



25th Fiscal Period (August 1, 2015 to January 31, 2016)

## FINANCIAL RESULTS PRESENTATION

**TOKYU REIT**

TSE 8957 <http://www.tokyu-reit.co.jp/>

Aiming to be a 100-year REIT

<b>1. Financial Results Overview</b>	<b>2</b>
<b>2. External Growth</b>	<b>7</b>
<b>3. Internal Growth, etc.</b>	<b>13</b>
<b>4. Appendix</b>	
<b>(1) Investment Policy and Strategy</b>	<b>29</b>
<b>(2) Portfolio</b>	<b>40</b>
<b>(3) Investment Management Overview</b>	<b>44</b>
<b>(4) Debt Management and Composition of Unitholders</b>	<b>51</b>
<b>(5) Results and Performance</b>	<b>58</b>
<b>(6) Market Review</b>	<b>65</b>

# **TOKYU REIT**

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## **1. Financial Results Overview**

## <25th Period Highlights>

### ■ Portfolio Enhancement

- Acquisition of TOKYU REIT Shinjuku 2 Building (provisional name) : Contribution to NOI: ¥24 mn

### ■ Internal Growth, etc.

- Period end occupancy rate: 98.9% (no change from the end of previous period)
- Change in rent due to rent revisions: +1.5%
- Interest expenses: Change of - ¥18 mn (Average interest rate: 1.38% (24th Period) ⇒ 1.32% (25th Period))
- Unrealized gains/losses of owned properties: ¥30,130 mn (change of + ¥6,850 mn)
- LTV based on appraisal value at end of period: 41.6% (change of -0.6pts)

**NOI: ¥4,949 mn (+ ¥201 mn)**

**25th Period Distribution: ¥2,631**  
(comparison with previous fiscal period: + ¥180, comparison with forecast: +¥171)

**NAV: ¥140,742 mn (+ ¥6,850 mn)**  
**Acquisition capacity: ¥40,854 mn**  
(+ ¥4,583mn)

\*Figures in parenthesis are comparison with previous fiscal period

## <Measures for 26th Period and Onward>

### ■ Portfolio Enhancement

- Property replacements between the sponsor  
Acquisition of Tokyu Bancho Building (26th Period)  
Disposition of Tokyu Saginuma Building (26th Period)  
Disposition of Tokyu Saginuma 2 Building (27th Period)
- Disposition of TOKYU REIT Hatchobori Building (26th Period)

### ■ Internal Growth, etc.

- Implementation of construction works for value enhancement and enhancement of leasing for Setagaya Business Square
- Promotion of upward revision of rent
- Lower interest expenses further
- Retain part of the capital gains on sales of properties as reserve for reduction entry

**26th Period Estimated Distribution: ¥2,630**  
(comparison with previous fiscal period: - ¥1, comparison with initial forecast: +¥170)  
(Balance of reserve for reduction entry per unit after the provision in 26th Period: ¥427)

**27th Period Estimated Distribution: ¥2,630**  
(comparison with previous fiscal period: ±¥0)  
(Balance of reserve for reduction entry per unit after the provision in 27th Period: ¥710)

**Aim future distribution growth through property replacements and internal growth**



# Financial Results Overview and Forecast (Comparison with Previous Fiscal Period)

**TOKYU REIT**

in JPY mn

Item	24th Period Actual (Ended Jul. 2015)	25th Period Actual (Ended Jan. 2016)	Changes	Major factors for difference
<b>Operating Revenues</b> (A)	7,133	7,289	155	
Revenues from Real Estate Operation (B)	7,131	7,289	158	
Rental Revenues	6,574	6,717	142	TOKYU REIT Shinjuku 2 Building (provisional name)+29 Existing properties +113
Other Revenues	556	571	15	
Gain on Sale of Properties	—	—	—	
Revenues from facility acceptance	2	—	-2	
<b>Operating Expenses</b> (C)	4,050	4,037	-12	
Expenses from Real Estate Operation	3,396	3,368	-28	
Expenses (D)	2,383	2,339	-43	Utility Expenses -43
<b>NOI</b> (B)-(D)	4,747	4,949	201	
Depreciation	1,003	1,023	19	TOKYU REIT Shinjuku 2 Building (provisional name)+7
Loss from the Removal of Fixed Assets	10	5	-4	
Other Operating Expenses	653	669	15	
Investment Management Fee	520	539	18	
Loss on Sale of Properties	—	—	—	
<b>Operating Income</b> (A)-(C)	3,083	3,251	168	
Non-Operating Revenues	9	4	-5	
Non-Operating Expenses	695	682	-13	
Interest Expenses	662	644	-18	
<b>Ordinary Income</b>	2,396	2,572	175	
<b>Net Income</b>	2,396	2,571	175	

26th Period Forecast (Ending Jul. 2016) as of Mar. 15, 2016	Changes	27th Period Forecast (Ending Jan. 2017) as of Mar. 15, 2016	Changes
9,516	2,227	7,484	-2,032
7,172	-116	6,944	-227
6,675	-42	6,453	-221
496	-74	490	-5
2,344	2,344	539	-1,804
—	—	—	—
6,000	1,962	3,992	-2,007
3,431	62	3,296	-134
2,357	17	2,253	-104
4,814	-134	4,691	-123
1,046	23	1,037	-9
26	20	6	-20
729	60	695	-34
554	15	550	-4
1,839	1,839	—	-1,839
3,515	264	3,491	-24
0	-3	0	0
658	-23	644	-14
624	-19	616	-8
2,858	285	2,848	-9
2,857	285	2,847	-9

<b>Net Income per Unit (EPS)</b> (¥)	2,450	2,630	180
Amount Recorded as Reserve for Reduction Entry per Unit (¥)	—	—	—
Amount of Reversal of Reserve for Reduction Entry per Unit (¥)	—	—	—
<b>Distribution per Unit</b> (¥)	2,451	2,631	180
<b>Occupancy Rate</b> (%)	98.9	98.9	0pts
<b>NOI Yield</b> (%)	4.31	4.39	0.08pts

2,922	292	2,912	-10
292	292	282	-10
—	—	—	—
2,630	-1	2,630	—
96.8	-2.1pts	97.1	0.3pts
4.27	-0.12pts	4.17	-0.10pts

\* In preparing the forecast cash flow and period end occupancy rate, calculations are based on lease contracts effective as of February 15, 2016 and additionally factoring in increase and decrease in rent amount due to move-ins and move-outs of tenants which are assumed highly likely to occur in the future, and contract revisions, etc.

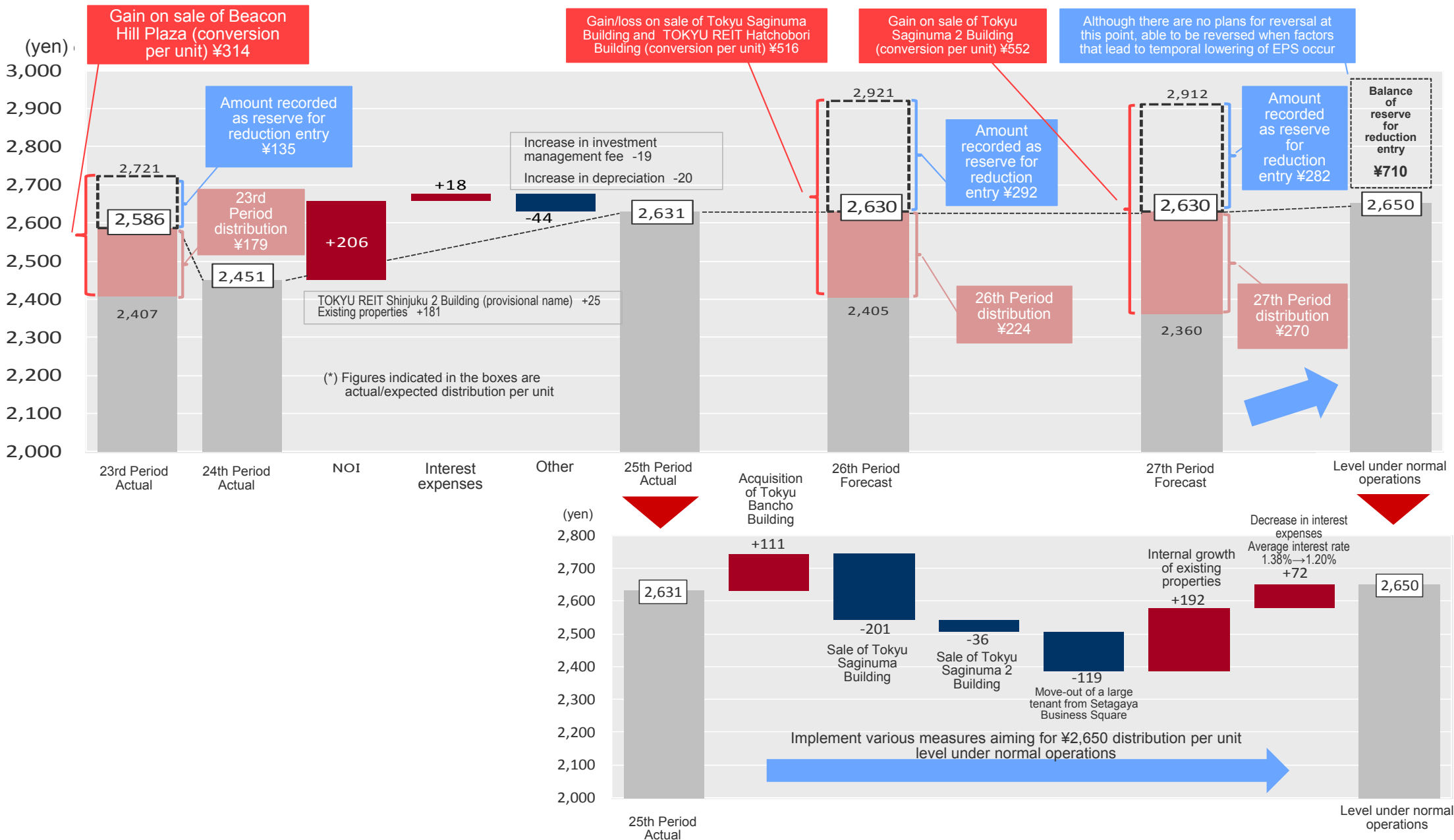
# Financial Results Overview and Forecast (Comparison with Forecast)

Item					in JPY mn			
		25th Period Actual (Ended Jan. 2016)	25th Period Forecast (Ended Jan. 2016) as of Sep. 11, 2015	Changes	Major factors for difference	26th Period Forecast (Ending Jul. 2016) as of Mar. 15, 2016	26th Period Forecast (Ending Jul. 2016) as of Sep. 11, 2015	Changes
<b>Operating Revenues</b>	(A)	7,289	7,246	42		9,516	7,183	2,333
<b>Revenues from Real Estate Operation</b>	(B)	7,289	7,246	42		7,172	7,183	-10
<b>Rental Revenues</b>		6,717	6,678	39	TOKYU REIT Shinjuku 2 Building (provisional name)+29	6,675	6,653	21
<b>Other Revenues</b>		571	568	3		496	529	-32
<b>Gain on Sale of Properties</b>		—	—	—		2,344	—	2,344
<b>Operating Expenses</b>	(C)	4,037	4,160	-122		6,000	4,119	1,880
<b>Expenses from Real Estate Operation</b>		3,368	3,496	-127		3,431	3,454	-23
<b>Expenses</b>	(D)	2,339	2,449	-109	Repair and Maintenance -68 Utility Expenses -30	2,357	2,420	-63
<b>NOI</b>	(B)-(D)	4,949	4,797	152		4,814	4,762	52
<b>Depreciation</b>		1,023	1,029	-5		1,046	1,025	21
<b>Loss from the Removal of Fixed Assets</b>		5	18	-12		26	7	19
<b>Other Operating Expenses</b>		669	664	5		729	665	64
<b>Investment Management Fee</b>		539	528	10		554	528	26
<b>Loss on Sale of Properties</b>		—	—	—		1,839	—	1,839
<b>Operating Income</b>	(A)-(C)	3,251	3,085	165		3,515	3,063	452
<b>Non-Operating Revenues</b>		4	1	3		0	1	-0
<b>Non-Operating Expenses</b>		682	680	1		658	659	-0
<b>Interest Expenses</b>		644	644	-0		624	623	1
<b>Ordinary Income</b>		2,572	2,406	166		2,858	2,405	452
<b>Net Income</b>		2,571	2,405	166		2,857	2,404	452
<b>Net Income per Unit (EPS)</b>	(¥)	2,630	2,460	170		2,922	2,459	463
<b>Amount Recorded as Reserve for Reduction Entry per Unit</b>	(¥)	—	—	—		292	—	292
<b>Amount of Reversal of Reserve for Reduction Entry per Unit</b>	(¥)	—	—	—		—	—	—
<b>Distribution per Unit</b>	(¥)	2,631	2,460	171		2,630	2,460	170
<b>Occupancy Rate</b>	(%)	98.9	98.4	0.5pts		96.8	96.9	-0.1pts
<b>NOI Yield</b>	(%)	4.39	4.29	0.11pts		4.27	4.30	-0.03pts

\* In preparing the forecast cash flow and period end occupancy rate, calculations are based on lease contracts effective as of February 15, 2016 and additionally factoring in increase and decrease in rent amount due to move-ins and move-outs of tenants which are assumed highly likely to occur in the future, and contract revisions, etc.

# Future Distribution

Although factors that lead to temporal decrease in income will arise due to property replacements and move-out of a large tenant from Setagaya Business Square, aim for ¥2,650 distribution per unit level under normal operations through internal growth of existing properties, reduction of financial expenses and other measures.



# **TOKYU REIT**

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## **2. External Growth**

# Overview of Asset Acquired in 25th Period (TOKYU REIT Shinjuku 2 Building (provisional name))

Acquisition of a building contiguous to TOKYU REIT Shinjuku Building. Value enhancement in the future is expected.



## ■ Area/property characteristics

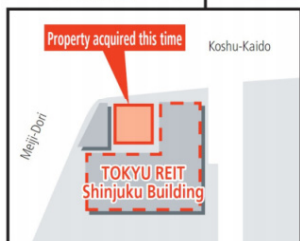
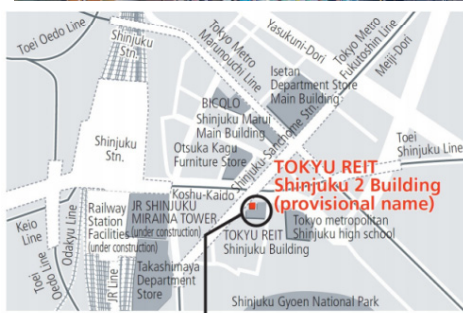
- Better flow and greater bustle are anticipated for the Shinjuku-sanchome area as it is one of Tokyo's most commercially bustling area
- Most recent vacancy rate for the Shinjuku area is 1.7% (Note 1)
- Demand for customer-visiting type stores and offices are even anticipated as the property is a one-minute walk from the station

## ■ Enhancement of asset value by integrated development with TOKYU REIT Shinjuku Building in the future

- Enhanced asset value is anticipated from future integrated development, etc. due to improved land shape and largely wider portion facing Koshu-Kaido together with the contiguous property

## ■ Synergistic effects and future growth potential through integrated management with TOKYU REIT Shinjuku Building

- Seek synergistic effects in terms of leasing, such as reduction of various operating costs and mutual response to the expansion needs and relocation needs of tenants
- The NOI yield as of the acquisition date is expected to be 3.3%, but the yield is forecasted to exceed 4.0% in the medium to long term through internal growth going forward



<b>Address</b>	4-3-23, Shinjuku, Shinjuku-ku, Tokyo
<b>Total Land Space</b>	270.05m <sup>2</sup>
<b>Total Leasable Area</b>	1,787.21m <sup>2</sup>
<b>Completed</b>	December 1991
<b>Acquisition Price</b>	¥2,750 mn
<b>Acquisition Date</b>	October 30, 2015
<b>Sellers</b>	Several individuals
<b>Appraisal Value as of Acquisition (as of August 31, 2015)</b>	¥2,650 mn (DAIWA REAL ESTATE APPRAISAL CO., LTD.)
<b>Investigative Value (Note 2)</b>	¥2,750 mn (DAIWA REAL ESTATE APPRAISAL CO., LTD.)
<b>NOI Yield (as of the acquisition date)</b>	3.3%
<b>Occupancy Rate (as of January 31, 2016)</b>	100%
<b>Tenants</b>	Relo Holdings, Inc., and Bell-Park Co., Ltd.

(Note 1) As of the end of December 2015, Source: CBRE "Japan Office Market View"

(Note 2) The investigative value is the investigative value in the investigation report prepared by DAIWA REALESTATE APPRAISAL CO., LTD. (value for typical investors with August 31, 2015 as the effective date of value when premised on future integrated use with the contiguous site).

# Investment Activities Policy (Property Replacement)

Aim to maintain and improve NAV and portfolio quality through property replacement with sponsor (Tokyu Corporation)

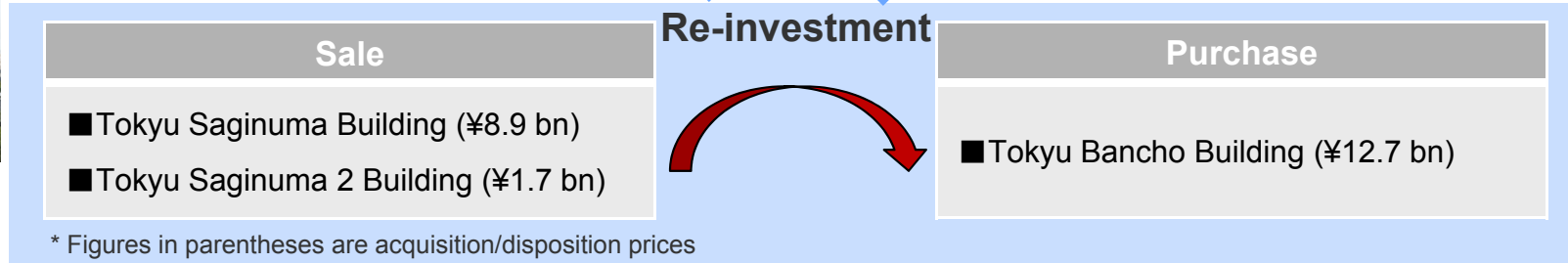
## [Background]

### Investment Environment Analysis

- Recognized to be in “**selling phase**” under the Long-Term Investment Management Strategy (Surf Plan) since January 2016
- In the “selling phase,” aim to maintain portfolio size and EPS (net income per unit) by property replacement through reinvestment of sale proceeds rather than simply selling

### Deepening of Sponsor Collaboration

- TOKYU REIT sells portfolio properties to sponsor, and sponsor promotes redevelopment
- Aim for greater value enhancement of investment targeted areas through appropriate division of roles between TOKYU REIT as manager and sponsor as developer



Generates gain on sales

Retain as provision of reserve for reduction entry

### Maintain and enhance NAV

- Maintain and enhance NAV by retaining as provision of reserve for reduction entry a portion of gain on sales that is the realization of unrealized gains (Also available to maintain cash distributions through reversal of reserve for reduction entry for factors causing temporary decrease in EPS in the future, such as large tenant moving out of property, etc.)

### Maintain and enhance portfolio quality

**Replacement with property that has favorable location and high specifications expected to lead to further stabilization of cash flows and greater total return (Note)**

- Decrease in portfolio building age (approx. 20.1 years → approx. 18.7 years)
- Decrease in portfolio PML (4.0%→3.7%)
- Increase in ratio of Central Tokyo offices to entire portfolio (41.4%→46.3%)



# Overview of the Acquired Asset (Tokyu Bancho Building)

With both favorable location and high specifications, the property can contribute to strengthening of portfolio competitiveness



## ■ Area/property characteristics

- The vacancy rate of the Kanda/Iidabashi area that includes Bancho was most recently 3.0% (Note 1)
- Not only enjoying highly convenient access being a three-minute walk from Ichigaya Station, the property also has visibility as it stands on a corner lot
- The property is relatively new (building age of four years) and has high office specifications, such as 366 tsubos in floor area per standard floor, no columns, 2,800 mm ceiling height (100 mm raised flooring) and individually-controlled air-conditioning equipment, thus boasts strong competitiveness

## ■ Property co-owned with the sponsor

- Tokyu REIT acquired 49% quasi-co-ownership interest of the 95.1% compartmentalized ownership interest of the trust beneficiary interest, and the remaining 51% continues to be owned by Tokyu Corporation

## ■ Future growth potential

- Although NOI yield as of the acquisition date is expected to be 3.4%, NOI yield of 3.9% is expected in the medium- to long-term with future internal growth



Type of Acquisition	Quasi-co-ownership of trust beneficiary interest in domestic real estate
Acquisition Ratio	49% quasi-co-ownership interest of the 95.1% compartmentalized ownership interest of the trust beneficiary interest
Address	6-2 (and others) Yonbancho, Chiyoda-ku, Tokyo
Total Land Space	2,754.18m <sup>2</sup> (entire land)
Total Leasable Area	12,269.46m <sup>2</sup> (entire building)
Completed	September 2011
Acquisition Price	¥12,740 million
Acquisition Date	Contracted on February 26, 2016, scheduled to be acquired on March 24, 2016
Seller	Tokyu Corporation
Appraisal Value as of Acquisition (as of January 31, 2016)	¥12,800 mn (Daiwa Real Estate Appraisal Co., Ltd.)
NOI Yield	3.4% (Note 2)
Occupancy Rate (as of January 31, 2016)	100%
Major Tenants	OPT, Inc., ELECOM Co., Ltd. and Japan Vaccine Co., Ltd.

(Note 1) At the end of December 2015; Source: CBRE K.K.'s "Japan Office MarketView"

(Note 2) Calculation based on assumption of projected future occupancy rate of 94.4% as of the end of the period of the acquisition due to expected move-outs of some tenants after the scheduled date of acquisition.

# Overview of Disposed Assets (Tokyu Saginuma Building, Tokyu Saginuma 2 Building)

Judged that it is the right timing to dispose both properties considering the current real estate transaction market trends, heightened momentum for future redevelopment by the sponsor (Tokyu Corporation), etc.



Tokyu Saginuma Building



Tokyu Saginuma 2 Building

## ■ Background to Disposition

- Judged that it is the time to aim for improvement in portfolio quality through property replacement under the current investment environment
- As both are over 35 years of age, there are risks such as bearing financial burdens for large-scale repairs, etc. in the future or arising of the need for reconstruction in the medium- to long- term
- Having been approached by the sponsor with a proposal for disposition in anticipation of future redevelopment of the Saginuma Station vicinity, TOKYU REIT judged that it would be the right timing to enhance portfolio quality while maintaining the asset size

	Tokyu Saginuma Building	Tokyu Saginuma 2 Building
Address	1-1 Saginuma, Miyamae-ku, Kawasaki-shi, Kanagawa	18-5 Kodai, Miyamae-ku, Kawasaki-shi, Kanagawa
Total Land Space	5,658.00m <sup>2</sup>	1,807.21m <sup>2</sup>
Total Leasable Area	19,610.06m <sup>2</sup>	1,267.95m <sup>2</sup>
Completed	September 1978	October 1979
Acquisition Price	¥6,920 million (acquired in September 2003)	¥1,290million (acquired in September 2003)
Book Value (expected value as of the scheduled disposition date)	¥6,601 million	¥1,165 million
Disposition Price	¥8,950 million	¥1,710 million
Disposition Contract Date		February 26, 2016
Scheduled Disposition Date	March 24, 2016	January 31, 2017
Purchaser		Tokyu Corporation
Gain (Loss) on Disposition (amount of difference between disposition price and book value (expected value as of the scheduled disposition date))	¥2,348 million (26th period)	¥544 million (27th period)
Appraisal Value as of Property Disposition (as of January 31, 2016)	¥8,910 million (Daiwa Real Estate Appraisal Co., Ltd.)	¥1,640 million (Daiwa Real Estate Appraisal Co., Ltd.)
NOI Yield (based on appraisal value as of the end of 25th period)	5.7%	5.8%
Occupancy Rate (as of January 31, 2016)	100%	100%
Tenant	Tokyu Store Corporation	The Bank of Tokyo-Mitsubishi UFJ, Ltd.



# Overview of Disposed Asset (TOKYU REIT Hatchobori Building)

Enhancing portfolio quality by disposing the property, which is over 50 years of age, at the current market price.



TOKYU REIT Hatchobori Building

## ■ Background to Disposition

- TOKYU REIT has judged that it is the time to aim for improvement in portfolio quality including property replacement under the current investment environment.
- TOKYU REIT Hatchobori Building is over 50 years of age, and the floor area ratio of the current building exceeds the designated ratio. For these reasons, considering future reconstruction, etc, TOKYU REIT has judged that the disposition amid the current market environment would be the appropriate action to take.
- Although loss on sale of properties (¥1.7 bn) is expected to arise in the 26th period (fiscal period ending July 2016), TOKYU REIT offsets profit and loss considering the fact that gain on sale(¥2.3 bn) surpassing the loss on sale of properties will be posted in the same fiscal period due to the disposition of Tokyu Saginuma Building.

## ■ Uses of the proceeds from the Disposition

- TOKYU REIT will allocate the proceeds from the Disposition to repayment of borrowings for the time being, and will consider reinvestment in new properties after securing property acquisition capacity.



<b>Address</b>	2-7-1, Hatchobori, Chuo-ku, Tokyo
<b>Total Land Space</b>	974.32㎡
<b>Total Leasable Area</b>	6,010.95㎡
<b>Completed</b>	September 1965
<b>Acquisition Price</b>	¥7,000 million (acquired in September 2006)
<b>Book Value (expected value as of the scheduled disposition date)</b>	¥6,795 million
<b>Disposition Price</b>	¥5,010 million
<b>Disposition Contract Date</b>	March 30, 2016
<b>Scheduled Disposition Date</b>	May 31, 2016
<b>Purchaser</b>	Domestic company (The name and such are not disclosed as consent from the purchaser has not been received.)
<b>Gain (Loss) on Disposition (amount of difference between disposition price and book value (expected value as of the scheduled disposition date))</b>	¥1,785 million(26th Period)
<b>Appraisal Value as of Property Disposition (as of January 31, 2016)</b>	¥5,090 million (The Tanizawa Sōgō Appraisal Co., Ltd.)
<b>NOI Yield (based on appraisal value as of the end of 25th period)</b>	4.5%
<b>Occupancy Rate (as of January 31, 2016)</b>	95.6%
<b>Tenant</b>	universalhome Inc., NTTDATA EMAS Corporation, Yakult Health Foods Co., Ltd.

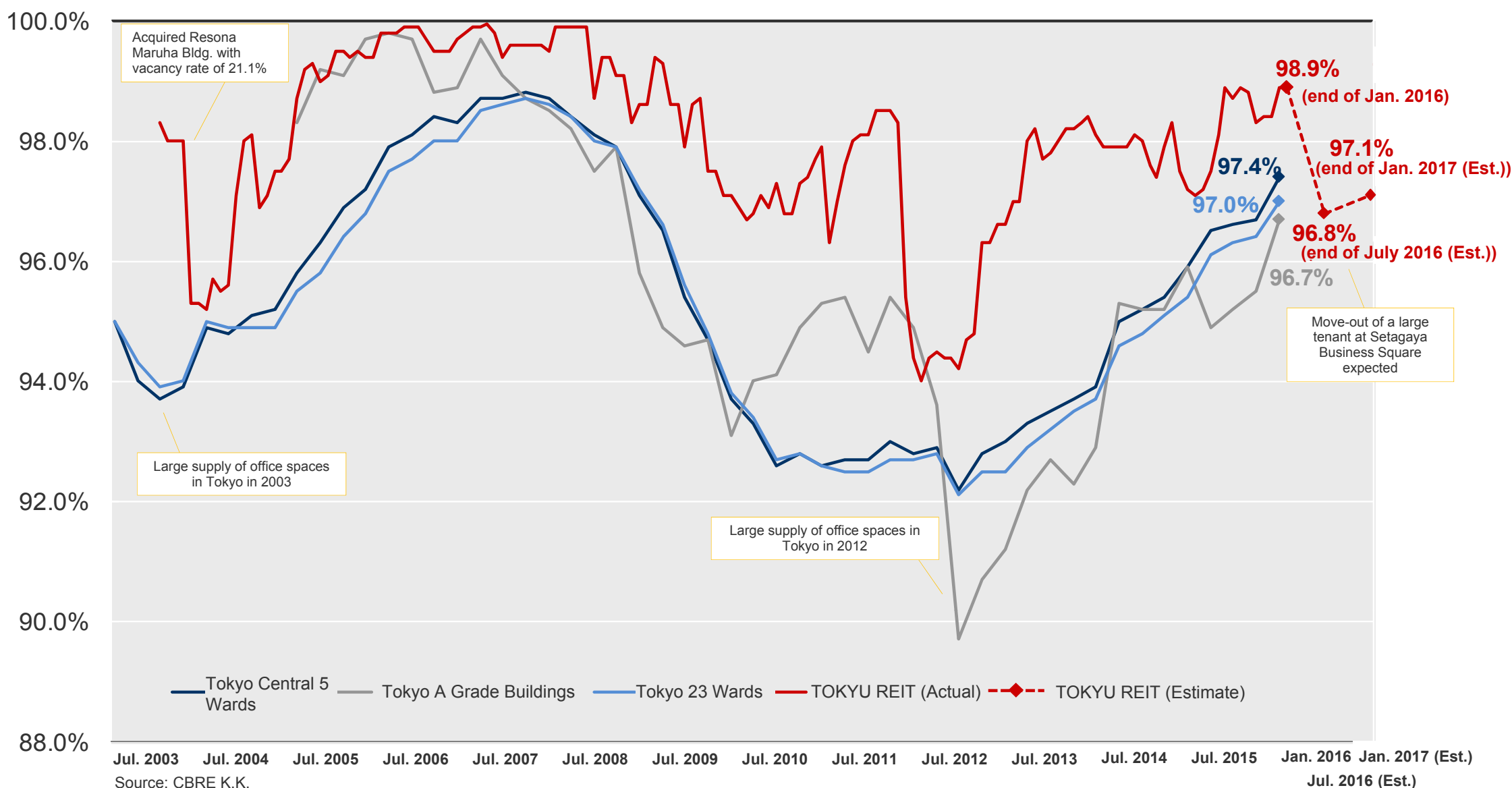
# **TOKYU REIT**

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## **3. Internal Growth, etc.**

# Changes in Occupancy Rate

TOKYU REIT's occupancy rate for fiscal period ended January 2016 was 98.9%. It is expected to temporarily decline to 96.8% in fiscal period ending July 2016 due to effect from the move-out of a large tenant at Setagaya Business Square and other factors.



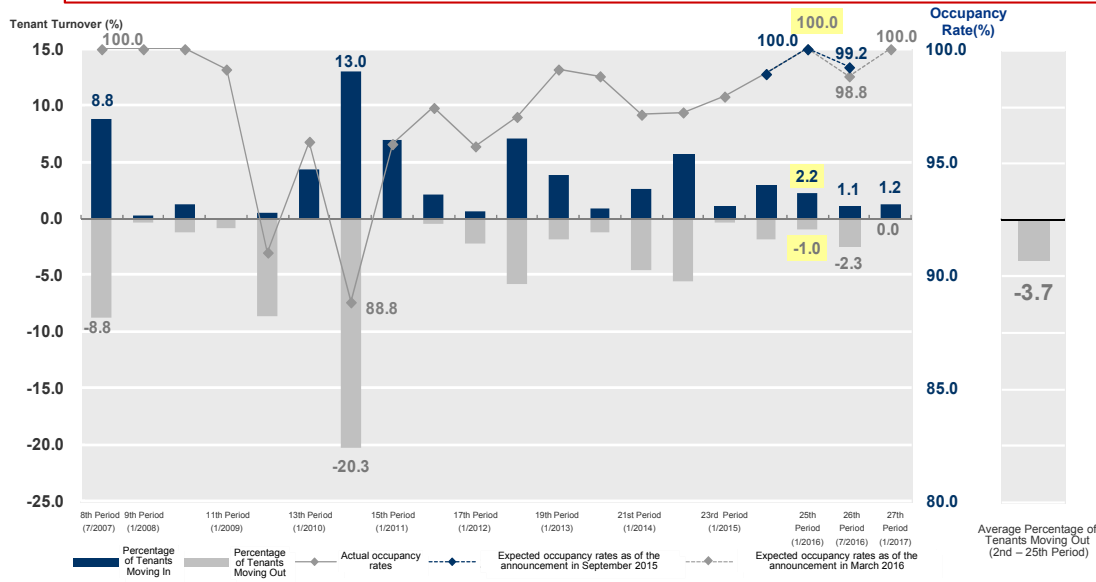
Source: CBRE K.K.

\* The expected figures reflect tenants that are judged to have high possibility of moving in/out as well as the tenants with which an agreement has been concluded and the tenants from which a notice of cancellation has been received as of February 15, 2016.

# Changes in Tenant Turnover and Occupancy Rate

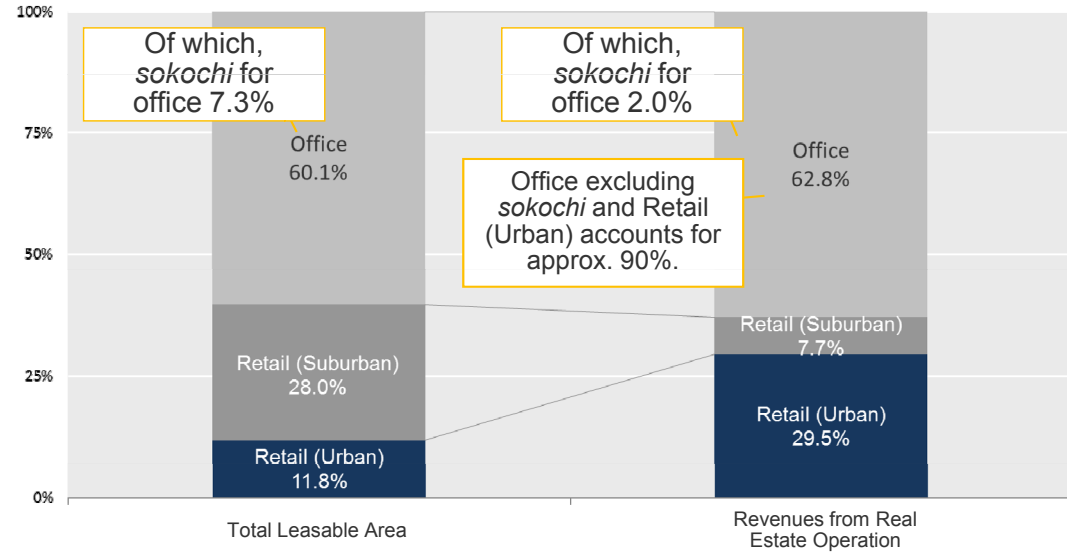
Actual occupancy rate at the end of 25th period surpasses the forecast.

