

# TOKYU REIT

TOKYU REIT, Inc. Semiannual Report

26th Fiscal Period From February 1, 2016 to July 31, 2016

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



## BASIC POLICY

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

- Invest in areas with strong growth potential  
—Investment in properties in central Tokyo and Tokyu Areas
- Committed to continued collaboration with Tokyu Corporation and its subsidiaries <sup>(Note)</sup> (Sponsor collaboration)
- Growth through heightened added value of the Tokyu Areas

### 2 A portfolio that secures **'stability'**

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

### 3 Fund structure that backs **'transparency'**

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



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### 26th Fiscal Period Cash Distribution per Unit

¥2,695 (Fixed)

(Date of payment: Oct. 17, 2016)

### 27th Fiscal Period Cash Distribution per Unit

¥2,630 (Forecast)

(Date of payment: Mid Apr. 2017)

### 28th Fiscal Period Cash Distribution per Unit

¥2,630 (Forecast)

(Date of payment: Mid Oct. 2017)

## FINANCIAL SUMMARY

		25th Fiscal Period	26th Fiscal Period
<b>Balance Sheets</b>	■ Number of Properties	30 properties	29 properties
	■ Total Assets	¥222,868 million	¥221,495 million
	■ Interest-Bearing Debt	¥97,000 million	¥95,500 million
	■ Total Assets Loan-to-Value (LTV) Ratio	43.5%	43.1%
<b>Statements of Income</b>	■ Operating Revenues	¥7,289 million	¥9,500 million
	■ Net Income	¥2,571 million	¥2,926 million
<b>Distributions</b>	■ Cash Distribution per Unit	¥2,631	¥2,695
	■ Average Market Price per Unit	¥145,209	¥154,325
	■ Distribution Yield	3.59%	3.50%

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

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

### Areas with Strong Growth Potential

#### ■ Investment Area: Tokyo Metropolitan Area

- Investment of more than 85% in Tokyo's central five wards and areas along Tokyu rail lines, areas showing population growth and more growth potential in the Tokyo Metropolitan Area
  - 93.8% of investment in Tokyo's central five wards and areas along Tokyu rail lines as of the end of the 26th fiscal period
- Control earthquake risk through PML. (Set portfolio PML <sup>(Note 1)</sup> at 10% or lower)
  - Set portfolio PML of the 26th fiscal period: 3.8% <sup>(Note 2)</sup>
- Oriented towards total return (comprised of income return (rental revenues, etc.) of each fiscal period and future capital return (gains on sales))

### Highly Competitive Properties

#### ■ Focus on Location

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

78.0%\* of properties lie within three-minute range (July 31, 2016)  
\* Based on acquisition price

#### ■ Size of Properties

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

Average amount invested per property is ¥7.7 billion\* (July 31, 2016)  
\* Based on acquisition price

#### ■ Asset Class

- Office : Retail = 60 : 40\*
- \* Long-term target

No investment in hotels and logistics facilities\*

\* TOKYU REIT may acquire properties that have residences and parking facilities, etc. added due to legal requirements and other reasons.  
Office : Retail = 62.4%\* : 37.6%\* (July 31, 2016)

\* Based on appraisal value at end of the 26th fiscal period (July 31, 2016)

(Notes) 1. The PML for the entire portfolio. There is no unified, strict definition of PML; as used in this semiannual report, PML represents the percentage of expected loss due to small- to large-level earthquakes (those statistically calculated as possible over a 475-year period) that occur during an assumed period for the economic life of a building, to procurement cost for restoring expected damage. Calculations incorporate data relating to individual property survey, assessment of building conditions, conformity to architectural design, surveys of local areas and structural evaluation. The PML and the probable lost days are based on the earthquake risk analysis reports prepared by Engineering & Risk Services Corporation and OYO RMS Corporation. Damages in this instance refer to property damage and do not include secondary damages such as loss of life and damages to fixtures. In addition, damages are limited to structural damage and damages to facilities and building interior and exterior, and do not cover damages caused by earthquake fire and fire damage from surrounding facilities.  
2. Excludes Shonan Mall Fill (Land with leasehold interest), OKI System Center (Land with leasehold interest) and Tokyu Saginuma 2 Building scheduled to be sold on January 31, 2017.

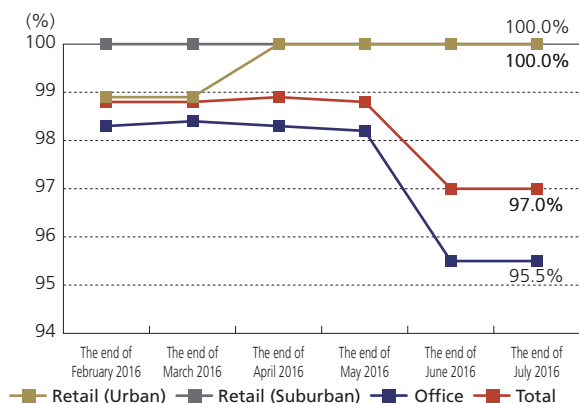
## Main Strategy and the Other

- Being in the same boat as unitholders “investment management fee structure” → Refer to Page 11
- “Capital Re-investment Model” through collaboration with sponsors → Refer to Page 13
- “Value and contrarian investment strategy” focusing on cyclicity of real estate prices → Refer to Page 14
- Debt management strong against credit crises → Refer to Page 16

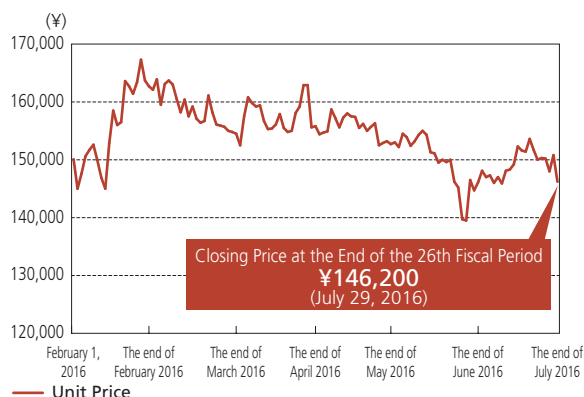
## Performance

TOKYU REIT, Inc. (TOKYU REIT) listed its units on the Tokyo Stock Exchange on September 10, 2003. With the ultimate goal of maximizing unitholder value, TOKYU REIT is engaged in asset investment and management based on principles of growth, stability, and transparency. TOKYU REIT is committed to securing stable earnings and cash distributions through investment in highly competitive properties in areas with strong growth potential. TOKYU REIT invests primarily in retail and office properties located in Tokyo's central five wards (Chiyoda, Chuo, Minato, Shinjuku and Shibuya wards) and the Tokyu Areas, which refers to the areas serviced by the Tokyu rail network. As of July 31, 2016, the end of TOKYU REIT's 26th fiscal period, TOKYU REIT held 19 office buildings and 10 retail facilities, for a total of 29 properties.

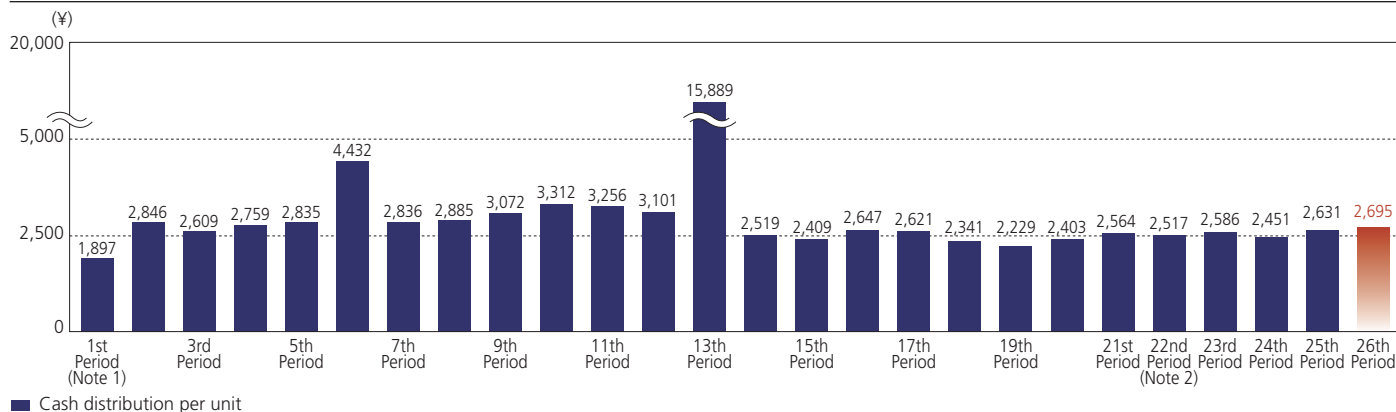
### Occupancy Rate



### Unit Price

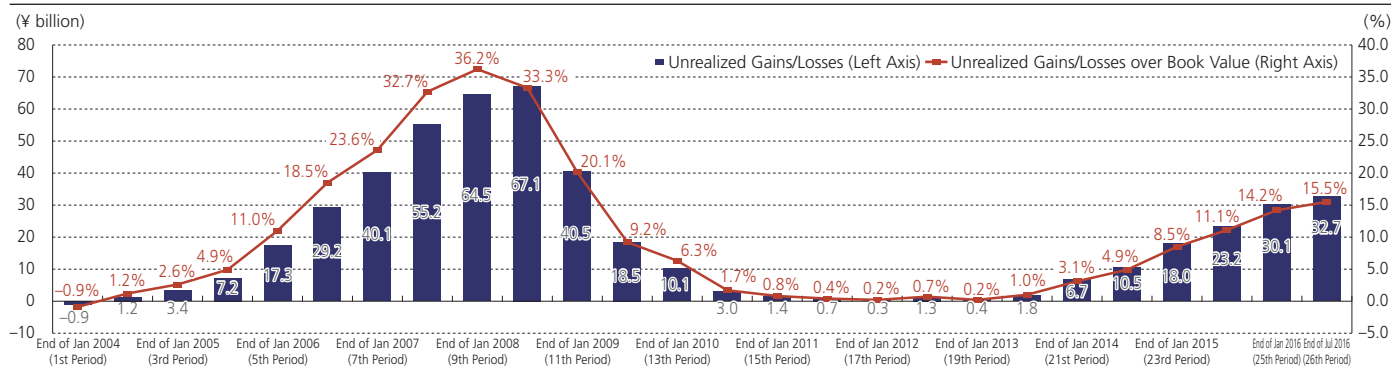


### Cash Distribution per Unit



(Notes) 1. Number of actual operating days in the 1st fiscal period was 144 days.  
 2. Cash Distribution per Unit 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.

### Unrealized Gains/Losses and Unrealized Gains/Losses over Book Value



## To Our Unitholders

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

This page provides an overview of our operating environment and results for the 26th fiscal period February 1, 2016 to July 31, 2016.

In the fiscal period under review, in addition to the acquisition of Tokyu Bancho Building and the disposition of Tokyu Saginuma Building in March 2016 through reciprocal sale and purchase with the sponsor, **TOKYU REIT** conducted disposition of TOKYU REIT Hatchobori Building in May 2016.

As a result, the number of properties within the portfolio of **TOKYU REIT** as of the end of July 2016 became 29 with total appraisal value of ¥244.5 billion (unrealized gains of ¥32.7 billion) and the overall portfolio occupancy rate was 97.0%.

As for performance of the fiscal period under review, **TOKYU REIT** posted ¥9,500 million in operating revenues (up ¥2,211 million from the previous fiscal period) and ¥2,926 million in net income (up ¥354 million from the previous fiscal period and up ¥69 million from the performance forecast). This is due to the gain and loss on sales of properties (gain on sales of properties of ¥2,349 million, loss on sales of properties of ¥1,841 million and difference of + ¥508 million) accompanied by the disposition of the above two properties, factors for income decrease due to move-out of a large tenant from Setagaya Business Square (SBS) in May 2016 and other factors.

As a result of retaining a portion of gain on sales of properties above as provision of reserve for reduction entry, we decided to declare a cash distribution per unit of ¥2,695 (up ¥64 from the previous fiscal period and up ¥65 from the performance forecast).

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

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

September 2016



**Kazuyoshi Kashiwazaki**

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

**April 1985**

Entered Tokyu Corporation, Railway Operation Division, Railway Business Unit

**April 1986**

Tokyu Corporation, Finance & Account Division

**March 1998**

Tokyu Corporation, Division I, Group Management Division

**July 1999**

Tokyu Corporation, Division II, Group Management Division

**October 1999**

Tokyu Corporation, Finance & Account Division

**January 2000**

Tokyu Corporation, Manager of Finance & Account Division

**April 2003**

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

**April 2005**

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

**June 2006**

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

**April 2007**

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

**April 2008**

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

**April 2009**

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

**June 2009**

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

**June 2010**

Tokyu Agency Business Service Inc., President & Representative Director

**April 2014**

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

**April 2014**

Tokyu REIM, Auditor (Non-Executive)

**March 2015**

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

**May 2015**

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

**May 2015**

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

## Measures for Portfolio Enhancement (Property Replacement)

Aim to maintain and improve NAV and portfolio quality through property replacements

Acquisition	
Name of Property	Tokyu Bancho Building
	
Address	6-2 Yonbancho, Chiyoda-ku, Tokyo, and other
Acquisition Date	March 24, 2016
Acquisition Price	¥12,740 million
Appraisal Value as of Acquisition (as of January 31, 2016)	¥12,800 million
Seller	Tokyu Corporation
NOI Yield (Based on Acquisition Price)	3.82% <sup>(Note)</sup>
Occupancy Rate (as of July 31, 2016)	100.0%
Completed	September 2011

(Note) Since Tokyu Bancho Building was acquired in the fiscal period ended July 31, 2016 (26th fiscal period), its NOI and cap rate for the 26th fiscal period are calculated based on actual performance from the time of acquisition.

### Property Replacement

#### Effects

- **Maintain and enhance NAV** <sup>(Note 1)</sup>
  - 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 is expected to lead to further stabilization of cash flows and greater total return.

#### Decrease in weighted average property age

20.1 years ▶ 17.8 years

#### Ratio of office properties in Tokyo central 5 wards

41.4% ▶ 45.1%

#### Portfolio PML

4.0% ▶ 3.8%

#### New earthquake resistance standards

All properties are in compliance with the new earthquake resistance standards <sup>(Note 2)</sup>

(Notes) \*The above figures are comparison as of the end of January 31, 2016 (25th fiscal period).

1. Net Assets - Scheduled Amount of Distribution + Unrealized Gain

2. All properties will be in compliance with the new earthquake resistance standards after the sales of Tokyu Saginuma 2 Building on January 31, 2017

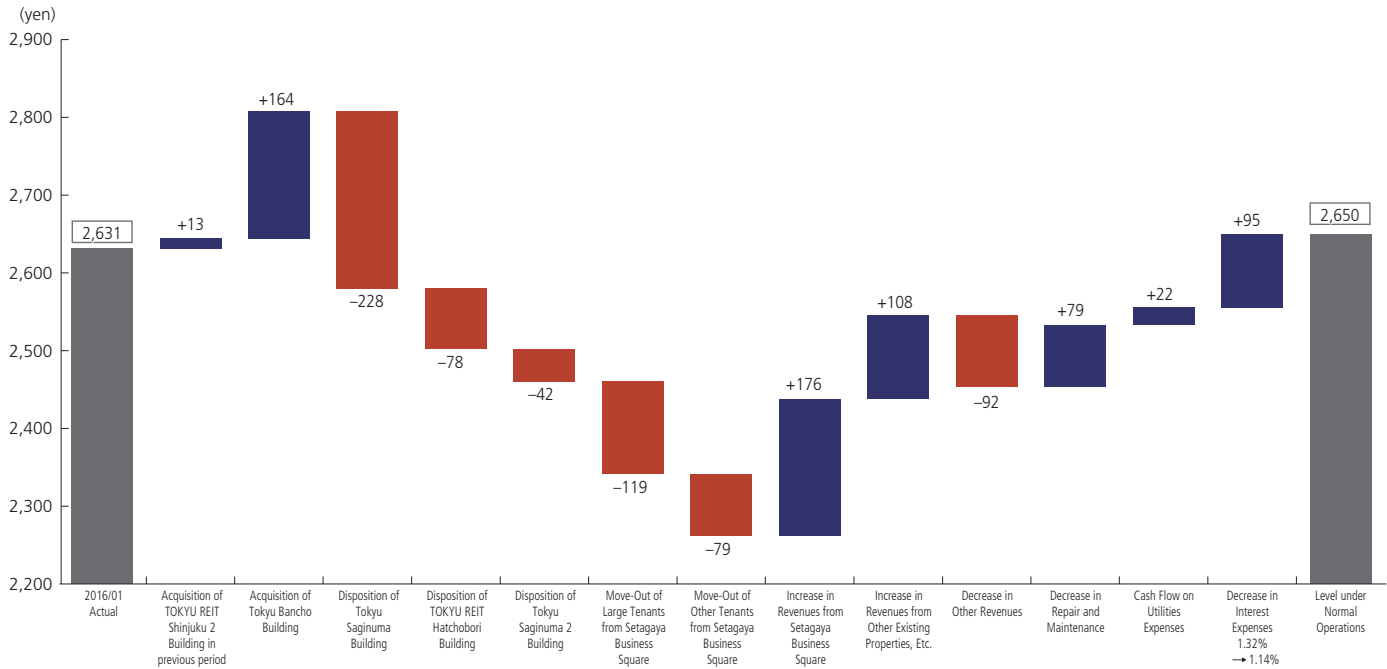
### Disposition

Name of Property	Tokyu Saginuma Building	Tokyu Saginuma 2 Building	TOKYU REIT Hatchobori Building
			
Disposition Date	March 24, 2016	January 31, 2017 (scheduled)	May 31, 2016
Disposition Price	¥8,950 million	¥1,710 million	¥5,010 million
Book Value	¥6,596 million	¥1,165 million (expected value as of the scheduled transfer date)	¥6,796 million
Capital Gains/Losses	¥2,349 million	¥544 million (Amount of difference from disposition price and book value (expected value as of the scheduled transfer date))	-¥1,841 million
Purchaser	Tokyu Corporation		The Sankei Building Co., Ltd.
NOI Yield (Based on Acquisition Price)	7.48% <sup>(Note)</sup>	7.77%	3.12% <sup>(Note)</sup>
Completed	September 1978	October 1979	September 1965

(Note) Since Tokyu Saginuma Building and TOKYU REIT Hatchobori Building were sold in the 26th fiscal period, NOI and cap rate for the 26th fiscal period are calculated based on actual performance up to the time of disposition.

## Distribution per Unit Level Under Normal Operations

### Distribution per Unit Level Under Normal Operations after Property Replacements



Assume ¥2,650 distribution per unit level under normal operations as a result of reflecting impacts from property replacements, move-ins and move-outs of tenants, decrease in interest expenses and other factors into the distribution per unit of ¥2,631 for the 25th Fiscal Period (ended January 31, 2016) which was prior to the property replacements.

## Property Competitiveness Enhancement Measures

Continuously implement renovations of common use areas in addition to renewals for exclusive areas of tenants

### Entrance Renovation Work (TOKYU REIT Shibuya R Building)



- Entrance renovation work on the 1st floor was completed in summer 2016.
- Together with bathroom renovation work implemented in 2014, will aim for enhancement of asset value and further improvement of competitiveness in leasing activities.

### Vaulted Ceiling Space Decoration Work (KALEIDO Shibuya Miyamasuzaka)



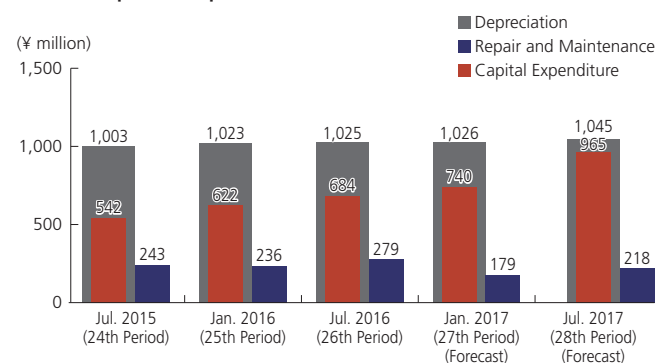
- Implemented decoration work for vaulted ceiling space (common use area) at the center of building from winter 2015 with an aim to maintain and improve restaurant tenants' ability to attract customers.
- Aim to further improve competitiveness of the retail facility by utilizing structure of the vaulted ceiling space which used kaleidoscope as its motif.

### Renovation Works on Bathrooms and Kitchens on Each Floor (Tokyu Ikejiri-ohashi Building)



- Implemented renovation works on bathrooms and kitchens in each floor from the fiscal period ended January 31, 2016 (25th fiscal period) to the fiscal period ended July 31, 2016 (26th fiscal period).
- Aim to improve competitiveness when conducting new leasing activities and raising mid-to-long term rent by meeting demand to increase bathrooms from occupying tenants.

## Changes in Depreciation, Repair and Maintenance and Capital Expenditure

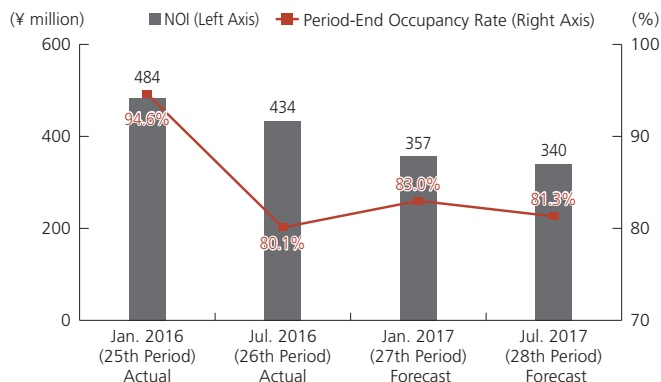




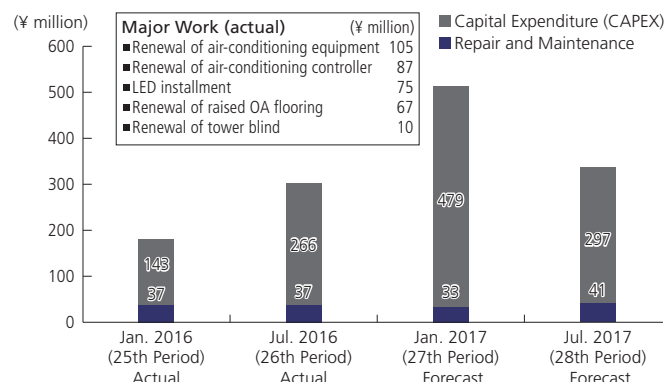
## Status of Setagaya Business Square

Will aim for early lease-up by promoting aggressive construction works for value enhancement

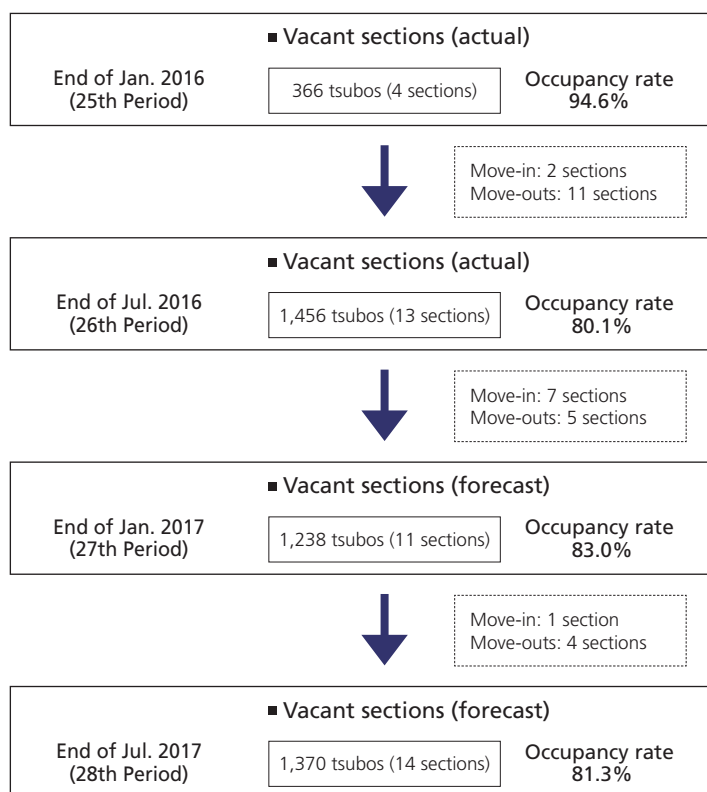
### Results and Forecasts of Occupancy Rate and NOI



### Promotion of Aggressive Construction Works for Value Enhancement



### Future Leasing Activity Targets



\*Figures for areas, amounts, etc. indicate figures for 55% co-ownership interest held by TOKYU REIT.  
 \*Vacant sections exclude warehouse sections.  
 \*Occupancy rate includes warehouse sections.

End of May 2016  
 Scheduled move-outs of large tenants: 10 sections (1,134 tsubos)

June–Aug. 2016  
 Implemented renewal work of facilities/equipment in exclusive areas mainly in vacant sections

Sept. 2016 and onward  
 Continuously implement renewal works for common areas in office sections in addition to renewal works for exclusive areas in office sections.  
 In addition, renovate design drastically by implementing renewal works for traffic line portion from station to all buildings and for retail sections.

**Vacant sections (target)**  
 319 tsubos (4 sections)  
 (Occupancy rate: 95.2%)

### Current Fiscal Period (February to July 2016)

- Two sections became occupied and agreements have been concluded for five sections (expect to be occupied in the fiscal period ending January 31, 2017 (27th fiscal period). Occupied tenant: Expansion of floor area within the property, TOKYU group company. Agreements concluded tenants: Local company at Setagaya, general nursing care business company, TOKYU group company, etc.

### Next Fiscal Period and Onward (August 2016 - )

- Six sections are under negotiation with tenant candidates on contract terms. Breakdown:
  - Two sections are expected to be occupied in the 27th fiscal period.
  - One section is expected to be occupied in the 28th fiscal period.
  - Three sections are sections expected to be vacant (14 sections) in the 28th fiscal period.
 Tenant candidates: Expansion of floor area within the property, local company at Setagaya, medical software, mail-order company, etc.



## TOKYU REIT, Inc. Board of Directors

### The Board of Directors Meeting

TOKYU REIT's Board of Directors comprises Executive Directors that execute the operations of the investment corporation and Supervisory Directors that oversee the Executive Directors' execution of operations. The Articles of Incorporation stipulate that the Board of Directors must contain one or two Executive Directors and two or three Supervisory Directors, with at least one more Supervisory Director than the number of Executive Directors. It also limits the term of office of these directors at two years. As of the end of the 26th fiscal period, there were one Executive Director and two Supervisory Directors at **TOKYU REIT**.



