

# TOKYU REIT

TOKYU REIT, Inc. Semiannual Report

29th Fiscal Period

From August 1, 2017 to January 31, 2018

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 <sup>(Note)</sup> (Sponsor collaboration)
- Growth through heightened added value of the Tokyu Areas

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

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

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

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



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29th Fiscal Period  
Cash Distribution per Unit

¥2,650 (Fixed)

(Date of payment: Apr. 16, 2018)

30th Fiscal Period  
Cash Distribution per Unit

¥2,670 (Forecast)

(Date of payment: Mid Oct. 2018)

31th Fiscal Period  
Cash Distribution per Unit

¥2,730 (Forecast)

(Date of payment: Mid Apr. 2019)

## FINANCIAL SUMMARY

		28th Fiscal Period	29th Fiscal Period
<b>Balance Sheets</b>	■ Number of Properties	28 properties	29 properties
	■ Total Assets	¥219,579 million	¥218,101 million
	■ Interest-Bearing Debt	¥93,500 million	¥92,000 million
	■ Total Assets Loan-to-Value (LTV) Ratio	42.6%	42.2%
<b>Statements of Income</b>	■ Operating Revenues	¥6,919 million	¥7,032 million
	■ Net Income	¥2,355 million	¥2,493 million
<b>Distributions</b>	■ Distribution per Unit	¥2,650	¥2,650
	■ Average Market Price per Unit	¥137,786	¥137,260

(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.)

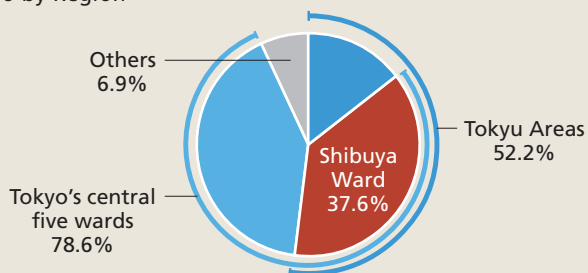
## Stable earnings and cash distributions through investment in highly competitive properties in areas with strong growth potential

### 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 29th fiscal period
- \*Based on acquisition price
- Control earthquake risk through PML (Set portfolio PML <sup>(Note 1)</sup> at 10% or lower)
- ✓ Set portfolio PML of the 29th fiscal period: 3.8% <sup>(Note 2)</sup>
- Oriented towards total return (comprised of income return (rental revenues, etc.) of each fiscal period and future capital return (gains on sales))

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).

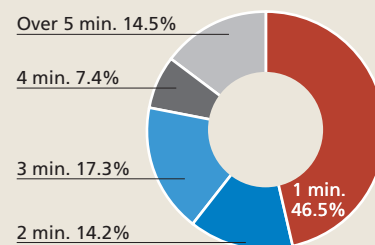


## Highly Competitive Properties

### ■ 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  
✓ 78.0%\* of properties lie within three-minute range (January 31, 2018)  
\* Based on acquisition price

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



### ■ Minimum investment amount per property

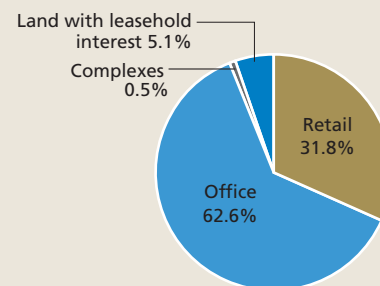
- 4 billion yen, in principle
- However,
  - (1) Properties located in Tokyu Areas (including Shibuya ward): 1 billion yen
  - (2) Properties located in Central Tokyo (excluding Shibuya ward): 2 billion yen
  - (3) Land with leasehold interest: 1 billion yen
- ✓ Average amount invested per property is ¥7.7 billion\* (January 31, 2018)  
\* 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.  
 (1) 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.  
 (2) 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

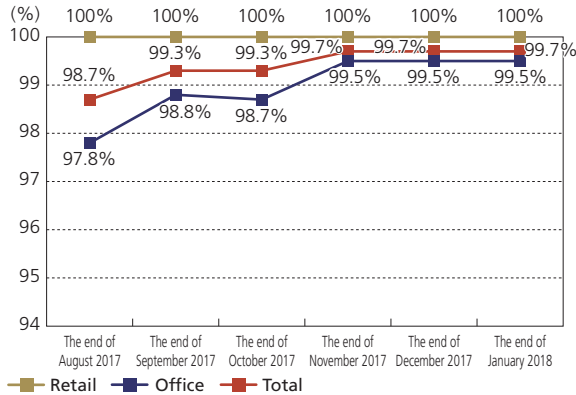
- Investment management fee structure “being in the same boat as unitholders” → Refer to Page 10
- “Capital Re-investment Model” through collaboration with sponsors → Refer to Page 12
- “Value and contrarian investment strategy” focusing on cyclicity of real estate prices → Refer to Page 13
- Debt management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

# Feature

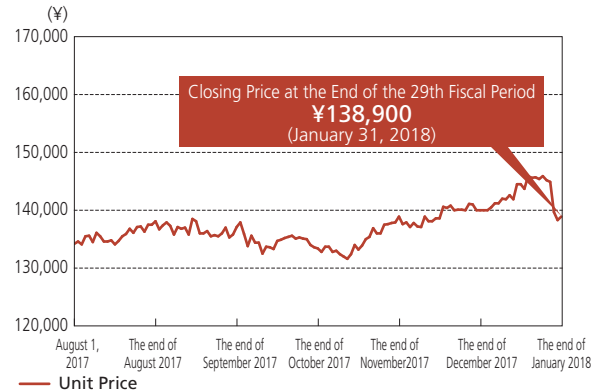
## Performance

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 January 31, 2018, the end of 29th fiscal period, **TOKYU REIT** held 18 office buildings and 8 retail facilities, 1 complex properties and 2 land with leasehold interest for a total of 29 properties.

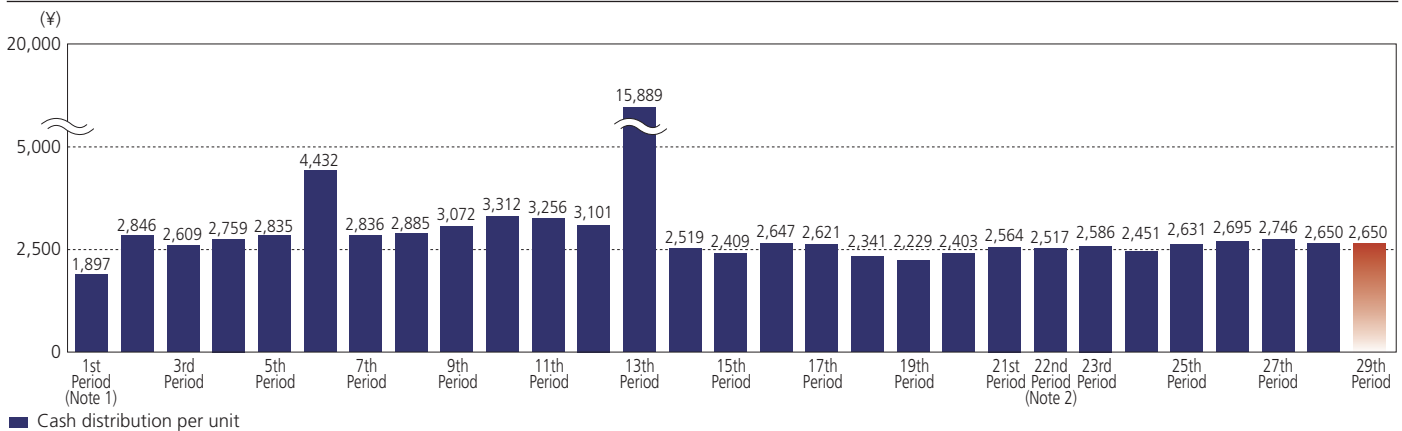
### Occupancy Rate



### Unit Price

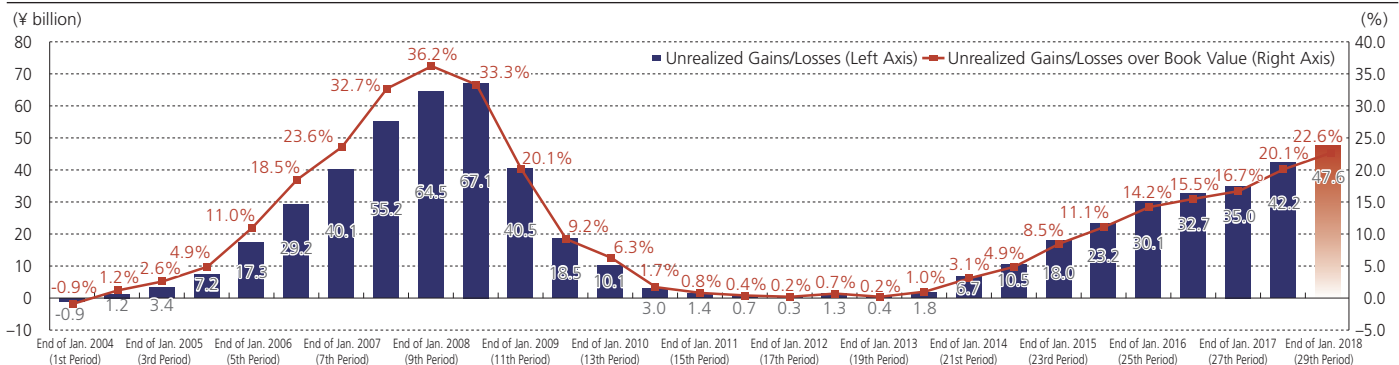


### Cash Distribution per Unit



(Notes) 1. Number of actual operating days in the 1st fiscal period was 144 days.  
 2. Cash Distribution per Unit have been adjusted to take into account the split of investment units (five-for-one split) conducted on February 1, 2014 for pre-split figures.

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



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



## Kazuyoshi Kashiwazaki

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 29th fiscal period from August 1, 2017 to January 31, 2018.

In the current fiscal period, revenue and income increased from the previous period with the acquisition of Maison Peony Toritsudaigaku, a complex in the Tokyu Areas, in addition to the progress of internal growth attributable to increase in the occupancy rates of existing properties including Setagaya Business Square alongside upward rent revision.

At Tokyu Toranomon building, there were move-outs of large tenants, but these vacancies became occupied with no downtime. The occupancy rate of the overall portfolio increased by 1.4 percentage points from the end of the previous fiscal period and maintained high occupancy rate at 99.7%.

Further increase in revenue and income can be expected in the next fiscal period onwards under stable and high occupancy with the contribution of revenue increase due to the ending of free rent periods.

As for interest-bearing debt, the balance decreased by 1.5 billion yen from the end of the previous fiscal period to 92

billion yen as a result of the reduction of interest expenses through the refinancing of borrowings as well as partial repayment of borrowings using cash on hand.

As a result, we achieved operating revenue of 7,032 million yen (113 million yen increase from the previous fiscal period), net income of 2,493 million yen (138 million yen increase from the previous fiscal period) and net income per unit of 2,550 yen (141 yen increase from the previous fiscal period) in the current fiscal period.

Distribution per unit will be 2,650 yen, the same amount as the previous fiscal period, with the reversal of reserve for reduction entry of 99 yen per unit accumulated with gain on sales of real estate recorded through property replacement, etc. until the 27th fiscal period (period ended January 2017). With the reversal in the current fiscal period, the balance of reserve for reduction entry is scheduled to be 360 million yen (368 yen per unit), meanwhile distribution per unit is forecasted to be 2,670 yen in the 30th fiscal period (period ending July 2018) and 2,730 yen in the 31st fiscal period (period ending January 2019) without the reversal of reserve for reduction entry in the next fiscal period onwards. We will continue retaining the reserve for reduction entry to utilize it for the stabilization of distributions.

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

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

March 2018

### 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)

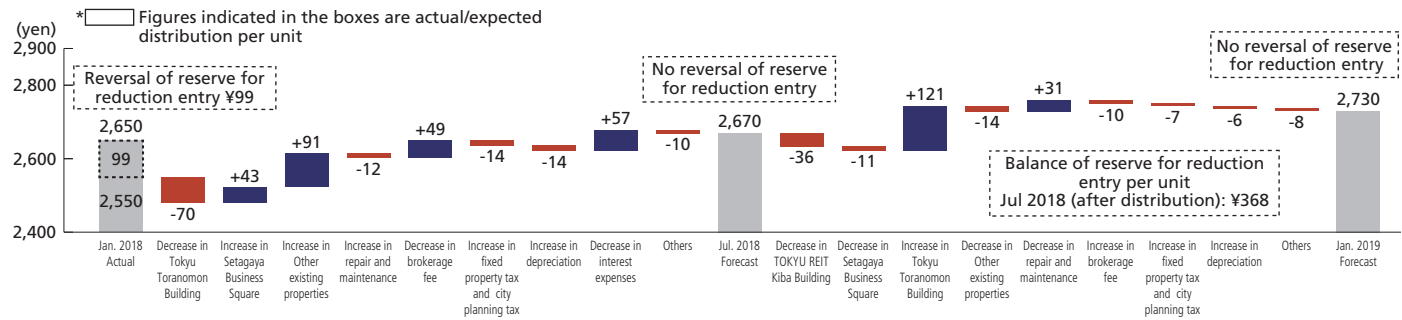


# Topics

## Forecast of Distribution per Unit

Increase in distribution is expected to continue without the reversal of reserve for reduction entry in the fiscal period ending July 2018 onward

### Breakdown of Distribution per Unit by Variable Factor (FP ended January 2018 to FP ending January 2019)



	FP ending Jul. 2018 Forecast	FP ending Jan. 2019 Forecast
Occupancy rate of portfolio	99.0% (-0.7pts)	99.1% (+0.1pts)
Setagaya Business Square	96.1% (-3.5pts)	99.1% (+3.0pts)
Tokyu Toranomon Building	100.0% (- pts)	100.0% (- pts)
TOKYU REIT Kiba Building	100.0% (- pts)	81.1% (-18.9pts)
NOI	4,897 million yen (+100 million yen)	4,963 million yen (+65 million yen)
Average interest	1.07% (-0.10pts)	1.04% (-0.03pts)

\*Figures in parenthesis are comparison with previous fiscal period

## External Growth Policy

Pursuing investment opportunities in prime properties while maintaining the stance of selective investment

### Investment Environment Decisions

#### Player

- 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

#### Cap rate and market rent level

- Cap rate decreased to the lower limit as there was an extremely small supply of investment-grade properties.
- Although concerns over the deterioration of market condition due to mass supply of office buildings from 2018 to 2020 receded, the market rent level is forecasted to decrease gradually in the future.

### Conducting selective investments in highly competitive properties by eyeing the peak out of the real estate market

#### Core measures

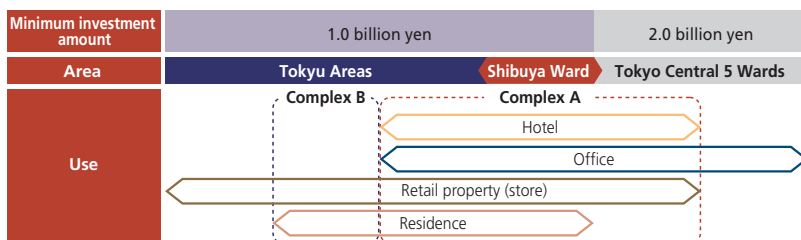
- Investment in Tokyu Areas including Greater Shibuya Area

#### Expected effects

- Increase in total return <sup>(Note)</sup>
- Further stabilization of cash flow and enhancement of portfolio quality

(Note) Comprises each fiscal period's income return (rental income, etc.) and future capital return (gains on sales)

### Image of the Targeted Use Composition



#### Image of Complex B

- Complex that includes residence and retail properties located in the Tokyu Areas (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

#### Image of Complex A

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

### <Acquisition case of Complex B>

Name	Maison Peony Toritsudaigaku
Address	1-2-5 Nakane, Meguro-ku, Tokyo
Access	Approximately a one-minute walk from Toritsu-daigaku Station on the Tokyu Toyoko Line
Usage	Retail, apartment
Established	Aug. 2014
Acquisition price	1,200 million yen
Appraisal value	1,200 million yen End of Jan. 2018 (FP 29)
Occupancy rate	96.9% End of Jan. 2018 (FP 29)



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 29th fiscal period, there were one Executive Director and two Supervisory Directors at TOKYU REIT.



**Giichi Yanagisawa**  
Supervisory Director



**Kazuyoshi Kashiwazaki**  
Executive Director



**Maruhito Kondo**  
Supervisory Director

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

Note: See page 7 about Kazuyoshi Kashiwazaki’s career.

