against Public Offering Price

We show the performance of our unit prices and our unit prices with accumulated cash distribution compared to our public offering prices. The graphs also present accumulated cash distributions against the offering price. The red line graphs plot investment unit price inclusive of cash distributions. As at the end of July 2015, investment unit price inclusive of cash distributions exceeded offering price for the past three public offerings. Moreover, unitholders who took part in the IPO have already recouped about 75% of their investment amount with cash distributions alone. We will make our best effort to provide an even greater return to our unitholders.

### IPO (Initial Public Offering) (Issued Sep. 10, 2003)

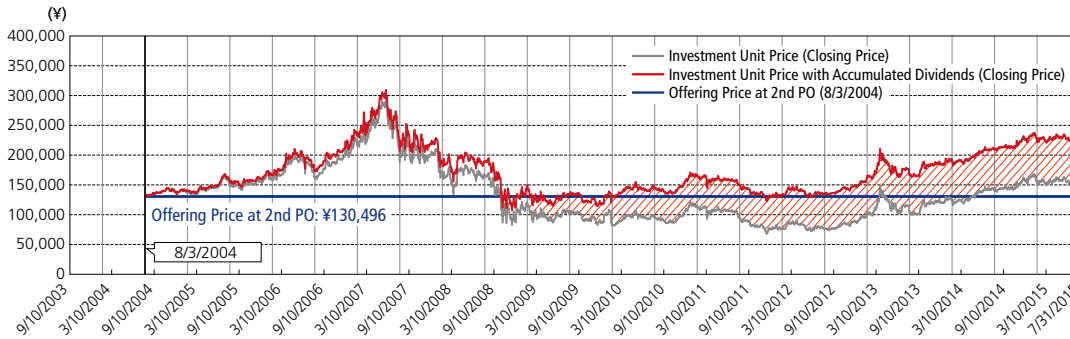


75% of offering price at IPO distributed in approximately 12 years

Offering Price ¥106,000	Accumulated Dividends ¥79,016
100%	75%

If the offering price is 100, then accumulated dividends would equal 75

### Second Public Offering (Issued Aug. 3, 2004)

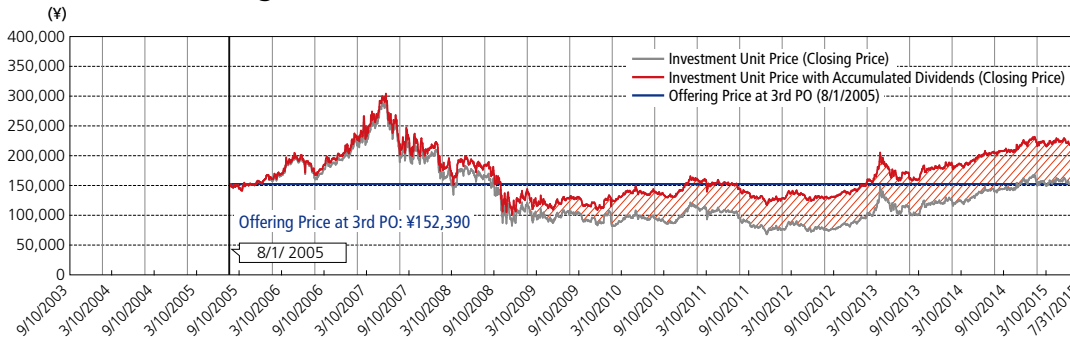


57% of offering price at 2nd PO distributed in approximately 11 years

Offering Price ¥130,496	Accumulated Dividends ¥74,273
100%	57%

If the offering price is 100, then accumulated dividends would equal 57

### Third Public Offering (Issued Aug. 1, 2005)

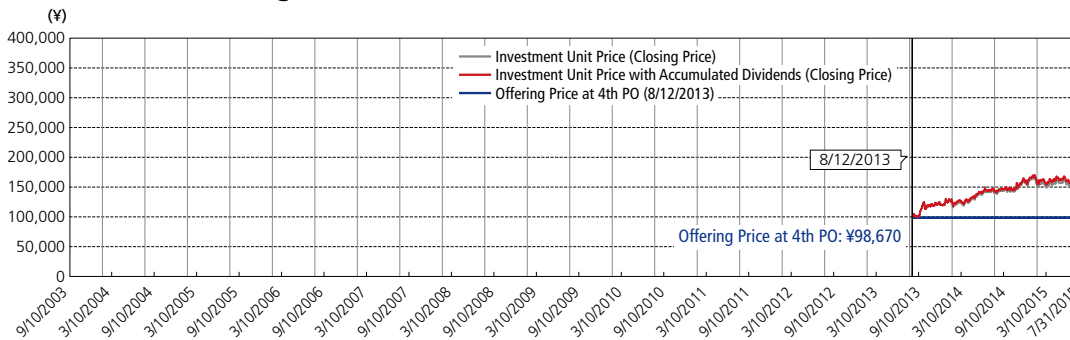


45% of offering price at 3rd PO distributed in approximately 10 years

Offering Price ¥152,390	Accumulated Dividends ¥68,905
100%	45%

If the offering price is 100, then accumulated dividends would equal 45

### Fourth Public Offering (Issued Aug. 12, 2013)



10% of offering price at 4th PO distributed in approximately two years

Offering Price ¥98,670	Accumulated Dividends ¥10,118
100%	10%

If the offering price is 100, then accumulated dividends would equal 10

(Note) Investment unit price and offering price stated in this document have been adjusted to take into account the split of investment units (five-for-one split) conducted on February 1, 2014 for pre-split figures.

# PORTFOLIO



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

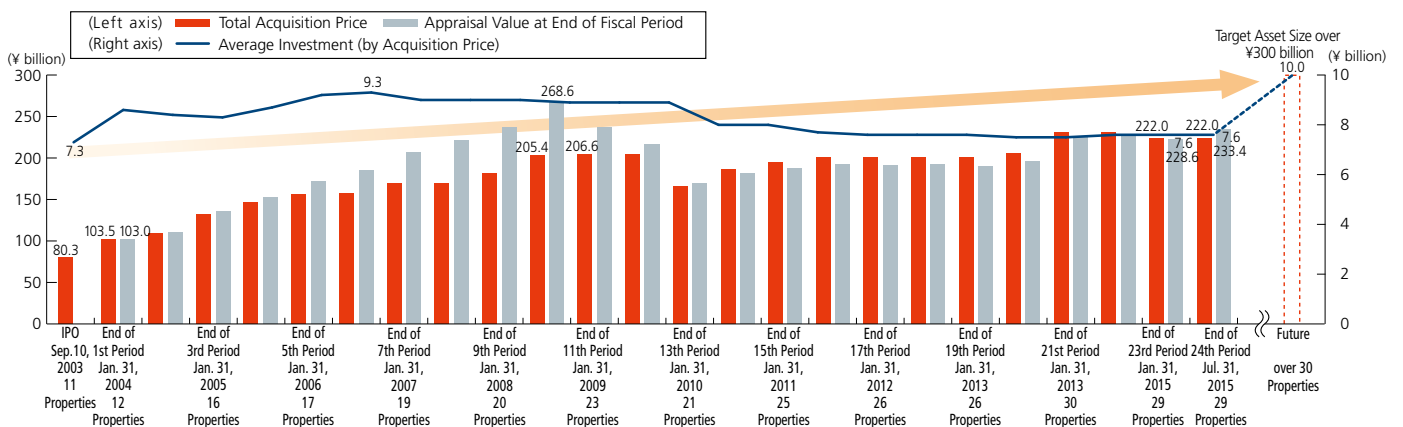
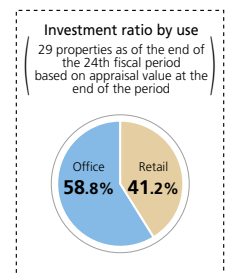
Investment Targeted Areas	<ul style="list-style-type: none"> <li>■ Focusing on Tokyo's central five wards and Tokyu Areas expecting economic and population growth</li> <li>■ Limited to Tokyo Metropolitan Area</li> </ul>
Investment Criteria	<ul style="list-style-type: none"> <li>■ Limited to office and retail portfolios with lower risk and more stable returns</li> <li>■ Limited to the properties with prime locations and large scales for assuring market competitiveness</li> </ul>

## Total Acquisition Price and Appraisal Value, Investment Ratio (at the End of the Fiscal Period)

Total acquisition price as of the end of the 24th fiscal period ended July 31, 2015, stood at ¥222.0 billion, and appraisal value at the end of the fiscal period stood at ¥233.4 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 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.

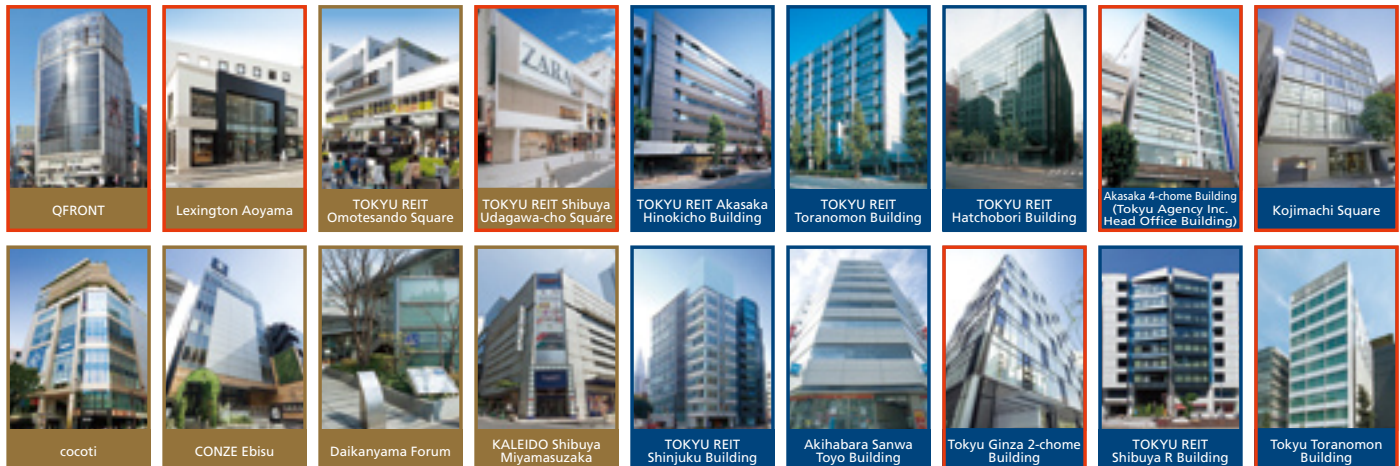
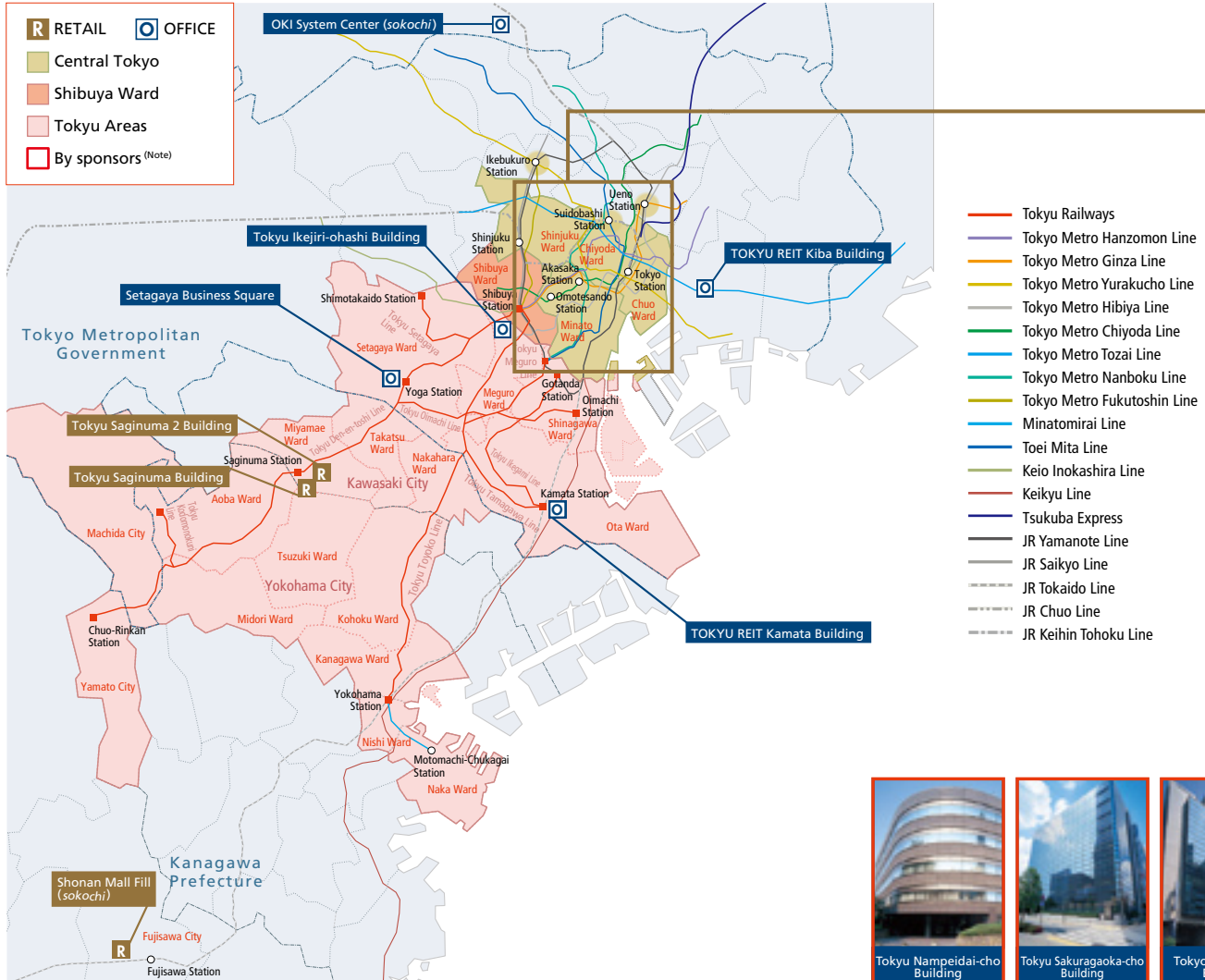
TOKYU REIT focuses on highly competitive office and retail properties and strives to maintain a ratio of 60% in office buildings and 40% in retail properties (based on appraisal value at the end of the fiscal period) over the long term.

As of the end of the 24th fiscal period (29 properties), investment ratio by use based on appraisal value at the end of the fiscal period is as follows:



# Portfolio

## Investment Targeted Areas



(Note) The portfolio properties acquired from sponsors include properties contributed by Tokyu Land, which was a shareholder of the Investment Management Company (Tokyu REIM) along with Tokyu Corporation until June 2011.

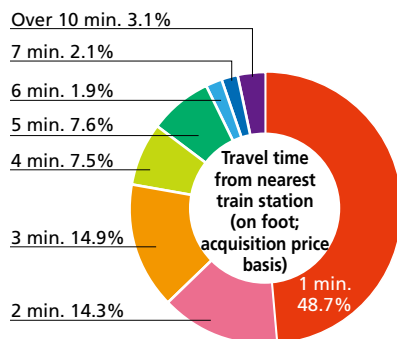


# Portfolio

## Data of 24th Fiscal Period

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.

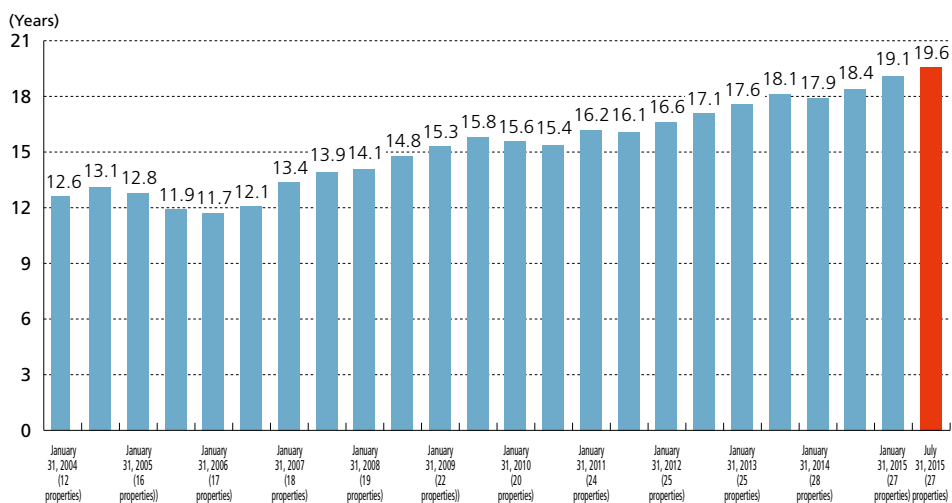
### Location



Properties conveniently located near train stations increase the stability of TOKYU REIT's portfolio.

### Property Age

#### Weighted-Average Number of Years Since Construction



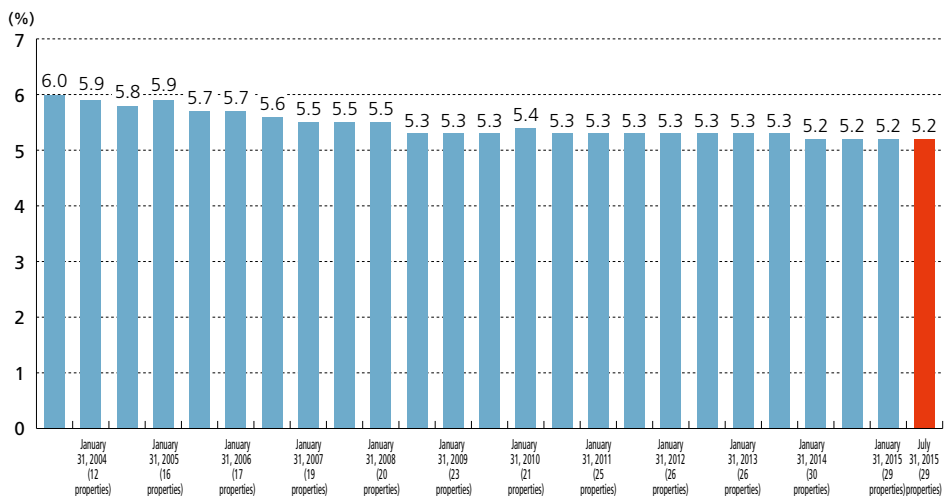
The graph on the left shows the weighted-average age of buildings based on building price at the end of each fiscal period. Based on 27 properties as of the end of the 24th fiscal period, 19.6 years have passed since construction and the number of years increases only 7.0 years from the point of January 31, 2004 in elapsed 11 and a half years from then.

\* The graph on the weighted-average age of buildings based on building price from every fiscal period

\* Excluding Shonan Mall Fill (*sokochi*) and OKI System Center (*sokochi*)

### Portfolio Cap Rate

#### Weighted-Average Appraised NOI Yield



**TOKYU REIT** has acquired some properties after listing, and as of the end of the 24th fiscal period (29 properties), the weighted-average appraised NOI yield fell to 5.2%. 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.



## ■ Top 10 Tenants by Leased Area

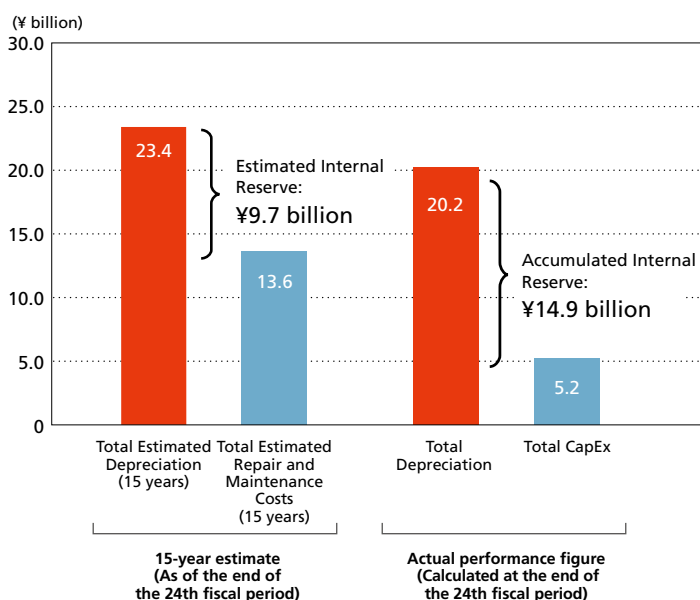
### Top 10 Tenants by Leased Area

As of July 31, 2015

No.	Tenant Name	Business Category	Property Name	Expiration Date	Leased Area (m <sup>2</sup> )	Ratio <sup>(Note 1)</sup>
1	DAIWA INFORMATION SERVICE Co.,Ltd.	Real Estate	<b>R</b> Shonan Mall Fill ( <i>sokochi</i> )	3/31/2033	44,078.12	19.4%
2	Tokyu Store Corporation	Retail	<b>R</b> Tokyu Saginuma Building	6/30/2018	19,610.06	8.6%
3	OKI Electric Industry Co., Ltd.	Electric equipment	<b>⊙</b> OKI System Center ( <i>sokochi</i> )	3/26/2033	17,019.19	7.5%
4	Tokyu Corporation	Land Transportation	<b>⊙</b> Tokyu Nampeidai-cho Building	12/31/2021	7,148.18	3.1%
			<b>⊙</b> Tokyu Sakuragaoka-cho Building	12/31/2021	3,878.36	1.7%
5	Vendor Service Co., Ltd.	Wholesale	<b>⊙</b> Tokyu Toranomon Building	3/31/2017	4,922.75	2.2%
6	Culture Convenience Club Co., Ltd.	Service	<b>R</b> QFRONT	12/14/2019 <sup>(Note 2)</sup>	4,044.10	1.8%
7	NTT DATA Corporation	Service	<b>⊙</b> Tokyu Toranomon Building	6/30/2016	3,938.20	1.7%
8	Covidien Japan Inc.	Wholesale	<b>⊙</b> Setagaya Business Square <sup>(Note 3)</sup>	5/31/2016 <sup>(Note 2)</sup>	3,825.06	1.7%
9	Tokyu Agency Inc.	Service	<b>⊙</b> Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	1/31/2023	3,533.03	1.6%
10	The Dai-ichi Building Co., Ltd.	Real Estate	<b>⊙</b> Tokyu Ginza 2-chome Building	9/30/2016	3,278.04	1.4%
Principal 10 Tenants Total					115,275.09	50.7%
Total leased area of 29 properties at the end of 24th fiscal period					227,443.17	100.0%

(Notes) 1. "Ratio" indicates ratio of tenant's leased areas to total leased area of 29 properties held as of the end of the 24th fiscal period.  
 2. Expiration date of contract for largest leased area in plural leased area.  
 3. Leased area of tenants in Setagaya Business Square are calculated as 55% (the co-ownership ratio).

## ■ Coverage Ratio by Depreciation of Repair and Maintenance Cost Estimation



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

As of the end of the 24th fiscal period and over the next fifteen years, cumulative depreciation for the portfolio will significantly exceed total repair and maintenance cost (¥9.7 billion). This figure shows that **TOKYU REIT** has secured the funds necessary for projected repair and maintenance costs.

