

# TOKYU REIT

TOKYU REIT, Inc. Semiannual Report

The Fiscal Period Ended January 2019  
(31st Fiscal Period)

From August 1, 2018 to January 31, 2019

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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(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.)

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 fiscal period ended January 2019.

In the current fiscal period, we conducted property replacement of TOKYU REIT Kiba Building with Lucid Square Ebisu (name was changed to TOKYU REIT Ebisu Building on April 1, 2019) in August 2018, and acquired REVE Nakameguro (Land with leasehold interest) in September 2018. We posted a gain on sale of TOKYU REIT Kiba Building of ¥316 million in the fiscal period ended January 2019. With also the free-rent period ending at Tokyu Toranomon Building, upward rent revisions at other properties and other factors, revenues and income increased from the previous fiscal period. The occupancy rate for the entire portfolio remained high at 99.0%.

As a result, in the fiscal period ended January 2019, we achieved operating revenues of ¥7,523 million (increase of ¥404 million from the previous fiscal period) and net income of ¥3,029 million (increase of ¥350 million from the previous fiscal period).

In addition, by exchanging properties with our sponsor Tokyu Corporation, we sold KALEIDO Shibuya Miyamasuzaka on the one hand and acquired Shibuya Dogenzaka Sky Building and additionally acquired quasi-co-ownership interest of Tokyu Bancho Building on the other hand in March 2019. We expect to post a gain on the difference from this exchanging of properties of ¥40 million in the fiscal period ending July 2019.

Distribution per unit for the fiscal period ended January 2019 will be ¥3,099, an increase of ¥360 from the previous fiscal period. For subsequent fiscal periods, the forecast is distribution per unit of ¥2,880 for the fiscal period ending July 2019. This is based on gain on sales of real estate properties decreasing from the previous fiscal period but income increasing

due to the exchanging of properties and revenues increasing from rent revisions, and reversal of reserve for reduction entry of the amount equivalent to repairs and maintenance expenses for external wall renovation work on TOKYU REIT Shinjuku Building of ¥50 million (¥51 per unit). The forecast is distribution per unit of ¥2,950 for the fiscal period ending January 2020. This is based on reversal of reserve for reduction entry of the amount equivalent to repairs and maintenance expenses for external wall renovation work on TOKYU REIT Shinjuku 2 Building of ¥60 million (¥61 per unit).

The “Notice of Convocation of the Ninth General Meeting of Unitholders” should have now been delivered to unitholders. Partial amendments to the Articles of Incorporation, election of an executive director, election of supervisory directors and election of a substitute supervisory director are on the agenda for resolution at the Ninth General Meeting of Unitholders. (For details, please refer to the “Notice of Convocation of the Ninth General Meeting of Unitholders.”)

The item on partial amendments to the Articles of Incorporation proposes to add residences (by itself or as part of a complex) to the use of investable properties in order to further expand opportunities to invest in prime residential properties located in Central Tokyo (refers to the 5 Central Tokyo Wards (Chiyoda, Chuo, Minato, Shinjuku and Shibuya wards) and other major commercial and retail districts of Tokyo) and Tokyu Areas, which are TOKYU REIT’s focused investment target areas.

The items on election of directors request the reappointment of me, Kazuyoshi Kashiwazaki, as executive director, reappointment of Giichi Yanagisawa and Maruhito Kondo to continue on as supervisory directors, and election of Takashi Aikawa as substitute supervisory director.

Also, our investment management company will hold a management status meeting for the fiscal period ended January 2019 after the conclusion of the General Meeting of Unitholders. Your attendance would be greatly appreciated.

**TOKYU REIT** will continue to 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 2019

### 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)

Fiscal Period Ended January 2019  
(FP 31)  
Cash Distribution per Unit

¥3,099 (Fixed)

(Date of payment: April 15, 2019)

Fiscal Period Ending July 2019  
(FP 32)  
Cash Distribution per Unit

¥2,880 (Forecast)

(Date of payment: Mid October 2019)

Fiscal Period Ending January 2020  
(FP 33)  
Cash Distribution per Unit

¥2,950 (Forecast)

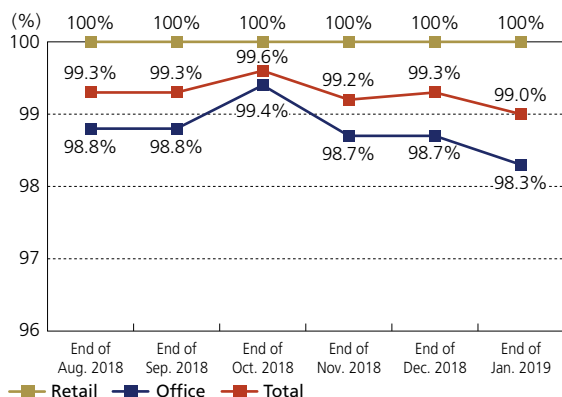
(Date of payment: Mid April 2020)

## Financial Summary

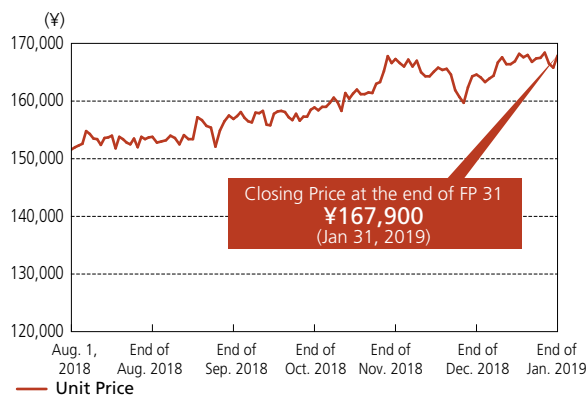
		Ended July 2018 (FP 30) Actual	Ended January 2019 (FP 31) Actual
<b>Balance Sheets</b>	■ Number of Properties	29 properties	30 properties
	■ Total Assets	¥219,396 million	¥219,958 million
	■ Interest-Bearing Debt	¥93,500 million	¥93,500 million
	■ Total Assets Loan-to-Value (LTV) Ratio	42.6%	42.5%
<b>Statements of Income</b>	■ Operating Revenues	¥7,119 million	¥7,523 million
	■ Net Income	¥2,678 million	¥3,029 million
<b>Distributions</b>	■ Distribution per Unit	¥2,739	¥3,099
	■ Average Market Price per Unit	¥146,066	¥159,494

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 Central 5 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, 2019 (FP 31), **TOKYU REIT** held 18 office buildings, 8 retail facilities, 1 complex property and 3 land with leasehold interest for a total of 30 properties.

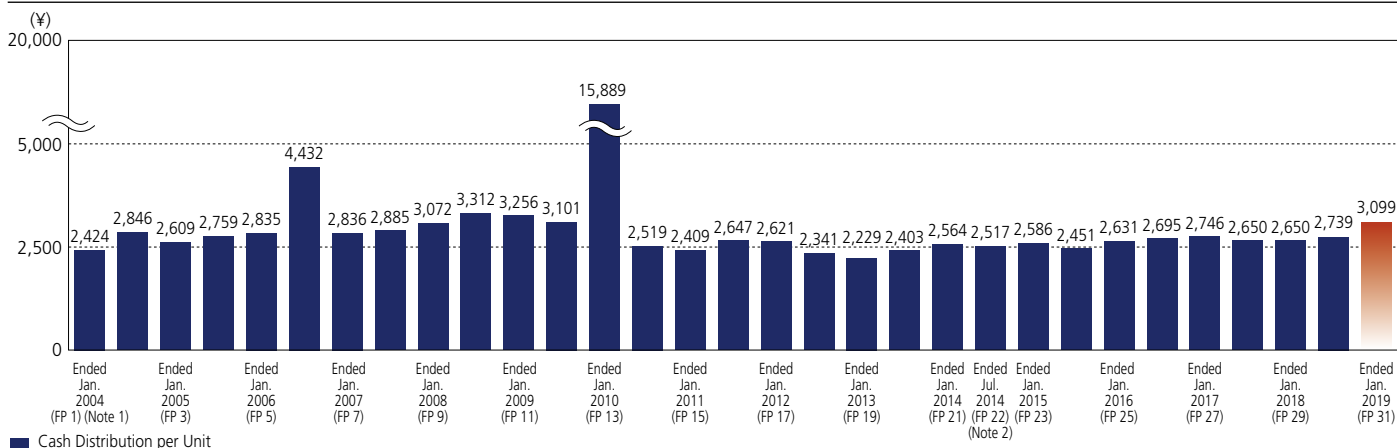
Occupancy Rate



Unit Price

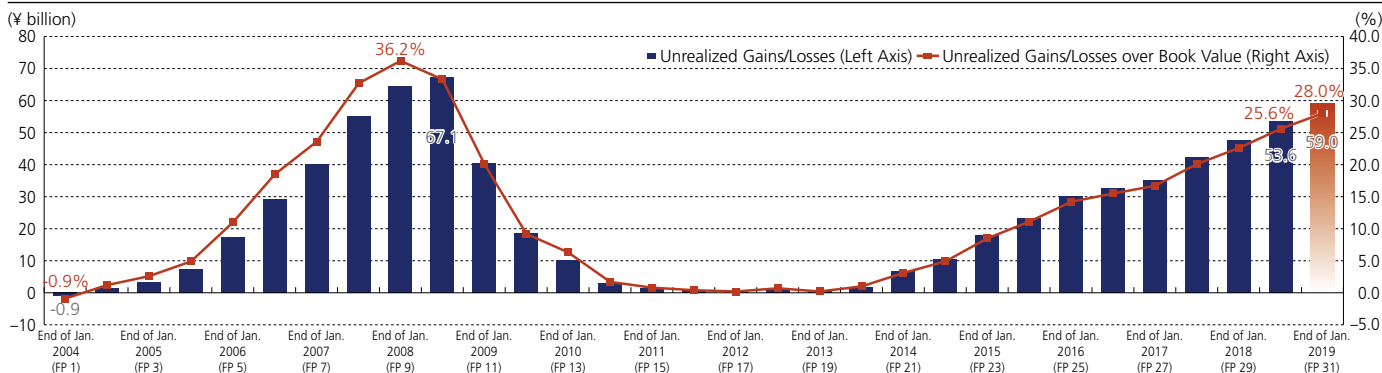


Cash Distribution per Unit



(Notes) 1. Official distribution per unit in the fiscal period ended January 2004 (FP1) was ¥1,897 (adjusted for five-for-one split) based on the actual operating period of 144 days, but the recalculated distribution per unit of ¥2,424 based on 184 operating days is used in the above graph for the sake of comparison with figures from the fiscal period ended July 2004 (FP2) and thereafter.  
 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



# Topics

## Acquisition/Disposition of Properties (Fiscal Period ended Jan. 2019 (FP 31))

### Property Replacement (August 2018)

Replaced properties with those located in the focused investment areas of TOKYU REIT portfolio based on the Surf Plan <sup>(Note 1)</sup>

#### Acquisition

TOKYU REIT Ebisu Building <sup>(Note 2)</sup>



#### Disposition

TOKYU REIT Kiba Building <sup>(Note 2)</sup>



Overview of property	
Acquisition Price	4,500 million yen
Appraisal Value	4,700 million yen (As of June 30, 2018)
Book Value	4,577 million yen (As of end of Jan. 2019 (FP 31))
NOI <sup>(Note 3)</sup> (NOI yield)	179 million yen per annum (4.0%)
NOI after Depreciation <sup>(Note 3)</sup> (NOI yield after depreciation)	169 million yen per annum (3.8%)
Occupancy Rate	100% (As of end of Jan. 2019 (FP 31))
Area of Location	Tokyo's Central 5 wards/Tokyu Areas (Shibuya Ward)

Overview of property	
Acquisition Price	4,250 million yen
Appraisal Value	4,010 million yen (As of June 30, 2018)
Book Value	3,861 million yen (As of August 1, 2018)
Gain on sale of property	316 million yen
NOI <sup>(Note 4)</sup> (NOI yield)	216 million yen per annum (5.1%)
NOI after Depreciation <sup>(Note 4)</sup> (NOI yield after depreciation)	147 million yen per annum (3.5%)
Occupancy Rate	81.1% (as of August 1, 2018)
Area of Location	Other areas

### Acquisition (September 2018)

Acquired a property located in the Tokyu Areas jointly with the sponsor

REVE Nakameguro (Land with leasehold interest)



Overview of property	
Acquisition Price	1,150 million yen
Appraisal Value	1,150 million yen (As of June 1, 2018)
Book Value	1,162 million yen (As of end of Jan. 2019 (FP 31))
NOI (NOI yield)	39 million yen per annum (3.5%)
NOI after Depreciation (NOI yield after depreciation)	39 million yen per annum (3.5%)
Occupancy Rate	100% (As of end of Jan. 2019 (FP 31))
Area of Location	Tokyu Areas

### Portfolio Status

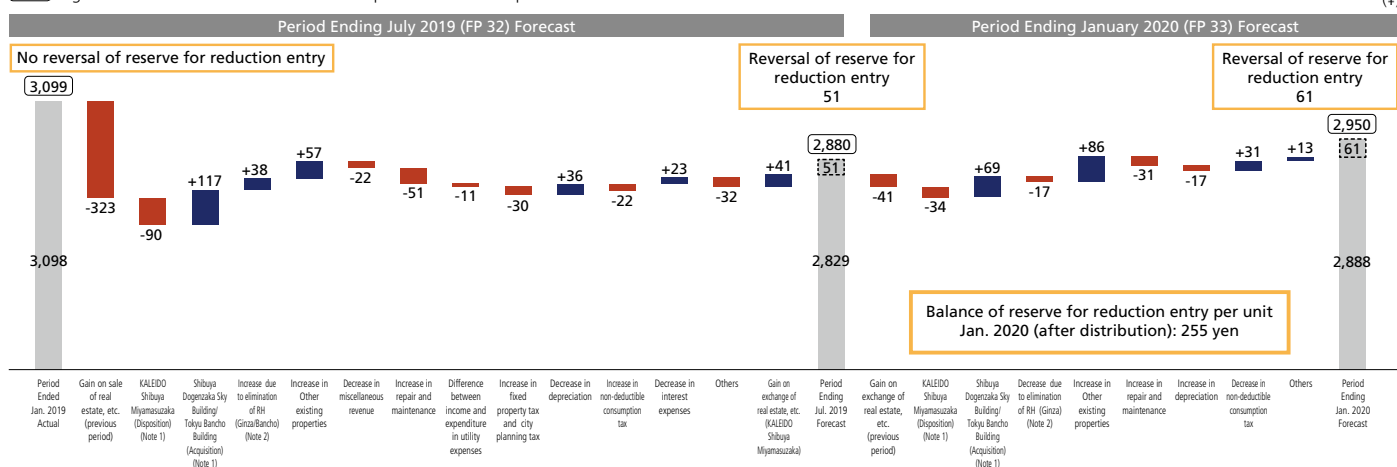
	Number of properties	Asset size (based on acquisition price)	Focused investment areas of TOKYU REIT portfolio Ratio
End of FP ended Jul. 2018 (FP 30)	29 properties	223.5 billion yen	93.1%
	▼ +1 property	▼ +1.6 billion yen	▼ +1.9%
End of FP ended Jan. 2019 (FP 31)	30 properties	225.1 billion yen	95.0%

- (Notes) 1. An idea to secure capital gains while replacing properties, and achieve improvement of portfolio quality through a value and contrarian investment approach that eyes the cyclicity of real estate prices.  
 2. TOKYU REIT Ebisu Building changed its name from the Lucid Square Ebisu on April 1, 2019.  
 3. Calculated based on actual results from August 2018 to January 2019 and on estimated figures from February 2019 to July 2019.  
 4. Calculated based on actual results from August 2017 to July 2018.

## Variable Factor of Forecast Distribution per Unit

### Breakdown of Forecast Distribution per Unit by Valiable Factor

Figures indicated in the boxes are actual/expected distribution per unit



- (Notes) 1. NOI after depreciation  
 2. RH (Rent Holiday)=A type of contract where tenants are exempted from rent payments during a specific period other than the time of move-in, out of the contract type where tenants are exempted from rent payment for a certain period after occupancy in lease agreements.



Property Exchange with Sponsor (Fiscal Period ending Jul. 2019 (FP 32))

Property Exchange (March 28, 2019)

Based on the "Capital Re-investment Model" (Note 1), acquired office buildings in Shibuya and Bancho with strong tenant demand through exchange.

Acquisition

Disposition

Shibuya Dogenzaka Sky Building



Tokyu Bancho Building (Additional acquisition) (Note 2)



KALEIDO Shibuya Miyamasuzaka



Overview of property		
Property Name	Shibuya Dogenzaka Sky Building	Tokyu Bancho Building (Additional acquisition)
Acquisition Price	8,100 million yen	1,040 million yen
Most recent Appraisal Value	8,290 million yen	1,040 million yen
NOI (Note 3) (NOI yield)	307 million yen per annum (3.8%)	34 million yen per annum (3.3%)
NOI after Depreciation (Note 3) (NOI yield after depreciation)	272 million yen per annum (3.4%)	24 million yen per annum (2.4%)
Mid- to long-term NOI (Mid- to long-term NOI yield)	324 million yen per annum (4.0%)	34 million yen per annum (3.3%)
Completion Date	March 1988	September 2011
Occupancy Rate (Note 4)	100%	100%
Seller	Tokyu Corporation	

Overview of property	
Book Value (Note 4)	5,053 million yen
Disposition Price	7,780 million yen
Gain on Exchange of Real Estate, etc. (Note 5)	40 million yen
NOI (Note 3) (NOI yield)	277 million yen per annum (3.6%)
NOI after Depreciation (Note 3) (NOI yield after depreciation)	241 million yen per annum (3.1%)
Mid- to long-term NOI (Mid- to long-term NOI yield)	283 million yen per annum (3.6%)
Completion Date	January 1992
Occupancy Rate (Note 4)	100.0%
Buyer	Tokyu Corporation

- (Notes) 1. An idea to aim for ceaseless value enhancement in investment targeted area through sponsor collaboration in line with stages of life of property  
 2. 3.6% quasi-co-ownership interest of the trust beneficiary interest (95.1% compartmentalized ownership interest).  
 3. For the acquired assets, estimated figures exclusive of special items from income and expenditure of the acquisition fiscal year; and for the disposed asset, the most recent actual results from February 2018 to January 2019. Yields are based on acquisition/disposition price.  
 4. As of the date of exchange. (As of March 28, 2019)  
 5. Of the difference between the disposition price and the book value, reduction entry of 2,685 million yen is scheduled to be implemented for the two properties to be acquired through exchange.

Significance of property exchange

1. Shibuya Dogenzaka Sky Building

- Average office vacancy rate in the Shibuya/Ebisu area stands at 0.2% (Note 6)
- Average rent for the current tenants is at a lower level compared to the current contract rents  
 ⇒ Expects room for rent increase in the future

2. Tokyu Bancho Building (Additional acquisition)

- Average office vacancy rate in the Kanda/Idabashi area including Bancho stands at 0.2% (Note 6)
- Quasi-co-ownership interest (Note 7): 49.0% ⇒ 52.6% (Acquired the majority)

3. Increase in NOI and asset size

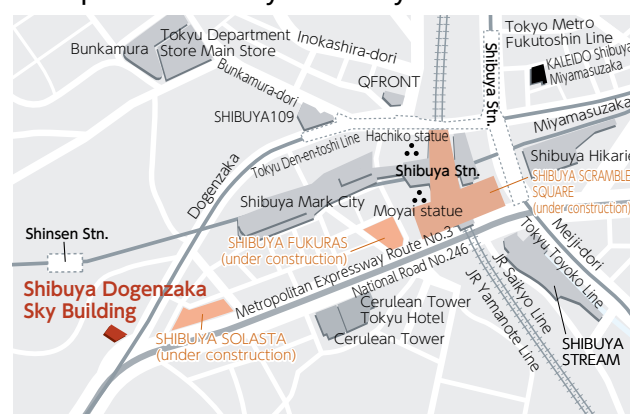
	Acquisition		Disposition	Balance
	Shibuya Dogenzaka Sky Building	Tokyu Bancho Building (Additional acquisition)	KALEIDO Shibuya Miyamasuzaka	
NOI (Note 3) (¥ million)	307	34	-277	+64
Asset Size	8,100	1,040	-5,150	+3,990

4. Reduction through Exchange

	Acquisition Price	Reduction Amount	Book Value (Note 8)
Shibuya Dogenzaka Sky Building (¥ million)	8,100	2,385	5,714
Tokyu Bancho Building (Additional acquisition)	1,040	300	739
Total	9,140	2,685	6,454

- (Notes) 6. As of December 31, 2018  
 Source: "Japan Office Market View" by CBRE K.K.  
 7. Quasi-co-ownership interest of the trust beneficiary interest (95.1% compartmentalized ownership interest)  
 8. Before reflecting the acquisition-related expenses

Map of the vicinity of Shibuya Station



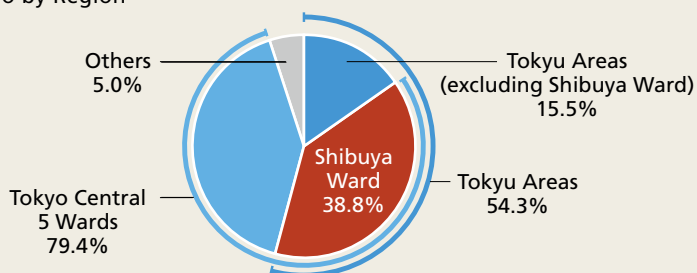
## Investment in Highly Competitive Properties in Areas with Strong Growth Potential

### Areas with Strong Growth Potential

#### Investment Area: Tokyo Metropolitan Area

- Investment of more than 85% in Tokyo Central 5 Wards and areas along Tokyu rail lines, areas showing population growth and more growth potential in the Tokyo Metropolitan Area
- ✓ 95.0% of investment in Tokyo Central 5 Wards and areas along Tokyu rail lines as of the end of January 2019 (FP 31)
- \*Based on acquisition price
- Control earthquake risk through PML (Set portfolio PML <sup>(Note 1)</sup> at 10% or lower)
- ✓ Set portfolio PML as of the end of January 2019 (FP 31): 3.7% <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 Central 5 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 assessment reports prepared by Engineering & Risk Services Corporation and OYO RMS Corporation. Damages in this instance refer to property damage and do not include secondary damages such as loss of life and damages to fixtures. In addition, damages are limited to structural damage and damages to facilities and building interior and exterior, and do not cover damages caused by earthquake fire and fire damage from surrounding facilities.