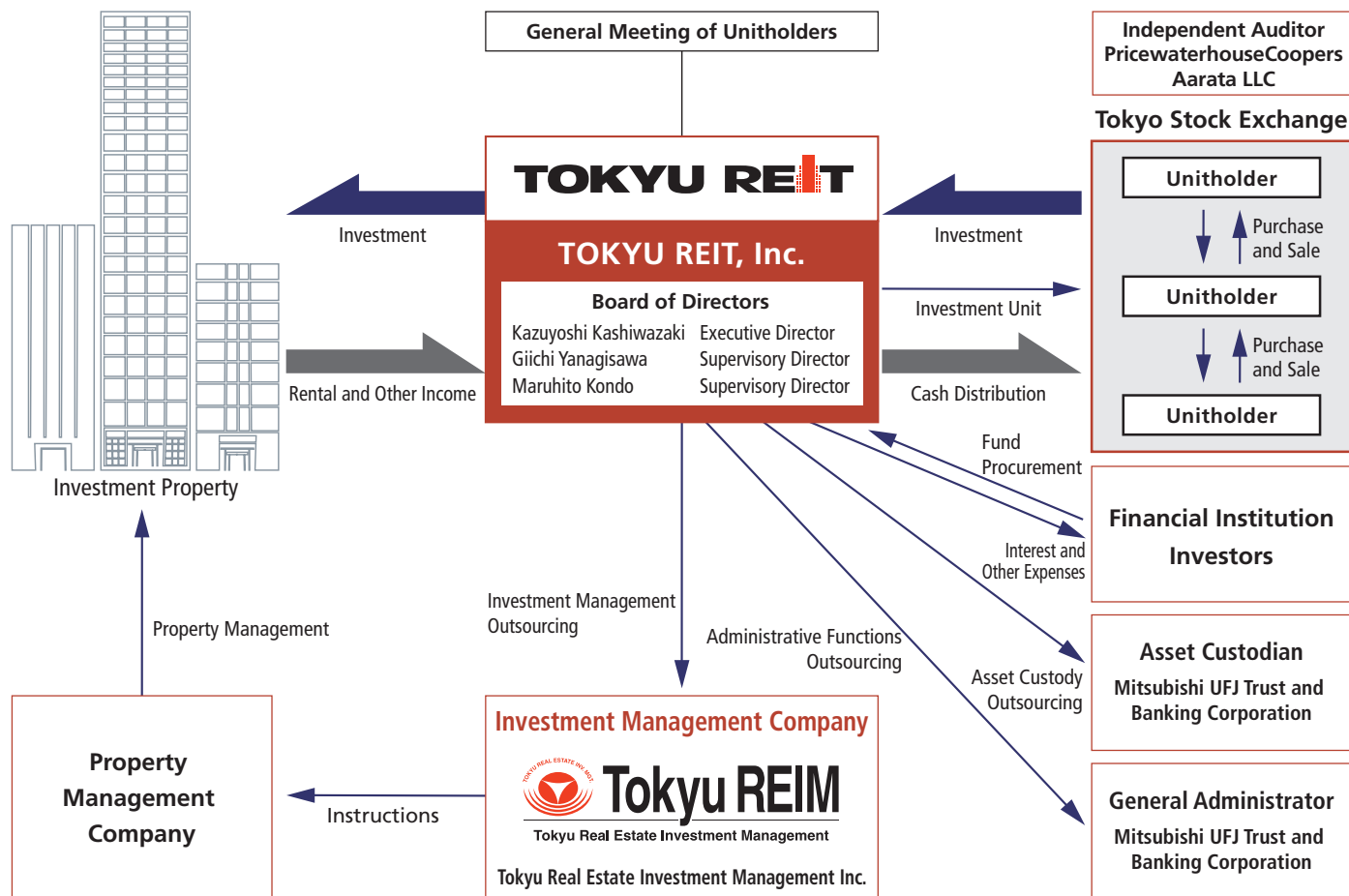
TOKYU REIT’s Initiatives (Governance)

TOKYU REIT’s Aim, Goals	Characteristics of TOKYU REIT’s Governance Structure
<ol style="list-style-type: none"> <li><b>Unitholder first</b> Willing to learn from investors but reject requests from short-term interests</li> <li><b>Aim to become a “Global investment product”</b> Willing to become invest-worthy for all investors around the globe</li> <li><b>Quality decision-making process</b> Highest level board management in the REIT industry</li> <li><b>Aim to become the most reputable J-REIT</b> Outperform other J-REITs</li> </ol>	<ol style="list-style-type: none"> <li><b>Involvement of independent outside board members</b></li> <li><b>Optimal balance between sponsor collaboration and independence</b></li> <li><b>Strict focus on fiduciary duty for investment management company and the others</b></li> <li><b>Management fee set to “being in the same boat as unitholders”</b></li> </ol>

TOKYU REIT’s Management Characteristics

Excellent Governance as a Source of Competitiveness	Structural	<ul style="list-style-type: none"> <li>Multiple layers of monitoring and proactive involvement of outside board members</li> <li>Management fee set to “being in the same boat as unitholders”</li> </ul>	<ul style="list-style-type: none"> <li>Stringent measures against conflicts of interest</li> <li>Board meetings held twice or more a month on a regular basis and enhanced resolution and reporting system</li> </ul>
	Human Resources	<ul style="list-style-type: none"> <li>Carefully select board members to enhance debate*</li> <li>Provide appropriate compensation to board members for the responsibility and the workload</li> </ul>	<ul style="list-style-type: none"> <li>Legal advisor to be present at board meetings</li> </ul>
	Culture	<ul style="list-style-type: none"> <li>Board members not hesitant to reject, waive resolution or agree with conditions</li> <li>Willing to debate among independent outside board members</li> </ul>	<ul style="list-style-type: none"> <li>Tokyu REIM’s efforts                             <ul style="list-style-type: none"> <li>Strict focus on fiduciary duty</li> <li>Management fee programmed to enhance involvement of all business segments</li> <li>Intend to allow all Tokyu REIM staff to face and communicate with investors</li> </ul> </li> </ul>
	Track Record	<ul style="list-style-type: none"> <li>Status of the Board of Directors’ meetings held (29th fiscal period): 1.6 meetings per month on average</li> </ul>	<ul style="list-style-type: none"> <li>Attendance at board of directors’ meeting                             <ul style="list-style-type: none"> <li>Kazuyoshi Kashiwazaki (Executive Director) 100%</li> <li>Giichi Yanagisawa (Supervisory Director) 100%</li> <li>Maruhito Kondo (Supervisory Director) 100%</li> <li>General Administrator 100%</li> </ul> </li> </ul>

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



## 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 Jan. 2018)
	Reason for adoption	
Base 1 (Linked to asset valuation)	Asset value at end of previous fiscal 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)	¥312 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 fiscal period <sup>(Note)</sup> × 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)	¥245 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 fiscal period - Highest average price over all previous fiscal 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.



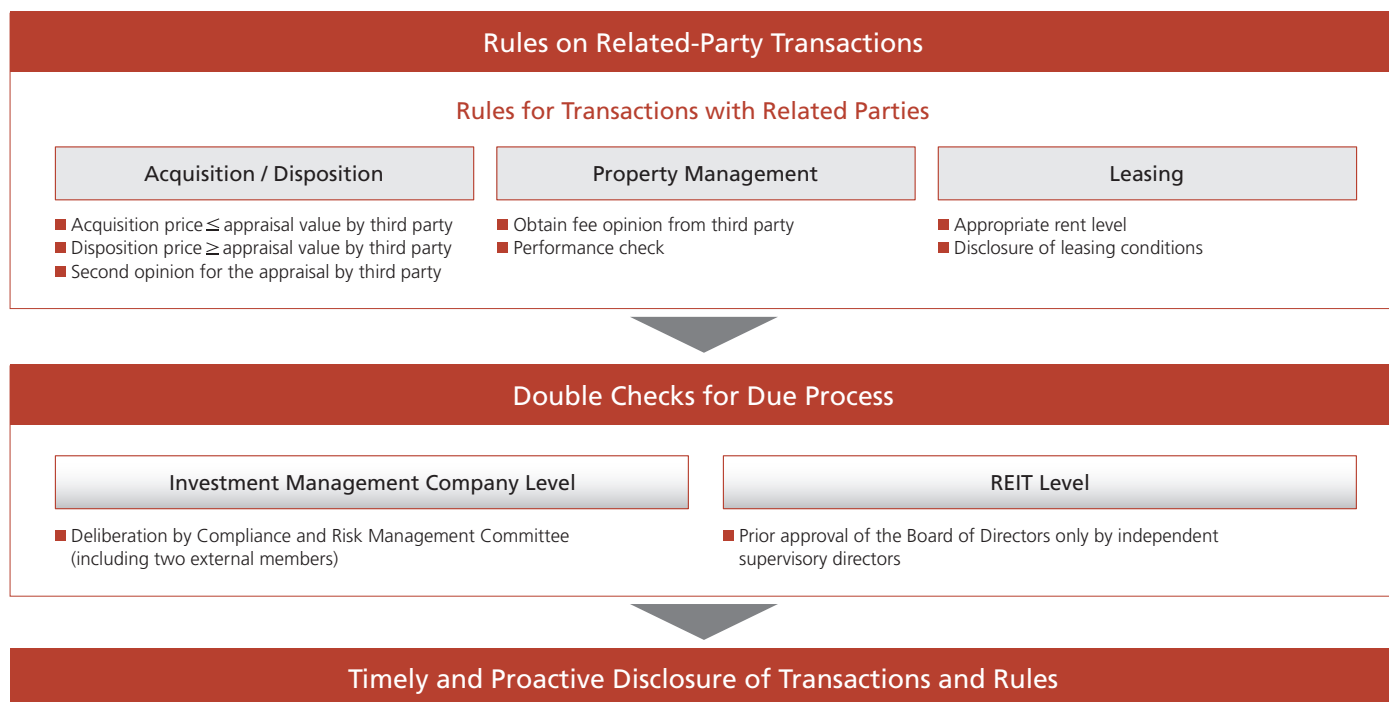
## Collaboration with Tokyu Corporation and Its Subsidiaries

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

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

## Related Party Transactions

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



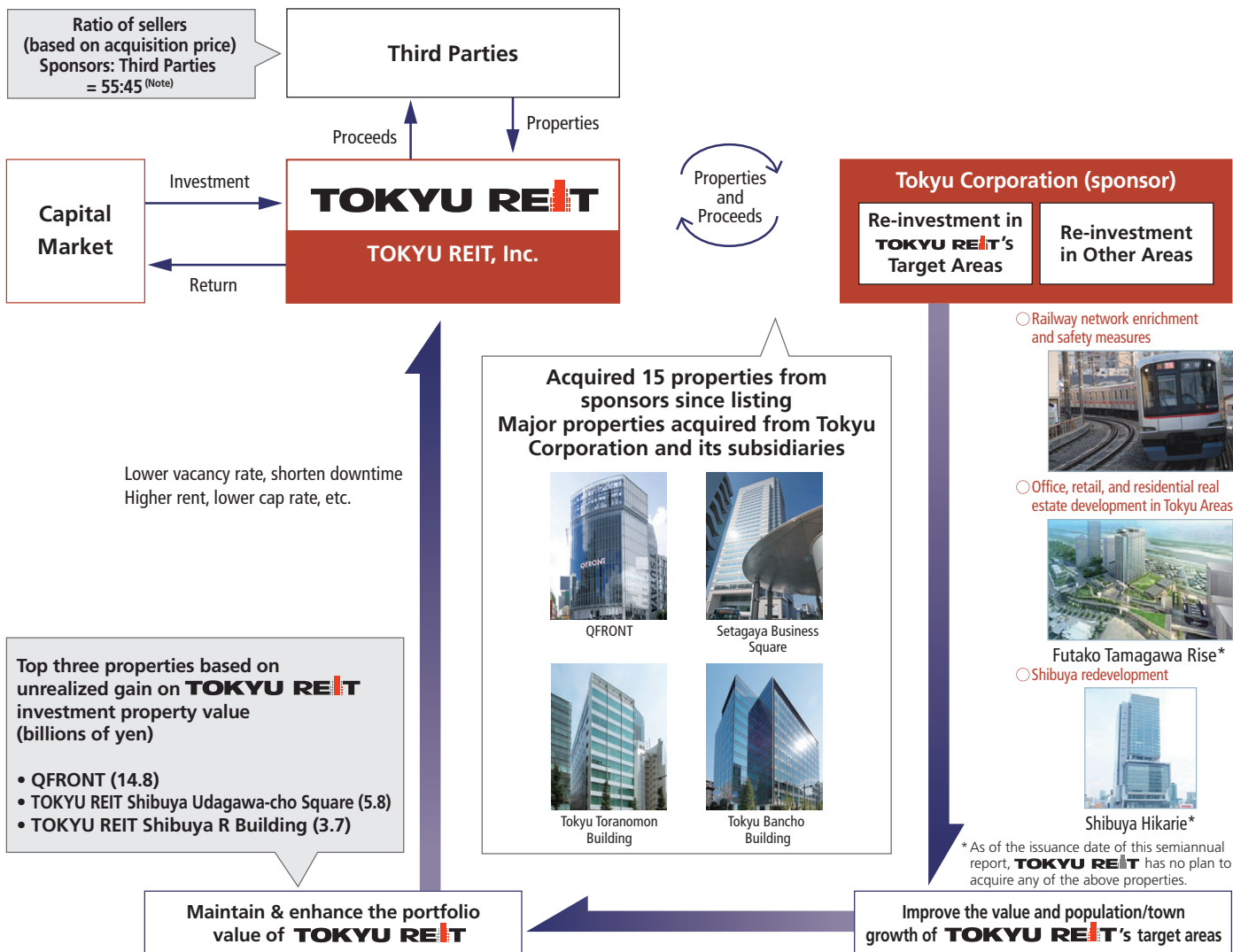
(Note) “Related Parties” is a collective term for “Tokyu Corporation and its subsidiaries,” “Affiliates of Tokyu Corporation except Tokyu Corporation’s subsidiaries,” and “Tokyu Land Corporation and its subsidiaries.”

- “Tokyu Corporation and its subsidiaries” refers to any entity that falls under the following (1) to (3):
  - 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 (1) to (3):
  - 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

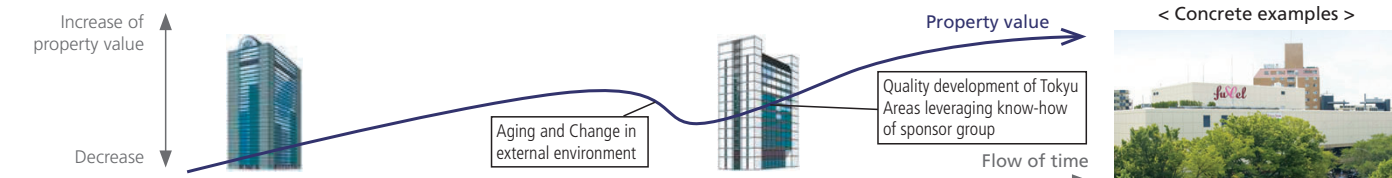
### “Capital Re-investment Model” through collaboration with sponsors

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
<b>Stages of property</b>	Development	Management	Redevelopment	Management
<b>Division of roles</b>	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.

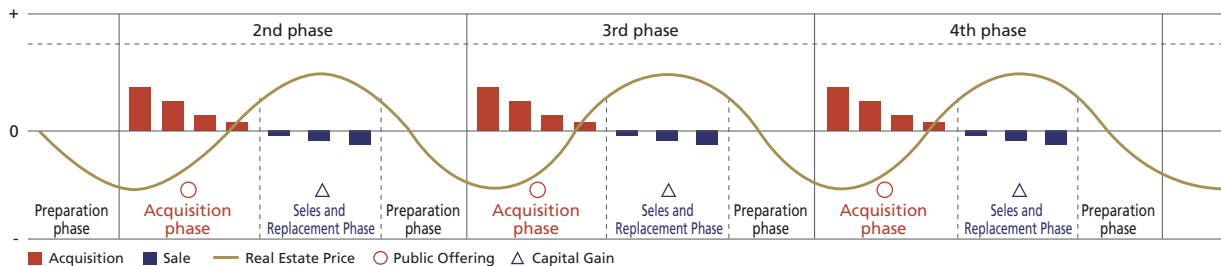
(Note) Includes properties acquired from sponsors which were contributed by Tokyu Land Corporation, a shareholder until June 2011 of Tokyu Real Estate Investment Management Inc. (Tokyu REIM), the asset management company, as well as by Tokyu Corporation.

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

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

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

Since unveiling the Surf Plan in September 2009, TOKYU REIT has conducted investment with a focus on the cyclicalty 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 cyclicalty of real estate prices, replacing properties on one hand and aiming to build a portfolio that boasts lasting competitiveness and balance sheets that are strong against even difficult economic times on the other hand. The objective of this approach is to accurately discern the ‘waves’ of prosperity and depression in real estate market conditions. <sup>(Note)</sup>



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

### Investment Style

## Value & Contrary

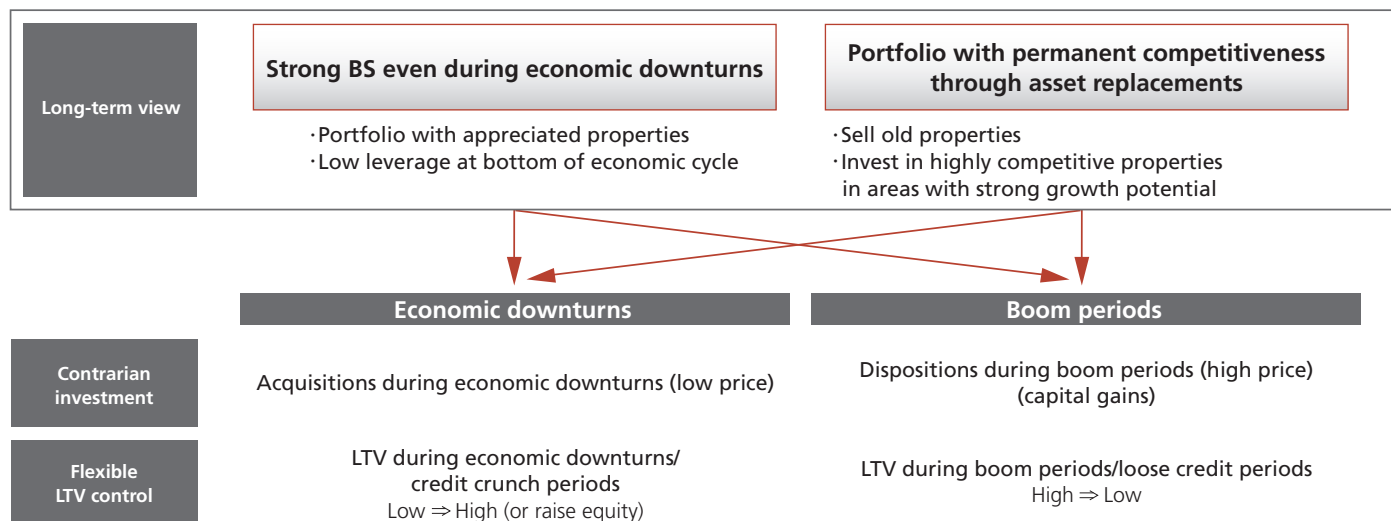
#### Value Investment

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 Investment

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

### Concept





# Management

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

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

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

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

In addition, Tokyu REIM implements strict measures against conflicts of interest and takes all necessary care in transactions with Tokyu Corporation and other related parties.

