



## Semi-Annual Report for the 6th Period

From June 1, 2014 to November 30, 2014

### Activia Properties Inc.

16-3, Dogenzaka 1-chome, Shibuya-ku, Tokyo <http://www.activia-reit.co.jp/english>

6<sup>th</sup>







## Semi-Annual Report for the 6th Period

From June 1, 2014 to November 30, 2014

### Cash Distributions (Result)

The 6th Period (November 30, 2014)

Cash distributions per unit

¥16,057

### Cash Distributions (Forecast)

The 7th Period (May 31, 2015)

Cash distributions per unit

¥16,246

The 8th Period (November 30, 2015)

Cash distributions per unit

¥16,432



Activia Properties Inc., to maximize unitholder value in the medium to long term, will select **properties that can expect stable and sustainable customer demand** at locations where people gather for corporate activities and urban recreation. We aim to **proactively manage** our properties by continually making improvements to meet expectations.

### Basic Policies of Activia Properties Inc.

- 1 To focus on investments in Urban Retail Properties and Tokyo Office Properties
- 2 To utilize the Tokyu Fudosan Holdings Group's comprehensive value chain support system
- 3 To establish a governance structure for maximizing unitholder value

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# Decided to Implement a Second Public Offering, Aiming to Maximize Our Unitholder Value

## Haruki Sakane

Activia Properties Inc.  
Executive Director  
TLC Activia Investment Management Inc.  
Representative Director and President



Activia Properties Inc. (API) closed the sixth period (from June 1, 2014 to November 30, 2014). Please let me convey my sincere gratitude to our unitholders for your understanding and support. I am pleased to report here an overview of our asset management and our operating results in the sixth period.

In the fiscal period under review, the Japanese economy has been showing firmness in the short

term. This is despite factors such as weak personal consumption, which was partially a result of recoiling demand in the aftermath of the surge in spending seen before the April 2014 consumption tax hike, along with unfavorable weather during the summer months. Although this soft patch is apt to linger for the time being, overall we expect the trajectory of moderate recovery to persist amid an ongoing trend

toward improvement of the employment and income environment, and also given the effects of various government measures. In the rental office market, the average vacancy rate of five central Tokyo wards (Chiyoda-ku, Minato-ku, Chuo-ku, Shibuya-ku and Shinjuku-ku) has improved. Vacancies are now hovering in 5% territory for the first time since 2009, five years ago, and reached 5.55% as of November 30, 2014, according to data published by Miki Shoji Co., Ltd. In the J-REIT market, acquisitions decreased in terms of both number and financial value following the start of 2014 due to harsh competition for acquisitions in the real estate transaction market. On the other hand, there were numerous publicly offered capital increases given an ongoing scenario of recovery in rent levels and a favorable environment for financing.

In these circumstances, we acquired OSAKI WIZTOWER in the category of Tokyo Office Properties (acquisition price: ¥10.7 billion) from the third party through the sourcing of TLC Activia Investment Management Inc., the asset manager.

As to occupancy rate, we maintained a high occupancy rate for Urban Retail and Tokyo Office Properties. Especially, the occupancy rate for Hitotsugi LIP which is one of Urban Retail Properties reached 100%, and also the occupancy rate for Tokyo Office Properties reached 100% at the end of

the sixth period. As a result, the total occupancy rate has remained at a high level of 99.9% at the end of the sixth period.

The results of the sixth period were ¥8,174 million for operating revenue, ¥4,594 million for operating income, ¥4,031 million for net income, and ¥16,057 for the distributions per unit, which exceeded our forecasts.

Further, we acquired Shiodome Building, Osaka Nakanoshima Building (a remaining 50% co-ownership interest), and Market Square Sagamihara (a total acquisition price: ¥41.0 billion) with ¥24.7 billion of equity and the borrowing through the second public offering in December 2014 (the seventh period).

Our portfolio size expanded to 30 properties with ¥282.6 billion (based on acquisition price) by the second public offering as of January 14, 2015.

From the seventh period and onwards, API will endeavor to maximize unitholders value over the medium to long term by pursuing external growth (acquisition of assets) and internal growth (maintaining high occupancy rate and upward rent revision) by leveraging the expertise and network of TLC Activia Investment Management Inc. as well as utilizing the value chain of the Tokyu Fudosan Holdings Group.

We respectfully ask for your continuous support. Thank you very much.

## Financial Highlights

	The 5th Period (May 31, 2014)	The 6th Period (November 30, 2014)
Operating revenue	¥7,778 million	¥8,174 million
Operating income	¥4,580 million	¥4,594 million
Ordinary income	¥3,998 million	¥4,032 million
Net income	¥3,997 million	¥4,031 million

	The 5th Period (May 31, 2014)	The 6th Period (November 30, 2014)
Total assets	¥242,609 million	¥253,407 million
Net assets	¥130,052 million	¥130,086 million
Unitholders' equity to total assets	53.6%	51.3%
Net assets per unit	¥518,009	¥518,143

# TOPICS

## 1 Acquisition of New Property

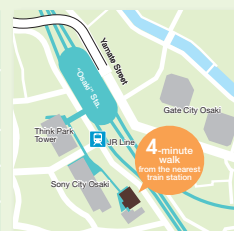
Acquired Tokyo Office Properties which is our focused investment

### Property Acquired in the 6th Period

#### TO-11 OSAKI WIZTOWER

- Located a 4-minute walking distance from “Osaki” station directly connected by the pedestrian deck.
- “Osaki” station is one of the terminal stations connecting to not only central Tokyo but also Yokohama and Saitama area by JR Yamanote Line, Saikyo Line, Shonan-Shinjuku Line, and Rinkai Line.
- Generously apportioned with a standard office floor area of 272 tsubo and 2,800 mm ceilings.
- Appealing to companies by equipped with BCP (Business Continuity Planning) facilities such as emergency power supplies enabling consecutive 48-hour electric power generation, in addition to the newest earthquake-resistant structure.

Location	Osaki, Shinagawa-ku, Tokyo
Nearest station	4-minute walk from Osaki station
Acquisition price	¥10,690 million
Appraisal value	¥11,200 million
NOI yield	4.6%

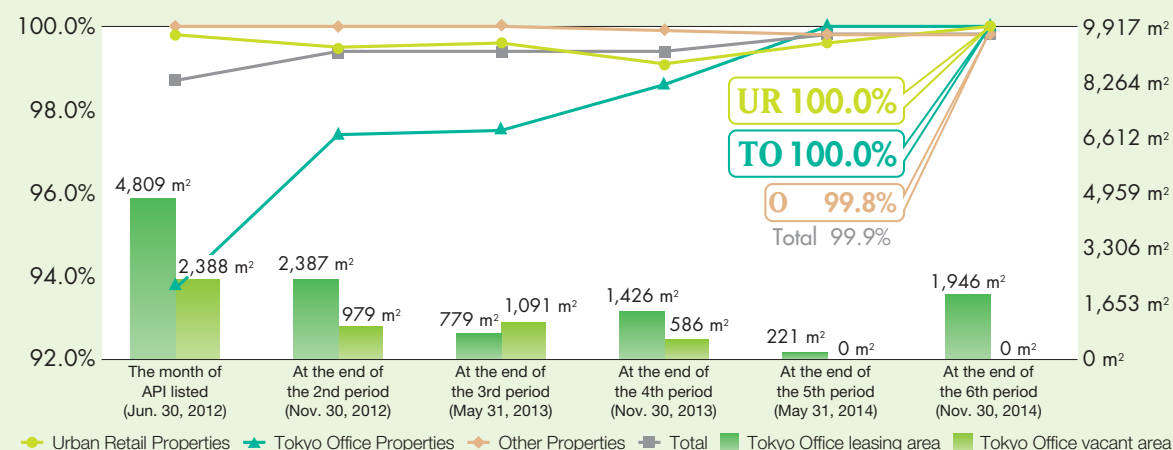


## 2 Maintaining High Occupancy Rate

Occupancy rate of Urban Retail and Tokyo Office Properties reached 100%

Portfolio average occupancy rate is maintained high at 99%. Especially, the occupancy rate for Urban Retail Properties reached 100% by lease-up for Hitotsugi LIP from an occupancy rate of 77.4% at the acquisition.

Trends of the occupancy rate for properties API held



## 3 Enhancing Environmental Initiatives

Acquired “Green Star” at GRESB 2014



API was highly evaluated especially in the aspects of “Management & Policy” and “Implementation & Measurement,” and designated as a “Green Star” company, a highest ranking of four categories, in the Global Real Estate Sustainability Benchmark (GRESB) survey conducted in 2014.

GRESB is an international organization consisted of the investors in Europe operating pension funds committed to assessing the sustainability performance of real estate portfolios.

Acquired DBJ Green Building Certification

#### TO-11 OSAKI WIZTOWER

OSAKI WIZTOWER was awarded five stars, the highest grade of DBJ Green Building Certification, on November 6, 2014.



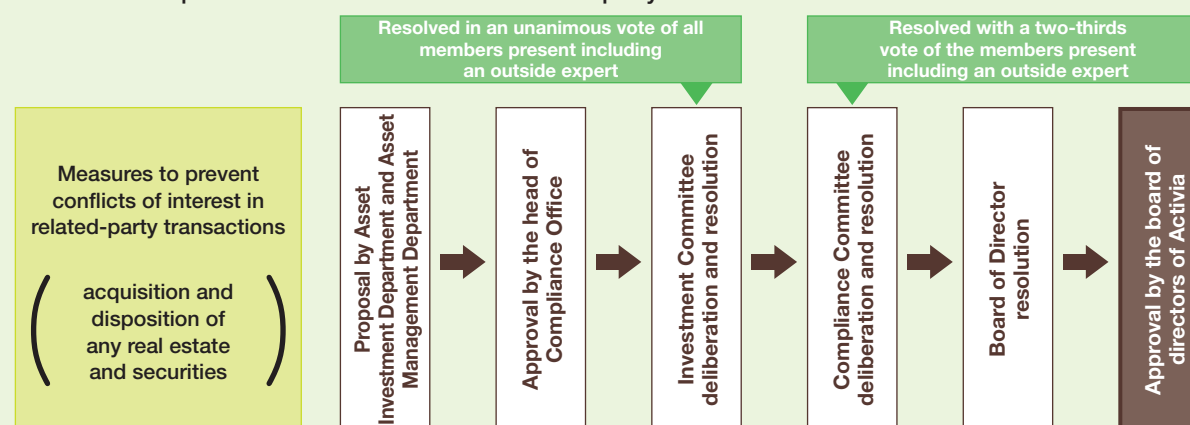
“DBJ Green Building Certification,” offered by Development Bank of Japan Inc. (DBJ), is a comprehensive evaluation system which has 5 ranks (from “one star” to “five stars”).

## 4 Strengthened Corporate Governance

All acquisitions and dispositions with a related-party must obtain approval of the board of directors of Activia Properties Inc.

One of our basic policies since IPO has been to pursue governance structure to maximize unitholder value. Starting from November 1, 2014, all acquisitions and dispositions with a related-party must obtain approval of the board of directors of Activia Properties Inc.

Measures to prevent conflicts of interest in related-party transactions





# TOPICS

## Public Offering and Acquisition of New Properties

Acquired 3 properties (total acquisition price: ¥41.0 billion) from Tokyu Fudosan Holdings Group, the sponsor, through the public offering. As a result, our assets under management (AUM) increased to ¥282.6 billion, including 12 properties (total acquisition price: ¥113 billion), which is 1.7 times the asset value of our initial portfolio in the approx. 2.5 years since the IPO.

**T0-12** Shiodome Building (15% co-ownership interest)



**O-7** Osaka Nakanoshima Building (remaining 50% co-ownership interest)



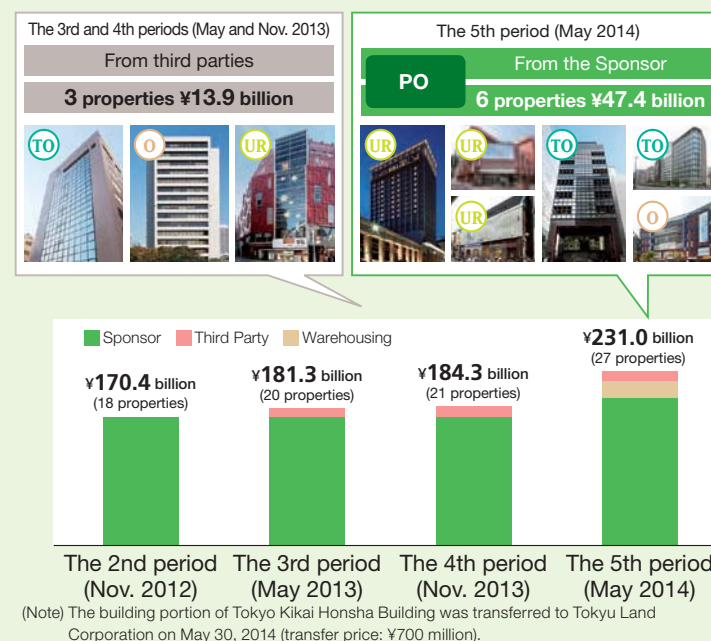
**O-9** Market Square Sagamihara



### Summary of Public Offering

Number of units to be issued	26,070 units Domestic primary offering: 13,500 units International offering: 10,550 units Third-party allotment: 2,020 units
Number of investment units after the issuance of new investment units	277,132 units
Offer price per unit	¥979,020
Issue price per unit	¥948,051
Total issue price	¥24.7 billion
Launch date	November 27, 2014
Pricing date	December 10, 2014
Payment date	Domestic primary offering: December 17, 2014 Third-party allotment: January 8, 2015

### Expanding Our Portfolio



¥400 billion

Aim to reach ¥400 billion by continuous external growth

### Continuous asset growth since IPO

The 2nd period  
¥170.4 billion

As of Jan. 14, 2015  
¥282.6 billion

Expanded our portfolio approx. 1.7 times in the approx. 2.5 years since the IPO

# Focus on Investments in Urban Retail Properties and Tokyo Office Properties

## Our Investment Objective



### Urban Retail Properties

Urban Retail Properties that are easily recognized and located either near major train stations or in popular areas in Tokyo, government-designated major cities within Japan's three major metropolitan areas and other major cities in Japan.



### Tokyo Office Properties

Office properties within the 23 wards of Tokyo in areas with a high concentration of offices and located near major train stations.



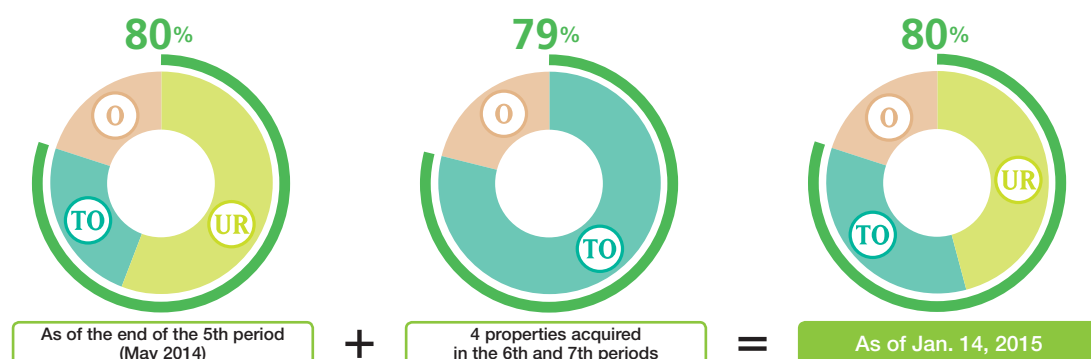
### Other Properties

To enhance the stability and profitability of our portfolio, we carefully select commercial facilities other than Urban Retail Properties and office buildings other than Tokyo Office Properties, assessing the attributes and competitiveness of each property.



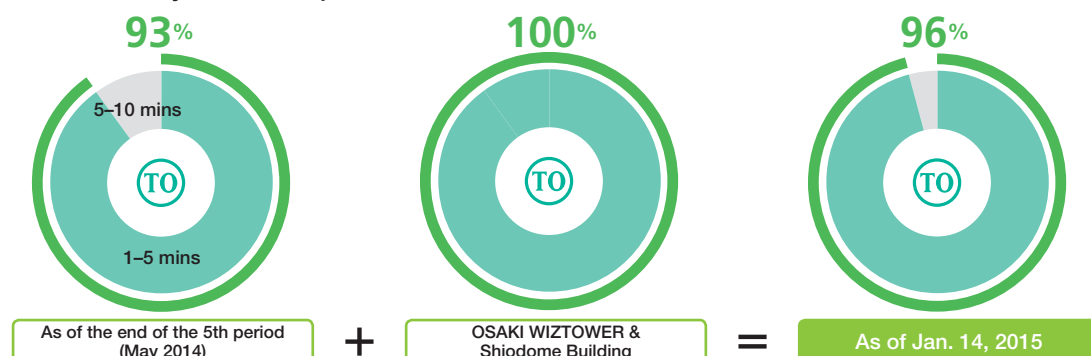
## Maintaining High Percentage of Urban Retail and Tokyo Office Properties

The relative portion of Urban Retail and Tokyo Office Properties



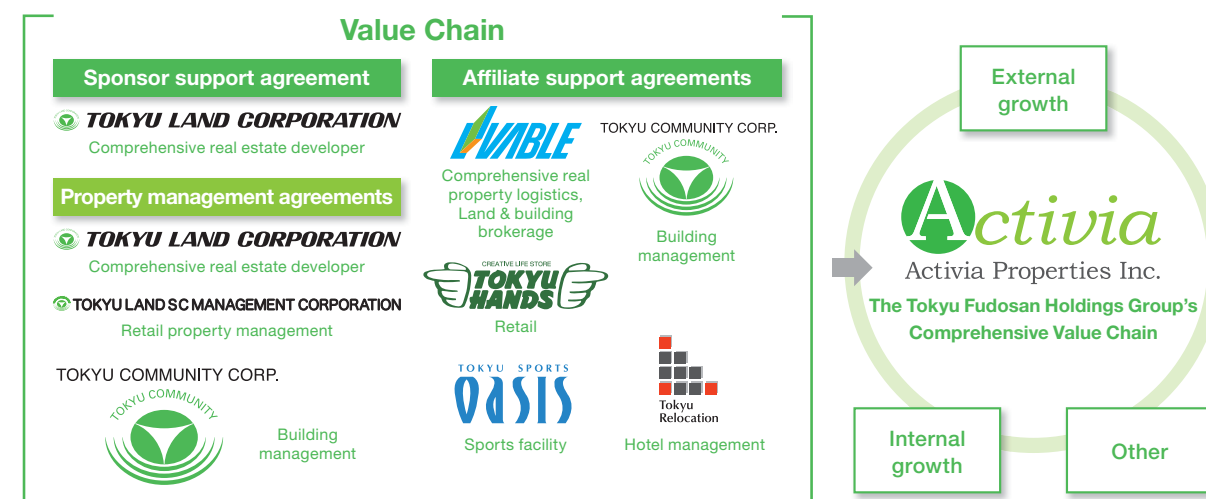
## Location

The ratio of Tokyo Office Properties located within a five-minute walk from the nearest station



# The Tokyu Fudosan Holdings Group's Comprehensive Value Chain

## Utilizing the Tokyu Fudosan Holdings Group's Value Chain and Expertise



## Utilizing the Unique Expertise of the Asset Manager



**TLC Activia Investment Management Inc.**

The staff mainly consists of members engaged in the development, operation, and management of retail properties and office properties for the Tokyu Fudosan Holdings Group.

- Can achieve external growth by utilizing the asset manager's unique expertise in acquiring properties as well as its information network
- Can establish an operation and management system suitable for each of our assets under management in consideration of the characteristics of each property

# Governance Structure to Maximize Unitholder Value

## Impartiality in Asset Acquisitions by a Third Party

Impartiality in asset acquisitions to avoid conflicts of interest and protect the interests of unitholders. Also, starting from November 1, 2014, all acquisitions and dispositions with a related-party must obtain approval of the board of directors of Activia Properties Inc.

