

TOKYU REIT

TOKYU REIT, Inc. Semiannual Report

27th Fiscal Period From August 1, 2016 to January 31, 2017



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 ^(Note) (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'**

- Thorough implementation of strict measures against conflicts of interest
- Independent third-party checks
- Proactive disclosure of transaction details



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27th Fiscal Period
Cash Distribution per Unit

¥2,746 (Fixed)

(Date of payment: Apr. 14, 2017)

28th Fiscal Period
Cash Distribution per Unit

¥2,650 (Forecast)

(Date of payment: Mid Oct. 2017)

29th Fiscal Period
Cash Distribution per Unit

¥2,650 (Forecast)

(Date of payment: Mid Apr. 2018)

FINANCIAL SUMMARY

		26th Fiscal Period	27th Fiscal Period
Balance Sheets	■ Number of Properties	29 properties	28 properties
	■ Total Assets	¥221,495 million	¥219,762 million
	■ Interest-Bearing Debt	¥95,500 million	¥93,500 million
	■ Total Assets Loan-to-Value (LTV) Ratio	43.1%	42.5%
Statements of Income	■ Operating Revenues	¥9,500 million	¥7,514 million
	■ Net Income	¥2,926 million	¥2,952 million
Distributions	■ Cash Distribution per Unit	¥2,695	¥2,746
	■ Average Market Price per Unit	¥154,325	¥140,910
	■ Distribution Yield	3.50%	3.87%

(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%." (The same applies hereinafter.)

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 27th fiscal period
- Control earthquake risk through PML (Set portfolio PML ^(Note 1) at 10% or lower
 - Set portfolio PML of the 27th fiscal period: 3.8% ^(Note 2)
- 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 ^(Note 3)

■ Focus on Location

- Office properties
 - Within a seven-minute walk from the nearest station as a rule
- Retail properties
 - Conduct various surveys and analyses in many aspects, including purchasing power potential of the trade zone, growth potential, compatibility of tenants with the trade zone, and status of competition
- Secure favorable location, with focus on exit price and liquidity
 - 77.9%* of properties lie within three-minute range (January 31, 2017)
 - * Based on acquisition price

■ Size of Properties

- Properties worth over ¥4 billion respectively as a rule
- Over 5,000m² of total floor space and over 330m² of exclusive area in typical floor space (for office properties) as a rule
 - Average amount invested per property is ¥7.9 billion* (January 31, 2017)
 - * 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 = 63.1%* : 36.9%* (January 31, 2017)
 - * Based on appraisal value at end of the 27th fiscal period (January 31, 2017)

(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) and OKI System Center (Land with leasehold interest).

3. The investment policy is scheduled to be changed under the condition that approval will be gained at the General Meeting of Unitholders scheduled to be held on April 21, 2017. Please refer to page 8 for details. (The same applies hereinafter).

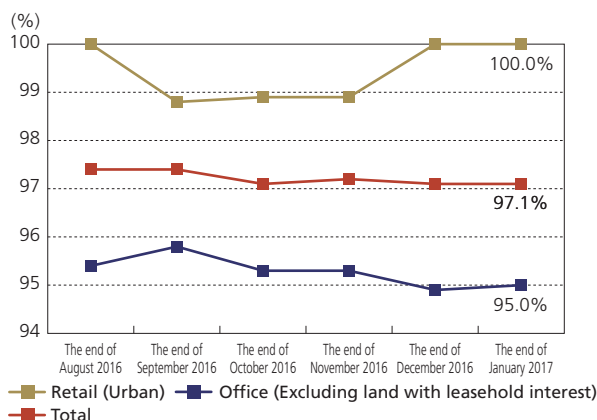
Main Strategy and the Other

- Being in the same boat as unitholders "investment management fee structure" → Refer to Page 10
- "Capital Re-investment Model" through collaboration with sponsors → Refer to Page 12
- "Value and contrarian investment strategy" focusing on cyclicity of real estate prices → Refer to Page 13
- Debt management strong against credit crises → Refer to Page 15

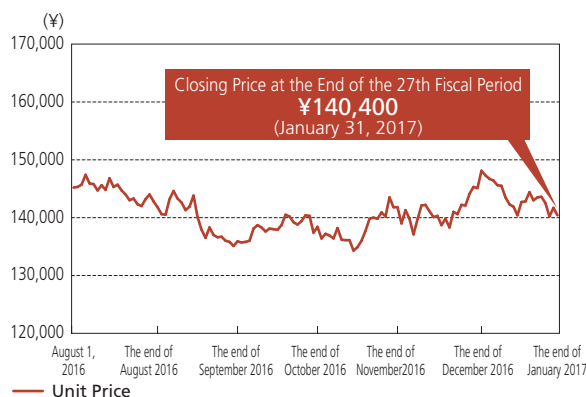
Performance

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 January 31, 2017, the end of TOKYU REIT's 27th fiscal period, **TOKYU REIT** held 19 office buildings and 9 retail facilities, for a total of 28 properties.

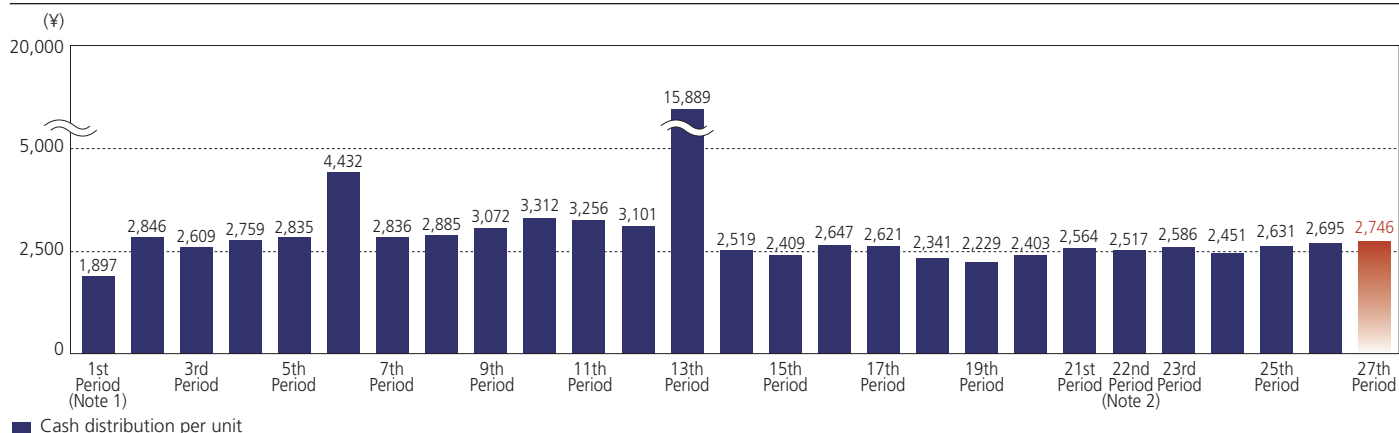
Occupancy Rate



Unit Price

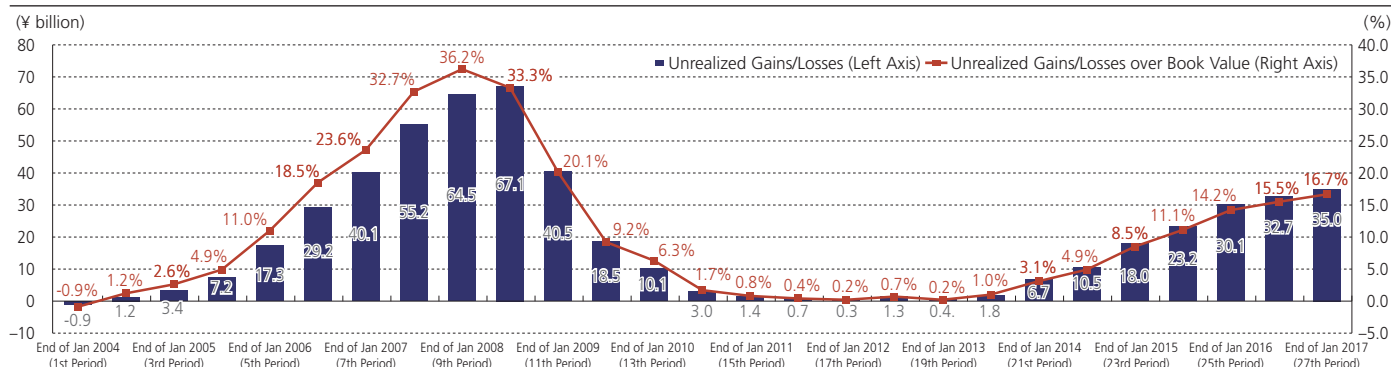


Cash Distribution per Unit



(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.

I hereby report our operating environment and results for the 27th fiscal period August 1, 2016 to January 31, 2017.

In the fiscal period under review, **TOKYU REIT** disposed Tokyu Saginuma 2 Building to Tokyu Corporation, the sponsor, in January 2017 as part of property replacement continuing from the previous fiscal period.

As a result, the number of properties within the portfolio of **TOKYU REIT** as of the end of January 2017 became 28 with total appraisal value of ¥245.2 billion (unrealized gains of ¥35.0 billion) and the overall portfolio occupancy rate was 97.1%.

As for performance of the fiscal period under review, **TOKYU REIT** posted ¥7,514 million in operating revenues and ¥2,952 million in net income with posting of ¥541 million of gain on sales of property accompanied by the disposition of Tokyu Saginuma 2 Building.

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 ¥2,746 (up ¥51 from the previous fiscal period and up ¥116 from the performance forecast).

I believe the "Notice of Convocation of the Eighth General Meeting of Unitholders" has already been sent to unitholders.

At the Eighth General Meeting of Unitholders, partial amendments to the Articles of Incorporation and the election of an executive director and supervisory directors will be resolved. (Please refer to "Notice of Convocation of the Eighth General Meeting of Unitholders" for further details.)

The outline of partial amendments to the Articles of Incorporation includes changing the use of properties in which **TOKYU REIT** invests in order to expand investment opportunities while maintaining its policy of focusing on the Tokyo's central five wards and the Tokyu Areas as its core investment targets as well as changing provisions related to the amendments to laws.

With regard to the election of directors, Kazuyoshi Kashiwazaki's or my reappointment as executive director, and reappointment of Giichi Yanagisawa and Maruhito Kondo as supervisory directors will be proposed.

After the conclusion of the General Meeting of Unitholders, our investment management company will hold a management status meeting for the 27th fiscal period and I would appreciate it if you could attend.

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.

March 2017



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)

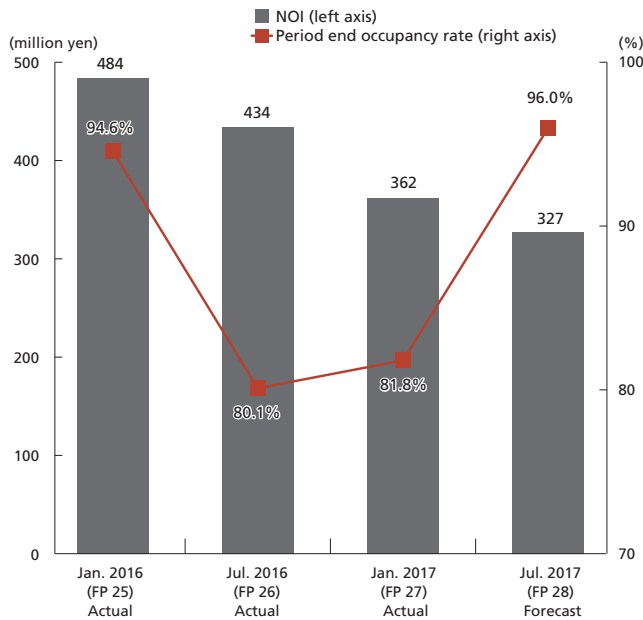
May 2015

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

Status of Setagaya Business Square (Leasing Status)

Progress leasing of vacant sections and expect to recover occupancy rate to 96.0% by the end of FP 28 (ending July 2017)

Results and Forecasts of Occupancy Rate and NOI



Actual and Forecasts of Move-in/Move-outs (excluding warehouse)

Area		FP 27	FP 28
		(ended Jan. 2017) Actual	(ending July 2017) Forecast
Tower	Move-ins	3 sections (1,223m ²)	6 sections (2,187m ²)
	Move-outs	4 sections (1,818m ²)	4 sections (627m ²)
	Vacant sections at end of FP	5 sections (2,410m ²)	3 sections (850m ²)
Hills I	Move-ins	—	4 sections (1,400m ²)
	Move-outs	—	—
	Vacant sections at end of FP	4 sections (1,400m ²)	—
Hills II	Move-ins	1 section (20m ²)	3 sections (65m ²)
	Move-outs	2 sections (40m ²)	2 sections (44m ²)
	Vacant sections at end of FP	1 section (20m ²)	—
Hills III/IV	Move-ins	3 sections (1,037m ²)	2 sections (560m ²)
	Move-outs	—	—
	Vacant sections at end of FP	2 sections (560m ²)	—
Overall	Move-ins	7 sections (2,281m ²)	15 sections (4,213m ²)
	Move-outs	6 sections (1,858m ²)	6 sections (672m ²)
	Vacant sections at end of FP	12 sections (4,391m ²)	3 sections (850m ²)

Status of Leasing Activities (FP 27 Actual and FP 28 Forecast)

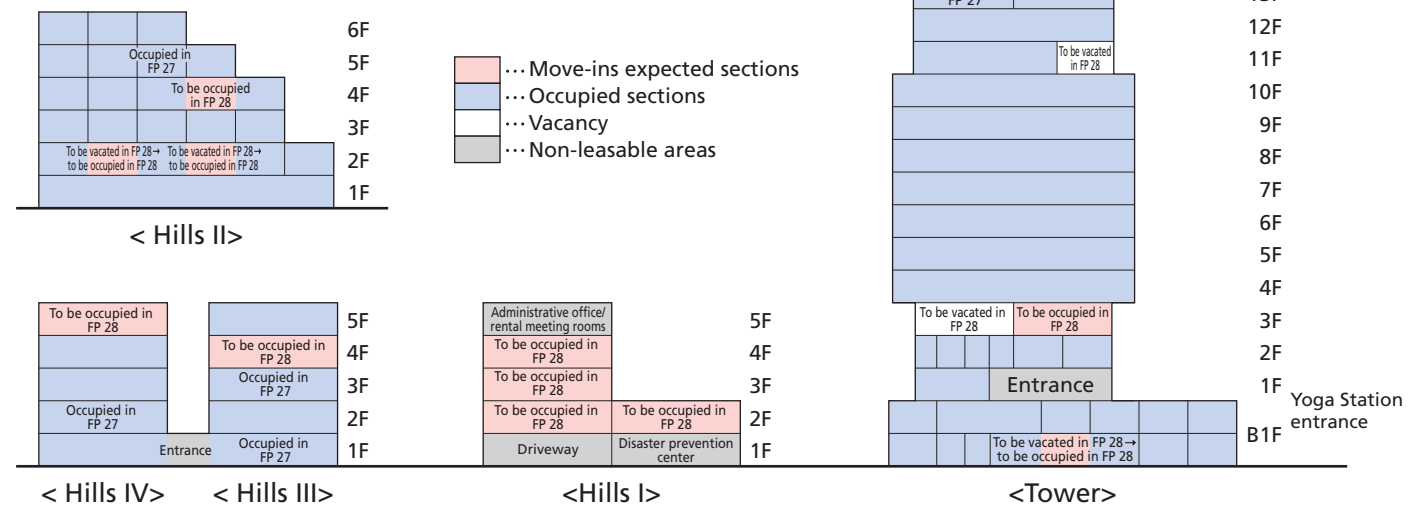
Diversification of tenants for the vacated sections

- Move-out sections of large tenants in the Fiscal Period Ended July 2016 (26th Period); 1 tenant, 10 sections (3,752m²)
- FP 27 (ended Jan. 2017) Actual: Move-in of 3 tenants in 4 Sections (1,524m²)
- FP 28 (ending July 2017) Forecast: Move-in of 3 tenants in 5 Sections (1,635m²)
- Estimated move-in of 6 tenants in 9 sections (3,159m²) in 2 periods in total

Tenant attributes

- FP 27 (ended Jan. 2017)
Occupied tenants: 7 sections (Expansion of floor area within the property: 1 section, companies based on territorial bonding in Setagaya Ward: 2 sections, TOKYU group company; 1 section, others: 3 sections)
- FP 28 (ending July 2017)
Agreements concluded tenants; 7 sections (Expansion of floor area within the property: 2 sections, companies based on territorial bonding in Setagaya Ward: 3 sections, TOKYU group company; 2 sections)
Tenants under discussion: 8 sections (Companies based on territorial bonding in Setagaya Ward: 1 section, TOKYU group company; 4 sections, others: 3 sections)

* Respective figure on amount of money and areas indicate value calculated as 55%, the co-ownership ratio of Tokyu REIT.



Topics

Partial Change of Investment Policy

Partially relax use of properties, investment size and other restrictions to expand property acquisition opportunities while maintaining policy of investing exclusively in the Tokyo Metropolitan Area.

Major Changes

*The change of investment policy accompanies a condition precedent that the proposal to partially change the Articles of Incorporation be approved at the General Meeting of Unitholders scheduled to be held on April 21, 2017.

	Before change	After change		
Use of properties to be invested	(1) Office properties (2) Retail properties	(1) Office properties (2) Retail properties (3) Complexes that include office or retail properties ^(Note 1)		
Minimum investment amount per property	4 billion yen	4 billion yen, in principle, except for the following cases ^(Note 2)		
		Tokyu Areas (including Shibuya ward)	Central Tokyo (excluding Shibuya ward) ^(Note 3)	Land with leasehold interest
		<u>1 billion yen</u>	<u>2 billion yen</u>	<u>1 billion yen</u>
Focused investment target areas	Central Tokyo and Tokyu Areas (unchanged)			

(Notes) 1. When a hotel is included in the complex, the hotel portion shall, in principle, meet the following criteria.

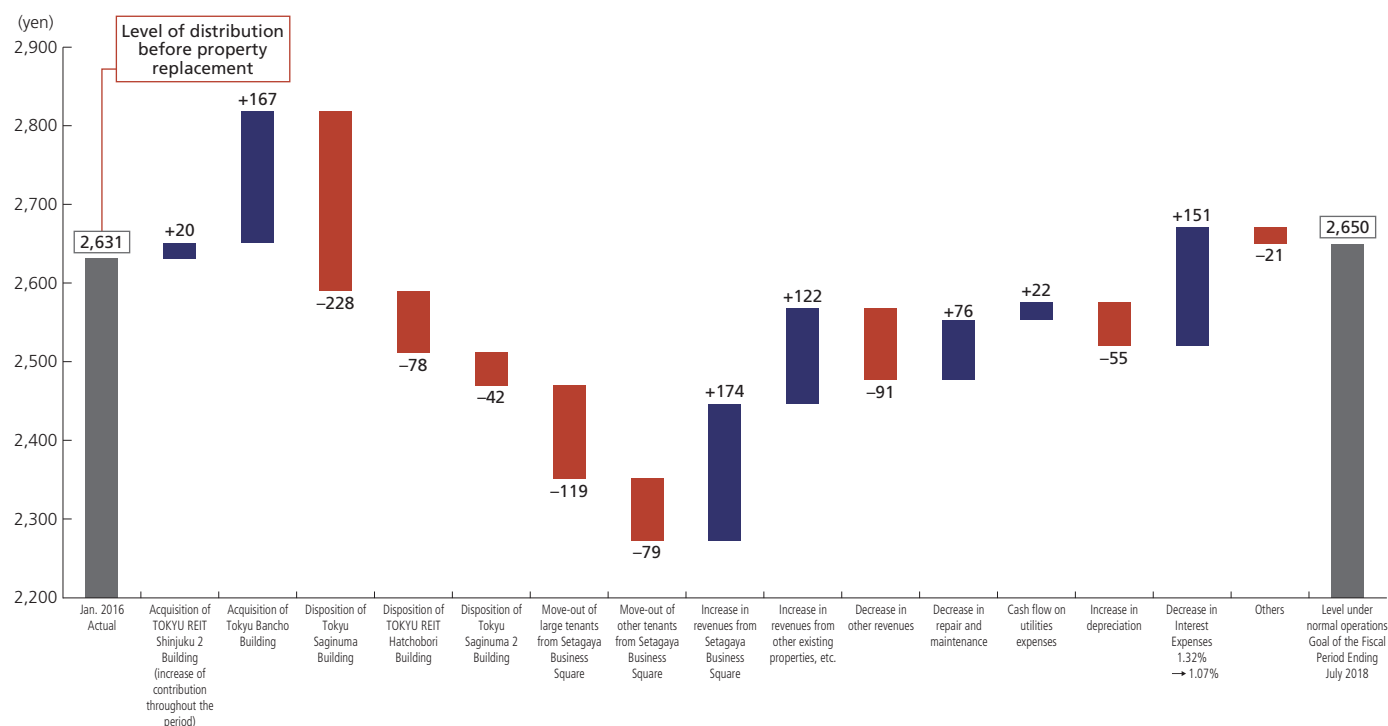
- (1) A lease agreement which can reduce business/operational risks of the hotel (e.g. fixed rent + sales-linked rent, etc.) shall be concluded.
- (2) The tenant (the body operating the hotel) shall be Tokyu Corporation and its subsidiaries or shall possess operational skills equal to those of Tokyu Corporation and its subsidiaries.
- (3) Chiyoda, Chuo, Minato and Shinjuku wards, and other major commercial and retail districts of Tokyo.

Other Changes

- In line with the change in use of properties to be invested, the holding ratio by use in the portfolio (long-term target) (office properties: 60%, retail properties: 40%) will be abolished.
- In line with the change in minimum investment amount, the property size criteria set for office properties (over 5,000m² of total floor space and over 330m² of exclusive area in typical space) will be abolished.

Distribution per Unit Level Under Normal Operations

Distribution per Unit Level Under Normal Operations after Property Replacements



Aim to achieve ¥2,650 distribution per unit level under normal operations in the fiscal period ending July 31, 2018, 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.

