

TOKYU REIT

TOKYU REIT, Inc. Semiannual Report

28th Fiscal Period

From February 1, 2017 to July 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 Tokyo 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



CONTENTS

Feature	4	Asset Management Report	31
To Our Unitholders	7	Independent Auditor's Report	55
Topics	8	Balance Sheets	56
Management	10	Statements of Income	58
Financial Strategies	16	Statements of Changes in Unitholders' Equity	59
Portfolio (properties owned at the end of the 28th fiscal period)	18	Statements of Cash Flows	60
Environmental Measures	30	Notes to Financial Statements	61
		Unitholder Information	78

28th Fiscal Period Cash Distribution per Unit

¥2,650 (Fixed)
(Date of payment: Oct. 13, 2017)

29th Fiscal Period Cash Distribution per Unit

¥2,650 (Forecast)
(Date of payment: Mid Apr. 2018)

30th Fiscal Period Cash Distribution per Unit

¥2,650 (Forecast)
(Date of payment: Mid Oct. 2018)

FINANCIAL SUMMARY

		27th Fiscal Period	28th Fiscal Period
Balance Sheets	■ Number of Properties	28 properties	28 properties
	■ Total Assets	¥219,762 million	¥219,579 million
	■ Interest-Bearing Debt	¥93,500 million	¥93,500 million
	■ Total Assets Loan-to-Value (LTV) Ratio	42.5%	42.6%
Statements of Income	■ Operating Revenues	¥7,514 million	¥6,919 million
	■ Net Income	¥2,952 million	¥2,355 million
Distributions	■ Cash Distribution per Unit	¥2,746	¥2,650
	■ Average Market Price per Unit	¥140,910	¥137,786
	■ Distribution Yield	3.87%	3.88%

(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 a 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.)

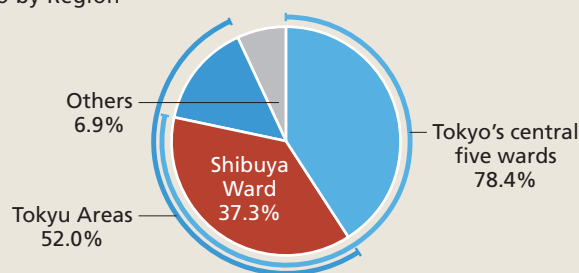
Stable earnings and cash distributions through investment in highly competitive properties in areas with strong growth potential

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
- ✓ 93.1% of investment in Tokyo's central five wards and areas along Tokyu rail lines as of the end of the 28th fiscal period
 - *Based on acquisition price
- Control earthquake risk through PML (Set portfolio PML ^(Note 1) at 10% or lower)
 - ✓ Set portfolio PML of the 28th 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))

Percentage Share in Total Portfolio by Region



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

(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.

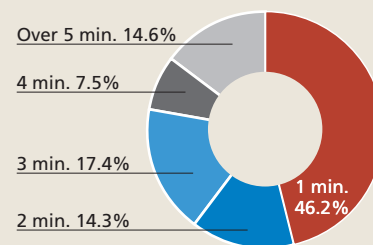
2. Excludes Shonan Mall Fill (Land with leasehold interest) and OKI System Center (Land with leasehold interest).

Highly Competitive Properties

■ Focus on Location

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

Travel time from the nearest train station (on foot; acquisition price basis)



■ Minimum investment amount per property

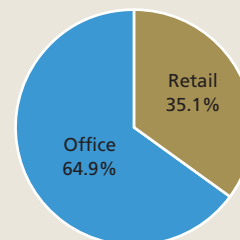
- 4 billion yen, in principle
- However,
 - (i) Properties located in Tokyu Areas (including Shibuya ward): 1 billion yen
 - (ii) Properties located in Central Tokyo (excluding Shibuya ward): 2 billion yen
 - (iii) Land with leasehold interest: 1 billion yen
- ✓ Average amount invested per property is ¥7.9 billion* (July 31, 2017)
* Based on acquisition price

■ Asset Class

- Office properties, retail properties, and complexes that include office or retail properties

(Note) When a hotel is included in the above complex, it shall, in principle, meet the following criteria.
 (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 or shall possess operational skills equal to those of Tokyu Corporation and its subsidiaries.

Investment ratio by use



Main Strategy and the Other

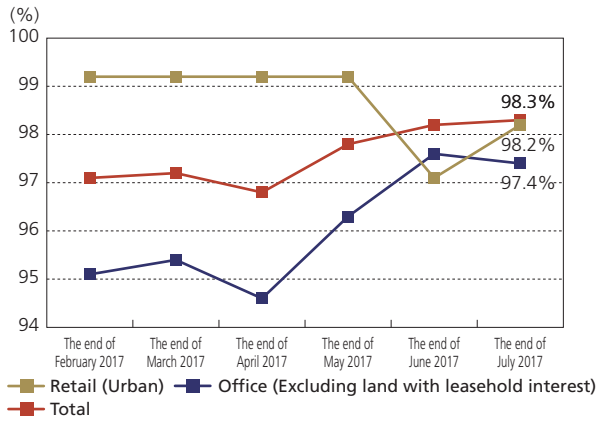
Being in the same boat as unitholders “investment management fee structure”	➔ Refer to Page 11
“Capital Re-investment Model” through collaboration with sponsors	➔ Refer to Page 13
“Value and contrarian investment strategy” focusing on cyclicity of real estate prices	➔ Refer to Page 14
Debt management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

Feature

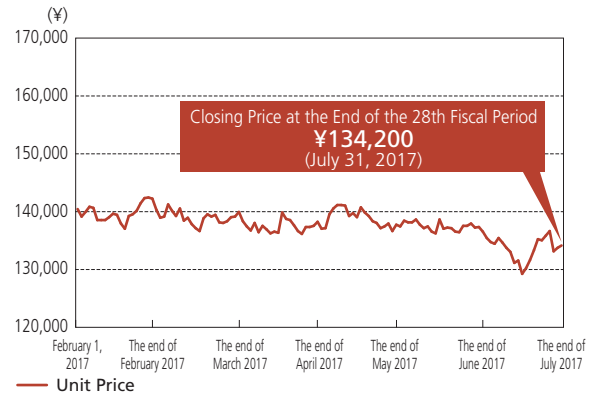
Performance

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 office properties, retail properties, and complexes that include office or retail properties located in Tokyo's central five wards (Chiyoda, Chuo, Minato, Shinjuku and Shibuya wards) and the Tokyu Areas, which refers to the areas serviced by the Tokyu rail network. As of July 31, 2017, the end of 28th fiscal period, **TOKYU REIT** held 19 office buildings and 9 retail facilities, for a total of 28 properties.

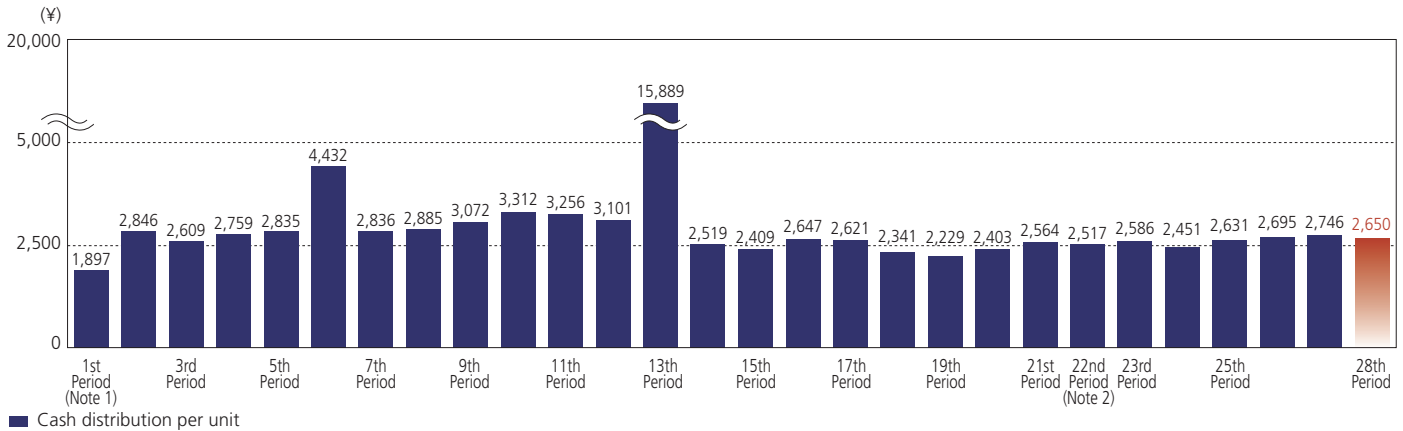
Occupancy Rate



Unit Price

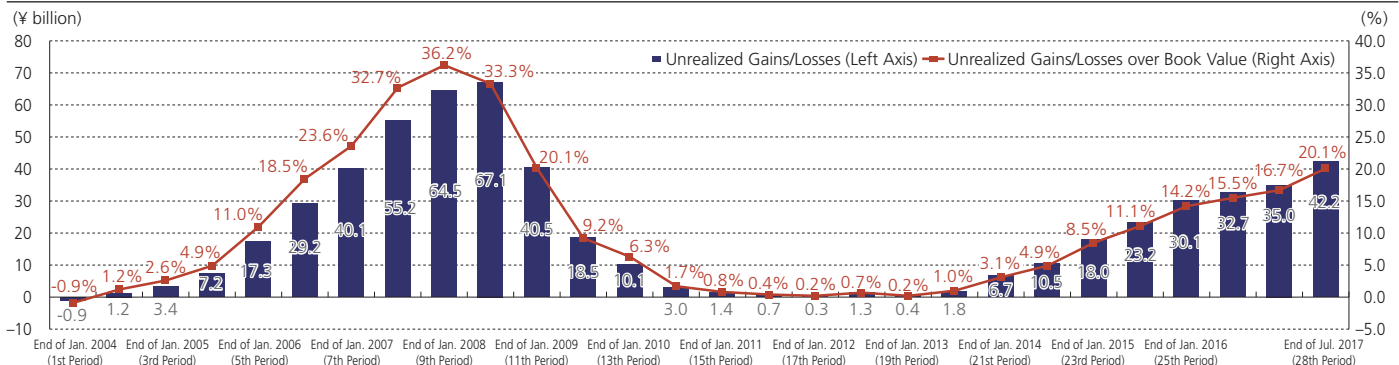


Cash Distribution per Unit



(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



Kazuyoshi Kashiwazaki

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



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 28th fiscal period from February 1, 2017 to July 31, 2017.

In the current period, we focused on the internal growth of existing properties centering on leasing of Setagaya Business Square and strived to reduce interest expenses through the refinancing of borrowings following the previous period.

At Setagaya Business Square, there was a move-out of large tenants in May 2016 and the occupancy rate dropped to 80.1% at the end of the 26th period (end of July 2016) but recovered to 95.8% at the end of the current period (end of July 2017) as a result of progressing value enhancement investments in the interior mainly in vacated sections as well as smoothly progressing leasing activities. A recovery in revenue is expected from the next fiscal period due to the full-period contribution of rental revenue and the ending of free rent period. In addition, the sections vacated by large tenants (10 sections) were occupied by 7 tenants

up until the 28th fiscal period (fiscal period ended July 2017) and we aimed for diversification of tenants. Therefore, the future risk of move-outs by large tenants decreased and stable occupancy is expected.

As a result, we achieved operating revenue of 6,919 million yen, net income of 2,355 million yen and an overall portfolio occupancy rate of 98.3%.

In the current period, revenue decreased from the previous period due to the absence of gain on sales of Tokyu Saginuma 2 Building recorded in the previous period but increased compared with the financial results forecast announced in March 2017.

For the topics in the current period including the status of Setagaya Business Square, please refer to pages 8 and 9.

In addition, distribution per unit will be 2,650 yen (96 yen decrease from the previous period, same amount as forecast) by reversing the reserve for reduction entry (240 yen per unit) accumulated through property replacement, etc. until the previous period. With the reversal in the current period, the balance of reserve for reduction entry per unit became 467 yen. We plan to continue utilizing the reserve for reduction entry to stabilize distribution.

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

TOKYU REIT greatly appreciates your continued support.

September 2017

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)

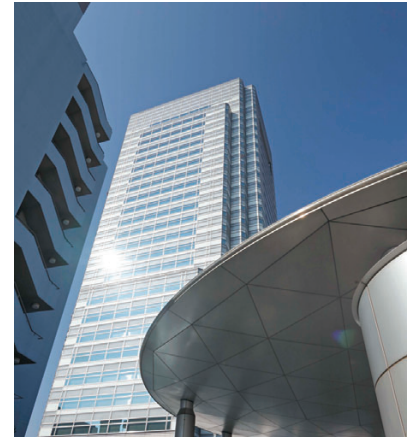
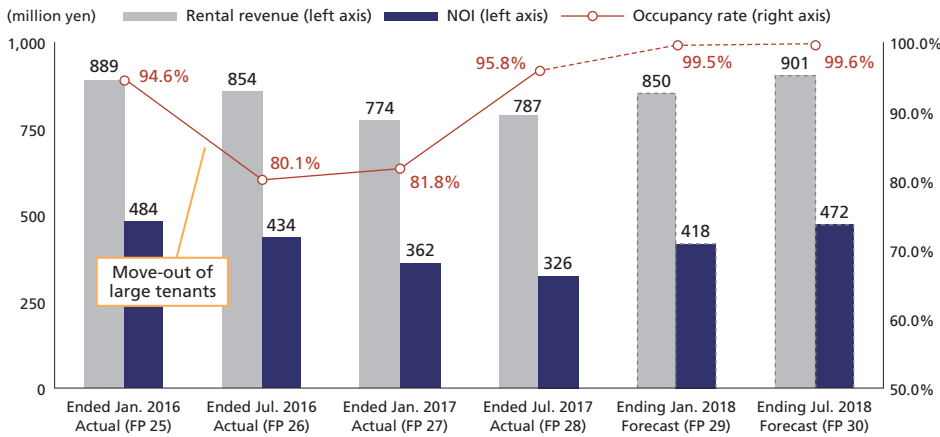
May 2015

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

Status of Setagaya Business Square

Occupancy improved significantly due to the progress of leasing activities of vacated sections

Results and Forecast of Occupancy Rate, Rental Revenue and NOI



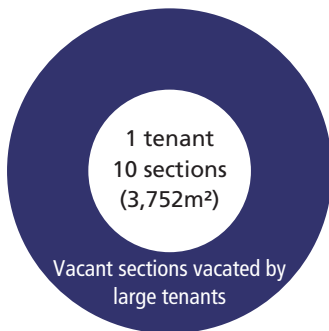
Actual and Forecasts of Move-in / Move-outs (excluding warehouse)

Area		FP 25 (ended Jan. 2016) Actual	FP 26 (ended Jul. 2016) Actual	FP 27 (ended Jan. 2017) Actual	FP 28 (ended Jul. 2017) Actual	FP 29 (ending Jan. 2018) Forecast	FP 30 (ending Jul. 2018) Forecast
Tower	Move-ins	1 section (639m ²)	2 sections (476m ²)	3 sections (1,223m ²)	6 sections (2,088m ²)	2 sections (935m ²)	3 sections (1,018m ²)
	Move-outs	2 sections (495m ²)	3 sections (1,500m ²)	4 sections (1,818m ²)	4 sections (627m ²)	—	2 sections (1,004m ²)
	Vacant sections at end of FP	3 sections (791m ²)	4 sections (1,816m ²)	5 sections (2,410m ²)	3 sections (949m ²)	1 section (14m ²)	—
Hills 1	Move-ins	—	—	—	4 sections (1,400m ²)	—	—
	Move-outs	—	4 sections (1,400m ²)	—	—	—	—
	Vacant sections at end of FP	—	4 sections (1,400m ²)	4 sections (1,400m ²)	—	—	—
Hills 2	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 3/4	Move-ins	—	—	3 sections (1,037m ²)	2 sections (560m ²)	—	—
	Move-outs	—	4 sections (1,176m ²)	—	—	—	—
	Vacant sections at end of FP	1 section (420m ²)	5 sections (1,597m ²)	2 sections (560m ²)	—	—	—
Overall	Move-ins	1 section (639m ²)	2 sections (476m ²)	7 sections (2,281m ²)	15 sections (4,114m ²)	2 sections (935m ²)	3 sections (1,018m ²)
	Move-outs	2 sections (495m ²)	11 sections (4,077m ²)	6 sections (1,858m ²)	6 sections (672m ²)	—	2 sections (1,004m ²)
	Vacant sections at end of FP	4 sections (1,212m ²)	13 sections (4,813m ²)	12 sections (4,391m ²)	3 sections (949m ²)	1 section (14m ²)	—

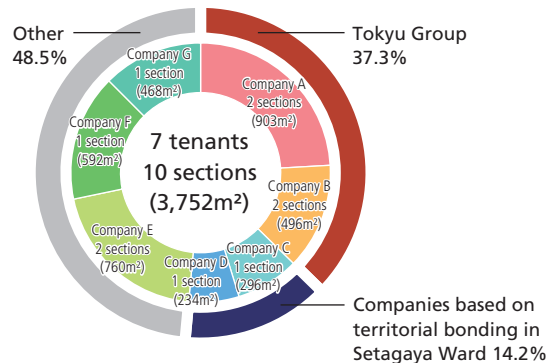
*Respective figure on amount of money and areas indicate value calculated as 55%, the co-ownership ratio of Tokyu REIT

Diversifying Tenants in Sections Vacated by Large Tenants

End of Period Ended Jul. 2016 (FP 26)



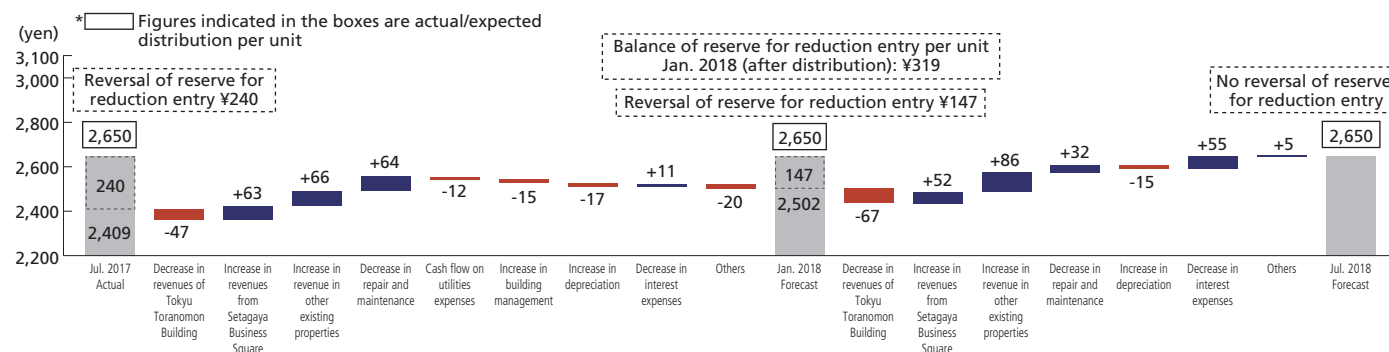
End of Period Ended Jul. 2017 (FP 28)