\* Total estimation of repair and maintenance cost (15 years) is extracted from Property Report (including expenses items) and estimated accordingly.  
 \* Accumulated depreciation (15 years) is estimated by Tokyu REIM (Depreciation of future additional capital expenditures is not included. However, calculation is including depreciation of additional capital expenditures made to date.), and term of depreciation is coincided with term of repair and maintenance cost estimation.  
 \* Excluding Shonan Mall Fill (*sokochi*) and OKI System Center (*sokochi*)

# Portfolio

## Portfolio Overview (at the End of the Fiscal Period)

Use	Name of Property	Acquisition Date	Acquisition Price (¥ million)	Location	Total Leasable Area (m <sup>2</sup> )	Occupancy Ratio	Ratio (Based on Acquisition Price) <sup>(Note 1)</sup>	Probable Maximum Loss (PML) in Earthquake Risk Analysis <sup>(Note 2)</sup>
R	QFRONT	Sep. 10, 2003	15,100	Shibuya Ward, Tokyo	4,502.93	100.0%	6.8%	4.2%
R	Lexington Aoyama	Sep. 11, 2003	4,800	Minato Ward, Tokyo	2,107.08	100.0%	2.2%	2.3%
R	TOKYU REIT Omotesando Square	Sep. 10, 2003	5,770	Shibuya Ward, Tokyo	2,648.27	100.0%	2.6%	9.5%
R	Tokyu Saginuma Building	Sep. 10, 2003	6,920	Miyamae Ward, Kawasaki City, Kanagawa Prefecture	19,610.06	100.0%	3.1%	9.9%
R	Tokyu Saginuma 2 Building	Sep. 11, 2003	1,290	Miyamae Ward, Kawasaki City, Kanagawa Prefecture	1,267.95	100.0%	0.6%	9.3%
R	TOKYU REIT Shibuya Udagawa-cho Square	Mar. 1, 2004	6,600	Shibuya Ward, Tokyo	1,543.05	100.0%	3.0%	7.3%
R	cocoti	Apr. 6, 2005	14,700	Shibuya Ward, Tokyo	8,330.41	100.0%	11.0%	6.2%
		Aug. 2, 2005	9,800					
R	Shonan Mall Fill ( <i>sokochi</i> )	Apr. 28, 2006	6,810	Fujisawa City, Kanagawa Prefecture	44,078.12	100.0%	3.1%	—
R	CONZE Ebisu	Oct. 31, 2006	5,117	Shibuya Ward, Tokyo	2,326.94	87.7%	2.3%	4.1%
R	Daikanyama Forum	Apr. 22, 2008	4,136	Shibuya Ward, Tokyo	2,477.64	100.0%	1.9%	8.0%
R	KALEIDO Shibuya Miyamasuzaka	Aug. 16, 2013	5,150	Shibuya Ward, Tokyo	3,399.30	100.0%	2.3%	4.4%
⊙	Setagaya Business Square	Sep. 11, 2003	22,400	Setagaya Ward, Tokyo	24,961.59	94.1%	10.1%	2.9%
⊙	Tokyu Nampocho Building	Sep. 11, 2003	4,660	Shibuya Ward, Tokyo	7,148.18	100.0%	2.1%	7.9%
⊙	Tokyu Sakuragaoka-cho Building	Sep. 11, 2003	6,620	Shibuya Ward, Tokyo	4,737.19	100.0%	3.0%	11.1%
⊙	Tokyo Nissan Taito Building	Sep. 11, 2003	4,450	Taito Ward, Tokyo	7,845.42	95.9%	2.0%	7.4%
⊙	TOKYU REIT Akasaka Hinokicho Building	Sep. 10, 2003	3,570	Minato Ward, Tokyo	3,196.69	100.0%	1.6%	11.2%
⊙	TOKYU REIT Kamata Building	Sep. 10, 2003	4,720	Ota Ward, Tokyo	7,337.82	100.0%	2.1%	7.7%
⊙	TOKYU REIT Toranomon Building	Dec. 15, 2004	8,630	Minato Ward, Tokyo	10,247.06	99.0%	4.6%	7.2%
		Sep. 21, 2007	1,100					
		Sep. 21, 2007	200					
		Oct. 26, 2007	140					
		Jan. 21, 2015	107					
⊙	TOKYU REIT Hatchobori Building	Sep. 29, 2006	7,000	Chuo Ward, Tokyo	6,010.95	96.0%	3.2%	4.0%
⊙	Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	Jan. 31, 2008	8,500	Minato Ward, Tokyo	3,533.03	100.0%	3.8%	3.9%
⊙	Tokyu Ikejiri-ohashi Building	Mar. 28, 2008	5,480	Meguro Ward, Tokyo	5,733.23	100.0%	2.5%	5.8%
⊙	Kojimachi Square	Mar. 19, 2010	9,030	Chiyoda Ward, Tokyo	5,409.11	100.0%	4.1%	4.8%
⊙	TOKYU REIT Shinjuku Building	Mar. 26, 2010	9,000	Shinjuku Ward, Tokyo	6,215.17	100.0%	4.1%	4.2%
⊙	Akihabara Sanwa Toyo Building	Oct. 29, 2010	4,600	Chiyoda Ward, Tokyo	4,643.04	100.0%	2.1%	11.8%
⊙	TOKYU REIT Kiba Building	Oct. 29, 2010	4,000	Koto Ward, Tokyo	5,797.79	100.0%	1.8%	7.4%
⊙	Tokyu Ginza 2-chome Building	Feb. 15, 2011	5,010	Chuo Ward, Tokyo	3,469.14	100.0%	2.3%	4.4%
⊙	OKI System Center ( <i>sokochi</i> )	Mar. 27, 2013	4,530	Warabi City, Saitama Prefecture	17,019.19	100.0%	2.0%	—
⊙	TOKYU REIT Shibuya R Building	Aug. 16, 2013	5,270	Shibuya Ward, Tokyo	5,246.68	100.0%	2.4%	5.9%
⊙	Tokyu Toranomon Building <sup>(Note 3)</sup>	Aug. 16, 2013	15,000	Minato Ward, Tokyo	9,016.59	100.0%	7.6%	5.4%
		Jan. 9, 2015	1,850					
Total			222,060		229,859.61	98.9%	100.0%	4.0%

## Creation of Portfolio Resilient to Earthquakes

### Structural status (earthquake resistance)

Investment Criteria	Properties that are compliant with the new earthquake resistance standards <sup>(Note 4)</sup> , that completed antiseismic reinforcement work, or that has PML of less than 15%	Manage properties with a portfolio PML of 10% or less; examine purchasing earthquake insurance if PML of any property surpasses the figure.
Portfolio	<ul style="list-style-type: none"> <li>26 out of 29 properties either comply with the new earthquake resistance standards, or have completed anti-seismic reinforcement work or seismic isolation work. (Two of the three remaining properties are <i>sokochi</i> only, and the other one is based on the previous standards.)</li> <li>Tokyu Saginuma 2 Building conforms to the previous earthquake resistance standards, but has sufficient anti-seismic performance with PML at 9.3%.</li> </ul>	<ul style="list-style-type: none"> <li>Portfolio PML: 4.0%</li> <li>Although the merit of geographical diversification in terms of earthquake risks is small, the value of the portfolio PML for properties which have high earthquake resistance ratings is kept at a fairly low level as individual properties have high earthquake resistant ratings.</li> </ul>

(Notes) 1. Ratio is rounded to one decimal place. Accordingly, the subtotal and total may not exactly match the sum of relevant items.

2. The "Total" column of the "Probable Maximum Loss (PML) in Earthquake Risk Analysis" indicates the PML for the entire portfolio. There is no unified, strict definition of PML; as used in this semiannual report, PML represents the percentage of expected loss due to small- to large-level earthquakes (those statistically calculated as possible over a 475 year period) that occur during an assumed period for the economic life of a building, to procurement cost for restoring expected damage. Calculations incorporate data relating to individual property survey, assessment of building conditions, conformity to architectural design, surveys of local areas and structural evaluation. The PML and the probable lost days are based on the earthquake risk analysis reports prepared by Engineering & Risk Services Corporation and OYO RMS Corporation. 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.

3. Total Leasable Area and Occupancy Rate of Tokyu Toranomon Building do not include those of the adjacent land acquired on January 9, 2015.

4. The new earthquake resistance standards are the earthquake resistant design standards based on the Building Standards Act, which was revised in 1981 with the aim to prevent buildings from collapsing even from earthquakes with seismic intensity of six and secure safety for human lives. Buildings that obtained building confirmation in June 1981 and after are understood to satisfy the new earthquake resistance standards. In fact, there were almost no reports of collapsing of buildings that were designed in accordance with the new earthquake resistance standards from the Great Hanshin Earthquake in 1995 and the Great East Japan Earthquake in 2011, in which a seismic intensity of seven was actually observed.

**R** QFRONT



QFRONT is a specialty store retail property located directly across from Shibuya Station, an area identified as one of Japan's busiest retail districts. The main tenant is TSUTAYA (operated by Culture Convenience Club Co., Ltd.), a rental and retail store of videos, CDs and DVDs/retail store of books, game software, etc. QFRONT also houses coffee shops and a restaurant. 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, etc./Tokyo Metro Ginza Line, etc./Tokyu Toyoko Line/Tokyu Den-en-toshi Line/Keio Inokashira Line  
 Total Land Space: 784.26m<sup>2</sup>  
 (Land included in the property trust totals 728.30m<sup>2</sup>)  
 Total Floor Space: 6,692.14m<sup>2</sup>  
 (Exclusive area 4,821.09m<sup>2</sup>)  
 Structure/Floors: SRC/S, B3/8F  
 Completed: October 1999  
 Type of Ownership: Land—Proprietary ownership  
 Building—Compartmentalized ownership  
 Tenant: Culture Convenience Club Co., Ltd.;  
 Tokyu Corporation;  
 Punraku Co., Ltd.



**R** Lexington Aoyama



Lexington Aoyama is a retail property along Kotto-dori in the Aoyama district, leased to multiple tenants, including cafés, a convenience store, and a hair salon. The property is located in the central area of Kotto-dori, which has a concentration of stores serving customers with high sensibility.

Address: 5-11-9, Minami-Aoyama, Minato-ku, Tokyo  
 Nearest Station: Approximately a five-minute walk from Omotesando Station—Tokyo Metro Ginza Line, etc.  
 Total Land Space: 776.59m<sup>2</sup>  
 Total Floor Space: 2,342.21m<sup>2</sup>  
 Structure/Floors: S/RC, B1/4F  
 Completed: January 1998  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership  
 Tenant: NCXX Group Inc.;  
 Ryohin Keikaku Co., Ltd.;  
 Family Mart Co., Ltd.;  
 etc.



**R** TOKYU REIT Omotesando Square



TOKYU REIT Omotesando Square is a multi-faceted retail property located in Shibuya Ward within a two-minute walk from Omotesando Station. This is a multi-tenant complex with a restaurant offering Churrasco Brazilian barbecue food on the first underground floor, a general merchandise store and a café on the first floor, a sports gym on the first through third floors and an esthetics salon on the fourth floor.

Address: 4-3-2, Jingumae, Shibuya-ku, Tokyo  
 Nearest Station: Approximately a two-minute walk from Omotesando Station—Tokyo Metro Ginza Line, etc.  
 Approximately a nine-minute walk from Meiji-jingumae Station—Tokyo Metro Fukutoshin Line  
 Total Land Space: 1,259.21m<sup>2</sup>  
 Total Floor Space: 3,321.20m<sup>2</sup>  
 Structure/Floors: S/SRC, B1/4F  
 Completed: October 1985  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership  
 Tenant: THINK FITNESS Corporation;  
 SAZABY LEAGUE, Ltd.;  
 Wondertable, Ltd.;  
 etc.



**R** Tokyu Saginuma Building



Tokyu Saginuma Building is located in Miyamae Ward, Kawasaki City, approximately 15 kilometers southwest of Shibuya. The area is a residential suburb of Tokyo. The property is a retail facility facing the rotary at Saginuma Station and fully leased to Tokyu Store Corporation. It was renewed to an NSC (neighborhood shopping center) in May 2011, with Tokyu Store as the anchor store, and was renamed to Fullel Saginuma.

Address: 1-1-1, Saginuma, Miyamae-ku, Kawasaki City, Kanagawa  
 Nearest Station: Approximately a one-minute walk from Saginuma Station—Tokyu Den-en-toshi Line  
 Total Land Space: 5,658.00m<sup>2</sup>  
 Total Floor Space: 18,326.99m<sup>2</sup>  
 Structure/Floors: RC, B1/4F  
 Completed: September 1978  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership  
 Tenant: Tokyu Store Corporation



**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 Tokyu Saginuma Building. The building comprises three floors (the first to third floors) leased to a bank and three underground floors used as a parking facility.

Address: 1-18-5, Kodai, Miyamae-ku, Kawasaki City, Kanagawa  
 Nearest Station: Approximately a one-minute walk from Saginuma Station—Tokyu Den-en-toshi Line  
 Total Land Space: 1,807.21m<sup>2</sup>  
 Total Floor Space: 4,409.50m<sup>2</sup>  
 Structure/Floors: SRC, B2/4F  
 Completed: October 1979  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership  
 Tenant: The Bank of Tokyo-Mitsubishi UFJ, Ltd.



## R TOKYU REIT Shibuya Udagawa-cho Square



TOKYU REIT Shibuya Udagawa-cho Square is located in the central area of Shibuya, the area identified as one of Japan's busiest retail districts, and faces the major retail thoroughfares Inokashira-dori and Shibuya Center-gai. ZARA, a tenant in Building 1, is a fast fashion brand opening multiple shops not only in Spain but also across the world. 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, etc./Tokyo Metro Ginza Line, etc./Tokyo Toyoiko Line/Tokyo Den-en-toshi Line/Keio Inokashira Line

Total Land Space: 679.27m<sup>2</sup>

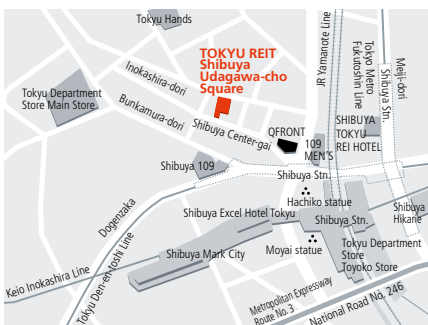
Total Floor Space: [Bldg. 1] 1,473.10m<sup>2</sup>  
[Bldg. 2] 56.39m<sup>2</sup>

Structure/Floors: [Bldg. 1] S, 3F  
[Bldg. 2] S, 2F

Completed: [Bldg. 1] July 1998  
[Bldg. 2] June 1995

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

Tenant: ZARA Japan Corporation;  
NIPPAN Co., Ltd.



## R cocoti



cocoti is approximately a one-minute walk from Shibuya Station and faces Meiji-dori. The areas surrounding the property are recently under ongoing redevelopments and also have a concentration of apparel brand and other shops. The tenants are comprised of brand shops, cafes, a sports gym, etc., making the property a retail facility accommodating the various needs of customers.

Address: 1-23-16, Shibuya, Shibuya-ku, Tokyo

Nearest Station: Approximately a three-minute walk from Shibuya Station—JR Yamanote Line, etc.

Approximately a one-minute walk from Shibuya Station—Tokyo Metro Ginza Line, etc./Tokyo Toyoiko Line/Tokyo Den-en-toshi Line/Keio Inokashira Line

Total Land Space: 1,705.35m<sup>2</sup>

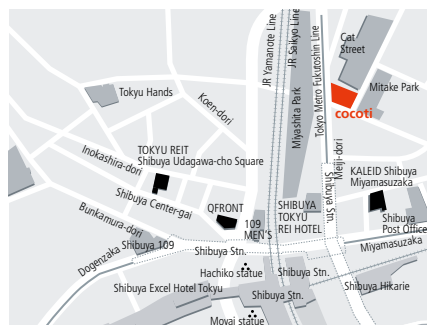
Total Floor Space: 11,847.87m<sup>2</sup>

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

Completed: September 2004

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

Tenant: TOMORROWLAND Co., Ltd.;  
DIESEL JAPAN Co., Ltd.;  
THINK FITNESS Corporation;  
etc.



## R Shonan Mall Fill (sokochi)



Shonan Mall Fill is the retail property which situates between Fujisawa and Tsujido Stations on the JR Tokaido Line.

**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 in the area offering stable growth potential.

The population in the trade zone of the property is increasing, with home sales and other activities under way for the Fujisawa Sustainable Smart Town, which includes SHONAN T-SITE and other facilities on its site, in the neighborhood.

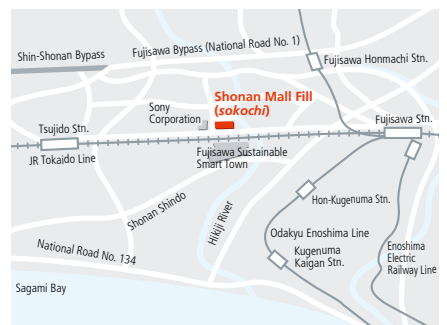
Address: 4-1-1, Tsujido Shinmachi, Fujisawa City, Kanagawa

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/Enoshima Electric Railway Line

Total Land Space: 44,078.12m<sup>2</sup>

Type of Ownership: Land—Proprietary ownership  
Tenant: DAIWA INFORMATION SERVICE 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 houses restaurants and a service-related store.

Neighboring area of 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. Renewal work centering on the first floor entrance was implemented in July 2014.

Address: 2-3-14, Ebisu-Minami, Shibuya-ku, Tokyo  
 Nearest Station: Approximately a three-minute walk from Ebisu Station—JR Yamanote Line, etc.  
 Approximately a two-minute walk from Ebisu Station—Tokyo Metro Hibiya Line  
 Total Land Space: 562.07m<sup>2</sup>  
 Total Floor Space: 2,789.35m<sup>2</sup>  
 Structure/Floors: S/SRC B1/9F  
 Completed: March 2004  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership  
 Tenant: MERCER OFFICE INC.;  
 MYU, Inc.  
 Diamond Dining International Corporation;  
 etc.



**R** Daikanyama Forum



Daikanyama Forum has two buildings—namely, East Wing and West Wing—that have been designed to harmonize with the sensibility of Kyu Yamate Dori avenue and accommodate luxury apparel shops, a French restaurant and other tenants.

**TOKYU REIT** acquired a 100% interest in the East Wing and an approximately 64% interest in the West Wing.

Address: 17-16, Sarugaku-cho, Shibuya-ku, Tokyo  
 Nearest Station: Approximately a six-minute walk from Daikanyama Station—Tokyu Toyoko Line  
 Total Land Space: Building 1 (East): Site rights area 942.30m<sup>2</sup>  
 Interest 10,000/10,000  
 Building 2 (West): Site rights area 1,108.01m<sup>2</sup>  
 Interest 6,413/10,000  
 Total Floor Space: Building 1 (East): 1,441.57m<sup>2</sup>  
 Building 2 (West): Site rights area 2,388.70m<sup>2</sup>  
 (Exclusive area 1,182.62m<sup>2</sup>)  
 Structure/Floors: Building 1 (East): RC, B1/2F  
 Building 2 (West): RC, B1/5F  
 Completed: February 1993  
 Type of Ownership:  
 Land—Building 1 (East): Proprietary ownership  
 Building 2 (West): Proprietary ownership  
 (Co-ownership ratio 64.13%)  
 Building—Building 1 (East): Compartmentalized ownership  
 Building 2 (West): Compartmentalized ownership  
 Tenant: Jun Ashida Co., Ltd.;  
 Hiramatsu Inc.;  
 IL PLEUT SUR LA SEINE Kikaku Co., Ltd.;  
 etc.

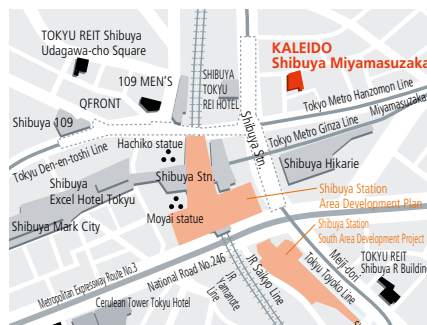


**R** KALEIDO Shibuya Miyamasuzaka



KALEIDO Shibuya Miyamasuzaka is a multi-tenant retail property located in the Shibuya area, which has the giant terminal Shibuya Station. The property is situated approximately a one-minute walk from Shibuya Station on Tokyu Lines and Tokyo Metro Lines, and the Miyamasuzaka and surrounding area is recognized for its buildings that house eating and drinking establishments. The property comprises eight tenants engaged in the restaurant business and one tenant engaged in the amusement business.

Address: 1-12-1, Shibuya, Shibuya-ku, Tokyo  
 Nearest Station: Approximately a one-minute walk from Shibuya Station on the Tokyu Toyoko and Den-en-toshi Lines, and Tokyo Metro Ginza, Hanzomon and Fukutoshin Lines  
 Approximately a three-minute walk from Shibuya Station on the JR Lines  
 Total Land Space: 821.65m<sup>2</sup>  
 Total Floor Space: 4,475.10m<sup>2</sup>  
 Structure: S/RC  
 Floors: B4/6F  
 Completed: January 1992  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership  
 Tenant: K.K. Bagus, Apex, Inc.;  
 Apex, Inc.;  
 MONTEROZA CO., LTD.;  
 etc.



**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.

It consists of four mid-size office towers, two terraces with commercial facilities and a community center.

The location is convenient for transportation with good road access (National Road No. 246, Kampachi-dori and the Yoga interchange on Metropolitan Expressway Route No. 3) as well as rail (direct line from Yoga Station to Ottemachi Station passing through Shibuya Station).

Address: 4-10-1,2,3,4,5,6, Yoga, Setagaya-ku, Tokyo  
 Nearest Station: Approximately a one-minute walk from Yoga Station—Tokyu Den-en-toshi Line  
 Total Land Space: 21,315.68m<sup>2</sup>  
 Total Floor Space: 94,373.72m<sup>2</sup>  
 Structure/Floors: SRC/RC/S, B2/28F  
 Completed: September 1993  
 Type of Ownership: Land—Proprietary ownership (Co-ownership ratio 55%)  
 Building—Proprietary ownership (Co-ownership ratio 55%)  
 Tenant: Covidien Japan Inc.; Tokyu Community Corp.; System Engineering Consultants Co., LTD. etc.



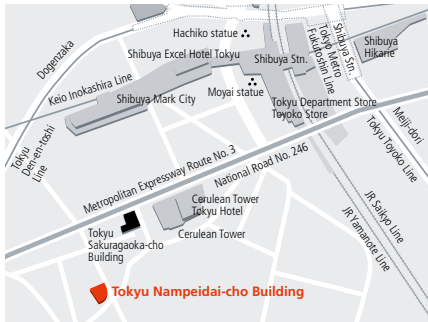
**Tokyu Nampeidai-cho Building**



Tokyu Nampeidai-cho Building is a five-story office building located in the Shibuya area, where development projects are underway, which Tokyu Corporation uses as its head office.

A long-term lease contract from January 2013 to December 2021 has been concluded, contributing to earnings stability.

Address: 5-6, Nampeidai-cho, Shibuya-ku, Tokyo  
 Nearest Station: Approximately a seven-minute walk from Shibuya Station—JR Yamanote Line, etc./Tokyo Metro Ginza Line, etc./Tokyu Toyoko Line/Tokyu Den-en-toshi Line/Keio Inokashira Line  
 Total Land Space: 2,013.28m<sup>2</sup>  
 Total Floor Space: 7,003.88m<sup>2</sup>  
 Structure/Floors: S/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 the Shibuya area, where development projects are underway, which is mostly occupied by Tokyu Corporation and used as its head office (the operating division).

A long-term lease contract from January 2012 to December 2021 has been concluded, contributing to earnings stability.

Individually-controlled air-conditioning equipment using gas as the heat source was installed in all floors in 2013.

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

(Note) All of compartmentalized ownerships with whole building are entrusted.



**Tokyo Nissan Taito Building**



Tokyo Nissan Taito Building is a 10-story office building situated along Kiyosubashi-dori.

It is located in a highly convenient area where multiple stations are available for use.

Renewal work of exterior walls and restrooms throughout the building, etc. was implemented in 2014 through 2015 in order to maintain and enhance the property competitiveness.

Address: 2-6-6, Moto-Asakusa, Taito-ku, Tokyo

Nearest Station: Approximately a three-minute walk from Inari-cho Station—Tokyo Metro Ginza Line  
 Approximately a four-minute walk from Shin-Okachi-machi Station—Toei Oedo Line  
 Approximately a four-minute walk from Shin-Okachi-machi Station—Tsukuba Express Line  
 Approximately a 10-minute walk from Ueno Station—JR Yamanote Line, etc.

Total Land Space: 1,718.45m<sup>2</sup>

Total Floor Space: 11,373.20m<sup>2</sup>

Structure/Floors: SRC, B2/10F

Completed: September 1992

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

Tenant: Nissan Network Holdings Co., Ltd.;

CHODAI CO.,LTD.;

Chugai Shoko Co., Ltd.;

etc.