**Giichi Yanagisawa**  
Supervisory Director



**Kazuyoshi Kashiwazaki**  
Executive Director



**Maruhito Kondo**  
Supervisory Director

#### Giichi Yanagisawa Supervisory Director

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

#### Maruhito Kondo Supervisory Director

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

Note: See page 6 about Kazuyoshi Kashiwazaki's career.

## TOKYU REIT's Initiatives (Governance)

### TOKYU REIT's Aim, Goals

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

### Characteristics of TOKYU REIT's Governance Structure

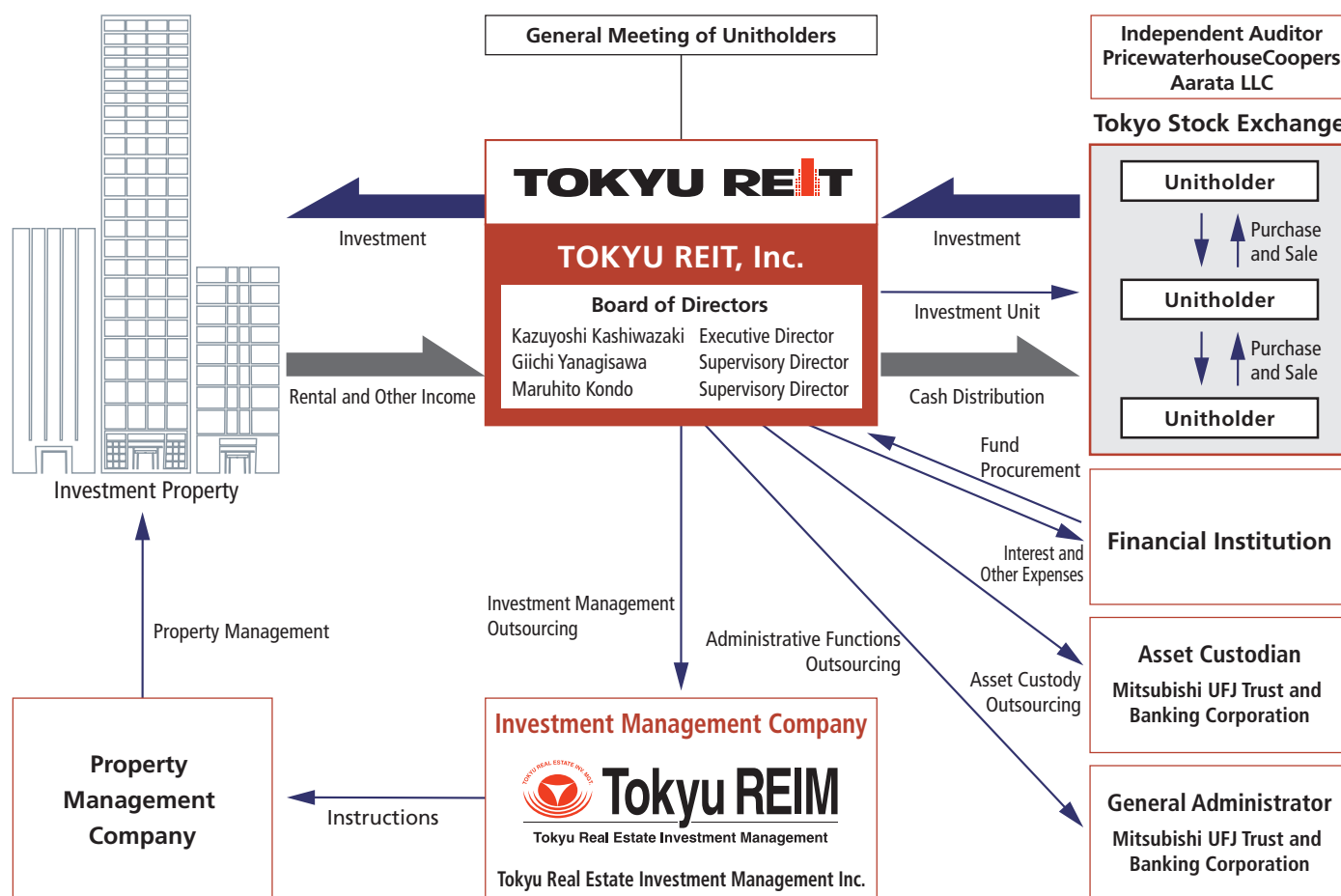
- 1 Involvement of independent outside board members**
- 2 Optimal balance between sponsor collaboration and independence**
- 3 Strict focus on fiduciary duty for investment management company and the others**
- 4 Management fee set to "being in the same boat as unitholders"**

## TOKYU REIT's Management Characteristics

<b>Excellent Governance as a Source of Competitiveness</b>	<b>Structural</b>	<ul style="list-style-type: none"> <li>Multiple layers of monitoring and proactive involvement of outside board members</li> <li>Management fee set to "being in the same boat as unitholders"</li> </ul>	<ul style="list-style-type: none"> <li>Stringent conflict of interest rules</li> <li>Board meetings held twice or more a month on a regular basis and enhanced resolution and reporting system</li> </ul>
	<b>Human Resources</b>	<ul style="list-style-type: none"> <li>Carefully select board members to enhance debate*</li> <li>Provide appropriate compensation to board members for the responsibility and the workload</li> </ul>	<ul style="list-style-type: none"> <li>Legal advisor to be present at board meetings</li> </ul>
	<b>Culture</b>	<ul style="list-style-type: none"> <li>Board members not hesitant to reject, waive resolution or agree with conditions</li> <li>Willing to debate among independent outside board members</li> </ul>	<ul style="list-style-type: none"> <li>Tokyu REIT's efforts                             <ul style="list-style-type: none"> <li>Strict focus on fiduciary duty</li> <li>Management fee programmed to enhance involvement of all business segments</li> <li>Intend to allow all Tokyu REIT staff to face and communicate with investors</li> </ul> </li> </ul>
	<b>Track Record</b>	<ul style="list-style-type: none"> <li>Status of the Board of Directors' meetings held (26th fiscal period): 1.8 meetings per month on average</li> </ul>	<ul style="list-style-type: none"> <li>Attendance at board of directors' meeting                             <ul style="list-style-type: none"> <li>Kazuyoshi Kashiwazaki (Executive Director) 100%</li> <li>Giichi Yanagisawa (Supervisory Director) 100%</li> <li>Maruhito Kondo (Supervisory Director) 100%</li> <li>General Administrator 100%</li> </ul> </li> </ul>

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

## TOKYU REIT Structure and External Service Providers



## Overview of Investment Management Fee

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

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

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

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

# Management

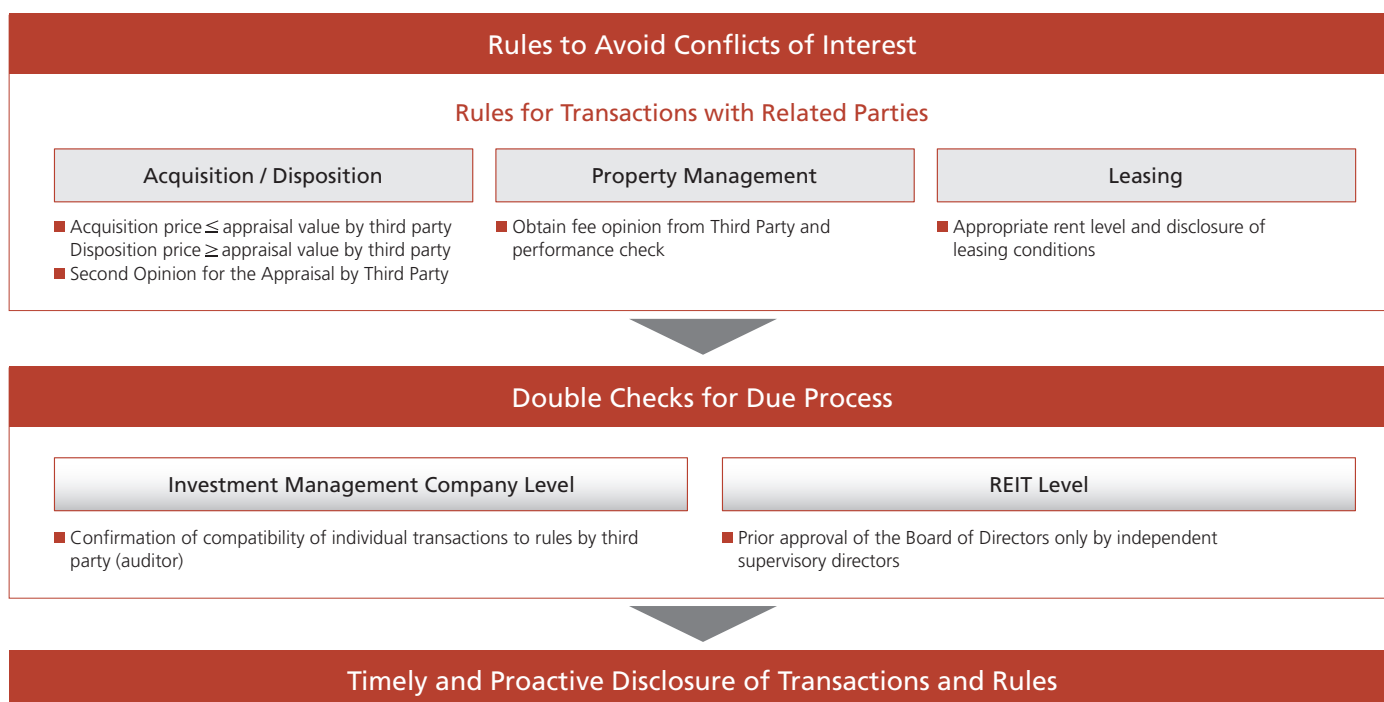
## Collaboration with Tokyu Corporation and Its Subsidiaries

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

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

## Related Party Transactions

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



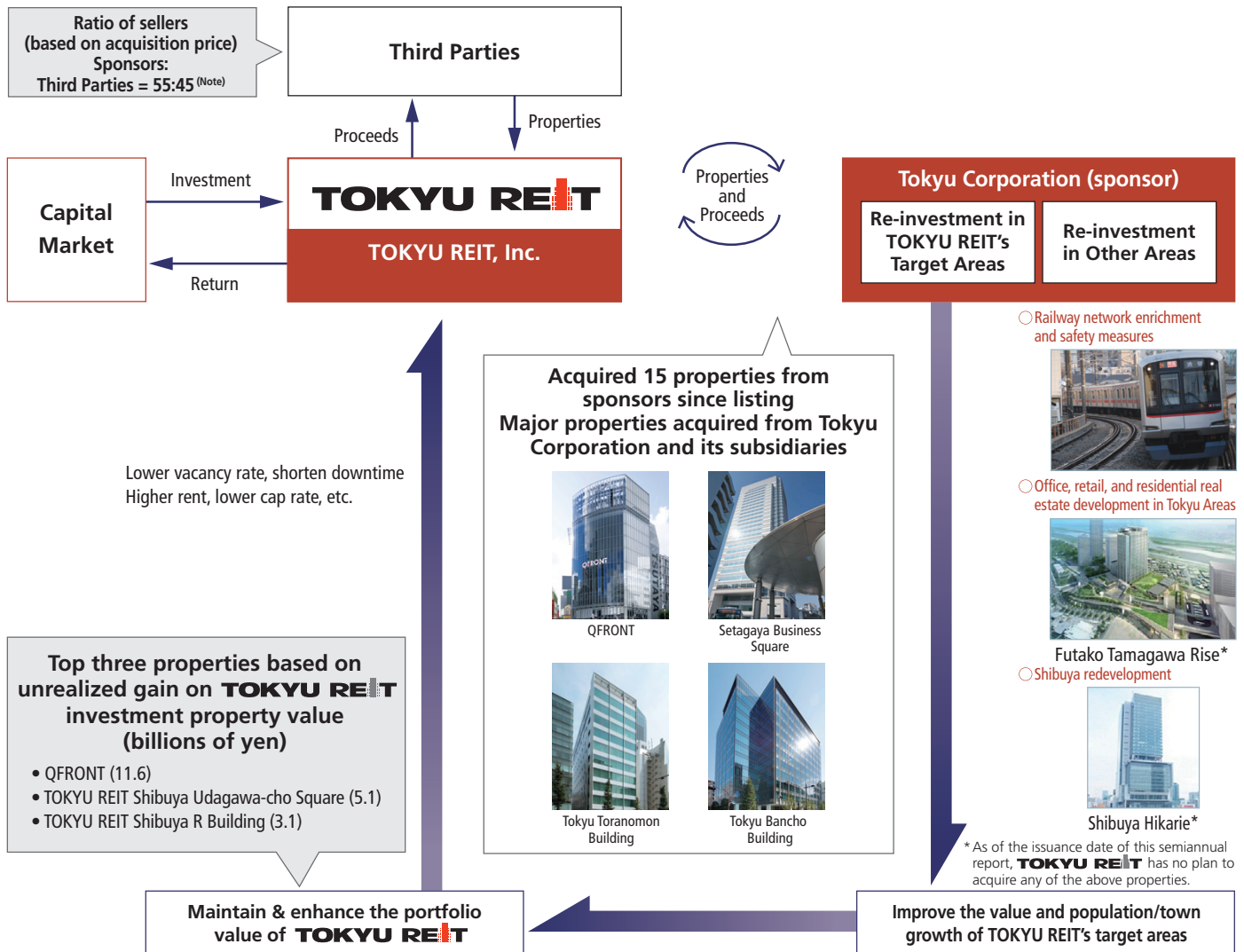
(Note) “Related Parties” is a collective term for “Tokyu Corporation and its subsidiaries,” “Affiliates of Tokyu Corporation except Tokyu Corporation’s subsidiaries,” and “Tokyu Land Corporation and its subsidiaries.”

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

## Capital Re-investment Model

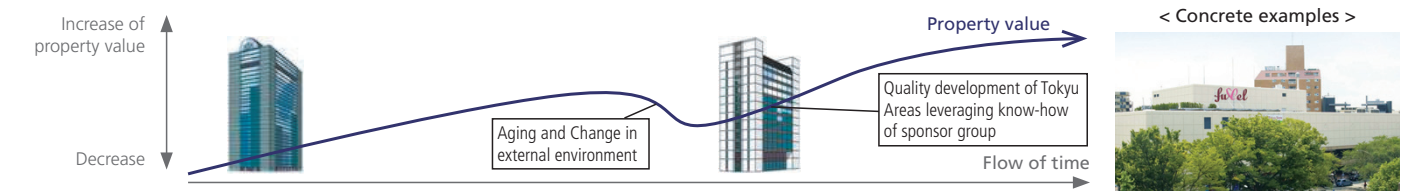
### “Capital Re-investment Model” through collaboration with sponsors

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



## Sponsor Collaboration in Line with Stages of Life of Property (medium- to long-term)

Aim for ceaseless value enhancement in investment targeted areas through division of roles with sponsor



Owner	Sponsor	Tokyu REIT	Sponsor	Tokyu REIT
Stages of property	Development	Management	Redevelopment	Management
Division of roles	Tokyu REIT	—	Attracting prime tenants Effective renovations	—
	Sponsor	Enhancement of added value of Tokyu Areas through property development	Re-investment of funds from sales in Tokyu Areas, etc.	Enhancement of added value of Tokyu Areas through redevelopment
		Attracting prime tenants Effective renovations	—	Re-investment of funds from sales in Tokyu Areas, etc.

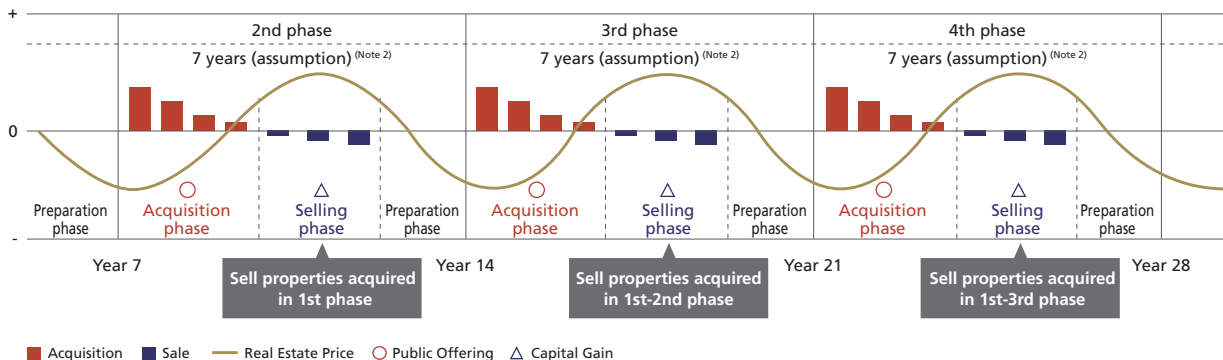
**Tokyu Saginuma Building (Fuller Saginuma)**  
 1978: Developed by sponsor  
 2003: Acquired by sponsor  
 2011: Renewal (GMS→NSC)  
 2016: Transferred by sponsor  
 Future: Scheduled to be redeveloped in line with the redevelopment in the vicinity of the station

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

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

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

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



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

### Investment Style

## Value & Contrary

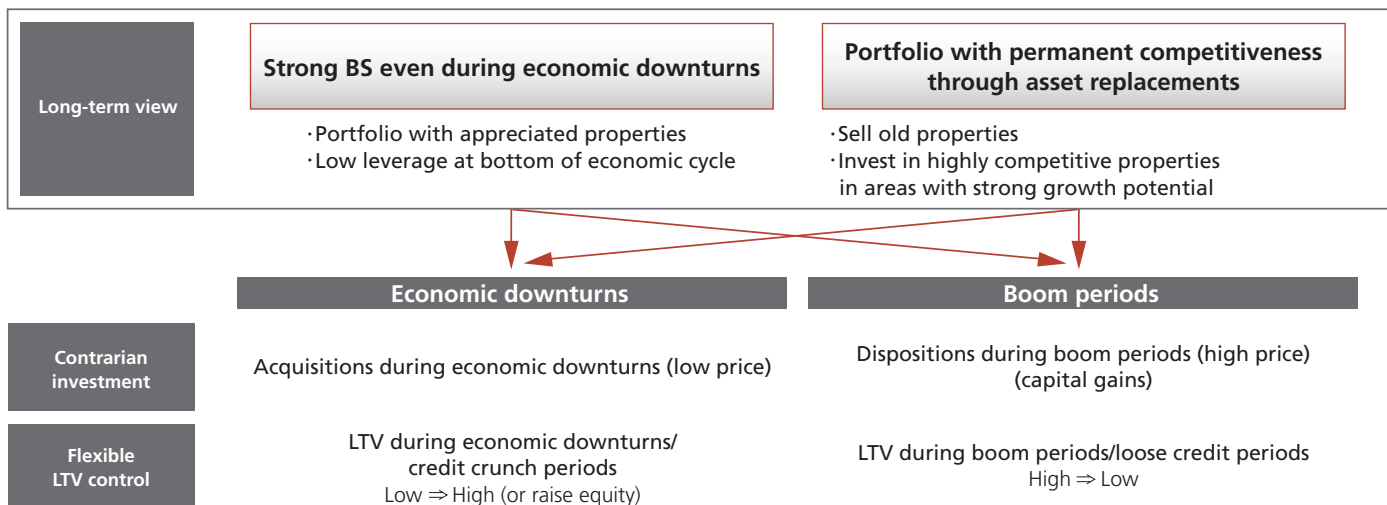
#### Value

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

#### Contrary

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

### Concept



**Tokyu Real Estate Investment Management Inc.**  
(Investment management company)

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

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

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

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

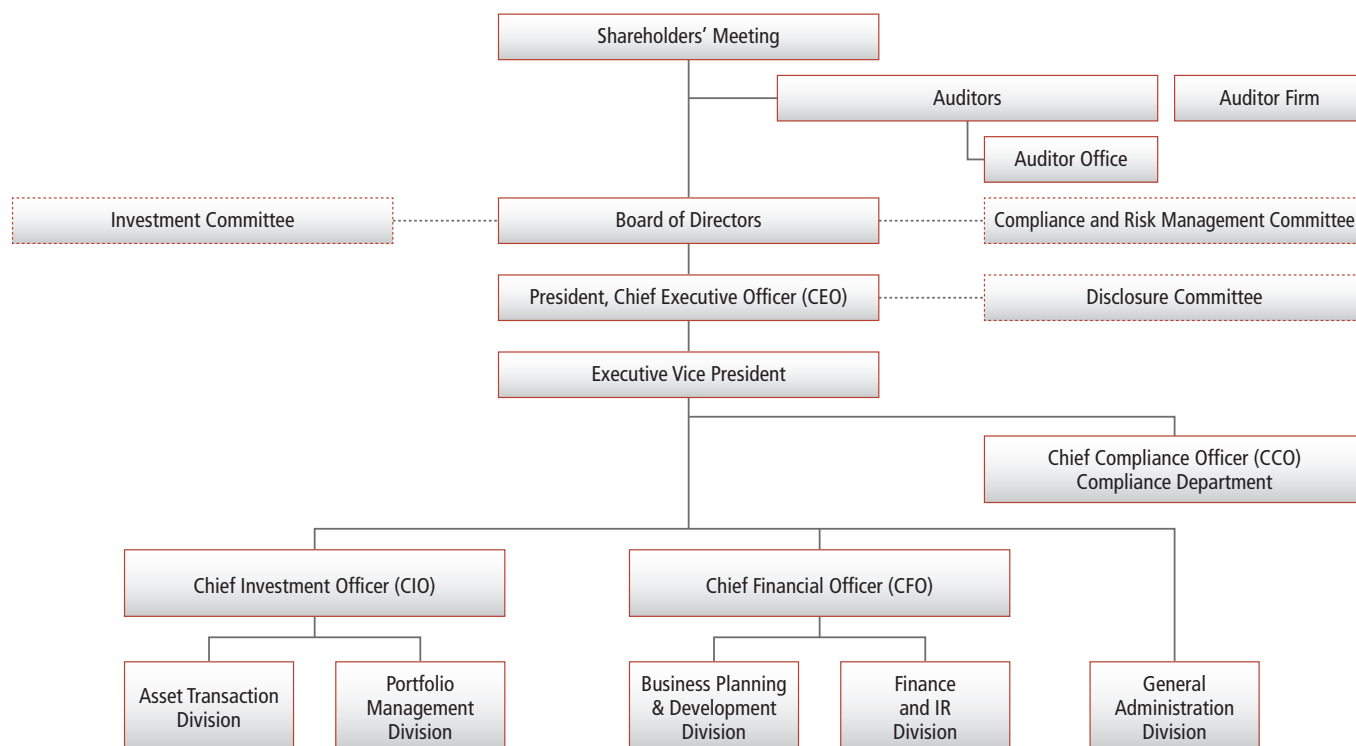
Tokyu REIM is a financial instruments dealer under the Financial Instruments and Exchange Law (Kanto Financial Bureau (*Kin-sho*) No. 360).

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

■ Major Shareholder

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

■ Organization Chart (As of August 1, 2016)



### Debt management strong against credit crises

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

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

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

### Debt

Total Interest-Bearing Debt	¥95.5 billion
Long-Term Fixed-Rate Ratio	100%
Avg. Duration	3.86 years
Committment Line	¥18 billion

The execution of the commitment line agreement allows us to undergo debt financing at any given time up to the designated amount. To this end, a flexible and efficient fund procurement system has been assured. Moreover, there is no outstanding debt under the commitment line as of July 31, 2016.