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 27th 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		Maruhito Kondo Supervisory Director	
March 1985	Certified as a public accountant in Japan (current position). Established Yanagisawa Certified Public Accountant Office.	April 1988	Admitted to the Bar of Japan (Tokyo Bar Association). Entered Ohara Law Office.
May 1985	Certified as a tax accountant in Japan (current position).	May 1988	Studied abroad at the Chinese University of Hong Kong.
June 2000	Appointed representative, Shinsoh Audit Corporation.	September 1988	Studied abroad at Renmin University of China.
July 2001	Appointed member of the Board of The Japanese Institute of Certified Public Accountants.	July 1989	Worked at Robert Lee & Fong Solicitors in Hong Kong.
June 2003	Appointed Supervisory Director, TOKYU REIT, Inc. (current position)	February 1996	Opened Maruhito Kondo Law Office (current position).
July 2004	Appointed Executive Board of The Japanese Institute of Certified Public Accountants.	May 1998	Admitted to Daini Tokyo Bar Association (current position).
July 2010	Appointed Deputy President of the Tokyo Chapter of The Japanese Institute of Certified Public Accountants.	June 2003	Appointed Supervisory Director, TOKYU REIT, Inc. (current position).
April 2011	Appointed Chief Representative, Shinsoh Audit Corporation (current position).		
June 2013	Appointed President of the Tokyo Chapter of The Japanese Institute of Certified Accountants.		
July 2013	Appointed Deputy President of The Japanese Institute of Certified Public Accountants (current position).		
June 2015	Outside auditor of Nagatanien Co., Ltd. (currently Nagatanien Holdings Co., Ltd.). (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

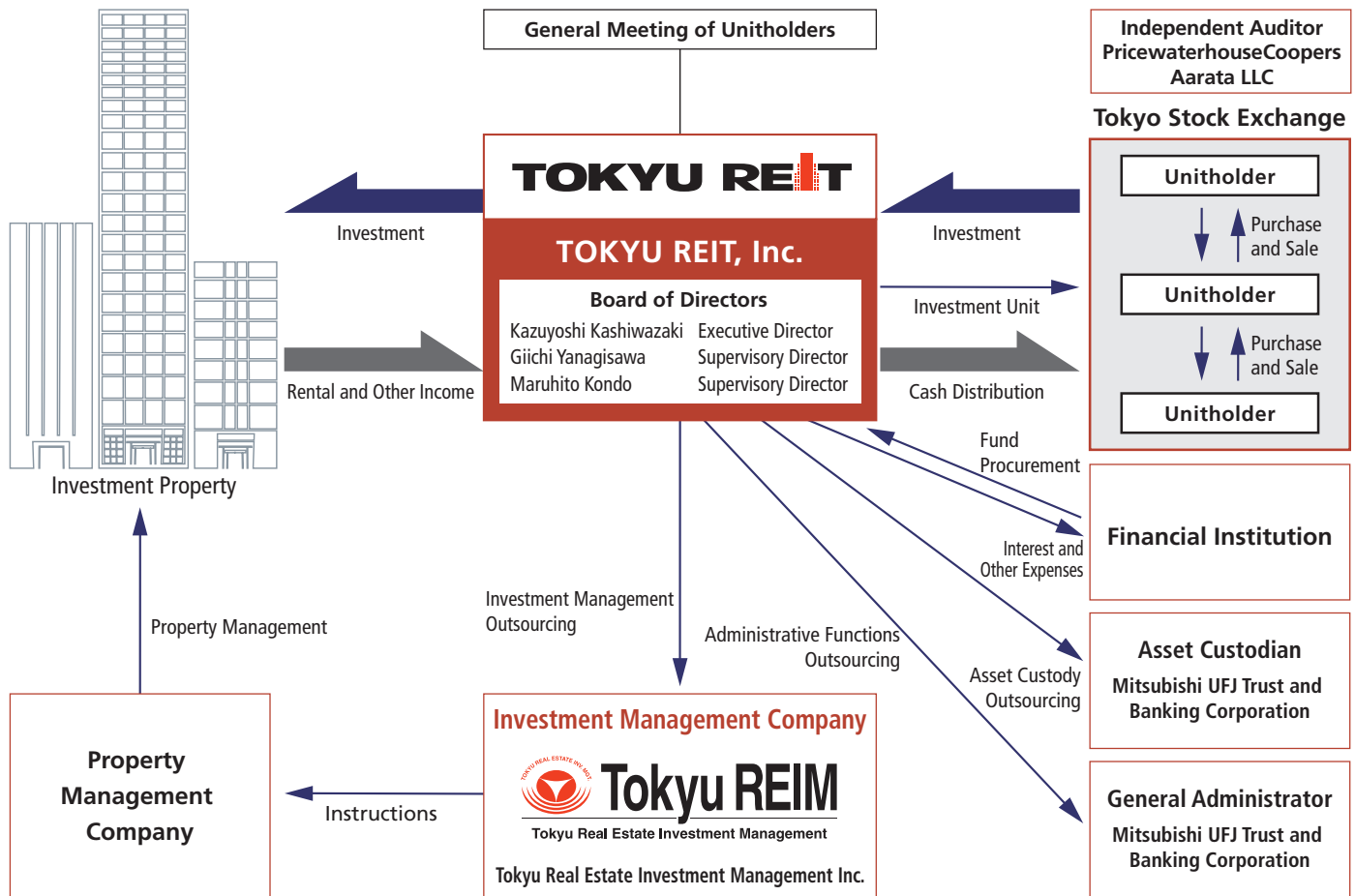
Characteristics of TOKYU REIT’s Governance Structure

- 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

Excellent Governance as a Source of Competitiveness	Structural	<ul style="list-style-type: none"> ■ Multiple layers of monitoring and proactive involvement of outside board members ■ Management fee set to “being in the same boat as unitholders” 	<ul style="list-style-type: none"> ■ Stringent measures against conflicts of interest ■ Board meetings held twice or more a month on a regular basis and enhanced resolution and reporting system
	Human Resources	<ul style="list-style-type: none"> ■ Carefully select board members to enhance debate* ■ Provide appropriate compensation to board members for the responsibility and the workload 	<ul style="list-style-type: none"> ■ Legal advisor to be present at board meetings
	Culture	<ul style="list-style-type: none"> ■ Board members not hesitant to reject, waive resolution or agree with conditions ■ Willing to debate among independent outside board members 	<ul style="list-style-type: none"> ■ Tokyu REIT’s efforts <ul style="list-style-type: none"> • Strict focus on fiduciary duty • Management fee programmed to enhance involvement of all business segments • Intend to allow all Tokyu REIT staff to face and communicate with investors
	Track Record	<ul style="list-style-type: none"> ■ Status of the Board of Directors’ meetings held (27th fiscal period): 1.3 meetings per month on average 	<ul style="list-style-type: none"> ■ Attendance at board of directors’ meeting <ul style="list-style-type: none"> Kazuyoshi Kashiwazaki (Executive Director) 100% Giichi Yanagisawa (Supervisory Director) 100% Maruhito Kondo (Supervisory Director) 100% General Administrator 100%

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



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.

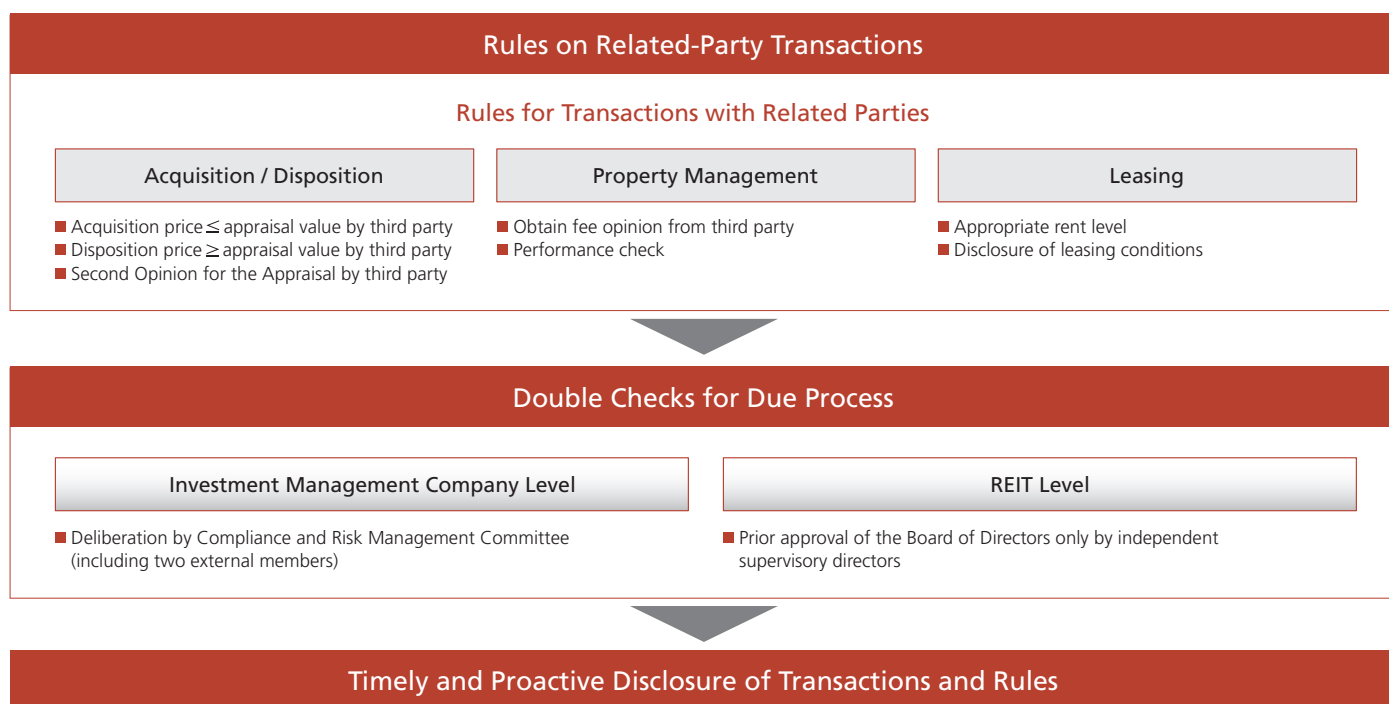
Collaboration with Tokyu Corporation and Its Subsidiaries

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

Related Party Transactions

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



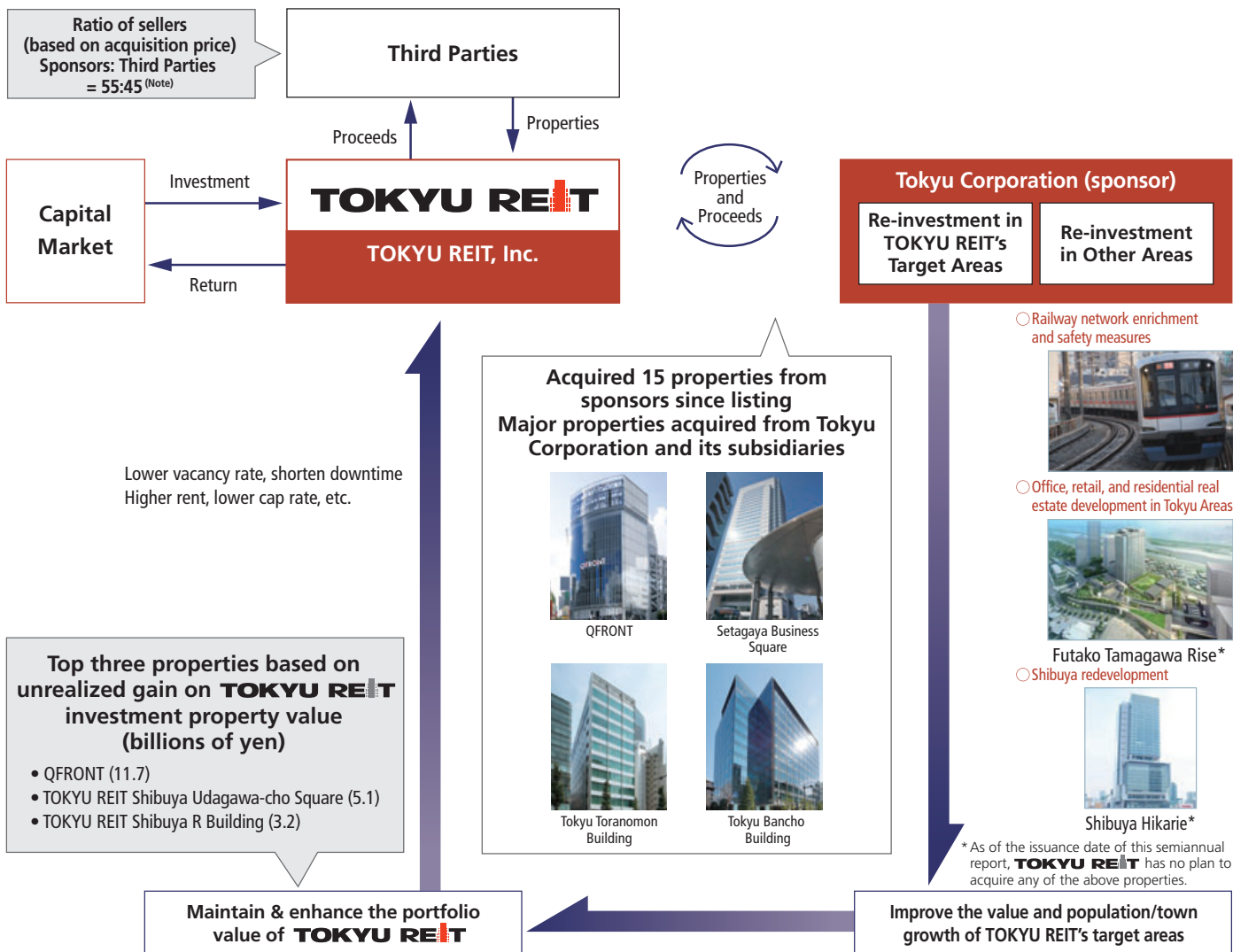
(Note) “Related Parties” is a collective term for “Tokyu Corporation and its subsidiaries,” “Affiliates of Tokyu Corporation except Tokyu Corporation’s subsidiaries,” and “Tokyu Land Corporation and its subsidiaries.”

- “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

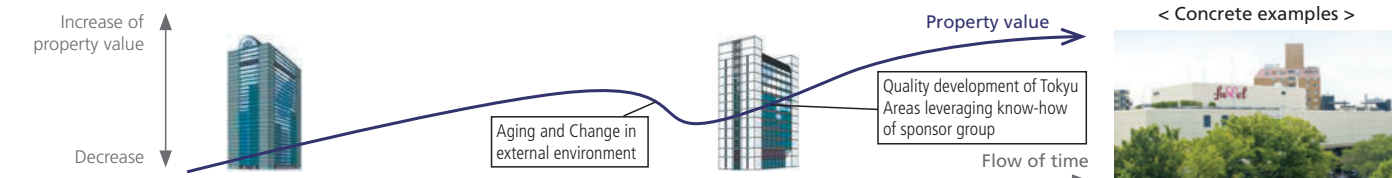
“Capital Re-investment Model” through collaboration with sponsors

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	—	Attracting prime tenants Effective renovations
		Re-investment of funds from sales in Tokyu Areas, etc.	Enhancement of added value of Tokyu Areas through redevelopment	Re-investment of funds from sales in Tokyu Areas, etc.

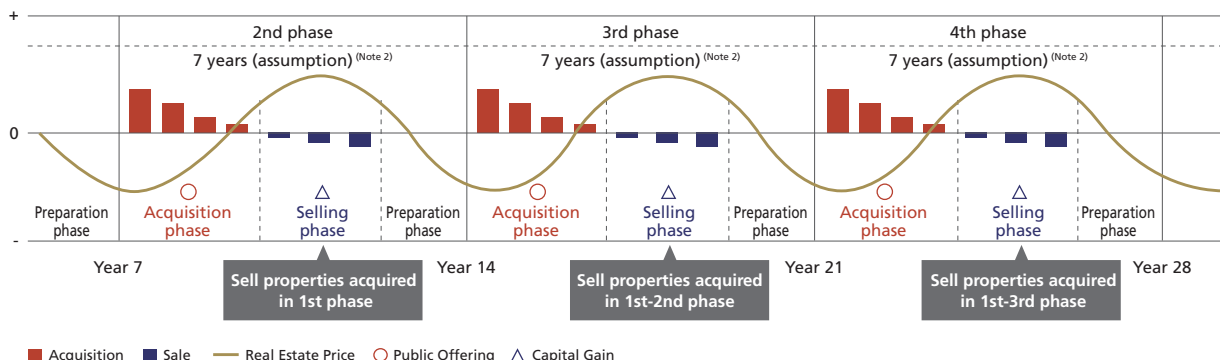
(Note) Includes properties acquired from sponsors which were contributed by Tokyu Land Corporation, a shareholder until June 2011 of Tokyu Real Estate Investment Management Inc. (Tokyu REIM), the asset management company, as well as by Tokyu Corporation.

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

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

“Value and contrarian investment strategy” focusing on cyclical nature of real estate prices

Since unveiling the Surf Plan in September 2009, TOKYU REIT has conducted investment with a focus on the cyclical nature 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 cyclical nature 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. ^(Note 1)



(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

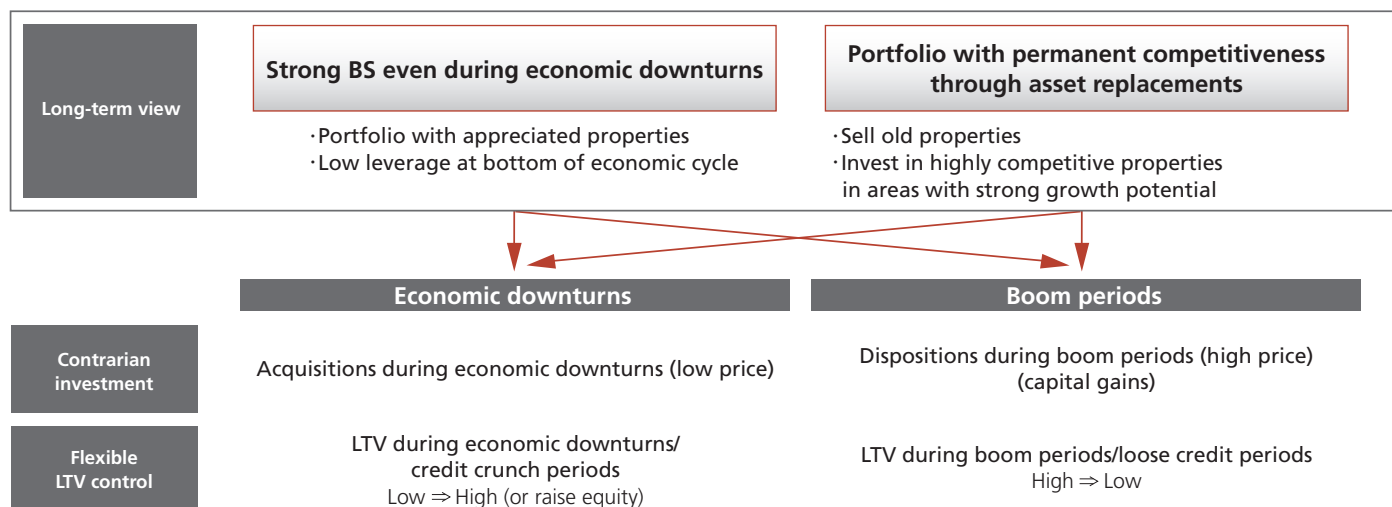
Value

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



Management

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

URL: 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 implements strict measures against conflicts of interest and takes all necessary care in transactions with Tokyu Corporation and other related parties.

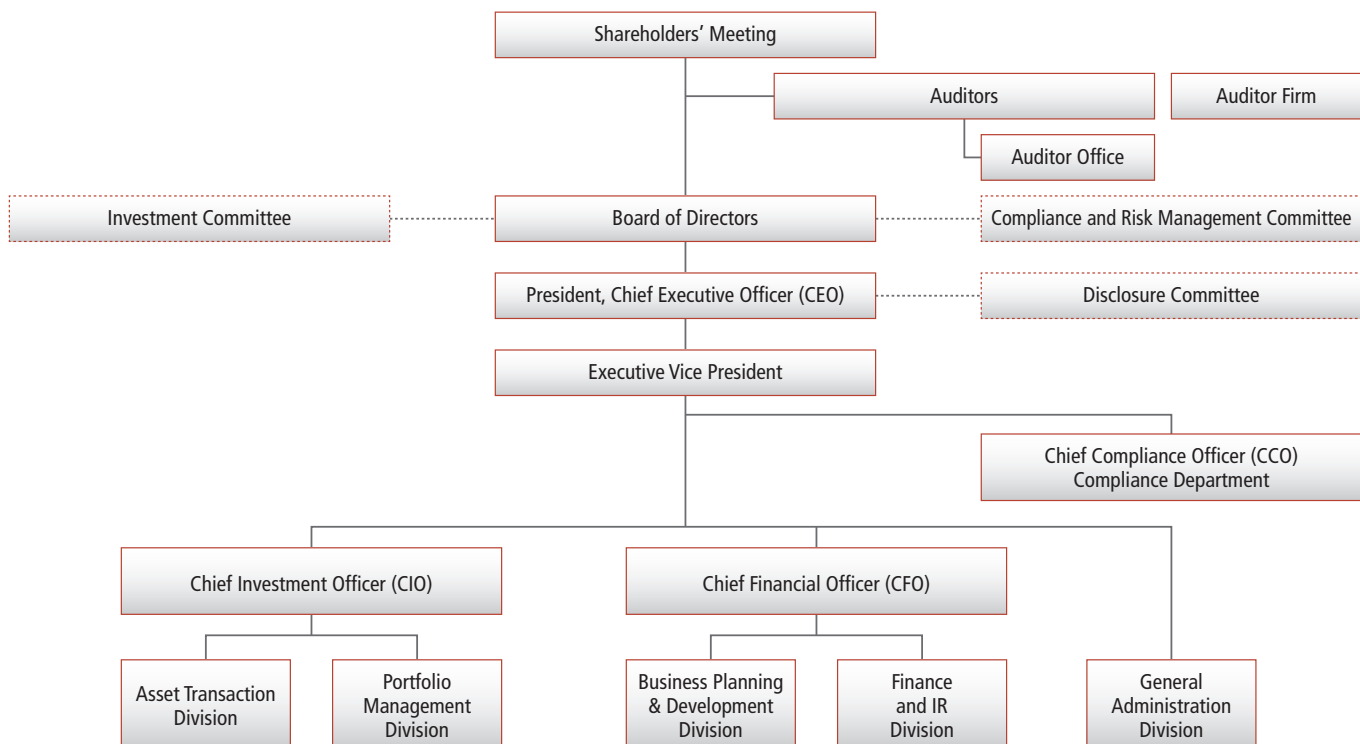
Tokyu REIM is a financial instruments dealer under the Financial Instruments and Exchange Law (Kanto Financial Bureau (*Kin-sho*) No. 360).