**TOKYU REIT Akasaka Hinokicho Building**



TOKYU REIT Akasaka Hinokicho Building is a seven-story office building situated along Akasaka-dori.

There are many large office buildings and multifaceted retail properties in the neighborhood and large-scale redevelopment projects are planned for the districts around Akasaka-Mitsuke Station and Tameike-Sanno Station. These are expected to enliven the area even further.

Address: 6-14-15, Akasaka, Minato-ku, Tokyo

Nearest Station: Approximately a four-minute walk from Akasaka Station—Tokyo Metro Chiyoda Line

Total Land Space: 866.61m<sup>2</sup>

Total Floor Space: 4,058.92m<sup>2</sup>

Structure/Floors: RC, 7F

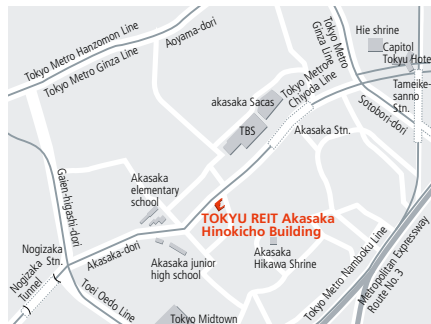
Completed: August 1984

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

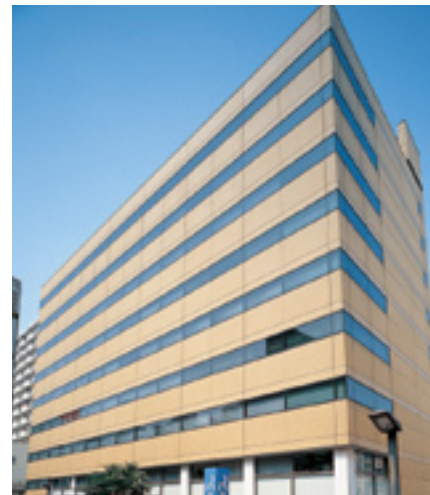
Tenant: Q-TEC, Inc.;

Seven-Eleven Japan Co., Ltd.;

Lainage Co., Ltd.



**TOKYU REIT Kamata Building**



TOKYU REIT Kamata Building is a nine-story office building adjacent to the Ota Ward Office. Kamata is an area in the center of Ota Ward, 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 Keikyu Airport Line enhances the possibility that the area will become even more convenient in the future (Council for Transport Policy Report No. 18).

Renewal work of restrooms throughout the property was implemented in 2012.

Address: 5-13-23, Kamata, Ota-ku, Tokyo

Nearest Station: Approximately a three-minute walk from Kamata Station—JR Keihin Tohoku Line/Tokyu Tamagawa Line/ Tokyu Ikegami Line

Total Land Space: 1,642.86m<sup>2</sup>

Total Floor Space: 10,244.51m<sup>2</sup>

Structure/Floors: S/SRC, B1/9F

Completed: February 1992

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

Tenant: Fujitsu Limited;

FUJITSU MISSION CRITICAL SYSTEMS LIMITED;

Dai Nippon Toriy Co., Ltd.;

etc.





**TOKYU REIT**  
Toranomon Building



TOKYU REIT Toranomon Building is a one-minute walk from Kamiyacho Station on the Tokyo Metro Hibiya Line and faces National Route 1 (Sakurada-dori).

We are maintaining the property's competitiveness within the area where office buildings have concentrated since 2009 with renovation work of the elevator hall, restroom and entrance, renewal of air-conditioning and lighting equipment, and installation of OA-compatible floors. Also, large-scale redevelopments are underway nearby, and the area can be expected to become more vibrant.

Address: 3-17-1, Toranomon, Minato-ku, Tokyo

Nearest Station: Approximately a one-minute walk from Kamiyacho Station—Tokyo Metro Hibiya Line  
Approximately a nine-minute walk from Toranomon Station—Tokyo Metro Ginza Line  
Approximately a nine-minute walk from Onarimon Station—Toei Mita Line

Total Land Space: 1,728.38m<sup>2</sup>  
(Co-ownership ratio 86.116%)

Total Floor Space: 15,343.73m<sup>2</sup>  
(10,882.65m<sup>2</sup> (note))

Structure/Floors: SRC/RC, B2/9F

Completed: April 1988

Type of Ownership: Land—Proprietary ownership  
(Co-ownership ratio 86.116%)  
Building—Compartmentalized ownership and co-ownership of compartmentalized ownership

Tenant: Konoike Transport Co., Ltd.;  
JAPAN POST INSURANCE Co., Ltd.;  
REMOTE SENSING TECHNOLOGY CENTER OF JAPAN; etc.

(Note) Portion owned by **TOKYU REIT**



**TOKYU REIT**  
Hatchobori Building



TOKYU REIT Hatchobori Building is located in a traditional office area that has long had a high concentration of office buildings which is connected to the Yaesu area.

The property maintains competitiveness through adequate renewal, such as with seismic isolation work conducted in 2005.

Furthermore, on April 20, 2012, The Japan Building Disaster Prevention Association issued a plaque to the property, certifying it is a "building that has undertaken earthquake resistance diagnosis and anti-seismic renovation work."

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

Nearest Station: Approximately a three-minute walk from Hatchobori Station—JR Keiyo Line  
Approximately a 10-minute walk from Tokyo Station—JR Yamanote Line, etc.  
Approximately a three-minute walk from Hatchobori Station—Tokyo Metro Hibiya Line  
Approximately a six-minute walk from Kayabacho Station—Tokyo Metro Tozai Line  
Approximately a six-minute walk from Takaracho Station—Toei Asakusa Line

Total Land Space: 974.32m<sup>2</sup>

Total Floor Space: 8,810.21m<sup>2</sup>

Structure/Floors: SRC, B2/9F

Completed: September 1965

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

Tenant: Universal Home, Inc.;  
MEISEI CORPORATION;  
Yakult Health Foods Co., Ltd.;  
etc.



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



Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building) is a nine-story office building facing Aoyama-dori. This property is located approximately a four-minute walk from Akasaka-Mitsuke and Nagatacho Stations and have excellent office specifications.

Tokyu Agency, Inc. is currently using the property and concluded a fixed-term lease contract (with no cancellation and no claim rights for reducing leasing rates) for 10 years starting February 1, 2013.

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 Hanzomon Line, etc.

Total Land Space: 712.49m<sup>2</sup>

Total Floor Space: 5,002.36m<sup>2</sup>

Structure/Floors: S/SRC, B1/9F

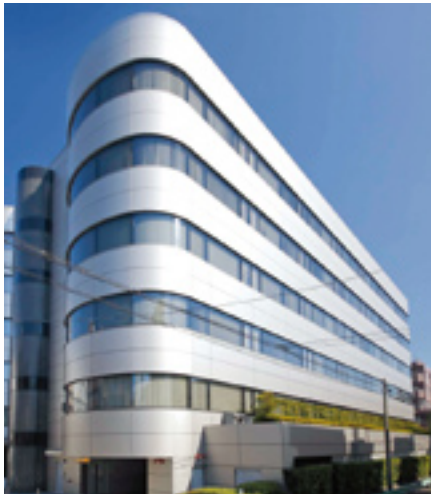
Completed: February 2003

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

Tenant: Tokyu Agency Inc.



**Tokyu Ikejiri-ohashi Building**



Tokyu Ikejiri-ohashi Building is located close to Ikejiri-ohashi Station on the Tokyu Den-en-toshi Line and located to accommodate demand not met by Shibuya and is thus seen to provide occupancy stability.

With road access from all four sides, the property boasts approximately 320 *tsubos* (1,064.53m<sup>2</sup>) of floor space per floor, making it a rare find.

In addition, the external walls were renovated in 2010.

Moreover, the Central Circular Route started services for the section between Ohashi Junction, which is close to the property, and Oi Junction in March, 2015, which is likely to improve access to the Haneda and Wangan (Coastal) areas.

Address: 3-8-1, Higashiyama, Meguro-ku, Tokyo  
 Nearest Station: Approximately a five-minute walk from Ikejiri-ohashi Station—Tokyu Den-en-toshi Line

Total Land Space: 2,382.67m<sup>2</sup>  
 Total Floor Space: 7,619.56m<sup>2</sup>  
 Structure/Floors: SRC, 7F  
 Completed: October 1989  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership

Tenant: Top Tour Corporation;  
 Tokyu Bus Corporation;  
 TETSUJIN Inc.;  
 etc.



**Kojimachi Square**



The Bancho-Kojimachi area where Kojimachi Square is located has numerous commuter train lines running through it with stations including Kojimachi, Ichigaya, Yotsuya and Hanzomon. Demand for this property is expected to come from tenants who are looking for an academic area that also offers easy access to central Tokyo area as well as a pleasant quiet environment.

Address: 3, Nibancho, Chiyoda-ku Tokyo  
 Nearest Station: Approximately a one-minute walk from Kojimachi Station—Tokyo Metro Yurakucho Line  
 Approximately a seven-minute walk from Hanzomon Station—Tokyo Metro Hanzomon Line  
 Approximately an eight-minute walk from Ichigaya Station—Tokyo Metro Namboku Line/Toei Shinjuku Line  
 Approximately a 10-minute walk from Yotsuya Station—Tokyo Metro Marunouchi Line  
 Approximately a seven-minute walk from Ichigaya Station—JR Sobu Line  
 Approximately an eight-minute walk from Yotsuya Station—JR Chuo and Sobu Lines  
 Approximately an eight-minute walk from Ichigaya Station—Toei Shinjuku Line

Total Land Space: 1,269.24m<sup>2</sup>  
 Total Floor Space: 6,803.47m<sup>2</sup>  
 Structure/Floors: S/R C B1/7F  
 Completed: January 2003  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership

Tenant: Business Breakthrough, Inc.;  
 Japan Safe Driving Center;  
 Construction Industry Engineers Center; etc.



**TOKYU REIT Shinjuku Building**



The Shinjuku 3-chome area, where TOKYU REIT Shinjuku Building is situated, is one of Tokyo's most vibrant commercial areas with many large commercial buildings.

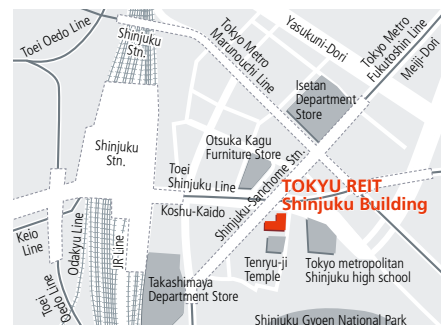
With such regional characteristics, demand can be expected from sales and services related companies.

Moreover, in Shinjuku Station on the JR lines, projects are scheduled for redeveloping the South Exit area to make it a hub and for improving the ease of getting around at the eastern and western exits. These are expected to further enhance the convenience in the Shinjuku area.

Address: 4-3-25, Shinjuku, Shinjuku-ku, Tokyo  
 Nearest Station: Approximately a one-minute walk from Shinjuku-Sancho Station—Tokyo Metro Marunouchi and Fukutoshin Lines  
 Approximately a four-minute walk from Shinjuku Station—JR Yamanote Line, etc.  
 Approximately a six-minute walk from Shinjuku Station—Toei Shinjuku and Oedo Lines/Keio Line  
 Approximately a seven-minute walk from Shinjuku Station—Odakyu Odawara Line

Total Land Space: 1,113.87m<sup>2</sup>  
 Total Floor Space: 8,720.09m<sup>2</sup>  
 Structure/Floors: SRC 10F  
 Completed: May 2003  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership

Tenant: DAIDO LIFE INSURANCE COMPANY;  
 FORCIA, Inc.;  
 WATABE WEDDING CORPORATION;  
 etc.



**Akihabara Sanwa Toyo Building**



Akihabara Sanwa Toyo Building is located in the Akihabara area, which is an area internationally famous for its Denki Gai (electric town) and creation of subcultures. Directly linked to Suehirocho Station on the Tokyo Metro Ginza Line, a line which connects Shibuya to Ueno/Asakusa, the property is located on a corner lot at the intersection of Chuodori and Kuramaebashi-dori. The property has extremely good convenience for transportation as well as visibility.

Address: 3-16-8, Sotokanda, Chiyoda-ku, Tokyo  
 Nearest Station: Approximately a one-minute walk from Suehirocho Station—Tokyo Metro Ginza Line  
 Approximately a seven-minute walk from Akihabara Station—JR Yamanote Line, etc.  
 Approximately a nine-minute walk from Akihabara Station—Tsukuba Express Line  
 Total Land Space: 795.33m<sup>2</sup>  
 Total Floor Space: 5,704.69m<sup>2</sup>  
 Structure/Floors: SRC, B1/8F  
 Completed: September 1985  
 Type of Ownership: Land—Proprietary ownership  
 Building—Compartmentalized ownership (Note)  
 Tenant: The Bank of Tokyo-Mitsubishi UFJ, Ltd.;  
 OS Electronics Co., Ltd.;  
 Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.;  
 etc.

(Note) All of compartmentalized ownership with whole building are entrusted.



**TOKYU REIT Kiba Building**

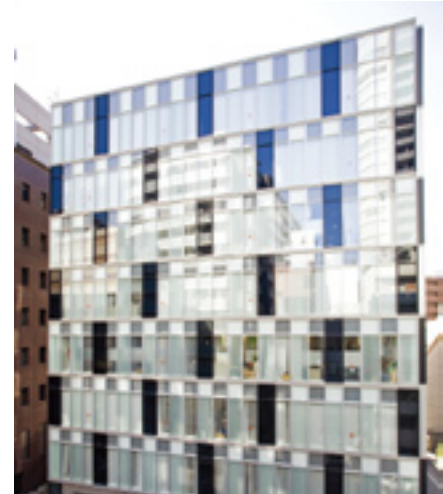


The Kiba and Toyocho area where TOKYU REIT Kiba Building is located is close to central Tokyo, approximately 4 km east of Tokyo Station, and has many affiliates and counterparties of large companies. Furthermore, despite the fact that it is highly accessible to central Tokyo, rent levels are relatively low and so demand from corporate restructurings can also be expected regardless of industry type. The property is approximately a two-minute walk from Kiba Station on the Tokyo Metro Tozai Line and faces Eitai-dori street. Renewal work for the elevator halls and toilets and replacement of air conditioners was implemented in 2012, with an aim to maintain the property's competitiveness in the relevant area.

Address: 3-7-13, Toyo, Koto-ku, Tokyo  
 Nearest Station: Approximately a two-minute walk from Kiba Station—Tokyo Metro Tozai Line  
 Total Land Space: 1,259.52m<sup>2</sup>  
 Total Floor Space: 7,513.09m<sup>2</sup>  
 (Including parking spaces (41.74m<sup>2</sup>))  
 Structure/Floors: SRC, 10F  
 Completed: February 1992  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership  
 Tenant: STS Co., Ltd.;  
 Mitsubishi Materials Techno Corporation;  
 Todenfuel Co., Ltd.;  
 etc.



**Tokyu Ginza 2-chome Building**



The Ginza area where Tokyu Ginza 2-chome Building is located is one of Japan's busiest commercial areas with high-end brand strength. As such, the property have appeal to companies that prefer an address in Ginza. Furthermore, transportation is very convenient and the property is highly competitive in terms of specifications.

Address: 2-15-2, Ginza, Chuo-ku, Tokyo  
 Nearest Station: Approximately a two-minute walk from Shintomicho Station—Tokyo Metro Yurakucho Line  
 Approximately a four-minute walk from Higashi-ginza Station—Tokyo Metro Hibiya Line  
 Approximately an eight-minute walk from Ginza Station—Tokyo Metro Ginza Line, etc.  
 Approximately a four-minute walk from Higashi-ginza Station—Toei Asakusa Line  
 Total Land Space: 805.42m<sup>2</sup>  
 Total Floor Space: 5,098.61m<sup>2</sup>  
 Structure/Floors: S/R, B1/8F  
 Completed: August 2008  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership  
 Tenant: The Dai-ichi Building Co., Ltd.;  
 Seven-Eleven Japan Co., Ltd.



**OKI System Center**  
(*sokochi*)



As the property is the *sokochi* (ownership of land with a fixed-term leasehold for commercial use) of OKI System Center, the tenants of which include Oki Electric Industry Co., Ltd., **TOKYU REIT** executed an agreement on establishment of a 20-year fixed-term leasehold for commercial use with Oki Electric Industry Co., Ltd., thus long-term stable cash flow is expected from the property.

Warabi City, Saitama Prefecture, where the property is located, has high accessibility to central Tokyo and high potential as a residential area. In particular, the sizable land of approximately 5,000 *tsubos* (16,528m<sup>2</sup>) with proximity of an approx. four-minute walk from Warabi Station makes it a rare property.

Address: 1-16-8 Chuo, Warabi-shi, Saitama  
Nearest Station: Approximately a four-minute walk from Warabi Station, JR Keihin Tohoku Line  
Total Land Space: 17,019.18m<sup>2</sup>  
Type of Ownership: Land—Proprietary ownership  
Tenant: Oki Electric Industry Co., Ltd.



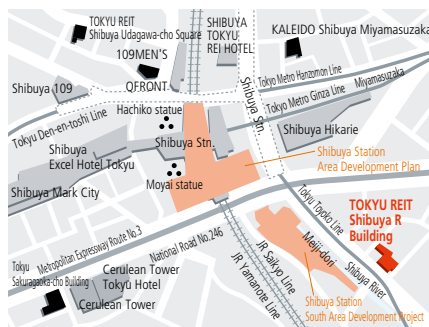
**TOKYU REIT Shibuya R Building**



TOKYU REIT Shibuya R Building faces Meiji-dori and is situated approximately a two-minute walk from the New South Exit of JR Shibuya Station. In addition, with 2,600mm ceiling height, 60mm raised flooring, individually controlled air-conditioning equipment and such, it features a certain level of specifications. With 645.86m<sup>2</sup> in floor space per standard floor, it is a large-scale office rare in the Shibuya area. Access from Shibuya Station is expected to improve with the establishment of an east exit underground plaza, deck, elevator, etc. in the upgrading of the areas surrounding National Route 246 and Shibuya Station that are in the property's surrounding area. In addition, the Shibuya Station South Area Development Project (district 21 in Shibuya 3-chome) nearby led by Tokyu Corporation slated for opening in fiscal 2018.

In addition, renewal work of restrooms throughout the building was conducted in 2014 to enhance the property's competitiveness in the area.

Address: 3-10-13, Shibuya, Shibuya-ku, Tokyo  
Nearest Station: Approximately a two-minute walk from Shibuya Station, JR Lines  
Approximately a four-minute walk from Shibuya Station, Tokyu Toyoko and Den-en-toshi Lines, and Tokyo Metro Ginza, Hanzomon and Fukutoshin Lines  
Total Land Space: 1,077.45m<sup>2</sup> [Portion owned by **TOKYU REIT**: 819.41m<sup>2</sup>]  
Total Floor Space: 7,289.38m<sup>2</sup>  
Including parking (41.18m<sup>2</sup>)  
Structure: SRC (Parking: S 1F)  
Floors: B1/9F  
Completed: March 1990  
Type of Ownership: Land—Proprietary ownership (Partial ownership)  
Building—Compartmentalized ownership, and co-ownership of compartmentalized ownership  
Tenant: LANCERS, INC.;  
K.K. Japan Distribution System;  
The Gibraltar Life Insurance Co., Ltd.;  
etc.



**Tokyu Toranomon Building**



Tokyu Toranomon Building is an office building located a three-minute walk from Toranomon Station. Completed in April 2010, it is the youngest property in TOKYU REIT's portfolio. The area is expected to have further growth potential through such measures as establishment of new Toranomon Station on the Tokyo Metro Hibiya Line on top of the opening of Loop Road No. 2 (Shintora-dori) and the completion of Toranomon Hills.

**TOKYU REIT** acquired its adjacent land in 2015 and will continue discussing extension of the property.

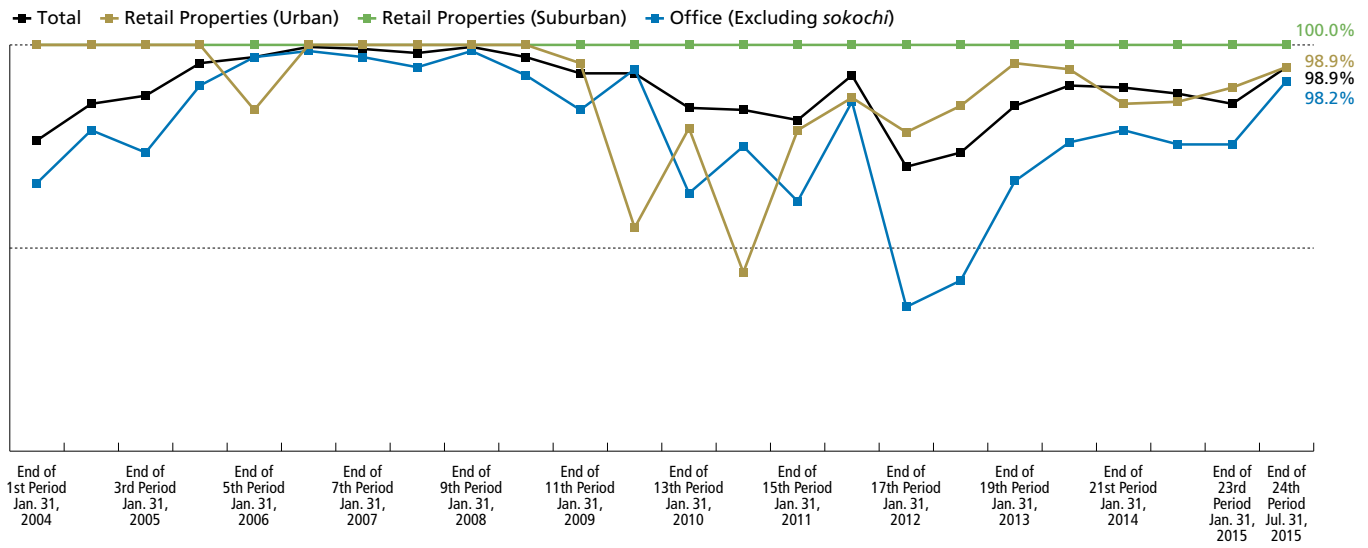
Address: 1-21-19, Toranomon, Minato-ku, Tokyo  
Nearest Station: Approximately a three-minute walk from Toranomon Station, Tokyo Metro Ginza Line  
Approximately a seven-minute walk from Kasumigaseki Station, Tokyo Metro Chiyoda and Hibiya Lines  
Approximately an eight-minute walk from Kamiyacho Station, Tokyo Metro Hibiya Line  
Approximately a nine-minute walk from Kasumigaseki Station, Tokyo Metro Marunouchi Line  
Total Land Space: 2,016.83m<sup>2</sup>  
Total Floor Space: 11,983.09m<sup>2</sup>  
Structure: S  
Floors: 10F  
Completed: April 2010  
Type of Ownership: Land—Proprietary ownership;  
Building—Proprietary ownership;  
Tenant: Vendor Service Co., Ltd.;  
NTT DATA Corporation;  
Lawson, Inc.