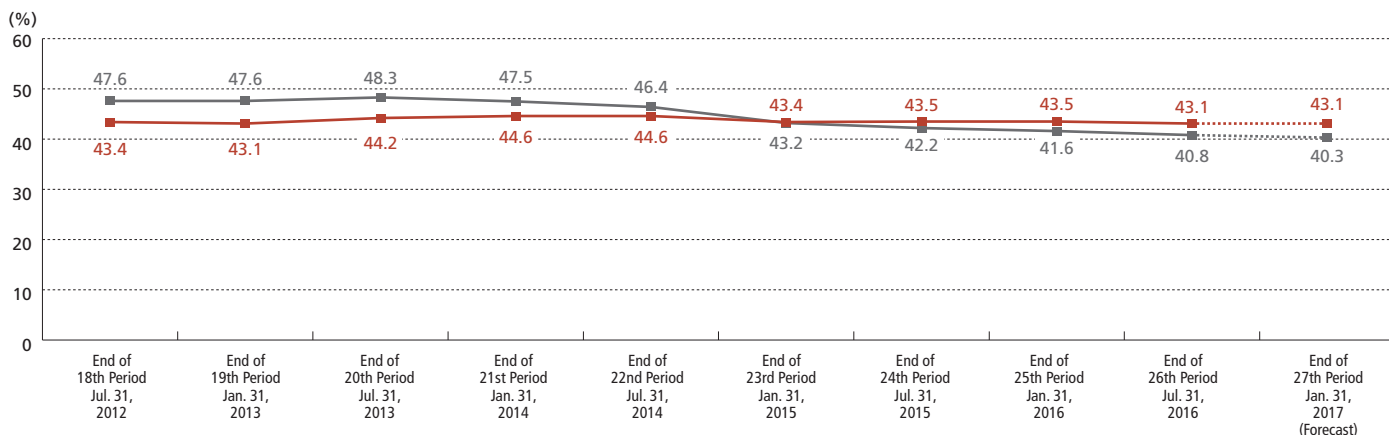
### Ratings

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



### Changes in LTV

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



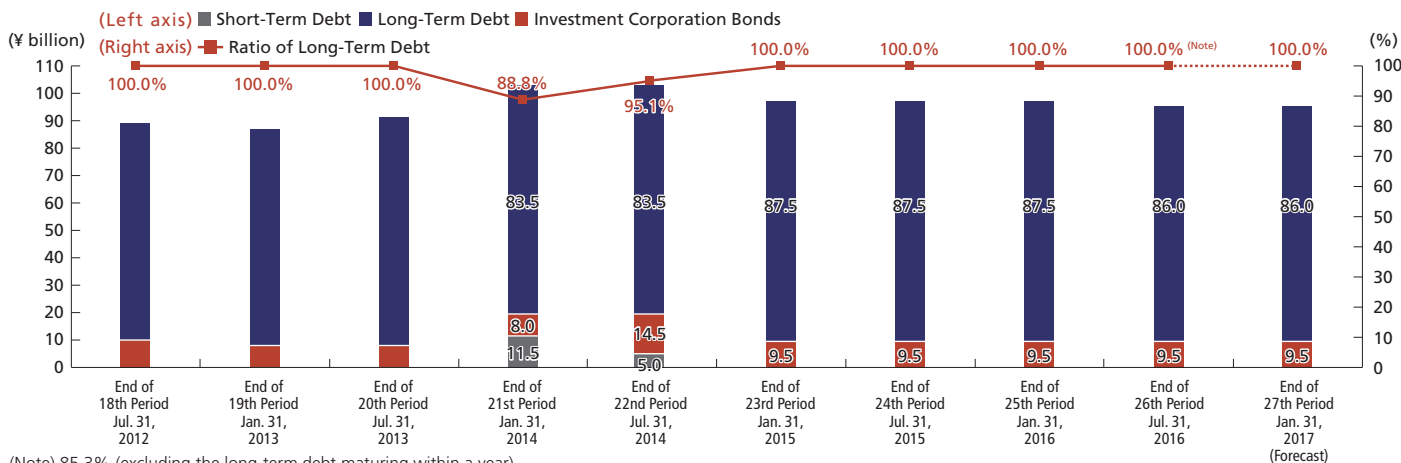
■ LTV / Total assets at end of period = Balance of period-end interest-bearing debt / Period end total assets

■ LTV 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)

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

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

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

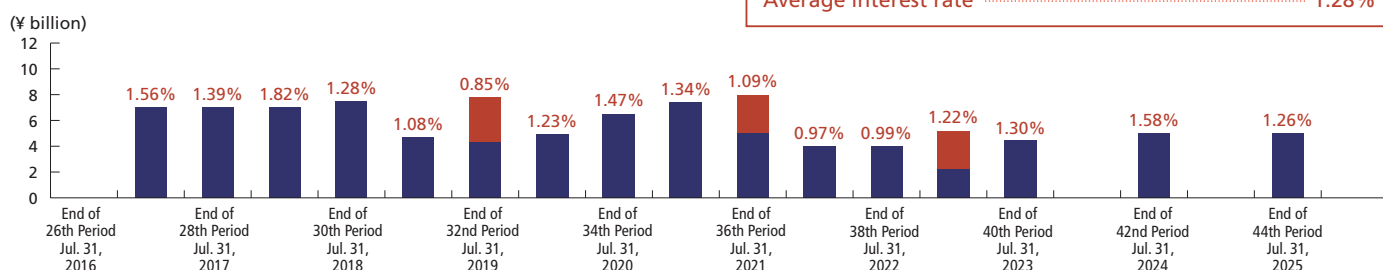


(Note) 85.3% (excluding the long-term debt maturing within a year)

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

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

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



Average interest rate ..... 1.28%



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

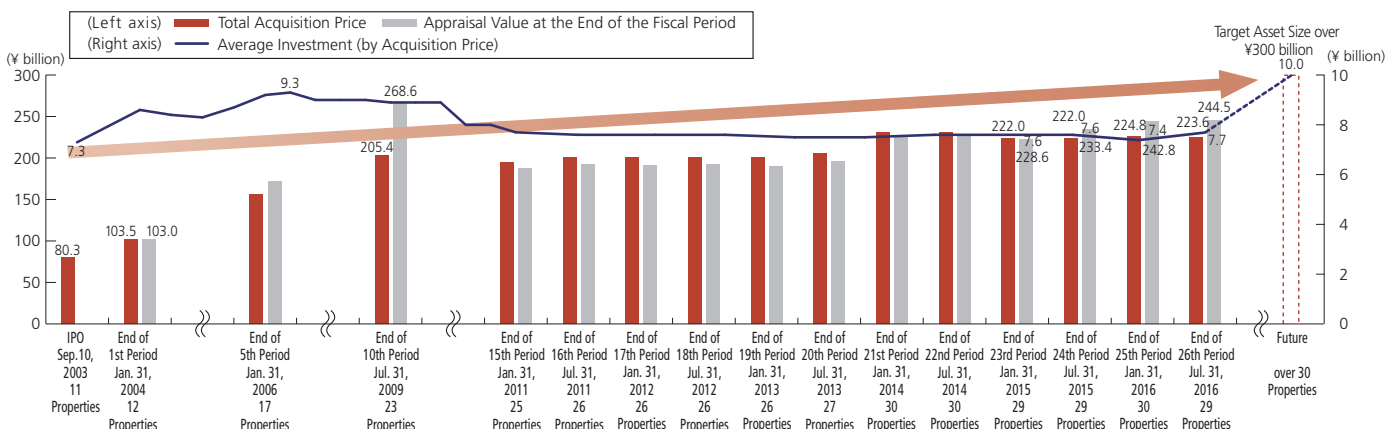
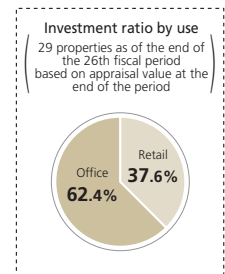
<b>Investment Targeted Areas</b>	<ul style="list-style-type: none"> <li>■ Focusing on Tokyo's central five wards and Tokyu Areas expecting economic and population growth</li> <li>■ Limited to Tokyo Metropolitan Area</li> </ul>
<b>Investment Criteria</b>	<ul style="list-style-type: none"> <li>■ Limited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

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

Total acquisition price as of the end of the 26th fiscal period ended July 31, 2016, stood at ¥223.6 billion, and appraisal value at the end of the fiscal period stood at ¥244.5 billion. Given TOKYU REIT's portfolio diversification, mobility of property acquisition, and liquidity of investment units, we believe that the asset portfolio should eventually reach ¥300 billion or more. **TOKYU REIT** will steadily expand asset size with high quality properties on proper price, not pursuing expansion of asset size only, but considering real estate market.

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

As of the end of the 26th fiscal period (29 properties), investment ratio by use based on appraisal value at the end of the fiscal period is as follows:



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

Use	Name of Property	Acquisition Date	Acquisition Price (¥ million)	Location	Total Leasable Area (m <sup>2</sup> )	Occupancy Ratio	Ratio (Based on Acquisition Price) <sup>(Note 1)</sup>	Probable Maximum Loss (PML) in Earthquake Risk Analysis <sup>(Note 2)</sup>
R	QFRONT	Sep. 10, 2003	15,100	Shibuya Ward, Tokyo	4,502.93	100.0%	6.8%	4.2%
R	Lexington Aoyama	Sep. 11, 2003	4,800	Minato Ward, Tokyo	2,107.08	100.0%	2.1%	2.3%
R	TOKYU REIT Omotesando Square	Sep. 10, 2003	5,770	Shibuya Ward, Tokyo	2,669.10	100.0%	2.6%	9.5%
R	Tokyu Saginuma 2 Building <sup>(Note 3)</sup>	Sep. 11, 2003	1,290	Miyamae Ward, Kawasaki City, Kanagawa Prefecture	1,267.95	100.0%	0.6%	9.3%
R	TOKYU REIT Shibuya Udagawa-cho Square	Mar. 1, 2004	6,600	Shibuya Ward, Tokyo	1,543.05	100.0%	3.0%	7.3%
R	cocoti	Apr. 6, 2005	14,700	Shibuya Ward, Tokyo	8,369.21	100.0%	11.0%	6.2%
		Aug. 2, 2005	9,800					
R	Shonan Mall Fill (land with leasehold interest)	Apr. 28, 2006	6,810	Fujisawa City, Kanagawa Prefecture	44,078.12	100.0%	3.0%	—
R	CONZE Ebisu	Oct. 31, 2006	5,117	Shibuya Ward, Tokyo	2,326.97	100.0%	2.3%	4.1%
R	Daikanyama Forum	Apr. 22, 2008	4,136	Shibuya Ward, Tokyo	2,477.64	100.0%	1.8%	8.0%
R	KALEIDO Shibuya Miyamasuzaka	Aug. 16, 2013	5,150	Shibuya Ward, Tokyo	3,399.30	100.0%	2.3%	4.4%
O	Setagaya Business Square	Sep. 11, 2003	22,400	Setagaya Ward, Tokyo	24,960.49	80.1%	10.0%	2.9%
O	Tokyu Nampeidai-cho Building	Sep. 11, 2003	4,660	Shibuya Ward, Tokyo	7,148.18	100.0%	2.1%	7.9%
O	Tokyu Sakuragaoka-cho Building	Sep. 11, 2003	6,620	Shibuya Ward, Tokyo	4,737.19	100.0%	3.0%	11.1%
O	Tokyo Nissan Taito Building	Sep. 11, 2003	4,450	Taito Ward, Tokyo	7,845.42	93.8%	2.0%	7.4%
O	TOKYU REIT Akasaka Hinokicho Building	Sep. 10, 2003	3,570	Minato Ward, Tokyo	3,196.69	100.0%	1.6%	11.2%
O	TOKYU REIT Kamata Building	Sep. 10, 2003	4,720	Ota Ward, Tokyo	7,337.82	100.0%	2.1%	7.7%
O	TOKYU REIT Toranomon Building	Dec. 15, 2004	8,630	Minato Ward, Tokyo	10,247.06	100.0%	4.6%	7.2%
		Sep. 21, 2007	1,100					
		Sep. 21, 2007	200					
		Oct. 26, 2007	140					
		Jan. 21, 2015	107					
O	Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	Jan. 31, 2008	8,500	Minato Ward, Tokyo	3,533.03	100.0%	3.8%	3.9%
O	Tokyu Ikejiri-ohashi Building	Mar. 28, 2008	5,480	Meguro Ward, Tokyo	5,733.23	90.1%	2.5%	5.8%
O	Kojimachi Square	Mar. 19, 2010	9,030	Chiyoda Ward, Tokyo	5,409.11	100.0%	4.0%	4.8%
O	TOKYU REIT Shinjuku Building	Mar. 26, 2010	9,000	Shinjuku Ward, Tokyo	6,215.17	100.0%	4.0%	4.2%
O	Akihabara Sanwa Toyo Building	Oct. 29, 2010	4,600	Chiyoda Ward, Tokyo	4,643.04	100.0%	2.1%	11.8%
O	TOKYU REIT Kiba Building	Oct. 29, 2010	4,000	Koto Ward, Tokyo	5,797.79	100.0%	1.8%	7.4%
O	Tokyu Ginza 2-chome Building	Feb. 15, 2011	5,010	Chuo Ward, Tokyo	3,469.14	100.0%	2.2%	4.4%
O	OKI System Center (land with leasehold interest)	Mar. 27, 2013	4,530	Warabi City, Saitama Prefecture	17,019.19	100.0%	2.0%	—
O	TOKYU REIT Shibuya R Building	Aug. 16, 2013	5,270	Shibuya Ward, Tokyo	5,246.68	94.6%	2.4%	5.9%
O	Tokyu Toranomon Building <sup>(Note 4)</sup>	Aug. 16, 2013	15,000	Minato Ward, Tokyo	9,016.59	100.0%	7.5%	5.4%
		Jan. 9, 2015	1,850					
O	TOKYU REIT Shinjuku 2 Building	Oct. 30, 2015	2,750	Shinjuku Ward, Tokyo	1,787.21	100.0%	1.2%	4.2%
O	Tokyu Bancho Building	Mar. 24, 2016	12,740	Chiyoda Ward, Tokyo	5,717.45	100.0%	5.7%	3.3%
	<b>Total</b>		223,630		211,801.83	97.0%	100.0%	3.8% <sup>(Note 5)</sup>

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

2. The "Total" column of the "Probable Maximum Loss (PML) in Earthquake Risk Analysis" indicates the PML for the entire portfolio. There is no unified, strict definition of PML; as used in this semiannual report, PML represents the percentage of expected loss due to small- to large-level earthquakes (those statistically calculated as possible over a 475 year period) that occur during an assumed period for the economic life of a building, to procurement cost for restoring expected damage. Calculations incorporate data relating to individual property survey, assessment of building conditions, conformity to architectural design, surveys of local areas and structural evaluation. The PML and the probable lost days are based on the earthquake risk analysis reports prepared by Engineering & Risk Services Corporation and OYO RMS Corporation. Damages in this instance refer to property damage and do not include secondary damages such as loss of life and damages to fixtures. In addition, damages are limited to structural damage and damages to facilities and building interior and exterior, and do not cover damages caused by earthquake fire and fire damage from surrounding facilities.

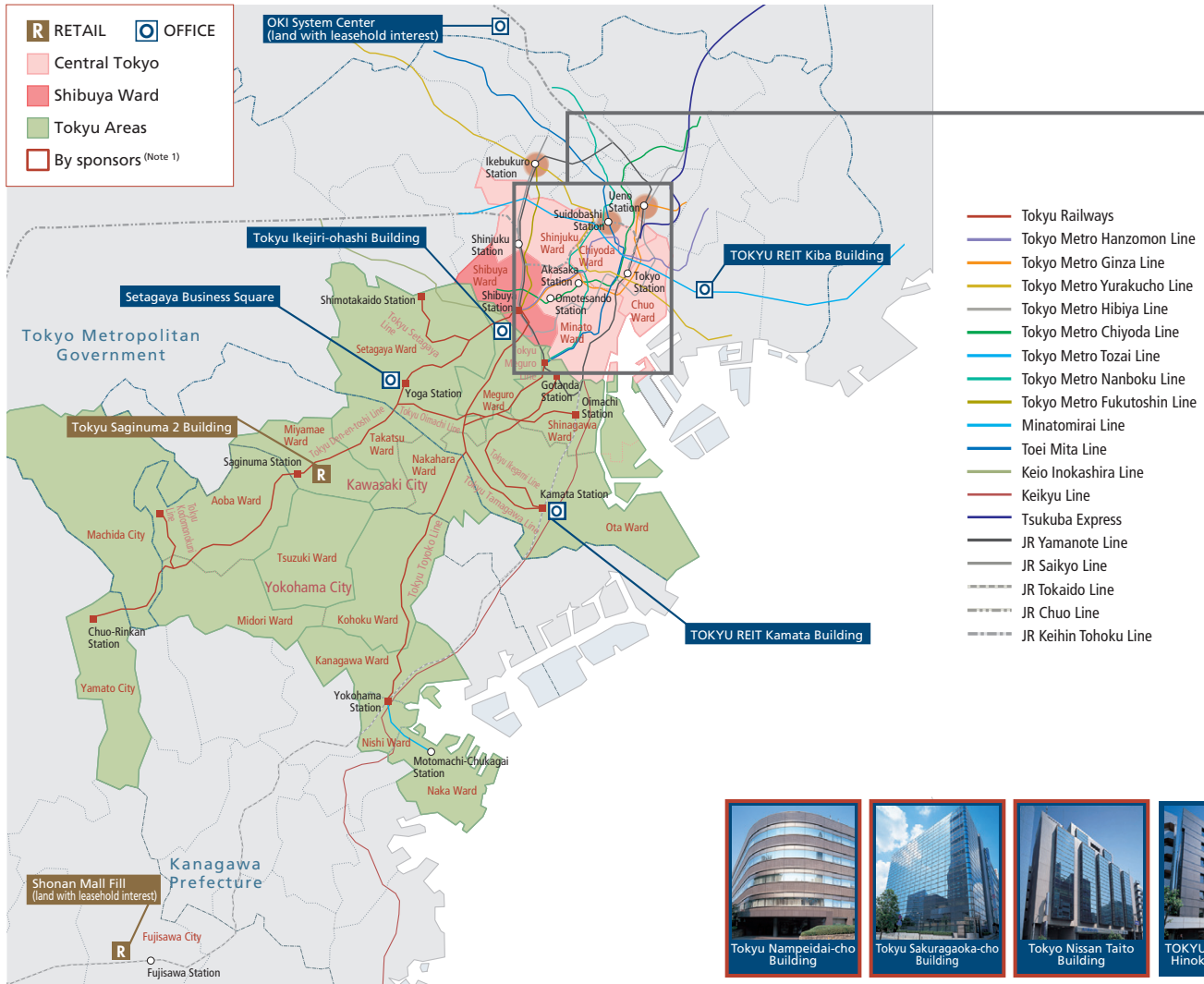
3. Tokyu Saginuma 2 Building is scheduled to be disposed on January 31, 2017.

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

5. Excludes Shonan Mall Fill (Land with leasehold interest), OKI System Center (Land with leasehold interest) and Tokyu Saginuma 2 Building scheduled to be sold on January 31, 2017.

# Portfolio (properties owned at the end of the 26th fiscal period)

## Investment Targeted Areas



(Notes) 1. The portfolio properties acquired from sponsors include properties contributed by Tokyu Land, which was a shareholder of the Investment Management Company (Tokyu REIM) along with Tokyu Corporation until June 2011.  
 2. Tokyu Saginuma 2 Building is scheduled to be disposed on January 31, 2017.

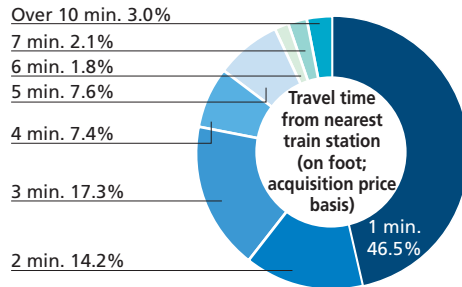


# Portfolio (properties owned at the end of the 26th fiscal period)

## Data of the 26th Fiscal Period

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

### Location



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

### Top 10 Tenants by Leased Area

#### Top 10 Tenants by Leased Area

No.	Tenant Name	Business Category	Property Name	Expiration Date	Leased Area (m <sup>2</sup> )	Ratio <sup>(Note 1)</sup>
1	DAIWA INFORMATION SERVICE Co., Ltd	Real estate	Shonan Mall Fill (land with leasehold interest)	3/31/2033	44,078.12	21.4%
2	OKI Electric Industry Co., Ltd	Electric equipment	OKI System Center (land with leasehold interest)	3/26/2033	17,019.19	8.3%
3	Tokyu Corporation	Land transportation	Tokyu Nampoedai-cho Building	12/31/2021	7,148.18	3.5%
			Tokyu Sakuragaoka-cho Building	12/31/2021	3,878.36	1.9%
4	VENDOR SERVICE CO., LTD.	Wholesale	Tokyu Toranomon Building	3/31/2017	4,922.75	2.4%
5	TSUTAYA Co., Ltd.	Wholesale	QFRONT	12/14/2019 <sup>(Note 2)</sup>	4,044.10	2.0%
6	OPT Holding Inc.	Other financial services	Tokyu Bancho Building <sup>(Note 3)</sup>	12/31/2016	3,952.84	1.9%
7	NTT DATA Corporation	Service	Tokyu Toranomon Building	6/30/2018	3,938.20	1.9%
8	Tokyu Agency Inc.	Service	Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	1/31/2023	3,533.03	1.7%
9	The Dai-ichi Building Co., Ltd	Real estate	TOKYU Ginza 2-chome Building	9/30/2016	3,278.04	1.6%
10	Tokyu Community Corp	Service	Setagaya Business Square <sup>(Note 4)</sup>	7/31/2017 <sup>(Note 2)</sup>	3,123.03	1.5%
Total of top 10 tenants in leased area					98,915.84	48.1%
Total leased area as of the end of July 2016 (26th fiscal period) (29 properties)					205,502.20	100.0%

(Notes) 1. "Ratio" indicates ratio of tenant's leased areas to total leased area of 29 properties held as of the end of the 26th fiscal period.

2. Expiration date of contract for largest leased area in plural leased area.

3. Leased areas for the tenants of Tokyu Bancho Building are indicated as 49% quasi-co-ownership interest of the 95.1% compartmentalized ownership interest of the trust beneficiary interest.

4. Leased areas of tenants in Setagaya Business Square are indicated as 55% co-ownership interest.

### Creation of Portfolio Resilient to Earthquakes

#### Structural status (earthquake resistance)

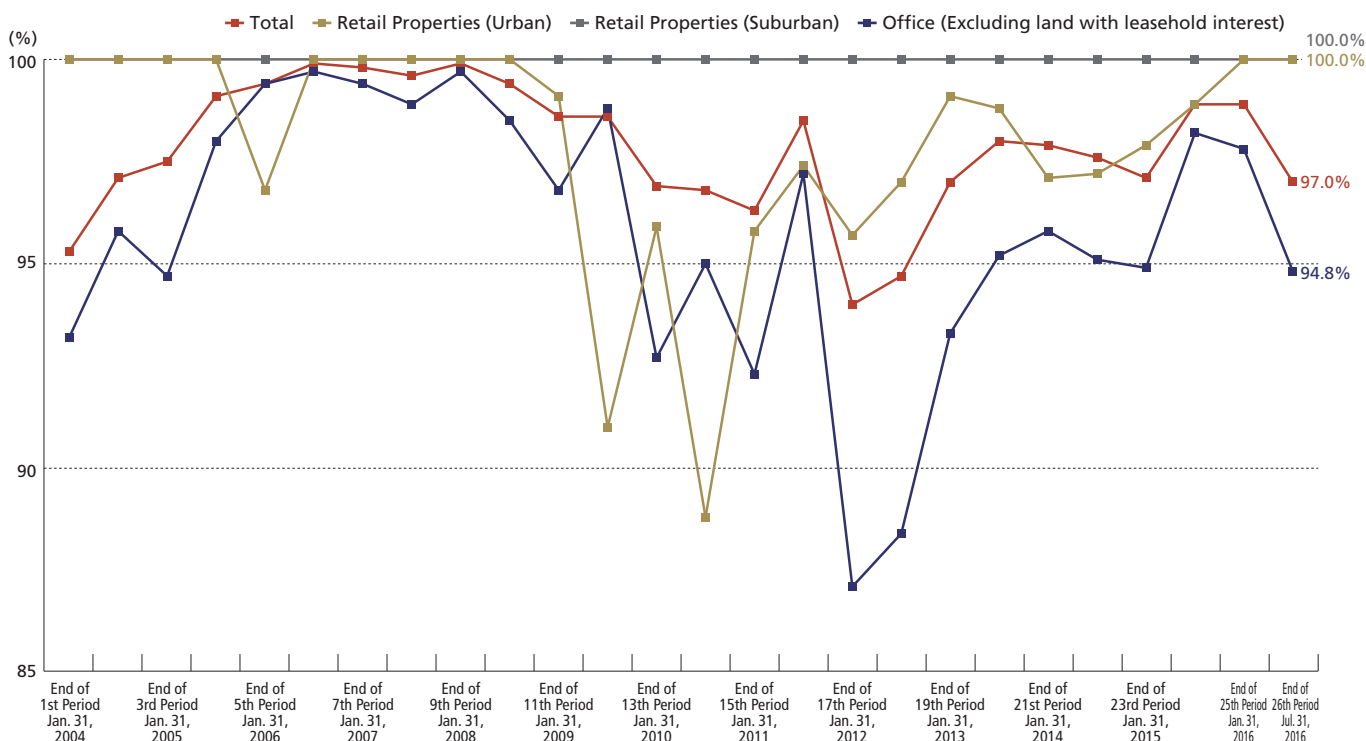
Investment Criteria	Properties that are compliant with the new earthquake resistance standards <sup>(Note 1)</sup> , that completed anti-seismic reinforcement work, or that has PML of less than 15%	Manage properties with a portfolio PML of 10% or less; examine purchasing earthquake insurance if PML of any property surpasses the figure.
Portfolio	<ul style="list-style-type: none"> <li>● 26 out of 29 properties either comply with the new earthquake resistance standards, or have completed anti-seismic reinforcement work or seismic isolation work. (Two of the three remaining properties are land with leasehold interest only, and the other one is based on the previous standards.)</li> <li>● Tokyu Saginuma 2 Building conforms to the previous earthquake resistance standards, but has sufficient anti-seismic performance with PML at 9.3%.</li> </ul>	<ul style="list-style-type: none"> <li>● Portfolio PML: 3.8% <sup>(Note 2)</sup></li> <li>● Although the merit of geographical diversification in terms of earthquake risks is small, the value of the portfolio PML for properties which have high earthquake resistance ratings is kept at a fairly low level as individual properties have high earthquake resistant ratings.</li> </ul>

(Notes) 1. The new earthquake resistance standards are the earthquake resistant design standards based on the Building Standards Act, which was revised in 1981 with the aim to prevent buildings from collapsing even from earthquakes with seismic intensity of six and secure safety for human lives. Buildings that obtained building confirmation in June 1981 and after are understood to satisfy the new earthquake resistance standards. In fact, there were almost no reports of collapsing of buildings that were designed in accordance with the new earthquake resistance standards from the Great Hanshin Earthquake in 1995 and the Great East Japan Earthquake in 2011, in which a seismic intensity of seven was actually observed.

2. Excludes Shonan Mall Fill (land with leasehold interest), OKI System Center (land with leasehold interest) and Tokyu Saginuma 2 Building scheduled to be sold on January 31, 2017.

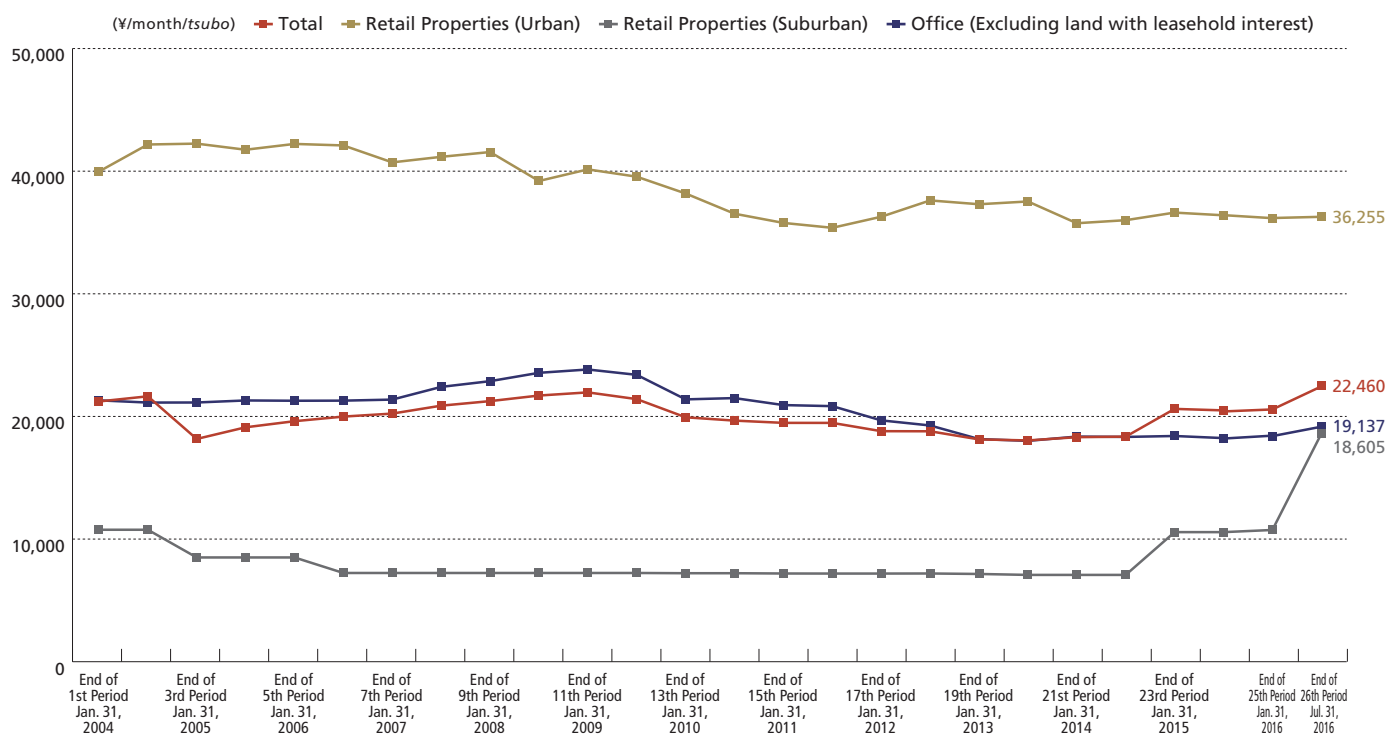
## Track Record (Results of Management)

### Changes in Occupancy Rate



\* OKI System Center (land with leasehold interest) is not included in Office.