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

Major Shareholder

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

Organization Chart



TOKYU REIT's Financial Strategies

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
	■ Management of Low LTV to Ensure Financial Soundness ^(Note)
	■ Long-term Fixed-interest Debt Financing
	■ Assurance of Multiple Lenders
	■ Diversification of Repayment Dates
	Flexibility in Financing
	■ Assurance of Prompt Fund Procurement Schemes
	Efficiency
	■ Efficient Cash Management
	■ Assurance of Low-rate Financing Based on Stable Management

(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	¥93.5 billion
Long-Term Fixed-Rate Ratio	100%
Avg. Duration	3.70 years
Commitment Line	¥18 billion

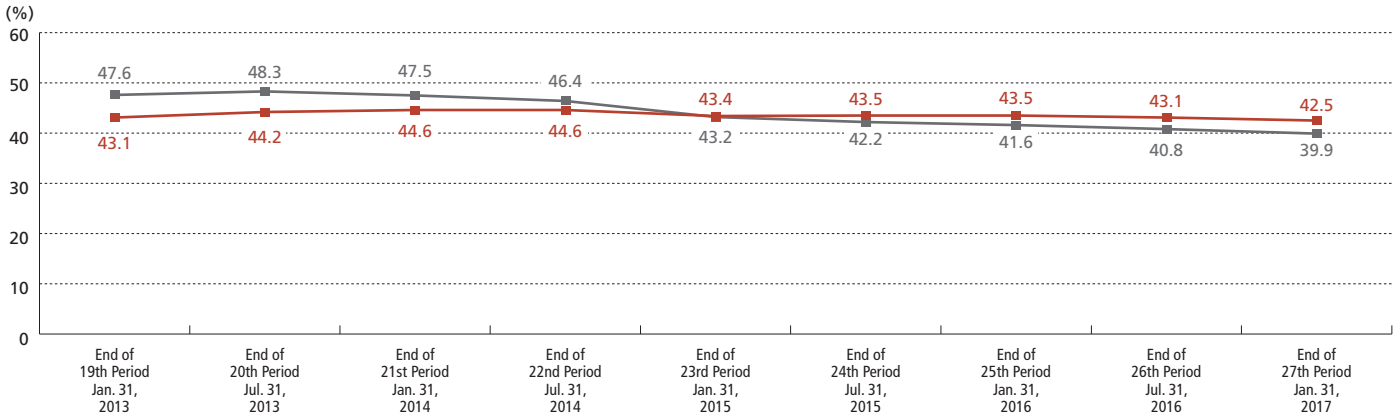
The execution of the commitment line agreement allows us to undergo debt financing at any given time up to the designated amount. To this end, a flexible and efficient fund procurement system has been assured. Moreover, there is no outstanding debt under the commitment line as of January 31, 2017.

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.



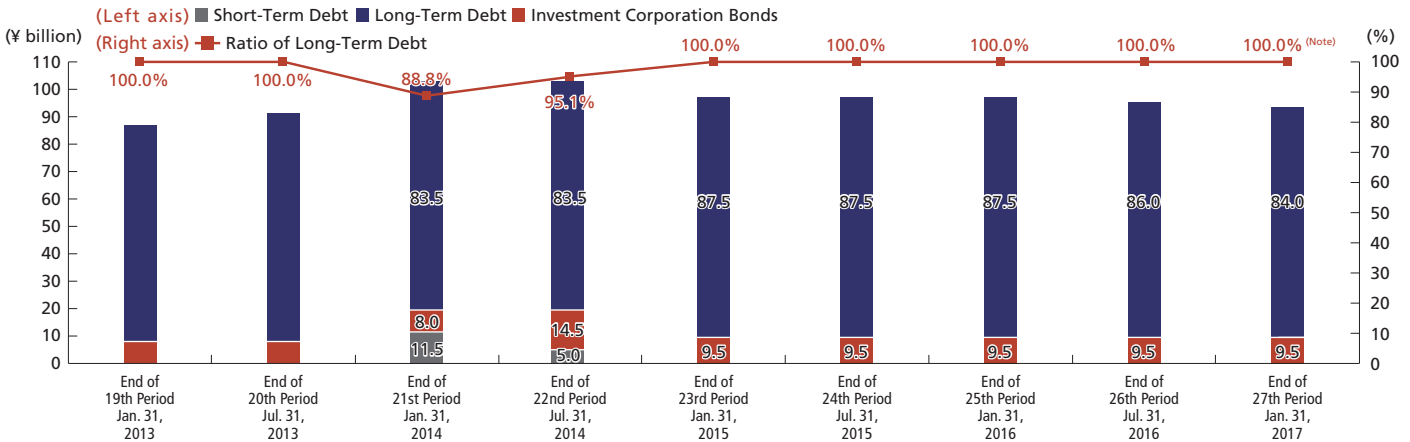
■ LTV based on total assets at end of period = Balance of period-end interest-bearing debt / Period end total assets

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

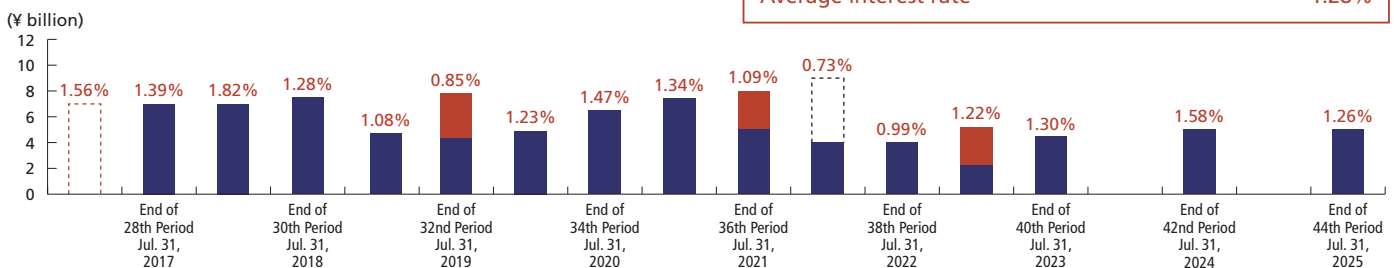


(Note) 85.0% (excluding the long-term debt maturing within a year)

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.

▨ Debt Repaid during 27th fiscal period ▨ Debt Financing during 27th fiscal period
 ■ Investment Corporation Bonds ■ Long-Term Debt ■ Short-Term Debt
 Weighted average annual interest rate (excluding short-term debt)





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

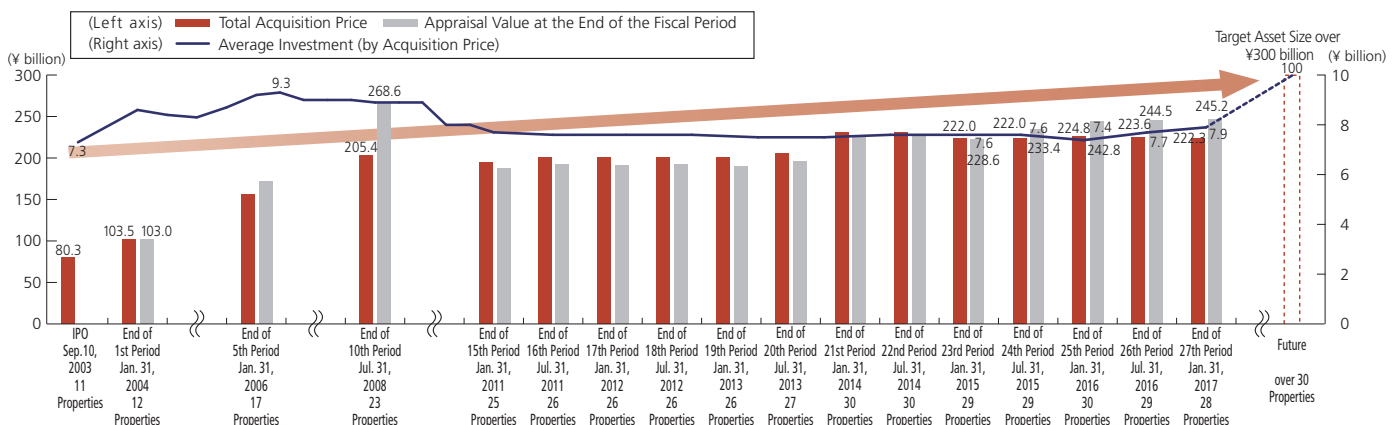
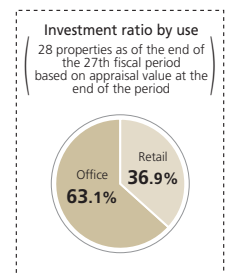
Investment Targeted Areas	<ul style="list-style-type: none"> ■ Focusing on Tokyo's central five wards and Tokyu Areas expecting economic and population growth ■ Limited to Tokyo Metropolitan Area
Investment Criteria	<ul style="list-style-type: none"> ■ Limited to office and retail portfolios with lower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

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

Total acquisition price as of the end of the 27th fiscal period ended January 31, 2017, stood at ¥222.3 billion, and appraisal value at the end of the fiscal period stood at ¥245.2 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.

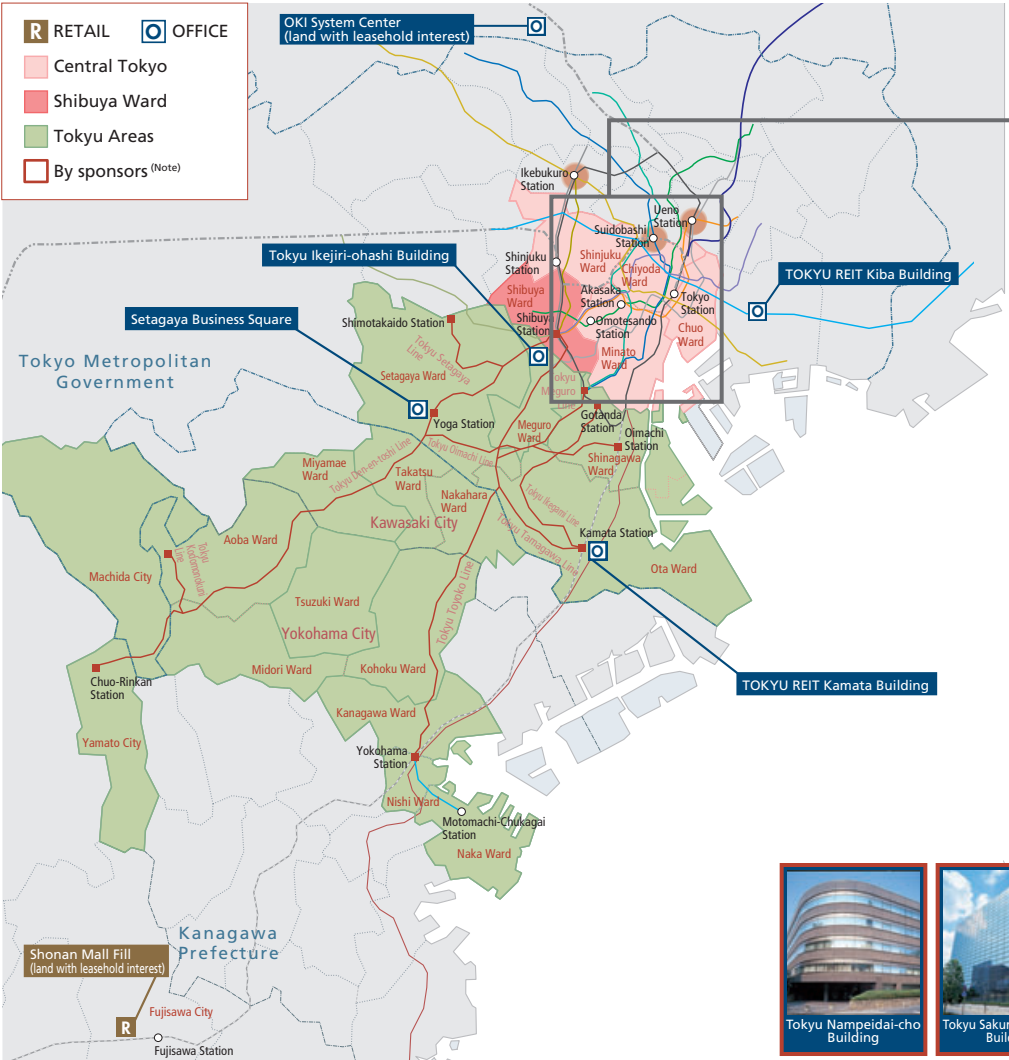
TOKYU REIT focuses on highly competitive office and retail properties and strives to maintain a ratio of 60% in office buildings and 40% in retail properties (based on appraisal value at the end of the fiscal period) over the long term.

As of the end of the 27th fiscal period (28 properties), investment ratio by use based on appraisal value at the end of the fiscal period is as follows:



Portfolio (properties owned at the end of the 27th fiscal period)

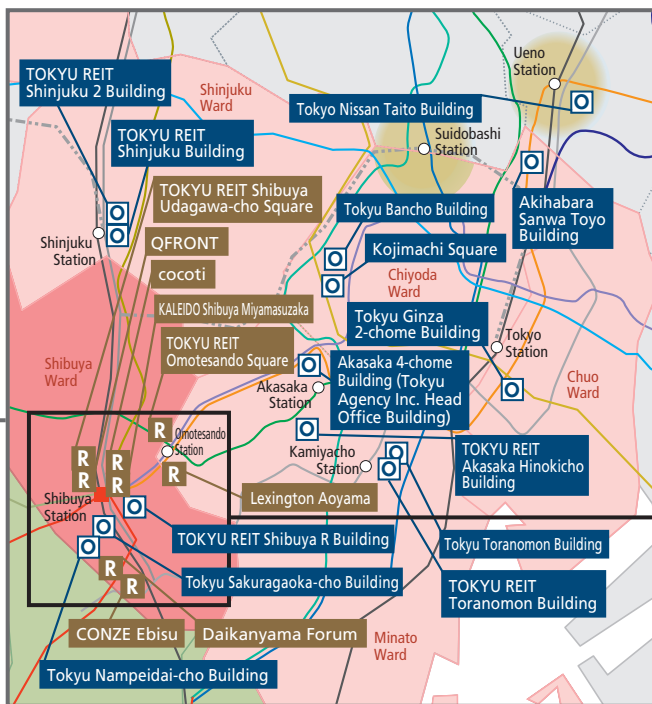
Investment Targeted Areas



- Tokyu Railways
- Tokyu Metro Hanzomon Line
- Tokyo Metro Ginza Line
- Tokyo Metro Yurakucho Line
- Tokyo Metro Hibiya Line
- Tokyo Metro Chiyoda Line
- Tokyo Metro Tozai Line
- Tokyo Metro Nanboku Line
- Tokyo Metro Fukutoshin Line
- Minatomirai Line
- Toei Mita Line
- Keio Inokashira Line
- Keikyu Line
- Tsukuba Express
- JR Yamanote Line
- JR Saikyo Line
- - - JR Tokaido Line
- - - JR Chuo Line
- - - JR Keihin Tohoku Line



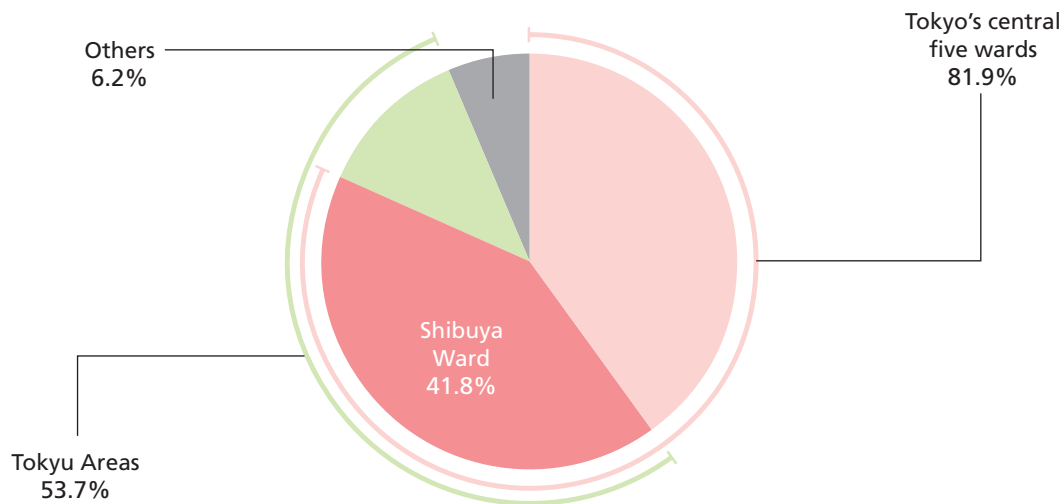
(Note) The portfolio properties acquired from sponsors include properties contributed by Tokyu Land, which was a shareholder of the Investment Management Company (Tokyu REIM) along with Tokyu Corporation until June 2011.



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

- 1 Shibuya Station Area
- 2 Shibuya Station South Area (SHIBUYA STREAM)
- 3 Shibuya Miyashitacho Development Plan (SHIBUYA CAST.)
(Scheduled to be connected with adjacent building cocoti)
- 4 Dogenzaka 1-chome Ekimae Area
- 5 Shibuya Station Sakuragaoka-guchi Area

Percentage Share in Total Portfolio by Region
(28 properties based on the appraisal value at the end of the 27th fiscal period)



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

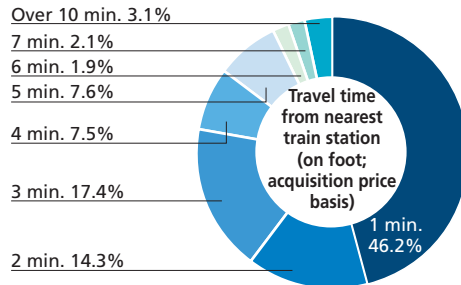
(Notes) 1. Shibuya Ward is included in both the Tokyo's central five wards and the Tokyu Areas.
2. Percentage share in total portfolio is calculated based on the appraisal value of properties as of the end of the previous fiscal period and the appraisal value (obtained at the time of intended property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

Portfolio (properties owned at the end of the 27th fiscal period)

Data of the 27th 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

No.	Tenant Name	Business Category	Property Name	Expiration Date	Leased Area (m ²)	Ratio (Note 1)
1	DAIWA INFORMATION SERVICE Co., Ltd.	Real estate	Shonan Mall Fill (land with leasehold interest)	3/31/2033	44,078.12	21.6%
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 Nampeidai-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	FUJITSU LIMITED	Electric equipment	TOKYU REIT Kamata Building	9/14/2018 (Note 2)	4,593.33	2.2%
6	TSUTAYA Co., Ltd.	Wholesale	Q FRONT	12/14/2019 (Note 2)	4,044.10	2.0%
7	NTT DATA Corporation	Service	Tokyu Toranomon Building	6/30/2020	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	OPT Holding Inc.	Other financial services	Tokyu Bancho Building (Note 3)	12/31/2018	3,388.15	1.7%
10	Net year Group Corporation	Service	Tokyu Ginza 2-chome Building	9/30/2019	3,278.04	1.6%
Total of top 10 tenants in leased area					99,821.45	48.9%
Total leased area as of end of January 2017 (27th fiscal period) (28 properties)					204,322.39	100%

(Notes) 1. "Ratio" indicates ratio of tenant's leased areas to total leased area of 28 properties held as of the end of the 27th 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.

Creation of Portfolio Resilient to Earthquakes

Structural status (earthquake resistance)

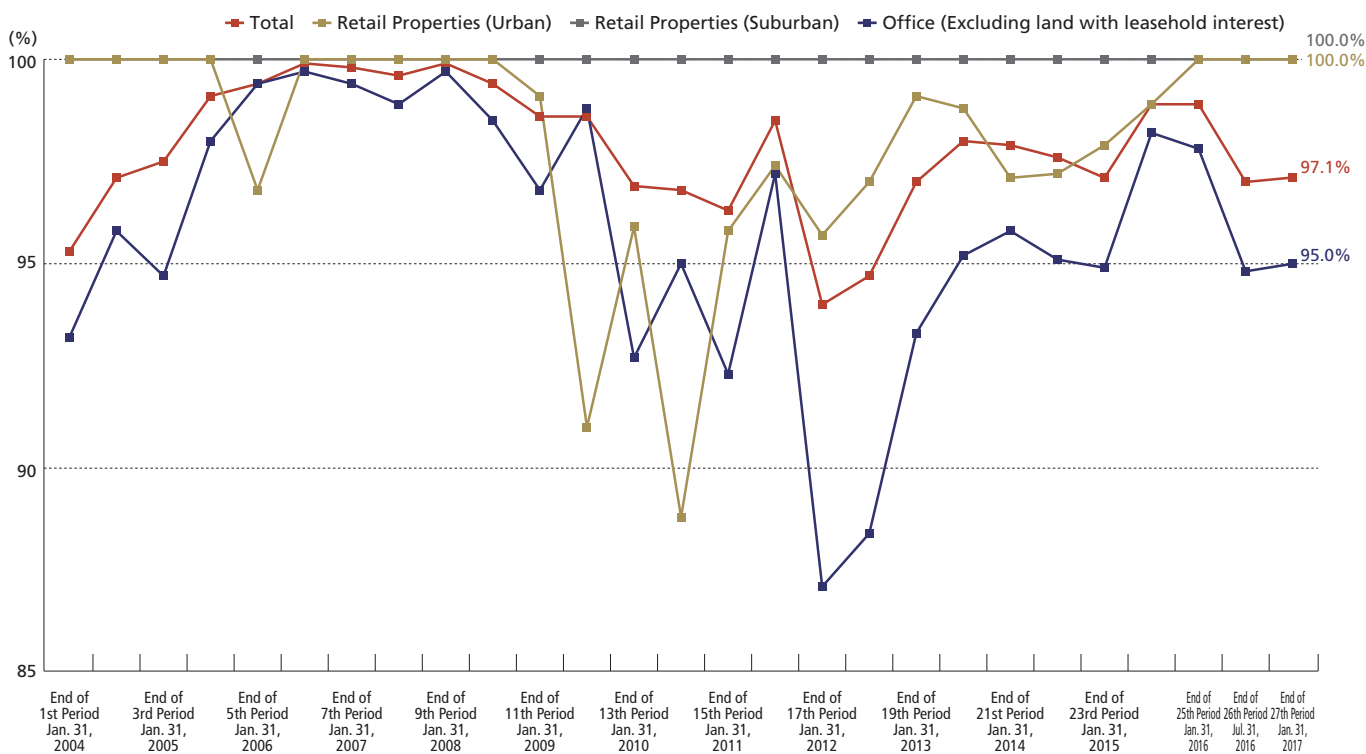
Investment Criteria	Properties that are compliant with the new earthquake resistance standards (Note 1), that completed anti-seismic reinforcement work, or that has PML of less than 15%	Manage properties with a portfolio PML of 10% or less; examine purchasing earthquake insurance if PML of any property surpasses the figure.
Portfolio	<ul style="list-style-type: none"> 26 out of 28 properties comply with the new earthquake resistance standards (Two remaining properties are land with leasehold interest only) 	<ul style="list-style-type: none"> Portfolio PML: 3.8% (Note 2) 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.

(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.