# Portfolio

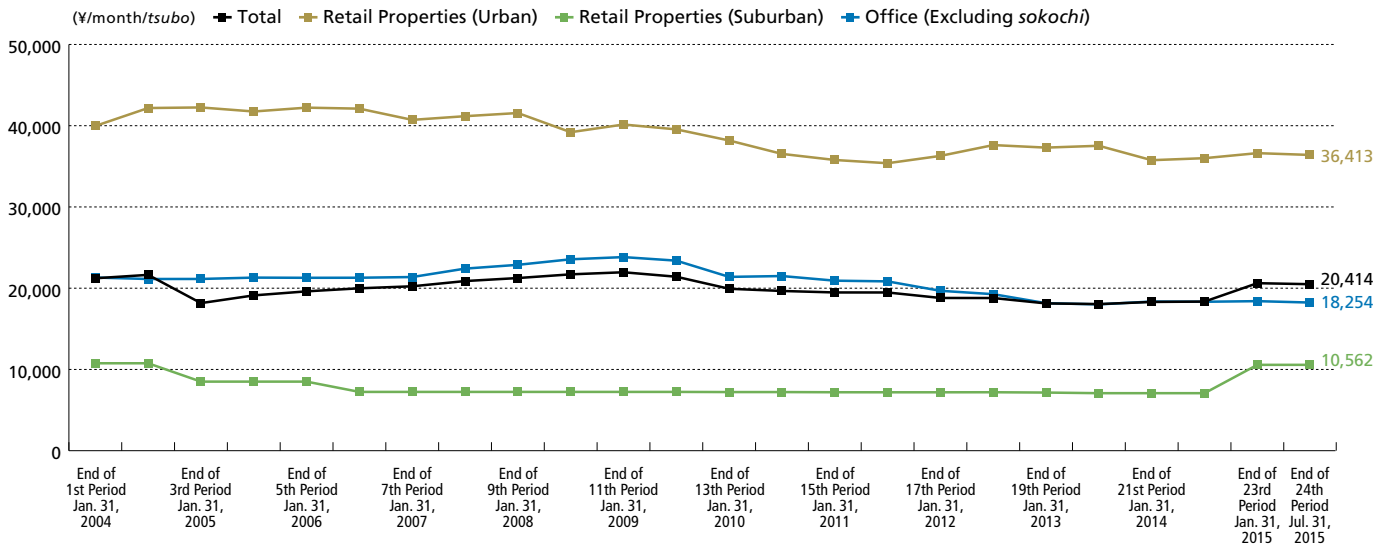
## Track Record (Results of Management)

### Changes in Occupancy Rate



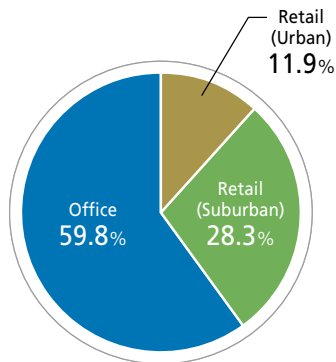
\* OKI System Center (sokochi) is not included in Office.

### Changes in Average Rent

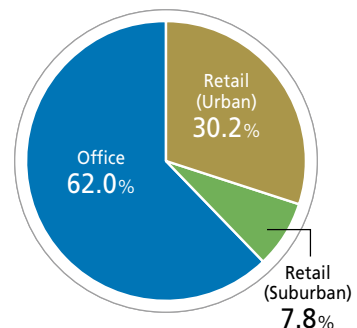


\* Shonan Mall Fill (sokochi) is not included in Retail (Suburban) when calculating changes in rent. OKI System Center (sokochi) is not included in Office.

### Total Leasable Area by Segment (As of end of Jul. 2015)



### Rent Revenues by Segment (As of end of Jul. 2015)



# I . Asset Management Report

## 1. Financial Highlights

### (1) Result of Operation and Financial Position

		24th fiscal period From February 1, 2015 to July 31, 2015 (181 days)	23rd fiscal period From August 1, 2014 to January 31, 2015 (184 days)	22nd fiscal period From February 1, 2014 to July 31, 2014 (181 days)	21st fiscal period From August 1, 2013 to January 31, 2014 (184 days)	20th fiscal period From February 1, 2013 to July 31, 2013 (181 days)	
		Millions of yen, except per unit data or where otherwise indicated					
Result of operation	Statement of income	Operating revenues	¥ 7,133	¥ 7,541	¥ 7,302	¥ 7,308	¥ 6,495
		Operating income	¥ 3,083	¥ 3,383	¥ 3,225	¥ 3,322	¥ 2,801
		Net income	¥ 2,396	¥ 2,660	¥ 2,461	¥ 2,507	¥ 2,035
	Operating income	Revenue from property leasing (a) (Note 2)	¥ 7,131	¥ 7,075	¥ 7,300	¥ 7,304	¥ 6,495
		Rental service expenses (b)	¥ 3,396	¥ 3,478	¥ 3,420	¥ 3,366	¥ 3,105
		[Depreciation and amortization] (included in (b)) (c) (Note 3)	[¥ 1,013]	[¥ 1,017]	[¥ 1,078]	[¥ 1,093]	[¥ 987]
		NOI (Net Operating Income) (a) – (b) + (c)	¥ 4,747	¥ 4,614	¥ 4,957	¥ 5,032	¥ 4,378
	Cash flow	FFO (Funds from Operation) (d) (Note 4)	¥ 3,406	¥ 3,211	¥ 3,539	¥ 3,598	¥ 3,023
		Capital expenditures (e)	¥ 542	¥ 682	¥ 343	¥ 228	¥ 479
		AFFO (Adjusted Funds from Operation) (d) – (e)	¥ 2,864	¥ 2,529	¥ 3,195	¥ 3,370	¥ 2,543
Financial position	Balance sheet	Total assets (f)	¥ 222,810	¥ 223,346	¥ 230,969	¥ 230,966	¥ 206,988
		[Change from the preceding period]	[–0.2%]	[–3.3%]	[0.0%]	[11.6%]	[2.4%]
		Interest-bearing liabilities (g) (Note 5)	¥ 97,000	¥ 97,000	¥ 103,000	¥ 103,000	¥ 91,500
		Total unitholders' equity (Net assets) (h)	¥ 113,008	¥ 113,140	¥ 112,940	¥ 112,986	¥ 100,055
		[Change from the preceding period]	[–0.1%]	[0.2%]	[–0.0%]	[12.9%]	[0.1%]
	Portfolio	Unitholders' capital	¥ 110,479	¥ 110,479	¥ 110,479	¥ 110,479	¥ 98,019
		Acquisition costs of properties (Note 6)	¥ 222,059	¥ 222,059	¥ 229,622	¥ 229,622	¥ 204,202
		Book value of properties (Note 6)	¥ 210,199	¥ 210,653	¥ 217,190	¥ 217,923	¥ 193,019
		Appraisal value of properties at end of period (i) (Note 6)	¥ 233,480	¥ 228,660	¥ 227,740	¥ 224,650	¥ 194,860
		Number of properties at end of period	29 properties	29 properties	30 properties	30 properties	27 properties
		Total leasable area (Note 7)	229,859.61 m <sup>2</sup>	229,922.73 m <sup>2</sup>	280,131.88 m <sup>2</sup>	280,114.52 m <sup>2</sup>	262,516.83 m <sup>2</sup>
	Occupancy rate at end of period (Note 7)	98.9%	97.1%	97.6%	97.9%	98.0%	
	Other	Distri- bution	Cash distribution	¥ 2,396	¥ 2,528	¥ 2,460	¥ 2,507
Dividend payout ratio			100.0%	95.0%	100.0%	100.0%	100.0%
Per unit data		Total number of units issued and outstanding	977,600 units	977,600 units	977,600 units	195,520 units	169,380 units
		Total unitholders' equity per unit (base value) (Note 8)	¥ 115,597	¥ 115,732	¥ 115,528	¥ 115,575	¥ 590,716
		Cash distribution per unit	¥ 2,451	¥ 2,586	¥ 2,517	¥ 12,823	¥ 12,019
Management index		Return on total unitholders' equity (annualized) (Note 9)	4.3%	4.7%	4.4%	4.7%	4.1%
		Equity ratio (h)÷(f)	50.7%	50.7%	48.9%	48.9%	48.3%
		[Change from the preceding period]	[0.1%]	[1.8%]	[–0.0%]	[0.6%]	[–1.1%]
		Proportion of interest-bearing liabilities to total assets at end of period (g)÷(f)	43.5%	43.4%	44.6%	44.6%	44.2%
		Proportion of interest-bearing liabilities to appraisal value at end of period (g)÷(i)	41.5%	42.4%	45.2%	45.8%	47.0%
Average market price per unit during period (Note 10) (Note 11)	¥ 153,975	¥ 150,756	¥ 131,777	¥ 116,503	¥ 575,341		

- Note 1. Consumption tax is not included in operating revenues.
- Note 2. 'Revenue from property leasing' does not include revenues from facility acceptance (21st fiscal period: ¥2 million; 24th fiscal period: ¥2 million) and contribution for construction (21st fiscal period: ¥0 million; 22nd fiscal period: ¥2 million).
- Note 3. 'Depreciation and amortization' includes loss on disposal of property and equipment (20th fiscal period: ¥4 million; 21st fiscal period: ¥4 million; 22nd fiscal period: ¥11 million; 23rd fiscal period: ¥15 million; 24th fiscal period: ¥10 million).
- Note 4. Net income + Depreciation and amortization + Other property related depreciation and amortization + Loss on sale of property – Gain on sale of property – Revenues from facility acceptance  
Other property related depreciation and amortization was not incurred.
- Note 5. Short-term debt + Long-term debt due within one year + Long-term debt + Investment corporation bonds due within one year + Investment corporation bonds
- Note 6. For 'Trust beneficiary interest in real estate,' the portion equivalent to the properties held in substance, which is total assets less the money that is part of the assets of the concerned trust beneficiary interest in real estate, is shown.
- Note 7. Regarding 'Total leasable area' and 'Occupancy rate at end of period,' please refer to notes 2 and 4 of '3. Portfolio Profile (2) Major Portfolio.'
- Note 8. A five-for-one split of investment units was conducted with January 31, 2014 as the reference date and February 1, 2014 as the effective date. 'Total unitholders' equity per unit' for the 21st fiscal period in the table above is calculated on the basis that the split of investment units was conducted at the beginning of the 21st fiscal period.
- Note 9.  $\text{Net income} \div \{(\text{Net assets at beginning of period} + \text{Net assets at end of period}) \div 2\} \times 365 \div \text{Number of days of investment management}$
- Note 10. Average price during period (closing price) on the Real Estate Investment Trust Section of the Tokyo Stock Exchange, Inc. ("Tokyo Stock Exchange") on which the investment certificates of TOKYU REIT, Inc. ("TOKYU REIT") are listed.
- Note 11. Following the implementation of a five-for-one split of investment units, investment units began trading at the split-adjusted market price on the ex-rights date, which was January 29, 2014. 'Average market price per unit during period' for the 21st fiscal period in the table above is calculated on the basis that the split of investment units was conducted at the beginning of the 21st fiscal period.

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

### ① Investment Environment

During the fiscal period under review (24th fiscal period: six-month period ended July 31, 2015), the Japanese economy continued to be on a moderate recovery trend, although variation was seen in the tempo of improvement.

Specifically, in the Tokyo metropolitan area's economy, while pickup in production activities was seen to have come to a standstill, capital investment plans were increasing, consumer spending was modestly recovering and the employment situation continued to improve. The outlook for business sentiment is mostly bullish, with labor demand-supply tightening through baby boomers' mandatory retirement at retirement age and the sense of tightening of employment continuing to be in a strong state. With a relatively higher active job openings-to-applicants ratio, the sense of shortage of employment is thought to be stronger for the Tokyo metropolitan area than other regions of the country. These are thought to more likely lead to an improvement in the income environment and expectations for recovery in consumption can be said to be more likely for the Tokyo metropolitan area than other regions of the country. In addition, there is ongoing increase in the number of foreigners visiting Japan due in part to progress in depreciation of the yen in the exchange market, relaxation of visa requirements and increase in the number of items eligible for tax exemption, and in Tokyo, which is visited by many of the visitors to Japan, consumption boosting effects can be expected. With regard to population movements, the previous year's level was exceeded with over 100,000 people migrating to the Tokyo metropolitan area from other regions of the country during the period between January and June 2015. This has further exacerbated the disparity between the area and other regions of the country.

Under these circumstances, the average advertised rent for June 2015 in the Tokyo 23 ward's office leasing market increased by 3.4% over the six-month period and by 6.3% over the one-year period. On the other hand, the average vacancy rate improved by 0.4 percentage points over the six-month period and by 1.1 percentage points over the one-year period to 3.7%. This decrease in the vacancy rate is attributable to increase in demand backed by the supply control since 2013 and employment improvement. Despite there still being active movements among corporate tenants considering increasing their floor area within the property, relocating for the purpose of moving to a property with larger floor area, etc., the pace of employment expansion has begun to slightly slow down and new demand, too, is thought to decelerate going forward. On the other hand, with new supply, too, continuing to be in a low state, the outlook is that the vacancy rate will continue to modestly decrease and the rent level is also thought to see progress in normalization to the level on par with the rent-paying capacity of corporate tenants. In the retail property leasing market, while at a low level since April 2014 due to decrease on the rebound of the last-minute surge in demand associated with the consumption tax hike, retail sales turnover is believed to show a clearer recovery trend as real income picks up starting from the second half of 2015. While the situation remained tough for general merchandise stores (GMS), shopping center (SC) sales turnover was strong.

In the real estate investment market, while low interest rates continued to pose management difficulties, the investment appetite of equity investors for real estate continued to be in a high state. Real estate transaction volume had been seen to have turned to decrease since peaking in mid-2014, but it has increased again upon the start of 2015 due in part to the considerably eased lending attitude of financial institutions for the real estate sector. Increasing cases allowing for rent increase expectations to be factored in for office properties, among other factors, have led to proactive property acquisitions by emerging J-REITs in particular. The resulting high upward pricing pressure, along with a deep-rooted tendency to prefer to invest in Tokyo, led to the Tokyo metropolitan area expected cap rate also falling to or below the pre-financial-crisis level.

## ② Investment Performance Results

### a. Acquisition and Sale of Properties, and Investment Management Control

TOKYU REIT engaged in investment activities by adopting an investment policy based on the stance of investing in highly competitive properties in areas with strong growth potential as it has to date and additionally pursuant to its "Long-Term Investment Management Strategy (Surf Plan)" (see Note below) that was formed by applying the investment management experience that it has gained from having gone through one cycle of the market since its listing. Consequently, TOKYU REIT did not acquire properties during the 24th fiscal period as there were no properties that would serve to maintain or enhance portfolio quality. As of July 31, 2015, TOKYU REIT held an investment portfolio totaling 29 properties with a total acquisition price of ¥222,059 million and total leasable area of 229,859.61 m<sup>2</sup>. The period-end appraisal value for TOKYU REIT's entire portfolio amounted to ¥233,480 million.

Note. The "Long-Term Investment Management Strategy (Surf Plan)" is a strategy of TOKYU REIT formed by its investment management company Tokyu Real Estate Investment Management Inc. ("Tokyu REIM"). Under this strategy, while replacing properties through contrarian investment by focusing on the cyclicity of real estate prices, TOKYU REIT aims to build a portfolio that boasts lasting competitiveness and balance sheets that are strong against even difficult economic times.

As in the previous fiscal period, the total period-end appraisal value exceeded the total book value, resulting in an unrealized gain (the difference between book value and period-end appraisal value) of ¥23,280 million. Based on generally accepted accounting principles, unrealized gains are not reflected in TOKYU REIT's financial statements.



The average per-tsubo rental rate for the existing property portfolio at the end of the 24th fiscal period decreased by 0.22% compared with the end of the 23rd fiscal period. In addition, the vacancy rate improved from the 2.9% at the end of the 23rd fiscal period by 1.8 percentage points to 1.1%.

#### b. Countering Conflicts of Interest

To ensure the fairness and transparency of its transactions, TOKYU REIT strictly adheres to self-imposed measures to prevent conflicts of interest, and, accordingly, follows prescribed procedures.

Moreover, TOKYU REIT has received an opinion report from Urban Research Institute Corporation stating that fees paid to related parties (see Note below) for property management services pertaining to its portfolio properties were within the range set by other J-REITs listed on the Tokyo Stock Exchange.

Note. “Related parties” refers to any entity that falls under the following (i) to (vii):

- (i) Tokyu Corporation
- (ii) A consolidated subsidiary of Tokyu Corporation
- (iii) A tokutei mokuteki kaisha (TMK) or special purpose entity (SPE) that was established based on the intention of Tokyu Corporation or a consolidated subsidiary of Tokyu Corporation and where the share of investment by silent partnerships or other investment shares in that entity by the respective company exceeds 50%
- (iv) Affiliates within the scope of consolidation of Tokyu Corporation
- (v) Tokyu Fudosan Holdings Corporation (“Tokyu Fudosan Holdings”)
- (vi) A consolidated subsidiary of Tokyu Fudosan Holdings
- (vii) A tokutei mokuteki kaisha (TMK) or special purpose company (SPC) that was established based on the intention of Tokyu Fudosan Holdings or a consolidated subsidiary of Tokyu Fudosan Holdings and where the share of investment by silent partnerships or other investment shares in that entity by the respective company exceeds 50%

### ③ Financing

TOKYU REIT undertakes financing activities under a financial policy that emphasizes stability, flexibility and efficiency. During the 24th fiscal period, to secure interest-bearing liabilities with fixed long-term interest rates and diversifying repayment dates, TOKYU REIT refinanced long-term debt in the amount of ¥9,000 million. In addition, TOKYU REIT has established commitment lines which provide credit facilities totaling ¥18,000 million with five banks to secure financial credibility through the enhancement of liquidity on hand. The balance of interest-bearing liabilities as of July 31, 2015 was ¥97,000 million, consisting of ¥9,500 million in investment corporation bonds and ¥87,500 million in long-term debt (of which, ¥5,700 million is the current portion of long-term debt). The weighted-average interest rate for the 24th fiscal period was 1.38% (calculated based on the annualized amount of interest payable for the 24th fiscal period divided by the total average balance of each interest-bearing liability).

TOKYU REIT’s credit ratings as of July 31, 2015 were as follows:

Rating Agency	Credit Rating	
Japan Credit Rating Agency, Ltd. (JCR)	Long-term issuer rating: AA-	Outlook: Stable
Rating and Investment Information, Inc. (R&I)	Issuer rating: A+	Outlook: Stable
Standard & Poor’s Ratings Japan K.K. (S&P)	Long-term corporate credit rating: A Short-term corporate credit rating: A-1	Outlook: Stable

### (3) Issuance of New Investment Units

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

Date	Remark	Total number of units issued and outstanding		Unitholders' capital		Note
		Units		Millions of yen		
		Change	Total	Change	Total	
June 20, 2003	Incorporation through private offering	400	400	¥ 200	¥ 200	(Note 1)
September 10, 2003	Issuance of units through public offering	97,600	98,000	¥ 49,917	¥ 50,117	(Note 2)
August 3, 2004	Issuance of units through public offering	42,000	140,000	¥ 26,481	¥ 76,599	(Note 3)
August 25, 2004	Issuance of units through third-party allotment	2,000	142,000	¥ 1,261	¥ 77,860	(Note 4)
August 1, 2005	Issuance of units through public offering	26,700	168,700	¥ 19,658	¥ 97,519	(Note 5)
August 26, 2005	Issuance of units through third-party allotment	680	169,380	¥ 500	¥ 98,019	(Note 6)
August 12, 2013	Issuance of units through public offering	23,764	193,144	¥ 11,327	¥ 109,346	(Note 7)
September 10, 2013	Issuance of units through third-party allotment	2,376	195,520	¥ 1,132	¥ 110,479	(Note 8)
February 1, 2014	Split of units	782,080	977,600	—	¥ 110,479	(Note 9)

Note 1. TOKYU REIT was incorporated at an offer price of ¥500,000 per unit.

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

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

Note 4. Issued new investment units through a third-party allotment at an issue price of ¥630,512 per unit for the purpose of acquiring new properties and repayments of short-term loans.

Note 5. Issued new investment units through a public offering at an offer price of ¥761,950 (issue price: ¥736,292) per unit for the purpose of acquiring new properties and the repayment of short-term loans.

Note 6. Issued new investment units through third-party allotment at an issue price of ¥736,292 per unit for the purpose of acquiring new properties and repayments of short-term loans.

Note 7. Issued new investment units through a public offering at an offer price of ¥493,350 (issue price: ¥476,652) per unit for the purpose of acquiring new properties.

Note 8. Issued new investment units through a third-party allotment at an issue price of ¥476,652 per unit for the purpose of acquiring new properties.

Note 9. TOKYU REIT conducted a five-for-one split of investment units with January 31, 2014 as the reference date and February 1, 2014 as the effective date.

### 【Movements of Market Price】

The highest and lowest (closing price) market prices on the Tokyo Stock Exchange, on which the investment certificates of TOKYU REIT are listed, are as follows:

	24th fiscal period From February 1, 2015 to July 31, 2015	23rd fiscal period From August 1, 2014 to January 31, 2015	22nd fiscal period From February 1, 2014 to July 31, 2014	21st fiscal period (Note) From August 1, 2013 to January 31, 2014	20th fiscal period From February 1, 2013 to July 31, 2013
	Yen				
Highest	¥ 163,000	¥ 167,900	¥ 146,800	¥ 130,000	¥ 744,000
Lowest	¥ 138,400	¥ 138,200	¥ 115,900	¥ 99,800	¥ 492,000

Note. Following a five-for-one split of investment units with January 31, 2014 as the reference date and February 1, 2014 as the effective date, investment units began trading at the split-adjusted market price on the ex-rights date, which was January 29, 2014. 'Highest market price' and 'Lowest market price' for the 21st fiscal period in the table above is calculated on the basis that the split of investment units was conducted at the beginning of the 21st fiscal period.

### (4) Distribution Information

With respect to the distribution for the 24th fiscal period, TOKYU REIT determined to distribute the whole unappropriated retained earnings (except for the rounding amount, which is the distribution per unit of less than ¥1) to be eligible for special tax treatment on investment corporations (Article 67-15 of Special Taxation Measures Law (Law No. 26 of 1957, including amendments thereto)) that allows TOKYU REIT to deduct the maximum amount of profit distribution from its taxable income. Accordingly, distribution per unit for the 24th fiscal period was ¥2,451.

	24th fiscal period From February 1, 2015 to July 31, 2015	23rd fiscal period From August 1, 2014 to January 31, 2015	22nd fiscal period From February 1, 2014 to July 31, 2014	21st fiscal period From August 1, 2013 to January 31, 2014	20th fiscal period From February 1, 2013 to July 31, 2013
	Millions of yen, except per unit data				
Unappropriated retained earnings	¥ 2,396	¥ 2,660	¥ 2,461	¥ 2,507	¥ 2,035
Undistributed earnings	¥ 0	¥ 132	¥ 0	¥ 0	¥ 0
Cash distributions	¥ 2,396	¥ 2,528	¥ 2,460	¥ 2,507	¥ 2,035
[Cash distribution per unit]	[¥ 2,451]	[¥ 2,586]	[¥ 2,517]	[¥ 12,823]	[¥ 12,019]
Distribution of accumulated earnings	¥ 2,396	¥ 2,528	¥ 2,460	¥ 2,507	¥ 2,035
[Distribution of accumulated earnings per unit]	[¥ 2,451]	[¥ 2,586]	[¥ 2,517]	[¥ 12,823]	[¥ 12,019]
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

The outlook for the economy is that, due in part to the effects of various measures and policies amid the employment and income environment continuing to show a trend toward improvement, expectations are for the moderate recovery to continue. However, the Chinese and other overseas economic downturn, among other factors, pose the risk of downward pressure on the Japanese economy and call for the need to take note of financial and capital market volatility.

In light of such an outlook, in the real estate trading market, with expectations for investment funds inflow and rent growth amid low interest rates continuing in the foreseeable future, the forecast is that expected cap rate will decrease another notch. In the office leasing market, the forecast is that increase in new supply upon the start of 2016 will lead to the vacancy rate hitting bottom and then slightly increasing, and that this bottoming out of the vacancy rate will lead to the market rent increase also losing momentum. In the retail leasing market, going forward, the view is that polarization depending on size and location and heightening neighborhood consumption orientation will raise the need for community-based small retail properties on the one hand and time-consuming-type large retail properties on the other hand. Meanwhile, active inbound consumption of foreigners visiting Japan, among other factors, will likely serve to keep rent on an upward trend given the positive motivation among tenants to set up shop in stores in central Tokyo in particular.

### 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 an investment policy based on the 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 Central Tokyo, where ongoing growth is expected, and to the Tokyo metropolitan area centering on the Tokyu Areas (see Note 1 below). TOKYU REIT will continue to adhere firmly to stringent investment criteria for selecting individual properties, and obtain a balanced mix of competitive, high-quality properties from the real estate investment market as well as Tokyu Corporation and its subsidiaries (see Note 2 below).