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

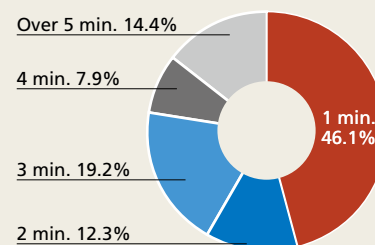


## Highly Competitive Properties

### Focus on Location

- Office buildings
    - 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
  - Residences<sup>(Note 1)</sup>
    - Primarily located within a ten-minute walk from the nearest station
  - Secure favorable location, with focus on exit price and liquidity
- ✓ 77.7%\* of properties lie within a three-minute range (as of the end of Jan. 2019 (FP 31))
- \* Based on acquisition price

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



### Minimum Investment Amount per Property

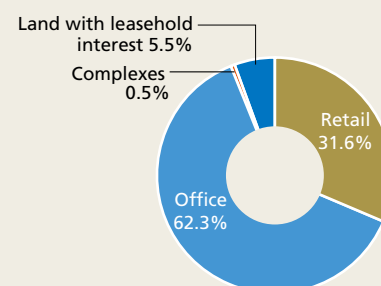
- 4.0 billion yen, in principle<sup>(Note 2)</sup>
  - However,
    - (1) Properties located in Tokyu Areas (including Shibuya Ward): 1.0 billion yen
    - (2) Properties located in Central Tokyo (excluding Shibuya Ward)<sup>(Note 3)</sup>: 2.0 billion yen
    - (3) Land with leasehold interest: 1.0 billion yen
- ✓ Average amount invested per property is ¥7.5 billion\* (end of Jan. 2019 (FP 31))
- \* Based on acquisition price

### Asset Class

- (1) Office Buildings
- (2) Retail properties
- (3) Residences<sup>(Note 1)</sup>
- (4) Complexes that include any one of the (1) to (3) above<sup>(Note 4)</sup>

(Notes) 1. The change of investment policy is scheduled accompanying a condition precedent that it will be approved at the General Meeting of Unitholders scheduled to be held on April 19, 2019.  
 2. The portfolio shall maintain 80% or higher ratio of properties with the investment amount per property of 4.0 billion yen or larger.  
 3. Chiyoda, Chuo, Minato and Shinjuku wards, and other major commercial and retail districts of Tokyo.  
 4. 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 \*Based on acquisition price



## Main Strategy and the Other

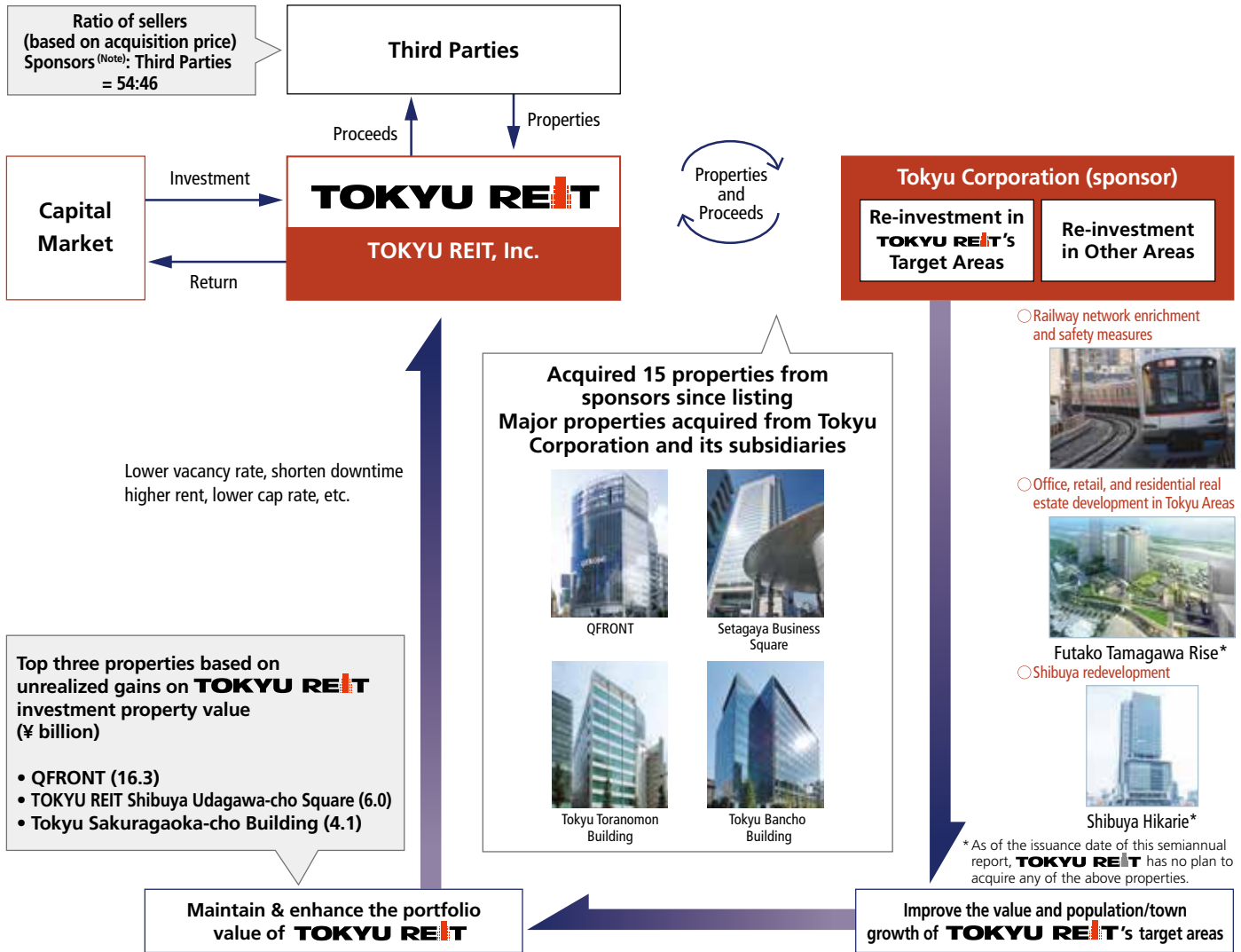
- “Capital Re-investment Model” through collaboration with sponsors → Refer to Page 10
- “Value and contrarian investment strategy” focusing on cyclicity of real estate prices → Refer to Page 11
- Investment management fee structure “being in the same boat as unitholders” → Refer to Page 17
- Debt management strong against credit crises → Refer to Page 20

# Investment Management Strategy

## Capital Re-investment Model

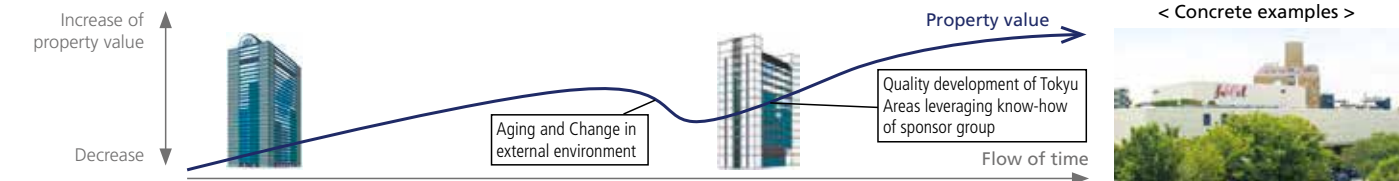
### “Capital Re-investment Model” through collaboration with sponsors

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



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

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



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

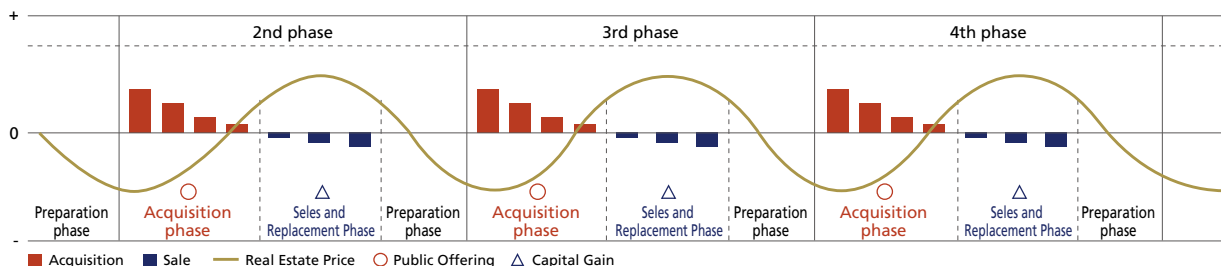
**Tokyu Saginuma Building (Fullel Saginuma)**  
 1978: Developed by sponsor  
 2003: Acquired from sponsor  
 2011: Renewal (GMS→NSC)  
 2016: Transferred to sponsor  
 Future: Scheduled to be redeveloped in line with the redevelopment in the vicinity of the station

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

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

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

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



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

### Investment Style

## Value & Contrary

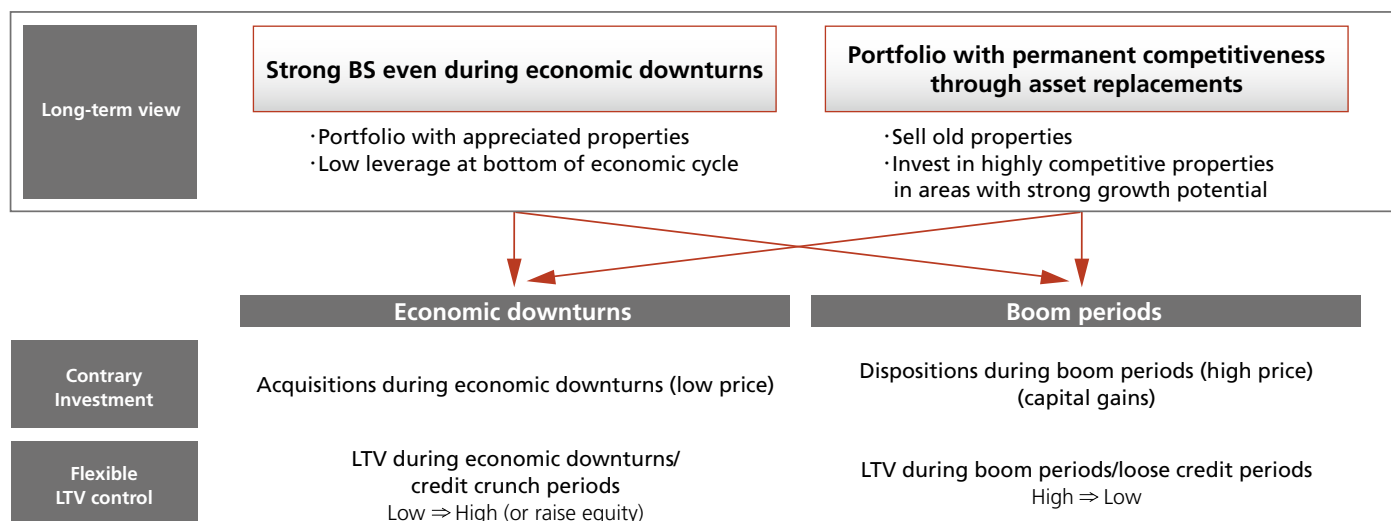
#### Value Investment

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.

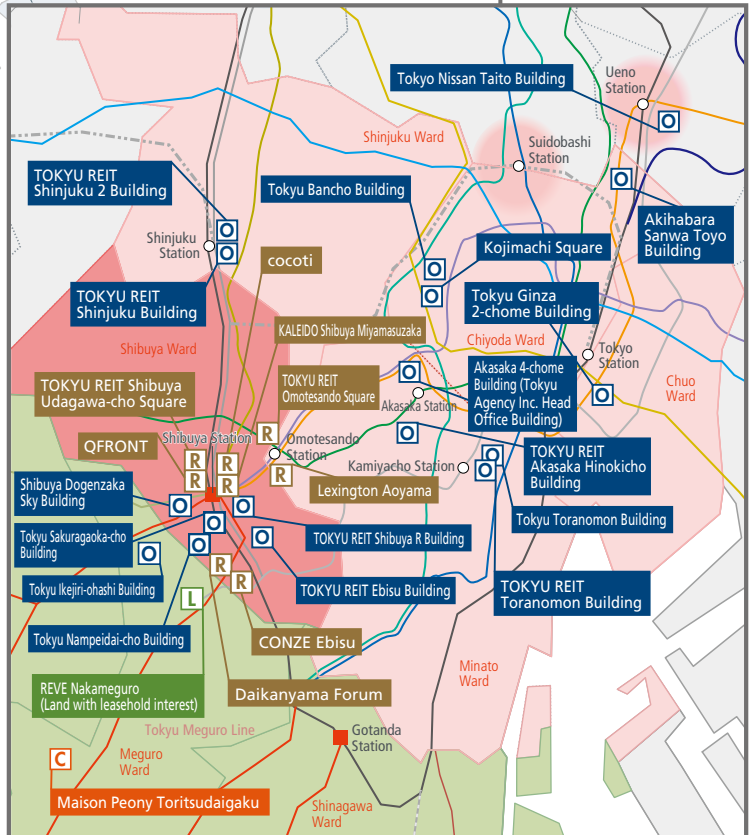
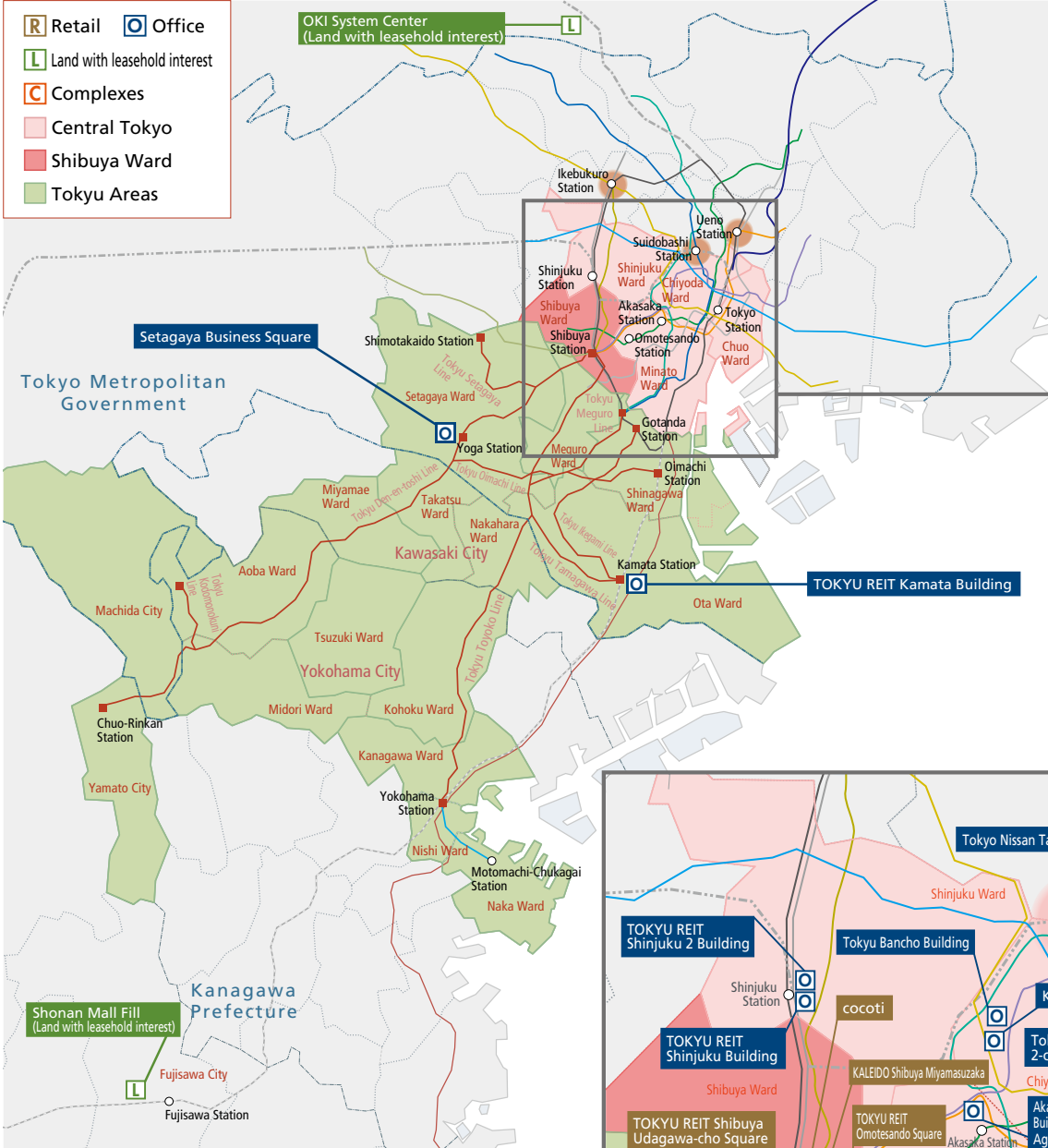
### Concept



# Investment Management Strategy

## Investment Targeted Areas

- R Retail
- O Office
- L Land with leasehold interest
- C Complexes
- Central Tokyo
- Shibuya Ward
- Tokyu Areas



- |   |   |
|---|---|
| <span style="color: red;">—</span> Tokyu Railways                 | <span style="color: blue;">—</span> Minatomirai Line          |
| <span style="color: purple;">—</span> Tokyo Metro Hanzomon Line   | <span style="color: blue;">—</span> Toei Mita Line            |
| <span style="color: orange;">—</span> Tokyo Metro Ginza Line      | <span style="color: green;">—</span> Keio Inokashira Line     |
| <span style="color: yellow;">—</span> Tokyo Metro Yurakucho Line  | <span style="color: red;">—</span> Keikyū Line                |
| <span style="color: grey;">—</span> Tokyo Metro Hibiya Line       | <span style="color: blue;">—</span> Tsukuba Express           |
| <span style="color: green;">—</span> Tokyo Metro Chiyoda Line     | <span style="color: grey;">—</span> JR Yamanote Line          |
| <span style="color: blue;">—</span> Tokyo Metro Tozai Line        | <span style="color: grey;">—</span> JR Saikyō Line            |
| <span style="color: teal;">—</span> Tokyo Metro Nanboku Line      | <span style="color: grey;">- - -</span> JR Tokaido Line       |
| <span style="color: yellow;">—</span> Tokyo Metro Fukutoshin Line | <span style="color: grey;">- - -</span> JR Chuo Line          |
|   | <span style="color: grey;">- - -</span> JR Keihin Tohoku Line |

\* Some properties are only partially owned by or Tokyu Corporation and its subsidiaries  
 \* KALEIDO Shibuya Miyamasuzaka was disposed on March 28, 2019, and Shibuya Dogenzaka Sky Building was acquired on March 28, 2019.  
 \* TOKYU REIT Ebisu Building changed its name from the Lucid Square Ebisu on April 1, 2019.



# Status of Redevelopment around Shibuya Station

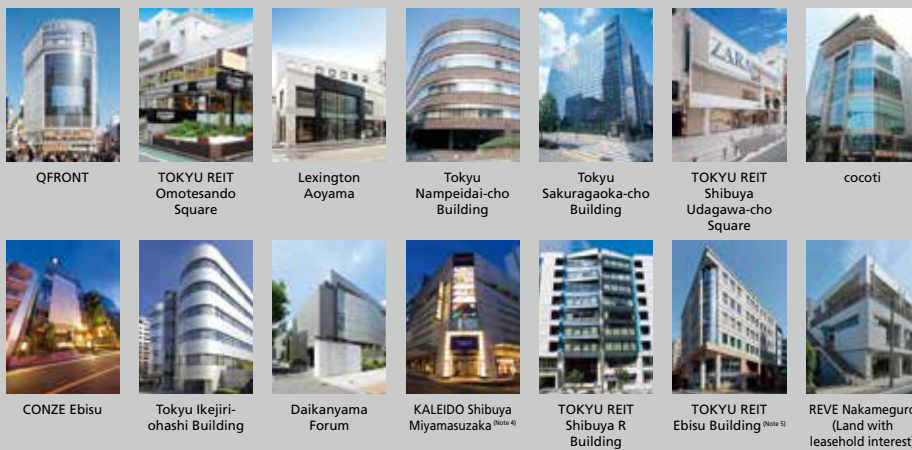
Redevelopment of Greater SHIBUYA (extensive Shibuya area) (Note 1) is in progress mainly by Tokyu Group



\*As of the date

## Greater SHIBUYA (Note 1) owned by TOKYU REIT List of properties within the area (14 Properties) (Note 2)

Acquisition Price: 98.8 billion yen Appraisal Value: 132.9 billion yen



(Notes) 1. Area within radius of 2.5 km from Shibuya Station.

2. As of the end of January 2019 (FP 31)

3. Shibuya Dogenzaka Sky Building was acquired on March 28, 2019.

4. KALEIDO Shibuya Miyamasuzaka was disposed on March 28, 2019.

5. TOKYU REIT Ebisu Building changed its name from the Lucid Square Ebisu on April 1, 2019.

\*Some properties are only partially owned by TOKYU REIT or Tokyu Corporation and its subsidiaries.

\*As of the date this presentation was prepared, TOKYU REIT has no plan to acquire properties owned by Tokyu Corporation and its subsidiaries.

### 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 autumn 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. 116,000m <sup>2</sup>
Height	Approx. 180m
Opening	September 13, 2018

### 3 SHIBUYA CAST.



Implementing body	Shibuya Miyashitacho Realty
Usage	Office, store, apartment, etc.
Total floor space	34,981m <sup>2</sup>
Height	Approx. 71m
Opening	April 28, 2017

\*Connecting passage to adjacent building cocoti is installed

### 4 SHIBUYA FUKURAS



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	To be completed in 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. 254,830m <sup>2</sup>
Height	A1 building: Approx. 180m A2 building: Approx. 90m B building: Approx. 150m C building: Approx. 16.5m
Opening	To be completed in fiscal 2023(scheduled)

### 6 SHIBUYA SOLASTA



Implementing body	General Incorporated Association Dogenzaka 121 (business company formed by Tokyu Land Corporation and land owners)
Usage	Office, assembly hall (incubation office, etc.), store, parking lot, etc.
Total floor space	Approx. 46,954m <sup>2</sup>
Height	Approx. 107m
Opening	To be completed in March 2019 (scheduled)

### Obtain Certifications from External Assessment Institutions

#### ■ DBJ Green Building Certification

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



Properties with excellent environmental & social awareness



Tokyu Bancho Building



cocoti



Properties with high environmental & social awareness



Tokyu Toranomon Building



QFRONT

#### ■ GRESB

Benchmark developed by a group of leading western pension funds. It evaluates the sustainability consideration of real estate companies and the managing entities.

**TOKYU REIT** has continuously acquired “Green Star” ratings given to companies that excel both in “Management and Policies” and “implementation and Measurement” related to sustainability evaluation since 2015.



#### ■ BELS

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).

Among **TOKYU REIT**'s portfolio, Tokyu Ikejiri-ohashi Building obtained 2 stars.



Tokyu Ikejiri-ohashi Building

### Energy Saving Measures

#### ■ Setagaya Business Square

- Renewal of Air Conditioning Facility (from March 2016 to January 2019)  
Expect annual reduction of 31.0% in electricity usage of the air-conditioning related equipment from upgrading. (Note)
  - Switching to LED in exclusive-use areas (from April 2016)  
Completed switching to LED in 93.0% of the exclusive-use areas.  
Resulted in approximately 62.0% reduction in annual electricity usage of the lighting equipment. (Note)
- (Note) Compared to previous figures before the works



Social Contribution

Regional Contribution/Enhancement of Tenant Satisfaction

• **Setagaya Business Square**

TOKYU REIT Sponsor

<Participated in a local event>  
(December 2018)



Provided part of the property for "SBS Christmas Concert" in which local schools, cultural groups, etc. participated.

• **Tokyu Bancho Building**

TOKYU REIT Sponsor

<Installed docking port for Community Cycle>  
(from August 2018)



Installed bicycle docks for Chiyokuru, community bicycle network of Chiyoda Ward, in part of the site of the property. Contribute to enhanced convenience in the local area while reduction in CO<sub>2</sub> emission and mitigation of traffic congestion can be expected.

• **TOKYU REIT Toranomom Building**

TOKYU REIT

<Rooftop renovation> (October 2016)



Installing smoking area and refreshing space

Response to Emergency

• **QFRONT**

TOKYU REIT Sponsor

<Participated in "Council for Measures for People Having Difficulty Returning Home in Shibuya Station Area" in which Tokyu Corporation acts as secretariat and a large-scale training conducted by the Tokyo Metropolitan Government and Shibuya Ward> (February 2017)



Showed emergency information issued by Shibuya Ward by using a large screen of the property in a large-scale training in which approximately 4,300 people participated

<Conducted joint training for explosive ordnance disposal as a countermeasure against terrorism> (March 2016)



Conducted a joint training in which the Metropolitan Police Department, Shibuya Police Station, tenants, sponsor (Tokyu Corporation), etc. participated at the property

• **Each Property**

TOKYU REIT Sponsor

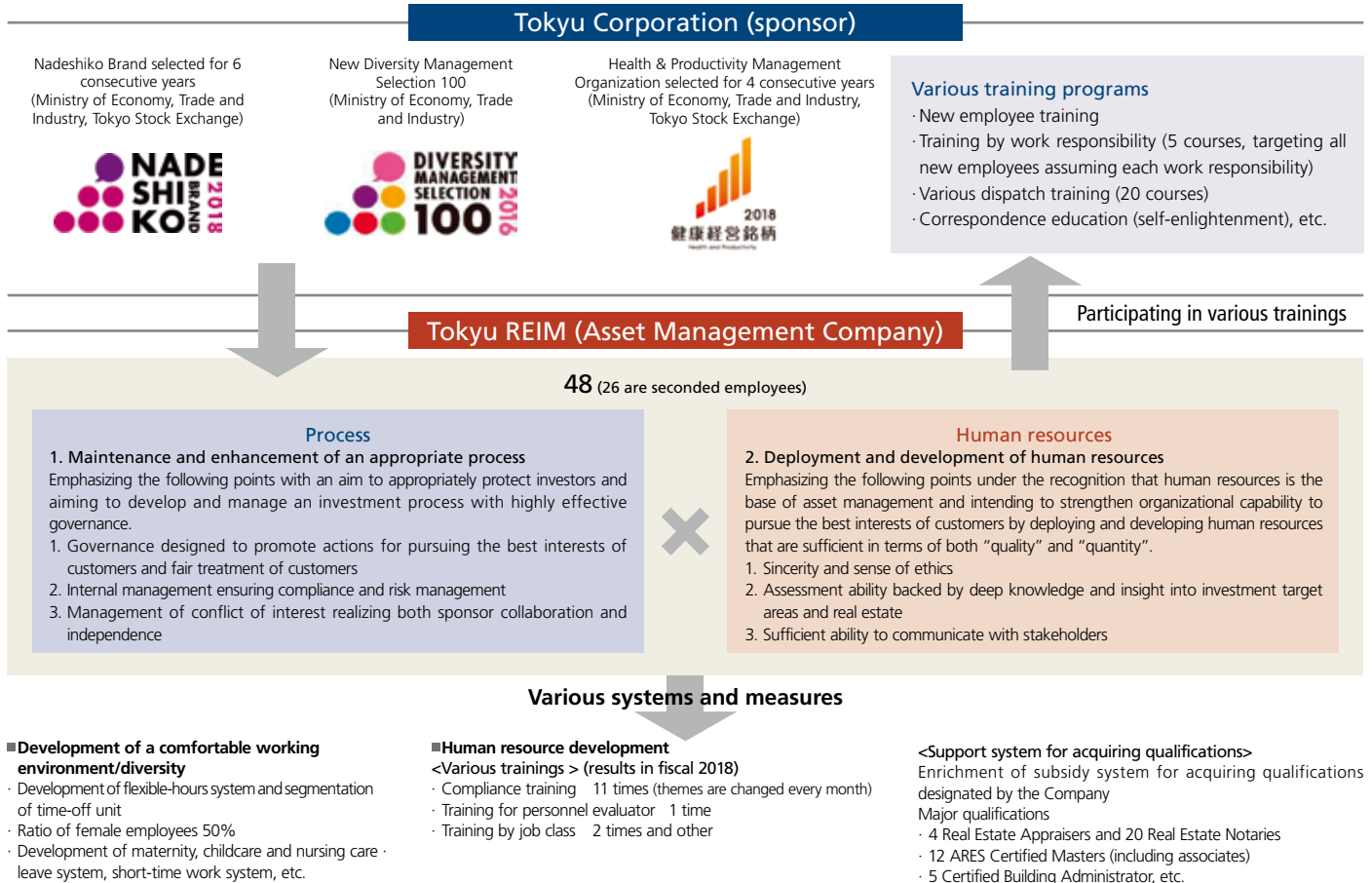
<Installed disaster-relief vending machines>



Installed 19 vending machines having a function to discharge goods within them and can provide goods free of charge at the time of emergency including disasters in 8 properties

Striving to Develop Human Resources at the Investment Management Company in Collaboration with Tokyu Corporation (sponsor)

Human resource development





## TOKYU REIT, Inc. Board of Directors

**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 January 2019 (FP 31), there were one Executive Director and two Supervisory Directors <sup>(Note)</sup> at **TOKYU REIT**.