Forecast of Distribution per Unit

Expected to achieve distribution per unit of 2,650 yen without reversal of reserve for reduction entry in the fiscal period ending July 2018

Breakdown of Distribution per Unit by Variable Factor (End of FP ended July 2017 to End of FP ending July 2018)



	FP ending Jan. 2018 Forecast	FP ending Jul. 2018 Forecast
Occupancy rate of portfolio	98.3% (+0.0pts)	99.6% (+1.3pts)
Setagaya Business Square	99.5% (+3.7pts)	99.6% (+0.1pts)
Tokyu Toranomon Building	67.2% (-32.8pts)	100.0% (+32.8pts)
NOI	4,746 million yen (+114 million yen)	4,859 million yen (+113 million yen)
Average interest	1.17% (-0.04pts)	1.07% (-0.10pts)
Note	<ul style="list-style-type: none"> 4 floors were vacated by large tenants and 1 floor was occupied due to the expansion of floor area during the period at Tokyu Toranomon Building The overall revenue is expected to increase due to the move-in of tenants and termination of free rent period at Setagaya Business Square and the impact of upward rent revision at other existing properties 	
	<ul style="list-style-type: none"> The vacant section (3 floors) at Tokyu Toranomon Building is expected to be occupied in the fiscal period ending July 2018 but profit contribution is likely to be made in the fiscal period ending January 2019 onwards Setagaya Business Square made full-period profit contribution Revenue is expected to increase overall due to the termination of free rent period and decrease in interest expenses at other existing properties Distribution is expected to be 2,650 yen without reversal of reduction entry 	

*Figures in parenthesis are comparison with previous fiscal period

External Growth Policy

Investment Environment Decisions

<p><Player></p> <ul style="list-style-type: none"> Funds scheduled to be used for real estate investment across the world remain at a high level Capital inflow into Japanese real estate with relatively large yield gap Many players centering on funds, etc. exist 	<p><Cap rate level></p> <ul style="list-style-type: none"> There was an extremely small supply of investment-grade properties and prime properties in central Tokyo with high scarcity decreased to the lower end of around the 2% range <p><Market rent level></p> <ul style="list-style-type: none"> Forecasted to continue increasing gradually for the meanwhile, peak out with the mass supply in 2018 to 2020 and decrease gradually after that
--	---

Conducting selective investment in properties in prime locations and offering prospect of medium-to long-term stability in cash flow by eyeing the future peak out of the real estate market

Image of the Targeted Use Composition

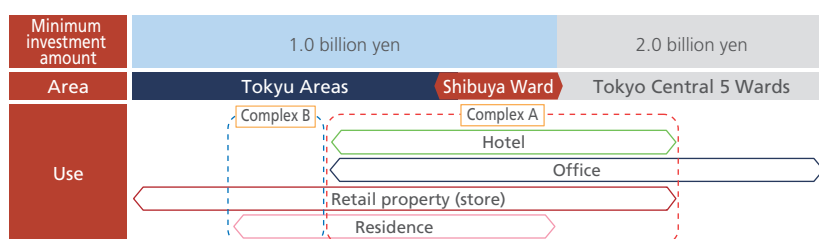


Image of Complex A

- Property owned and developed by the sponsor in the Tokyo Central 5 Wards and Tokyo Areas
- Investment amount: 4.0 billion yen or larger

Image of Complex B

- Complex that includes residence and retail properties located in the Tokyu Area (Conducted selective investment by assessing the composition of use in accordance with the characteristics of each area)
- Investment amount: Around 1.0 billion to 4.0 billion yen

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 28th 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

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

Maruhito Kondo Supervisory Director

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

Note: See page 7 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

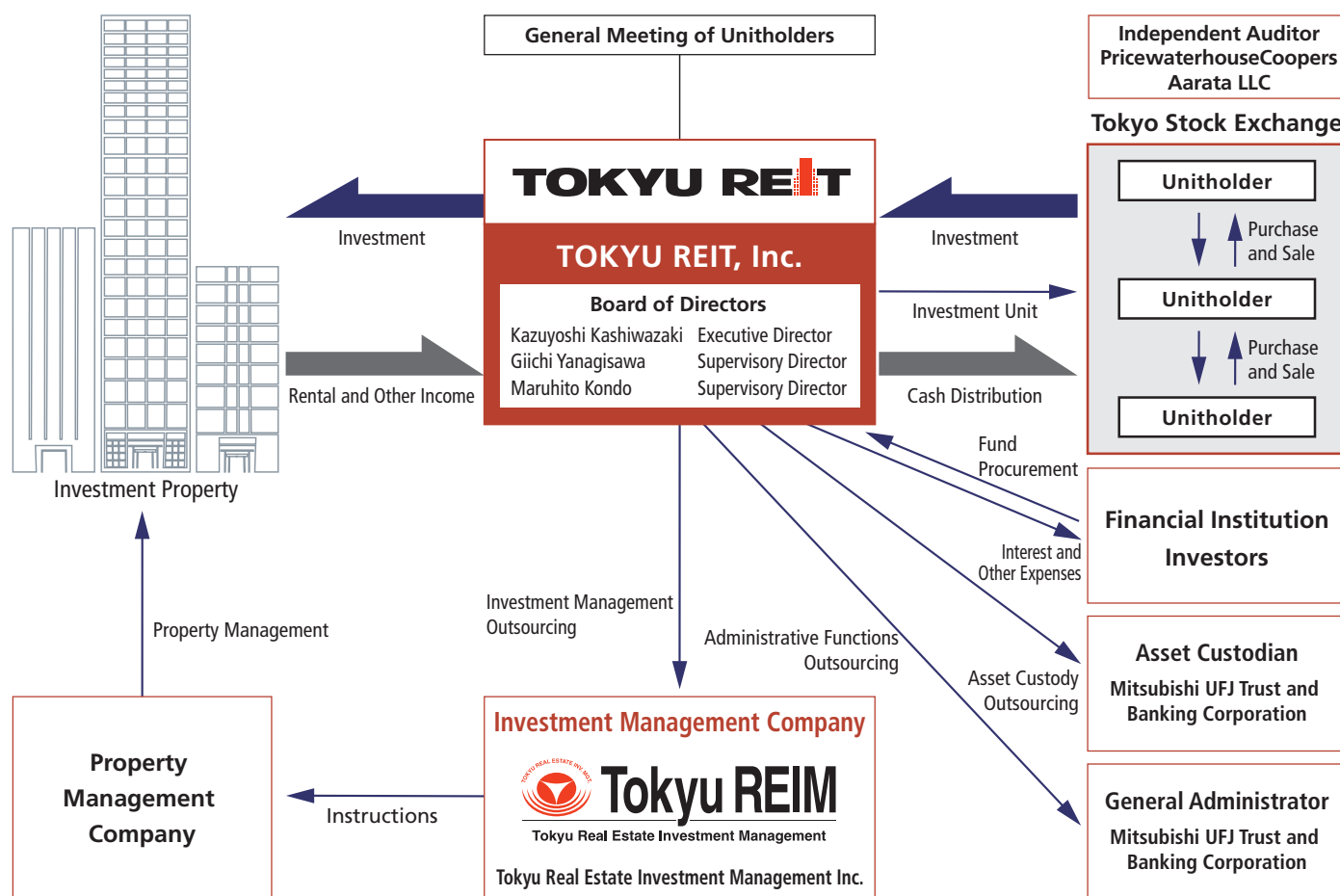
- 1 Involvement of independent outside board members**
- 2 Optimal balance between sponsor collaboration and independence**
- 3 Strict focus on fiduciary duty for investment management company and the others**
- 4 Management fee set to "being in the same boat as unitholders"**

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 (28th fiscal period): 1.8 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.

TOKYU REIT Structure and External Service Providers



Overview of Investment Management Fee

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

Remuneration	Criteria for calculation	Remuneration (FP ended Jul 2017)
	Reason for adoption	
Base 1 (Linked to asset valuation)	Asset value at end of previous period × 0.125% (0.120% for the portion exceeding 200 billion yen and 300 billion yen or less) (0.115% for the portion exceeding 300 billion yen)	¥304 mn
	It will be linked not to the total investment amount but to the total asset valuation and motivate the enhancement of asset value even after the acquisition of properties	
Base 2 (Linked to cash flow)	Standard cash flow in current period ^(Note) × 6.0% (5.7% for the portion exceeding 5.0 billion yen and 7.5 billion yen or less) (5.4% for the portion exceeding 7.5 billion yen)	¥234 mn
	Motivating the increase of distributions through the increase in rent revenue and reduction of expenses	
Incentive Fee (Linked to investment unit price)	(Average price in current period - Highest average price over all previous periods) × number of units × 0.4%	Not occurred
	It will motivate the increase in investment unit price and efforts on the overall asset management business such as finance, IR, governance and compliance in addition to the normal asset management business will be enriched	

(Note) 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.

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

Management

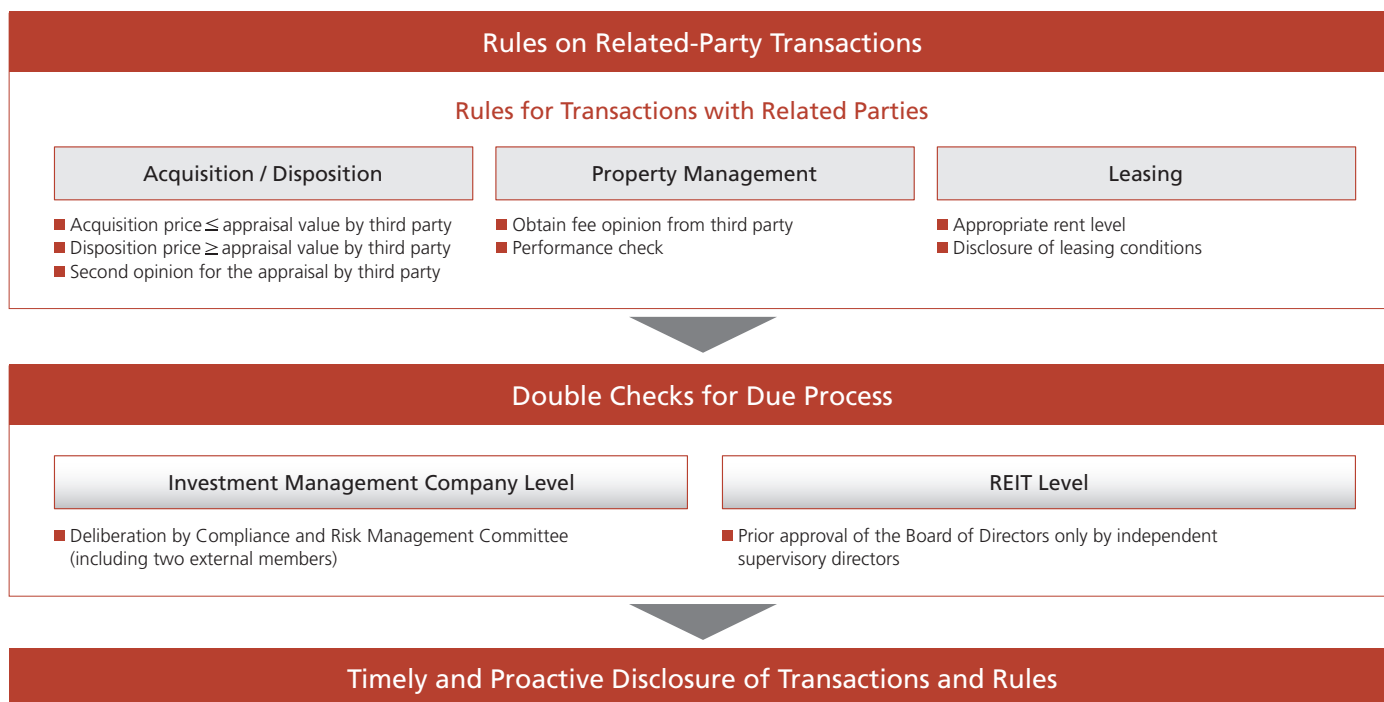
Collaboration with Tokyu Corporation and Its Subsidiaries

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

Pipeline Support for Property Acquisition	<ul style="list-style-type: none"> 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



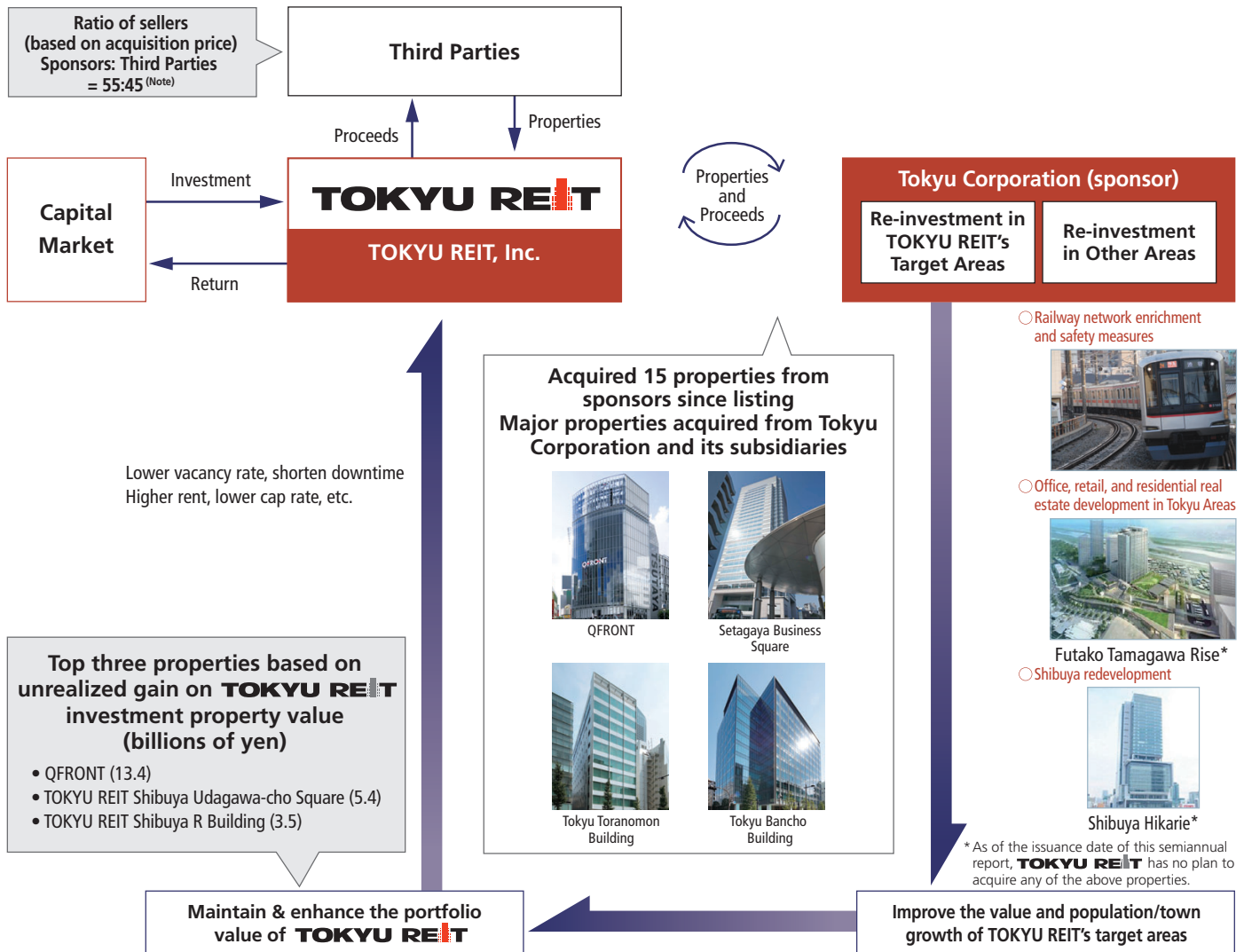
(Note) "Related Parties" is a collective term for "Tokyu Corporation and its subsidiaries," "Affiliates of Tokyu Corporation except Tokyu Corporation's subsidiaries," and "Tokyu Land Corporation and its subsidiaries."