## Alignment of the Interests of the Unitholders and Tokyu Land Corporation

We establish a co-opearte business structure by Tokyu Land Corporation's investment in us, and operate individual properties with Tokyu Land Corporation to align the interests between our unitholders and the sponsor.

## Management Fee System, Including Asset Management Fees Based on Distributions per Unit

Under our Articles of Incorporation and asset management agreement, the asset management fees that we pay to the asset manager partly depend on our distributions per unit. Asset management fees based on distributions per unit give the asset manager an incentive to maximize unitholder value.



# Financial Strategy

We have formed a basis for strong relationships with major lenders. Through stable long-term loans and maturity diversification, we will maintain sound financial base.

## Summary Financial Information

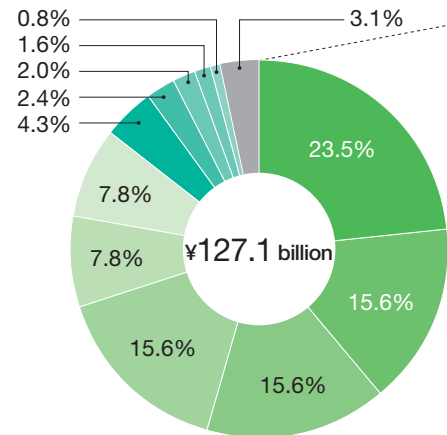
	The 5th period (May 2014)	The 6th period (November 2014)	As of Jan. 14, 2015
Interest-bearing debt outstanding	¥100,800 million	¥110,800 million	¥127,100 million
LTV (Note 1)	41.5%	43.7%	42.9%
Long-term borrowing ratio (Note 2)	97.0% (85.1%)	100.0% (83.8%)	96.9% (77.2%)
Fixed interest ratio (Note 3)	79.2%	77.4%	77.2%
Average remaining borrowing period	3.1 years	2.9 years	2.9 years
Average interest ratio (Note 3)	0.79%	0.76%	0.73%

(Note 1) Interest bearing debt / total assets ×100. Total assets as of Jan. 14, 2015 are the total assets as of the end of the 6th period and acquisition price of 3 properties acquired in the 7th period.

(Note 2) The number in the parentheses is the ratio excluding long-term borrowings to be repaid within a year.

(Note 3) In order to hedge the fluctuation of the interest rate payment, we entered the interest rate swap agreement for some borrowing and the above "Average interest rate" is calculated after fixing the interest rate.

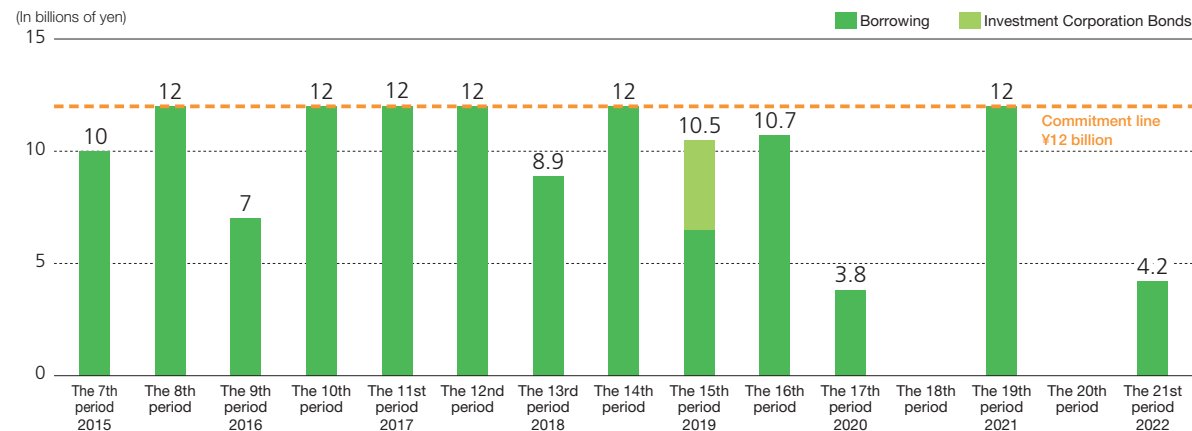
## Diversification of Lenders and Source of Interest-bearing Debt (As of Jan. 14, 2015)



Lenders	Debt (billion)	Ratio (%) (Note)
Sumitomo Mitsui Trust Bank, Limited	29.8	23.5
Mitsubishi UFJ Trust and Banking Corporation	19.8	15.6
Mizuho Bank, Ltd.	19.8	15.6
The Bank of Tokyo-Mitsubishi UFJ Ltd.	19.8	15.6
Sumitomo Mitsui Banking Corporation	9.9	7.8
Development Bank of Japan Inc.	9.9	7.8
Mizuho Trust & Banking Co., Ltd.	5.5	4.3
Resona Bank, Ltd.	3.0	2.4
Shinkin Central Bank	2.5	2.0
The Bank of Fukuoka, Ltd.	2.0	1.6
The Gunma Bank, Ltd.	1.0	0.8
Investment Corporation Bonds	4.0	3.1

(Note) The total of ratio will not be 100% due to the figures rounding to the first decimal place.

## Diversified Borrowing Maturity (As of Jan. 14, 2015)



## Ratings (As of Jan. 14, 2015)

Rating agency	Rating information	Rating	Outlook
Japan Credit Rating Agency (JCR)	Long-term issuer rating	AA-	Stable

# Portfolio List

(As of Jan. 14, 2015)

Category	Property number	Property name	Location	Acquisition price (In millions of yen)	Investment ratio	Total leasable area (m <sup>2</sup> )	Completion (Note 1)	Occupancy rate (Note 2)
	UR-1	Tokyu Plaza Omotesando Harajuku (Note 3)	Jingu-mae, Shibuya-ku, Tokyo	45,000	15.9%	4,904.55	Mar. 2012	100.0%
	UR-2	Tokyu Plaza Akasaka (Note 3)	Nagatacho, Chiyoda-ku, Tokyo	11,450	4.1%	16,620.48	Sep. 1969	100.0%
	UR-3	Ebisu Q Plaza	Ebisu, Shibuya-ku, Tokyo	8,430	3.0%	4,024.88	Aug. 2008	100.0%
	UR-4	Shinbashi Place	Shinbashi, Minato-ku, Tokyo	20,500	7.3%	9,156.01	Apr. 2008	100.0%
	UR-5	Kyoto Karasuma Parking Building	Motohononjicho, Nakagyo-ku, Kyoto	8,860	3.1%	21,616.04	Jul. 2006	100.0%
	UR-6	Hitotsugi LIP	Akasaka, Minato-ku, Tokyo	3,000	1.1%	2,280.22	Feb. 2008	100.0%
	UR-7	Kobe Kyu Kyoryuchi 25Bankan	Kyomachi, Chuo-ku, Kobe City, Hyogo	21,330	7.5%	19,653.90	Jan. 2010	100.0%
	UR-8	Tokyu Plaza Sapporo	Minami-Yonjo-Nishi, Chuo-ku, Sapporo City, Hokkaido	4,410	1.6%	21,229.16	May 1980	100.0%
	UR-9	Kamata Kosan Building	Udagawa-cho, Shibuya-ku, Tokyo	6,370	2.3%	3,413.80	Jun. 1988	100.0%
Urban Retail Properties				129,350	45.8%	102,899.04		100.0%
	TO-1	TLC Ebisu Building	Ebisu, Shibuya-ku, Tokyo	7,400	2.6%	7,342.60	Mar. 1993	100.0%
	TO-2	A-PLACE Ebisu Minami	Ebisu-minami, Shibuya-ku, Tokyo	9,640	3.4%	7,950.51	Jan. 1995	100.0%
	TO-3	A-PLACE Yoyogi	Sendagaya, Shibuya-ku, Tokyo	4,070	1.4%	3,106.17	Feb. 2007	100.0%
	TO-4	A-PLACE Aoyama	Kita-Aoyama, Minato-ku, Tokyo	8,790	3.1%	7,303.69	Sep. 1966	100.0%
	TO-5	Luogo Shiodome	Higashi-Shinbashi, Minato-ku, Tokyo	4,540	1.6%	4,476.35	Jul. 2004	100.0%
	TO-6	Tokyo Kikai Honsha Building (Land)	Shiba, Minato-ku, Tokyo	2,338 (Note 4)	0.8%	1,287.96	—	100.0%
	TO-7	A-PLACE Ikebukuro	Minami Ikebukuro, Toshima-ku, Tokyo	3,990	1.4%	3,409.73	Oct. 2011	100.0%
	TO-8	A-PLACE Shinbashi	Shinbashi, Minato-ku, Tokyo	5,650	2.0%	5,052.14	Mar. 1999	100.0%
	TO-9	A-PLACE Gotanda	Nishigotanda, Shinagawa-ku, Tokyo	5,730	2.0%	4,028.69	Feb. 2012	100.0%
	TO-10	A-PLACE Shinagawa	Konan, Minato-ku, Tokyo	3,800	1.3%	2,986.36	Sep. 1991	100.0%
	TO-11	OSAKI WIZTOWER	Osaki, Shinagawa-ku, Tokyo	10,690	3.8%	7,193.28	Jan. 2014	100.0%
	TO-12	Shiodome Building (Note 3)	Kaigan, Minato-ku, Tokyo	30,300	10.7%	12,058.31	Dec. 2007	—
Tokyo Office Properties				96,938	34.3%	66,195.79		100.0%
	O-1	Amagasaki Q's MALL (Land)	Amagasaki City, Hyogo	12,000	4.2%	27,465.44	—	100.0%
	O-2	icot Nakamozu	Sakai City, Osaka	8,500	3.0%	28,098.02	Jun. 2007	100.0%
	O-3	icot Kongo	Osakasayama City, Osaka	1,600	0.6%	17,884.55	Feb. 1977	100.0%
	O-4	icot Mizonokuchi	Kawasaki City, Kanagawa	2,710	1.0%	14,032.05	Jul. 1998	100.0%
	O-5	icot Tama Center	Tama City, Tokyo	2,840	1.0%	5,181.58	Mar. 2006	100.0%
	O-6	A-PLACE Kanayama	Nagoya City, Aichi	6,980	2.5%	9,314.91	Feb. 2009	100.0%
	O-7	Osaka Nakanoshima Building	Nakanoshima, (Existing) Kita-ku, Osaka City, Osaka (Additional) Total	5,250 5,850 11,100	1.9% 2.1% 3.9%	20,352.12	Mar. 1984	98.2%
	O-8	icot Omori	Omori-ku, Ota-ku, Tokyo	5,790	2.0%	6,209.79	Mar. 2007	100.0%
	O-9	Market Square Sagami-hara	Shimokuzawa, Chuo-ku, Sagami-hara City, Kanagawa	4,820	1.7%	15,152.42	Jun. 2014	—
Other Properties				56,340	19.9%	143,690.88		99.8%
Total				282,628	100.0%	312,785.71		99.9%

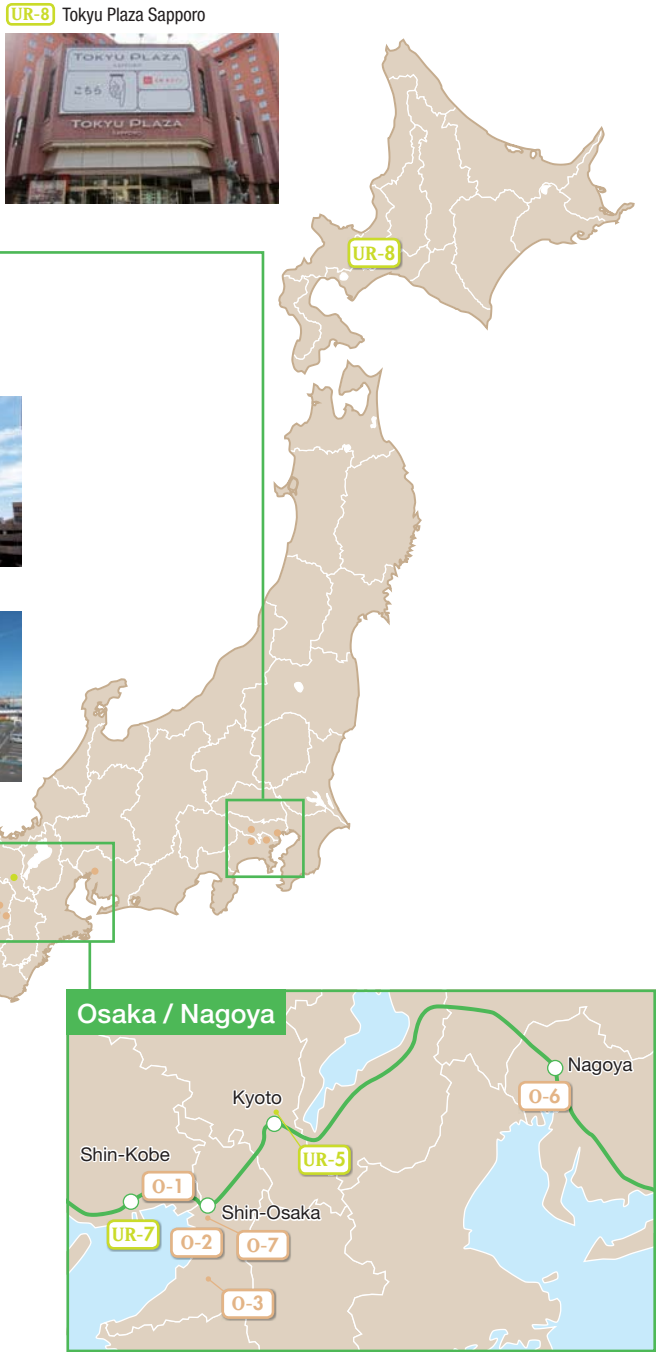
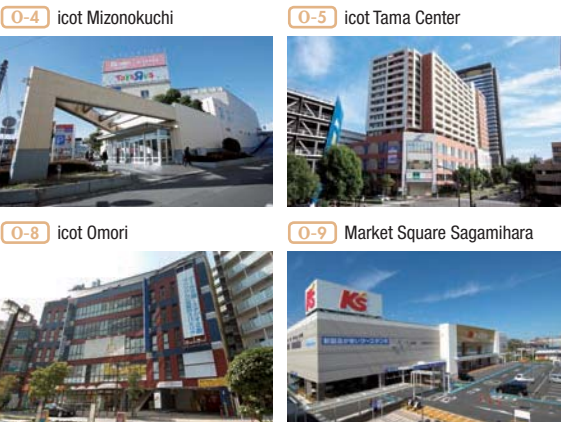
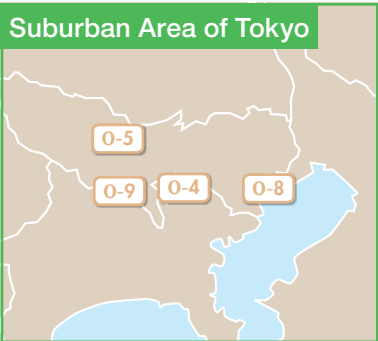
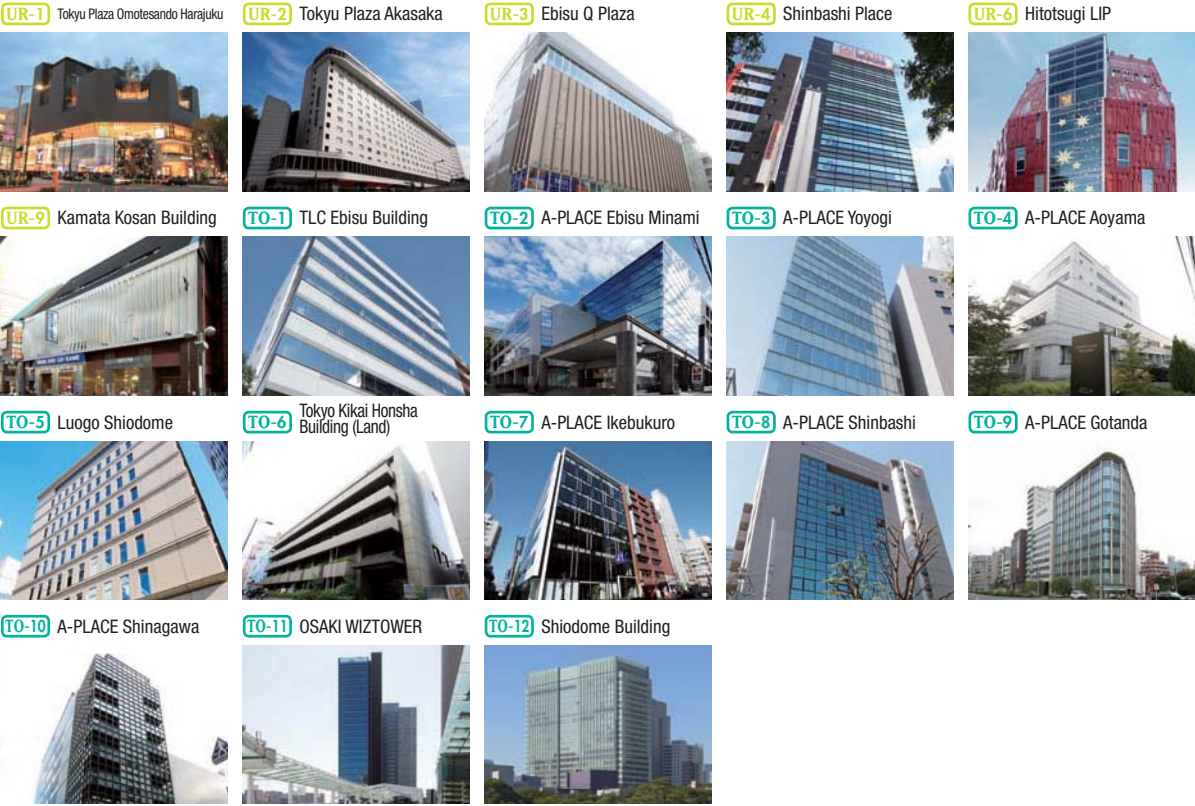
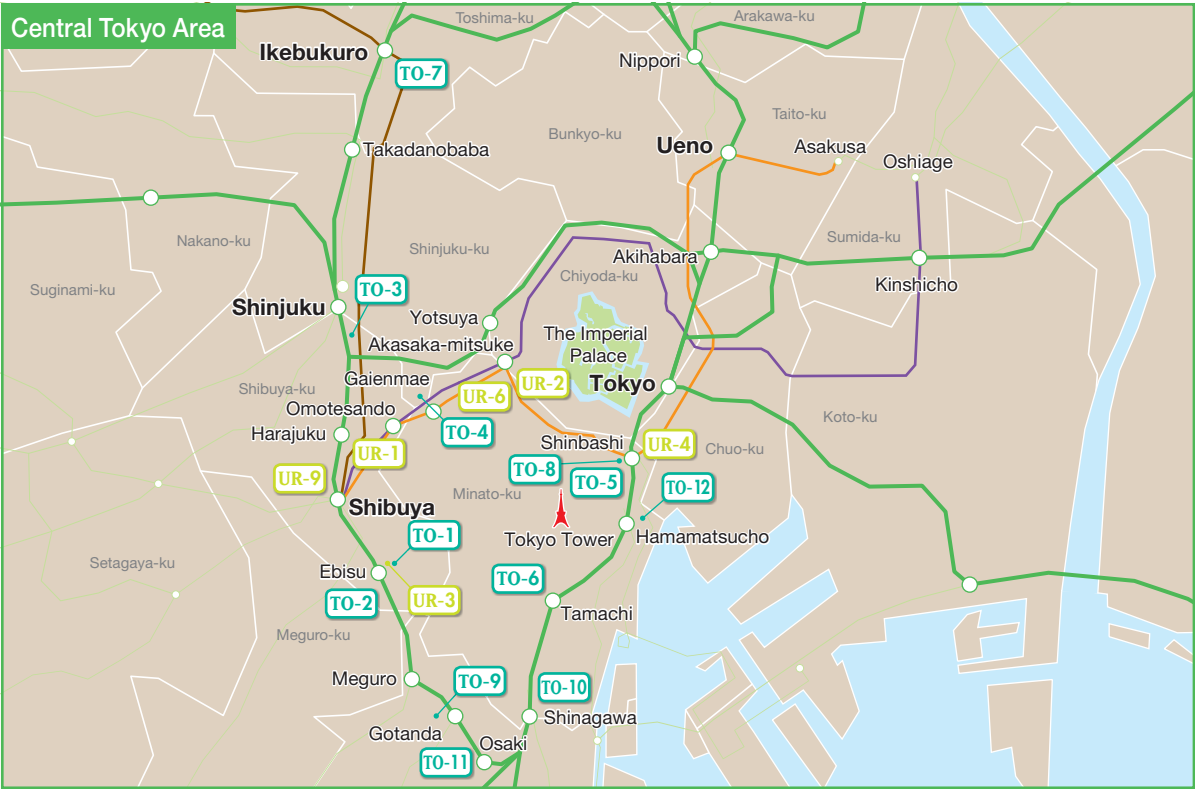
(Note 1) The month in the Completion column is based on the date of completion of the main building recorded on the registry. If there is more than one main building on the registry, the oldest date is chosen. However, as to A-PLACE Shinbashi and Kamata Kosan Building, the month in the completion is based on the date of inspection for completion of construction on the certification inspection.