(Note) In addition, appointment of Takashi Aikawa as a substitute supervisory director will be proposed at the General Meeting of Unitholders of TOKYU REIT to be held on April 19, 2019.



**Giichi Yanagisawa**  
Supervisory Director



**Kazuyoshi Kashiwazaki**  
Executive Director



**Maruhito Kondo**  
Supervisory Director

### Giichi Yanagisawa Supervisory Director

<b>March 1985</b>	Certified as a public accountant in Japan (current position). Established Yanagisawa Certified Public Accountant Office.
<b>May 1985</b>	Certified as a tax accountant in Japan (current position).
<b>June 2000</b>	Appointed representative, Shinsoh Audit Corporation.
<b>July 2001</b>	Appointed member of the Board of The Japanese Institute of Certified Public Accountants.
<b>June 2003</b>	Appointed Supervisory Director, TOKYU REIT, Inc. (current position).
<b>July 2004</b>	Appointed Executive Board of The Japanese Institute of Certified Public Accountants.
<b>July 2010</b>	Appointed Deputy President of the Tokyo Chapter of The Japanese Institute of Certified Public Accountants.
<b>April 2011</b>	Appointed Chief Representative, Shinsoh Audit Corporation (current position).
<b>June 2013</b>	Appointed President of the Tokyo Chapter of The Japanese Institute of Certified Public Accountants.
<b>July 2013</b>	Appointed Deputy President of The Japanese Institute of Certified Public Accountants (current position).
<b>June 2015</b>	Outside auditor of Nagatanien Co., Ltd. (currently Nagatanien Holdings Co., Ltd.). (current position).

### Maruhito Kondo Supervisory Director

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

Note: See page 3 about Kazuyoshi Kashiwazaki's career.

## TOKYU REIT's Initiatives (Governance)

### TOKYU REIT's Aim, Goals

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

### Characteristics of TOKYU REIT's Governance Structure

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

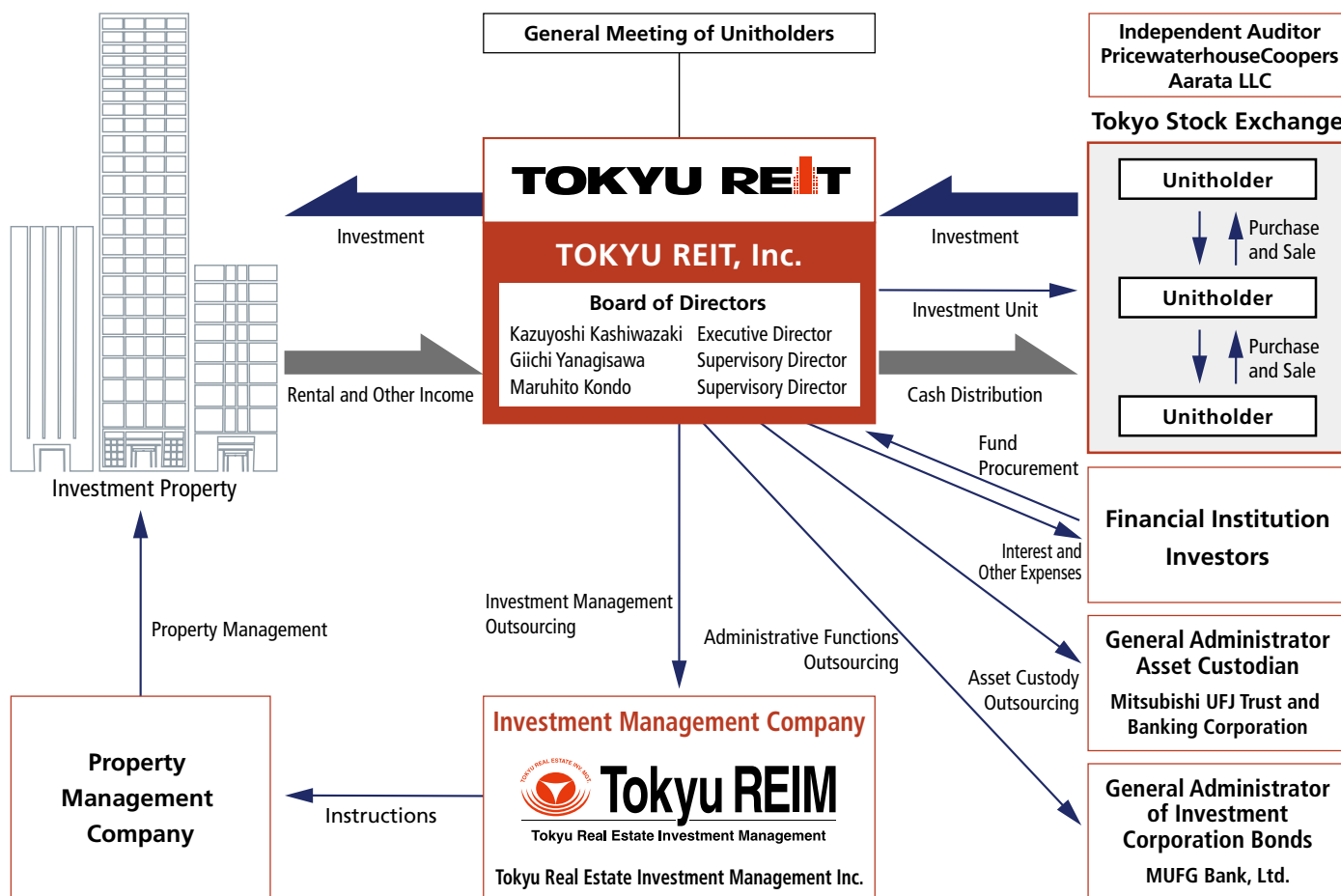
## TOKYU REIT's Management Characteristics

<b>Excellent Governance as a Source of Competitiveness</b>	<b>Structural</b>	<ul style="list-style-type: none"> <li>Multiple layers of monitoring and proactive involvement of outside board members</li> <li>Management fee set to "being in the same boat as unitholders"</li> </ul>	<ul style="list-style-type: none"> <li>Stringent 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>
	<b>Human Resources</b>	<ul style="list-style-type: none"> <li>Carefully select board members to enhance debate*</li> <li>Provide appropriate compensation to board members for the responsibility and the workload</li> </ul>	<ul style="list-style-type: none"> <li>Legal advisor to be present at board meetings</li> </ul>
	<b>Culture</b>	<ul style="list-style-type: none"> <li>Board members not hesitant to reject, waive resolution or agree with conditions</li> <li>Willing to debate among independent outside board members</li> </ul>	<ul style="list-style-type: none"> <li>Tokyu REIT's efforts                             <ul style="list-style-type: none"> <li>Strict focus on fiduciary duty</li> <li>Management fee programmed to enhance involvement of all business segments</li> <li>Intend to allow all Tokyu REIT staff to face and communicate with investors</li> </ul> </li> </ul>
	<b>Track Record</b>	<ul style="list-style-type: none"> <li>Status of the Board of Directors' meetings held (Ended Jan. 2019 (FP 31)): 1.5 meetings per month on average</li> </ul>	<ul style="list-style-type: none"> <li>Attendance at board of directors' meeting (Ended Jan. 2019 (FP 31))                             <ul style="list-style-type: none"> <li>Kazuyoshi Kashiwazaki (Executive Director) 100%</li> <li>Giichi Yanagisawa (Supervisory Director) 100%</li> <li>Maruhito Kondo (Supervisory Director) 100%</li> <li>General Administrator 100%</li> </ul> </li> </ul>

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



TOKYU REIT Structure and External Service Providers



Overview of Investment Management Fee

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

Remuneration	Criteria for calculation	Remuneration Ended Jan. 2019 (FP 31)
	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)	¥326 million
	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)	¥269 million
	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.

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

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

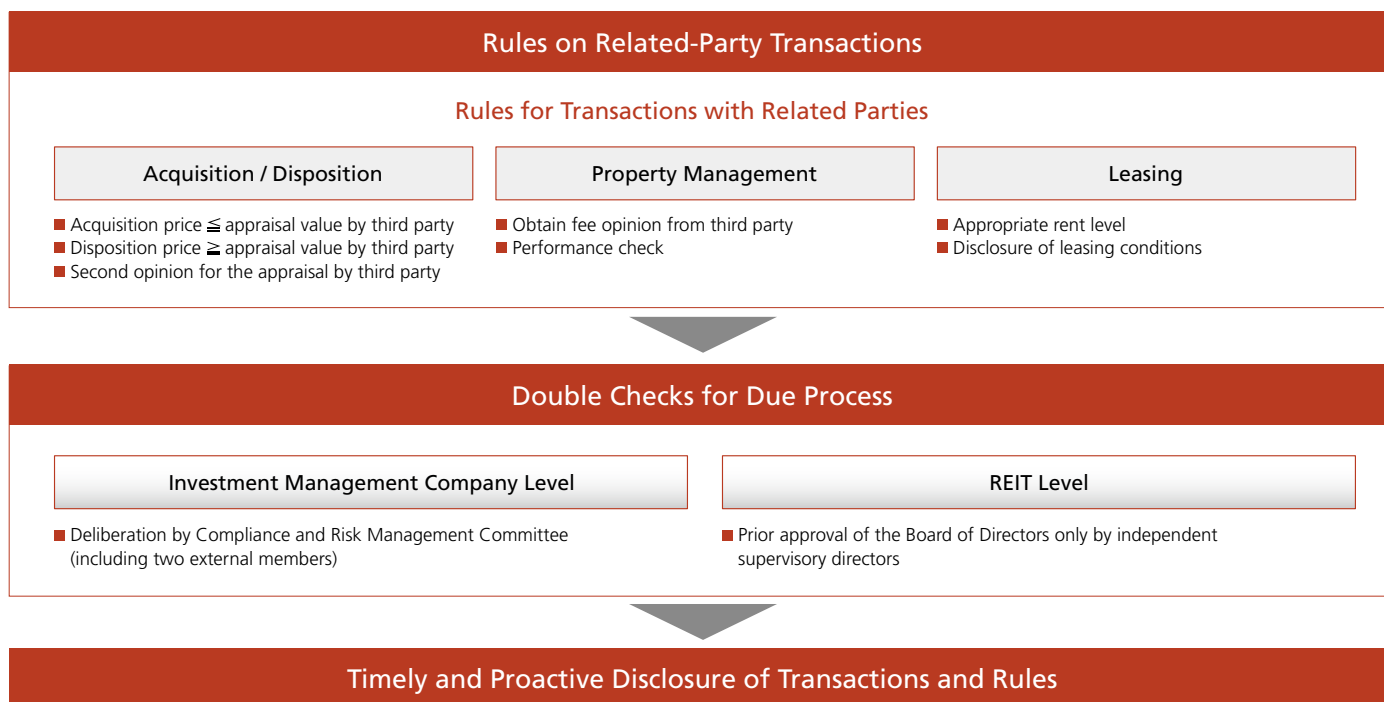
## Collaboration with Tokyu Corporation and Its Subsidiaries

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

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

**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.

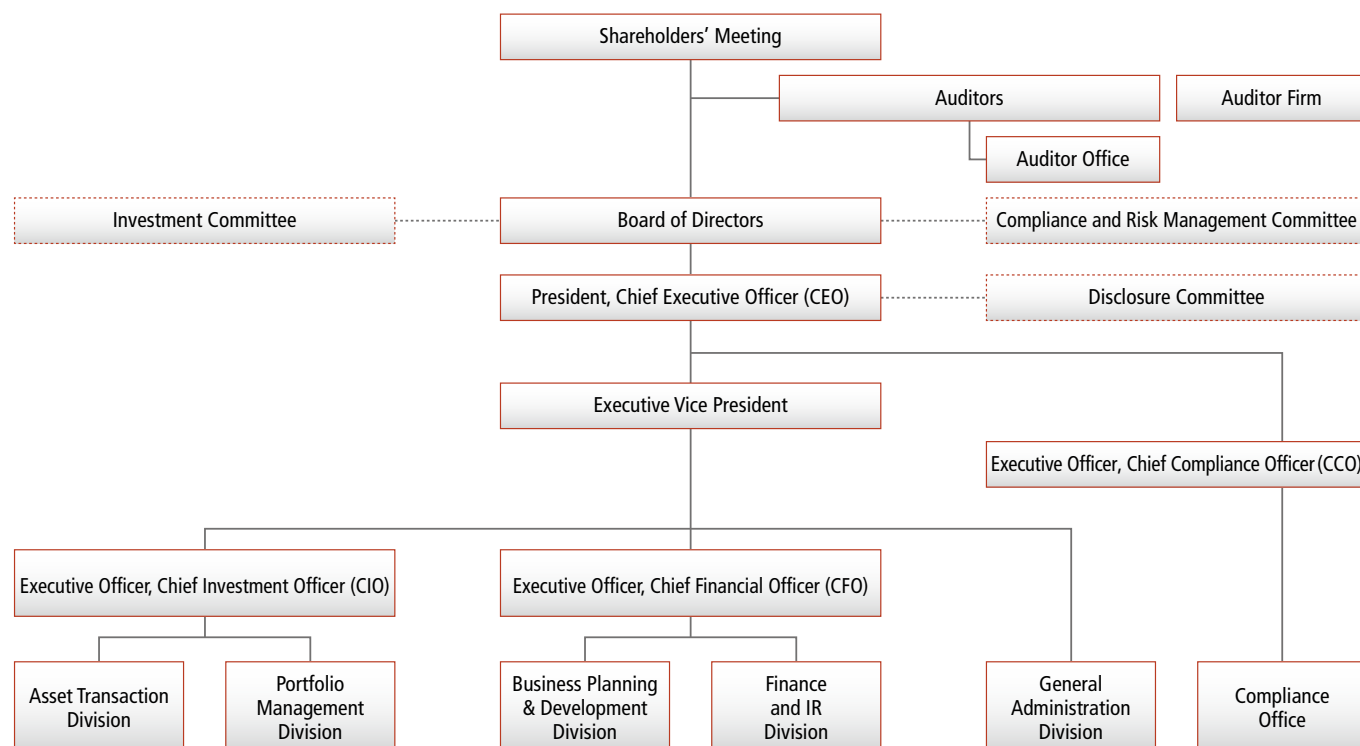
Tokyu REIM is a financial instruments dealer under the Financial Instruments and Exchange Law (Kanto Financial Bureau (*Kin-sho*) No. 360).

<b>Board of Directors</b>	<p>Function : Decision-making on management strategy</p> <p>Members : Representative director &amp; president, representative director &amp; executive vice president, two directors, three directors (part-time) and two auditors (part-time) from sponsors</p>
<b>Compliance and Risk Management Committee</b>	<p>Function : Advisory on compliance and risk management, and Related-Party transactions</p> <p>Members : Two directors (part-time), and two external committee members</p>
<b>Investment Committee</b>	<p>Function : Advisory on investment decisions</p> <p>Members : 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, Nampoedai-cho, Shibuya-ku, Tokyo	6,000 shares	100%

**Organization Chart**

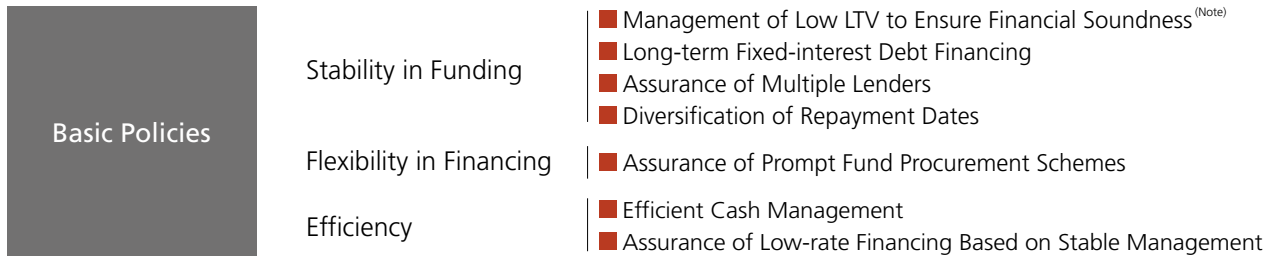


# Financial Strategies

## 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.



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

### Debt

Total Interest-Bearing Debt	¥93.5 billion
Long-Term Fixed-Rate Ratio	100%
Avg. Duration	3.80 years
Commitment Line	¥18.0 billion <sup>(Note)</sup>

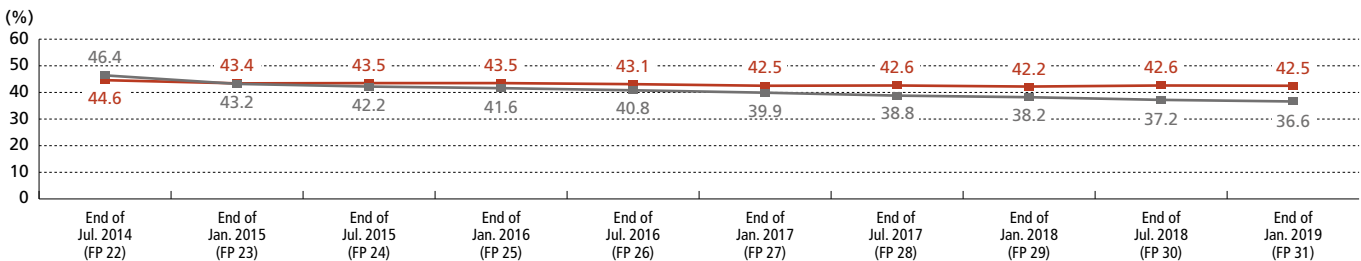
(Note) The execution of the commitment line agreement allows us to undergo debt financing at any given time up to the designated amount. To this end, a flexible and efficient fund procurement system has been assured. Moreover, there is no outstanding debt under the commitment line as of January 31, 2019.

### 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)
S&P Global Rating Japan Inc. (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.



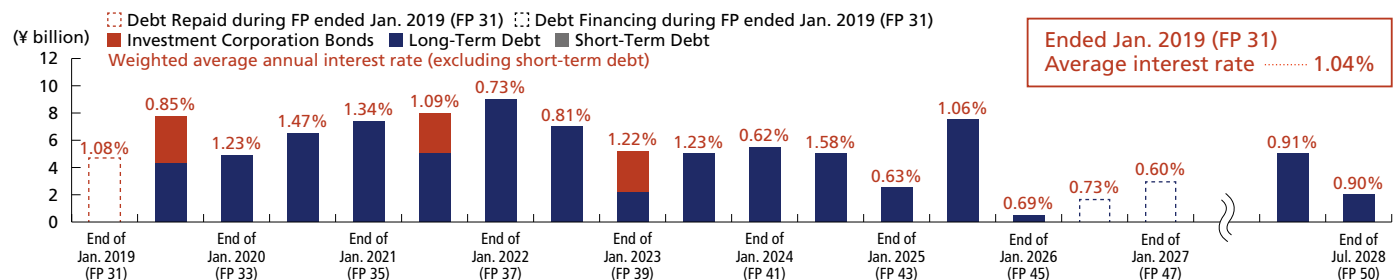
■ LTV based on total assets at end of period = Balance of period-end interest-bearing debt / Period end total assets

■ 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.

### 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.


















## Data of the Fiscal Period ended January 2019 (FP 31)

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 (Note 1)
1	DAIWA INFORMATION SERVICE Co., Ltd	Real estate	 Shonan Mall Fill (Land with leasehold interest)	3/31/2033	44,078.12	21.4%
2	OKI Electric Industry Co., Ltd.	Electric equipment	 OKI System Center (Land with leasehold interest)	3/26/2033	17,019.19	8.3%
3	Tokyu Corporation	Land transportation	 Setagaya Business Square (Note 2)	6/30/2020	688.57	0.3%
			 Tokyu Nampo-dai Building	12/31/2021	7,148.18	3.5%
			 Tokyu Sakuragaoka Building	12/31/2021	3,878.36	1.9%
			 REVE Nakameguro (Land with leasehold interest)	9/26/2068	497.02	0.2%
4	VENDOR SERVICE CO., LTD.	Wholesale	 Tokyu Toranomon Building	3/31/2020	5,907.30	2.9%
5	FUJITSU LIMITED	Electric equipment	 TOKYU REIT Kamata Building	9/30/2020 (Note 3)	4,593.33	2.2%
6	TSUTAYA Co., Ltd.	Wholesale	 QFRONT	12/14/2019	4,044.10	2.0%
7	Tokyu Community Corporation	Service	 Setagaya Business Square (Note 2)	7/31/2019 (Note 3)	3,856.03	1.9%
8	Japan Post Insurance Co., Ltd.	Insurance	 TOKYU REIT Toranomon Building	4/30/2020 (Note 3)	3,553.89	1.7%
9	Tokyu Agency Inc.	Service	 Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	1/31/2023	3,533.03	1.7%
10	OPT Holding Inc.	Other financial services	 Tokyu Bancho Building (Note 4)	12/31/2020	3,388.15	1.6%
Total of top 10 tenants in leased area					102,185.26	49.7%
Total leased area as of end of January 2019 (FP 31) (30 properties)					205,725.93	100.0%

(Notes) 1. "Ratio" indicates ratio of tenant's leased areas to total leased area of 30 properties held as of the end of Jan. 2019 (FP 31).