- "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

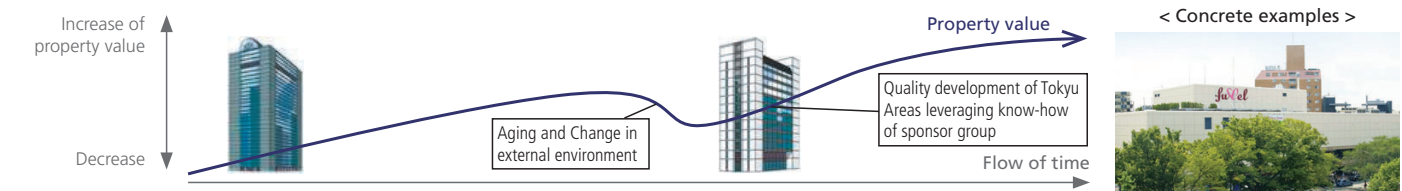
“Capital Re-investment Model” through collaboration with sponsors

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



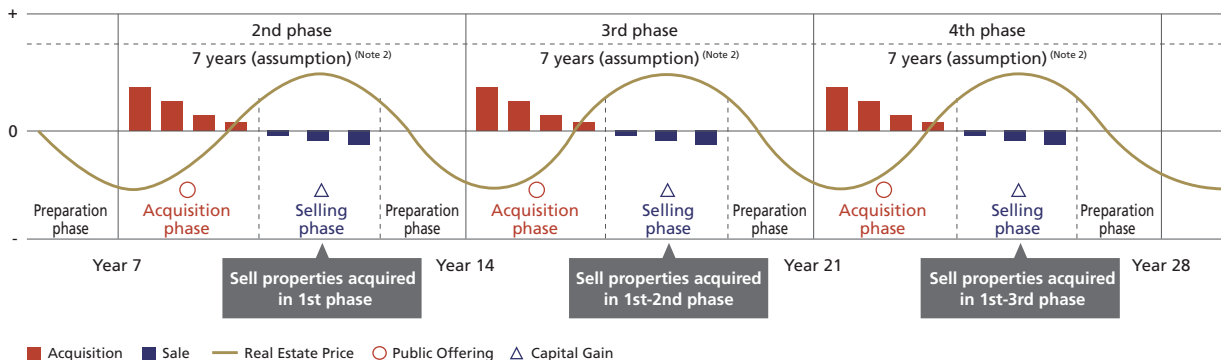
Owner	Sponsor	Tokyu REIT	Sponsor	Tokyu REIT
Stages of property	Development	Management	Redevelopment	Management
Division of roles	Tokyu REIT	—	Attracting prime tenants Effective renovations	—
	Sponsor	Enhancement of added value of Tokyu Areas through property development	Re-investment of funds from sales in Tokyu Areas, etc.	Enhancement of added value of Tokyu Areas through redevelopment
		—	Attracting prime tenants Effective renovations	—
		Re-investment of funds from sales in Tokyu Areas, etc.	—	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 REIT's Long-Term Investment Management Strategy (Surf Plan)

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

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

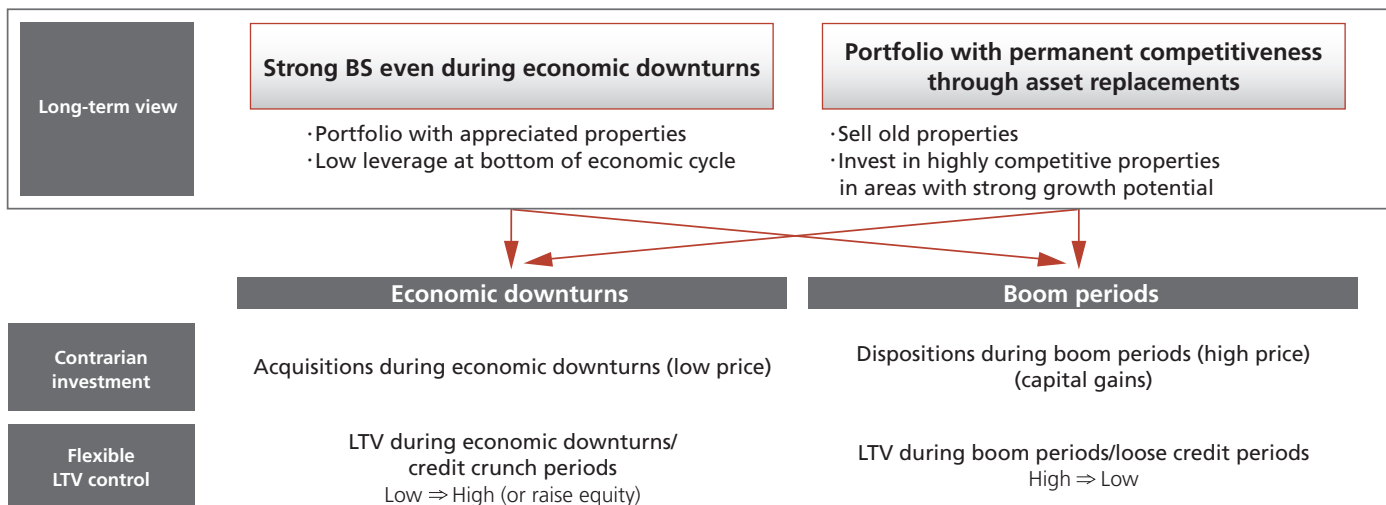
Value

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



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.

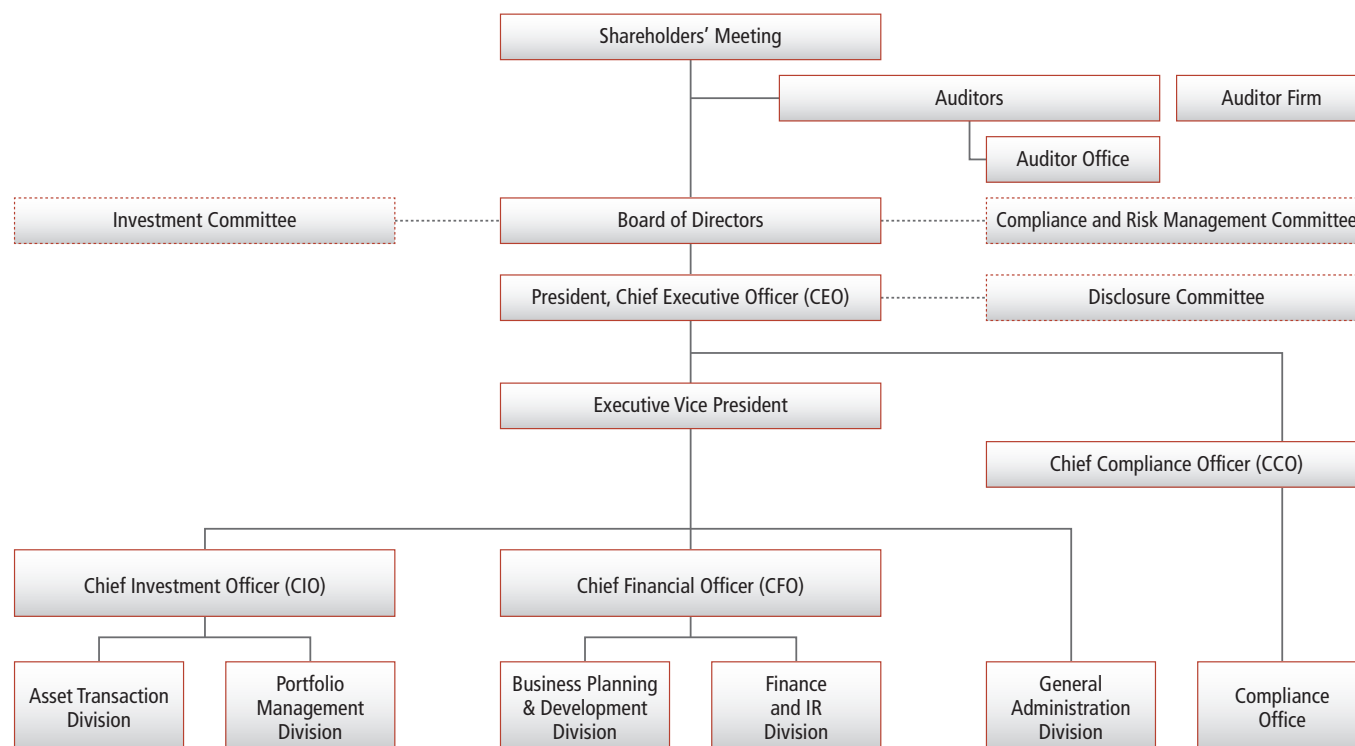
Tokyu REIM is a financial instruments dealer under the Financial Instruments and Exchange Law (Kanto Financial Bureau (*Kin-sho*) No. 360).

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

■ Major Shareholder

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

■ Organization Chart



Debt management strong against credit crises

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

Basic Policies	Stability in Funding
	<ul style="list-style-type: none"> ■ 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
	<ul style="list-style-type: none"> ■ Assurance of Prompt Fund Procurement Schemes
	Efficiency
	<ul style="list-style-type: none"> ■ 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	3.64 years
Commitment Line	¥18 billion

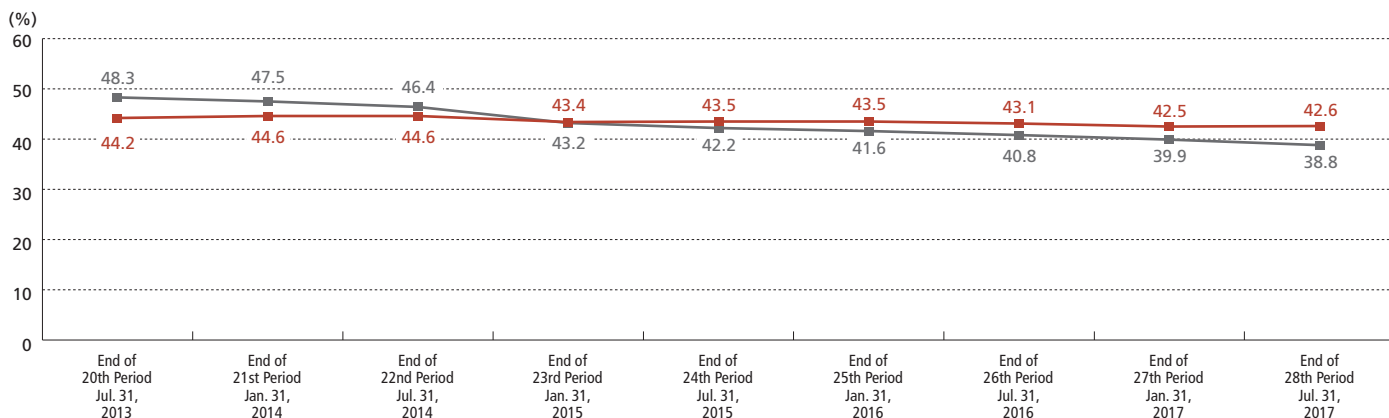
The execution of the commitment line agreement allows us to undergo debt financing at any given time up to the designated amount. To this end, a flexible and efficient fund procurement system has been assured. Moreover, there is no outstanding debt under the commitment line as of July 31, 2017.

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.



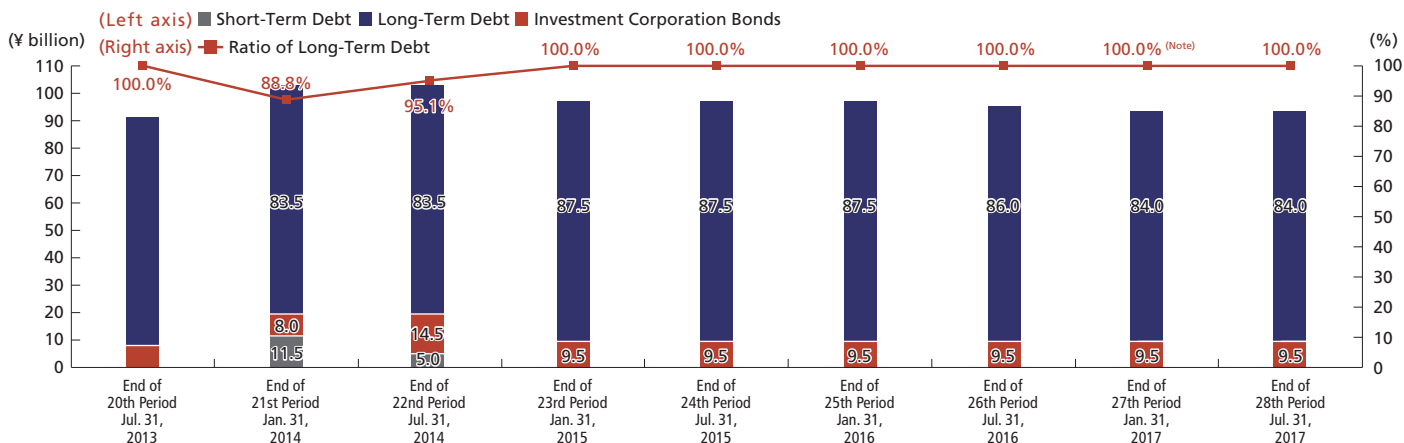
■ LTV based on total assets at end of period = Balance of period-end interest-bearing debt / Period end total assets

■ 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

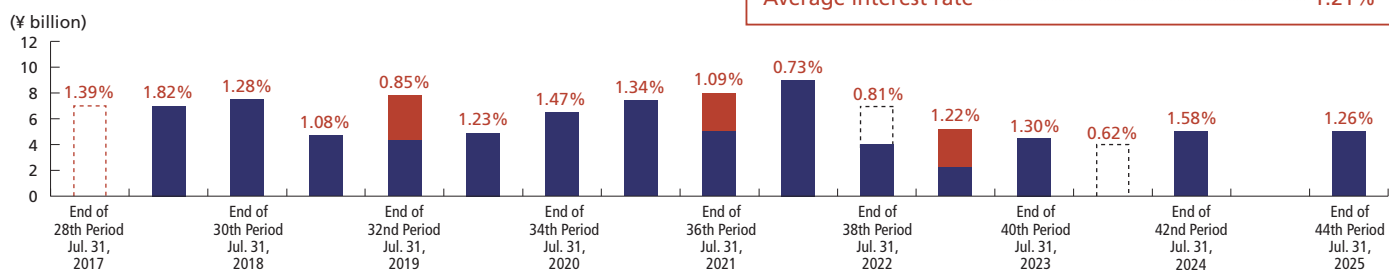
TOKYU REIT conversion to long-term fixed-interest debt financing, as shown below. Long-term fixed-interest debt financing enables TOKYU REIT to curb any excessive burden resulting from increases in interest rates.



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 28th fiscal period ▨ Debt Financing during 28th fiscal period
 ■ Investment Corporation Bonds ■ Long-Term Debt ■ Short-Term Debt
 Weighted average annual interest rate (excluding short-term debt)



Portfolio (properties owned at the end of the 28th fiscal period)

Portfolio Overview (at the End of the Fiscal Period)

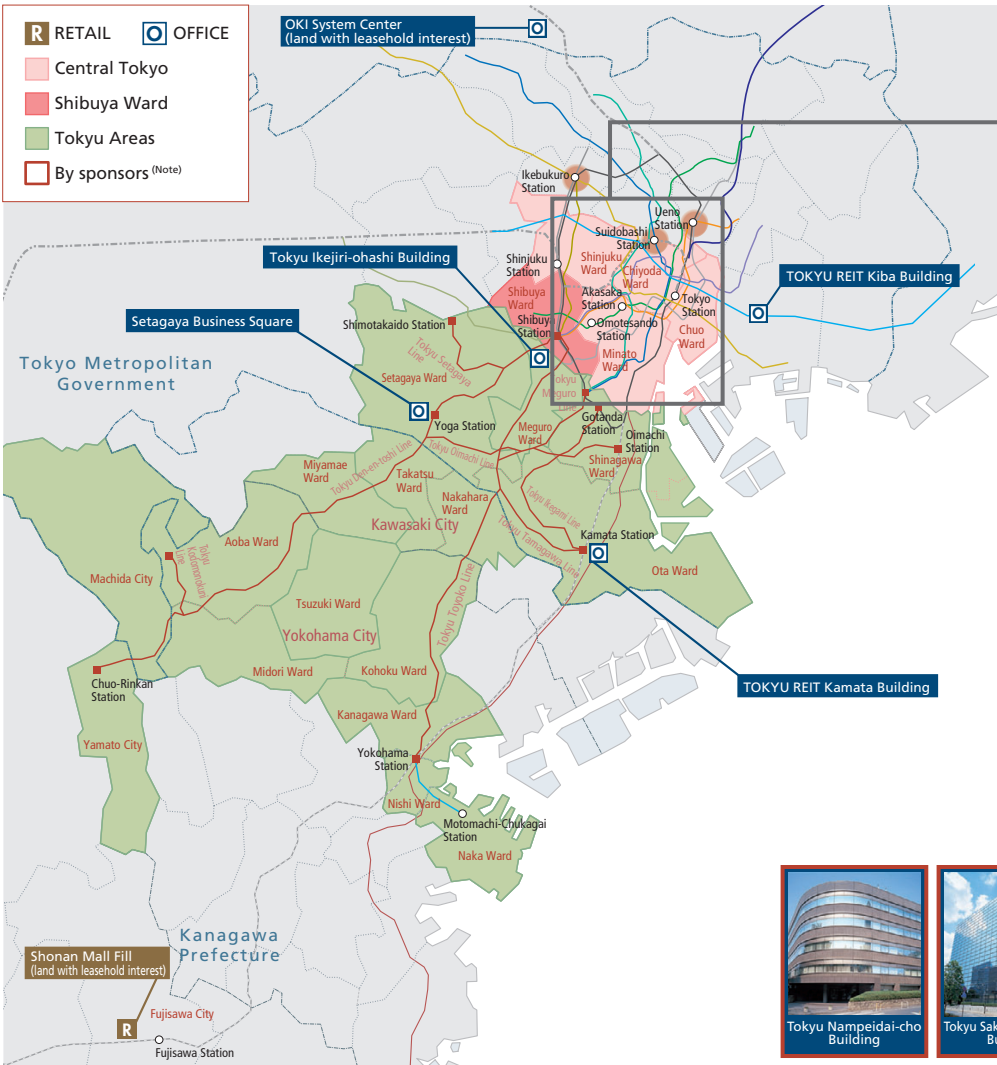
Use	Name of Property	Acquisition Date	Acquisition Price (¥ million)	Location	Total Leasable Area (m ²)	Occupancy Rate	Ratio (Based on Acquisition Price) ^(Note 1)	Probable Maximum Loss (PML) in Earthquake Risk Analysis
R	QFRONT	Sep. 10, 2003	15,100	Shibuya Ward, Tokyo	4,502.93	100.0%	6.8%	4.2%
R	Lexington 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	8,295.62	100.0%	11.0%	6.2%
		Aug. 2, 2005	9,800					
R	Shonan Mall Fill (land with leasehold interest)	Apr. 28, 2006	6,810	Fujisawa City, Kanagawa Prefecture	44,078.12	100.0%	3.1%	—
R	CONZE Ebisu	Oct. 31, 2006	5,117	Shibuya Ward, Tokyo	2,327.00	100.0%	2.3%	4.1%
R	Daikanyama Forum	Apr. 22, 2008	4,136	Shibuya Ward, Tokyo	2,477.64	100.0%	1.9%	8.0%
R	KALEIDO Shibuya Miyamasuzaka	Aug. 16, 2013	5,150	Shibuya Ward, Tokyo	3,399.34	85.3%	2.3%	4.4%
⊙	Setagaya Business Square	Sep. 11, 2003	22,400	Setagaya Ward, Tokyo	24,920.26	95.8%	10.1%	2.9%
⊙	Tokyu Nampocho Building	Sep. 11, 2003	4,660	Shibuya Ward, Tokyo	7,148.18	100.0%	2.1%	7.9%
⊙	Tokyu Sakuragaoka-cho Building	Sep. 11, 2003	6,620	Shibuya Ward, Tokyo	4,737.19	100.0%	3.0%	11.1%
⊙	Tokyo Nissan Taito Building	Sep. 11, 2003	4,450	Taito Ward, Tokyo	7,845.42	93.8%	2.0%	7.4%
⊙	TOKYU REIT Akasaka Hinokicho Building	Sep. 10, 2003	3,570	Minato Ward, Tokyo	3,202.57	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	88.4%	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	92.9%	4.0%	4.2%
⊙	Akihabara Sanwa Toyo Building	Oct. 29, 2010	4,600	Chiyoda Ward, Tokyo	4,590.53	100.0%	2.1%	11.8%
⊙	TOKYU REIT Kiba Building	Oct. 29, 2010	4,000	Koto Ward, Tokyo	5,797.79	100.0%	1.8%	7.4%
⊙	Tokyu Ginza 2-chome Building	Feb. 15, 2011	5,010	Chuo Ward, Tokyo	3,469.14	100.0%	2.3%	4.4%
⊙	OKI System Center (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 2)	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	100.0%	5.7%	3.3%
	Total		222,340		210,373.50	98.3%	100.0%	3.8% ^(Note 3)