## Retail (Urban)

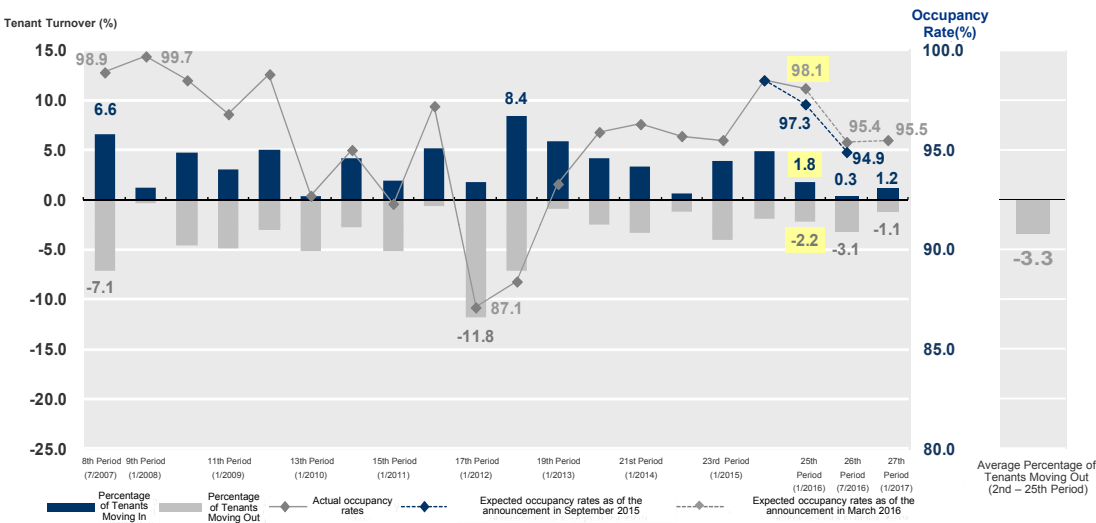


## <Total Leasable Area by Segment>

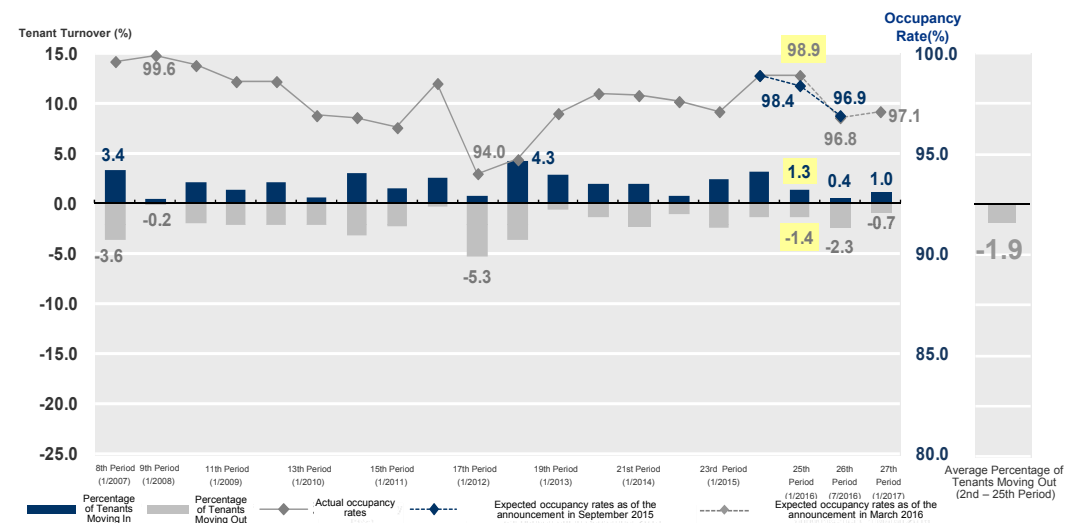
## <Rental Revenues by Segment>



## Office



## Overall Portfolio

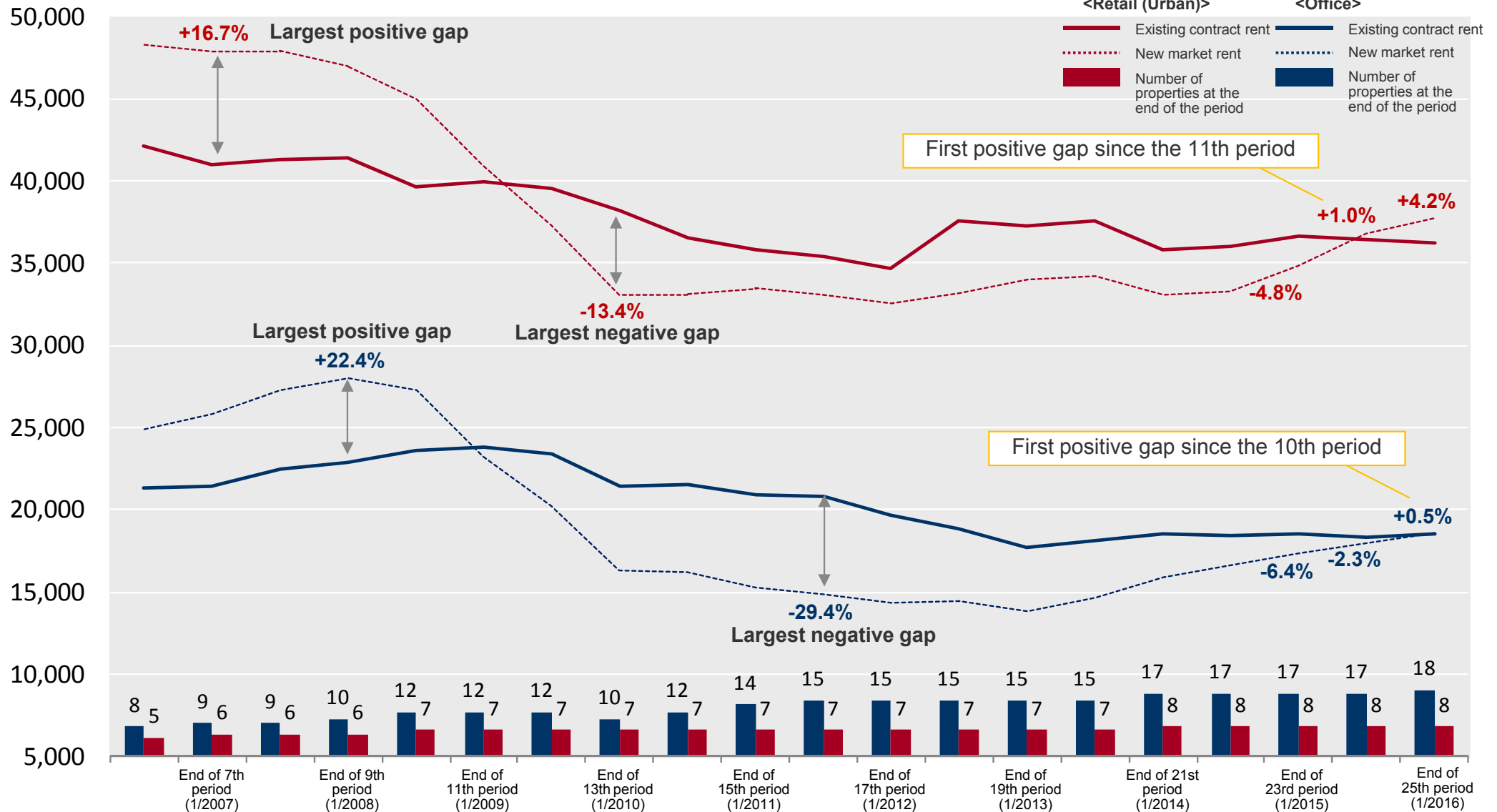


\* In calculating the estimate occupancy rate, lease contracts effective as of February 15, 2016 is used as basis and move-ins and move-outs of tenants which are assumed highly likely to occur in the future are additionally factored in.

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

Following retail (urban) in the previous period, office also realized turnaround to positive gap. Will aim for upward rent revision.

Unit Price (¥/Month/Tsubo)



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

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

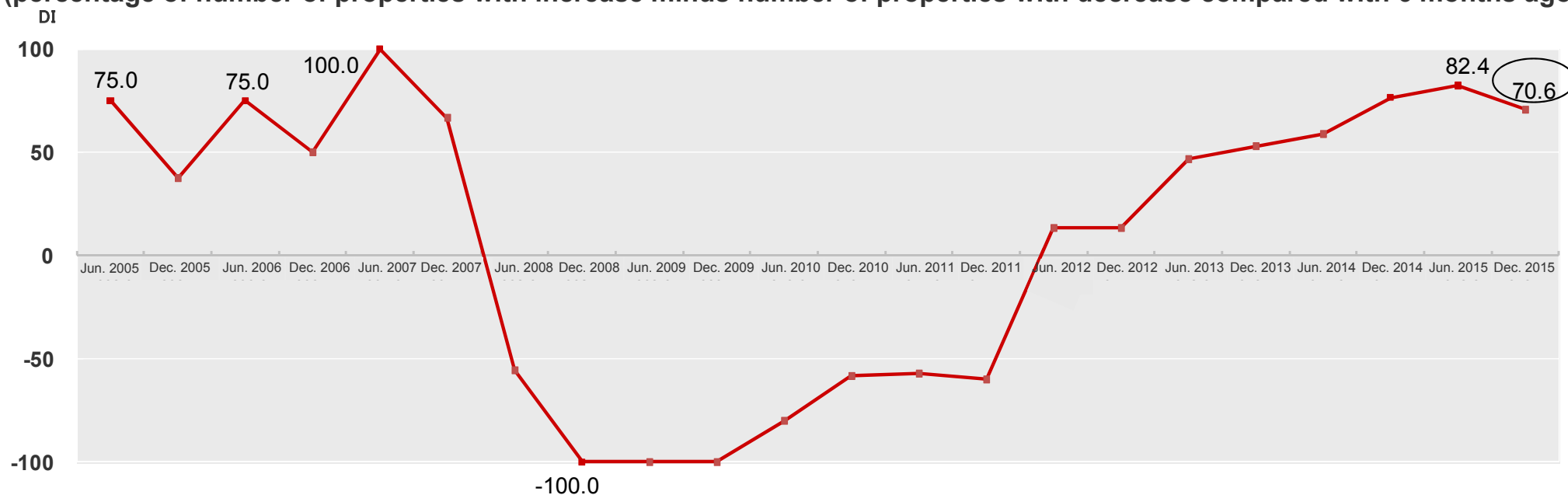
\* (Office) Oki System Center (sokochi) is excluded. \* (Office) New market rent is the mean value of rents appraised by CBRE for individual properties.

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

# New Market Rent D.I. (Office Portfolio: 17 properties)

Continues to be on upward trend. Aim for future internal growth.

- **New Market Rent D.I. for TOKYU REIT's Office Portfolio**  
(percentage of number of properties with increase minus number of properties with decrease compared with 6 months ago)

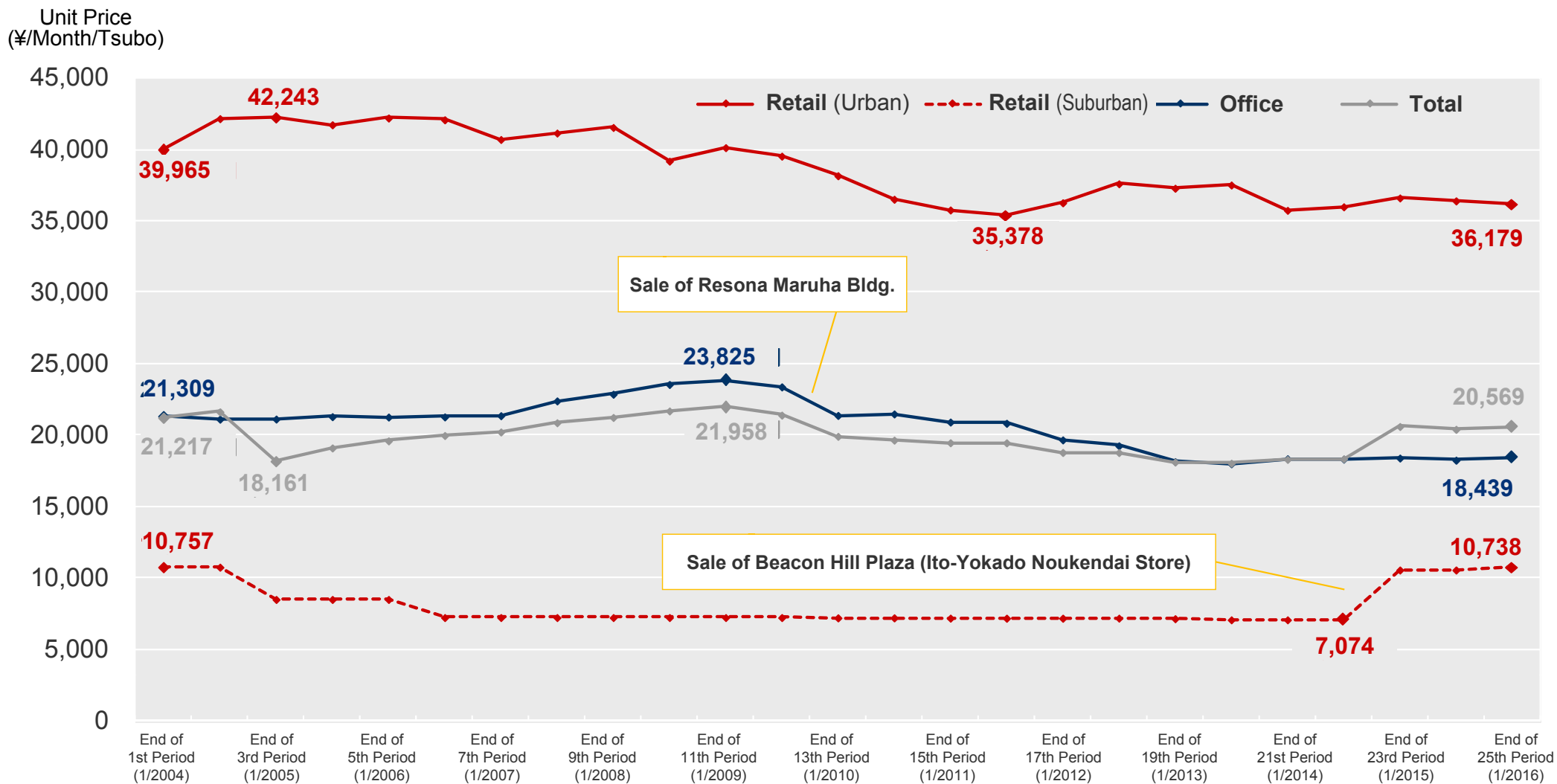


	Jun. 2005	Dec. 2005	Jun. 2006	Dec. 2006	Jun. 2007	Dec. 2007	Jun. 2008	Dec. 2008	Jun. 2009	Dec. 2009	Jun. 2010	Dec. 2010	Jun. 2011	Dec. 2011	Jun. 2012	Dec. 2012	Jun. 2013	Dec. 2013	Jun. 2014	Dec. 2014	Jun. 2015	Dec. 2015
Number of properties																						
Properties with an increase in new market rent compared with 6 months ago	6	4	6	4	9	6	0	0	0	0	0	0	0	0	2	3	7	9	10	13	14	12
Properties with no change	2	3	2	4	0	3	4	0	0	0	2	5	6	6	13	11	8	8	7	4	3	5
Properties with a decrease in new market rent compared with 6 months ago	0	1	0	0	0	0	5	12	12	10	8	7	8	9	0	1	0	0	0	0	0	0
<b>Total</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>12</b>	<b>12</b>	<b>10</b>	<b>10</b>	<b>12</b>	<b>14</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>17</b>
Percentage																						
Properties with an increase in new market rent compared with 6 months ago	75.0	50.0	75.0	50.0	100.0	66.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13.3	20.0	46.7	52.9	58.8	76.5	82.4	70.6
Properties with no change	25.0	37.5	25.0	50.0	0.0	33.3	44.4	0.0	0.0	0.0	20.0	41.7	42.9	40.0	86.7	73.3	53.3	47.1	41.2	23.5	17.6	29.4
Properties with a decrease in new market rent compared with 6 months ago	0.0	12.5	0.0	0.0	0.0	0.0	55.6	100.0	100.0	100.0	80.0	58.3	57.1	60.0	0.0	6.7	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
New market rent D.I. for office portfolio	75.0	37.5	75.0	50.0	100.0	66.7	-55.6	-100.0	-100.0	-100.0	-80.0	-58.3	-57.1	-60.0	13.3	13.3	46.7	52.9	58.8	76.5	82.4	70.6

\* New market rent is the mean value of rents appraised by CBRE for individual properties.  
 \* OKI System Center (*sokochi*) is excluded from the office portfolio.  
 \* Excluding TOKYU REIT Shinjuku 2 Building (provisional name) which was acquired during 25th period.

# Changes in Average Rent

Average unit price remained almost unchanged from the previous period in all sectors



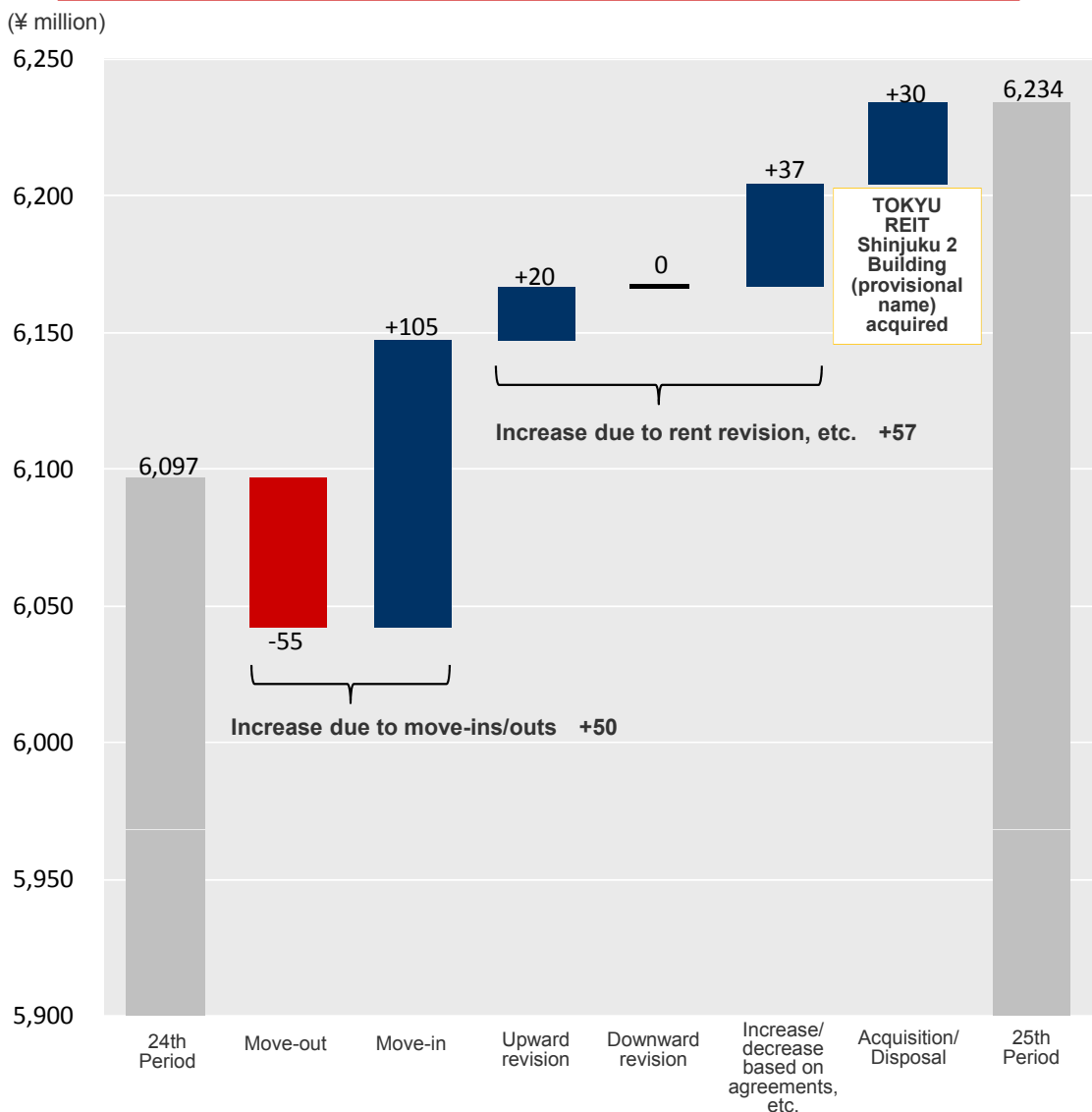
\* In calculating the above unit price, we haven't factored in vacant spaces.  
 \* Shonan Mall Fill (*sokochi*) is not included in Retail (Suburban).  
 \* OKI System Center (*sokochi*) is not included in Office.  
 \* Includes common area charges and excludes income from parking, warehouses, etc.



# Analysis of Rental Revenues

Rental revenues increased from the previous period due to rent increase associated with rent revision, etc.

## Breakdown of Increase/Decrease in Rental Revenues

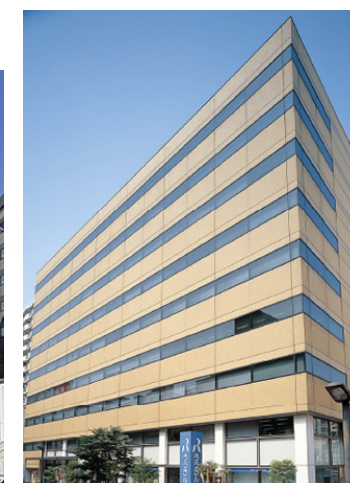


## Status of Rent Revision with Existing Tenants

	Increase	Decrease	Status quo	Total
24th Period (Ended July 2015)	9 20.0%	4 8.9%	32 71.1%	45 100.0%
25th Period (Ended January 2016)	11 20.8%	0 0.0%	42 79.2%	53 100.0%

\* Includes all tenants. (Excluding tenants for warehouse, parking, sign boards, etc.)  
 \* If 1 tenant has concluded a new contract or revised rent several times, each are included in the calculation.

Change in rent due to revisions were +1.5%.



TOKYU REIT Shibuya R Building TOKYU REIT Kamata Building

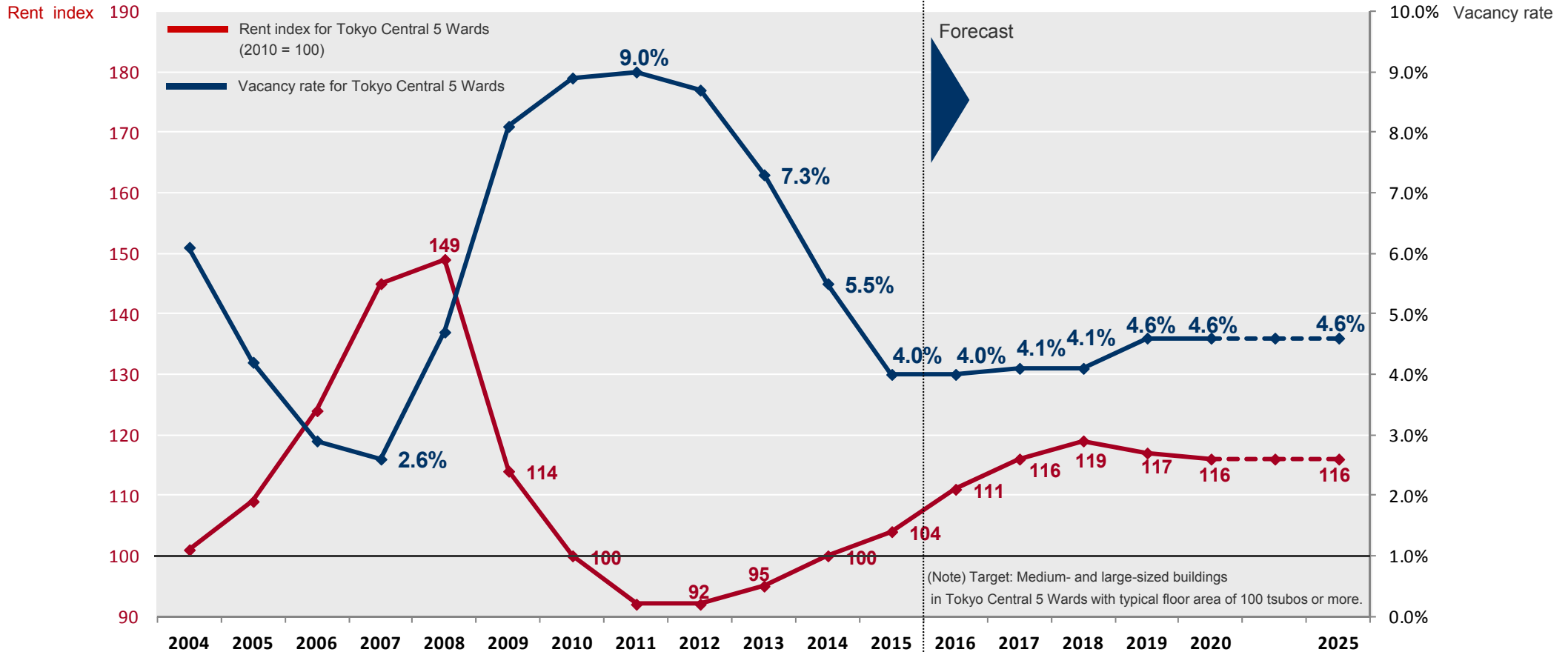
\* Comparison of rental revenues for each period (including common area charges.)  
 \* Rent for Setagaya Business Square is the figure arrived by multiplying 55%, the co-ownership ratio.  
 \* Each variable factor is stated in approximate figure of million yen.



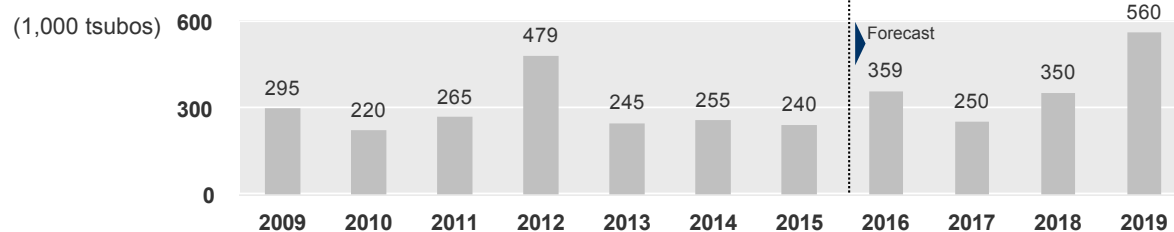
# Forecast of New Market Rents and Vacancy Rates for Office Properties (as announced on April 20, 2016)

Vacancy rates and rents will temporarily deteriorate slightly from 2018 to 2020 due to an increase in supply of office buildings but are expected to be flat thereafter.

Forecast of New Market Rents and Vacancy Rates for Office Properties in Tokyo's Business Districts (Tokyo Central 5 Wards)



Forecast of New Supply Volume in Tokyo's Business Districts (Tokyo Central 5 Wards)



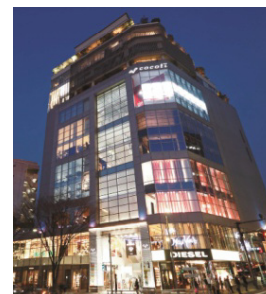
Source: Materials announced by Office Market Trends Research Committee (Japan Real Estate Institute and Miki Shoji Co., Ltd.) on April 20, 2016

# Major Topics of the Portfolio (Retail (Urban))

Period-end occupancy rate for the retail properties (all) was 100% achieving full occupancy.

## ■ cocoti

- 25th period (ended Jan. 2016): A new move-in after integrating 2 move-out sections (approx. 80 tsubos) into one and expanding (approx. 91 tsubos).
- 100% occupancy rate as of the end of the period
- 26th period (ending July 2016): 2 move-out sections (approx. 193 tsubos) and 1 move-in section (approx. 95 tsubos) are scheduled. The remaining 1 section (approx. 98 tsubos) also expects a move-in in 27th period.
- Continuously promote collaboration with Shibuya Miyashitacho Project (scheduled to be completed in fiscal 2017), for which sponsors, etc. are progressing development in the adjacent land.

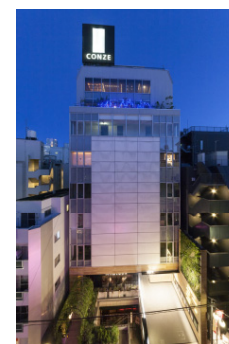


### <Changes in Occupancy Rate>

End of 24th Period	End of 25th Period	End of 26th Period (Forecast)	End of 27th Period (Forecast)
100%	100%	96.1%	100%

## ■ CONZE Ebisu

- 25th period (ended Jan. 2016): Move-in 1 section (approx. 87 tsubos)
- 100% occupancy rate as of the end of the period
- Winter campaign including Christmas decorations was conducted and sales increased across the entire floors in December compared to the previous year.

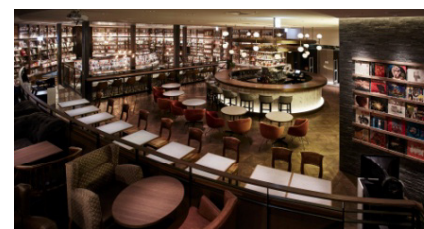


### <Changes in Occupancy Rate>

End of 24th Period	End of 25th Period	End of 26th Period (Forecast)	End of 27th Period (Forecast)
87.7%	100%	100%	100%

## ■ QFRONT

- 100% occupancy rate as of the end of the period
- A new bookstore with café opened on 6th and 7th floors in October 2015 after the renewal borne by tenants.



### <Changes in Occupancy Rate>

End of 24th Period	End of 25th Period	End of 26th Period (Forecast)	End of 27th Period (Forecast)
100%	100%	100%	100%

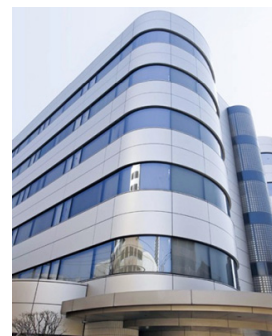
A shop which opened after renewal

# Major Topics of the Portfolio (Office Building )

Office buildings maintained a high period end occupancy rate at 98.1%. Aim for further enhancement of competitiveness.

## ■ Tokyu Ikejiri-ohashi Building

- 25th period (ended Jan. 2016): Move-out 3 sections (approx. 501 tsubos); Move-in 2 sections (approx. 329 tsubos)
- Renewal of air-conditioning equipment, installment of raised OA flooring and LED lighting are underway in exclusive areas, and renovation of bathrooms and kitchens in the common areas.
- Leasing activities for the remaining 1 section (approx. 172 tsubos) are being conducted targeting companies in the surrounding area.

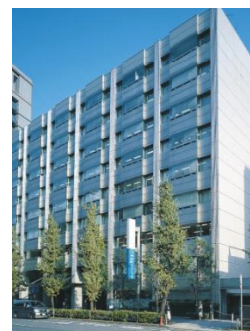


### <Changes in Occupancy Rate>

End of 24th Period	End of 25th Period	End of 26th Period (Forecast)	End of 27th Period (Forecast)
100%	90.1%	90.1%	90.1%

## ■ TOKYU REIT Toranomon Building

- 25th period (ended Jan. 2016): 1 Move-in section (approx. 30 tsubos), Period end occupancy rate at 100%
- Rental Revenues increased due to new move-ins, rent revision, etc.

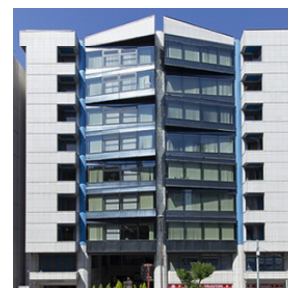


### <Changes in Occupancy Rate>

End of 24th Period	End of 25th Period	End of 26th Period (Forecast)	End of 27th Period (Forecast)
99.0%	100%	100%	100%

## ■ TOKYU REIT Shibuya R Building

- 25th period (ended Jan. 2016): A new move-in was realized for 1 move-out section (approx. 195 tsubos) without downtime and period end occupancy rate was at 100%.
- Although 1 move-out section (approx. 86 tsubos) was scheduled in 26th period (ending July 2016), the section is expecting a move-in with a precondition to expand floor area within the property.
- Entrance on the 1st floor is scheduled to go under renovation from April 2016 to August 2016.



### <Changes in Occupancy Rate>

End of 24th Period	End of 25th Period	End of 26th Period (Forecast)	End of 27th Period (Forecast)
100%	100%	94.6%	100%

# Future Outlook of Setagaya Business Square

**Aim for full-fledged recovery of revenue in the 28th period by conducting proactive leasing activities while implementing value enhancement work**

## Financial Results and Forecasts

in JPY mn

Item	24th Period Actual (Ended Jul. 2015)	25th Period Actual (Ended Jan. 2016) Actual	Change	26th Period Forecast (Ending Jul. 2016) as of March 15, 2016	Change	27th Period Forecast (Ending Jan. 2017) as of March 15, 2016	Change
<b>Revenues from Real Estate Operation (A)</b>	959	986	27	926	-60	843	-82
Rental Revenues	872	889	16	853	-35	778	-75
Other Revenues	86	97	10	72	-24	65	-7
<b>Expenses from Real Estate Operation (B)</b>	710	656	-54	676	19	629	-46
Expenses (C)	561	502	-59	496	-5	455	-41
Repair and Maintenance	91	37	-53	40	2	14	-25
<b>NOI (A)-(C)</b>	397	484	87	429	-55	387	-41
Depreciation	144	149	5	162	12	167	4
Loss from the Removal of Fixed Assets	4	4	0	16	12	6	-10
<b>Profit/Loss from Real Estate Operation (A)-(B)</b>	248	330	82	250	-80	214	-36
Capital Expenditure	127	143	16	622	478	182	-440
<b>Occupancy Rate</b>	94.1%	94.6%	0.5pts	79.8%	-14.8pts	80.7%	0.9pts

## Assumptions for the Forecasts

### <Tenant Turnover Results and Forecasts (excluding storage)>

	25th Period (Actual)	26th Period (Forecast)	27th Period (Forecast)
<b>Move-in/out</b>			
Move-in	1 section (193 tsubos)	2 section (143 tsubos)	4 section (455 tsubos)
Move-out	2 section (149 tsubos)	11 section (1,233 tsubos)	2 section (386 tsubos)
<b>Period end vacant sections</b>	4 section (366 tsubos)	13 section (1,456 tsubos)	11 section (1,387 tsubos)

### <Major Work (actual/plan) (total of repair and maintenance and CAPEX)>

Work detail	25th Period (Actual)	26th Period (Plan)	27th Period (Plan)
<b>Renewal of exclusive areas in office sections</b>			
Renewal of air-conditioning controller	¥87 million	—	—
Renewal of raised OA flooring	¥18 million	¥55 million	¥24 million
<b>Energy-saving measures</b>			
LED installment	¥12 million	¥77 million	¥19 million
Renewal of air-conditioning equipment (PMAC)	¥8 million	¥209 million	—
<b>Renewal of common areas in office sections</b>			
Other	—	¥219 million	¥58 million
<b>Total</b>	¥52 million	¥93 million	¥91 million
<b>Total</b>	¥181 million	662 million	¥196 million

## Future Leasing Activity Targets

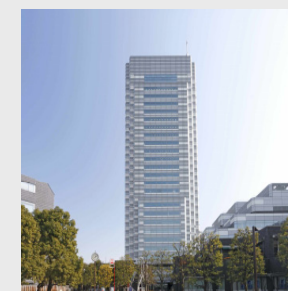
**Vacant sections (actual)**  
 End of 25th Period (Jan. 2016) **4 sections (366 tsubos)** (Occupancy rate:94.6%)  
 < End of May 2016 >  
 Scheduled move-outs of large tenants: 10 sections (1,134 tsubos)  
 < June-Aug. 2016 >  
 Implementation of value enhancement work for facilities/equipment in exclusive areas mainly in the move-out sections

**Vacant sections (assumptions for the forecast)**  
 End of 26th Period (Jul. 2016) **13 sections (1,456 tsubos)** (Occupancy rate:79.8%)

**Vacant sections (assumptions for the forecast)**  
 End of 27th Period (Jan. 2017) **11 sections (1,387 tsubos)** (Occupancy rate:80.7%)

**Vacant sections (target)**  
**2 sections (386 tsubos)** (Occupancy rate:93.9%)

Aim for restoring the target occupancy rate by the end of 27th period and for profit contribution of occupied sections in the 28th period (ending July 2017).



## Current Leasing Status

- Leasing activities are being conducted for the property as well as for Futako Tamagawa Rise, which is developed/owned by the sponsors, etc. and welcomed grand opening in Summer 2015.
- Out of 14 sections to be leased at the end of 25th period, Tokyu REIT has concluded lease contracts for 2 sections and are in talks over contract terms with tenant candidates (a Tokyu Group company, IT company, etc.) for 8 sections.