2. Leased area of tenants in Setagaya Business Square are calculated as 55% (the co-ownership interest ratio).

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

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

## Creation of Portfolio Resilient to Earthquakes

## Structural status (earthquake resistance)

Investment Criteria	Properties that are compliant with the new earthquake resistance standards (Note 1), that completed anti-seismic reinforcement work, or that has PML of less than 15%	Manage properties with a portfolio PML of 10% or less; examine purchasing earthquake insurance if PML of any property surpasses the figure.
Portfolio	<ul style="list-style-type: none"> <li>27 out of 30 properties comply with the new earthquake resistance standards (Three remaining properties are land with leasehold interest only)</li> </ul>	<ul style="list-style-type: none"> <li>Portfolio PML: 3.7% (Note 2)</li> <li>Although the merit of geographical diversification in terms of earthquake risks is small, the value of the portfolio PML for properties which have high earthquake resistance ratings is kept at a fairly low level as individual properties have high earthquake resistant ratings.</li> </ul>

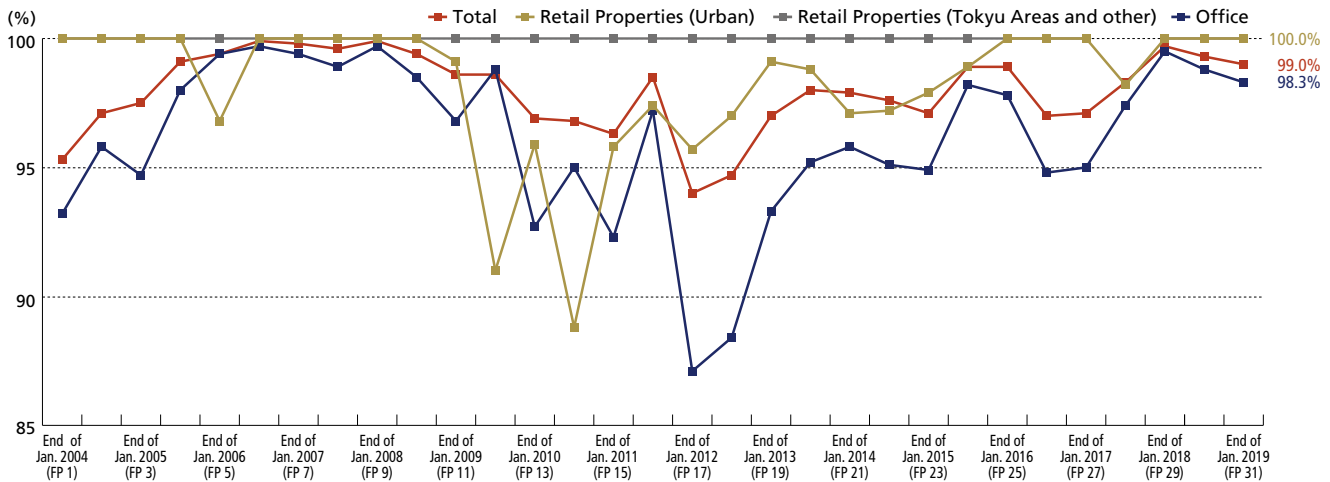
(Notes) 1. The new earthquake resistance standards are the earthquake resistant design standards based on the Building Standards Act, which was revised in 1981 with the aim to prevent buildings from collapsing even from earthquakes with seismic intensity of six and secure safety for human lives. Buildings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

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

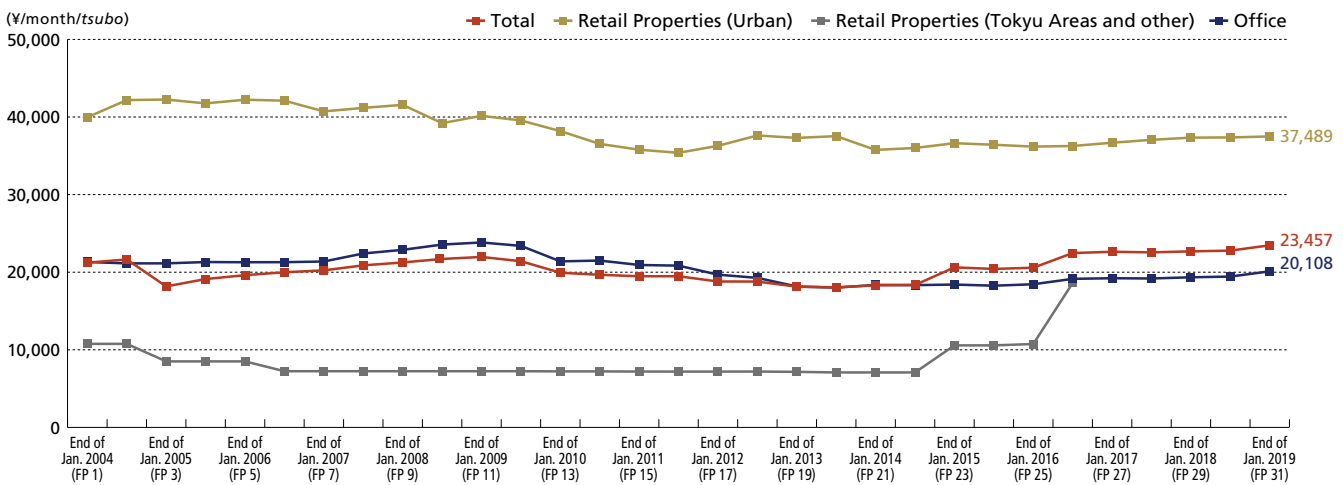
# Portfolio (properties owned at the end of January 2019 (FP 31))

## Track Record (Results of Management)

### Changes in Occupancy Rate

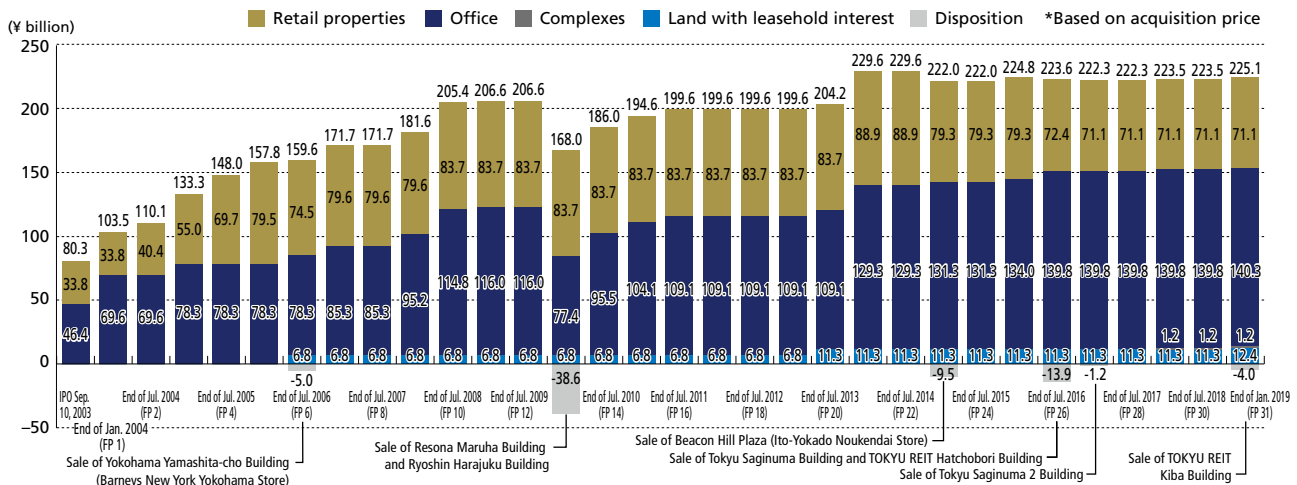


### Changes in Average Rent



\* In calculating the above unit price, we haven't factored in vacant spaces.  
 \* Includes common area charges and excludes income from parking, warehouses, etc.  
 \* 1 tsubo ≈ 3.30578m<sup>2</sup>

### Change in Asset Size



## Portfolio Overview (at the end of January 2019 (FP 31))

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%	6.7%	4.2%
R	Lexington Aoyama	Sep. 11, 2003	4,800	Minato Ward, Tokyo	2,107.08	100%	2.1%	2.3%
R	TOKYU REIT Omotesando Square	Sep. 10, 2003	5,770	Shibuya Ward, Tokyo	2,669.10	100%	2.6%	9.5%
R	TOKYU REIT Shibuya Udagawa-cho Square	Mar. 1, 2004	6,600	Shibuya Ward, Tokyo	1,543.05	100%	2.9%	7.3%
R	cocoti	Apr. 6, 2005	14,700	Shibuya Ward, Tokyo	8,295.62	100%	10.9%	6.2%
		Aug. 2, 2005	9,800					
R	CONZE Ebisu	Oct. 31, 2006	5,116	Shibuya Ward, Tokyo	2,327.00	100%	2.3%	4.1%
R	Daikanyama Forum	Apr. 22, 2008	4,136	Shibuya Ward, Tokyo	2,477.64	100%	1.8%	8.0%
R	KALEIDO Shibuya Miyamasuzaka <sup>(Note 2)</sup>	Aug. 16, 2013	5,150	Shibuya Ward, Tokyo	3,399.34	100%	2.3%	4.4%
O	Setagaya Business Square	Sep. 11, 2003	22,400	Setagaya Ward, Tokyo	24,886.62	96.0%	9.9%	2.9%
O	Tokyu Nampeidai-cho Building	Sep. 11, 2003	4,660	Shibuya Ward, Tokyo	7,148.18	100%	2.1%	7.9%
O	Tokyu Sakuragaoka-cho Building	Sep. 11, 2003	6,620	Shibuya Ward, Tokyo	4,737.19	100%	2.9%	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%	1.6%	11.2%
O	TOKYU REIT Kamata Building	Sep. 10, 2003	4,720	Ota Ward, Tokyo	7,337.82	100%	2.1%	7.7%
O	TOKYU REIT Toranomom Building	Dec. 15, 2004	8,630	Minato Ward, Tokyo	10,247.06	100%	4.5%	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%	3.8%	3.9%
O	Tokyu Ikejiri-ohashi Building	Mar. 28, 2008	5,480	Meguro Ward, Tokyo	5,733.23	100%	2.4%	5.8%
O	Kojimachi Square	Mar. 19, 2010	9,030	Chiyoda Ward, Tokyo	5,409.11	100%	4.0%	4.8%
O	TOKYU REIT Shinjuku Building	Mar. 26, 2010	9,000	Shinjuku Ward, Tokyo	6,270.68	100%	4.0%	4.2%
O	Akihabara Sanwa Toyo Building	Oct. 29, 2010	4,600	Chiyoda Ward, Tokyo	4,590.53	100%	2.0%	11.8%
O	Tokyu Ginza 2-chome Building	Feb. 15, 2011	5,010	Chuo Ward, Tokyo	3,469.14	100%	2.2%	4.4%
O	TOKYU REIT Shibuya R Building	Aug. 16, 2013	5,270	Shibuya Ward, Tokyo	5,266.15	100%	2.3%	5.9%
O	Tokyu Toranomom Building <sup>(Note 3)</sup>	Aug. 16, 2013	15,000	Minato Ward, Tokyo	9,016.59	100%	7.5%	5.4%
		Jan. 9, 2015	1,850					
O	TOKYU REIT Shinjuku 2 Building	Oct. 30, 2015	2,750	Shinjuku Ward, Tokyo	1,790.46	100%	1.2%	4.2%
O	Tokyu Bancho Building	Mar. 24, 2016	12,740	Chiyoda Ward, Tokyo	5,717.45	90.1%	5.7%	3.3%
O	TOKYU REIT Ebisu Building <sup>(Note 4)</sup>	Aug. 1, 2018	4,500	Shibuya Ward, Tokyo	1,879.17	100%	2.0%	5.5%
C	Maison Peony Toritsudaigaku	Nov. 15, 2017	1,200	Meguro Ward, Tokyo	852.16	90.6%	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%	3.0%	—
L	OKI System Center (Land with leasehold interest)	Mar. 27, 2013	4,530	Warabi City, Saitama Prefecture	17,019.19	100%	2.0%	—
L	REVE Nakameguro (Land with leasehold interest)	Sep. 27, 2018	1,150	Meguro Ward, Tokyo	497.02	100%	0.5%	—
	<b>Total</b>		<b>225,189</b>		<b>207,848.65</b>	<b>99.0%</b>	<b>100.0%</b>	<b>3.7%</b> <sup>(Note 5)</sup>

## Acquired properties in Fiscal Period Ending July 2019 (FP 32)

O	Shibuya Dogenzaka Sky Building <sup>(Note 6)</sup>	Mar. 28, 2019	8,100	Shibuya Ward, Tokyo	4,133.21	100%	—	6.4%
O	Tokyu Bancho Building <sup>(Note 6) (Note 7)</sup>	Mar. 28, 2019	1,040	Chiyoda Ward, Tokyo	420.05	100%	—	3.3%

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

2. KALEIDO Shibuya Miyamasuzaka was disposed on March 28, 2019.

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

4. TOKYU REIT Ebisu Building changed its name from the Lucid Square Ebisu on April 1, 2019.

5. Excludes Shonan Mall Fill (Land with leasehold interest), OKI System Center (Land with leasehold interest) and REVE Nakameguro (Land with leasehold interest).

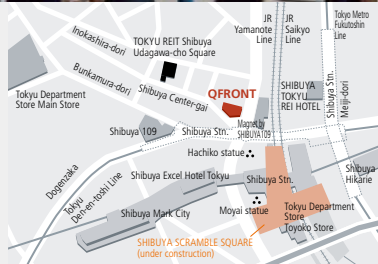
6. Occupancy rate for Shibuya Dogenzaka Sky Building and Tokyu Bancho Building are as of the date of acquisition.

7. Acquisition price is for the additional acquisition portion. Total leasable area is the figure calculated by multiplying the total leasable area of the whole building by the 3.6% quasi-co-ownership interest of the 95.1% compartmentalized ownership interest of the trust beneficiary interest.

**R** QFRONT



A retail property representing Tokyo facing the scramble crossing in front of Shibuya Station and having extremely high visibility with a large display screen installed on the wall.



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 comprised of tenants such as apparel stores and convenience stores and 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/RC, B1/4F  
 Completed: January 1998  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership

**R** TOKYU REIT Omotesando Square



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



Address: 4-3-2, Jingumae, Shibuya-ku, Tokyo  
 Nearest Station: Approximately a two-minute walk from Omotesando Station—Tokyo Metro Ginza Line, etc.  
 Total Land Space: 1,259.21m<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.

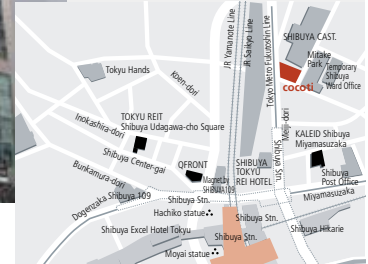


Address: [Bldg. 1] 25-10, Udagawa-cho, Shibuya-ku, Tokyo  
 [Bldg. 2] 25-5, Udagawa-cho, Shibuya-ku, Tokyo  
 Nearest Station: Approximately a two-minute walk from Shibuya Station—JR Yamanote Line, etc.  
 Total Land Space: 679.27m<sup>2</sup>  
 Total Floor Space: [Bldg. 1] 1,473.10m<sup>2</sup>  
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



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. Redevelopments are underway nearby and the area can be expected to grow more vibrant.



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.

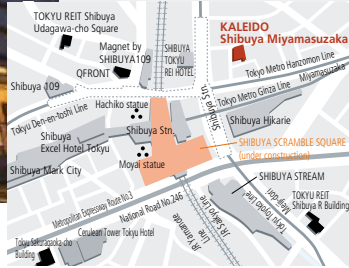


Address: 17-16, Sarugaku-cho, Shibuya-ku, Tokyo  
 Nearest Station: Approximately a six-minute walk from Daikanyama Station—Tokyo Toyoko Line  
 Total Land Space: Building 1 (East): Site rights area 942.30m<sup>2</sup>  
 Building 2 (West): Site rights area 1,108.01m<sup>2</sup>  
 Total Floor Space: 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 located near Shibuya Station, 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

\*KALEIDO Shibuya Miyamasuzaka was sold on March 28, 2019.

**Q** Setagaya Business Square



A large complex building comprised of office and retails directly connected to Yoga Station. Has excellent access from National Road.

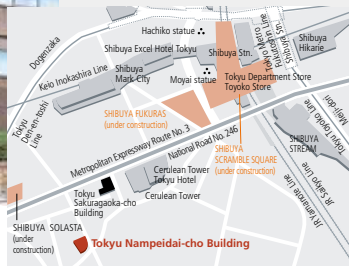


Address: 4-10-1,2,3,4,5,6, Yoga, Setagaya-ku, Tokyo  
 Nearest Station: Approximately a one-minute walk from Yoga Station—Tokyu Den-en-toshi Line  
 Total Land Space: 21,315.68m<sup>2</sup>  
 Total Floor Space: 94,373.72m<sup>2</sup>  
 Structure/Floors: SRC/RC/S, B2/28F  
 Completed: September 1993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

**Q** 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/SRC, B2/5F  
 Completed: July 1992  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership

**Q** 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)

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



**Tokyo Nissan Taito Building**



A highly convenient office building 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**



A seven-story office building located along Akasaka-dori. Large-scale complexes concentrate in the neighborhood.



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 located near Kamata Station where there are available three lines operated by two railway companies as well as 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.



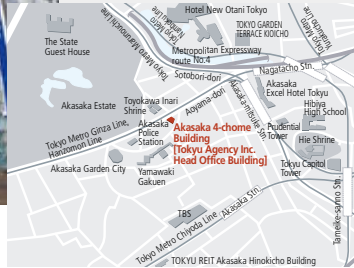
Address: 3-17-1, Toranomon, Minato-ku, Tokyo  
 Nearest Station: Approximately a one-minute walk from Kamiyacho Station—Tokyo Metro Hibiya Line, etc.  
 Total Land Space: 1,728.38m<sup>2</sup> (Co-ownership ratio: 86.116%)  
 Total Floor Space: 15,343.73m<sup>2</sup> (Area owned by TOKYU REIT: 10,882.65m<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

# PORTFOLIO (properties owned at the end of January 2019 (FP 31))

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



A nine-story office building located in the Akasaka-Mitsuke and Nagatacho area. Occupied by the headquarters of Tokyu Agency Inc.



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

## ☐ Tokyu Ikejiri-ohashi Building



A seven-story office building, 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

## ☐ 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.

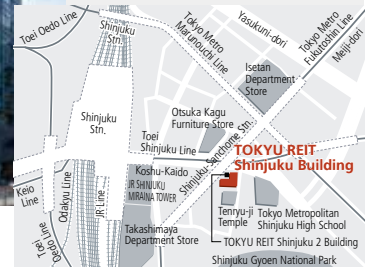


Address: 3, Nibancho, Chiyoda-ku Tokyo  
 Nearest Station: Approximately a one-minute walk from Kojimachi Station—Tokyo Metro Yurakucho Line, etc.  
 Total Land Space: 1,269.24m<sup>2</sup>  
 Total Floor Space: 6,803.47m<sup>2</sup>  
 Structure/Floors: S/RC, B1/7F  
 Completed: January 2003  
 Type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

## ☐ TOKYU REIT Shinjuku Building



An office building where demand from IT 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



**☐ 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 Suehirocho 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)

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

**☐ 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.



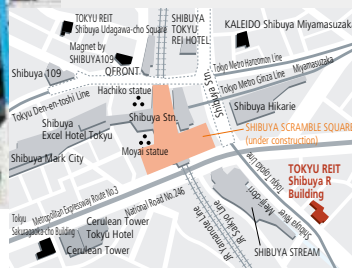
Address: 2-15-2, Ginza, Chuo-ku, Tokyo  
 Nearest Station: Approximately a two-minute walk from Shintomicho Station—Tokyo Metro Yurakucho Line  
 Approximately an eight-minute walk from Ginza Station—Tokyo Metro Ginza Line, etc.

Total Land Space: 805.42m<sup>2</sup>  
 Total Floor Space: 5,098.61m<sup>2</sup>  
 Structure/Floors: S/R, 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  
 Building—Compartmentalized ownership, and co-ownership of compartmentalized ownership

**☐ Tokyu Toranomon Building**



An office building located in an area expected to be further developed and the establishment of new Toranomon Station and large-scale developments in the surrounding areas are scheduled.



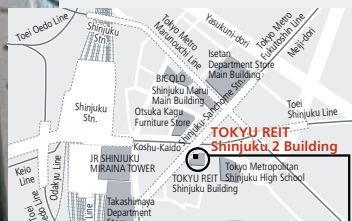
Address: 1-21-19, Toranomon, Minato-ku, Tokyo  
 Nearest Station: Approximately a three-minute walk from Toranomon Station—Tokyo Metro Ginza Line, etc.

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

**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-Sanchome 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: 52.6%)  
 Building—Compartmentalized ownership (Quasi-co-ownership interest of the 95.1% compartmentalized ownership interest of the trust beneficiary interest: 52.6%)

\* Additional ownership of 3.6% (1,040 million yen) quasi-co-ownership of trust beneficiary interest was acquired on March 28, 2019.

**TOKYU REIT Ebisu Building (Note)**



An office building located near Ebisu Station. The vicinity is concentrated with medium to small office buildings and restaurants.



Address: 3-25-11 Higashi Shibuya-ku, Tokyo  
 Nearest Station: Approximately a three-minute walk from Ebisu Station, JR Yamanote Line and Tokyo Metro Hibiya Line  
 Total Land Space: 478.40m<sup>2</sup>  
 Total Floor Space: 2,603.30m<sup>2</sup>  
 Structure: S, SRC  
 Floors: B1F/7F  
 Completion: April 1992  
 Type of Ownership: Land—Proprietary ownership  
 Building—Proprietary ownership

(Note) TOKYU REIT Ebisu Building changed its name from the Lucid Square Ebisu on April 1, 2019.

**Maison Peony Toritsudaigaku**



The property is a complex located approximately a one-minute walk from Toritsu-daigaku Station on the Tokyo Toyoko Line.



Address: 1-2-5 Nakane, Meguro-ku, Tokyo  
 Nearest Station: Approximately a one-minute walk from Toritsu-daigaku Station, Tokyo 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—Proprietary ownership  
 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. Development of “Fujisawa Sustainable Smart Town” opened in 2014.



Address: 4-1-1, Tsujido Shinmachi, Fujisawa City, Kanagawa  
 Nearest Station: Approximately a three-minute 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: 17,019.19m<sup>2</sup>  
 Type of Ownership: Land—Proprietary ownership

**Acquired property in Fiscal Period ending July 2019 (FP 32)**

**L REVE Nakameguro (Land with leasehold interest)**



Land with leasehold interest of a complex comprised of retail facilities and residences located approximately a four-minute walk from Naka-Meguro Station on the Tokyu Toyoko Line. In the vicinity of the Property, the opening of a new campus of Tokyo College of Music is planned.

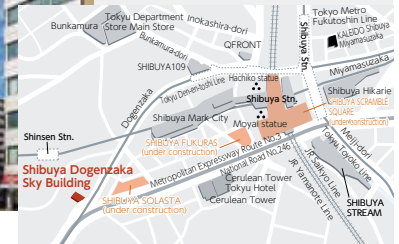


Address: 1-13-14, Kamimeguro Meguro-ku, Tokyo  
 Nearest Station: Approximately a four-minute walk from Naka-meguro Station, Tokyu Toyoko Line and Tokyo Metro Hibiya Line  
 Total Land Space: 497.02m<sup>2</sup>  
 Type of Ownership: Land- Proprietary ownership

**Shibuya Dogenzaka Sky Building**



Highly visible office building sitting at the intersection of Tamagawa-dori Street (National Route No.246) and Dogenzaka Street. Surrounding the area, the redevelopment around Shibuya Station is in progress.



Address: 28-1 Maruyamacho, Shibuya-ku, Tokyo  
 Nearest Station: Approximately a five-minute walk from Shibuya Station, Keio Inokashira Line  
 Approximately a three-minute walk from Shinsen Station, Keio Inokashira Line  
 Total Land Space: 721.34m<sup>2</sup>  
 Total Floor Space: 5,644.91m<sup>2</sup>  
 Structure/Floors: SRC B1/11F  
 Completed: March 1988  
 Type of ownership: Land—Proprietary ownership  
 Building—Proprietary ownership

\*Shibuya Dogenzaka Sky Building was acquired on March 28, 2019.