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

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

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

Investment Targeted Areas



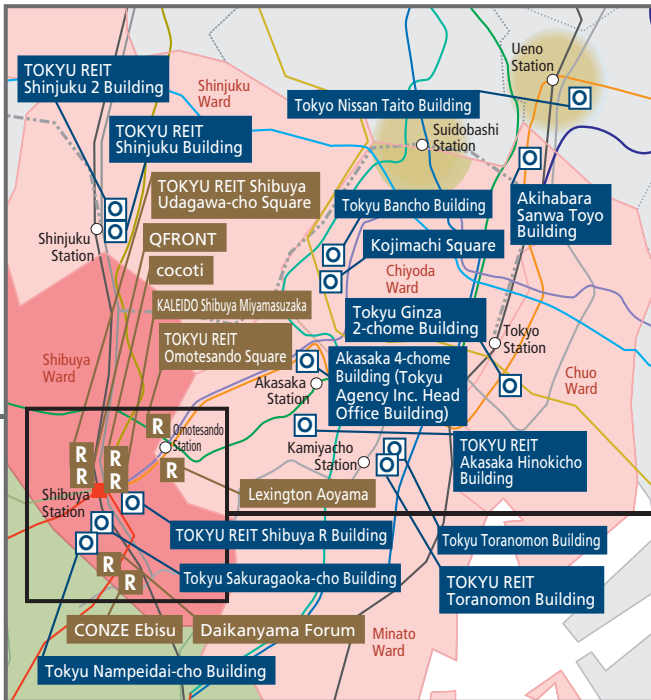
- Tokyu Railways
- Tokyu Metro Hanzomon Line
- Tokyu Metro Ginza Line
- Tokyu Metro Yurakucho Line
- Tokyu Metro Hibiya Line
- Tokyu Metro Chiyoda Line
- Tokyu Metro Tozai Line
- Tokyu Metro Nanboku Line
- Tokyu Metro Fukutoshin Line
- Minatomirai Line
- Toei Mita Line
- Keio Inokashira Line
- Keikyu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

Portfolio (properties owned at the end of the 28th fiscal period)

Investment Targeted Areas



* 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 Development Project (SHIBUYA SCRAMBLE SQUARE)



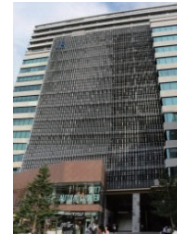
Implementing body	Tokyu Corporation, East Japan Railway Company, Tokyu Metro
Usage	Office, store, observation facility, parking lot, etc.
Total floor space	Approx. 276,000m ²
Height	East building: Approx. 230m Central building: Approx. 61m West building: Approx. 76m
Opening	East building: to be completed in fiscal 2019 (scheduled) Central building, west building: to be completed in fiscal 2027 (scheduled)

2 Shibuya Station South Area Project (SHIBUYA STREAM)



Implementing body	Tokyu Corporation, etc.
Usage	Office, store, hotel, hall, parking lot, etc.
Total floor space	Approx. 116,700m ²
Height	Approx. 180m
Opening	Autumn 2018 (scheduled)

3 SHIBUYA CAST.



Implementing body	Shibuya Miyashitchao Realty
Usage	Office, store, apartment, etc.
Total floor space	Approx. 35,000m ²
Height	Approx. 71m
Opening	April 28, 2017

*Connecting passage to adjacent building cocoti is installed

4 Dogenzaka 1-chome Ekimae Area

Implementing body	Dogenzaka 1-chome Ekimae Area Urban Redevelopment Association (Member: Tokyu Land Corporation)
Usage	Office, store, parking lot, etc.
Total floor space	Approx. 58,680m ²
Height	Approx. 103m
Opening	Fiscal 2019 (scheduled)

5 Shibuya Station Sakuragaoka-guchi Area

Implementing body	Shibuya Station Sakuragaoka-guchi Area Urban Redevelopment Association (Member: Tokyu Land Corporation)
Usage	Office, store, residences, church, parking lot, etc.
Total floor space	Approx. 252,870m ²
Height	A1 building: Approx. 180m B building: Approx. 150m A2 building: Approx. 90m C building: Approx. 16.5m
Opening	To be completed in 2023 (scheduled)

List of Properties Owned by TOKYU REIT in Greater Shibuya Area (12 Properties)












Acquisition Price: 93.2 billion yen
 Appraisal Value: 117.7 billion yen



Data of the 28th 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.

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	21.3%
2	OKI Electric Industry Co., Ltd.	Electric equipment	 OKI System Center (land with leasehold interest)	3/26/2033	17,019.19	8.2%
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 Toranomom Building	3/31/2020	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	 QFRONT	12/14/2019	4,044.10	2.0%
7	NTT DATA Corporation	Service	 Tokyu Toranomom Building	11/30/2017	3,938.20	1.9%
8	Japan Post Insurance	Insurance	 TOKYU REIT Toranomom Building	4/30/2018 ^(Note 2)	3,553.89	1.7%
9	Tokyu Agency Inc.	Service	 Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	1/31/2023	3,533.03	1.7%
10	OPT Holding Inc.	Other financial services	 Tokyu Bancho Building ^(Note 3)	12/31/2018	3,388.15	1.6%
Total of top 10 tenants in leased area					100,097.30	48.4%
Total leased area as of end of FP 28 (ended Jul. 2017)(28 properties)					206,707.60	100.0%

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

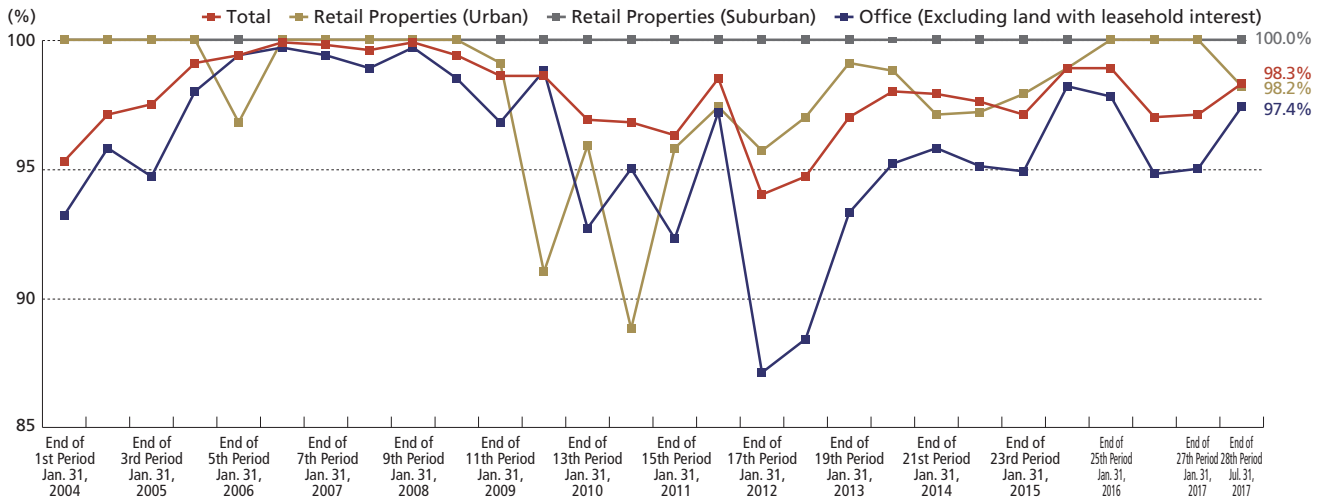
(Notes) 1. The new earthquake resistance standards are the earthquake resistant design standards based on the Building Standards Act, which was revised in 1981 with the aim to prevent buildings from collapsing even from earthquakes with seismic intensity of six and secure safety for human lives. Buildings 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).

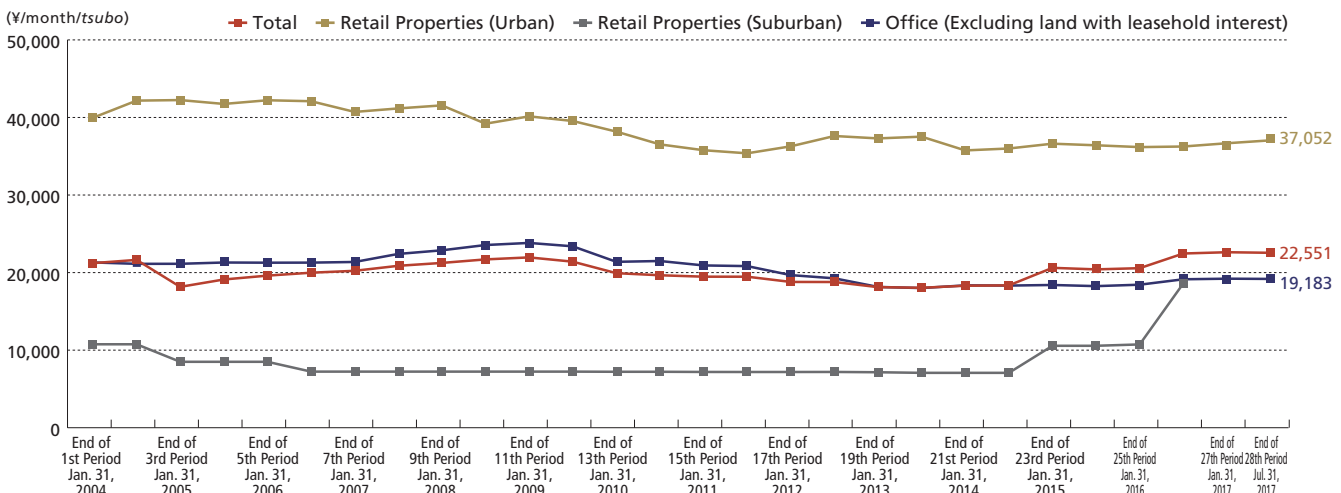
Portfolio (properties owned at the end of the 28th fiscal period)

Track Record (Results of Management)

Changes in Occupancy Rate

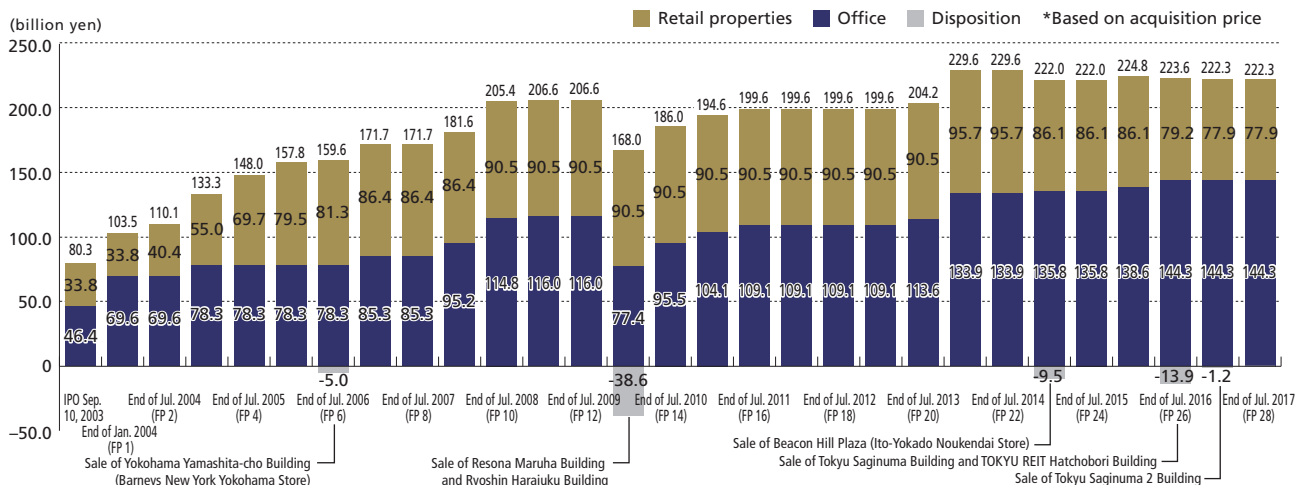


Changes in Average Rent



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

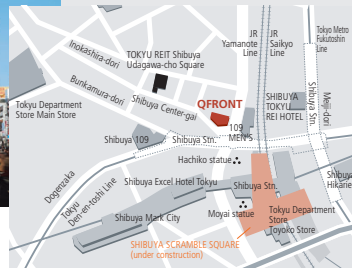
Change in Asset Size



R QFRONT



A retail property representing Tokyo facing the scramble crossing in front of Shibuya Station.



Address: 21-6, Udagawa-cho, Shibuya-ku, Tokyo
 Nearest Station: Approximately a one-minute walk from Shibuya Station—JR Yamanote Line, etc.
 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

R Lexington Aoyama



A retail property located at the center of Kotto-dori where stores serving customers with high sensibility concentrate.



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/RC, B1/4F
 Completed: January 1998
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership

R TOKYU REIT Omotesando Square



A retail property located near Omotesando Station, comprised of various stores such as restaurants, cafés, general merchandise store, sports gym and beauty salon, etc.

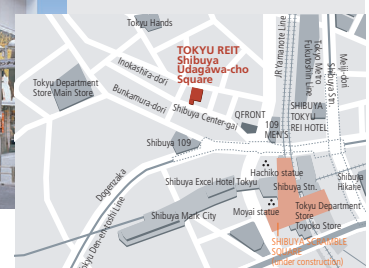


Address: 4-3-2, Jingumae, Shibuya-ku, Tokyo
 Nearest Station: Approximately a two-minute walk from Omotesando Station—Tokyo Metro Ginza Line, etc.
 Total Land Space: 1,259.21m²
 Total Floor Space: 3,321.20m²
 Structure/Floors: S/SRC, B1/4F
 Completed: October 1985
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership

R TOKYU REIT Shibuya Udagawa-cho Square



A retail property facing Inokashira-dori and Shibuya Center Street, occupied by apparel stores and restaurants.



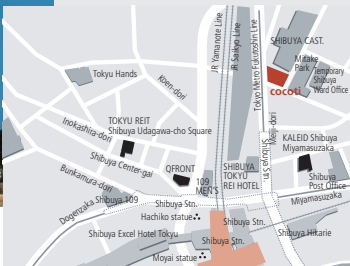
Address: [Bldg. 1] 25-10, Udagawa-cho, Shibuya-ku, Tokyo
 [Bldg. 2] 25-5, Udagawa-cho, Shibuya-ku, Tokyo
 Nearest Station: Approximately a two-minute walk from Shibuya Station—JR Yamanote Line, etc.
 Total Land Space: 679.27m²
 Total Floor Space: [Bldg. 1] 1,473.10m²
 [Bldg. 2] 56.39m²
 Structure/Floors: [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

PORTFOLIO (properties owned at the end of the 28th fiscal period)

R cocoti



A retail property with high-quality design located along Meiji-dori and occupied by brand shops and cafés. A pathway connected to SHIBUYA CAST., a property developed by the sponsor, established in April 2017.



Address: 1-23-16, Shibuya, Shibuya-ku, Tokyo
 Nearest Station: Approximately a one-minute walk from Shibuya Station—Tokyo Metro Ginza 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

R Shonan Mall Fill (land with leasehold interest)



Land with leasehold interest of a large retail property located between Fujisawa Station and Tsujido Station.



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
 Total Land Space: 44,078.12m²
 Type of Ownership: Land—Proprietary ownership

R CONZE Ebisu



A retail property located in the Ebisu area occupied by restaurants and service stores. Foreign companies and fashion companies concentrate in the area ranging from Hiroo to Daikanyama and Nakameguro including the Ebisu Station area.



Address: 2-3-14, Ebisu-Minami, Shibuya-ku, Tokyo
 Nearest Station: Approximately a two-minute walk from Ebisu Station—Tokyo Metro Hibiya Line, etc.
 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

R Daikanyama Forum



A retail property occupied by high-end tenants comprised of two buildings with an external appearance in harmony with Kyu Yamate-dori.

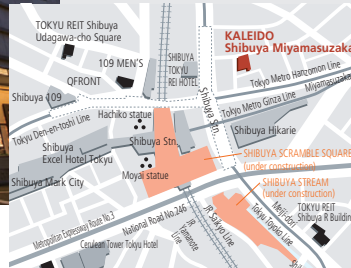


Address: 17-16, Sarugaku-cho, Shibuya-ku, Tokyo
 Nearest Station: Approximately a six-minute walk from Daikanyama Station—Tokyu Toyoko Line
 Total Land Space: Building 1 (East): Site rights area 942.30m²
 Building 2 (West): Site rights area 1,108.01m²
 Total Floor Space: Building 1 (East): 1,441.57m²
 Building 2 (West): 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

R KALEIDO Shibuya Miyamasuzaka

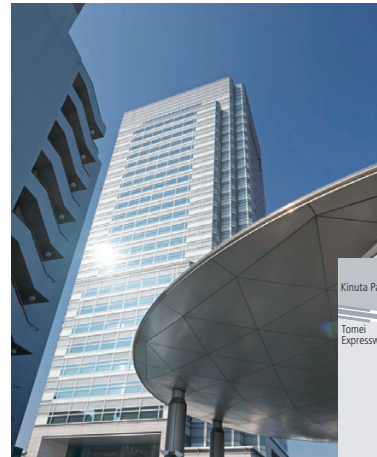


A retail property comprised of tenants such as restaurants and amusement businesses.



Address: 1-12-1, Shibuya, Shibuya-ku, Tokyo
 Nearest Station: Approximately a one-minute walk from Shibuya Station—Tokyo Metro Ginza Line, etc.
 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

Setagaya Business Square



Complex office buildings comprised of super high-rise buildings directly connected to Yoga Station. Has excellent access from National Road No. 246, Kampachi-dori and the Yoga interchange on Metropolitan Expressway Route No. 3.