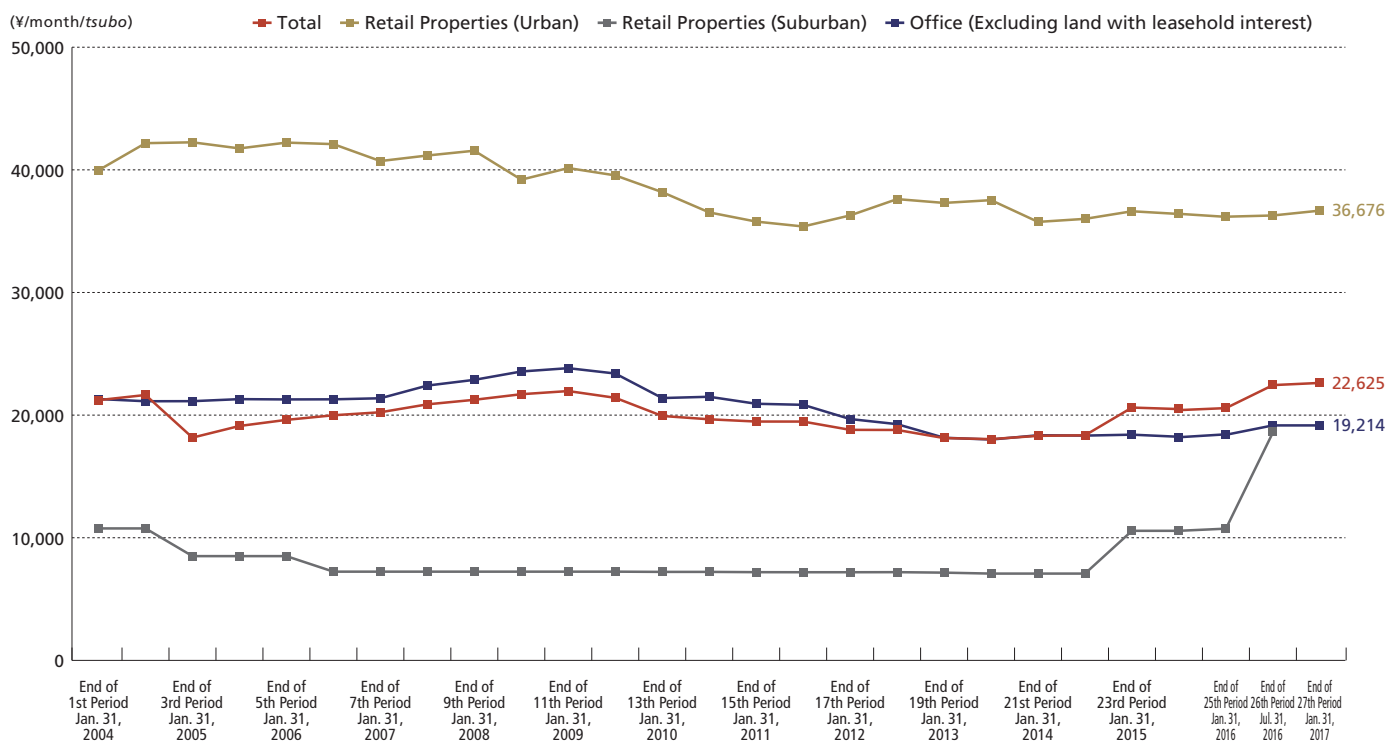
2. Excludes Shonan Mall Fill (land with leasehold interest) and OKI System Center (land with leasehold interest).

Track Record (Results of Management)

Changes in Occupancy Rate



Changes in Average Rent



* Shonan Mall Fill (land with leasehold interest) is not included in Retail (Suburban) when calculating changes in rent.
 * 1 tsubo ≈ 3.30578m²

Portfolio (properties owned at the end of the 27th fiscal period)

Portfolio Overview (at the End of the Fiscal Period)

Use	Name of Property	Acquisition Date	Acquisition Price (¥ million)	Location	Total Leasable Area (m ²)	Occupancy Rate	Ratio (Based on Acquisition Price) ^(Note 1)	Probable Maximum Loss (PML) in Earthquake Risk Analysis ^(Note 2)
R	QFRONT	Sep. 10, 2003	15,100	Shibuya Ward, Tokyo	4,502.93	100.0%	6.8%	4.2%
R	Lexington Aoyama	Sep. 11, 2003	4,800	Minato Ward, Tokyo	2,107.08	100.0%	2.2%	2.3%
R	TOKYU REIT Omotesando Square	Sep. 10, 2003	5,770	Shibuya Ward, Tokyo	2,669.10	100.0%	2.6%	9.5%
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	8,311.69	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%	2.3%	—
R	CONZE Ebisu	Oct. 31, 2006	5,117	Shibuya Ward, Tokyo	2,326.97	100.0%	1.9%	4.1%
R	Daikanyama Forum	Apr. 22, 2008	4,136	Shibuya Ward, Tokyo	2,477.64	100.0%	2.3%	8.0%
R	KALEIDO Shibuya Miyamasuzaka	Aug. 16, 2013	5,150	Shibuya Ward, Tokyo	3,399.34	100.0%	3.1%	4.4%
⊙	Setagaya Business Square	Sep. 11, 2003	22,400	Setagaya Ward, Tokyo	24,960.49	81.8%	10.1%	2.9%
⊙	Tokyu Napeidai-cho Building	Sep. 11, 2003	4,660	Shibuya Ward, Tokyo	7,148.18	100.0%	2.1%	7.9%
⊙	Tokyu Sakuragaoka-cho Building	Sep. 11, 2003	6,620	Shibuya Ward, Tokyo	4,737.19	100.0%	3.0%	11.1%
⊙	Tokyo Nissan Taito Building	Sep. 11, 2003	4,450	Taito Ward, Tokyo	7,845.42	93.8%	2.0%	7.4%
⊙	TOKYU REIT Akasaka Hinokicho Building	Sep. 10, 2003	3,570	Minato Ward, Tokyo	3,196.69	100.0%	1.6%	11.2%
⊙	TOKYU REIT Kamata Building	Sep. 10, 2003	4,720	Ota Ward, Tokyo	7,337.82	100.0%	2.1%	7.7%
⊙	TOKYU REIT Toranomon Building	Dec. 15, 2004	8,630	Minato Ward, Tokyo	10,247.06	100.0%	4.6%	7.2%
		Sep. 21, 2007	1,100					
		Sep. 21, 2007	200					
		Oct. 26, 2007	140					
		Jan. 21, 2015	107					
⊙	Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	Jan. 31, 2008	8,500	Minato Ward, Tokyo	3,533.03	100.0%	3.8%	3.9%
⊙	Tokyu Ikejiri-ohashi Building	Mar. 28, 2008	5,480	Meguro Ward, Tokyo	5,733.23	100.0%	2.5%	5.8%
⊙	Kojimachi Square	Mar. 19, 2010	9,030	Chiyoda Ward, Tokyo	5,409.11	100.0%	4.1%	4.8%
⊙	TOKYU REIT Shinjuku Building	Mar. 26, 2010	9,000	Shinjuku Ward, Tokyo	6,215.17	100.0%	4.0%	4.2%
⊙	Akihabara Sanwa Toyo Building	Oct. 29, 2010	4,600	Chiyoda Ward, Tokyo	4,643.04	87.8%	2.1%	11.8%
⊙	TOKYU REIT Kiba Building	Oct. 29, 2010	4,000	Koto Ward, Tokyo	5,797.79	100.0%	1.8%	7.4%
⊙	Tokyu Ginza 2-chome Building	Feb. 15, 2011	5,010	Chuo Ward, Tokyo	3,469.14	100.0%	2.3%	4.4%
⊙	OKI System Center (land with leasehold interest)	Mar. 27, 2013	4,530	Warabi City, Saitama Prefecture	17,019.19	100.0%	2.0%	—
⊙	TOKYU REIT Shibuya R Building	Aug. 16, 2013	5,270	Shibuya Ward, Tokyo	5,246.68	100.0%	2.4%	5.9%
⊙	Tokyu Toranomon Building ^(Note 3)	Aug. 16, 2013	15,000	Minato Ward, Tokyo	9,016.59	100.0%	7.6%	5.4%
		Jan. 9, 2015	1,850					
⊙	TOKYU REIT Shinjuku 2 Building	Oct. 30, 2015	2,750	Shinjuku Ward, Tokyo	1,787.21	100.0%	1.2%	4.2%
⊙	Tokyu Bancho Building	Mar. 24, 2016	12,740	Chiyoda Ward, Tokyo	5,717.45	90.1%	5.7%	3.3%
	Total		222,340		210,476.40	97.1%	100.0%	3.8% ^(Note 4)

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

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

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

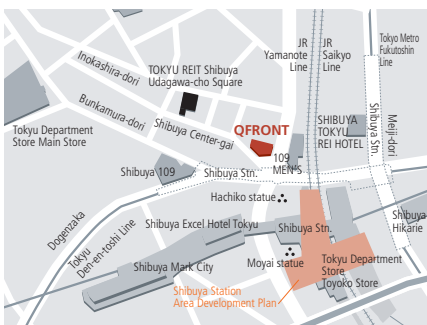
4. Excludes Shonan Mall Fill (Land with leasehold interest) and OKI System Center (Land with leasehold interest).

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 CDs and DVDs/retail store of books, game software, etc. QFRONT also houses coffee shops and a restaurant. The building is one of Tokyo's premier retail facilities distinguished by the large LED advertising screen which adorns the outside wall, and has received considerable exposure from a variety of media.

Address: 21-6, Udagawa-cho, Shibuya-ku, Tokyo
 Nearest Station: Approximately a one-minute walk from Shibuya Station—JR Yamanote Line, etc./Tokyo Metro Ginza Line, etc./Tokyu Toyoko Line/Tokyu Den-en-toshi Line/Keio Inokashira Line
 Total Land Space: 784.26m²
 (Land included in the property trust totals 728.30m²)
 Total Floor Space: 6,675.52m²
 (Exclusive area 4,804.46m²)
 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 clothing store, cafés, a convenience store, and offices in higher floors. 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: 776.59m²
 Total Floor Space: 2,342.21m²
 Structure/Floors: S/R, B1/4F
 Completed: January 1998
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership
 Tenant: PINKO JAPAN Co., Ltd.;
 NCXX Group Inc.;
 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: 1,259.21m²
 Total Floor Space: 3,321.20m²
 Structure/Floors: S/SRC, B1/4F
 Completed: October 1985
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership
 Tenant: THINK FITNESS Corporation;
 SAZABY LEAGUE, Ltd.;
 Wondertable, Ltd.;
 etc.



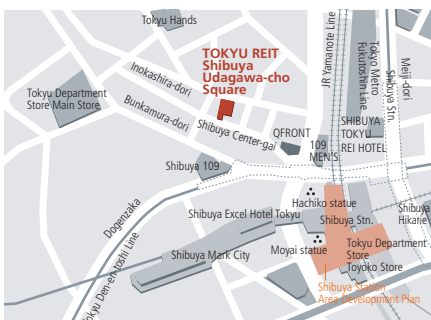
PORTFOLIO (properties owned at the end of the 27th fiscal period)

R TOKYU REIT Shibuya Udagawa-cho Square



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

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

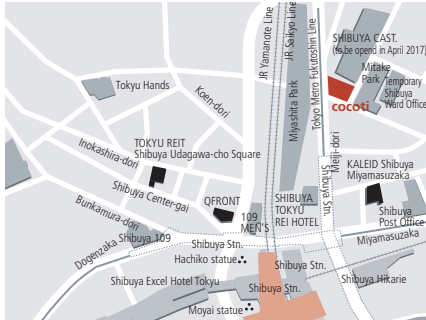


R cocoti



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. In order to encourage a better flow of people, a pathway connected to SHIBUYA CAST., an adjacent property currently being developed by the sponsor, is planned to be constructed.

Address: 1-23-16, Shibuya, Shibuya-ku, Tokyo
 Nearest Station: Approximately a three-minute walk from Shibuya Station—JR Yamanote Line, etc.
 Approximately a one-minute walk from Shibuya Station—Tokyo Metro Ginza Line, etc./Tokyo Toyoko Line/Tokyo Den-en-toshi Line/Keio Inokashira Line
 Total Land Space: 1,705.35m²
 Total Floor Space: 11,847.87m²
 Structure/Floors: S/SRC, B2/12F
 Completed: September 2004
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership
 Tenant: TOMORROWLAND Co., Ltd.;
 DIESEL JAPAN Co., Ltd.;
 THINK FITNESS Corporation;
 etc.



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: 44,078.12m²
 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: 562.07m²
 Total Floor Space: 2,789.35m²
 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 942.30m²
 Interest 10,000/10,000
 Building 2 (West): Site rights area 1,108.01m²
 Interest 6,413/10,000
 Total Floor Space: Building 1 (East): 1,441.57m²
 Building 2 (West): Site rights area 2,388.70m²
 (Exclusive area 1,182.62m²)
 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.

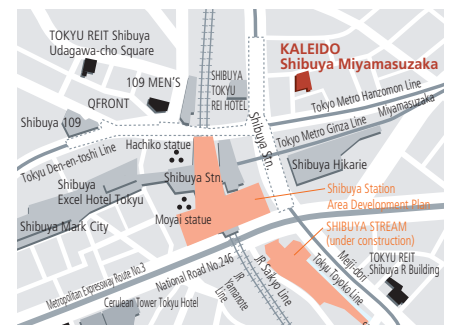



R KALEIDO Shibuya Miyamasuzaka



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: 821.65m²
 Total Floor Space: 4,475.10m²
 Structure: S/RC
 Floors: B4/6F
 Completed: January 1992
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership
 Tenant: K.K. Bagus, Apex, Inc.;
 Apex, Inc.;
 MONTEROZA CO., LTD.;
 etc.



 Setagaya Business Square



Setagaya Business Square is a large complex situated above Yoga Station on the Tokyu Den-en-toshi Line, consisting of a 28-story high-rise connected to the station.

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

The location is convenient for transportation with good road access (National Road No. 246, Kampachi-dori and the Yoga interchange on Metropolitan Expressway Route No. 3) as well as rail (direct line from Yoga Station to Otemachi Station passing through Shibuya Station and Nagatacho Station). Large-scale renovation has been implemented in the common-use areas since 2016 to maintain/improve competitiveness of the building.

Address: 4-10-1,2,3,4,5,6, Yoga, Setagaya-ku, Tokyo

Nearest Station: Approximately a one-minute walk from Yoga Station—Tokyu Den-en-toshi Line

Total Land Space: 21,315.68m²

Total Floor Space: 94,373.72m²

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

Completed: September 1993

Type of Ownership: Land—Proprietary ownership (Co-ownership ratio 55%)

Building—Proprietary ownership (Co-ownership ratio 55%)

Tenant: Tokyu Community Corp.;

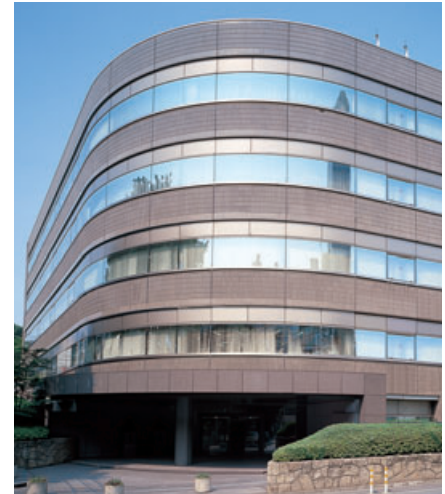
Systems Engineering Consultants Co., LTD.;

TOKYOGUMI Co., LTD.;

etc.



 Tokyu Nampoedai-cho Building



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

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

Address: 5-6, Nampoedai-cho, Shibuya-ku, Tokyo

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

Total Land Space: 2,013.28m²

Total Floor Space: 7,003.88m²

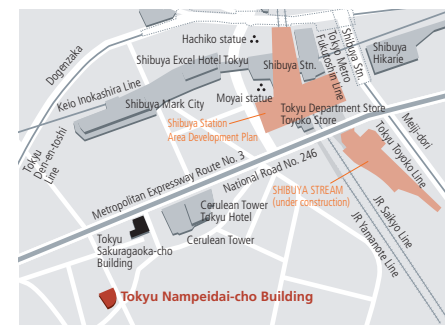
Structure/Floors: S/SRC, B2/5F

Completed: July 1992

Type of Ownership: Land—Proprietary ownership

Building—Proprietary ownership

Tenant: Tokyu Corporation



Tokyu Sakuragaoka-cho Building



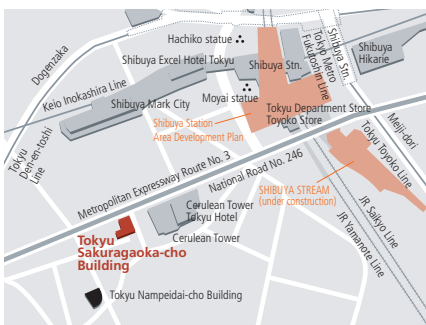
Tokyu Sakuragaoka-cho Building is a nine-story office building located in Shibuya area, where development projects are underway, which is mostly occupied by Tokyu Corporation and used as its head office (the operating division).

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: 1,013.03m²
 Total Floor Space: 6,505.39m²
 Structure/Floors: SRC, B3/9F
 Completed: June 1987
 Type of Ownership: Land—Proprietary ownership
 Building—Compartmentalized ownership^(Note)
 Tenant: Tokyu Corporation;
 TEPCO Power Grid, Incorporated.

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



Tokyo Nissan Taito Building

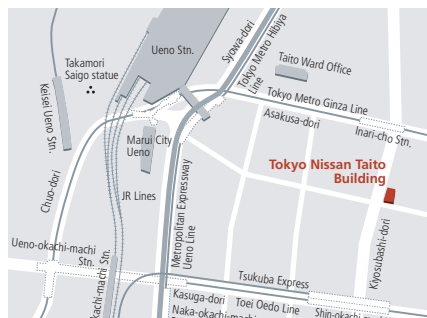


Tokyo Nissan Taito Building is a 10-story office building situated along Kiyosubashi-dori.

It is located in a highly convenient area with several stations including Inaricho Station on the Tokyo Metro Ginza Line 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 Inaricho 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: 1,718.45m²
 Total Floor Space: 11,373.20m²
 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.

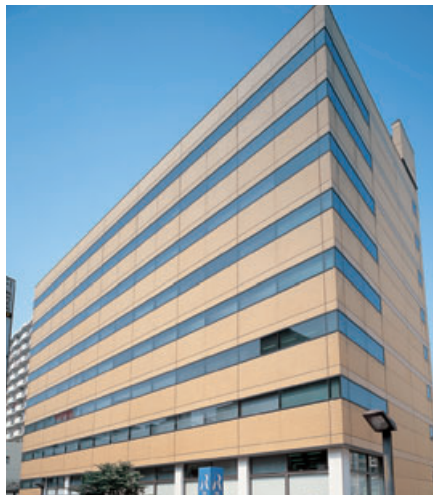
There are many large office buildings and multifaceted retail properties in the neighborhood and large-scale redevelopment projects are planned for the surrounding area. These are expected to enliven the area even further.

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: 866.61m²
 Total Floor Space: 4,058.92m²
 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.



PORTFOLIO (properties owned at the end of the 27th fiscal period)

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: 1,642.86m²

Total Floor Space: 10,244.51m²

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

Completed: February 1992

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

Tenant: Fujitsu Limited;
Dai Nippon Toryo Co., Ltd.;
Chuo Labour Bank;
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).

Renovation of the elevator hall, toilets, entrance; upgrading of air-conditioning equipment and lighting; construction of raised OA floors; and renovation of the rooftop have been implemented to maintain/improve competitiveness. 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: 1,728.38m²

(Co-ownership ratio 86.116%)

Total Floor Space: 15,343.73m²

(Area owned by **TOKYU REIT**: 10,882.65m²)

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.



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: 712.49m²

Total Floor Space: 5,002.36m²

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

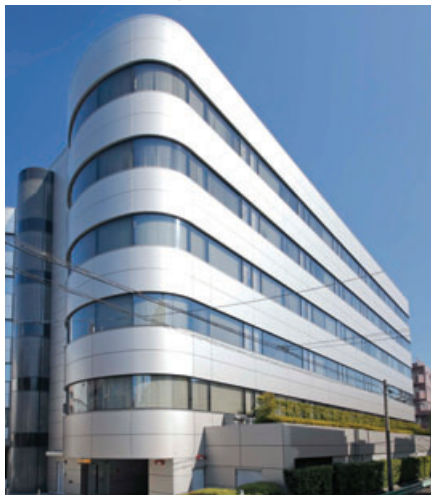
Completed: February 2003

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

Tenant: Tokyu Agency Inc.



Tokyu Ikejiri-ohashi Building



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

With road access from all four sides, the property boasts approximately 320 *tsubos* (1,064.53m²) 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: 2,382.67m²
 Total Floor Space: 7,619.56m²
 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
 Total Land Space: 1,269.24m²
 Total Floor Space: 6,803.47m²
 Structure/Floors: S/RC, 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



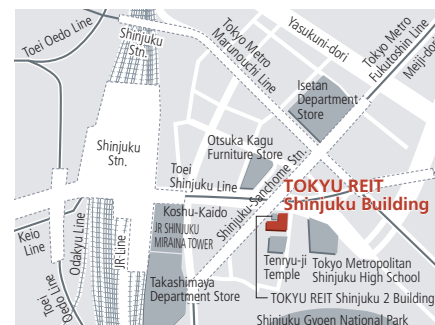
The Shinjuku 3-chome area, where TOKYU REIT Shinjuku Building is situated, is one of Tokyo's most vibrant commercial areas with many large commercial buildings.

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: 1,113.87m²
 Total Floor Space: 8,720.09m²
 Structure/Floors: SRC, 10F
 Completed: May 2003
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership
 Tenant: DAIDO LIFE INSURANCE COMPANY;
 WATABE WEDDING CORPORATION;
 ONE, Inc.;
 etc.



PORTFOLIO (properties owned at the end of the 27th fiscal period)

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: 795.33m²

Total Floor Space: 5,704.69m²

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 Toyoko 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: 1,259.52m²

Total Floor Space: 7,513.09m²

(Including parking spaces (41.74m²))

Structure/Floors: SRC, 10F

Completed: February 1992

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

Tenant: STS Co., Ltd.;

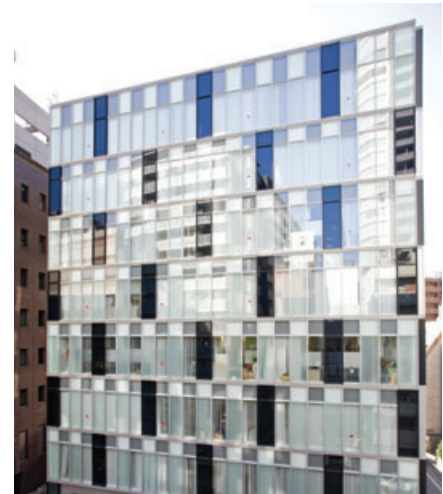
Mitsubishi Materials Techno Corporation;

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/Toei Asakusa 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.

Total Land Space: 805.42m²

Total Floor Space: 5,098.61m²

Structure/Floors: S/R, B1/8F

Completed: August 2008

Type of Ownership: Land—Proprietary ownership

Building—Proprietary ownership

Tenant: Netyear Group Corporation;

Seven-Eleven Japan Co., Ltd.



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* (16,528m²) 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: 17,019.18m²
 Type of Ownership: Land—Proprietary ownership
 Tenant: Oki Electric Industry Co., Ltd.



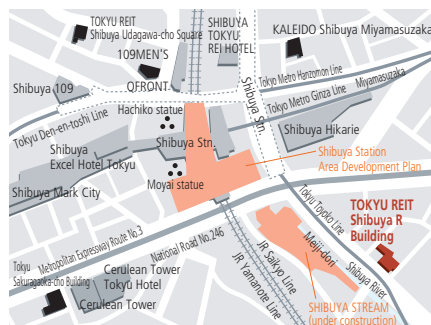
TOKYU REIT Shibuya R Building



TOKYU REIT Shibuya R Building is a large-scale office rare to the Shibuya area. It faces Meiji-dori and stands approximately a two-minute walk from the New South Exit of JR Shibuya Station. 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 (SHIBUYA STREAM) nearby led by Tokyu Corporation slated for opening in 2018.