\* Figures for areas, amounts, etc. indicate figures for 55% co-ownership interest held by Tokyu REIT

# Leasing Activities (Breakdown by Property)

Type	Name of Property	Contribution to NOI in 25th Period	Occupancy Rate				Status
			24th Period End (July 2015)	25th Period End (Jan. 2016)	26th Period End (July 2016) (Estimate)	27th Period End (Jan. 2017) (Estimate)	
Retail	cocoti	6.6%	100.0%	100.0%	96.1%	100.0%	<ul style="list-style-type: none"> <li>In 25th period, 2 sections (approx. 80 tsubos) were vacated, but through leasing activities centering on product-selling stores, they became occupied (October 2015) after being integrated into one section and expanded (approx. 91 tsubos).</li> <li>In 26th period, 2 sections (approx. 193 tsubos) will be vacated, but one of them (approx. 95 tsubos) is scheduled to be occupied. The remaining section (approx. 98 tsubos) is also scheduled to be occupied in 27th period.</li> </ul>
	CONZE Ebisu	1.3%	87.7%	100.0%	100.0%	100.0%	<ul style="list-style-type: none"> <li>In 25th period, leasing activities were implemented centering on eating and drinking establishments and service stores for one remaining section (approx. 87 tsubos) to be leased and the section became occupied (September 2015)</li> </ul>
Retail Portfolio						The occupancy rate for retail properties (urban): 100.0% at the end of 25th period, 98.8% expected at the end of the 26th period, 100.0% expected at the end of the 27th period. The occupancy rate for retail properties (suburban): 100.0% at the end of 25th period, 100.0% expected at the end of the 26th period, 100.0% expected at the end of the 27th period.	
Office	Setagaya Business Square	9.8%	94.1%	94.6%	79.8%	80.7%	<ul style="list-style-type: none"> <li>In 25th period, 2 sections (approx. 149 tsubos) was vacated, but 1 section (approx. 193 tsubos) became occupied</li> <li>Leasing activities are currently underway centering on blue chip companies in surrounding area for 14 sections subject to lease (approx. 1,510 tsubos) excluding storage in 26th period.</li> <li>As measures to promote leasing, renewal (installment of LED lighting, perimeter zone air-conditioning equipment, raised OA flooring, etc.) of facilities/equipment in exclusive areas mainly in vacant floors, and renewal work in common areas (beautification of the entrance, elevator halls, bathrooms, etc.) are scheduled.</li> <li>In 26th period, 11 sections (approx. 1,233 tsubos) will be vacated, but 1 section (approx. 89 tsubos) became occupied (February 2016) and 1 section (approx. 54 tsubos) is under negotiation.</li> <li>In 27th period, 2 sections (approx. 386 tsubos) will be vacated, but 2 sections (approx. 229 tsubos) expect to be occupied (agreements concluded in March 2016) and 2 sections (approx. 255 tsubos) are under negotiation.</li> </ul>
	Tokyo Nissan Taito Building	2.0%	95.9%	93.8%	93.8%	93.8%	<ul style="list-style-type: none"> <li>In 25th period, 2 residential sectors (approx. 50 tsubos) were vacated.</li> </ul>
	TOKYU REIT Toranomom Building	4.3%	99.0%	100.0%	100.0%	100.0%	<ul style="list-style-type: none"> <li>In 25th period, 1 section (approx. 30 tsubos) became newly contracted and occupied (December 2015).</li> </ul>
	TOKYU REIT Hatchobori Building	2.4%	96.0%	95.6%	95.6%	95.6%	<ul style="list-style-type: none"> <li>In 25th period, 1 section (storage with approx. 8 tsubos) is scheduled to be vacated</li> </ul>
	Tokyu Ikejiri-ohashi Building	2.7%	100.0%	90.1%	90.1%	90.1%	<ul style="list-style-type: none"> <li>In 25th period, 3 sections (2 office sections with approx. 494 tsubos and storage with approx. 7 tsubos) were vacated, but 2 sections (1 office section with approx. 322 tsubos and storage with approx. 7 tsubos) became newly contracted and occupied (December 2015).</li> <li>For 1 section (approx. 172 tsubos) to be leased, leasing activities are underway targeting firms in the surrounding area.</li> </ul>
	Tokyu Ginza 2-chome Building	2.8%	100.0%	100.0%	100.0%	100.0%	<ul style="list-style-type: none"> <li>In 27th period, 11 sections (7 office sections with approx. 924 tsubos and 4 storage sections with approx. 67 tsubos) will be vacated, but 11 sections (7 office sections with approx. 924 tsubos and 4 storage sections with approx. 67 tsubos) are scheduled to be occupied (October 2016).</li> </ul>
	TOKYU REIT Shibuya R Building	3.1%	100.0%	100.0%	94.6%	100.0%	<ul style="list-style-type: none"> <li>In 25th period, 1 section (approx. 195 tsubos) became occupied (August 2015).</li> <li>In 26th period, 1 section (approx. 86 tsubos) is scheduled to be vacated.</li> <li>For 1 section (approx. 86 tsubos) to be leased, it is scheduled to be occupied with a precondition to expand floor area within the property.</li> </ul>
Office Portfolio						The occupancy rate of office properties: 98.1% at the end of 25th period, 95.4% expected at the end of the 26th period, 95.5% expected at the end of the 27th period.	
Entire portfolio						<ul style="list-style-type: none"> <li>Occupancy rate was 100.0% at 26 out of 30 properties at end of 25th period and is expected to be 100.0% at 24 out of 30 properties at the end of 26th period and 100.0% at 24 out of 29 properties at the end of 27th period.</li> <li>Occupancy rate was 98.9% at the end of 25th period and is expected to be 96.8% at the end of 26th period and 97.1% at the end of 27th period.</li> </ul>	

\* 25th period: August 1, 2015 – January 31, 2016; 26th period: February 1, 2016 – July 31, 2016; 27th period: August 1, 2016 – January 31, 2017

\* Areas indicated for Setagaya Business Square are the figures for the 55% co-ownership interest.

\* The expected figures reflect tenants that are judged to have high possibility of moving in/out as well as the tenants with which an agreement has been concluded and the tenants from which a notice of cancellation has been received as of February 15, 2016.



# Change in Appraisal Value (End of 25th Period—End of 24th Period)

27 properties out of 29 properties were valued higher (lower for 1 property), resulting in appraisal value at end of period increasing ¥6.7 bn. Office properties registered increase for 5 consecutive periods. Retail properties (Urban) registered an increase for 9 consecutive periods.

(¥ million)

Name of Property	Appraisal Value at End of Period (JPY mn)		Increase / Decrease (JPY mn)	Increase / Decrease (%)	Impact from change in NCF	Impact from change in NCF Cap Rate	NCF (Direct capitalization method)			NCF Cap Rate (Direct cap rate)			Appraiser (Note 1)
	25th Period (Jan. 2016)	24th Period (Jul. 2015)					25th Period (Jan. 2016)	24th Period (Jul. 2015)	Change	25th Period (Jan. 2016)	24th Period (Jul. 2015)	Change	
QFRONT	25,200	24,300	900	3.70%	0.13%	3.13%	784	783	1	3.10%	3.20%	-0.10%	a
Lexington Aoyama	4,840	4,700	140	2.98%	-	2.63%	182	182	-	3.70%	3.80%	-0.10%	a
TOKYU REIT Omotesando Square	7,290	7,040	250	3.55%	0.73%	2.63%	275	273	2	3.70%	3.80%	-0.10%	a
TOKYU REIT Shibuya Udagawa-cho Square cocoti	11,600	11,300	300	2.65%	0.23%	2.63%	430	429	1	3.70%	3.80%	-0.10%	b
CONZE Ebisu	19,300	18,800	500	2.66%	0.55%	2.63%	733	729	4	3.70%	3.80%	-0.10%	c
Daikanyama Forum	4,340	4,180	160	3.83%	1.17%	2.50%	173	171	2	3.90%	4.00%	-0.10%	c
KALEIDO Shibuya Miyamasuzaka	3,360	3,280	80	2.44%	-	2.38%	144	144	-	4.10%	4.20%	-0.10%	b
Retail Properties (Urban) Total (8 properties)	6,340	5,950	390	6.55%	1.57%	4.76%	258	254	4	4.00%	4.20%	-0.20%	b
Tokyu Saginuma Building	82,270	79,550	2,720	3.42%	0.51%	2.81%	2,980	2,965	15	3.62%	3.73%	-0.10%	
Tokyu Saginuma 2 Building	8,950	8,770	180	2.05%	-	2.00%	442	442	-	4.90%	5.00%	-0.10%	a
Shonan Mall Fill (sokochi)	1,710	1,620	100	6.21%	-1.02%	6.67%	97	98	-1	5.60%	6.00%	-0.40%	a
Retail Properties (Suburban) Total (3 properties)	6,310	6,250	60	0.96%	-	1.92%	332	332	-	5.10%	5.20%	-0.10%	b
Retail Properties Total (11 properties)	16,970	16,630	340	2.04%	-0.11%	2.16%	871	872	-1	5.13%	5.24%	-0.11%	
Setagaya Business Square	99,240	96,180	3,060	3.18%	0.36%	2.74%	3,851	3,837	14	3.88%	3.99%	-0.11%	
Tokyu Nampeidai-cho Building	18,700	18,700	-	-	-1.74%	2.17%	848	863	-15	4.50%	4.60%	-0.10%	a
Tokyu Sakuragaoka-cho Building	5,120	4,990	130	2.61%	-	2.38%	213	213	-	4.10%	4.20%	-0.10%	a
Tokyo Nissan Taito Building	8,890	8,670	220	2.54%	-	2.56%	343	343	-	3.80%	3.90%	-0.10%	a
TOKYU REIT Akasaka Hinokicho Building	5,240	5,210	30	0.58%	-2.04%	2.17%	240	245	-5	4.50%	4.60%	-0.10%	a
TOKYU REIT Kamata Building	4,250	4,110	140	3.41%	1.17%	2.44%	173	171	2	4.00%	4.10%	-0.10%	a
TOKYU REIT Toranomon Building	5,090	4,940	150	3.04%	0.82%	2.04%	245	243	2	4.80%	4.90%	-0.10%	a
TOKYU REIT Hatchobori Building	10,300	10,000	300	3.00%	0.25%	2.50%	404	403	1	3.90%	4.00%	-0.10%	a
Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	5,170	5,290	-120	-2.27%	-	-2.33%	231	231	-	4.40%	4.30%	0.10%	c
Tokyu Ikejiri-ohashi Building	6,800	6,640	160	2.41%	-0.37%	2.50%	270	271	-1	3.90%	4.00%	-0.10%	b
Kojimachi Square	5,140	4,850	290	5.98%	4.31%	2.08%	242	232	10	4.70%	4.80%	-0.10%	c
TOKYU REIT Shinjuku Building	8,530	8,310	220	2.65%	-0.30%	2.50%	335	336	-1	3.90%	4.00%	-0.10%	a
Akihabara Sanwa Toyo Building	10,200	9,730	470	4.83%	0.25%	5.00%	399	398	1	3.80%	4.00%	-0.20%	c
TOKYU REIT Kiba Building	6,050	5,510	540	9.80%	5.60%	4.44%	264	250	14	4.30%	4.50%	-0.20%	b
Tokyu Ginza 2-chome Building	3,770	3,700	70	1.89%	-	1.92%	195	195	-	5.10%	5.20%	-0.10%	b
OKI System Center (sokochi) (Note 2)	5,080	4,900	180	3.67%	8.70%	-4.76%	225	207	18	4.40%	4.20%	0.20%	a
TOKYU REIT Shibuya R Building	5,040	4,980	60	1.20%	-	1.89%	265	265	-	5.20%	5.30%	-0.10%	b
Tokyu Toranomon Building (Note 3)	7,910	7,370	540	7.33%	2.27%	4.88%	315	308	7	3.90%	4.10%	-0.20%	b
Office Properties Total (18 properties)	19,700	19,400	300	1.55%	0.65%	2.94%	620	616	4	3.30%	3.40%	-0.10%	a
25th Period Total (29 properties)	140,980	137,300	3,680	2.68%	0.62%	2.00%	5,825	5,789	36	4.13%	4.22%	-0.08%	
25th Period Total (29 properties)	240,220	233,480	6,740	2.89%	0.53%	2.29%	9,676	9,625	51	4.03%	4.12%	-0.09%	

(Note 1) a. Japan Real Estate Institute, b. Japan Valuers Co., Ltd., c. Daiwa Real Estate Appraisal Co., Ltd.

(Note 2) For OKI System Center (sokochi), direct capitalization method is not employed for its appraisal value at end of period. Accordingly, annual cash flow and discount rate under the DCF approach are indicated for NCF (Direct Capitalization Method) and NCF Cap Rate (Direct Cap Rate).

(Note 3) As for assumptions of "Appraisal Value at End of Period," "NCF (Direct capitalization method)" and "NCF Cap Rate (Direct cap rate)" for Tokyu Toranomon Building, which contiguous land was acquired on January 9, 2015, please refer to "Portfolio Cap Rate (by appraisal value on acquisition)" in 25th period DATA BOOK.

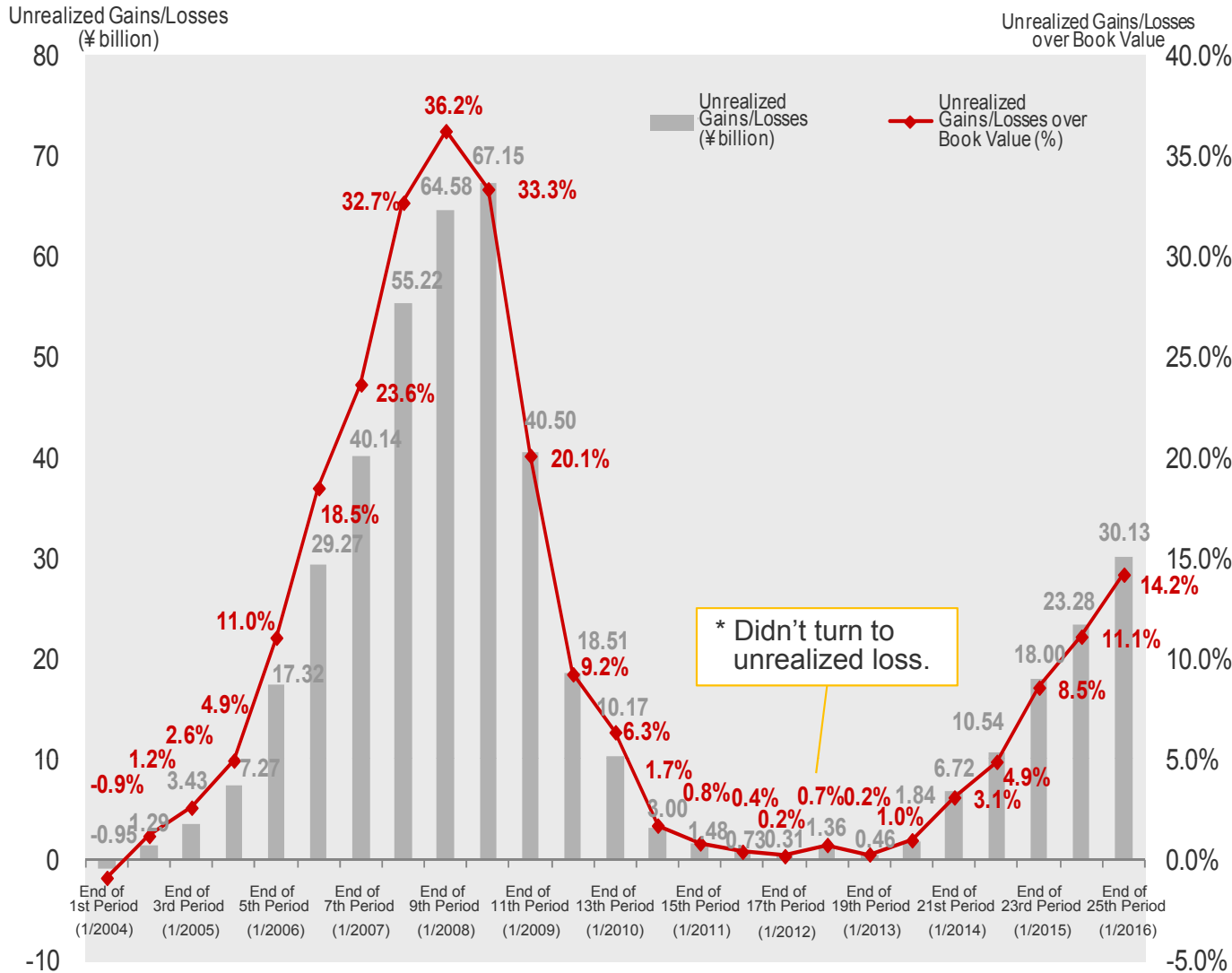
\* Appraisal Value at End of Period is determined by using several methodologies including the direct capitalization approach and DCF approach. Therefore, the Appraisal Value may differ from the above NCF figures divided by the NCF Cap Rate. Therefore, the total change in NCF and change in NCF Cap Rate may not add up to Increase/Decrease (%).

\* TOKYU REIT Shinjuku 2 Building (provisional.name) was acquired on October 30, 2015. Appraisal value, NCF, NCF Cap Rate for the building at the end of the 25th fiscal period are as follows.  
TOKYU REIT Shinjuku 2 Building (provisional.name) (25th period appraisal value: ¥2,650 million (Daiwa Real Estate Appraisal Co., Ltd.); NCF: ¥110 million; NCF Cap Rate: 4.00%)

# Unrealized Gains/Losses and Capital Gains/Losses

Unrealized gains continued to increase and reached ¥30.1 bn at the end of 25th period. In addition, realized a cumulative total of ¥13.1 bn of capital gains to date.

## Unrealized Gains/Losses

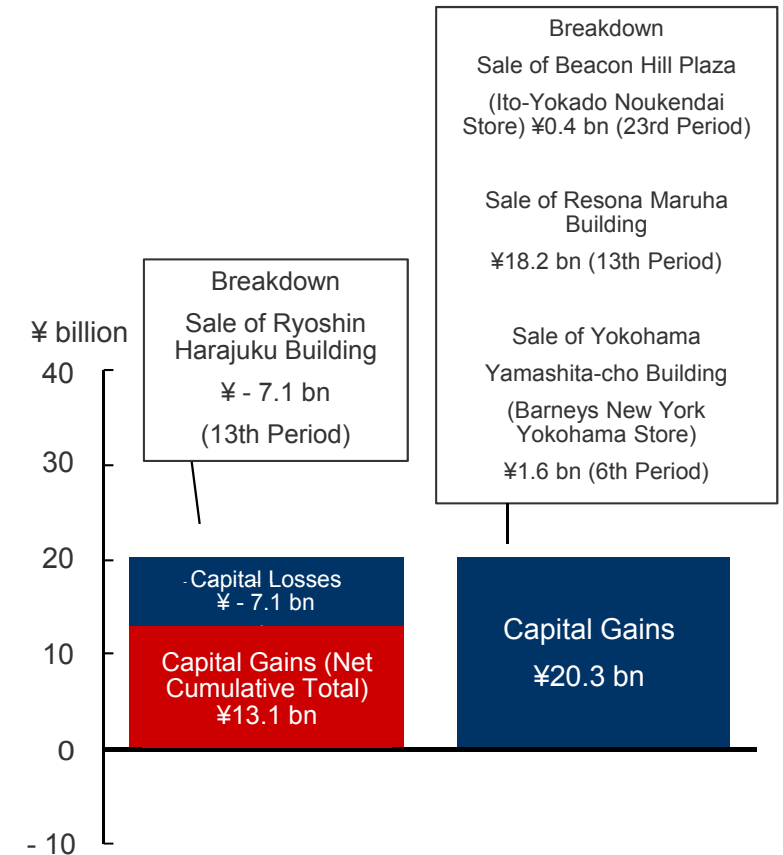


\* Unrealized Gains/Losses over Book Value = Unrealized Gains/Losses / Book Value of Assets

## Capital Gains/Losses (Realized Gains/Losses)

### Property Acquisition and Disposal Results

- Acquisition: 34 properties (¥277.9 billion)
- Disposal: 4 properties (¥53.1 billion)
- Owned: 30 properties (¥224.8 billion)



\* Net cumulative total as of the end of the 25th period (1/2016).

# Interest-Bearing Debt Status

Decreased average interest rate while making progress in diversifying repayment dates, extending duration of interest-bearing debt and shifting to fixed interest rates by grasping the low interest rate environment.

As of End of 25th Period (Jan. 31, 2016)  
(compared with 24th period end)

Total : ¥97bn (± ¥0 bn)

Average Interest Rate

: 1.32% (- 0.06 pts.)

Avg. Duration : 4.15yrs (+ 0.35 yrs)

Long-Term Fixed-Rate Ratio

: 100% (±0 pts.)

LTV / Total Assets : 43.5% (±0 pts.)

LTV based on appraisal value

: 41.6% (- 0.6 pts.)

Acquisition Capacity: ¥40.8bn (+ ¥4.5 bn)

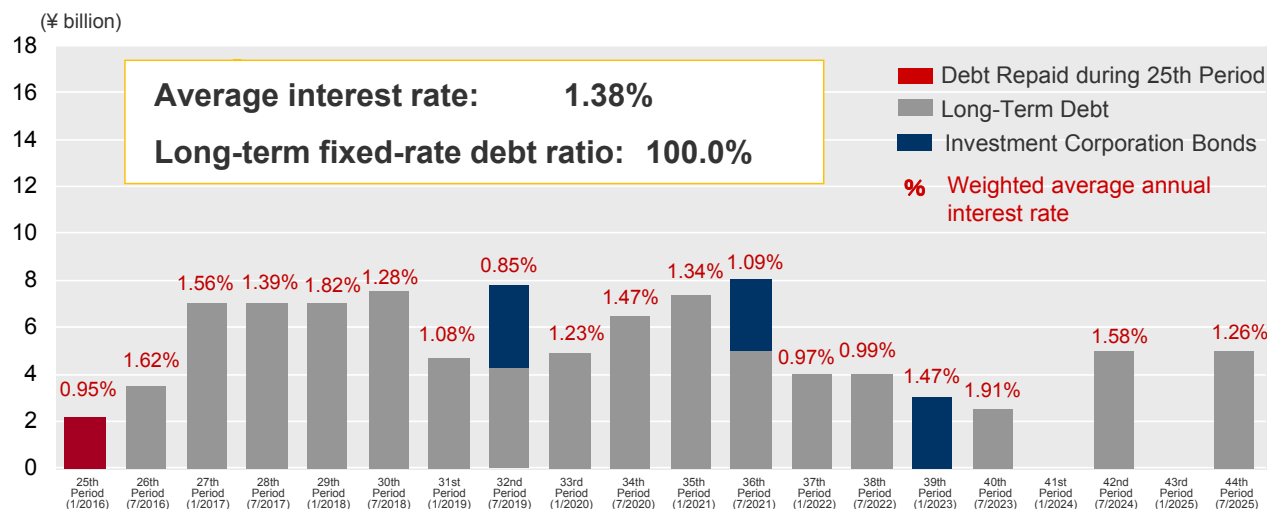
Limit of commitment lines  
¥18.0 bn (annual)

\*¥3.5 bn in long-term debt (3.6% of the total) due by end of 26th period (Jul. 31, 2016)

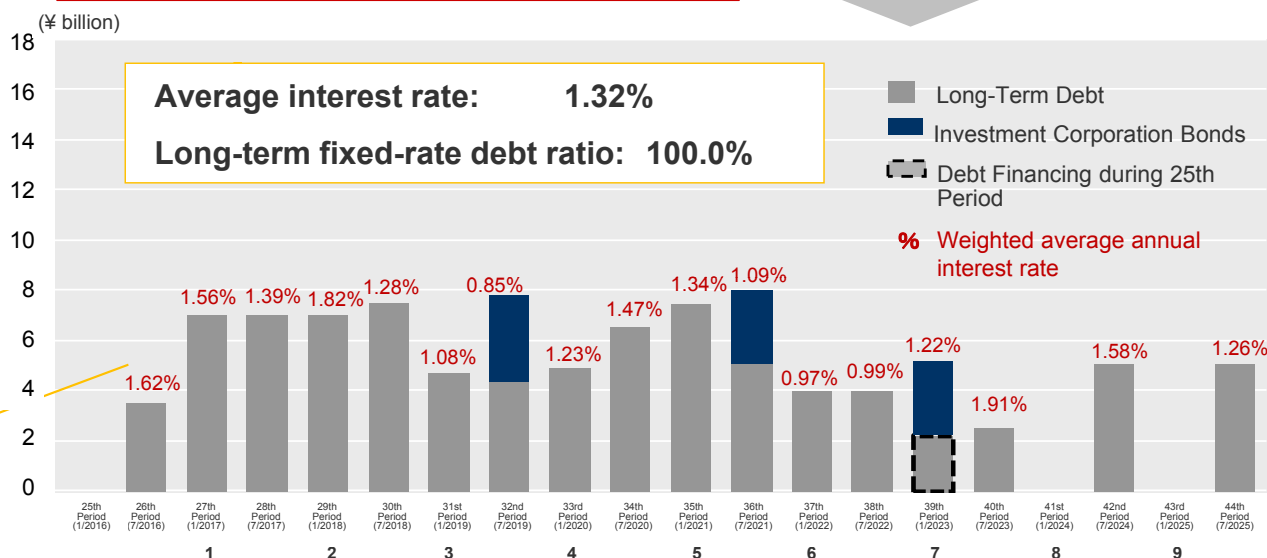
Daido Life Insurance ¥ 3 bn ... Due March 10, 2016

Mitsubishi UFJ Trust and Banking ¥ 0.5 bn ... Due June 25, 2016

As of End of 24th Period (July 31, 2015)



As of End of 25th Period (January 31, 2016)



Remaining years to maturity

\* Interest-Bearing Debt in this presentation does not include security deposits provided by tenants.

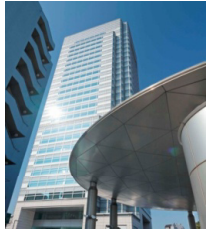


TOKYU REIT will continue to implement environmentally-friendly operations.

## Acquisition of DBJ Green Building Certification (Office)

Evaluation was upgraded in the regular monitoring conducted in October 2015

### Setagaya Business Square



Properties with high environmental & social awareness



### Tokyu Toranomon Building

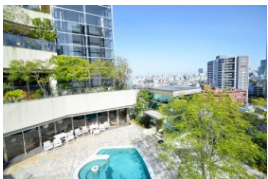


Properties with satisfactory environmental & social awareness



## Acquisition of DBJ Green Building Certification (Retail properties)

### cocoti



Properties with excellent environmental & social awareness

### QFRONT



Properties with high environmental & social awareness

### Tokyu Saginuma Building (Note)



Properties with excellent environmental & social awareness

(Note) Tokyu Saginuma Building is scheduled to be disposed on March 24, 2016.

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").

Prepared on March 15, 2016

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



G R E S B<sup>®</sup>  
Green Star 2015

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, for example when selecting investment targets.

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

In 2015, it acquired the highest ranking of "Green Star."

# **TOKYU REIT**

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## **4. Appendix**

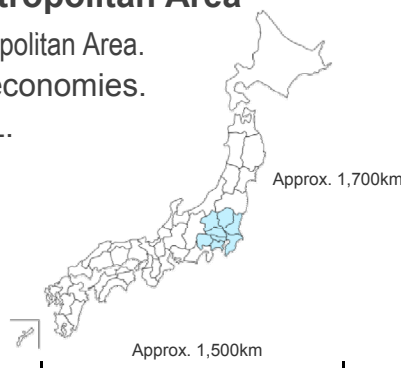
### **(1) Investment Policy and Strategy**

Investment in Highly Competitive Properties in Areas with Strong Growth Potential = Low Cap Portfolio Strategy (Note).

## Areas with Strong Growth Potential

### Investment limited to the Tokyo Metropolitan Area

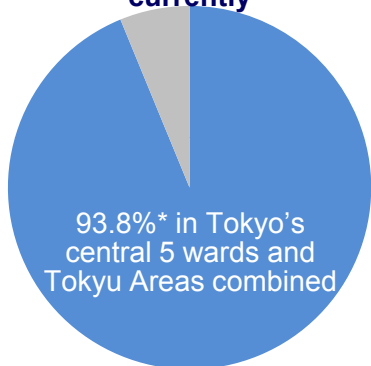
- No investment other than in the Tokyo Metropolitan Area.
- Eliminate downside risk of regional economies.
- Control earthquake risk through PML. (Set portfolio PML at 10% or lower)
- Total return orientation  
In addition to income gains, also focus on future property value (terminal value) stability and liquidity



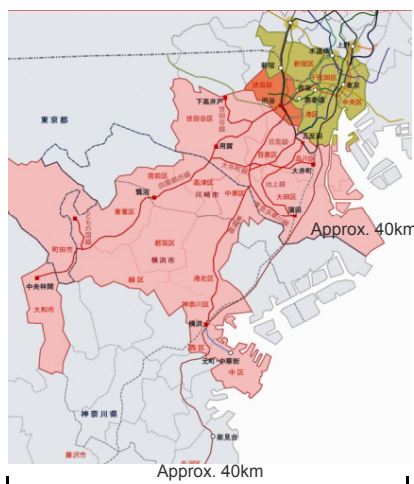
### Concentrated investment in Tokyo's central 5 wards and in areas along Tokyu rail lines ("Tokyu Areas")

- Areas showing population growth and more growth potential in the Tokyo Metropolitan Area.
- Over 85% of investment conducted in these "major target areas."

Investment is limited to Tokyo, Kanagawa and Saitama Prefectures currently



\* Based on estimated value at end of 25th period (Jan. 2016)

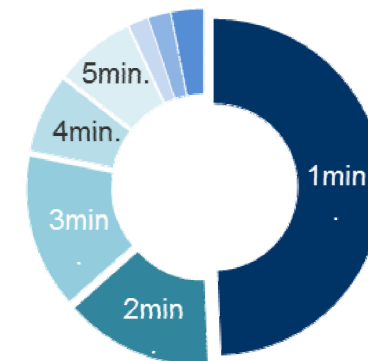


## Highly Competitive Properties

### 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

Approximate Walking Time from Nearest Station



78.2%\* of properties lie within 3-min. range today

\* Based on acquisition price at end of 25th period (Jan. 2016)

### Size of properties

- Properties worth over 4 billion yen respectively as a rule.
- Over 5,000 m<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 yen\* at present

\* Based on appraisal value at end of 25th period (Jan. 2016)

### Asset class

- Office : Retail = 60 : 40\*  
\* Long-term target
- No investment in residential properties or hotels.\*  
\* TOKYU REIT may acquire properties that have residences and parking facilities, etc. added due to legal requirements and other reasons.

Office : Retail = 59.1%\* : 40.9%\* currently

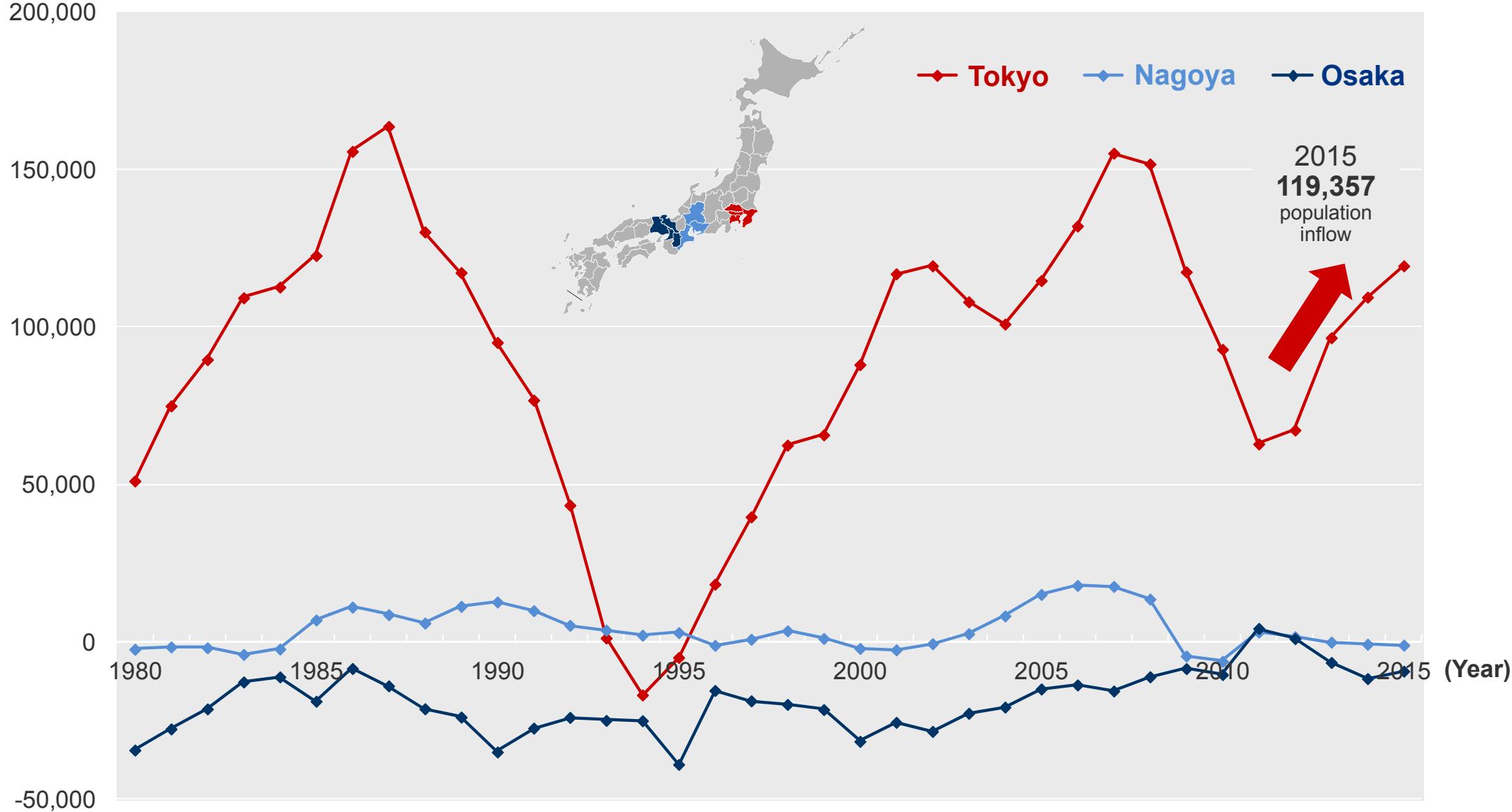
\* Based on appraisal value at end of 25th period (Jan. 2016)

(Note) Strategy to establish a low risk, steady return portfolio with promising future growth potential.

# Change in Population in Three Major Metropolitan Areas (Population Inflow)

Structural concentration of the population in the Tokyo metropolitan area continues. Further improvement in Tokyo's productivity and efficiency are anticipated.

(Number of people)

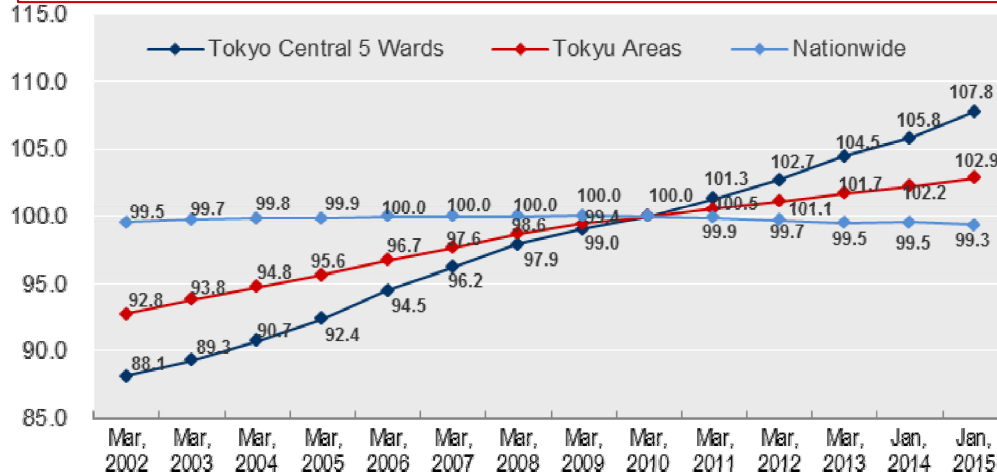


Source: Population Movement Report from Basic Resident Register, Ministry of Internal Affairs and Communications.

# Strengths of Major Target Areas

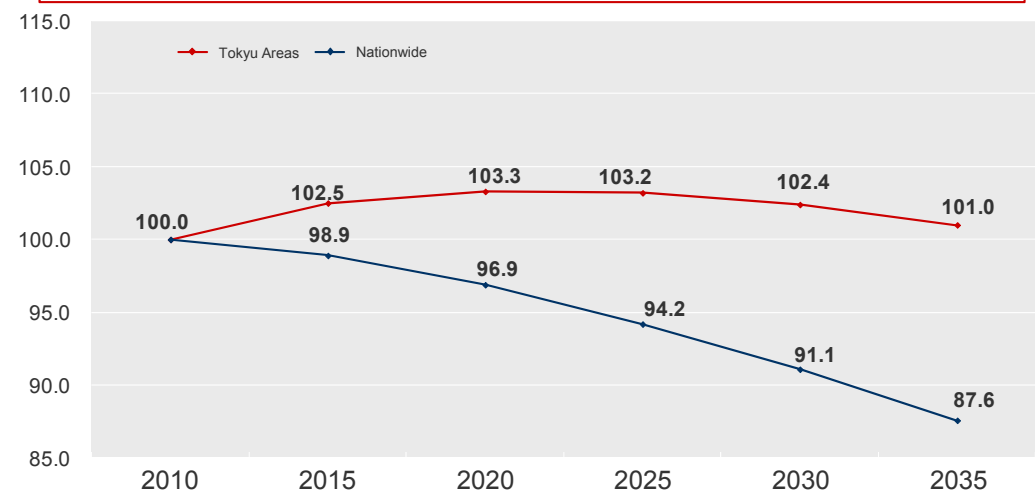
The population of the nation is on a downward trend, but in major target areas of TOKYU REIT, economic growth stemming from population growth and enhancement of productivity can be expected.

### Changes in the Population of Major Target Areas (year 2010 = 100)



Source : Prepared by Tokyu REIM based on the "Population, Population Movement, and Number of Households from the Basic Resident Register" of the Ministry of Internal Affairs and Communications.