Note 1. “Central Tokyo” is the five central Tokyo wards (Chiyoda, Chuo, Minato, Shinjuku and Shibuya wards) and other major commercial and retail districts of Tokyo (the areas surrounding Ikebukuro, Koraku, Ueno and other areas).

“Tokyu Areas” is the Tokyu rail network hub (Shibuya ward) and other Tokyu rail network areas (Tokyo (Shinagawa, Meguro, Setagaya and Ota wards, and Machida city); Yokohama city, Kanagawa prefecture (Kohoku, Kanagawa, Naka, Nishi, Midori, Aoba and Tsuzuki wards); Kawasaki city, Kanagawa prefecture (Nakahara, Takatsu and Miyamae wards); and Yamato city, Kanagawa prefecture).

Shibuya ward is included in both Central Tokyo and Tokyu Areas.

“Other” is other districts in the Tokyo Metropolitan Area, including Kanagawa, Saitama and Chiba prefectures (excluding the separately mentioned areas above).

Note 2. Tokyu Corporation and its subsidiaries refer to any of (i) to (iii) below:

(i) Tokyu Corporation

(ii) A consolidated subsidiary of Tokyu Corporation

(iii) A tokutei mokuteki kaisha (TMK) or special purpose entity (SPE) that was established based on the intention of Tokyu Corporation or a consolidated subsidiary of Tokyu Corporation and where the share of investment by silent partnerships or other investment shares in that entity by the respective company exceeds 50%.

TOKYU REIT will endeavor to achieve internal growth by enhancing earnings stability and growth potential through collaboration with Tokyu Corporation and its subsidiaries in the areas of property maintenance and management. To that end, by 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. Specifically, with the objective of maintaining and 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

There were no matters requiring explanation as of the date of the Report of Independent Auditors (October 29, 2015).

## 2. Company Profiles

### (1) Summary of Unitholders' Contributions

	24th fiscal period As of July 31, 2015	23rd fiscal period As of January 31, 2015	22nd fiscal period As of July 31, 2014	21st fiscal period As of January 31, 2014	20th fiscal period As of July 31, 2013
Total number of units authorized (units)	10,000,000	10,000,000	10,000,000	2,000,000	2,000,000
Total number of units issued and outstanding (units)	977,600	977,600	977,600	195,520	169,380
Unitholders' capital (millions of yen)	¥ 110,479	¥ 110,479	¥ 110,479	¥ 110,479	¥ 98,019
Number of unitholders (persons)	12,880	12,430	12,348	11,220	10,464

### (2) Details Regarding TOKYU REIT's Investment Units

The following table sets forth the major unitholders of TOKYU REIT as of July 31, 2015.

Name	Address	Number of units owned	As a percentage of total number of units issued and outstanding
		Units	%
Japan Trustee Services Bank, Ltd. (trust account)	1-8-11, Harumi, Chuo-ku, Tokyo	283,522	29.00
The Master Trust Bank of Japan, Ltd. (trust account)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	66,612	6.81
Trust & Custody Services Bank, Ltd. (securities investment trust account)	Harumi Island Triton Square Office Tower Z, 1-8-12, Harumi, Chuo-ku, Tokyo	54,998	5.63
Tokyu Corporation	5-6, Nampeidai-cho, Shibuya-ku, Tokyo	49,000	5.01
The Nomura Trust and Banking Co., Ltd. (investment trust account)	2-2-2, Otemachi, Chiyoda-ku, Tokyo	30,320	3.10
MetLife Insurance K.K. (Standing Proxy: Citibank Japan Ltd.)	6-27-30, Shinjuku, Shinjuku-ku, Tokyo	17,286	1.77
The Asahi Fire & Marine Insurance Co., Ltd.	7, Kandamitoshiro-cho, Chiyoda-ku, Tokyo	15,000	1.53
BNP Paribas Securities Services Sydney (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch Custodian Service Division)	3-11-1, Nihonbashi, Chuo-ku, Tokyo	13,242	1.35
Trust & Custody Services Bank, Ltd. (money trust tax account)	Harumi Island Triton Square Office Tower Z, 1-8-12, Harumi, Chuo-ku, Tokyo	10,750	1.10
State Street Bank - West Pension Fund Clients - Exempt (Standing Proxy: Mizuho Bank, Ltd. Settlement & Clearing Services Division)	4-16-13, Tsukishima, Chuo-ku, Tokyo	9,774	1.00
Total		550,504	56.31

Note. '(Number of units owned) As a percentage of total number of units issued and outstanding' is rounded to two decimal places. Therefore, the sum total of the items may not necessarily correspond to the 'Total' figure.

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

#### ① Name of Directors and Auditor (as of July 31, 2015)

Title	Name	Title at other companies	Total fee for each title (Note 3) (Thousands of yen)
Executive Director	Kazuyoshi Kashiwazaki (Note 1)	Representative Director & President, and Chief Executive Officer of Tokyu Real Estate Investment Management Inc.	¥— (Note 4)
Supervisory Director	Giichi Yanagisawa	Chief Representative Partner of Shinsoh Audit Corporation Certified public accountant Certified public tax accountant	¥ 3,000
Supervisory Director	Maruhito Kondo	Head of Maruhito Kondo Law Office Lawyer	¥ 3,000
Independent Auditor	PricewaterhouseCoopers Aarata		¥ 9,000

Note 1. Masahiro Horie resigned as the executive director upon the end of his term of office on April 30, 2015. In addition, Kazuyoshi Kashiwazaki was appointed as the new executive director at the General Meeting of Unitholders of TOKYU REIT held on April 17, 2015 and assumed the office on May 1, 2015.

Note 2. The executive director, supervisory directors and independent auditor do not possess investment units of TOKYU REIT under their own name nor under another person's name. Although there are cases that supervisory directors could be directors of companies other than those stated above, none of the companies or those stated above have vested interest in TOKYU REIT.

Note 3. The amount paid to the executive director and supervisory directors in the fiscal period under review and the amount payable to the independent auditor for audits pertaining to the fiscal period under review are shown.

Note 4. The executive director serves without compensation.

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

TOKYU REIT shall observe the stipulations in the Law Concerning Investment Trust and Investment Corporation (Law No. 198 of 1951, including amendments thereto) ("Investment Trust Law") in making decisions for the dismissal of an independent auditor. With regard to the abrogation of an independent auditor's reappointment, appropriate decisions shall be made at TOKYU REIT's Board of Directors meetings with due consideration given to audit quality, compensation and various other factors.

#### (4) Investment Management Company, Asset Custodian and General Administrators

The following table sets forth information of TOKYU REIT's investment management company, asset custodian and general administrators as of July 31, 2015.

Business to be entrusted	Name
Investment Management Company	Tokyu Real Estate Investment Management Inc.
Asset Custodian	Mitsubishi UFJ Trust and Banking Corporation
General Administrator (accounting matters, running of the organization, transfer agent for investment units, etc.)	Mitsubishi UFJ Trust and Banking Corporation
General Administrator (administration of investment corporation bonds)	Mitsubishi UFJ Trust and Banking Corporation

3. Portfolio Profile  
(1) Asset Composition

Asset type	Use	Area	24th fiscal period As of July 31, 2015		23rd fiscal period As of January 31, 2015		
			Total amount held	As a percentage of total assets	Total amount held	As a percentage of total assets	
			Millions of yen	%	Millions of yen	%	
Real estate	Retail	Central Tokyo and Tokyu Areas	¥ 15,636	7.0	¥ 15,651	7.0	
		Other	—	—	—	—	
		Sub total	15,636	7.0	15,651	7.0	
	Office	Central Tokyo and Tokyu Areas	45,852	20.6	46,044	20.6	
		Other	4,774	2.1	4,774	2.1	
		Sub total	50,627	22.7	50,818	22.8	
	Total		66,264	29.7	66,470	29.8	
	Trust beneficiary interest in real estate	Retail	Central Tokyo and Tokyu Areas	59,471	26.7	59,679	26.7
			Other	7,026	3.2	7,026	3.1
Sub total			66,497	29.8	66,705	29.9	
Office		Central Tokyo and Tokyu Areas	73,466	33.0	73,479	32.9	
		Other	3,972	1.8	3,997	1.8	
		Sub total	77,438	34.8	77,477	34.7	
Total		143,935	64.6	144,183	64.6		
Other assets			12,610	5.7	12,692	5.7	
Total assets			¥ 222,810 [¥ 210,199]	100.0 [94.3]	¥ 223,346 [¥ 210,653]	100.0 [94.3]	

Note 1. Regarding 'Area,' please refer to note 1 of '1. Financial Highlights (5) Future Policies of Investment Management ② Future Policies of Investment Management and Issues to be Counterred.'

Note 2. '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 3. Figures in brackets of 'Total assets' represent the portion of actually held properties in the target assets above.

Note 4. '(Total amount held) As a percentage of total assets' is rounded to one decimal place. Therefore, the sum total of the items may not necessarily correspond to the 'Total' figure.



## (2) Major Portfolio

Major portfolio held by TOKYU REIT as of July 31, 2015 is as follows:

Name of property		Book value	Total leasable area	Leased area	Occupancy rate	As a percentage of revenue from property leasing	Use
		Millions of yen	m <sup>2</sup>	m <sup>2</sup>	%	%	
R	QFRONT	¥ 13,828	4,502.93	4,502.93	100.0	9.3	Retail
R	Lexington Aoyama	4,718	2,107.08	2,107.08	100.0	1.8	Retail
R	TOKYU REIT Omotesando Square	5,687	2,648.27	2,648.27	100.0	2.5	Retail
R	Tokyu Saginuma Building	6,641	19,610.06	19,610.06	100.0	4.3	Retail
R	Tokyu Saginuma 2 Building	1,193	1,267.95	1,267.95	100.0	0.9	Retail
R	TOKYU REIT Shibuya Udagawa-cho Square	6,595	1,543.05	1,543.05	100.0	3.5	Retail
R	cocoti	22,262	8,330.41	8,330.41	100.0	7.7	Retail
R	Shonan Mall Fill ( <i>sokochi</i> )	7,026	44,078.12	44,078.12	100.0	2.6	Retail
R	CONZE Ebisu	4,949	2,326.94	2,039.79	87.7	1.5	Retail
R	Daikanyama Forum	4,091	2,477.64	2,477.64	100.0	1.4	Retail
R	KALEIDO Shibuya Miyamasuzaka	5,139	3,399.30	3,399.30	100.0	2.6	Retail
O	Setagaya Business Square	17,765	24,961.59	23,495.10	94.1	13.5	Office
O	Tokyu Nampeidai-cho Building	4,140	7,148.18	7,148.18	100.0	2.1	Office
O	Tokyu Sakuragaoka-cho Building	6,657	4,737.19	4,737.19	100.0	3.1	Office
O	Tokyo Nissan Taito Building	4,000	7,845.42	7,521.60	95.9	2.0	Office
O	TOKYU REIT Akasaka Hinokicho Building	3,453	3,196.69	3,196.69	100.0	1.9	Office
O	TOKYU REIT Kamata Building	4,001	7,337.82	7,337.82	100.0	3.0	Office
O	TOKYU REIT Toranomom Building	9,930	10,247.06	10,147.42	99.0	4.7	Office
O	TOKYU REIT Hatchobori Building	6,842	6,010.95	5,771.60	96.0	2.0	Office
O	Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	8,042	3,533.03	3,533.03	100.0	2.5	Office
O	Tokyu Ikejiri-ohashi Building	5,476	5,733.23	5,733.23	100.0	2.4	Office
O	Kojimachi Square	8,498	5,409.11	5,409.11	100.0	3.0	Office
O	TOKYU REIT Shinjuku Building	8,994	6,215.17	6,215.17	100.0	3.7	Office
O	Akihabara Sanwa Toyo Building	4,589	4,643.04	4,643.04	100.0	2.4	Office
O	TOKYU REIT Kiba Building	3,972	5,797.79	5,797.79	100.0	2.1	Office
O	Tokyu Ginza 2-chome Building	4,751	3,469.14	3,469.14	100.0	2.5	Office
O	OKI System Center ( <i>sokochi</i> )	4,774	17,019.19	17,019.19	100.0	2.0	Office
O	TOKYU REIT Shibuya R Building	5,437	5,246.68	5,246.68	100.0	3.2	Office
O	Tokyu Toranomom Building	16,739	9,016.59	9,016.59	100.0	5.8	Office
Total		¥ 210,199	229,859.61	227,443.17	98.9	100.0	

Note 1. The properties listed above except for TOKYU REIT Shibuya Udagawa-cho Square, CONZE Ebisu, Daikanyama Forum, TOKYU REIT Toranomom Building, TOKYU REIT Shinjuku Building, Tokyu Ginza 2-chome Building, OKI System Center (*sokochi*), TOKYU REIT Shibuya R Building and Tokyu Toranomom Building (total of 20 properties) are all owned in the form of trust beneficiary interest in real estate.

- Note 2. 'Total leasable area' is the total area of the building's, facility's and land's leasable offices, stores, warehouses and land as indicated in the agreements and drawings (common-use portion is included when leased). For Tokyu Saginuma Building and Tokyu Nampeidai-cho Building, the area of parking lots is included. For QFRONT, the area of other compartmentalized owners' exclusive ownership portions is included since the fiduciary rents that area and leases it out as a block together with the entrusted property. For Setagaya Business Square, which is co-owned with another owner, the stated figure is given by multiplying the total leasable area of the whole building by the ratio of co-ownership (55%). For TOKYU REIT Toranomom Building, the area of the exclusive ownership portions co-owned with other compartmentalized owners is included since TOKYU REIT rents that area and leases it out together with the exclusive ownership portion under TOKYU REIT's proprietary ownership. For TOKYU REIT Shibuya R Building, the area of part of the exclusive ownership portions under the proprietary ownership of and the exclusive ownership portions co-owned with other compartmentalized owners is included since TOKYU REIT rents that area and leases it out together with the exclusive ownership portion under TOKYU REIT's proprietary ownership. The figure of Shonan Mall Fill (*sokochi*) and OKI System Center (*sokochi*) indicates the leased area of land.
- Note 3. 'Leased area' is the area out of the total leasable area that is actually under lease agreements and leased (the area as indicated in the agreements; does not include lease agreements for parking lots, side signboards, etc.). For Tokyu Saginuma Building and Tokyu Nampeidai-cho Building, the area of parking lots is included. For QFRONT, the area of other compartmentalized owners' exclusive ownership portions is included since the fiduciary rents that area and leases it out as a block together with the entrusted property. For Setagaya Business Square, which is co-owned with another owner, the stated figure is given by multiplying the total leased area of the whole building by the ratio of co-ownership (55%). For TOKYU REIT Toranomom Building, the area of the exclusive ownership portions co-owned with other compartmentalized owners is included since TOKYU REIT rents that area and leases it out together with the exclusive ownership portion under TOKYU REIT's proprietary ownership. For TOKYU REIT Shibuya R Building, the part of the exclusive ownership portions under the proprietary ownership of and the exclusive ownership portions co-owned with other compartmentalized owners is included since TOKYU REIT rents that area and leases it out together with the exclusive ownership portion under TOKYU REIT's proprietary ownership. The figure of Shonan Mall Fill (*sokochi*) and OKI System Center (*sokochi*) indicates the leased area of land.
- Note 4. 'Occupancy rate' is the leased area expressed as a percentage of total leasable area at the end of the period.
- Note 5. 'Occupancy rate' and '(Book value) As a percentage of revenue from property leasing' are rounded to one decimal place. Therefore, the sum total of the items may not necessarily correspond to the 'Total' figure.
- Note 6. 'R' and 'O' in the table are a classification of TOKYU REIT's portfolio properties into R (retail properties) and O (office properties) (the same hereafter).

### (3) Details of Properties in Portfolio

The properties held by TOKYU REIT as of July 31, 2015 are as follows:

Name of property		Location (lot number)	Investment type	Total leasable area	Appraisal value at end of period	Book value	
				m <sup>2</sup>	Millions of yen	Millions of yen	
Retail	Central Tokyo and Tokyo Areas	R QFRONT	75-8, etc., Udagawa-cho, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	4,502.93	¥ 24,300	¥ 13,828
		R Lexington Aoyama	5-235-7, etc., Minami-Aoyama, Minato-ku, Tokyo	Trust beneficiary interest in real estate	2,107.08	4,700	4,718
		R TOKYU REIT Omotesando Square	4-3-18, Jingumae, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	2,648.27	7,040	5,687
		R Tokyu Saginuma Building	1-1, Saginuma, Miyamae-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest in real estate	19,610.06	8,770	6,641

Name of property		Location (lot number)	Investment type	Total leasable area	Appraisal value at end of period	Book value		
				m <sup>2</sup>	Millions of yen	Millions of yen		
Retail	Central Tokyo and Tokyo Areas	R Tokyu Saginuma 2 Building	1-18-5, Kodai, Miyamae-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest in real estate	1,267.95	1,610	1,193	
		R TOKYU REIT Shibuya Udagawa-cho Square	86-2, Udagawa-cho, Shibuya-ku, Tokyo	Real estate	1,543.05	11,300	6,595	
		R cocoti	1-23-1, Shibuya, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	8,330.41	18,800	22,262	
		R CONZE Ebisu	2-3-5, etc., Ebisu Minami, Shibuya-ku, Tokyo	Real estate	2,326.94	4,180	4,949	
		R Daikanyama Forum	Building 1 (East) 33-18, etc., Sarugaku-cho, Shibuya-ku, Tokyo Building 2 (West) 33-1, Sarugaku-cho, Shibuya-ku, Tokyo	Real estate	2,477.64	3,280	4,091	
		R KALEIDO Shibuya Miyamasuzaka	1-12-4, Shibuya, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	3,399.30	5,950	5,139	
	Sub total				48,213.63	89,930	75,108	
	Other	R Shonan Mall Fill (sokochi)	4-4300-1, Tsujido Shinmachi, Fujisawa-shi, Kanagawa	Trust beneficiary interest in real estate	44,078.12	6,250	7,026	
		Sub total				44,078.12	6,250	7,026
	Total				92,291.75	96,180	82,134	
	Office	Central Tokyo and Tokyo Areas	O Setagaya Business Square	4-260-2, etc., Yoga, Setagaya-ku, Tokyo	Trust beneficiary interest in real estate	24,961.59	18,700	17,765
			O Tokyu Nampeidai-cho Building	12-3, Nampeidai-cho, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	7,148.18	4,990	4,140
O Tokyu Sakuragaoka-cho Building			109-9, Sakuragaoka-cho, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	4,737.19	8,670	6,657	
O Tokyo Nissan Taito Building			2-120-2, etc., Moto-Asakusa, Taito-ku, Tokyo	Trust beneficiary interest in real estate	7,845.42	5,210	4,000	
O TOKYU REIT Akasaka Hinokicho Building			6-1401, etc., Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	3,196.69	4,110	3,453	
O TOKYU REIT Kamata Building			5-13-7, Kamata, Ota-ku, Tokyo	Trust beneficiary interest in real estate	7,337.82	4,940	4,001	
O TOKYU REIT Toranomom Building			3-45-6, Toranomom, Minato-ku, Tokyo	Real estate	10,247.06	10,000	9,930	
O TOKYU REIT Hatchobori Building			2-104-1, etc., Hatchobori, Chuo-ku, Tokyo	Trust beneficiary interest in real estate	6,010.95	5,290	6,842	
O Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)			4-806 and 4-819, Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	3,533.03	6,640	8,042	

Name of property		Location (lot number)	Investment type	Total leasable area	Appraisal value at end of period	Book value	
				m <sup>2</sup>	Millions of yen	Millions of yen	
Office	Central Tokyo and Tokyo Areas	○ Tokyu Ikejiri-ohashi Building	3-1050, etc., Higashiyama, Meguro-ku, Tokyo	Trust beneficiary interest in real estate	5,733.23	4,850	5,476
		○ Kojimachi Square	3-9 and 3-3, Niban-cho, Chiyoda-ku, Tokyo	Trust beneficiary interest in real estate	5,409.11	8,310	8,498
		○ TOKYU REIT Shinjuku Building	4-2-3, etc., Shinjuku, Shinjuku-ku, Tokyo	Real estate	6,215.17	9,730	8,994
		○ Akihabara Sanwa Toyo Building	3-50-5, etc., Sotokanda, Chiyoda-ku, Tokyo	Trust beneficiary interest in real estate	4,643.04	5,510	4,589
		○ Tokyu Ginza 2-chome Building	2-215-1, Ginza, Chuo-ku, Tokyo	Real estate	3,469.14	4,900	4,751
		○ TOKYU REIT Shibuya R Building	3-10-2, etc., Shibuya, Shibuya-ku, Tokyo	Real estate	5,246.68	7,370	5,437
		○ Tokyu Toranomom Building	1-216-2, etc., Toranomom, Minato-ku, Tokyo	Real estate	9,016.59	19,400	16,739
	Sub total				114,750.88	128,620	119,319
	Other	○ TOKYU REIT Kiba Building	3-21-5, etc., Toyo, Koto-ku, Tokyo	Trust beneficiary interest in real estate	5,797.79	3,700	3,972
		○ OKI System Center (sokochi)	1-16-20, etc., Chuo, Warabi-shi, Saitama	Real estate	17,019.19	4,980	4,774
Sub total				22,816.98	8,680	8,746	
Total				137,567.86	137,300	128,065	
Grand total				229,859.61	¥ 233,480	¥ 210,199	

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

Note 2. 'Total leasable area' is the total area of the building's, facility's and land's leasable offices, stores, warehouses and land as indicated in the agreements and drawing (common-use portion is included when leased). For Tokyu Saginuma Building and Tokyu Nampeidai-cho Building, the area of parking lots is included. For QFRONT, the area of other compartmentalized owners' exclusive ownership portions is included since the fiduciary rents that area and leases it out as a block together with the entrusted property. For Setagaya Business Square, which is co-owned with another owner, the stated figure is given by multiplying the total leasable area of the whole building by the ratio of co-ownership (55%). For TOKYU REIT Toranomom Building, the area of the exclusive ownership portions co-owned with other compartmentalized owners is included since TOKYU REIT rents that area and leases it out together with the exclusive ownership portion under TOKYU REIT's proprietary ownership. For TOKYU REIT Shibuya R Building, the area of part of the exclusive ownership portions under the proprietary ownership of and the exclusive ownership portions co-owned with other compartmentalized owners is included since TOKYU REIT rents that area and leases it out together with the exclusive ownership portion under TOKYU REIT's proprietary ownership. The figure of Shonan Mall Fill (sokochi) and OKI System Center (sokochi) indicates the leased area of land.

Note 3. For 'Appraisal value at end of period,' TOKYU REIT indicates the assessed value based on the appraisal by real estate appraisers following the asset evaluation method, standards and reporting date laid down in TOKYU REIT's Articles of Incorporation and rules of The Investment Trusts Association, Japan (based on real estate appraisal reports prepared by Japan Real Estate Institute, Japan Valuers Co., Ltd., and Daiwa Real Estate Appraisal Co., Ltd., which adopt the period end date as the date of value estimate).