In addition, renewal work of the entrance and restrooms throughout the building was conducted 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-entoshi Lines/Tokyo Metro Ginza, Hanzomon/Fukutoshin Lines
 Total Land Space: 1,077.45m² [Area owned by **TOKYU REIT**: 819.41m²]
 Total Floor Space: 7,289.38m²
 Including parking space (41.18m²)
 (Area owned by **TOKYU REIT** 4,403.69m²)
 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: renoveru co., Ltd.;
 TOKYU MEDIA COMMUNICATIONS INC.;
 LANCERS, INC.
 etc.



Tokyu Toranomon Building



Tokyu Toranomon Building is an office building located a three-minute walk from Toranomon Station. The surrounding area's potential for further development is anticipated, 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: 2,016.83m²
 Total Floor Space: 11,983.09m²
 Structure/Floors: S, 10F
 Completed: April 2010
 Type of Ownership: Land—Proprietary ownership;
 Building—Proprietary ownership;
 Tenant: Vendor Service Co., Ltd.;
 NTT DATA Corporation;
 Lawson, Inc.



PORTFOLIO (properties owned at the end of the 27th fiscal period)

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/Keio Line/Odakyu Odawara Line

Total Land Space: 270.05m²

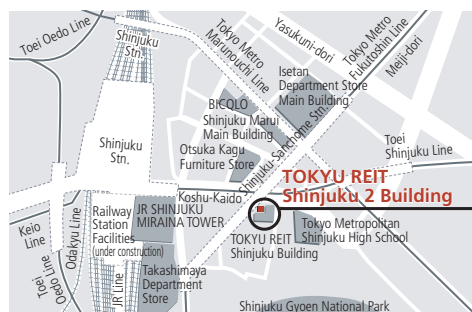
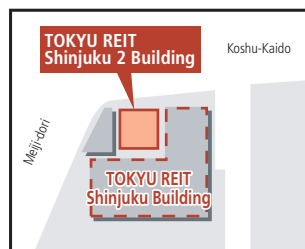
Total Floor Space: 2,006.13m²

Structure/Floors: S, 10F

Completed: December 1991

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

Tenant: Relo Group, Inc.;
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 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/Tokyo Metro Yurakucho and Namboku Lines/Toei Shinjuku Line

Total Land Space: 2,754.18m²

[Land included in the property trust totals: 2,573.80m²]

Total Floor Space: 15,834.55m²

[Exclusive ownership area of compartments under compartmentalized ownership pertaining to property trust: 11,431.09m²]

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.;


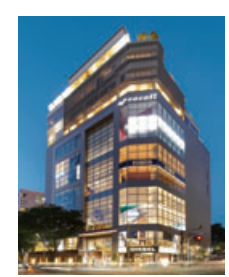
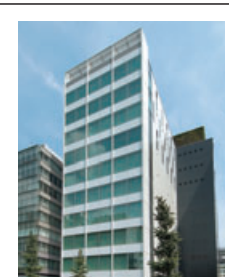
Japan Vaccine Co., Ltd.



TOKYU REIT will continue to implement environmentally-friendly operations

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.

	<p>Properties with exceptionally high environmental & social awareness</p>		
	<p>Properties with excellent environmental & social awareness</p>		
	<p>Properties with high environmental & social awareness</p>		

Continuously acquired "Green Star" in GRESB Real Estate Assessment



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

Have been acquiring "Green Star" ranking since 2015.

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 major institutional investors, for example when selecting investment targets.

BELS Certification



Tokyu Ikejiri-ohashi Building
★★

BELS (Building-Housing Energy-efficiency Labeling System) is the third-party certification system to rate houses and buildings in accordance with duty to make effort to label energy saving performance in the Act on Improving Energy Consumption Performance for Architectural Structures.

The result is labeled by stars (up to 5).

I . Asset Management Report

1. Financial Highlights

(1) Result of Operation and Financial Position

		27th fiscal period From August 1, 2016 to January 31, 2017 (184 days)	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)	
		Millions of yen, except per unit data or where otherwise indicated					
Result of operation	Statement of income	Operating revenues	¥ 7,514	¥ 9,500	¥ 7,289	¥ 7,133	¥ 7,541
		Operating income	¥ 3,588	¥ 3,580	¥ 3,251	¥ 3,083	¥ 3,383
		Net income	¥ 2,952	¥ 2,926	¥ 2,571	¥ 2,396	¥ 2,660
	Operating income	Revenue from property leasing (a) (Note 2)	¥ 6,973	¥ 7,150	¥ 7,289	¥ 7,131	¥ 7,075
		Rental service expenses (b)	¥ 3,232	¥ 3,362	¥ 3,368	¥ 3,396	¥ 3,478
		[Depreciation and amortization] (included in (b)) (c) (Note 3)	[¥ 1,027]	[¥ 1,049]	[¥ 1,028]	[¥ 1,013]	[¥ 1,017]
		NOI (Net Operating Income) (a) – (b) + (c)	¥ 4,768	¥ 4,837	¥ 4,949	¥ 4,747	¥ 4,614
	Cash flow	FFO (Funds from Operation) (d) (Note 4)	¥ 3,439	¥ 3,467	¥ 3,600	¥ 3,406	¥ 3,211
		Capital expenditures (e)	¥ 615	¥ 684	¥ 622	¥ 542	¥ 682
		AFFO (Adjusted Funds from Operation) (d) – (e)	¥ 2,824	¥ 2,783	¥ 2,978	¥ 2,864	¥ 2,529
Financial position	Balance sheet	Total assets (f)	¥ 219,762	¥ 221,495	¥ 222,868	¥ 222,810	¥ 223,346
		[Change from the preceding period]	[–0.8%]	[–0.6%]	[0.0%]	[–0.2%]	[–3.3%]
		Interest-bearing liabilities (g) (Note 5)	¥ 93,500	¥ 95,500	¥ 97,000	¥ 97,000	¥ 97,000
		Total unitholders' equity (Net assets) (h)	¥ 113,856	¥ 113,538	¥ 113,183	¥ 113,008	¥ 113,140
		[Change from the preceding period]	[0.3%]	[0.3%]	[0.2%]	[–0.1%]	[0.2%]
	Portfolio	Unitholders' capital	¥ 110,479	¥ 110,479	¥ 110,479	¥ 110,479	¥ 110,479
		Acquisition costs of properties (Note 6)	¥ 222,339	¥ 223,629	¥ 224,809	¥ 222,059	¥ 222,059
		Book value of properties (Note 6)	¥ 210,192	¥ 211,772	¥ 212,739	¥ 210,199	¥ 210,653
		Appraisal value of properties at end of period (i) (Note 6)	¥ 245,200	¥ 244,500	¥ 242,870	¥ 233,480	¥ 228,660
		Number of properties at end of period	28 properties	29 properties	30 properties	29 properties	29 properties
		Total leasable area (Note 7)	210,476.40 m ²	211,801.83 m ²	231,706.49 m ²	229,859.61 m ²	229,922.73 m ²
	Occupancy rate at end of period (Note 7)	97.1%	97.0%	98.9%	98.9%	97.1%	
	Other	Distri- bution	Cash distribution	¥ 2,684	¥ 2,634	¥ 2,572	¥ 2,396
Dividend payout ratio			90.9%	90.0%	100.0%	100.0%	95.0%
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)	¥ 116,465	¥ 116,139	¥ 115,777	¥ 115,597	¥ 115,732
		Cash distribution per unit	¥ 2,746	¥ 2,695	¥ 2,631	¥ 2,451	¥ 2,586
Management index		Return on total unitholders' equity (annualized) (Note 8)	5.2%	5.2%	4.5%	4.3%	4.7%
		Equity ratio (h)÷(f)	51.8%	51.3%	50.8%	50.7%	50.7%
		[Change from the preceding period]	[0.5%]	[0.5%]	[0.1%]	[0.1%]	[1.8%]
		Proportion of interest-bearing liabilities to total assets at end of period (g)÷(f)	42.5%	43.1%	43.5%	43.5%	43.4%
		Proportion of interest-bearing liabilities to appraisal value at end of period (g)÷(i)	38.1%	39.1%	39.9%	41.5%	42.4%
Average market price per unit during period (Note 9)	¥ 140,910	¥ 154,325	¥ 145,209	¥ 153,975	¥ 150,756		

- 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).
- Note 3. 'Depreciation and amortization' includes loss on disposal of property and equipment (23rd fiscal period: ¥15 million; 24th fiscal period: ¥10 million; 25th fiscal period: ¥5 million; 26th fiscal period: ¥23 million; 27th fiscal period: ¥26 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 (27th fiscal period: six-month period ended January 31, 2017), the Japanese economy continued to be on a moderate recovery trend, although delay in improvement was also seen in certain aspects.

Specifically, in the Tokyo metropolitan area's economy, consumer spending was picking up as evidenced by such factors as supermarket sales turnover exceeding that of the previous year and passenger vehicle sales exceeding that of the previous year due in part to the effects of roll-out of new models. Production activities were moderately picking up and the employment situation improved.

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 December 2016. This has further exacerbated the disparity between the Tokyo metropolitan area and other regions of the country.

Under these circumstances, in the Tokyo 23 ward's office leasing market, new supply of floor area increased in 2016, but improvement in the employment situation, among other factors, led to the trend of decrease in the vacancy rate and increase in the average advertised rent continuing. In the retail property leasing market, consumer spending was picking up as evidenced by such factors as retail sales turnover falling below that of the previous year in terms of department stores but recently exceeding that of the previous year in terms of supermarkets and convenience stores, and seeing a trend of products with good quality and products with added value being sought after by consumers even if the price is high.

In the real estate investment market, while there continued to be active real estate investment fund demand, longer periods of management of real estate properties and other decrease in properties available for investment, among other factors, led to the volume of transactions of domestic real estate continuing to be on a decreasing trend since peaking in the first half of 2015 and expected cap rate continuing to be on a moderate decline.

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 27th fiscal period, TOKYU REIT sold “Tokyu Saginuma 2 Building” to TOKYU REIT’s sponsor Tokyu Corporation on January 31, 2017. As of January 31, 2017, TOKYU REIT held an investment portfolio totaling 28 properties with a total acquisition price of ¥222,339 million and total leasable area of 210,476.40 m². The period-end appraisal value for TOKYU REIT’s entire portfolio amounted to ¥245,200 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 ¥35,007 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 27th fiscal period increased by 0.7% compared with the end of the 26th fiscal period. In addition, the vacancy rate at the end of the 27th fiscal period improved from the 3.0% at the end of the 26th fiscal period by 0.1 percentage points to 2.9%.

b. Countering Conflicts of Interest

The fairness and transparency of transactions were ensured by strictly adhering to the Rules on Related-Party Transactions that are Tokyu REIM’s self-imposed rules, and accordingly following 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 27th fiscal period, to secure interest-bearing liabilities with fixed long-term interest rates and diversifying repayment dates, long-term debt of ¥7,000 million due for repayment in the 27th fiscal period was refinanced in the amount of ¥5,000 million and repaid using cash on hand in the amount of ¥2,000 million. 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 the end of the 27th fiscal period was ¥93,500 million, consisting of ¥9,500 million in investment corporation bonds and ¥84,000 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 27th fiscal period was 1.28% (calculated based on the annualized amount of interest payable for the 27th fiscal period divided by the total average balance of each interest-bearing liability).

TOKYU REIT's credit ratings as of the end of the 27th fiscal period 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:

	27th fiscal period From August 1, 2016 to January 31, 2017	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
	Yen				
Highest	¥ 148,100	¥ 167,300	¥ 156,300	¥ 163,000	¥ 167,900
Lowest	¥ 134,300	¥ 139,500	¥ 130,700	¥ 138,400	¥ 138,200

(4) Distribution Information

In the 27th fiscal period, ¥267 million of the ¥541 million in capital gains from the disposition of “Tokyu Saginuma 2 Building” on January 31, 2017 is retained as reserve for reduction entry pursuant to the “Special Provisions for Taxation in the Case of Advance Acquisition of Land, etc. in 2009 and 2010” (Article 66-2 of the Special Taxation Measures Law). 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 27th fiscal period was ¥2,746.

	27th fiscal period From August 1, 2016 to January 31, 2017	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
	Millions of yen, except per unit data				
Unappropriated retained earnings	¥ 2,952	¥ 2,926	¥ 2,572	¥ 2,396	¥ 2,660
Undistributed earnings	¥ 268	¥ 292	¥ 0	¥ 0	¥ 132
Cash distribution	¥ 2,684	¥ 2,634	¥ 2,572	¥ 2,396	¥ 2,528
[Cash distribution per unit]	[¥ 2,746]	[¥ 2,695]	[¥ 2,631]	[¥ 2,451]	[¥ 2,586]
Cash distribution of accumulated earnings	¥ 2,684	¥ 2,634	¥ 2,572	¥ 2,396	¥ 2,528
[Cash distribution of accumulated earnings per unit]	[¥ 2,746]	[¥ 2,695]	[¥ 2,631]	[¥ 2,451]	[¥ 2,586]
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, there is the need to take note of overseas economic uncertainty 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, improvement in the employment environment and such suggest great demand for larger office space, but the sense of economic uncertainty and the stance of not rushing to seek larger office space in anticipation of 2018 and onward when large volume of supply of office buildings is expected, among other factors, lead to the forecast that the vacancy rate will hover at the same level in the foreseeable future. In the retail leasing market, for central urban retail properties in Tokyo, the forecast for sales and rent is bullish in light of ongoing progress in the shift in accumulation of residences to central urban areas, inbound tourism consumption and other factors.

② Future Policies of Investment Management and Issues to be Countered

Adopting a basic policy of investing in “highly competitive properties” in “areas with strong growth potential,” TOKYU REIT engages in investment by placing Central Tokyo and Tokyu Areas (see Note 1 below) as focused investment target areas and also setting certain criteria for location, use, investment size, etc. In addition, in the selection of individual properties, TOKYU REIT conducts a comprehensive consideration of the expected earnings of the property, future potential of the area it is located in, etc. In this manner, TOKYU REIT will keep obtaining 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).

Recently, the decision was made for partial amendments to TOKYU REIT’s Articles of Incorporation to be submitted as a proposal for discussion at TOKYU REIT’s General Meeting of Unitholders to be held on April 21, 2017 and, in conjunction, to partially change the management guideline pertaining to TOKYU REIT’s investment management (see Note 3 below). While maintaining the policy to place Central Tokyo and Tokyu Areas—where ongoing growth is expected—as focused investment target areas, criteria for use, investment size, etc. will be partially relaxed in order to expand investment opportunities and accelerate external growth with an aim to further develop the portfolio and thereby further improve unitholder value.

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%.

Note 3. Regarding the partial amendments to TOKYU REIT’s Articles of Incorporation and the partial change of the guideline, please see “(Reference Information)” later in this report.

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 (April 26, 2017).

(Reference Information)

- ① A proposal for the following partial amendments to TOKYU REIT’s Articles of Incorporation will be submitted at TOKYU REIT’s General Meeting of Unitholders to be held on April 21, 2017.

(Underlined portions indicate changes)

Current Articles	Proposed Amendments
<p>Article 2. (Purpose) The purpose of TOKYU REIT shall be to manage its assets primarily as investments in real estate, etc. [as defined in Article 105, <u>paragraph (1)</u>, item (i) of the Ordinance for Enforcement of the Act on Investment Trusts and Investment Corporations (Ordinance of the Prime Minister’s Office No. 129 of 2000, including amendments thereto.)] included in specified assets (hereinafter referred to as “specified assets”) as defined in the Investment Trust and Investment Trust Corporation Law of Japan (Law No. 198 of 1951, as amended, hereinafter referred to as the “Investment Trust Law”)]</p>	<p>Article 2. (Purpose) The purpose of TOKYU REIT shall be to manage its assets primarily as investments in real estate, etc. [as defined in Article 105, item (i) of the Ordinance for Enforcement of the Act on Investment Trusts and Investment Corporations (Ordinance of the Prime Minister’s Office No. 129 of 2000, including amendments thereto.)] included in specified assets (hereinafter referred to as “specified assets”) as defined in the Investment Trust and Investment Trust Corporation Law of Japan (Law No. 198 of 1951, as amended, hereinafter referred to as the “Investment Trust Law”)]</p>
<p>Article 30. (Cash Distributions) (Omitted) (1) Out of the total amount of cash distributed to unitholders, earnings refers to <u>the amount obtained by subtracting the sum of unitholders’ capital, capital surplus, valuation and translation adjustments, etc. from the amount of net assets on the balance sheet of TOKYU REIT</u> (The same applies in (3) and (4)). (2) TOKYU REIT shall make cash distributions to its unitholders in excess of 90% of its distributable earnings amount as defined in Article 67-15 of the Special Taxation Measures Law (Law No. 26 of 1957, as amended) (hereinafter referred to as “special tax treatment”). Any applicable regulatory amendments shall prevail in the calculation of distributable earnings amount and cash distributions. TOKYU REIT is allowed to provide for a long-term maintenance reserves as deemed necessary to maintain and improve asset value, reserve for outstanding claims, reserve for cash distributions <u>and other similar reserves.</u></p>	<p>Article 30. (Cash Distributions) (No change) (1) Out of the total amount of cash distributed to unitholders, earnings refer to <u>the earnings defined in Article 136, Paragraph 1 of the Investment Trust Law</u> (The same applies in (3) and (4)). (2) TOKYU REIT shall make cash distributions to its unitholders in excess of 90% of its distributable earnings amount as defined in Article 67-15 of the Special Taxation Measures Law (Law No. 26 of 1957, as amended) (hereinafter referred to as “special tax treatment”). Any applicable regulatory amendments shall prevail in the calculation of distributable earnings amount and cash distributions. TOKYU REIT is allowed to provide for a long-term maintenance reserves as deemed necessary to maintain and improve asset value, reserve for outstanding claims and reserve for cash distributions; <u>and conduct other similar reserves, other treatment of allowances and such, including reserve or retention.</u></p>

Current Articles	Proposed Amendments
(3) (Omitted) (4) (Omitted) (5) (Omitted)	(3) (No change) (4) (No change) (5) (No change)
Attachment 1	Attachment 1
Scope and Policy of Investment Management	Scope and Policy of Investment Management
<p>1. Policy of Investment Management (Omitted)</p> <p>(1) Growth (Omitted)</p> <p>① Internal growth factors Optimization of asset management In order to achieve internal growth, TOKYU REIT shall outsource management which aims to optimize portfolio value from a medium- to long-term perspective to an asset management company. Growth based on the area where the investment target is located and its type of use The investment targets of TOKYU REIT are primarily <u>office buildings and retail facilities</u> located in the Tokyo central 5 wards area (Chiyoda, Chuo, Minato, Shinjuku and Shibuya wards; and other major commercial and retail districts of Tokyo) and areas along the Tokyu rail lines. However, we shall not invest in areas other than the Tokyo Metropolitan Area.</p> <p>② External growth factors Proactive property acquisition, and maintaining and increasing portfolio quality TOKYU REIT actively seeks to acquire <u>office properties and retail properties</u> located in its primary investment targeted areas of Central Tokyo and the Tokyu Areas at reasonable prices by taking advantage of Tokyu REIM's proprietary skill and know-how in collecting information and detailed investigation and research of properties. Premising acquisitions on holding properties for the long term, each real estate is selected based on a careful property consideration. On the other hand, TOKYU REIT will maintain and increase the quality of the portfolio by replacing properties in its portfolio, etc. as needed as it aims to develop a portfolio that leads to increase in asset value and growth of earnings per investment unit.</p> <p>Property acquisition from Tokyu Corporation TOKYU REIT shall secure stable and continuous opportunities for acquisition of property owned by Tokyu Corporation In these Articles of Incorporation, Tokyu Corporation refers to any of a. to c. below: a. Tokyu Corporation; b. A consolidated subsidiary of Tokyu Corporation; or c. A party that constitutes either a tokutei mokuteki kaisha (TMK) or special purpose entity (SPE) established under the instruction of Tokyu Corporation or a consolidated subsidiary of Tokyu Corporation and whose majority of silent partnership and other capital are invested by such.</p> <p>③ Synergy effect with Tokyu Corporation TOKYU REIT shall aim to achieve growth by improving added value of the areas along the Tokyu rail lines through the synergy effect with Tokyu Corporation</p>	<p>1. Policy of Investment Management (No change)</p> <p>(1) Growth (No change)</p> <p>① Internal growth factors Optimization of asset management In order to achieve internal growth, TOKYU REIT shall outsource management which aims to optimize portfolio value from a medium- to long-term perspective to an asset management company. Growth based on the area where the investment target is located and its type of use The investment targets of TOKYU REIT are primarily <u>office buildings, retail facilities and complexes that include either of these</u> located in the Tokyo central 5 wards area (Chiyoda, Chuo, Minato, Shinjuku and Shibuya wards; and other major commercial and retail districts of Tokyo. <u>The same applies hereinafter.</u>) and areas along the Tokyu rail lines. However, we shall not invest in areas other than the Tokyo Metropolitan Area.</p> <p>② External growth factors Proactive property acquisition, and maintaining and increasing portfolio quality TOKYU REIT shall proactively acquire <u>office buildings, retail facilities and complexes that include either of these</u> located in the Tokyo central 5 wards area and areas along the Tokyu rail lines, which are primary investment targets of TOKYU REIT, at reasonable prices, based on the original information collection ability and property assessment ability of the asset management company. Premising acquisitions on holding properties for the long term, each real estate is selected based on a careful property consideration. On the other hand, TOKYU REIT will maintain and increase the quality of the portfolio by replacing properties in its portfolio, etc. as needed as it aims to develop a portfolio that leads to increase in asset value and growth of earnings per investment unit.</p> <p>Property acquisition from Tokyu Corporation TOKYU REIT shall secure stable and continuous opportunities for acquisition of property owned by Tokyu Corporation In these Articles of Incorporation, Tokyu Corporation refers to any of a. to c. below: a. Tokyu Corporation; b. A consolidated subsidiary of Tokyu Corporation; or c. A party that constitutes either a tokutei mokuteki kaisha (TMK) or special purpose entity (SPE) established under the instruction of Tokyu Corporation or a consolidated subsidiary of Tokyu Corporation and whose majority of silent partnership and other capital are invested by such.</p> <p>③ Synergy effect with Tokyu Corporation TOKYU REIT shall aim to achieve growth by improving added value of the areas along the Tokyu rail lines through the synergy effect with Tokyu Corporation</p>