(Note 2) The occupancy rate at the end of the period is calculated based on the total leasable area toward the relative portion of the total leasable area of each property as of the end of November 2014.

(Note 3) Tokyu Plaza Omotesando Harajuku and Tokyu Plaza Akasaka, and Shiodome Building, the co-ownership (*jun kyoyu-mochibun*) properties, are calculated based on the pro rata share (75%, 50% and 15%, respectively).

(Note 4) Acquisition price of Tokyo Kikai Honsha Building (Land) is the land price at the acquisition (June 13, 2012).

# Portfolio Map



(Note) Acquired remaining 50% co-ownership interest of Osaka Nakanoshima Building in addition to 50% co-ownership interest acquired on January 25, 2013.



## Properties Acquired in the 7th Period



### T0-12 Shiodome Building (15% co-ownership interest)

- Advantageously located at the south entrance of Shiodome Sio-Site, a vast redevelopment zone, and highly visible due to its proximity to JR Hamamatsucho station.
- Large office building with 24 floors above having a total building floor area of over 35,000 tsubo which was completed in December 2007.
- Highly competitive building with standard office floor area of more than 1,000 tsubo, a rarity in Tokyo, which meets a wide variety of tenants needs by dividing the floor space.



Location	Kaigan, Minato-ku, Tokyo
Nearest station	3-minute walk from Hamamatsucho station 3-minute walk from Daimon station
Share	15%
Acquisition price	¥30,300 million
Appraisal value	¥30,450 million
NOI yield	4.2%

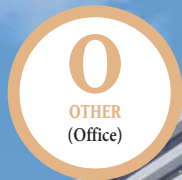


### 0-9 Market Square Sagamihara

- Opened in July 2014, as a new member of the Sponsor's Market Square brand that is part of the sponsor's nationwide brands such as Tokyu Plaza and Q's Mall.
- Tenants—a major home electronics retailer K's Denki, a major supermarket chain OK Store, and a well-known revolving sushi chain Hamazushi—cater to the needs of local area residents.
- Long-term leases (10 years or more) ensure stable cash flow.



Location	Shimokuzawa, Chuo-ku, Sagamihara City, Kanagawa
Nearest station	15-minute walk from Minamihashimoto station
Acquisition price	¥4,820 million
Appraisal value	¥4,820 million
NOI yield	5.5%



### 0-7 Osaka Nakanoshima Building (remaining 50% co-ownership interest)

- High traffic convenience with a 1-minute walking distance from Keihan Nakanoshima Line "Oebashi" station, and 5-minute walking distance from Osaka Municipal Subway Midosuji Line "Yodoyabashi" station.
- Nakanoshima has been a central part of Osaka since the Edo period, and a source of information and cultural trends, as well as a key administrative and financial area, since the Meiji era.
- Standard office floor is 421 tsubo. Leasable spaces are easily divided by consolidating office facilities in one area.



Location	Nakanoshima, Kita-ku, Osaka City, Osaka
Nearest station	1-minute walk from Oebashi station 5-minute walk from Yodoyabashi station
Share	50%
Acquisition price	¥5,850 million
Appraisal value	¥5,900 million
NOI yield	5.5%



### T0-11 OSAKI WIZTOWER

- Located a 4-minute walking distance from "Osaki" station directly connected by the pedestrian deck.
- "Osaki" station which is one of the terminal stations connecting to not only central Tokyo but also Yokohama and Saitama area by JR Yamanote Line, Saikyo Line, Shonan-Shinjuku Line, and Rinkai Line.
- Generously apportioned with a standard office floor area of 272 tsubo and 2,800 mm ceilings.
- Appealing to companies by equipped with BCP (Business Continuity Planning) facilities such as emergency power supplies enabling consecutive 48-hour electric power generation, in addition to the newest earthquake-resistant structure.



Location	Osaki, Shinagawa-ku, Tokyo
Nearest station	4-minute walk from Osaki station
Acquisition price	¥10,690 million
Appraisal value	¥11,200 million
NOI yield	4.6%





## Properties Acquired before the 5th Period

### Three advantages

- 1 The ability to attract a large number of customers, supported by population inflows into major cities and stable retail sales there
- 2 A large and diverse tenant pool, in response to diversifying consumer needs
- 3 Scarcity due to the relatively short supply of properties



### UR-1 Tokyu Plaza Omotesando Harajuku

Location: Jingu-mae, Shibuya-ku, Tokyo  
Acquisition price: ¥45,000 million

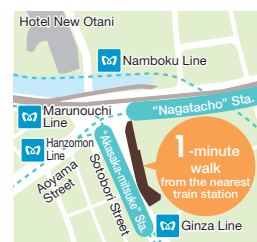
- Located at the crossing of Omotesando and Meiji Street, the center of Japan's fashion culture. It is an excellent location with strong branding effect for fashion shops.



### UR-2 Tokyu Plaza Akasaka

Location: Nagatacho, Chiyoda-ku, Tokyo  
Acquisition price: ¥11,450 million

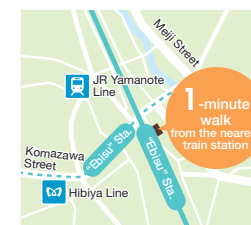
- Property is located in an area of Akasaka with a high concentration of restaurants, hotels and offices where many middle-aged office workers like to meet. The strong international flavor stems from the many foreign companies and embassies in this area. In the back of the site is the Nagatacho and Kasumigaseki areas.



### UR-3 Ebisu Q Plaza

Location: Ebisu, Shibuya-ku, Tokyo  
Acquisition price: ¥8,430 million

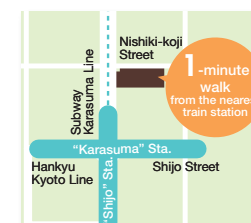
- Located in Ebisu area which is, unlike Shibuya or Daikanyama, well-known as the town for grown-ups. High-profile building located in front of a station with a large facade made of terracotta bars and glass.



### UR-5 Kyoto Karasuma Parking Building

Location: Motohononjicho, Nakagyo-ku, Kyoto  
Acquisition price: ¥8,860 million

- Located in Shijo-Karasuma area, which is one of Kyoto's most prominent city center areas. Highly important facility as it provides parking space to retail centers in the neighborhood such as Daimaru Kyoto and Takashimaya Kyoto.



### UR-4 Shinbashi Place

Location: Shinbashi, Minato-ku, Tokyo  
Acquisition price: ¥20,500 million

- 1-minute walking distance from convenient "Shinbashi" station, which is one of the busiest terminal stations in Japan. Versatile structure of the building allows various alternative uses including, but not limited to, use as offices for versatile coverage of diversified tenants' needs.



### UR-6 Hitotsugi LIP

Location: Akasaka, Minato-ku, Tokyo  
Acquisition price: ¥3,000 million

- Located a 3-minute and 5-minute walking distance from "Akasaka" station and "Akasaka-mitsuke" station, respectively.
- A highly visible commercial building on Hitotsugi-dori, the busiest street with the heaviest foot traffic in Akasaka.





## UR-7 Kobe Kyu Kyoryuchi 25Bankan

- Located in Kobe, a port city with long history and various historic sites / buildings. The Kyu Kyoryuchi area is one of the leading commercial districts in West Japan in terms of the number of visitors.
- Kobe Kyu Kyoryuchi 25Bankan is favorably located on the main street, Nakamachi-dori with a high demand for its favorable location near Daimaru Kobe, Bank of Japan Kobe Branch and Kobe City Museum.
- Kobe Luminarie, a light festival illuminating the area around Kyu Kyoryuchi, is held every December.



Three advantages

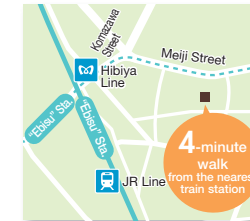
- 1 Solid tenant demand due to the concentration of corporate entities
- 2 Relatively low vacancy rates and stable occupancy rates compared with properties in other major cities in Japan
- 3 A large stock of leased office properties and higher liquidity



## TO-1 TLC Ebisu Building

Location: Ebisu, Shibuya-ku, Tokyo  
Acquisition price: ¥7,400 million

- The building is in the high-profile area of Ebisu, which has the highest concentration of office buildings in this area. Compared with other buildings in the neighborhood, its large floor size of approx. 805 m<sup>2</sup> on standard floors makes it highly competitive.



## TO-2 A-PLACE Ebisu Minami

Location: Ebisu-Minami, Shibuya-ku, Tokyo  
Acquisition price: ¥9,640 million

- Located within 4-minute walking distance from "Ebisu" station, which attracts high traffic. Considering the high traffic of Ebisu area, demand by IT companies including software developers, apparel companies, as well as service providers such as restaurants, beauty salons & clinics and schools is quite high.



## UR-8 Tokyu Plaza Sapporo

- "Sapporo Tokyu Inn" is one of the largest hotels in Sapporo. Opened in 1980, the hotel has a total of 575 guest rooms.
- Located in "Susukino," the most popular entertainment district in Hokkaido and one of Japan's major tourist spots.
- Conveniently located in 2-minute walking distance from "Susukino" station on Sapporo Namboku Line.



## UR-9 Kamata Kosan Building

- The property is located in the Shibuya area, one of the major commercial districts and the fashion centers for "younger generations."
- "Shibuya" station has improved since the extension of the Tokyu Toyoko Line and the Subway Fukutoshin Line. The area is expected to further develop through a planned large-scale redevelopment project.



## TO-3 A-PLACE Yoyogi

Location: Sendagaya, Shibuya-ku, Tokyo  
Acquisition price: ¥4,070 million

- Highly visible building standing along the roadside of Meiji Street and is within walking distance from "Shinjuku" station. Approx. 346 m<sup>2</sup> astylar space on one floor allows highly efficient space usage.



## TO-4 A-PLACE Aoyama

Location: Kita-Aoyama, Minato-ku, Tokyo  
Acquisition price: ¥8,790 million

- Building has strong competitive advantages compared with the office buildings in the neighborhood due to its large size. Large-scale renovation of the building including seismic strengthening was completed in 2008.







### TO-5 Luogo Shiodome

Location: Higashi Shinbashi, Minato-ku, Tokyo  
Acquisition price: ¥4,540 million



### TO-7 A-PLACE Ikebukuro

Location: Minami Ikebukuro, Toshima-ku, Tokyo  
Acquisition price: ¥3,990 million



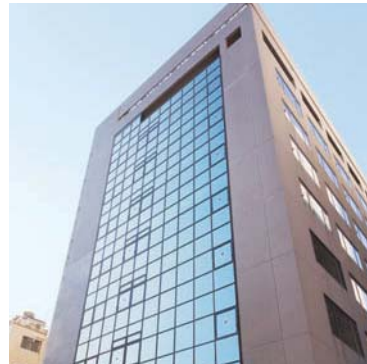
### TO-9 A-PLACE Gotanda

Location: Nishigotanda, Shinagawa-ku, Tokyo  
Acquisition price: ¥5,730 million



### TO-6 Tokyo Kikai Honsha Building (Land)

Location: Shiba, Minato-ku, Tokyo Acquisition price: ¥2,338 million  
(Note) Based on the acquisition price of the land as of acquisition date (June 13, 2012).



### TO-8 A-PLACE Shinbashi

Location: Shinbashi, Minato-ku, Tokyo  
Acquisition price: ¥5,650 million



### TO-10 A-PLACE Shinagawa

Location: Konan, Minato-ku, Tokyo  
Acquisition price: ¥3,800 million

Focused points

Retail properties  
Office properties

- ① A large population in the trade area
  - ② Good access to the nearest station or arterial roads
  - ③ Key tenant lease terms in the medium to long term
- Competitiveness in the surrounding area



### 0-1 Amagasaki Q's MALL (Land)

Location: Shioe, Amagasaki City, Hyogo  
Acquisition price: ¥12,000 million



### 0-3 icot Kongo

Location: Handa, Osakasayama City, Osaka  
Acquisition price: ¥1,600 million



### 0-5 icot Tama Center

Location: Ochiai, Tama City, Tokyo  
Acquisition price: ¥2,840 million



### 0-7 Osaka Nakanoshima Building

Location: Nakanoshima, Kita-ku, Osaka City, Osaka  
Acquisition price: ¥11,100 million (Note)  
(Note) Including ¥5,850 million for the second acquisition on December 19, 2014.



### 0-2 icot Nakamozu

Location: Nakamozu Town Kita-ku, Sakai City, Osaka  
Acquisition price: ¥8,500 million



### 0-4 icot Mizonokuchi

Location: Mizonokuchi, Takatsu-ku, Kawasaki City, Kanagawa  
Acquisition price: ¥2,710 million



### 0-6 A-PLACE Kanayama

Location: Kanayama, Naka-ku, Nagoya City, Aichi  
Acquisition price: ¥6,980 million



### 0-8 icot Omori

Location: Omorikita, Ota-ku, Tokyo  
Acquisition price: ¥5,790 million



# Summary of Activia Properties Inc.

## Structure



## Profile

Name	Activia Properties Inc.
Executive Director	Haruki Sakane
Address	16-3 Dogenzaka 1-chome, Shibuya-ku, Tokyo
Contact	TLC Activia Investment Management Inc. Tel. +81-3-6415-3120
Closing date	May 31 and November 30

## History

Sep. 7, 2011	Registration of incorporation, and foundation under Article 166 of the Act on Investment Trusts and Investment Corporations
Sep. 20, 2011	Implementation of registration by the prime minister under Article 189 of the Act on Investment Trusts and Investment Corporations (registration number: Director of Kanto Local Finance Bureau No. 73)
Jun. 13, 2012	Listed on the J-REIT section of the Tokyo Stock Exchange (securities code: 3279)

# Summary of the Asset Manager

## Summary of the Asset Manager

Corporate name	TLC Activia Investment Management Inc.	Shareholder	Tokyu Land Corporation 100%
Established on	November 15, 2010	Representative Director and President	Haruki Sakane
Capital	¥300 million	Registration & License	Real estate agent license (Governor of Tokyo (1) No. 92551) Discretionary Transaction Agent License (Minister of Land, Infrastructure and Transportation Approval No. 67) Licensed Financial Instrument Trader ( <i>kinsho</i> ) Kanto Local Finance Bureau License No. 2551 Member of the Investment Trusts Association, Japan (general incorporated association)

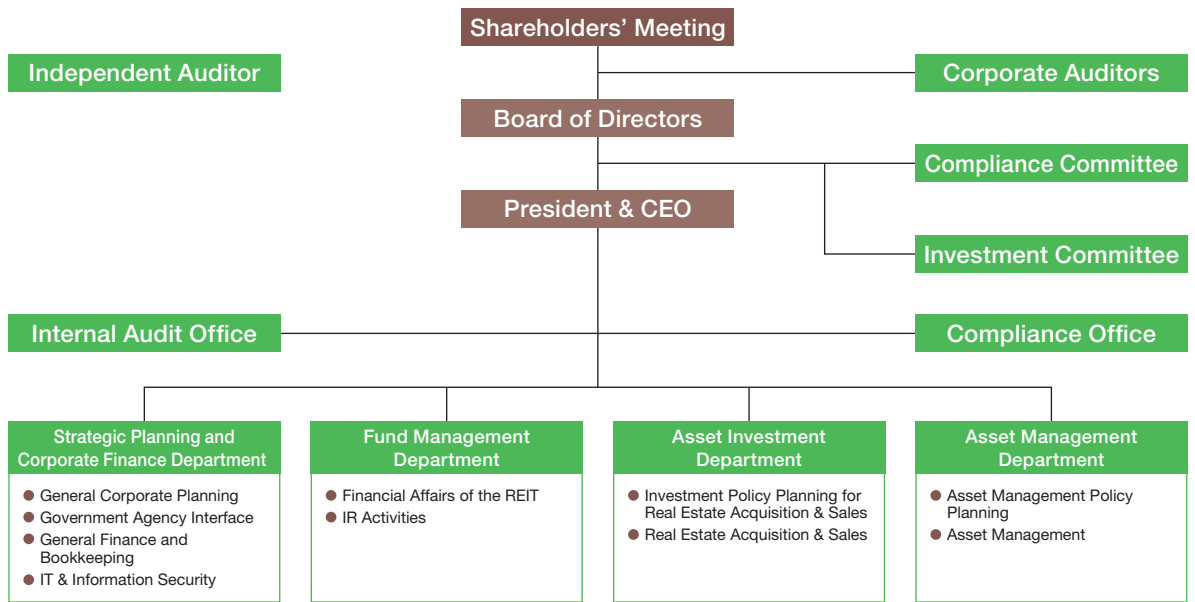
## The DNA of the Tokyu Land Corporation

The frontier spirit and development capacity of the Tokyu Land Corporation, growing its business mainly in the Tokyo Metropolitan area and major cities in Japan, have become ingrained in the entire Group. Tokyu Land Corporation has always been ahead of the times in responding to customer needs, being the first to develop a multi-use facility “Tokyu Plaza” in front of a train station and to pioneer the “Tokyu Hands” lifestyle products specialty retailer. With professionals who have developed experience in many different Tokyu Fudosan Holding Group’s divisions involved in J-REIT asset management, we answer the needs of all of our unit holders.

## Corporate Culture

Our professionals are expected to be proactive (to take the initiative, to anticipate events, and to make things better than they were before). As an asset management company, we focus our attention on the operation and management of individual properties, as well as on the changing market conditions (real estate transaction markets, real estate rental markets, financial markets). By responding quickly to opportunities, we can engage in long-term, stable asset management.