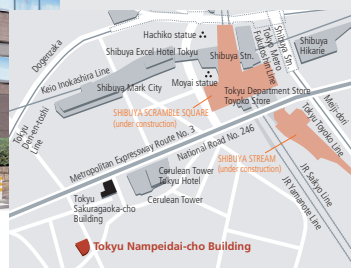


Address: 4-10-1,2,3,4,5,6, Yoga, Setagaya-ku, Tokyo
 Nearest Station: Approximately a one-minute walk from Yoga Station—Tokyu Den-en-toshi Line
 Total Land Space: 21,315.68m²
 Total Floor Space: 94,373.72m²
 Structure/Floors: SRC/RC/S, B2/28F
 Completed: September 1993
 Type of Ownership: Land—Proprietary ownership (Co-ownership ratio 55%)
 Building—Proprietary ownership (Co-ownership ratio 55%)

Tokyu Nampeidai-cho Building



A five-story office building located in the Shibuya area where development is progressing. Occupied by the headquarters of Tokyu Corporation.



Address: 5-6, Nampeidai-cho, Shibuya-ku, Tokyo
 Nearest Station: Approximately a seven-minute walk from Shibuya Station—JR Yamanote Line, etc.
 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

Tokyu Sakuragaoka-cho Building



A nine-story office building located in the Shibuya area where development is progressing. Occupied by the headquarters of Tokyu Corporation.



Address: 31-2, Sakuragaoka-cho, Shibuya-ku, Tokyo
 Nearest Station: Approximately a five-minute walk from Shibuya Station—JR Yamanote Line, etc.
 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) All of compartmentalized ownership with whole building are entrusted.

PORTFOLIO (properties owned at the end of the 28th fiscal period)

Tokyo Nissan Taito Building



A highly convenient office building several stations including Inaricho Station and Shin-Okachimachi Station available for use.



Address: 2-6-6, Moto-Asakusa, Taito-ku, Tokyo
 Nearest Station: Approximately a three-minute walk from Inari-cho Station—Tokyo Metro Ginza Line
 Total Land Space: 1,718.45m²
 Total Floor Space: 11,373.20m²
 Structure/Floors: SRC, B2/10F
 Completed: September 1992
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership

TOKYU REIT Akasaka Hinokicho Building



An office building located along the very vibrant Akasaka-dori.



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

TOKYU REIT Kamata Building



A nine-story office building adjacent to the Ota Ward Office.



Address: 5-13-23, Kamata, Ota-ku, Tokyo
 Nearest Station: Approximately a three-minute walk from Kamata Station—JR Keihin Tohoku Line, etc.
 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

TOKYU REIT Toranomon Building



An office building located in an area expected to become more vibrant where large-scale redevelopments are underway nearby.



Address: 3-17-1, Toranomon, Minato-ku, Tokyo
 Nearest Station: Approximately a one-minute walk from Kamiyacho Station—Tokyo Metro Hibiya Line, etc.
 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

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



A nine-story office building located in the Akasaka-Mitsuke and Nagatacho area.



Address: 4-8-18, Akasaka, Minato-ku, Tokyo
 Nearest Station: Approximately a four-minute walk from Akasaka-Mitsuke Station—Tokyo Metro Ginza 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

○ Tokyu Ikejiri-ohashi Building



An office building located in the area surrounding Ikejiri-Ohashi Station expected to accommodate stable demand in the Shibuya area.



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

○ Kojimachi Square



An office building where demand from tenants pursuing an image of an academic area, proximity to central Tokyo, and a quiet environment is expected.

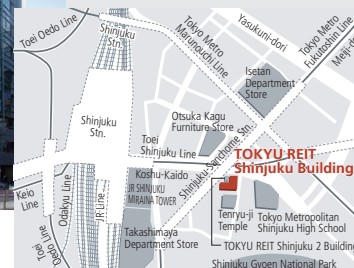


Address: 3, Nibancho, Chiyoda-ku Tokyo
 Nearest Station: Approximately a one-minute walk from Kojimachi Station—Tokyo Metro Yurakucho Line, etc.
 Total Land Space: 1,269.24m²
 Total Floor Space: 6,803.47m²
 Structure/Floors: S/RC, B1/7F
 Completed: January 2003
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership

○ TOKYU REIT Shinjuku Building



An office building where demand from sales and service-related companies is expected against the backdrop of the vibrant commercial areas.



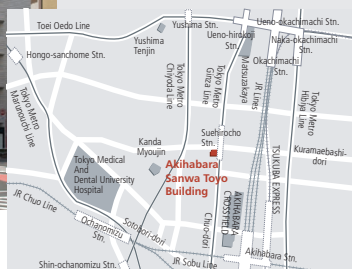
Address: 4-3-25, Shinjuku, Shinjuku-ku, Tokyo
 Nearest Station: Approximately a one-minute walk from Shinjuku-Sanchome Station—Tokyo Metro Marunouchi Line, etc.
 Approximately a four-minute walk from Shinjuku Station—JR Yamanote Line, etc.
 Total Land Space: 1,113.87m²
 Total Floor Space: 8,720.09m²
 Structure/Floors: SRC, 10F
 Completed: May 2003
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership

PORTFOLIO (properties owned at the end of the 28th fiscal period)

☐ Akihabara Sanwa Toyo Building



Located at a corner lot at the intersection of Chuo-dori and Kuramaebashi-dori. An office building with high transportation convenience in being directly connected to the station as well as high visibility.



Address: 3-16-8, Sotokanda, Chiyoda-ku, Tokyo
 Nearest Station: Approximately a one-minute walk from Suihichiro Station—Tokyo Metro Ginza 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) All of compartmentalized ownership with whole building are entrusted.

☐ TOKYU REIT Kiba Building



An office building located in the Kiba and Toyocho area where affiliates and counterparties of major companies concentrate, offering excellent accessibility to central Tokyo.



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

☐ Tokyu Ginza 2-chome Building



Located in one of Japan's busiest commercial areas with high brand strength. An office building where demand from companies that prefer an address in Ginza is expected.



Address: 2-15-2, Ginza, Chuo-ku, Tokyo
 Nearest Station: Approximately a two-minute walk from Shintomicho Station—Tokyo Metro Yurakucho 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/RC, B1/8F
 Completed: August 2008
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership

☐ OKI System Center (land with leasehold interest)



Land with leasehold interest of OKI System Center occupied by tenants such as Oki Electric Industry Co., Ltd. Warabi City has excellent accessibility to central Tokyo and high potential as a residential area.

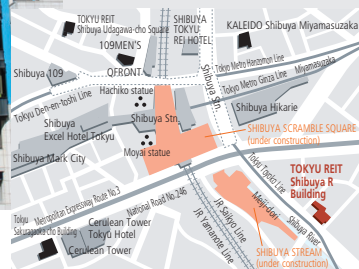


Address: 1-16-8 Chuo, Warabi-shi, Saitama
 Nearest Station: Approximately a four-minute walk from Warabi Station—JR Keihin Tohoku Line
 Total Land Space: 17,019.18m²
 Type of Ownership: Land—Proprietary ownership

TOKYU REIT Shibuya R Building



A large office building with high scarcity in Shibuya area. Access from Shibuya Station is expected to further improve with the development around the station.



Address: 3-10-13, Shibuya, Shibuya-ku, Tokyo
 Nearest Station: Approximately a two-minute walk from Shibuya Station—JR Lines, etc.
 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

Tokyu Toranomon Building



An office building located in an area expected to be further developed where the opening of Loop Road No. 2 (Shintora-dori) and the completion of Toranomon Hills as well as the establishment of new Toranomon Station and large-scale developments in the surrounding areas are scheduled.

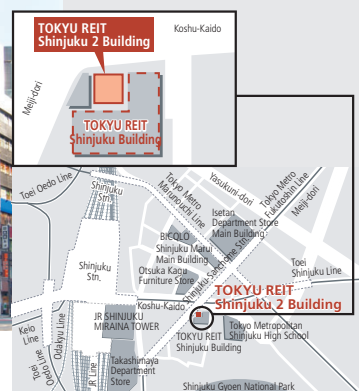


Address: 1-21-19, Toranomon, Minato-ku, Tokyo
 Nearest Station: Approximately a three-minute walk from Toranomon Station—Tokyo Metro Ginza Line, etc.
 Total Land Space: 2,016.83m²
 Total Floor Space: 11,983.09m²
 Structure/Floors: S, 10F
 Completed: April 2010
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership

TOKYU REIT Shinjuku 2 Building



An office building adjacent to TOKYU REIT Shinjuku Building.



Address: 4-3-23, Shinjuku, Shinjuku-ku, Tokyo
 Nearest Station: Approximately a one-minute walk from Shinjuku-sanhome Station—Tokyo Metro Marunouchi Line, etc.
 Approximately a four-minute walk from Shinjuku Station—JR Yamanote Line, etc.
 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

Tokyu Bancho Building



A new large office building with high office specifications.











Address: 6, Yonbancho, Chiyoda-ku, Tokyo
 Nearest Station: Approximately a three-minute walk from Ichigaya Station—JR Chuo Main Line, etc.
 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%)

Environmental Measures

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>DBJ Green Building 2016</p>	<p>Properties with exceptionally high environmental & social awareness</p>	 <p>Setagaya Business Square</p>
 <p>DBJ Green Building 2016</p>	<p>Properties with excellent environmental & social awareness</p>	 <p>cocoti</p>  <p>Tokyu Bancho Building</p>
 <p>DBJ Green Building 2016</p>	<p>Properties with high environmental & social awareness</p>	 <p>Tokyu Toranomon Building</p>  <p>QFRONT</p>

Continuously acquired "Green Star" rating, the highest category in the GRESB Survey



Tokyu REIM has participated in GRESB survey since 2014 by placing **TOKYU REIT** as the target. Continuously acquired "Green Star" rating, the highest category, from 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 some major institutional investors, for example when selecting investment targets.

Continuously acquired "Class S," the highest ranking, in the classification and evaluation system of businesses based on the Energy Conservation Law

TOKYU REIT continuously acquired "Class S," the highest ranking, in the system from fiscal 2015. The classification and evaluation system of businesses is a system to classify all businesses submitting regular reports on measures at factories and workplaces with regard to the "Act on the Rational Use of Energy (Energy Conservation Law)" into four classes of S, A, B and C ^(Note). Prime businesses (Class S) will be announced on the website of the Ministry of Economy, Trade and Industry by business category.

(Note)

Class S Business: Those whose 5-year average original unit price decreased by 1% or more (target) or those who achieved the benchmark target in the regular report (as of the end of March in fiscal 2017)

Class A Business: Those that don't fall under the category of Class S and Class B businesses

Class B Business: Those whose target haven't been achieved and whose original unit price increased year-on-year for the most recent two consecutive years or whose 5-year average original unit price increased by more than 5% in the regular report

Class C Business: Those whose efforts on energy saving are judged to be especially insufficient

I. Asset Management Report

1. Financial Highlights

(1) Result of Operation and Financial Position

		28th fiscal period From February 1, 2017 to July 31, 2017 (181 days)	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)	
		Millions of yen, except per unit data or where otherwise indicated					
Result of operation	Statement of income	Operating revenues	¥ 6,919	¥ 7,514	¥ 9,500	¥ 7,289	¥ 7,133
		Operating income	¥ 2,940	¥ 3,588	¥ 3,580	¥ 3,251	¥ 3,083
		Net income	¥ 2,355	¥ 2,952	¥ 2,926	¥ 2,571	¥ 2,396
	Operating income	Revenue from property leasing (a) (Note 2)	¥ 6,919	¥ 6,973	¥ 7,150	¥ 7,289	¥ 7,131
		Rental service expenses (b)	¥ 3,310	¥ 3,232	¥ 3,362	¥ 3,368	¥ 3,396
		[Depreciation and amortization] (included in (b)) (c) (Note 3)	[¥ 1,022]	[¥ 1,027]	[¥ 1,049]	[¥ 1,028]	[¥ 1,013]
		NOI (Net Operating Income) (a) – (b) + (c)	¥ 4,631	¥ 4,768	¥ 4,837	¥ 4,949	¥ 4,747
	Cash flow	FFO (Funds from Operation) (d) (Note 4)	¥ 3,377	¥ 3,439	¥ 3,467	¥ 3,600	¥ 3,406
		Capital expenditures (e)	¥ 840	¥ 615	¥ 684	¥ 622	¥ 542
		AFFO (Adjusted Funds from Operation) (d) – (e)	¥ 2,537	¥ 2,824	¥ 2,783	¥ 2,978	¥ 2,864
Financial position	Balance sheet	Total assets (f)	¥ 219,579	¥ 219,762	¥ 221,495	¥ 222,868	¥ 222,810
		[Change from the preceding period]	[–0.1%]	[–0.8%]	[–0.6%]	[0.0%]	[–0.2%]
		Interest-bearing liabilities (g) (Note 5)	¥ 93,500	¥ 93,500	¥ 95,500	¥ 97,000	¥ 97,000
		Total unitholders' equity (Net assets) (h)	¥ 113,527	¥ 113,856	¥ 113,538	¥ 113,183	¥ 113,008
		[Change from the preceding period]	[–0.3%]	[0.3%]	[0.3%]	[0.2%]	[–0.1%]
		Unitholders' capital	¥ 110,479	¥ 110,479	¥ 110,479	¥ 110,479	¥ 110,479
	Portfolio	Acquisition costs of properties (Note 6)	¥ 222,339	¥ 222,339	¥ 223,629	¥ 224,809	¥ 222,059
		Book value of properties (Note 6)	¥ 210,000	¥ 210,192	¥ 211,772	¥ 212,739	¥ 210,199
		Appraisal value of properties at end of period (i) (Note 6)	¥ 252,280	¥ 245,200	¥ 244,500	¥ 242,870	¥ 233,480
		Number of properties at end of period	28 properties	28 properties	29 properties	30 properties	29 properties
		Total leasable area (Note 7)	210,373.50 m ²	210,476.40 m ²	211,801.83 m ²	231,706.49 m ²	229,859.61 m ²
		Occupancy rate at end of period (Note 7)	98.3%	97.1%	97.0%	98.9%	98.9%
	Other	Distri- bution	Cash distribution	¥ 2,590	¥ 2,684	¥ 2,634	¥ 2,572
Dividend payout ratio			110.0%	90.9%	90.0%	100.0%	100.0%
Per unit data		Total number of units issued and outstanding	977,600 units	977,600 units	977,600 units	977,600 units	977,600 units
		Total unitholders' equity per unit (base value)	¥ 116,128	¥ 116,465	¥ 116,139	¥ 115,777	¥ 115,597
		Cash distribution per unit	¥ 2,650	¥ 2,746	¥ 2,695	¥ 2,631	¥ 2,451
Management index		Return on total unitholders' equity (annualized) (Note 8)	4.2%	5.2%	5.2%	4.5%	4.3%
		Equity ratio (h)÷(f)	51.7%	51.8%	51.3%	50.8%	50.7%
		[Change from the preceding period]	[–0.1%]	[0.5%]	[0.5%]	[0.1%]	[0.1%]
		Proportion of interest-bearing liabilities to total assets at end of period (g)÷(f)	42.6%	42.5%	43.1%	43.5%	43.5%
		Proportion of interest-bearing liabilities to appraisal value at end of period (g)÷(i)	37.1%	38.1%	39.1%	39.9%	41.5%
Average market price per unit during period (Note 9)		¥ 137,786	¥ 140,910	¥ 154,325	¥ 145,209	¥ 153,975	

- 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; 28th fiscal period: ¥0 million) or contribution for construction (28th fiscal period: ¥0 million).
- Note 3. 'Depreciation and amortization' includes loss on disposal of property and equipment (24th fiscal period: ¥10 million; 25th fiscal period: ¥5 million; 26th fiscal period: ¥23 million; 27th fiscal period: ¥26 million; 28th fiscal period: ¥10 million).
- Note 4. Net income + Depreciation and amortization + Other property related depreciation and amortization + Loss on sale of property – Gain on sale of property – Revenues from facility acceptance
Other property related depreciation and amortization was not incurred.
- Note 5. Short-term debt + Long-term debt due within one year + Long-term debt + Investment corporation bonds due within one year + Investment corporation bonds
- Note 6. For 'Trust beneficiary interest in real estate,' the portion equivalent to the properties held in substance, which is total assets less the money that is part of the assets of the concerned trust beneficiary interest in real estate, is shown.
- Note 7. Regarding 'Total leasable area' and 'Occupancy rate at end of period,' please refer to notes 2 and 4 of '3. Portfolio Profile (2) Major Portfolio.'
- Note 8. $\text{Net income} \div \{(\text{Net assets at beginning of period} + \text{Net assets at end of period}) \div 2\} \times 365 \div \text{Number of days of investment management}$
- 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 (28th fiscal period: six-month period ended July 31, 2017), the Japanese economy continued to be on a moderate recovery trend.

Specifically, in the Tokyo metropolitan area's economy, consumer spending picked up overall with department store and supermarket sales turnover falling below that of the previous year but convenience store sales turnover exceeding that of the previous year. There was moderate pickup in production activities, too, and the employment situation improved with not only moderate increase in the active job openings-to-applicants ratio but also the unemployment rate being at a low level and the number of employed persons being on a year-on-year increasing trend.

With regard to population movements, over 100,000 people migrated to the Tokyo metropolitan area from other regions of the country during the period between January and June 2017. 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, while the vacancy rate continued to decrease as office demand trended toward recovery entering 2017 backed by increase in the number of employed persons across a wide range of industries, the average advertised rent was decelerating rent increase at high-grade buildings as large volume of supply of new office buildings is slated for 2018 to 2020. In the retail property leasing market, retail sales turnover continued to increase compared with the same month of the previous year in the first half to June 2017. Wage increase is limited compared with the improvement in the employment environment, but the trend of improvement in consumer sentiment led to moderate pickup in consumer spending.

In the real estate trading market, while there continued to be active real estate investment demand, decrease in properties available for investment due in part to longer periods of management of real estate properties, prices hovering at a high level and other factors led to the volume of transactions in the five central Tokyo wards trending toward moderate decrease and the expected cap rate remaining almost unchanged.

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 “investment 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 1 below) that was formed by applying the investment management experience that it has gained since its listing. In addition, the management guideline pertaining to TOKYU REIT’s investment management was partially changed in conjunction with partial amendments to TOKYU REIT’s Articles of Incorporation by resolution of TOKYU REIT’s General Meeting of Unitholders on April 21, 2017, seeking to expand investment opportunities by partially relaxing criteria for use, investment size, etc. in order to accelerate external growth while maintaining the policy to place Central Tokyo and Tokyu Areas (see Note 2 below) – where ongoing growth is expected – as focused investment target areas. However, TOKYU REIT did not acquire properties during the 28th fiscal period as there were no properties that would serve to maintain or enhance portfolio quality.

As of July 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 210,373.50 m². The period-end appraisal value for TOKYU REIT’s entire portfolio amounted to ¥252,280 million.