Current Articles	Proposed Amendments
<p>(2) Stability (Omitted)</p> <p>(3) Transparency (Omitted)</p> <p>2. Type, Purpose and Scope of Specified Assets for Investments (Omitted)</p> <p>3. Investment Posture</p> <p>(1) <u>Portfolio management policy</u></p> <p> a. <u>Holding Period</u> TOKYU REIT, in principle, acquires properties for the purpose of holding properties for the long term and does not acquire properties for the purpose of holding properties for the short term. <u>(New addition)</u></p> <p> b. <u>Use of properties</u> <u>Office building and retail facilities</u></p> <p> c. <u>Investment targeted areas</u> TOKYU REIT invests primarily in Tokyo central 5 wards area, and areas along the Tokyo rail lines. <u>(New addition)</u></p> <p> d. <u>Selling Policy</u> TOKYU REIT, in principle, premises on holding properties for the long term, but may consider selling as appropriate in light of the market environment, etc. to replace properties in its portfolio in view of maintaining and increasing the quality of the portfolio.</p> <p>(2) <u>Investment criteria</u> <u>Selection of a property shall be considered comprehensively after conducting sufficient studies on expected earnings of the property, future potential of the area it is located in, building size, specifications of the building and facilities, aseismic capacity, contractual relationship, occupying tenants, building management status, environment, geological condition, etc.</u></p> <p>(3) <u>Properties handling policy</u> <u>(New addition)</u></p> <p> a. <u>Property information collection operations</u> <u>In addition to its own information sources, TOKYU REIT shall seek property information from a wide range and make an effort to collect highly reliable information.</u> <u>(New addition)</u></p>	<p>(2) Stability (No change)</p> <p>(3) Transparency (No change)</p> <p>2. Type, Purpose and Scope of Specified Assets for Investments (No change)</p> <p>3. Investment Posture</p> <p>(1) <u>Investment Policy</u></p> <p> ① <u>Holding Period</u> TOKYU REIT, in principle, acquires properties for the purpose of holding properties for the long term and does not acquire properties for the purpose of holding properties for the short term.</p> <p> ② <u>Portfolio composition criteria</u></p> <p> a. <u>Use of properties</u> <u>Office buildings, retail facilities and complexes that include either of these</u></p> <p> b. <u>Areas</u> TOKYU REIT invests primarily in Tokyo central 5 wards area, and areas along the Tokyo rail lines.</p> <p> ③ <u>Investment criteria for each property</u> <u>Selection of a property shall be considered comprehensively after conducting sufficient studies on expected earnings of the property, future potential of the area it is located in, building size, specifications of the building and facilities, aseismic capacity, contractual relationship, occupying tenants, building management status, environment, geological condition, etc.</u></p> <p>(2) <u>Selling Policy</u> TOKYU REIT, in principle, premises on holding properties for the long term, but may consider selling as appropriate in light of the market environment, etc. to replace properties in its portfolio in view of maintaining and increasing the quality of the portfolio. <u>(Deleted)</u></p> <p>(3) <u>Properties handling policy</u></p> <p> ① <u>Property acquisition operations</u> <u>TOKYU REIT shall acquire properties that will contribute to the enhancement of asset value and the growth of profits from a medium- to long-term perspective, by carefully monitoring the trends of the real estate transaction market and implementing proper due diligence.</u> <u>(Deleted)</u></p> <p> ② <u>Property management operations</u> <u>With an aim to maximize asset value from a medium- to long-term perspective, TOKYU REIT shall conduct appropriate risk management while striving to maintain/improve market competitiveness of the property.</u></p>

Current Articles	Proposed Amendments
<p><u>b. Property management business</u></p> <p><u>(i) Property management policy</u> With an aim to maximize the cash flows of each property from a medium- to long-term perspective, TOKYU REIT <u>shall aim to enhance tenant satisfaction and reduce costs.</u> <u>(New addition)</u></p> <p><u>(New addition)</u></p> <p><u>(ii) Selection standards of property management companies</u> In principle, TOKYU REIT shall select property management companies from Tokyu Corporation <u>from the perspective of</u> their strength in tenant marketing, which is based on their familiarity with local areas, and their information network with respect to <u>retail</u> tenants, as well as cost reductions due to economies of scale. However, TOKYU REIT shall not be hindered from selecting companies other than Tokyu Corporation as the property management company, depending on the respective property's characteristics, continuity of management, or other factors. Moreover, the Board of Directors of TOKYU REIT shall separately stipulate items necessary for measures to prevent conflict of interest.</p> <p><u>(iii) Renewal of property management contracts</u> Performance checks shall regularly be conducted by the asset management company. In the event the company does not meet criteria set forth by the asset management company, the contract shall not be renewed.</p> <p><u>c. Repairs and maintenance/capital expenditure</u> <u>TOKYU REIT shall conduct repairs and maintenance, or expend capital after having prepared an efficient repair and maintenance plan for each property that would lead to maintenance and improvement of the property's competitiveness from a medium- to long-term perspective.</u></p> <p><u>d. Placement of insurance such as non-life insurance</u> In order to avert the risk of buildings receiving damage as a result of disasters, accidents, etc., earnings decreasing, or receiving requests for indemnity from a third party, TOKYU REIT shall, in principle, place fire insurance, rent insurance and liability insurance on real estate it owns. <u>(New addition)</u></p>	<p><u>(Deleted)</u></p> <p><u>a. Leasing operations</u> With an aim to maximize the cash flows of each property from a medium- to long-term perspective, TOKYU REIT <u>shall strive to enhance tenant satisfaction.</u></p> <p><u>b. Management operations</u> <u>TOKYU REIT shall strive to reduce real estate management cost, etc. and maintain/enhance asset value by conducting appropriate and efficient management operations.</u></p> <p><u>c. Repairs and maintenance/capital expenditure</u> <u>TOKYU REIT shall conduct repairs and maintenance, or expend capital after having prepared an appropriate efficient repair and maintenance plan for each property.</u></p> <p><u>d. Selection of property management companies</u> In principle, TOKYU REIT shall select property management companies from Tokyu Corporation <u>taking into account</u> their strength in tenant marketing, which is based on their familiarity with local areas, and their information network with respect to tenants, as well as cost reductions due to economies of scale. However, TOKYU REIT shall not be hindered from selecting companies other than Tokyu Corporation as the property management company, depending on the respective property's characteristics, continuity of management, or other factors. Moreover, the Board of Directors of TOKYU REIT shall separately stipulate items necessary for measures to prevent conflict of interest.</p> <p><u>e. Renewal of property management contracts</u> Performance checks shall regularly be conducted by the asset management company. In the event the company does not meet criteria set forth by the asset management company, the contract shall not be renewed. <u>(Deleted)</u></p> <p><u>f. Placement of insurance such as non-life insurance</u> In order to avert the risk of buildings receiving damage as a result of disasters, accidents, etc., earnings decreasing, or receiving requests for indemnity from a third party, TOKYU REIT shall, in principle, place fire insurance, rent insurance and liability insurance on real estate it owns.</p> <p><u>③ Property sales operations</u> <u>TOKYU REIT shall aim to maximize a sales price by opting a sales means suitable for the characteristics of a property. Selection of a buyer shall be made based on its credibility of transactions such as fund procurement capability in addition to the sales price.</u></p>

Current Articles	Proposed Amendments
<p>(4) Financing policy</p> <p>a. Equity finance (additional issuance of investment units) TOKYU REIT shall issue additional investment units flexibly with an aim to achieve a long-term stable growth of assets, by accurately understanding the market conditions and considering dilution of investment units (decrease in proportional holding of investment unit due to additional issuance of new investment units). <u>(New addition)</u></p> <p>b. Debt finance (financing through loans, issuance of investment corporation bonds, etc.)</p> <p>(i) TOKYU REIT may efficiently combine short-term financing emphasizing flexibility and stable long-term financing.</p> <p>(ii) TOKYU REIT may establish commitment lines when obtaining financing.</p> <p>(iii) TOKYU REIT may set collateral using assets under management.</p> <p>(iv) TOKYU REIT may issue investment corporation bonds to diversify funding sources in order to conduct stable financing.</p> <p>(v) TOKYU REIT may enter into derivative finance transactions in order to hedge risks, etc. arising from fluctuations of interest rate of loans, etc. <u>(New addition)</u></p> <p>c. Cash management (cash, deposit, etc.) TOKYU REIT shall conduct efficient and appropriate cash management by accurately understanding cash supply and demand.</p> <p>(5) Other</p> <p>a. TOKYU REIT shall adhere to a policy of maintaining a ratio of 75% or higher for the total value of specified real estate (real estate, real estate leasing rights, land surface rights or trust beneficiary interests in real estate ownership, land leasing rights and land surface rights) relative to the total value of specified assets.</p> <p><u>b. TOKYU REIT shall adhere to a policy of maintaining a ratio of 70% or higher for the value of real estate, etc. stipulated in Article 22-19 of the Ordinance for Enforcement of the Special Taxation Measures Law (Ministry of Finance Ordinance No. 15 of 1957, including amendments thereafter) relative to the total value of assets.</u></p> <p>c. The rate above may be changed from that at the commencement of investment management to reflect capital trends, market trends, general economic situation, real estate market trends, etc.</p> <p>4. Restriction on assets subject to asset management (Omitted)</p> <p>5. Asset Portfolio Leasing (Omitted)</p>	<p>(4) Financing policy</p> <p>a. Equity finance (additional issuance of <u>new</u> investment units)</p> <p>(i) TOKYU REIT shall issue additional investment units flexibly with an aim to achieve a long-term stable growth of assets, by accurately understanding the market conditions and considering dilution of investment units (decrease in proportional holding of investment unit due to additional issuance of new investment units).</p> <p><u>(ii) TOKYU REIT may acquire treasury investment units for retirement in order to improve capital efficiency.</u></p> <p>b. Debt finance (financing through loans, issuance of investment corporation bonds, etc.)</p> <p>(i) TOKYU REIT may efficiently combine short-term financing emphasizing flexibility and stable long-term financing.</p> <p>(ii) TOKYU REIT may establish commitment lines when obtaining financing.</p> <p>(iii) TOKYU REIT may set collateral using assets under management.</p> <p>(iv) TOKYU REIT may issue investment corporation bonds to diversify funding sources in order to conduct stable financing.</p> <p>(v) TOKYU REIT may enter into derivative finance transactions in order to hedge risks, etc. arising from fluctuations of interest rate of loans, etc.</p> <p><u>(vi) TOKYU REIT may conduct repayment, redemption or retirement by purchase of loans or investment corporation bonds of which repayment dates or redemption dates have not arrived, in order to improve capital efficiency and financial soundness, etc.</u></p> <p>c. Cash management (cash, deposit, etc.) TOKYU REIT shall conduct efficient and appropriate cash management by accurately understanding cash supply and demand.</p> <p>(5) Other</p> <p>a. TOKYU REIT shall adhere to a policy of maintaining a ratio of 75% or higher for the total value of specified real estate (real estate, real estate leasing rights, land surface rights or trust beneficiary interests in real estate ownership, land leasing rights and land surface rights) relative to the total value of specified assets. <u>(Deleted)</u></p> <p><u>b. The rate above may be changed from that at the commencement of investment management to reflect capital trends, market trends, general economic situation, real estate market trends, etc.</u></p> <p>4. Restriction on assets subject to asset management (No change)</p> <p>5. Asset Portfolio Leasing (No change)</p>

Current Articles		Proposed Amendments	
Attachment 2		Attachment 2	
Investment Management Fees Payable to Investment Management Company		Investment Management Fees Payable to Investment Management Company	
(Omitted)		(No change)	
Fee Type	Calculation Method and Payment Period	Fee Type	Calculation Method and Payment Period
Base 1 (Asset valuation -based)	(Omitted)	Base 1 (Asset valuation -based)	(No change)
Base 2 (Cash flow -based)	(Omitted)	Base 2 (Cash flow -based)	(No change)
Incentive (Unit price -based)	<p>For every fiscal period, the amount found by the following calculation formula according to the investment unit price (closing) on the Tokyo Stock Exchange (hereinafter referred to as "closing price") in the concerned fiscal period.</p> <p>[Calculation Formula]</p> <ul style="list-style-type: none"> (Average closing price in the concerned fiscal period * - Highest average closing price over fiscal periods up to the previous fiscal period) ** × Number of investment units issued and outstanding at the previous settlement of accounts *** × 0.4% <p>* The average closing price shall be the aggregate sum of the closing price for each trading day during the concerned fiscal period, divided by the number of trading days during the fiscal period. Days with no closing price shall be omitted from the calculation. However, in the event of a split of investment units, for each trading day up to the day preceding the effective date of the split of investment units, (i) the closing price for each trading day is (ii) multiplied by the number of investment units issued and outstanding before the split and (iii) divided by the number of investment units issued and outstanding after the split to derive the amount (rounded down to the nearest yen) that is deemed the closing price for each trading day. Furthermore, in the event of a consolidation of investment units, for each trading day up to the effective date of the consolidation of investment units, (i) the closing price for each trading day is (ii) multiplied by the number of investment units issued and outstanding before the consolidation and (iii) divided by the number of investment units issued and outstanding after the consolidation to derive the amount (rounded</p>	Incentive (Unit price -based)	<p>For every fiscal period, the amount found by the following calculation formula according to the investment unit price (closing) on the Tokyo Stock Exchange (hereinafter referred to as "closing price") in the concerned fiscal period.</p> <p>[Calculation Formula]</p> <ul style="list-style-type: none"> (Average closing price in the concerned fiscal period * - Highest average closing price over fiscal periods up to the previous fiscal period) ** × <u>Total</u> number of investment units issued and outstanding at the previous settlement of accounts *** × 0.4% <p>* The average closing price shall be the aggregate sum of the closing price for each trading day during the concerned fiscal period, divided by the number of trading days during the fiscal period. Days with no closing price shall be omitted from the calculation. However, in the event of a split of investment units, for each trading day up to the day preceding the effective date of the split of investment units, (i) the closing price for each trading day is (ii) multiplied by the <u>total</u> number of investment units issued and outstanding before the split and (iii) divided by the <u>total</u> number of investment units issued and outstanding after the split to derive the amount (rounded down to the nearest yen) that is deemed the closing price for each trading day. Furthermore, in the event of a consolidation of investment units, for each trading day up to the effective date of the consolidation of investment units, (i) the closing price for each trading day is (ii) multiplied by the <u>total</u> number of investment units issued and outstanding before the consolidation and (iii) divided by the <u>total</u> number of investment units issued and outstanding after the consolidation to derive the amount (rounded</p>

Current Articles	Proposed Amendments
<p>down to the nearest yen) that is deemed the closing price for each trading day.</p> <p>** The incentive fee shall be 0 yen in the event that the average closing price in the concerned fiscal period does not exceed the highest average closing price over fiscal periods up to the previous fiscal period.</p> <p>*** In the event of a split of investment units in the concerned fiscal period, (i) the number of investment units issued and outstanding at the previous settlement of accounts is (ii) multiplied by the number of investment units issued and outstanding after the split and (iii) divided by the number of investment units issued and outstanding before the split to derive the number of investment units (rounded down to the nearest investment unit) that is deemed the number of investment units issued and outstanding at the previous settlement of accounts in the concerned fiscal period. Furthermore, in the event of a consolidation of investment units in the concerned fiscal period, (i) the number of investment units issued and outstanding at the previous settlement of accounts is (ii) multiplied by the number of investment units issued and outstanding after the consolidation and (iii) divided by the number of investment units issued and outstanding before the consolidation to derive the number of investment units (rounded down to the nearest investment unit) that is deemed the number of investment units issued and outstanding at the previous settlement of accounts in the concerned fiscal period.</p> <p>Payment of fees pertaining to each fiscal period shall be made no later than two months after the settlement of accounts pertaining to the concerned fiscal period.</p>	<p>down to the nearest yen) that is deemed the closing price for each trading day.</p> <p>** The incentive fee shall be 0 yen in the event that the average closing price in the concerned fiscal period does not exceed the highest average closing price over fiscal periods up to the previous fiscal period.</p> <p>*** In the event of a split of investment units in the concerned fiscal period, (i) the <u>total</u> number of investment units issued and outstanding at the previous settlement of accounts is (ii) multiplied by the <u>total</u> number of investment units issued and outstanding after the split and (iii) divided by the <u>total</u> number of investment units issued and outstanding before the split to derive the number of investment units (rounded down to the nearest investment unit) that is deemed the <u>total</u> number of investment units issued and outstanding at the previous settlement of accounts in the concerned fiscal period. Furthermore, in the event of a consolidation of investment units in the concerned fiscal period, (i) the <u>total</u> number of investment units issued and outstanding at the previous settlement of accounts is (ii) multiplied by the <u>total</u> number of investment units issued and outstanding after the consolidation and (iii) divided by the <u>total</u> number of investment units issued and outstanding before the consolidation to derive the number of investment units (rounded down to the nearest investment unit) that is deemed the <u>total</u> number of investment units issued and outstanding at the previous settlement of accounts in the concerned fiscal period.</p> <p>Payment of fees pertaining to each fiscal period shall be made no later than two months after the settlement of accounts pertaining to the concerned fiscal period.</p>

② Partial change of Tokyu REIM's management guideline is scheduled, with approval at TOKYU REIT's General Meeting of Unitholders of the proposal for partial amendments to TOKYU REIT's Articles of Incorporation mentioned earlier in this report as a condition precedent.

a. Purpose of Change

With a basic policy of "investment in highly competitive properties in areas with strong growth potential," TOKYU REIT has worked to build a quality portfolio centering on the Tokyo Metropolitan Area by setting certain criteria regarding location, use, investment size and other factors and investing accordingly, as well as by placing Central Tokyo (referring to Five Central Tokyo Wards of Chiyoda, Chuo, Minato, Shinjuku and Shibuya wards, and other major commercial and retail districts of Tokyo. The same applies hereafter.) and Tokyu Areas as focused investment target areas.

In light of experiences gained through asset management since its listing in 2003, TOKYU REIT has decided to partially change the management guideline to expand investment opportunities and accelerate external growth with an aim to further develop the portfolio and to improve unitholder value by changing criteria on use, investment size and others while maintaining the policy to place Central Tokyo and Tokyu Areas where growth is expected to continue as focused investment target areas.

b. Main Contents of the Change

(a) Change of use of properties, etc.

Before Change	<ul style="list-style-type: none"> • Use of properties to be invested: Office and retail properties • Holding ratio by use in the portfolio (long-term target): Office properties: 60%, retail properties: 40%
After Change	<ul style="list-style-type: none"> • Use of properties to be invested: Office properties, retail properties, and complexes that include office or retail properties • Holding ratio by use in the portfolio (long-term target) will be abolished. • When a hotel is included in the above complex, it shall, in principle, meet the following criteria. <ul style="list-style-type: none"> (i) A lease agreement which can reduce business/operational risks of the hotel shall be concluded with the tenant of the hotel portion of the complex. (ii) The tenant of the hotel portion of the complex shall be Tokyu Corporation and its subsidiaries (Note) or shall possess operational skills equal to those of Tokyu Corporation and its subsidiaries. (Note) "Tokyu Corporation and its subsidiaries" refers to any entity that falls under the following (a) to (c): <ul style="list-style-type: none"> (a) Tokyu Corporation (b) A consolidated subsidiary of Tokyu Corporation (c) A tokutei mokuteki kaisha (TMK) or special purpose entity (SPE) 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%.
Reason for Change	To enable investment in complexes that includes hotels, residences, etc. along with office or retail properties.

(b) Change of investment size, etc.

Before Change	<ul style="list-style-type: none"> • Minimum investment amount per property: 4 billion yen, in principle • Property size criteria for office properties: Total floor space of over 5,000m², and exclusive area of over 330m² in typical floor space
After Change	<ul style="list-style-type: none"> • Minimum investment amount per property: 4 billion yen, in principle However, <ul style="list-style-type: none"> (i) Properties located in Tokyu Areas (including Shibuya ward): 1 billion yen (ii) Properties located in Central Tokyo (excluding Shibuya ward): 2 billion yen (iii) Land with leasehold interest (regardless of the location being in the investment target areas): 1 billion yen • Property size criteria for office properties will be abolished. Appropriate sizes will be determined taking into account locational characteristics and tenant business type for each property. • The portfolio shall maintain a ratio of over 80% (based on total amount of investment) of properties with the investment amount per property of over 4 billion yen.
Reason for Change	To expand opportunities to invest in Central Tokyo and Tokyu Areas by partially relaxing investment size criteria and others while maintaining the policy to build a portfolio centering on medium-scale or larger properties.

2. Company Profiles

(1) Summary of Unitholders' Contributions

	27th fiscal period As of January 31, 2017	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
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)	12,760	12,146	12,392	12,880	12,430

(2) Details Regarding TOKYU REIT's Investment Units

The following table sets forth the major unitholders of TOKYU REIT as of January 31, 2017.

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	246,563	25.22
Trust & Custody Services Bank, Ltd. (securities investment trust account)	Harumi Island Triton Square Office Tower Z, 1-8-12, Harumi, Chuo-ku, Tokyo	88,493	9.05
The Master Trust Bank of Japan, Ltd. (trust account)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	60,192	6.16
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	36,995	3.78
Nomura Securities Co., Ltd. (proprietary account)	1-9-1, Nihonbashi, Chuo-ku, Tokyo	18,000	1.84
The Asahi Fire & Marine Insurance Co., Ltd.	7, Kandamitoshiro-cho, Chiyoda-ku, Tokyo	14,000	1.43
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	13,401	1.37
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
Total		550,651	56.33

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 January 31, 2017)

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 January 31, 2017.