## Asset Manager Organizational Chart



## Asset Management Report for the 6th Fiscal Period (Semi-Annual Report)

From June 1, 2014 to November 30, 2014

I.	Asset Management Report
II.	Balance Sheets
III.	Statements of Income
IV.	Statements of Unitholders' Equity
V.	Notes to Financial Statements
VI.	Statements Related to Distributions Paid
VII.	Statements of Cash Flows (Reference Information)

Activia Properties Inc.  
16-3 Dogenzaka 1-chome,  
Shibuya-ku, Tokyo

## I. Asset Management Report

### 1. Review of Asset Management

#### (1) Investment Performance of the Investment Corporation

Fiscal period		2nd period	3rd period	4th period	5th period	6th period
Business period		From June 1, 2012 to November 30, 2012	From December 1, 2012 to May 31, 2013	From June 1, 2013 to November 30, 2013	From December 1, 2013 to May 31, 2014	From June 1, 2014 to November 30, 2014
Operating revenue	(In millions of yen)	5,194	5,803	6,124	7,778	8,174
[Rent revenue-real estate]	(In millions of yen)	[4,889]	[5,453]	[5,712]	[7,237]	[7,544]
Operating expenses	(In millions of yen)	1,696	1,951	2,482	3,198	3,580
[Expenses related to rent business]	(In millions of yen)	[1,278]	[1,435]	[1,975]	[2,632]	[2,937]
Operating income (loss)	(In millions of yen)	3,498	3,851	3,642	4,580	4,594
Ordinary income (loss)	(In millions of yen)	2,923	3,479	3,187	3,998	4,032
Net income (loss)	(In millions of yen)	2,922	3,478	3,186	3,997	4,031
Net assets	(In millions of yen)	94,234	94,852	94,560	130,052	130,086
[Change from the previous period]	(%)	[—]	[0.7]	[−0.3]	[37.5]	[0.0]
Total assets	(In millions of yen)	180,066	188,837	191,841	242,609	253,407
[Change from the previous period]	(%)	[—]	[4.9]	[1.6]	[26.5]	[4.5]
Unitholders' capital	(In millions of yen)	91,373	91,373	91,373	126,054	126,054
Number of units issued and outstanding	(Units)	205,262	205,262	205,262	251,062	251,062
Net assets per unit	(Yen)	459,095	462,103	460,680	518,009	518,143
Total distributions	(In millions of yen)	2,860	3,478	3,186	3,997	4,031
Net income (loss) per unit (Note 1)	(Yen)	15,153 [14,244]	16,946	15,522	16,194	16,056
Cash distributions per unit						
[Profit distributions per unit]	(Yen)	[13,938]	[16,946]	[15,523]	[15,922]	[16,057]
[Distributions per unit in excess of profit]	(Yen)	[—]	[—]	[—]	[—]	[—]
Ordinary income to total assets (Note 2)	(%)	3.2	1.9	1.7	1.8	1.6
Return on unitholders' equity (Note 2)	(%)	6.2	3.7	3.4	3.6	3.1
Unitholders' equity to total assets (Note 2)	(%)	52.3	50.2	49.3	53.6	51.3
[Change from the previous period]		[−45.3]	[−2.1]	[−0.9]	[4.3]	[−2.3]
Payout ratio (Note 2)	(%)	97.9	99.9	100.0	99.9	100.0
[Other reference]						
Number of properties	(Properties)	18	20	21	27	28
Total leasable area (Note 3)	(m <sup>2</sup> )	196,296.20	211,543.78	213,787.15	268,207.86	275,398.92
Occupancy rate at end of period	(%)	99.4	99.4	99.4	99.8	99.9
Depreciation	(In millions of yen)	452	487	518	739	762
Capital expenditure	(In millions of yen)	84	149	108	114	165
NOI (Note 2)	(In millions of yen)	4,373	4,858	4,668	5,889	6,000

(Note 1) Net income (loss) per unit is calculated by dividing net income (loss) by the day-weighted average number of investment units for the period (192,832 units for the fiscal period ended November 30, 2012, and 205,262 units for the fiscal periods ended May 31, 2013 and November 30, 2013, respectively, and 246,842 units and 251,062 units for the fiscal periods ended May 31, 2014 and the fiscal period ended November 30, 2014, respectively). For the fiscal period ended November 30, 2012, net income per unit which is calculated based on day-weighted average number of investment units (205,141 units) assuming that the fiscal period started on June 13, 2012, the actual start date of asset management, is also provided in square brackets.

(Note 2) The stated indicators are calculated as follows:

Ordinary income to total assets	Ordinary income (loss) / Average net assets × 100
Return on unitholders' equity	Net income (loss) / Average net assets × 100
Unitholders' equity to total assets	Net assets / Total assets × 100
Payout ratio	Total distributions / Net income × 100 (the payout ratio is calculated based on the above formula, rounding to the nearest tenth.)
NOI	Income from real estate leasing business (rent revenues-real estate + other rent business revenue - expenses related to rent business) + depreciation + loss on retirement of non-current assets

(Note 3) The total leasable area is equal to gross floor area of leasable space in each property other than properties for which we acquire only land, based on the lease agreements for building or floor plans as of the end of each fiscal period. Total leasable area for properties for which we acquire only land is based on the lease agreement for land or land plans as of the end of each fiscal period. As for Tokyo Plaza Omotesando Harajuku, Tokyo Plaza Akasaka and Osaka Nakanoshima Building, the figures are in proportion to the pro rata share of our trust beneficiary co-ownership interests (*jun kyōyū-mochibun*) (75% , 50% and 50%, respectively).



## (2) Asset Management during the Fiscal Period under Review

### 1) Transition of Investment Corporation

Activia Properties Inc. (hereinafter referred to as the “Investment Corporation”) was established on September 7, 2011, with unitholders’ capital of ¥200 million (400 units) and TLC Township Inc. (currently TLC Activia Investment Management Inc.) as the organizer under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, including subsequent revisions), and completed its registration in the Kanto Local Finance Bureau on September 20, 2011 (Director-General of the Kanto Local Finance Bureau No. 73).

After that, the Investment Corporation was listed on the real estate investment trust securities market of Tokyo Stock Exchange, Inc. (Securities code 3279) on June 13, 2012. On December 16, 2013, the Investment Corporation carried out its first publicly offered capital increase after the listing, and on January 15, 2014, it carried out a private placement.

“Activia” of “Activia Properties,” the name of the Investment Corporation, has been coined from the words “activate” and “ia,” a suffix meaning “place.” By investing in and managing real estate appropriate to its name, the Investment Corporation seeks to become an entity capable of broadly energizing society. The Investment Corporation will also select real estate capable of sustaining customer demand as a location for both corporate activities and urban recreation in popular areas, with the aim of maximizing the medium- and long-term value of unitholders, supported by its proactive management (management to improve the circumstances by taking initiatives and acting for the future).

In the fiscal period under review, which ended on November 30, 2014, the Investment Corporation acquired the OSAKI WIZTOWER, on June 24, 2014, which is categorized as its focused investment properties, “Tokyo Office Properties,” through a direct transaction with a third party. Consequently, the Investment Corporation held 28 properties (with the total acquisition price of ¥241,658 million) at the end of the fiscal period under review.

### 2) Investment Environment and Investment Performance

In the fiscal period under review, the Japanese economy has been showing firmness in the short term. This is despite factors such as weak personal consumption which was partially a result of recoiling demand in the aftermath of the surge in spending seen before the April 2014 consumption tax hike along with unfavorable weather during the summer months. Although this soft patch is apt to linger for the time being, overall we expect the trajectory of moderate recovery to persist amid an ongoing trend toward improvement of the employment and income environment, and also given the effects of various government measures.

In the environment surrounding retail properties, positive consumer sentiment appears to have stalled. This was reflected in the Monthly Consumer Confidence Survey released by the Economic and Social Research Institute, Cabinet Office, Government of Japan, in which the consumer confidence index declined for three consecutive months from August 2014. On the other hand, sales of retailers increased 1.4% in October compared with the same month of the previous year, after having shifted to positive territory in July and subsequent months, according to the Current Survey of Commerce released by the Ministry of Economy, Trade and Industry. Moreover, the amount of tourism consumption by overseas visitors to Japan from July to September 2014 increased by 41.2% year on year, according to the Consumption Trend Survey for Foreigners Visiting Japan released in October by the Japan Tourism Agency of the Ministry of Land, Infrastructure, Transport and Tourism. Going forward, we anticipate an ongoing scenario of increasing hotel occupancy rates and growing consumption brought on by a greater numbers of visitors to Japan from overseas as the trend toward a weaker yen gains further momentum spurred largely by further monetary easing from the Bank of Japan. In the rental office market, the average vacancy rate of five central Tokyo wards (Chiyoda-ku, Minato-ku, Chuo-ku, Shibuya-ku and Shinjuku-ku) has improved. Vacancies are now hovering in 5% territory for the first time since 2009, five years ago, and reached 5.55% as of November 30, 2014, down from 6.52% on May 31, 2014, according to data published by Miki Shoji Co., Ltd. Rent levels are also improving, with market rent prices for existing buildings rising for the fifth consecutive month during the period under review. This upturn in the market is evident also in the major cities of Osaka and Nagoya. In the J-REIT market, acquisitions decreased in terms of both number and financial value following the start of 2014 due to harsh competition for acquisitions in the real estate transaction market. On the other hand, there were numerous publicly offered capital increases given an ongoing scenario of recovery in rent levels and a favorable environment for financing.

In this situation, the Investment Corporation acquired beneficiary rights of real estate in trust on June 24, 2014 to OSAKI WIZTOWER (sectional ownership interest of fourth to eleventh floors) (with the

acquisition price of ¥10,690 million) as trust assets with borrowings in accordance with the basic asset management policy set forth in the Articles of Incorporation.

Consequently, total assets held by the Investment Corporation at the end of the fiscal period under review were 28 properties (with the total acquisition price of ¥241,658 million) with the total leasable area of 275,398 m<sup>2</sup> (83,308 *tsubo*).

### Overview of Financing

In the fiscal period under review, funds of ¥10,000 million were borrowed mainly to cover acquisition costs for beneficiary rights of real estate in trust for the one property noted above and related costs. Meanwhile, borrowings of ¥6,000 million and ¥3,000 million were refinanced in June 2014 and August 2014, respectively, and we worked to otherwise maintain a stable financial base through moves that included reducing interest costs and diversifying repayment dates on interest-bearing debt. As a result, the ratio of interest-bearing debt to total assets (LTV = Balance of interest-bearing debt / Total assets x 100) was 43.7% as of the end of the fiscal period under review. The ratio of long-term debt and fixed-interest debt to total interest-bearing debt were 100.0% and 77.4%, respectively.

The credit rating the Investment Corporation has obtained as of the end of the fiscal period under review is as follows. This investment unit does not have a credit rating provided by a credit rating agency at the Investment Corporation’s request; or a credit rating made available for inspection or one provided by a credit rating agency; or a credit rating scheduled to be made available for inspection.

Rating agency	Rating	Forecast
Japan Credit Rating Agency (JCR)	Long-term issuer rating: AA —	Stable

### 3) Overview of Financial Results and Distributions

As a result of the above-mentioned investments, operating revenue, operating income, and ordinary income were ¥8,174 million, ¥4,594 million, and ¥4,032 million, respectively, for the fiscal period under review, and net income was ¥4,031 million.

In accordance with the distribution policy set forth by the Investment Corporation (Article 35 of the Articles of Incorporation), it was decided that all the amount of unappropriated retained earnings would be distributed except a fraction of less than ¥1 of distributions per investment unit, with the aim that as much as possible of the distributions of profits would be included in tax deductible expenses under Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, including subsequent revisions; hereinafter referred to as the “Special Taxation Measures Act”). Consequently, distributions per investment unit resulted in ¥16,057.

### (3) Capital Increase, etc.

There is no capital increases, etc. for the fiscal period under review. The overview of capital increases, etc. in and before the previous fiscal period is as follows:

Date	Summary	Number of investment units issued		Total unitholders’ capital (In millions of yen)		Remarks
		Increase	Total	Increase	Total	
September 7, 2011	Private placement establishment	400	400	200	200	(Note 1)
June 12, 2012	Capital increase through public offering	204,100	204,500	90,834	91,034	(Note 2)
July 10, 2012	Capital increase through third-party allotment	762	205,262	339	91,373	(Note 3)
December 16, 2013	Capital increase through public offering	43,100	248,362	32,636	124,010	(Note 4)
January 15, 2014	Capital increase through third-party allotment	2,700	251,062	2,044	126,054	(Note 5)

(Note 1) The Investment Corporation was established through an investment of Tokyu Land Corporation, which underwrote the investment units with an offer price per unit of ¥500,000.

(Note 2) New investment units were issued by public offering with an offering price per unit of ¥460,000 (issue price of ¥445,050 per unit) in order to raise funds for the acquisition of new properties, etc., and then investment operations were commenced.

(Note 3) New investment units were issued with an issue price of ¥445,050 per unit and underwritten by Nomura Securities Co., Ltd.

(Note 4) New investment units were issued by public offering with an offering price per unit of ¥782,925 (issue price of ¥757,229 per unit) in order to raise funds for the acquisition of new properties, etc., and then investment operations were commenced.

(Note 5) New investment units were issued with an issue price of ¥757,229 per unit and underwritten by Nomura Securities Co., Ltd.

#### Fluctuation in market price of the investment securities

The market price of the investment securities on Tokyo Stock Exchange REIT Market fluctuated during each fiscal period as follows:

(Yen)

Fiscal period	2nd period	3rd period	4th period	5th period	6th period
Business period	From June 1, 2012 to November 30, 2012	From December 1, 2012 to May 31, 2013	From June 1, 2013 to November 30, 2013	From December 1, 2013 to May 31, 2014	From June 1, 2014 to November 30, 2014
Highest price	557,000	976,000	860,000	877,000	981,000
Lowest price	440,500	501,000	655,000	777,000	834,000

#### (4) Distributions, etc.

The Investment Corporation intends to distribute all of unappropriated retained earnings at the end of the period, except for fractional distribution per unit less than ¥1 with the distributions to be treated as a tax-allowable deduction as defined in Article 67-15 of the Special Taxation Measures Act of Japan. As a result, cash distributions per unit for the six months ended November 30, 2014 amounted to ¥16,057.

Fiscal period	2nd period	3rd period	4th period	5th period	6th period
Business period	From June 1, 2012 to November 30, 2012	From December 1, 2012 to May 31, 2013	From June 1, 2013 to November 30, 2013	From December 1, 2013 to May 31, 2014	From June 1, 2014 to November 30, 2014
Unappropriated retained earnings (undisposed loss)	¥2,861,026 thousand	¥3,478,463 thousand	¥3,186,370 thousand	¥3,997,550 thousand	¥4,031,303 thousand
Retained earnings	¥85 thousand	¥93 thousand	¥88 thousand	¥141 thousand	¥1 thousand
Total distribution payments [Distributions per unit]	¥2,860,941 thousand [¥13,938]	¥3,478,369 thousand [¥16,946]	¥3,186,282 thousand [¥15,523]	¥3,997,409 thousand [¥15,922]	¥4,031,302 thousand [¥16,057]
Of which, total distributions of profits were [Distributions of profits per unit]	¥2,860,941 thousand [¥13,938]	¥3,478,369 thousand [¥16,946]	¥3,186,282 thousand [¥15,523]	¥3,997,409 thousand [¥15,922]	¥4,031,302 thousand [¥16,057]
Of which, total return on unitholders' capital was [Return on unitholders' capital per unit]	¥— thousand [¥—]	¥— thousand [¥—]	¥— thousand [¥—]	¥— thousand [¥—]	¥— thousand [¥—]

#### (5) Future Investment Policy and Issues to Address

Whereas the adverse impact of the post-consumption tax hike retreat in demand will continue to weigh on the Japanese economy going forward, we also expect gradual recovery, in part amid positive effects of various government measures, such as in terms of a more upbeat employment environment, a pick-up in personal consumption, and a trend toward improved corporate earnings primarily among large companies. On the other hand, there are risks of downward economic pressure that need to be considered, including the prospects of increasingly pessimistic consumer sentiment due to a prolonged negative impact from the consumption tax hike, an interest rate rise in the U.S., damage to the economies of resource-rich countries from a fall in the price of crude oil, and expansion of the debt crisis in Europe.

In the rental office market, we are seeing ongoing expansion associated with recovery in corporate earnings along with an upturn in demand irrespective of company size and industrial sector. Vacancy rates in many major provincial cities including Tokyo continue to improve, while rent levels are showing nationwide gains amid falling vacancy rates, despite variation in different areas. In part amid tight supply relative to demand for office space, we expect falling vacancy rates and rising rent levels going forward. With respect to retail properties, despite the negative impact of soft personal consumption due to the consumption tax hike, there is an overall trend toward gradual improvement in retail sales of department stores and other such businesses brought on by increasing numbers of overseas visitors to Japan and higher amounts of tourism consumption. In the J-REIT market, the Tokyo Stock Exchange REIT Index is showing firmness due to factors including the Bank of Japan's further monetary easing policies, which were announced at the end of October 2014, and the government's postponement of the consumption tax hike, which was previously slated for October 2015. As a result, we anticipate continued brisk activity in terms of transactions in this market. On the other hand, a limited supply of high-quality properties particularly in Tokyo and the trend toward lower capitalization rates indicate a likelihood of increasingly stringent competition with respect to property acquisitions. The Investment Corporation aims to keep adding to its overall assets and working to control LTV while making careful investment decisions that help to improve unitholder value by drawing on its own channels and its sponsor's pipeline.

##### 1) Basic Policy

The Investment Corporation's basic policies are to invest in assets, with targeted investments in Urban Retail and Tokyo Office Properties; utilize the Tokyu Fudosan Holdings Group's value chain based on the comprehensive support system; and have in place a governance structure that maximizes unitholder value.

##### 2) External Growth Strategy

The Investment Corporation will invest in Urban Retail and Tokyo Office Properties as a main target. It will make its investment decisions carefully, concentrating on selecting properties in excellent locations, including surrounding areas, and thoroughly considering individual factors such as use, size, quality, specifications, and tenants in order to construct a competitive portfolio in the medium and long term.

To acquire these competitive assets on an ongoing basis, the Investment Corporation will work to maintain and improve the quality of its portfolio and will seek to expand the size of its assets. It will do this by carefully selecting investment assets based on the information it receives under its sponsor support agreement with Tokyu Land Corporation and its support agreement with five subsidiaries in the Tokyu Fudosan Holdings Group. It will also acquire properties through the exclusive know-how and information-gathering network of the Asset Management Company.

##### 3) Internal Growth Strategy

The Investment Corporation will operate, manage, and refurbish its portfolio to maintain and improve the competitiveness of its facilities through a comprehensive understanding of the features of its overall portfolio and its individual assets under management, based on the unique expertise of its asset management company. The Investment Corporation will also seek to manage its portfolio in a stable manner and strengthen its earnings by establishing appropriate operational and management systems tailored to the specific characteristics of the assets it has invested in, and through regular and non-regular inspections by the property management company that has considerable experience in the operation and management of real estate.

The Investment Corporation will also maintain and improve the value of its assets through its expertise in internal growth through operating and managing properties. It will maximize the competitiveness of its assets through the ongoing assistance of Tokyu Land Corporation and other support companies, which, through their face-to-face business with consumers, have rich information regarding consumer needs and developments in industries such as retail and services.

With respect to the property management business for the assets under management, leasing support has been provided from Tokyu Land Corporation, Tokyu Land SC Management Corporation or Tokyu Community Corporation.

##### 4) Financial Strategy

Carrying out a sound financial strategy in an effort to conservatively control LTV as well as make stable long-term loans and diversify maturities (diversifying repayment dates), the Investment Corporation will endeavor to build stable financial base with solid bank formation.

In addition, with an aim of achieving long-term and stable growth, the Investment Corporation will flexibly issue new investment units while paying appropriate attention to dilution of investment units.



## (6) Significant Matters after the Book Closing

### a. Issuance of New Investment Units

At meetings of the board of directors held on November 27, 2014 and December 10, 2014, we resolved to issue new investment units as described below, and issued these per the terms below once payment was completed on December 17, 2014 and January 8, 2015. As a result, unitholders' capital amounted to ¥150,770,610,870, and the number of investment units issued came to 277,132 units.

#### (i) Issuance of new investment units through the public offering (Public placement)

Number of new investment units issued	24,050 units
Offering price	¥979,020 per unit
Total offering price	¥23,545,431,000
Paid-in amount	¥948,051 per unit
Total paid-in amount	¥22,800,626,550
Payment date	December 17, 2014

#### (ii) Issuance of new investment units through third-party allotment

Number of new investment units issued	2,020 units
Paid-in amount	¥948,051 per unit
Total paid-in amount	¥1,915,063,020
Payment date	January 8, 2015
Allottee	Nomura Securities Co., Ltd.

### b. Borrowing of Funds

The Investment Corporation borrowed funds as follows.