The developments of the leasing business of the properties held by TOKYU REIT are as follows:

Name of property		24th fiscal period From February 1, 2015 to July 31, 2015				23rd fiscal period From August 1, 2014 to January 31, 2015						
		Number of tenants	Occupancy rate	Revenue from property leasing	As a percentage of revenue from property leasing	Number of tenants	Occupancy rate	Revenue from property leasing	As a percentage of revenue from property leasing			
			%	Millions of yen	%		%	Millions of yen	%			
Retail	Central Tokyo and Tokyo Areas	R	QFRONT	3	100.0	¥ 662	9.3	3	100.0	¥ 644	9.1	
		R	Lexington Aoyama	7	100.0	126	1.8	7	100.0	121	1.7	
		R	TOKYU REIT Omotesando Square	4	100.0	180	2.5	4	100.0	179	2.5	
		R	Tokyu Saginuma Building	1	100.0	305	4.3	1	100.0	305	4.3	
		R	Tokyu Saginuma 2 Building	1	100.0	62	0.9	1	100.0	62	0.9	
		R	TOKYU REIT Shibuya Udagawa-cho Square	2	100.0	250	3.5	2	100.0	250	3.5	
		R	cocoti	15	100.0	545	7.7	16	100.0	538	7.6	
		R	CONZE Ebisu	7	87.7	106	1.5	6	75.3	97	1.4	
		R	Daikanyama Forum	5	100.0	100	1.4	5	100.0	103	1.5	
		R	KALEIDO Shibuya Miyamasuzaka	8	100.0	182	2.6	8	100.0	184	2.6	
		Sub total	53	99.4	2,523	35.4	53	98.8	2,487	35.2		
	Other	R	Beacon Hill Plaza (Ito-Yokado Noukendai Store) (Note 4)	—	—	—	—	—	—	10	0.2	
		R	Shonan Mall Fill (sokochi)	1	100.0	185	2.6	1	100.0	174	2.5	
		Sub total	1	100.0	185	2.6	1	100.0	184	2.6		
		Total	54	99.7	2,708	38.0	54	99.4	2,672	37.8		
	Office	Central Tokyo and Tokyo Areas	O	Setagaya Business Square	59	94.1	959	13.5	57	92.3	939	13.3
			O	Tokyu Nampeidai-cho Building	1	100.0	150	2.1	1	100.0	149	2.1
			O	Tokyu Sakuragaoka-cho Building	2	100.0	218	3.1	2	100.0	215	3.0
			O	Tokyo Nissan Taito Building	13	95.9	144	2.0	9	60.0	163	2.3
O			TOKYU REIT Akasaka Hinokicho Building	3	100.0	137	1.9	3	100.0	136	1.9	
O			TOKYU REIT Kamata Building	6	100.0	215	3.0	6	100.0	216	3.1	
O			TOKYU REIT Toranomom Building	10	99.0	337	4.7	10	99.0	315	4.5	
O			TOKYU REIT Hatchobori Building	11	96.0	144	2.0	10	84.0	155	2.2	
O			Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	1	100.0	177	2.5	1	100.0	177	2.5	
O			Tokyu Ikejiri-ohashi Building	4	100.0	170	2.4	4	100.0	186	2.6	
O			Kojimachi Square	7	100.0	214	3.0	8	100.0	214	3.0	
O			TOKYU REIT Shinjuku Building	10	100.0	267	3.7	10	100.0	264	3.7	
O			Akihabara Sanwa Toyoko Building	6	100.0	172	2.4	6	100.0	171	2.4	
O			Tokyu Ginza 2-chome Building	2	100.0	175	2.5	2	100.0	172	2.4	
O			TOKYU REIT Shibuya R Building	12	100.0	227	3.2	11	100.0	214	3.0	
O			Tokyu Toranomom Building	3	100.0	414	5.8	3	100.0	412	5.8	
			Sub total	150	98.1	4,127	57.9	143	94.6	4,106	58.0	
Other		O	TOKYU REIT Kiba Building	6	100.0	148	2.1	6	100.0	150	2.1	
		O	OKI System Center (sokochi)	1	100.0	145	2.0	1	100.0	145	2.1	
		Sub total	7	100.0	294	4.1	7	100.0	295	4.2		
	Total	157	98.5	4,422	62.0	150	95.5	4,402	62.2			
	Grand total	211	98.9	¥ 7,131	100.0	204	97.1	¥ 7,075	100.0			

- Note 1. 'Number of tenants' 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 rate' is the leased area expressed as a percentage of total leasable area at the end of the period.
- Note 3. 'Occupancy rate' and '(Revenue from property leasing) As a percentage of revenue from property leasing' are rounded to one decimal place. Therefore, the sum total of the items may not necessarily correspond to the 'Total' figure.
- Note 4. Beacon Hill Plaza (Ito-Yokado Noukendai Store) was sold on August 8, 2014. In the table, the property's 'Revenue from property leasing' and 'As a percentage of revenue from property leasing' for the 23rd fiscal period show the figures for the period up to the day prior to the disposition.

#### (4) Other Assets

As of July 31, 2015, there are no assets targeted for investment other than those described above.

#### (5) Assets Held in Each Country and Region

TOKYU REIT does not invest in overseas properties.

### 4. Capital Expenditures for Properties Held

#### (1) Plan of Capital Expenditures

The following lists the estimated amounts of major capital expenditures for repair and maintenance work of properties held, as scheduled as of July 31, 2015. The estimated construction costs shown below include those charged to expenses in accounting.

Repairs and maintenance and capital expenditures will continue to be based on efficient repair and maintenance plans prepared for each property to maintain and improve their competitiveness from a medium to long term perspective.

	Name of property	Location	Objective	Estimated period	Estimated construction cost		
					Millions of yen		
					Total	Amount paid during period	Amount paid by end of period
○	Setagaya Business Square	Setagaya-ku, Tokyo	Partial renewal of central monitoring equipment	From August 2014 to January 2016	¥ 90	¥ 0	¥ 9
○	Setagaya Business Square	Setagaya-ku, Tokyo	Renewal of common areas	From December 2015 to January 2016	¥ 64	—	—
○	Setagaya Business Square	Setagaya-ku, Tokyo	Renewal of air-conditioning equipment	From November 2015 to January 2016	¥ 55	—	¥ 0
○	Setagaya Business Square	Setagaya-ku, Tokyo	Switching to LED in exclusive-use areas	From October 2015 to January 2016	¥ 73	—	—
○	Tokyu Ikejiri-ohashi Building	Meguro-ku, Tokyo	Renewal of air-conditioning equipment (phase 2 construction)	From February 2015 to September 2015	¥ 189	—	—

## (2) Capital Expenditures Made during Period

The following is an overview of construction work conducted during the fiscal period under review that fall under the category of capital expenditures for properties held.

Capital expenditures during the 24th fiscal period amounted to ¥542 million and ¥243 million in repairs and maintenance expenses were charged to expenses for a combined total of ¥786 million spent for such work.

Name of property		Location	Objective	Period	Construction cost
					Millions of yen
R	Tokyu Saginuma 2 Building	Kawasaki-shi, Kanagawa	Renewal of water supply and drain piping	From July 2014 to July 2015	¥ 30
O	Setagaya Business Square	Setagaya-ku, Tokyo	Renewal of disaster prevention monitoring panel	From October 2014 to July 2015	63
O	Tokyo Nissan Taito Building	Taito-ku, Tokyo	Renovation of restroom on each floor	From November 2014 to March 2015	36
O	TOKYU REIT Kamata Building	Ota-ku, Tokyo	Renewal of central monitoring equipment	From May 2015 to July 2015	32
O	Tokyu Ikejiri-ohashi Building	Meguro-ku, Tokyo	Renewal of air-conditioning equipment (phase 1 construction)	From January 2015 to July 2015	87
Other					291
Total					¥ 542

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

Based on long-term repair and maintenance plans decided for each property, TOKYU REIT accounted for reserves for repairs and maintenance from cash flows made during the period in order to pay for significant repairs and maintenance scheduled in the medium to long term future as follows:

	24th fiscal period From February 1, 2015 to July 31, 2015	23rd fiscal period From August 1, 2014 to January 31, 2015	22nd fiscal period From February 1, 2014 to July 31, 2014	21st fiscal period From August 1, 2013 to January 31, 2014	20th fiscal period From February 1, 2013 to July 31, 2013
	Millions of yen				
Reserve at beginning of period	¥ 176	¥ 172	¥ 150	¥ 301	¥ 372
Amount transferred to reserve during period	800	581	436	212	446
Reversal from reserve during period	831	577	413	364	516
Reserve at end of period	¥ 145	¥ 176	¥ 172	¥ 150	¥ 301

Note. TOKYU REIT took over reserves made in the trust assets that the prior owner accounted for at the time of trade of beneficiary interests in trust accounts and such reserves are included in the 'Amount transferred to reserve during period.'

## 5. Expenses and Debt

### (1) Investment Management Expenses

	24th fiscal period From February 1, 2015 to July 31, 2015		23rd fiscal period From August 1, 2014 to January 31, 2015	
	Millions of yen			
Asset management fees				
Asset-based fees	¥ 284		¥ 284	
Cash-based fees	236		237	
Unit price-based fees	—	¥ 520	—	¥ 522
Asset custodian fees		17		18
General administration fees		44		46
Directors' fees		6		6
Other operating expenses		64		85
Total		¥ 653		¥ 679

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

Short-term debt and long-term debt from each financial institution as of July 31, 2015 is as follows:

Category	Draw-down date	Balance as of July 31, 2015	Balance as of January 31, 2015	Average interest rate (Note 1)	Maturity date	Re-payment method	Use of funds	Remark
		Millions of yen	Millions of yen	%				
Lender								
Development Bank of Japan Inc.	January 25, 2006	¥ 5,000	¥ 5,000	1.95000	January 25, 2018	Bullet payment	Refinance fund	Unsecured and Unguaranteed (Note 3)
Daido Life Insurance Company	March 10, 2008	3,000	3,000	1.76625	March 10, 2016			Unsecured and Unguaranteed (Notes 3 and 4)
Development Bank of Japan Inc.	June 25, 2008	—	5,000	2.22635	June 25, 2015			Unsecured and Unguaranteed (Note 3)
Sumitomo Mitsui Trust Bank, Limited	July 26, 2010	—	1,000	1.46250	July 26, 2015			
Sumitomo Mitsui Trust Bank, Limited		—	1,000					
Shinkin Central Bank		—	2,000					
Sumitomo Mitsui Trust Bank, Limited	December 27, 2010	5,000	5,000	1.63250	December 27, 2016			
Sumitomo Mitsui Trust Bank, Limited	May 18, 2011	2,000	2,000	1.47625	May 18, 2017			
Sumitomo Mitsui Trust Bank, Limited	May 25, 2011	2,000	2,000		May 25, 2017			
Mizuho Bank, Ltd.	June 27, 2011	2,000	2,000	1.45375	June 27, 2017			
Nippon Life Insurance Company	July 29, 2011	2,000	2,000	1.36875	January 31, 2017			
Nippon Life Insurance Company		2,000	2,000	1.49563	January 31, 2018			



Category	Draw-down date	Balance as of July 31, 2015	Balance as of January 31, 2015	Average interest rate (Note 1)	Maturity date	Re-payment method	Use of funds	Remark
		Millions of yen	Millions of yen	%				
Lender								
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 26, 2011	5,000	5,000	1.41375	March 26, 2018	Bullet payment	Refinance fund	Unsecured and Unguaranteed (Note 3)
Mizuho Bank, Ltd.	November 11, 2011	1,700	1,700	1.03500	November 11, 2015			Unsecured and Unguaranteed (Notes 3 and 4)
Mizuho Bank, Ltd.		1,700	1,700	1.48875	November 11, 2018			
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	May 25, 2012	2,000	2,000	1.37250	May 25, 2019			
Development Bank of Japan Inc.	June 25, 2012	4,000	4,000	1.48000	June 25, 2020			
Sumitomo Mitsui Trust Bank, Limited	June 29, 2012	400	400	1.32375	June 29, 2019			Unsecured and Unguaranteed (Note 3)
Mitsubishi UFJ Trust and Banking Corporation		400	400					
The Norinchukin Bank	July 25, 2012	1,000	1,000	0.93500	July 25, 2017			
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	August 29, 2012	1,400	1,400	1.32250	August 29, 2019			
Mitsubishi UFJ Trust and Banking Corporation	November 19, 2012	2,000	2,000	1.24625	November 19, 2019			
Daido Life Insurance Company	December 25, 2012	500	500	0.68125	December 25, 2015			Unsecured and Unguaranteed (Notes 3 and 4)
Mizuho Bank, Ltd.		500	500	1.23375	December 25, 2019			
Sumitomo Mitsui Trust Bank, Limited	June 25, 2013	2,900	2,900	1.53375	December 25, 2020			Unsecured and Unguaranteed (Note 3)
Mitsubishi UFJ Trust and Banking Corporation		1,500	1,500	1.45125	June 25, 2020			
Mitsubishi UFJ Trust and Banking Corporation		500	500	1.07500	June 25, 2018			
Mitsubishi UFJ Trust and Banking Corporation		500	500	0.77500	June 25, 2016			
Mizuho Trust & Banking Co., Ltd.	June 27, 2013	1,500	1,500	1.91375	June 27, 2023			Unsecured and Unguaranteed (Note 3)
Development Bank of Japan Inc.		1,000	1,000					
Mitsui Sumitomo Insurance Co., Ltd.		500	500	1.47250	June 27, 2020			
The Norinchukin Bank		500	500					

Category	Draw-down date	Balance as of July 31, 2015	Balance as of January 31, 2015	Average interest rate (Note 1)	Maturity date	Re-payment method	Use of funds	Remark
		Millions of yen	Millions of yen	%				
Lender								
The Dai-ichi Life Insurance Company, Limited	July 31, 2013	2,500	2,500	1.51375	July 31, 2021	Bullet payment	Refinance fund	Unsecured and Unguaranteed (Note 3)
The Dai-ichi Life Insurance Company, Limited		2,000	2,000	0.99125	July 31, 2018			
Nippon Life Insurance Company		500	500	1.51375	July 31, 2021			
Sumitomo Mitsui Trust Bank, Limited	December 25, 2013	2,500	2,500	1.21000	December 25, 2020			
Mitsubishi UFJ Trust and Banking Corporation		2,000	2,000					
Mitsubishi UFJ Trust and Banking Corporation		1,500	1,500	0.95625	June 25, 2019			
The Dai-ichi Life Insurance Company, Limited	January 27, 2014	1,000	1,000	1.04625	January 27, 2020			
The Norinchukin Bank		3,000	3,000	0.85000	January 27, 2019			
Development Bank of Japan Inc.	February 25, 2014	5,000	5,000	1.57750	February 25, 2024			
Mizuho Bank, Ltd.	June 25, 2014	1,000	1,000	1.05250	June 25, 2021			
Mitsui Sumitomo Insurance Co., Ltd.		1,000	1,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 22, 2014	800	800	0.96875	October 22, 2021			
Mizuho Bank, Ltd.		800	800					
Mitsubishi UFJ Trust and Banking Corporation		800	800					
Sumitomo Mitsui Trust Bank, Limited		1,600	1,600					
Development Bank of Japan Inc.	June 25, 2015	5,000	—	1.26125	June 25, 2025			
Shinkin Central Bank	July 27, 2015	2,000	—	0.99000	July 27, 2022			
Sumitomo Mitsui Trust Bank, Limited		2,000	—					
Sub total		87,500	87,500					
Total		¥ 87,500	¥ 87,500					

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

Note 2. The funds are for acquisition of property and for expenditures pertaining to the acquisition.

Note 3. Depending on the financial position of TOKYU REIT, additional interest rates, additional cash reserves, asset acquisition and disposition restrictions, debt burden and payment restrictions, dividend restrictions, offering of additional pledge and other financial covenants may apply.

Note 4. As of the end of the fiscal period, the amounts are recorded in the balance sheets as 'Long-term debt due within one year' under 'Current liabilities.'

### (3) Investment Corporation Bonds

The status of investment corporation bonds issued and outstanding as of July 31, 2015 is as follows:

Name	Issue date	Balance as of July 31, 2015	Balance as of January 31, 2015	Annual interest rate	Maturity date	Redemption method	Use of proceeds	Remark
		Millions of yen		(%)				
3rd Series Unsecured Investment Corporation Bond	October 22, 2012	¥ 3,000	¥ 3,000	1.47000	October 21, 2022	Full amount on maturity	Repayment of debt financing	Unsecured/Unguaranteed (Note)
4th Series Unsecured Investment Corporation Bond	February 14, 2014	3,500	3,500	0.39900	February 14, 2019			
5th Series Unsecured Investment Corporation Bond	March 11, 2014	3,000	3,000	0.68200	March 11, 2021			
Total		¥ 9,500	¥ 9,500					

Note. These bonds rank pari passu in right of payment with certain investment corporation bonds.

### (4) Short-term Investment Corporation Bonds

There is no item that falls under this category.

### (5) Investment Unit Options

There is no item that falls under this category.

6. Acquisitions and Dispositions during the 24th Fiscal Period

(1) Sales and Purchases of Properties and Asset Backed Securities or Infrastructure Assets and Infrastructure-related Assets

There is no item that falls under this category.

(2) Sales and Purchases of Other Assets

Major assets other than the aforementioned properties and asset backed securities are either bank deposits or bank deposits held as trust assets.

(3) Research on Prices of Specified Assets

① Property

There is no item that falls under this category.

② Other

There is no item that falls under this category.

(4) Trading with Interested Persons, Etc.

① Status of Trading

TOKYU REIT carried out no transactions, including the trading of specified assets, with interested persons, etc.

② Amounts of Commissions Paid

Item	Total amounts of commissions paid (A)	Paid to interested persons, etc.		B/A (%)
		Payee	Amount of payment (B)	
	Thousands of yen		Thousands of yen	
Utilities expenses	¥ 645,885	Yoga District Heating and Cooling Co., Ltd.	¥ 110,894	17.2
		Shibuya Underground Shopping Center, Inc.	¥ 57	0.0
Subcontract expenses	¥ 453,488	Tokyu Community Corporation	¥ 283,976	62.6
		Tokyu Facility Service Co., Ltd.	¥ 52,825	11.6
		Kyodo Gijutsu Center Co., Ltd.	¥ 11,097	2.4
		Tokyu Store Corporation	¥ 3,877	0.9
Property management fees	¥ 159,686	Tokyu Corporation	¥ 94,231	59.0
		Tokyu Community Corporation	¥ 65,455	41.0
Insurance premium	¥ 12,771	Tokyu Insurance Consulting Co., Ltd.	¥ 12,481	97.7
Other rental service expenses	¥ 226,391	Tokyu Livable, Inc.	¥ 4,100	1.8
		Tokyu Media Communications Inc.	¥ 2,706	1.2
		Tokyu Malls Development Corporation	¥ 2,636	1.2
		Tokyu Corporation	¥ 1,644	0.7
		Tokyu Community Corporation	¥ 1,382	0.6
		Shibuya Underground Shopping Center, Inc.	¥ 840	0.4
		Tokyu Facility Service Co., Ltd.	¥ 90	0.0
		its communications Inc.	¥ 62	0.0
Other operating expenses	¥ 64,600	Tokyu Hotels Co., Ltd.	¥ 1,146	1.8
		Tokyu Architects & Engineers Inc.	¥ 300	0.5

Note 1. Pursuant to Article 123 of the Investment Trust Law Enforcement Order, interested persons, etc. are defined as having interests in Tokyu REIM based on the investment management agreement concluded with TOKYU REIT. However, information provided in this section, '(4) Trading with Interested Persons, Etc.,' includes trading with related parties, which are subject to TOKYU REIT's voluntary measures to prevent conflicts of interest.

Note 2. In addition to the commissions paid as described above, TOKYU REIT paid for commissions to third parties through interested persons, etc. Tokyu Corporation and Tokyu Community Corporation in the amount of ¥56,237 thousand and ¥24,051 thousand, respectively.

In addition to the commissions paid as described above, the amount of construction costs and other trading with interested persons, etc. during the 24th fiscal period is as follows:

Tokyu Community Corporation	¥ 19,533 thousand
Tokyu Construction Co., Ltd.	¥ 15,082 thousand
Tokyu Corporation	¥ 9,965 thousand
Kyodo Gijutsu Center Co., Ltd.	¥ 7,775 thousand
Tokyu Architects & Engineers Inc.	¥ 6,892 thousand
Tokyu Homes Corporation	¥ 4,699 thousand
Tokyu Facility Service Co., Ltd.	¥ 3,759 thousand
Seikitokyu Kogyo Co., Ltd.	¥ 880 thousand
Tokyu Renewal Co., Ltd.	¥ 495 thousand
Ishikatsu Exterior, Inc.	¥ 303 thousand
Tokyu Stay Service Co., Ltd.	¥ 49 thousand
Tokyu Bldg Maintenance Co., Ltd.	¥ 15 thousand

(5) Trading between the Investment Management Company and TOKYU REIT Pertaining to Business Concurrently Operated by the Investment Management Company  
There is no item that falls under this category.

## 7. Accounting

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

See accompanying Balance Sheets, Statements of Income, Statements of Changes in Unitholders' Equity, Statements of Cash Flows and Notes to Financial Statements.

### (2) Change in Depreciation Method

There is no item that falls under this category.

### (3) Change in Property and Infrastructure Asset Valuation Methods

There is no item that falls under this category.

## 8. Other

### (1) News

During the fiscal period under review, TOKYU REIT's Board of Directors approved the following matters stipulated under Article 109, Paragraph 2, Items 2, 3, 5, 6 and 8 of the Investment Trust Law.

Date of meeting	Agenda item	Summary
April 17, 2015	Revision of the investment management agreement	The meeting approved to amend the investment management fees, etc. set forth in the investment management agreement executed with the investment management company Tokyu REIM. The revision is based on an amendment of TOKYU REIT's Articles of Incorporation for the abovementioned amendment having been approved at a General Meeting of Unitholders.

### (2) Status, etc. of Beneficiary Certificates of Investment Trust Issuing Beneficiary Certificates

There is no item that falls under this category.

### (3) Disclosure Pertaining to Corporation Holding Overseas Properties

There is no item that falls under this category.

### (4) Disclosure Pertaining to Properties of Corporation Holding Overseas Properties

There is no item that falls under this category.

### (5) Other

① During the fiscal period under review, TOKYU REIT's Board of Directors approved the following signing of memorandums with the investment management company and property management companies, etc.

Date of meeting	Agenda item	Summary
July 31, 2015	Signing of memorandum with Tokyu Community Corporation	The meeting approved the signing of a memorandum with the property management company Tokyu Community Corporation, confirming Tokyu Community Corporation's intentions to take full responsibility for loss (¥218 thousand) resulting from operational delinquency.

② Unless otherwise specifically mentioned, the figures in this report have been rounded down for amounts and rounded for ratios to the nearest specified unit.



## Independent Auditor's Report

To the Board of Directors of TOKYU REIT, Inc.

We have audited the accompanying financial statements of TOKYU REIT, Inc. ("the Company"), which comprise the balance sheet as at July 31, 2015, and the statements of income, statements of changes in unitholders' equity and statements of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2015, and its financial performance and cash flows for the six months then ended in accordance with accounting principles generally accepted in Japan.