### Changes in Average Rent



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

\* 1 tsubo ≈ 3.30578m<sup>2</sup>

# PORTFOLIO (properties owned at the end of the 26th fiscal period)

## R QFRONT



QFRONT is a specialty store retail property located directly across from Shibuya Station, an area identified as one of Japan's busiest retail districts. The main tenant is TSUTAYA, a rental and retail store of videos, CDs and DVDs/retail store of books, game software, etc. QFRONT also houses exclusive coffee shops and a restaurant. The building is one of Tokyo's premier retail facilities distinguished by the large LED advertising screen which adorns the outside wall, and has received considerable exposure from a variety of media.

Address: 21-6, Udagawa-cho, Shibuya-ku, Tokyo  
 Nearest Station: Approximately a one-minute walk from Shibuya Station—JR Yamanote Line, etc./Tokyo Metro Ginza Line, etc./Tokyo Toyo Line/Tokyo Den-en-toshi Line/Keio Inokashira Line  
 Total Land Space: 784.26m<sup>2</sup>  
 (Land included in the property trust totals 728.30m<sup>2</sup>)  
 Total Floor Space: 6,675.52m<sup>2</sup>  
 (Exclusive area 4,804.46m<sup>2</sup>)  
 Structure/Floors: SRC/S, B3/8F  
 Completed: October 1999  
 Type of Ownership: Land—Proprietary ownership  
 Building—Compartmentalized ownership  
 Tenant: TSUTAYA Co., Ltd.;  
 Tokyu Corporation;  
 Punraku Co., Ltd.

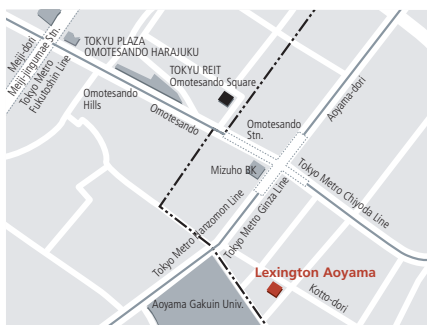


## R Lexington Aoyama



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

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



## R TOKYU REIT Omotesando Square



TOKYU REIT Omotesando Square is a multi-faceted retail property located in Shibuya Ward within a two-minute walk from Omotesando Station. This is a multi-tenant complex with a churrasco restaurant of which renewal opening was conducted in August 2016 on the first underground floor, a general merchandise store and a café on the first floor, a sports gym on the first through third floors and an esthetics salon on the fourth floor.

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





**R** Tokyu Saginuma 2 Building (Note 1)



Tokyu Saginuma 2 Building comprises three floors (the first to third floors) leased to a bank and three underground floors used as a parking facility. The property provides 84 car parking spaces of its parking facility to Tokyu Store Corporation, which is operating nearby, so it can satisfy a guideline stated based on the Large Retail Store Location Law, enabling customers of the Tokyu Store Corporation to use them.

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



(Note 1) Tokyu Saginuma 2 Building is scheduled to be disposed on January 31, 2017.

**R** TOKYU REIT Shibuya Udagawa-cho Square



TOKYU REIT Shibuya Udagawa-cho Square is located in the central area of Shibuya, the area identified as one of Japan's busiest retail districts, and faces the major retail thoroughfares Inokashira-dori and Shibuya Center-gai. ZARA, a tenant in Building 1, is a fast fashion brand opening multiple shops not only in Spain but also across the world. The restaurant UOGASHI NIHON ICHI operated by NIPPAN Co., Ltd. is located in Building 2.

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

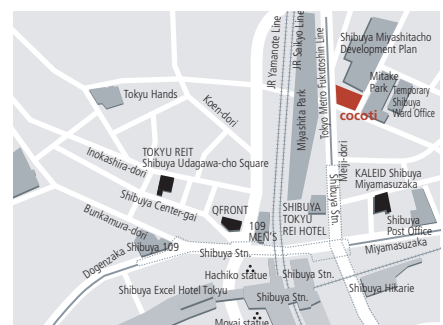


**R** cocoti



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

Address: 1-23-16, Shibuya, Shibuya-ku, Tokyo  
 Nearest Station: Approximately a three-minute walk from Shibuya Station—JR Yamanote Line, etc.  
 Approximately a one-minute walk from Shibuya Station—Tokyo Metro Ginza Line, etc./Tokyu Toyoko Line/Tokyu Den-en-toshi Line/Keio Inokashira Line  
 Total Land Space: 1,705.35m<sup>2</sup>  
 Total Floor Space: 11,847.87m<sup>2</sup>  
 Structure/Floors: S/SRC, B2/12F  
 Completed: September 2004  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership  
 Tenant: TOMORROWLAND Co., Ltd.;  
 DIESEL JAPAN Co., Ltd.;  
 THINK FITNESS Corporation;  
 etc.



# PORTFOLIO (properties owned at the end of the 26th fiscal period)

## R Shonan Mall Fill (land with leasehold interest)



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

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

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

Address: 4-1-1, Tsujido Shinmachi, Fujisawa City, Kanagawa  
 Nearest Station: Approximately three minutes by bus or a twenty-minute walk from Tsujido Station—JR Tokaido Line  
 Approximately five minutes by bus from Fujisawa Station—JR Tokaido Line/Odakyu Enoshima Line/Enoshima Electric Railway Line  
 Total Land Space: 44,078.12m<sup>2</sup>  
 Type of Ownership: Land—Proprietary ownership  
 Tenant: DAIWA INFORMATION SERVICE Co.,Ltd.



## R CONZE Ebisu



CONZE Ebisu is situated approximately a two-minute walk from Ebisu Station on the Tokyo Metro Hibiya Line and a three-minute walk from Ebisu Station on the JR Yamanote and Saikyo Lines, and houses restaurants and a service-related store.

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

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



## R Daikanyama Forum



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

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

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

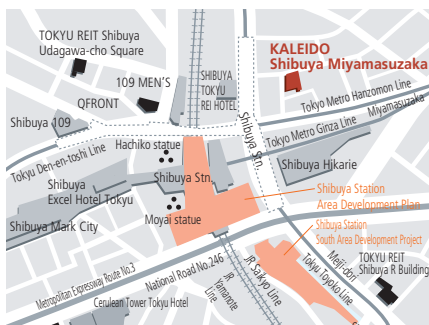


**R** KALEIDO Shibuya Miyamasuzaka



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

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

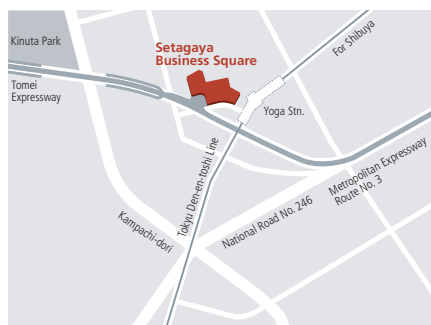


**Q** Setagaya Business Square



Setagaya Business Square is a large complex situated above Yoga Station on the Tokyu Den-en-toshi Line, consisting of a 28-story high-rise connected to the station.  
 It consists of four mid-size office towers, two terraces with commercial facilities and a community center.  
 The location is convenient for transportation with good road access (National Road No. 246, Kampachi-dori and the Yoga interchange on Metropolitan Expressway Route No. 3) as well as rail (direct line from Yoga Station to Otemachi Station passing through Shibuya Station).

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

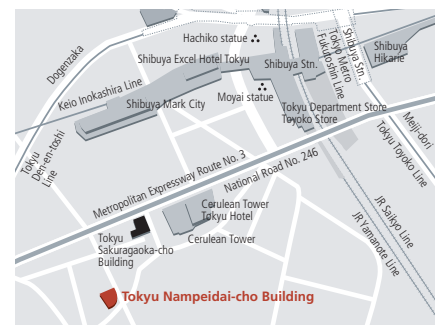


**Q** Tokyu Nampeidai-cho Building



Tokyu Nampeidai-cho Building is a five-story office building located in Shibuya area, where development projects are underway, which Tokyu Corporation uses as its head office.  
 A long-term lease contract from January 2013 to December 2021 has been concluded, contributing to earnings stability.

Address: 5-6, Nampeidai-cho, Shibuya-ku, Tokyo  
 Nearest Station: Approximately a seven-minute walk from Shibuya Station—JR Yamanote Line, etc./Tokyo Metro Ginza Line, etc./Tokyu Toyoko Line/Tokyu Den-en-toshi Line/Keio Inokashira Line  
 Total Land Space: 2,013.28m<sup>2</sup>  
 Total Floor Space: 7,003.88m<sup>2</sup>  
 Structure/Floors: S/SRC, B2/5F  
 Completed: July 1992  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership  
 Tenant: Tokyu Corporation



# PORTFOLIO (properties owned at the end of the 26th fiscal period)

## Tokyu Sakuragaoka-cho Building



Tokyu Sakuragaoka-cho Building is a nine-story office building located in Shibuya area, where development projects are underway, which is mostly occupied by Tokyu Corporation and used as its head office (the operating division).

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

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

Address: 31-2, Sakuragaoka-cho, Shibuya-ku, Tokyo

Nearest Station: Approximately a five-minute walk from Shibuya Station—JR Yamanote Line, etc./Tokyo Metro Ginza Line, etc./Tokyu Toyoko Line/Tokyu Den-en-toshi Line/Keio Inokashira Line

Total Land Space: 1,013.03m<sup>2</sup>

Total Floor Space: 6,505.39m<sup>2</sup>

Structure/Floors: SRC, B3/9F

Completed: June 1987

Type of Ownership: Land—Proprietary ownership

Building—Compartmentalized ownership<sup>(Note)</sup>

Tenant: Tokyu Corporation;

Tokyo Electric Power Company Holdings

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



## Tokyo Nissan Taito Building



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

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

Renewal work of exterior walls, restrooms throughout the building and installment of individually-controlled air-conditioning equipment, etc. was implemented in 2014 through 2015 and 2016 in order to maintain and enhance the property competitiveness.

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

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

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

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

Structure/Floors: SRC, B2/10F

Completed: September 1992

Type of Ownership: Land—Proprietary ownership

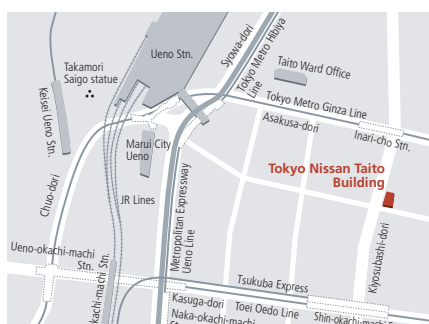
Building—Proprietary ownership

Tenant: Nissan Network Holdings Co., Ltd.;

GLORY AZ System Co., Ltd.;

Chugai Shoko Co., Ltd.;

etc.



## TOKYU REIT Akasaka Hinokicho Building



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

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

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

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

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

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

Structure/Floors: RC, 7F

Completed: August 1984

Type of Ownership: Land—Proprietary ownership

Building—Proprietary ownership

Tenant: Q-TEC, Inc.;

Seven-Eleven Japan Co., Ltd.;

Lainage Co., Ltd.



**TOKYU REIT  
Kamata Building**



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

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

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

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

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

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

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

Completed: February 1992

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

Tenant: Fujitsu Limited;  
FUJITSU MISSION CRITICAL SYSTEMS LIMITED;  
Dai Nippon Toriy Co., Ltd.;  
etc.



**TOKYU REIT  
Toranomon Building**



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

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

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

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

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

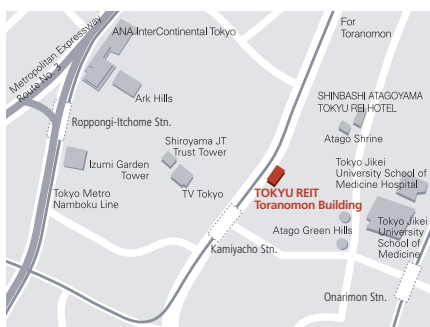
Total Floor Space: 15,343.73m<sup>2</sup>  
(Area owned by **TOKYU REIT**: 10,882.65m<sup>2</sup>)

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

Completed: April 1988

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

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



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



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

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

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

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

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

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

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

Completed: February 2003

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

Tenant: Tokyu Agency Inc.



# PORTFOLIO (properties owned at the end of the 26th fiscal period)

## Tokyu Ikejiri-ohashi Building



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

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

Renewal of the common areas including bathrooms, updating of air-conditioning system, etc. have been implemented since 2015 in order to maintain/enhance its competitiveness.

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

Address: 3-8-1, Higashiyama, Meguro-ku, Tokyo

Nearest Station: Approximately a five-minute walk from Ikejiri-ohashi Station—Tokyu Den-en-toshi Line

Total Land Space: 2,382.67m<sup>2</sup>

Total Floor Space: 7,619.56m<sup>2</sup>

Structure/Floors: SRC, 7F

Completed: October 1989

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

Tenant: Tokyu Bus Corporation;  
Third Office Co., Ltd.;  
TETSUJIN Inc.;  
etc.



## Kojimachi Square



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

Address: 3, Nibancho, Chiyoda-ku Tokyo

Nearest Station: Approximately a one-minute walk from Kojimachi Station—Tokyo Metro Yurakucho Line

Approximately a seven-minute walk from Hanzomon Station—Tokyo Metro Hanzomon Line

Approximately an eight-minute walk from Ichigaya Station—Tokyo Metro Namboku Line/Toei Shinjuku Line

Approximately a 10-minute walk from Yotsuya Station—Tokyo Metro Marunouchi Line

Approximately a seven-minute walk from Ichigaya Station—JR Sobu Line

Approximately an eight-minute walk from Yotsuya Station—JR Chuo and Sobu Lines

Approximately an eight-minute walk from Ichigaya Station—Toei Shinjuku Line

Total Land Space: 1,269.24m<sup>2</sup>

Total Floor Space: 6,803.47m<sup>2</sup>

Structure/Floors: S/R C B1/7F

Completed: January 2003

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

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



## TOKYU REIT Shinjuku Building



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

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

Moreover, in Shinjuku Station on the JR lines, JR SHINJUKU MIRAINA TOWER was completed in the South Exit area, and the project is scheduled for improving the ease of getting around at the eastern and western exits. These are expected to further enhance the convenience in the Shinjuku area.

**TOKYU REIT** acquired TOKYU REIT Shinjuku 2 Building, which stands adjacent to TOKYU REIT Shinjuku Building, in October 2015.

Address: 4-3-25, Shinjuku, Shinjuku-ku, Tokyo

Nearest Station: Approximately a one-minute walk from Shinjuku-Sanchome Station—Tokyo Metro Marunouchi and Fukutoshin Lines

Approximately a four-minute walk from Shinjuku Station—JR Yamanote Line, etc.

Approximately a six-minute walk from Shinjuku Station—Toei Shinjuku and Oedo Lines/Keio Line

Approximately a seven-minute walk from Shinjuku Station—Odakyu Odawara Line

Total Land Space: 1,113.87m<sup>2</sup>

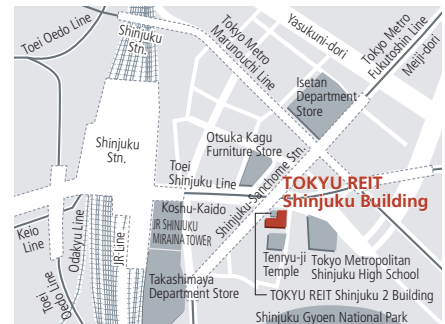
Total Floor Space: 8,720.09m<sup>2</sup>

Structure/Floors: SRC 10F

Completed: May 2003

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

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



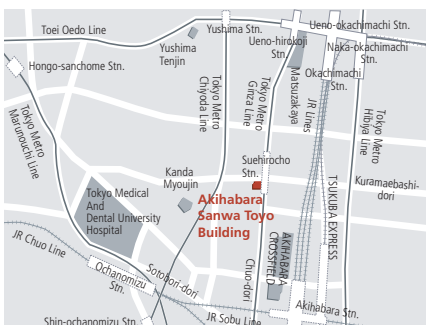
**Akihabara Sanwa Toyo Building**



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

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

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



**TOKYU REIT Kiba Building**



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

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



**Tokyu Ginza 2-chome Building**



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

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



# PORTFOLIO (properties owned at the end of the 26th fiscal period)

## OKI System Center (land with leasehold interest)



As the property is the land with leasehold interest (ownership of land with a fixed-term leasehold for commercial use) of OKI System Center, the tenants of which include Oki Electric Industry Co., Ltd., **TOKYU REIT** executed an agreement on establishment of a fixed-term leasehold valid until March 2033 for commercial use with Oki Electric Industry Co., Ltd., thus long-term stable cash flow is expected from the property.

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

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



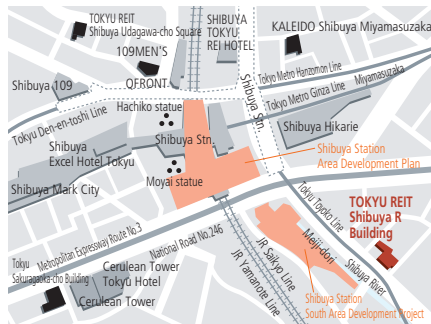
## TOKYU REIT Shibuya R Building



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

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

Address: 3-10-13, Shibuya, Shibuya-ku, Tokyo  
 Nearest Station: Approximately a two-minute walk from Shibuya Station—JR Lines  
 Approximately a four-minute walk from Shibuya Station—Tokyu Toyoko and Den-en-toshi Lines/Tokyo Metro Ginza, Hanzomon/Fukutoshin Lines  
 Total Land Space: 1,077.45m<sup>2</sup> [Area owned by **TOKYU REIT**: 819.41m<sup>2</sup>]  
 Total Floor Space: 7,289.38m<sup>2</sup>  
 Including parking space (41.18m<sup>2</sup>)  
 (Area owned by **TOKYU REIT** 4,403.69m<sup>2</sup>)  
 Structure: SRC (Parking: S 1F)  
 Floors: B1/9F  
 Completed: March 1990  
 Type of Ownership: Land—Proprietary ownership (Partial ownership)  
 Building—Compartmentalized ownership, and co-ownership of compartmentalized ownership  
 Tenant: TOKYU MEDIA COMMUNICATIONS INC.; LANCERS, INC.; K.K. Japan Distribution System



## Tokyu Toranomon Building



Tokyu Toranomon Building is an office building located a three-minute walk from Toranomon Station. The surrounding area of the property is expected to have further growth potential through such measures as establishment of new Toranomon Station on the Tokyo Metro Hibiya Line on top of the opening of Loop Road No. 2 (Shintora-dori) and the completion of Toranomon Hills.

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

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





**TOKYU REIT Shinjuku 2 Building**



The Shinjuku-sanchome Station and Shinjuku Station South Exit area, where the Property is situated, is formed around one of Japan's largest train station terminals Shinjuku Station and is one of Tokyo's most commercially bustling with a concentration of numerous commercial buildings, including large retail stores, in the station vicinity.

Furthermore, with ongoing large-scale mixed-use development projects underway in the area, including "JR SHINJUKU MIRAINA TOWER" that opened in March 2016, better flow and greater bustle are anticipated going forward.

Address: 4-3-23, Shinjuku, Shinjuku-ku, Tokyo

Nearest Station: Approximately a one-minute walk from Shinjuku-sanchome Station—Tokyo Metro Marunouchi/Fukutoshin Lines

Approximately a four-minute walk from Shinjuku Station—JR Yamanote Line, etc.

Approximately a six-minute walk from Shinjuku Station—Toei Subway Shinjuku/Oedo Lines

Approximately a six-minute walk from Shinjuku Station—Keio Line

Approximately a six-minute walk from Shinjuku Station—Odakyu Odawara Line

Total Land Space: 270.05m<sup>2</sup>

Total Floor Space: 2,006.13m<sup>2</sup>

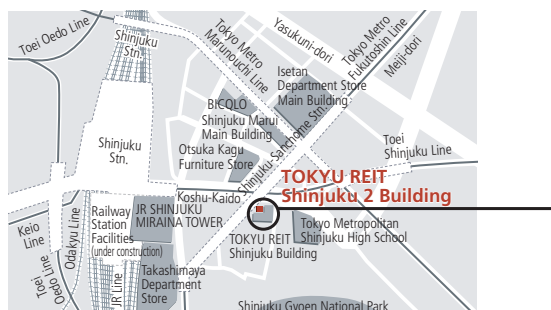
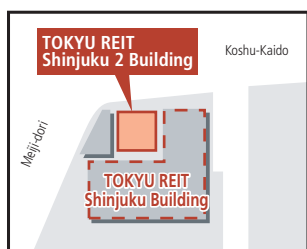
Structure: S

Floors: 10F

Completed: December 1991

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

Tenant: Relo Group;  
Bell-Park Co., Ltd.



**Tokyu Bancho Building**



Tokyu Bancho Building is outstandingly competitive because, in addition to it standing in a location that has highly convenient access being within a three-minute walk from Ichigaya Station served by four railway lines, including JR lines, it is also relatively newly-built with a building age of four years, and the office specifications are high, such as 366tsubos in floor area per standard floor, no columns, 2,800mm ceiling height (100mm raised flooring) and individually-controlled air-conditioning equipment.

Address: 6, Yonbancho, Chiyoda-ku, Tokyo

Nearest Station: Approximately a three-minute walk from Ichigaya Station—JR Chuo Main Line and Sobu Line

Approximately a three-minute walk from Ichigaya Station—Tokyo Metro Yurakucho and Namboku Lines

Approximately a three-minute walk from Ichigaya Station—Toei Subway Shinjuku Line

Total Land Space: 2,754.18m<sup>2</sup>

[Land included in the property trust totals: 2,573.80m<sup>2</sup>]

Total Floor Space: 15,834.55m<sup>2</sup>

[Exclusive ownership area of compartments under compartmentalized ownership pertaining to property trust: 11,431.09m<sup>2</sup>]

Structure /Floors : S, 11F

Completed: September 2011

Type of Ownership: Land-Proprietary ownership

[Quasi-co-ownership interest of trust beneficiary interest: 49%]

Building-compartmentalized ownership

[Quasi-co-ownership interest of the 95.1% compartmentalized ownership interest of the trust beneficiary interest: 49%]

Tenant: OPT, Inc;

ELECOM Co., Ltd.;


Japan Vaccine Co., Ltd.



## ■ DBJ Green Building Certification

The DBJ Green Building Certification program is a certification program to evaluate real estate demonstrating environmental and social awareness in five grades with a scoring model developed originally by Development Bank of Japan Inc.



DBJ Green Building  
2015 

### Properties with excellent environmental & social awareness



Setagaya Business Square

- Saving water resources by installing facilities for reuse of rainwater and greywater
- Contributing to heat island countermeasures by creating lush on-site greenery



cocoti

- Contributing to heat island countermeasures in cities by conducting large-scale rooftop and wall greening
- Enhancing the attractiveness of retail properties by establishing interactive facilities such as fitness clubs and movie theaters



DBJ Green Building  
2015 

### Properties with high environmental & social awareness



Tokyu Toranomom Building

- Proactively promotes heat island countermeasures by providing enhanced rooftop and wall greenery and provides comfort to the building's office workers.



QFRONT

- Promoting energy saving of the entire facility by adopting LED lighting
- Proactively engage in formation of communities in the surrounding environment by participating in local events

## ■ Acquired "Green Star," the Highest Ranking, in GRESB Survey for two consecutive years

Tokyu REIM has participated in GRESB survey since 2014 by placing **TOKYU REIT** as the target. Acquired the highest ranking of "GreenStar" in 2016.



GRESB (Global Real Estate Sustainability Benchmark)

...Benchmark developed by a group of leading western pension funds. Evaluates the sustainability consideration of real estate companies and the managing entities, and is being utilized by some major institutional investors, for example when selecting investment targets.