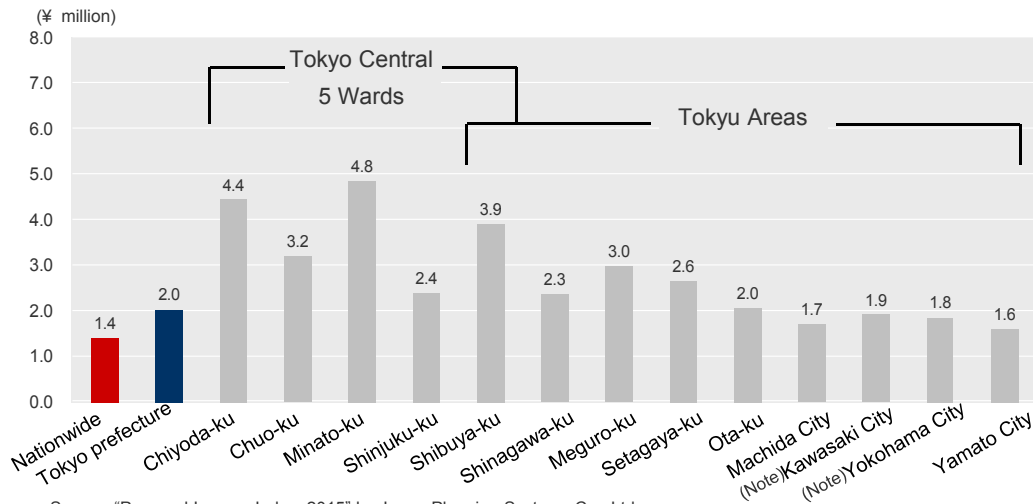
### Population Forecasts for Tokyu Areas (year 2010 = 100)



\* Tokyu Areas: Defined as the "17 cities and wards (i.e. -ku) which Tokyu rail lines pass through" (Shinagawa-ku, Meguro-ku, Ota-ku, Setagaya-ku, Shibuya-ku, and Machida-City in Tokyo prefecture, Kanagawa-ku, Nishi-ku, Naka-ku, Kohoku-ku, Midori-ku, Aoba-ku, Tsuzuki-ku in Yokohama City, Nakahara-ku, Takatsu-ku and Miyamae-ku in Kawasaki City, and Yamato City in Kanagawa prefecture).

\* Prepared by Tokyu Corporation based on the 2013 National Institute of Population and Social Security Research's data by municipalities.

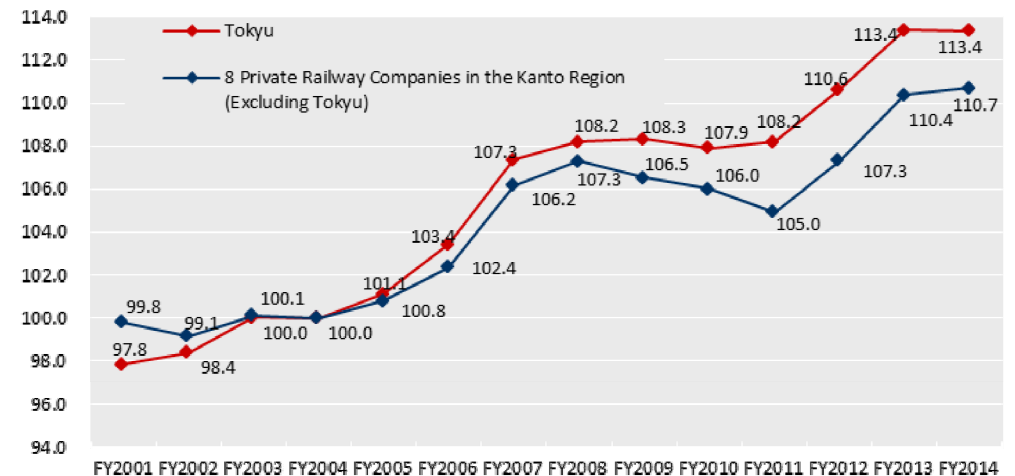
### Personal Income Taxation Level by Area (2013)



Source: "Personal Income Index, 2015" by Japan Planning Systems Co., Ltd.

(Note) The cities of Yokohama and Kawasaki include areas outside of the administrative districts of Tokyu Areas.

### Changes in the Number of Passengers (Fiscal 2004 (Fiscal Period Ended Mar. 2005) = 100)



FY2001 FY2002 FY2003 FY2004 FY2005 FY2006 FY2007 FY2008 FY2009 FY2010 FY2011 FY2012 FY2013 FY2014

Source: Prepared by Tokyu REIM based on materials posted on the website of the Association of Japanese Private Railways.

\* Eight Private Railway Companies in the Kanto Region (Excluding Tokyu) includes Tokyo Metro, Tobu, Odakyu, Keio, Seibu, Keikyu, Keisei and Sagami Railway.

# Expected Cap Rate Varying Depending on Portfolio Composition

The higher the percentage of investments in areas outside of the Tokyo metropolitan area, the higher the weighted average expected cap rate, but portfolio risks also increase in general. TOKYU REIT will continue to promote a “Low Cap Portfolio Strategy” through concentrated investment in the Tokyo metropolitan area, and thereby enhance cash flow stability and growth as well as terminal value stability and liquidity of properties.

## ■ Weighted Average Expected Cap Rate by Portfolio Composition

Portfolio Composition (Investment Target Areas)		Weighted Average Expected Cap Rate (%)	Difference with 1. Limited to Tokyo Central 5 Wards(pts)
1. Limited to Tokyo Central 5 Wards	*1	4.16	—
2. Limited to Tokyo 23 Wards	*2	4.29	0.13
3. TOKYU REIT	*3	4.28	0.12
4. Tokyo 80% : Outside Tokyo 20%	*4	4.55	0.39
5. Tokyo 60% : Outside Tokyo 40%	*5	4.80	0.64
6. Limited to Outside Tokyo	*6	5.54	1.38

If properties located in areas outside of the Tokyo metropolitan area are incorporated into a portfolio, the expected cap rate increases but risks, too, increase at the same time compared with a portfolio limited to Tokyo Central 5 Wards.

### Assumptions and Calculation Method

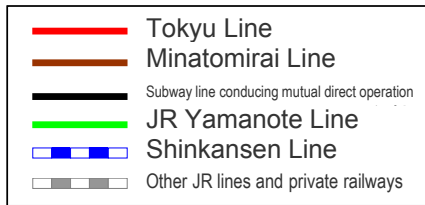
- In calculating the weighted average expected cap rate of each portfolio above, the portfolio weights are assumed as follows and the expected cap rate of each city/region is based on the survey results of Japan Real Estate Institute's Japanese Real Estate Investor Survey ("Real Estate Investor Survey").
  - Marunouchi/Otemachi: 20.0%; Nihonbashi: 20.0%; Toranomon: 20.0%; Shibuya: 20.0%; Shinjuku: 20.0%
  - Marunouchi/Otemachi: 15.0%; Nihonbashi: 15.0%; Toranomon: 15.0%; Shibuya: 15.0%; Shinjuku: 15.0%; Tokyo peripheral 18 wards: 25.0%; The expected cap rate of the Tokyo peripheral 18 wards is calculated as the average of the expected cap rate of Ikebukuro, Ueno and Osaki according to the Real Estate Investor Survey.
  - TOKYU REIT's portfolio composition is calculated as follows using the period-end estimated value at the end of this period.  
Shibuya: 9.0%; Tokyo central 4 wards: 32.4%; Tokyo peripheral 18 wards: 15.6%; QFRONT: 10.3%; Urban retail properties (Shibuya/Omotesando): 20.3%; Urban retail properties (others): 3.1%; Suburban shopping centers and *sokochi* for office: 9.0%  
The expected cap rate of the Tokyo central 4 wards is calculated as the average of the expected cap rate of Marunouchi/Otemachi, Nihonbashi, Toranomon and Shinjuku. In addition, the expected cap rates of QFRONT and urban retail properties (others) are calculated based on retail properties (Shibuya/Omotesando) but factoring in certain risk premium.
  - Marunouchi/Otemachi: 15.0%; Nihonbashi: 15.0%; Toranomon: 10.0%; Shibuya: 10.0%; Shinjuku: 10.0%; Tokyo peripheral 18 wards: 20.0%; Yokohama: 2.0%; Midosuji: 2.5%; Umeda: 2.5%; Nagoya: 5.0%; Sapporo: 2.0%; Sendai: 2.0%; Hiroshima: 2.0%; Fukuoka: 2.0%
  - Marunouchi/Otemachi: 10.0%; Nihonbashi: 10.0%; Toranomon: 10.0%; Shibuya: 10.0%; Shinjuku: 10.0%; Tokyo peripheral 18 wards: 10.0%; Yokohama: 5.0%; Midosuji: 5.0%; Umeda: 5.0%; Nagoya: 10.0%; Sapporo: 5.0%; Sendai: 2.5%; Hiroshima: 2.5%; Fukuoka: 5.0%
  - Midosuji: 20.0%; Umeda: 20.0%; Nagoya: 30.0%; Sapporo: 10.0%; Sendai: 5.0%; Hiroshima: 5.0%; Fukuoka: 10.0%
- In calculating the weighted average expected cap rate of TOKYU REIT, the survey results of the Real Estate Investor Survey are applied to the expected cap rate of the region where the respective property held by TOKYU REIT is located.
- Office properties are assumed to be class A buildings.

Source: Results of Japan Real Estate Institute's Japanese Real Estate Investor Survey

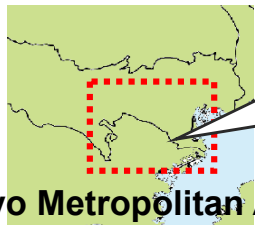


# Introduction of Sponsor (Tokyu Corporation)

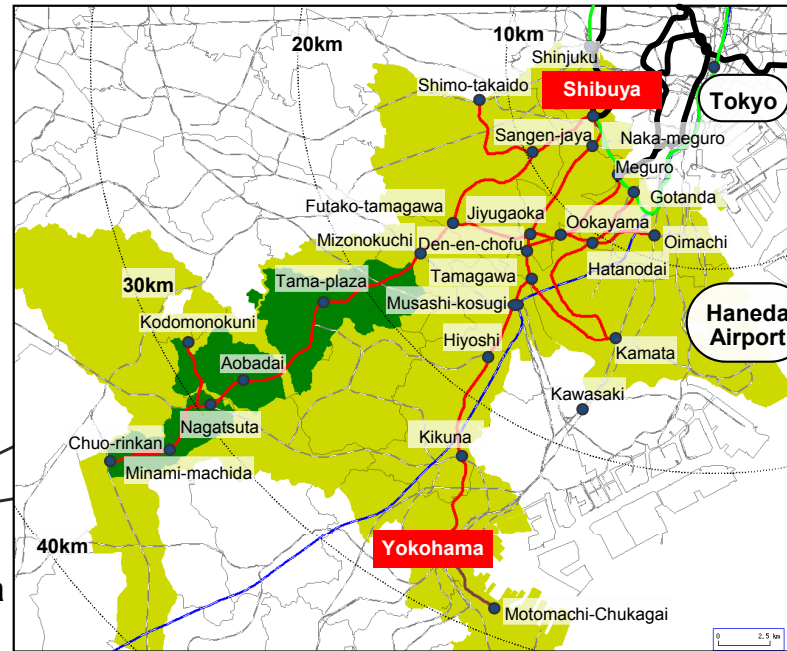
With Shibuya as its base, develops a broad range of businesses centering on the southwestern part of Tokyo Metropolitan Area



Population of 17 cities and wards along the Tokyu Line  
**Approx. 5.26 million**



**Tokyo Metropolitan Area**



- The Tokyu Areas (Defined as the 17 cities and wards (i.e. -ku) which Tokyu rail lines pass through)
  - Area: 490 km<sup>2</sup>
  - Population: 5.26 million (including foreign nationals) 5.15 million (only Japanese nationals) Both account for 15% of Tokyo Metropolitan Area (Tokyo and three surrounding prefectures) (Basic Resident Register as of January 1, 2014)
  - Taxable income per capita: 1.5 times the national average
  - Households with income of 10 million yen or more: 290 thousand households Account for 22% of Tokyo Metropolitan Area (Tokyo and three surrounding prefectures) (Housing and Land Survey, 2013)
  - Size of consumption expenditure in the area: 8,277.4 billion yen (estimate) \*
- Tokyu Tama Den-en-toshi.
  - Area: 50 km<sup>2</sup> / Population: 620 thousand (As of March 31, 2015)

\*Calculated by multiplying preliminary figures of "Average consumption expenditure of all households" ("Annual Report on Family Income and Expenditure Survey, 2014" of Ministry of Internal Affairs and Communications) of Tokyo's wards, Yokohama City and Kawasaki City by "the number of households" ("Outline of Population in Basic Resident Register" of Ministry of Internal Affairs and Communications) of respective 17 cities and wards along the railway line.

Source: IR material of Tokyu Corporation

**Business Segment and Major Constituent Companies (\*)** [Consolidated subsidiaries] 126 companies [Equity method affiliates] 18 companies

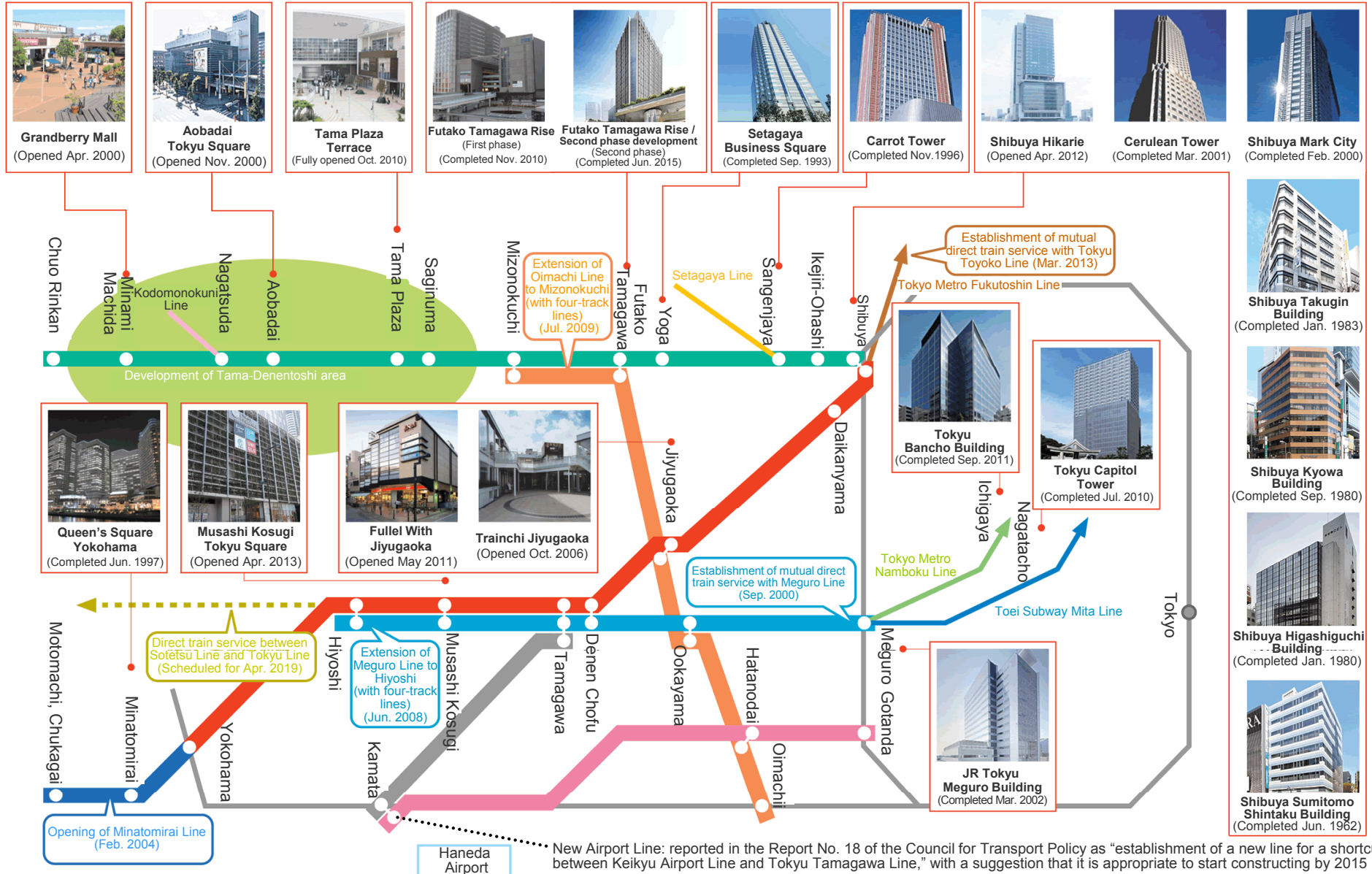
<p><b>Railway Business</b> 20 companies</p> <p>Operating revenues ¥197.5 bn Operating income ¥23.3 bn</p>	<p><b>Tokyu Corporation, Tokyu Bus</b></p>
<p><b>Real Estate Business</b> 27 companies</p> <p>Operating revenues ¥196.2 bn Operating income ¥32.8 bn</p>	<p><b>Tokyu Corporation, Tokyu Facility Service, <u>Tokyu REIM</u></b></p>
<p><b>Everyday Living Services Business</b> 37 companies</p> <p>Operating revenues ¥630.4 bn Operating income ¥11.9 bn</p>	<p><b>Tokyu Department Store, Tokyu Store Chain, Tokyu Malls Development, its communications, Tokyu Agency</b></p>
<p><b>Hotel and Resort Business</b> 47 companies</p> <p>Operating revenues ¥96.0 bn Operating income ¥3.1 bn</p>	<p><b>Tokyu Hotels, Mauna Lani Resort</b></p>



\* As of March 31, 2015 \* Tokyu Corporation has an overlap in several segments

# Major Properties Owned by Tokyu Corporation

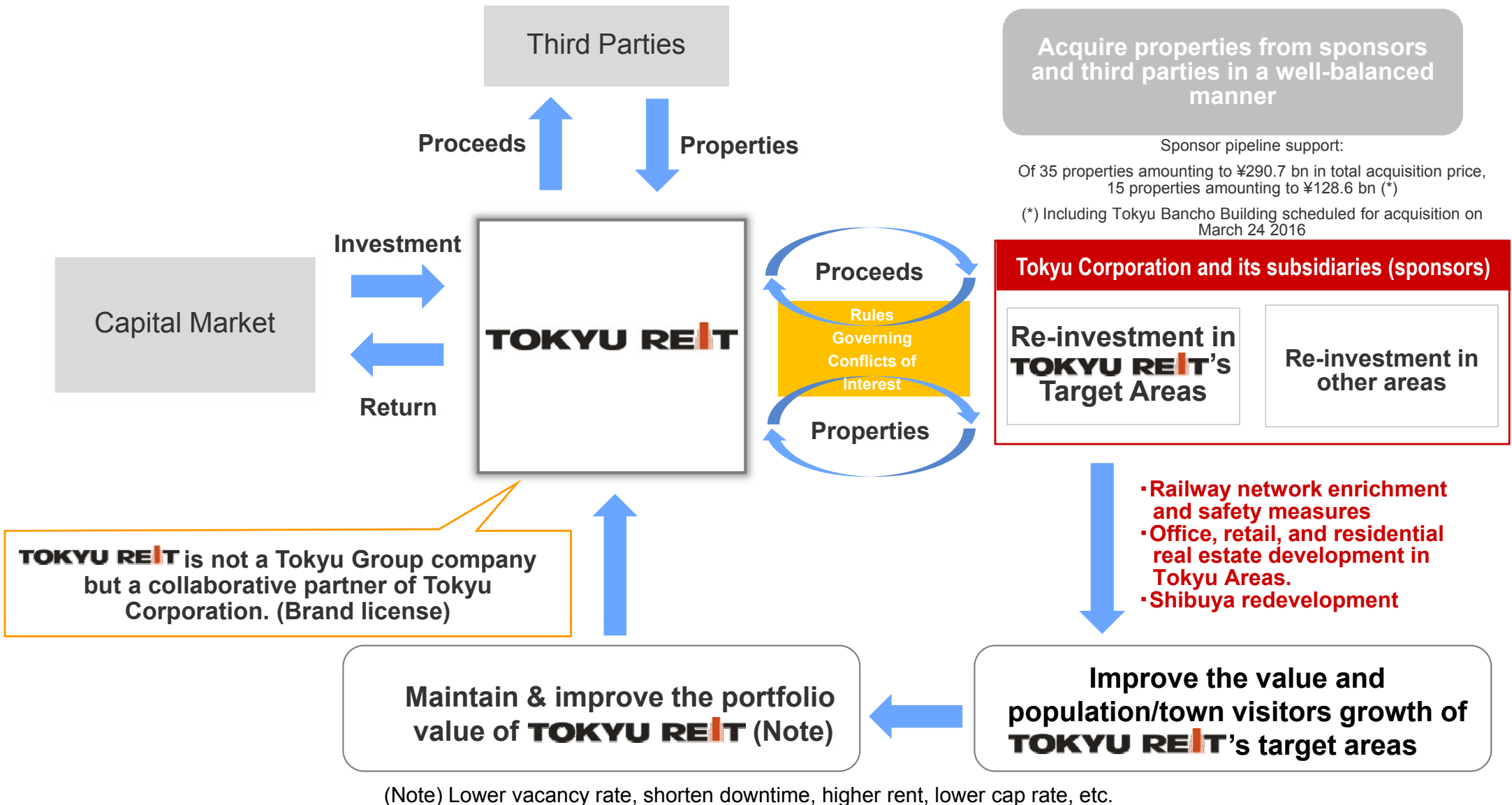
Tokyu Corporation owns and develops many rental properties along its railway lines.





# TOKYU REIT Capital Re-investment Model

Aim for Growth through value enhancement of the Tokyu Areas (areas along Tokyu rail lines) and synergies from collaboration with Tokyu Corporation and its subsidiaries (sponsors).



**Acquire properties from sponsors and third parties in a well-balanced manner**

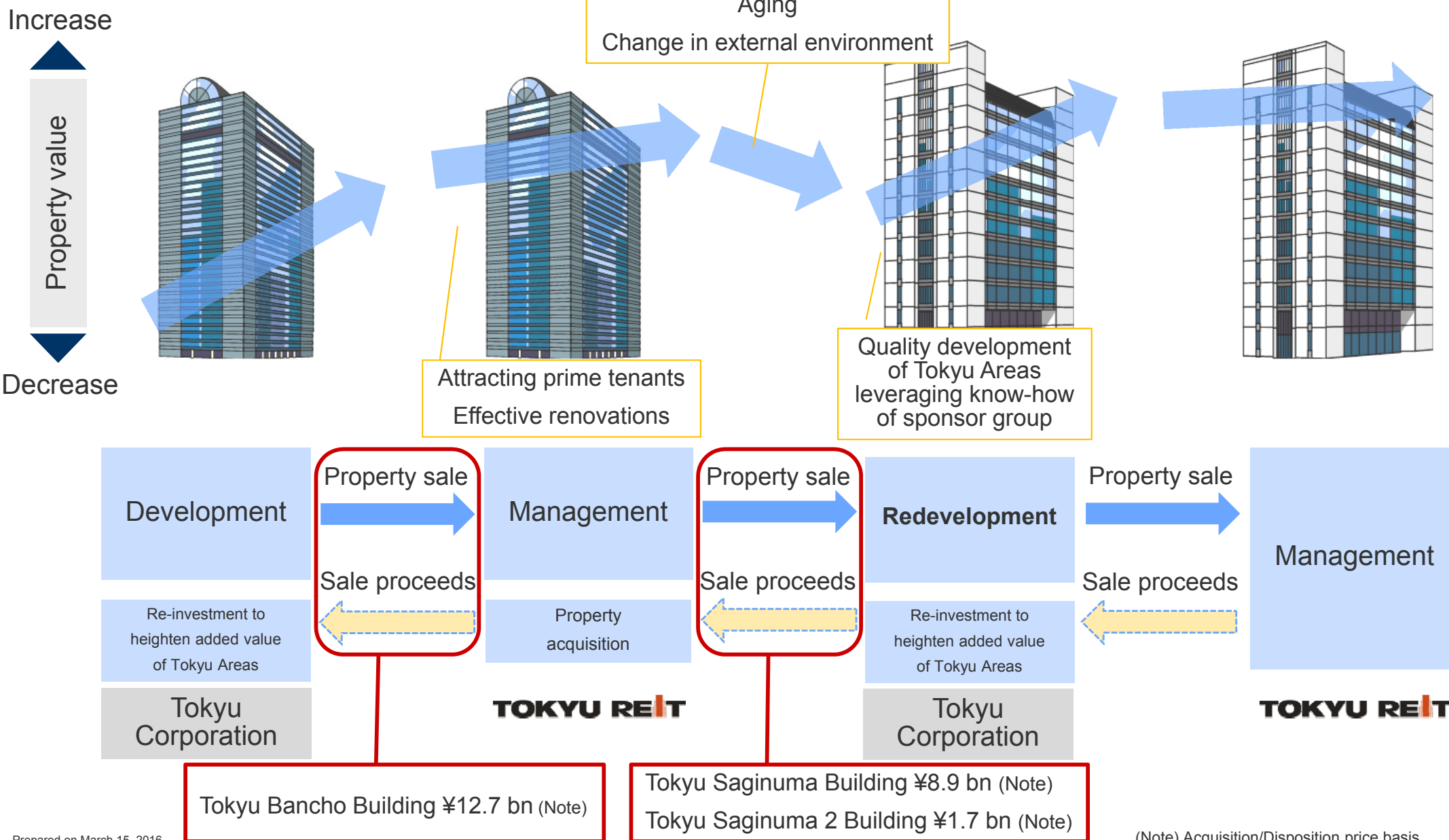
Sponsor pipeline support:  
Of 35 properties amounting to ¥290.7 bn in total acquisition price, 15 properties amounting to ¥128.6 bn (\*)

(\*) Including Tokyu Bancho Building scheduled for acquisition on March 24 2016

**TOKYU REIT** is not a Tokyu Group company but a collaborative partner of Tokyu Corporation. (Brand license)

# Deepening of Sponsor Collaboration (Value Enhancement of Investment Targeted Areas)

Aim for value enhancement of investment targeted areas through appropriate division of roles with sponsor in line with stages of life of property



# Investment Stance of Tokyu REIM / Overview of Investment Management Fee

## ■ Investment Stance of Tokyu REIM

Fund Structure with High Transparency and Accountability	<ul style="list-style-type: none"> <li>• Fund management with high transparency and accountability through improvement of disclosure, including IR activities, and the involvement of an independent third-party in the decision-making process.</li> </ul>
Collaboration	<ul style="list-style-type: none"> <li>• Growth through collaboration with Tokyu Corporation and value enhancement of the Tokyu Areas (including Shibuya) (Capital Reinvestment Model).</li> </ul>
Enhanced Measures Against Conflicts of Interest	<ul style="list-style-type: none"> <li>• Implementation of self-imposed rules to secure collaboration (rules governing conflicts of interest) and governance to maximize the advantages of such cooperation.</li> </ul>
Diversified Portfolio	<ul style="list-style-type: none"> <li>• Portfolio management employed to reduce dependence on specific properties or specific tenants.</li> </ul>
Strategic Financial Principle	<ul style="list-style-type: none"> <li>• Principle and strategy focused on managing the required debt and equity risk premium while also securing additional funding availability.</li> </ul>
Investment Management Fee	<ul style="list-style-type: none"> <li>• Management fee structure linked to three performance indices to balance conflicts of interest by “being in the same boat as unitholders.”</li> <li>• Adoption of a structure to expense rather than capitalize the management fee (TOKYU REIT does not adopt an acquisition incentive fee).</li> </ul>
Resource Allocation Seeking Stability and Growth	<ul style="list-style-type: none"> <li>• Allocate personnel so that the number of properties one asset manager is in charge of is controlled.</li> <li>• Enriched IR structure by having the Investment Management Company bear some of the IR costs.</li> <li>• Utilize experience and expertise of employees assigned from Tokyu Corporation and its subsidiaries.</li> </ul>
Long-Term Investment Management Strategy (Surf Plan)	<ul style="list-style-type: none"> <li>• Value &amp; Contrary</li> </ul>

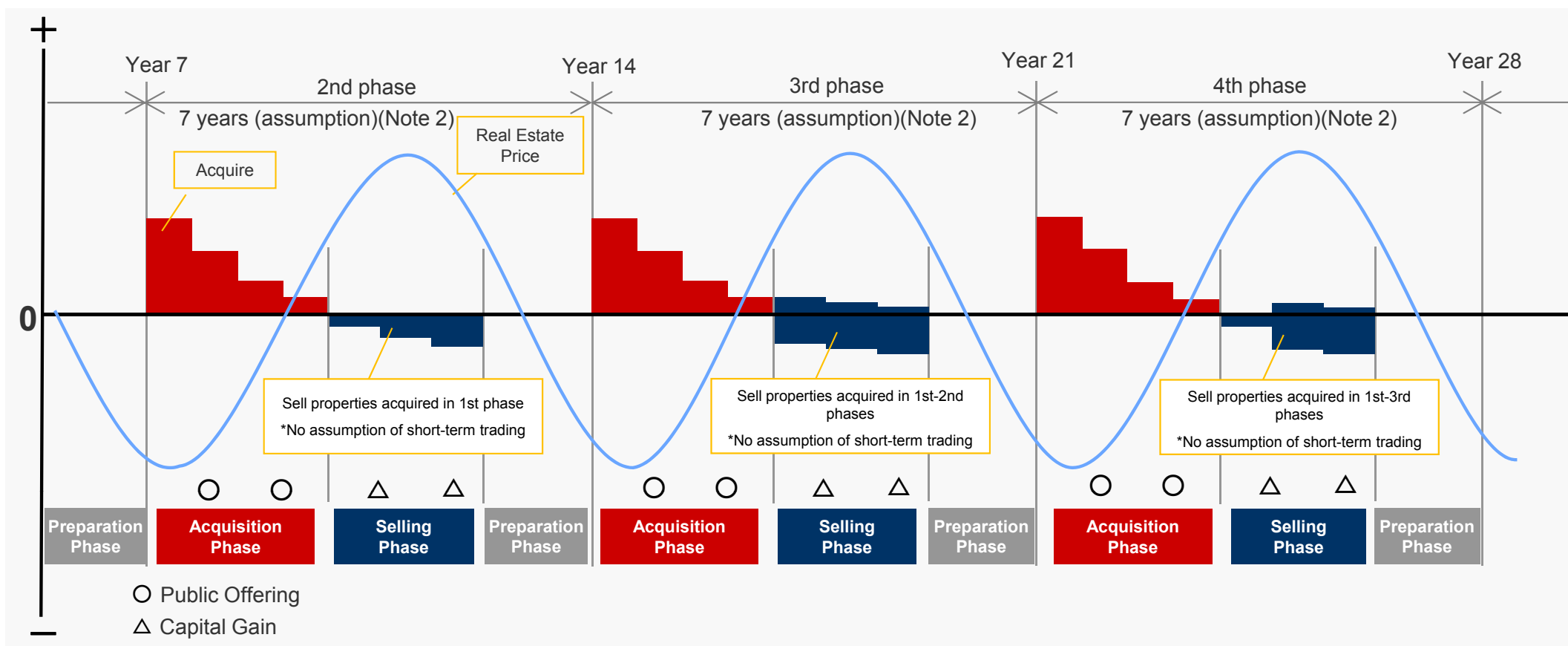
## ■ Overview of Investment Management Fee

	Objective (Aim)	Formula	Note
Base 1 (Linked to asset valuation)	Enhance Growth	Asset value at end of previous period × 0.125% (0.120% for the portion exceeding 200 billion yen and 300 billion yen or less) (0.115% for the portion exceeding 300 billion yen)	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)		Standard cash flow in current period × 6.0% (5.7% for the portion exceeding 5 billion yen and 7.5 billion yen or less) (5.4% for the portion exceeding 7.5 billion yen)	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.

## Value & Contrary

Through a value and contrarian investment approach (Note 1) that focuses on the cyclicity of real estate prices, TOKYU REIT secures capital gains while replacing properties, and achieves improvement of both portfolio quality (rejuvenating average age of properties, etc.) and adjusted ROE (capital yield after deduction of capital gains/losses).



(Note 1) It is not intended for TOKYU REIT to engage in short-term trading in property investments.

(Note 2) Indicated as 7 years as of matter of convenience, and actual assumptions differ.

# **TOKYU REIT**

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## **4. Appendix** **(2) Portfolio**

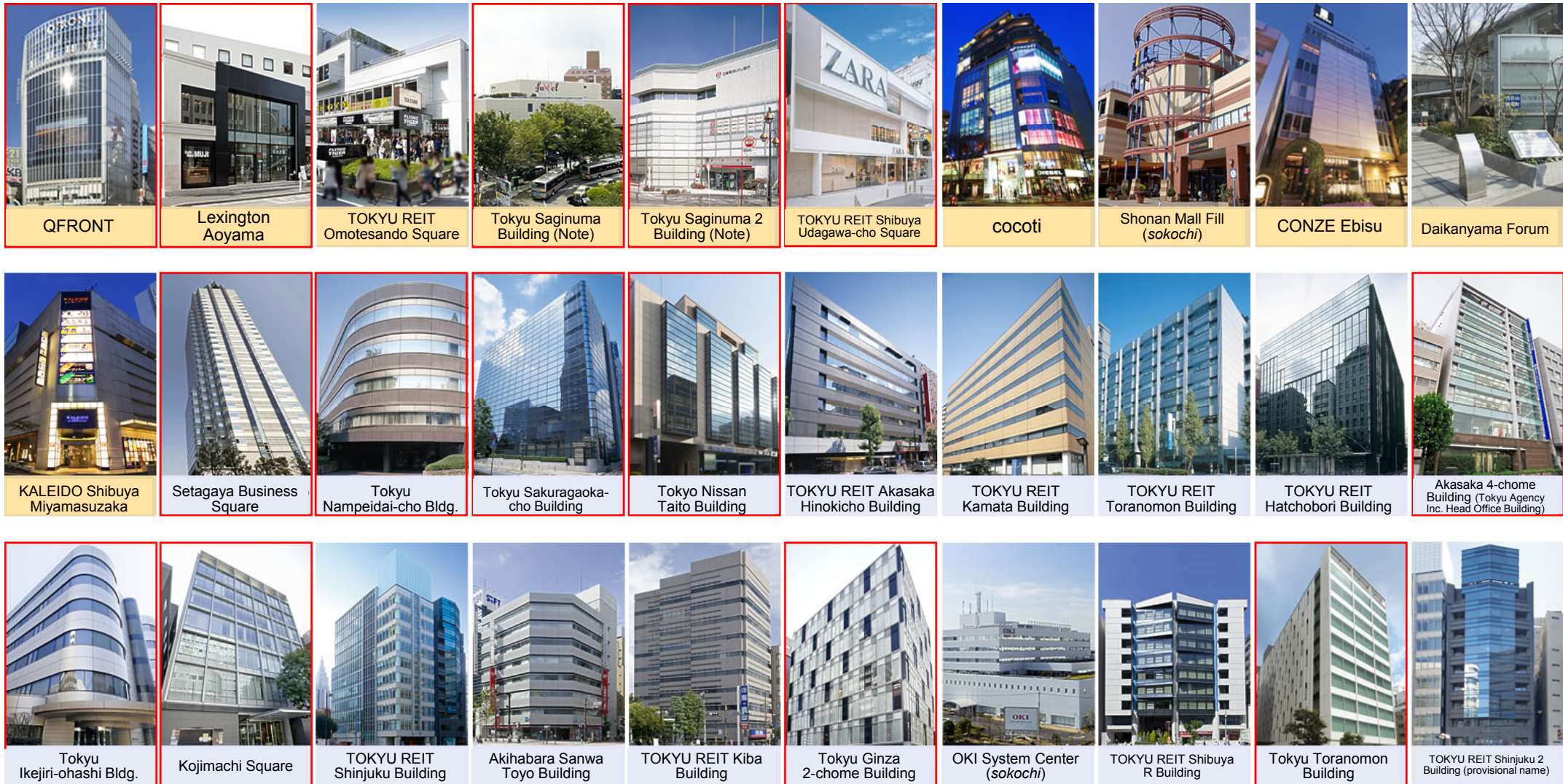






# Portfolio Introduction

(As of March 15, 2016; 14 properties contributed by sponsors)



     Retail properties    
      Office properties    
      Properties contributed by sponsors

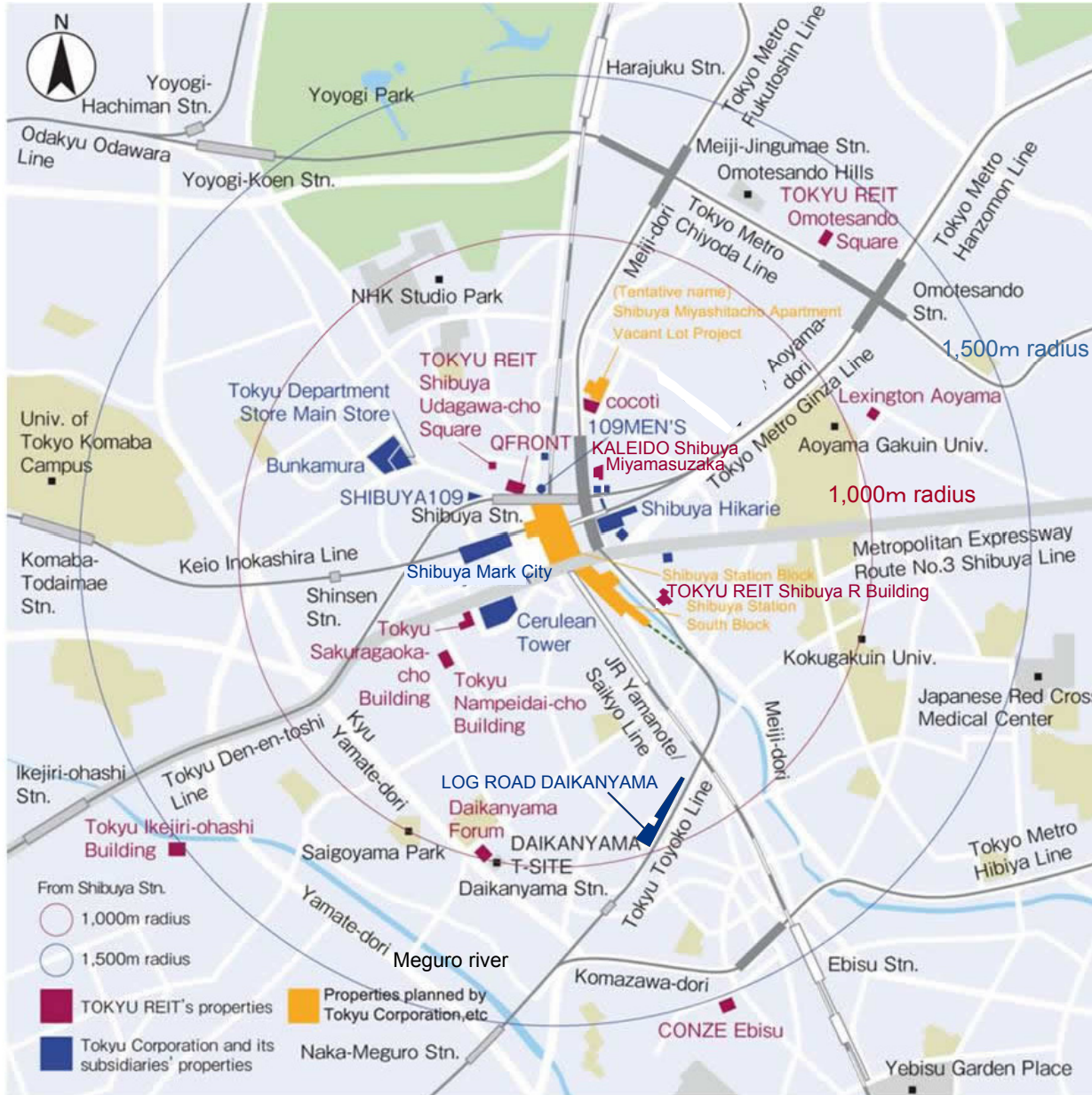
(Note) Tokyu Saginuma Building and Tokyu Saginuma 2 Building are scheduled to be disposed on March 24, 2016 and January 31, 2017, respectively.