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	27th fiscal period As of January 31, 2017		26th fiscal period As of July 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	¥ 15,566	7.1	¥ 15,576	7.0	
		Other	—	—	—	—	
		Sub total	15,566	7.1	15,576	7.0	
	Office	Central Tokyo and Tokyu Areas	48,370	22.0	48,479	21.9	
		Other	4,774	2.2	4,774	2.2	
		Sub total	53,145	24.2	53,253	24.0	
	Total		68,711	31.3	68,830	31.1	
	Trust beneficiary interest in real estate	Retail	Central Tokyo and Tokyu Areas	51,262	23.3	52,577	23.7
			Other	7,026	3.2	7,026	3.2
Sub total			58,288	26.5	59,603	26.9	
Office		Central Tokyo and Tokyu Areas	79,273	36.1	79,385	35.8	
		Other	3,918	1.8	3,952	1.8	
		Sub total	83,192	37.9	83,338	37.6	
Total		141,481	64.4	142,941	64.5		
Other assets		9,569	4.4	9,723	4.4		
Total assets		¥ 219,762 [¥ 210,192]	100.0 [95.6]	¥ 221,495 [¥ 211,772]	100.0 [95.6]		

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 January 31, 2017 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 ²	m ²	%	%	
R	QFRONT	¥ 13,749	4,502.93	4,502.93	100.0	9.5	Retail
R	Lexington Aoyama	4,724	2,107.08	2,107.08	100.0	2.1	Retail
R	TOKYU REIT Omotesando Square	5,677	2,669.10	2,669.10	100.0	2.6	Retail
R	TOKYU REIT Shibuya Udagawa-cho Square	6,583	1,543.05	1,543.05	100.0	3.6	Retail
R	cocoti	21,993	8,311.69	8,311.69	100.0	7.8	Retail
R	Shonan Mall Fill (<i>sokochi</i>)	7,026	44,078.12	44,078.12	100.0	2.7	Retail
R	CONZE Ebisu	4,888	2,326.97	2,326.97	100.0	1.8	Retail
R	Daikanyama Forum	4,094	2,477.64	2,477.64	100.0	1.5	Retail
R	KALEIDO Shibuya Miyamasuzaka	5,117	3,399.34	3,399.34	100.0	2.6	Retail
O	Setagaya Business Square	17,976	24,960.49	20,424.55	81.8	12.2	Office
O	Tokyu Nampeidai-cho Building	4,099	7,148.18	7,148.18	100.0	2.2	Office
O	Tokyu Sakuragaoka-cho Building	6,609	4,737.19	4,737.19	100.0	3.1	Office
O	Tokyo Nissan Taito Building	3,959	7,845.42	7,356.20	93.8	2.6	Office
O	TOKYU REIT Akasaka Hinokicho Building	3,420	3,196.69	3,196.69	100.0	1.9	Office
O	TOKYU REIT Kamata Building	3,914	7,337.82	7,337.82	100.0	3.2	Office
O	TOKYU REIT Toranomom Building	9,917	10,247.06	10,247.06	100.0	5.1	Office
O	Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	7,961	3,533.03	3,533.03	100.0	2.6	Office
O	Tokyu Ikejiri-ohashi Building	5,726	5,733.23	5,733.23	100.0	2.5	Office
O	Kojimachi Square	8,378	5,409.11	5,409.11	100.0	3.1	Office
O	TOKYU REIT Shinjuku Building	8,906	6,215.17	6,215.17	100.0	3.6	Office
O	Akihabara Sanwa Toyo Building	4,552	4,643.04	4,078.88	87.8	2.5	Office
O	TOKYU REIT Kiba Building	3,918	5,797.79	5,797.79	100.0	2.1	Office
O	Tokyu Ginza 2-chome Building	4,651	3,469.14	3,469.14	100.0	1.9	Office
O	OKI System Center (<i>sokochi</i>)	4,774	17,019.19	17,019.19	100.0	2.1	Office
O	TOKYU REIT Shibuya R Building	5,438	5,246.68	5,246.68	100.0	3.5	Office
O	Tokyu Toranomom Building	16,595	9,016.59	9,016.59	100.0	6.2	Office
O	TOKYU REIT Shinjuku 2 Building	2,860	1,787.21	1,787.21	100.0	0.9	Office
O	Tokyu Bancho Building	12,674	5,717.45	5,152.75	90.1	3.9	Office
Total		¥ 210,192	210,476.40	204,322.39	97.1	99.1	

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 18 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. '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 January 31, 2017 are as follows:

Name of property		Location (lot number)	Investment type	Total leasable area	Appraisal value at end of period	Book value	
				m ²	Millions of yen	Millions of yen	
Retail	R	QFRONT	75-8, etc., Udagawa-cho, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	4,502.93	¥ 25,500	¥ 13,749
	R	Lexington Aoyama	5-235-7, etc., Minami-Aoyama, Minato-ku, Tokyo	Trust beneficiary interest in real estate	2,107.08	5,150	4,724
	R	TOKYU REIT Omotesando Square	4-3-18, Jingumae, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	2,669.10	7,330	5,677
	R	TOKYU REIT Shibuya Udagawa-cho Square	86-2, Udagawa-cho, Shibuya-ku, Tokyo	Real estate	1,543.05	11,700	6,583

Name of property		Location (lot number)	Investment type	Total leasable area	Appraisal value at end of period	Book value		
				m ²	Millions of yen	Millions of yen		
Retail	Central Tokyo and Tokyu Areas	R cocoti	1-23-1, Shibuya, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	8,311.69	19,900	21,993	
		R CONZE Ebisu	2-3-5, etc., Ebisu Minami, Shibuya-ku, Tokyo	Real estate	2,326.97	4,600	4,888	
		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	3,270	4,094	
		R KALEIDO Shibuya Miyamasuzaka	1-12-4, Shibuya, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	3,399.34	6,730	5,117	
		Sub total				27,337.80	84,180	66,829
	Other	R Shonan Mall Fill (sokochi)	4-4300-1, Tsujido Shinmachi, Fujisawa-shi, Kanagawa	Trust beneficiary interest in real estate	44,078.12	6,370	7,026	
		Sub total				44,078.12	6,370	7,026
	Total				71,415.92	90,550	73,855	
	Office	Central Tokyo and Tokyu Areas	O Setagaya Business Square	4-260-2, etc., Yoga, Setagaya-ku, Tokyo	Trust beneficiary interest in real estate	24,960.49	18,700	17,976
			O Tokyu Nampeidai-cho Building	12-3, Nampeidai-cho, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	7,148.18	5,610	4,099
O Tokyu Sakuragaoka-cho Building			109-9, Sakuragaoka-cho, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	4,737.19	9,210	6,609	
O Tokyo Nissan Taito Building			2-120-2, etc., Moto-Asakusa, Taito-ku, Tokyo	Trust beneficiary interest in real estate	7,845.42	5,300	3,959	
O TOKYU REIT Akasaka Hinokicho Building			6-1401, etc., Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	3,196.69	4,320	3,420	
O TOKYU REIT Kamata Building			5-13-7, Kamata, Ota-ku, Tokyo	Trust beneficiary interest in real estate	7,337.82	5,100	3,914	
O TOKYU REIT Toranomon Building			3-45-6, Toranomon, Minato-ku, Tokyo	Real estate	10,247.06	10,400	9,917	
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	6,920	7,961	
O Tokyu Ikejiri-ohashi Building			3-1050, etc., Higashiyama, Meguro-ku, Tokyo	Trust beneficiary interest in real estate	5,733.23	5,320	5,726	
O Kojimachi Square			3-9 and 3-3, Niban-cho, Chiyoda-ku, Tokyo	Trust beneficiary interest in real estate	5,409.11	8,630	8,378	

Name of property		Location (lot number)	Investment type	Total leasable area	Appraisal value at end of period	Book value	
				m ²	Millions of yen	Millions of yen	
Office	Central Tokyo and Tokyu Areas	○ TOKYU REIT Shinjuku Building	4-2-3, etc., Shinjuku, Shinjuku-ku, Tokyo	Real estate	6,215.17	10,600	8,906
		○ Akihabara Sanwa Toyo Building	3-50-5, etc., Sotokanda, Chiyoda-ku, Tokyo	Trust beneficiary interest in real estate	4,643.04	6,080	4,552
		○ Tokyu Ginza 2-chome Building	2-215-1, Ginza, Chuo-ku, Tokyo	Real estate	3,469.14	4,910	4,651
		○ TOKYU REIT Shibuya R Building	3-10-2, etc., Shibuya, Shibuya-ku, Tokyo	Real estate	5,246.68	8,650	5,438
		○ Tokyu Toranomom Building	1-216-2, etc., Toranomom, Minato-ku, Tokyo	Real estate	9,016.59	19,800	16,595
		○ TOKYU REIT Shinjuku 2 Building	4-3-4, Shinjuku, Shinjuku-ku, Tokyo	Real estate	1,787.21	2,770	2,860
		○ Tokyu Bancho Building	6-2, etc., Yonban-cho, Chiyoda-ku, Tokyo	Trust beneficiary interest in real estate	5,717.45	13,400	12,674
	Sub total				116,243.50	145,720	127,644
	Other	○ TOKYU REIT Kiba Building	3-21-5, etc., Toyo, Koto-ku, Tokyo	Trust beneficiary interest in real estate	5,797.79	3,870	3,918
		○ OKI System Center (<i>sokochi</i>)	1-16-20, etc., Chuo, Warabi-shi, Saitama	Real estate	17,019.19	5,060	4,774
Sub total				22,816.98	8,930	8,692	
Total				139,060.48	154,650	136,337	
Grand total				210,476.40	¥ 245,200	¥ 210,192	

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).

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

Name of property		27th fiscal period From August 1, 2016 to January 31, 2017				26th fiscal period From February 1, 2016 to July 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	¥ 661	9.5	3	100.0	¥ 662	9.3
		R	Lexington Aoyama	7	100.0	145	2.1	7	100.0	125	1.8
		R	TOKYU REIT Omotesando Square	4	100.0	178	2.6	4	100.0	176	2.5
		R	Tokyu Saginuma Building (Note 4)	—	—	—	—	—	—	90	1.3
		R	Tokyu Saginuma 2 Building (Note 5)	—	—	61	0.9	1	100.0	61	0.9
		R	TOKYU REIT Shibuya Udagawa-cho Square	2	100.0	250	3.6	2	100.0	250	3.5
		R	cocoti	15	100.0	541	7.8	15	100.0	523	7.3
		R	CONZE Ebisu	8	100.0	127	1.8	8	100.0	123	1.7
		R	Daikanyama Forum	5	100.0	103	1.5	5	100.0	103	1.4
		R	KALEIDO Shibuya Miyamasuzaka	8	100.0	181	2.6	8	100.0	182	2.6
	Sub total	52	100.0	2,251	32.3	53	100.0	2,300	32.2		
Other	R	Shonan Mall Fill (sokochi)	1	100.0	188	2.7	1	100.0	188	2.6	
	Sub total	1	100.0	188	2.7	1	100.0	188	2.6		
Total		53	100.0	2,439	35.0	54	100.0	2,488	34.8		
Office	Central Tokyo and Tokyo Areas	O	Setagaya Business Square	59	81.8	848	12.2	58	80.1	922	12.9
		O	Tokyu Nampeidai-cho Building	1	100.0	152	2.2	1	100.0	150	2.1
		O	Tokyu Sakuragaoka-cho Building	2	100.0	219	3.1	2	100.0	216	3.0
		O	Tokyo Nissan Taito Building	11	93.8	180	2.6	11	93.8	182	2.6
		O	TOKYU REIT Akasaka Hinokicho Building	3	100.0	133	1.9	3	100.0	134	1.9
		O	TOKYU REIT Kamata Building	5	100.0	221	3.2	6	100.0	217	3.0
		O	TOKYU REIT Toranomon Building	11	100.0	354	5.1	11	100.0	346	4.8
		O	TOKYU REIT Hatchobori Building (Note 6)	—	—	—	—	—	—	106	1.5
		O	Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	1	100.0	178	2.6	1	100.0	176	2.5
		O	Tokyu Ikejiri-ohashi Building	6	100.0	175	2.5	5	90.1	175	2.4
		O	Kojimachi Square	7	100.0	216	3.1	7	100.0	214	3.0
		O	TOKYU REIT Shinjuku Building	10	100.0	248	3.6	10	100.0	265	3.7
		O	Akihabara Sanwa Toyo Building	5	87.8	173	2.5	6	100.0	172	2.4
		O	Tokyu Ginza 2-chome Building	2	100.0	133	1.9	2	100.0	174	2.4
		O	TOKYU REIT Shibuya R Building	11	100.0	243	3.5	11	94.6	238	3.3
		O	Tokyu Toranomon Building	3	100.0	433	6.2	3	100.0	414	5.8
		O	TOKYU REIT Shinjuku 2 Building	2	100.0	62	0.9	2	100.0	62	0.9
		O	Tokyu Bancho Building (Note 7)	6	90.1	269	3.9	6	100.0	200	2.8
		Sub total	145	94.7	4,244	60.9	145	94.6	4,373	61.2	
Other	O	TOKYU REIT Kiba Building	6	100.0	145	2.1	6	100.0	143	2.0	
	O	OKI System Center (sokochi)	1	100.0	145	2.1	1	100.0	145	2.0	
	Sub total	7	100.0	290	4.2	7	100.0	288	4.0		
Total		152	95.6	4,534	65.0	152	95.5	4,662	65.2		
Grand total		205	97.1	¥ 6,973	100.0	206	97.0	¥ 7,150	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 was sold on January 31, 2017. In the table, the property's 'Revenue from property leasing' and 'As a percentage of revenue from property leasing' for the 27th fiscal period show the figures for the period up to the day prior to the disposition date.
- 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 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 January 31, 2017, 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 January 31, 2017. 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	
R	cocoti	Shibuya-ku, Tokyo	New construction of connecting access to facility on contiguous land	From January 2017 to April 2017	¥ 96	—	—
○	Setagaya Business Square	Setagaya-ku, Tokyo	Renewal of air-conditioning equipment	From August 2016 to March 2017	¥ 181	—	—
○	Setagaya Business Square	Setagaya-ku, Tokyo	Renewal of restroom	From September 2016 to February 2017	¥ 43	—	—
○	Setagaya Business Square	Setagaya-ku, Tokyo	Switching to LED in exclusive-use areas	From January 2017 to July 2017	¥ 42	—	—
○	Tokyu Nampeidai-cho Building	Shibuya-ku, Tokyo	Renewal of air-conditioning equipment	From March 2017 to July 2017	¥ 183	—	—

(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 27th fiscal period amounted to ¥615 million and ¥172 million in repairs and maintenance expenses were charged to expenses for a combined total of ¥787 million spent for such work.

Name of property		Location	Objective	Period	Construction cost
					Millions of yen
R	Daikanyama Forum	Shibuya-ku, Tokyo	Renewal of air-conditioning equipment	From August 2016 to August 2016	¥ 26
O	Setagaya Business Square	Setagaya-ku, Tokyo	Renewal of restroom	From August 2016 to December 2016	26
O	Setagaya Business Square	Setagaya-ku, Tokyo	Renewal of common areas	From December 2015 to January 2017	174
O	Tokyu Sakuragaoka-cho Building	Shibuya-ku, Tokyo	Maintenance of mechanical parking lot	From November 2016 to December 2016	34
O	TOKYU REIT Shibuya R Building	Shibuya-ku, Tokyo	Renewal of entrance design	From April 2016 to September 2016	44
Other					309
Total					¥ 615

(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:

	27th fiscal period From August 1, 2016 to January 31, 2017	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
	Millions of yen				
Reserve at beginning of period	¥ 138	¥ 139	¥ 145	¥ 176	¥ 172
Amount transferred to reserve during period	543	832	1,017	800	581
Reversal from reserve during period	577	833	1,024	831	577
Reserve at end of period	¥ 104	¥ 138	¥ 139	¥ 145	¥ 176

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

	27th fiscal period From August 1, 2016 to January 31, 2017		26th fiscal period From February 1, 2016 to July 31, 2016	
	Millions of yen			
Asset management fees				
Asset-based fees	¥ 303		¥ 301	
Cash-based fees	254		256	
Unit price-based fees	—	¥ 558	—	¥ 557
Asset custodian fees		17		17
General administration fees		43		43
Directors' fees		6		6
Other operating expenses		68		89
Total		¥ 694		¥ 715

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

Short-term debt and long-term debt from each financial institution as of January 31, 2017 are as follows:

Category	Draw-down date	Balance as of January 31, 2017	Balance as of July 31, 2016	Average interest rate (Note 1)	Maturity date	Re-payment method	Use of funds	Remark	
		Millions of yen	Millions of yen	%					
Lender									
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 (Notes 2 and 3)
	Sumitomo Mitsui Trust Bank, Limited	December 27, 2010	—	5,000	1.63250	December 27, 2016			Unsecured and Unguaranteed (Note 2)
	Sumitomo Mitsui Trust Bank, Limited	May 18, 2011	2,000	2,000	1.47625	May 18, 2017			Unsecured and Unguaranteed (Notes 2 and 3)
	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 (Note 2)
	Nippon Life Insurance Company	July 29, 2011	—	2,000	1.37623	January 31, 2017			Unsecured and Unguaranteed (Notes 2 and 3)
	Nippon Life Insurance Company		2,000	2,000	1.49563	January 31, 2018			

Category	Draw-down date	Balance as of January 31, 2017	Balance as of July 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 2)	
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 2 and 3)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	August 29, 2012	1,400	1,400	1.32250	August 29, 2019				Unsecured and Unguaranteed (Note 2)
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				
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				
Sumitomo Mitsui Trust Bank, Limited	December 25, 2013	2,500	2,500	1.21000	December 25, 2020				
Mitsubishi UFJ Trust and Banking Corporation		2,000	2,000						
Mitsubishi UFJ Trust and Banking Corporation		1,500	1,500	0.95625	June 25, 2019				

Category	Draw-down date	Balance as of January 31, 2017	Balance as of July 31, 2016	Average interest rate (Note 1)	Maturity date	Re-payment method	Use of funds	Remark
		Millions of yen	Millions of yen	%				
The Dai-ichi Life Insurance Company, Limited	January 27, 2014	1,000	1,000	1.04625	January 27, 2020	Bullet payment	Refinance fund	Unsecured and Unguaranteed (Note 2)
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	1,500	0.57130	March 10, 2023			
Mitsubishi UFJ Trust and Banking Corporation	June 27, 2016	500	500	0.45630	June 27, 2023			
Sumitomo Mitsui Trust Bank, Limited	December 27, 2016	3,500	—	0.56000	December 27, 2021			
Nippon Life Insurance Company	January 31, 2017	1,500	—	0.49998	January 31, 2022			
Sub total		84,000	86,000					
Total		¥ 84,000	¥ 86,000					

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

Note 2. 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 3. 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 January 31, 2017 is as follows:

Name	Issue date	Balance as of January 31, 2017	Balance as of July 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 27th 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	Disposition date	Disposition price (Note 1)	Book value	Gain (Loss) on sale (Note 2)
			Millions of yen				
Trust beneficiary interest in real estate	Tokyu Saginuma 2 Building	—	—	January 31, 2017	¥ 1,710	¥ 1,165	¥ 541

Note 1. 'Disposition price' is the amount exclusive of the expenses required for disposition of the property (brokerage charges, property-related taxes, etc.) and is identical to the 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	Disposition date	Disposition price (Note 1)	Appraisal value	Appraiser	Date of value
				Millions of yen			
Disposition	Trust beneficiary interest in real estate	R Tokyu Saginuma 2 Building	January 31, 2017	¥ 1,710	¥ 1,640	Daiwa Real Estate Appraisal Co., Ltd.	January 31, 2016

Note 1. 'Disposition price' is the amount exclusive of the expenses required for disposition of the property (brokerage charges, property-related taxes, etc.) and is identical to the 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	—	¥ 1,710
Breakdown of the total amount relating to trading with interested persons, etc.		
Tokyu Corporation	—	¥ 1,710 [100.0%]
Total	—	¥ 1,710 [100.0%]

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)	Paid to interested persons, etc.		B/A (%)
		Payee	Amount of payment (B)	
	Thousands of yen		Thousands of yen	
Utilities expenses	¥ 546,112	Yoga District Heating and Cooling Co., Ltd.	¥ 109,040	20.0
		Shibuya Underground Shopping Center, Inc.	¥ 57	0.0
Subcontract expenses	¥ 441,770	Tokyu Community Corporation	¥ 277,919	62.9
		Tokyu Facility Service Co., Ltd.	¥ 72,846	16.5
Property management fees	¥ 168,810	Tokyu Corporation	¥ 99,942	59.2
		Tokyu Community Corporation	¥ 68,867	40.8
Insurance premium	¥ 12,372	Tokyu Insurance Consulting Co., Ltd.	¥ 12,077	97.6
Other rental service expenses	¥ 251,913	Tokyu Corporation	¥ 10,199	4.0
		Tokyu Community Corporation	¥ 5,025	2.0
		Tokyu Malls Development Corporation	¥ 3,518	1.4
		Tokyu Agency Inc.	¥ 2,706	1.1
		its communications Inc.	¥ 879	0.3
		Shibuya Underground Shopping Center, Inc.	¥ 847	0.3
		Tokyu Department Store Co., Ltd.	¥ 31	0.0

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 the Rules on Related-Party Transactions that are Tokyu REIM's self-imposed rules.

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 ¥56,318 thousand and ¥12,292 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 27th fiscal period is as follows:

Tokyu Community Corporation	¥ 21,520 thousand
Tokyu Corporation	¥ 10,377 thousand
Tokyu Facility Service Co., Ltd.	¥ 9,158 thousand
Tokyu Construction Co., Ltd.	¥ 3,375 thousand
Tokyu Lifa Corporation	¥ 1,858 thousand
Tokyu Agency Inc.	¥ 440 thousand
Tokyu Renewal Co., Ltd.	¥ 180 thousand
Tokyu Green System Co., Ltd.	¥ 88 thousand
Tokyu Insurance Consulting Co., Ltd.	¥ 24 thousand
Tokyu Bldg Maintenance Co., Ltd.	¥ 22 thousand

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

7. Accounting

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

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

(2) Change in Depreciation Method

There is no item that falls under this category.

(3) Change in Property and Infrastructure Asset Valuation Methods

There is no item that falls under this category.

8. Other

(1) News

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

Date of meeting	Agenda item	Summary
November 25, 2016	Engagement of underwriters for investment corporation bond offerings, and outsourcing of general administrative operations relating to investment corporation bonds	In connection with a comprehensive resolution passed on the same date regarding the engagement of underwriters for investment corporation bond offerings, the meeting approved that TOKYU REIT's executive director shall have full authority on the selection, etc. of providers of general administrative services relating to investment corporation bond offerings to be issued in the future.
January 27, 2017	Renewal of general administration and asset custody agreements	The meeting approved to renew the agreements for the general administration agreement (excluding transfer agent for investment units) and asset custody agreement executed with general administrator and asset custodian Mitsubishi UFJ Trust and Banking Corporation.

(2) Status, etc. of Beneficiary Certificates of Investment Trust Issuing Beneficiary Certificates
There is no item that falls under this category.

(3) Disclosure Pertaining to Corporation Holding Overseas Properties
There is no item that falls under this category.

(4) Disclosure Pertaining to Properties of Corporation Holding Overseas Properties
There is no item that falls under this category.

(5) Other

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

Date of meeting	Agenda item	Summary
October 28, 2016	Signing of memorandum with Tokyu Corporation and Tokyu Facility Service Co., Ltd.	The meeting approved the signing of a memorandum with the property management company Tokyu Corporation and the building maintenance company Tokyu Facility Service Co., Ltd., confirming both companies' intentions to be jointly and severally liable for loss (¥193 thousand) resulting from operational delinquency.
December 22, 2016	Signing of memorandum with Tokyu Community Corporation	The meeting approved the signing of a memorandum with the property management company and building maintenance company Tokyu Community Corporation, confirming Tokyu Community Corporation's intentions to take full responsibility for loss (¥301 thousand) resulting from operational delinquency.

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



Independent Auditor's Report

To the Board of Directors of TOKYU REIT, Inc.