# I . Asset Management Report

## 1. Financial Highlights

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

		26th fiscal period From February 1, 2016 to July 31, 2016 (182 days)	25th fiscal period From August 1, 2015 to January 31, 2016 (184 days)	24th fiscal period From February 1, 2015 to July 31, 2015 (181 days)	23rd fiscal period From August 1, 2014 to January 31, 2015 (184 days)	22nd fiscal period From February 1, 2014 to July 31, 2014 (181 days)	
		Millions of yen, except per unit data or where otherwise indicated					
Result of operation	Statement of income	Operating revenues	¥ 9,500	¥ 7,289	¥ 7,133	¥ 7,541	¥ 7,302
		Operating income	¥ 3,580	¥ 3,251	¥ 3,083	¥ 3,383	¥ 3,225
		Net income	¥ 2,926	¥ 2,571	¥ 2,396	¥ 2,660	¥ 2,461
	Operating income	Revenue from property leasing (a) (Note 2)	¥ 7,150	¥ 7,289	¥ 7,131	¥ 7,075	¥ 7,300
		Rental service expenses (b)	¥ 3,362	¥ 3,368	¥ 3,396	¥ 3,478	¥ 3,420
		[Depreciation and amortization] (included in (b)) (c) (Note 3)	[¥ 1,049]	[¥ 1,028]	[¥ 1,013]	[¥ 1,017]	[¥ 1,078]
		NOI (Net Operating Income) (a) – (b) + (c)	¥ 4,837	¥ 4,949	¥ 4,747	¥ 4,614	¥ 4,957
	Cash flow	FFO (Funds from Operation) (d) (Note 4)	¥ 3,467	¥ 3,600	¥ 3,406	¥ 3,211	¥ 3,539
		Capital expenditures (e)	¥ 684	¥ 622	¥ 542	¥ 682	¥ 343
		AFFO (Adjusted Funds from Operation) (d) – (e)	¥ 2,783	¥ 2,978	¥ 2,864	¥ 2,529	¥ 3,195
Financial position	Balance sheet	Total assets (f)	¥ 221,495	¥ 222,868	¥ 222,810	¥ 223,346	¥ 230,969
		[Change from the preceding period]	[–0.6%]	[0.0%]	[–0.2%]	[–3.3%]	[0.0%]
		Interest-bearing liabilities (g) (Note 5)	¥ 95,500	¥ 97,000	¥ 97,000	¥ 97,000	¥ 103,000
		Total unitholders' equity (Net assets) (h)	¥ 113,538	¥ 113,183	¥ 113,008	¥ 113,140	¥ 112,940
		[Change from the preceding period]	[0.3%]	[0.2%]	[–0.1%]	[0.2%]	[–0.0%]
	Portfolio	Unitholders' capital	¥ 110,479	¥ 110,479	¥ 110,479	¥ 110,479	¥ 110,479
		Acquisition costs of properties (Note 6)	¥ 223,629	¥ 224,809	¥ 222,059	¥ 222,059	¥ 229,622
		Book value of properties (Note 6)	¥ 211,772	¥ 212,739	¥ 210,199	¥ 210,653	¥ 217,190
		Appraisal value of properties at end of period (i) (Note 6)	¥ 244,500	¥ 242,870	¥ 233,480	¥ 228,660	¥ 227,740
		Number of properties at end of period	29 properties	30 properties	29 properties	29 properties	30 properties
		Total leasable area (Note 7)	211,801.83 m <sup>2</sup>	231,706.49 m <sup>2</sup>	229,859.61 m <sup>2</sup>	229,922.73 m <sup>2</sup>	280,131.88 m <sup>2</sup>
	Occupancy rate at end of period (Note 7)	97.0%	98.9%	98.9%	97.1%	97.6%	
	Other	Distri- bution	Cash distribution	¥ 2,634	¥ 2,572	¥ 2,396	¥ 2,528
Dividend payout ratio			90.0%	100.0%	100.0%	95.0%	100.0%
Per unit data		Total number of units issued and outstanding	977,600 units	977,600 units	977,600 units	977,600 units	977,600 units
		Total unitholders' equity per unit (base value)	¥ 116,139	¥ 115,777	¥ 115,597	¥ 115,732	¥ 115,528
		Cash distribution per unit	¥ 2,695	¥ 2,631	¥ 2,451	¥ 2,586	¥ 2,517
Management index		Return on total unitholders' equity (annualized) (Note 8)	5.2%	4.5%	4.3%	4.7%	4.4%
		Equity ratio (h)÷(f)	51.3%	50.8%	50.7%	50.7%	48.9%
		[Change from the preceding period]	[0.5%]	[0.1%]	[0.1%]	[1.8%]	[–0.0%]
		Proportion of interest-bearing liabilities to total assets at end of period (g)÷(f)	43.1%	43.5%	43.5%	43.4%	44.6%
		Proportion of interest-bearing liabilities to appraisal value at end of period (g)÷(i)	39.1%	39.9%	41.5%	42.4%	45.2%
Average market price per unit during period (Note 9)	¥ 154,325	¥ 145,209	¥ 153,975	¥ 150,756	¥ 131,777		

- Note 1. Consumption tax is not included in operating revenues.
- Note 2. 'Revenue from property leasing' does not include revenues from facility acceptance (24th fiscal period: ¥2 million) or contribution for construction (22nd fiscal period: ¥2 million).
- Note 3. 'Depreciation and amortization' includes loss on disposal of property and equipment (22nd fiscal period: ¥11 million; 23rd fiscal period: ¥15 million; 24th fiscal period: ¥10 million; 25th fiscal period: ¥5 million; 26th fiscal period: ¥23 million).
- Note 4. Net income + Depreciation and amortization + Other property related depreciation and amortization + Loss on sale of property – Gain on sale of property – Revenues from facility acceptance  
Other property related depreciation and amortization was not incurred.
- Note 5. Short-term debt + Long-term debt due within one year + Long-term debt + Investment corporation bonds due within one year + Investment corporation bonds
- Note 6. For 'Trust beneficiary interest in real estate,' the portion equivalent to the properties held in substance, which is total assets less the money that is part of the assets of the concerned trust beneficiary interest in real estate, is shown.
- Note 7. Regarding 'Total leasable area' and 'Occupancy rate at end of period,' please refer to notes 2 and 4 of '3. Portfolio Profile (2) Major Portfolio.'
- Note 8.  $\text{Net income} \div \{(\text{Net assets at beginning of period} + \text{Net assets at end of period}) \div 2\} \times 365 \div \text{Number of days of investment management}$
- Note 9. Average price during period (closing price) on the Real Estate Investment Trust Section of the Tokyo Stock Exchange, Inc. ("Tokyo Stock Exchange") on which the investment certificates of TOKYU REIT, Inc. ("TOKYU REIT") are listed.

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

### ① Investment Environment

During the fiscal period under review (26th fiscal period: six-month period ended July 31, 2016), the Japanese economy continued to be on a moderate recovery trend, although weakness was also seen.

Specifically, in the Tokyo metropolitan area's economy, consumer spending made moderate recovery, but has recently come to a standstill as evidenced by factors such as department store and supermarket sales turnover falling below that of the previous year. Production activities were almost flat and the employment situation continued to improve.

With regard to population movements, over 100,000 people migrated to the Tokyo metropolitan area from other regions of the country during the period between January and June 2016. This has further exacerbated the disparity between the Tokyo area and other regions of the country.

Under these circumstances, in the Tokyo 23 ward's office leasing market over the six-month period to June 2016, new supply of floor area increased, but factors such as movements among corporate tenants considering increasing their floor area within the property, relocating for the purpose of moving to a property with larger floor area, etc. As well as favorable corporate earnings led to decreased vacancy rate and increased average advertised rent. In the retail property leasing market, retail sales turnover has continued to decrease compared with the same month of the previous yearend since November 2015, with the exception of February when there were boosting effects from being a leap year. Although concerns of the consumption tax hike dragging down consumption have been averted for the time being due to postponement of the consumption tax hike, consumers' defensive stance to maintain their standard of living is high, causing sales turnover to be sluggish relative to the improvement in the employment environment.

In the real estate investment market, with global monetary easing and low interest rates, the situation continues to be one in which investors are seeking higher yield while pursuing risk diversification. Funds inflow continues for real estate as investment targets from which relatively high yield can be expected exist. However, the volume of transactions of domestic real estate has been decreasing since peaking in the first half of 2015. With transaction demand becoming tight as a result, expected cap rate continues to be on a moderate decline, but is trending toward bottoming out in Tokyo, with the exception of hotels.

## ② Investment Performance Results

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

TOKYU REIT engaged in investment activities by adopting an investment policy based on the stance of investing in highly competitive properties in areas with strong growth potential, as it has to date, and additionally pursuant to its “Long-Term Investment Management Strategy (Surf Plan)” (see Note below) that was formed by applying the investment management experience that it has gained since its listing. Consequently, during the 26th fiscal period, TOKYU REIT acquired 49% quasi-co-ownership interest of the 95.1% compartmentalized ownership interest of the trust beneficiary interest of “Tokyu Bancho Building” and sold “Tokyu Saginuma Building” through a reciprocal sale and purchase with TOKYU REIT’s sponsor Tokyu Corporation on March 24, 2016. Furthermore, “Tokyu Saginuma 2 Building” is scheduled to be sold to Tokyu Corporation on January 31, 2017. In addition, “TOKYU REIT Hatchobori Building” was sold on May 31, 2016. As of July 31, 2016, TOKYU REIT held an investment portfolio totaling 29 properties with a total acquisition price of ¥223,629 million and total leasable area of 211,801.83 m<sup>2</sup>. The period-end appraisal value for TOKYU REIT’s entire portfolio amounted to ¥244,500 million.

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

As in the previous fiscal period, the total period-end appraisal value exceeded the total book value, resulting in an amount of difference of ¥32,727 million. Based on generally accepted accounting principles, such unrealized gains are not reflected in TOKYU REIT’s financial statements.

The average per-tsubo rental rate for the existing property portfolio at the end of the 26th fiscal period increased by 0.8% compared with the end of the 25th fiscal period. In addition, the vacancy rate at the end of the 26th fiscal period worsened from the 1.1% at the end of the 25th fiscal period by 1.9 percentage points to 3.0%.

### b. Countering Conflicts of Interest

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

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

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

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

### ③ Financing

TOKYU REIT undertakes financing activities under a financial policy that emphasizes stability, flexibility and efficiency. During the 26th fiscal period, to secure interest-bearing liabilities with fixed long-term interest rates and diversifying repayment dates, long-term debt of ¥3,500 million due for repayment in the 26th fiscal period was refinanced in the amount of ¥2,000 million and repaid using cash on hand in the amount of ¥1,500 million. TOKYU REIT also procured ¥4,000 million in the form of short-term debt to fund part of the acquisition of Tokyu Bancho Building and the expenditures pertaining to the acquisition, and the entire amount was repaid during the 26th fiscal period. In addition, TOKYU REIT has established commitment lines which provide credit facilities totaling ¥18,000 million with five financial institutions to secure financial credibility through the enhancement of liquidity on hand. The balance of interest-bearing liabilities as of July 31, 2016 was ¥95,500 million, consisting of ¥9,500 million in investment corporation bonds and ¥86,000 million in long-term debt (of which, ¥14,000 million is the current portion of long-term debt). The weighted-average interest rate for the 26th fiscal period was 1.28% (calculated based on the annualized amount of interest payable for the 26th fiscal period divided by the total average balance of each interest-bearing liability).

TOKYU REIT's credit ratings as of July 31, 2016 were as follows:

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

### (3) Issuance of New Investment Units

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

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

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

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

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

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

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

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

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

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

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

### 【Movements of Market Price】

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

	26th fiscal period From February 1, 2016 to July 31, 2016	25th fiscal period From August 1, 2015 to January 31, 2016	24th fiscal period From February 1, 2015 to July 31, 2015	23rd fiscal period From August 1, 2014 to January 31, 2015	22nd fiscal period From February 1, 2014 to July 31, 2014
	Yen				
Highest	¥ 167,300	¥ 156,300	¥ 163,000	¥ 167,900	¥ 146,800
Lowest	¥ 139,500	¥ 130,700	¥ 138,400	¥ 138,200	¥ 115,900

#### (4) Distribution Information

In the 26th fiscal period, ¥292 million of the ¥2,349 million in capital gains from the disposition of Tokyu Saginuma Building on March 24, 2016 is retained as reserve for reduction entry pursuant to the “Special Provisions for Taxation in Cases of Repurchase of Specified Assets” (Article 65-7 of the Special Taxation Measures Law (Law No. 26 of 1957, including amendments thereto)). Consequently, with respect to the distribution, TOKYU REIT decided to distribute unappropriated retained earnings, less the concerned reserve for reduction entry, in the entire amount (except for the rounding amount, which is the distribution per unit of less than ¥1) for application of Article 67-15 of the Special Taxation Measures Law that allows TOKYU REIT to deduct the maximum amount of profit distribution from its taxable income. Accordingly, distribution per unit for the 26th fiscal period was ¥2,695.

	26th fiscal period From February 1, 2016 to July 31, 2016	25th fiscal period From August 1, 2015 to January 31, 2016	24th fiscal period From February 1, 2015 to July 31, 2015	23rd fiscal period From August 1, 2014 to January 31, 2015	22nd fiscal period From February 1, 2014 to July 31, 2014
	Millions of yen, except per unit data				
Unappropriated retained earnings	¥ 2,926	¥ 2,572	¥ 2,396	¥ 2,660	¥ 2,461
Undistributed earnings	¥ 292	¥ 0	¥ 0	¥ 132	¥ 0
Cash distribution	¥ 2,634	¥ 2,572	¥ 2,396	¥ 2,528	¥ 2,460
[Cash distribution per unit]	[¥ 2,695]	[¥ 2,631]	[¥ 2,451]	[¥ 2,586]	[¥ 2,517]
Cash distribution of accumulated earnings	¥ 2,634	¥ 2,572	¥ 2,396	¥ 2,528	¥ 2,460
[Cash distribution of accumulated earnings per unit]	[¥ 2,695]	[¥ 2,631]	[¥ 2,451]	[¥ 2,586]	[¥ 2,517]
Cash distribution in excess of accumulated earnings	—	—	—	—	—
[Cash distribution in excess of accumulated earnings per unit]	[—]	[—]	[—]	[—]	[—]
Cash distribution from allowance for temporary difference adjustment	—	—	—	—	—
[Cash distribution from allowance for temporary difference adjustment per unit]	[—]	[—]	[—]	[—]	[—]
Cash distribution from distribution accompanying decrease in capital, etc. under tax law	—	—	—	—	—
[Cash distribution from distribution accompanying decrease in capital, etc. under tax law per unit]	[—]	[—]	[—]	[—]	[—]



## (5) Future Policies of Investment Management

### ① Forecast of Future Movement

The outlook for the economy is that, due in part to the effects of various measures and policies amid the ongoing improvement in the employment and income environment, expectations are for moderate recovery to continue. However, weakness seen in overseas economies, and downturn in emerging Asian economies, including the Chinese economy and resource-rich economies, among others, pose a risk of downward pressure on the Japanese economy. In addition, there is the need to take note of increasing overseas economic uncertainty, such as the issue of the UK leaving the EU, and the impact of financial and capital market volatility.

In light of such an outlook, in the real estate trading market, the ongoing low interest rates due to monetary policies lead to the forecast that the real estate trading market expected cap rate will continue to hover at a low level in the foreseeable future. In the office leasing market, the vacancy rate increased in the five central Tokyo wards, where there was a large volume of supply in the first half of 2016, but is decreasing again after peaking in March. Given the low volume of new supply in the second half of 2016, the forecast is that the decrease in the vacancy rate will continue. In the retail leasing market, with such changes in households as increase in elderly, one-person and dual-income households, polarization in terms of favorable and unfavorable performance depending on business category is becoming clear. For central urban retail properties in Tokyo, the forecast for sales and rent is bullish in light of progress in the shift in accumulation of residences to central urban areas and growth in inbound tourism consumption.

### ② Future Policies of Investment Management and Issues to be Counteracted

Prior to the formal establishment of TOKYU REIT, Tokyu REIM undertook an assessment of future investment trends based on business growth potential. Based on this assessment, it was decided that TOKYU REIT would adopt an investment policy based on the stance of investing in highly competitive properties in areas with strong growth potential. Specifically, TOKYU REIT will continue to focus on an investment area mainly limited to Central Tokyo, where ongoing growth is expected, and to the Tokyo metropolitan area centering on the Tokyu Areas (see Note 1 below). TOKYU REIT will continue to adhere firmly to stringent investment criteria for selecting individual properties, and obtain a balanced mix of competitive, high-quality properties from the real estate investment market as well as Tokyu Corporation and its subsidiaries (see Note 2 below).

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

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

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

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

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

(i) Tokyu Corporation

(ii) A consolidated subsidiary of Tokyu Corporation

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

TOKYU REIT will endeavor to achieve internal growth by enhancing earnings stability and growth potential through collaboration with Tokyu Corporation and its subsidiaries in the areas of property maintenance and management. To that end, by maintaining a careful watch on corporate earnings and consumption trends, TOKYU REIT will make every effort to manage facilities in a way that makes each property the choice of corporate tenants and visitors over the medium to long term. Specifically, with the objective of maintaining and raising rent levels, TOKYU REIT will make strategic and appropriate renovations commensurate with the grade of the properties being improved and implement leasing activities from a medium to long term perspective. TOKYU REIT will also implement appropriate cost control measures with regard to maintenance fees and additional capital expenditures.

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

#### (6) Subsequent Events

There were no matters requiring explanation as of the date of the Report of Independent Auditors (October 27, 2016).

## 2. Company Profiles

### (1) Summary of Unitholders' Contributions

	26th fiscal period As of July 31, 2016	25th fiscal period As of January 31, 2016	24th fiscal period As of July 31, 2015	23rd fiscal period As of January 31, 2015	22nd fiscal period As of July 31, 2014
Total number of units authorized (units)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Total number of units issued and outstanding (units)	977,600	977,600	977,600	977,600	977,600
Unitholders' capital (millions of yen)	¥ 110,479	¥ 110,479	¥ 110,479	¥ 110,479	¥ 110,479
Number of unitholders (persons)	12,146	12,392	12,880	12,430	12,348

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

The following table sets forth the major unitholders of TOKYU REIT as of July 31, 2016.

Name	Address	Number of units owned	As a percentage of total number of units issued and outstanding
		Units	%
Japan Trustee Services Bank, Ltd. (trust account)	1-8-11, Harumi, Chuo-ku, Tokyo	266,829	27.29
Trust & Custody Services Bank, Ltd. (securities investment trust account)	Harumi Island Triton Square Office Tower Z, 1-8-12, Harumi, Chuo-ku, Tokyo	94,383	9.65
The Master Trust Bank of Japan, Ltd. (trust account)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	50,025	5.12
Tokyu Corporation	5-6, Nampeidai-cho, Shibuya-ku, Tokyo	49,000	5.01
The Nomura Trust and Banking Co., Ltd. (investment trust account)	2-2-2, Otemachi, Chiyoda-ku, Tokyo	37,661	3.85
The Asahi Fire & Marine Insurance Co., Ltd.	7, Kandamitoshiro-cho, Chiyoda-ku, Tokyo	15,000	1.53
MetLife Insurance K.K. (Standing Proxy: Citibank Japan Ltd.)	6-27-30, Shinjuku, Shinjuku-ku, Tokyo	13,257	1.36
Trust & Custody Services Bank, Ltd. (money trust tax account)	Harumi Island Triton Square Office Tower Z, 1-8-12, Harumi, Chuo-ku, Tokyo	10,750	1.10
State Street Bank - West Pension Fund Clients - Exempt 505233 (Standing Proxy: Mizuho Bank, Ltd.)	Shinagawa Intercity Tower A, 2-15-1, Konan, Minato-ku, Tokyo	10,093	1.03
BNP Paribas Securities Services Sydney / JASDEC / Australian Residents (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	3-11-1, Nihonbashi, Chuo-ku, Tokyo	9,560	0.98
Total		556,558	56.93

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

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

① Name of Directors and Auditor (as of July 31, 2016)

Title	Name	Title at other companies	Total fee for each title (Note 2) (Thousands of yen)
Executive Director	Kazuyoshi Kashiwazaki	Representative Director & President, and Chief Executive Officer of Tokyu Real Estate Investment Management Inc.	¥— (Note 3)
Supervisory Director	Giichi Yanagisawa	Chief Representative Partner of Shinsoh Audit Corporation Certified public accountant Certified public tax accountant	¥ 3,000
Supervisory Director	Maruhito Kondo	Head of Maruhito Kondo Law Office Lawyer	¥ 3,000
Independent Auditor	PricewaterhouseCoopers Aarata LLC		¥ 9,000

Note 1. The executive director, supervisory directors and independent auditor do not possess investment units of TOKYU REIT under their own name nor under another person's name. Although there are cases in which supervisory directors could be directors of companies other than those stated above, none of the companies or those stated above have vested interest in TOKYU REIT.

Note 2. The amount paid to the executive director and supervisory directors in the fiscal period under review and the amount payable to the independent auditor for audits pertaining to the fiscal period under review are shown.

Note 3. The executive director serves without compensation.

② Policies Regarding Decision of Dismissing and Not Reappointing Independent Auditors

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

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

The following table sets forth information about TOKYU REIT's investment management company, asset custodian and general administrators as of July 31, 2016.

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

3. Portfolio Profile  
(1) Asset Composition

Asset type	Use	Area	26th fiscal period As of July 31, 2016		25th fiscal period As of January 31, 2016		
			Total amount held	As a percentage of total assets	Total amount held	As a percentage of total assets	
			Millions of yen	%	Millions of yen	%	
Real estate	Retail	Central Tokyo and Tokyu Areas	¥ 15,576	7.0	¥ 15,612	7.0	
		Other	—	—	—	—	
		Sub total	15,576	7.0	15,612	7.0	
	Office	Central Tokyo and Tokyu Areas	48,479	21.9	48,615	21.8	
		Other	4,774	2.2	4,774	2.1	
		Sub total	53,253	24.0	53,389	24.0	
	Total		68,830	31.1	69,002	31.0	
	Trust beneficiary interest in real estate	Retail	Central Tokyo and Tokyu Areas	52,577	23.7	59,257	26.6
			Other	7,026	3.2	7,026	3.2
Sub total			59,603	26.9	66,283	29.7	
Office		Central Tokyo and Tokyu Areas	79,385	35.8	73,477	33.0	
		Other	3,952	1.8	3,975	1.8	
		Sub total	83,338	37.6	77,452	34.8	
Total		142,941	64.5	143,736	64.5		
Other assets		9,723	4.4	10,129	4.5		
Total assets		¥ 221,495 [¥ 211,772]	100.0 [95.6]	¥ 222,868 [¥ 212,739]	100.0 [95.5]		

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

Note 2. 'Total amount held' is the amount allocated in the balance sheet at the end of the period (as to properties, figures are net book value after deducting depreciation).

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

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

## (2) Major Portfolio

Major portfolio held by TOKYU REIT as of July 31, 2016 is as follows:

Name of property		Book value	Total leasable area	Leased area	Occupancy rate	As a percentage of revenue from property leasing	Use
		Millions of yen	m <sup>2</sup>	m <sup>2</sup>	%	%	
R	QFRONT	¥ 13,770	4,502.93	4,502.93	100.0	9.3	Retail
R	Lexington Aoyama	4,717	2,107.08	2,107.08	100.0	1.8	Retail
R	TOKYU REIT Omotesando Square	5,679	2,669.10	2,669.10	100.0	2.5	Retail
R	Tokyu Saginuma 2 Building (Note 6)	1,174	1,267.95	1,267.95	100.0	0.9	Retail
R	TOKYU REIT Shibuya Udagawa-cho Square	6,587	1,543.05	1,543.05	100.0	3.5	Retail
R	cocoti	22,100	8,369.21	8,369.21	100.0	7.3	Retail
R	Shonan Mall Fill ( <i>sokochi</i> )	7,026	44,078.12	44,078.12	100.0	2.6	Retail
R	CONZE Ebisu	4,910	2,326.97	2,326.97	100.0	1.7	Retail
R	Daikanyama Forum	4,078	2,477.64	2,477.64	100.0	1.4	Retail
R	KALEIDO Shibuya Miyamasuzaka	5,134	3,399.30	3,399.30	100.0	2.6	Retail
O	Setagaya Business Square	17,843	24,960.49	20,002.13	80.1	12.9	Office
O	Tokyu Nampeidai-cho Building	4,113	7,148.18	7,148.18	100.0	2.1	Office
O	Tokyu Sakuragaoka-cho Building	6,608	4,737.19	4,737.19	100.0	3.0	Office
O	Tokyo Nissan Taito Building	3,988	7,845.42	7,356.20	93.8	2.6	Office
O	TOKYU REIT Akasaka Hinokicho Building	3,433	3,196.69	3,196.69	100.0	1.9	Office
O	TOKYU REIT Kamata Building	3,937	7,337.82	7,337.82	100.0	3.0	Office
O	TOKYU REIT Toranomom Building	9,943	10,247.06	10,247.06	100.0	4.8	Office
O	Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	7,987	3,533.03	3,533.03	100.0	2.5	Office
O	Tokyu Ikejiri-ohashi Building	5,758	5,733.23	5,164.36	90.1	2.4	Office
O	Kojimachi Square	8,408	5,409.11	5,409.11	100.0	3.0	Office
O	TOKYU REIT Shinjuku Building	8,931	6,215.17	6,215.17	100.0	3.7	Office
O	Akihabara Sanwa Toyo Building	4,562	4,643.04	4,643.04	100.0	2.4	Office
O	TOKYU REIT Kiba Building	3,952	5,797.79	5,797.79	100.0	2.0	Office
O	Tokyu Ginza 2-chome Building	4,680	3,469.14	3,469.14	100.0	2.4	Office
O	OKI System Center ( <i>sokochi</i> )	4,774	17,019.19	17,019.19	100.0	2.0	Office
O	TOKYU REIT Shibuya R Building	5,404	5,246.68	4,963.51	94.6	3.3	Office
O	Tokyu Toranomom Building	16,669	9,016.59	9,016.59	100.0	5.8	Office
O	TOKYU REIT Shinjuku 2 Building	2,850	1,787.21	1,787.21	100.0	0.9	Office
O	Tokyu Bancho Building	12,742	5,717.45	5,717.45	100.0	2.8	Office
Total		¥ 211,772	211,801.83	205,502.20	97.0	97.2	

Note 1. The properties listed above except for TOKYU REIT Shibuya Udagawa-cho Square, CONZE Ebisu, Daikanyama Forum, TOKYU REIT Toranomom Building, TOKYU REIT Shinjuku Building, Tokyu Ginza 2-chome Building, OKI System Center (*sokochi*), TOKYU REIT Shibuya R Building, Tokyu Toranomom Building and TOKYU REIT Shinjuku 2 Building (total of 19 properties) are all owned in the form of trust beneficiary interest in real estate.

Note 2. 'Total leasable area' is the total area of the building's, facility's and land's leasable offices, stores, warehouses and land as indicated in the agreements and drawings (common-use portion is included when leased). For Tokyu Nampeidai-cho Building, the area of parking lots is included. For QFRONT, the area of other compartmentalized owners' exclusive ownership portions is included since the fiduciary rents that area and leases it out as a block together with the entrusted property. For Setagaya Business Square, which is co-owned with another owner, the stated figure is given by multiplying the total leasable area of the whole building by the ratio of co-ownership (55%). For TOKYU REIT Toranomon Building, the area of the exclusive ownership portions co-owned with other compartmentalized owners is included since TOKYU REIT rents that area and leases it out together with the exclusive ownership portion under TOKYU REIT's proprietary ownership. For TOKYU REIT Shibuya R Building, the area of part of the exclusive ownership portions under the proprietary ownership of and the exclusive ownership portions co-owned with other compartmentalized owners is included since TOKYU REIT rents that area and leases it out together with the exclusive ownership portion under TOKYU REIT's proprietary ownership. The figure of Shonan Mall Fill (*sokochi*) and OKI System Center (*sokochi*) indicates the leased area of land. For Tokyu Bancho Building, the stated figure is calculated by multiplying the total leasable area of the whole building by the 49% quasi-co-ownership interest of the 95.1% compartmentalized ownership interest of the trust beneficiary interest.