\* The portfolio properties listed on this slide include properties contributed by Tokyu Land, which was a shareholder of the Investment Management Company (Tokyu REIM) along with Tokyu Corporation until June 2011.

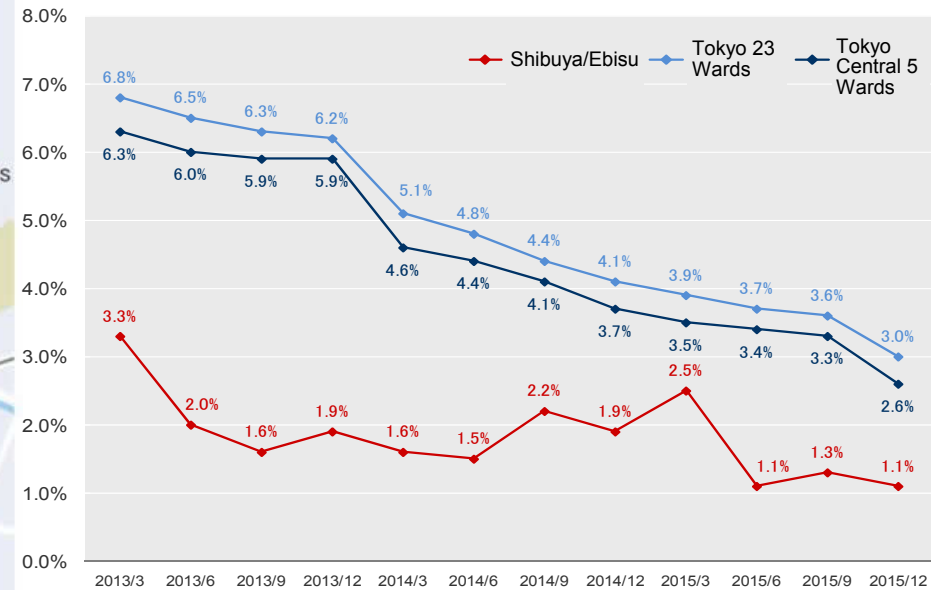


# Greater Shibuya Area Property

(TOKYU REIT Owns 12 Properties; Acquisition Price: ¥93.2 bn; Appraisal Value: ¥109.3 bn)



Change in Office Vacancy Rates by Area



Source: CBRE K.K.

\* This map represents an extract selection and does not indicate all major facilities.  
 \* Some properties are only partially owned by TOKYU REIT or Tokyu Corporation and its subsidiaries.  
 \* As of the date this presentation was prepared, TOKYU REIT has no plan to acquire properties owned by Tokyu Corporation and its subsidiaries.

# **TOKYU REIT**

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## **4. Appendix**

### **(3) Investment Management Overview**

## Office / Retail Ratio

(based on estimated value at the end of the period)

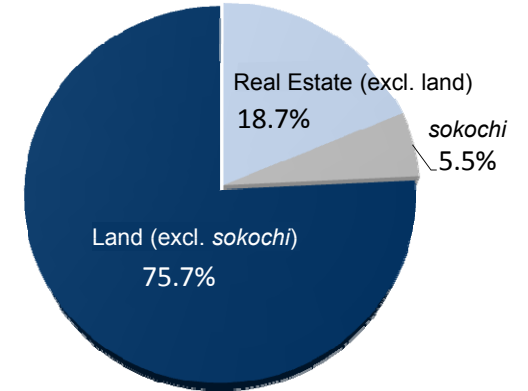
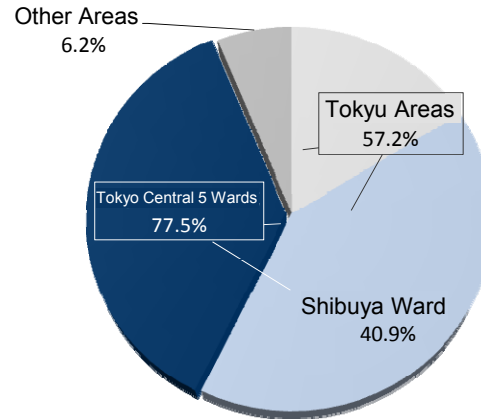
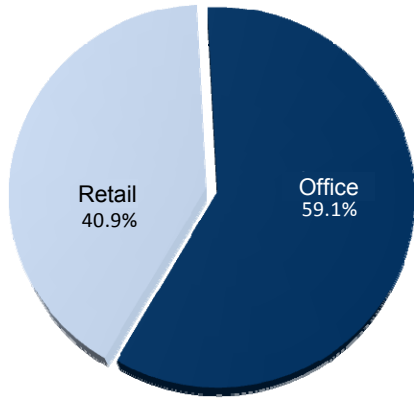
## Area Ratio

(based on estimated value at the end of the period)

## Land / Property (Excl. Land) Ratio

(based on book value)

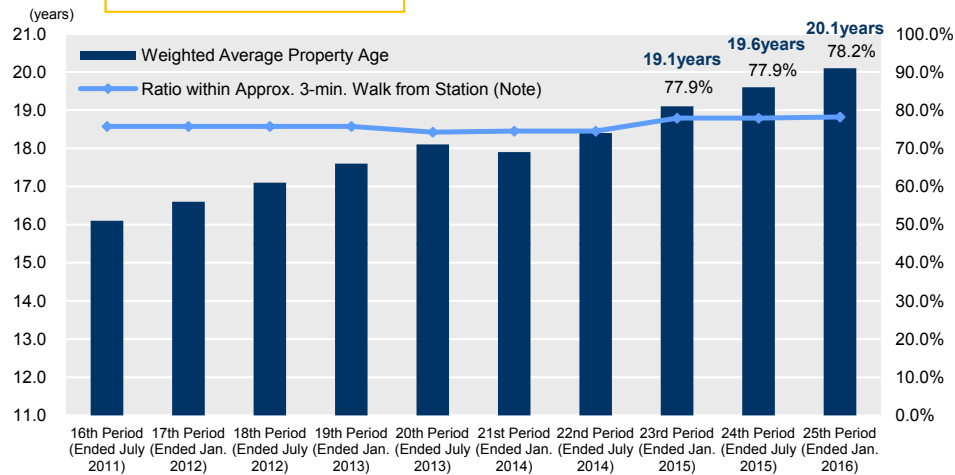
### Various Data at the End of 25th Period



\* Shibuya Ward (40.9%) is included in both the Tokyo Central 5 Wards and the Tokyu Areas.

## Weighted Average Property Age

PML ratio: 4.0%

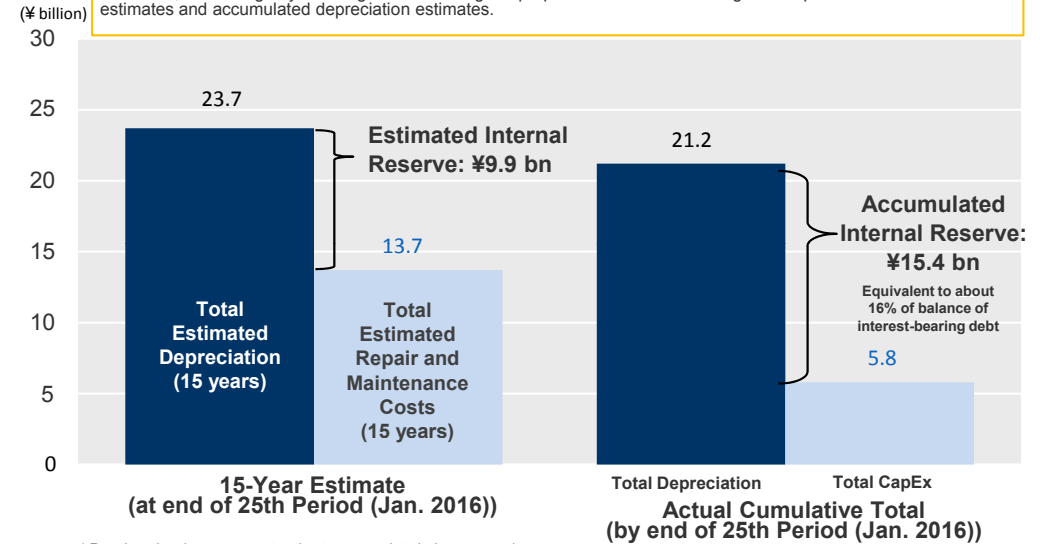


((Note) Ratio within approximately 3-minute walk from station is the ratio of properties in the TOKYU REIT portfolio that are properties within a 3-minute approximate walking time from the nearest train station (based on acquisition price).

\* Weighted average of the age of buildings at period end multiplied by the acquisition cost  
 \* Not including Shonan Mall Fill (sokochi) and OKI System Center (sokochi)

## Balance of Depreciation and Repair and Maintenance Cost Estimates

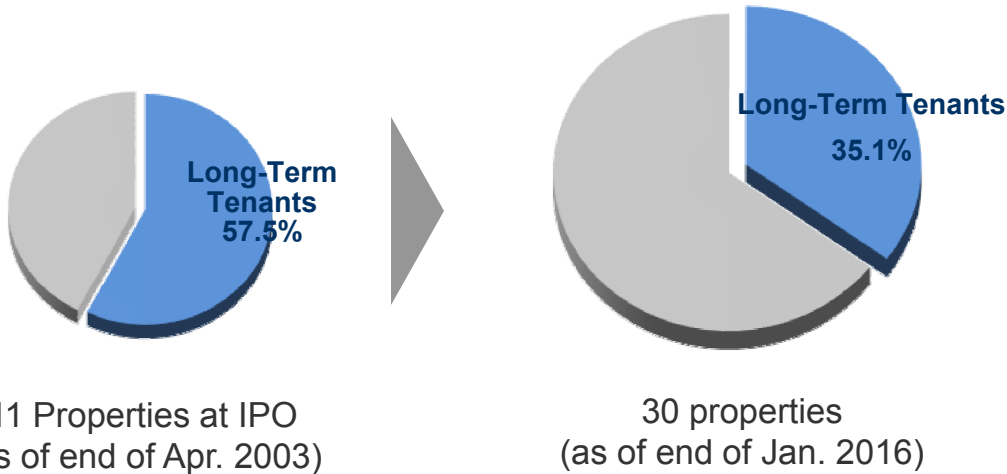
The source of funds for CapEx is limited to the amount of depreciation for REITs, as 100% of profits are distributed. Therefore, we manage by focusing on maintaining the proper balance between long-term repair and maintenance estimates and accumulated depreciation estimates.



\* Repair and maintenance cost estimates are updated when appropriate.  
 \* Not including Shonan Mall Fill (sokochi) and OKI System Center (sokochi)



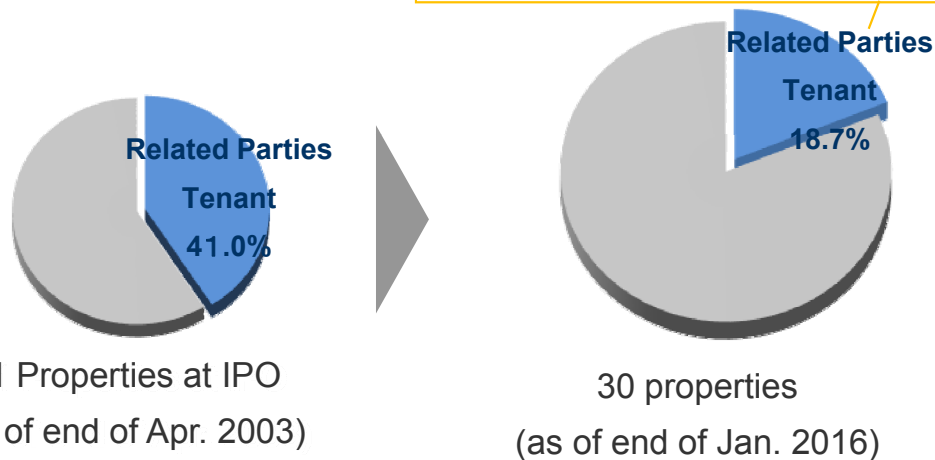
## Ratio of Tenants with LT Contracts (Based on Leasable Area)



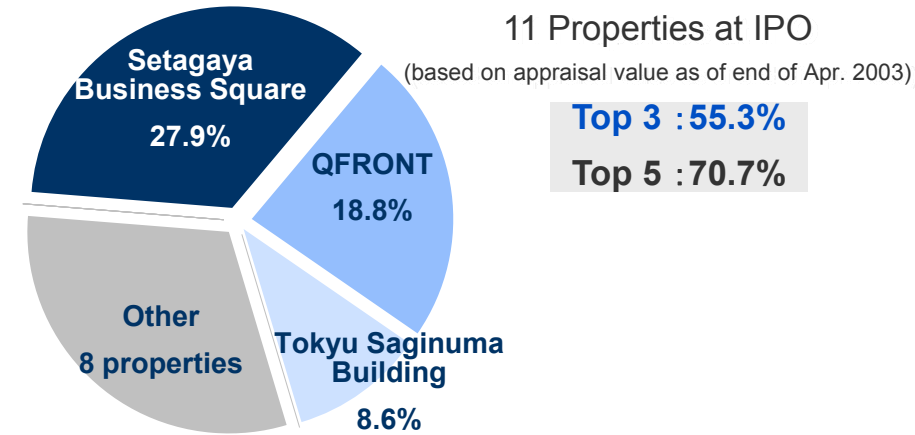
\* Definition of long-term contract: Contracts with remaining contract period of 5 years or longer counting from February 1, 2016, regardless of fix-term lease contract or not (excludes contracts with rents of 500,000 yen or less per month, such as for antennas, and contracts that have not yet started the contract periods as of January 31, 2016).

## Related Parties Tenant Concentration (Based on Leasable Area)

\* Lower dependence on Related Parties.



## Property Concentration



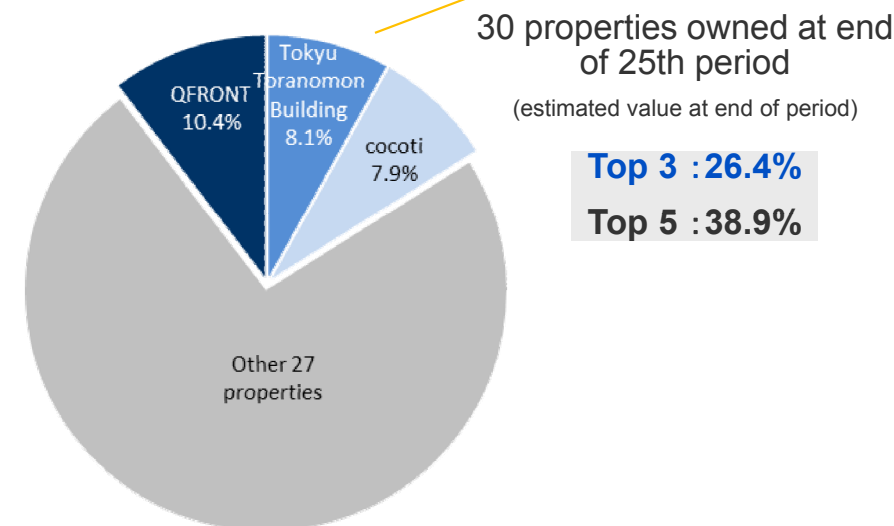
11 Properties at IPO

(based on appraisal value as of end of Apr. 2003)

**Top 3 : 55.3%**

**Top 5 : 70.7%**

Ratio of each property decreased as number of properties increased.



30 properties owned at end of 25th period

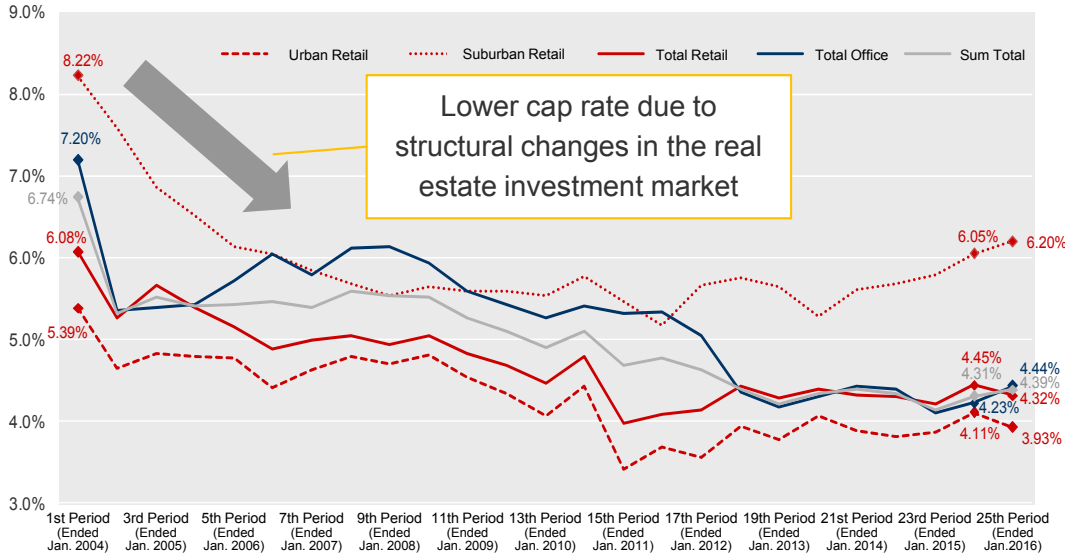
(estimated value at end of period)

**Top 3 : 26.4%**

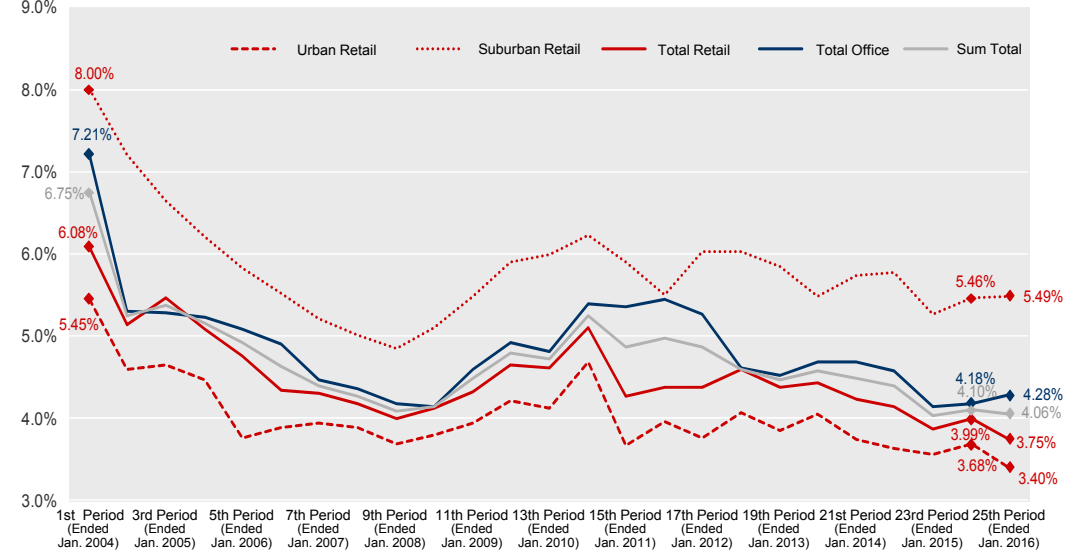
**Top 5 : 38.9%**

# Changes in NOI Yield

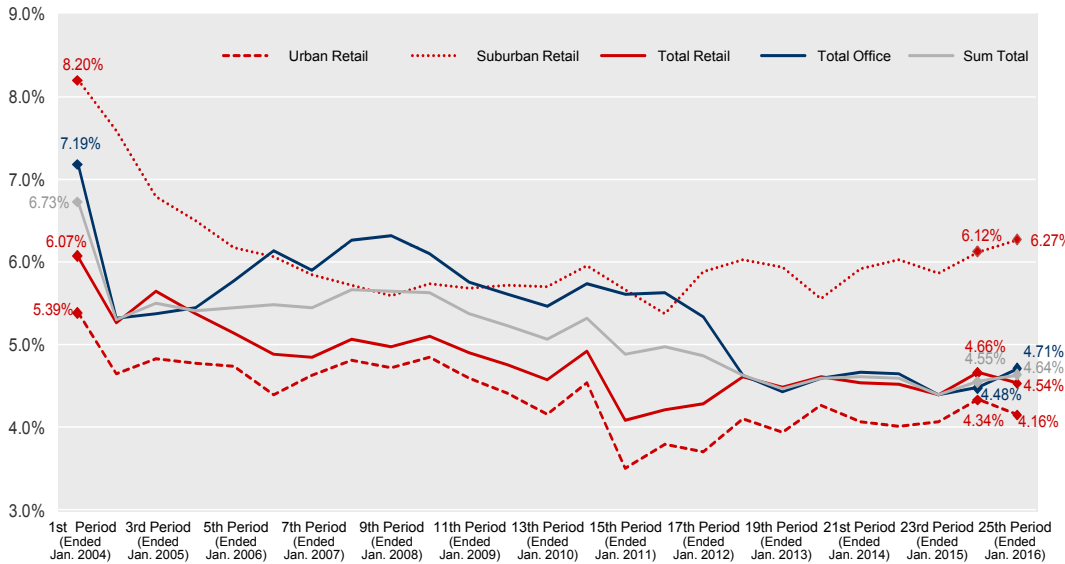
### Changes in NOI Yield (Based on Acquisition Price)



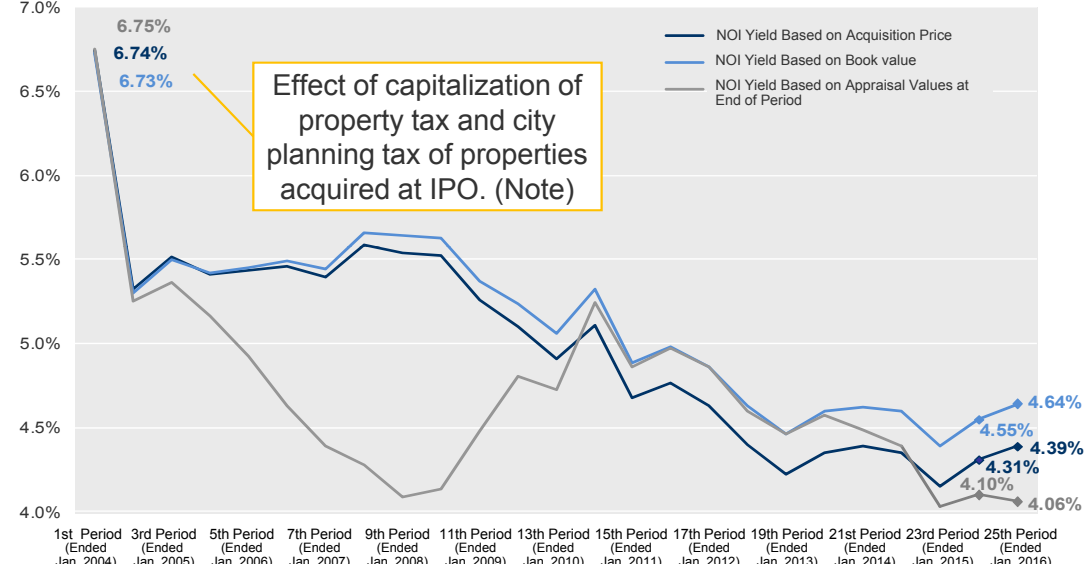
### Changes in NOI Yield (Based on Appraisal Value at End of Period)



### Changes in NOI Yield (Based on Book Value)



### Changes in NOI Yield (Comparison of Each Basis)

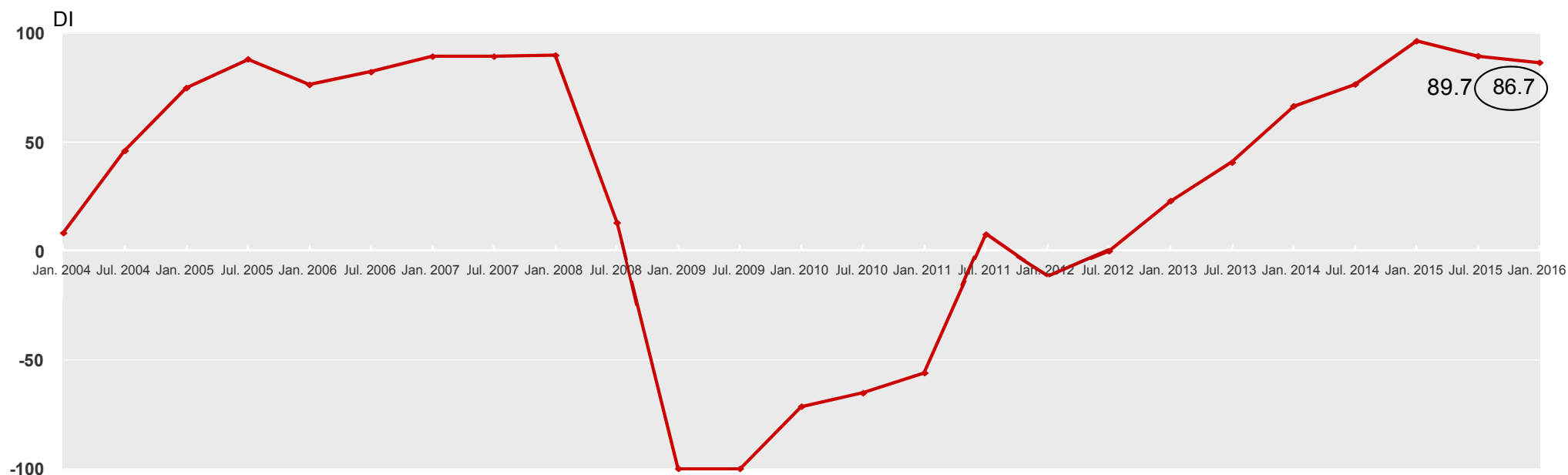


(Note) NOI increasing effect due to the property tax and city planning tax for the year of property acquisition being booked under assets as acquisition costs and not being booked as expense.

# Period-End Estimated Value DI (Entire Portfolio: 30 Properties)

Estimated value at end of period (appraisal value) went up in 27 out of 30 properties in TOKYU REIT's portfolio. DI figure was 86.7, remaining at high level.

- Period-end estimated value DI for TOKYU REIT's portfolio (percentage of number of properties with increase minus number of properties with decrease compared with 6 months ago)



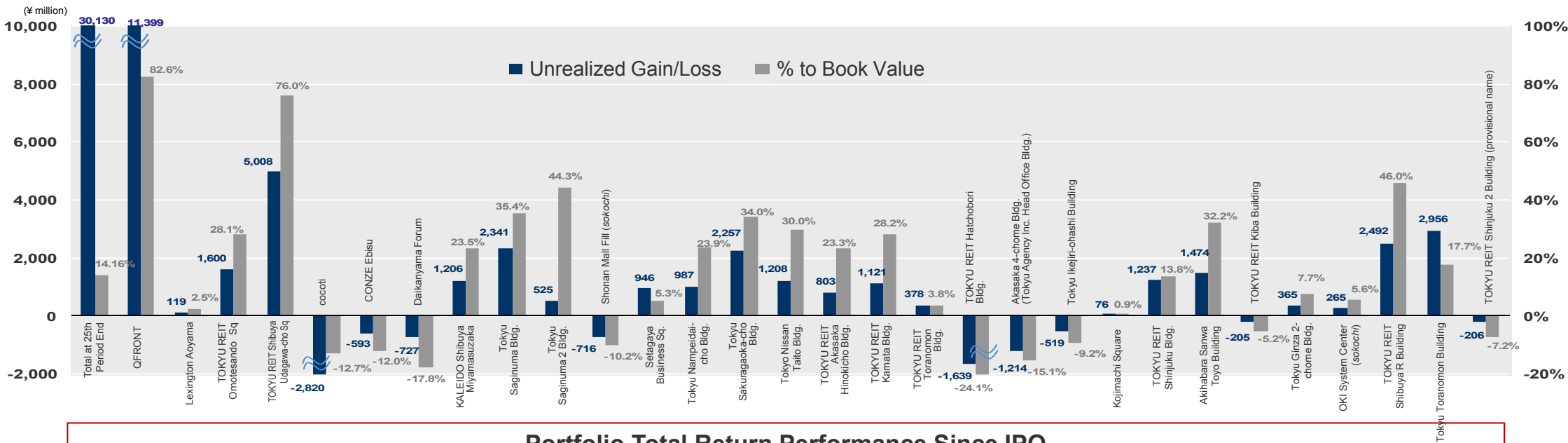
	1/2004	7/2004	1/2005	7/2005	1/2006	7/2006	1/2007	7/2007	1/2008	7/2008	1/2009	7/2009	1/2010	7/2010	1/2011	7/2011	1/2012	7/2012	1/2013	7/2013	1/2014	7/2014	1/2015	7/2015	1/2016
Number of properties																									
Properties with increase in estimated value at end of period compared with 6 months ago	2	7	12	15	14	15	17	18	18	8	0	0	2	2	3	12	10	11	12	17	23	26	28	27	27
Properties with no change	9	5	4	2	2	1	2	0	2	10	0	0	2	4	5	4	3	4	8	4	4	1	1	1	2
Properties with decrease in estimated value at end of period compared with 6 months ago	1	1	0	0	1	1	0	1	0	5	23	23	17	17	17	10	13	11	6	6	3	3	0	1	1
<b>Total</b>	<b>12</b>	<b>13</b>	<b>16</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>19</b>	<b>19</b>	<b>20</b>	<b>23</b>	<b>23</b>	<b>23</b>	<b>21</b>	<b>23</b>	<b>25</b>	<b>26</b>	<b>26</b>	<b>26</b>	<b>26</b>	<b>27</b>	<b>30</b>	<b>30</b>	<b>29</b>	<b>29</b>	<b>30</b>
Percentage																									
Properties with increase in estimated value at end of period compared with 6 months ago	16.7	53.8	75.0	88.2	82.4	88.2	89.5	94.7	90.0	34.8	0.0	0.0	9.5	8.7	12.0	46.2	38.5	42.3	46.2	63.0	76.7	86.7	96.6	93.1	90.0
Properties with no change	75.0	38.5	25.0	11.8	11.8	5.9	10.5	0.0	10.0	43.5	0.0	0.0	9.5	17.4	20.0	15.4	11.5	15.4	30.8	14.8	13.3	3.3	3.4	3.4	6.7
Properties with decrease in estimated value at end of period compared with 6 months ago	8.3	7.7	0.0	0.0	5.9	5.9	0.0	5.3	0.0	21.7	100.0	100.0	81.0	73.9	68.0	38.5	50.0	42.3	23.1	22.2	10.0	10.0	0.0	3.4	3.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Period-end estimated value DI for portfolio	8.3	46.2	75.0	88.2	76.5	82.4	89.5	89.5	90.0	13.0	-100.0	-100.0	-71.4	-65.2	-56.0	7.7	-11.5	0.0	23.1	40.7	66.7	76.7	96.6	89.7	86.7

\*At time of property acquisition, comparison is between appraisal value upon acquisition and estimated value at end of period

# Unrealized Gains/Losses and Total Return

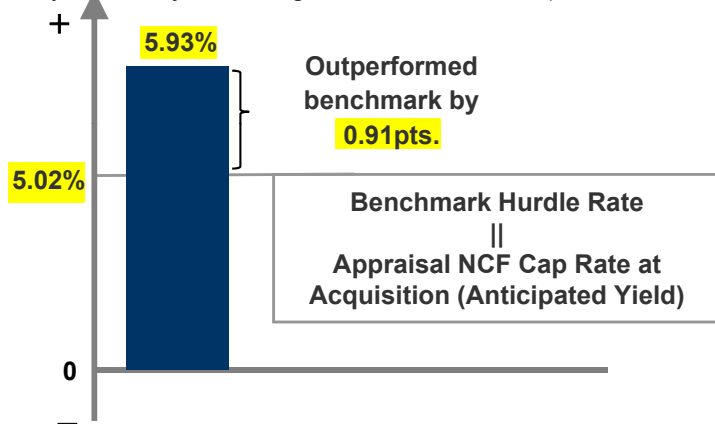
Total return has outperformed the benchmark hurdle rate by 0.91 points.

## Unrealized Gains/Losses and Percentage Against Book Value by Property (As of the end of the period)



## Portfolio Total Return Performance Since IPO

\* Based on 34 properties (acquisition price: ¥277,996 million), which is the sum of current portfolio, Yokohama Yamashita-cho Building (Barneys New York Yokohama Store), Resona Maruha Building, Ryoshin Harajuku Building and Beacon Hill Plaza (Ito-Yokado Noukendai Store).