Category	Lender	Total amount borrowed	Interest rate	Drawdown date	Due date (Note)	Borrowing and repayment methods, security, and guarantee
Short-term	Sumitomo Mitsui Trust Bank, Limited	¥4,000 million	Base rate + 0.14%	January 9, 2015	April 30, 2015	Borrowing based on a borrowing agreement with the lender shown at left as the creditor, lump-sum repayment, unsecured, and unguaranteed
Long-term	Sumitomo Mitsui Trust Bank, Limited	¥780 million	0.49815%	January 9, 2015	January 9, 2018	
	Mitsubishi UFJ Trust and Banking Corporation	¥780 million				
	Mizuho Bank, Ltd.	¥780 million				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥780 million				
	Sumitomo Mitsui Banking Corporation	¥390 million				
	Development Bank of Japan Inc.	¥390 million				
	Sumitomo Mitsui Trust Bank, Limited	¥500 million	0.52304%	January 9, 2015	January 9, 2019	
	Mitsubishi UFJ Trust and Banking Corporation	¥500 million				
	Mizuho Bank, Ltd.	¥500 million				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥500 million				
	Sumitomo Mitsui Banking Corporation	¥250 million				
	Development Bank of Japan Inc.	¥250 million				
	Sumitomo Mitsui Trust Bank, Limited	¥340 million	0.54352%	January 9, 2015	July 9, 2019	
	Mitsubishi UFJ Trust and Banking Corporation	¥340 million				
	Mizuho Bank, Ltd.	¥340 million				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥340 million				
	Sumitomo Mitsui Banking Corporation	¥170 million				
	Development Bank of Japan Inc.	¥170 million				
	Sumitomo Mitsui Trust Bank, Limited	¥840 million	0.73690%	January 9, 2015	January 9, 2022	
	Mitsubishi UFJ Trust and Banking Corporation	¥840 million				
Mizuho Bank, Ltd.	¥840 million					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥840 million					
Sumitomo Mitsui Banking Corporation	¥420 million					
Development Bank of Japan Inc.	¥420 million					
Total		¥16,300 million				

(Note) If the due date is a non-business day, the due date shall be the following business day. If such day comes in the following month, the due date shall be the immediately preceding business day.

c. Acquisition of Properties

The Investment Corporation acquired properties listed below with proceeds from the issuance of new investment units through the public offering (public placement) and third-party allotment and borrowings, etc. in accordance with the basic asset management policy set forth in the Articles of Incorporation.

(TO-12) Shiodome Building

Type of assets	Trust beneficiary interest
Acquisition price	¥30,300 million
Acquisition date	January 9, 2015
Location	2-20 Kaigan 1-chome, Minato-ku, Tokyo
Use	Office, retail and parking lots
Land area	16,875.61 m <sup>2</sup> (Note)
Gross floor area	115,930.83 m <sup>2</sup>
Structure	Steel framed, SRC/24 floors above and 2 floors underground
Month and year of completion	December 2007
Ownership	Land: Owned (Trust beneficiary co-ownership interests ( <i>jun kyōyū-mochibun</i> ) 15%) Building: Owned (Trust beneficiary co-ownership interests ( <i>jun kyōyū-mochibun</i> ) 15%)

(Note) Land area is the one stated for the ancient land. The total area of designated provisional replotting is approximately 12,046 m<sup>2</sup>.

(O-7) Osaka Nakanoshima Building (additional acquisition of the remaining 50% co-ownership interest)

Type of assets	Trust beneficiary interest
Acquisition price	¥5,850 million
Acquisition date	December 19, 2014
Location	2-2 Nakanoshima 2-chome, Kita-ku, Osaka City, Osaka
Use	Office and parking lots
Land area	3,038.20 m <sup>2</sup>
Gross floor area	34,248.71 m <sup>2</sup>
Structure	SRC/15 floors above and 3 floors underground
Month and year of completion	March 1984
Ownership	Land: Owned (Trust beneficiary co-ownership interests ( <i>jun kyōyū-mochibun</i> ) 50%) Building: Owned (Trust beneficiary co-ownership interests ( <i>jun kyōyū-mochibun</i> ) 50%)

(O-9) Market Square Sagamihara

Type of assets	Trust beneficiary interest
Acquisition price	¥4,820 million
Acquisition date	January 9, 2015
Location	777-2 Shimokuzawa, Chuo-ku, Sagamihara City, Kanagawa
Use	Retail
Land area	17,327.30 m <sup>2</sup>
Gross floor area	9,719.38 m <sup>2</sup>
Structure	Steel framed/2 floors above ground
Month and year of completion	June 2014
Ownership	Land: Owned Building: Owned



## 2. Overview of the Investment Corporation

### (1) Unitholders' Capital

	2nd period As of November 30, 2012	3rd period As of May 31, 2013	4th period As of November 30, 2013	5th period As of May 31, 2014	6th period As of November 30, 2014
Total number of authorized investment units (Units)	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total number of investment units issued (Units)	205,262	205,262	205,262	251,062	251,062
Unitholders' capital (In millions of yen)	¥91,373	¥91,373	¥91,373	¥126,054	¥126,054
Number of Unitholders (Persons)	15,134	10,194	8,355	7,995	7,071

### (2) Matters Relating to Investment Units

Major unitholders as of November 30, 2014 were as follows:

Name	Number of units owned	Percentage of total units issued (%) (Note)
Japan Trustee Services Bank, Ltd. (Trust accounts)	62,936	25.06
Tokyu Land Corporation	26,080	10.38
The Master Trust Bank of Japan, Ltd. (Trust accounts)	22,837	9.09
Trust & Custody Services Bank, Ltd. (Securities investment trust accounts)	19,090	7.60
The Nomura Trust and Banking Co., Ltd. (Investment accounts)	10,809	4.30
NOMURA BANK (LUXEMBOURG) S.A.	6,076	2.42
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	3,214	1.28
THE BANK OF NEW YORK MELLON SA / NV10	3,199	1.27
Mizuho Trust & Banking Co., Ltd.	2,988	1.19
EVERGREEN	2,968	1.18
Total	160,197	63.80

(Note) Percentage of total units issued is calculated by rounding down to the second decimal place.

### (3) Matters Relating to Officers, etc.

#### 1) Executive Director, Supervisory Directors, and Independent Auditor during the Fiscal Period under Review

Title	Name of officer, etc.	Major concurrent post, etc.	Total amount of compensation for each position during the business period under review (In thousands of yen)
Executive Director (Note 1)	Haruki Sakane	TLC Activia Investment Management Inc., President and Chief Executive Officer	—
Supervisory Directors (Note 1)	Yonosuke Yamada	Yamada, Goya and Suzuki Law Office Representative Partner	3,300
	Yoshinori Ariga	Ariga Yoshinori Accounting Office Certified Accountant	
Independent Auditor	Ernst & Young ShinNihon LLC	—	14,040 (Note 2)

(Note 1) The Executive Director and Supervisory Directors do not own investment units of the Investment Corporation in their own name or another person's name. Although the Supervisory Directors may be officers in another corporation than the ones indicated above, they do not have a vested interest in the Investment Corporation, including in the posts indicated above.

(Note 2) The compensation for Independent Auditor includes the audit fees for financial statements prepared in English.

#### 2) Policy Regarding the Dismissal of or Refusal to Reappoint the Accounting Auditor

We have a policy to determine whether to dismiss the accounting auditor pursuant to the provisions of the Investment Trust Act, and determine whether or not to reappoint the accounting auditor taking into comprehensive consideration various reasons through a general meeting of unitholders.

#### (4) Asset Manager, Custodian Company, and Administrative Agent

Consignment classification	Name
Asset manager	TLC Activia Investment Management Inc.
Asset custodian	Sumitomo Mitsui Trust Bank, Limited
General administrator (administration of the unitholders' registry, etc.)	Sumitomo Mitsui Trust Bank, Limited
General administrator (accounting data processing, etc.)	Sumitomo Mitsui Trust Bank, Limited
General administrator (administration related to the operation of administrative instruments)	Sumitomo Mitsui Trust Bank, Limited
General administrator (investment corporate bonds)	Mitsubishi UFJ Trust and Banking Corporation



3. Assets of the Investment Corporation

(1) Composition of the Assets of the Investment Corporation

Type of assets	Category	5th period As of May 31, 2014		6th period As of November 30, 2014	
		Total amount of assets owned (In millions of yen) (Note 1)	Ratio to total assets (%)	Total amount of assets owned (In millions of yen) (Note 1)	Ratio to total assets (%)
Real estate	Urban Retail Properties	—	—	—	—
	Tokyo Office Properties	—	—	—	—
	Other Properties	—	—	—	—
	Subtotal	—	—	—	—
Real estate in trust	Urban Retail Properties	130,346	53.7	130,110	51.3
	Tokyo Office Properties	55,983	23.1	66,849	26.4
	Other Properties	45,595	18.8	45,474	17.9
	Subtotal	231,924	95.6	242,434	95.7
Total real estate, etc.		231,924	95.6	242,434	95.7
Deposits and other assets		10,684	4.4	10,972	4.3
Total assets (Note 2)		242,609 (231,924)	100.0 (95.9)	253,407 (242,434)	100.0 (95.7)

(Note 1) The total amount of assets owned is based on the amounts recorded in the balance sheets as of the end of each fiscal period (for real estate and real estate in trust, book value less depreciation expenses), in accordance with the asset valuation method set forth in the Articles of Incorporation of the Investment Corporation.  
(Note 2) Total assets represent the amounts recorded in the balance sheets as of the end of each fiscal period. Also, figures in parentheses are portions that practically fall on real estate owned in the object assets.

(2) Major Assets Owned

Property name	Book value at end of period (In millions of yen)	Total leasable area (m <sup>2</sup> ) (Note 1)	Total leased area (m <sup>2</sup> ) (Note 2)	Occupancy rate (%) (Note 3)	Ratio of rental revenue to total rental revenues (%)	Major use
Tokyu Plaza Omotesando Harajuku (Note 4)	45,044	4,904.55	4,904.55	100.0	13.6	Retail
Kobe Kyu Kyoryuchi 25Bankan	21,679	19,653.90	19,653.90	100.0	8.9	Retail
Shinbashi Place	20,479	9,156.01	9,156.01	100.0	(Note 5)	Retail
Amagasaki Q's MALL (Land)	12,113	27,465.44	27,465.44	100.0	4.2	Retail
Tokyu Plaza Akasaka (Note 4)	11,754	16,620.48	16,620.48	100.0	7.2	Retail
OSAKI WIZTOWER	11,059	7,193.28	7,193.28	100.0	(Note 5)	Office
A-PLACE Ebisu Minami	9,582	7,950.51	7,950.51	100.0	4.1	Office
Kyoto Karasuma Parking Building	8,861	21,616.04	21,616.04	100.0	(Note 5)	Parking
A-PLACE Aoyama (Note 6)	8,771	7,303.69	7,303.69	100.0	3.2	Office
icot Nakamozu	8,411	28,098.02	28,098.02	100.0	3.8	Retail
Total	157,758	149,961.92	149,961.92	100.0	—	

(Note 1) The total leasable area is equal to gross floor area of leasable space in each property other than properties for which we acquire only land, based on the lease agreements for building or floor plans as of May 31, 2014. Total leasable area for properties for which we acquire only land is based on the lease agreement for land or land plans as of May 31, 2014.  
(Note 2) The total leased area is equal to the total leased area in each property as of May 31, 2014. For properties with master lease agreements, the total leased area is based on the sublease agreements with the end-tenants.  
(Note 3) The occupancy rate is calculated by dividing total leased area for each property by the total leasable area as of May 31, 2014, rounding to the nearest tenth. The subtotal and portfolio total are calculated by dividing aggregate leased area for each category by aggregate leasable area, rounding to the nearest tenth.  
(Note 4) As for Tokyu Plaza Omotesando Harajuku and Tokyu Plaza Akasaka, the figures are in proportion to the pro rata share of our trust beneficiary co-ownership interests (*jun kyōyū-mochibun*) (75% and 50%, respectively).  
(Note 5) We have not obtained permission from the tenant of this property to release the information missing from this table.  
(Note 6) Property name of Aoyama Plaza Building was changed to A-PLACE Aoyama on November 1, 2014.

(3) Details of Assets Incorporated into the Portfolio, such as Real Estate

Property name		Location	Asset type	Total leasable area (m <sup>2</sup> ) (Note 1)	Assessed value at end of period (In millions of yen) (Note 2)	Book value at end of period (In millions of yen) (Note 3)
Urban Retail Properties	Tokyu Plaza Omotesando Harajuku (Note 4)	30-3 Jingu-mae 4-chome, Shibuya-ku, Tokyo	Trust beneficiary interests	4,904.55	50,550	45,044
	Tokyu Plaza Akasaka (Note 4)	14-3 Nagatacho 2-chome, Chiyoda-ku, Tokyo	Trust beneficiary interests	16,620.48	12,900	11,754
	Ebisu Q Plaza	8-12 Ebisu 1-chome, Shibuya-ku, Tokyo	Trust beneficiary interests	4,024.88	9,490	8,395
	Shinbashi Place	12-9 Shinbashi 1-chome, Minato-ku, Tokyo	Trust beneficiary interests	9,156.01	23,700	20,479
	Kyoto Karasuma Parking Building	678 Motohonenjicho, Nakagyo-ku, Kyoto City, Kyoto	Trust beneficiary interests	21,616.04	9,820	8,861
	Hitotsugi LIP	3-6 Akasaka 4-chome, Minato-ku, Tokyo	Trust beneficiary interests	2,280.22	3,320	3,126
	Kobe Kyu Kyoryuchi 25Bankan	25 Kyomachi, Chuo-ku, Kobe City, Hyogo	Trust beneficiary interests	19,653.90	22,600	21,679
	Tokyu Plaza Sapporo	1, Minami-Yonjo-Nishi 5-chome, Chuo-ku, Sapporo City, Hokkaido	Trust beneficiary interests	21,229.16	5,100	4,375
	Kamata Kosan Building	32-13, Udagawa-cho, Shibuya-ku, Tokyo	Trust beneficiary interests	3,413.80	6,790	6,393
	Subtotal			102,899.04	144,270	130,110
Tokyo Office Properties	TLC Ebisu Building	18-18 Ebisu 1-chome, Shibuya-ku, Tokyo	Trust beneficiary interests	7,342.60	7,750	7,267
	A-PLACE Ebisu Minami	15-1 Ebisu-minami 1-chome, Shibuya-ku, Tokyo	Trust beneficiary interests	7,950.51	11,100	9,582
	A-PLACE Yoyogi (Note 5)	23-15 Sendagaya 5-chome, Shibuya-ku, Tokyo	Trust beneficiary interests	3,106.17	4,100	4,031
	A-PLACE Aoyama	11-3 Kita-Aoyama 2-chome, Minato-ku, Tokyo	Trust beneficiary interests	7,303.69	8,450	8,771
	Luogo Shiodome	3-3 Higashi-Shinbashi 2-chome, Minato-ku, Tokyo	Trust beneficiary interests	4,476.35	5,120	4,454
	Tokyo Kikai Honsha Building (Land) (Note 6)	26-24 Shiba 5-chome, Minato-ku, Tokyo	Trust beneficiary interests	1,287.96	2,450	2,362
	A-PLACE Ikebukuro	16-22 Minami Ikebukuro 1-chome, Toshima-ku, Tokyo	Trust beneficiary interests	3,409.73	4,330	3,922
	A-PLACE Shinbashi (Note 5)	11-1 Shinbashi 4-chome, Minato-ku, Tokyo	Trust beneficiary interests	5,052.14	6,220	5,826
	A-PLACE Gotanda (Note 5)	27-3, Nishigotanda 2-chome, Shinagawa-ku, Tokyo	Trust beneficiary interests	4,028.69	5,940	5,743
	A-PLACE Shinagawa (Note 5)	8-40, Konan 1-chome, Minato-ku, Tokyo	Trust beneficiary interests	2,986.36	3,990	3,828
	OSAKI WIZTOWER	11-1 Osaki 2-chome, Shinagawa-ku, Tokyo	Trust beneficiary interests	7,193.28	11,600	11,059
	Subtotal			54,137.48	71,050	66,849
Other Properties	Amagasaki Q's MALL (Land)	3-1 Shioe 1-chome, Amagasaki City, Hyogo (main building) 2-3 Shioe 1-chome, Amagasaki City, Hyogo (sports club)	Trust beneficiary interests	27,465.44	12,600	12,113
	icot Nakamozu	428-2 Nakamozucho 3-cho, Kita-ku, Sakai City, Osaka	Trust beneficiary interests	28,098.02	9,700	8,411
	icot Kongo	35-1 Handa 1-chome, Osakasayama City, Osaka	Trust beneficiary interests	17,884.55	1,860	1,628
	icot Mizonokuchi	11-1 Mizonokuchi 6-chome, Takatsu-ku, Kawasaki City, Kanagawa	Trust beneficiary interests	14,032.05	3,050	2,697
	icot Tama Center	35 Ochiai 1-chome, Tama City, Tokyo	Trust beneficiary interests	5,181.58	3,160	2,782
	A-PLACE Kanayama (Note 5)	14-18 Kanayama 1-chome, Naka-ku, Nagoya City, Aichi	Trust beneficiary interests	9,314.91	7,570	6,791
	Osaka Nakanoshima Building (Note 4)	2-2 Nakanoshima 2-chome, Kita-ku, Osaka City, Osaka	Trust beneficiary interests	10,176.06	5,900	5,259
	icot Omori (Note 5)	8-2, Omorikita 1-chome, Ota-ku, Tokyo	Trust beneficiary interests	6,209.79 (Note 7)	5,970	5,791
	Subtotal			118,362.40	49,810	45,474
Total				275,398.92	265,130	242,434



(Note 1) The total leasable area is equal to gross floor area of leasable space in each property other than properties for which we acquire only land, based on the lease agreements for building or floor plans as of May 31, 2014. Total leasable area for properties for which we acquire only land is based on the lease agreement for land or land plans as of November 30, 2014.

(Note 2) The appraisal of properties is commissioned to Japan Real Estate Institute, Daiwa Real Estate Appraisal Co., Ltd., The Tanizawa Sōgō Appraisal Co., Ltd., Japan Valuers Co., Ltd. or Morii Appraisal & Investment Consulting, Inc. Assessed value at end of period shows appraised value described in each real estate appraisal report with the date of value estimate as of November 30.

(Note 3) Book value at end of period represents book value less depreciation expenses as of November 30, 2014, rounding to the nearest million yen.

(Note 4) As for Tokyu Plaza Omotesando Harajuku, Tokyu Plaza Akasaka and Osaka Nakanoshima Building, the figures are in proportion to the pro rata share of our trust beneficiary co-ownership interests (*jun kyōyū-mochibun*) (75%, 50% and 50%, respectively).

(Note 5) Property name of J-CORE Omori was changed to icot Omori on October 1, 2014, and property names of Yoyogi Place, TK Shinbashi Building, Gotanda Front, Shinagawa Place and Kanayama Center Place were changed to A-PLACE Yoyogi, A-PLACE Aoyama, A-PLACE Shinbashi, A-PLACE Gotanda, A-PLACE Shinagawa and A-PLACE Kanayama respectively, on November 1, 2014; the same shall apply hereinafter.

(Note 6) Trust beneficiary right with building as trust asset for Tokyo Kikai Honsha Building (Land) was transferred to Tokyu Land Corporation on May 30, 2014.

(Note 7) The calculation of total leasable area and total leased area for icot Omori includes part of an external bicycle parking lot (approximately 21 m<sup>2</sup>) and part of a common area on the second floor (approximately 28 m<sup>2</sup>).