*PricewaterhouseCoopers Aarata*

October 29, 2015

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**PricewaterhouseCoopers Aarata**

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**TOKYU REIT, Inc.**  
**Balance Sheets**  
As of July 31, 2015 and January 31, 2015

	July 31, 2015	January 31, 2015
	(Millions of yen)	
<b><u>ASSETS</u></b>		
<b>Current assets:</b>		
Cash and deposits with banks	¥ 3,205	¥ 3,227
Cash and deposits with banks held in trust	7,846	7,887
Tenant receivables	156	134
Consumption tax refund receivables	54	-
Lease deposits held in trust due within one year	18	18
Other current assets	43	126
<b>Total current assets</b>	11,325	11,395
 <b>Fixed assets:</b>		
<b>Property and equipment</b>		
Buildings and structures	12,230	12,204
Land	56,406	56,406
Other tangible assets	156	154
Construction in progress	12	1
Buildings and structures held in trust	45,737	45,267
Land held in trust	114,047	114,047
Other tangible assets held in trust	1,398	1,372
Construction in progress held in trust	14	12
Less accumulated depreciation	(19,812)	(18,821)
Total property and equipment	210,192	210,644
<b>Intangible assets</b>		
Intangible assets	0	0
Intangible assets held in trust	7	8
Total intangible assets	7	9
<b>Investments and other assets</b>		
Lease deposits	203	203
Lease deposits held in trust	761	762
Other assets	258	257
Total investments and other assets	1,224	1,223
<b>Total fixed assets</b>	211,424	211,877
 <b>Deferred assets:</b>		
Investment unit issuance expenses	18	27
Investment corporation bond issuance expenses	42	46
<b>Total deferred assets</b>	60	73
<b>Total assets</b>	¥ 222,810	¥ 223,346

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



**TOKYU REIT, Inc.**  
**Balance Sheets, continued**  
As of July 31, 2015 and January 31, 2015

	July 31, 2015	January 31, 2015
	(Millions of yen)	
<b><u>LIABILITIES</u></b>		
<b>Current liabilities:</b>		
Long-term debt due within one year	¥ 5,700	¥ 11,200
Accounts payable	1,258	1,332
Consumption tax payable	-	329
Rent received in advance	1,124	1,089
Tenant leasehold and security deposits due within one year	-	100
Tenant leasehold and security deposits held in trust due within one year	190	190
Accrued expenses and other current liabilities	160	183
<b>Total current liabilities</b>	8,433	14,425
<b>Long-term liabilities:</b>		
Investment corporation bonds	9,500	9,500
Long-term debt	81,800	76,300
Tenant leasehold and security deposits	3,400	3,298
Tenant leasehold and security deposits held in trust	6,668	6,682
<b>Total long-term liabilities</b>	101,369	95,780
<b>Total liabilities</b>	¥ 109,802	¥ 110,206
 <b><u>NET ASSETS</u></b>		
Unitholders' capital:		
Units authorized - 10,000,000 units as of July 31, 2015 and 10,000,000 units as of January 31, 2015		
Units issued and outstanding - 977,600 units as of July 31, 2015 and 977,600 units as of January 31, 2015	¥ 110,479	¥ 110,479
Reserve for reduction entry	132	-
Retained earnings	2,396	2,660
<b>Total net assets</b>	113,008	113,140
<b>Total liabilities and net assets</b>	¥ 222,810	¥ 223,346

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

**TOKYU REIT, Inc.**  
**Statements of Income**  
For the six months ended July 31, 2015 and January 31, 2015

	For the six months ended	
	July 31, 2015	January 31, 2015
	(Millions of yen)	
<b>Operating revenues:</b>		
Rental revenue	¥ 6,574	¥ 6,566
Other rental revenue	556	509
Gain on sales of real estate properties	-	466
Revenues from facility acceptance	2	-
<b>Operating expenses:</b>		
Rental service expenses	(3,396)	(3,478)
Asset management fees	(520)	(522)
Other	(133)	(156)
<b>Operating income</b>	3,083	3,383
<b>Non-operating income:</b>		
Interest income	1	1
Other	7	3
<b>Non-operating expenses:</b>		
Interest expense	(623)	(630)
Interest expense on investment corporation bonds	(39)	(61)
Amortization of investment unit issuance expenses	(8)	(8)
Amortization of investment corporation bond issuance expenses	(4)	(5)
Other	(20)	(20)
<b>Income before income taxes</b>	2,396	2,661
Income taxes:		
Current	(0)	(0)
Deferred	(0)	(0)
<b>Net income</b>	2,396	2,660
<b>Retained earnings at beginning of period</b>	0	0
<b>Retained earnings at end of period</b>	¥ 2,396	¥ 2,660

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, 2015 and January 31, 2015

**For the six months ended July 31, 2015**

	Unitholders' capital	Reserve for reduction entry	Retained earnings	Total
	(Millions of yen)			
<b>Balance at beginning of period</b>	¥ 110,479	¥ -	¥ 2,660	¥ 113,140
<b>Changes during the period</b>				
Provision of reserve for reduction entry	-	132	(132)	-
Cash distributions declared	-	-	(2,528)	(2,528)
Net income	-	-	2,396	2,396
<b>Total changes during the period</b>	-	132	(264)	(132)
<b>Balance at end of period</b>	¥ 110,479	¥ 132	¥ 2,396	¥ 113,008

**For the six months ended January 31, 2015**

	Unitholders' capital	Reserve for reduction entry	Retained earnings	Total
	(Millions of yen)			
<b>Balance at beginning of period</b>	¥ 110,479	¥ -	¥ 2,461	¥ 112,940
<b>Changes during the period</b>				
Cash distributions declared	-	-	(2,460)	(2,460)
Net income	-	-	2,660	2,660
<b>Total changes during the period</b>	-	-	199	199
<b>Balance at end of period</b>	¥ 110,479	¥ -	¥ 2,660	¥ 113,140

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, 2015 and January 31, 2015

	For the six months ended	
	July 31, 2015	January 31, 2015
	(Millions of yen)	
<b>Cash flows from operating activities:</b>		
Income before income taxes	¥ 2,396	¥ 2,661
Depreciation and amortization	1,003	1,001
Amortization of investment unit issuance expenses	8	8
Amortization of investment corporation bond issuance expenses	4	5
Loss on disposal of property and equipment	10	15
Interest income	(1)	(1)
Interest expense	662	692
(Increase) Decrease in tenant receivables	(22)	26
(Increase) Decrease in consumption tax refund receivables	(54)	-
Increase (Decrease) in consumption tax payable	(329)	42
Increase (Decrease) in accounts payable	3	82
Increase (Decrease) in rent received in advance	34	(60)
Decrease in property and equipment held in trust due to sale	-	8,189
Other, net	75	(94)
Total	3,792	12,569
Interest received	1	1
Interest paid	(675)	(711)
Income taxes paid	(0)	(1)
Net cash provided by (used in) operating activities	3,117	11,857
<b>Cash flows from investing activities:</b>		
Payments for purchases of property and equipment	(40)	(2,084)
Payments for purchases of property and equipment held in trust	(600)	(364)
Payments for lease deposits held in trust	(0)	-
Proceeds from lease deposits held in trust	0	18
Proceeds from tenant leasehold and security deposits	161	260
Payments for tenant leasehold and security deposits	(159)	(64)
Proceeds from tenant leasehold and security deposits held in trust	481	222
Payments for tenant leasehold and security deposits held in trust	(495)	(2,508)
Payments for restricted deposits with banks held in trust	-	(241)
Proceeds from restricted deposits with banks held in trust	-	6,455
Net cash provided by (used in) investing activities	(652)	1,694
<b>Cash flows from financing activities:</b>		
Repayment of short-term debt	-	(5,000)
Proceeds from long-term debt	9,000	4,000
Repayment of long-term debt	(9,000)	-
Repayment of investment corporation bonds	-	(5,000)
Payment of dividends	(2,527)	(2,457)
Net cash provided by (used in) financing activities	(2,527)	(8,457)
<b>Net change in cash and cash equivalents</b>	(63)	5,094
<b>Cash and cash equivalents at beginning of period</b>	11,115	6,020
<b>Cash and cash equivalents at end of period</b>	¥ 11,052	¥ 11,115

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, 2015 and January 31, 2015

**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 ¥49,917 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 ¥27,742 million were utilized in the partial repayments of short-term debt and the acquisition of an additional two 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 ¥20,159 million, TOKYU REIT had repaid short-term debt and acquired 40% of trust beneficiary interest of cocoti.

TOKYU REIT completed its fourth public offering of 23,764 units in August 2013 and third party allotment of 2,376 units in September 2013. Net proceeds totaling ¥12,459 million were utilized in the partial repayments of short-term debt and the acquisition of an additional three properties.

TOKYU REIT conducted a five-for-one split of investment units with January 31, 2014 as the reference date and February 1, 2014 as the effective date.

As at July 31, 2015, TOKYU REIT's total capital is ¥110,479 million with 977,600 units issued and outstanding. TOKYU REIT has been operating 29 properties at an occupancy rate of approximately 98.9%. Total acquisition cost of the 29 properties is ¥222,059 million and total rentable area is 229,859.61 m<sup>2</sup>.

**(b) Basis of presentation**

The financial statements of TOKYU REIT, which is incorporated in Japan, have been prepared in accordance with the provisions set forth in the Corporate Law, the Investment Trust Law, the 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-General of the Kanto Local Finance 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 have been reclassified and translated into English from 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 Financial Instruments and Exchange Law (in place of the Securities and Exchange Law effective from September 30, 2007). 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 January and July of each year.

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended July 31, 2015 and January 31, 2015

**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 that are highly liquid, readily convertible to cash, have insignificant risk of price fluctuation and 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 and construction in progress, 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, 2015	January 31, 2015
	(years)	
Buildings and structures		
Buildings	2-50	2-50
Structures	2-52	2-52
Other tangible assets		
Machinery and equipment	2-17	2-17
Tools, furniture and fixtures	2-15	2-15

- (c) **Intangible assets** - Amortization is computed by using the straight-line method.
- (d) **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.
- (e) **Accounting standard for impairment of fixed assets** - Effective August 1, 2005, TOKYU REIT adopted the "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" ("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.
- (f) **Accounting method for deferred assets** - Amortization of investment unit issuance expenses is computed by using the straight-line method over three years. Amortization of investment corporation bond issuance expenses is computed by using the straight-line method at rates based on the redemption period of the respective bonds.
- (g) **Accounting standard for asset retirement obligations** - Effective April 1, 2010, TOKYU REIT adopted the "Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan Statement No. 18 issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan Guidance No. 21 issued on March 31, 2008).

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended July 31, 2015 and January 31, 2015

- (h) **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 term of each lease. Rental revenue includes fixed rental revenues, recoveries of utility charges and other income.
- (i) **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 allocating 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 amount of those allocated portions of the property-related taxes is capitalized as part of the acquisition costs of the related properties. Capitalized property-related taxes are nil for the six months ended July 31, 2015. Capitalized property-related taxes are ¥7 million for the six months ended January 31, 2015.
- (j) **Income taxes** – Income taxes are accounted for financial reporting purposes. 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. Deferred tax assets of ¥12 thousand are included in other current assets as of July 31, 2015. Deferred tax assets of ¥13 thousand are included in other current assets as of January 31, 2015.
- (k) **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.

**3. Cash and cash equivalents**

Cash and cash equivalents as of July 31, 2015 and January 31, 2015 consisted of the following:

	<u>July 31, 2015</u>	<u>January 31, 2015</u>
	(Millions of yen)	
Cash and deposits with banks	¥ 3,205	¥ 3,227
Cash and deposits with banks held in trust	7,846	7,887
Cash and cash equivalents	<u>¥ 11,052</u>	<u>¥ 11,115</u>

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended July 31, 2015 and January 31, 2015

**4. Schedule of property and equipment and intangible assets**

Property and equipment and intangible assets as of July 31, 2015 and January 31, 2015 consisted of the following:

	July 31, 2015			January 31, 2015		
	Balance	Accumulated depreciation	Net balance	Balance	Accumulated depreciation	Net balance
	(Millions of yen)					
Property and equipment						
Buildings and structures						
Buildings	¥ 12,079	¥ (2,425)	¥ 9,654	¥ 12,056	¥ (2,194)	¥ 9,862
Structures	150	(32)	118	147	(28)	119
Land	56,406	-	56,406	56,406	-	56,406
Other tangible assets						
Machinery and equipment	98	(49)	48	98	(43)	55
Tools, furniture and fixtures	58	(34)	23	56	(30)	25
Construction in progress	12	-	12	1	-	1
Property and equipment held in trust						
Buildings and structures						
Buildings	45,069	(15,734)	29,335	44,601	(15,052)	29,548
Structures	667	(395)	271	666	(380)	285
Land	114,047	-	114,047	114,047	-	114,047
Other tangible assets						
Machinery and equipment	997	(857)	139	993	(822)	170
Tools, furniture and fixtures	401	(283)	118	378	(269)	109
Construction in progress	14	-	14	12	-	12
Sub total	230,004	(19,812)	210,192	229,465	(18,821)	210,644
Intangible assets						
Intangible assets	2	(2)	0	2	(2)	0
Intangible assets held in trust	30	(23)	7	30	(21)	8
Sub total	33	(25)	7	33	(24)	9
Total	¥ 230,038	¥ (19,838)	¥ 210,199	¥ 229,499	¥ (18,845)	¥ 210,653



**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended July 31, 2015 and January 31, 2015

**5. Short-term debt and long-term debt**

Short-term debt and long-term debt as of July 31, 2015 and January 31, 2015 consisted of the following:

	Balance as of July 31, 2015	Balance as of January 31, 2015	Average interest rate (Note 1)
	(Millions of yen)		(%)
	¥	¥	
Short-term debt			
Sub total	-	-	
Long-term debt			
Unsecured loans due on June 25, 2015 with fixed rate	-	5,000	2.22635
Unsecured loans due on July 26, 2015 with fixed rate	-	4,000	1.46250
Unsecured loans due on November 11, 2015 with fixed rate (Note 2)	1,700	1,700	1.03500
Unsecured loans due on December 25, 2015 with fixed rate (Note 2)	500	500	0.68125
Unsecured loans due on March 10, 2016 with fixed rate (Note 2)	3,000	3,000	1.76625
Unsecured loans due on June 25, 2016 with fixed rate (Note 2)	500	500	0.77500
Unsecured loans due on December 27, 2016 with fixed rate	5,000	5,000	1.63250
Unsecured loans due on January 31, 2017 with fixed rate	2,000	2,000	1.36875
Unsecured loans due on May 18, 2017 with fixed rate	2,000	2,000	1.47625
Unsecured loans due on May 25, 2017 with fixed rate	2,000	2,000	1.47625
Unsecured loans due on June 27, 2017 with fixed rate	2,000	2,000	1.45375
Unsecured loans due on July 25, 2017 with fixed rate	1,000	1,000	0.93500
Unsecured loans due on January 25, 2018 with fixed rate	5,000	5,000	1.95000
Unsecured loans due on January 31, 2018 with fixed rate	2,000	2,000	1.49563
Unsecured loans due on March 26, 2018 with fixed rate	5,000	5,000	1.41375
Unsecured loans due on June 25, 2018 with fixed rate	500	500	1.07500
Unsecured loans due on July 31, 2018 with fixed rate	2,000	2,000	0.99125
Unsecured loans due on November 11, 2018 with fixed rate	1,700	1,700	1.48875
Unsecured loans due on January 27, 2019 with fixed rate	3,000	3,000	0.85000
Unsecured loans due on May 25, 2019 with fixed rate	2,000	2,000	1.37250
Unsecured loans due on June 25, 2019 with fixed rate	1,500	1,500	0.95625
Unsecured loans due on June 29, 2019 with fixed rate	800	800	1.32375
Unsecured loans due on August 29, 2019 with fixed rate	1,400	1,400	1.32250
Unsecured loans due on November 19, 2019 with fixed rate	2,000	2,000	1.24625
Unsecured loans due on December 25, 2019 with fixed rate	500	500	1.23375
Unsecured loans due on January 27, 2020 with fixed rate	1,000	1,000	1.04625
Unsecured loans due on June 25, 2020 with fixed rate	4,000	4,000	1.48000
Unsecured loans due on June 25, 2020 with fixed rate	1,500	1,500	1.45125
Unsecured loans due on June 27, 2020 with fixed rate	1,000	1,000	1.47250
Unsecured loans due on December 25, 2020 with fixed rate	2,900	2,900	1.53375
Unsecured loans due on December 25, 2020 with fixed rate	4,500	4,500	1.21000
Unsecured loans due on June 25, 2021 with fixed rate	2,000	2,000	1.05250
Unsecured loans due on July 31, 2021 with fixed rate	3,000	3,000	1.51375
Unsecured loans due on October 22, 2021 with fixed rate	4,000	4,000	0.96875
Unsecured loans due on July 27, 2022 with fixed rate	4,000	-	0.99000
Unsecured loans due on June 27, 2023 with fixed rate	2,500	2,500	1.91375
Unsecured loans due on February 25, 2024 with fixed rate	5,000	5,000	1.57750
Unsecured loans due on June 25, 2025 with fixed rate	5,000	-	1.26125
Sub total	87,500	87,500	
Total	¥ 87,500	¥ 87,500	

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

Note 2. As of the end of the fiscal period, the amounts are recorded in the balance sheets as 'Long-term debt due within one year' under 'Current liabilities.'

TOKYU REIT has commitment line agreements which provide credit facilities totaling ¥2 billion with one bank, ¥8 billion with one bank and ¥8 billion with four banks. Combined, commitment lines total ¥18 billion with five banks. No amount has been drawn down as of July 31, 2015.

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended July 31, 2015 and January 31, 2015

**6. Investment corporation bonds**

The status of investment corporation bonds issued and outstanding as of July 31, 2015 and January 31, 2015 were as follows:

Name	Issue date	Balance as of	Balance as of	Annual	Maturity date
		July 31, 2015	January 31, 2015	interest rate	
		(Millions of yen)		(%)	
3 <sup>rd</sup> Series Unsecured Investment Corporation Bond	October 22, 2012	¥ 3,000	¥ 3,000	1.47000	October 21, 2022
4 <sup>th</sup> Series Unsecured Investment Corporation Bond	February 14, 2014	3,500	3,500	0.39900	February 14, 2019
5 <sup>th</sup> Series Unsecured Investment Corporation Bond	March 11, 2014	3,000	3,000	0.68200	March 11, 2021
Total		¥ 9,500	¥ 9,500		

**7. 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 share capital. TOKYU REIT maintains minimum net assets of at least ¥50 million as required by the Investment Trust Law.

**8. Rental revenue and expense**

Rental revenues and expenses for the six months ended July 31, 2015 and January 31, 2015 were as follows:

	For the six months ended	
	July 31, 2015	January 31, 2015
(Millions of yen)		
Revenue from property leasing:		
Rental revenue:		
Rent income	¥ 5,370	¥ 5,345
Common area charges	726	742
Parking lot revenue under monthly contract	156	158
Other rent income	321	319
Sub total	6,574	6,566
Other rental revenue:		
Incidental income	476	448
Other miscellaneous income	79	60
Sub total	556	509
Total revenue from property leasing	(a) 7,131	7,075
Rental service expenses:		
Utilities expenses	645	656
Subcontract expenses	453	461
Property management fees	159	160
Repairs and maintenance expenses	243	299
Property-related taxes	641	637
Insurance premium	12	12
Depreciation and amortization	1,003	1,001
Loss on disposal of property and equipment	10	15
Other	226	233
Total rental service expenses	(b) 3,396	3,478
Operating income from property leasing activities	(a)-(b) ¥ 3,734	¥ 3,596

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended July 31, 2015 and January 31, 2015

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

Details on the financial results of each property for the six months ended July 31, 2015 and January 31, 2015 were as follows: (Unaudited)

**For the six months ended July 31, 2015**

Name of building	Revenue from property leasing	Property leasing expenses (Note 1)	NOI (Note 2)	Depreciation and amortization (Note 3)	Operating income from property leasing activities
(Millions of yen)					
R QFRONT	¥ 662	¥ 274	¥ 388	¥ 59	¥ 328
R Lexington Aoyama	126	33	92	7	85
R TOKYU REIT Omotesando Square	180	38	142	10	131
R Tokyu Saginuma Building	305	48	256	34	222
R Tokyu Saginuma 2 Building	62	27	35	8	27
R TOKYU REIT Shibuya Udagawa-cho Square	250	23	226	4	222
R cocoti	545	199	346	163	182
R Shonan Mall Fill ( <i>sokochi</i> )	185	26	158	-	158
R CONZE Ebisu	106	30	75	22	53
R Daikanyama Forum	100	42	58	9	48
R KALEIDO Shibuya Miyamasuzaka	182	62	120	16	103
O Setagaya Business Square	959	561	397	148	248
O Tokyu Nampeidai-cho Building	150	32	118	20	97
O Tokyu Sakuragaoka-cho Building	218	42	176	32	143
O Tokyo Nissan Taito Building	144	86	57	39	18
O TOKYU REIT Akasaka Hinokicho Building	137	43	93	13	80
O TOKYU REIT Kamata Building	215	88	126	33	93
O TOKYU REIT Toranomom Building	337	124	212	41	171
O TOKYU REIT Hatchobori Building	144	53	91	40	50
O Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	177	46	130	27	103
O Tokyu Ikejiri-ohashi Building	170	57	112	20	91
O Kojimachi Square	214	49	165	45	120
O TOKYU REIT Shinjuku Building	267	61	205	36	169
O Akihabara Sanwa Toyo Building	172	48	124	13	110
O TOKYU REIT Kiba Building	148	43	105	32	73
O Tokyu Ginza 2-chome Building	175	37	137	36	100
O OKI System Center ( <i>sokochi</i> )	145	15	129	-	129
O TOKYU REIT Shibuya R Building	227	83	144	22	122
O Tokyu Toranomom Building	414	98	316	74	242
Total	<u>¥7,131</u>	<u>¥2,383</u>	<u>¥4,747</u>	<u>¥1,013</u>	<u>¥3,734</u>

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended July 31, 2015 and January 31, 2015

**For the six months ended January 31, 2015**

Name of building	Revenue from property leasing	Property leasing expenses (Note 1)	NOI (Note 2)	Depreciation and amortization (Note 3)	Operating income from property leasing activities
	(Millions of yen)				
R QFRONT	¥ 644	¥ 272	¥ 371	¥ 53	¥ 318
R Lexington Aoyama	121	43	78	7	71
R TOKYU REIT Omotesando Square	179	37	141	10	130
R Tokyu Saginuma Building	305	53	252	34	217
R Tokyu Saginuma 2 Building	62	15	46	7	39
R TOKYU REIT Shibuya Udagawa-cho Square	250	26	224	4	219
R Beacon Hill Plaza (Ito-Yokado Noukendai Store)	10	8	2	13	(11)
R cocoti	538	204	334	163	171
R Shonan Mall Fill ( <i>sokochi</i> )	174	26	147	-	147
R CONZE Ebisu	97	40	57	22	34
R Daikanyama Forum	103	42	61	8	52
R KALEIDO Shibuya Miyamasuzaka	184	66	117	16	101
O Setagaya Business Square	939	524	415	154	260
O Tokyu Nampeidai-cho Building	149	33	116	21	95
O Tokyu Sakuragaoka-cho Building	215	61	153	31	122
O Tokyo Nissan Taito Building	163	119	43	35	8
O TOKYU REIT Akasaka Hinokicho Building	136	47	89	13	76
O TOKYU REIT Kamata Building	216	86	130	31	98
O TOKYU REIT Toranomom Building	315	133	181	42	139
O TOKYU REIT Hatchobori Building	155	64	90	39	51
O Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	177	45	131	27	104
O Tokyu Ikejiri-ohashi Building	186	52	133	20	113
O Kojimachi Square	214	48	165	44	120
O TOKYU REIT Shinjuku Building	264	74	190	35	154
O Akihabara Sanwa Toyo Building	171	39	132	13	119
O TOKYU REIT Kiba Building	150	45	105	30	74
O Tokyu Ginza 2-chome Building	172	36	135	37	98
O OKI System Center ( <i>sokochi</i> )	145	15	129	-	129
O TOKYU REIT Shibuya R Building	214	88	126	22	104
O Tokyu Toranomom Building	412	106	306	74	232
Total	¥ 7,075	¥ 2,460	¥ 4,614	¥ 1,017	¥ 3,596

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 include loss on disposal of property and equipment.

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended July 31, 2015 and January 31, 2015

**10. Breakdown of gain on sales of real estate properties**

Beacon Hill Plaza (Ito-Yokado Noukendai Store) was sold on August 8, 2014.

	<u>July 31, 2015</u>	<u>January 31, 2015</u>
	(Millions of yen)	
Revenue from sale of property	—	¥ 8,720
Cost of property		8,189
Other sales expenses		64
Gain on sales of real estate properties		<u>¥ 466</u>

**11. Income taxes**

Income taxes in Japan applicable to TOKYU REIT consist of corporate income tax, enterprise tax and inhabitant tax. The following is a 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, 2015 and January 31, 2015.

	<u>July 31, 2015</u>	<u>January 31, 2015</u>
Statutory income tax rate	34.15%	34.16%
Deductible cash distributions	(34.14)	(32.45)
Provision of reserve for reduction entry	-	(1.70)
Other	0.03	0.02
Effective tax rate	<u>0.04%</u>	<u>0.03%</u>

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 the Special Taxation Measures Law to achieve a deduction of cash distributions for income tax purposes. Based on this policy, TOKYU REIT treated the cash distributions as a tax allowable distribution as defined in the Special Taxation Measures Law.

**12. Adjustment of amount of deferred tax assets and deferred tax liabilities in line with change in income tax rate**

In accordance with the Act for Partial Revision of the Income Tax Act, etc. (Act No. 9 of 2015) promulgated on March 31, 2015, the statutory income tax rate used in the calculation of deferred tax assets and deferred tax liabilities pertaining to the temporary difference, etc. that is expected to reverse for accounting periods starting on or after August 1, 2015 has been changed from 34.15% to 32.31%.

The impact of this tax rate change is minimal.