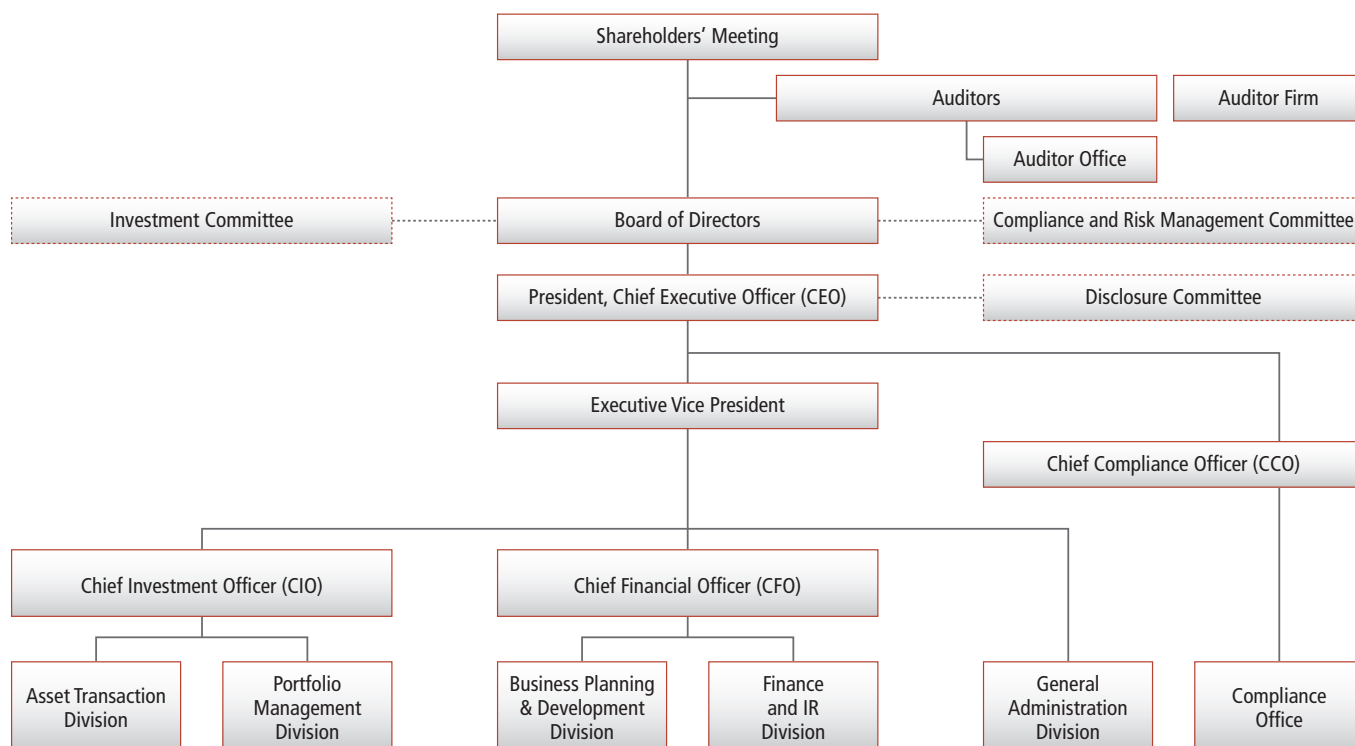
Tokyu REIM is a financial instruments dealer under the Financial Instruments and Exchange Law (Kanto Financial Bureau (*Kin-sho*) No. 360).

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



TOKYU REIT's Financial Strategies

Debt management strong against credit crises

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

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

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

Debt

Total Interest-Bearing Debt	¥92.0 billion
Long-Term Fixed-Rate Ratio	100%
Avg. Duration	3.76 years
Commitment Line	¥18.0 billion

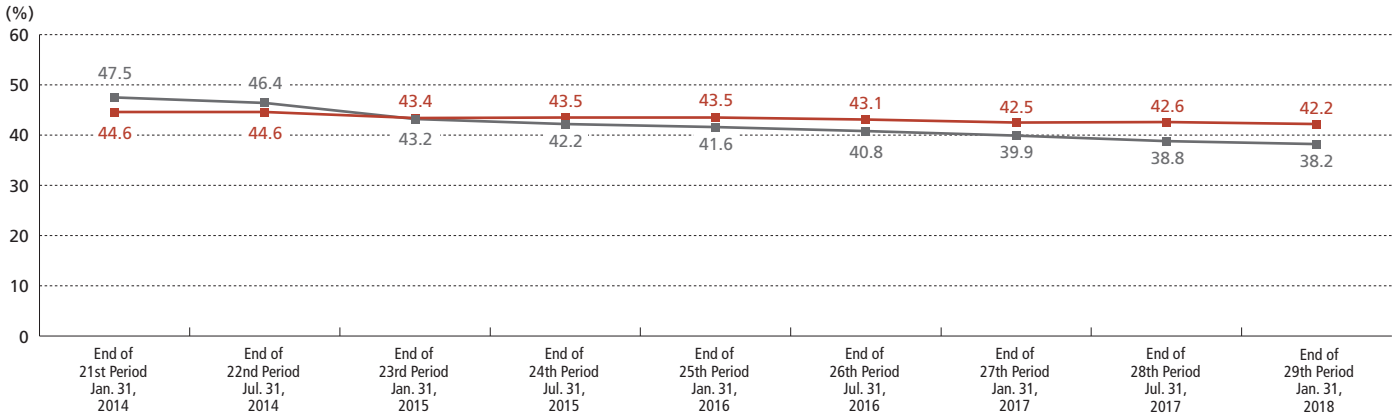
The execution of the commitment line agreement allows us to undergo debt financing at any given time up to the designated amount. To this end, a flexible and efficient fund procurement system has been assured. Moreover, there is no outstanding debt under the commitment line as of January 31, 2018.

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.



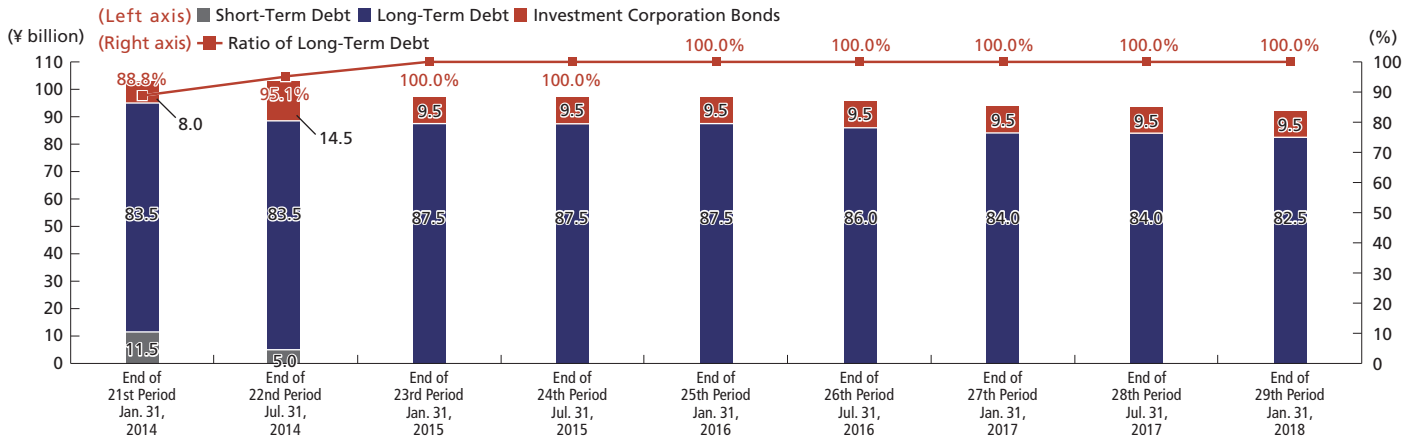
■ LTV based on total assets at end of period = Balance of period-end interest-bearing debt / Period end total assets

■ 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.

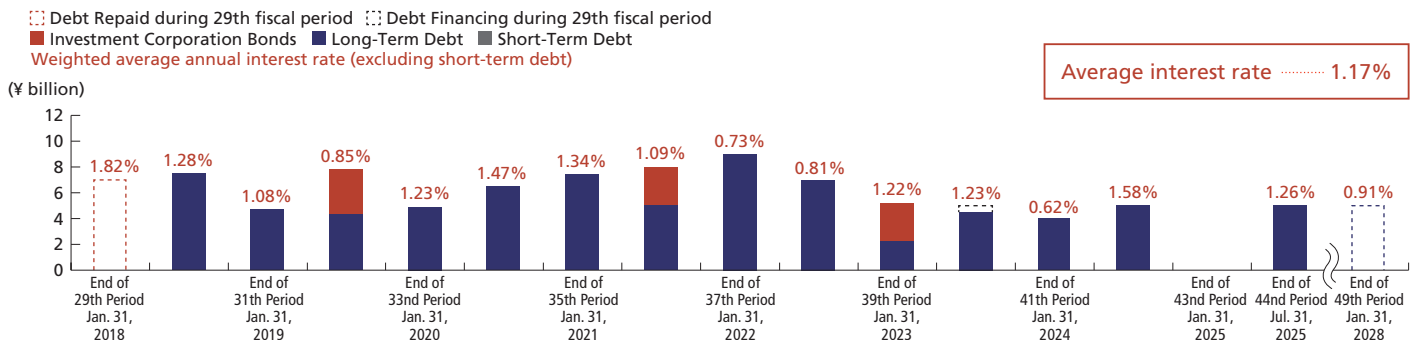
## Outstanding Debt and the Ratio of Long-term Debt

**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

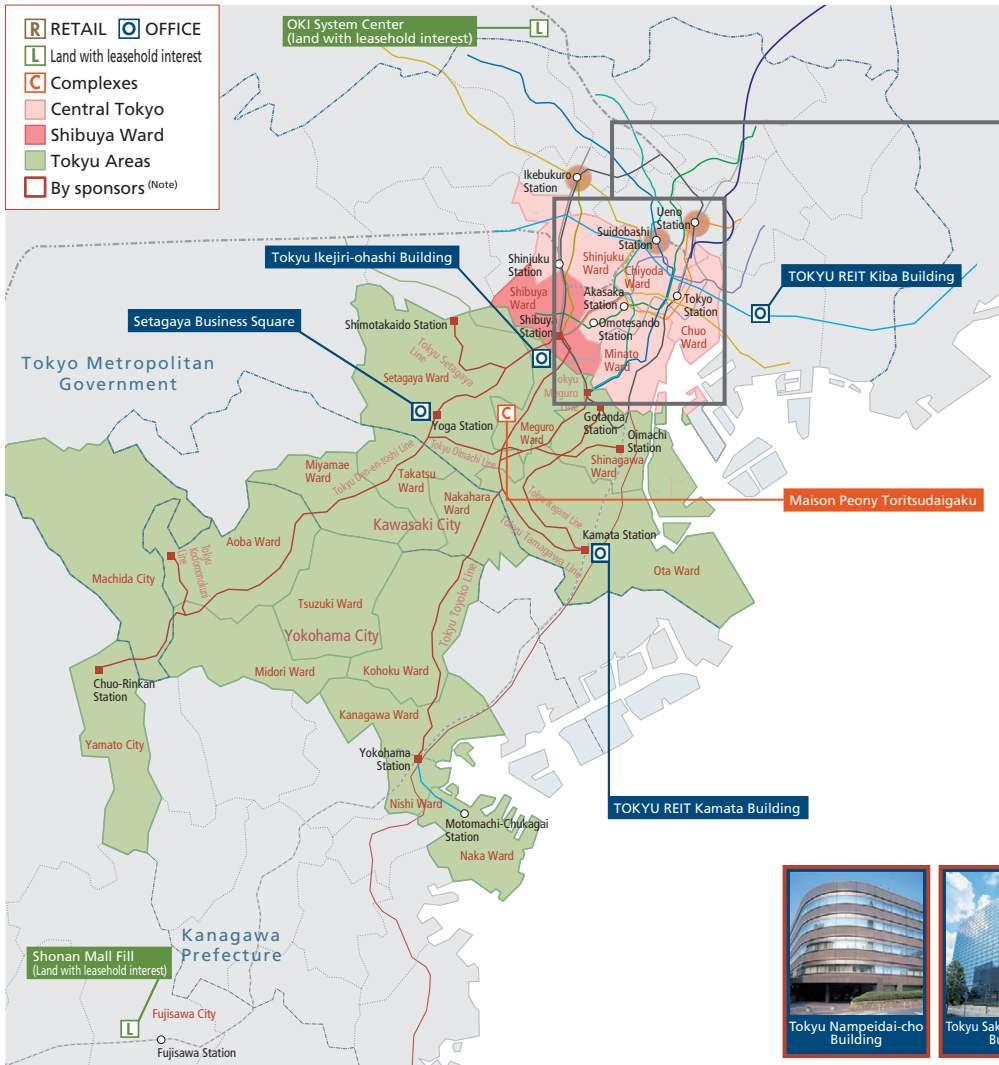
In addition, **TOKYU REIT** works to diversify repayment dates for its debt financing in order to avoid the risk of large-scale refinancing within a short period of time.



Investment Targeted Areas



- R RETAIL O OFFICE
- L Land with leasehold interest
- C Complexes
- Central Tokyo
- Shibuya Ward
- Tokyu Areas
- By sponsors (Note)



- 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 Tohoku Line

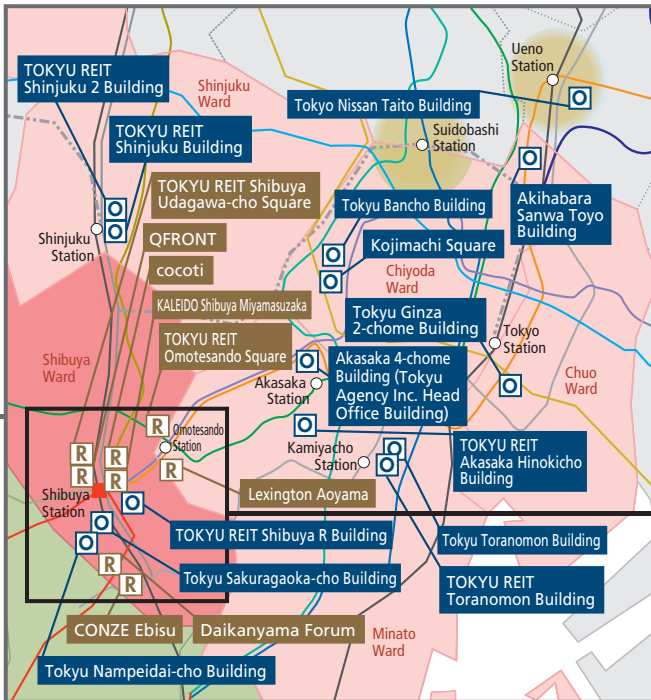


(Note) The portfolio properties acquired from sponsors include properties contributed by Tokyu Land, which was a shareholder of the Investment Management Company (Tokyu REIM) along with Tokyu Corporation until June 2011.



# Portfolio (properties owned at the end of the 29th 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 SCRAMBLE SQUARE



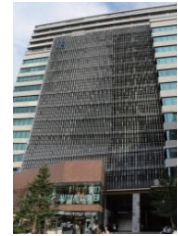
Implementing body	Tokyu Corporation, East Japan Railway Company, Tokyu Metro
Usage	Office, store, observation facility, parking lot, etc.
Total floor space	Approx. 276,000m <sup>2</sup>
Height	East building: Approx. 230m Central building: Approx. 61m West building: Approx. 76m
Opening	East building: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

### 2 SHIBUYA STREAM



Implementing body	Tokyu Corporation, etc.
Usage	Office, store, hotel, hall, parking lot, etc.
Total floor space	Approx. 116,700m <sup>2</sup>
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 <sup>2</sup>
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. 58,970m <sup>2</sup>
Height	Approx. 103m
Opening	Autumn 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 <sup>2</sup>
Height	A1 building: Approx. 180m B building: Approx. 150m A2 building: Approx. 90m C building: Approx. 16.5m
Opening	To be completed in Fiscal 2023 (scheduled)

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

Acquisition Price: 93.2 billion yen  
Appraisal Value: 121.4 billion yen

























## Data of the 29th 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 <sup>2</sup> )	Ratio <sup>(Note 1)</sup>
1	DAIWA INFORMATION SERVICE Co., Ltd	Real estate	 Shonan Mall Fill (Land with leasehold interest)	3/31/2033	44,078.12	20.9%
2	OKI Electric Industry Co., Ltd.	Electric equipment	 OKI System Center (Land with leasehold interest)	3/26/2033	17,019.19	8.1%
3	Tokyu Corporation	Land transportation	 Tokyu Nampeidai-cho Building	12/31/2021	7,148.18	3.4%
			 Tokyu Sakuragaoka-cho Building	12/31/2021	3,878.36	1.8%
4	VENDOR SERVICE CO., LTD.	Wholesale	 Tokyu Toranomom Building	3/31/2020	5,907.30	2.8%
5	FUJITSU LIMITED	Electric equipment	 TOKYU REIT Kamata Building	9/14/2018 <sup>(Note 2)</sup>	4,593.33	2.2%
6	TSUTAYA Co., Ltd.	Wholesale	 QFRONT	12/14/2019	4,044.10	1.9%
7	Japan Post Insurance	Insurance	 TOKYU REIT Toranomom Building	4/30/2018 <sup>(Note 2)</sup>	3,553.89	1.7%
8	Tokyu Agency Inc.	Service	 Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	1/31/2023	3,533.03	1.7%
9	OPT Holding Inc.	Other financial services	 Tokyu Bancho Building <sup>(Note 3)</sup>	12/31/2018	3,388.15	1.6%
10	Netyear Group Corporation	Service	 Tokyu Ginza 2-chome Building	9/30/2019	3,278.04	1.6%
Total of top 10 tenants in leased area					100,421.69	47.7%
Total leased area as of end of FP 29 (ended Jan. 2018) (29 properties)					210,689.91	100.0%