We have audited the accompanying financial statements of TOKYU REIT, Inc. ("the Company"), which comprise the balance sheet as at January 31, 2017, 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 January 31, 2017, 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

April 26, 2017

PricewaterhouseCoopers Aarata LLC
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TOKYU REIT, Inc.
Balance Sheets
As of January 31, 2017 and July 31, 2016

	January 31, 2017	July 31, 2016
	(Millions of yen)	
<u>ASSETS</u>		
Current assets:		
Cash and deposits with banks	¥ 4,405	¥ 4,618
Cash and deposits with banks held in trust	3,820	3,747
Tenant receivables	123	136
Lease deposits held in trust due within one year	18	18
Other current assets	87	46
Total current assets	8,454	8,567
Fixed assets:		
Property and equipment		
Buildings and structures	12,879	12,757
Land	58,875	58,875
Other tangible assets	181	161
Construction in progress	89	90
Buildings and structures held in trust	45,842	45,901
Land held in trust	111,861	112,849
Other tangible assets held in trust	1,472	1,426
Construction in progress held in trust	12	11
Less accumulated depreciation	(21,024)	(20,306)
Total property and equipment	210,189	211,767
Intangible assets		
Intangible assets	0	0
Intangible assets held in trust	2	4
Total intangible assets	2	4
Investments and other assets		
Lease deposits	203	203
Lease deposits held in trust	724	743
Other assets	156	174
Total investments and other assets	1,085	1,121
Total fixed assets	211,278	212,894
Deferred assets:		
Investment unit issuance expenses	-	0
Investment corporation bond issuance expenses	29	33
Total deferred assets	29	34
Total assets	¥ 219,762	¥ 221,495

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

TOKYU REIT, Inc.
Balance Sheets, continued
As of January 31, 2017 and July 31, 2016

	January 31, 2017	July 31, 2016
	(Millions of yen)	
<u>LIABILITIES</u>		
Current liabilities:		
Long-term debt due within one year	¥ 14,000	¥ 14,000
Accounts payable	1,204	1,118
Consumption tax payable	145	90
Rent received in advance	1,067	1,032
Tenant leasehold and security deposits held in trust due within one year	190	190
Accrued expenses and other current liabilities	157	165
Total current liabilities	16,765	16,596
Long-term liabilities:		
Investment corporation bonds	9,500	9,500
Long-term debt	70,000	72,000
Tenant leasehold and security deposits	3,536	3,543
Tenant leasehold and security deposits held in trust	6,103	6,317
Total long-term liabilities	89,139	91,360
Total liabilities	¥ 105,905	¥ 107,957
 <u>NET ASSETS</u>		
Unitholders' capital:		
Units authorized – 10,000,000 units as of January 31, 2017 and 10,000,000 units as of July 31, 2016		
Units issued and outstanding – 977,600 units as of January 31, 2017 and 977,600 units as of July 31, 2016	¥ 110,479	¥ 110,479
Reserve for reduction entry	424	132
Retained earnings	2,952	2,926
Total net assets	113,856	113,538
Total liabilities and net assets	¥ 219,762	¥ 221,495

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

TOKYU REIT, Inc.
Statements of Income

For the six months ended January 31, 2017 and July 31, 2016

	For the six months ended	
	January 31, 2017	July 31, 2016
	(Millions of yen)	
Operating revenues:		
Rental revenue	¥ 6,480	¥ 6,683
Other rental revenue	493	466
Gain on sales of real estate properties	541	2,349
Operating expenses:		
Rental service expenses	(3,232)	(3,362)
Loss on sales of real estate properties	-	(1,841)
Asset management fees	(558)	(557)
Other	(135)	(157)
Operating income	3,588	3,580
Non-operating income:		
Interest income	0	0
Other	5	1
Non-operating expenses:		
Interest expense	(574)	(585)
Interest expense on investment corporation bonds	(39)	(39)
Amortization of investment unit issuance expenses	(0)	(8)
Amortization of investment corporation bond issuance expenses	(4)	(4)
Other	(20)	(18)
Income before income taxes	2,954	2,927
Income taxes:		
Current	(1)	(0)
Deferred	0	(0)
Net income	2,952	2,926
Retained earnings at beginning of period	0	0
Retained earnings at end of period	¥ 2,952	¥ 2,926

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 January 31, 2017 and July 31, 2016

For the six months ended January 31, 2017

	Unitholders' capital	Reserve for reduction entry	Retained earnings	Total
	(Millions of yen)			
Balance at beginning of period	¥ 110,479	¥ 132	¥ 2,926	¥ 113,538
Changes during the period				
Provision of reserve for reduction entry	-	292	(292)	-
Cash distributions declared	-	-	(2,634)	(2,634)
Net income	-	-	2,952	2,952
Total changes during the period	-	292	26	318
Balance at end of period	¥ 110,479	¥ 424	¥ 2,952	¥ 113,856

For the six months ended July 31, 2016

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

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

TOKYU REIT, Inc.
Statements of Cash Flows
For the six months ended January 31, 2017 and July 31, 2016

	For the six months ended	
	January 31, 2017	July 31, 2016
	(Millions of yen)	
Cash flows from operating activities:		
Income before income taxes	¥ 2,954	¥ 2,927
Depreciation and amortization	1,001	1,025
Amortization of investment unit issuance expenses	0	8
Amortization of investment corporation bond issuance expenses	4	4
Loss on disposal of property and equipment	26	23
Interest income	(0)	(0)
Interest expense	614	624
(Increase) Decrease in tenant receivables	12	(7)
Increase (Decrease) in consumption tax payable	55	27
Increase (Decrease) in accounts payable	8	(97)
Increase (Decrease) in rent received in advance	35	(104)
Decrease in property and equipment held in trust due to sale	1,165	13,392
Other, net	(36)	74
Total	5,842	17,898
Interest received	0	0
Interest paid	(616)	(638)
Income taxes paid	(0)	(0)
Net cash provided by (used in) operating activities	5,224	17,259
Cash flows from investing activities:		
Payments for purchases of property and equipment	(115)	(164)
Payments for purchases of intangible assets	-	(0)
Payments for purchases of property and equipment held in trust	(413)	(13,273)
Proceeds from lease deposits held in trust	18	-
Proceeds from tenant leasehold and security deposits	306	66
Payments for tenant leasehold and security deposits	(313)	(0)
Proceeds from tenant leasehold and security deposits held in trust	187	605
Payments for tenant leasehold and security deposits held in trust	(401)	(743)
Net cash provided by (used in) investing activities	(731)	(13,510)
Cash flows from financing activities:		
Proceeds from short-term debt	-	4,000
Repayment of short-term debt	-	(4,000)
Proceeds from long-term debt	5,000	2,000
Repayment of long-term debt	(7,000)	(3,500)
Payment of dividends	(2,634)	(2,571)
Net cash provided by (used in) financing activities	(4,634)	(4,071)
Net change in cash and cash equivalents	(140)	(322)
Cash and cash equivalents at beginning of period	8,366	8,688
Cash and cash equivalents at end of period	¥ 8,225	¥ 8,366

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

TOKYU REIT, Inc.
Notes to Financial Statements
For the six months ended January 31, 2017 and July 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 January 31, 2017, TOKYU REIT’s total capital is ¥110,479 million with 977,600 units issued and outstanding. TOKYU REIT has been operating 28 properties at an occupancy rate of approximately 97.1%. Total acquisition cost of the 28 properties is ¥222,339 million and total rentable area is 210,476.40 m².

(b) Basis of presentation

The financial statements of TOKYU REIT, which is incorporated in Japan, have been prepared in accordance with the provisions set forth in the 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 January 31, 2017 and July 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):

	January 31, 2017	July 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 January 31, 2017 and July 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 nil million for the six months ended January 31, 2017. Capitalized property-related taxes are ¥35 million for the six months ended July 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 ¥28 thousand are included in other current assets as of January 31, 2017. Deferred tax assets of ¥8 thousand are included in other current assets as of July 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 January 31, 2017 and July 31, 2016 consisted of the following:

	January 31, 2017	July 31, 2016
	(Millions of yen)	
Cash and deposits with banks	¥ 4,405	¥ 4,618
Cash and deposits with banks held in trust	3,820	3,747
Cash and cash equivalents	¥ 8,225	¥ 8,366

TOKYU REIT, Inc.
Notes to Financial Statements, continued
For the six months ended January 31, 2017 and July 31, 2016

4. Schedule of property and equipment and intangible assets

Property and equipment and intangible assets as of January 31, 2017 and July 31, 2016 consisted of the following:

	January 31, 2017			July 31, 2016		
	Balance	Accumulated depreciation	Net balance	Balance	Accumulated depreciation	Net balance
	(Millions of yen)					
Property and equipment						
Buildings and structures						
Buildings	¥ 12,714	¥ (3,152)	¥ 9,562	¥ 12,600	¥ (2,908)	¥ 9,692
Structures	164	(46)	117	157	(42)	115
Land	58,875	-	58,875	58,875	-	58,875
Other tangible assets						
Machinery and equipment	105	(67)	38	98	(61)	36
Tools, furniture and fixtures	75	(46)	29	62	(42)	20
Construction in progress	89	-	89	90	-	90
Property and equipment held in trust						
Buildings and structures						
Buildings	45,106	(16,108)	28,998	45,187	(15,667)	29,519
Structures	735	(404)	330	714	(412)	302
Land	111,861	-	111,861	112,849	-	112,849
Other tangible assets						
Machinery and equipment	1,044	(892)	151	1,007	(879)	128
Tools, furniture and fixtures	428	(305)	123	419	(293)	126
Construction in progress	12	-	12	11	-	11
Sub total	231,214	(21,024)	210,189	232,074	(20,306)	211,767
Intangible assets						
Intangible assets	2	(2)	0	2	(2)	0
Intangible assets held in trust	30	(27)	2	30	(26)	4
Sub total	33	(30)	2	33	(29)	4
Total	¥ 231,247	¥ (21,054)	¥ 210,192	¥ 232,107	¥ (20,335)	¥ 211,772

TOKYU REIT, Inc.
Notes to Financial Statements, continued
For the six months ended January 31, 2017 and July 31, 2016

5. Short-term debt and long-term debt

Short-term debt and long-term debt as of January 31, 2017 and July 31, 2016 consisted of the following:

	Balance as of January 31, 2017	Balance as of July 31, 2016	Average interest rate (Note 1)
	(Millions of yen)		(%)
	¥	¥	
Short-term debt			
Sub total	-	-	
Long-term debt			
Unsecured loans due on December 27, 2016 with fixed rate	-	5,000	1.63250
Unsecured loans due on January 31, 2017 with fixed rate	-	2,000	1.37623
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 (Note 2)	5,000	5,000	1.95000
Unsecured loans due on January 31, 2018 with fixed rate (Note 2)	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 December 27, 2021 with fixed rate	3,500	-	0.56000
Unsecured loans due on January 31, 2022 with fixed rate	1,500	-	0.49998
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	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	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	84,000	86,000	
Total	¥ 84,000	¥ 86,000	

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 January 31, 2017.

TOKYU REIT, Inc.
Notes to Financial Statements, continued
For the six months ended January 31, 2017 and July 31, 2016

6. Investment corporation bonds

The status of investment corporation bonds issued and outstanding as of January 31, 2017 and July 31, 2016 were as follows:

Name	Issue date	Balance as of	Balance as of	Annual	Maturity date
		January 31, 2017	July 31, 2016	interest rate	
		(Millions of yen)		(%)	
3 rd Series Unsecured Investment Corporation Bond	October 22, 2012	¥ 3,000	¥ 3,000	1.47000	October 21, 2022
4 th Series Unsecured Investment Corporation Bond	February 14, 2014	3,500	3,500	0.39900	February 14, 2019
5 th 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 January 31, 2017 and July 31, 2016 were as follows:

	For the six months ended	
	January 31, 2017	July 31, 2016
(Millions of yen)		
Revenue from property leasing:		
Rental revenue:		
Rent income	¥ 5,323	¥ 5,470
Common area charges	700	737
Parking lot revenue under monthly contract	151	158
Other rent income	304	317
Sub total	6,480	6,683
Other rental revenue:		
Incidental income	424	432
Other miscellaneous income	68	33
Sub total	493	466
Total revenue from property leasing	(a) 6,973	7,150
Rental service expenses:		
Utilities expenses	546	569
Subcontract expenses	441	451
Property management fees	168	163
Repairs and maintenance expenses	172	279
Property-related taxes	611	636
Insurance premium	12	12
Depreciation and amortization	1,001	1,025
Loss on disposal of property and equipment	26	23
Other	251	200
Total rental service expenses	(b) 3,232	3,362
Operating income from property leasing activities	(a)-(b) ¥ 3,741	¥ 3,787

TOKYU REIT, Inc.
Notes to Financial Statements, continued
For the six months ended January 31, 2017 and July 31, 2016

9. The financial results of each property (Unaudited)

Details on the financial results of each property for the six months ended January 31, 2017 and July 31, 2016 were as follows: (Unaudited)

For the six months ended January 31, 2017

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	¥ 661	¥ 265	¥ 395	¥ 38	¥ 357
R Lexington Aoyama	145	50	94	8	86
R TOKYU REIT Omotesando Square	178	41	137	11	125
R Tokyu Saginuma 2 Building	61	12	48	9	39
R TOKYU REIT Shibuya Udagawa-cho Square	250	26	224	3	220
R cocoti	541	180	361	142	218
R Shonan Mall Fill (<i>sokochi</i>)	188	25	162	-	162
R CONZE Ebisu	127	31	95	22	73
R Daikanyama Forum	103	40	63	10	53
R KALEIDO Shibuya Miyamasuzaka	181	51	129	18	111
O Setagaya Business Square	848	485	362	173	189
O Tokyu Nampeidai-cho Building	152	34	118	21	97
O Tokyu Sakuragaoka-cho Building	219	41	177	33	144
O Tokyo Nissan Taito Building	180	56	124	42	81
O TOKYU REIT Akasaka Hinokicho Building	133	37	95	13	82
O TOKYU REIT Kamata Building	221	81	140	33	106
O TOKYU REIT Toranomom Building	354	131	222	43	178
O Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	178	39	138	27	111
O Tokyu Ikejiri-ohashi Building	175	48	127	33	93
O Kojimachi Square	216	62	153	45	108
O TOKYU REIT Shinjuku Building	248	64	184	36	147
O Akihabara Sanwa Toyo Building	173	40	132	13	119
O TOKYU REIT Kiba Building	145	44	100	34	66
O Tokyu Ginza 2-chome Building	133	53	79	36	42
O OKI System Center (<i>sokochi</i>)	145	15	129	-	129
O TOKYU REIT Shibuya R Building	243	87	156	20	136
O Tokyu Toranomom Building	433	97	335	73	261
O TOKYU REIT Shinjuku 2 Building	62	21	41	11	30
O Tokyu Bancho Building	269	34	234	68	166
Total	¥ 6,973	¥ 2,204	¥ 4,768	¥ 1,027	¥ 3,741

TOKYU REIT, Inc.
Notes to Financial Statements, continued
For the six months ended January 31, 2017 and July 31, 2016

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

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 January 31, 2017 and July 31, 2016

10. Breakdown of gain on sales of real estate properties

Tokyu Saginuma 2 Building was sold on January 31, 2017 and Tokyu Saginuma Building was sold on March 24, 2016.

	For the six months ended	
	January 31, 2017	July 31, 2016
	(Millions of yen)	
Revenue from sale of property	¥ 1,710	¥ 8,950
Cost of property	1,165	6,596
Other sales expenses	3	3
Gain on sales of real estate properties	¥ 541	¥ 2,349

11. Breakdown of loss on sales of real estate properties

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

	For the six months ended	
	January 31, 2017	July 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

12. 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 January 31, 2017 and July 31, 2016.

	January 31, 2017	July 31, 2016
Statutory income tax rate	31.74%	32.31%
Deductible cash distributions	(28.84)	(29.08)
Provision of reserve for reduction entry	(2.88)	(3.22)
Other	0.02	0.02
Effective tax rate	0.04%	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.

13. 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 January 31, 2017 and July 31, 2016

14. Per unit information

The following table summarizes the net income per unit for the six months ended January 31, 2017 and July 31, 2016 and the unitholders' equity per unit as of January 31, 2017 and July 31, 2016.

	For the six months ended	
	January 31, 2017	July 31, 2016
Net income per unit	¥ 3,020	¥ 2,993
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 January 31, 2017	As of July 31, 2016
Unitholders' equity per unit	¥ 116,465	¥ 116,139

Diluted net income per unit is not presented since neither warrants nor convertible bonds were issued during the six months ended January 31, 2017 and July 31, 2016.

15. Distribution information

The Board of Directors of TOKYU REIT resolved on March 16, 2017 and September 13, 2016 to effect payment of cash distributions of ¥2,746 and ¥2,695 per unit to unitholders of record on January 31, 2017 and July 31, 2016, respectively. Retained earnings carried forward after the distributions were as follows:

	January 31, 2017	July 31, 2016
	(Millions of yen)	
Retained earnings at end of period	¥ 2,952	¥ 2,926
Cash distributions declared	2,684	2,634
Provision of reserve for reduction entry	267	292
Retained earnings carried forward	¥ 0	¥ 0

16. Leases

TOKYU REIT leases its properties to tenants under non-cancelable operating leases. As of January 31, 2017 and July 31, 2016, the future lease revenues under the non-cancelable operating leases were as follows:

	January 31, 2017	July 31, 2016
	(Millions of yen)	
Due within one year	¥ 4,374	¥ 3,889
Due after one year	16,769	17,163
Total	¥ 21,144	¥ 21,052

As of January 31, 2017 and July 31, 2016, the future lease payments under the non-cancelable operating leases were as follows:

	January 31, 2017	July 31, 2016
	(Millions of yen)	
Due within one year	¥ 231	¥ 221
Due after one year	1,868	1,979
Total	¥ 2,099	¥ 2,200

TOKYU REIT, Inc.
Notes to Financial Statements, continued
For the six months ended January 31, 2017 and July 31, 2016

17. 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 January 31, 2017), 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 January 31, 2017 and July 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).

	January 31, 2017			July 31, 2016		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
	(Millions of yen)					
(1) Cash and deposits with banks	¥ 4,405	¥ 4,405	¥ -	¥ 4,618	¥ 4,618	¥ -
(2) Cash and deposits with banks held in trust	3,820	3,820	-	3,747	3,747	-
Assets total	8,225	8,225	-	8,366	8,366	-
(1) Long-term debt due within one year	14,000	14,131	131	14,000	14,107	107
(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	9,751	251	9,500	9,767	267
(4) Long-term debt	70,000	71,799	1,799	72,000	74,774	2,774
(5) Tenant leasehold and security deposits held in trust	190	189	(1)	381	379	(2)
Liabilities total	¥ 93,881	¥ 96,060	¥ 2,178	¥ 96,072	¥ 99,219	¥ 3,146

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 January 31, 2017 and July 31, 2016

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

	January 31, 2017	July 31, 2016
	(Millions of yen)	
Carrying amount		
(i) Tenant leasehold and security deposits	¥ 3,536	¥ 3,543
(ii) Tenant leasehold and security deposits held in trust	5,912	5,935

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

	January 31, 2017			July 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	¥ 4,405	¥ 3,820	¥ 8,225	¥ 4,618	¥ 3,747	¥ 8,366
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

	January 31, 2017				July 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	¥ -	¥ -	¥ 14,000	¥ 14,000
Within two years, but over one year	-	-	12,200	12,200	-	-	14,500	14,500
Within three years, but over two years	-	3,500	9,200	12,700	-	3,500	9,000	12,500
Within four years, but over three years	-	-	13,900	13,900	-	-	11,400	11,400
Within five years, but over four years	-	3,000	14,000	17,000	-	3,000	12,400	15,400
Over five years	-	3,000	20,700	23,700	-	3,000	24,700	27,700

TOKYU REIT, Inc.
Notes to Financial Statements, continued
For the six months ended January 31, 2017 and July 31, 2016

18. 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 January 31, 2017 and July 31, 2016 and payable due to asset manager as of then were as follows:

	<u>January 31, 2017</u>	<u>July 31, 2016</u>
	(Millions of yen)	
Asset management fees for the period	¥ 558	¥ 557
Management fees payable due to asset manager	275	276

TOKYU REIT, Inc.
Notes to Financial Statements, continued
For the six months ended January 31, 2017 and July 31, 2016

19. 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	
	January 31, 2017	July 31, 2016
	(Millions of yen)	
Carrying amount (Note 2)		
Balance at beginning of period	¥ 211,772	¥ 212,739
Change during the period (Note 3)	(1,579)	(967)
Balance at end of period	¥ 210,192	¥ 211,772
	As of January 31, 2017	As of July 31, 2016
	(Millions of yen)	
Fair value at end of period (Note 4)	¥ 245,200	¥ 244,500

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 January 31, 2017, the amount of increase is mainly attributable to renewal of the common areas of Setagaya Business Square and other capital expenditures (¥615 million), and the amount of decrease is mainly attributable to disposition of Tokyu Saginuma 2 Building (¥1,165 million) and depreciation and amortization (¥1,001 million).

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).

Note 4. The fair value as of January 31, 2017 shows the appraisal value as appraised by an independent real estate surveyor.

The fair value as of July 31, 2016 shows the disposition price in the case of Tokyu Saginuma 2 Building, which was 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 income (loss) in the six months ended January 31, 2017 and July 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 January 31, 2017 and July 31, 2016

20. 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.

	January 31, 2017				July 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)	¥ 2,439	¥ 4,534	¥ 541	¥ 7,514	¥ 2,488	¥ 4,662	¥ 2,349	¥ 9,500
Segment income	1,448	2,292	(153)	3,588	1,356	2,431	(207)	3,580
Segment assets	73,855	136,337	9,569	219,762	75,180	136,592	9,723	221,495
Other items								
Depreciation and amortization	264	737	-	1,001	275	749	-	1,025
Increase in property and equipment and intangible assets	110	508	-	619	157	13,326	-	13,484

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

Note 2. The breakdown of the ¥541 million amount of reconciliation of operating revenues is gain on sales of real estate properties.

The breakdown of the –¥153 million amount of reconciliation of segment income is ¥541 million in gain on sales of real estate properties and ¥694 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 ¥9,569 million amount of reconciliation of segment assets is ¥8,454 million in current assets, ¥1,085 million in investments and other assets and ¥29 million in deferred assets.

Note 3. 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.

TOKYU REIT, Inc.
Notes to Financial Statements, continued
For the six months ended January 31, 2017 and July 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 January 31, 2017

Party	Operating revenues (Millions of yen)	Name of related segment
Related parties (Note)	¥ 1,539	Retail Property Leasing Business Office Property Leasing Business

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

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%.

21. Subsequent events

TOKYU REIT is not aware of any circumstances that may have a material impact on TOKYU REIT’s financial position after the 27th fiscal period ended January 31, 2017.

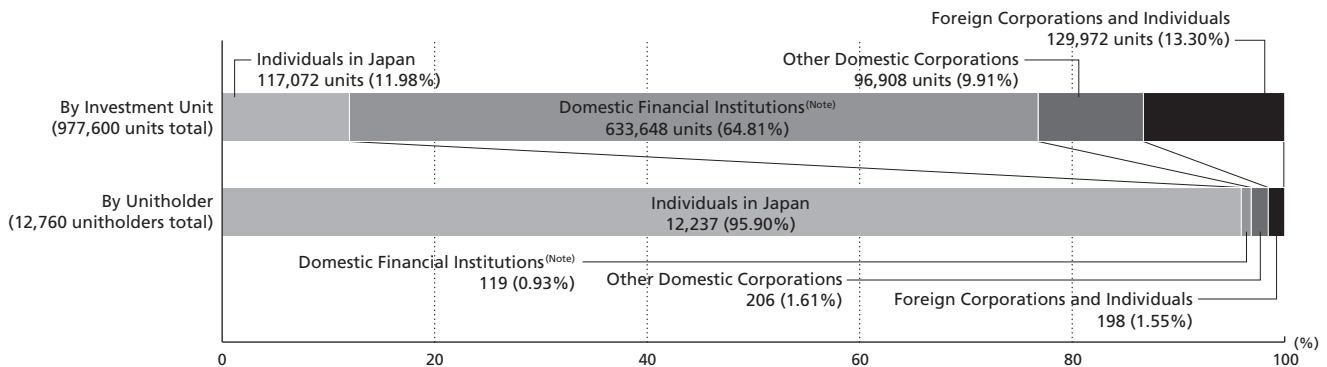
Unitholder Information

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

	27th Period	28th Period
Date of settlement	Jan. 31, 2017	Jul. 31, 2017
Announcement of financial results	Mar. 16, 2017	Mid Sep. 2017
Delivery of investment management report (Japanese only)	Apr. 13, 2017	Mid Oct. 2017
Payment of cash distributions	Apr. 14, 2017	Mid Oct. 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), 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 22nd fiscal period (ended July 31, 2014) is on October 15, 2014 and for the 23rd fiscal period (ended January 31, 2015) is on April 13, 2015.

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/).
- The information in this report without description of dates is as of January 31, 2017.

TOKYU REIT

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