Transition of our leasing business is as follows:

Property name		5th period (From December 1, 2013 to May 31, 2014)				6th period (From June 1, 2014 to November 30, 2014)			
		Number of tenants (Note 1)	Occupancy rate (%) (Note 2)	Revenues related to rent business (In millions of yen) (Note 3)	Ratio of rental revenue to total rental revenues (%)	Number of tenants (Note 1)	Occupancy rate (%) (Note 2)	Revenues related to rent business (In millions of yen) (Note 3)	Ratio of rental revenue to total rental revenues (%)
Urban Retail Properties	Tokyu Plaza Omotesando Harajuku (Note 4)	27	100.0	1,104	14.2	27	100.0	1,111	13.6
	Tokyu Plaza Akasaka (Note 4)	100	100.0	590	7.6	99	100.0	590	7.2
	Ebisu Q Plaza	4	100.0	267	3.4	4	100.0	272	3.3
	Shinbashi Place	1	100.0	(Note 5)	(Note 5)	1	100.0	(Note 5)	(Note 5)
	Kyoto Karasuma Parking Building	2	100.0	(Note 5)	(Note 5)	2	100.0	(Note 5)	(Note 5)
	Hitotsugi LIP	7	84.2	84	1.1	8	100.0	98	1.2
	Kobe Kyu Kyoryuchi 25Bankan	7	100.0	658	8.5	7	100.0	726	8.9
	Tokyu Plaza Sapporo	18	100.0	384	4.9	18	100.0	447	5.5
	Kamata Kosan Building	2	100.0	186	2.4	2	100.0	209	2.6
	Subtotal	168	99.6	—	—	168	100.0	—	—
Tokyo Office Properties	TLC Ebisu Building	11	100.0	273	3.5	11	100.0	279	3.4
	A-PLACE Ebisu Minami	9	100.0	334	4.3	9	100.0	337	4.1
	A-PLACE Yoyogi	3	100.0	120	1.5	3	100.0	121	1.5
	A-PLACE Aoyama	8	100.0	269	3.5	8	100.0	258	3.2
	Luogo Shiodome	6	100.0	167	2.2	6	100.0	169	2.1
	Tokyo Kikai Honsha Building (Land) (Note 6)	1	100.0	134	1.7	1	100.0	62	0.8
	A-PLACE Ikebukuro	1	100.0	(Note 5)	(Note 5)	1	100.0	(Note 5)	(Note 5)
	A-PLACE Shinbashi	10	100.0	182	2.3	10	100.0	191	2.3
	A-PLACE Gotanda	11	100.0	138	1.8	11	100.0	180	2.2
	A-PLACE Shinagawa	8	100.0	78	1.0	8	100.0	99	1.2
	OSAKI WIZTOWER	—	—	—	—	1	100.0	(Note 5)	(Note 5)
	Subtotal	68	100.0	—	—	69	100.0	—	—
Other Properties	Amagasaki Q's MALL (Land)	1	100.0	341	4.4	1	100.0	341	4.2
	icot Nakamozu	2	100.0	310	4.0	2	100.0	310	3.8
	icot Kongo	1	100.0	(Note 5)	(Note 5)	1	100.0	(Note 5)	(Note 5)
	icot Mizonokuchi	1	100.0	(Note 5)	(Note 5)	1	100.0	(Note 5)	(Note 5)
	icot Tama Center	11	100.0	143	1.8	11	100.0	144	1.8
	A-PLACE Kanayama	21	100.0	274	3.5	21	100.0	281	3.4
	Osaka Nakanoshima Building (Note 4)	41	97.3	265	3.4	41	98.2	253	3.1
	icot Omori	9	100.0	207	2.7	9	100.0	235	2.9
	Subtotal	87	99.8	—	—	87	99.8	—	—
Total		323	99.8	7,778	100.0	324	99.9	8,174	100.0

(Note 1) At each property, the number of tenants is equal to the aggregate number of tenants as of the end of each fiscal period described in the lease agreements in relation to buildings, except that for properties with master lease agreements, the total number of end-tenants is listed. For properties for which we acquire only land, the total number of tenants of the land is listed.

(Note 2) The occupancy rate is calculated by dividing total leased area for each property by the total leasable area as of the end of each fiscal period, rounding to the nearest tenth. The subtotal and portfolio total are calculated by dividing aggregate leased area for each category by aggregate leasable area, rounding to the nearest tenth.

(Note 3) Revenues related to rent business includes other rent business revenues.

(Note 4) As for Tokyu Plaza Omotesando Harajuku, Tokyu Plaza Akasaka and Osaka Nakanoshima Building, the figures are in proportion to the pro rata share of our trust beneficiary co-ownership interests (*jun kyōyū-mochibun*) (75%, 50% and 50%, respectively).

(Note 5) We have not obtained permission from the tenant of this property to release the information missing from this table.

(Note 6) Trust beneficiary right with building as trust asset for Tokyo Kikai Honsha Building (Land) was transferred to Tokyu Land Corporation on May 30, 2014.

(4) Details of Specified Transaction

The details of specified transaction as of the end of the fiscal period under review are as follows:

(In thousands of yen)

Classification	Transaction	Notional contract amount (Note 1)		Fair value (Note 2)
			Over 1 year	
Over-the-counter	Interest rate swaps (Receive floating Pay fixed)	5,000,000	5,000,000	—
Total		5,000,000	5,000,000	—

(Note 1) The contract amount of interest rate swaps is based on its notional principal.

(Note 2) Of these transactions, the statement of the fair value has been omitted for those transactions that satisfy requirements of special treatment based on accounting standards for financial instruments.

(5) Other Assets

Other specified assets as of the end of the fiscal period under review are as follows:

Securities Other than Shares

(In thousands of yen)

Type of asset	Name	Total face value	Book value	Accrued interest	Prepaid accrued interest	Market value	Valuation gain or loss	Remarks
Government bonds	Principal-stripped government bonds (5 years, Series 91)	10,000	9,979	—	—	9,999	19	Given as security deposit
Total		10,000	9,979	—	—	9,999	19	

4. Capital Expenditure for Assets under Management

(1) Scheduled Capital Expenditure

The following table shows major estimated capital expenditure for renovation work, etc. that the Investment Corporation plans to conduct for assets held in the 6th fiscal period as of November 30, 2014. The estimated construction cost below includes the portion expensed for accounting purposes.

Name of real property (Location)	Purpose	Scheduled period	Estimated construction cost (In millions of yen)		
			Total amount	Payment for the period	Total amount paid
TLC Ebisu Building (Shibuya, Tokyo)	Replacement of air conditioning units	From October 2014 to May 2015	97	—	—
Tokyu Plaza Sapporo (Sapporo, Hokkaido)	Renovations of new annex guest rooms	From February 2015 to April 2015	82	—	—
A-PLACE Shinbashi (Minato, Tokyo)	Replacement work of air conditioning units and total heat exchangers	From September 2014 to December 2014	46	—	—
Tokyu Plaza Akasaka (Chiyoda, Tokyo)	Installation work of individual packaged air conditioning units	From September 2014 to January 2015	25 (Note)	—	—
Osaka Nakanoshima Building (Osaka, Osaka)	Replacement of disaster prevention control panels	From December 2014 to May 2015	24 (Note)	—	—
Tokyu Plaza Sapporo (Sapporo, Hokkaido)	Replacement work of FCUs in new annex guest rooms	From February 2015 to April 2015	20	—	—
Tokyu Plaza Akasaka (Chiyoda, Tokyo)	Replacement work of bus duct B systems	From December 2014 to March 2015	20 (Note)	—	—
Tokyu Plaza Akasaka (Chiyoda, Tokyo)	Replacement work of bus duct C systems (Second period)	From September 2014 to March 2015	14 (Note)	—	—

(Note) The shown construction cost with regard to Tokyu Plaza Akasaka and Osaka Nakanoshima Building is the amount equivalent to the ratio of the Investment Corporation's co-ownership interests of real estate trust beneficiary (50%) of the total cost required for construction works.



(2) Capital Expenditures during the Period

For assets held by the Investment Corporation in the 6th fiscal period, construction work conducted by the Investment Corporation during the fiscal period ended November 30, 2014 that falls into capital expenditure is as follows. The capital expenditure for the fiscal period ended November 30, 2014 amounted to ¥165 million, and repair and maintenance expenses that were accounted for as expense in the fiscal period ended November 30, 2014 came to ¥142 million. On aggregate, construction work of ¥308 million was carried out during the fiscal period.

Name of real property (Location)	Purpose	Period	Construction cost (In millions of yen)
icot Kongo (Osakasayama, Osaka)	Replacement work of emergency power generator facilities	From September 2014 to November 2014	42
Tokyu Plaza Akasaka (Chiyoda, Tokyo)	Replacement work of bus duct C systems (First period)	From August 2014 to November 2014	22 (Note)
Hitotsugi LIP (Minato, Tokyo)	Installation of air conditioning	From October 2014 to October 2014	14
TLC Ebisu Building (Shibuya, Tokyo)	Replacement work of mechanical parking facility equipment	From November 2014 to November 2014	11
Other			75
Total			165

(Note) The shown construction cost with regard to Tokyu Plaza Akasaka is the amount equivalent to the ratio of the Investment Corporation's co-ownership interests of real estate trust beneficiary (50%) of the total cost required for construction works.

(3) Money Accumulated for Long-Term Repair Plan

Not applicable

5. Expenses and Liabilities

(1) Details of Expenses Related to Asset Management, etc.

(In thousands of yen)

Item	5th period (From December 1, 2013 to May 31, 2014)	6th period (From June 1, 2014 to November 30, 2014)
(a) Asset management fees (Note)	483,899	567,459
(b) Asset custody fees	6,562	7,089
(c) Administrative service fees	11,856	14,062
(d) Remuneration paid to officers	3,300	3,300
(e) Other expenses	52,584	51,359
Total	558,203	643,270

(Note) Aside from the amount of the asset management fees entered above, a total of ¥237,150 thousand for the 5th fiscal period and a total of ¥74,830 thousand for the 6th fiscal period have been paid for asset management of acquired properties and have been included in the book value of each property.

(2) Borrowing

	Category	Drawdown date	Balance as of May 31, 2014 (In millions of yen)	Balance as of November 30, 2014 (In millions of yen)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use of funds	Remarks	
Short-term	Lender									
	Mitsubishi UFJ Trust and Banking Corporation	August 30, 2013	3,000	-	0.296	August 30, 2014	Lump-sum repayment	(Note 2)	Unsecured, non-guaranteed	
	Subtotal		3,000	-						
Long-term (Note 3)	Sumitomo Mitsui Banking Corporation	June 13, 2012	6,000	-	0.346	June 13, 2014	Lump-sum repayment	(Note 2)	Unsecured, non-guaranteed	
		April 19, 2013	400	400	0.919	April 19, 2019				
		December 19, 2013	530	530	1.080	December 19, 2020				
		January 10, 2014	80	80	0.938	January 10, 2020				
		January 10, 2014	670	670	1.079	January 10, 2021				
		June 13, 2014	-	6,000	0.315	December 13,2016				
		July 9,2014	-	700	0.295	January 9,2016		(Note 4)		
		July 9,2014	-	300	0.725	January 10,2020				
	Sumitomo Mitsui Trust Bank, Limited	June 13, 2012	3,000	3,000	0.800	June 13, 2015		(Note 2)		
		June 13, 2012	3,000	3,000	0.866	June 13, 2016				
		June 13, 2012	3,000	3,000	0.953	June 13, 2017				
		June 13, 2012	3,000	3,000	1.063	June 13, 2018				
		March 29, 2013	500	500	0.295	March 31, 2015				(Note 4)
		March 29, 2013	500	500	0.320	March 31, 2017				
		March 29, 2013	5,000	5,000	0.683 (Note 5)	March 31, 2018				
		April 19, 2013	800	800	0.919	April 19, 2019				(Note 2)
		December 19, 2013	1,060	1,060	1.080	December 19, 2020				
		January 10, 2014	160	160	0.938	January 10, 2020				
		January 10, 2014	1,340	1,340	1.079	January 10, 2021				
		July 9,2014	-	1,400	0.295	January 9,2016				(Note 4)
		July 9,2014	-	600	0.725	January 10,2020				
	Mitsubishi UFJ Trust and Banking Corporation	June 13, 2012	3,000	3,000	0.800	June 13, 2015		(Note 2)		
		June 13, 2012	3,000	3,000	0.866	June 13, 2016				
		June 13, 2012	3,000	3,000	0.953	June 13, 2017				
		June 13, 2012	3,000	3,000	1.063	June 13, 2018				
		April 19, 2013	800	800	0.919	April 19, 2019				
		December 19, 2013	1,060	1,060	1.080	December 19, 2020				
		January 10, 2014	160	160	0.938	January 10, 2020				
		January 10, 2014	1,340	1,340	1.079	January 10, 2021				
		July 9,2014	-	1,400	0.295	January 9,2016				(Note 4)
		July 9,2014	-	600	0.725	January 10,2020				
Mizuho Bank, Ltd.	June 13, 2012	3,000	3,000	0.800	June 13, 2015	(Note 2)				
	June 13, 2012	3,000	3,000	0.866	June 13, 2016					
	June 13, 2012	3,000	3,000	0.953	June 13, 2017					
	June 13, 2012	3,000	3,000	1.063	June 13, 2018					
	April 19, 2013	800	800	0.919	April 19, 2019					
	December 19, 2013	1,060	1,060	1.080	December 19, 2020					
	January 10, 2014	160	160	0.938	January 10, 2020					
	January 10, 2014	1,340	1,340	1.079	January 10, 2021					
	July 9,2014	-	1,400	0.295	January 9,2016		(Note 4)			
	July 9,2014	-	600	0.725	January 10,2020					

Category		Drawdown date	Balance as of May 31, 2014 (In millions of yen)	Balance as of November 30, 2014 (In millions of yen)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use of funds	Remarks		
Lender											
The Bank of Tokyo-Mitsubishi UFJ, Ltd.		June 13, 2012	3,000	3,000	0.800	June 13, 2015	Lump-sum repayment	(Note 2)	Unsecured, non-guaranteed		
		June 13, 2012	3,000	3,000	0.866	June 13, 2016					
		June 13, 2012	3,000	3,000	0.953	June 13, 2017					
		June 13, 2012	3,000	3,000	1.063	June 13, 2018					
		April 19, 2013	800	800	0.919	April 19, 2019					
		December 19, 2013	1,060	1,060	1.080	December 19, 2020					
		January 10, 2014	160	160	0.938	January 10, 2020					
		January 10, 2014	1,340	1,340	1.079	January 10, 2021					
		July 9,2014	-	1,400	0.295	January 9,2016		(Note 4)			
		July 9,2014	-	600	0.725	January 10,2020					
	Development Bank of Japan Inc.		June 13, 2012	6,000	6,000	1.191		June 13, 2019			(Note 2)
			April 19, 2013	400	400	0.919		April 19, 2019			
			December 19, 2013	530	530	1.080		December 19, 2020			
			January 10, 2014	80	80	0.938		January 10, 2020			(Note 4)
			January 10, 2014	670	670	1.079		January 10, 2021			
		July 9,2014	-	700	0.295	January 9,2016					
Mizuho Trust & Banking Co., Ltd.		July 9,2014	-	300	0.725	January 10,2020					
		March 29, 2013	2,000	2,000	0.295	March 31, 2015					
		March 29, 2013	2,000	2,000	0.320	March 31, 2017					
Resona Bank, Limited.		August 29, 2014	-	1,500	0.510	August 29, 2019	(Note 4)				
		March 29, 2013	1,500	1,500	0.295	March 31, 2015					
		March 29, 2013	1,500	1,500	0.320	March 31, 2017					
		March 29, 2013	1,000	1,000	0.295	March 31, 2015					
The Bank of Fukuoka, Ltd.		March 29, 2013	1,000	1,000	0.320	March 31, 2017					
		March 29, 2013	500	500	0.295	March 31, 2015					
The Gunma Bank, Ltd.		March 29, 2013	500	500	0.320	March 31, 2017					
		March 29, 2013	500	500	0.295	March 31, 2015					
Shinkin Central Bank		March 29, 2013	500	500	0.320	March 31, 2017					
		March 29, 2013	500	500	0.320	March 31, 2017					
		August 29, 2014	-	1,500	0.510	August 29, 2019					
Subtotal			93,800	106,800							
Total			96,800	106,800							

(Note 1) Weighted average rate, rounding to the fourth decimal place.  
(Note 2) Use of the borrowings is acquisition of the real estate trust beneficiary interests.  
(Note 3) Long-term loans payable include current portion.  
(Note 4) Use of the borrowings is appropriated to repayment of outstanding loans payable.  
(Note 5) This long-term loans payable is hedged by interest rate swap contract. The average interest rate reflects the effectiveness of this hedging instrument.

(3) Investment Corporation Bonds

Name of bonds	Issuance date	Balance as of		Interest rate (%)	Maturity date	Repayment method	Use of proceeds	Remarks
		May 31, 2013 (In millions of yen)	November 30, 2014 (In millions of yen)					
The 1st Unsecured Investment Corporation Bond	April 25, 2014	4,000	4,000	0.37	April 25, 2019	Lump sum (Note)	Repayment of outstanding loans payable	Unsecured and unguaranteed
Total		4,000	4,000					

(Note) The Investment Corporation may repurchase bonds at any time on or after the next day of issuance except for the case that the transferring term is otherwise limited.

(4) Short-Term Investment Corporation Bonds

Not applicable

6. Buying and Selling during the Period

(1) Buying and Selling, etc. of Real Estate and Asset-Backed Securities, etc.

Category	Asset type	Property name	Acquisition		Disposal			
			Acquisition date	Acquisition price (In millions of yen) (Note)	Disposal date	Disposal amount (In millions of yen)	Book value (In millions of yen)	Gain (loss) on disposal (In millions of yen)
Tokyo Office Properties	Trust beneficiary interests	OSAKI WIZTOWER	June 24, 2014	10,690	—	—	—	—
Total				10,690	—	—	—	—

(Note) Acquisition price represents trading value of trust beneficiary rights stipulated in each beneficiary right transfer contract with conditions precedent in relation to the assets held (excluding consumption tax and local consumption tax and expenses such as trading commissions, rounding to the nearest million yen).

(2) Buying and Selling, etc. of Other Assets

Assets other than real estate and asset-backed securities, etc. above were mostly bank deposits.

(3) Survey of Prices, etc. of Specified Assets

Acquisition / Disposal	Property name	Acquisition date	Acquisition price (In millions of yen) (Note 1)	Assessed value at end of period (In millions of yen)	Name of appraiser	Date of appraisal
Acquisition	OSAKI WIZTOWER	June 24, 2014	10,690	11,200	Daiwa Real Estate Appraisal Co., Ltd.	March 31, 2014
Total		—	10,690	11,200	—	—

(Note 1) Acquisition price represents trading value of trust beneficiary rights stipulated in each beneficiary right transfer contract with conditions precedent in relation to the assets held (excluding consumption tax and local consumption tax and expenses such as trading commissions, rounding to the nearest million yen).  
(Note 2) The real estate appraisal is conducted by applying “Real Estate Appraisal Standard Section 3: appraisals concerning prices of real estate subject to securitization.”

(4) Transactions between Interested Parties and Major Unitholders

1) Transactions

Not applicable



## 2) Commissions Paid

Category	Total amount (A) (In thousands of yen)	Breakdown of transactions with related parties and major unitholders		(B) / (A) (%)
		Paid to	Amount (B) (In thousands of yen)	
Property management fee	230,107	Tokyu Land Corporation	185,049	80.4
		Tokyu Land SC Management Corporation	43,851	19.1
		Tokyu Community Corporation	1,206	0.5
Building management fee	401,106	Tokyu Land Corporation	96,250	24.0
		Tokyu Community Corporation	225,635	56.3
Construction management fee	5,718	Tokyu Land Corporation	5,222	91.3
		Tokyu Land SC Management Corporation	475	8.3
		Tokyu Community Corporation	20	0.4
Other management operation expenses	56,570	Tokyu Land SC Management Corporation	5,625	9.9
Other lease business expenses	161,132	Tokyu Community Corporation	13,929	8.6
		Tokyu Land SC Management Corporation	2,669	1.7
		Tokyu Homes Corporation	860	0.5
		Tokyu Hands, Inc.	555	0.3

(Note 1) "Interested parties" means the interested parties related with the asset manager of the Investment Corporation as prescribed under Article 123 of the Enforcement Ordinances of the Act on Investment Trust and Investment Corporation of Japan and Article 26, Item 27 of the Regulations for Management Reports by Investment Trusts and Investment Corporations of the Investment Trusts Association, Japan.