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

<b>Investment Criteria</b>	Properties that are compliant with the new earthquake resistance standards <sup>(Note 1)</sup> , that completed anti-seismic reinforcement work, or that has PML of less than 15%	Manage properties with a portfolio PML of 10% or less; examine purchasing earthquake insurance if PML of any property surpasses the figure.
<b>Portfolio</b>	<ul style="list-style-type: none"> <li>● 27 out of 29 properties comply with the new earthquake resistance standards (Two remaining properties are land with leasehold interest only)</li> </ul>	<ul style="list-style-type: none"> <li>● Portfolio PML: 3.8% <sup>(Note 2)</sup></li> <li>● Although the merit of geographical diversification in terms of earthquake risks is small, the value of the portfolio PML for properties which have high earthquake resistance ratings is kept at a fairly low level as individual properties have high earthquake resistant ratings.</li> </ul>

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

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



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

Use	Name of Property	Acquisition Date	Acquisition Price (¥ million)	Location	Total Leasable Area (m <sup>2</sup> )	Occupancy Rate	Ratio (Based on Acquisition Price) <sup>(Note 1)</sup>	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%	2.1%	2.3%
R	TOKYU REIT Omotesando Square	Sep. 10, 2003	5,770	Shibuya Ward, Tokyo	2,669.10	100.0%	2.6%	9.5%
R	TOKYU 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	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	100.0%	2.3%	4.4%
O	Setagaya Business Square	Sep. 11, 2003	22,400	Setagaya Ward, Tokyo	24,920.26	99.6%	10.0%	2.9%
O	Tokyu Nampeidai-cho Building	Sep. 11, 2003	4,660	Shibuya Ward, Tokyo	7,148.18	100.0%	2.1%	7.9%
O	Tokyu Sakuragaoka-cho Building	Sep. 11, 2003	6,620	Shibuya Ward, Tokyo	4,737.19	100.0%	3.0%	11.1%
O	Tokyo Nissan Taito Building	Sep. 11, 2003	4,450	Taito Ward, Tokyo	7,845.42	93.8%	2.0%	7.4%
O	TOKYU REIT Akasaka Hinokicho Building	Sep. 10, 2003	3,570	Minato Ward, Tokyo	3,202.57	100.0%	1.6%	11.2%
O	TOKYU REIT Kamata Building	Sep. 10, 2003	4,720	Ota Ward, Tokyo	7,337.82	100.0%	2.1%	7.7%
O	TOKYU REIT Toranomom Building	Dec. 15, 2004	8,630	Minato Ward, Tokyo	10,247.06	100.0%	4.6%	7.2%
		Sep. 21, 2007	1,100					
		Oct. 26, 2007	200					
		Jan. 21, 2015	107					
O	Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	Jan. 31, 2008	8,500	Minato Ward, Tokyo	3,533.03	100.0%	3.8%	3.9%
O	Tokyu Ikejiri-ohashi Building	Mar. 28, 2008	5,480	Meguro Ward, Tokyo	5,733.23	100.0%	2.5%	5.8%
O	Kojimachi Square	Mar. 19, 2010	9,030	Chiyoda Ward, Tokyo	5,409.11	100.0%	4.0%	4.8%
O	TOKYU REIT Shinjuku Building	Mar. 26, 2010	9,000	Shinjuku Ward, Tokyo	6,273.51	100.0%	4.0%	4.2%
O	Akihabara Sanwa Toyo Building	Oct. 29, 2010	4,600	Chiyoda Ward, Tokyo	4,590.53	100.0%	2.1%	11.8%
O	TOKYU REIT Kiba Building	Oct. 29, 2010	4,000	Koto Ward, Tokyo	5,797.79	100.0%	1.8%	7.4%
O	Tokyu Ginza 2-chome Building	Feb. 15, 2011	5,010	Chuo Ward, Tokyo	3,469.14	100.0%	2.2%	4.4%
O	TOKYU REIT Shibuya R Building	Aug. 16, 2013	5,270	Shibuya Ward, Tokyo	5,266.15	100.0%	2.4%	5.9%
O	Tokyu Toranomom Building <sup>(Note 2)</sup>	Aug. 16, 2013	15,000	Minato Ward, Tokyo	9,016.59	100.0%	7.5%	5.4%
		Jan. 9, 2015	1,850					
O	TOKYU REIT Shinjuku 2 Building	Oct. 30, 2015	2,750	Shinjuku Ward, Tokyo	1,787.21	100.0%	1.2%	4.2%
O	Tokyu Bancho Building	Mar. 24, 2016	12,740	Chiyoda Ward, Tokyo	5,717.45	100.0%	5.7%	3.3%
C	Maison Peony Toritsudaigaku	Nov. 15, 2017	1,200	Meguro ward, Tokyo	852.16	96.9%	0.5%	6.2%
L	Shonan Mall Fill (Land with leasehold interest)	Apr. 28, 2006	6,810	Fujisawa City, Kanagawa Prefecture	44,078.12	100.0%	3.0%	—
L	OKI System Center (Land with leasehold interest)	Mar. 27, 2013	4,530	Warabi City, Saitama Prefecture	17,019.19	100.0%	2.0%	—
Total			223,540		211,303.47	99.7%	100.0%	3.8% <sup>(Note 3)</sup>

(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 Toranomom 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).

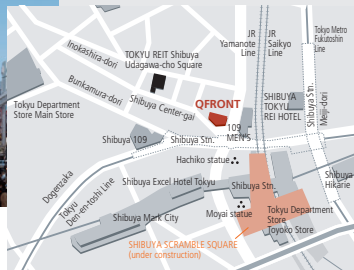


# PORTFOLIO (properties owned at the end of the 29th fiscal period)

## 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: 784.26m<sup>2</sup> (Land included in the property trust totals 728.30m<sup>2</sup>)  
 Total Floor Space: 6,675.52m<sup>2</sup> (Exclusive area 4,804.46m<sup>2</sup>)  
 Structure/Floors: SRC/S, B3/8F  
 Completed: October 1999  
 Type of Ownership: Land—Proprietary ownership  
 Building—Compartmentalized ownership

## 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: 776.59m<sup>2</sup>  
 Total Floor Space: 2,342.21m<sup>2</sup>  
 Structure/Floors: S/R, 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: 1,259.21m<sup>2</sup>  
 Total Floor Space: 3,321.20m<sup>2</sup>  
 Structure/Floors: S/SRC, B1/4F  
 Completed: October 1985  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership

## R TOKYU REIT Shibuya Udagawa-cho Square



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

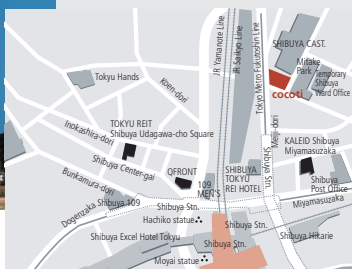


Address: [Bldg. 1] 25-10, Udagawa-cho, Shibuya-ku, Tokyo  
 [Bldg. 2] 25-5, Udagawa-cho, Shibuya-ku, Tokyo  
 Nearest Station: Approximately a two-minute walk from Shibuya Station—JR Yamanote Line, etc.  
 Total Land Space: 679.27m<sup>2</sup>  
 Total Floor Space: [Bldg. 1] 1,473.10m<sup>2</sup>  
 [Bldg. 2] 56.39m<sup>2</sup>  
 Structure/Floors: [Bldg. 1] S, 3F  
 [Bldg. 2] S, 2F  
 Completed: [Bldg. 1] July 1998  
 [Bldg. 2] June 1995  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership

**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: 1,705.35m<sup>2</sup>  
 Total Floor Space: 11,847.87m<sup>2</sup>  
 Structure/Floors: S/SRC, B2/12F  
 Completed: September 2004  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership

**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: 562.07m<sup>2</sup>  
 Total Floor Space: 2,789.35m<sup>2</sup>  
 Structure/Floors: S/SRC B1/9F  
 Completed: March 2004  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership

**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.

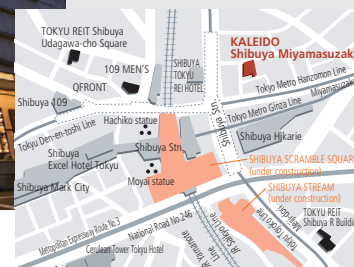


Address: 17-16, Sarugaku-cho, Shibuya-ku, Tokyo  
 Nearest Station: Approximately a six-minute walk from Daikanyama Station—Tokyo Toyoko Line  
 Total Land Space: Building 1 (East): Site rights area 942.30m<sup>2</sup>  
 Building 2 (West): Site rights area 1,108.01m<sup>2</sup>  
 Total Floor Space: Building 1 (East): 1,441.57m<sup>2</sup>  
 Building 2 (West): 2,388.70m<sup>2</sup>  
 (Exclusive area 1,182.62m<sup>2</sup>)  
 Structure/Floors: Building 1 (East): RC, B1/2F  
 Building 2 (West): RC, B1/5F  
 Completed: February 1993  
 Type of Ownership: Land— Building 1 (East): Proprietary ownership  
 Building 2 (West): Proprietary ownership  
 (Co-ownership ratio 64.13%)  
 Building— Building 1 (East): Compartmentalized ownership  
 Building 2 (West): Compartmentalized ownership

**R** KALEIDO Shibuya Miyamasuzaka



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

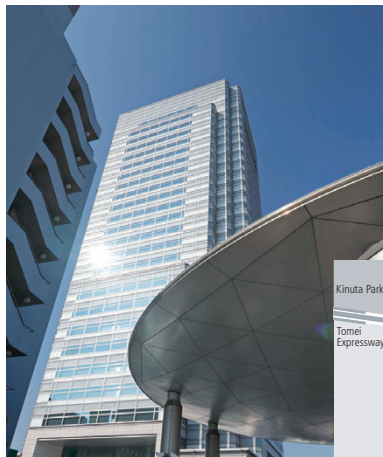


Address: 1-12-1, Shibuya, Shibuya-ku, Tokyo  
 Nearest Station: Approximately a one-minute walk from Shibuya Station—Tokyo Metro Ginza Line, etc.  
 Total Land Space: 821.65m<sup>2</sup>  
 Total Floor Space: 4,475.10m<sup>2</sup>  
 Structure: S/RC  
 Floors: B4/6F  
 Completed: January 1992  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership



# PORTFOLIO (properties owned at the end of the 29th fiscal period)

## Setagaya Business Square



A large complex building comprised of office and retails 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.

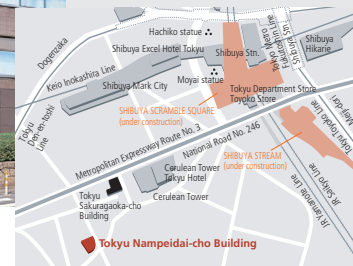


Address: 4-10-1,2,3,4,5,6, Yoga, Setagaya-ku, Tokyo  
 Nearest Station: Approximately a one-minute walk from Yoga Station—Tokyu Den-en-toshi Line  
 Total Land Space: 21,315.68m<sup>2</sup>  
 Total Floor Space: 94,373.72m<sup>2</sup>  
 Structure/Floors: SRC/RC/S, B2/28F  
 Completed: September 1993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

## 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: 2,013.28m<sup>2</sup>  
 Total Floor Space: 7,003.88m<sup>2</sup>  
 Structure/Floors: S/RC, 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: 1,013.03m<sup>2</sup>  
 Total Floor Space: 6,505.39m<sup>2</sup>  
 Structure/Floors: SRC, B3/9F  
 Completed: June 1987  
 Type of Ownership: Land—Proprietary ownership  
 Building—Compartmentalized ownership

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

## Tokyo Nissan Taito Building



A highly convenient office several stations including Ueno Station, 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: 1,718.45m<sup>2</sup>  
 Total Floor Space: 11,373.20m<sup>2</sup>  
 Structure/Floors: SRC, B2/10F  
 Completed: September 1992  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership

**TOKYU REIT Akasaka Hinokicho Building**



An office building located along the very convenient and 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: 866.61m<sup>2</sup>  
 Total Floor Space: 4,058.92m<sup>2</sup>  
 Structure/Floors: RC, 7F  
 Completed: August 1984  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership

**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: 1,642.86m<sup>2</sup>  
 Total Floor Space: 10,244.51m<sup>2</sup>  
 Structure/Floors: S/SRC, B1/9F  
 Completed: February 1992  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership

**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: 1,728.38m<sup>2</sup> (Co-ownership ratio 86.116%)  
 Total Floor Space: 15,343.73m<sup>2</sup> (Area owned by TOKYU REIT: 10,882.65m<sup>2</sup>)  
 Structure/Floors: SRC/RC, B2/9F  
 Completed: April 1988  
 Type of Ownership: Land—Proprietary ownership (Co-ownership ratio 86.116%)  
 Building—Compartmentalized ownership and co-ownership of compartmentalized ownership

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



# PORTFOLIO (properties owned at the end of the 29th fiscal period)

## 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.

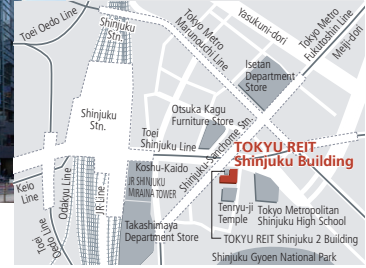


Address: 3, Nibancho, Chiyoda-ku Tokyo  
 Nearest Station: Approximately a one-minute walk from Kojimachi Station—Tokyo Metro Yurakucho Line, etc.  
 Total Land Space: 1,269.24m<sup>2</sup>  
 Total Floor Space: 6,803.47m<sup>2</sup>  
 Structure/Floors: S/RC, B1/7F  
 Completed: January 2003  
 Type 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: 1,113.87m<sup>2</sup>  
 Total Floor Space: 8,720.09m<sup>2</sup>  
 Structure/Floors: SRC, 10F  
 Completed: May 2003  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership

## 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: 712.49m<sup>2</sup>  
 Total Floor Space: 5,002.36m<sup>2</sup>  
 Structure/Floors: S/SRC, B1/9F  
 Completed: February 2003  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership

## 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.



Address: 3-16-8, Sotokanda, Chiyoda-ku, Tokyo  
 Nearest Station: Approximately a one-minute walk from Suehirocho Station—Tokyo Metro Ginza Line  
 Total Land Space: 795.33m<sup>2</sup>  
 Total Floor Space: 5,704.69m<sup>2</sup>  
 Structure/Floors: SRC, B1/8F  
 Completed: September 1985  
 Type of Ownership: Land—Proprietary ownership  
 Building—Compartmentalized ownership

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

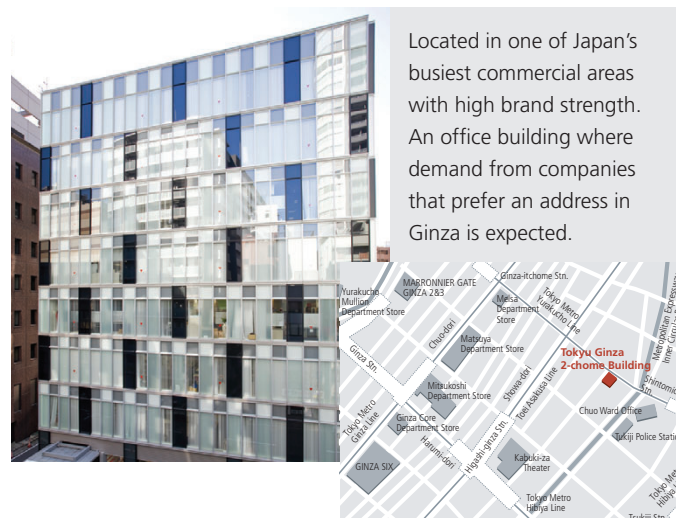
**TOKYU REIT Kiba Building**



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: 1,259.52m<sup>2</sup>  
 Total Floor Space: 7,513.09m<sup>2</sup> (Including parking spaces (41.74m<sup>2</sup>))  
 Structure/Floors: SRC, 10F  
 Completed: February 1992  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership

**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: 805.42m<sup>2</sup>  
 Total Floor Space: 5,098.61m<sup>2</sup>  
 Structure/Floors: S/R/C, B1/8F  
 Completed: August 2008  
 Type of Ownership: Land—Proprietary ownership  
 Building—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: 1,077.45m<sup>2</sup> (Area owned by TOKYU REIT: 819.41m<sup>2</sup>)  
 Total Floor Space: 7,289.38m<sup>2</sup> (Including parking space 41.18m<sup>2</sup>)  
 (Area owned by TOKYU REIT: 4,403.69m<sup>2</sup>)  
 Structure: SRC (Parking: S 1F)  
 Floors: B1/9F  
 Completed: March 1990  
 Type of Ownership: Land—Proprietary ownership (Partial ownership)  
 Building—Compartmentalized ownership, and co-ownership of compartmentalized ownership

**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 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: 2,016.83m<sup>2</sup>  
 Total Floor Space: 11,983.09m<sup>2</sup>  
 Structure/Floors: S, 10F  
 Completed: April 2010  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership

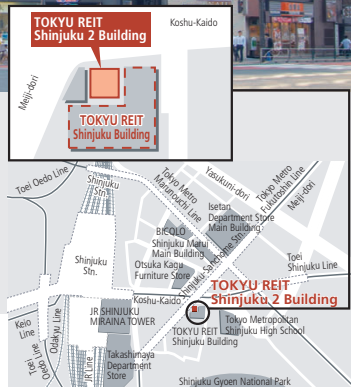


# PORTFOLIO (properties owned at the end of the 29th fiscal period)

## TOKYU REIT Shinjuku 2 Building



Located on a corner lot at the intersection of Meiji-dori and Koshu-Kaido. 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-sancho-me Station—Tokyo Metro Marunouchi Line, etc.  
 Approximately a four-minute walk from Shinjuku Station—JR Yamanote Line, etc.  
 Total Land Space: 270.05m<sup>2</sup>  
 Total Floor Space: 2,006.13m<sup>2</sup>  
 Structure/Floors: S, 10F  
 Completed: December 1991  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership

## Tokyu Bancho Building



A large office building with high visibility and office specifications located in the Ichigaya and Yotsuya area.