As in the previous fiscal period, the total period-end appraisal value exceeded the total book value, resulting in an amount of difference of ¥42,279 million. Based on accounting principles generally accepted in Japan, 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 28th fiscal period decreased by 0.02% compared with the end of the 27th fiscal period. In addition, the vacancy rate at the end of the 28th fiscal period improved from the 2.9% at the end of the 27th fiscal period by 1.2 percentage points to 1.7%.

Note 1. 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 cyclical nature 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.

Note 2. “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).

The same applies hereafter.

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. 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. During the 28th 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 was refinanced. The balance of interest-bearing liabilities as of the end of the 28th 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, ¥14,500 million is the current portion of long-term debt). The weighted-average interest rate for the 28th fiscal period was 1.21% (calculated based on the annualized amount of interest payable for the 28th fiscal period divided by the total average balance of each interest-bearing liability).

TOKYU REIT's credit ratings as of the end of the 28th 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:

	28th fiscal period From February 1, 2017 to July 31, 2017	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
	Yen				
Highest	¥ 142,500	¥ 148,100	¥ 167,300	¥ 156,300	¥ 163,000
Lowest	¥ 129,300	¥ 134,300	¥ 139,500	¥ 130,700	¥ 138,400

(4) Distribution Information

With respect to the distribution for the 28th fiscal period, TOKYU REIT decided to distribute unappropriated retained earnings, plus the reversal of a ¥234 million portion of 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 28th fiscal period was ¥2,650.

	28th fiscal period From February 1, 2017 to July 31, 2017	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
	Millions of yen, except per unit data				
Unappropriated retained earnings	¥ 2,355	¥ 2,952	¥ 2,926	¥ 2,572	¥ 2,396
Undistributed earnings	¥ 0	¥ 268	¥ 292	¥ 0	¥ 0
Cash distribution	¥ 2,590	¥ 2,684	¥ 2,634	¥ 2,572	¥ 2,396
[Cash distribution per unit]	[¥ 2,650]	[¥ 2,746]	[¥ 2,695]	[¥ 2,631]	[¥ 2,451]
Cash distribution of accumulated earnings	¥ 2,590	¥ 2,684	¥ 2,634	¥ 2,572	¥ 2,396
[Cash distribution of accumulated earnings per unit]	[¥ 2,650]	[¥ 2,746]	[¥ 2,695]	[¥ 2,631]	[¥ 2,451]
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 and active investment demand lead to the forecast that the expected cap rate will continue to hover flat at a low level. In the office leasing market, improvement in the employment environment and such suggest demand for larger office space will keep the vacancy rate at a flat level in the foreseeable future, but toward 2020 when large volume of supply of office buildings is expected to peak, the vacancy rate is forecast to moderately increase and the rent level is forecast to moderately decrease from a flat level. In the retail property leasing market, for central urban retail properties, the forecast for tenant sales and rent level is bullish in light of the ongoing shift in accumulation of residences to central urban areas, growth in inbound tourism consumption and other factors.

② Future Policies of Investment Management and Issues to be Countered

Adopting a basic policy of “investment in highly competitive properties in areas with strong growth potential,” TOKYU REIT engages in investment by placing Central Tokyo and Tokyu Areas as focused investment target areas and 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 below).

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

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

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

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

(6) Subsequent Events

There were no matters requiring explanation as of the date of the Report of Independent Auditors (October 26, 2017).

(Information after the end of the 28th fiscal period)

TOKYU REIT executed a purchase agreement in connection with the acquisition of a domestic real estate on October 27, 2017 and it is scheduled for delivery on November 15, 2017.

Property Name		MAISON PEONY TORITSUDAIGAKU
Type of Specified Asset		Domestic real estate
Location	Registered	1-8-1, 1-8-8 Nakane, Meguro-ku, Tokyo
	Residential	1-2-5 Nakane, Meguro-ku, Tokyo
Access		Approximately a one-minute walk from Toritsu-daigaku Station, Tokyu Toyoko Line
Use		Retail and Apartment Complex
Site/Floor Area (Registered)	Land	245.61 m ²
	Building	950.36m ²
Structure (Registered)		RC 10F
Completion Date (Registered)		August 2014
Seller		Domestic company
Type of Ownership	Land	Proprietary ownership
	Building	Proprietary ownership
Master Lessee Company		Tokyu Housing Lease Corporation
Type of Master Lease Agreement		Pass-through type
Total Number of Tenants		26 (Retail: 2, Apartment: 24)
Acquisition Price		¥1,200 million
Appraisal Value	¥1,200 million (effective date of value: September 1, 2017)	
	Appraiser: Japan Real Estate Institute	
Special Items		None

2. Company Profiles

(1) Summary of Unitholders' Contributions

	28th fiscal period As of July 31, 2017	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
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)	13,144	12,760	12,146	12,392	12,880

(2) Details Regarding TOKYU REIT's Investment Units

The following table sets forth the major unitholders of TOKYU REIT as of July 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	237,115	24.25
Trust & Custody Services Bank, Ltd. (securities investment trust account)	Harumi Triton Square Tower Z, 1-8-12, Harumi, Chuo-ku, Tokyo	87,429	8.94
The Master Trust Bank of Japan, Ltd. (trust account)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	58,098	5.94
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	36,795	3.76
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	15,532	1.59
The Asahi Fire & Marine Insurance Co., Ltd.	7, Kandamitoshiro-cho, Chiyoda-ku, Tokyo	14,000	1.43
DFA International Real Estate Securities Portfolio (Standing Proxy: Citibank, N.A. Tokyo Branch)	6-27-30, Shinjuku, Shinjuku-ku, Tokyo	12,019	1.23
The Hachijuni Bank, Ltd. (Standing Proxy: The Master Trust Bank of Japan, Ltd.)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	11,170	1.14
BNP Paribas Securities Services Sydney / JASDEC / Australian Residents (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	3-11-1, Nihonbashi, Chuo-ku, Tokyo	11,073	1.13
Total		532,231	54.44

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

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

① Name of Directors and Auditor (as of July 31, 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 July 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	28th fiscal period As of July 31, 2017		27th fiscal period As of January 31, 2017		
			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	¥ 15,531	7.1	¥ 15,566	7.1	
		Other	—	—	—	—	
		Sub total	15,531	7.1	15,566	7.1	
	Office	Central Tokyo and Tokyu Areas	48,173	21.9	48,370	22.0	
		Other	4,774	2.2	4,774	2.2	
		Sub total	52,948	24.1	53,145	24.2	
	Total		68,479	31.2	68,711	31.3	
	Trust beneficiary interest in real estate	Retail	Central Tokyo and Tokyu Areas	51,180	23.3	51,262	23.3
			Other	7,026	3.2	7,026	3.2
Sub total			58,207	26.5	58,288	26.5	
Office		Central Tokyo and Tokyu Areas	79,421	36.2	79,273	36.1	
		Other	3,891	1.8	3,918	1.8	
		Sub total	83,313	37.9	83,192	37.9	
Total		141,520	64.5	141,481	64.4		
Other assets			9,578	4.4	9,569	4.4	
Total assets			¥ 219,579 [¥ 210,000]	100.0 [95.6]	¥ 219,762 [¥ 210,192]	100.0 [95.6]	

Note 1. Regarding 'Area,' please refer to note 2 of '1. Financial Highlights (2) Development of Asset Investment Management during the Current Period ② Investment Performance Results.'

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

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

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

(2) Major Portfolio

Major portfolio held by TOKYU REIT as of July 31, 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	¥ 13,732	4,502.93	4,502.93	100.0	9.6	Retail
R	Lexington Aoyama	4,716	2,107.08	2,107.08	100.0	1.9	Retail
R	TOKYU REIT Omotesando Square	5,670	2,669.10	2,669.10	100.0	2.6	Retail
R	TOKYU REIT Shibuya Udagawa-cho Square	6,579	1,543.05	1,543.05	100.0	3.6	Retail
R	cocoti	21,955	8,295.62	8,295.62	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	4,866	2,327.00	2,327.00	100.0	1.7	Retail
R	Daikanyama Forum	4,085	2,477.64	2,477.64	100.0	1.5	Retail
R	KALEIDO Shibuya Miyamasuzaka	5,104	3,399.34	2,898.75	85.3	2.5	Retail
O	Setagaya Business Square	18,197	24,920.26	23,869.05	95.8	12.4	Office
O	Tokyu Nampeidai-cho Building	4,257	7,148.18	7,148.18	100.0	2.3	Office
O	Tokyu Sakuragaoka-cho Building	6,612	4,737.19	4,737.19	100.0	3.3	Office
O	Tokyo Nissan Taito Building	3,916	7,845.42	7,356.20	93.8	2.7	Office
O	TOKYU REIT Akasaka Hinokicho Building	3,429	3,202.57	3,202.57	100.0	1.9	Office
O	TOKYU REIT Kamata Building	3,884	7,337.82	7,337.82	100.0	3.2	Office
O	TOKYU REIT Toranomom Building	9,895	10,247.06	9,062.43	88.4	4.8	Office
O	Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	7,933	3,533.03	3,533.03	100.0	2.6	Office
O	Tokyu Ikejiri-ohashi Building	5,704	5,733.23	5,733.23	100.0	2.7	Office
O	Kojimachi Square	8,332	5,409.11	5,409.11	100.0	3.2	Office
O	TOKYU REIT Shinjuku Building	8,867	6,215.17	5,774.92	92.9	3.8	Office
O	Akihabara Sanwa Toyo Building	4,545	4,590.53	4,590.53	100.0	2.3	Office
O	TOKYU REIT Kiba Building	3,891	5,797.79	5,797.79	100.0	2.1	Office
O	Tokyu Ginza 2-chome Building	4,615	3,469.14	3,469.14	100.0	2.1	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	5,420	5,246.68	5,246.68	100.0	3.6	Office
O	Tokyu Toranomom Building	16,522	9,016.59	9,016.59	100.0	6.4	Office
O	TOKYU REIT Shinjuku 2 Building	2,852	1,787.21	1,787.21	100.0	1.0	Office
O	Tokyu Bancho Building	12,606	5,717.45	5,717.45	100.0	3.9	Office
Total		¥ 210,000	210,373.50	206,707.60	98.3	100.0	

Note 1. The properties listed above except for TOKYU REIT Shibuya Udagawa-cho Square, CONZE Ebisu, Daikanyama Forum, TOKYU REIT Toranomom Building, TOKYU REIT Shinjuku Building, Tokyu Ginza 2-chome Building, OKI System Center (*sokochi*), TOKYU REIT Shibuya R Building, 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 July 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 Central Tokyo and Tokyo Areas	R	QFRONT	75-8, etc., Udagawa-cho, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	4,502.93	¥ 27,200	¥ 13,732
	R	Lexington Aoyama	5-235-7, etc., Minami-Aoyama, Minato-ku, Tokyo	Trust beneficiary interest in real estate	2,107.08	5,410	4,716
	R	TOKYU REIT Omotesando Square	4-3-18, Jingumae, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	2,669.10	7,660	5,670
	R	TOKYU REIT Shibuya Udagawa-cho Square	86-2, Udagawa-cho, Shibuya-ku, Tokyo	Real estate	1,543.05	12,000	6,579

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 Tokyo Areas	R cocoti	1-23-1, Shibuya, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	8,295.62	20,400	21,955	
		R CONZE Ebisu	2-3-5, etc., Ebisu Minami, Shibuya-ku, Tokyo	Real estate	2,327.00	4,760	4,866	
		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	3,330	4,085	
		R KALEIDO Shibuya Miyamasuzaka	1-12-4, Shibuya, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	3,399.34	7,170	5,104	
		Sub total				27,321.76	87,930	66,712
	Other	R Shonan Mall Fill (sokochi)	4-4300-1, Tsujido Shinmachi, Fujisawa-shi, Kanagawa	Trust beneficiary interest in real estate	44,078.12	6,430	7,026	
		Sub total				44,078.12	6,430	7,026
	Total				71,399.88	94,360	73,738	
	Office	Central Tokyo and Tokyo Areas	O Setagaya Business Square	4-260-2, etc., Yoga, Setagaya-ku, Tokyo	Trust beneficiary interest in real estate	24,920.26	18,700	18,197
			O Tokyu Nampeidai-cho Building	12-3, Nampeidai-cho, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	7,148.18	5,750	4,257
O Tokyu Sakuragaoka-cho Building			109-9, Sakuragaoka-cho, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	4,737.19	9,440	6,612	
O Tokyo Nissan Taito Building			2-120-2, etc., Moto-Asakusa, Taito-ku, Tokyo	Trust beneficiary interest in real estate	7,845.42	5,400	3,916	
O TOKYU REIT Akasaka Hinokicho Building			6-1401, etc., Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	3,202.57	4,410	3,429	
O TOKYU REIT Kamata Building			5-13-7, Kamata, Ota-ku, Tokyo	Trust beneficiary interest in real estate	7,337.82	5,240	3,884	
O TOKYU REIT Toranomon Building			3-45-6, Toranomon, Minato-ku, Tokyo	Real estate	10,247.06	10,700	9,895	
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	7,110	7,933	
O Tokyu Ikejiri-ohashi Building			3-1050, etc., Higashiyama, Meguro-ku, Tokyo	Trust beneficiary interest in real estate	5,733.23	5,730	5,704	
O Kojimachi Square			3-9 and 3-3, Niban-cho, Chiyoda-ku, Tokyo	Trust beneficiary interest in real estate	5,409.11	8,830	8,332	

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 Tokyo Areas	○ TOKYU REIT Shinjuku Building	4-2-3, etc., Shinjuku, Shinjuku-ku, Tokyo	Real estate	6,215.17	11,000	8,867
		○ Akihabara Sanwa Toyo Building	3-50-5, etc., Sotokanda, Chiyoda-ku, Tokyo	Trust beneficiary interest in real estate	4,590.53	6,100	4,545
		○ Tokyu Ginza 2-chome Building	2-215-1, Ginza, Chuo-ku, Tokyo	Real estate	3,469.14	5,020	4,615
		○ TOKYU REIT Shibuya R Building	3-10-2, etc., Shibuya, Shibuya-ku, Tokyo	Real estate	5,246.68	8,950	5,420
		○ Tokyu Toranomom Building	1-216-2, etc., Toranomom, Minato-ku, Tokyo	Real estate	9,016.59	19,800	16,522
		○ TOKYU REIT Shinjuku 2 Building	4-3-4, Shinjuku, Shinjuku-ku, Tokyo	Real estate	1,787.21	2,860	2,852
		○ Tokyu Bancho Building	6-2, etc., Yonban-cho, Chiyoda-ku, Tokyo	Trust beneficiary interest in real estate	5,717.45	13,800	12,606
	Sub total				116,156.64	148,840	127,595
	Other	○ TOKYU REIT Kiba Building	3-21-5, etc., Toyo, Koto-ku, Tokyo	Trust beneficiary interest in real estate	5,797.79	3,960	3,891
		○ OKI System Center (<i>sokochi</i>)	1-16-20, etc., Chuo, Warabi-shi, Saitama	Real estate	17,019.19	5,120	4,774
Sub total				22,816.98	9,080	8,666	
Total				138,973.62	157,920	136,261	
Grand total				210,373.50	¥ 252,280	¥ 210,000	

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		28th fiscal period From February 1, 2017 to July 31, 2017				27th fiscal period From August 1, 2016 to January 31, 2017						
		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	¥ 664	9.6	3	100.0	¥ 661	9.5	
	R	Lexington Aoyama	7	100.0	128	1.9	7	100.0	145	2.1		
	R	TOKYU REIT Omotesando Square	4	100.0	181	2.6	4	100.0	178	2.6		
	R	Tokyu Saginuma 2 Building (Note 4)	—	—	—	—	—	—	61	0.9		
	R	TOKYU REIT Shibuya Udagawa-cho Square	2	100.0	250	3.6	2	100.0	250	3.6		
	R	cocoti	15	100.0	537	7.8	15	100.0	541	7.8		
	R	CONZE Ebisu	8	100.0	120	1.7	8	100.0	127	1.8		
	R	Daikanyama Forum	5	100.0	103	1.5	5	100.0	103	1.5		
	R	KALEIDO Shibuya Miyamasuzaka	7	85.3	171	2.5	8	100.0	181	2.6		
		Sub total			51	98.2	2,157	31.2	52	100.0	2,251	32.3
Other	R	Shonan Mall Fill (sokochi)	1	100.0	188	2.7	1	100.0	188	2.7		
	Sub total			1	100.0	188	2.7	1	100.0	188	2.7	
	Total			52	99.3	2,345	33.9	53	100.0	2,439	35.0	
Office	Central Tokyo and Tokyo Areas	O	Setagaya Business Square	67	95.8	854	12.4	59	81.8	848	12.2	
	O	Tokyu Nampo-dai-cho Building	1	100.0	159	2.3	1	100.0	152	2.2		
	O	Tokyu Sakuragaoka-cho Building	2	100.0	227	3.3	2	100.0	219	3.1		
	O	Tokyo Nissan Taito Building	11	93.8	184	2.7	11	93.8	180	2.6		
	O	TOKYU REIT Akasaka Hinokicho Building	3	100.0	134	1.9	3	100.0	133	1.9		
	O	TOKYU REIT Kamata Building	5	100.0	222	3.2	5	100.0	221	3.2		
	O	TOKYU REIT Toranomon Building	10	88.4	329	4.8	11	100.0	354	5.1		
	O	Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	1	100.0	176	2.6	1	100.0	178	2.6		
	O	Tokyu Ikejiri-ohashi Building	6	100.0	187	2.7	6	100.0	175	2.5		
	O	Kojimachi Square	7	100.0	218	3.2	7	100.0	216	3.1		
	O	TOKYU REIT Shinjuku Building	9	92.9	259	3.8	10	100.0	248	3.6		
	O	Akihabara Sanwa Toyo Building	6	100.0	157	2.3	5	87.8	173	2.5		
	O	Tokyu Ginza 2-chome Building	2	100.0	145	2.1	2	100.0	133	1.9		
	O	TOKYU REIT Shibuya R Building	11	100.0	250	3.6	11	100.0	243	3.5		
	O	Tokyu Toranomon Building	3	100.0	440	6.4	3	100.0	433	6.2		
	O	TOKYU REIT Shinjuku 2 Building	2	100.0	66	1.0	2	100.0	62	0.9		
	O	Tokyu Bancho Building	7	100.0	268	3.9	6	90.1	269	3.9		
		Sub total			153	97.3	4,283	61.9	145	94.7	4,244	60.9
	Other	O	TOKYU REIT Kiba Building	6	100.0	145	2.1	6	100.0	145	2.1	
	O	OKI System Center (sokochi)	1	100.0	145	2.1	1	100.0	145	2.1		
	Sub total			7	100.0	290	4.2	7	100.0	290	4.2	
	Total			160	97.7	4,573	66.1	152	95.6	4,534	65.0	
	Grand total			212	98.3	¥ 6,919	100.0	205	97.1	¥ 6,973	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 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.