Note 3. 'Leased area' is the area out of the total leasable area that is actually under lease agreements and leased (the area as indicated in the agreements; does not include lease agreements for parking lots, side signboards, etc.). For Tokyu Nampeidai-cho Building, the area of parking lots is included. For QFRONT, the area of other compartmentalized owners' exclusive ownership portions is included since the fiduciary rents that area and leases it out as a block together with the entrusted property. For Setagaya Business Square, which is co-owned with another owner, the stated figure is given by multiplying the total leased area of the whole building by the ratio of co-ownership (55%). For TOKYU REIT Toranomon Building, the area of the exclusive ownership portions co-owned with other compartmentalized owners is included since TOKYU REIT rents that area and leases it out together with the exclusive ownership portion under TOKYU REIT's proprietary ownership. For TOKYU REIT Shibuya R Building, the part of the exclusive ownership portions under the proprietary ownership of and the exclusive ownership portions co-owned with other compartmentalized owners is included since TOKYU REIT rents that area and leases it out together with the exclusive ownership portion under TOKYU REIT's proprietary ownership. The figure of Shonan Mall Fill (*sokochi*) and OKI System Center (*sokochi*) indicates the leased area of land. For Tokyu Bancho Building, the stated figure is calculated by multiplying the total leased area of the whole building by the 49% quasi-co-ownership interest of the 95.1% compartmentalized ownership interest of the trust beneficiary interest.

Note 4. 'Occupancy rate' is the leased area expressed as a percentage of total leasable area at the end of the period.

Note 5. 'Occupancy rate' and '(Book value) As a percentage of revenue from property leasing' are rounded to one decimal place. Therefore, the sum total of the items may not necessarily correspond to the 'Total' figure.

Note 6. Tokyu Saginuma 2 Building is scheduled to be sold on January 31, 2017.

Note 7. 'R' and 'O' in the table are a classification of TOKYU REIT's portfolio properties into R (retail properties) and O (office properties) (the same hereafter).

### (3) Details of Properties in Portfolio

The properties held by TOKYU REIT as of July 31, 2016 are as follows:

Name of property		Location (lot number)	Investment type	Total leasable area	Appraisal value at end of period	Book value	
				m <sup>2</sup>	Millions of yen	Millions of yen	
Retail	Central Tokyo and Tokyo Areas	R QFRONT	75-8, etc., Udagawa-cho, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	4,502.93	¥ 25,400	¥ 13,770
		R Lexington Aoyama	5-235-7, etc., Minami-Aoyama, Minato-ku, Tokyo	Trust beneficiary interest in real estate	2,107.08	5,180	4,717
		R TOKYU REIT Omotesando Square	4-3-18, Jingumae, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	2,669.10	7,300	5,679
		R Tokyu Saginuma 2 Building (Note 4)	1-18-5, Kodai, Miyamae-ku, Kawasaki-shi, Kanagawa	Trust beneficiary interest in real estate	1,267.95	1,710	1,174

Name of property		Location (lot number)	Investment type	Total leasable area	Appraisal value at end of period	Book value	
				m <sup>2</sup>	Millions of yen	Millions of yen	
Retail	Central Tokyo and Tokyo Areas	R TOKYU REIT Shibuya Udagawa-cho Square	86-2, Udagawa-cho, Shibuya-ku, Tokyo	Real estate	1,543.05	11,700	6,587
		R cocoti	1-23-1, Shibuya, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	8,369.21	19,700	22,100
		R CONZE Ebisu	2-3-5, etc., Ebisu Minami, Shibuya-ku, Tokyo	Real estate	2,326.97	4,440	4,910
		R Daikanyama Forum	Building 1 (East) 33-18, etc., Sarugaku-cho, Shibuya-ku, Tokyo Building 2 (West) 33-1, Sarugaku-cho, Shibuya-ku, Tokyo	Real estate	2,477.64	3,360	4,078
		R KALEIDO Shibuya Miyamasuzaka	1-12-4, Shibuya, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	3,399.30	6,710	5,134
	Sub total				28,663.23	85,500	68,154
	Other	R Shonan Mall Fill (sokochi)	4-4300-1, Tsujido Shinmachi, Fujisawa-shi, Kanagawa	Trust beneficiary interest in real estate	44,078.12	6,310	7,026
		Sub total				44,078.12	6,310
	Total				72,741.35	91,810	75,180
	Office	Central Tokyo and Tokyo Areas	O Setagaya Business Square	4-260-2, etc., Yoga, Setagaya-ku, Tokyo	Trust beneficiary interest in real estate	24,960.49	18,700
O Tokyu Nampeidai-cho Building			12-3, Nampeidai-cho, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	7,148.18	5,120	4,113
O Tokyu Sakuragaoka-cho Building			109-9, Sakuragaoka-cho, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	4,737.19	8,940	6,608
O Tokyo Nissan Taito Building			2-120-2, etc., Moto-Asakusa, Taito-ku, Tokyo	Trust beneficiary interest in real estate	7,845.42	5,240	3,988
O TOKYU REIT Akasaka Hinokicho Building			6-1401, etc., Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	3,196.69	4,250	3,433
O TOKYU REIT Kamata Building			5-13-7, Kamata, Ota-ku, Tokyo	Trust beneficiary interest in real estate	7,337.82	5,090	3,937
O TOKYU REIT Toranomom Building			3-45-6, Toranomom, Minato-ku, Tokyo	Real estate	10,247.06	10,300	9,943
O Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)			4-806 and 4-819, Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	3,533.03	6,820	7,987
O Tokyu Ikejiri-ohashi Building			3-1050, etc., Higashiyama, Meguro-ku, Tokyo	Trust beneficiary interest in real estate	5,733.23	5,250	5,758



Name of property		Location (lot number)	Investment type	Total leasable area	Appraisal value at end of period	Book value	
				m <sup>2</sup>	Millions of yen	Millions of yen	
Office	Central Tokyo and Tokyu Areas	○ Kojimachi Square	3-9 and 3-3, Niban-cho, Chiyoda-ku, Tokyo	Trust beneficiary interest in real estate	5,409.11	8,530	8,408
		○ TOKYU REIT Shinjuku Building	4-2-3, etc., Shinjuku, Shinjuku-ku, Tokyo	Real estate	6,215.17	10,500	8,931
		○ Akihabara Sanwa Toyo Building	3-50-5, etc., Sotokanda, Chiyoda-ku, Tokyo	Trust beneficiary interest in real estate	4,643.04	6,060	4,562
		○ Tokyu Ginza 2-chome Building	2-215-1, Ginza, Chuo-ku, Tokyo	Real estate	3,469.14	4,880	4,680
		○ TOKYU REIT Shibuya R Building	3-10-2, etc., Shibuya, Shibuya-ku, Tokyo	Real estate	5,246.68	8,550	5,404
		○ Tokyu Toranomom Building	1-216-2, etc., Toranomom, Minato-ku, Tokyo	Real estate	9,016.59	19,800	16,669
		○ TOKYU REIT Shinjuku 2 Building	4-3-4, Shinjuku, Shinjuku-ku, Tokyo	Real estate	1,787.21	2,680	2,850
		○ Tokyu Bancho Building	6-2, etc., Yonban-cho, Chiyoda-ku, Tokyo	Trust beneficiary interest in real estate	5,717.45	13,100	12,742
	Sub total				116,243.50	143,810	127,865
	Other	○ TOKYU REIT Kiba Building	3-21-5, etc., Toyo, Koto-ku, Tokyo	Trust beneficiary interest in real estate	5,797.79	3,840	3,952
○ OKI System Center ( <i>sokochi</i> )		1-16-20, etc., Chuo, Warabi-shi, Saitama	Real estate	17,019.19	5,040	4,774	
Sub total				22,816.98	8,880	8,726	
Total				139,060.48	152,690	136,592	
Grand total				211,801.83	¥ 244,500	¥ 211,772	

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

Note 2. 'Total leasable area' is the total area of the building's, facility's and land's leasable offices, stores, warehouses and land as indicated in the agreements and drawing (common-use portion is included when leased). For Tokyu Nampeidai-cho Building, the area of parking lots is included. For QFRONT, the area of other compartmentalized owners' exclusive ownership portions is included since the fiduciary rents that area and leases it out as a block together with the entrusted property. For Setagaya Business Square, which is co-owned with another owner, the stated figure is given by multiplying the total leasable area of the whole building by the ratio of co-ownership (55%). For TOKYU REIT Toranomom Building, the area of the exclusive ownership portions co-owned with other compartmentalized owners is included since TOKYU REIT rents that area and leases it out together with the exclusive ownership portion under TOKYU REIT's proprietary ownership. For TOKYU REIT Shibuya R Building, the area of part of the exclusive ownership portions under the proprietary ownership of and the exclusive ownership portions co-owned with other compartmentalized owners is included since TOKYU REIT rents that area and leases it out together with the exclusive ownership portion under TOKYU REIT's proprietary ownership. The figure of Shonan Mall Fill (*sokochi*) and OKI System Center (*sokochi*) indicates the leased area of land. For Tokyu Bancho Building, the stated figure is calculated by multiplying the total leasable area of the whole building by the 49% quasi-co-ownership interest of the 95.1% compartmentalized ownership interest of the trust beneficiary interest.

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

Note 4. Tokyu Saginuma 2 Building is scheduled to be sold on January 31, 2017.

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

Name of property		26th fiscal period From February 1, 2016 to July 31, 2016				25th fiscal period From August 1, 2015 to January 31, 2016					
		Number of tenants	Occupancy rate	Revenue from property leasing	As a percentage of revenue from property leasing	Number of tenants	Occupancy rate	Revenue from property leasing	As a percentage of revenue from property leasing		
			%	Millions of yen	%		%	Millions of yen	%		
Retail	Central Tokyo and Tokyo Areas	R	QFRONT	3	100.0	¥ 662	9.3	3	100.0	¥ 665	9.1
		R	Lexington Aoyama	7	100.0	125	1.8	7	100.0	124	1.7
		R	TOKYU REIT Omotesando Square	4	100.0	176	2.5	4	100.0	179	2.5
		R	Tokyu Saginuma Building (Note 4)	—	—	90	1.3	1	100.0	310	4.3
		R	Tokyu Saginuma 2 Building (Note 5)	1	100.0	61	0.9	1	100.0	62	0.9
		R	TOKYU REIT Shibuya Udagawa-cho Square	2	100.0	250	3.5	2	100.0	250	3.4
		R	cocoti	15	100.0	523	7.3	15	100.0	526	7.2
		R	CONZE Ebisu	8	100.0	123	1.7	8	100.0	115	1.6
		R	Daikanyama Forum	5	100.0	103	1.4	5	100.0	104	1.4
		R	KALEIDO Shibuya Miyamasuzaka	8	100.0	182	2.6	8	100.0	182	2.5
		Sub total	53	100.0	2,300	32.2	54	100.0	2,521	34.6	
	Other	R	Shonan Mall Fill (sokochi)	1	100.0	188	2.6	1	100.0	188	2.6
		Sub total	1	100.0	188	2.6	1	100.0	188	2.6	
	Total	54	100.0	2,488	34.8	55	100.0	2,709	37.2		
Office	Central Tokyo and Tokyo Areas	O	Setagaya Business Square	58	80.1	922	12.9	58	94.6	986	13.5
		O	Tokyu Nampeidai-cho Building	1	100.0	150	2.1	1	100.0	150	2.1
		O	Tokyu Sakuragaoka-cho Building	2	100.0	216	3.0	2	100.0	217	3.0
		O	Tokyo Nissan Taito Building	11	93.8	182	2.6	11	93.8	168	2.3
		O	TOKYU REIT Akasaka Hinokicho Building	3	100.0	134	1.9	3	100.0	135	1.9
		O	TOKYU REIT Kamata Building	6	100.0	217	3.0	6	100.0	217	3.0
		O	TOKYU REIT Toranomon Building	11	100.0	346	4.8	11	100.0	338	4.6
		O	TOKYU REIT Hatchobori Building (Note 6)	—	—	106	1.5	10	95.6	168	2.3
		O	Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	1	100.0	176	2.5	1	100.0	176	2.4
		O	Tokyu Ikejiri-ohashi Building	5	90.1	175	2.4	5	90.1	206	2.8
		O	Kojimachi Square	7	100.0	214	3.0	7	100.0	214	2.9
		O	TOKYU REIT Shinjuku Building	10	100.0	265	3.7	10	100.0	265	3.6
		O	Akihabara Sanwa Toyoko Building	6	100.0	172	2.4	6	100.0	170	2.3
		O	Tokyu Ginza 2-chome Building	2	100.0	174	2.4	2	100.0	173	2.4
		O	TOKYU REIT Shibuya R Building	11	94.6	238	3.3	12	100.0	236	3.2
		O	Tokyu Toranomon Building	3	100.0	414	5.8	3	100.0	429	5.9
		O	TOKYU REIT Shinjuku 2 Building (Note 7)	2	100.0	62	0.9	2	100.0	32	0.4
		O	Tokyu Bancho Building (Note 8)	6	100.0	200	2.8	—	—	—	—
		Sub total	145	94.6	4,373	61.2	150	97.7	4,290	58.9	
	Other	O	TOKYU REIT Kiba Building	6	100.0	143	2.0	6	100.0	144	2.0
	O	OKI System Center (sokochi)	1	100.0	145	2.0	1	100.0	145	2.0	
	Sub total	7	100.0	288	4.0	7	100.0	289	4.0		
	Total	152	95.5	4,662	65.2	157	98.1	4,579	62.8		
	Grand total	206	97.0	¥ 7,150	100.0	212	98.9	¥ 7,289	100.0		

- Note 1. 'Number of tenants' is counted cumulatively, i.e., when one tenant leases plural rooms for rent in the same property, it is regarded as one tenant, and when in plural properties, it is regarded as plural tenants.
- Note 2. 'Occupancy rate' is the leased area expressed as a percentage of total leasable area at the end of the period.
- Note 3. 'Occupancy rate' and '(Revenue from property leasing) As a percentage of revenue from property leasing' are rounded to one decimal place. Therefore, the sum total of the items may not necessarily correspond to the 'Total' figure.
- Note 4. Tokyu Saginuma Building was sold on March 24, 2016. In the table, the property's 'Revenue from property leasing' and 'As a percentage of revenue from property leasing' for the 26th fiscal period show the figures for the period up to the day prior to the disposition date.
- Note 5. Tokyu Saginuma 2 Building is scheduled to be sold on January 31, 2017.
- Note 6. TOKYU REIT Hatchobori Building was sold on May 31, 2016. In the table, the property's 'Revenue from property leasing' and 'As a percentage of revenue from property leasing' for the 26th fiscal period show the figures for the period up to the day prior to the disposition date.
- Note 7. TOKYU REIT Shinjuku 2 Building was acquired on October 30, 2015. In the table, the property's 'Revenue from property leasing' and 'As a percentage of revenue from property leasing' for the 25th fiscal period show the figures for the period from the acquisition date.
- Note 8. Tokyu Bancho Building was acquired on March 24, 2016. In the table, the property's 'Revenue from property leasing' and 'As a percentage of revenue from property leasing' for the 26th fiscal period show the figures for the period from the acquisition date.

#### (4) Other Assets

As of July 31, 2016, there are no assets targeted for investment other than those described above.

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

TOKYU REIT does not invest in overseas properties.

### 4. Capital Expenditures for Properties Held

#### (1) Plan of Capital Expenditures

The following lists the estimated amounts of major capital expenditures for repair and maintenance work of properties held, as scheduled as of July 31, 2016. The estimated construction costs shown below include those charged to expenses in accounting.

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

Name of property	Location	Objective	Estimated period	Estimated construction cost		
				Millions of yen		
				Total	Amount paid during period	Amount paid by end of period
○ Setagaya Business Square	Setagaya-ku, Tokyo	Renewal of common areas	From December 2015 to January 2017	¥ 188	¥ 0	¥ 0
○ Setagaya Business Square	Setagaya-ku, Tokyo	Renewal of raised flooring	From November 2016 to January 2017	¥ 27	—	—
○ Setagaya Business Square	Setagaya-ku, Tokyo	Switching to LED in exclusive-use areas	From November 2016 to January 2017	¥ 34	—	—
○ Tokyu Sakuragaoka-cho Building	Shibuya-ku, Tokyo	Maintenance of mechanical parking lot	From November 2016 to December 2016	¥ 31	—	—
○ TOKYU REIT Shibuya R Building	Shibuya-ku, Tokyo	Renewal of entrance design	From April 2016 to August 2016	¥ 41	—	—

## (2) Capital Expenditures Made during Period

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

Capital expenditures during the 26th fiscal period amounted to ¥684 million and ¥279 million in repairs and maintenance expenses were charged to expenses for a combined total of ¥963 million spent for such work.

Name of property	Location	Objective	Period	Construction cost	
				Millions of yen	
R	cocoti	Shibuya-ku, Tokyo	Renovation of external walls	From June 2015 to April 2016	¥ 105
O	Setagaya Business Square	Setagaya-ku, Tokyo	Renewal of air-conditioning equipment	From May 2016 to July 2016	93
O	Setagaya Business Square	Setagaya-ku, Tokyo	Switching to LED in exclusive-use areas	From April 2016 to July 2016	59
O	TOKYU REIT Toranomon Building	Minato-ku, Tokyo	Renewal of air-conditioning equipment	From July 2016 to July 2016	34
O	Tokyu Ikejiri-ohashi Building	Meguro-ku, Tokyo	Renovation of restroom and kitchen	From September 2015 to June 2016	92
Other					298
Total					¥ 684

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

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

	26th fiscal period From February 1, 2016 to July 31, 2016	25th fiscal period From August 1, 2015 to January 31, 2016	24th fiscal period From February 1, 2015 to July 31, 2015	23rd fiscal period From August 1, 2014 to January 31, 2015	22nd fiscal period From February 1, 2014 to July 31, 2014
	Millions of yen				
Reserve at beginning of period	¥ 139	¥ 145	¥ 176	¥ 172	¥ 150
Amount transferred to reserve during period	832	1,017	800	581	436
Reversal from reserve during period	833	1,024	831	577	413
Reserve at end of period	¥ 138	¥ 139	¥ 145	¥ 176	¥ 172

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

## 5. Expenses and Debt

### (1) Investment Management Expenses

	26th fiscal period From February 1, 2016 to July 31, 2016		25th fiscal period From August 1, 2015 to January 31, 2016	
	Millions of yen			
Asset management fees				
Asset-based fees	¥ 301		¥ 290	
Cash-based fees	256		248	
Unit price-based fees	—	¥ 557	—	¥ 539
Asset custodian fees		17		17
General administration fees		43		44
Directors' fees		6		6
Other operating expenses		89		61
Total		¥ 715		¥ 669

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

Short-term debt and long-term debt from each financial institution as of July 31, 2016 are as follows:

	Category	Draw-down date	Balance as of July 31, 2016	Balance as of January 31, 2016	Average interest rate (Note 1)	Maturity date	Re-payment method	Use of funds	Remark
			Millions of yen	Millions of yen	%				
Short-term debt	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 23, 2016	¥ —	¥ —	0.52409	June 23, 2016	Bullet payment	(Note 2)	Unsecured and Unguaranteed (Note 3)
	Mizuho Bank, Ltd.		—	—					
	Mitsubishi UFJ Trust and Banking Corporation		—	—					
	Sumitomo Mitsui Trust Bank, Limited		—	—					
	Sub total		—	—					
Long-term debt	Development Bank of Japan Inc.	January 25, 2006	5,000	5,000	1.95000	January 25, 2018	Bullet payment	Refinance fund	Unsecured and Unguaranteed (Note 3)
	Daido Life Insurance Company	March 10, 2008	—	3,000	1.76625	March 10, 2016			
	Sumitomo Mitsui Trust Bank, Limited	December 27, 2010	5,000	5,000	1.63250	December 27, 2016			
	Sumitomo Mitsui Trust Bank, Limited	May 18, 2011	2,000	2,000	1.47625	May 18, 2017			
	Sumitomo Mitsui Trust Bank, Limited	May 25, 2011	2,000	2,000		May 25, 2017			
	Mizuho Bank, Ltd.	June 27, 2011	2,000	2,000	1.45375	June 27, 2017			Unsecured and Unguaranteed (Notes 3 and 4)
	Nippon Life Insurance Company	July 29, 2011	2,000	2,000	1.36875	January 31, 2017			
	Nippon Life Insurance Company		2,000	2,000	1.49563	January 31, 2018			Unsecured and Unguaranteed (Note 3)

Category	Draw-down date	Balance as of July 31, 2016	Balance as of January 31, 2016	Average interest rate (Note 1)	Maturity date	Re-payment method	Use of funds	Remark	
		Millions of yen	Millions of yen	%					
Lender									
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 26, 2011	5,000	5,000	1.41375	March 26, 2018	Bullet payment	Refinance fund	Unsecured and Unguaranteed (Note 3)	
Mizuho Bank, Ltd.	November 11, 2011	1,700	1,700	1.48875	November 11, 2018				
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	May 25, 2012	2,000	2,000	1.37250	May 25, 2019				
Development Bank of Japan Inc.	June 25, 2012	4,000	4,000	1.48000	June 25, 2020				
Sumitomo Mitsui Trust Bank, Limited	June 29, 2012	400	400	1.32375	June 29, 2019				
Mitsubishi UFJ Trust and Banking Corporation		400	400						
The Norinchukin Bank	July 25, 2012	1,000	1,000	0.93500	July 25, 2017				Unsecured and Unguaranteed (Notes 3 and 4)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	August 29, 2012	1,400	1,400	1.32250	August 29, 2019				Unsecured and Unguaranteed (Note 3)
Mitsubishi UFJ Trust and Banking Corporation	November 19, 2012	2,000	2,000	1.24625	November 19, 2019				
Mizuho Bank, Ltd.	December 25, 2012	500	500	1.23375	December 25, 2019				
Sumitomo Mitsui Trust Bank, Limited	June 25, 2013	2,900	2,900	1.53375	December 25, 2020				
Mitsubishi UFJ Trust and Banking Corporation		1,500	1,500	1.45125	June 25, 2020				
Mitsubishi UFJ Trust and Banking Corporation		500	500	1.07500	June 25, 2018				
Mitsubishi UFJ Trust and Banking Corporation		—	500	0.77500	June 25, 2016				
Mizuho Trust & Banking Co., Ltd.	June 27, 2013	1,500	1,500	1.91375	June 27, 2023				
Development Bank of Japan Inc.		1,000	1,000						
Mitsui Sumitomo Insurance Co., Ltd.		500	500	1.47250	June 27, 2020				
The Norinchukin Bank		500	500						
The Dai-ichi Life Insurance Company, Limited	July 31, 2013	2,500	2,500	1.51375	July 31, 2021				
The Dai-ichi Life Insurance Company, Limited		2,000	2,000	0.99125	July 31, 2018				
Nippon Life Insurance Company		500	500	1.51375	July 31, 2021				

Category	Draw-down date	Balance as of July 31, 2016	Balance as of January 31, 2016	Average interest rate (Note 1)	Maturity date	Re-payment method	Use of funds	Remark
		Millions of yen	Millions of yen	%				
Sumitomo Mitsui Trust Bank, Limited	December 25, 2013	2,500	2,500	1.21000	December 25, 2020	Bullet payment	Refinance fund	Unsecured and Unguaranteed (Note 3)
Mitsubishi UFJ Trust and Banking Corporation		2,000	2,000					
Mitsubishi UFJ Trust and Banking Corporation		1,500	1,500	0.95625	June 25, 2019			
The Dai-ichi Life Insurance Company, Limited	January 27, 2014	1,000	1,000	1.04625	January 27, 2020			
The Norinchukin Bank		3,000	3,000	0.85000	January 27, 2019			
Development Bank of Japan Inc.	February 25, 2014	5,000	5,000	1.57750	February 25, 2024			
Mizuho Bank, Ltd.	June 25, 2014	1,000	1,000	1.05250	June 25, 2021			
Mitsui Sumitomo Insurance Co., Ltd.		1,000	1,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 22, 2014	800	800	0.96875	October 22, 2021			
Mizuho Bank, Ltd.		800	800					
Mitsubishi UFJ Trust and Banking Corporation		800	800					
Sumitomo Mitsui Trust Bank, Limited		1,600	1,600					
Development Bank of Japan Inc.	June 25, 2015	5,000	5,000	1.26125	June 25, 2025			
Shinkin Central Bank	July 27, 2015	2,000	2,000	0.99000	July 27, 2022			
Sumitomo Mitsui Trust Bank, Limited		2,000	2,000					
Mizuho Bank, Ltd.	November 11, 2015	1,700	1,700	0.89250	November 11, 2022			
Daido Life Insurance Company	December 25, 2015	500	500	0.85875	December 25, 2022			
Daido Life Insurance Company	March 10, 2016	1,500	—	0.57130	March 10, 2023			
Mitsubishi UFJ Trust and Banking Corporation	June 27, 2016	500	—	0.45630	June 27, 2023			
Sub total		86,000	87,500					
Total		¥ 86,000	¥ 87,500					

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

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

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

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

(3) Investment Corporation Bonds

The status of investment corporation bonds issued and outstanding as of July 31, 2016 is as follows:

Name	Issue date	Balance as of July 31, 2016	Balance as of January 31, 2016	Annual interest rate	Maturity date	Redemption method	Use of proceeds	Remark
		Millions of yen		(%)				
3rd Series Unsecured Investment Corporation Bond	October 22, 2012	¥ 3,000	¥ 3,000	1.47000	October 21, 2022	Full amount on maturity	Repayment of debt financing	Unsecured/Unguaranteed (Note)
4th Series Unsecured Investment Corporation Bond	February 14, 2014	3,500	3,500	0.39900	February 14, 2019			
5th Series Unsecured Investment Corporation Bond	March 11, 2014	3,000	3,000	0.68200	March 11, 2021			
Total		¥ 9,500	¥ 9,500					

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

(4) Short-term Investment Corporation Bonds

There is no item that falls under this category.

(5) Investment Unit Options

There is no item that falls under this category.