Address: 6, Yonbancho, Chiyoda-ku, Tokyo  
 Nearest Station: Approximately a three-minute walk from Ichigaya Station—JR Chuo Main Line, etc.  
 Total Land Space: 2,754.18m<sup>2</sup> (Land included in the property trust totals: 2,573.80m<sup>2</sup>)  
 Total Floor Space: 15,834.55m<sup>2</sup>  
 (Exclusive ownership area of compartments under compartmentalized ownership pertaining to property trust: 11,431.09m<sup>2</sup>)  
 Structure /Floors: S, 11F  
 Completed: September 2011  
 Type of Ownership: Land—Proprietary ownership  
 (Quasi-co-ownership interest of trust beneficiary interest: 49%)  
 Building—Compartmentalized ownership  
 (Quasi-co-ownership interest of the 95.1% compartmentalized ownership interest of the trust beneficiary interest: 49%)

**C** Maison Peony Toritsudaigaku



The property is a complex located approximately a 1- minute walk from Toritsu-daigaku Station on the Tokyu Toyoko line.



Address: 1-2-5 Nakane, Meguro-ku, Tokyo  
 Nearest Station: Approximately a one-minute walk from Toritsu-daigaku Station, Tokyu Toyoko Line  
 Total Land Space: 245.61m<sup>2</sup>  
 Total Floor Space: 950.36m<sup>2</sup>  
 Structure/Floors: RC, 10F  
 Completed: August 2014  
 Type of ownership: Land—Land-Proprietary ownership  
 Building—Building-Proprietary ownership

**L** 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: 44,078.12m<sup>2</sup>  
 Type of Ownership: Land—Proprietary ownership

**L** 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: 17,019.18m<sup>2</sup>  
 Type of Ownership: Land—Proprietary ownership



# 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.



Properties with exceptionally high environmental & social awareness



Setagaya Business Square

#### [Evaluated points]

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



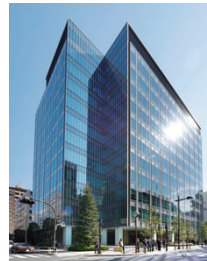
Properties with excellent environmental & social awareness



cocoti

#### [Evaluated points]

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



Tokyu Bancho Building

#### [Evaluated points]

1. Shows high performance in energy saving with installment of water-saving toilets as well as employment of LED lighting in common areas and exclusive areas among others.
2. Not only possesses sufficient specifications as the most recent building, but also offers building management that is considerate of working environment, providing a space to refresh that is surrounded by greenery and a convenience store.
3. Excellent in terms of risk management, having disaster response equipment such as a reserve power source and emergency kit cabinets in elevators along with IC card readers monitoring entry and exit.



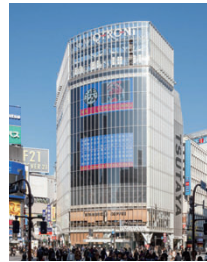
Properties with high environmental & social awareness



Tokyu Toranomon Building

#### [Evaluated points]

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



QFRONT

#### [Evaluated points]

Proactively engaged in formation of communities in the surrounding environment by participating in local events while promoting energy saving in the entire facility by adopting LED lighting.

### GRESB

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

Continuously acquired "Green Star" rating, the highest category, from 2015.

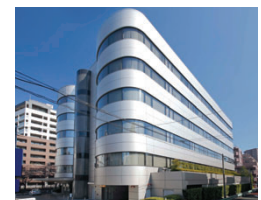


GRESB (Global Real Estate Sustainability Benchmark) Benchmark developed by a group of leading western pension funds. Evaluates the sustainability consideration of real estate companies and the managing entities, and is being utilized by some major institutional investors, for example when selecting investment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

### BELS

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

The result is labeled by stars (1 to 5 stars).



Tokyu Ikejiri-ohashi Building  
★★

### Classification and Evaluation System of Businesses Based on the Energy Conservation Law

**TOKYU REIT** continuously acquired "Class S," the highest ranking, in the evaluation 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. Prime businesses (Class S) will be announced on the website of the Ministry of Economy, Trade and Industry by business category.

# I. Asset Management Report

## 1. Financial Highlights

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

		29th fiscal period From August 1, 2017 to January 31, 2018 (184 days)	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)	
		Millions of yen, except per unit data or where otherwise indicated					
Result of operation	Statement of income	Operating revenues	¥ 7,032	¥ 6,919	¥ 7,514	¥ 9,500	¥ 7,289
		Operating income	¥ 3,068	¥ 2,940	¥ 3,588	¥ 3,580	¥ 3,251
		Net income	¥ 2,493	¥ 2,355	¥ 2,952	¥ 2,926	¥ 2,571
	Operating income	Revenue from property leasing (a) (Note 2)	¥ 7,032	¥ 6,919	¥ 6,973	¥ 7,150	¥ 7,289
		Rental service expenses (b)	¥ 3,271	¥ 3,310	¥ 3,232	¥ 3,362	¥ 3,368
		[Depreciation and amortization] (included in (b)) (c) (Note 3)	[¥ 1,036]	[¥ 1,022]	[¥ 1,027]	[¥ 1,049]	[¥ 1,028]
		NOI (Net Operating Income) (a) – (b) + (c)	¥ 4,797	¥ 4,631	¥ 4,768	¥ 4,837	¥ 4,949
	Cash flow	FFO (Funds from Operation) (d) (Note 4)	¥ 3,530	¥ 3,377	¥ 3,439	¥ 3,467	¥ 3,600
		Capital expenditures (e)	¥ 458	¥ 840	¥ 615	¥ 684	¥ 622
		AFFO (Adjusted Funds from Operation) (d) – (e)	¥ 3,071	¥ 2,537	¥ 2,824	¥ 2,783	¥ 2,978
Financial position	Balance sheet	Total assets (f)	¥ 218,101	¥ 219,579	¥ 219,762	¥ 221,495	¥ 222,868
		[Change from the preceding period]	[–0.7%]	[–0.1%]	[–0.8%]	[–0.6%]	[0.0%]
		Interest-bearing liabilities (g) (Note 5)	¥ 92,000	¥ 93,500	¥ 93,500	¥ 95,500	¥ 97,000
		Total unitholders' equity (Net assets) (h)	¥ 113,430	¥ 113,527	¥ 113,856	¥ 113,538	¥ 113,183
		[Change from the preceding period]	[–0.1%]	[–0.3%]	[0.3%]	[0.3%]	[0.2%]
	Portfolio	Unitholders' capital	¥ 110,479	¥ 110,479	¥ 110,479	¥ 110,479	¥ 110,479
		Acquisition costs of properties (Note 6)	¥ 223,539	¥ 222,339	¥ 222,339	¥ 223,629	¥ 224,809
		Book value of properties (Note 6)	¥ 210,672	¥ 210,000	¥ 210,192	¥ 211,772	¥ 212,739
		Appraisal value of properties at end of period (i) (Note 6)	¥ 258,360	¥ 252,280	¥ 245,200	¥ 244,500	¥ 242,870
		Number of properties at end of period	29 properties	28 properties	28 properties	29 properties	30 properties
		Total leasable area (Note 7)	211,303.47 m <sup>2</sup>	210,373.50 m <sup>2</sup>	210,476.40 m <sup>2</sup>	211,801.83 m <sup>2</sup>	231,706.49 m <sup>2</sup>
	Occupancy rate at end of period (Note 7)	99.7%	98.3%	97.1%	97.0%	98.9%	
	Other	Distri- bution	Cash distribution	¥ 2,590	¥ 2,590	¥ 2,684	¥ 2,634
Dividend payout ratio			103.9%	110.0%	90.9%	90.0%	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)	¥ 116,029	¥ 116,128	¥ 116,465	¥ 116,139	¥ 115,777
		Cash distribution per unit	¥ 2,650	¥ 2,650	¥ 2,746	¥ 2,695	¥ 2,631
Management index		Return on total unitholders' equity (annualized) (Note 8)	4.4%	4.2%	5.2%	5.2%	4.5%
		Equity ratio (h)÷(f)	52.0%	51.7%	51.8%	51.3%	50.8%
		[Change from the preceding period]	[0.3%]	[–0.1%]	[0.5%]	[0.5%]	[0.1%]
		Proportion of interest-bearing liabilities to total assets at end of period (g)÷(f)	42.2%	42.6%	42.5%	43.1%	43.5%
		Proportion of interest-bearing liabilities to appraisal value at end of period (g)÷(i)	35.6%	37.1%	38.1%	39.1%	39.9%
Average market price per unit during period (Note 9)	¥ 137,260	¥ 137,786	¥ 140,910	¥ 154,325	¥ 145,209		

- Note 1. Consumption tax is not included in result of operation.
- Note 2. 'Revenue from property leasing' does not include revenues from facility acceptance (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 (25th fiscal period: ¥5 million; 26th fiscal period: ¥23 million; 27th fiscal period: ¥26 million; 28th fiscal period: ¥10 million; 29th fiscal period: ¥4 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 3 and 5 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 (29th fiscal period: six-month period ended January 31, 2018), the Japanese economy recovered at a moderate pace.

Specifically, in the Tokyo metropolitan area's economy, consumer spending was recovering overall with supermarket and convenience store sales turnover exceeding that of the previous year. There was moderate pickup in production activities, too, and the employment situation improved with moderate increase in the active job openings-to-applicants ratio and the unemployment rate being at a low level.

With regard to population movements, over 100,000 people migrated to the Tokyo metropolitan area from other regions of the country during the period between January and December 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 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 in the second half of 2017 generally continued to increase compared with the same month of the previous year. Real gross employee income increased at a moderate pace and consumer spending, too, picked up.

In the real estate trading market, while there continued to be active investment appetite among real estate investors, limited contribution of prime properties and other factors led to the volume of transactions in the five central Tokyo wards trending toward moderate decrease. Transaction prices thus hovered in the high price range and the expected cap rate hovered at a low level.

## ② Investment Performance Results

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

TOKYU REIT engaged in investment activities by adopting a basic 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.

Furthermore, 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 setting the investment target property use as office properties, retail properties and complexes that include office or retail properties and by partially relaxing criteria for 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. Consequently, during the 29th fiscal period, TOKYU REIT acquired “Maison Peony Toritsudaigaku,” which is a complex in Tokyu Areas, on November 15, 2017.

As of January 31, 2018, TOKYU REIT held an investment portfolio totaling 29 properties with a total acquisition price of ¥223,539 million and total leasable area of 211,303.47 m<sup>2</sup>. The period-end appraisal value for TOKYU REIT’s entire portfolio amounted to ¥258,360 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 ¥47,687 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 29th fiscal period increased by 1.25% compared with the end of the 28th fiscal period. In addition, the vacancy rate at the end of the 29th fiscal period improved from the 1.7% at the end of the 28th fiscal period by 1.4 percentage points to 0.3%.

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 cyclicity of real estate prices, TOKYU REIT aims to build a portfolio that boasts lasting competitiveness and balance sheets that are strong against even difficult economic times.

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 29th fiscal period, to secure interest-bearing liabilities with fixed long-term interest rates and diversifying repayment dates, long-term debt of ¥7,000 million due for repayment in the 29th fiscal period was repaid using cash on hand in the amount of ¥1,500 million and then refinanced in the amount of ¥5,500 million. The balance of interest-bearing liabilities as of the end of the 29th fiscal period was ¥92,000 million, consisting of ¥9,500 million in investment corporation bonds and ¥82,500 million in long-term debt (of which, ¥12,200 million is the current portion of long-term debt). The weighted-average interest rate for the 29th fiscal period was 1.17% (calculated based on the annualized amount of interest payable for the 29th fiscal period divided by the total average balance of each interest-bearing liability).

TOKYU REIT's credit ratings as of the end of the 29th 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
S&P Global Ratings Japan Inc. (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:

	29th fiscal period From August 1, 2017 to January 31, 2018	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
	Yen				
Highest	¥ 145,900	¥ 142,500	¥ 148,100	¥ 167,300	¥ 156,300
Lowest	¥ 131,600	¥ 129,300	¥ 134,300	¥ 139,500	¥ 130,700

### (4) Distribution Information

With respect to the distribution for the 29th fiscal period, TOKYU REIT decided to distribute unappropriated retained earnings, plus the reversal of a ¥97 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 29th fiscal period was ¥2,650.

	29th fiscal period From August 1, 2017 to January 31, 2018	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
	Millions of yen, except per unit data				
Unappropriated retained earnings	¥ 2,493	¥ 2,355	¥ 2,952	¥ 2,926	¥ 2,572
Undistributed earnings	¥ 0	¥ 0	¥ 268	¥ 292	¥ 0
Cash distribution	¥ 2,590	¥ 2,590	¥ 2,684	¥ 2,634	¥ 2,572
[Cash distribution per unit]	[¥ 2,650]	[¥ 2,650]	[¥ 2,746]	[¥ 2,695]	[¥ 2,631]
Cash distribution of accumulated earnings	¥ 2,590	¥ 2,590	¥ 2,684	¥ 2,634	¥ 2,572
[Cash distribution of accumulated earnings per unit]	[¥ 2,650]	[¥ 2,650]	[¥ 2,746]	[¥ 2,695]	[¥ 2,631]
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 demand for funds lead to the forecast that the expected cap rate will continue to remain unchanged. 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 low 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, too, is forecast to moderately decrease in tandem with that. 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, active 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 aspects. To that end, by maintaining a careful watch on corporate earnings and consumption trends, TOKYU REIT will make every effort to manage facilities in a way that makes each property the choice of corporate tenants and visitors over the medium to long term. Specifically, with the objective of maintaining and raising rent levels, TOKYU REIT will make strategic and appropriate renovations commensurate with the grade of the properties being improved and implement leasing activities from a medium to long term perspective. TOKYU REIT will also implement appropriate cost control measures with regard to maintenance fees and additional capital expenditures.

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

## (6) Subsequent Events

There were no matters requiring explanation as of the date of the Report of Independent Auditors (April 26, 2018).

## 2. Company Profiles

### (1) Summary of Unitholders' Contributions

	29th fiscal period As of January 31, 2018	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
Total number of units authorized (units)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Total number of units issued and outstanding (units)	977,600	977,600	977,600	977,600	977,600
Unitholders' capital (millions of yen)	¥ 110,479	¥ 110,479	¥ 110,479	¥ 110,479	¥ 110,479
Number of unitholders (persons)	12,484	13,144	12,760	12,146	12,392

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

The following table sets forth the major unitholders of TOKYU REIT as of January 31, 2018.

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	238,723	24.42
The Master Trust Bank of Japan, Ltd. (trust account)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	94,580	9.67
Tokyu Corporation	5-6, Nampeidai-cho, Shibuya-ku, Tokyo	49,000	5.01
Trust & Custody Services Bank, Ltd. (securities investment trust account)	Harumi Island Triton Square Office Tower Z, 1-8-12, Harumi, Chuo-ku, Tokyo	48,003	4.91
The Nomura Trust and Banking Co., Ltd. (investment trust account)	2-2-2, Otemachi, Chiyoda-ku, Tokyo	39,732	4.06
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	16,124	1.65
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	13,586	1.39
State Street Bank West Client - Treaty 505234 (Standing Proxy: Mizuho Bank, Ltd.)	Shinagawa Intercity Tower A, 2-15-1, Konan, Minato-ku, Tokyo	12,825	1.31
Legal + General Assurance Pensions Management Limited (Standing Proxy: Citibank, N.A., Tokyo Branch)	6-27-30, Shinjuku, Shinjuku-ku, Tokyo	12,808	1.31
Total		539,381	55.17

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 Auditor

① Name of Directors and Auditor (as of January 31, 2018)

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

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

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

Note 3. The executive director serves without compensation.

② Policies Regarding Decision of Dismissing and Not Reappointing Independent Auditors

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

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

The following table sets forth information about TOKYU REIT's investment management company, asset custodian and general administrators as of January 31, 2018.

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)	MUFG Bank, Ltd.

### 3. Portfolio Profile

#### (1) Asset Composition

Asset type	Use	Area	29th fiscal period As of January 31, 2018		28th fiscal period As of July 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	¥ 15,519	7.1	¥ 15,531	7.1
		Sub total	15,519	7.1	15,531	7.1
	Office	Central Tokyo	48,053	22.0	48,173	21.9
		Sub total	48,053	22.0	48,173	21.9
	Complex	Tokyu Areas	1,246	0.6	—	—
		Sub total	1,246	0.6	—	—
	Land with leasehold interest	Other	4,774	2.2	4,774	2.2
		Sub total	4,774	2.2	4,774	2.2
	Total		69,593	31.9	68,479	31.2
	Trust beneficiary interest in real estate	Retail	Central Tokyo	50,976	23.4	51,180
Sub total			50,976	23.4	51,180	23.3
Office		Central Tokyo	51,394	23.6	51,635	23.5
		Tokyu Areas	27,789	12.7	27,786	12.7
		Other	3,891	1.8	3,891	1.8
		Sub total	83,075	38.1	83,313	37.9
Land with leasehold interest		Other	7,026	3.2	7,026	3.2
		Sub total	7,026	3.2	7,026	3.2
Total		141,078	64.7	141,520	64.5	
Other assets			7,429	3.4	9,578	4.4
Total assets			¥ 218,101 [¥ 210,672]	100.0 [96.6]	¥ 219,579 [¥ 210,000]	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.'

Shibuya ward is included in Central Tokyo.