(4) Other Assets

As of July 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 July 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	Daikanyama Forum	Shibuya-ku, Tokyo	Replacement of air-conditioning equipment	From August 2017 to August 2017	¥ 21	—	—
○	Setagaya Business Square	Setagaya-ku, Tokyo	Switching to LED in exclusive-use areas	From November 2017 to January 2018	¥ 32	—	—
○	Setagaya Business Square	Setagaya-ku, Tokyo	Renewal of common areas	From October 2017 to January 2018	¥ 16	—	—
○	TOKYU REIT Toranomom Building	Minato-ku, Tokyo	Replacement of air-conditioning equipment	From November 2017 to January 2018	¥ 74	—	—
○	TOKYU REIT Kiba Building	Koto-ku, Tokyo	Replacement of drain pipe	From November 2017 to January 2018	¥ 20	—	—

(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 28th fiscal period amounted to ¥840 million and ¥251 million in repairs and maintenance expenses were charged to expenses for a combined total of ¥1,092 million spent for such work.

Name of property		Location	Objective	Period	Construction cost
					Millions of yen
R	cocoti	Shibuya-ku, Tokyo	New construction of connecting access to contiguous facility	From January 2017 to April 2017	¥ 94
O	Setagaya Business Square	Setagaya-ku, Tokyo	Renewal of restroom	From September 2016 to February 2017	37
O	Setagaya Business Square	Setagaya-ku, Tokyo	Replacement of air-conditioning equipment	From August 2016 to April 2017	164
O	Setagaya Business Square	Setagaya-ku, Tokyo	Switching to LED in exclusive-use areas	From January 2017 to June 2017	43
O	Tokyu Nampeidai-cho Building	Shibuya-ku, Tokyo	Replacement of air-conditioning equipment	From March 2017 to July 2017	174
Other					325
Total					¥ 840

(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:

	28th fiscal period From February 1, 2017 to July 31, 2017	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
	Millions of yen				
Reserve at beginning of period	¥ 104	¥ 138	¥ 139	¥ 145	¥ 176
Amount transferred to reserve during period	1,023	543	832	1,017	800
Reversal from reserve during period	998	577	833	1,024	831
Reserve at end of period	¥ 129	¥ 104	¥ 138	¥ 139	¥ 145

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

	28th fiscal period From February 1, 2017 to July 31, 2017		27th fiscal period From August 1, 2016 to January 31, 2017	
	Millions of yen			
Asset management fees				
Asset-based fees	¥ 304		¥ 303	
Cash-based fees	234		254	
Unit price-based fees	—	¥ 538	—	¥ 558
Asset custodian fees		17		17
General administration fees		44		43
Directors' fees		6		6
Other operating expenses		61		68
Total		¥ 668		¥ 694

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

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

Category	Draw-down date	Balance as of July 31, 2017	Balance as of January 31, 2017	Average interest rate (Note 1)	Maturity date	Re-payment method	Use of funds	Remark	
		Millions of yen	Millions of yen	%					
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	May 18, 2011	—	2,000	1.47625	May 18, 2017			Unsecured and Unguaranteed (Note 2)
	Sumitomo Mitsui Trust Bank, Limited	May 25, 2011	—	2,000		May 25, 2017			
	Mizuho Bank, Ltd.	June 27, 2011	—	2,000	1.45375	June 27, 2017			Unsecured and Unguaranteed (Notes 2 and 3)
	Nippon Life Insurance Company	July 29, 2011	2,000	2,000	1.49563	January 31, 2018			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 26, 2011	5,000	5,000	1.41375	March 26, 2018			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	0.94037	July 25, 2017				

Category	Draw-down date	Balance as of July 31, 2017	Balance as of January 31, 2017	Average interest rate (Note 1)	Maturity date	Re-payment method	Use of funds	Remark	
		Millions of yen	Millions of yen	%					
Lender									
Long-term debt	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	August 29, 2012	1,400	1,400	1.32250	August 29, 2019	Bullet payment	Refinance fund	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			Unsecured and Unguaranteed (Notes 2 and 3)
	Mizuho Trust & Banking Co., Ltd.	June 27, 2013	1,500	1,500	1.91375	June 27, 2023			Unsecured and Unguaranteed (Note 2)
	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			Unsecured and Unguaranteed (Notes 2 and 3)
	The Dai-ichi Life Insurance Company, Limited		2,000	2,000	0.99125	July 31, 2018			
	Nippon Life Insurance Company		500	500	1.51375	July 31, 2021			
	Sumitomo Mitsui Trust Bank, Limited	December 25, 2013	2,500	2,500	1.21000	December 25, 2020			Unsecured and Unguaranteed (Note 2)
	Mitsubishi UFJ Trust and Banking Corporation		2,000	2,000					
	Mitsubishi UFJ Trust and Banking Corporation		1,500	1,500	0.95625	June 25, 2019			
	The Dai-ichi Life Insurance Company, Limited	January 27, 2014	1,000	1,000	1.04625	January 27, 2020			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						

Category	Draw-down date	Balance as of July 31, 2017	Balance as of January 31, 2017	Average interest rate (Note 1)	Maturity date	Re-payment method	Use of funds	Remark
		Millions of yen	Millions of yen	%				
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 22, 2014	800	800	0.96875	October 22, 2021	Bullet payment	Refinance fund	Unsecured and Unguaranteed (Note 2)
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	3,500	0.56000	December 27, 2021			
Nippon Life Insurance Company	January 31, 2017	1,500	1,500	0.50000	January 31, 2022			
Sumitomo Mitsui Trust Bank, Limited	May 18, 2017	2,000	—	0.56093	May 25, 2022			
Sumitomo Mitsui Trust Bank, Limited	May 25, 2017	1,000	—	0.55529	May 25, 2022			
Sumitomo Mitsui Trust Bank, Limited	May 25, 2017	1,000	—	0.62116	November 27, 2023			
Mizuho Bank, Ltd.	June 27, 2017	2,000	—	0.61773	December 27, 2023			
The Norinchukin Bank	July 25, 2017	1,000	—	0.63573	January 25, 2024			
Sub total		84,000	84,000					
Total		¥ 84,000	¥ 84,000					

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 July 31, 2017 is as follows:

Name	Issue date	Balance as of July 31, 2017	Balance as of January 31, 2017	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 28th Fiscal Period

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

There is no item that falls under this category.

(2) Sales and Purchases of Other Assets

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

(3) Research on Prices of Specified Assets

① Property

There is no item that falls under this category.

② Other

There is no item that falls under this category.

(4) Trading with Interested Persons, Etc.

① Status of Trading

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

② Amounts of Commissions Paid

Item	Total amounts of commissions paid (A)	Paid to interested persons, etc.		B/A (%)
		Payee	Amount of payment (B)	
	Thousands of yen		Thousands of yen	
Utilities expenses	¥ 550,055	Yoga District Heating and Cooling Co., Ltd.	¥ 108,489	19.7
		Tokyu Power Supply Co., Ltd.	¥ 70,701	12.9
		Shibuya Underground Shopping Center, Inc.	¥ 57	0.0
Subcontract expenses	¥ 444,208	Tokyu Community Corporation	¥ 280,106	63.1
		Tokyu Facility Service Co., Ltd.	¥ 69,004	15.5
		Tokyu Corporation	¥ 440	0.1
		Tokyu Hands Inc.	¥ 12	0.0
Property management fees	¥ 180,412	Tokyu Corporation	¥ 100,160	55.5
		Tokyu Community Corporation	¥ 76,578	42.4
Insurance premium	¥ 12,537	Tokyu Insurance Consulting Co., Ltd.	¥ 12,247	97.7
Other rental service expenses	¥ 214,607	Tokyu Corporation	¥ 11,802	5.5
		Tokyu Community Corporation	¥ 4,427	2.1
		Tokyu Agency Inc.	¥ 2,706	1.3
		Tokyu Malls Development Corporation	¥ 1,819	0.8
		its communications Inc.	¥ 879	0.4
		Shibuya Underground Shopping Center, Inc.	¥ 840	0.4
Other operating expenses	¥ 61,730	Tokyu Hotels Co., Ltd.	¥ 977	1.6

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 ¥54,894 thousand and ¥12,455 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 28th fiscal period is as follows:

Tokyu Community Corporation	¥ 21,111 thousand
Tokyu Corporation	¥ 14,328 thousand
Tokyu Facility Service Co., Ltd.	¥ 9,863 thousand
Tokyu Renewal Co., Ltd.	¥ 6,471 thousand
Tokyu Construction Co., Ltd.	¥ 5,176 thousand
Tokyu Green System Co., Ltd.	¥ 110 thousand
Tokyu Bldg Maintenance Co., Ltd.	¥ 17 thousand
Tokyu Lifa Corporation	¥ 4 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
March 10, 2017	Signing of memorandum on amendment of investment management agreement	The meeting approved to amend the investment targets, etc. set forth in the investment management agreement executed with the investment management company Tokyu REIM, with resolution on amendment of TOKYU REIT's Articles of Incorporation for the abovementioned amendment being passed at a General Meeting of Unitholders as a condition precedent.

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

There is no item that falls under this category.

(3) Disclosure Pertaining to Corporation Holding Overseas Properties

There is no item that falls under this category.

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

There is no item that falls under this category.

(5) Other

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



Independent Auditor's Report

To the Board of Directors of TOKYU REIT, Inc.

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

October 26, 2017

PricewaterhouseCoopers Aarata LLC
Otemachi Park Building, 1-1-1 Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan
T: +81 (3) 6212 6800, F: +81 (3) 6212 6801, www.pwc.com/jp/assurance

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

	July 31, 2017	January 31, 2017
	(Millions of yen)	
<u>ASSETS</u>		
Current assets:		
Cash and deposits with banks	¥ 4,173	¥ 4,405
Cash and deposits with banks held in trust	4,109	3,820
Tenant receivables	144	123
Lease deposits held in trust due within one year	18	18
Other current assets	48	87
Total current assets	8,494	8,454
Fixed assets:		
Property and equipment		
Buildings and structures	12,902	12,879
Land	58,875	58,875
Other tangible assets	182	181
Construction in progress	90	89
Buildings and structures held in trust	46,592	45,842
Land held in trust	111,861	111,861
Other tangible assets held in trust	1,517	1,472
Construction in progress held in trust	1	12
Less accumulated depreciation	(22,028)	(21,024)
Total property and equipment	209,994	210,189
Intangible assets		
Intangible assets	0	0
Intangible assets held in trust	5	2
Total intangible assets	5	2
Investments and other assets		
Lease deposits	203	203
Lease deposits held in trust	724	724
Other assets	129	156
Total investments and other assets	1,058	1,085
Total fixed assets	211,058	211,278
Deferred assets:		
Investment corporation bond issuance expenses	25	29
Total deferred assets	25	29
Total assets	¥ 219,579	¥ 219,762

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

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

	July 31, 2017	January 31, 2017
	(Millions of yen)	
<u>LIABILITIES</u>		
Current liabilities:		
Long-term debt due within one year	¥ 14,500	¥ 14,000
Accounts payable	1,216	1,204
Consumption tax payable	52	145
Rent received in advance	1,076	1,067
Tenant leasehold and security deposits held in trust due within one year	190	190
Accrued expenses and other current liabilities	138	157
Total current liabilities	17,175	16,765
Long-term liabilities:		
Investment corporation bonds	9,500	9,500
Long-term debt	69,500	70,000
Tenant leasehold and security deposits	3,528	3,536
Tenant leasehold and security deposits held in trust	6,348	6,103
Total long-term liabilities	88,876	89,139
Total liabilities	¥ 106,051	¥ 105,905
 <u>NET ASSETS</u>		
Unitholders' capital:		
Units authorized – 10,000,000 units as of July 31, 2017 and 10,000,000 units as of January 31, 2017		
Units issued and outstanding – 977,600 units as of July 31, 2017 and 977,600 units as of January 31, 2017	¥ 110,479	¥ 110,479
Reserve for reduction entry	692	424
Retained earnings	2,355	2,952
Total net assets	113,527	113,856
Total liabilities and net assets	¥ 219,579	¥ 219,762

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

TOKYU REIT, Inc.
Statements of Income

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

	For the six months ended	
	July 31, 2017	January 31, 2017
	(Millions of yen)	
Operating revenues:		
Rental revenue	¥ 6,467	¥ 6,480
Other rental revenue	451	493
Gain on sales of real estate properties	-	541
Revenues from facility acceptance	0	-
Contribution for construction	0	-
Operating expenses:		
Rental service expenses	(3,310)	(3,232)
Asset management fees	(538)	(558)
Other	(130)	(135)
Operating income	2,940	3,588
Non-operating income:		
Interest income	0	0
Other	2	5
Non-operating expenses:		
Interest expense	(522)	(574)
Interest expense on investment corporation bonds	(39)	(39)
Amortization of investment unit issuance expenses	-	(0)
Amortization of investment corporation bond issuance expenses	(4)	(4)
Other	(21)	(20)
Income before income taxes	2,355	2,954
Income taxes:		
Current	(0)	(1)
Deferred	(0)	0
Net income	2,355	2,952
Retained earnings at beginning of period	0	0
Retained earnings at end of period	¥ 2,355	¥ 2,952

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

TOKYU REIT, Inc.
Statements of Changes in Unitholders' Equity
For the six months ended July 31, 2017 and January 31, 2017

For the six months ended July 31, 2017

	Unitholders' capital	Reserve for reduction entry	Retained earnings	Total
	(Millions of yen)			
Balance at beginning of period	¥ 110,479	¥ 424	¥ 2,952	¥ 113,856
Changes during the period				
Provision of reserve for reduction entry	-	267	(267)	-
Cash distributions declared	-	-	(2,684)	(2,684)
Net income	-	-	2,355	2,355
Total changes during the period	-	267	(597)	(329)
Balance at end of period	¥ 110,479	¥ 692	¥ 2,355	¥ 113,527

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

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

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

	For the six months ended	
	July 31, 2017	January 31, 2017
	(Millions of yen)	
Cash flows from operating activities:		
Income before income taxes	¥ 2,355	¥ 2,954
Depreciation and amortization	1,012	1,001
Amortization of investment unit issuance expenses	-	0
Amortization of investment corporation bond issuance expenses	4	4
Loss on disposal of property and equipment	10	26
Interest income	(0)	(0)
Interest expense	561	614
(Increase) Decrease in tenant receivables	(21)	12
Increase (Decrease) in consumption tax payable	(92)	55
Increase (Decrease) in accounts payable	12	8
Increase (Decrease) in rent received in advance	8	35
Decrease in property and equipment held in trust due to sale	-	1,165
Other, net	63	(36)
Total	3,914	5,842
Interest received	0	0
Interest paid	(569)	(616)
Income taxes paid	(1)	(0)
Net cash provided by (used in) operating activities	3,343	5,224
Cash flows from investing activities:		
Payments for purchases of property and equipment	(63)	(115)
Payments for purchases of property and equipment held in trust	(770)	(413)
Payments for purchases of intangible assets held in trust	(4)	-
Proceeds from lease deposits held in trust	-	18
Proceeds from tenant leasehold and security deposits	141	306
Payments for tenant leasehold and security deposits	(149)	(313)
Proceeds from tenant leasehold and security deposits held in trust	391	187
Payments for tenant leasehold and security deposits held in trust	(146)	(401)
Net cash provided by (used in) investing activities	(601)	(731)
Cash flows from financing activities:		
Proceeds from long-term debt	7,000	5,000
Repayment of long-term debt	(7,000)	(7,000)
Payment of dividends	(2,684)	(2,634)
Net cash provided by (used in) financing activities	(2,684)	(4,634)
Net change in cash and cash equivalents	57	(140)
Cash and cash equivalents at beginning of period	8,225	8,366
Cash and cash equivalents at end of period	¥ 8,283	¥ 8,225

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

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

1. Organization and basis of presentation

(a) Organization

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

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

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

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

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

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

As of July 31, 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 98.3%. Total acquisition cost of the 28 properties is ¥222,339 million and total rentable area is 210,373.50 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 July 31, 2017 and January 31, 2017

2. Significant accounting policies

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

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

	July 31, 2017	January 31, 2017
	(years)	
Buildings and structures		
Buildings	2-50	2-50
Structures	2-52	2-52
Other tangible assets		
Machinery and equipment	2-17	2-17
Tools, furniture and fixtures	2-15	2-15

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

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

- (h) **Revenue recognition** – TOKYU REIT operates retail and office properties that are rented to tenants. Revenue from leasing the retail and office space is recognized on an accrual basis over the term of each lease. Rental revenue includes fixed rental revenues, recoveries of utility charges and other income.
- (i) **Property-related taxes** – Property-related taxes (property tax, city planning tax and depreciable property tax) are imposed on property on a calendar year basis. The amount of such taxes assessed in the period is charged to income as rental service expenses. In accordance with Japanese business practice, at the time of disposal, the seller of the property is generally liable for property-related taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is reimbursed by the purchaser of the property for the accrued property-related tax liabilities up to the time of disposal, and the amount of the settlement reflects this adjustment when acquiring a property. TOKYU REIT is allocating the portion of the property-related taxes related to the period following the purchase date of each property through the end of the calendar year. The amount of those allocated portions of the property-related taxes is capitalized as part of the acquisition costs of the related properties. Capitalized property-related taxes are nil for the six months ended July 31, 2017. Capitalized property-related taxes are nil for the six months ended January 31, 2017.
- (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 are nil as of July 31, 2017. Deferred tax assets of ¥28 thousand are included in other current assets as of January 31, 2017.
- (k) **Net income per unit** – Net income per unit is computed by dividing net income by the weighted-average number of units outstanding during each period.