## 6. Acquisitions and Dispositions during the 26th Fiscal Period

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

Asset type	Name of property	Acquisition		Disposition			
		Acquisition date	Acquisition price (Note 1)	Disposition date	Disposition price (Note 1)	Book value	Gain (Loss) on sale (Note 2)
			Millions of yen				
Trust beneficiary interest in real estate	Tokyu Bancho Building	March 24, 2016	¥ 12,740	—	—	—	—
Trust beneficiary interest in real estate	Tokyu Saginuma Building	—	—	March 24, 2016	¥ 8,950	¥ 6,596	¥ 2,349
Trust beneficiary interest in real estate	TOKYU REIT Hatchobori Building	—	—	May 31, 2016	¥ 5,010	¥ 6,796	(¥ 1,841)

Note 1. 'Acquisition price' or 'Disposition price' is the amount exclusive of the expenses required for acquisition or disposition of the property (brokerage charges, property-related taxes, etc.) and is identical to the acquisition or disposition costs stated in the sale and purchase agreement, etc.

Note 2. 'Gain (Loss) on sale' is the disposition price, minus the book value and other sales expenses.

### (2) Sales and Purchases of Other Assets

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

### (3) Research on Prices of Specified Assets

#### ① Property

Acquisition or disposition	Asset type		Name of property	Acquisition or disposition date	Acquisition or disposition price (Note 1)	Appraisal value	Appraiser	Date of value
					Millions of yen			
Acquisition	Trust beneficiary interest in real estate	O	Tokyu Bancho Building	March 24, 2016	¥ 12,740	¥ 12,800	Daiwa Real Estate Appraisal Co., Ltd.	January 31, 2016
Disposition	Trust beneficiary interest in real estate	R	Tokyu Saginuma Building	March 24, 2016	¥ 8,950	¥ 8,910	Daiwa Real Estate Appraisal Co., Ltd.	January 31, 2016
Disposition	Trust beneficiary interest in real estate	O	TOKYU REIT Hatchobori Building	May 31, 2016	¥ 5,010	¥ 5,090	The Tanizawa Sōgō Appraisal Co., Ltd.	March 1, 2016

Note 1. 'Acquisition price' or 'Disposition price' is the amount exclusive of the expenses required for acquisition or disposition of the property (brokerage charges, property-related taxes, etc.) and is identical to the acquisition or disposition costs stated in the sale and purchase agreement, etc.

Note 2. The appraisal value above is based on "Real Estate Appraisal Standards; Practical Theory; Chapter 3: Appraisal in respect with Securitized Subject Property."

#### ② Other

There is no item that falls under this category.

(4) Trading with Interested Persons, Etc.

① Status of Trading

The status of transactions, including the trading of specified assets, with interested persons, etc. is as follows:

Item	Amount of trading	
	Purchase amount	Sale amount
	Millions of yen	
Total trading amount	¥ 12,740	¥ 13,960
Breakdown of the total amount relating to trading with interested persons, etc.		
Tokyu Corporation	¥ 12,740 [100.0%]	¥ 8,950 [64.1%]
Total	¥ 12,740 [100.0%]	¥ 8,950 [64.1%]

Note. Figures in brackets indicate the ratio of the amount relating to purchases from or sales to interested persons, etc. to the total trading amount.

② Amounts of Commissions Paid

Item	Total amounts of commissions paid (A) Thousands of yen	Paid to interested persons, etc.		B/A (%)
		Payee	Amount of payment (B)	
			Thousands of yen	
Utilities expenses	¥ 569,676	Yoga District Heating and Cooling Co., Ltd.	¥ 108,234	19.0
		Shibuya Underground Shopping Center, Inc.	¥ 57	0.0
Subcontract expenses	¥ 451,966	Tokyu Community Corporation	¥ 279,776	61.9
		Tokyu Facility Service Co., Ltd.	¥ 66,013	14.6
		Tokyu Corporation	¥ 1,955	0.4
		Kyodo Gijutsu Center Co., Ltd.	¥ 1,849	0.4
		Tokyu Store Corporation	¥ 646	0.1
Property management fees	¥ 163,074	Tokyu Corporation	¥ 100,431	61.6
		Tokyu Community Corporation	¥ 62,643	38.4
Insurance premium	¥ 12,187	Tokyu Insurance Consulting Co., Ltd.	¥ 11,896	97.6
Other rental service expenses	¥ 200,089	Tokyu Malls Development Corporation	¥ 3,615	1.8
		Tokyu Agency Inc.	¥ 2,706	1.4
		Tokyu Corporation	¥ 1,519	0.8
		its communications Inc.	¥ 879	0.4
		Shibuya Underground Shopping Center, Inc.	¥ 850	0.4
		Tokyu Community Corporation	¥ 437	0.2

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

Note 2. In addition to the commissions paid as described above, TOKYU REIT paid commissions to third parties through interested persons, etc. Tokyu Corporation and Tokyu Community Corporation in the amount of ¥66,273 thousand and ¥21,125 thousand, respectively.

In addition to the commissions paid as described above, the amount of construction costs and other trading with interested persons, etc. during the 26th fiscal period is as follows:

Tokyu Community Corporation	¥ 20,601 thousand
Tokyu Corporation	¥ 13,074 thousand
Tokyu Facility Service Co., Ltd.	¥ 8,286 thousand
Tokyu Construction Co., Ltd.	¥ 904 thousand
Ishikatsu Exterior, Inc.	¥ 879 thousand
Tokyu Architects & Engineers Inc.	¥ 450 thousand
Kyodo Gijutsu Center Co., Ltd.	¥ 153 thousand
Seikitokyu Kogyo Co., Ltd.	¥ 100 thousand
Tokyu Bldg Maintenance Co., Ltd.	¥ 30 thousand
Tokyu Security Co., Ltd.	¥ 11 thousand

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

## 7. Accounting

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

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

- (2) Change in Depreciation Method

There is no item that falls under this category.

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

There is no item that falls under this category.

## 8. Other

- (1) News

There is no item that falls under this category.

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

There is no item that falls under this category.

- (3) Disclosure Pertaining to Corporation Holding Overseas Properties

There is no item that falls under this category.

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

There is no item that falls under this category.

- (5) Other

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





## Independent Auditor's Report

To the Board of Directors of TOKYU REIT, Inc.

We have audited the accompanying financial statements of TOKYU REIT, Inc. ("the Company"), which comprise the balance sheet as at July 31, 2016, and the statements of income, statements of changes in unitholders' equity and statements of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory information.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinion***

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2016, and its financial performance and cash flows for the six months then ended in accordance with accounting principles generally accepted in Japan.

*PricewaterhouseCoopers Aarata LLC*

October 27, 2016

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**TOKYU REIT, Inc.**  
**Balance Sheets**  
As of July 31, 2016 and January 31, 2016

	July 31, 2016	January 31, 2016
	(Millions of yen)	
<b><u>ASSETS</u></b>		
<b>Current assets:</b>		
Cash and deposits with banks	¥ 4,618	¥ 3,800
Cash and deposits with banks held in trust	3,747	4,887
Tenant receivables	136	128
Lease deposits held in trust due within one year	18	18
Other current assets	46	58
<b>Total current assets</b>	8,567	8,893
<b>Fixed assets:</b>		
<b>Property and equipment</b>		
Buildings and structures	12,757	12,672
Land	58,875	58,875
Other tangible assets	161	159
Construction in progress	90	90
Buildings and structures held in trust	45,901	46,242
Land held in trust	112,849	114,047
Other tangible assets held in trust	1,426	1,414
Construction in progress held in trust	11	19
Less accumulated depreciation	(20,306)	(20,789)
Total property and equipment	211,767	212,733
<b>Intangible assets</b>		
Intangible assets	0	0
Intangible assets held in trust	4	5
Total intangible assets	4	5
<b>Investments and other assets</b>		
Lease deposits	203	203
Lease deposits held in trust	743	743
Other assets	174	240
Total investments and other assets	1,121	1,187
<b>Total fixed assets</b>	212,894	213,927
<b>Deferred assets:</b>		
Investment unit issuance expenses	0	9
Investment corporation bond issuance expenses	33	38
<b>Total deferred assets</b>	34	47
<b>Total assets</b>	¥ 221,495	¥ 222,868

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

**TOKYU REIT, Inc.**  
**Balance Sheets, continued**  
As of July 31, 2016 and January 31, 2016

	July 31, 2016	January 31, 2016
	(Millions of yen)	
<b><u>LIABILITIES</u></b>		
<b>Current liabilities:</b>		
Long-term debt due within one year	¥ 14,000	¥ 10,500
Accounts payable	1,118	1,170
Consumption tax payable	90	62
Rent received in advance	1,032	1,136
Tenant leasehold and security deposits held in trust due within one year	190	190
Accrued expenses and other current liabilities	165	190
<b>Total current liabilities</b>	16,596	13,251
<b>Long-term liabilities:</b>		
Investment corporation bonds	9,500	9,500
Long-term debt	72,000	77,000
Tenant leasehold and security deposits	3,543	3,478
Tenant leasehold and security deposits held in trust	6,317	6,455
<b>Total long-term liabilities</b>	91,360	96,433
<b>Total liabilities</b>	¥ 107,957	¥ 109,684
 <b><u>NET ASSETS</u></b>		
Unitholders' capital:		
Units authorized – 10,000,000 units as of July 31, 2016 and 10,000,000 units as of January 31, 2016		
Units issued and outstanding – 977,600 units as of July 31, 2016 and 977,600 units as of January 31, 2016	¥ 110,479	¥ 110,479
Reserve for reduction entry	132	132
Retained earnings	2,926	2,572
<b>Total net assets</b>	113,538	113,183
<b>Total liabilities and net assets</b>	¥ 221,495	¥ 222,868

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

**TOKYU REIT, Inc.**  
**Statements of Income**

For the six months ended July 31, 2016 and January 31, 2016

	For the six months ended	
	July 31, 2016	January 31, 2016
	(Millions of yen)	
<b>Operating revenues:</b>		
Rental revenue	¥ 6,683	¥ 6,717
Other rental revenue	466	571
Gain on sales of real estate properties	2,349	-
<b>Operating expenses:</b>		
Rental service expenses	(3,362)	(3,368)
Loss on sales of real estate properties	(1,841)	-
Asset management fees	(557)	(539)
Other	(157)	(130)
<b>Operating income</b>	3,580	3,251
<b>Non-operating income:</b>		
Interest income	0	1
Other	1	3
<b>Non-operating expenses:</b>		
Interest expense	(585)	(604)
Interest expense on investment corporation bonds	(39)	(39)
Amortization of investment unit issuance expenses	(8)	(8)
Amortization of investment corporation bond issuance expenses	(4)	(4)
Other	(18)	(25)
<b>Income before income taxes</b>	2,927	2,572
Income taxes:		
Current	(0)	(0)
Deferred	(0)	(0)
<b>Net income</b>	2,926	2,571
<b>Retained earnings at beginning of period</b>	0	0
<b>Retained earnings at end of period</b>	¥ 2,926	¥ 2,572

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



**TOKYU REIT, Inc.**  
**Statements of Changes in Unitholders' Equity**  
For the six months ended July 31, 2016 and January 31, 2016

**For the six months ended July 31, 2016**

	Unitholders' capital	Reserve for reduction entry	Retained earnings	Total
	(Millions of yen)			
<b>Balance at beginning of period</b>	¥ 110,479	¥ 132	¥ 2,572	¥ 113,183
<b>Changes during the period</b>				
Cash distributions declared	-	-	(2,572)	(2,572)
Net income	-	-	2,926	2,926
<b>Total changes during the period</b>	-	-	354	354
<b>Balance at end of period</b>	¥ 110,479	¥ 132	¥ 2,926	¥ 113,538

**For the six months ended January 31, 2016**

	Unitholders' capital	Reserve for reduction entry	Retained earnings	Total
	(Millions of yen)			
<b>Balance at beginning of period</b>	¥ 110,479	¥ 132	¥ 2,396	¥ 113,008
<b>Changes during the period</b>				
Cash distributions declared	-	-	(2,396)	(2,396)
Net income	-	-	2,571	2,571
<b>Total changes during the period</b>	-	-	175	175
<b>Balance at end of period</b>	¥ 110,479	¥ 132	¥ 2,572	¥ 113,183

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

**TOKYU REIT, Inc.**  
**Statements of Cash Flows**  
For the six months ended July 31, 2016 and January 31, 2016

	For the six months ended	
	July 31, 2016	January 31, 2016
	(Millions of yen)	
<b>Cash flows from operating activities:</b>		
Income before income taxes	¥ 2,927	¥ 2,572
Depreciation and amortization	1,025	1,023
Amortization of investment unit issuance expenses	8	8
Amortization of investment corporation bond issuance expenses	4	4
Loss on disposal of property and equipment	23	5
Interest income	(0)	(1)
Interest expense	624	644
(Increase) Decrease in tenant receivables	(7)	28
(Increase) Decrease in consumption tax refund receivables	-	54
Increase (Decrease) in consumption tax payable	27	62
Increase (Decrease) in accounts payable	(97)	(21)
Increase (Decrease) in rent received in advance	(104)	12
Decrease in property and equipment held in trust due to sale	13,392	-
Other, net	74	19
Total	17,898	4,413
Interest received	0	1
Interest paid	(638)	(637)
Income taxes paid	(0)	(0)
Net cash provided by (used in) operating activities	17,259	3,776
<b>Cash flows from investing activities:</b>		
Payments for purchases of property and equipment	(164)	(2,910)
Payments for purchases of intangible assets	(0)	-
Payments for purchases of property and equipment held in trust	(13,273)	(716)
Proceeds from lease deposits held in trust	-	18
Proceeds from tenant leasehold and security deposits	66	137
Payments for tenant leasehold and security deposits	(0)	(60)
Proceeds from tenant leasehold and security deposits held in trust	605	96
Payments for tenant leasehold and security deposits held in trust	(743)	(310)
Net cash provided by (used in) investing activities	(13,510)	(3,744)
<b>Cash flows from financing activities:</b>		
Proceeds from short-term debt	4,000	-
Repayment of short-term debt	(4,000)	-
Proceeds from long-term debt	2,000	2,200
Repayment of long-term debt	(3,500)	(2,200)
Payment of dividends	(2,571)	(2,395)
Net cash provided by (used in) financing activities	(4,071)	(2,395)
<b>Net change in cash and cash equivalents</b>	(322)	(2,363)
<b>Cash and cash equivalents at beginning of period</b>	8,688	11,052
<b>Cash and cash equivalents at end of period</b>	¥ 8,366	¥ 8,688

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

**TOKYU REIT, Inc.**  
**Notes to Financial Statements**

For the six months ended July 31, 2016 and January 31, 2016

**1. Organization and basis of presentation**

**(a) Organization**

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

On September 10, 2003, TOKYU REIT was listed on the Tokyo Stock Exchange and issued 97,600 investment units for proceeds totaling ¥49,917 million through initial public offering. TOKYU REIT acquired 11 properties with those proceeds and started its substantial operation.

In August 2004, TOKYU REIT completed its second public offering of 42,000 units and third party allotment of 2,000 units. Net proceeds totaling ¥27,742 million were utilized in the partial repayments of short-term debt and the acquisition of an additional two properties.

In August 2005, TOKYU REIT completed its third public offering of 26,700 units and third party allotment of 680 units. With net proceeds totaling ¥20,159 million, TOKYU REIT repaid short-term debt and acquired 40% of trust beneficiary interest of cocoti.

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

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

As of July 31, 2016, TOKYU REIT's total capital is ¥110,479 million with 977,600 units issued and outstanding. TOKYU REIT has been operating 29 properties at an occupancy rate of approximately 97.0%. Total acquisition cost of the 29 properties is ¥223,629 million and total rentable area is 211,801.83 m<sup>2</sup>.

**(b) Basis of presentation**

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

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

The accompanying financial statements have been reclassified and translated into English from the audited financial statements that were prepared for Japanese domestic purposes from the accounts and records maintained by TOKYU REIT and were filed with the Kanto Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law (in place of the Securities and Exchange Law effective from September 30, 2007). TOKYU REIT does not prepare consolidated financial statements, as TOKYU REIT has no subsidiaries.

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

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended July 31, 2016 and January 31, 2016

**2. Significant accounting policies**

- (a) **Cash and cash equivalents** - Cash and cash equivalents consist of cash, demand deposits, cash and deposits held in trust and short-term investments that are highly liquid, readily convertible to cash, have insignificant risk of price fluctuation and expire within three months from the date of acquisition.
- (b) **Property and equipment** - Property and equipment are carried at cost, less accumulated depreciation. Depreciation of property and equipment, except for land and construction in progress, is computed by using the straight-line method at rates based on the estimated useful lives of the respective assets.

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

	July 31, 2016	January 31, 2016
	(years)	
Buildings and structures		
Buildings	2-50	2-50
Structures	2-52	2-52
Other tangible assets		
Machinery and equipment	2-17	2-17
Tools, furniture and fixtures	2-15	2-15

- (c) **Intangible assets** - Amortization is computed by using the straight-line method.
- (d) **Accounting treatment of beneficiary interest in trust accounts, including real estate** - For trust beneficiary interests in real estate, which are commonly utilized in the ownership of commercial properties in Japan and through which TOKYU REIT holds most of its property, all accounts of assets and liabilities within the trust, as well as all income generated and expenses incurred from assets and liabilities in the trust, are recognized in the balance sheet and income statement accounts.
- (e) **Accounting standard for impairment of fixed assets** - Effective August 1, 2005, TOKYU REIT adopted the "Accounting Standard for Impairment of Fixed Assets" ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council in Japan on August 9, 2002) and "Implementation Guidance for the Accounting Standard for Impairment of Fixed Assets" ("Financial Accounting Standard Implementation Guidance No. 6" issued by the Accounting Standards Board of Japan on October 31, 2003). The standard requires the recognition of an impairment loss on fixed assets whenever events or changes in circumstances indicate that the carrying amounts of fixed assets may not be recoverable.
- (f) **Accounting method for deferred assets** - Amortization of investment unit issuance expenses is computed by using the straight-line method over three years. Amortization of investment corporation bond issuance expenses is computed by using the straight-line method at rates based on the redemption period of the respective bonds.
- (g) **Accounting standard for asset retirement obligations** - Effective April 1, 2010, TOKYU REIT adopted the "Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan Statement No. 18 issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan Guidance No. 21 issued on March 31, 2008).

**TOKYU REIT, Inc.**

**Notes to Financial Statements, continued**

For the six months ended July 31, 2016 and January 31, 2016

- (h) **Revenue recognition** – TOKYU REIT operates retail and office properties that are rented to tenants. Revenue from leasing the retail and office space is recognized on an accrual basis over the term of each lease. Rental revenue includes fixed rental revenues, recoveries of utility charges and other income.
- (i) **Property-related taxes** – Property-related taxes (property tax, city planning tax and depreciable property tax) are imposed on property on a calendar year basis. The amount of such taxes assessed in the period is charged to income as rental service expenses. In accordance with Japanese business practice, at the time of disposal, the seller of the property is generally liable for property-related taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is reimbursed by the purchaser of the property for the accrued property-related tax liabilities up to the time of disposal, and the amount of the settlement reflects this adjustment when acquiring a property. TOKYU REIT is allocating the portion of the property-related taxes related to the period following the purchase date of each property through the end of the calendar year. The amount of those allocated portions of the property-related taxes is capitalized as part of the acquisition costs of the related properties. Capitalized property-related taxes are ¥35 million for the six months ended July 31, 2016. Capitalized property-related taxes are ¥1 million for the six months ended January 31, 2016.
- (j) **Income taxes** – Income taxes are accounted for financial reporting purposes. The tax effect of temporary differences between the amount of assets and liabilities for financial statements and for income tax reporting is recognized as deferred taxes. Deferred tax assets of ¥8 thousand are included in other current assets as of July 31, 2016. Deferred tax assets of ¥11 thousand are included in other current assets as of January 31, 2016.
- (k) **Net income per unit** – Net income per unit is computed by dividing net income by the weighted-average number of units outstanding during each period.

**3. Cash and cash equivalents**

Cash and cash equivalents as of July 31, 2016 and January 31, 2016 consisted of the following:

	July 31, 2016	January 31, 2016
	(Millions of yen)	
Cash and deposits with banks	¥ 4,618	¥ 3,800
Cash and deposits with banks held in trust	3,747	4,887
Cash and cash equivalents	¥ 8,366	¥ 8,688

**TOKYU REIT, Inc.**

**Notes to Financial Statements, continued**

For the six months ended July 31, 2016 and January 31, 2016

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

Property and equipment and intangible assets as of July 31, 2016 and January 31, 2016 consisted of the following:

	July 31, 2016			January 31, 2016		
	Balance	Accumulated depreciation	Net balance	Balance	Accumulated depreciation	Net balance
(Millions of yen)						
Property and equipment						
Buildings and structures						
Buildings	¥ 12,600	¥ (2,908)	¥ 9,692	¥ 12,516	¥ (2,664)	¥ 9,852
Structures	157	(42)	115	156	(37)	119
Land	58,875	-	58,875	58,875	-	58,875
Other tangible assets						
Machinery and equipment	98	(61)	36	98	(55)	42
Tools, furniture and fixtures	62	(42)	20	61	(38)	22
Construction in progress	90	-	90	90	-	90
Property and equipment held in trust						
Buildings and structures						
Buildings	45,187	(15,667)	29,519	45,574	(16,403)	29,170
Structures	714	(412)	302	668	(409)	259
Land	112,849	-	112,849	114,047	-	114,047
Other tangible assets						
Machinery and equipment	1,007	(879)	128	1,003	(885)	118
Tools, furniture and fixtures	419	(293)	126	411	(295)	115
Construction in progress	11	-	11	19	-	19
Sub total	<u>232,074</u>	<u>(20,306)</u>	<u>211,767</u>	<u>233,522</u>	<u>(20,789)</u>	<u>212,733</u>
Intangible assets						
Intangible assets	2	(2)	0	2	(2)	0
Intangible assets held in trust	30	(26)	4	30	(24)	5
Sub total	<u>33</u>	<u>(29)</u>	<u>4</u>	<u>33</u>	<u>(27)</u>	<u>5</u>
Total	<u>¥ 232,107</u>	<u>¥ (20,335)</u>	<u>¥ 211,772</u>	<u>¥ 233,556</u>	<u>¥ (20,816)</u>	<u>¥ 212,739</u>

TOKYU REIT, Inc.

Notes to Financial Statements, continued

For the six months ended July 31, 2016 and January 31, 2016

5. Short-term debt and long-term debt

Short-term debt and long-term debt as of July 31, 2016 and January 31, 2016 consisted of the following:

	Balance as of July 31, 2016	Balance as of January 31, 2016	Average interest rate (Note 1)
	(Millions of yen)		(%)
Short-term debt			
Unsecured loans due on June 23, 2016 with fixed rate	¥ -	¥ -	0.52409
Sub total	-	-	
Long-term debt			
Unsecured loans due on March 10, 2016 with fixed rate	-	3,000	1.76625
Unsecured loans due on June 25, 2016 with fixed rate	-	500	0.77500
Unsecured loans due on December 27, 2016 with fixed rate (Note 2)	5,000	5,000	1.63250
Unsecured loans due on January 31, 2017 with fixed rate (Note 2)	2,000	2,000	1.36875
Unsecured loans due on May 18, 2017 with fixed rate (Note 2)	2,000	2,000	1.47625
Unsecured loans due on May 25, 2017 with fixed rate (Note 2)	2,000	2,000	1.47625
Unsecured loans due on June 27, 2017 with fixed rate (Note 2)	2,000	2,000	1.45375
Unsecured loans due on July 25, 2017 with fixed rate (Note 2)	1,000	1,000	0.93500
Unsecured loans due on January 25, 2018 with fixed rate	5,000	5,000	1.95000
Unsecured loans due on January 31, 2018 with fixed rate	2,000	2,000	1.49563
Unsecured loans due on March 26, 2018 with fixed rate	5,000	5,000	1.41375
Unsecured loans due on June 25, 2018 with fixed rate	500	500	1.07500
Unsecured loans due on July 31, 2018 with fixed rate	2,000	2,000	0.99125
Unsecured loans due on November 11, 2018 with fixed rate	1,700	1,700	1.48875
Unsecured loans due on January 27, 2019 with fixed rate	3,000	3,000	0.85000
Unsecured loans due on May 25, 2019 with fixed rate	2,000	2,000	1.37250
Unsecured loans due on June 25, 2019 with fixed rate	1,500	1,500	0.95625
Unsecured loans due on June 29, 2019 with fixed rate	800	800	1.32375
Unsecured loans due on August 29, 2019 with fixed rate	1,400	1,400	1.32250
Unsecured loans due on November 19, 2019 with fixed rate	2,000	2,000	1.24625
Unsecured loans due on December 25, 2019 with fixed rate	500	500	1.23375
Unsecured loans due on January 27, 2020 with fixed rate	1,000	1,000	1.04625
Unsecured loans due on June 25, 2020 with fixed rate	4,000	4,000	1.48000
Unsecured loans due on June 25, 2020 with fixed rate	1,500	1,500	1.45125
Unsecured loans due on June 27, 2020 with fixed rate	1,000	1,000	1.47250
Unsecured loans due on December 25, 2020 with fixed rate	2,900	2,900	1.53375
Unsecured loans due on December 25, 2020 with fixed rate	4,500	4,500	1.21000
Unsecured loans due on June 25, 2021 with fixed rate	2,000	2,000	1.05250
Unsecured loans due on July 31, 2021 with fixed rate	3,000	3,000	1.51375
Unsecured loans due on October 22, 2021 with fixed rate	4,000	4,000	0.96875
Unsecured loans due on July 27, 2022 with fixed rate	4,000	4,000	0.99000
Unsecured loans due on November 11, 2022 with fixed rate	1,700	1,700	0.89250
Unsecured loans due on December 25, 2022 with fixed rate	500	500	0.85875
Unsecured loans due on March 10, 2023 with fixed rate	1,500	-	0.57130
Unsecured loans due on June 27, 2023 with fixed rate	2,500	2,500	1.91375
Unsecured loans due on June 27, 2023 with fixed rate	500	-	0.45630
Unsecured loans due on February 25, 2024 with fixed rate	5,000	5,000	1.57750
Unsecured loans due on June 25, 2025 with fixed rate	5,000	5,000	1.26125
Sub total	86,000	87,500	
Total	¥ 86,000	¥ 87,500	

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

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

TOKYU REIT has commitment line agreements which provide credit facilities totaling ¥2 billion with one bank, ¥8 billion with one bank and ¥8 billion with four banks. Combined, commitment lines total ¥18 billion with five banks. No amount has been drawn down as of July 31, 2016.