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

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

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



## (2) Major Portfolio

Major portfolio held by TOKYU REIT as of January 31, 2018 is as follows:

Use classification		Book value	Total leasable area	Leased area	Occupancy rate	As a percentage of revenue from property leasing	Main use
	Name of property	Millions of yen	m <sup>2</sup>	m <sup>2</sup>	%	%	
R	QFRONT	¥ 13,693	4,502.93	4,502.93	100.0	9.6	Retail
R	Lexington Aoyama	4,709	2,107.08	2,107.08	100.0	1.9	Retail
R	TOKYU REIT Omotesando Square	5,662	2,669.10	2,669.10	100.0	2.6	Retail
R	TOKYU REIT Shibuya Udagawa-cho Square	6,576	1,543.05	1,543.05	100.0	3.6	Retail
R	cocoti	21,818	8,295.62	8,295.62	100.0	7.8	Retail
R	CONZE Ebisu	4,845	2,327.00	2,327.00	100.0	1.8	Retail
R	Daikanyama Forum	4,097	2,477.64	2,477.64	100.0	1.5	Retail
R	KALEIDO Shibuya Miyamasuzaka	5,093	3,399.34	3,399.34	100.0	2.6	Retail
O	Setagaya Business Square	18,244	24,920.26	24,822.58	99.6	13.1	Office
O	Tokyu Nampeidai-cho Building	4,239	7,148.18	7,148.18	100.0	2.3	Office
O	Tokyu Sakuragaoka-cho Building	6,589	4,737.19	4,737.19	100.0	3.2	Office
O	Tokyo Nissan Taito Building	3,884	7,845.42	7,356.20	93.8	2.6	Office
O	TOKYU REIT Akasaka Hinokicho Building	3,416	3,202.57	3,202.57	100.0	1.9	Office
O	TOKYU REIT Kamata Building	3,850	7,337.82	7,337.82	100.0	3.2	Office
O	TOKYU REIT Toranomom Building	9,940	10,247.06	10,247.06	100.0	4.8	Office
O	Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	7,906	3,533.03	3,533.03	100.0	2.5	Office
O	Tokyu Ikejiri-ohashi Building	5,693	5,733.23	5,733.23	100.0	2.6	Office
O	Kojimachi Square	8,287	5,409.11	5,409.11	100.0	3.1	Office
O	TOKYU REIT Shinjuku Building	8,830	6,273.51	6,273.51	100.0	3.7	Office
O	Akihabara Sanwa Toyo Building	4,533	4,590.53	4,590.53	100.0	2.4	Office
O	TOKYU REIT Kiba Building	3,891	5,797.79	5,797.79	100.0	2.0	Office
O	Tokyu Ginza 2-chome Building	4,580	3,469.14	3,469.14	100.0	1.8	Office
O	TOKYU REIT Shibuya R Building	5,402	5,266.15	5,266.15	100.0	3.7	Office
O	Tokyu Toranomom Building	16,453	9,016.59	9,016.59	100.0	5.6	Office
O	TOKYU REIT Shinjuku 2 Building	2,847	1,787.21	1,787.21	100.0	1.0	Office
O	Tokyu Bancho Building	12,537	5,717.45	5,717.45	100.0	4.2	Office
C	Maison Peony Toritsudaigaku	1,246	852.16	825.50	96.9	0.1	Complex
L	Shonan Mall Fill (land with leasehold interest)	7,026	44,078.12	44,078.12	100.0	2.7	Land with leasehold interest
L	OKI System Center (land with leasehold interest)	4,774	17,019.19	17,019.19	100.0	2.1	Land with leasehold interest
Total		¥ 210,672	211,303.47	210,689.91	99.7	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 (land with leasehold interest), TOKYU REIT Shibuya R Building, Tokyu Toranomom Building, TOKYU REIT Shinjuku 2 Building and Maison Peony Toritsudaigaku (total of 18 properties) are all owned in the form of trust beneficiary interest in real estate.
- Note 2. 'Use classification' is a classification of TOKYU REIT's portfolio properties into retail properties (R), office properties (O), complexes (C) and land with leasehold interest (*sokochi*) (L).
- Note 3. '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 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 (land with leasehold interest) and OKI System Center (land with leasehold interest) 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 4. '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 Toranomom Building, the area of the exclusive ownership portions co-owned with other compartmentalized owners is included since TOKYU REIT rents that area and leases it out together with the exclusive ownership portion under TOKYU REIT's proprietary ownership. For TOKYU REIT Shibuya R Building, the part of the exclusive ownership portions under the proprietary ownership of and the exclusive ownership portions co-owned with other compartmentalized owners is included since TOKYU REIT rents that area and leases it out together with the exclusive ownership portion under TOKYU REIT's proprietary ownership. The figure of Shonan Mall Fill (land with leasehold interest) and OKI System Center (land with leasehold interest) 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 5. 'Occupancy rate' is the leased area expressed as a percentage of total leasable area at the end of the period.
- Note 6. '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.

## (3) Details of Properties in Portfolio

The properties held by TOKYU REIT as of January 31, 2018 are as follows:

Use	Area		Location (lot number)	Investment type	Total leasable area	Appraisal value at end of period	Book value		
	Use classification	Name of property			m <sup>2</sup>	Millions of yen	Millions of yen		
Retail	Central Tokyo	R	QFRONT	75-8, etc., Udagawa-cho, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	4,502.93	¥ 28,500	¥ 13,693	
		R	Lexington Aoyama	5-235-7, etc., Minami-Aoyama, Minato-ku, Tokyo	Trust beneficiary interest in real estate	2,107.08	5,470	4,709	
		R	TOKYU REIT Omotesando Square	4-3-18, Jingumae, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	2,669.10	7,880	5,662	
		R	TOKYU REIT Shibuya Udagawa-cho Square	86-2, Udagawa-cho, Shibuya-ku, Tokyo	Real estate	1,543.05	12,400	6,576	
		R	cocoti	1-23-1, Shibuya, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	8,295.62	21,000	21,818	
		R	CONZE Ebisu	2-3-5, etc., Ebisu Minami, Shibuya-ku, Tokyo	Real estate	2,327.00	4,940	4,845	
		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	3,440	4,097	
		R	KALEIDO Shibuya Miyamasuzaka	1-12-4, Shibuya, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	3,399.34	7,340	5,093	
		Sub total					27,321.76	90,970	66,496
		Total					27,321.76	90,970	66,496
Office	Central Tokyo	O	Tokyu Nampeidai-cho Building	12-3, Nampeidai-cho, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	7,148.18	6,000	4,239	
		O	Tokyu Sakuragaoka-cho Building	109-9, Sakuragaoka-cho, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	4,737.19	9,440	6,589	
		O	Tokyo Nissan Taito Building	2-120-2, etc., Moto-Asakusa, Taito-ku, Tokyo	Trust beneficiary interest in real estate	7,845.42	5,410	3,884	
		O	TOKYU REIT Akasaka Hinokicho Building	6-1401, etc., Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	3,202.57	4,410	3,416	
		O	TOKYU REIT Toranomom Building	3-45-6, Toranomom, Minato-ku, Tokyo	Real estate	10,247.06	10,800	9,940	
		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	7,250	7,906	
		O	Kojimachi Square	3-9 and 3-3, Niban-cho, Chiyoda-ku, Tokyo	Trust beneficiary interest in real estate	5,409.11	8,840	8,287	

Use	Area		Location (lot number)	Investment type	Total leasable area	Appraisal value at end of period	Book value		
	Use classification				m <sup>2</sup>	Millions of yen	Millions of yen		
	Name of property								
Office	Central Tokyo	O	TOKYU REIT Shinjuku Building	4-2-3, etc., Shinjuku, Shinjuku-ku, Tokyo	Real estate	6,273.51	11,300	8,830	
		O	Akihabara Sanwa Toyo Building	3-50-5, etc., Sotokanda, Chiyoda-ku, Tokyo	Trust beneficiary interest in real estate	4,590.53	6,150	4,533	
		O	Tokyu Ginza 2-chome Building	2-215-1, Ginza, Chuo-ku, Tokyo	Real estate	3,469.14	5,030	4,580	
		O	TOKYU REIT Shibuya R Building	3-10-2, etc., Shibuya, Shibuya-ku, Tokyo	Real estate	5,266.15	9,180	5,402	
		O	Tokyu Toranomon Building	1-216-2, etc., Toranomon, Minato-ku, Tokyo	Real estate	9,016.59	19,800	16,453	
		O	TOKYU REIT Shinjuku 2 Building	4-3-4, Shinjuku, Shinjuku-ku, Tokyo	Real estate	1,787.21	2,930	2,847	
		O	Tokyu Bancho Building	6-2, etc., Yonban-cho, Chiyoda-ku, Tokyo	Trust beneficiary interest in real estate	5,717.45	14,200	12,537	
	Sub total					78,243.14	120,740	99,448	
	Tokyu Areas	O	Setagaya Business Square	4-260-2, etc., Yoga, Setagaya-ku, Tokyo	Trust beneficiary interest in real estate	24,920.26	18,700	18,244	
		O	TOKYU REIT Kamata Building	5-13-7, Kamata, Ota-ku, Tokyo	Trust beneficiary interest in real estate	7,337.82	5,240	3,850	
		O	Tokyu Ikejiri-ohashi Building	3-1050, etc., Higashiyama, Meguro-ku, Tokyo	Trust beneficiary interest in real estate	5,733.23	5,830	5,693	
	Sub total					37,991.31	29,770	27,789	
	Other	O	TOKYU REIT Kiba Building	3-21-5, etc., Toyo, Koto-ku, Tokyo	Trust beneficiary interest in real estate	5,797.79	4,020	3,891	
	Sub total					5,797.79	4,020	3,891	
	Total					122,032.24	154,530	131,128	
	Complex	Tokyu Areas	C	Maison Peony Toritsudaigaku	1-8-1 and 1-8-8, Nakane, Meguro-ku, Tokyo	Real estate	852.16	1,200	1,246
			Sub total				852.16	1,200	1,246
	Total					852.16	1,200	1,246	
	Land with leasehold interest	Other	L	Shonan Mall Fill (land with leasehold interest)	4-4300-1, Tsujido Shinmachi, Fujisawa-shi, Kanagawa	Trust beneficiary interest in real estate	44,078.12	6,490	7,026
			L	OKI System Center (land with leasehold interest)	1-16-20, etc., Chuo, Warabi-shi, Saitama	Real estate	17,019.19	5,170	4,774
		Sub total					61,097.31	11,660	11,800
Total					61,097.31	11,660	11,800		
Grand total					211,303.47	¥ 258,360	¥ 210,672		



- 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 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 (land with leasehold interest) and OKI System Center (land with leasehold interest) 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:

		29th fiscal period From August 1, 2017 to January 31, 2018				28th fiscal period From February 1, 2017 to July 31, 2017				
Use	Area	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	%	
	Use classification		Name of property	%	Millions of yen	%	%	Millions of yen	%	
Retail	Central Tokyo	R QFRONT	3	100.0	¥ 673	9.6	3	100.0	¥ 664	9.6
		R Lexington Aoyama	7	100.0	131	1.9	7	100.0	128	1.9
		R TOKYU REIT Omotesando Square	4	100.0	181	2.6	4	100.0	181	2.6
		R TOKYU REIT Shibuya Udagawa-cho Square	2	100.0	250	3.6	2	100.0	250	3.6
		R cocoti	15	100.0	551	7.8	15	100.0	537	7.8
		R CONZE Ebisu	8	100.0	127	1.8	8	100.0	120	1.7
		R Daikanyama Forum	5	100.0	104	1.5	5	100.0	103	1.5
		R KALEIDO Shibuya Miyamasuzaka	8	100.0	185	2.6	7	85.3	171	2.5
		Sub total	52	100.0	2,205	31.4	51	98.2	2,157	31.2
Total	52	100.0	2,205	31.4	51	98.2	2,157	31.2		
Office	Central Tokyo	O Tokyu Nampeidai-cho Building	1	100.0	159	2.3	1	100.0	159	2.3
		O Tokyu Sakuragaoka-cho Building	2	100.0	228	3.2	2	100.0	227	3.3
		O Tokyo Nissan Taito Building	11	93.8	180	2.6	11	93.8	184	2.7
		O TOKYU REIT Akasaka Hinokicho Building	3	100.0	135	1.9	3	100.0	134	1.9

		29th fiscal period From August 1, 2017 to January 31, 2018				28th fiscal period From February 1, 2017 to July 31, 2017				
Use	Area	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	
										Use classification
	Name of property			%	Millions of yen		%	%	Millions of yen	%
Office	Central Tokyo	O TOKYU REIT Toranomon Building	11	100.0	340	4.8	10	88.4	329	4.8
		O Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	1	100.0	177	2.5	1	100.0	176	2.6
		O Kojimachi Square	7	100.0	219	3.1	7	100.0	218	3.2
		O TOKYU REIT Shinjuku Building	9	100.0	263	3.7	9	92.9	259	3.8
		O Akihabara Sanwa Toyo Building	6	100.0	170	2.4	6	100.0	157	2.3
		O Tokyu Ginza 2-chome Building	2	100.0	129	1.8	2	100.0	145	2.1
		O TOKYU REIT Shibuya R Building	11	100.0	258	3.7	11	100.0	250	3.6
		O Tokyu Toranomon Building	3	100.0	395	5.6	3	100.0	440	6.4
		O TOKYU REIT Shinjuku 2 Building	2	100.0	67	1.0	2	100.0	66	1.0
		O Tokyu Bancho Building	7	100.0	293	4.2	7	100.0	268	3.9
	Sub total		76	99.4	3,018	42.9	75	97.3	3,018	43.6
	Tokyu Areas	O Setagaya Business Square	68	99.6	920	13.1	67	95.8	854	12.4
		O TOKYU REIT Kamata Building	5	100.0	225	3.2	5	100.0	222	3.2
O Tokyu Ikejiri-ohashi Building		5	100.0	181	2.6	6	100.0	187	2.7	
Sub total		78	99.7	1,327	18.9	78	97.2	1,264	18.3	
Other	O TOKYU REIT Kiba Building	6	100.0	137	2.0	6	100.0	145	2.1	
	Sub total		6	100.0	137	2.0	6	100.0	145	2.1
Total		160	99.5	4,483	63.8	159	97.4	4,428	64.0	
Complex	Tokyu Areas	C Maison Peony Toritsudaigaku	25	96.9	10	0.1	—	—	—	—
		Sub total		25	96.9	10	0.1	—	—	—
Total		25	96.9	10	0.1	—	—	—	—	
Land with leasehold interest	Other	L Shonan Mall Fill (land with leasehold interest)	1	100.0	188	2.7	1	100.0	188	2.7
		L OKI System Center (land with leasehold interest)	1	100.0	145	2.1	1	100.0	145	2.1
	Sub total		2	100.0	333	4.7	2	100.0	333	4.8
Total		2	100.0	333	4.7	2	100.0	333	4.8	
Grand total		239	99.7	¥ 7,032	100.0	212	98.3	¥ 6,919	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.

#### (4) Other Assets

As of January 31, 2018, there are no assets targeted for investment other than those described above.

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

TOKYU REIT does not invest in overseas properties.

### 4. Capital Expenditures for Properties Held

#### (1) Plan of Capital Expenditures

The following lists the estimated amounts of major capital expenditures for repair and maintenance work of properties held, as scheduled as of January 31, 2018. The estimated construction costs shown below include those recorded in expenses for accounting purposes.

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.

Use classification	Name of property	Location	Objective	Estimated period	Estimated construction cost		
					Millions of yen		
					Total	Amount paid during period	Amount paid by end of period
○	Setagaya Business Square	Setagaya-ku, Tokyo	Replacement of air-conditioning equipment	From May 2016 to July 2018	¥ 69	¥ 0	¥ 1
○	Tokyu Nampeidai-cho Building	Shibuya-ku, Tokyo	Switching to automatic doors at entrance	From April 2018 to May 2018	¥ 20	—	—
○	Tokyo Nissan Taito Building	Taito-ku, Tokyo	Renovation of residential sections	From July 2018 to July 2018	¥ 40	—	—
○	TOKYU REIT Toranomom Building	Minato-ku, Tokyo	Replacement of air-conditioning equipment	From May 2018 to July 2018	¥ 74	—	—
○	TOKYU REIT Shibuya R Building	Shibuya-ku, Tokyo	Renewal of common areas	From January 2018 to July 2018	¥ 25	—	—

## (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 29th fiscal period amounted to ¥458 million and ¥165 million in repairs and maintenance expenses were charged to expenses for a combined total of ¥623 million spent for such work.