(Note 2) Other than commission paid referred above, construction works ordered to interested parties and major unitholders are as follows:

Tokyu Community Corporation	¥24,319 thousand
Tokyu Homes Corporation	¥10,943 thousand
Tokyu Land Corporation	¥4,017 thousand
HANDS LAB INC.	¥2,700 thousand
Tokyu Land SC Management Corporation	¥2,345 thousand

## (5) Transactions between the Asset Manager in Other Businesses of the Asset Manager

As the asset manager (TLC Activia Investment Management Inc.) does not engage in any other business, such as the first financial instruments business and the second financial instruments business under the Financial Instruments and Exchange Act (or the securities business under the former Securities and Exchange Act), the building lots and buildings transaction business, or the designated real estate joint business, there are no applicable transactions.

## 7. Accounting Status

### (1) Assets, Liabilities, Principal, and Profit and Loss

Please refer to "II. Balance Sheets," "III. Statements of Income," "IV. Statements of Unitholders' Equity," "V. Notes to Financial Statements" and "VI. Statements Related to Distributions Paid."

### (2) Changes in the Calculation Method of Depreciation Expenses

Not applicable

### (3) Changes in the Evaluation Method of Real Estate, etc.

Not applicable

## 8. Other

### (1) Beneficiary Certificates of Investment Trusts, etc. Set Up by the Company

Not applicable

### (2) Announcements

Execution or modification of significant agreement approved by the Board of Directors of the Investment Corporation for the six months ended November 30, 2014 was as follows:

Date of approval	Item	Summary
October 30, 2014	Conclusion of the second alteration agreement for a consignment agreement for asset management	In response to the amendment of the "Act on Investment Trusts and Investment Corporation," the Board of Directors of the Investment Corporation approved change in part of a consignment agreement for asset management (including later change) which is entered into by and between the Investment Corporation and TLC Activia Investment Management Inc. as of September 7, 2011, for the sake of requiring pre-approval by the Board of Directors of the Investment Corporation for a certain related-party transactions (lease, acquisition and disposition of real estate and securities).
November 27, 2014	Conclusion of an underwriting agreement for new investment units	We entrusted the allottees (Note) with general administration related to the issuance of new investment units and the secondary offering of investment units, which was approved by the Board of Directors of the Investment Corporation on the same day.
November 27, 2014	Comprehensive approval of issuance of investment corporation bonds and appointment of administrators	The Board of Directors of the Investment Corporation approved issuance of investment corporation bonds within ¥25 billion in total from December 1, 2014 to May 31, 2014, and appointment of underwriters, financial agency and other general administrator regarding investment corporation bonds. Other relating matters were entrusted to Executive Director.

(Note) The underwriters in Japan are Nomura Securities Co., Ltd., Mizuho Securities Co., Ltd., Daiwa Securities Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., SMBC Nikko Securities Inc., and Tokai Tokyo Securities Co., Ltd. The underwriters overseas are Nomura International plc, UBS Limited, Daiwa Capital Markets Europe Limited and Citigroup Global Markets Limited.

### (3) Other

Unless otherwise noted, the figures in this document are rounded off to the stated unit, and the ratios are rounded.

## II. Balance Sheets

(Unit: Thousands of yen)

	As of May 31, 2014	As of November 30, 2014
<b>Assets</b>		
Current assets		
Cash and deposits	7,702,411	8,585,158
Cash and deposits in trust	1,471,491	1,540,009
Operating accounts receivable	304,241	316,083
Prepaid expenses	273,265	170,163
Deferred tax assets	22	11
Consumption taxes receivable	541,917	–
Other	353	–
Total current assets	10,293,704	10,611,426
Non-current assets		
Property, plant and equipment		
Buildings in trust	48,593,214	52,319,762
Accumulated depreciation	(2,013,828)	(2,734,761)
Buildings in trust, net	46,579,386	49,585,001
Structures in trust	395,537	403,342
Accumulated depreciation	(39,436)	(49,339)
Structures in trust, net	356,100	354,002
Machinery and equipment in trust	1,091,124	1,142,718
Accumulated depreciation	(67,624)	(93,321)
Machinery and equipment in trust, net	1,023,499	1,049,397
Tools, furniture and fixtures in trust	36,977	61,618
Accumulated depreciation	(4,417)	(8,702)
Tools, furniture and fixtures in trust, net	32,560	52,916
Land in trust	179,363,166	186,823,468
Construction in progress in trust	5,200	5,200
Total property, plant and equipment	227,359,913	237,869,985
Intangible assets		
Leasehold rights in trust	4,562,599	4,562,628
Other	3,550	3,089
Total intangible assets	4,566,150	4,565,717
Investments and other assets		
Long-term prepaid expenses	356,026	329,135
Invest securities	9,967	9,979
Total investments and other assets	365,994	339,115
Total non-current assets	232,292,058	242,774,818
Deferred assets		
Investment corporation bond issuance costs	23,404	21,024
Total deferred assets	23,404	21,024
Total assets	242,609,167	253,407,269

(Unit: Thousands of yen)

	As of May 31, 2014	As of November 30, 2014
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	431,447	582,927
Short-term loans payable	3,000,000	–
Current portion of long-term loans payable	12,000,000	18,000,000
Accounts payable—other	64,636	42,874
Accrued expenses	315,924	375,920
Income taxes payable	674	383
Accrued consumption taxes	–	116,971
Advances received	111,860	105,716
Deposits received	11,350	2,129
Other	1	–
Total current liabilities	15,935,895	19,226,923
Non-current liabilities		
Investment corporation bond	4,000,000	4,000,000
Long-term loans payable	81,800,000	88,800,000
Tenant leasehold and security deposits in trust	10,820,768	11,294,108
Other	31	12
Total non-current liabilities	96,620,799	104,094,121
Total liabilities	112,556,695	123,321,044
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	126,054,921	126,054,921
Surplus		
Unappropriated retained earnings (undisposed loss)	3,997,550	4,031,303
Total surplus	3,997,550	4,031,303
Total unitholders' equity	130,052,471	130,086,225
Total net assets	*2 130,052,471	*2 130,086,225
Total liabilities and net assets	242,609,167	253,407,269



### III. Statements of Income

(Unit: Thousands of yen)

	Previous fiscal period (From December 1, 2013 to May 31, 2014)		Current fiscal period (From June 1, 2014 to November 30, 2014)	
Operating revenue				
Rent revenue—real estate	*1, *3	7,237,545	*1, *3	7,544,941
Other lease business revenue	*1, *3	541,200	*1, *3	630,009
Total operating revenue		7,778,746		8,174,951
Operating expenses				
Expenses related to rent business	*1, *3	2,632,911	*1, *3	2,937,675
Loss on sales of real estate properties	*2	7,099	*2	—
Asset management fee		483,899		567,459
Asset custody fee		6,562		7,089
Administrative service fees		11,856		14,062
Directors' compensations		3,300		3,300
Other operating expenses		52,584		51,359
Total operating expenses		3,198,214		3,580,945
Operating income		4,580,531		4,594,005
Non-operating income				
Interest income		394		442
Interest on securities		1,744		1,787
Interest on refund		—		1,889
Insurance income		63		1,472
Total non-operating income		2,203		5,593
Non-operating expenses				
Interest expenses		386,485		413,995
Interest expenses on investment corporation bonds		1,458		7,416
Amortization of investment corporation bond issuance costs		793		2,380
Investment unit issuance expenses		106,174		49,228
Borrowing related expenses		88,739		93,976
Other		520		593
Total non-operating expenses		584,173		567,590
Ordinary income		3,998,562		4,032,008
Income before income taxes		3,998,562		4,032,008
Income taxes—current		1,105		833
Income taxes—deferred		(5)		11
Total income taxes		1,099		845
Net income		3,997,462		4,031,162
Retained earnings brought forward		88		141
Unappropriated retained earnings (undisposed loss)		3,997,550		4,031,303

### IV. Statements of Unitholders' Equity

Previous fiscal period (From December 1, 2013 to May 31, 2014)

(Unit: Thousands of yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of current period	91,373,833	3,186,370	3,186,370	94,560,203	94,560,203
Changes of items during period					
Issuance of new investment units	34,681,088			34,681,088	34,681,088
Dividends of surplus		(3,186,282)	(3,186,282)	(3,186,282)	(3,186,282)
Net income		3,997,462	3,997,462	3,997,462	3,997,462
Total changes of items during period	34,681,088	811,180	811,180	35,492,268	35,492,268
Balance at end of current period	*1 126,054,921	3,997,550	3,997,550	130,052,471	130,052,471

Current fiscal period (From June 1, 2014 to November 30, 2014)

(Unit: Thousands of yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of current period	126,054,921	3,997,550	3,997,550	130,052,471	130,052,471
Changes of items during period					
Dividends of surplus		(3,997,409)	(3,997,409)	(3,997,409)	(3,997,409)
Net income		4,031,162	4,031,162	4,031,162	4,031,162
Total changes of items during period	—	33,753	33,753	33,753	33,753
Balance at end of current period	*1 126,054,921	4,031,303	4,031,303	130,086,225	130,086,225

## V. Notes to Financial Statements

[Notes to Important Accounting Policies]

Item	Previous fiscal period (From December 1, 2013 to May 31, 2014)	Current fiscal period (From June 1, 2014 to November 30, 2014)
1. Valuation standards and accounting methods for securities	Held-to-maturity bonds The amortized cost method (straight-line method) is used.	Held-to-maturity bonds The amortized cost method (straight-line method) is used.
2. Method of depreciation of non-current assets	(1) Property, plant, and equipment (including trust assets) The straight-line method is used. The useful lives of major property, plant and equipment are listed below. Buildings 2 to 64 years Structures 2 to 60 years Machinery and equipment 2 to 33 years Tools, furniture, and fixtures 2 to 15 years (2) Intangible assets Internal use software is amortized by the straight-line method over the expected useful life (5 years). (3) Long-term prepaid expenses The straight-line method is used.	(1) Property, plant, and equipment (including trust assets) The straight-line method is used. The useful lives of major property, plant and equipment are listed below. Buildings 2 to 70 years Structures 2 to 60 years Machinery and equipment 2 to 33 years Tools, furniture, and fixtures 2 to 15 years (2) Intangible assets Internal use software is amortized by the straight-line method over the expected useful life (5 years). (3) Long-term prepaid expenses The straight-line method is used.
3. Accounting method for deferred assets	(1) Investment unit issuance expenses The full amount is recorded as expenses when incurred. (2) Investment corporation bond issuance costs Amortized by the straight-line method over the period until maturity.	(1) Investment unit issuance expenses The full amount is recorded as expenses when incurred. (2) Investment corporation bond issuance costs Amortized by the straight-line method over the period until maturity.
4. Accounting standards for income and expenses	Property-related taxes For property tax, city planning tax, depreciation asset tax for real properties held, the amount of tax levied corresponding to the calculation period is recorded as expenses related to rent business. The settlement money for property tax that is paid to the transferor for acquisition of real properties (so-called "amount equivalent to property tax") is not recorded as expenses related to rent business but included in the acquisition costs for the related properties. The amount equivalent to property tax included in acquisition cost for properties for the current fiscal period is ¥4,906 thousand.	Property-related taxes For property tax, city planning tax, depreciation asset tax for real properties held, the amount of tax levied corresponding to the calculation period is recorded as expenses related to rent business. The settlement money for property tax that is paid to the transferor for acquisition of real properties (so-called "amount equivalent to property tax") is not recorded as expenses related to rent business but included in the acquisition costs for the related properties. There is no amount equivalent to property tax included in acquisition cost for properties for the current fiscal period.
5. Method of hedge accounting	(1) Method of hedge accounting For interest rate swaps, special treatment is applied since the swaps satisfy the requirements for special treatment. (2) Hedging instruments and hedged items Hedging instruments: Interest rate swaps transactions Hedged items: Long-term loans payable (3) Hedging policy Based on the management policy of financial market risks, the Investment Corporation makes interest rate swaps for the purpose to hedge risks set forth in the Articles of Incorporation of the Investment Corporation. (4) Method of assessing hedge effectiveness The Company assesses hedge effectiveness is ensured based upon the fulfillment of the requirements of special treatment.	(1) Method of hedge accounting For interest rate swaps, special treatment is applied since the swaps satisfy the requirements for special treatment. (2) Hedging instruments and hedged items Hedging instruments: Interest rate swaps transactions Hedged items: Long-term loans payable (3) Hedging policy Based on the management policy of financial market risks, the Investment Corporation makes interest rate swaps for the purpose to hedge risks set forth in the Articles of Incorporation of the Investment Corporation. (4) Method of assessing hedge effectiveness The Company assesses hedge effectiveness is ensured based upon the fulfillment of the requirements of special treatment.

6. Other important matters related to the preparation of financial statements	(1) Accounting method for trust beneficiary right with real estate, etc. as trust asset With regard to trust beneficiary right with real estate, etc. in holding as trust asset, all assets and liabilities as well as all revenue and expense items associated with all trust assets are accounted for under the respective account items of the Balance Sheets and Statements of Income. Of the trust assets accounted for under the respective account items, the following items with significance are separately indicated on the Balance Sheets. i) Cash and deposits in trust ii) Buildings in trust; structures in trust; machinery and equipment in trust; tools, furniture and fixtures in trust; land in trust; construction in progress in trust; and leasehold rights in trust iii) Tenant leasehold and security deposits in trust (2) Accounting method for consumption tax and local consumption tax Consumption tax and local consumption tax are accounted for by the tax-exclusion method. Consumption taxes unqualified for deduction for tax purposes for non-current assets, etc. are included in acquisition cost for each asset.	(1) Accounting method for trust beneficiary right with real estate, etc. as trust asset With regard to trust beneficiary right with real estate, etc. in holding as trust asset, all assets and liabilities as well as all revenue and expense items associated with all trust assets are accounted for under the respective account items of the Balance Sheets and Statements of Income. Of the trust assets accounted for under the respective account items, the following items with significance are separately indicated on the Balance Sheets. i) Cash and deposits in trust ii) Buildings in trust; structures in trust; machinery and equipment in trust; tools, furniture and fixtures in trust; land in trust; construction in progress in trust; and leasehold rights in trust iii) Tenant leasehold and security deposits in trust (2) Accounting method for consumption tax and local consumption tax Consumption tax and local consumption tax are accounted for by the tax-exclusion method. Consumption taxes unqualified for deduction for tax purposes for non-current assets, etc. are included in acquisition cost for each asset.
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[Notes to Balance Sheets]

\*1. Minimum Net Assets Stipulated in Article 67, Paragraph 4 of the Act on Investment Trusts and Investment Corporations

	As of May 31, 2014	As of November 30, 2014
	¥50,000 thousand	¥50,000 thousand

### 2. Commitment Line Contracts

The Investment Corporation has the commitment line contracts with four of the banks with which we have transactions.

	As of May 31, 2014	As of November 30, 2014
Total amount specified in the commitment line contracts	¥10,000,000 thousand	¥12,000,000 thousand
Loan balance	—	—
Net balance	¥10,000,000 thousand	¥12,000,000 thousand



[Notes to Statements of Income]

\*1. Breakdown of Income (Loss) from Real Estate Leasing Business

(In thousands of yen)				
	Previous fiscal period (From December 1, 2013 to May 31, 2014)		Current fiscal period (From June 1, 2014 to November 30, 2014)	
A. Real estate leasing business revenues				
Rent revenue—real estate				
Rent	6,619,646		6,945,300	
Common service fees	429,060		402,113	
Parking lot fees	142,732		146,907	
Other rent revenue	46,105	7,237,545	50,619	7,544,941
Other rent business revenue		541,200		630,009
Total real estate leasing business revenues		7,778,746		8,174,951
B. Real estate leasing business expenses				
Expenses related to rent business				
Management operation expenses	638,757		693,503	
Utilities expenses	524,265		593,991	
Tax and public dues	457,189		575,707	
Insurance	7,211		7,426	
Repair and maintenance expenses	114,693		142,813	
Depreciation	739,386		762,984	
Loss on retirement of non-current assets	4,426		115	
Other expenses related to rent business	146,980	2,632,911	161,132	2,937,675
Total real estate leasing business expenses		2,632,911		2,937,675
C. Income (loss) from real estate leasing business (A – B)		5,145,835		5,237,275

\*2. Breakdown of Gain (Loss) on Sales of Real Estate Properties

(In thousands of yen)		
	Previous fiscal period (From December 1, 2013 to May 31, 2014)	Current fiscal period (From June 1, 2014 to November 30, 2014)
Tokyo Kikai Honsha Building (Building)		
Income from sales of real estate properties	695,000	—
Costs of sales of real estate properties	692,998	—
Other costs of sales	9,101	—
Loss on sales of real estate properties	7,099	—

\*3. Transactions with Major Unitholders

(In thousands of yen)		
	Previous fiscal period (From December 1, 2013 to May 31, 2014)	Current fiscal period (From June 1, 2014 to November 30, 2014)
Operating transactions		
Rent revenue—real estate	5,470,711	5,458,629
Other lease business revenue	393,854	437,394
Expenses related to rent business	296,465	286,118

[Notes to Statements of Unitholders' Equity]

	Previous fiscal period (From December 1, 2013 to May 31, 2014)	Current fiscal period (From June 1, 2014 to November 30, 2014)
*1. Total number of authorized investment units and total number of investment units issued		
Total number of authorized investment units	2,000,000 units	2,000,000 units
Total number of investment units issued	251,062 units	251,062 units

[Notes to Tax Effect Accounting]

1. Breakdown of Deferred Tax Assets and Deferred Tax Liability by Origin

	Previous fiscal period (From December 1, 2013 to May 31, 2014)	Current fiscal period (From June 1, 2014 to November 30, 2014)
Deferred tax assets		
Non-deductible amount for tax purposes of enterprise tax payable	¥22 thousand	¥11 thousand
Total deferred tax assets	¥22 thousand	¥11 thousand
Net deferred tax assets	¥22 thousand	¥11 thousand

2. Breakdown of Major Items That Cause Differences between Statutory and Effective Tax Rates and Income Tax Burden after Tax Effect Accounting Is Applied

	Previous fiscal period (From December 1, 2013 to May 31, 2014)	Current fiscal period (From June 1, 2014 to November 30, 2014)
Effective statutory tax rate	36.59%	34.16%
(Adjustments)		
Dividends paid included in deductibles	(36.58)%	(34.15)%
Other	0.02%	0.02%
Effective income tax rate after the application of tax effect accounting	0.03%	0.02%

3. Tax Rate Change in Line with Revision to Income Taxes

In accordance with the “the Local Corporation Tax Act” (Act No. 11 of 2014) and “the Act for Partial Revision of the Local Tax Act” (Act No. 4 of 2014), which were promulgated on March 31, 2014, the local corporation tax has been established and the tax rates for corporate inhabitant tax, corporation business tax and special local corporate tax were revised from the fiscal period beginning on or after October 1, 2014. In conjunction with this, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities for the current fiscal period was changed to 34.15% from the previous tax rate of 34.16%. The impact of this change is immaterial.

[Notes on Financial Instruments]

Previous fiscal period (From December 1, 2013 to May 31, 2014)

1. Matters Regarding Financial Instruments

(1) Policy for Financial Instruments

The Investment Corporation raises funds by borrowing, issuing investment corporation bonds, or issuing investment units for the purpose of acquiring real estate-related assets and repaying interest-bearing debt.

When raising funds, the Investment Corporation aims to sustain stable fund-raising capability for a long time at low cost by enhancing its capital adequacy and maintaining conservative interest-bearing debt, looking for attributes such as extended borrowing periods for interest-bearing debt, fixed interest rates, and diversified due dates to ensure financial stability and avoid the risk of interest-rate hikes.