# I. Asset Management Report

## 1. Financial Highlights

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

		31st fiscal period From August 1, 2018 to January 31, 2019 (184 days)	30th fiscal period From February 1, 2018 to July 31, 2018 (181 days)	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)	
		Millions of yen, except per unit data or where otherwise indicated					
Result of operation	Statement of income	Operating revenues	¥ 7,523	¥ 7,119	¥ 7,032	¥ 6,919	¥ 7,514
		Operating income	¥ 3,547	¥ 3,197	¥ 3,068	¥ 2,940	¥ 3,588
		Net income	¥ 3,029	¥ 2,678	¥ 2,493	¥ 2,355	¥ 2,952
	Operating income	Revenue from property leasing (a) (Note 2)	¥ 7,207	¥ 7,119	¥ 7,032	¥ 6,919	¥ 6,973
		Rental service expenses (b)	¥ 3,238	¥ 3,211	¥ 3,271	¥ 3,310	¥ 3,232
		[Depreciation and amortization] (included in (b)) (c) (Note 3)	[¥ 1,028]	[¥ 1,054]	[¥ 1,036]	[¥ 1,022]	[¥ 1,027]
		NOI (Net Operating Income) (a) – (b) + (c)	¥ 4,996	¥ 4,962	¥ 4,797	¥ 4,631	¥ 4,768
	Cash flow	FFO (Funds from Operation) (d) (Note 4)	¥ 3,740	¥ 3,732	¥ 3,530	¥ 3,377	¥ 3,439
		Capital expenditures (e)	¥ 506	¥ 413	¥ 458	¥ 840	¥ 615
		AFFO (Adjusted Funds from Operation) (d) – (e)	¥ 3,233	¥ 3,318	¥ 3,071	¥ 2,537	¥ 2,824
Financial position	Balance sheet	Total assets (f)	¥ 219,958	¥ 219,396	¥ 218,101	¥ 219,579	¥ 219,762
		[Change from the preceding period]	[0.3%]	[0.6%]	[–0.7%]	[–0.1%]	[–0.8%]
		Interest-bearing liabilities (g) (Note 5)	¥ 93,500	¥ 93,500	¥ 92,000	¥ 93,500	¥ 93,500
		Total unitholders' equity (Net assets) (h)	¥ 113,869	¥ 113,517	¥ 113,430	¥ 113,527	¥ 113,856
		[Change from the preceding period]	[0.3%]	[0.1%]	[–0.1%]	[–0.3%]	[0.3%]
		Unitholders' capital	¥ 110,479	¥ 110,479	¥ 110,479	¥ 110,479	¥ 110,479
	Portfolio	Acquisition costs of properties (Note 6)	¥ 225,189	¥ 223,539	¥ 223,539	¥ 222,339	¥ 222,339
		Book value of properties (Note 6)	¥ 211,404	¥ 210,047	¥ 210,672	¥ 210,000	¥ 210,192
		Appraisal value of properties at end of period (i) (Note 6)	¥ 270,500	¥ 263,730	¥ 258,360	¥ 252,280	¥ 245,200
		Number of properties at end of period	30 properties	29 properties	29 properties	28 properties	28 properties
		Total leasable area (Note 7)	207,848.65 m <sup>2</sup>	211,267.00 m <sup>2</sup>	211,303.47 m <sup>2</sup>	210,373.50 m <sup>2</sup>	210,476.40 m <sup>2</sup>
		Occupancy rate at end of period (Note 7)	99.0%	99.3%	99.7%	98.3%	97.1%
	Other	Distri- bution	Cash distribution	¥ 3,029	¥ 2,677	¥ 2,590	¥ 2,590
Dividend payout ratio			100.0%	100.0%	103.9%	110.0%	90.9%
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)	¥ 116,478	¥ 116,118	¥ 116,029	¥ 116,128	¥ 116,465
		Cash distribution per unit	¥ 3,099	¥ 2,739	¥ 2,650	¥ 2,650	¥ 2,746
Management index		Return on total unitholders' equity (annualized) (Note 8)	5.3%	4.8%	4.4%	4.2%	5.2%
		Equity ratio (h)÷(f)	51.8%	51.7%	52.0%	51.7%	51.8%
		[Change from the preceding period]	[0.0%]	[–0.3%]	[0.3%]	[–0.1%]	[0.5%]
		Proportion of interest-bearing liabilities to total assets at end of period (g)÷(f)	42.5%	42.6%	42.2%	42.6%	42.5%
		Proportion of interest-bearing liabilities to appraisal value at end of period (g)÷(i)	34.6%	35.5%	35.6%	37.1%	38.1%
Average market price per unit during period (Note 9)	¥ 159,494	¥ 146,066	¥ 137,260	¥ 137,786	¥ 140,910		

- 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 (27th fiscal period: ¥26 million; 28th fiscal period: ¥10 million; 29th fiscal period: ¥4 million; 30th fiscal period: ¥5 million; 31st fiscal period: ¥13 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 (31st fiscal period: six-month period ended January 31, 2019), the Japanese economy recovered at a moderate pace.

Specifically, in the Tokyo metropolitan area's economy, consumer spending was recovering overall with department store sales turnover and supermarket sales turnover falling below that of the previous year but convenience store sales turnover and new passenger car registrations exceeding that of the previous year. There was moderate pickup in production activities, too, and the employment situation improved as evident by the active job openings-to-applicants ratio being at a high level, among other factors.

With regard to population movements, over 130,000 people migrated to the Tokyo metropolitan area from other regions of the country during the period between January and December 2018 (Source: "Report on Internal Migration in Japan Derived from the Basic Resident Registration" (Statistics Bureau, Ministry of Internal Affairs and Communications)). This has further exacerbated the disparity between the Tokyo metropolitan area and other regions of the country.

Under these circumstances, in the five central Tokyo wards' office leasing market, backed by needs for consolidation and increase in size of office space with the improvement in the employment situation leading to increase in the number of employed persons and such, there continued to be decrease in the vacancy rate and moderate increase in the average rent.

Meanwhile, in the retail property leasing market, with consumer sentiment continuing to show weak developments but moderate increase in real gross employee income leading to pickup in consumer spending, the environment surrounding tenants of central urban retail properties was bullish.

In addition, in the real estate trading market, backed by active investment appetite among real estate investors and a favorable financing environment, transaction prices continued to hover in the high price range and decrease in the expected cap rate continued.



## 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.

During the 31st fiscal period, TOKYU REIT acquired Lucid Square Ebisu (see Note 2 below) and sold TOKYU REIT Kiba Building on August 1, 2018, and acquired REVE Nakameguro (land with leasehold interest) on September 27, 2018.

As of January 31, 2019, TOKYU REIT held an investment portfolio totaling 30 properties with a total acquisition price of ¥225,189 million and total leasable area of 207,848.65 m<sup>2</sup>. The period-end appraisal value for TOKYU REIT’s entire portfolio amounted to ¥270,500 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 ¥59,095 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 31st fiscal period increased by 0.91% compared with the end of the 30th fiscal period. In addition, the vacancy rate at the end of the 31st fiscal period increased from the 0.7% at the end of the 30th fiscal period by 0.3 percentage points to 1.0%.

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 value investment and 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. The name of Lucid Square Ebisu was changed to TOKYU REIT Ebisu Building on April 1, 2019 (the same 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 four financial institutions to secure financial credibility through the enhancement of liquidity on hand.

During the 31st fiscal period, to secure interest-bearing liabilities with fixed long-term interest rates and diversified repayment dates, long-term debt of ¥4,700 million due for repayment in the 31st fiscal period was refinanced. The balance of interest-bearing liabilities as of the end of the 31st fiscal period was ¥93,500 million, consisting of ¥9,500 million in investment corporation bonds and ¥84,000 million in long-term debt (of which, ¥9,200 million is the current portion of long-term debt and ¥3,500 million is the current portion of investment corporation bonds). The weighted-average interest rate for the 31st fiscal period was 1.04% (calculated based on the annualized amount of interest payable for the 31st fiscal period divided by the total average balance of each interest-bearing liability).

TOKYU REIT's credit ratings as of the end of the 31st 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:

	31st fiscal period From August 1, 2018 to January 31, 2019	30th fiscal period From February 1, 2018 to July 31, 2018	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
	Yen				
Highest	¥ 168,400	¥ 156,900	¥ 145,900	¥ 142,500	¥ 148,100
Lowest	¥ 151,600	¥ 134,000	¥ 131,600	¥ 129,300	¥ 134,300

**(4) Distribution Information**

With respect to the distribution for the 31st fiscal period, TOKYU REIT decided to distribute unappropriated retained earnings 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 31st fiscal period was ¥3,099.

	31st fiscal period From August 1, 2018 to January 31, 2019	30th fiscal period From February 1, 2018 to July 31, 2018	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
	Millions of yen, except per unit data				
Unappropriated retained earnings	¥ 3,029	¥ 2,678	¥ 2,493	¥ 2,355	¥ 2,952
Undistributed earnings	¥ 0	¥ 0	¥ 0	¥ 0	¥ 268
Cash distribution	¥ 3,029	¥ 2,677	¥ 2,590	¥ 2,590	¥ 2,684
[Cash distribution per unit]	[¥ 3,099]	[¥ 2,739]	[¥ 2,650]	[¥ 2,650]	[¥ 2,746]
Cash distribution of accumulated earnings	¥ 3,029	¥ 2,677	¥ 2,590	¥ 2,590	¥ 2,684
[Cash distribution of accumulated earnings per unit]	[¥ 3,099]	[¥ 2,739]	[¥ 2,650]	[¥ 2,650]	[¥ 2,746]
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 the impact of U.S.-China trade issue developments on the global economy, the outlook for the Chinese economy and other 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 around 2020 when large volume of supply of office buildings is expected to peak, the vacancy rate is forecast to increase and the rent level, too, is forecast to 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 growth in consumer spending and inbound tourism consumption amid the improvement in the employment and income environment, among 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 (see Note 1 below) 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 2 below).

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

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

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

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

The same applies hereafter.

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

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

In addition, the decision was made for partial amendments to TOKYU REIT's Articles of Incorporation to be submitted as a proposal for discussion at the General Meeting of Unitholders to be held on April 19, 2019 and, in conjunction, to partially amend the management guideline pertaining to TOKYU REIT's investment management (see Note 3 below). Specifically, residences (by itself or as part of a complex) will be added to the use of investable properties in order to further expand opportunities to invest in prime residential properties located in Central Tokyo and Tokyu Areas, which are focused investment target areas, with an aim to further develop the portfolio and thereby further improve unitholder value.

Note 3. Regarding the partial amendments to TOKYU REIT's Articles of Incorporation and the partial amendment to the management guideline, please refer to '② Partial Amendments to TOKYU REIT's Articles of Incorporation' and '③ Partial Amendment to Tokyu REIM's Management Guideline' of '(6) Subsequent Events (Reference Information)' later in this report.

TOKYU REIT will endeavor to achieve internal growth by enhancing earnings stability and growth potential through collaboration with Tokyu Corporation and its subsidiaries in 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.

The current investment environment assessment is that the price of real estate in the Tokyo Metropolitan Area continues to peak and the "sales and replacement phase" in the "Long-Term Investment Management Strategy (Surf Plan)" is expected to continue until 2020. Meanwhile, within the Tokyo Metropolitan Area, the price of real estate in Shibuya and Tokyu Areas is expected to continue rising through 2020 and thereafter as development of the Greater Shibuya Area (within a 2.5 km radius of Shibuya Station) and Tokyu Areas will continue following the development of the area surrounding Shibuya Station by Tokyu Corporation, the sponsor. These lead to increase in unrealized gains of the portfolio properties of TOKYU REIT, which places Central Tokyo and Tokyu Areas as focused investment target areas, and the corresponding increase in NAV (see Note 4 below) results in NAV per unit surpassing investment unit price as of the end of January 2019.

Based on the environment described above, TOKYU REIT's measure from 2018 to 2020 will be to conduct property replacement after taking into consideration the portfolio properties' total return (see Note 5 below), property age, location, etc., as well as consider the acquisition and retirement of treasury investment units by using surplus funds that accrued from property replacement, in line with the "Long-Term Investment Management Strategy (Surf Plan)" and "Capital Re-investment Model."

Note 4.  $NAV$  (Net Asset Value) = Unitholders' capital + Reserve for reduction entry (after appropriation of net income) + Portfolio properties' unrealized gains/losses

Note 5. Portfolio properties' total return is composed of income return (rental revenues, etc.) of each fiscal period and future capital return (gains on sales).

Furthermore, 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

The following events occurred after the end of the 31st fiscal period at TOKYU REIT.

### Exchanging of Assets

A trust beneficiary interest exchange agreement was executed on March 8, 2019 for exchanging of the following assets.

#### a. Asset Disposed through the Exchange

- (i) Type of asset: Trust beneficiary interest in domestic real estate
- (ii) Property name: KALEIDO Shibuya Miyamasuzaka
- (iii) Disposition price (Note 1): ¥7,780 million
- (iv) Contract date: March 8, 2019
- (v) Disposition date: March 28, 2019
- (vi) Purchaser: Tokyu Corporation
- (vii) Amount of difference between disposition price and book value: ¥2,726 million (expected amount at date of disposition) (Note 2)

Note 1. 'Disposition price' is the amount exclusive of the expenses required for disposition of the asset (property-related taxes, etc.) and is identical to the price stated in the trust beneficiary interest exchange agreement.

Note 2. Reduction entry of the following assets for acquisition is scheduled to be implemented for part of the amount. For details, please refer to 'c. Other (b) Reduction Entry' below.

#### b. Assets Acquired through the Exchange

##### (a) Shibuya Dogenzaka Sky Building

- (i) Type of asset: Trust beneficiary interest in domestic real estate
- (ii) Property name: Shibuya Dogenzaka Sky Building
- (iii) Acquisition price (Note): ¥8,100 million
- (iv) Contract date: March 8, 2019
- (v) Acquisition date: March 28, 2019
- (vi) Seller: Tokyu Corporation

Note. 'Acquisition price' is the amount exclusive of the expenses required for acquisition of the asset (property-related taxes, etc.) and is identical to the price stated in the trust beneficiary interest exchange agreement.

##### (b) Tokyu Bancho Building (Additional Acquisition)

- (i) Type of asset: Quasi-co-ownership of trust beneficiary interest in domestic real estate
- (ii) Property name: Tokyu Bancho Building
- (iii) Acquisition ratio: 3.6% quasi-co-ownership interest of the 95.1% compartmentalized ownership interest of the trust beneficiary interest
- (iv) Acquisition price (Note): ¥1,040 million
- (v) Contract date: March 8, 2019
- (vi) Acquisition date: March 28, 2019
- (vii) Seller: Tokyu Corporation

Note. 'Acquisition price' is the amount exclusive of the expenses required for acquisition of the asset (property-related taxes, etc.) and is identical to the price stated in the trust beneficiary interest exchange agreement.

c. Other

(a) Difference from the Exchange

The difference from the exchange as computed by the amount of the difference between the acquisition price of Shibuya Dogenzaka Sky Building and Tokyu Bancho Building (Additional Acquisition) and the disposition price of KALEIDO Shibuya Miyamasuzaka (¥1,360 million) was paid to Tokyu Corporation, which is the counterparty of the exchange, on the date of the exchange.

(b) Reduction Entry

For the assets acquired through the exchange, a reduction entry of ¥2,685 million is scheduled to be implemented (through application of the provisions of “Inclusion in Deductible Expenses of the Depreciated Amount of Assets Acquired through Exchange” in Article 50 of the Corporation Tax Act). As such, the book values of the assets acquired prior to reflecting the various acquisition costs and such are expected to be ¥5,714 million for Shibuya Dogenzaka Sky Building and ¥739 million for Tokyu Bancho Building (Additional Acquisition).

(Reference Information)

① Property Details for ‘1. Financial Highlights (6) Subsequent Events a. Assets Acquired through the Exchange’ Earlier in This Report

(a) Shibuya Dogenzaka Sky Building

Property name		Shibuya Dogenzaka Sky Building	
Type of specified asset		Trust beneficiary interest in domestic real estate	
Location (whole building)	Registered	Land	22-1, 22-4, 22-6, 22-12, 22-13, 22-14, 22-15, 22-16, 84-8, Maruyamacho, Shibuya-ku, Tokyo
		Building	22-1, 22-4, 22-6, 22-12, 22-13, 22-14, 22-15, 22-16, 84-8, Maruyamacho, Shibuya-ku, Tokyo
Travel time from nearest train station (Note 1)		Approximately a five-minute walk from Shibuya Station, Keio Inokashira Line Approximately a three-minute walk from Shinsen Station, Keio Inokashira Line	
Use		Office, retail and parking	
Site/Floor area (Registered)		Land	721.34 m <sup>2</sup> (Note 2)
		Building	5,644.91 m <sup>2</sup>
Structure/Floors (Registered)		SRC B1/11F	
Completion date (Registered)		March 1988	
Acquisition date		March 28, 2019	
Seller		Tokyu Corporation	
Type of ownership		Land	Proprietary ownership
		Building	Proprietary ownership
Total number of tenants (Note 3)		9	
Acquisition price (Note 4)		¥8,100 million	
Appraisal value at time of acquisition		¥8,290 million (effective date of value: February 1, 2019)	
		Appraiser: Japan Valuers Co., Ltd.	
Special items		<ul style="list-style-type: none"> <li>Some PCB is contained in two condensers being used at the property. These condensers shall be removed before TOKYU REIT’s acquisition of the trust beneficiary interest at the seller’s expense and responsibility.</li> </ul>	



- Note 1. The figure is calculated based on it taking one minute to walk a road distance of 80 meters pursuant to the Fair Competition Codes Regarding the Description of Real Estate.
- Note 2. Including a private road burden portion (approximately 24.31 m<sup>2</sup>).
- Note 3. 'Total number of tenants' is based on projections as of the acquisition date (March 28, 2019).
- Note 4. 'Acquisition price' is the amount exclusive of the expenses required for acquisition of the asset (property-related taxes, etc.) and is identical to the price stated in the trust beneficiary interest exchange agreement.

(b) Tokyu Bancho Building (Additional Acquisition)

Property name		Tokyu Bancho Building
Type of specified asset		Quasi-co-ownership of trust beneficiary interest in domestic real estate
Location (whole building)	Registered	Land 6-2, 6-12, 6-13, 6-14, 6-16, 6-17, 6-18, 6-19, 6-20, 6-21, 6-22, 6-23, 6-24, 6-25, 6-26, 6-27, 6-28, 6-29, 6-30, 6-31, 6-32, 6-33, 6-34, 6-35, 6-36, 6-39, 6-40, Yonbancho, Chiyoda-ku, Tokyo
		Building 6-21, 6-2, 6-12, 6-13, 6-14, 6-16, 6-17, 6-18, 6-19, 6-20, 6-22, 6-23, 6-24, 6-25, 6-26, 6-31, 6-32, 6-33, 6-39, 6-40, Yonbancho, Chiyoda-ku, Tokyo
Travel time from nearest train station (Note 1)		Approximately a three-minute walk from Ichigaya Station, JR Chuo Main Line and Sobu Line, Tokyo Metro Yurakucho Line and Namboku Line
Use		Office, retail and parking
Site/Floor area (Registered)		Land 2,754.18 m <sup>2</sup> (entire land) 2,573.80 m <sup>2</sup> (area pertaining to the acquisition (Note 2))
		Building 15,834.55 m <sup>2</sup> (entire building) 11,431.09 m <sup>2</sup> (exclusive ownership area of compartments under compartmentalized ownership pertaining to the acquisition (Note 3))
Structure/Floors (Registered)		S 11F
Completion date (Registered)		September 2011
Acquisition date		March 28, 2019
Seller		Tokyu Corporation
Type of ownership		Land Proprietary ownership
		Building Compartmentalized ownership
Total number of tenants (Note 4)		7
Acquisition price (Note 5)		¥1,040 million
Appraisal value at time of acquisition		¥1,040 million (effective date of value: February 1, 2019)
		Appraiser: Daiwa Real Estate Appraisal Co., Ltd.

<p>Special items</p>	<ul style="list-style-type: none"> <li>• The building is a building under compartmentalized ownership. The land registered in the location section of the registration of the building under compartmentalized ownership is owned by the trustee, but the land treated together with such land as the site at the time of development of the building in trust (the “integrated land”) is owned by individuals. On that basis, a land lease agreement on the integrated land has been concluded between those individuals and the other compartmentalized owners of the building. A mortgage has been placed on the integrated land.</li> <li>• A compartmentalized land surface right has been established for part of the Land. Tokyo Metro Co., Ltd. holds the land surface right for the purpose of subway construction and for the duration of the subway structures’ existence. TOKYU REIT will not be required to pay any land rent in connection with said right.</li> <li>• An agreement on property maintenance and management has been executed by and between the owners of the Property, based on which they have agreed that, if any of them are to dispose of their compartmentalized ownership, the consent of the other owners shall be required, etc.</li> <li>• Upon the acquisition of quasi-co-ownership of trust beneficiary interest in domestic real estate, a trust beneficiary interest quasi-co-owners’ agreement (as amended) was executed on February 26, 2016 with the quasi-co-owner Tokyu Corporation (the quasi-co-ownership interest was 47.4% after the transaction), and a memorandum of amendment in line with the acquisition was executed on March 8, 2019. The trust beneficiary interest quasi-co-owners’ agreement contains such provisions as (1) That no request shall be made for partition of trust beneficiary interest, (2) That any disposition of trust beneficiary interest quasi-co-ownership, in whole or in part, to a third party shall be subject to procedures of preferential negotiation with the other quasi-co-owner (the “preferential negotiation procedures”), (3) That, in the event of disposition of quasi-co-ownership, the transferee shall succeed the position under the trust beneficiary interest quasi-co-owners’ agreement, (4) That the authority of a beneficiary to give directions to the trustee based on the trust agreement shall lie with the beneficiary that has the largest interest (including quasi-co-ownership interest) in the beneficiary interest and the other beneficiaries shall have no authority to give directions, and (5) That certain beneficiary decision-making matters shall require all beneficiaries’ consent or prior discussion.</li> </ul>
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Note 1. The figure is calculated based on it taking one minute to walk a road distance of 80 meters pursuant to the Fair Competition Codes Regarding the Description of Real Estate.

Note 2. The site area corresponding to TOKYU REIT’s 3.6% quasi-co-ownership interest of the 95.1% compartmentalized ownership interest of the trust beneficiary interest is approximately 92.65 m<sup>2</sup>.

Note 3. The exclusive ownership area corresponding to TOKYU REIT’s 3.6% quasi-co-ownership interest of the 95.1% compartmentalized ownership interest of the trust beneficiary interest is approximately 411.51 m<sup>2</sup>.

Note 4. ‘Total number of tenants’ is based on projections as of the acquisition date (March 28, 2019).

Note 5. ‘Acquisition price’ is the amount exclusive of the expenses required for acquisition of the asset (property-related taxes, etc.) and is identical to the price stated in the trust beneficiary interest exchange agreement.

② Partial Amendments to TOKYU REIT's Articles of Incorporation

A proposal for the following partial amendments to TOKYU REIT's Articles of Incorporation will be submitted at TOKYU REIT's General Meeting of Unitholders to be held on April 19, 2019.