Use classification	Name of property	Location	Objective	Period	Construction cost
					Millions of yen
R	Daikanyama Forum	Shibuya-ku, Tokyo	Replacement of air-conditioning equipment	From August 2017 to August 2017	¥ 21
○	Setagaya Business Square	Setagaya-ku, Tokyo	Replacement of air-conditioning equipment	From April 2017 to December 2017	117
○	Setagaya Business Square	Setagaya-ku, Tokyo	Switching to LED in exclusive-use areas	From November 2017 to January 2018	25
○	TOKYU REIT Toranomon Building	Minato-ku, Tokyo	Replacement of air-conditioning equipment	From December 2017 to January 2018	81
○	TOKYU REIT Kiba Building	Koto-ku, Tokyo	Replacement of drain pipe	From November 2017 to January 2018	17
Other					194
Total					¥ 458

## (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:

	29th fiscal period From August 1, 2017 to January 31, 2018	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
	Millions of yen				
Reserve at beginning of period	¥ 129	¥ 104	¥ 138	¥ 139	¥ 145
Amount transferred to reserve during period	698	1,023	543	832	1,017
Reversal from reserve during period	718	998	577	833	1,024
Reserve at end of period	¥ 109	¥ 129	¥ 104	¥ 138	¥ 139

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

	29th fiscal period From August 1, 2017 to January 31, 2018		28th fiscal period From February 1, 2017 to July 31, 2017	
	Millions of yen			
Asset management fees				
Asset-based fees	¥ 312		¥ 304	
Cash-based fees	245		234	
Unit price-based fees	—	¥ 558	—	¥ 538
Asset custodian fees		17		17
General administration fees		44		44
Directors' fees		6		6
Other operating expenses		66		61
Total		¥ 692		¥ 668

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

Short-term debt and long-term debt from each financial institution as of January 31, 2018 are as follows:

Category	Draw-down date	Balance as of January 31, 2018	Balance as of July 31, 2017	Average interest rate (Note 1)	Maturity date	Re-payment method	Use of funds	Remark
		Millions of yen	Millions of yen	%				
Lender								
Development Bank of Japan Inc.	January 25, 2006	¥ —	¥ 5,000	1.95000	January 25, 2018	Bullet payment	Refinance fund	Unsecured and Unguaranteed (Note 2)
Nippon Life Insurance Company	July 29, 2011	—	2,000	1.49563	January 31, 2018			Unsecured and Unguaranteed (Notes 2 and 3)
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 Bank of Tokyo-Mitsubishi UFJ, Ltd.	August 29, 2012	1,400	1,400	1.32250	August 29, 2019			
Mitsubishi UFJ Trust and Banking Corporation	November 19, 2012	2,000	2,000	1.24625	November 19, 2019			
Mizuho Bank, Ltd.	December 25, 2012	500	500	1.23375	December 25, 2019			

Category	Draw-down date	Balance as of January 31, 2018	Balance as of July 31, 2017	Average interest rate (Note 1)	Maturity date	Re-payment method	Use of funds	Remark
		Millions of yen	Millions of yen	%				
Sumitomo Mitsui Trust Bank, Limited	June 25, 2013	2,900	2,900	1.53375	December 25, 2020	Bullet payment	Refinance fund	Unsecured and Unguaranteed (Note 2)
Mitsubishi UFJ Trust and Banking Corporation		1,500	1,500	1.45125	June 25, 2020			
Mitsubishi UFJ Trust and Banking Corporation		500	500	1.07500	June 25, 2018			
Mizuho Trust & Banking Co., Ltd.	June 27, 2013	1,500	1,500	1.91375	June 27, 2023			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			
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 (Notes 2 and 3)
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	Unsecured and Unguaranteed (Note 2)	
Mizuho Bank, Ltd.	June 25, 2014	1,000	1,000	1.05250	June 25, 2021			
Mitsui Sumitomo Insurance Co., Ltd.		1,000	1,000					

Long-term debt

Category	Draw-down date	Balance as of January 31, 2018	Balance as of July 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	2,000	0.56093	May 25, 2022			
Sumitomo Mitsui Trust Bank, Limited	May 25, 2017	1,000	1,000	0.55529				
Sumitomo Mitsui Trust Bank, Limited	May 25, 2017	1,000	1,000	0.62116	November 25, 2023			
Mizuho Bank, Ltd.	June 27, 2017	2,000	2,000	0.61773	December 27, 2023			
The Norinchukin Bank	July 25, 2017	1,000	1,000	0.63573	January 25, 2024			
Development Bank of Japan Inc.	January 25, 2018	5,000	—	0.90880	January 25, 2028			
Nippon Life Insurance Company	January 31, 2018	500	—	—	July 31, 2023			
Sub total		82,500	84,000					
Total		¥ 82,500	¥ 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 January 31, 2018 is as follows:

Name	Issue date	Balance as of January 31, 2018	Balance as of July 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 29th Fiscal Period

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

Asset type	Name of property	Acquisition		Disposition			
		Acquisition date	Acquisition price (Note)	Disposition date	Disposition price	Book value	Gain (Loss) on sale
			Millions of yen				
Real estate	Maison Peony Toritsudaigaku	November 15, 2017	¥ 1,200	—	—	—	—

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

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

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

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

#### ① Property

Acquisition or disposition	Asset type	Name of property	Acquisition date	Acquisition price (Note 1)	Appraisal value	Appraiser	Date of value
				Millions of yen			
Acquisition	Real estate	Maison Peony Toritsudaigaku	November 15, 2017	¥ 1,200	¥ 1,200	Japan Real Estate Institute	September 1, 2017

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

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

#### 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	¥ 551,381	Tokyu Power Supply Co., Ltd.	¥ 195,383	35.4
		Yoga District Heating and Cooling Co., Ltd.	¥ 108,230	19.6
		Shibuya Underground Shopping Center, Inc.	¥ 57	0.0
Subcontract expenses	¥ 452,922	Tokyu Community Corporation	¥ 288,667	63.7
		Tokyu Facility Service Co., Ltd.	¥ 70,006	15.5
		Tokyu Hands Inc.	¥ 4	0.0
Property management fees	¥ 168,577	Tokyu Corporation	¥ 97,943	58.1
		Tokyu Community Corporation	¥ 70,243	41.7
		Tokyu Housing Lease Corporation	¥ 389	0.2
Insurance premium	¥ 12,835	Tokyu Insurance Consulting Co., Ltd.	¥ 12,540	97.7
Other rental service expenses	¥ 257,171	Tokyu Corporation	¥ 19,066	7.4
		Tokyu Community Corporation	¥ 9,385	3.6
		Tokyu Agency Inc.	¥ 2,706	1.1
		Tokyu Re・design Corporation	¥ 2,670	1.0
		its communications Inc.	¥ 879	0.3
		Shibuya Underground Shopping Center, Inc.	¥ 840	0.3
		Tokyu Facility Service Co., Ltd.	¥ 125	0.0
		Tokyu Housing Lease Corporation	¥ 2	0.0

Note 1. Pursuant to Article 123 of the Investment Trust Law Enforcement Order, interested persons, etc. are defined as having interests in Tokyu REIM based on the investment management agreement concluded with TOKYU REIT. However, information provided in this section, '(4) Trading with Interested Persons, Etc.,' includes trading with related parties, which are subject to the Rules on Related-Party Transactions that are Tokyu REIM's self-imposed rules.

Note 2. In addition to the commissions paid as described above, TOKYU REIT paid commissions to third parties through interested persons, etc. Tokyu Corporation and Tokyu Community Corporation in the amount of ¥55,194 thousand and ¥12,371 thousand, respectively.

In addition to the commissions paid as described above, for Maison Peony Toritsudaigaku, which was acquired during the 29th fiscal period, TOKYU REIT paid property transaction brokerage charges (¥36,060 thousand) to Tokyu Livable, Inc. The amount is capitalized as part of the acquisition costs of the property. In addition, the amount paid for repair and maintenance work placed to interested persons, etc. and major shareholders during the 29th fiscal period are as follows:

Tokyu Community Corporation	¥ 16,210 thousand
Tokyu Facility Service Co., Ltd.	¥ 13,854 thousand
Tokyu Corporation	¥ 7,472 thousand
Tokyu Construction Co., Ltd.	¥ 7,204 thousand
Tokyu Green System Co., Ltd.	¥ 2,858 thousand
Tokyu Security Co., Ltd.	¥ 740 thousand
Tokyu Renewal Co., Ltd.	¥ 427 thousand
Ishikatsu Exterior Inc.	¥ 218 thousand
Tokyu Lifia Corporation	¥ 102 thousand
Tokyu Bldg Maintenance Co., Ltd.	¥ 19 thousand

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

## 7. Accounting

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

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

### (2) Change in Depreciation Method

There is no item that falls under this category.

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

There is no item that falls under this category.

## 8. Other

### (1) News

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

Date of meeting	Agenda item	Summary
November 27, 2017	Engagement of underwriters for investment corporation bond offerings, and outsourcing of general administrative operations relating to investment corporation bonds	In connection with a comprehensive resolution passed on the same date regarding the engagement of underwriters for investment corporation bond offerings, the meeting approved that TOKYU REIT's executive director shall have full authority on the selection, etc. of providers of general administrative services relating to investment corporation bond offerings to be issued in the future.

### (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 January 31, 2018, and the statements of income, statements of changes in unitholders' equity and statements of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

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

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

### ***Opinion***

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2018, and its financial performance and cash flows for the six months then ended in accordance with accounting principles generally accepted in Japan.

*PricewaterhouseCoopers Aarata LLC*

April 26, 2018

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**TOKYU REIT, Inc.**  
**Balance Sheets**  
As of January 31, 2018 and July 31, 2017

	January 31, 2018	July 31, 2017
	(Millions of yen)	
<b><u>ASSETS</u></b>		
<b>Current assets:</b>		
Cash and deposits with banks	¥ 2,046	¥ 4,173
Cash and deposits with banks held in trust	4,123	4,109
Tenant receivables	110	144
Lease deposits held in trust due within one year	18	18
Other current assets	49	48
<b>Total current assets</b>	<b>6,347</b>	<b>8,494</b>
<b>Fixed assets:</b>		
<b>Property and equipment</b>		
Buildings and structures	13,343	12,902
Land	59,800	58,875
Other tangible assets	192	182
Construction in progress	90	90
Buildings and structures held in trust	46,890	46,592
Land held in trust	111,861	111,861
Other tangible assets held in trust	1,540	1,517
Construction in progress held in trust	1	1
Less accumulated depreciation	(23,054)	(22,028)
<b>Total property and equipment</b>	<b>210,667</b>	<b>209,994</b>
<b>Intangible assets</b>		
Intangible assets	7	0
Intangible assets held in trust	4	5
<b>Total intangible assets</b>	<b>12</b>	<b>5</b>
<b>Investments and other assets</b>		
Lease deposits	208	203
Lease deposits held in trust	706	724
Other assets	137	129
<b>Total investments and other assets</b>	<b>1,052</b>	<b>1,058</b>
<b>Total fixed assets</b>	<b>211,732</b>	<b>211,058</b>
<b>Deferred assets:</b>		
Investment corporation bond issuance expenses	21	25
<b>Total deferred assets</b>	<b>21</b>	<b>25</b>
<b>Total assets</b>	<b>¥ 218,101</b>	<b>¥ 219,579</b>

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

**TOKYU REIT, Inc.**  
**Balance Sheets, continued**  
As of January 31, 2018 and July 31, 2017

	January 31, 2018	July 31, 2017
	(Millions of yen)	
<b><u>LIABILITIES</u></b>		
<b>Current liabilities:</b>		
Long-term debt due within one year	¥ 12,200	¥ 14,500
Accounts payable	984	1,216
Consumption tax payable	120	52
Rent received in advance	1,118	1,076
Tenant leasehold and security deposits held in trust due within one year	190	190
Accrued expenses and other current liabilities	139	138
<b>Total current liabilities</b>	14,754	17,175
<b>Long-term liabilities:</b>		
Investment corporation bonds	9,500	9,500
Long-term debt	70,300	69,500
Tenant leasehold and security deposits	3,888	3,528
Tenant leasehold and security deposits held in trust	6,226	6,348
Other long-term liabilities	1	-
<b>Total long-term liabilities</b>	89,916	88,876
<b>Total liabilities</b>	¥ 104,671	¥ 106,051
 <b><u>NET ASSETS</u></b>		
Unitholders' capital:		
Units authorized - 10,000,000 units as of January 31, 2018 and 10,000,000 units as of July 31, 2017		
Units issued and outstanding - 977,600 units as of January 31, 2018 and 977,600 units as of July 31, 2017	¥ 110,479	¥ 110,479
Reserve for reduction entry	457	692
Retained earnings	2,493	2,355
<b>Total net assets</b>	113,430	113,527
<b>Total liabilities and net assets</b>	¥ 218,101	¥ 219,579

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

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

For the six months ended January 31, 2018 and July 31, 2017

	For the six months ended	
	January 31, 2018	July 31, 2017
	(Millions of yen)	
<b>Operating revenues:</b>		
Rental revenue	¥ 6,588	¥ 6,467
Other rental revenue	443	451
Revenues from facility acceptance	-	0
Contribution for construction	-	0
<b>Operating expenses:</b>		
Rental service expenses	(3,271)	(3,310)
Asset management fees	(558)	(538)
Other	(134)	(130)
<b>Operating income</b>	3,068	2,940
<b>Non-operating income:</b>		
Interest income	0	0
Other	2	2
<b>Non-operating expenses:</b>		
Interest expense	(510)	(522)
Interest expense on investment corporation bonds	(39)	(39)
Amortization of investment corporation bond issuance expenses	(4)	(4)
Other	(22)	(21)
<b>Income before income taxes</b>	2,494	2,355
Income taxes:		
Current	(0)	(0)
Deferred	0	(0)
<b>Net income</b>	2,493	2,355
<b>Retained earnings at beginning of period</b>	0	0
<b>Retained earnings at end of period</b>	¥ 2,493	¥ 2,355

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



**TOKYU REIT, Inc.**  
**Statements of Changes in Unitholders' Equity**  
For the six months ended January 31, 2018 and July 31, 2017

**For the six months ended January 31, 2018**

	Unitholders' capital	Reserve for reduction entry	Retained earnings	Total
	(Millions of yen)			
<b>Balance at beginning of period</b>	¥ 110,479	¥ 692	¥ 2,355	¥ 113,527
<b>Changes during the period</b>				
Reversal of reserve for reduction entry	-	(234)	234	-
Cash distributions declared	-	-	(2,590)	(2,590)
Net income	-	-	2,493	2,493
<b>Total changes during the period</b>	-	(234)	137	(97)
<b>Balance at end of period</b>	¥ 110,479	¥ 457	¥ 2,493	¥ 113,430

**For the six months ended July 31, 2017**

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

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

**TOKYU REIT, Inc.**  
**Statements of Cash Flows**  
For the six months ended January 31, 2018 and July 31, 2017

	For the six months ended	
	January 31, 2018	July 31, 2017
	(Millions of yen)	
<b>Cash flows from operating activities:</b>		
Income before income taxes	¥ 2,494	¥ 2,355
Depreciation and amortization	1,032	1,012
Amortization of investment corporation bond issuance expenses	4	4
Loss on disposal of property and equipment	4	10
Interest income	(0)	(0)
Interest expense	550	561
(Increase) Decrease in tenant receivables	34	(21)
Increase (Decrease) in consumption tax payable	68	(92)
Increase (Decrease) in accounts payable	(22)	12
Increase (Decrease) in rent received in advance	42	8
Other, net	(11)	63
Total	4,196	3,914
Interest received	0	0
Interest paid	(556)	(569)
Income taxes paid	(0)	(1)
Net cash provided by (used in) operating activities	3,639	3,343
<b>Cash flows from investing activities:</b>		
Payments for purchases of property and equipment	(1,368)	(63)
Payments for purchases of property and equipment held in trust	(548)	(770)
Payments for purchases of intangible assets held in trust	-	(4)
Payments for lease deposits held in trust	(4)	-
Proceeds from lease deposits held in trust	18	-
Proceeds from tenant leasehold and security deposits	391	141
Payments for tenant leasehold and security deposits	(31)	(149)
Proceeds from tenant leasehold and security deposits held in trust	172	391
Payments for tenant leasehold and security deposits held in trust	(294)	(146)
Net cash provided by (used in) investing activities	(1,664)	(601)
<b>Cash flows from financing activities:</b>		
Proceeds from long-term debt	5,500	7,000
Repayment of long-term debt	(7,000)	(7,000)
Payment of dividends	(2,589)	(2,684)
Net cash provided by (used in) financing activities	(4,089)	(2,684)
<b>Net change in cash and cash equivalents</b>	(2,113)	57
<b>Cash and cash equivalents at beginning of period</b>	8,283	8,225
<b>Cash and cash equivalents at end of period</b>	¥ 6,169	¥ 8,283

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

**TOKYU REIT, Inc.**  
**Notes to Financial Statements**  
For the six months ended January 31, 2018 and July 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 January 31, 2018, TOKYU REIT’s total capital is ¥110,479 million with 977,600 units issued and outstanding. TOKYU REIT has been operating 29 properties at an occupancy rate of approximately 99.7%. Total acquisition cost of the 29 properties is ¥223,539 million and total rentable area is 211,303.47 m<sup>2</sup>.

**(b) Basis of presentation**

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

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

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

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

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2018 and July 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):

	January 31, 2018	July 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 corporation bond issuance expenses is computed by using the straight-line method at rates based on the redemption period of the respective bonds.
- (g) **Accounting standard for asset retirement obligations** - Effective April 1, 2010, TOKYU REIT adopted the "Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan Statement No. 18 issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan Guidance No. 21 issued on March 31, 2008).

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2018 and July 31, 2017

- (h) **Revenue recognition** – TOKYU REIT operates rental office properties, rental retail properties and complexes that include rental office or retail properties. Revenue from leasing 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 ¥352 thousand for the six months ended January 31, 2018. Capitalized property-related taxes are nil for the six months ended July 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 of ¥13 thousand are included in other current assets as of January 31, 2018. Deferred tax assets are nil as of July 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 January 31, 2018 and July 31, 2017 consisted of the following:

	<u>January 31, 2018</u>	<u>July 31, 2017</u>
	(Millions of yen)	
Cash and deposits with banks	¥ 2,046	¥ 4,173
Cash and deposits with banks held in trust	4,123	4,109
Cash and cash equivalents	<u>¥ 6,169</u>	<u>¥ 8,283</u>



**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2018 and July 31, 2017

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

Property and equipment and intangible assets as of January 31, 2018 and July 31, 2017 consisted of the following:

	January 31, 2018			July 31, 2017		
	Balance	Accumulated depreciation	Net balance	Balance	Accumulated depreciation	Net balance
	(Millions of yen)					
Property and equipment						
Buildings and structures						
Buildings	¥ 13,174	¥ (3,643)	¥ 9,531	¥ 12,738	¥ (3,395)	¥ 9,342
Structures	169	(56)	112	164	(51)	112
Land	59,800	-	59,800	58,875	-	58,875
Other tangible assets						
Machinery and equipment	105	(79)	26	105	(73)	32
Tools, furniture and fixtures	86	(53)	33	76	(50)	26
Construction in progress	90	-	90	90	-	90
Property and equipment held in trust						
Buildings and structures						
Buildings	46,146	(17,531)	28,614	45,848	(16,811)	29,036
Structures	744	(430)	314	744	(417)	326
Land	111,861	-	111,861	111,861	-	111,861
Other tangible assets						
Machinery and equipment	1,052	(920)	131	1,052	(906)	145
Tools, furniture and fixtures	488	(337)	150	465	(321)	143
Construction in progress	1	-	1	1	-	1
Sub total	<u>233,721</u>	<u>(23,054)</u>	<u>210,667</u>	<u>232,023</u>	<u>(22,028)</u>	<u>209,994</u>
Intangible assets						
Intangible assets	10	(2)	7	2	(2)	0
Intangible assets held in trust	34	(29)	4	34	(29)	5
Sub total	<u>45</u>	<u>(32)</u>	<u>12</u>	<u>37</u>	<u>(31)</u>	<u>5</u>
Total	<u>¥ 233,766</u>	<u>¥ (23,087)</u>	<u>¥ 210,679</u>	<u>¥ 232,061</u>	<u>¥ (22,060)</u>	<u>¥ 210,000</u>

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2018 and July 31, 2017

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

Short-term debt and long-term debt as of January 31, 2018 and July 31, 2017 consisted of the following:

	Balance as of January 31, 2018	Balance as of July 31, 2017	Average interest rate (Note 1)
	(Millions of yen)		(%)
Short-term debt			
Sub total	¥ -	¥ -	
Long-term debt			
Unsecured loans due on January 25, 2018 with fixed rate	-	5,000	1.95000
Unsecured loans due on January 31, 2018 with fixed rate	-	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 (Note 2)	1,700	1,700	1.48875
Unsecured loans due on January 27, 2019 with fixed rate (Note 2)	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	2,000	0.56093
Unsecured loans due on May 25, 2022 with fixed rate	1,000	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 July 31, 2023 with fixed rate	500	-	-
Unsecured loans due on November 25, 2023 with fixed rate	1,000	1,000	0.62116
Unsecured loans due on December 27, 2023 with fixed rate	2,000	2,000	0.61773
Unsecured loans due on January 25, 2024 with fixed rate	1,000	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
Unsecured loans due on January 25, 2028 with fixed rate	5,000	-	0.90880
Sub total	82,500	84,000	
Total	¥ 82,500	¥ 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 January 31, 2018.