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**

For the six months ended July 31, 2016 and January 31, 2016

**6. Investment corporation bonds**

The status of investment corporation bonds issued and outstanding as of July 31, 2016 and January 31, 2016 were as follows:

Name	Issue date	Balance as of	Balance as of	Annual	Maturity date
		July 31, 2016	January 31, 2016	interest rate	
		(Millions of yen)		(%)	
3 <sup>rd</sup> Series Unsecured Investment Corporation Bond	October 22, 2012	¥ 3,000	¥ 3,000	1.47000	October 21, 2022
4 <sup>th</sup> Series Unsecured Investment Corporation Bond	February 14, 2014	3,500	3,500	0.39900	February 14, 2019
5 <sup>th</sup> Series Unsecured Investment Corporation Bond	March 11, 2014	3,000	3,000	0.68200	March 11, 2021
Total		¥ 9,500	¥ 9,500		

**7. Unitholders' equity**

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

**8. Rental revenue and expense**

Rental revenues and expenses for the six months ended July 31, 2016 and January 31, 2016 were as follows:

	For the six months ended	
	July 31, 2016	January 31, 2016
(Millions of yen)		
Revenue from property leasing:		
Rental revenue:		
Rent income	¥ 5,470	¥ 5,505
Common area charges	737	729
Parking lot revenue under monthly contract	158	158
Other rent income	317	323
Sub total	6,683	6,717
Other rental revenue:		
Incidental income	432	450
Other miscellaneous income	33	121
Sub total	466	571
Total revenue from property leasing	(a) 7,150	7,289
Rental service expenses:		
Utilities expenses	569	602
Subcontract expenses	451	460
Property management fees	163	162
Repairs and maintenance expenses	279	236
Property-related taxes	636	633
Insurance premium	12	13
Depreciation and amortization	1,025	1,023
Loss on disposal of property and equipment	23	5
Other	200	231
Total rental service expenses	(b) 3,362	3,368
Operating income from property leasing activities	(a)-(b) ¥ 3,787	¥ 3,920



TOKYU REIT, Inc.

Notes to Financial Statements, continued

For the six months ended July 31, 2016 and January 31, 2016

9. The financial results of each property (Unaudited)

Details on the financial results of each property for the six months ended July 31, 2016 and January 31, 2016 were as follows: (Unaudited)

For the six months ended July 31, 2016

Name of building	Revenue from property leasing	Property leasing expenses (Note 1)	NOI (Note 2)	Depreciation and amortization (Note 3)	Operating income from property leasing activities
	(Millions of yen)				
R QFRONT	¥ 662	¥ 271	¥ 390	¥ 42	¥ 347
R Lexington Aoyama	125	34	90	7	82
R TOKYU REIT Omotesando Square	176	37	139	11	128
R Tokyu Saginuma Building	90	16	73	11	62
R Tokyu Saginuma 2 Building	61	12	49	9	40
R TOKYU REIT Shibuya Udagawa-cho Square	250	23	226	4	222
R cocoti	523	319	203	141	62
R Shonan Mall Fill ( <i>sokochi</i> )	188	25	162	-	162
R CONZE Ebisu	123	29	93	22	71
R Daikanyama Forum	103	38	65	9	56
R KALEIDO Shibuya Miyamasuzaka	182	45	137	17	119
O Setagaya Business Square	922	488	434	169	264
O Tokyu Nampeidai-cho Building	150	30	120	20	99
O Tokyu Sakuragaoka-cho Building	216	40	176	32	143
O Tokyo Nissan Taito Building	182	58	123	42	81
O TOKYU REIT Akasaka Hinokicho Building	134	39	94	13	81
O TOKYU REIT Kamata Building	217	80	137	33	103
O TOKYU REIT Toranomom Building	346	131	215	42	172
O TOKYU REIT Hatchobori Building	106	34	71	27	44
O Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	176	38	138	27	111
O Tokyu Ikejiri-ohashi Building	175	62	112	33	79
O Kojimachi Square	214	44	169	45	124
O TOKYU REIT Shinjuku Building	265	62	203	36	166
O Akihabara Sanwa Toyo Building	172	38	134	13	121
O TOKYU REIT Kiba Building	143	38	104	33	71
O Tokyu Ginza 2-chome Building	174	36	138	36	101
O OKI System Center ( <i>sokochi</i> )	145	15	129	-	129
O TOKYU REIT Shibuya R Building	238	74	163	21	142
O Tokyu Toranomom Building	414	94	319	74	245
O TOKYU REIT Shinjuku 2 Building	62	21	40	11	29
O Tokyu Bancho Building	200	27	173	57	116
Total	¥ 7,150	¥ 2,313	¥ 4,837	¥ 1,049	¥ 3,787

TOKYU REIT, Inc.

Notes to Financial Statements, continued

For the six months ended July 31, 2016 and January 31, 2016

For the six months ended January 31, 2016

Name of building	Revenue from property leasing	Property leasing expenses (Note 1)	NOI (Note 2)	Depreciation and amortization (Note 3)	Operating income from property leasing activities
	(Millions of yen)				
R QFRONT	¥ 665	¥ 282	¥ 382	¥ 55	¥ 327
R Lexington Aoyama	124	33	91	7	84
R TOKYU REIT Omotesando Square	179	50	129	11	117
R Tokyu Saginuma Building	310	51	258	34	223
R Tokyu Saginuma 2 Building	62	11	50	9	40
R TOKYU REIT Shibuya Udagawa-cho Square	250	25	224	4	220
R cocoti	526	200	325	157	168
R Shonan Mall Fill ( <i>sokochi</i> )	188	26	161	-	161
R CONZE Ebisu	115	51	64	22	41
R Daikanyama Forum	104	44	59	9	50
R KALEIDO Shibuya Miyamasuzaka	182	50	132	16	115
O Setagaya Business Square	986	502	484	154	330
O Tokyu Nampeidai-cho Building	150	35	115	20	94
O Tokyu Sakuragaoka-cho Building	217	45	171	32	139
O Tokyo Nissan Taito Building	168	69	99	40	58
O TOKYU REIT Akasaka Hinokicho Building	135	42	93	13	80
O TOKYU REIT Kamata Building	217	82	134	33	101
O TOKYU REIT Toranomom Building	338	127	211	41	169
O TOKYU REIT Hatchobori Building	168	52	116	40	75
O Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	176	41	134	27	107
O Tokyu Ikejiri-ohashi Building	206	70	135	29	106
O Kojimachi Square	214	50	163	45	118
O TOKYU REIT Shinjuku Building	265	65	199	36	163
O Akihabara Sanwa Toyo Building	170	39	131	13	117
O TOKYU REIT Kiba Building	144	45	98	32	65
O Tokyu Ginza 2-chome Building	173	34	139	36	103
O OKI System Center ( <i>sokochi</i> )	145	15	129	-	129
O TOKYU REIT Shibuya R Building	236	82	154	21	132
O Tokyu Toranomom Building	429	98	331	74	256
O TOKYU REIT Shinjuku 2 Building	32	7	24	7	17
Total	¥ 7,289	¥ 2,339	¥ 4,949	¥ 1,028	¥ 3,920

Note 1. Property leasing expenses are defined as rental service expenses adjusted for depreciation and amortization.

Note 2. NOI represents net operating income, calculated as revenue from property leasing minus property leasing expenses.

Note 3. Depreciation and amortization include loss on disposal of property and equipment.

**TOKYU REIT, Inc.**

**Notes to Financial Statements, continued**

For the six months ended July 31, 2016 and January 31, 2016

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

Tokyu Saginuma Building was sold on March 24, 2016.

	(Millions of yen)
Revenue from sale of property	¥ 8,950
Cost of property	6,596
Other sales expenses	3
Gain on sales of real estate properties	¥ 2,349

TOKYU REIT Hatchobori Building was sold on May 31, 2016.

	(Millions of yen)
Revenue from sale of property	¥ 5,010
Cost of property	6,796
Other sales expenses	55
Loss on sales of real estate properties	¥ 1,841

**11. Income taxes**

Income taxes in Japan applicable to TOKYU REIT consist of corporate income tax, enterprise tax and inhabitant tax. The following is a reconciliation between the statutory income tax rate in Japan and the effective tax rate reflected in the accompanying financial statements for the six months ended July 31, 2016 and January 31, 2016.

	July 31, 2016	January 31, 2016
Statutory income tax rate	32.31%	32.31%
Deductible cash distributions	(29.08)	(32.30)
Provision of reserve for reduction entry	(3.22)	-
Other	0.02	0.02
Effective tax rate	0.03%	0.03%

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

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

In accordance with the Act for Partial Revision of the Income Tax Act, etc. (Act No. 15 of 2016) enacted in the Diet session on March 29, 2016, the statutory income tax rate used in the calculation of deferred tax assets and deferred tax liabilities pertaining to the temporary difference that is expected to reverse for accounting periods starting on or after August 1, 2016 has been changed from 32.31% to 31.74%.

The impact of this tax rate change is minimal.

**TOKYU REIT, Inc.**

**Notes to Financial Statements, continued**

For the six months ended July 31, 2016 and January 31, 2016

**13. Per unit information**

The following table summarizes the net income per unit for the six months ended July 31, 2016 and January 31, 2016 and the unitholders' equity per unit as of July 31, 2016 and January 31, 2016.

	For the six months ended	
	July 31, 2016	January 31, 2016
Net income per unit	¥ 2,993	¥ 2,630
Weighted-average number of units ※1	977,600 units	977,600 units
※1 Average number of units weighed by days in each fiscal period.		
	As of July 31, 2016	As of January 31, 2016
Unitholders' equity per unit	¥ 116,139	¥ 115,777

Diluted net income per unit is not presented since neither warrants nor convertible bonds were issued during the six months ended July 31, 2016 and January 31, 2016.

**14. Distribution information**

The Board of Directors of TOKYU REIT resolved on September 13, 2016 and March 15, 2016 to effect payment of cash distributions of ¥2,695 and ¥2,631 per unit to unitholders of record on July 31, 2016 and January 31, 2016, respectively. Retained earnings carried forward after the distributions were as follows:

	July 31, 2016	January 31, 2016
	(Millions of yen)	
Retained earnings at end of period	¥ 2,926	¥ 2,572
Cash distributions declared	2,634	2,572
Provision of reserve for reduction entry	292	-
Retained earnings carried forward	¥ 0	¥ 0

**15. Leases**

TOKYU REIT leases its properties to tenants under non-cancelable operating leases. As of July 31, 2016 and January 31, 2016, the future lease revenues under the non-cancelable operating leases were as follows:

	July 31, 2016	January 31, 2016
	(Millions of yen)	
Due within one year	¥ 3,889	¥ 4,654
Due after one year	17,163	18,716
Total	¥ 21,052	¥ 23,371

As of July 31, 2016 and January 31, 2016, the future lease payments under the non-cancelable operating leases were as follows:

	July 31, 2016	January 31, 2016
	(Millions of yen)	
Due within one year	¥ 221	¥ 219
Due after one year	1,979	2,084
Total	¥ 2,200	¥ 2,304

## TOKYU REIT, Inc.

### Notes to Financial Statements, continued

For the six months ended July 31, 2016 and January 31, 2016

#### 16. Fair value of financial instruments

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

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

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

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

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

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

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

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

Funds from debts and investment corporation bonds are mainly used as funds for asset acquisition or debt repayment, etc. These funds are exposed to liquidity risk at the time of repayment, but the liquidity risk is controlled at TOKYU REIT through such measures as striving to maintain and strengthen the capacity to procure funds from the capital market via capital increases, securing several fund procurement sources and diversifying repayment deadlines, executing commitment line agreements which provide credit facilities totaling ¥18 billion with TOKYU REIT's main banks (no amount has been drawn down as of July 31, 2016), and also preparing monthly fund management plans.

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

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

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

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

**TOKYU REIT, Inc.**

**Notes to Financial Statements, continued**

For the six months ended July 31, 2016 and January 31, 2016

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

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

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

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

	July 31, 2016			January 31, 2016		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
	(Millions of yen)					
(1) Cash and deposits with banks	¥ 4,618	¥ 4,618	¥ -	¥ 3,800	¥ 3,800	¥ -
(2) Cash and deposits with banks held in trust	3,747	3,747	-	4,887	4,887	-
Assets total	8,366	8,366	-	8,688	8,688	-
(1) Long-term debt due within one year	14,000	14,107	107	10,500	10,588	88
(2) Tenant leasehold and security deposits held in trust due within one year	190	190	(0)	190	190	(0)
(3) Investment corporation bonds	9,500	9,767	267	9,500	9,801	301
(4) Long-term debt	72,000	74,774	2,774	77,000	79,449	2,449
(5) Tenant leasehold and security deposits held in trust	381	379	(2)	381	377	(4)
Liabilities total	¥ 96,072	¥ 99,219	¥ 3,146	¥ 97,572	¥ 100,407	¥ 2,834

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

**Assets**

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

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

**Liabilities**

(1) Long-term debt due within one year; (4) Long-term debt

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

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

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

(3) Investment corporation bonds

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

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**

For the six months ended July 31, 2016 and January 31, 2016

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

	July 31, 2016	January 31, 2016
	(Millions of yen)	
Carrying amount		
(i) Tenant leasehold and security deposits	¥ 3,543	¥ 3,478
(ii) Tenant leasehold and security deposits held in trust	5,935	6,073

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

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

	July 31, 2016			January 31, 2016		
	Cash and deposits with banks	Cash and deposits with banks held in trust	Total	Cash and deposits with banks	Cash and deposits with banks held in trust	Total
	(Millions of yen)					
Within one year	¥ 4,618	¥ 3,747	¥ 8,366	¥ 3,800	¥ 4,887	¥ 8,688
Within two years, but over one year	-	-	-	-	-	-
Within three years, but over two years	-	-	-	-	-	-
Within four years, but over three years	-	-	-	-	-	-
Within five years, but over four years	-	-	-	-	-	-
Over five years	-	-	-	-	-	-

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

	July 31, 2016				January 31, 2016			
	Short-term debt	Investment corporation bonds	Long-term debt	Total	Short-term debt	Investment corporation bonds	Long-term debt	Total
	(Millions of yen)							
Within one year	¥ -	¥ -	¥ 14,000	¥ 14,000	¥ -	¥ -	¥ 10,500	¥ 10,500
Within two years, but over one year	-	-	14,500	14,500	-	-	14,000	14,000
Within three years, but over two years	-	3,500	9,000	12,500	-	-	12,200	12,200
Within four years, but over three years	-	-	11,400	11,400	-	3,500	9,200	12,700
Within five years, but over four years	-	3,000	12,400	15,400	-	-	13,900	13,900
Over five years	-	3,000	24,700	27,700	-	6,000	27,700	33,700

**TOKYU REIT, Inc.**

**Notes to Financial Statements, continued**

For the six months ended July 31, 2016 and January 31, 2016

**17. Related party transactions**

Kazuyoshi Kashiwazaki, who holds no voting units of TOKYU REIT, is Executive Director of TOKYU REIT and Representative Director & President and Chief Executive Officer of Tokyu REIM, has entered into an asset management agreement subject to the conditions set forth in TOKYU REIT's Articles of Incorporation with TOKYU REIT. The amount of management fees incurred for the six months ended July 31, 2016 and January 31, 2016 and payable due to asset manager as of then were as follows:

	<u>July 31, 2016</u>	<u>January 31, 2016</u>
	(Millions of yen)	
Asset management fees for the period	¥ 557	¥ 539
Management fees payable due to asset manager	276	268



**TOKYU REIT, Inc.**

**Notes to Financial Statements, continued**

For the six months ended July 31, 2016 and January 31, 2016

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

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

	For the six months ended	
	July 31, 2016	January 31, 2016
	(Millions of yen)	
Carrying amount (Note 2)		
Balance at beginning of period	¥ 212,739	¥ 210,199
Change during the period (Note 3)	(967)	2,539
Balance at end of period	¥ 211,772	¥ 212,739
	As of July 31, 2016	As of January 31, 2016
	(Millions of yen)	
Fair value at end of period (Note 4)	¥ 244,500	¥ 242,710

Note 1. Area classification:

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

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

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

Note 3. Of the change during the six months ended July 31, 2016, the amount of increase is mainly attributable to acquisition of Tokyu Bancho Building (¥12,798 million) and renovation of the external walls of cocoti and other capital expenditures (¥684 million), and the amount of decrease is mainly attributable to disposition of Tokyu Saginuma Building (¥6,596 million) and TOKYU REIT Hatchobori Building (¥6,796 million) and depreciation and amortization (¥1,025 million).

Of the change during the six months ended January 31, 2016, the amount of increase is mainly attributable to acquisition of TOKYU REIT Shinjuku 2 Building (¥2,863 million) and renewal of the air-conditioning equipment (phase 2 construction) of Tokyu Ikejiri-ohashi Building and other capital expenditures (¥622 million), and the amount of decrease is mainly attributable to depreciation and amortization (¥1,023 million).

Note 4. The fair value as of July 31, 2016 shows the disposition price in the case of Tokyu Saginuma 2 Building, which is scheduled to be sold on January 31, 2017, and the appraisal value as appraised by an independent real estate surveyor in the case of the other properties.

The fair value as of January 31, 2016 shows the disposition price in the case of Tokyu Saginuma Building, which was sold on March 24, 2016, Tokyu Saginuma 2 Building, which is scheduled to be sold on January 31, 2017, and TOKYU REIT Hatchobori Building, which was sold on May 31, 2016, and the appraisal value as appraised by an independent real estate surveyor in the case of the other properties.

The income (loss) in the six months ended July 31, 2016 and January 31, 2016 for investment and rental properties are as presented in “Rental revenue and expense” of the “Notes to Financial Statements.”

**TOKYU REIT, Inc.**

**Notes to Financial Statements, continued**

For the six months ended July 31, 2016 and January 31, 2016

**19. Segment and related information**

**[Segment information]**

**(a) Overview of reportable segments**

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

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

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

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

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

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

	July 31, 2016				January 31, 2016			
	Retail Property Leasing Business	Office Property Leasing Business	Amount of reconciliation (Note 2)	Amount recorded in financial statements	Retail Property Leasing Business	Office Property Leasing Business	Amount of reconciliation (Note 3)	Amount recorded in financial statements
	(Millions of yen)							
Operating revenues (Note 1)	¥ 2,488	¥ 4,662	¥ 2,349	¥ 9,500	¥ 2,709	¥ 4,579	¥ -	¥ 7,289
Segment income	1,356	2,431	(207)	3,580	1,550	2,369	(669)	3,251
Segment assets	75,180	136,592	9,723	221,495	81,896	130,842	10,129	222,868
Other items								
Depreciation and amortization	275	749	-	1,025	326	696	-	1,023
Increase in property and equipment and intangible assets	157	13,326	-	13,484	89	3,488	-	3,578

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

Note 2. The breakdown of the ¥2,349 million amount of reconciliation of operating revenues is gain on sales of real estate properties.

The breakdown of the -¥207 million amount of reconciliation of segment income is ¥2,349 million in gain on sales of real estate properties, ¥1,841 million in loss on sales of real estate properties and ¥715 million in enterprise-wide expenses that are not allocated to the reportable segments. Enterprise-wide expenses are mainly asset management fees, asset custodian fees, general administration fees, directors’ fees, etc. that are not attributable to the reportable segments.

The breakdown of the ¥9,723 million amount of reconciliation of segment assets is ¥8,567 million in current assets, ¥1,121 million in investments and other assets and ¥34 million in deferred assets.

Note 3. The breakdown of the -¥669 million amount of reconciliation of segment income is enterprise-wide expenses that are not allocated to the reportable segments. Enterprise-wide expenses are mainly asset management fees, asset custodian fees, general administration fees, directors’ fees, etc. that are not attributable to the reportable segments.

The breakdown of the ¥10,129 million amount of reconciliation of segment assets is ¥8,893 million in current assets, ¥1,187 million in investments and other assets and ¥47 million in deferred assets.

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**

For the six months ended July 31, 2016 and January 31, 2016

**[Related information]**

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

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

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

**(1) Operating revenues**

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

**(2) Property and equipment**

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

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

**For the six months ended July 31, 2016**

Party	Operating revenues (Millions of yen)	Name of related segment
Related parties (Note)	¥ 3,421	Retail Property Leasing Business Office Property Leasing Business

**For the six months ended January 31, 2016**

Party	Operating revenues (Millions of yen)	Name of related segment
Related parties (Note)	¥ 1,286	Retail Property Leasing Business Office Property Leasing Business

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

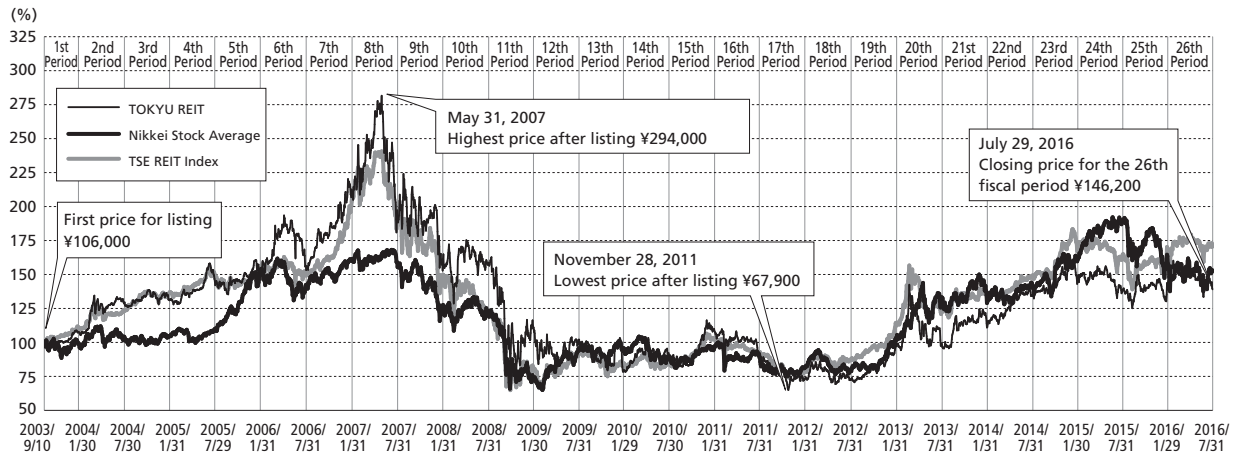
- (i) Tokyu Corporation
- (ii) A consolidated subsidiary of Tokyu Corporation
- (iii) A tokutei mokuteki kaisha (TMK) or special purpose entity (SPE) that was established based on the intention of Tokyu Corporation or a consolidated subsidiary of Tokyu Corporation and where the share of investment by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

**20. Subsequent events**

TOKYU REIT is not aware of any circumstances that may have a material impact on TOKYU REIT’s financial position after the 26th fiscal period ended July 31, 2016.

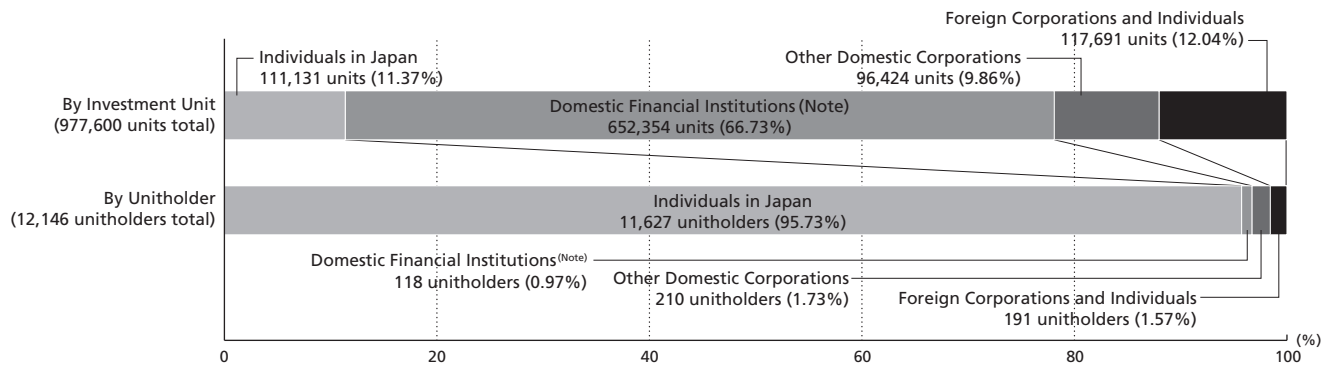
# Unitholder Information

## Unit Price Chart (Note)



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

## Unitholder Composition



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

## Results Reporting Schedule

	26th Period	27th Period
Date of settlement	Jul. 31, 2016	Jan. 31, 2017
Announcement of financial results	Sep. 13, 2016	Mid Mar. 2017
Delivery of investment management report (Japanese only)	Oct. 14, 2016	Mid Apr. 2017
Payment of cash distributions	Oct. 17, 2016	Mid Apr. 2017

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

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

### Tokyu Real Estate Investment Management Inc.

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

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

## Address

1-12-1, Dogenzaka, Shibuya-ku, Tokyo 150-0043, Japan

## Established

June 20, 2003

## Executive Director

Kazuyoshi Kashiwazaki

## Supervisory Directors

Giichi Yanagisawa

Maruhito Kondo

## Independent Auditor

PricewaterhouseCoopers Aarata LLC

8-21-1, Ginza, Chuo-ku, Tokyo 104-0061, Japan

## Date of Settlement

Annually on January 31 and July 31

## Unitholders' General Meeting

More than once every two years

## Newspaper for Posting Public Announcements

The Nikkei (Nihon Keizai Shimbun)

## Date for Finalizing General Meeting Voting Rights

As designated under Article 12 of the by-laws

## Date for Determining Cash Distribution Payments

Annually on January 31 and July 31

(Cash distributions paid within three months of each date)

## The Administrator of the Register of Unitholders

The Mitsubishi UFJ Trust and Banking Corporation

1-4-5, Marunouchi, Chiyoda-ku, Tokyo 100-8212, Japan

## Transfer Agent Head Business Office

The Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

1-4-5, Marunouchi, Chiyoda-ku, Tokyo 100-8212, Japan

## Contact · Address

The Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

7-10-11, Higashi-Suna, Koto-ku, Tokyo 136-0074, Japan

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

## Listing

Tokyo Stock Exchange (8957)

## Distributions

### The Time Limit for Claiming Cash Distributions

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

The date on which payment commenced for the 21st fiscal period (ended January 31, 2014) is on April 14, 2014 and for the 22nd fiscal period (ended July 31, 2014) is on October 15, 2014.

## Investment Management Company

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

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

## Disclaimer

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

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

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

- For further information please visit the **TOKYU REIT** website at ([www.tokyu-reit.co.jp/eng/](http://www.tokyu-reit.co.jp/eng/)).
- The information in this report without description of dates is as of July 31, 2016.

**TOKYU REIT**

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[www.tokyu-reit.co.jp/eng/](http://www.tokyu-reit.co.jp/eng/)