(Underlined portions indicate changes)

Current Articles	Proposed Amendments
<p><b>Article 10. (Convocation) (Note)</b>            1. TOKYU REIT shall hold the General Meeting of Unitholders on March 20, <u>2017</u> and after without delay. After such, the General Meeting of Unitholders shall be held on March 20 and after every other year without delay.            2. (Omitted)            3. (Omitted)            4. (Omitted)            5. (Omitted)            6. (Omitted)</p>	<p><b>Article 10. (Convocation) (Note)</b>            1. TOKYU REIT shall hold the General Meeting of Unitholders on March 20, <u>2017</u> and after without delay. After such, the General Meeting of Unitholders shall be held on March 20 and after every other year without delay.            2. (No change)            3. (No change)            4. (No change)            5. (No change)            6. (No change)</p>
<p><b>Article 12. (Resolutions) (Note)</b>            1. (Omitted)            2. When TOKYU REIT holds the General Meeting of Unitholders pursuant to the provision in Article 10 Paragraph 1, TOKYU REIT shall recognize unitholders stated or recorded in the final the register of unitholders on January 31, <u>2017</u> or on January 31 of every other year onwards as the unitholders who are allowed to exercise rights at the relevant General Meeting of Unitholders.            3. (Omitted)</p>	<p><b>Article 12. (Resolutions) (Note)</b>            1. (No change)            2. When TOKYU REIT holds the General Meeting of Unitholders pursuant to the provision in Article 10 Paragraph 1, TOKYU REIT shall recognize unitholders stated or recorded in the final the register of unitholders on January 31, <u>2017</u> or on January 31 of every other year onwards as the unitholders who are allowed to exercise rights at the relevant General Meeting of Unitholders.            3. (No change)</p>
<p style="text-align: right;"><b>Attachment 1</b></p> <p><b>Scope and Policy of Investment Management</b>            1. Policy of Investment Management                (Omitted)            (1) Growth                (Omitted)                ① Internal growth factors                Optimization of asset management                (Omitted)                Growth based on the area where the investment target is located and its type of use                The investment targets of TOKYU REIT are primarily office buildings, retail facilities and complexes that include <u>either</u> of these located in the Tokyo central 5 wards area (Chiyoda, Chuo, Minato, Shinjuku and Shibuya wards; and other major commercial and retail districts of Tokyo. The same applies hereinafter.) and areas along the Tokyu rail lines. However, we shall not invest in areas other than the Tokyo Metropolitan Area.                ② External growth factors                Proactive property acquisition, and maintaining and increasing portfolio quality                TOKYU REIT shall proactively acquire office buildings, retail facilities and complexes that include <u>either</u> of these located in the Tokyo central 5 wards area and areas along the Tokyu rail lines, which are primary investment targets of TOKYU REIT, at reasonable prices, based on the original information collection ability and property assessment ability of the asset management company. Premising acquisitions on holding properties for the long term, each real estate is selected based on a careful property consideration. On the other hand, TOKYU REIT will maintain and increase the quality of the portfolio by replacing properties in its portfolio, etc. as needed as it aims to develop a portfolio that leads to increase in asset</p>	<p style="text-align: right;"><b>Attachment 1</b></p> <p><b>Scope and Policy of Investment Management</b>            1. Policy of Investment Management                (No change)            (1) Growth                (No change)                ① Internal growth factors                Optimization of asset management                (No change)                Growth based on the area where the investment target is located and its type of use                The investment targets of TOKYU REIT are primarily office buildings, retail facilities, <u>residences</u> and complexes that include <u>any one</u> of these located in the Tokyo central 5 wards area (Chiyoda, Chuo, Minato, Shinjuku and Shibuya wards; and other major commercial and retail districts of Tokyo. The same applies hereinafter.) and areas along the Tokyu rail lines. However, we shall not invest in areas other than the Tokyo Metropolitan Area.                ② External growth factors                Proactive property acquisition, and maintaining and increasing portfolio quality                TOKYU REIT shall proactively acquire office buildings, retail facilities, <u>residences</u> and complexes that include <u>any one</u> of these located in the Tokyo central 5 wards area and areas along the Tokyu rail lines, which are primary investment targets of TOKYU REIT, at reasonable prices, based on the original information collection ability and property assessment ability of the asset management company. Premising acquisitions on holding properties for the long term, each real estate is selected based on a careful property consideration. On the other hand, TOKYU REIT will maintain and increase the quality of the portfolio by replacing properties in its portfolio, etc. as needed as it aims to develop a portfolio that leads to increase in asset</p>

Current Articles	Proposed Amendments
value and growth of earnings per investment unit. Property acquisition from Tokyu Corporation (Omitted)	value and growth of earnings per investment unit. Property acquisition from Tokyu Corporation (No change)
③ Synergy effect with Tokyu Corporation (Omitted)	③ Synergy effect with Tokyu Corporation (No change)
(2) Stability (Omitted)	(2) Stability (No change)
(3) Transparency (Omitted)	(3) Transparency (No change)
2. Type, Purpose and Scope of Specified Assets for Investments (Omitted)	2. Type, Purpose and Scope of Specified Assets for Investments (No change)
3. Investment Posture	3. Investment Posture
(1) Investment Policy	(1) Investment Policy
① Holding Period (Omitted)	① Holding Period (No change)
② Portfolio composition criteria	② Portfolio composition criteria
a. Use of properties Office buildings, retail facilities and complexes that include <u>either</u> of these	a. Use of properties Office buildings, retail facilities, <u>residences</u> and complexes that include <u>any one</u> of these
b. Areas (Omitted)	b. Areas (No change)
③ Investment criteria for each property (Omitted)	③ Investment criteria for each property (No change)
(2) Selling Policy (Omitted)	(2) Selling Policy (No change)
(3) Properties handling policy (Omitted)	(3) Properties handling policy (No change)
(4) Financing policy	(4) Financing policy
a. Equity finance ( <u>additional issuance of new investment units</u> )	a. Equity finance
(i) TOKYU REIT shall issue additional investment units flexibly with an aim to achieve a long-term stable growth of assets, by accurately understanding the market conditions and considering dilution of investment units (decrease in proportional holding of investment unit due to additional issuance of new investment units).	(i) <u>Additional issuance of new investment units</u> • TOKYU REIT shall issue additional investment units flexibly with an aim to achieve a long-term stable growth of assets, by accurately understanding the market conditions and considering dilution of investment units (decrease in proportional holding of investment unit due to additional issuance of new investment units).
(ii) TOKYU REIT may acquire treasury investment units <u>for retirement in order to improve capital efficiency.</u>	(ii) <u>Acquisition and retirement of treasury investment units</u> • TOKYU REIT may acquire <u>or retire</u> treasury investment units <u>with an aim to improve capital efficiency and pursue unitholder return.</u> • <u>Upon acquisition and retirement of treasury investment units, TOKYU REIT will assess the level of investment unit price, status of cash on hand, financial status, market environment, etc. and determine whether the acquisition or retirement should be conducted from the viewpoint of improving unitholder value over the medium to long term.</u>
(New addition)	
b. Debt finance (financing through loans, issuance of investment corporation bonds, etc.) (Omitted)	b. Debt finance (financing through loans, issuance of investment corporation bonds, etc.) (No change)
c. Cash management (cash, deposit, etc.) (Omitted)	c. Cash management (cash, deposit, etc.) (No change)
(5) Other (Omitted)	(5) Other (No change)
4. Restriction on assets subject to asset management (Omitted)	4. Restriction on assets subject to asset management (No change)
5. Asset Portfolio Leasing (Omitted)	5. Asset Portfolio Leasing (No change)

(Note) TOKYU REIT will change all dates from Japanese calendar notation to Gregorian calendar notation, except for the numbering used for laws and regulations. (Related to proposed amendments of Articles 10 and 12)

### ③ Partial Amendment to Tokyu REIM’s Management Guideline

Partial amendment to Tokyu REIM’s management guideline is scheduled, with resolution at TOKYU REIT’s General Meeting of Unitholders of the proposal for partial amendments to TOKYU REIT’s Articles of Incorporation mentioned earlier in this report as a conditional precedent.

#### (a) Purpose of Amendment

With a basic policy of “investment in highly competitive properties in areas with strong growth potential,” TOKYU REIT has, since listing in 2003, worked to build a quality portfolio centering on the Tokyo Metropolitan Area by setting certain criteria regarding location, use, investment size and other factors and investing accordingly, as well as by placing Central Tokyo (referring to the five central Tokyo wards of Chiyoda, Chuo, Minato, Shinjuku and Shibuya wards, and other major commercial and retail districts of Tokyo; the same applies hereafter) and Tokyu Areas as focused investment target areas.

On the other hand, since the time of listing, the investor base in the J-REIT market has expanded due to wider recognition of the market. Accordingly, the use of assets under management, which had centered on office and retail properties at the time of listing, has become more diversified and now includes residences, hotels, logistics facilities, etc.

With regard to the investment policy of TOKYU REIT and in light of such changes in the external environment, amendments were made in April 2017 to the management guideline concerning use and investment size, and “complexes that include office or retail properties” were added to the investment target while the minimum investment amount per property was simultaneously lowered for properties located in Central Tokyo and Tokyu Areas. With these contributing to the expansion of investment opportunities, the acquisition of complexes that include residences as well as of medium- to small-sized prime properties has progressed.

TOKYU REIT has decided to amend the management guideline to further develop the portfolio and to improve unitholder value by adding residences (by itself or as part of a complex) to the use of investable properties with an aim to further expand opportunities to invest in prime residential properties located in Central Tokyo and Tokyu Areas, which are its focused investment target areas.

#### (b) Main Contents of the Amendment

Before amendment	<ul style="list-style-type: none"> <li>• Use of properties targeted for investment: Office buildings, retail facilities and complexes that include either of these facilities.</li> </ul>
After amendment	<ul style="list-style-type: none"> <li>• Use of properties targeted for investment: Office buildings, retail facilities, <u>residences</u> and complexes that include <u>any one</u> of these facilities. (Changed part is written with underline)</li> <li>• Addition of the following investment criteria for each property concerning residence use               <ul style="list-style-type: none"> <li>①Location With respect to the acquisition of residences, TOKYU REIT will comprehensively assess local rental market conditions, the proximity of the property to the nearest station, property characteristics, etc. TOKYU REIT generally only considers properties that are within 10 minutes’ walking distance from a station, or within 15 minutes’ walking distance for properties with special characteristics (Note). (Note) The figures are calculated given it takes 1 minute to walk 80 meters based on fair competition rules concerning real estate indication.</li> <li>②Property size TOKYU REIT will determine the appropriate size of each property with consideration of location, attributes of tenants or user groups, liquidity in the real estate market, economic performance of investment in terms of management, etc.</li> <li>③Fixtures TOKYU REIT installs fixtures that are above standard in the relevant locality, with respect to fixtures in common areas and exclusive areas.</li> </ul> </li> </ul>

#### (c) Other

For details of the matter, please refer to the “Notice Concerning Partial Amendment to Management Guideline” dated March 8, 2019.



## 2. Company Profiles

### (1) Summary of Unitholders' Contributions

	31st fiscal period As of January 31, 2019	30th fiscal period As of July 31, 2018	29th fiscal period As of January 31, 2018	28th fiscal period As of July 31, 2017	27th fiscal period As of January 31, 2017
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)	10,983	11,775	12,484	13,144	12,760

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

The following table sets forth the major unitholders of TOKYU REIT as of January 31, 2019.

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	238,253	24.37
The Master Trust Bank of Japan, Ltd. (trust account)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	140,120	14.33
Tokyu Corporation	5-6, Nampeidai-cho, Shibuya-ku, Tokyo	49,000	5.01
The Nomura Trust and Banking Co., Ltd. (investment trust account)	2-2-2, Otemachi, Chiyoda-ku, Tokyo	37,268	3.81
Trust & Custody Services Bank, Ltd. (securities investment trust account)	Harumi Island Triton Square Office Tower Z, 1-8-12, Harumi, Chuo-ku, Tokyo	30,272	3.10
State Street Bank West Client – Treaty 505234 (Standing Proxy: Mizuho Bank, Ltd.)	Shinagawa Intercity Tower A, 2-15-1, Konan, Minato-ku, Tokyo	14,897	1.52
Rakuten General Insurance Co., Ltd.	7, Kandamitoshiro-cho, Chiyoda-ku, Tokyo	14,000	1.43
Legal + General Assurance Pensions Management Limited (Standing Proxy: Citibank, N.A., Tokyo Branch)	6-27-30, Shinjuku, Shinjuku-ku, Tokyo	11,621	1.19
The Hachijuni Bank, Ltd. (Standing Proxy: The Master Trust Bank of Japan, Ltd.)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	11,170	1.14
JPMorgan Chase Bank 385771 (Standing Proxy: Mizuho Bank, Ltd.)	Shinagawa Intercity Tower A, 2-15-1, Konan, Minato-ku, Tokyo	10,977	1.12
Total		557,578	57.04

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, 2019)

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 from TOKYU REIT.

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, 2019.

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	31st fiscal period As of January 31, 2019		30th fiscal period As of July 31, 2018	
			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	¥ 15,452	7.0	¥ 15,485	7.1
		Sub total	15,452	7.0	15,485	7.1
	Office	Central Tokyo	47,819	21.7	47,944	21.9
		Sub total	47,819	21.7	47,944	21.9
	Complex	Tokyu Areas	1,234	0.6	1,240	0.6
		Sub total	1,234	0.6	1,240	0.6
	Land with leasehold interest	Tokyu Areas	1,162	0.5	—	—
		Other	4,774	2.2	4,774	2.2
		Sub total	5,936	2.7	4,774	2.2
	Total		70,443	32.0	69,445	31.7
Trust beneficiary interest in real estate	Retail	Central Tokyo	50,578	23.0	50,767	23.1
		Sub total	50,578	23.0	50,767	23.1
	Office	Central Tokyo	55,554	25.3	51,165	23.3
		Tokyu Areas	27,802	12.6	27,781	12.7
		Other	—	—	3,861	1.8
		Sub total	83,357	37.9	82,808	37.7
	Land with leasehold interest	Other	7,026	3.2	7,026	3.2
		Sub total	7,026	3.2	7,026	3.2
	Total		140,961	64.1	140,602	64.1
	Other assets			8,553	3.9	9,349
Total assets			¥ 219,958 [¥ 211,404]	100.0 [96.1]	¥ 219,396 [¥ 210,047]	100.0 [95.7]

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

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, 2019 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	¥ 13,624	4,502.93	4,502.93	100.0	9.6	Retail
R	Lexington Aoyama	4,694	2,107.08	2,107.08	100.0	1.9	Retail
R	TOKYU REIT Omotesando Square	5,645	2,669.10	2,669.10	100.0	2.5	Retail
R	TOKYU REIT Shibuya Udagawa-cho Square	6,570	1,543.05	1,543.05	100.0	3.5	Retail
R	cocoti	21,554	8,295.62	8,295.62	100.0	7.7	Retail
R	CONZE Ebisu	4,802	2,327.00	2,327.00	100.0	1.7	Retail
R	Daikanyama Forum	4,079	2,477.64	2,477.64	100.0	1.5	Retail
R	KALEIDO Shibuya Miyamasuzaka	5,059	3,399.34	3,399.34	100.0	2.6	Retail
O	Setagaya Business Square	18,367	24,886.62	23,897.80	96.0	13.4	Office
O	Tokyu Nampeidai-cho Building	4,195	7,148.18	7,148.18	100.0	2.2	Office
O	Tokyu Sakuragaoka-cho Building	6,528	4,737.19	4,737.19	100.0	3.2	Office
O	Tokyo Nissan Taito Building	3,817	7,845.42	7,356.20	93.8	2.6	Office
O	TOKYU REIT Akasaka Hinokicho Building	3,437	3,202.57	3,202.57	100.0	1.9	Office
O	TOKYU REIT Kamata Building	3,808	7,337.82	7,337.82	100.0	3.1	Office
O	TOKYU REIT Toranomom Building	9,989	10,247.06	10,247.06	100.0	5.1	Office
O	Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	7,859	3,533.03	3,533.03	100.0	2.5	Office
O	Tokyu Ikejiri-ohashi Building	5,626	5,733.23	5,733.23	100.0	2.7	Office
O	Kojimachi Square	8,207	5,409.11	5,409.11	100.0	3.1	Office
O	TOKYU REIT Shinjuku Building	8,762	6,270.68	6,270.68	100.0	3.9	Office
O	Akihabara Sanwa Toyo Building	4,528	4,590.53	4,590.53	100.0	2.4	Office
O	Tokyu Ginza 2-chome Building	4,510	3,469.14	3,469.14	100.0	1.8	Office
O	TOKYU REIT Shibuya R Building	5,392	5,266.15	5,266.15	100.0	3.5	Office
O	Tokyu Toranomom Building	16,311	9,016.59	9,016.59	100.0	6.3	Office
O	TOKYU REIT Shinjuku 2 Building	2,852	1,790.46	1,790.46	100.0	0.8	Office
O	Tokyu Bancho Building	12,401	5,717.45	5,152.75	90.1	3.8	Office
O	Lucid Square Ebisu	4,577	1,879.17	1,879.17	100.0	1.5	Office
C	Maison Peony Toritsudaigaku	1,234	852.16	772.18	90.6	0.3	Complex
L	Shonan Mall Fill (land with leasehold interest)	7,026	44,078.12	44,078.12	100.0	2.6	Land with leasehold interest
L	OKI System Center (land with leasehold interest)	4,774	17,019.19	17,019.19	100.0	2.0	Land with leasehold interest
L	REVE Nakameguro (land with leasehold interest)	1,162	497.02	497.02	100.0	0.2	Land with leasehold interest
Total		¥ 211,404	207,848.65	205,725.93	99.0	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, TOKYU REIT Shibuya R Building, Tokyu Toranomom Building, TOKYU REIT Shinjuku 2 Building, Maison Peony Toritsudaigaku, OKI System Center (land with leasehold interest) and REVE Nakameguro (land with leasehold interest) (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 office, retail, warehouse, residential and land space 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), OKI System Center (land with leasehold interest) and REVE Nakameguro (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), OKI System Center (land with leasehold interest) and REVE Nakameguro (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, 2019 are as follows:

Use	Area	Use classification	Name of property	Location (lot number)	Investment type	Total leasable area	Appraisal value at end of period	Book value		
						m <sup>2</sup>	Millions of yen	Millions of yen		
Retail	Central Tokyo	R	QFRONT	75-8, etc., Udagawa-cho, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	4,502.93	¥ 30,000	¥ 13,624		
		R	Lexington Aoyama	5-235-7, etc., Minami-Aoyama, Minato-ku, Tokyo	Trust beneficiary interest in real estate	2,107.08	5,610	4,694		
		R	TOKYU REIT Omotesando Square	4-3-18, Jingumae, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	2,669.10	8,330	5,645		
		R	TOKYU REIT Shibuya Udagawa-cho Square	86-2, Udagawa-cho, Shibuya-ku, Tokyo	Real estate	1,543.05	12,600	6,570		
		R	cocoti	1-23-1, Shibuya, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	8,295.62	21,700	21,554		
		R	CONZE Ebisu	2-3-5, etc., Ebisu Minami, Shibuya-ku, Tokyo	Real estate	2,327.00	5,130	4,802		
		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	3,510	4,079		
		R	KALEIDO Shibuya Miyamasuzaka	1-12-4, Shibuya, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	3,399.34	7,360	5,059		
		Sub total						27,321.76	94,240	66,031
		Total						27,321.76	94,240	66,031
Office	Central Tokyo	O	Tokyu Nampeidai-cho Building	12-3, Nampeidai-cho, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	7,148.18	6,790	4,195		
		O	Tokyu Sakuragaoka-cho Building	109-9, Sakuragaoka-cho, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	4,737.19	10,700	6,528		
		O	Tokyo Nissan Taito Building	2-120-2, etc., Moto-Asakusa, Taito-ku, Tokyo	Trust beneficiary interest in real estate	7,845.42	5,860	3,817		
		O	TOKYU REIT Akasaka Hinokicho Building	6-1401, etc., Akasaka, Minato-ku, Tokyo	Trust beneficiary interest in real estate	3,202.57	4,630	3,437		
		O	TOKYU REIT Toranomom Building	3-45-6, Toranomom, Minato-ku, Tokyo	Real estate	10,247.06	12,300	9,989		
		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	7,260	7,859		
		O	Kojimachi Square	3-9 and 3-3, Niban-cho, Chiyoda-ku, Tokyo	Trust beneficiary interest in real estate	5,409.11	9,380	8,207		
		O	TOKYU REIT Shinjuku Building	4-2-3, etc., Shinjuku, Shinjuku-ku, Tokyo	Real estate	6,270.68	12,000	8,762		

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		
Office	Central Tokyo	O	Akihabara Sanwa Toyo Building	3-50-5, etc., Sotokanda, Chiyoda-ku, Tokyo	Trust beneficiary interest in real estate	4,590.53	6,310	4,528	
		O	Tokyu Ginza 2-chome Building	2-215-1, Ginza, Chuo-ku, Tokyo	Real estate	3,469.14	5,190	4,510	
		O	TOKYU REIT Shibuya R Building	3-10-2, etc., Shibuya, Shibuya-ku, Tokyo	Real estate	5,266.15	9,330	5,392	
		O	Tokyu Toranomom Building	1-216-2, etc., Toranomom, Minato-ku, Tokyo	Real estate	9,016.59	19,900	16,311	
		O	TOKYU REIT Shinjuku 2 Building	4-3-4, Shinjuku, Shinjuku-ku, Tokyo	Real estate	1,790.46	3,200	2,852	
		O	Tokyu Bancho Building	6-2, etc., Yonban-cho, Chiyoda-ku, Tokyo	Trust beneficiary interest in real estate	5,717.45	14,200	12,401	
		O	Lucid Square Ebisu	3-2-11, Higashi, Shibuya-ku, Tokyo	Trust beneficiary interest in real estate	1,879.17	4,720	4,577	
	Sub total						80,122.73	131,770	103,374
	Tokyu Areas	O	Setagaya Business Square	4-260-2, etc., Yoga, Setagaya-ku, Tokyo	Trust beneficiary interest in real estate	24,886.62	18,700	18,367	
		O	TOKYU REIT Kamata Building	5-13-7, Kamata, Ota-ku, Tokyo	Trust beneficiary interest in real estate	7,337.82	5,390	3,808	
		O	Tokyu Ikejiri-ohashi Building	3-1050, etc., Higashiyama, Meguro-ku, Tokyo	Trust beneficiary interest in real estate	5,733.23	5,980	5,626	
	Sub total						37,957.67	30,070	27,802
	Total						118,080.40	161,840	131,176
	Complex	Tokyu Areas	C	Maison Peony Toritsudaigaku	1-8-1 and 1-8-8, Nakane, Meguro-ku, Tokyo	Real estate	852.16	1,210	1,234
			Sub total					852.16	1,210
Total						852.16	1,210	1,234	
Land with leasehold interest	Tokyu Areas	L	REVE Nakameguro (land with leasehold interest)	1-202-1, Kamimeguro, Meguro-ku, Tokyo	Real estate	497.02	1,150	1,162	
		Sub total					497.02	1,150	1,162
	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	6,610	7,026	
		L	OKI System Center (land with leasehold interest)	1-16-20, etc., Chuo, Warabi-shi, Saitama	Real estate	17,019.19	5,450	4,774	
Sub total						61,097.31	12,060	11,800	
Total						61,594.33	13,210	12,962	
Grand total						207,848.65	¥ 270,500	¥ 211,404	

- 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 office, retail, warehouse, residential and land space as indicated in the agreements and drawing (common-use portion is included when leased). For Tokyu Nampeidai-cho Building, the area of parking lots is included. For QFRONT, the area of other compartmentalized owners' exclusive ownership portions is included since the fiduciary rents that area and leases it out as a block together with the entrusted property. For Setagaya Business Square, which is co-owned with another owner, the stated figure is given by multiplying the total leasable area of the whole building by the ratio of co-ownership (55%). For TOKYU REIT Toranomom Building, the area of the exclusive ownership portions co-owned with other compartmentalized owners is included since TOKYU REIT rents that area and leases it out together with the exclusive ownership portion under TOKYU REIT's proprietary ownership. For TOKYU REIT Shibuya R Building, the area of part of the exclusive ownership portions under the proprietary ownership of and the exclusive ownership portions co-owned with other compartmentalized owners is included since TOKYU REIT rents that area and leases it out together with the exclusive ownership portion under TOKYU REIT's proprietary ownership. The figure of Shonan Mall Fill (land with leasehold interest), OKI System Center (land with leasehold interest) and REVE Nakameguro (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:

			31st fiscal period From August 1, 2018 to January 31, 2019				30th fiscal period From February 1, 2018 to July 31, 2018				
Use	Area	Use classification	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	
				Name of property	%	Millions of yen		%	%	Millions of yen	%
Retail	Central Tokyo	R	QFRONT	3	100.0	¥ 691	9.6	3	100.0	¥ 689	9.7
		R	Lexington Aoyama	8	100.0	134	1.9	7	100.0	130	1.8
		R	TOKYU REIT Omotesando Square	4	100.0	181	2.5	4	100.0	181	2.5
		R	TOKYU REIT Shibuya Udagawa-cho Square	2	100.0	250	3.5	2	100.0	250	3.5
		R	cocoti	15	100.0	558	7.7	15	100.0	550	7.7
		R	CONZE Ebisu	8	100.0	125	1.7	8	100.0	121	1.7
		R	Daikanyama Forum	5	100.0	105	1.5	5	100.0	105	1.5
		R	KALEIDO Shibuya Miyamasuzaka	8	100.0	187	2.6	8	100.0	185	2.6
			Sub total			53	100.0	2,235	31.0	52	100.0
	Total			53	100.0	2,235	31.0	52	100.0	2,215	31.1
Office	Central Tokyo	O	Tokyu Nampeidai-cho Building	1	100.0	161	2.2	1	100.0	159	2.2
		O	Tokyu Sakuragaoka-cho Building	2	100.0	232	3.2	2	100.0	228	3.2
		O	Tokyo Nissan Taito Building	11	93.8	185	2.6	11	93.8	185	2.6
		O	TOKYU REIT Akasaka Hinokicho Building	3	100.0	137	1.9	3	100.0	135	1.9
		O	TOKYU REIT Toranomom Building	11	100.0	368	5.1	11	100.0	372	5.2

			31st fiscal period From August 1, 2018 to January 31, 2019				30th fiscal period From February 1, 2018 to July 31, 2018							
Use	Area	Use classification	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				
				Name of property	%	Millions of yen		%	%	Millions of yen	%			
Office	Central Tokyo	O	Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	1	100.0	176	2.5	1	100.0	177	2.5			
		O	Kojimachi Square	7	100.0	223	3.1	7	100.0	220	3.1			
		O	TOKYU REIT Shinjuku Building	9	100.0	282	3.9	9	100.0	253	3.6			
		O	Akihabara Sanwa Toyo Building	6	100.0	171	2.4	6	100.0	171	2.4			
		O	Tokyu Ginza 2-chome Building	2	100.0	130	1.8	2	100.0	146	2.1			
		O	TOKYU REIT Shibuya R Building	11	100.0	253	3.5	11	100.0	257	3.6			
		O	Tokyu Toranomom Building	3	100.0	451	6.3	3	100.0	331	4.7			
		O	TOKYU REIT Shinjuku 2 Building	2	100.0	60	0.8	2	100.0	67	0.9			
		O	Tokyu Bancho Building	6	90.1	276	3.8	7	100.0	298	4.2			
		O	Lucid Square Ebisu	8	100.0	106	1.5	—	—	—	—			
		Sub total			83	98.7	3,218	44.7	76	99.4	3,005	42.2		
	Tokyu Areas	O	Setagaya Business Square	64	96.0	968	13.4	66	96.2	963	13.5			
		O	TOKYU REIT Kamata Building	5	100.0	220	3.1	5	100.0	223	3.1			
		O	Tokyu Ikejiri-ohashi Building	5	100.0	193	2.7	5	100.0	195	2.8			
		Sub total			74	97.4	1,382	19.2	76	97.5	1,383	19.4		
	Other	O	TOKYU REIT Kiba Building	—	—	—	—	6	100.0	157	2.2			
		Sub total			—	—	—	—	6	100.0	157	2.2		
	Total			157	98.3	4,600	63.8	158	98.8	4,547	63.9			
	Complex	Tokyu Areas	C	Maison Peony Toritsudaigaku	23	90.6	23	0.3	25	96.9	24	0.3		
Sub total			23	90.6	23	0.3	25	96.9	24	0.3				
Total			23	90.6	23	0.3	25	96.9	24	0.3				
Land with leasehold interest	Tokyu Areas	L	REVE Nakameguro (land with leasehold interest)	1	100.0	14	0.2	—	—	—	—			
		Sub total			1	100.0	14	0.2	—	—	—	—		
	Other	L	Shonan Mall Fill (land with leasehold interest)	1	100.0	188	2.6	1	100.0	188	2.6			
		L	OKI System Center (land with leasehold interest)	1	100.0	145	2.0	1	100.0	145	2.0			
		Sub total			2	100.0	333	4.6	2	100.0	333	4.7		
Total			3	100.0	347	4.8	2	100.0	333	4.7				
Grand total			236	99.0	¥ 7,207	100.0	237	99.3	¥ 7,119	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, 2019, 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, 2019. The estimated construction costs shown below include those recorded in expenses for accounting purposes.