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2018 and July 31, 2017

**6. Investment corporation bonds**

The status of investment corporation bonds issued and outstanding as of January 31, 2018 and July 31, 2017 were as follows:

Name	Issue date	Balance as of	Balance as of	Annual	Maturity date
		January 31, 2018	July 31, 2017	interest rate	
		(Millions of yen)		(%)	
3 <sup>rd</sup> Series Unsecured Investment Corporation Bond	October 22, 2012	¥ 3,000	¥ 3,000	1.47000	October 21, 2022
4 <sup>th</sup> Series Unsecured Investment Corporation Bond	February 14, 2014	3,500	3,500	0.39900	February 14, 2019
5 <sup>th</sup> Series Unsecured Investment Corporation Bond	March 11, 2014	3,000	3,000	0.68200	March 11, 2021
Total		¥ 9,500	¥ 9,500		

**7. Unitholders' equity**

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

**8. Rental revenue and expense**

Rental revenues and expenses for the six months ended January 31, 2018 and July 31, 2017 were as follows:

	For the six months ended	
	January 31, 2018	July 31, 2017
(Millions of yen)		
Revenue from property leasing:		
Rental revenue:		
Rent income	¥ 5,411	¥ 5,332
Common area charges	709	693
Parking lot revenue under monthly contract	150	134
Other rent income	316	307
Sub total	6,588	6,467
Other rental revenue:		
Incidental income	421	416
Other miscellaneous income	22	34
Sub total	443	451
Total revenue from property leasing	(a) 7,032	6,919
Rental service expenses:		
Utilities expenses	551	550
Subcontract expenses	452	444
Property management fees	168	180
Repairs and maintenance expenses	165	251
Property-related taxes	626	634
Insurance premium	12	12
Depreciation and amortization	1,032	1,012
Loss on disposal of property and equipment	4	10
Other	257	214
Total rental service expenses	(b) 3,271	3,310
Operating income from property leasing activities	(a)-(b) ¥ 3,760	¥ 3,608

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2018 and July 31, 2017

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

Details on the financial results of each property for the six months ended January 31, 2018 and July 31, 2017 were as follows: (Unaudited)

**For the six months ended January 31, 2018**

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	¥ 673	¥ 264	¥ 408	¥ 39	¥ 368
R Lexington Aoyama	131	27	103	7	95
R TOKYU REIT Omotesando Square	181	57	124	11	113
R TOKYU REIT Shibuya Udagawa-cho Square	250	23	226	3	222
R cocoti	551	180	371	144	227
R CONZE Ebisu	127	28	98	21	77
R Daikanyama Forum	104	42	61	11	50
R KALEIDO Shibuya Miyamasuzaka	185	57	127	18	109
O Setagaya Business Square	920	502	417	173	244
O Tokyu Nampeidai-cho Building	159	40	118	27	91
O Tokyu Sakuragaoka-cho Building	228	43	185	35	149
O Tokyo Nissan Taito Building	180	55	125	43	82
O TOKYU REIT Akasaka Hinokicho Building	135	38	97	14	83
O TOKYU REIT Kamata Building	225	82	142	34	108
O TOKYU REIT Toranomom Building	340	133	206	44	161
O Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	177	46	130	27	103
O Tokyu Ikejiri-ohashi Building	181	48	132	34	98
O Kojimachi Square	219	56	163	45	117
O TOKYU REIT Shinjuku Building	263	68	194	37	157
O Akihabara Sanwa Toyo Building	170	42	127	13	113
O TOKYU REIT Kiba Building	137	40	97	34	63
O Tokyu Ginza 2-chome Building	129	35	94	35	58
O TOKYU REIT Shibuya R Building	258	80	178	19	158
O Tokyu Toranomom Building	395	119	275	73	201
O TOKYU REIT Shinjuku 2 Building	67	18	49	11	37
O Tokyu Bancho Building	293	56	236	68	167
C Maison Peony Toritsudaigaku	10	1	8	2	5
L Shonan Mall Fill (land with leasehold interest)	188	25	162	-	162
L OKI System Center (land with leasehold interest)	145	15	129	-	129
Total	¥ 7,032	¥ 2,234	¥ 4,797	¥ 1,036	¥ 3,761

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2018 and July 31, 2017

**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	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	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
L	Shonan Mall Fill (land with leasehold interest)	188	25	162	-	162
L	OKI System Center (land with leasehold interest)	145	15	129	-	129
	Total	¥ 6,919	¥ 2,287	¥ 4,631	¥ 1,022	¥ 3,608

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

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

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



**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2018 and July 31, 2017

**10. Income taxes**

Income taxes in Japan applicable to TOKYU REIT consist of corporate income tax, enterprise tax and inhabitant tax. The following is a reconciliation between the statutory income tax rate in Japan and the effective tax rate reflected in the accompanying financial statements for the six months ended January 31, 2018 and July 31, 2017.

	January 31, 2018	July 31, 2017
Statutory income tax rate	31.74%	31.74%
Deductible cash distributions	(32.97)	(34.90)
Reversal of reserve for reduction entry	1.24	3.16
Other	0.02	0.03
Effective tax rate	0.03%	0.03%

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

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2018 and July 31, 2017

**11. Per unit information**

The following table summarizes the net income per unit for the six months ended January 31, 2018 and July 31, 2017 and the unitholders' equity per unit as of January 31, 2018 and July 31, 2017.

	For the six months ended	
	January 31, 2018	July 31, 2017
Net income per unit	¥ 2,550	¥ 2,409
Weighted-average number of units ※1	977,600 units	977,600 units
※1 Average number of units weighed by days in each fiscal period.		
	As of January 31, 2018	As of July 31, 2017
Unitholders' equity per unit	¥ 116,029	¥ 116,128

Diluted net income per unit is not presented since neither warrants nor convertible bonds were issued during the six months ended January 31, 2018 and July 31, 2017.

**12. Distribution information**

The Board of Directors of TOKYU REIT resolved on March 15, 2018 and September 13, 2017 to effect payment of cash distributions of ¥2,650 and ¥2,650 per unit to unitholders of record on January 31, 2018 and July 31, 2017, respectively. Retained earnings carried forward after the distributions were as follows:

	January 31, 2018	July 31, 2017
	(Millions of yen)	
Retained earnings at end of period	¥ 2,493	¥ 2,355
Reversal of reserve for reduction entry	97	234
Cash distributions declared	2,590	2,590
Retained earnings carried forward	¥ 0	¥ 0

**13. Leases**

TOKYU REIT leases its properties to tenants under non-cancelable operating leases. As of January 31, 2018 and July 31, 2017, the future lease revenues under the non-cancelable operating leases were as follows:

	January 31, 2018	July 31, 2017
	(Millions of yen)	
Due within one year	¥ 4,660	¥ 4,708
Due after one year	15,462	16,441
Total	¥ 20,122	¥ 21,150

As of January 31, 2018 and July 31, 2017, the future lease payments under the non-cancelable operating leases were as follows:

	January 31, 2018	July 31, 2017
	(Millions of yen)	
Due within one year	¥ 228	¥ 230
Due after one year	1,643	1,757
Total	¥ 1,872	¥ 1,988

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2018 and July 31, 2017

**14. 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 January 31, 2018), and also preparing monthly fund management plans.

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

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

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

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

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2018 and July 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 measurement of fair value is recognized to be extremely difficult (please refer to Note 2).

	January 31, 2018			July 31, 2017		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
	(Millions of yen)					
(1) Cash and deposits with banks	¥ 2,046	¥ 2,046	¥ -	¥ 4,173	¥ 4,173	¥ -
(2) Cash and deposits with banks held in trust	4,123	4,123	-	4,109	4,109	-
Assets total	6,169	6,169	-	8,283	8,283	-
(1) Long-term debt due within one year	12,200	12,246	46	14,500	14,600	100
(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	9,716	216	9,500	9,731	231
(4) Long-term debt	70,300	71,704	1,404	69,500	71,078	1,578
(5) Tenant leasehold and security deposits held in trust	-	-	-	190	189	(1)
Liabilities total	¥ 92,190	¥ 93,857	¥ 1,666	¥ 93,881	¥ 95,790	¥ 1,908

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

**Assets**

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

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

**Liabilities**

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

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

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

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

(3) Investment corporation bonds

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

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2018 and July 31, 2017

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

	January 31, 2018	July 31, 2017
	(Millions of yen)	
Carrying amount		
(i) Tenant leasehold and security deposits	¥ 3,888	¥ 3,528
(ii) Tenant leasehold and security deposits held in trust	6,226	6,157

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

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

	January 31, 2018			July 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	¥ 2,046	¥ 4,123	¥ 6,169	¥ 4,173	¥ 4,109	¥ 8,283
Within two years, but over one year	-	-	-	-	-	-
Within three years, but over two years	-	-	-	-	-	-
Within four years, but over three years	-	-	-	-	-	-
Within five years, but over four years	-	-	-	-	-	-
Over five years	-	-	-	-	-	-

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

	January 31, 2018				July 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	¥ -	¥ -	¥ 12,200	¥ 12,200	¥ -	¥ -	¥ 14,500	¥ 14,500
Within two years, but over one year	-	3,500	9,200	12,700	-	3,500	9,000	12,500
Within three years, but over two years	-	-	13,900	13,900	-	-	11,400	11,400
Within four years, but over three years	-	3,000	14,000	17,000	-	3,000	12,400	15,400
Within five years, but over four years	-	3,000	9,200	12,200	-	-	16,000	16,000
Over five years	-	-	24,000	24,000	-	3,000	20,700	23,700



**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2018 and July 31, 2017

**15. Related party transactions**

Kazuyoshi Kashiwazaki, who holds no voting units of TOKYU REIT, is Executive Director of TOKYU REIT and Representative Director & President and Chief Executive Officer of Tokyu REIM, has entered into an asset management agreement subject to the conditions set forth in TOKYU REIT's Articles of Incorporation with TOKYU REIT. The amount of management fees incurred for the six months ended January 31, 2018 and July 31, 2017 and payable due to asset manager as of then were as follows:

	<u>January 31, 2018</u>	<u>July 31, 2017</u>
	(Millions of yen)	
Asset management fees for the period	¥ 558	¥ 538
Management fees payable due to asset manager	264	253

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2018 and July 31, 2017

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

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

	For the six months ended	
	January 31, 2018	July 31, 2017
	(Millions of yen)	
Carrying amount (Note 2)		
Balance at beginning of period	¥ 210,000	¥ 210,192
Change during the period (Note 3)	671	(192)
Balance at end of period	¥ 210,672	¥ 210,000
	As of January 31, 2018	As of July 31, 2017
	(Millions of yen)	
Fair value at end of period (Note 4)	¥ 258,360	¥ 252,280

Note 1. Area classification:

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

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

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

Note 3. Of the change during the six months ended January 31, 2018, the amount of increase is mainly attributable to acquisition of Maison Peony Toritsudaigaku (¥1,249 million) and replacement of the air-conditioning equipment of Setagaya Business Square and other capital expenditures (¥458 million), and the amount of decrease is mainly attributable to depreciation and amortization (¥1,032 million).

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).

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 January 31, 2018 and July 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 January 31, 2018 and July 31, 2017

**17. 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 January 31, 2018 and July 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 January 31, 2018 and July 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 January 31, 2018**

Party	Operating revenues (Millions of yen)	Name of related segment
Related parties (Note)	¥ 1,037	Property Leasing Business

**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

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

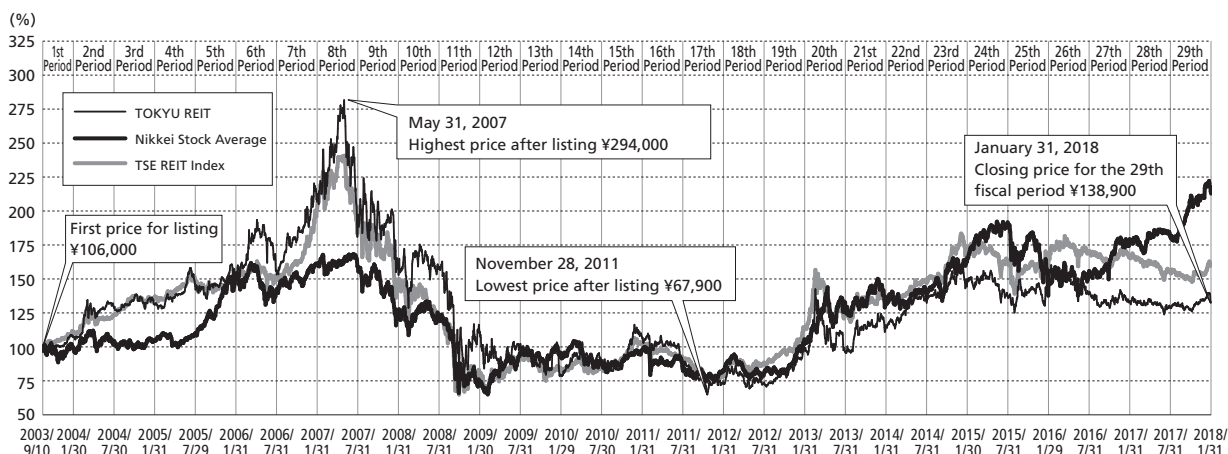
- (i) Tokyu Corporation
- (ii) A consolidated subsidiary of Tokyu Corporation
- (iii) A tokutei mokuteki kaisha (TMK) or special purpose entity (SPE) that was established based on the intention of Tokyu Corporation or a consolidated subsidiary of Tokyu Corporation and where the share of investment by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

**18. Subsequent events**

TOKYU REIT is not aware of any circumstances that may have a material impact on TOKYU REIT's financial position after the 29th fiscal period ended January 31, 2018.

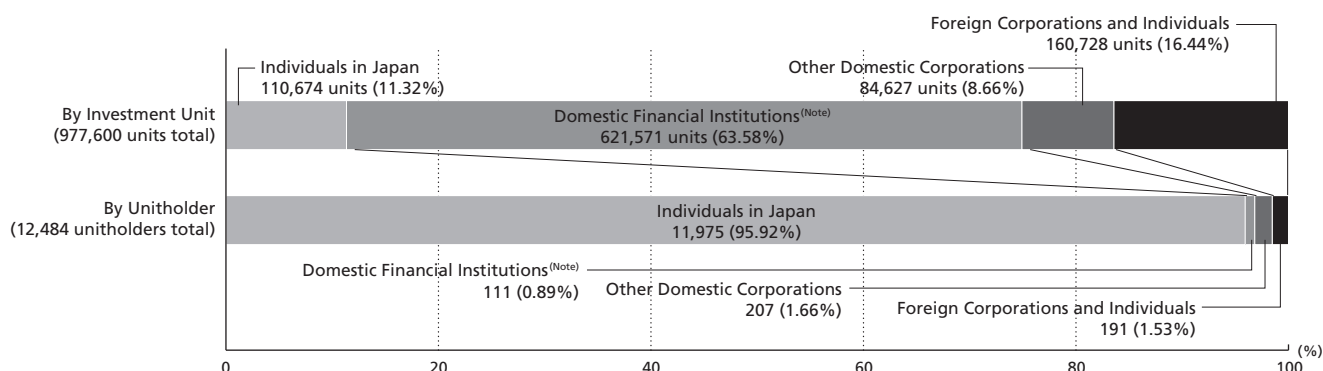
# Unitholder Information

## 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

	29th Period	30th Period
Date of settlement	Jan. 31, 2018	Jul. 31, 2018
Announcement of financial results	Mar. 15, 2018	Mid Sep. 2018
Delivery of investment management report (Japanese only)	Apr. 13, 2018	Mid Oct. 2018
Payment of cash distributions	Apr. 16, 2018	Mid Oct. 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/eng/](http://www.tokyu-reit.co.jp/eng/)), 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

1-1-1, Otemachi, Chiyoda-ku, Tokyo 100-0004, 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 24th fiscal period (ended July 31, 2015) is on October 15, 2015 and for the 25th fiscal period (ended April 15, 2016) 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/](http://www.tokyu-reit.co.jp/eng/)).
- The information in this report without description of dates is as of January 31, 2018.

**TOKYU REIT**

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