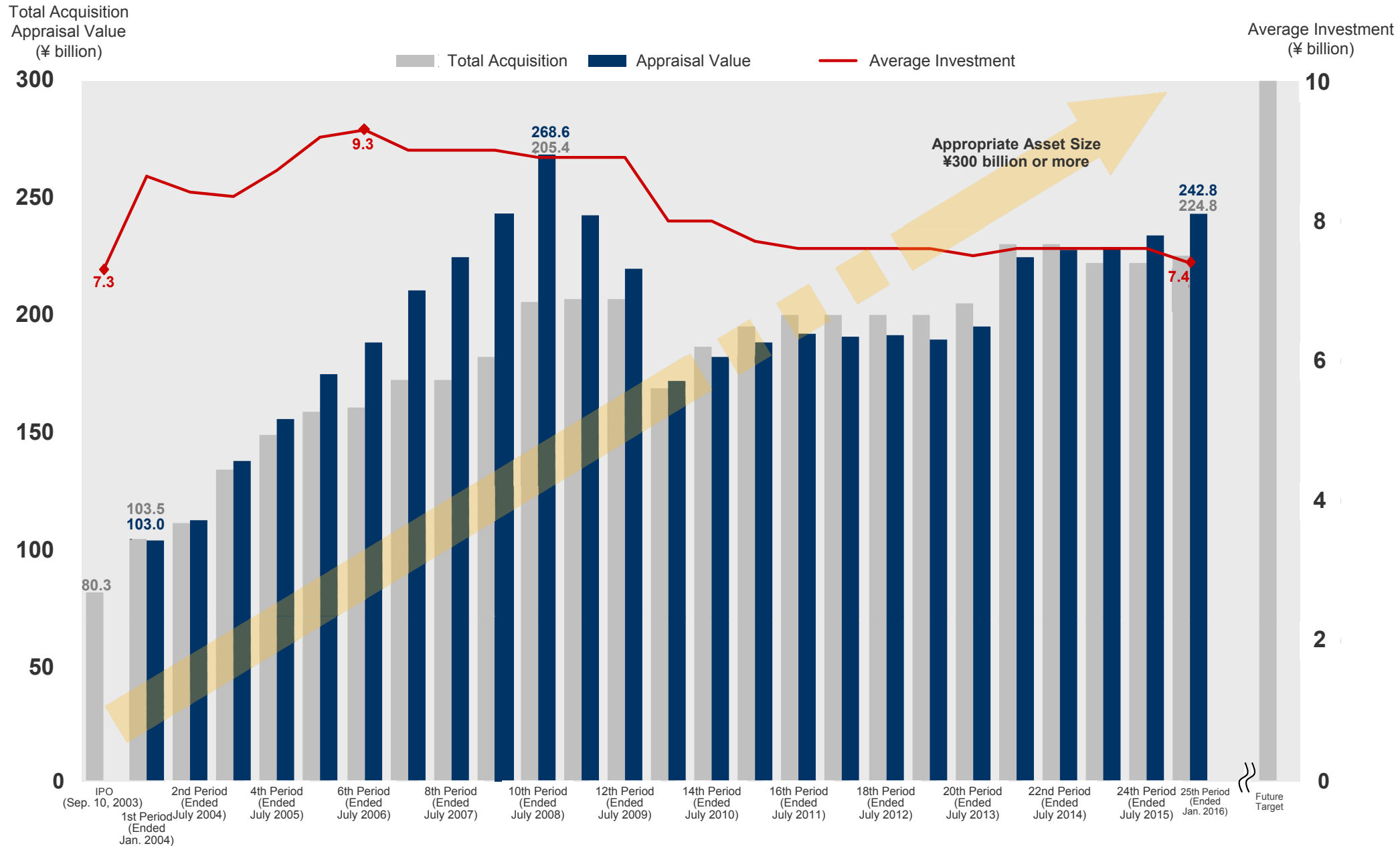
- \* Fiscal period end appraisal values are utilized as the deemed disposal price (sale price) of properties for the calculation of IRR.
- \* Acquisition price does not include capitalized expenses (such as broker's fees, first year's property / city planning tax, compensation for specialist agents).
- \* Cash flow from leasehold and security deposits are not included.
- \* Sale price of Yokohama Yamashita-cho Building (Barneys New York Yokohama Store) is ¥6,480 million (sold in 6th period).
- \* Sale price of Resona Maruha Building is ¥42,000 million (sold in 13th period).
- \* Sale price of Ryoshin Harajuku Building is ¥8,400 million (sold in 13th period).
- \* Sale price of Beacon Hill Plaza (Ito-Yokado Noukendai Store) is ¥8,720 million (sold in 23rd period).

\*IRR for the current portfolio (acquisition price: ¥224,810 million) is 5.46% (outperforming the benchmark return of 5.01% by 0.45 points).

# External Growth

- Selective investments focused on total return without being obsessed with income alone -

## Portfolio Size and Average Investment





# **TOKYU REIT**

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## **4. Appendix**

### **(4) Debt Management and Composition of Unitholders**

# Result of Strategic Debt Management ( i ): Balancing Costs and Availability

## Rating (As of End of 25th Period (Jan. 2016))

JCR	Long-term Issuer Rating: AA- (Outlook: Stable)
R&I	Issuer Rating: A+ (Rating Outlook: Stable)
S&P	Long-Term Corporate Credit Rating: A (Rating Outlook: Stable) Short-Term Corporate Credit Rating: A-1

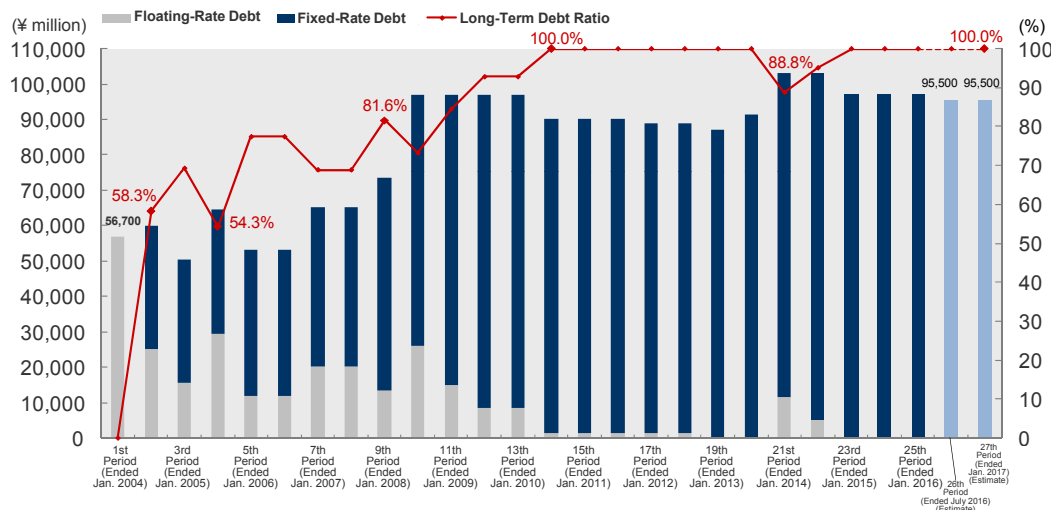
## Characteristics of TOKYU REIT's Debt Management

Debt strategy focused on stability in preparation for possible future credit crunch.

- High long-term debt ratio → Not dependent on short-term debt
- Long average duration of interest-bearing debt → Control each period's interest-bearing debt repayment amount
- Control investment corporation bonds (direct procurement) → Focus on highly-stable indirect procurement
- No borrowing expenses → Coupon rate becomes relatively high

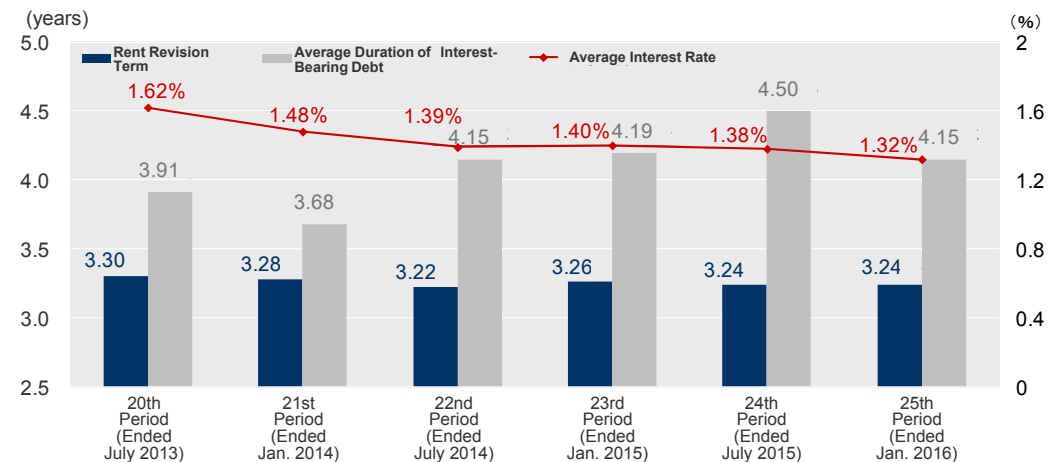
## Long-Term Fixed-Rate Debt Ratio

Promoted conversion to long-term fixed-rate debt to maintain stability. Currently long-term fixed-rate debt ratio is 100%.



## Average Rent Revision Term and Average Duration of Interest-Bearing Debt

Secure duration longer than the rent revision term and prepare for phases of increasing interest rates.





# Result of Strategic Debt Management ( iii )

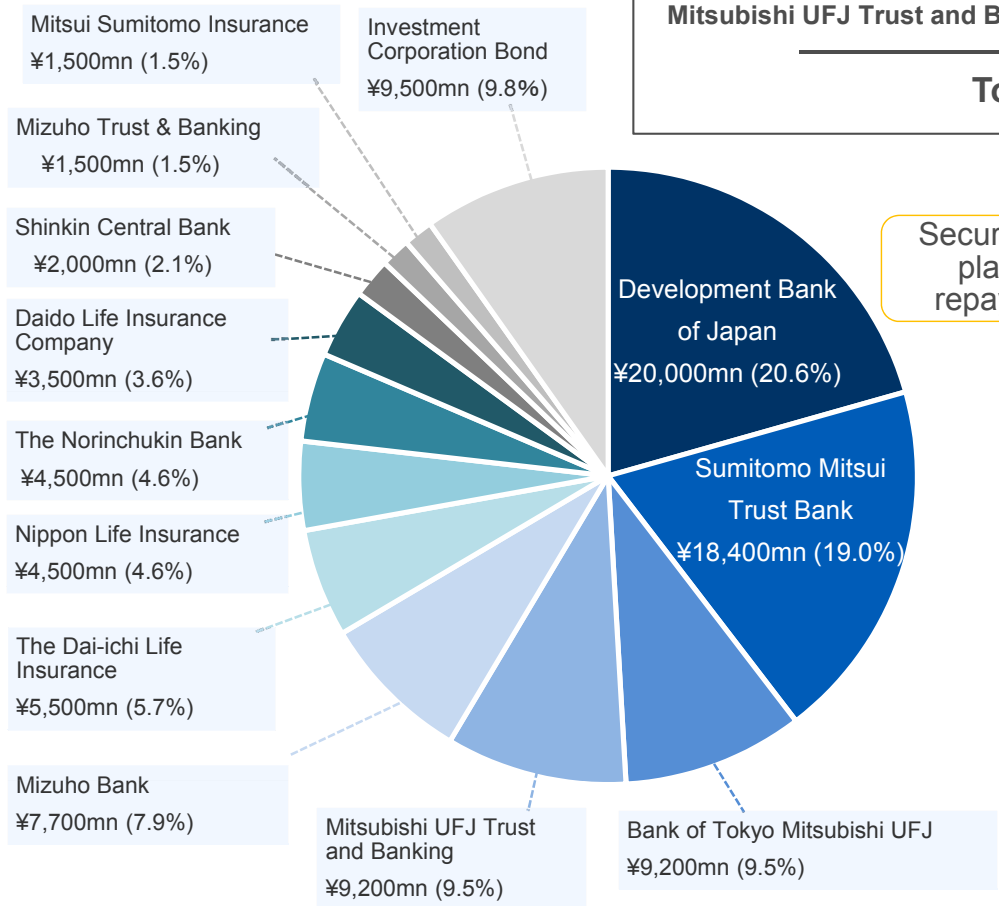
Aim to diversify sources of funds, but curb dependence on investment corporation bonds by taking refinance risk into consideration.

### Commitment Line

Development Bank of Japan	¥8.0 bn
Sumitomo Mitsui Trust Bank	¥2.0 bn
Sumitomo Mitsui Trust Bank	¥3.2 bn
Mizuho Bank	¥1.6 bn
Bank of Tokyo-Mitsubishi UFJ	¥1.6 bn
Mitsubishi UFJ Trust and Banking	¥1.6 bn

**Total: ¥18.0 bn**

Secure level to cover planned annual repayment amount



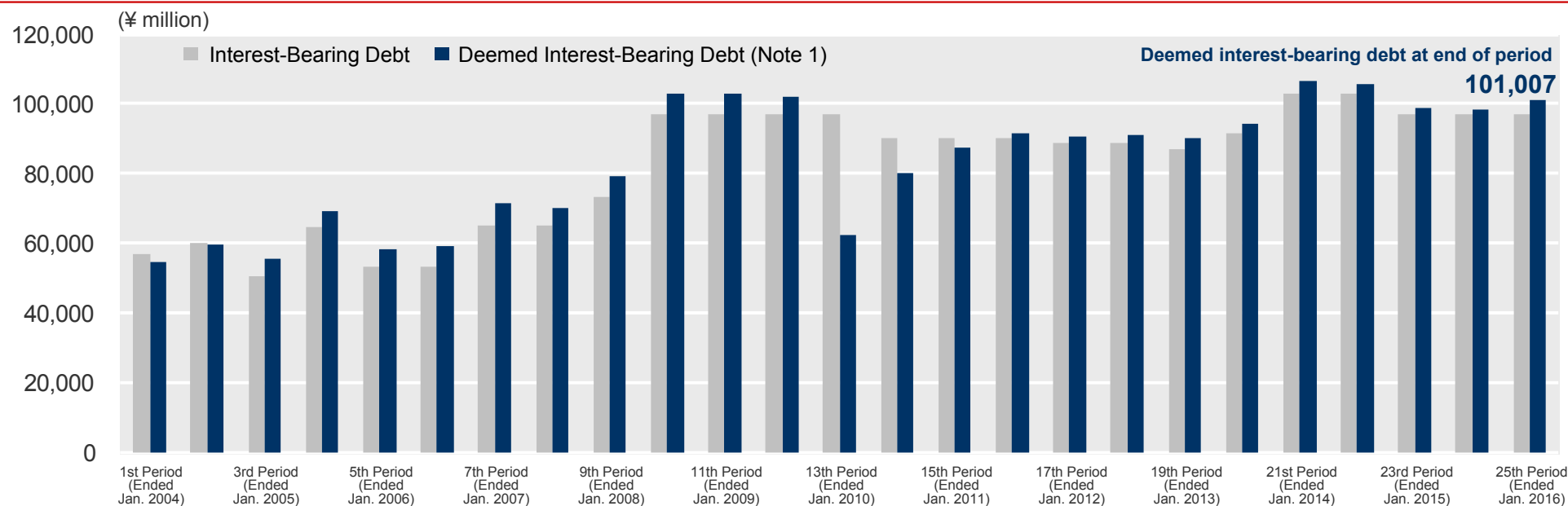
Category	Lender	Amount (¥ million)	Interest Rate (%)	Debt Origination Date	Maturity		Note
					Due Date	Period	
Long term	Development Bank of Japan	5,000	1.95000	1/25/2006	1/25/2018	29th	Unsecured Unguaranteed
	Daido Life Insurance Company	3,000	1.76625	3/10/2008	3/10/2016	26th	
		5,000	1.63250	12/27/2010	12/27/2016	27th	
	Sumitomo Mitsui Trust Bank	2,000	1.47625	5/18/2011	5/18/2017	28th	
		2,000	1.47625	5/25/2011	5/25/2017		
	Mizuho Bank	2,000	1.45375	6/27/2011	6/27/2017	27th	
	Nippon Life Insurance	2,000	1.36875	7/29/2011	1/31/2017		
		2,000	1.49563		1/31/2018	29th	
	Bank of Tokyo-Mitsubishi UFJ	5,000	1.41375	9/26/2011	3/26/2018	30th	
	Mizuho Bank	1,700	1.48875	11/11/2011	11/11/2018	31st	
	Bank of Tokyo-Mitsubishi UFJ	2,000	1.37250	5/25/2012	5/25/2019	32nd	
	Development Bank of Japan	4,000	1.48000	6/25/2012	6/25/2020	34th	
	Sumitomo Mitsui Trust Bank	400	1.32375	6/29/2012	6/29/2019	32nd	
	Mitsubishi UFJ Trust and Banking	400	1.32375				
	The Norinchukin Bank	1,000	0.93500	7/25/2012	7/25/2017	28th	
	Bank of Tokyo-Mitsubishi UFJ	1,400	1.32250	8/29/2012	8/29/2019	33rd	
	Mitsubishi UFJ Trust and Banking	2,000	1.24625	11/19/2012	11/19/2019	33rd	
	Mizuho Bank	500	1.23375	12/25/2012	12/25/2019	33rd	
	Mitsubishi UFJ Trust and Banking	500	0.77500		6/25/2016	26th	
		500	1.07500	6/25/2013	6/25/2018	30th	
		1,500	1.45125		6/25/2020	34th	
	Sumitomo Mitsui Trust Bank	2,900	1.53375		12/25/2020	35th	
	The Norinchukin Bank	500	1.47250	6/27/2013	6/27/2020	34th	
	Mitsui Sumitomo Insurance	500					
	Development Bank of Japan	1,000	1.91375		6/27/2023	40th	
	Mizuho Trust & Banking	1,500	1.51375		7/31/2021	36th	
	Dai-ichi Life Insurance	2,500	0.99125	7/31/2013	7/31/2018	30th	
	Nippon Life Insurance	500	1.51375		7/31/2021	36th	
	Sumitomo Mitsui Trust Bank	2,500	1.21000	12/25/2013	12/25/2020	35th	
	Mitsubishi UFJ Trust and Banking	2,000			6/25/2019	32nd	
	1,500	0.95625		1/27/2020	33rd		
Dai-ichi Life Insurance	1,000	1.04625	1/27/2014	1/27/2019	31st		
The Norinchukin Bank	3,000	0.85000		1/27/2019	31st		
Development Bank of Japan	5,000	1.57750	2/25/2014	2/25/2024	42nd		
Mizuho Bank	1,000	1.05250	6/25/2014	6/25/2021	36th		
Mitsui Sumitomo Insurance	1,000						
Sumitomo Mitsui Trust Bank	1,600						
Bank of Tokyo-Mitsubishi UFJ	800	0.96875	10/22/2014	10/22/2021	37th		
Mizuho Bank	800						
Mitsubishi UFJ Trust and Banking	800						
Development Bank of Japan	5,000	1.26125	6/25/2015	6/25/2025	44th		
Shinkin Central Bank	2,000	0.99000	7/27/2015	7/27/2022	38th		
Sumitomo Mitsui Trust Bank	2,000						
Mizuho Bank	1,700	0.89250	11/11/2015	11/11/2022	39th		
Daido Life Insurance Company	500	0.85875	12/25/2015	12/25/2022	39th		
<b>Total Long-Term Borrowings</b>	<b>87,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total Borrowings</b>	<b>87,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Bonds	#3 Investment Corporation Bond	3,000	1.47000	10/22/2012	10/21/2022	39th	Unsecured Unguaranteed
	#4 Investment Corporation Bond	3,500	0.39900	2/14/2014	2/14/2019	32nd	
	#5 Investment Corporation Bond	3,000	0.68200	3/11/2014	3/11/2021	36th	
<b>Total Corporate Bond</b>	<b>9,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total Interest-Bearing Debt</b>	<b>97,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

\* Average Interest Rate: 1.32%

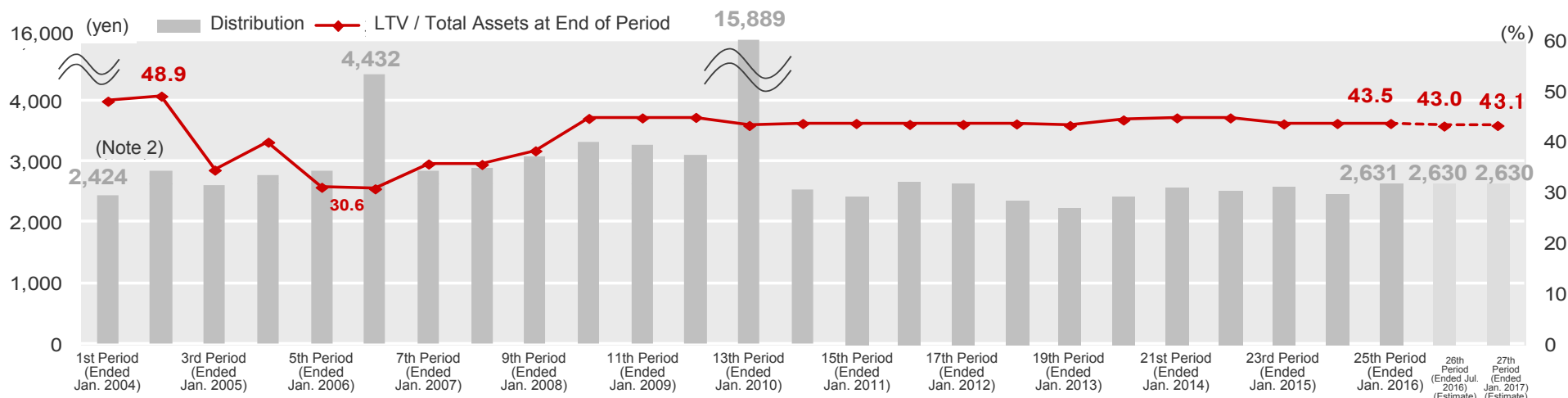
\* Interest-Bearing Debt does not include Securities Deposits provided by tenants.

# Result of Strategic Debt Management ( iv )

## Deemed Interest-Bearing Debt



## Distribution and LTV / Total Assets at End of Period



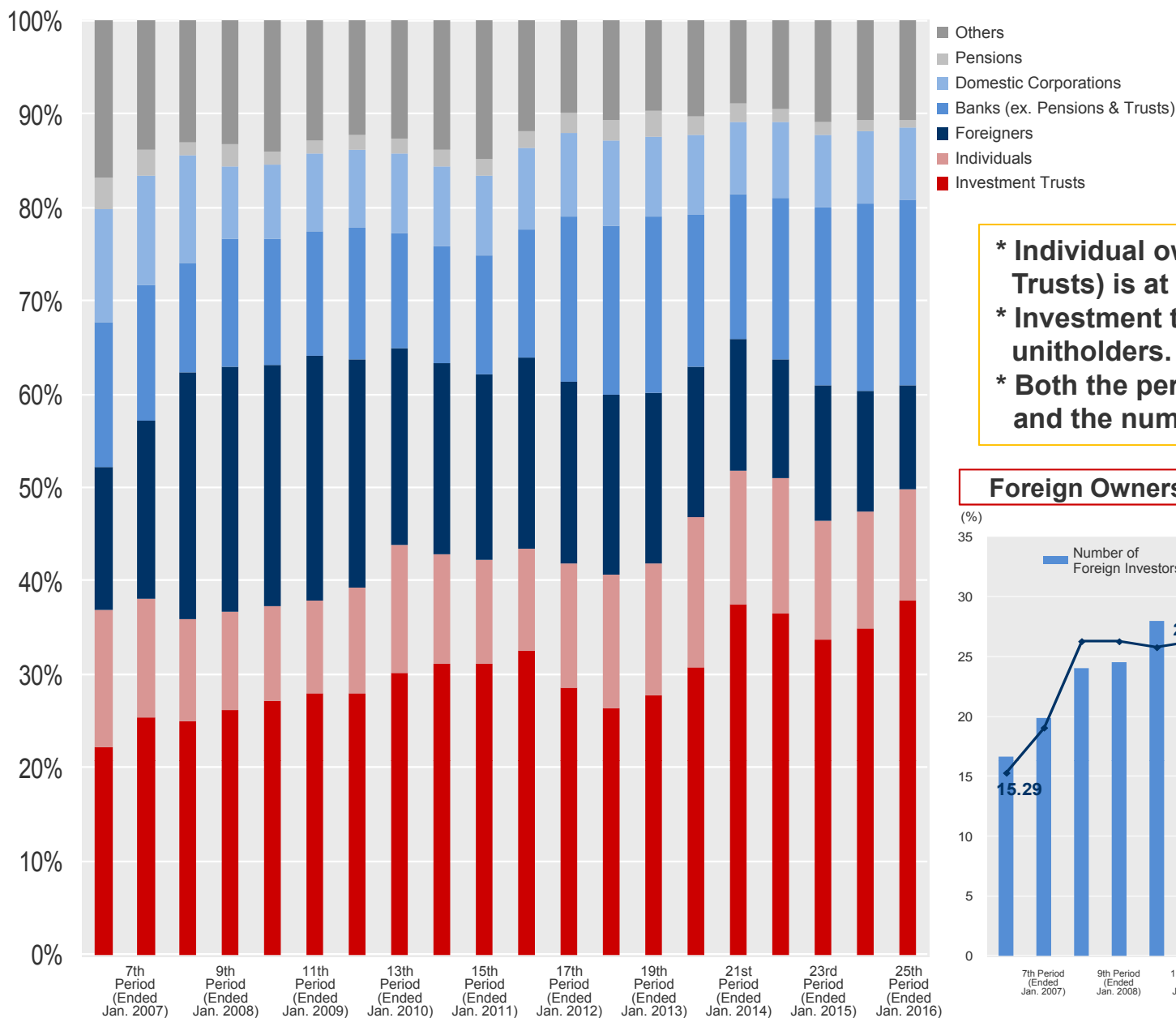
\* LTV / Total Assets at End of Period = Balance of Period End Interest-Bearing Debt / Period End Total Assets

(Note 1) Deemed interest-bearing debt = Interest-bearing debt + Leasehold and security deposits without reserved cash

Leasehold and security deposits without reserved cash = (Tenant leasehold and security deposits held in trust + Tenant leasehold and security deposits) - (Cash and deposits with banks held in trust + Cash and deposits with banks - Balance of retained earnings)

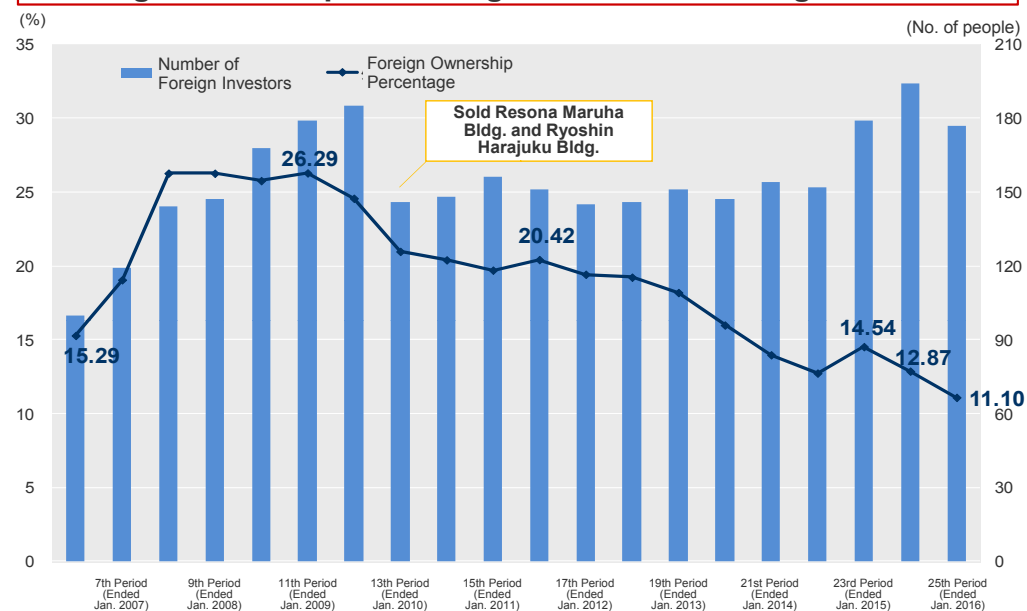
(Note 2) Official distribution in the 1st period was ¥1,897 based on the actual operating period of 144 days, but the recalculated distribution of ¥2,424 based on 184 operating days is used in the above graph for the sake of comparison with figures from the 2nd period and thereafter.

## Changes in Unitholder Composition (Main Segments)



\* Individual ownership percentage (Individuals and Trusts) is at the level closing on 50% of the total.  
 \* Investment trusts hold the largest share among unitholders.  
 \* Both the percentage of investments by foreigners and the number of foreign investors have decreased

## Foreign Ownership Percentage / Number of Foreign Investors





# List of Major Unitholders

## 1st Period (Ended Jan. 31, 2004) (Note)

Unitholders	No. of Units Held	Share (%)
1 Tokyu Corporation	29,400	6.00
2 Kawasaki Gakuen School Corporation	25,000	5.10
3 Tokyu Land Corporation	19,600	4.00
4 Japan Trustee Services Bank	15,420	3.14
5 Shinwa Bank	13,970	2.85
6 Aozora Bank	13,830	2.82
7 Hiroshima Bank	10,320	2.10
8 Resona Bank	10,215	2.08
9 Morgan Stanley	10,080	2.05
10 Bank of Ikeda	9,585	1.95
11 The Gibraltar Life Insurance Company	7,670	1.56
12 The Chase Manhattan Bank London	7,300	1.48
13 AIG Star Life Insurance Co., Ltd.	6,970	1.42
14 Trust & Custody Services Bank, Ltd.	6,005	1.22
15 The Chase Manhattan Bank London (SL Omnibus Acct.)	5,450	1.11
16 North Pacific Bank	5,000	1.02
16 Bank of Bermuda	5,000	1.02
18 The Hachijuni Bank, Ltd.	4,800	0.97
19 American Life Insurance Company	4,795	0.97
20 Pictet & Cie	4,735	0.96
<b>Total Units Held by Top 20 Unitholders</b>	<b>215,145</b>	<b>43.90</b>
<b>Outstanding Units</b>	<b>490,000</b>	<b>100.00</b>

## 24th Period (Ended Jul. 31, 2015)

Unitholders	No. of Units Held	Share (%)
1 Japan Trustee Services Bank	283,522	29.00
2 The Master Trust Bank of Japan, Ltd.	66,612	6.81
3 Trust & Custody Services Bank, Ltd.	54,998	5.62
4 Tokyu Corporation	49,000	5.01
5 The Nomura Trust and Banking Co., Ltd.	30,320	3.10
6 MetLife Insurance K.K.	17,286	1.76
7 Asahi Fire and Marine Insurance	15,000	1.53
8 BNP PARIBAS SECURITIES SERVICES SYDNEY/JASDEC/AUSTRALIAN RESIDENTS	13,242	1.35
9 Trust & Custody Services Bank, Ltd.	10,750	1.09
10 STATE STREET BANK-WEST PENSION FUND CLIENTS-EXEMPT 505233	9,774	0.99
11 Mitsubishi UFJ Trust and Banking Corporation	9,196	0.94
12 The Hokkoku Bank, Ltd.	9,178	0.93
13 The Bank of Kyoto, Ltd.	9,175	0.93
14 STATE STREET BANK WEST CLIENT-TREATY 505234	8,642	0.88
15 STATE STREET BANK AND TRUST COMPANY 505223	8,577	0.87
16 Nomura Securities Co., Ltd. (Proprietary Account)	8,500	0.86
17 The Hachijuni Bank, Ltd.	7,520	0.76
18 UNION BANCAIRE PRIVEE (EUROPE) SA, AIFMD CLIENTS	7,500	0.76
19 The Chiba Bank, Ltd.	7,228	0.73
19 The Gibraltar Life Insurance Company	7,228	0.73
<b>Total Units Held by Top 20 Unitholders</b>	<b>633,248</b>	<b>64.77</b>
<b>Outstanding Units</b>	<b>977,600</b>	<b>100.00</b>

## 25th Period (Ended Jan. 31, 2016)

Unitholders	No. of Units Held	Share (%)
1 Japan Trustee Services Bank	276,500	28.28
2 Trust & Custody Services Bank, Ltd.	87,268	8.92
3 The Master Trust Bank of Japan, Ltd.	66,928	6.84
4 Tokyu Corporation	49,000	5.01
5 The Nomura Trust and Banking Co., Ltd.	34,685	3.54
6 Nomura Securities Co., Ltd. (Proprietary Account)	15,000	1.53
6 Asahi Fire and Marine Insurance	15,000	1.53
8 MetLife Insurance K.K.	13,257	1.35
9 Trust & Custody Services Bank, Ltd.	10,750	1.09
10 BNP PARIBAS SECURITIES SERVICES SYDNEY/JASDEC/AUSTRALIAN RESIDENTS	10,669	1.09
11 STATE STREET BANK-WEST PENSION FUND CLIENTS-EXEMPT 505233	10,293	1.05
12 Mitsubishi UFJ Trust and Banking Corporation	9,196	0.94
13 Japan Trustee Services Bank	7,882	0.80
14 The Hachijuni Bank, Ltd.	7,520	0.76
15 STATE STREET BANK WEST CLIENT-TREATY 505234	7,484	0.76
16 The Chiba Bank, Ltd.	7,303	0.74
17 The Hokkoku Bank, Ltd.	7,178	0.73
18 The Gibraltar Life Insurance Company	6,898	0.70
19 CBHK-CTBC BANK-YUANTA GLOBAL REITS FUND	4,375	0.44
20 STATE STREET BANK AND TRUST COMPANY 505223	4,110	0.42
<b>Total Units Held by Top 20 Unitholders</b>	<b>651,296</b>	<b>66.62</b>
<b>Outstanding Units</b>	<b>977,600</b>	<b>100.00</b>

(Note) Number of units held by respective unitholder at the end of the 1st period has been adjusted to take into account the split of investment units (five-for-one split) conducted on February 1, 2014.

# **TOKYU REIT**

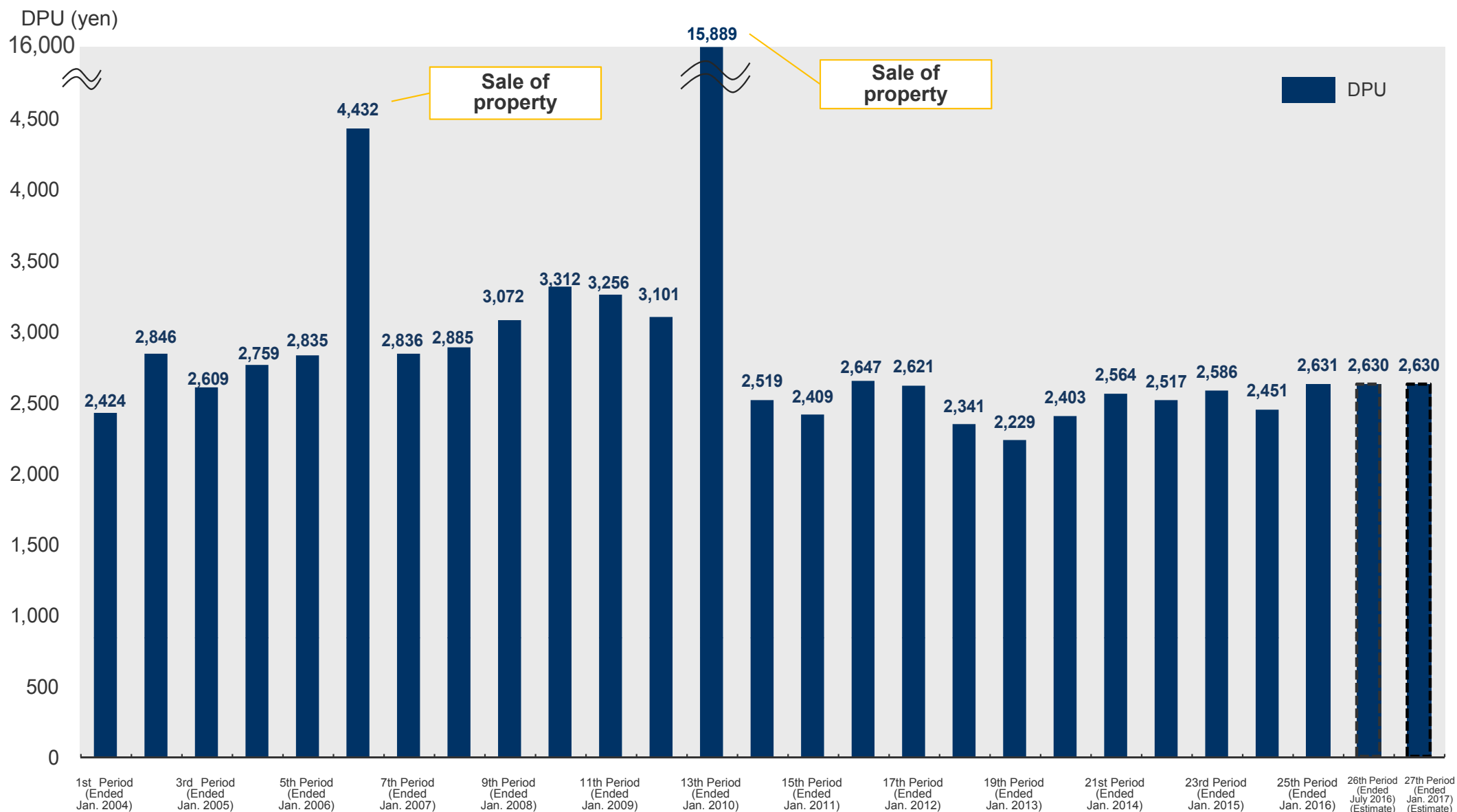
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## **4. Appendix**

### **(5) Results and Performance**

# Changes in Distribution per Unit (DPU)

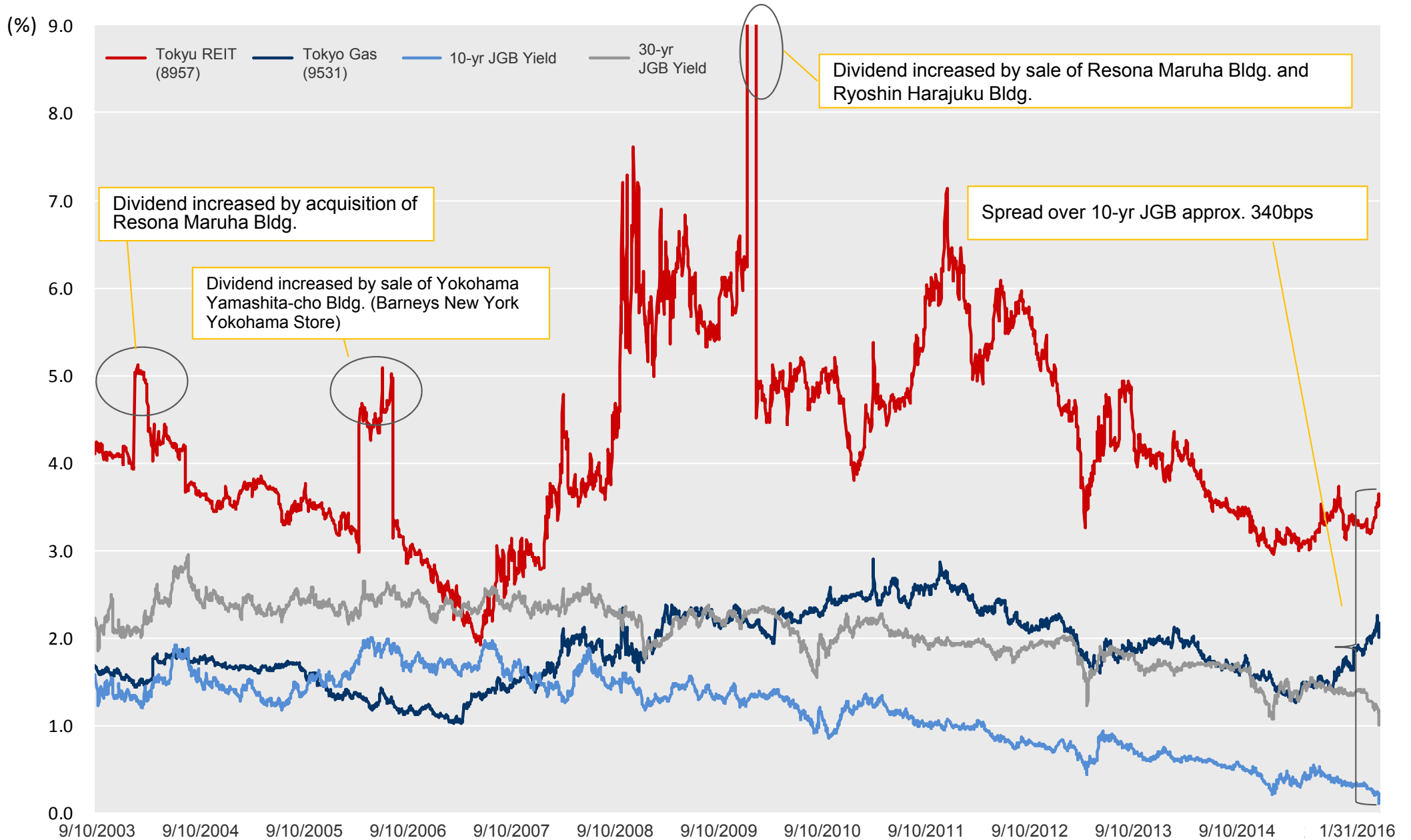
Continue to aim for stable distribution.