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended July 31, 2015 and January 31, 2015

**13. Per unit information**

The following table summarizes the net income per unit for the six months ended July 31, 2015 and January 31, 2015 and the unitholders' equity per unit as of July 31, 2015 and January 31, 2015.

	For the six months ended	
	July 31, 2015	January 31, 2015
Net income per unit	¥ 2,450	¥ 2,721
Weighted-average number of units ※1	977,600 units	977,600 units
※1 Average number of units weighed by days in each fiscal period.		
	As of July 31, 2015	As of January 31, 2015
Unitholders' equity per unit	¥ 115,597	¥ 115,732

Diluted net income per unit is not presented since neither warrants nor convertible bonds were issued during the six months ended July 31, 2015 and January 31, 2015.

**14. Distribution information**

The Board of Directors of TOKYU REIT resolved on September 11, 2015 and March 16, 2015 to effect payment of cash distributions of ¥2,451 and ¥2,586 per unit to unitholders of record on July 31, 2015 and January 31, 2015, respectively. Retained earnings carried forward after the distributions are as follows:

	July 31, 2015	January 31, 2015
	(Millions of yen)	
Retained earnings at end of period	¥ 2,396	¥ 2,660
Cash distributions declared	2,396	2,528
Provision of reserve for reduction entry	-	132
Retained earnings carried forward	¥ 0	¥ 0

**15. Leases**

TOKYU REIT leases its properties to tenants under non-cancelable operating leases. As of July 31, 2015 and January 31, 2015, the future lease revenues under the non-cancelable operating leases were as follows:

	July 31, 2015	January 31, 2015
	(Millions of yen)	
Due within one year	¥ 5,143	¥ 5,417
Due after one year	19,601	17,411
Total	¥ 24,744	¥ 22,829

As of July 31, 2015 and January 31, 2015, the future lease payments under the non-cancelable operating leases were as follows:

	July 31, 2015	January 31, 2015
	(Millions of yen)	
Due within one year	¥ 220	¥ 222
Due after one year	2,194	2,258
Total	¥ 2,415	¥ 2,480

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended July 31, 2015 and January 31, 2015

**16. Fair value of financial instruments**

**(a) Matters concerning status of financial instruments**

**(1) Policy for handling financial instruments**

TOKYU REIT procures funds for asset acquisition or debt repayment, etc. through additional issuance of investment units, debt financing or issuance of investment corporation bonds. In the procurement of funds, TOKYU REIT adopts the financial policy of seeking maximization of unitholder value based on ensuring stability, flexibility and efficiency and also through reduction of funding costs, external growth and keeping expenditures at a minimum.

Concerning the investment management of surplus funds, while the scope of investment includes securities and monetary claims, TOKYU REIT manages surplus funds in the form of deposits in principle in view of security.

While derivative transactions may possibly be utilized for the purpose of hedging interest rate fluctuation risks, etc., TOKYU REIT adopts the policy of not engaging in speculative transactions. At present, TOKYU REIT does not engage in any derivative transactions.

**(2) Description of financial instruments and associated risks, and risk management structure**

At TOKYU REIT, the appropriateness and effectiveness of the risk management structure is regularly evaluated and enhanced by the investment management company. The following outlines the description of individual financial instruments and the associated risks, and the risk management structure.

Deposits are exposed to risks of failure of the financial institution holding the deposit and other credit risks, but the concerned risks are controlled by striving to diversify the financial institutions holding the deposit.

Funds from debts and investment corporation bonds are mainly used as funds for asset acquisition or debt repayment, etc. These are exposed to liquidity risk at the time of repayment, but the liquidity risk is controlled at TOKYU REIT through such measures as striving to maintain and strengthen the capacity to procure funds from the capital market via capital increases, along with securing several fund procurement sources and diversifying repayment deadlines, executing commitment line agreements which provide credit facilities totaling ¥18 billion with TOKYU REIT's main banks (no amount has been drawn down as of July 31, 2015), and also preparing monthly fund management plans.

Debts with floating interest rates are exposed to interest rate fluctuation risks, but the impact that interest rate rises has on TOKYU REIT operations is limited by keeping the appraisal LTV (Note) at low levels, maintaining the ratio of debt that are long-term fixed-rate debt at high levels, and setting a procurement limit depending on the economic environment and financial environment, terms of lease agreements with tenants, asset holding period and other factors. Furthermore, derivative transactions (interest rate swap transactions) are available as a hedging instrument to avoid risks of rises in floating interest rates and promote fixed interest payable.

Tenant leasehold and security deposits are deposits from tenants and are exposed to liquidity risks arising from tenants moving out of properties, but the liquidity risk is controlled through such measures as preparing monthly fund management plans.

Note. [Interest-bearing liabilities + Security and guarantee deposits without reserved cash] ÷

[Total appraisal value at the end of the fiscal period or at the time of acquisition of specified assets] × 100

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended July 31, 2015 and January 31, 2015

**(3) Supplementary explanation on matters concerning fair value of financial instruments**

The fair value of financial instruments, aside from values based on market price, include values based on reasonable calculations when there is no market price. Certain assumptions are adopted in the calculations of said values and there may be cases where said values will vary when different assumptions are adopted.

**(b) Matters concerning fair value of financial instruments**

The following are the carrying amount and fair value as of the end of the fiscal period, and the difference between these amounts. Please note that the table below does not include those for which discerning of fair value is recognized to be extremely difficult (please refer to Note 2).

	July 31, 2015			January 31, 2015		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
	(Millions of yen)					
(1) Cash and deposits with banks	¥ 3,205	¥ 3,205	¥ -	¥ 3,227	¥ 3,227	¥ -
(2) Cash and deposits with banks held in trust	7,846	7,846	-	7,887	7,887	-
Assets total	11,052	11,052	-	11,115	11,115	-
(1) Short-term debt	-	-	-	-	-	-
(2) Investment corporation bonds due within one year	-	-	-	-	-	-
(3) Long-term debt due within one year	5,700	5,724	24	11,200	11,269	69
(4) Tenant leasehold and security deposits due within one year	-	-	-	100	99	(0)
(5) Tenant leasehold and security deposits held in trust due within one year	190	190	(0)	190	189	(1)
(6) Investment corporation bonds	9,500	9,736	236	9,500	9,723	223
(7) Long-term debt	81,800	83,611	1,811	76,300	78,276	1,976
(8) Tenant leasehold and security deposits held in trust	572	564	(8)	572	562	(10)
Liabilities total	¥97,763	¥99,826	¥ 2,062	¥97,863	¥100,121	¥ 2,257

Note 1. Method of calculation of fair value of financial instruments

**Assets**

(1) Cash and deposits with banks; (2) Cash and deposits with banks held in trust

As all of these are settled within a short period of time, the fair value is approximately the same as the book value and is thus stated at that book value.

**Liabilities**

(1) Short-term debt

As these are settled within a short period of time, the fair value is approximately the same as the book value and is thus stated at that book value.

(2) Investment corporation bonds due within one year; (6) Investment corporation bonds

The fair value of investment corporation bonds is calculated based on the present value found by discounting the sum total amount of principal and interest by the rate that takes into account the investment corporation bonds' remaining term and credit risks.

(3) Long-term debt due within one year; (7) Long-term debt

The fair value of long-term debt is calculated based on the method of calculating by discounting the sum total amount of principal and interest by the rate assumed as being applicable in the event of a new drawdown of a similar debt.

(4) Tenant leasehold and security deposits due within one year; (5) Tenant leasehold and security deposits held in trust due within one year; (8) Tenant leasehold and security deposits held in trust

The fair value of tenant leasehold and security deposits and tenant leasehold and security deposits held in trust is calculated based on the present value found by discounting the future cash flows of such by the rate that takes into account the term remaining until the repayment deadline and credit risks.



**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended July 31, 2015 and January 31, 2015

Note 2. Financial instruments for which measurement of fair value is recognized to be extremely difficult

	July 31, 2015	January 31, 2015
	(Millions of yen)	
Carrying amount		
(i) Tenant leasehold and security deposits	¥ 3,400	¥ 3,298
(ii) Tenant leasehold and security deposits held in trust	6,095	6,109

These are not subject to calculation of fair value because measurement of the fair value is recognized to be extremely difficult since future cash flows cannot be reasonably estimated due to the lack of market price measurement and difficulty of calculation of the actual deposit period from when lessees move in to when they move out.

Note 3. Amount of redemption of monetary claims scheduled to be due after balance sheet date

	July 31, 2015			January 31, 2015		
	Cash and deposits with banks	Cash and deposits with banks held in trust	Total	Cash and deposits with banks	Cash and deposits with banks held in trust	Total
	(Millions of yen)					
Within one year	¥ 3,205	¥ 7,846	¥ 11,052	¥ 3,227	¥ 7,887	¥ 11,115
Within two years, but over one year	-	-	-	-	-	-
Within three years, but over two years	-	-	-	-	-	-
Within four years, but over three years	-	-	-	-	-	-
Within five years, but over four years	-	-	-	-	-	-
Over five years	-	-	-	-	-	-

Note 4. Amount of repayment of short-term debt, investment corporation bonds and long-term debt scheduled to be due after balance sheet date

	July 31, 2015				January 31, 2015			
	Short-term debt	Investment corporation bonds	Long-term debt	Total	Short-term debt	Investment corporation bonds	Long-term debt	Total
	(Millions of yen)							
Within one year	¥ -	¥ -	¥ 5,700	¥ 5,700	¥ -	¥ -	¥ 11,200	¥ 11,200
Within two years, but over one year	-	-	14,000	14,000	-	-	10,500	10,500
Within three years, but over two years	-	-	14,500	14,500	-	-	14,000	14,000
Within four years, but over three years	-	3,500	9,000	12,500	-	-	12,200	12,200
Within five years, but over four years	-	-	11,400	11,400	-	3,500	9,200	12,700
Over five years	-	6,000	32,900	38,900	-	6,000	30,400	36,400

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended July 31, 2015 and January 31, 2015

**17. Related party transactions**

**For the six months ended July 31, 2015**

Kazuyoshi Kashiwazaki, who holds no voting units of TOKYU REIT, is Executive Director of TOKYU REIT and Representative Director & President and Chief Executive Officer of Tokyu REIM, has entered into an asset management agreement subject to the conditions set forth in TOKYU REIT's Articles of Incorporation with TOKYU REIT. The amount of management fees incurred for the six months ended July 31, 2015 and payable due to asset manager as of then were as follows:

	<u>July 31, 2015</u>
	(Millions of yen)
Asset management fees for the period (Note)	¥ 520
Management fees payable due to asset manager	254

Note. Masahiro Horie resigned as the executive director upon the end of his term of office on April 30, 2015. In addition, Kazuyoshi Kashiwazaki was appointed as the new executive director at the General Meeting of Unitholders of TOKYU REIT held on April 17, 2015 and assumed the office on May 1, 2015. The asset management fees for the period include the payment during the period when Mr. Horie was the executive director.

**For the six months ended January 31, 2015**

Masahiro Horie, who holds no voting units of TOKYU REIT, is Executive Director of TOKYU REIT and Representative Director & President and Chief Executive Officer of Tokyu REIM, has entered into an asset management agreement subject to the conditions set forth in TOKYU REIT's Articles of Incorporation with TOKYU REIT. The amount of management fees incurred for the six months ended January 31, 2015 and payable due to asset manager as of then were as follows:

	<u>January 31, 2015</u>
	(Millions of yen)
Asset management fees for the period	¥ 522
Management fees payable due to asset manager	257

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended July 31, 2015 and January 31, 2015

**18. Fair value of investment and rental properties**

TOKYU REIT owns rental office properties and rental retail properties (including land) primarily in Central Tokyo and Tokyu Areas (Note 1). The following are the carrying amount at the end of the fiscal period, change during the fiscal period and fair value at the end of the fiscal period for these investment and rental properties.

	For the six months ended	
	July 31, 2015	January 31, 2015
	(Millions of yen)	
Carrying amount (Note 2)		
Balance at beginning of period	¥ 210,653	¥ 217,190
Change during the period (Note 3)	(453)	(6,536)
Balance at end of period	¥ 210,199	¥ 210,653
	As of July 31, 2015	As of January 31, 2015
	(Millions of yen)	
Fair value at end of period (Note 4)	¥ 233,480	¥ 228,660

Note 1. Area classification:

“Central Tokyo” is the five central Tokyo wards (Chiyoda, Chuo, Minato, Shinjuku and Shibuya wards) and other major commercial and retail districts of Tokyo (the areas surrounding Ikebukuro, Koraku, Ueno and other areas).

“Tokyu Areas” is the Tokyu rail network hub (Shibuya ward) and other Tokyu rail network areas (Tokyo (Shinagawa, Meguro, Setagaya and Ota wards, and Machida city); Yokohama city, Kanagawa prefecture (Kohoku, Kanagawa, Naka, Nishi, Midori, Aoba and Tsuzuki wards); Kawasaki city, Kanagawa prefecture (Nakahara, Takatsu and Miyamae wards); and Yamato city, Kanagawa prefecture). Shibuya ward is included in both Central Tokyo and Tokyu Areas. “Other” is other districts in the Tokyo Metropolitan Area, including Kanagawa, Saitama and Chiba prefectures (excluding the separately mentioned areas above).

Note 2. The carrying amount is the acquisition price (including expenditures pertaining to the purchase) less accumulated depreciation.

Note 3. Of the change during the six months ended July 31, 2015, the amount of increase is mainly attributable to renewal of the air-conditioning equipment of Tokyu Ikejiri-ohashi Building and other capital expenditures (¥542 million), and the amount of decrease is mainly attributable to depreciation and amortization (¥1,003 million).

Of the change during the six months ended January 31, 2015, the amount of increase is mainly attributable to acquisition of the contiguous land of Tokyu Toranomom Building (¥1,868 million) and additional compartmentalized ownership in TOKYU REIT Toranomom Building (¥109 million), and the amount of decrease is mainly attributable to disposition of Beacon Hill Plaza (Ito-Yokado Noukendai Store) (¥8,189 million) and depreciation and amortization (¥1,001 million).

Note 4. The fair value as of the end of the fiscal period shows the appraisal value as appraised by an independent real estate surveyor.

The income (loss) in the six months ended July 31, 2015 and January 31, 2015 for investment and rental properties are as presented in “Rental revenue and expense” of the “Notes to Financial Statements.”

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended July 31, 2015 and January 31, 2015

**19. Segment and related information**

**[Segment information]**

**(a) Overview of reportable segments**

Reportable segments of TOKYU REIT are components of TOKYU REIT and Tokyu REIM for which discrete financial information is available and which are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated and assess performance.

TOKYU REIT invests in rental office properties and rental retail properties (including land) primarily in Central Tokyo and Tokyu Areas.

Accordingly, TOKYU REIT and Tokyu REIM businesses are divided by type of properties, therefore two segments have been determined – the Office Property Leasing Business and the Retail Property Leasing Business – as its reportable segments.

**(b) Basis of measurement of reportable segment income, assets and liabilities, etc.**

The accounting method for reported operating segments is generally the same as that described in “Significant accounting policies.” Reportable segment income is reconciled with the operating income.

**(c) Information about reportable segment income, assets and liabilities, etc.**

	July 31, 2015				January 31, 2015			
	Retail Property Leasing Business	Office Property Leasing Business	Amount of reconciliation (Note 2)	Amount recorded in financial statements	Retail Property Leasing Business	Office Property Leasing Business	Amount of reconciliation (Note 3)	Amount recorded in financial statements
	(Millions of yen)							
Operating revenues (Note 1)	¥ 2,708	¥ 4,422	¥ 2	¥ 7,133	¥ 2,672	¥ 4,402	¥ 466	¥ 7,541
Segment income	1,565	2,168	(650)	3,083	1,492	2,103	(212)	3,383
Segment assets	82,134	128,065	12,610	222,810	82,357	128,296	12,692	223,346
Other items								
Depreciation and amortization	330	672	-	1,003	342	659	-	1,001
Increase in property and equipment and intangible assets	112	447	-	559	50	2,621	-	2,672

Note 1. TOKYU REIT’s operating revenues are all from external customers.

Note 2. The breakdown of the ¥2 million amount of reconciliation of operating revenues is revenues from facility acceptance.

The breakdown of the –¥650 million amount of reconciliation of segment income is ¥2 million in revenues from facility acceptance and ¥653 million in enterprise-wide expenses that are not allocated to the reportable segments. Enterprise-wide expenses are mainly asset management fees, asset custodian fees, general administration fees, directors’ fees, etc. that are not attributable to the reportable segments.

The breakdown of the ¥12,610 million amount of reconciliation of segment assets is ¥11,325 million in current assets, ¥1,224 million in investments and other assets and ¥60 million in deferred assets.

Note 3. The breakdown of the ¥466 million amount of reconciliation of operating revenues is gain on sales of real estate properties.

The breakdown of the –¥212 million amount of reconciliation of segment income is ¥466 million in gain on sales of real estate properties and ¥679 million in enterprise-wide expenses that are not allocated to the reportable segments. Enterprise-wide expenses are mainly asset management fees, asset custodian fees, general administration fees, directors’ fees, etc. that are not attributable to the reportable segments.

The breakdown of the ¥12,692 million amount of reconciliation of segment assets is ¥11,395 million in current assets, ¥1,223 million in investments and other assets and ¥73 million in deferred assets.

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended July 31, 2015 and January 31, 2015

**[Related information]**

**(a) Information about each product and service**

Disclosure is omitted because each reportable segment of TOKYU REIT is comprised of a single product or service. (Please refer to “Information about reportable segment income, assets and liabilities, etc.”)

**(b) Information about each geographical area**

**(1) Operating revenues**

Disclosure is omitted because operating revenues from external customers in Japan account for over 90% of the operating revenues recorded in the statements of income.

**(2) Property and equipment**

Disclosure is omitted because the amount of property and equipment located in Japan account for over 90% of the amount of property and equipment recorded in the balance sheets.

**(c) Information about each major customer**

**For the six months ended July 31, 2015**

Party	Operating revenues (Millions of yen)	Name of related segment
Related parties (Note)	¥ 1,252	Retail Property Leasing Business Office Property Leasing Business

**For the six months ended January 31, 2015**

Party	Operating revenues (Millions of yen)	Name of related segment
Related parties (Note)	¥ 1,221	Retail Property Leasing Business Office Property Leasing Business

Note. “Related parties” refers to any entity that falls under the following (i) to (vii):

- (i) Tokyu Corporation
- (ii) A consolidated subsidiary of Tokyu Corporation
- (iii) A tokutei mokuteki kaisha (TMK) or special purpose entity (SPE) that was established based on the intention of Tokyu Corporation or a consolidated subsidiary of Tokyu Corporation and where the share of investment by undisclosed associations or other investment shares in that entity by the respective company exceeds 50%.
- (iv) Affiliates within the scope of consolidation of Tokyu Corporation
- (v) Tokyu Fudosan Holdings Corporation (“Tokyu Fudosan Holdings”)
- (vi) A consolidated subsidiary of Tokyu Fudosan Holdings
- (vii) A tokutei mokuteki kaisha (TMK) or special purpose company (SPC) that was established based on the intention of Tokyu Fudosan Holdings or a consolidated subsidiary of Tokyu Fudosan Holdings and where the share of investment by undisclosed associations or other investment shares in that entity by the respective company exceeds 50%.

**20. Subsequent events**

TOKYU REIT is not aware of any circumstances that may have a material impact on TOKYU REIT’s financial position after the 24th fiscal period ended July 31, 2015.

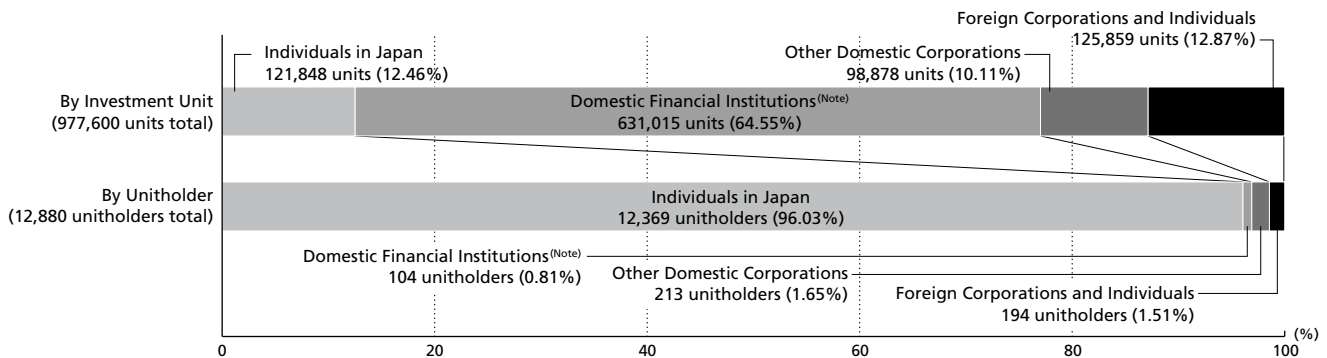
# Unitholder Information

## Unit Price Chart (Note)



(Note) Investment unit prices prior to February 1, 2014, on which a five-for-one split of investment units was implemented, have been changed in consideration of the split.

## Unitholder Composition



(Note) Financial instruments dealers are classified into "Other Domestic Corporations."

## Results Reporting Schedule

	24th Period	25th Period
Date of settlement	Jul. 31, 2015	Jan. 31, 2016
Announcement of financial results	Sep. 11, 2015	Mid Mar. 2016
Delivery of investment management report (Japanese only)	Oct. 14, 2015	Mid Apr. 2016
Payment of cash distributions	Oct. 15, 2015	Mid Apr. 2016

## Concerning the distribution of analyst-oriented presentation materials, etc.

Every fiscal period, **TOKYU REIT** conducts an analyst-oriented explanatory meeting which is held by the investment management company on the next business day after the announcement of results. The presentation materials, etc. used at the explanatory meetings are posted on TOKYU REIT's website ([www.tokyu-reit.co.jp](http://www.tokyu-reit.co.jp)), but for unitholders that are not able to view the website we will consider sending the presentation materials, etc. used at the explanatory meeting. Unitholders that wish to receive these materials should contact the investment management company listed below by mail or fax. When contacting the company please include your unitholder number which can be found in the enclosed "distributions statement."

### Tokyu Real Estate Investment Management Inc.

Shibuya Mark City West Bldg. 11F 12-1, Dogenzaka 1-chome, Shibuya-ku, Tokyo 150-0043 Fax: +81-3-5489-1633

\*The investment management company will cover postal fees.  
\*If there are any questions please contact us at 81-3-5428-5828.

### Address

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

### Established

June 20, 2003

### Executive Director

Kazuyoshi Kashiwazaki

### Supervisory Directors

Giichi Yanagisawa

Maruhito Kondo

### Independent Auditor

PricewaterhouseCoopers Aarata

8-21-1, Ginza, Chuo-ku, Tokyo

### Date of Settlement

Annually on January 31 and July 31

### Unitholders' General Meeting

More than once every two years

### Newspaper for Posting Public Announcements

The Nikkei (Nihon Keizai Shimbun)

### Date for Finalizing General Meeting Voting Rights

As designated under Article 12 of the by-laws

### Date for Determining Cash Distribution Payments

Annually on January 31 and July 31

(Cash distributions 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

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

### Contact · Address

The Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

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

Tel: 0120-232-711 (toll free number: Japan only)

### 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 19th fiscal period (ended January 31, 2013) is on April 11, 2013 and for the 20th fiscal period (ended July 31, 2013) is on October 15, 2013.

## ■ Investment Management Company

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

Financial Instruments Dealer (Kanto Financial Bureau (*Kin-sho*) No. 360) / Member of the Investment Trusts Association, Japan

## ■ Disclaimer

This Semiannual Report is, in principle, an English translation of the Japanese report on TOKYU REIT's investment management published every six months.

This translation is prepared and provided for the readers' convenience.

All readers are recommended to refer to the original version in Japanese of the report for complete and accurate information.

- For further information please visit the **TOKYU REIT** website at ([www.tokyu-reit.co.jp/eng/](http://www.tokyu-reit.co.jp/eng/)).
- The information in this report without description of dates is as of July 31, 2015.

**TOKYU REIT**

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