Repairs and maintenance and capital expenditures will be conducted 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	Renovation of elevators	From February 2019 to July 2019	¥ 225	—	—
○	Setagaya Business Square	Setagaya-ku, Tokyo	Renewal of restrooms	From April 2019 to May 2019	¥ 34	—	—
○	TOKYU REIT Toranomon Building	Minato-ku, Tokyo	Renovation of elevators	From January 2019 to March 2019	¥ 39	—	—
○	Tokyu Ikejiri-ohashi Building	Meguro-ku, Tokyo	Renovation of elevators	From April 2019 to May 2019	¥ 31	—	—
○	TOKYU REIT Shinjuku Building	Shinjuku-ku, Tokyo	Renovation of external walls	From March 2019 to July 2019	¥ 50	—	—



## (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 31st fiscal period amounted to ¥506 million and ¥156 million in repairs and maintenance expenses were charged to expenses for a combined total of ¥663 million spent for such work.

Use classification	Name of property	Location	Objective	Period	Construction cost
					Millions of yen
○	Setagaya Business Square	Setagaya-ku, Tokyo	Renovation of elevators	From September 2018 to January 2019	¥ 122
○	Setagaya Business Square	Setagaya-ku, Tokyo	Renewal of restrooms	From August 2018 to January 2019	37
○	Setagaya Business Square	Setagaya-ku, Tokyo	Replacement of blinds	From October 2018 to January 2019	22
○	TOKYU REIT Akasaka Hinokicho Building	Minato-ku, Tokyo	Renovation of elevators	From December 2018 to January 2019	42
○	TOKYU REIT Toranomon Building	Minato-ku, Tokyo	Renovation of elevators	From November 2018 to January 2019	58
Other					222
Total					¥ 506

## (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:

	31st fiscal period From August 1, 2018 to January 31, 2019	30th fiscal period From February 1, 2018 to July 31, 2018	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
	Millions of yen				
Reserve at beginning of period	¥ 235	¥ 109	¥ 129	¥ 104	¥ 138
Amount transferred to reserve during period	305	517	698	1,023	543
Reversal from reserve during period	342	392	718	998	577
Reserve at end of period	¥ 198	¥ 235	¥ 109	¥ 129	¥ 104

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

	31st fiscal period From August 1, 2018 to January 31, 2019		30th fiscal period From February 1, 2018 to July 31, 2018	
	Millions of yen			
Asset management fees				
Asset-based fees	¥ 326		¥ 320	
Cash-based fees	269		258	
Unit price-based fees	—	¥ 595	—	¥ 578
Asset custodian fees		17		17
General administration fees		43		43
Directors' fees		6		6
Other operating expenses		75		65
Total		¥ 737		¥ 711

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

Short-term debt and long-term debt from each financial institution as of January 31, 2019 are as follows:

Category	Draw-down date	Balance as of January 31, 2019	Balance as of July 31, 2018	Average interest rate (Note 1)	Maturity date	Re-payment method	Use of funds	Remark
		Millions of yen	Millions of yen	%				
Mizuho Bank, Ltd.	November 11, 2011	¥ —	¥ 1,700	1.48875	November 11, 2018	Bullet payment	Refinance fund	Unsecured and Unguaranteed (Note 2)
MUFG Bank, Ltd.	May 25, 2012	2,000	2,000	1.37250	May 25, 2019			Unsecured and Unguaranteed (Notes 2 and 3)
Development Bank of Japan Inc.	June 25, 2012	4,000	4,000	1.48000	June 25, 2020			Unsecured and Unguaranteed (Note 2)
Sumitomo Mitsui Trust Bank, Limited	June 29, 2012	400	400	1.32375	June 29, 2019			Unsecured and Unguaranteed (Notes 2 and 3)
MUFG Bank, Ltd.		400	400					
MUFG Bank, Ltd.	August 29, 2012	1,400	1,400	1.32250	August 29, 2019			
MUFG Bank, Ltd.	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, 2019	Balance as of July 31, 2018	Average interest rate (Note 1)	Maturity date	Re-payment method	Use of funds	Remark	
		Millions of yen	Millions of yen	%					
Long-term debt	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)
	MUFG Bank, Ltd.		1,500	1,500	1.45125	June 25, 2020			
	Mizuho Trust & Banking Co., Ltd.	June 27, 2013	1,500	1,500	1.91375	June 27, 2023			
	Development Bank of Japan Inc.		1,000	1,000					
	Mitsui Sumitomo Insurance Co., Ltd.		500	500	1.47250	June 27, 2020			
	The Norinchukin Bank		500	500					
	The Dai-ichi Life Insurance Company, Limited	July 31, 2013	2,500	2,500	1.51375	July 31, 2021			
	Nippon Life Insurance Company		500	500					
	Sumitomo Mitsui Trust Bank, Limited	December 25, 2013	2,500	2,500	1.21000	December 25, 2020			
	MUFG Bank, Ltd.		2,000	2,000					
	MUFG Bank, Ltd.		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	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					
	MUFG Bank, Ltd.	October 22, 2014	800	800	0.96875	October 22, 2021			
	Mizuho Bank, Ltd.		800	800					
	MUFG Bank, Ltd.		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				

Category	Draw-down date	Balance as of January 31, 2019	Balance as of July 31, 2018	Average interest rate (Note 1)	Maturity date	Re-payment method	Use of funds	Remark
		Millions of yen	Millions of yen	%				
Lender								
Daido Life Insurance Company	March 10, 2016	1,500	1,500	0.57130	March 10, 2023	Bullet payment	Refinance fund	Unsecured and Unguaranteed (Note 2)
MUFG Bank, Ltd.	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	5,000	0.90880	January 25, 2028			
Nippon Life Insurance Company	January 31, 2018	500	500	0.58000	July 31, 2023			
MUFG Bank, Ltd.	March 26, 2018	2,500	2,500	0.62827	September 26, 2024			
MUFG Bank, Ltd.		2,500	2,500	0.65250	March 26, 2025			
Nippon Life Insurance Company	April 10, 2018	1,500	1,500	0.60000	October 10, 2023			
MUFG Bank, Ltd.	June 25, 2018	500	500	0.68569	December 25, 2025			
The Dai-ichi Life Insurance Company, Limited	July 31, 2018	2,000	2,000	0.90260	July 31, 2028			
Mizuho Bank, Ltd.	November 12, 2018	1,700	—	0.72652	May 12, 2026			
The Norinchukin Bank	January 28, 2019	3,000	—	0.60380	January 28, 2027			
Sub total		84,000	84,000					
Total		¥ 84,000	¥ 84,000					

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

Note 2. Depending on the financial position of TOKYU REIT, additional interest rates, additional cash reserves, asset acquisition and disposition restrictions, debt burden and payment restrictions, dividend restrictions, offering of additional pledge and other financial covenants may apply.

Note 3. As of the end of the fiscal period, the amounts are recorded in the balance sheets as 'Long-term debt due within one year' under 'Current liabilities.'

### (3) Investment Corporation Bonds

The status of investment corporation bonds issued and outstanding as of January 31, 2019 is as follows:

Name	Issue date	Balance as of January 31, 2019	Balance as of July 31, 2018	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 1)
4th Series Unsecured Investment Corporation Bond	February 14, 2014	3,500	3,500	0.39900	February 14, 2019			Unsecured/Unguaranteed (Notes 1 and 2)
5th Series Unsecured Investment Corporation Bond	March 11, 2014	3,000	3,000	0.68200	March 11, 2021			Unsecured/Unguaranteed (Note 1)
Total		¥ 9,500	¥ 9,500					

Note 1. These bonds rank pari passu in right of payment with certain investment corporation bonds.

Note 2. As of the end of the fiscal period, the amount is recorded in the balance sheets as 'Investment corporation bonds due within one year' under 'Current liabilities.'

### (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 31st Fiscal Period

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

Asset type	Name of property	Acquisition		Disposition			
		Acquisition date	Acquisition price (Note 1)	Disposition date	Disposition price (Note 1)	Book value	Gain (Loss) on sale (Note 2)
			Millions of yen		Millions of yen		
Trust beneficiary interest in real estate	Lucid Square Ebisu	August 1, 2018	¥ 4,500	—	—	—	—
Trust beneficiary interest in real estate	TOKYU REIT Kiba Building	—	—	August 1, 2018	¥ 4,250	¥ 3,861	¥ 316
Real estate	REVE Nakameguro (land with leasehold interest)	September 27, 2018	¥ 1,150	—	—	—	—

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

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

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

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

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

#### ① Property

Acquisition or disposition	Asset type		Name of property	Acquisition or disposition date	Acquisition or disposition price (Note 1)	Appraisal value	Appraiser	Date of value
					Millions of yen			
Acquisition	Trust beneficiary interest in real estate	○	Lucid Square Ebisu	August 1, 2018	¥ 4,500	¥ 4,700	Japan Valuers Co., Ltd.	June 30, 2018
Disposition	Trust beneficiary interest in real estate	○	TOKYU REIT Kiba Building	August 1, 2018	¥ 4,250	¥ 4,010	Daiwa Real Estate Appraisal Co., Ltd.	June 30, 2018
Acquisition	Real estate	L	REVE Nakameguro (land with leasehold interest)	September 27, 2018	¥ 1,150	¥ 1,150	Japan Real Estate Institute	June 1, 2018

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

Note 2. The appraisal value above is based on "Real Estate Appraisal Standards; Practical Theory; Chapter 3: Appraisal in respect with 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) Thousands of yen	Paid to interested persons, etc.		B/A (%)
		Payee	Amount of payment (B)	
	Thousands of yen		Thousands of yen	
Utilities expenses	¥ 566,415	Tokyu Power Supply Co., Ltd.	¥ 205,037	36.2
		Yoga District Heating and Cooling Co., Ltd.	¥ 107,325	18.9
		Shibuya Underground Shopping Center, Inc.	¥ 57	0.0
Subcontract expenses	¥ 435,835	Tokyu Community Corporation	¥ 279,247	64.1
		Tokyu Facility Service Co., Ltd.	¥ 71,229	16.3
		Tokyu Corporation	¥ 817	0.2
Other rental service expenses	¥ 226,815	Tokyu Corporation	¥ 13,048	5.8
		Tokyu Community Corporation	¥ 7,343	3.2
		Tokyu Re · design Corporation	¥ 3,770	1.7
		Tokyu Agency Inc.	¥ 2,706	1.2
		its communications Inc.	¥ 881	0.4
		Shibuya Underground Shopping Center, Inc.	¥ 851	0.4
Property management fees	¥ 167,616	Tokyu Corporation	¥ 104,826	62.5
		Tokyu Community Corporation	¥ 61,386	36.6
		Tokyu Housing Lease Corporation	¥ 1,403	0.8
Insurance premium	¥ 12,880	Tokyu Insurance Consulting Co., Ltd.	¥ 12,585	97.7

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 ¥57,235 thousand and ¥4,063 thousand, respectively.

In addition to the commissions paid as described above, the amount paid for repair and maintenance work placed to interested persons, etc. during the 31st fiscal period are as follows:

Tokyu Community Corporation	¥ 22,813 thousand
Tokyu Facility Service Co., Ltd.	¥ 10,051 thousand
Tokyu Corporation	¥ 5,204 thousand
Tokyu Renewal Co., Ltd.	¥ 5,079 thousand
Tokyu Green System Co., Ltd.	¥ 1,608 thousand
Tokyu Construction Co., Ltd.	¥ 1,383 thousand
Tokyu Re · design Corporation	¥ 673 thousand
Ishikatsu Exterior Inc.	¥ 422 thousand
Tokyu Security Co., Ltd.	¥ 50 thousand
Tokyu Bldg Maintenance Co., Ltd.	¥ 9 thousand

(5) Trading between the Investment Management Company and TOKYU REIT Pertaining to Business Concurrently Operated by the Investment Management Company

There is no item that falls under this category.

## 7. Accounting

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

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

### (2) Change in Depreciation Method

There is no item that falls under this category.

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

There is no item that falls under this category.

## 8. Other

### (1) News

There is no item that falls under this category.

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

There is no item that falls under this category.

### (3) Disclosure Pertaining to Corporation Holding Overseas Properties

There is no item that falls under this category.

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

There is no item that falls under this category.

### (5) Other

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



## Independent Auditor's Report

To the Board of Directors of TOKYU REIT, Inc.

We have audited the accompanying financial statements of TOKYU REIT, Inc. ("the Company"), which comprise the balance sheets as at January 31, 2019, 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, 2019, 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 23, 2019

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**TOKYU REIT, Inc.**  
**Balance Sheets**  
As of January 31, 2019 and July 31, 2018

	January 31, 2019	July 31, 2018
	(Millions of yen)	
<b><u>ASSETS</u></b>		
<b>Current assets:</b>		
Cash and deposits with banks	¥ 4,551	¥ 5,366
Cash and deposits with banks held in trust	2,710	2,677
Tenant receivables	112	146
Lease deposits held in trust due within one year	18	18
Other current assets	54	50
<b>Total current assets</b>	<b>7,447</b>	<b>8,259</b>
<b>Fixed assets:</b>		
<b>Property and equipment</b>		
Buildings and structures	13,563	13,465
Land	60,963	59,800
Other tangible assets	195	193
Construction in progress	89	96
Buildings and structures held in trust	45,859	47,144
Land held in trust	113,692	111,861
Other tangible assets held in trust	1,576	1,568
Construction in progress held in trust	13	17
Less accumulated depreciation	(24,551)	(24,097)
<b>Total property and equipment</b>	<b>211,401</b>	<b>210,050</b>
<b>Intangible assets</b>		
Intangible assets	6	7
Intangible assets held in trust	3	4
<b>Total intangible assets</b>	<b>9</b>	<b>11</b>
<b>Investments and other assets</b>		
Lease deposits	208	208
Lease deposits held in trust	687	706
Deferred tax assets	0	0
Other assets	190	143
<b>Total investments and other assets</b>	<b>1,086</b>	<b>1,058</b>
<b>Total fixed assets</b>	<b>212,497</b>	<b>211,120</b>
<b>Deferred assets:</b>		
Investment corporation bond issuance expenses	12	16
<b>Total deferred assets</b>	<b>12</b>	<b>16</b>
<b>Total assets</b>	<b>¥ 219,958</b>	<b>¥ 219,396</b>

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



**TOKYU REIT, Inc.**  
**Balance Sheets, continued**  
As of January 31, 2019 and July 31, 2018

	January 31, 2019	July 31, 2018
	(Millions of yen)	
<b><u>LIABILITIES</u></b>		
<b>Current liabilities:</b>		
Investment corporation bonds due within one year	¥ 3,500	¥ 3,500
Long-term debt due within one year	9,200	9,000
Accounts payable	1,268	1,040
Consumption tax payable	292	123
Rent received in advance	1,152	1,088
Tenant leasehold and security deposits held in trust due within one year	-	190
Accrued expenses and other current liabilities	134	148
<b>Total current liabilities</b>	15,547	15,092
<b>Long-term liabilities:</b>		
Investment corporation bonds	6,000	6,000
Long-term debt	74,800	75,000
Tenant leasehold and security deposits	3,651	3,603
Tenant leasehold and security deposits held in trust	6,085	6,179
Other long-term liabilities	4	3
<b>Total long-term liabilities</b>	90,541	90,786
<b>Total liabilities</b>	¥ 106,089	¥ 105,879
 <b><u>NET ASSETS</u></b>		
Unitholders' capital:		
Units authorized – 10,000,000 units as of January 31, 2019 and 10,000,000 units as of July 31, 2018		
Units issued and outstanding – 977,600 units as of January 31, 2019 and 977,600 units as of July 31, 2018	¥ 110,479	¥ 110,479
Reserve for reduction entry	360	360
Retained earnings	3,029	2,678
<b>Total net assets</b>	113,869	113,517
<b>Total liabilities and net assets</b>	¥ 219,958	¥ 219,396

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

**TOKYU REIT, Inc.**  
**Statements of Income**  
For the six months ended January 31, 2019 and July 31, 2018

	For the six months ended	
	January 31, 2019	July 31, 2018
	(Millions of yen)	
<b>Operating revenues:</b>		
Rental revenue	¥ 6,728	¥ 6,663
Other rental revenue	478	455
Gain on sales of real estate properties	316	-
<b>Operating expenses:</b>		
Rental service expenses	(3,238)	(3,211)
Asset management fees	(595)	(578)
Other	(142)	(132)
<b>Operating income</b>	3,547	3,197
<b>Non-operating income:</b>		
Interest income	0	0
Other	1	0
<b>Non-operating expenses:</b>		
Interest expense	(451)	(453)
Interest expense on investment corporation bonds	(39)	(39)
Amortization of investment corporation bond issuance expenses	(4)	(4)
Other	(22)	(22)
<b>Income before income taxes</b>	3,029	2,679
Income taxes:		
Current	(0)	(1)
Deferred	(0)	0
<b>Net income</b>	3,029	2,678
<b>Retained earnings at beginning of period</b>	0	0
<b>Retained earnings at end of period</b>	¥ 3,029	¥ 2,678

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, 2019 and July 31, 2018

**For the six months ended January 31, 2019**

	Unitholders' capital	Reserve for reduction entry	Retained earnings	Total
	(Millions of yen)			
<b>Balance at beginning of period</b>	¥ 110,479	¥ 360	¥ 2,678	¥ 113,517
<b>Changes during the period</b>				
Cash distributions declared	-	-	(2,677)	(2,677)
Net income	-	-	3,029	3,029
<b>Total changes during the period</b>	-	-	351	351
<b>Balance at end of period</b>	¥ 110,479	¥ 360	¥ 3,029	¥ 113,869

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

	Unitholders' capital	Reserve for reduction entry	Retained earnings	Total
	(Millions of yen)			
<b>Balance at beginning of period</b>	¥ 110,479	¥ 457	¥ 2,493	¥ 113,430
<b>Changes during the period</b>				
Reversal of reserve for reduction entry	-	(97)	97	-
Cash distributions declared	-	-	(2,590)	(2,590)
Net income	-	-	2,678	2,678
<b>Total changes during the period</b>	-	(97)	184	87
<b>Balance at end of period</b>	¥ 110,479	¥ 360	¥ 2,678	¥ 113,517

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, 2019 and July 31, 2018

	For the six months ended	
	January 31, 2019	July 31, 2018
	(Millions of yen)	
<b>Cash flows from operating activities:</b>		
Income before income taxes	¥ 3,029	¥ 2,679
Depreciation and amortization	1,015	1,049
Amortization of investment corporation bond issuance expenses	4	4
Loss on disposal of property and equipment	13	5
Interest income	(0)	(0)
Interest expense	491	492
(Increase) Decrease in tenant receivables	34	(36)
Increase (Decrease) in consumption tax payable	168	2
Increase (Decrease) in accounts payable	32	23
Increase (Decrease) in rent received in advance	63	(29)
Decrease in property and equipment held in trust due to sale	3,861	-
Other, net	(70)	14
Total	8,644	4,204
Interest received	0	0
Interest paid	(490)	(495)
Income taxes paid	(1)	(0)
Net cash provided by (used in) operating activities	8,152	3,708
<b>Cash flows from investing activities:</b>		
Payments for purchases of property and equipment	(1,243)	(130)
Payments for purchases of intangible assets	-	(7)
Payments for purchases of property and equipment held in trust	(4,793)	(273)
Payments for purchases of intangible assets held in trust	(0)	-
Payments for lease deposits	(0)	-
Proceeds from lease deposits held in trust	18	-
Proceeds from tenant leasehold and security deposits	70	82
Payments for tenant leasehold and security deposits	(22)	(366)
Proceeds from tenant leasehold and security deposits held in trust	346	21
Payments for tenant leasehold and security deposits held in trust	(631)	(68)
Net cash provided by (used in) investing activities	(6,256)	(743)
<b>Cash flows from financing activities:</b>		
Proceeds from long-term debt	4,700	9,000
Repayment of long-term debt	(4,700)	(7,500)
Payment of dividends	(2,677)	(2,590)
Net cash provided by (used in) financing activities	(2,677)	(1,090)
<b>Net change in cash and cash equivalents</b>	(781)	1,874
<b>Cash and cash equivalents at beginning of period</b>	8,044	6,169
<b>Cash and cash equivalents at end of period</b>	¥ 7,262	¥ 8,044

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, 2019 and July 31, 2018

**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, 2019, TOKYU REIT’s total capital is ¥110,479 million with 977,600 units issued and outstanding. TOKYU REIT has been operating 30 properties at an occupancy rate of approximately 99.0%. Total acquisition cost of the 30 properties is ¥225,189 million and total rentable area is 207,848.65 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, 2019 and July 31, 2018

**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, 2019	July 31, 2018
	(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 (ASBJ) 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" (ASBJ Statement No. 18 issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on March 31, 2008).
- (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.

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2019 and July 31, 2018

- (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 ¥5,196 thousand for the six months ended January 31, 2019. Capitalized property-related taxes are nil for the six months ended July 31, 2018.
- (j) **Income taxes** – Income taxes are accounted for financial reporting purposes. The tax effect of temporary differences between the amount of assets and liabilities for financial statements and for income tax reporting is recognized as deferred taxes. Deferred tax assets are ¥1 thousand as of January 31, 2019. Deferred tax assets are ¥26 thousand as of July 31, 2018.
- (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. Unapplied accounting standard, etc.**

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 issued on March 30, 2018)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30 issued on March 30, 2018)

**(a) Overview**

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) have jointly developed the comprehensive accounting standard for revenue recognition, and have published “Revenue from Contracts with Customers” (IFRS 15 issued by IASB and Topic 606 issued by FASB) in May 2014. As IFRS 15 is effective for annual periods beginning on or after January 1, 2018 and Topic 606 is effective for annual periods beginning after December 15, 2017, ASBJ has developed the comprehensive accounting standard for revenue recognition, and announced it along with the implementation guidance.

As a basic policy to develop the accounting standards for revenue recognition, ASBJ decided to incorporate the basic principles from IFRS 15 in order to ensure the comparability among Financial Statements based on IFRS, U.S. GAAP and Japanese GAAP. The comparability between the financial statements is one of the benefits of the consistency with IFRS 15. In addition, in the case there is an item where consideration should be given to special treatment in Japan, the alternative treatment is accepted to the extent consistency is maintained.

**(b) Scheduled date of the application**

TOKYU REIT will adopt the accounting standard, etc. from the beginning of the six months ending January 31, 2022.