\* Official distribution per unit in the 1st period was ¥1,897 (adjusted for five-for-one split) based on the actual operating period of 144 days, but the recalculated distribution per unit of ¥2,424 based on 184 operating days is used in the above graph for the sake of comparison with figures from the 2nd period and thereafter.

\* Distribution per unit stated in this document has been adjusted to take into account the split of investment units (five-for-one split) conducted on February 1, 2014 for pre-split figures.

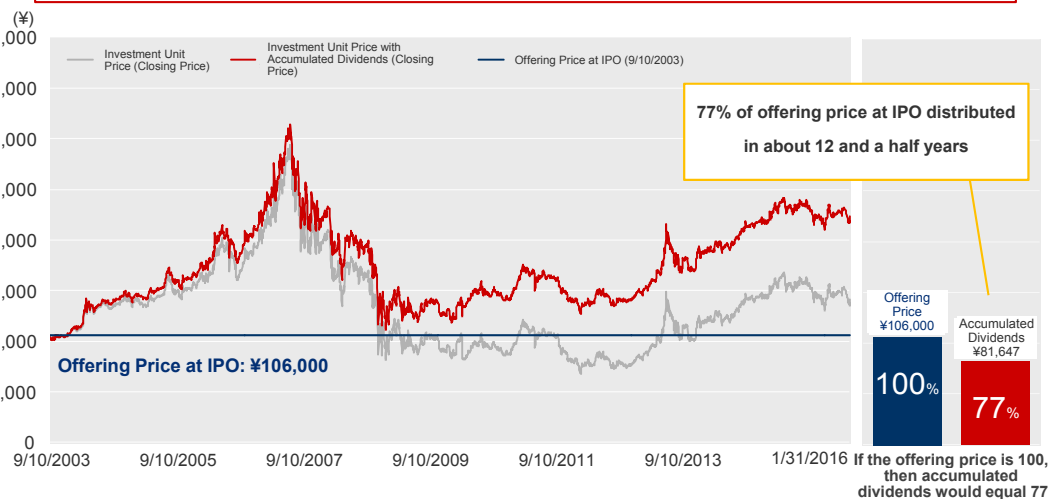
# Dividend Yield (TOKYU REIT, Tokyo Gas, JGBs (10-yr, 30-yr))



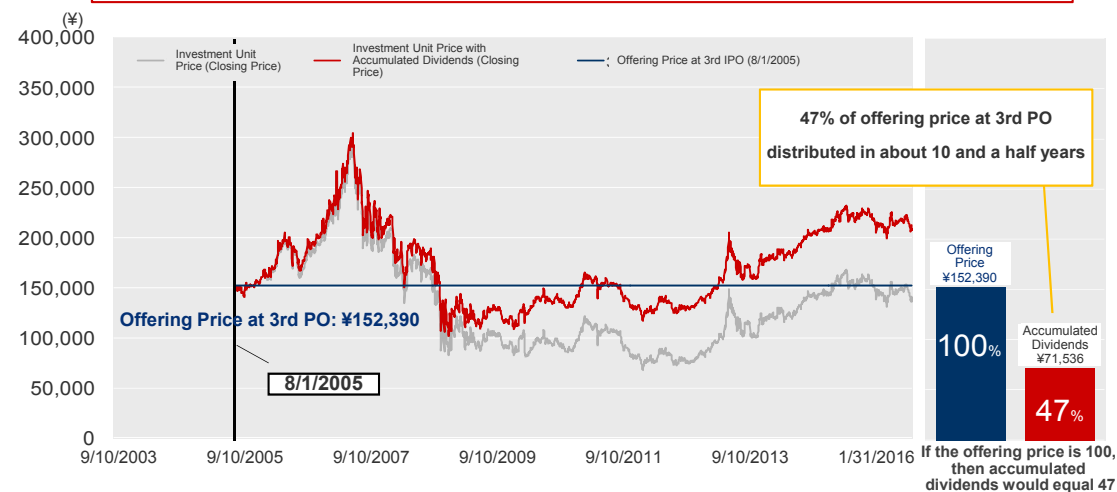
# Performance Against Public Offering Price (Adjusted for Split of Investment Units)

Yield greater than offering prices in the past four POs is provided.

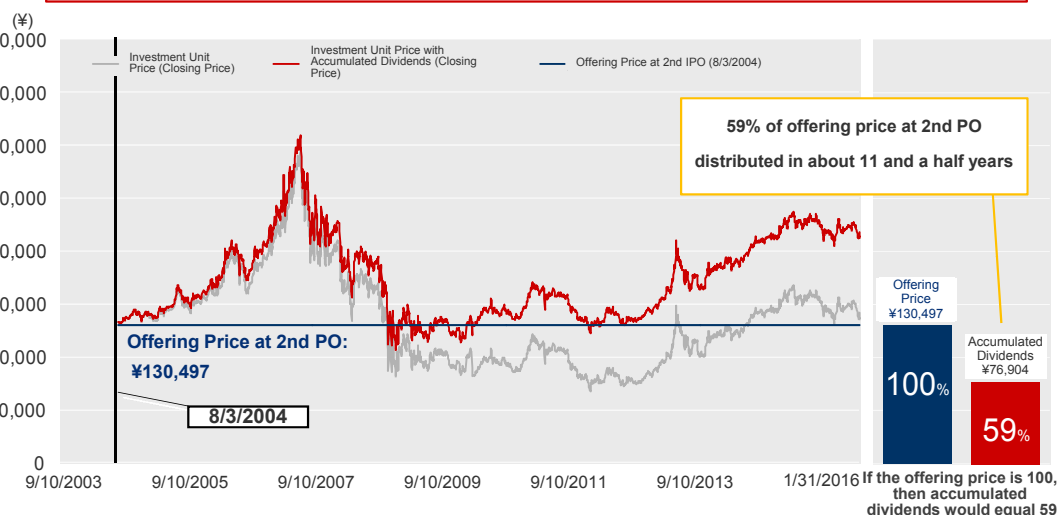
## IPO (Initial Public Offering) (Issued Sep. 10, 2003)



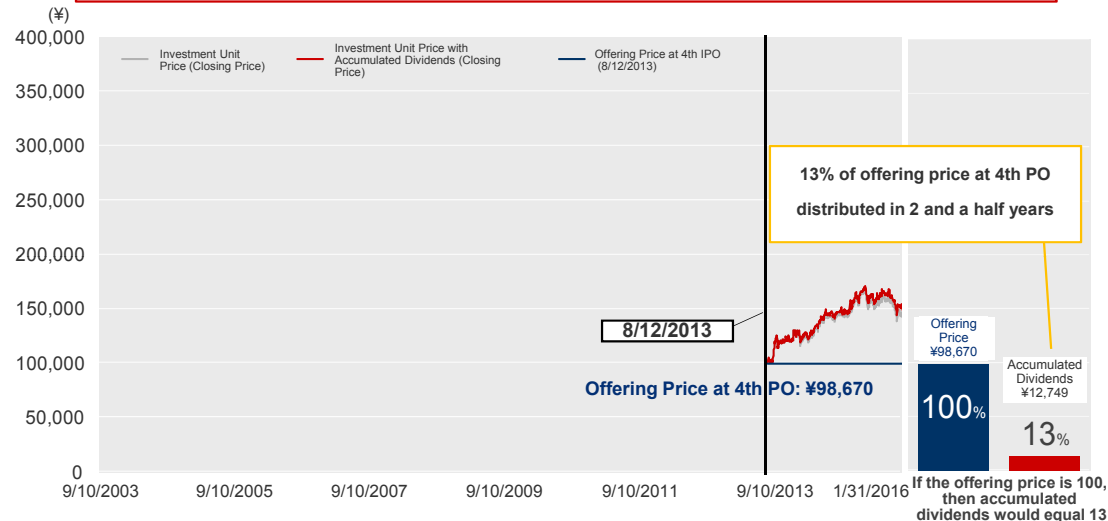
## Third Public Offering (Issued Aug. 1, 2005)



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



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



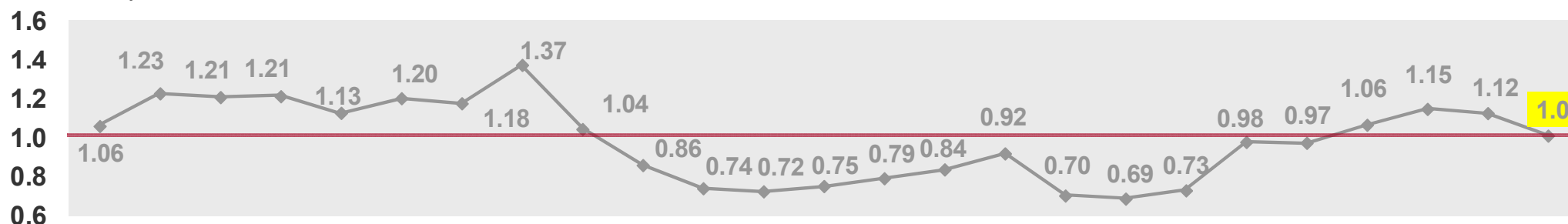
\* Investment unit price and offering price stated in this document have been adjusted to take into account the split of investment units (five-for-one split) conducted on February 1, 2014 for pre-split figures.



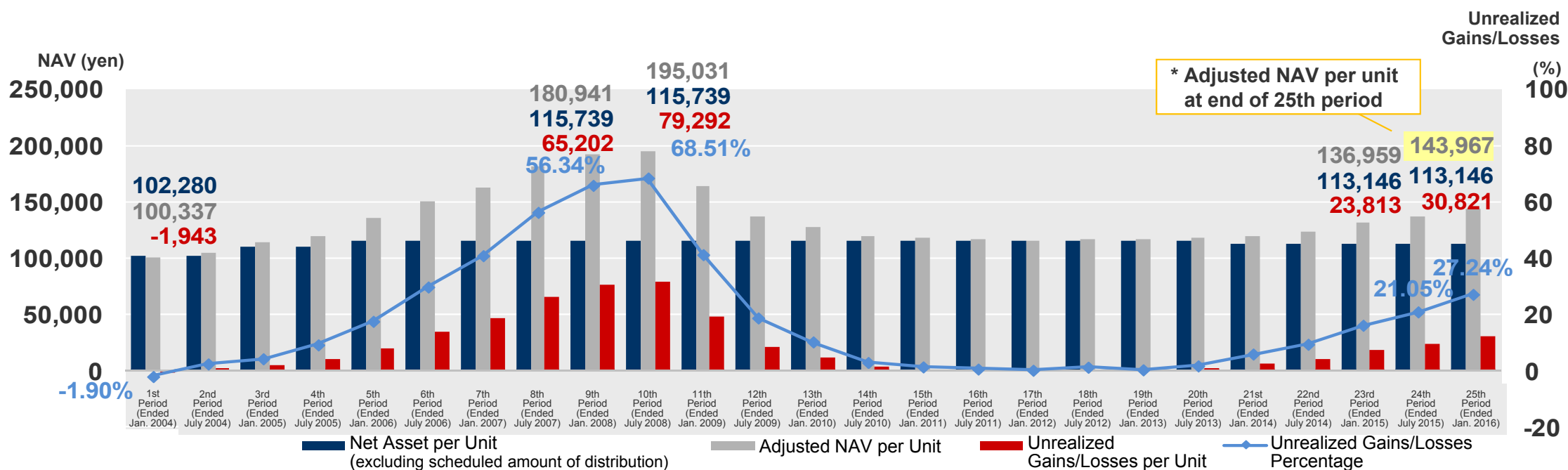
# Changes in Asset Value (Adjusted NAV per Unit)

Adjusted NAV per unit reflecting unrealized gains/losses increased ¥7,008 to ¥143,967. Adjusted NAV multiple was 1.01x.

Adjusted NAV Multiple



Adjusted NAV Multiple = Average Price of Investment Unit (Closing) / Adjusted NAV per Unit Reflecting Unrealized Gains/Losses (End of Period)



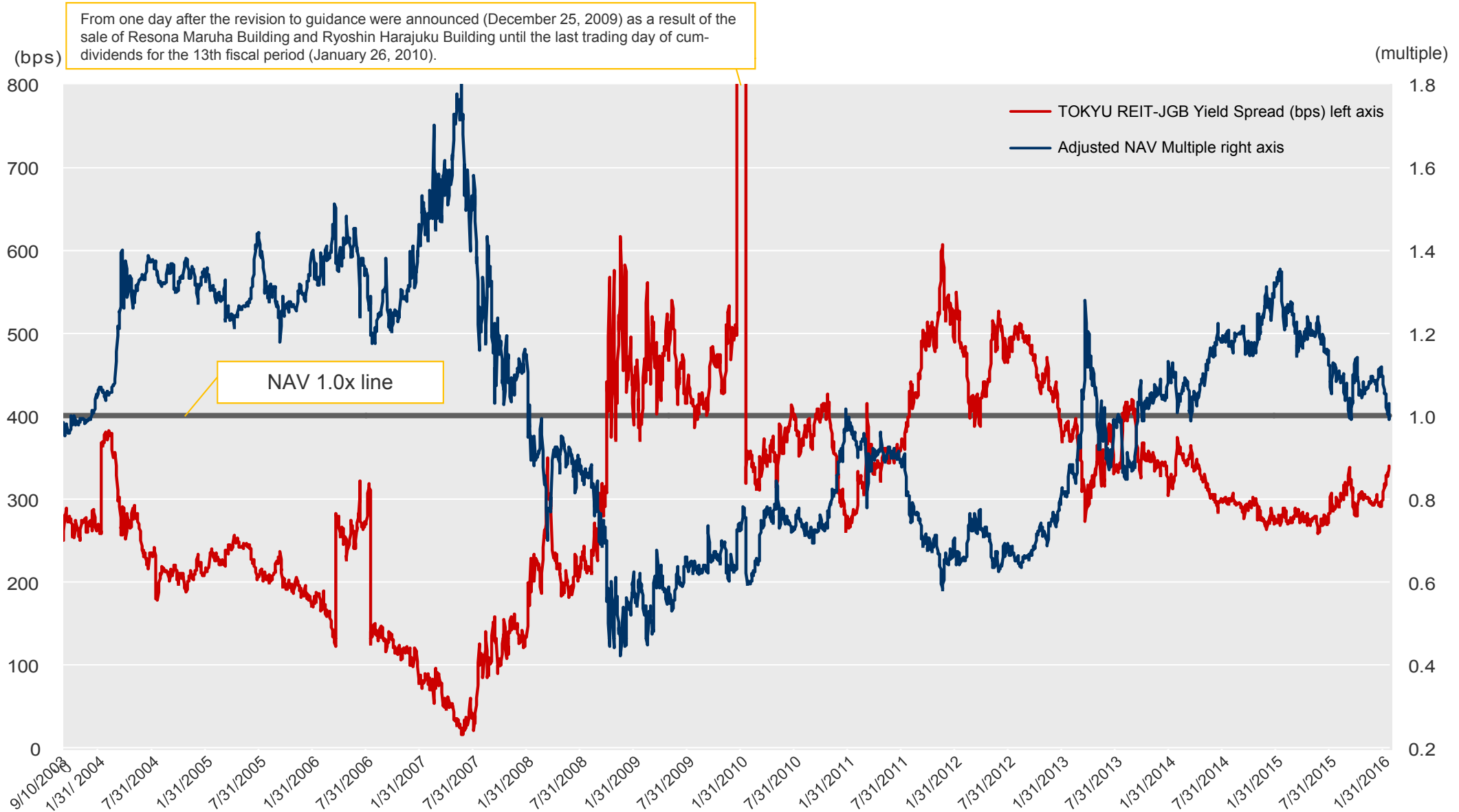
\* Adjusted NAV per unit at end of 25th period

Period	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	11th	12th	13th	14th	15th	16th	17th	18th	19th	20th	21st	22nd	23rd	24th	25th
Average Investment Unit Price	¥106,165	¥138,141	¥153,304	¥191,661	¥200,132	¥120,714	¥95,715	¥98,085	¥81,328	¥84,558	¥116,503	¥150,756	¥145,209												
Net Asset per Unit (excluding scheduled amount of distribution)	¥128,619	¥145,216	¥180,487	¥248,307	¥167,180	¥99,354	¥94,172	¥106,931	¥80,332	¥115,068	¥131,777	¥153,975													
Adjusted NAV per Unit	100,337	100,337	100,337	100,337	100,337	100,337	100,337	180,941	115,739	195,031	115,739	115,739	115,739	115,739	115,739	115,739	115,739	115,739	115,739	115,739	115,739	115,739	136,959	143,967	143,967
Unrealized Gains/Losses per Unit	-1,943	0	0	0	0	0	0	65,202	79,292	115,739	79,292	79,292	79,292	79,292	79,292	79,292	79,292	79,292	79,292	79,292	79,292	79,292	23,813	30,821	30,821
Unrealized Gains/Losses Percentage	-1.90%	0%	0%	0%	0%	0%	0%	56.34%	68.51%	68.51%	68.51%	68.51%	68.51%	68.51%	68.51%	68.51%	68.51%	68.51%	68.51%	68.51%	68.51%	68.51%	68.51%	21.05%	27.24%

\* Investment unit price, NAV per unit and adjusted NAV per unit reflecting unrealized gains/losses 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.

# TOKYU REIT-JGB Yield Spread and Adjusted NAV Multiple

The most recent investment unit price / NAV multiple remained at a little over 1.0x and JGB spread is around 340bps.

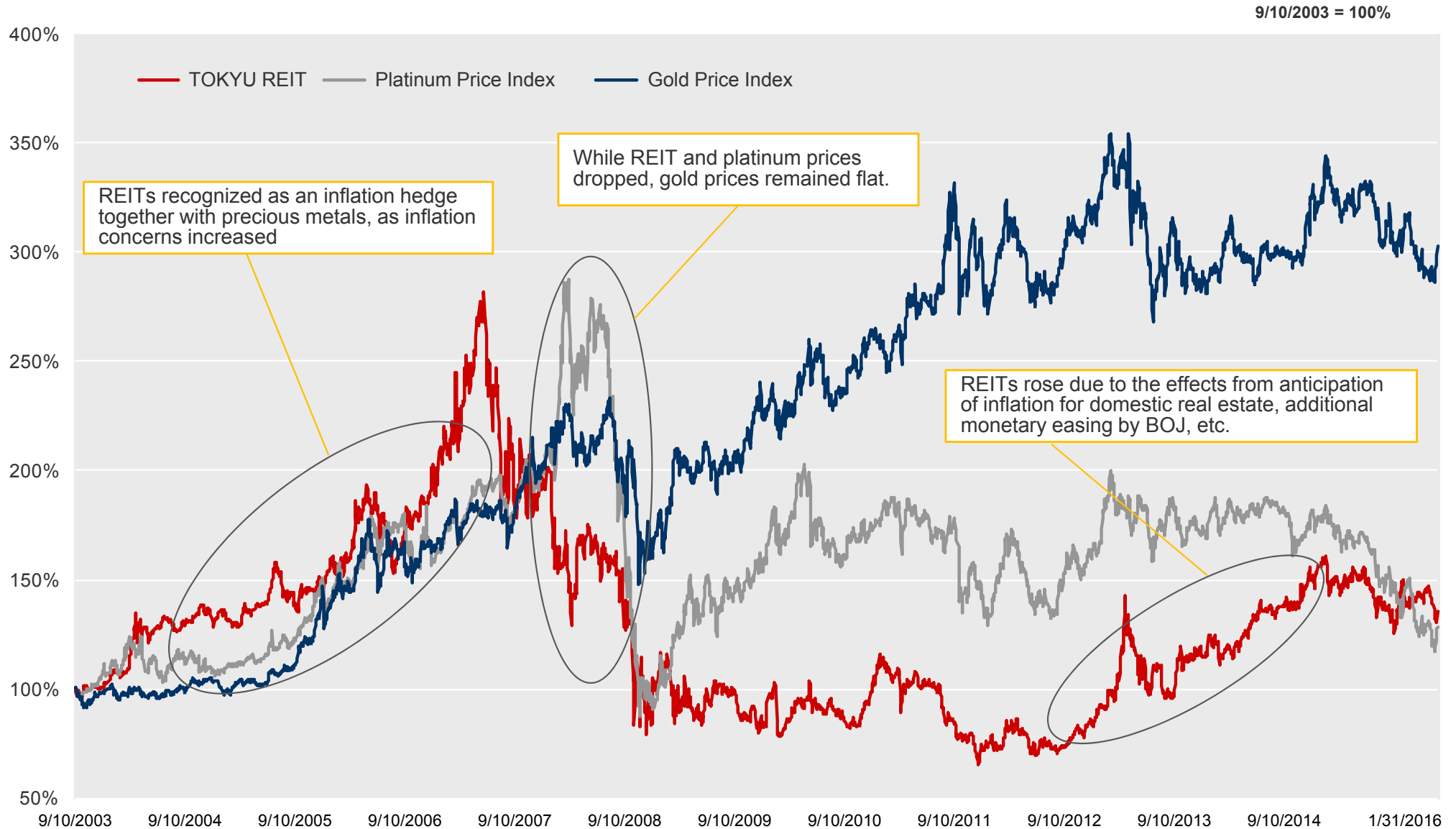


\* Adjusted NAV updated on the date of announcement of results for every period.

\* TOKYU REIT-JGB yield spread computed by Tokyu REIM based on Bloomberg data.

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

REITs can be considered as inflation hedge instruments generating dividend income.



# **TOKYU REIT**

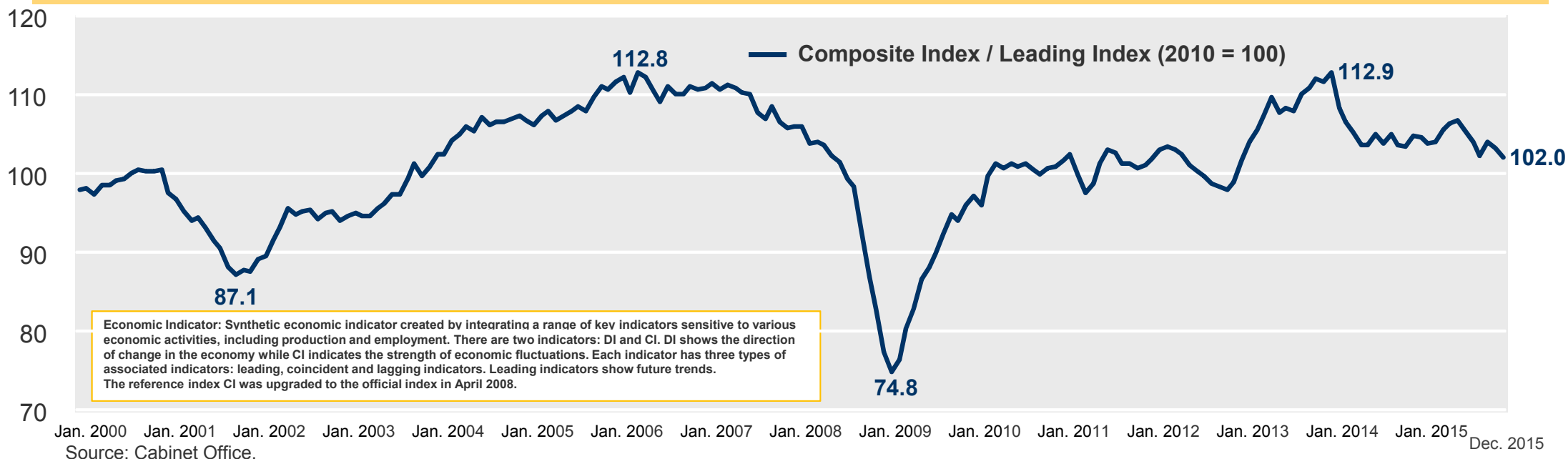
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## **4. Appendix**

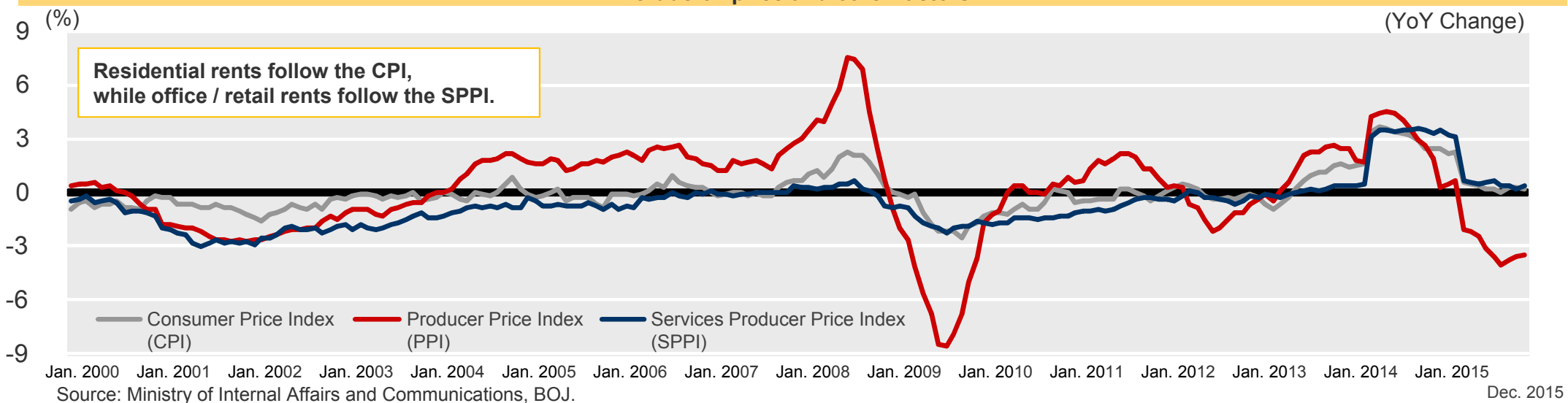
### **(6) Market Review**

# Economic Trends in Japan (Composite Index / Leading Index) / Price Index **TOKYU REIT**

**Abenomics leading to economy rapidly recovering, but slowed due to consumption tax hike.**



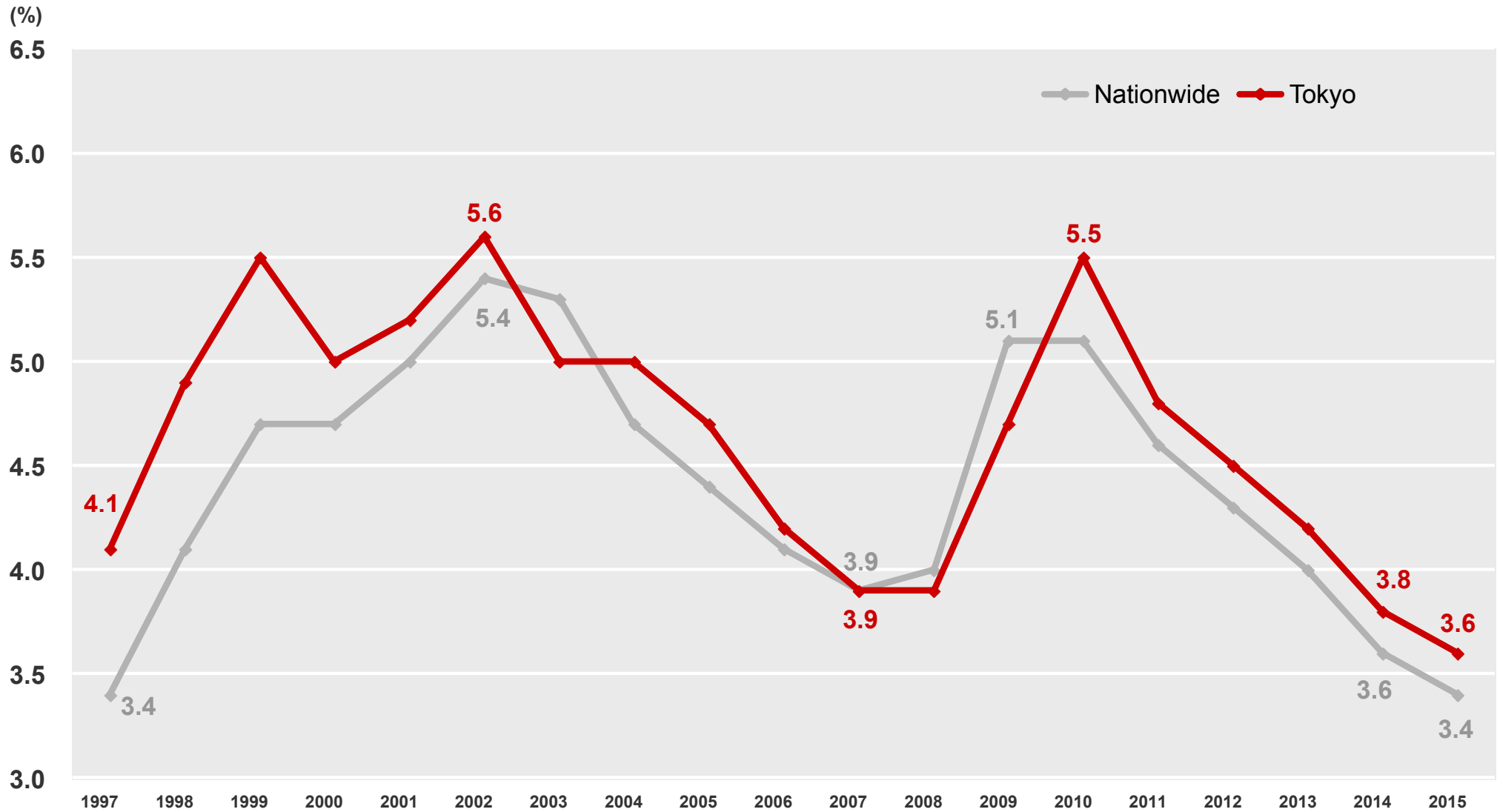
**Price indices are on a downward trend due to temporary decline in sales after the last-minute demand before the consumption tax hike and drop in crude oil price and other factors.**





# Unemployment Rate

Unemployment rate continues to fall steadily.

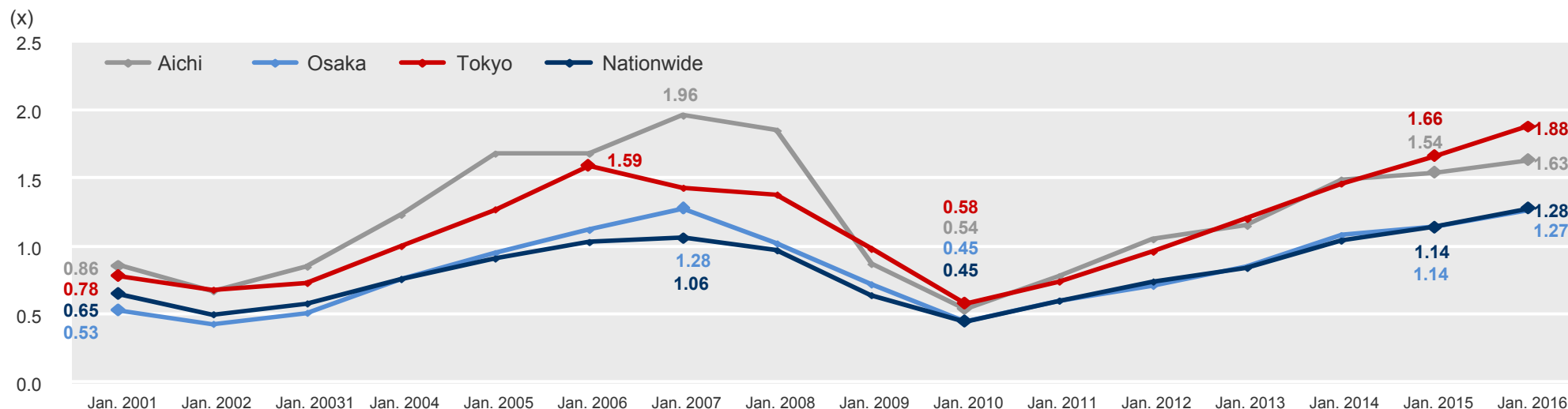


Source: "Labor Force Survey" by the Ministry of Internal Affairs and Communications.

# Employment Trends in Japan (Job Openings)

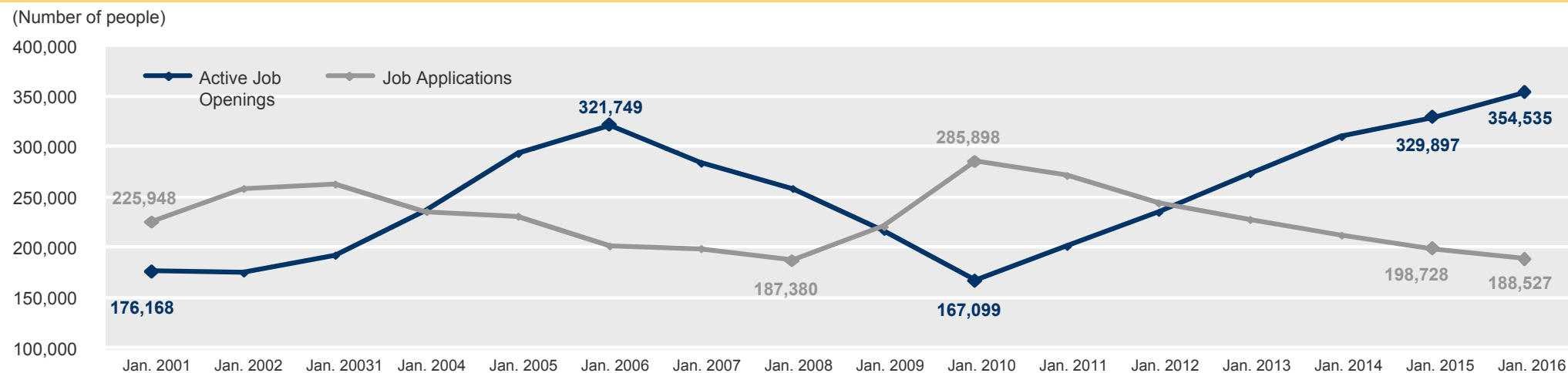
## ■ Job to Application Ratio (Seasonally Adjusted)

Job to application ratio continued to be on increasing trend, with Tokyo's exceeding 2006 level, the previous peak.