3. Cash and cash equivalents

Cash and cash equivalents as of July 31, 2017 and January 31, 2017 consisted of the following:

	July 31, 2017	January 31, 2017
	(Millions of yen)	
Cash and deposits with banks	¥ 4,173	¥ 4,405
Cash and deposits with banks held in trust	4,109	3,820
Cash and cash equivalents	¥ 8,283	¥ 8,225

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

4. Schedule of property and equipment and intangible assets

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

	July 31, 2017			January 31, 2017		
	Balance	Accumulated depreciation	Net balance	Balance	Accumulated depreciation	Net balance
	(Millions of yen)					
Property and equipment						
Buildings and structures						
Buildings	¥ 12,738	¥ (3,395)	¥ 9,342	¥ 12,714	¥ (3,152)	¥ 9,562
Structures	164	(51)	112	164	(46)	117
Land	58,875	-	58,875	58,875	-	58,875
Other tangible assets						
Machinery and equipment	105	(73)	32	105	(67)	38
Tools, furniture and fixtures	76	(50)	26	75	(46)	29
Construction in progress	90	-	90	89	-	89
Property and equipment held in trust						
Buildings and structures						
Buildings	45,848	(16,811)	29,036	45,106	(16,108)	28,998
Structures	744	(417)	326	735	(404)	330
Land	111,861	-	111,861	111,861	-	111,861
Other tangible assets						
Machinery and equipment	1,052	(906)	145	1,044	(892)	151
Tools, furniture and fixtures	465	(321)	143	428	(305)	123
Construction in progress	1	-	1	12	-	12
Sub total	232,023	(22,028)	209,994	231,214	(21,024)	210,189
Intangible assets						
Intangible assets	2	(2)	0	2	(2)	0
Intangible assets held in trust	34	(29)	5	30	(27)	2
Sub total	37	(31)	5	33	(30)	2
Total	¥ 232,061	¥ (22,060)	¥ 210,000	¥ 231,247	¥ (21,054)	¥ 210,192

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

5. Short-term debt and long-term debt

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

	Balance as of July 31, 2017	Balance as of January 31, 2017	Average interest rate (Note 1)
	(Millions of yen)		(%)
Short-term debt			
Sub total	¥ -	¥ -	
Long-term debt			
Unsecured loans due on May 18, 2017 with fixed rate	-	2,000	1.47625
Unsecured loans due on May 25, 2017 with fixed rate	-	2,000	1.47625
Unsecured loans due on June 27, 2017 with fixed rate	-	2,000	1.45375
Unsecured loans due on July 25, 2017 with fixed rate	-	1,000	0.94037
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 (Note 2)	5,000	5,000	1.41375
Unsecured loans due on June 25, 2018 with fixed rate (Note 2)	500	500	1.07500
Unsecured loans due on July 31, 2018 with fixed rate (Note 2)	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	3,500	0.56000
Unsecured loans due on January 31, 2022 with fixed rate	1,500	1,500	0.50000
Unsecured loans due on May 25, 2022 with fixed rate	2,000	-	0.56093
Unsecured loans due on May 25, 2022 with fixed rate	1,000	-	0.55529
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 November 27, 2023 with fixed rate	1,000	-	0.62116
Unsecured loans due on December 27, 2023 with fixed rate	2,000	-	0.61773
Unsecured loans due on January 25, 2024 with fixed rate	1,000	-	0.63573
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	84,000	
Total	¥ 84,000	¥ 84,000	

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 financial institution, ¥8 billion with one financial institution and ¥8 billion with four financial institutions. Combined, commitment lines total ¥18 billion with five financial institutions. No amount has been drawn down as of July 31, 2017.

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

6. Investment corporation bonds

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

Name	Issue date	Balance as of	Balance as of	Annual	Maturity date
		July 31, 2017	January 31, 2017	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 July 31, 2017 and January 31, 2017 were as follows:

	For the six months ended	
	July 31, 2017	January 31, 2017
(Millions of yen)		
Revenue from property leasing:		
Rental revenue:		
Rent income	¥ 5,332	¥ 5,323
Common area charges	693	700
Parking lot revenue under monthly contract	134	151
Other rent income	307	304
Sub total	6,467	6,480
Other rental revenue:		
Incidental income	416	424
Other miscellaneous income	34	68
Sub total	451	493
Total revenue from property leasing	(a) 6,919	6,973
Rental service expenses:		
Utilities expenses	550	546
Subcontract expenses	444	441
Property management fees	180	168
Repairs and maintenance expenses	251	172
Property-related taxes	634	611
Insurance premium	12	12
Depreciation and amortization	1,012	1,001
Loss on disposal of property and equipment	10	26
Other	214	251
Total rental service expenses	(b) 3,310	3,232
Operating income from property leasing activities	(a)-(b) ¥ 3,608	¥ 3,741

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

9. The financial results of each property (Unaudited)

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

For the six months ended July 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	¥ 664	¥ 265	¥ 399	¥ 39	¥ 360
R Lexington Aoyama	128	31	97	7	89
R TOKYU REIT Omotesando Square	181	47	133	11	121
R TOKYU REIT Shibuya Udagawa-cho Square	250	23	226	3	222
R cocoti	537	185	352	144	207
R Shonan Mall Fill (<i>sokochi</i>)	188	25	162	-	162
R CONZE Ebisu	120	32	87	22	65
R Daikanyama Forum	103	46	57	10	47
R KALEIDO Shibuya Miyamasuzaka	171	50	121	18	102
O Setagaya Business Square	854	528	326	168	158
O Tokyu Nampeidai-cho Building	159	73	85	22	63
O Tokyu Sakuragaoka-cho Building	227	42	184	34	149
O Tokyo Nissan Taito Building	184	54	129	42	86
O TOKYU REIT Akasaka Hinokicho Building	134	68	66	13	53
O TOKYU REIT Kamata Building	222	81	141	34	107
O TOKYU REIT Toranomom Building	329	132	196	44	152
O Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	176	40	136	27	109
O Tokyu Ikejiri-ohashi Building	187	42	144	33	110
O Kojimachi Square	218	47	170	45	124
O TOKYU REIT Shinjuku Building	259	62	197	39	158
O Akihabara Sanwa Toyo Building	157	46	110	13	97
O TOKYU REIT Kiba Building	145	40	104	33	71
O Tokyu Ginza 2-chome Building	145	41	103	35	68
O OKI System Center (<i>sokochi</i>)	145	15	129	-	129
O TOKYU REIT Shibuya R Building	250	74	175	20	154
O Tokyu Toranomom Building	440	99	341	73	267
O TOKYU REIT Shinjuku 2 Building	66	22	44	11	32
O Tokyu Bancho Building	268	63	204	69	135
Total	¥ 6,919	¥ 2,287	¥ 4,631	¥ 1,022	¥ 3,608

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

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

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

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

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

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

10. Breakdown of gain on sales of real estate properties

Tokyu Saginuma 2 Building was sold on January 31, 2017.

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

11. Income taxes

Income taxes in Japan applicable to TOKYU REIT consist of corporate income tax, enterprise tax and inhabitant tax. The following is a reconciliation between the statutory income tax rate in Japan and the effective tax rate reflected in the accompanying financial statements for the six months ended July 31, 2017 and January 31, 2017.

	July 31, 2017	January 31, 2017
Statutory income tax rate	31.74%	31.74%
Deductible cash distributions	(34.90)	(28.84)
Provision of reserve for reduction entry	-	(2.88)
Reversal of reserve for reduction entry	3.16	-
Other	0.03	0.02
Effective tax rate	0.03%	0.04%

TOKYU REIT has a policy of making cash distributions in excess of 90% of distributable income as defined in the Special Taxation Measures Law of Japan (“Special Taxation Measures Law”) for the fiscal period to qualify for conditions as set forth in 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.

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

12. Per unit information

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

	For the six months ended	
	July 31, 2017	January 31, 2017
Net income per unit	¥ 2,409	¥ 3,020
Weighted-average number of units ※1	977,600 units	977,600 units
※1 Average number of units weighed by days in each fiscal period.		
	As of July 31, 2017	As of January 31, 2017
Unitholders' equity per unit	¥ 116,128	¥ 116,465

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

13. Distribution information

The Board of Directors of TOKYU REIT resolved on September 13, 2017 and March 16, 2017 to effect payment of cash distributions of ¥2,650 and ¥2,746 per unit to unitholders of record on July 31, 2017 and January 31, 2017, respectively. Retained earnings carried forward after the distributions were as follows:

	July 31, 2017	January 31, 2017
	(Millions of yen)	
Retained earnings at end of period	¥ 2,355	¥ 2,952
Reversal of reserve for reduction entry	234	-
Cash distributions declared	2,590	2,684
Provision of reserve for reduction entry	-	267
Retained earnings carried forward	¥ 0	¥ 0

14. Leases

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

	July 31, 2017	January 31, 2017
	(Millions of yen)	
Due within one year	¥ 4,708	¥ 4,374
Due after one year	16,441	16,769
Total	¥ 21,150	¥ 21,144

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

	July 31, 2017	January 31, 2017
	(Millions of yen)	
Due within one year	¥ 230	¥ 231
Due after one year	1,757	1,868
Total	¥ 1,988	¥ 2,099

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

15. 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 financial institutions (no amount has been drawn down as of July 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 July 31, 2017 and January 31, 2017

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

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

(b) Matters concerning fair value of financial instruments

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

	July 31, 2017			January 31, 2017		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
	(Millions of yen)					
(1) Cash and deposits with banks	¥ 4,173	¥ 4,173	¥ -	¥ 4,405	¥ 4,405	¥ -
(2) Cash and deposits with banks held in trust	4,109	4,109	-	3,820	3,820	-
Assets total	8,283	8,283	-	8,225	8,225	-
(1) Long-term debt due within one year	14,500	14,600	100	14,000	14,131	131
(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	9,731	231	9,500	9,751	251
(4) Long-term debt	69,500	71,078	1,578	70,000	71,799	1,799
(5) Tenant leasehold and security deposits held in trust	190	189	(1)	190	189	(1)
Liabilities total	¥ 93,881	¥ 95,790	¥ 1,908	¥ 93,881	¥ 96,060	¥ 2,178

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

Assets

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

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

Liabilities

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

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

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

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

(3) Investment corporation bonds

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

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

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

	July 31, 2017	January 31, 2017
(Millions of yen)		
Carrying amount		
(i) Tenant leasehold and security deposits	¥ 3,528	¥ 3,536
(ii) Tenant leasehold and security deposits held in trust	6,157	5,912

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

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

	July 31, 2017			January 31, 2017		
	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	¥ 4,173	¥ 4,109	¥ 8,283	¥ 4,405	¥ 3,820	¥ 8,225
Within two years, but over one year	-	-	-	-	-	-
Within three years, but over two years	-	-	-	-	-	-
Within four years, but over three years	-	-	-	-	-	-
Within five years, but over four years	-	-	-	-	-	-
Over five years	-	-	-	-	-	-

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

	July 31, 2017				January 31, 2017			
	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	¥ -	¥ -	¥ 14,500	¥ 14,500	¥ -	¥ -	¥ 14,000	¥ 14,000
Within two years, but over one year	-	3,500	9,000	12,500	-	-	12,200	12,200
Within three years, but over two years	-	-	11,400	11,400	-	3,500	9,200	12,700
Within four years, but over three years	-	3,000	12,400	15,400	-	-	13,900	13,900
Within five years, but over four years	-	-	16,000	16,000	-	3,000	14,000	17,000
Over five years	-	3,000	20,700	23,700	-	3,000	20,700	23,700

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

16. Related party transactions

Kazuyoshi Kashiwazaki, who holds no voting units of TOKYU REIT, is Executive Director of TOKYU REIT and Representative Director & President and Chief Executive Officer of Tokyu REIM, has entered into an asset management agreement subject to the conditions set forth in TOKYU REIT's Articles of Incorporation with TOKYU REIT. The amount of management fees incurred for the six months ended July 31, 2017 and January 31, 2017 and payable due to asset manager as of then were as follows:

	<u>July 31, 2017</u>	<u>January 31, 2017</u>
	(Millions of yen)	
Asset management fees for the period	¥ 538	¥ 558
Management fees payable due to asset manager	253	275

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

17. Fair value of investment and rental properties

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

	For the six months ended	
	July 31, 2017	January 31, 2017
	(Millions of yen)	
Carrying amount (Note 2)		
Balance at beginning of period	¥ 210,192	¥ 211,772
Change during the period (Note 3)	(192)	(1,579)
Balance at end of period	¥ 210,000	¥ 210,192
	As of July 31, 2017	As of January 31, 2017
	(Millions of yen)	
Fair value at end of period (Note 4)	¥ 252,280	¥ 245,200

Note 1. Area classification:

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

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

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

Note 3. Of the change during the six months ended July 31, 2017, the amount of increase is mainly attributable to replacement of the air-conditioning equipment of Setagaya Business Square and other capital expenditures (¥840 million), and the amount of decrease is mainly attributable to depreciation and amortization (¥1,012 million).

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).

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

The income (loss) in the six months ended July 31, 2017 and January 31, 2017 for investment and rental properties are as presented in “Rental revenue and expense” of the “Notes to Financial Statements.”

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

18. Segment and related information

[Segment information]

Disclosure of segment information is omitted because TOKYU REIT has a single segment—the Property Leasing Business.

Matters concerning change in reportable segments, etc.

Reportable segments, which have been two segments (the Office Property Leasing Business and the Retail Property Leasing Business), have been changed to a single segment (the Property Leasing Business) effective from the six months ended July 31, 2017.

Partial amendments were made to TOKYU REIT's Articles of Incorporation at TOKYU REIT's General Meeting of Unitholders held on April 21, 2017 and, in conjunction, the management guideline pertaining to TOKYU REIT's investment management was partially changed. Of the portfolio management criteria, the use of properties was changed from office properties and retail properties to office properties, retail properties, and complexes that include office or retail properties, and the holding ratio by use in the portfolio (long-term target) of 60% office properties and 40% retail properties was abolished. In light of such circumstances, a review of the segments identified by type of assets under management in terms of TOKYU REIT's portfolio, allocation of management resources, actual state of the corporate management structure, etc. led to the conclusion that it would be reasonable to regard TOKYU REIT's assets under management as one and a single segment was thus deemed to be appropriate for segments identified by type of assets under management. Therefore, disclosure of segment information for the six months ended July 31, 2017 and January 31, 2017 is omitted because TOKYU REIT has a single segment—the Property Leasing Business.

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

[Related information]

(a) Information about products and services

Disclosure is omitted because net sales to external customers of a single products and services category account for over 90% of the operating revenues recorded in the statements of income.

(b) Information about geographical areas

(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 major customers

For the six months ended July 31, 2017

Party	Operating revenues (Millions of yen)	Name of related segment
Related parties (Note)	¥ 1,024	Property Leasing Business

For the six months ended January 31, 2017

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

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

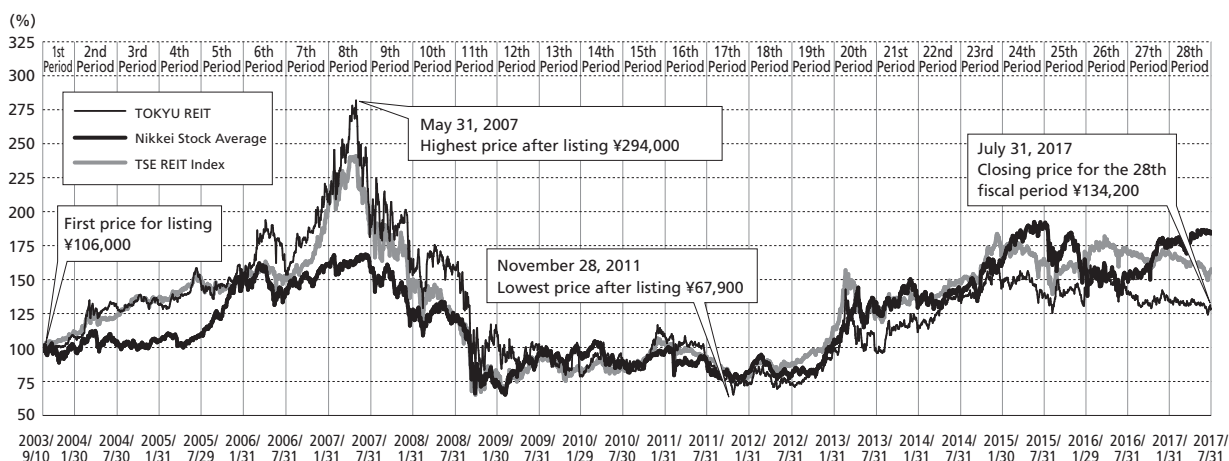
- (i) Tokyu Corporation
- (ii) A consolidated subsidiary of Tokyu Corporation
- (iii) A tokutei mokuteki kaisha (TMK) or special purpose entity (SPE) that was established based on the intention of Tokyu Corporation or a consolidated subsidiary of Tokyu Corporation and where the share of investment by 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%.

19. Subsequent events

TOKYU REIT is not aware of any circumstances that may have a material impact on TOKYU REIT's financial position after the 28th fiscal period ended July 31, 2017.

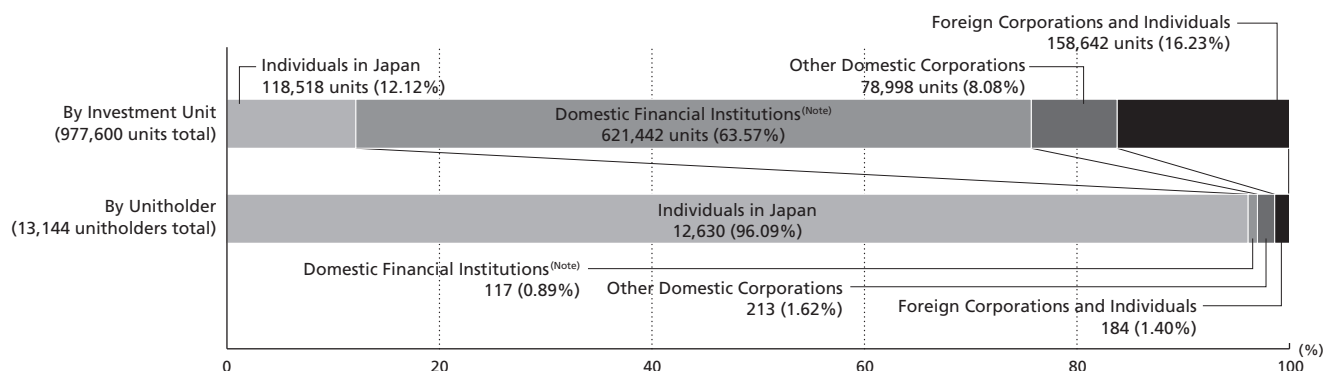
Unitholder Information

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

	28th Period	29th Period
Date of settlement	Jul. 31, 2017	Jan. 31, 2018
Announcement of financial results	Sep. 13, 2017	Mid Mar. 2018
Delivery of investment management report (Japanese only)	Oct 12, 2017	Mid Apr. 2018
Payment of cash distributions	Oct 13, 2017	Mid Apr. 2018

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

The Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

1-1 Nikko-cho, Fuchu-shi

Tokyo 183-0044 Japan

Address

Shin-Tokyo Post Office, PO box No.29,

Tokyo 137-8081 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 23rd fiscal period (ended January 31, 2015) is on April 13, 2015 and for the 24th fiscal period (ended July 31, 2015) is on October 15, 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 July 31, 2017.

TOKYU REIT

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