**(c) Impact of the application**

TOKYU REIT is currently evaluating the impact that the application of the accounting standard, etc. will have on its financial statements.

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2019 and July 31, 2018

**4. Changes in presentation methods**

**Changes accompanying application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”**

Effective August 1, 2018, TOKYU REIT adopted the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28 issued on February 16, 2018), changing the method of presentation of ‘Deferred tax assets’ to presentation under ‘Investments and other assets’ and the method of presentation of ‘Deferred tax liabilities’ to presentation under ‘Long-term liabilities.’ As a result, in the balance sheets, ‘Deferred tax assets’ of ¥26 thousand as of July 31, 2018 that was included in ‘Other current assets’ under ‘Current assets’ is reclassified as ‘Deferred tax assets’ of ¥26 thousand under ‘Investments and other assets.’

**5. Cash and cash equivalents**

Cash and cash equivalents as of January 31, 2019 and July 31, 2018 consisted of the following:

	<u>January 31, 2019</u>	<u>July 31, 2018</u>
	(Millions of yen)	
Cash and deposits with banks	¥ 4,551	¥ 5,366
Cash and deposits with banks held in trust	2,710	2,677
Cash and cash equivalents	<u>¥ 7,262</u>	<u>¥ 8,044</u>

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2019 and July 31, 2018

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

Property and equipment and intangible assets as of January 31, 2019 and July 31, 2018 consisted of the following:

	January 31, 2019			July 31, 2018		
	Balance	Accumulated depreciation	Net balance	Balance	Accumulated depreciation	Net balance
	(Millions of yen)					
Property and equipment						
Buildings and structures						
Buildings	¥ 13,392	¥ (4,148)	¥ 9,244	¥ 13,296	¥ (3,898)	¥ 9,398
Structures	170	(66)	103	169	(61)	107
Land	60,963	-	60,963	59,800	-	59,800
Other tangible assets						
Machinery and equipment	105	(91)	14	105	(85)	19
Tools, furniture and fixtures	89	(60)	28	87	(58)	29
Construction in progress	89	-	89	96	-	96
Property and equipment held in trust						
Buildings and structures						
Buildings	45,116	(18,424)	26,692	46,397	(18,259)	28,137
Structures	743	(451)	291	747	(442)	304
Land	113,692	-	113,692	111,861	-	111,861
Other tangible assets						
Machinery and equipment	1,069	(946)	123	1,071	(934)	136
Tools, furniture and fixtures	506	(362)	144	496	(356)	140
Construction in progress	13	-	13	17	-	17
Sub total	235,952	(24,551)	211,401	234,148	(24,097)	210,050
Intangible assets						
Intangible assets	10	(4)	6	10	(3)	7
Intangible assets held in trust	30	(26)	3	32	(28)	4
Sub total	41	(31)	9	43	(32)	11
Total	¥ 235,993	¥ (24,582)	¥ 211,411	¥ 234,191	¥ (24,130)	¥ 210,061

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2019 and July 31, 2018

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

Short-term debt and long-term debt as of January 31, 2019 and July 31, 2018 consisted of the following:

	Balance as of January 31, 2019	Balance as of July 31, 2018	Average interest rate (Note 1)
	(Millions of yen)		(%)
	¥	¥	
Short-term debt			
Sub total	-	-	
Long-term debt			
Unsecured loans due on November 11, 2018 with fixed rate	-	1,700	1.48875
Unsecured loans due on January 27, 2019 with fixed rate	-	3,000	0.85000
Unsecured loans due on May 25, 2019 with fixed rate (Note 2)	2,000	2,000	1.37250
Unsecured loans due on June 25, 2019 with fixed rate (Note 2)	1,500	1,500	0.95625
Unsecured loans due on June 29, 2019 with fixed rate (Note 2)	800	800	1.32375
Unsecured loans due on August 29, 2019 with fixed rate (Note 2)	1,400	1,400	1.32250
Unsecured loans due on November 19, 2019 with fixed rate (Note 2)	2,000	2,000	1.24625
Unsecured loans due on December 25, 2019 with fixed rate (Note 2)	500	500	1.23375
Unsecured loans due on January 27, 2020 with fixed rate (Note 2)	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	500	0.58000
Unsecured loans due on October 10, 2023 with fixed rate	1,500	1,500	0.60000
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 September 26, 2024 with fixed rate	2,500	2,500	0.62827
Unsecured loans due on March 26, 2025 with fixed rate	2,500	2,500	0.65250
Unsecured loans due on June 25, 2025 with fixed rate	5,000	5,000	1.26125
Unsecured loans due on December 25, 2025 with fixed rate	500	500	0.68569
Unsecured loans due on May 12, 2026 with fixed rate	1,700	-	0.72652
Unsecured loans due on January 28, 2027 with fixed rate	3,000	-	0.60380
Unsecured loans due on January 25, 2028 with fixed rate	5,000	5,000	0.90880
Unsecured loans due on July 31, 2028 with fixed rate	2,000	2,000	0.90260
Sub total	84,000	84,000	
Total	¥ 84,000	¥ 84,000	

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

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

TOKYU REIT has commitment line agreements which provide credit facilities totaling ¥2 billion with one financial institution, ¥8 billion with one financial institution and ¥8 billion with three financial institutions. Combined, commitment lines total ¥18 billion with four financial institutions. No amount has been drawn down as of January 31, 2019.

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2019 and July 31, 2018

**8. Investment corporation bonds**

The status of investment corporation bonds issued and outstanding as of January 31, 2019 and July 31, 2018 were as follows:

Name	Issue date	Balance as of	Balance as of	Annual	Maturity date
		January 31, 2019	July 31, 2018	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 (Note)	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		

Note. As of the end of the fiscal period, the amount is recorded in the balance sheets as 'Investment corporation bonds due within one year' under 'Current liabilities.'

**9. 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.

**10. Rental revenue and expense**

Rental revenues and expenses for the six months ended January 31, 2019 and July 31, 2018 were as follows:

	For the six months ended	
	January 31, 2019	July 31, 2018
(Millions of yen)		
Revenue from property leasing:		
Rental revenue:		
Rent income	¥ 5,551	¥ 5,479
Common area charges	701	707
Parking lot revenue under monthly contract	155	156
Other rent income	320	319
Sub total	<u>6,728</u>	<u>6,663</u>
Other rental revenue:		
Incidental income	431	421
Other miscellaneous income	46	34
Sub total	<u>478</u>	<u>455</u>
Total revenue from property leasing	(a) <u>7,207</u>	<u>7,119</u>
Rental service expenses:		
Utilities expenses	566	552
Subcontract expenses	435	442
Property management fees	167	161
Repairs and maintenance expenses	156	125
Property-related taxes	644	663
Insurance premium	12	12
Depreciation and amortization	1,015	1,049
Loss on disposal of property and equipment	13	5
Other	226	199
Total rental service expenses	(b) <u>3,238</u>	<u>3,211</u>
Operating income from property leasing activities	(a)-(b) <u>¥ 3,968</u>	<u>¥ 3,908</u>



**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2019 and July 31, 2018

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

Details on the financial results of each property for the six months ended January 31, 2019 and July 31, 2018 were as follows: (Unaudited)

**For the six months ended January 31, 2019**

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	¥ 691	¥ 278	¥ 412	¥ 37	¥ 375
R Lexington Aoyama	134	34	99	7	91
R TOKYU REIT Omotesando Square	181	39	141	11	130
R TOKYU REIT Shibuya Udagawa-cho Square	250	26	224	4	220
R cocoti	558	180	378	143	235
R CONZE Ebisu	125	32	93	21	71
R Daikanyama Forum	105	42	63	11	52
R KALEIDO Shibuya Miyamasuzaka	187	46	140	18	122
O Setagaya Business Square	968	505	463	190	272
O Tokyu Nampeidai-cho Building	161	38	122	27	95
O Tokyu Sakuragaoka-cho Building	232	45	186	36	150
O Tokyo Nissan Taito Building	185	62	123	44	78
O TOKYU REIT Akasaka Hinokicho Building	137	39	97	16	81
O TOKYU REIT Kamata Building	220	86	134	35	98
O TOKYU REIT Toranomom Building	368	139	229	48	181
O Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	176	45	131	21	109
O Tokyu Ikejiri-ohashi Building	193	42	150	34	115
O Kojimachi Square	223	48	175	45	129
O TOKYU REIT Shinjuku Building	282	68	214	37	177
O Akihabara Sanwa Toyo Building	171	47	123	14	109
O Tokyu Ginza 2-chome Building	130	37	92	35	56
O TOKYU REIT Shibuya R Building	253	84	168	20	148
O Tokyu Toranomom Building	451	98	352	70	282
O TOKYU REIT Shinjuku 2 Building	60	22	38	13	24
O Tokyu Bancho Building	276	59	217	68	148
O Lucid Square Ebisu	106	11	95	4	90
C Maison Peony Toritsudaigaku	23	4	18	5	13
L Shonan Mall Fill (land with leasehold interest)	188	25	162	-	162
L OKI System Center (land with leasehold interest)	145	15	129	-	129
L REVE Nakameguro (land with leasehold interest)	14	0	14	-	14
Total	¥ 7,207	¥ 2,210	¥ 4,996	¥ 1,028	¥ 3,968

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2019 and July 31, 2018

**For the six months ended July 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	¥ 689	¥ 273	¥ 415	¥ 38	¥ 376
R Lexington Aoyama	130	28	101	7	94
R TOKYU REIT Omotesando Square	181	37	143	11	132
R TOKYU REIT Shibuya Udagawa-cho Square	250	26	224	3	220
R cocoti	550	173	376	142	233
R CONZE Ebisu	121	33	88	21	66
R Daikanyama Forum	105	40	65	11	54
R KALEIDO Shibuya Miyamasuzaka	185	49	136	18	118
O Setagaya Business Square	963	499	464	183	280
O Tokyu Nampeidai-cho Building	159	28	130	27	103
O Tokyu Sakuragaoka-cho Building	228	46	182	35	146
O Tokyo Nissan Taito Building	185	55	129	43	85
O TOKYU REIT Akasaka Hinokicho Building	135	39	96	14	82
O TOKYU REIT Kamata Building	223	83	140	34	105
O TOKYU REIT Toranomom Building	372	135	236	48	187
O Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	177	38	138	27	110
O Tokyu Ikejiri-ohashi Building	195	41	154	34	119
O Kojimachi Square	220	45	174	46	128
O TOKYU REIT Shinjuku Building	253	62	190	37	153
O Akihabara Sanwa Toyo Building	171	42	128	13	115
O TOKYU REIT Kiba Building	157	39	118	34	83
O Tokyu Ginza 2-chome Building	146	37	109	35	73
O TOKYU REIT Shibuya R Building	257	80	177	20	157
O Tokyu Toranomom Building	331	94	237	73	163
O TOKYU REIT Shinjuku 2 Building	67	16	51	12	38
O Tokyu Bancho Building	298	60	238	68	169
C Maison Peony Toritsudaigaku	24	4	19	5	13
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	¥ 7,119	¥ 2,156	¥ 4,962	¥ 1,054	¥ 3,908

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, 2019 and July 31, 2018

**12. Breakdown of gain on sales of real estate properties**

TOKYU REIT Kiba Building was sold on August 1, 2018.

	For the six months ended	
	January 31, 2019	July 31, 2018
	(Millions of yen)	
Revenue from sale of property	¥ 4,250	—
Cost of property	3,861	
Other sales expenses	71	
Gain on sales of real estate properties	¥ 316	

**13. 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, 2019 and July 31, 2018.

	January 31, 2019	July 31, 2018
Statutory income tax rate	31.51%	31.74%
Deductible cash distributions	(31.50)	(31.72)
Other	0.02	0.02
Effective tax rate	0.02%	0.04%

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

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2019 and July 31, 2018

**14. Per unit information**

The following table summarizes the net income per unit for the six months ended January 31, 2019 and July 31, 2018 and the unitholders' equity per unit as of January 31, 2019 and July 31, 2018.

	For the six months ended	
	January 31, 2019	July 31, 2018
Net income per unit	¥ 3,098	¥ 2,739
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, 2019                      As of July 31, 2018	
Unitholders' equity per unit	¥ 116,478	¥ 116,118

Diluted net income per unit is not presented since neither warrants nor convertible bonds were issued during the six months ended January 31, 2019 and July 31, 2018.

**15. Distribution information**

The Board of Directors of TOKYU REIT resolved on March 14, 2019 and September 13, 2018 to effect payment of cash distributions of ¥3,099 and ¥2,739 per unit to unitholders of record on January 31, 2019 and July 31, 2018, respectively. Retained earnings carried forward after the distributions were as follows:

	January 31, 2019	July 31, 2018
	(Millions of yen)	
Retained earnings at end of period	¥ 3,029	¥ 2,678
Cash distributions declared	3,029	2,677
Retained earnings carried forward	¥ 0	¥ 0

**16. Leases**

TOKYU REIT leases its properties to tenants under non-cancelable operating leases. As of January 31, 2019 and July 31, 2018, the future lease revenues under the non-cancelable operating leases were as follows:

	January 31, 2019	July 31, 2018
	(Millions of yen)	
Due within one year	¥ 4,558	¥ 4,564
Due after one year	13,384	13,758
Total	¥ 17,942	¥ 18,323

As of January 31, 2019 and July 31, 2018, the future lease payments under the non-cancelable operating leases were as follows:

	January 31, 2019	July 31, 2018
	(Millions of yen)	
Due within one year	¥ 229	¥ 228
Due after one year	1,419	1,533
Total	¥ 1,648	¥ 1,762

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2019 and July 31, 2018

**17. Fair value of financial instruments**

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

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

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

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

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

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

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

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

Funds from debts and investment corporation bonds are mainly used as funds for asset acquisition or debt repayment, etc. These funds are exposed to liquidity risk at the time of repayment, but the liquidity risk is controlled at TOKYU REIT through such measures as striving to maintain and strengthen the capacity to procure funds from the capital market via capital increases, securing several fund procurement sources and diversifying repayment deadlines, executing commitment line agreements which provide credit facilities totaling ¥18 billion with TOKYU REIT's main financial institutions (no amount has been drawn down as of January 31, 2019), 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, 2019 and July 31, 2018

**(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, 2019			July 31, 2018		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
	(Millions of yen)					
(1) Cash and deposits with banks	¥ 4,551	¥ 4,551	¥ -	¥ 5,366	¥ 5,366	¥ -
(2) Cash and deposits with banks held in trust	2,710	2,710	-	2,677	2,677	-
Assets total	7,262	7,262	-	8,044	8,044	-
(1) Investment corporation bonds due within one year	3,500	3,501	1	3,500	3,504	4
(2) Long-term debt due within one year	9,200	9,252	52	9,000	9,049	49
(3) Tenant leasehold and security deposits held in trust due within one year	-	-	-	190	190	(0)
(4) Investment corporation bonds	6,000	6,155	155	6,000	6,180	180
(5) Long-term debt	74,800	76,331	1,531	75,000	76,286	1,286
Liabilities total	¥ 93,500	¥ 95,241	¥ 1,741	¥ 93,690	¥ 95,212	¥ 1,521

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) Investment corporation bonds due within one year; (4) 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.

(2) Long-term debt due within one year; (5) 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.

(3) Tenant leasehold and security deposits held in trust due within one year

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.



**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2019 and July 31, 2018

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

	January 31, 2019	July 31, 2018
	(Millions of yen)	
Carrying amount		
(i) Tenant leasehold and security deposits	¥ 3,651	¥ 3,603
(ii) Tenant leasehold and security deposits held in trust	6,085	6,179

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, 2019			July 31, 2018		
	Cash and deposits with banks	Cash and deposits with banks held in trust	Total	Cash and deposits with banks	Cash and deposits with banks held in trust	Total
	(Millions of yen)					
Within one year	¥ 4,551	¥ 2,710	¥ 7,262	¥ 5,366	¥ 2,677	¥ 8,044
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, 2019				July 31, 2018			
	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	¥ -	¥ 3,500	¥ 9,200	¥ 12,700	¥ -	¥ 3,500	¥ 9,000	¥ 12,500
Within two years, but over one year	-	-	13,900	13,900	-	-	11,400	11,400
Within three years, but over two years	-	3,000	14,000	17,000	-	3,000	12,400	15,400
Within four years, but over three years	-	3,000	9,200	12,200	-	-	16,000	16,000
Within five years, but over four years	-	-	10,500	10,500	-	3,000	7,200	10,200
Over five years	-	-	27,200	27,200	-	-	28,000	28,000

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2019 and July 31, 2018

**18. Related party transactions**

Kazuyoshi Kashiwazaki, who holds no voting units of TOKYU REIT, is Executive Director of TOKYU REIT and Representative Director & President and Chief Executive Officer of Tokyu REIM, has entered into an asset management agreement subject to the conditions set forth in TOKYU REIT's Articles of Incorporation with TOKYU REIT. The amount of management fees incurred for the six months ended January 31, 2019 and July 31, 2018 and payable due to asset manager as of then were as follows:

	<u>January 31, 2019</u>	<u>July 31, 2018</u>
	(Millions of yen)	
Asset management fees for the period	¥ 595	¥ 578
Management fees payable due to asset manager	290	279

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2019 and July 31, 2018

**19. 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, 2019	July 31, 2018
	(Millions of yen)	
Carrying amount (Note 2)		
Balance at beginning of period	¥ 210,047	¥ 210,672
Change during the period (Note 3)	1,357	(625)
Balance at end of period	¥ 211,404	¥ 210,047
	As of January 31, 2019	As of July 31, 2018
	(Millions of yen)	
Fair value at end of period (Note 4)	¥ 270,500	¥ 263,730

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, 2019, the amount of increase is mainly attributable to acquisition of Lucid Square Ebisu (¥4,582 million) and REVE Nakameguro (land with leasehold interest) (¥1,162 million) and renovation of elevators of Setagaya Business Square and other capital expenditures (¥506 million), and the amount of decrease is mainly attributable to disposition of TOKYU REIT Kiba Building (¥3,861 million) and depreciation and amortization (¥1,014 million).

Of the change during the six months ended July 31, 2018, the amount of increase is mainly attributable to replacement of the air-conditioning equipment of Setagaya Business Square and other capital expenditures (¥413 million), and the amount of decrease is mainly attributable to depreciation and amortization (¥1,048 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, 2019 and July 31, 2018 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, 2019 and July 31, 2018

**20. Segment and related information**

**[Segment information]**

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

**[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, 2019**

Party	Operating revenues (Millions of yen)	Name of related segment
Related parties (Note)	¥ 1,134	Property Leasing Business

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

Party	Operating revenues (Millions of yen)	Name of related segment
Related parties (Note)	¥ 1,077	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%.

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2019 and July 31, 2018

## 21. Subsequent Events

### Exchanging of assets

A trust beneficiary interest exchange agreement was executed on March 8, 2019 for exchanging of the following assets.

#### (a) Asset Disposed through the Exchange

- (i) Type of asset: Trust beneficiary interest in domestic real estate
- (ii) Property name: KALEIDO Shibuya Miyamasuzaka
- (iii) Disposition price (Note 1): ¥7,780 million
- (iv) Contract date: March 8, 2019
- (v) Disposition date: March 28, 2019
- (vi) Purchaser: Tokyu Corporation
- (vii) Amount of difference between disposition price and book value:  
¥2,726 million (expected amount at date of disposition) (Note 2)

Note 1. 'Disposition price' is the amount exclusive of the expenses required for disposition of the asset (property-related taxes, etc.) and is identical to the price stated in the trust beneficiary interest exchange agreement.

Note 2. Reduction entry of the following assets for acquisition is scheduled to be implemented for part of the amount. For details, please refer to "(c) Other (2) Reduction entry" below.

#### (b) Assets Acquired through the Exchange

##### (1) Shibuya Dogenzaka Sky Building

- (i) Type of asset: Trust beneficiary interest in domestic real estate
- (ii) Property name: Shibuya Dogenzaka Sky Building
- (iii) Acquisition price (Note): ¥8,100 million
- (iv) Contract date: March 8, 2019
- (v) Acquisition date: March 28, 2019
- (vi) Seller: Tokyu Corporation

Note. 'Acquisition price' is the amount exclusive of the expenses required for acquisition of the asset (property-related taxes, etc.) and is identical to the price stated in the trust beneficiary interest exchange agreement.

##### (2) Tokyu Bancho Building (Additional Acquisition)

- (i) Type of asset: Quasi-co-ownership of trust beneficiary interest in domestic real estate
- (ii) Property name: Tokyu Bancho Building
- (iii) Acquisition ratio: 3.6% quasi-co-ownership interest of the 95.1% compartmentalized ownership interest of the trust beneficiary interest
- (iv) Acquisition price (Note): ¥1,040 million
- (v) Contract date: March 8, 2019
- (vi) Acquisition date: March 28, 2019
- (vii) Seller: Tokyu Corporation

Note. 'Acquisition price' is the amount exclusive of the expenses required for acquisition of the asset (property-related taxes, etc.) and is identical to the price stated in the trust beneficiary interest exchange agreement.

**TOKYU REIT, Inc.**  
**Notes to Financial Statements, continued**  
For the six months ended January 31, 2019 and July 31, 2018

**(c) Other**

**(1) Difference from the Exchange**

The difference from the exchange as computed by the amount of the difference between the acquisition price of Shibuya Dogenzaka Sky Building and Tokyu Bancho Building (Additional Acquisition) and the disposition price of KALEIDO Shibuya Miyamasuzaka (¥1,360 million) was paid to Tokyu Corporation, which is the counterparty of the exchange, on the date of the exchange.

**(2) Reduction Entry**

For the assets acquired through the exchange, a reduction entry of ¥2,685 million is scheduled to be implemented (through application of the provisions of “Inclusion in Deductible Expenses of the Depreciated Amount of Assets Acquired through Exchange” in Article 50 of the Corporation Tax Act). As such, the book values of the assets acquired prior to reflecting the various acquisition costs and such are expected to be ¥5,714 million for Shibuya Dogenzaka Sky Building and ¥739 million for Tokyu Bancho Building (Additional Acquisition).

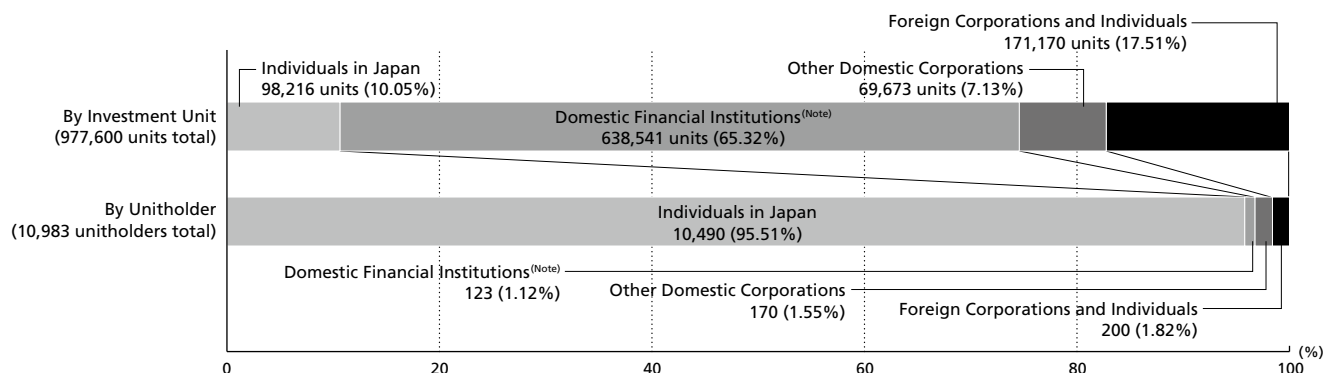
# Unitholder Information

## 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) Domestic Financial Institutions include Financial instruments dealers.

## Results Reporting Schedule

	Ended Jan. 2019 (FP 31)	Ending Jul. 2019 (FP 32)		Ended Jan. 2019 (FP 31)	Ending Jul. 2019 (FP 32)
Date of settlement	Jan. 31, 2019	Jul. 31, 2019	Delivery of investment management report (Japanese only)	Apr. 12, 2019	Mid. Oct. 2019
Announcement of financial results	Mar. 14, 2019	Mid Sep. 2019	Payment of cash distributions	Apr. 15, 2019	Mid. Oct. 2019

## 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

### Date for Finalizing General Meeting Voting Rights

As designated under Article 12 of the by-laws

### Newspaper for Posting Public Announcements

The Nikkei (Nihon Keizai Shimbun)

### 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

The Mitsubishi UFJ Trust and Banking Corporation

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 fiscal period ended July 2016 (FP 26) is on October 17, 2016 and for fiscal period ended January 2017 (FP 27) is on April 14, 2017.

## 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, 2019.

**TOKYU REIT**

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