## ■ Active Job Openings / Job Applications in Tokyo

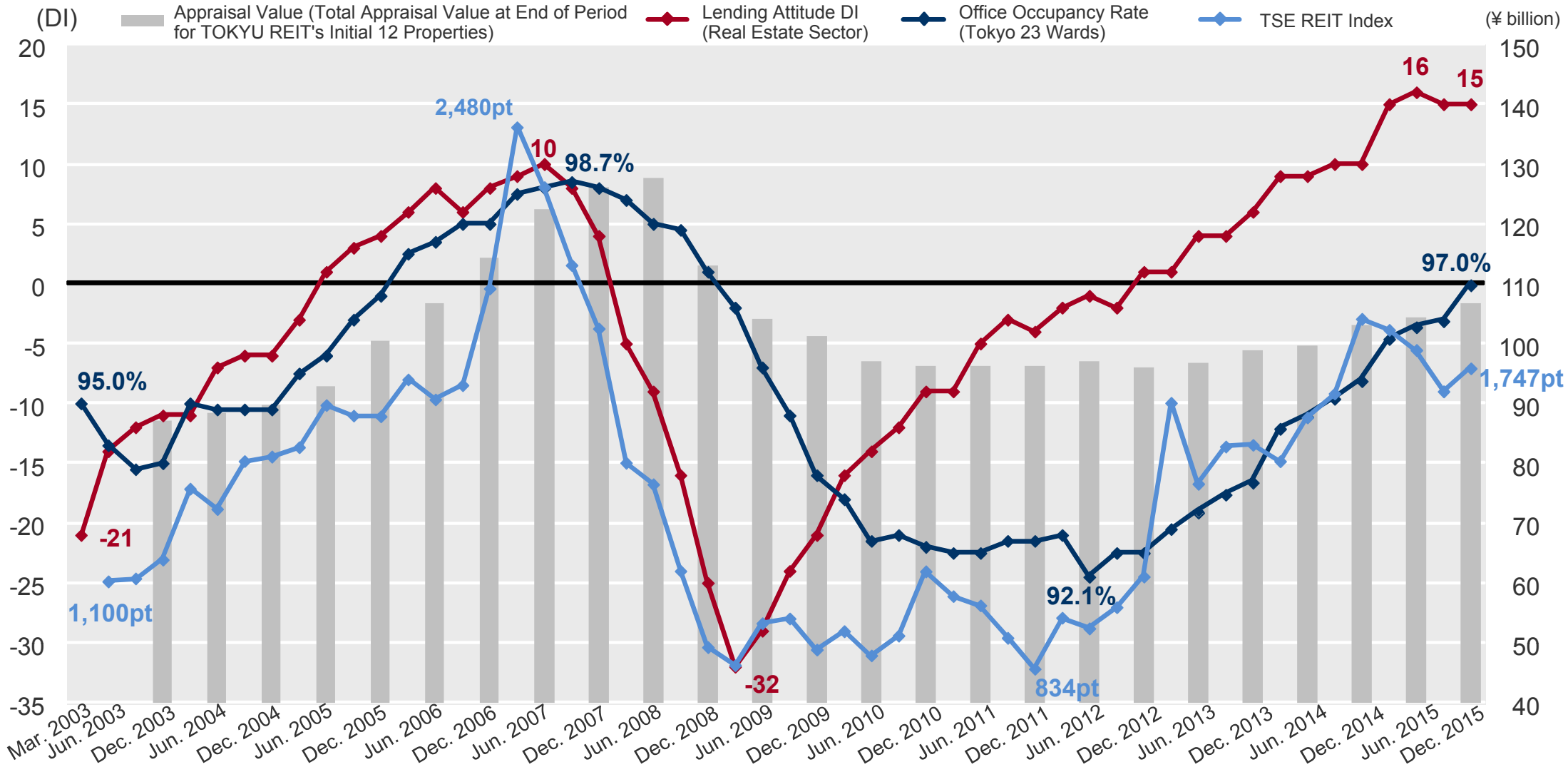
Number of job openings has been continuously increasing since 2010, reaching more than double. There are stronger sense of labor shortage. Population inflow into Tokyo might be accelerating.



Source: "Employment Service" by the Ministry of Health, Labour and Welfare.

# Changes in Occupancy Rate, Lending Attitude DI, Appraisal Value and TSE REIT Index

Lending attitude remained accommodative and occupancy rate also continued to recover.  
Real estate prices continue to be on an upward trend.



\* "TOKYU REIT's Initial 12 Properties" refers to the 11 properties TOKYU REIT incorporated into its portfolio at the time of listing and the TOKYU REIT Shibuya Udagawa-cho Square it acquired during the 2nd fiscal period, making a total of 12 properties.

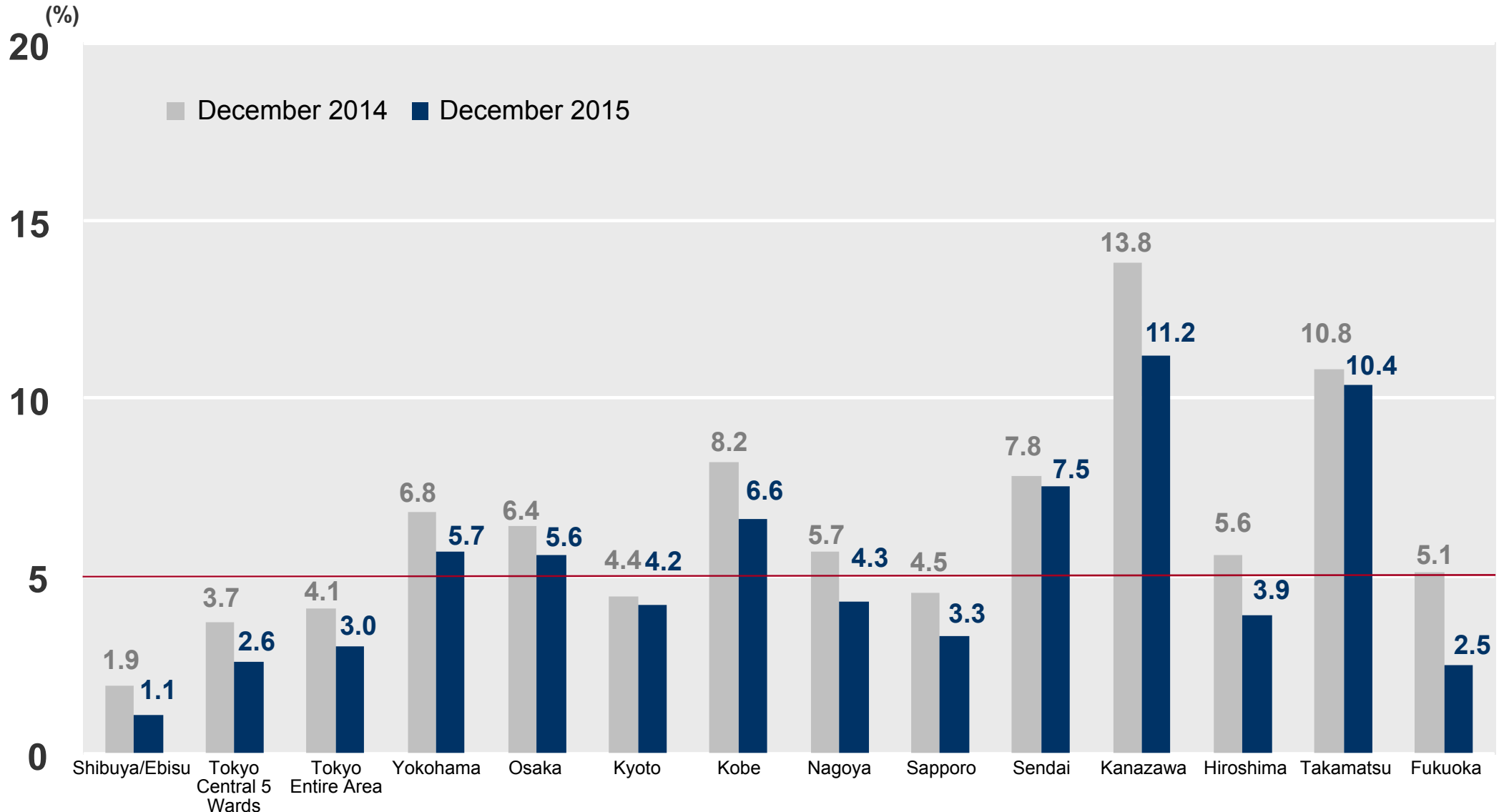
\* The December 2003 figure for TOKYU REIT Shibuya Udagawa-cho Square is the appraisal value as of October 1, 2003.

Source: BOJ "Tankan Survey" and CBRE K.K.

Office occupancy rate is calculated based on a new standard since the first quarter of 2015.

# Office Leasing Market Overview (1): Vacancy Rate by Market (All Grades)

Vacancy rate on improving trend nationwide, with Tokyo improving to 3.0% and Shibuya/Ebisu area hovering at 1% range.

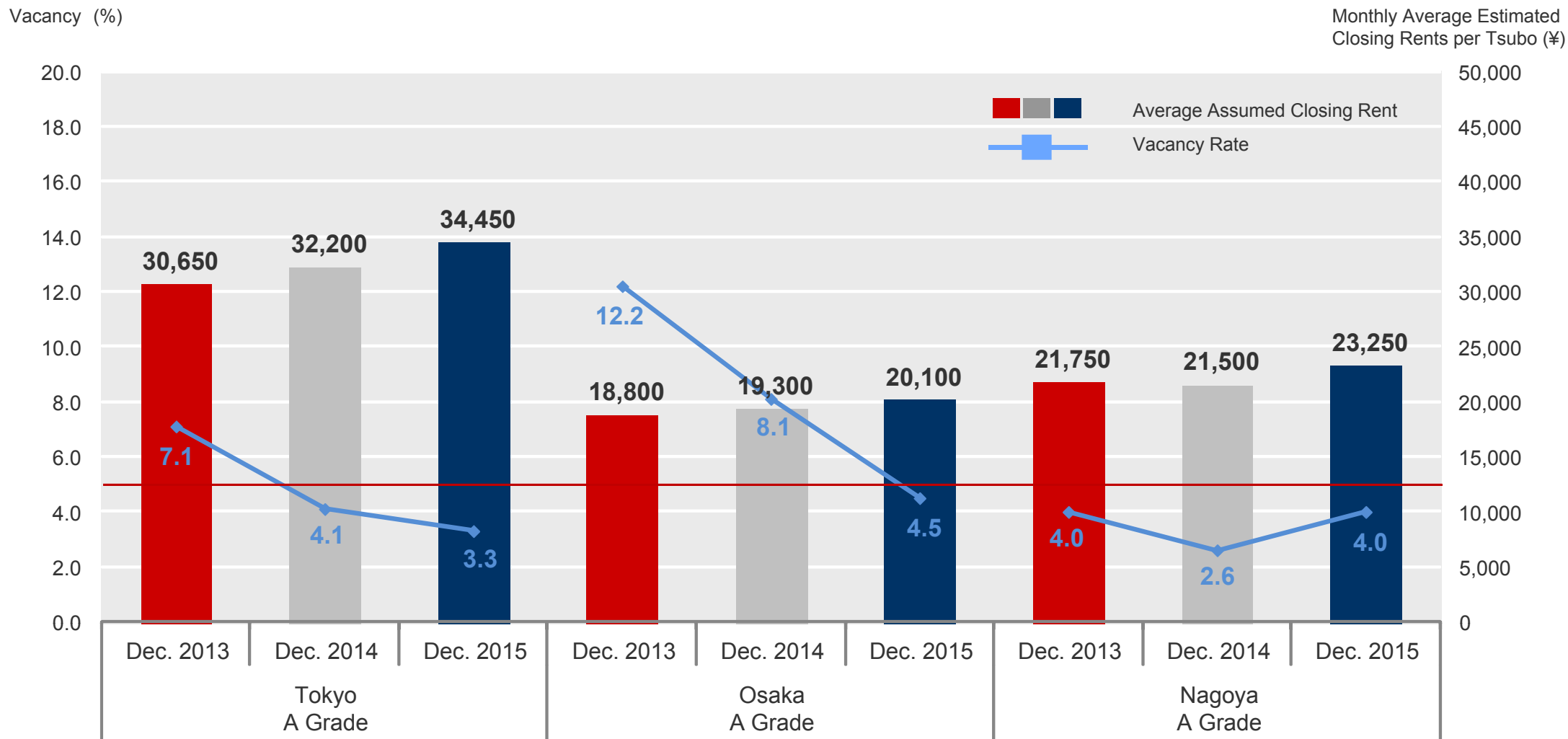


Source: CBRE K.K.

\* Vacancy is a count of properties that are available for immediate occupancy at the time of the count.

# Office Leasing Market Overview (2): Vacancy Rate and Average Assumed Closing Rent of Three Major Cities (A Grade Buildings) TOKYU REIT

Closing rent increased from the previous year in all of three major cities.

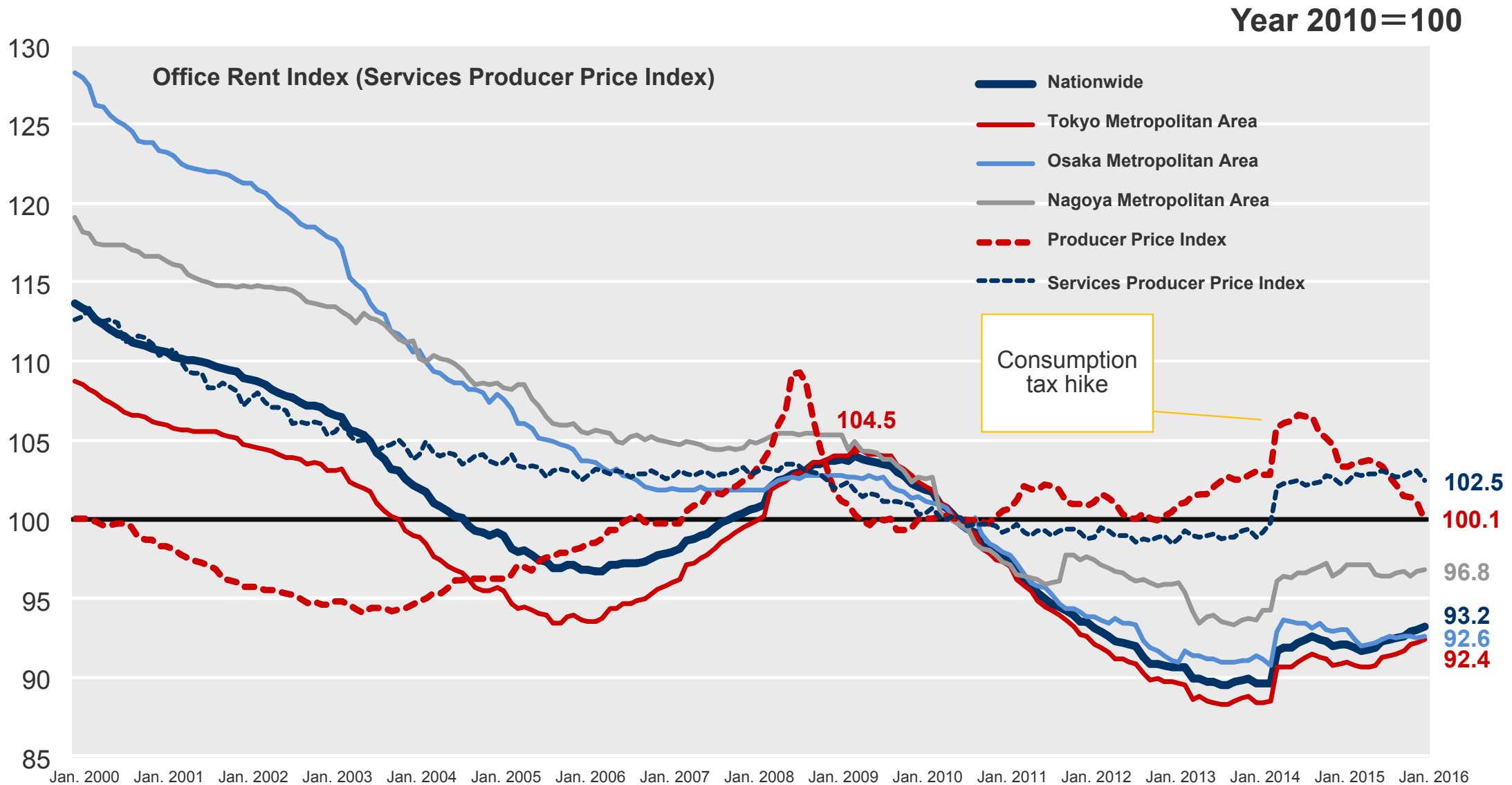


Source: CBRE K.K.



# Office Leasing Market Overview (3): Office Rent Index

Existing contract office rent remained flat after consumption tax hike.

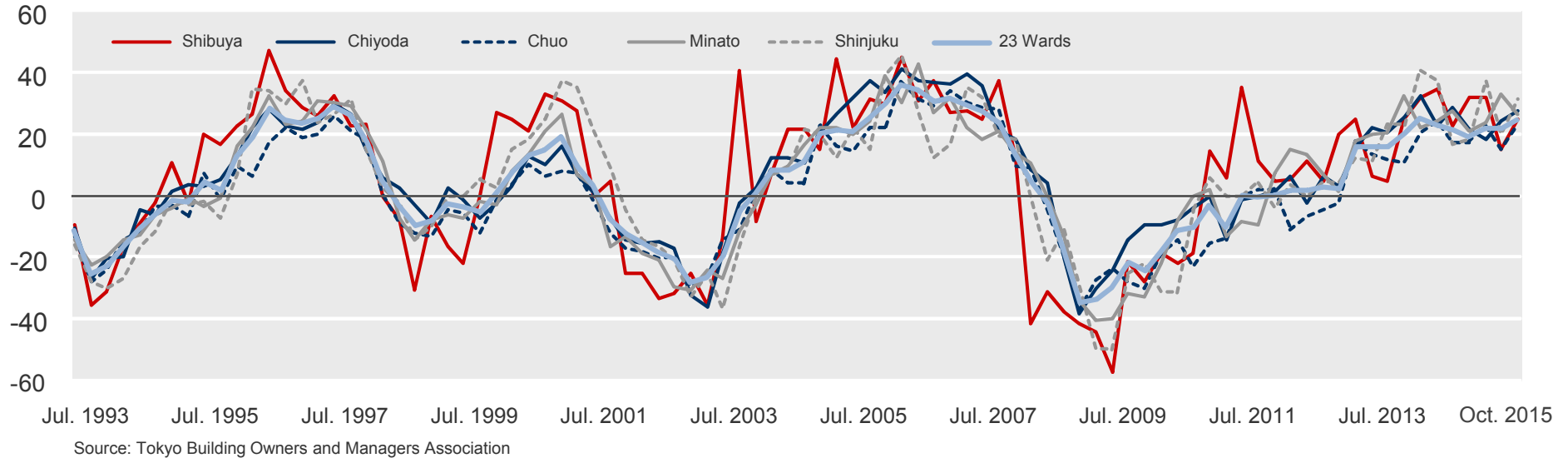


Source: Prepared by Tokyu REIM based on information from the BOJ website.

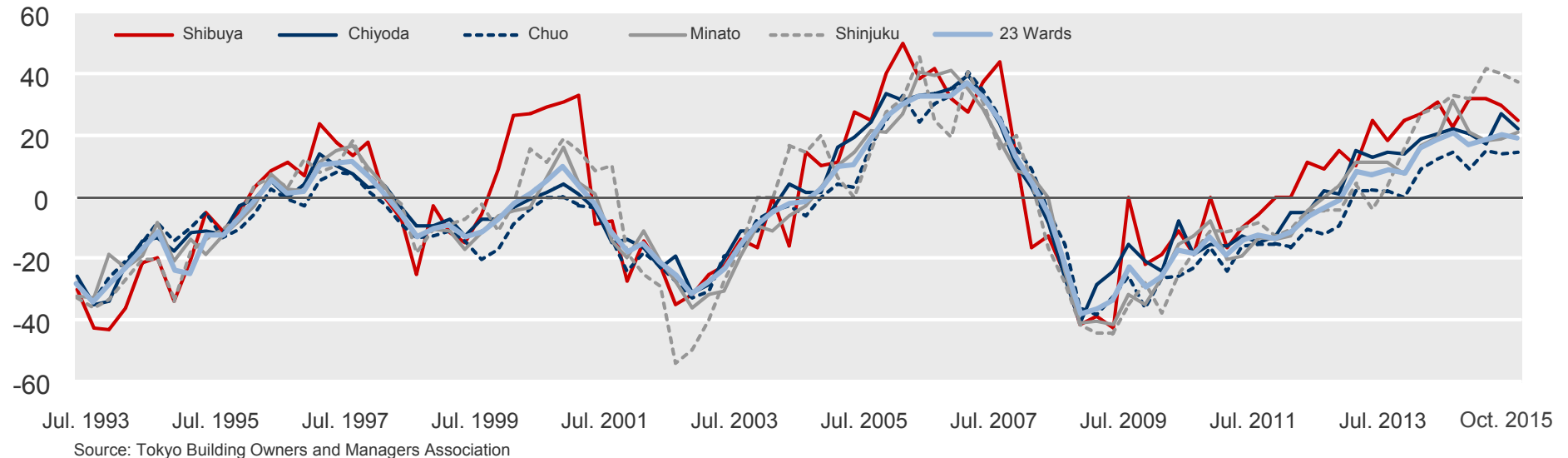
\* The Office Rent Index is calculated based on closing rents of all the occupying tenants.

Business sentiment favorable for both vacancy rate and rent.

## ■ Business Sentiment on Vacancy Levels in Tokyo (As of Jan., Apr., Jul. and Oct. of every year vs. their 3 months later)

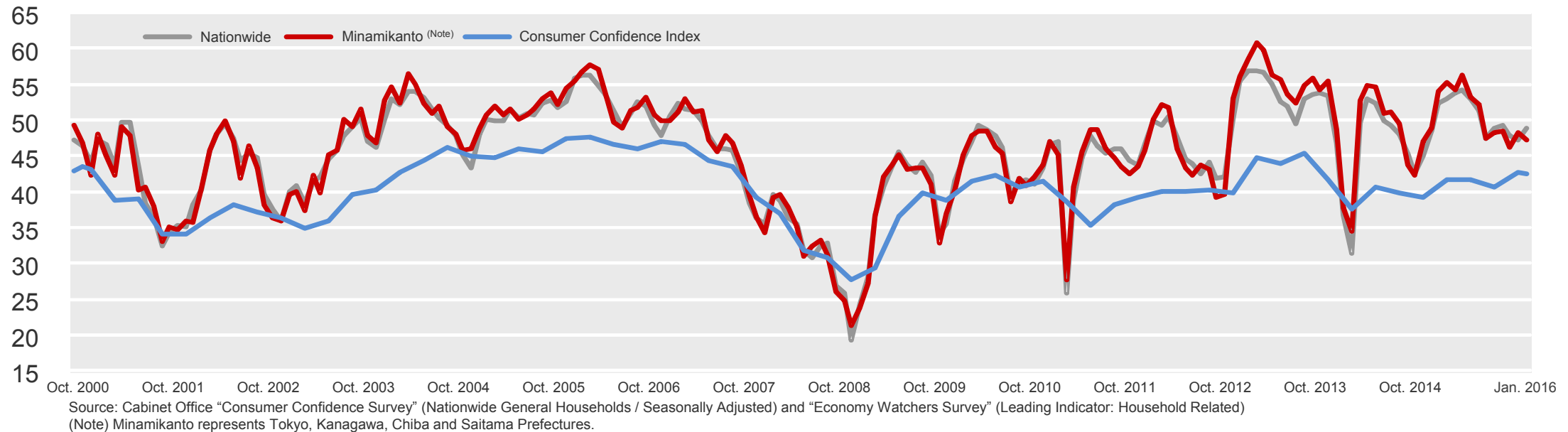


## ■ Business Sentiment on Rent Levels in Tokyo (As of Jan., Apr., Jul. and Oct. of every year vs. their 3 months later)

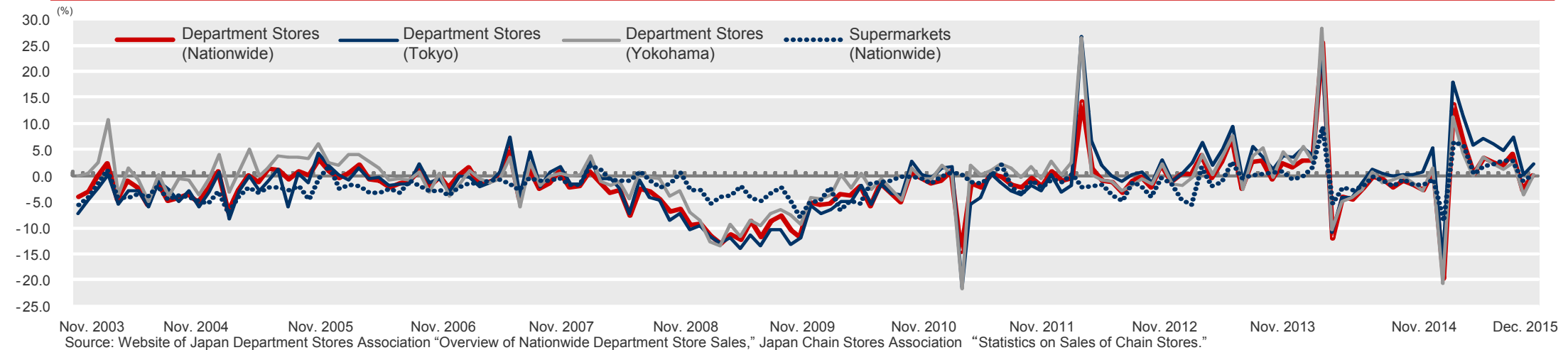


Consumer sentiment remains flat after the impact of consumption tax hike subsides.

## Consumer Confidence Index and Economy Watchers Survey

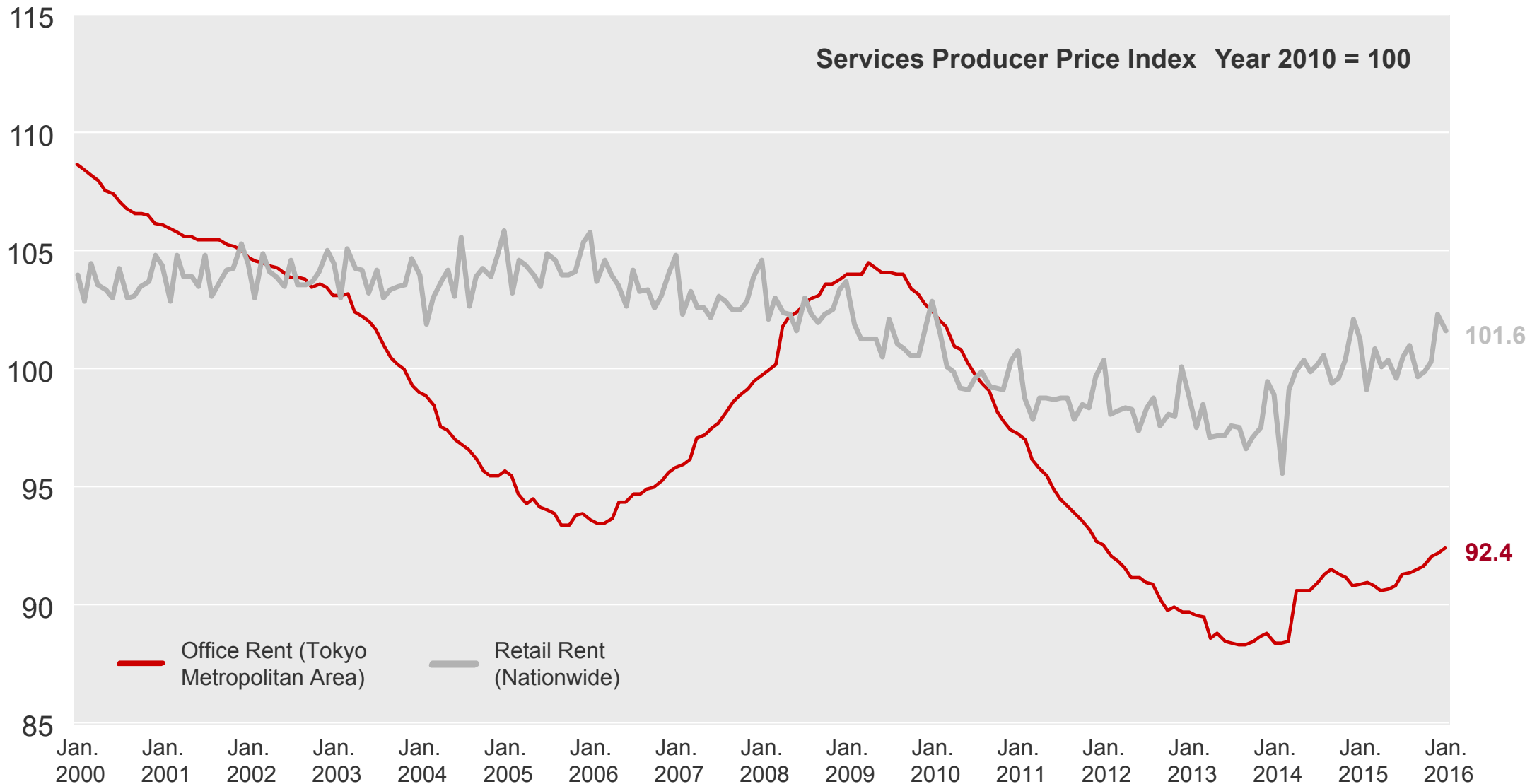


## Department Store & Supermarket Sales (YoY Change) (Store Number-adjusted)



# Office Rent (Tokyo Metropolitan Area) and Retail Rent (Nationwide) Index Comparison

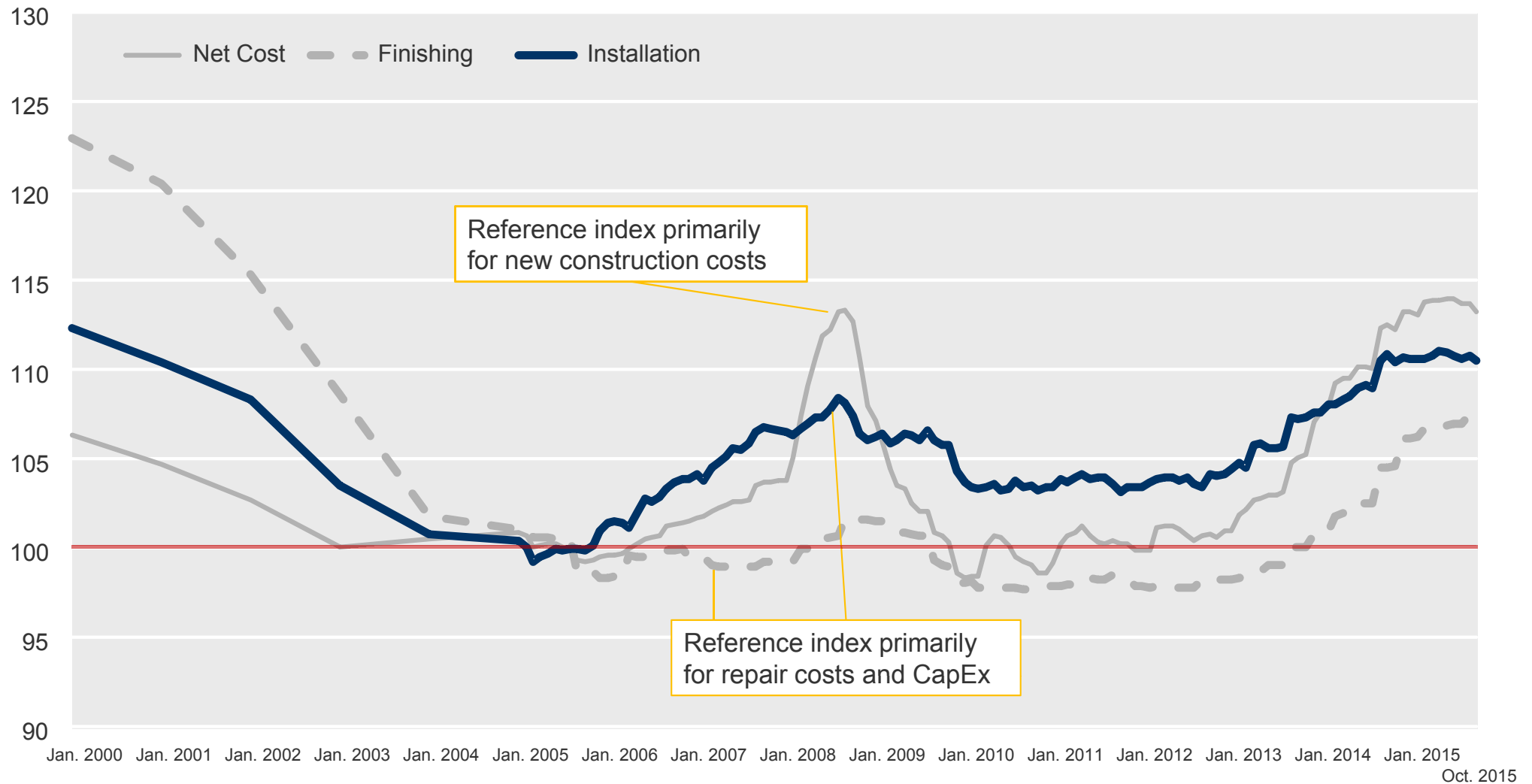
Unlike office rents, the rents of retail properties are on a stable trend. Recently also showing signs of bottoming out.



Source: Prepared by Tokyuu REIM based on information from the BOJ website

# Changes in Building Construction Cost Index (Office Buildings) TOKYU REIT

Various building construction cost indices continue to be flat after an increase.



Source: Building Construction Cost Index – Table of Time-Series Index (Table of Long-Term Linked Index) published by the Economic Studies Division, Research Center, Construction Research Institute

\* Figures are calculated with the average value of 2005 set at 100  
 (2005 and after: monthly data modeled on office buildings having an SRC structure)  
 (Up to 2004: annual data modeled on office buildings having an SRC structure, 9 floors above ground and 1-2 basement floors with floor area of 7,000m<sup>2</sup>)

Term	Definition
LTV / Total Assets	Interest-Bearing Debt / Total Assets
LTV based on appraisal value	(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)
Unrealized Gain/Loss	The balance after deducting the book value from the appraisal value of properties at the end of the period
Adjusted Net Asset Value (NAV) per Unit	(Net Assets – Scheduled Amount of Distribution + Unrealized Gain) ÷ Outstanding Units
Related parties	<p>"Related Parties" is a collective term for "Tokyu Corporation and its subsidiaries," "Affiliates of Tokyu Corporation except Tokyu Corporation's subsidiaries" and "Tokyu Fudosan Holdings Corporation and its subsidiaries".</p> <ol style="list-style-type: none"> <li>1. "Tokyu Corporation and its subsidiaries" refers to any entity that falls under the following (i) to (iii):               <ol style="list-style-type: none"> <li>(i) Tokyu Corporation</li> <li>(ii) A consolidated subsidiary of Tokyu Corporation</li> <li>(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%.</li> </ol> </li> <li>2. "Affiliates of Tokyu Corporation except Tokyu Corporation's subsidiaries" refers to affiliates within the scope of consolidation of Tokyu Corporation.</li> <li>3. "Tokyu Fudosan Holdings Corporation and its subsidiaries" refers to any entity that falls under the following (i) to (iii):               <ol style="list-style-type: none"> <li>(i) Tokyu Fudosan Holdings Corporation ("Tokyu Fudosan Holdings")</li> <li>(ii) A consolidated subsidiary of Tokyu Fudosan Holdings</li> <li>(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%.</li> </ol> </li> </ol>



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- This document contains forward-looking statements, such as current plans, strategies and future performance. These forward-looking statements are based on judgments obtained from currently available information. Please be advised that, for a variety of reasons, actual results may differ materially from those discussed in the forward-looking statements. Events that might affect actual results include, but are not limited to, fluctuations of the real estate market in Japan, general conditions of the Japanese economy, competitive pressures and relevant regulations.
- Dates indicated in this document may differ from business days for the convenience of preparing charts.
- The name of TOKYU REIT Shinjuku 2 Building (provisional name) is scheduled to be changed to TOKYU REIT Shinjuku 2 Building on May 1, 2016.
- Information provided in this document is as of January 31, 2016 unless otherwise stated.
- Among properties described in this document, Tokyu Bancho Building is scheduled to be acquired on March 24, 2016, and Tokyu Saginuma Building and Tokyu Saginuma 2 Building are scheduled to be sold on March 24, 2016 and January 31, 2017, respectively. In addition, disposition of some owned properties is assumed in the 26th period (ending July 2016) although such has not been determined as of the date of preparation of this document.
- This document is a translation of the original document in Japanese and is prepared solely for the convenience of non-Japanese speakers. There is no assurance as to the accuracy of the English translation. The original Japanese document shall prevail in the event of any discrepancies between the translation and the Japanese original.