We also invest temporary excess funds in deposits in general, taking safety and liquidity, etc. into account and carefully considering the interest-rate environment and our cash management.

We may carry out derivatives transactions for the purpose of hedging the interest-rate risk of borrowings and other risks, but do not engage in speculative transactions.

(2) Content and Risks of Financial Instruments and Risk Management System

As the excess funds of the Investment Corporation are invested in deposits, they are exposed to credit risks such as the insolvency of the financial institutions in which the excess funds are deposited. However, we deposit excess funds carefully by limiting the period of deposits to the short term, taking safety and liquidity, etc. into account and carefully considering the financial environment and our cash management.

Borrowings and investment corporation bond are mainly for the purpose of acquiring real estate and refinancing of existing borrowings. Tenant leasehold and security deposits are deposits provided by tenants. Borrowings, investment corporation bond, tenant leasehold and security deposits are exposed to liquidity risks at the time of repayments. However, these risks are managed through management of liquidity in hand by preparing a monthly funding plan, efforts to reduce liquidity risk on loans payable and investment corporation bond by diversifying repayment periods, etc., and other means.

Floating-rate loans payable are also exposed to the risk of fluctuations in interest-rates. However, these risks are managed through derivative transactions (interest rate swaps) as hedging instruments in certain floating-rate loans payable.

(3) Supplemental Remarks on the Fair Value of Financial Instruments

The fair value of financial instruments is based on market prices or reasonably calculated value if it has no market price. As certain assumptions are made in calculating these values, if different assumptions, etc. are used, these values could vary.

2. Matters Regarding Fair Values of Financial Instruments

Carrying amount, fair value, and the difference between the two values as of May 31, 2014, are as shown below. Financial instruments whose fair value is considered to be extremely difficult to determine are not included in this table.

(In thousands of yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	7,702,411	7,702,411	—
(2) Cash and deposits in trust	1,471,491	1,471,491	—
Total assets	9,173,903	9,173,903	—
(1) Short-term loans payable	3,000,000	3,000,000	—
(2) Current portion of long-term loans payable	12,000,000	12,000,000	—
(3) Investment corporation bond	4,000,000	4,000,000	—
(4) Long-term loans payable	81,800,000	82,215,990	415,990
Total liabilities	100,800,000	101,215,990	415,990
Derivative transaction	—	—	—



(Note 1) Measurement Methods for Fair Values of Financial Instruments

Assets

- (1) Cash and deposits, (2) Cash and deposits in trust

The book value is used as the fair value of these assets, given that the fair value is almost the same as the book value, as it is settled in a short time.

Liabilities

- (1) Short-term loans payable

The book value is used as the fair value of these liabilities, given that the fair value is almost the same as the book value, as it is settled in a short time.

- (2) Current portion of long-term loans payable, (4) Long-term loans payable

These fair values are determined by discounting the total of principal and interest at the rate assumed when a new loan is made corresponding to the remaining period. The book value is used as the fair value of those loans payable with floating interest rate, given that the fair value is almost the same as the book value, as their interest rates are reviewed on a short-term interval to reflect market interest rates.

- (3) Investment corporation bond

The fair value is determined by discounting the total of principal and interest at a rate taking into account the remaining period and credit risk of the said investment corporation bonds.

Derivative transactions

- (1) Derivative transaction to which hedge accounting is not applied

Not applicable

- (2) Derivative transaction to which hedge accounting is applied

The following table shows contract amount or principal amount, etc. set forth in the contract as of the account closing date by method of hedge accounting.

(In thousands of yen)

Hedge accounting	Type of derivative transactions	Major hedged items	Amount of contract		Fair value	Calculation method for fair value
				Portion due after 1 year		
Special treatment for interest rate swaps	Interest rate swaps Receive floating Pay fixed	Long-term loans payable	5,000,000	5,000,000	*1	—

\*1 Interest rate swap transactions to which special treatment is applied are accounted for as an integral part of long-term loans payable, a hedged item. Thus, their fair values are included in the fair value of long-term loans payable. (Please refer to the above note (Liabilities, (3) Long-term loans payable)).

(Note 2) Carrying Amount of Financial Instruments Whose Fair Value Is Considered to Be Extremely Difficult to Determine

(In thousands of yen)

Category	As of November 30, 2013
Tenant leasehold and security deposits in trust *2	10,820,768

\*2 As there are no market prices for security deposits in trust from tenants for leasehold properties and the actual period of deposit from move-in of the tenant to move-out is difficult to determine, it is extremely difficult to reasonably estimate the cash flow. Therefore, the fair value for security deposits in trust is not subject to the disclosure of fair value.

(Note 3) Expected Amount of Repayments of Monetary Claims after the Account Closing Date (May 31, 2014)

(In thousands of yen)

	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years
Deposits	7,702,411	—	—	—	—	—
Deposits in trust	1,471,491	—	—	—	—	—
Total	9,173,903	—	—	—	—	—

(Note 4) Expected Amount of Repayments of Loans Payable after the Account Closing Date (November 30, 2014)

(In thousands of yen)

	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years
Short-term loans payable	3,000,000	—	—	—	—	—
Investment corporation bond	—	—	—	—	4,000,000	—
Long-term loans payable	12,000,000	12,000,000	18,000,000	17,000,000	16,000,000	18,800,000
Total	15,000,000	12,000,000	18,000,000	17,000,000	20,000,000	18,800,000

Current fiscal period (From June 1, 2014 to November 30, 2014)

## 1. Matters Regarding Financial Instruments

### (1) Policy for Financial Instruments

The Investment Corporation raises funds by borrowing, issuing investment corporation bonds, or issuing investment units for the purpose of acquiring real estate-related assets and repaying interest-bearing debt.

When raising funds, the Investment Corporation aims to sustain stable fund-raising capability for a long time at low cost by enhancing its capital adequacy and maintaining conservative interest-bearing debt, looking for attributes such as extended borrowing periods for interest-bearing debt, fixed interest rates, and diversified due dates to ensure financial stability and avoid the risk of interest-rate hikes.

We also invest temporary excess funds in deposits in general, taking safety and liquidity, etc. into account and carefully considering the interest-rate environment and our cash management.

We may carry out derivatives transactions for the purpose of hedging the interest-rate risk of borrowings and other risks, but do not engage in speculative transactions.

### (2) Content and Risks of Financial Instruments and Risk Management System

As the excess funds of the Investment Corporation are invested in deposits, they are exposed to credit risks such as the insolvency of the financial institutions in which the excess funds are deposited. However, we deposit excess funds carefully by limiting the period of deposits to the short term, taking safety and liquidity, etc. into account and carefully considering the financial environment and our cash management.

Borrowings and investment corporation bond are mainly for the purpose of acquiring real estate and refinancing of existing borrowings. Tenant leasehold and security deposits are deposits provided by tenants. Borrowings, investment corporation bond, tenant leasehold and security deposits are exposed to liquidity risks at the time of repayments. However, these risks are managed through management of liquidity in hand by preparing a monthly funding plan, efforts to reduce liquidity risk on loans payable and investment corporation bond by diversifying repayment periods, etc., and other means.

Floating-rate loans payable are also exposed to the risk of fluctuations in interest-rates. However, these risks are managed through derivative transactions (interest rate swaps) as hedging instruments in certain floating-rate loans payable.

### (3) Supplemental Remarks on the Fair Value of Financial Instruments

The fair value of financial instruments is based on market prices or reasonably calculated value if it has no market price. As certain assumptions are made in calculating these values, if different assumptions, etc. are used, these values could vary.

## 2. Matters Regarding Fair Values of Financial Instruments

Carrying amount, fair value, and the difference between the two values as of November 30, 2014, are as shown below. Financial instruments whose fair value is considered to be extremely difficult to determine are not included in this table.

(In thousands of yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	8,585,158	8,585,158	—
(2) Cash and deposits in trust	1,540,009	1,540,009	—
Total assets	10,125,167	10,125,167	—
(1) Current portion of long-term loans payable	18,000,000	18,027,930	27,930
(2) Investment corporation bond	4,000,000	4,022,063	22,063
(3) Long-term loans payable	88,800,000	89,766,861	966,861
Total liabilities	110,800,000	111,816,856	1,016,856
Derivative transaction	—	—	—

(Note 1) Measurement Methods for Fair Values of Financial Instruments

### Assets

#### (1) Cash and deposits, (2) Cash and deposits in trust

The book value is used as the fair value of these assets, given that the fair value is almost the same as the book value, as it is settled in a short time.

### Liabilities

#### (1) Current portion of long-term loans payable, (3) Long-term loans payable

These fair values are determined by discounting the total of principal and interest at the rate assumed when a new loan is made corresponding to the remaining period. The book value is used as the fair value of those loans payable with floating interest rate, given that the fair value is almost the same as the book value, as their interest rates are reviewed on a short-term interval to reflect market interest rates.

#### (2) Investment corporation bond

The fair value is determined by discounting the total of principal and interest at a rate taking into account the remaining period and credit risk of the said investment corporation bonds.

### Derivative transactions

#### (1) Derivative transaction to which hedge accounting is not applied

Not applicable

#### (2) Derivative transaction to which hedge accounting is applied

The following table shows contract amount or principal amount, etc. set forth in the contract as of the account closing date by method of hedge accounting.

(In thousands of yen)

Hedge accounting	Type of derivative transactions	Major hedged items	Amount of contract		Fair value	Calculation method for fair value
				Portion due after 1 year		
Special treatment for interest rate swaps	Interest rate swaps Receive floating Pay fixed	Long-term loans payable	5,000,000	5,000,000	*1	—

\*1 Interest rate swap transactions to which special treatment is applied are accounted for as an integral part of long-term loans payable, a hedged item. Thus, their fair values are included in the fair value of long-term loans payable. (Please refer to the above note (Liabilities, (3) Long-term loans payable)).

(Note 2) Carrying Amount of Financial Instruments Whose Fair Value Is Considered to Be Extremely Difficult to Determine

(In thousands of yen)

Category	As of November 30, 2014
Tenant leasehold and security deposits in trust *2	11,294,108

\*2 As there are no market prices for security deposits in trust from tenants for leasehold properties and the actual period of deposit from move-in of the tenant to move-out is difficult to determine, it is extremely difficult to reasonably estimate the cash flow. Therefore, the fair value for security deposits in trust is not subject to the disclosure of fair value.

(Note 3) Expected Amount of Repayments of Monetary Claims after the Account Closing Date (November 30, 2014)

(In thousands of yen)

	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years
Deposits	8,585,158	—	—	—	—	—
Deposits in trust	1,540,009	—	—	—	—	—
Total	10,125,167	—	—	—	—	—



(Note 4) Expected Amount of Repayments of Loans Payable after the Account Closing Date (November 30, 2014)

	(In thousands of yen)					
	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years
Investment corporation bond	—	—	—	—	4,000,000	—
Long-term loans payable	18,000,000	19,000,000	24,000,000	17,000,000	13,000,000	15,800,000
Total	18,000,000	19,000,000	24,000,000	17,000,000	17,000,000	15,800,000

[Notes on Lease Properties]

The Investment Corporation holds Urban Retail and Tokyo Office Properties and Other Properties in Tokyo and other regions for rental revenue. The amounts on the balance sheets as of November 30, 2014, changes during the fiscal period, and fair values of lease properties are as follows.

	(In thousands of yen)	
	Previous fiscal period (From December 1, 2013 to May 31, 2014)	Current fiscal period (From June 1, 2014 to November 30, 2014)
Amount on the balance sheets		
Balance at beginning of period	185,017,315	231,924,507
Changes during period	46,907,192	10,509,897
Balance at end of period	231,924,507	242,434,405
Fair value at end of period	247,660,000	265,130,000

- (Note 1) The amount on the balance sheets is the acquisition cost less accumulated depreciation.  
 (Note 2) The main reason for the increase in the current fiscal period is the acquisition of a property (OSAKI WIZTOWER) worth ¥11,107,329 thousand. The decrease is mainly due to the provision of depreciation worth ¥762,984 thousand.  
 (Note 3) The fair value at the end of the fiscal period is the appraisal value provided by an outside real estate appraiser.

The income (loss) concerning lease properties for the current fiscal period is indicated under “Notes to Statements of Income.”

[Notes to Transactions with Related Parties]

Previous fiscal period (From December 1, 2013 to May 31, 2014)

Attribute	Name	Address	Business or occupation	Percentage of voting rights owning (owned)	Relationship		Transaction	Transaction amount (In thousands of yen)	Account title	Ending balance (In thousands of yen)
					Interlocking officers, etc.	Business relation-ship				
Major unitholder	Tokyu Land Corporation	21-2 Dogenzaka 1-chome, Shibuya-ku, Tokyo	Real estate business	10.38%	None	Major unitholder, and rent and management of properties	Purchase of beneficiary interests of real estate in trust	17,890,000	—	—
							Sales of beneficiary interests of real estate in trust	695,000	—	—
							Acceptance of tenant leasehold and security deposits	972,323	Tenant leasehold and security deposits in trust	7,580,200
							Delivery of tenant leasehold and security deposits	612,744		
							Receipt of tenant leasehold and security deposits	740,651		
							Repayments of tenant leasehold and security deposits	129,249		
							Delivery of tenant leasehold and security deposits due to sale	181,176		
							Rental revenues, etc.	5,864,566	Operating accounts receivable	225,969
									Advances received	111,462
							Fees for consignment for real estate management	295,565	Operating accounts payable	61,614
Subsidiary of major unitholder	Godo Kaisha SSG9	11 Kandajinbocho 1-chome, Chiyoda-ku, Tokyo	Real estate business	—	None	Subsidiary of major unitholder	Purchase of beneficiary interests of real estate in trust	21,330,000	—	—
							Acceptance of tenant leasehold and security deposits	1,333,965	—	—
Subsidiary of major unitholder	Momo Holdings Yugen Kaisha	11 Kandajinbocho 1-chome, Chiyoda-ku, Tokyo	Real estate business	—	None	Subsidiary of major unitholder	Purchase of beneficiary interests of real estate in trust	3,800,000	—	—
							Acceptance of tenant leasehold and security deposits	188,125	—	—
Subsidiary of major unitholder	Tokyu Land SC Management Corporation	2-2 Dogenzaka 1-chome, Shibuya-ku, Tokyo	Real estate management business	—	None	Subsidiary of major unitholder	Delivery of tenant leasehold and security deposits	1,829,571	Tenant leasehold and security deposits in trust	3,047,739
							Receipt of tenant leasehold and security deposits	1,851,119		
							Repayments of tenant leasehold and security deposits	29,167		
							Rental revenues, etc.	1,731,053	Operating accounts receivable	73,503
Asset custody company	Sumitomo Mitsui Trust Bank, Ltd.	4-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo	Banking business	—	None	Asset custody company	Interest expenses	88,665	Long-term loans	21,360,000
									Accrued expenses	18,418
									Accrued expenses	2,565
							Loan fees	33,782	Prepaid expenses	45,084
									Long-term prepaid expenses	105,667

- (Note 1) Of the amounts above, the transaction amount does not include consumption taxes, and the end balance includes consumption taxes.  
 (Note 2) The transaction terms are based on current market practices.

Current fiscal period (From June 1, 2014 to November 30, 2014)

Attribute	Name	Address	Business or occupation	Percentage of voting rights owning (owned)	Relationship		Transaction	Transaction amount (In thousands of yen)	Account title	Ending balance (In thousands of yen)
					Interlocking officers, etc.	Business relationship				
Major unitholder	Tokyu Land Corporation	21-2 Dogenzaka 1-chome, Shibuya-ku, Tokyo	Real estate business	10.38%	None	Major unitholder, and rent and management of properties	Delivery of tenant leasehold and security deposits	430,841	Tenant leasehold and security deposits in trust	6,203,539
							Receipt of tenant leasehold and security deposits	514,425		
							Repayments of tenant leasehold and security deposits	1,891,086		
							Rental revenues, etc.	5,896,023	Operating accounts receivable	222,533
									Advances received	105,267
							Fees for consignment for real estate management	286,522	Operating accounts payable	60,189
Subsidiary of major unitholder	Tokyu Land SC Management Corporation	2-2 Dogenzaka 1-chome, Shibuya-ku, Tokyo	Real estate management business	—	None	Subsidiary of major unitholder	Receipt of tenant leasehold and security deposits	232,384	Tenant leasehold and security deposits in trust	3,277,798
							Repayments of tenant leasehold and security deposits	2,325		
							Rental revenues, etc.	1,922,667	Operating accounts receivable	80,043
									Advances received	339
Subsidiary of major unitholder	Tokyu Community Corporation	10-1 Yoga 4-chome, Setagaya-ku, Tokyo	Real estate management business	—	None	Subsidiary of major unitholder	Receipt of tenant leasehold and security deposits	336,920	Tenant leasehold and security deposits in trust	336,920
							Rental revenues, etc.	44,178	Operating accounts receivable	5,889
									Advances received	109
Asset custody company	Sumitomo Mitsui Trust Bank, Ltd.	4-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo	Banking business	—	None	Asset custody company	Interest expenses	95,223	Long-term loans	23,360,000
							Loan fees	10,007	Accrued expenses	18,350
									Prepaid expenses	43,450
									Long-term prepaid expenses	90,362

(Note 1) Of the amounts above, the transaction amount does not include consumption taxes, and the end balance includes consumption taxes.

(Note 2) The transaction terms are based on current market practices.

[Notes to Per Unit Information]

	Previous fiscal period (From December 1, 2013 to May 31, 2014)	Current fiscal period (From June 1, 2014 to November 30, 2014)
Net assets per unit	¥518,009	¥518,143
Net income per unit	¥16,194	¥16,056

(Note 1) Net income per unit is calculated by dividing net income by the day-weighted average number of investment units for the period (previous fiscal period 246,842 units; current fiscal period 251,062 units). Fully diluted net income per unit is not stated, as there is no potential investment unit.

(Note 2) The basis for calculating net income per share is as follows:

	Previous fiscal period (From December 1, 2013 to May 31, 2014)	Current fiscal period (From June 1, 2014 to November 30, 2014)
Net income (In thousands of yen)	3,997,462	4,031,162
Amount not attributable to common unitholders (In thousands of yen)	—	—
Net income attributable to common investment units (In thousands of yen)	3,997,462	4,031,162
Average number of investment units for the period (Units)	246,842	251,062

[Notes to Major Subsequent Events]

Previous fiscal period (From December 1, 2013 to May 31, 2014)	Current fiscal period (From June 1, 2014 to November 30, 2014)
Not applicable	<p>1. Issuance of New Investment Units</p> <p>At meetings of the board of directors held on November 27, 2014 and December 10, 2014, we resolved to issue new investment units as described below, and issued these per the terms below once payment was completed on December 17, 2014 and January 8, 2015. As a result, unitholders' capital amounted to ¥150,770,610,870, and the number of investment units issued came to 277,132 units.</p> <p>(i) Issuance of new investment units through the public offering (Public placement)</p> <p>i) Number of new investment units issued 24,050 units</p> <p>ii) Offering price ¥979,020 per unit</p> <p>iii) Total offering price ¥23,545,431,000</p> <p>iv) Paid-in amount ¥948,051 per unit</p> <p>v) Total paid-in amount ¥22,800,626,550</p> <p>vi) Payment date December 17, 2014</p> <p>vii) Initial date of reckoning distributions December 1, 2014</p> <p>(ii) Issuance of new investment units through third-party allotment</p> <p>i) Number of new investment units issued 2,020 units</p> <p>ii) Paid-in amount ¥948,051 per unit</p> <p>iii) Total paid-in amount ¥1,915,063,020</p> <p>iv) Payment date January 8, 2015</p> <p>v) Initial date of reckoning distributions December 1, 2013</p> <p>vi) Allottee Nomura Securities Co., Ltd.</p> <p>2. Borrowing of Funds</p> <p>In order to cover the acquisition costs for beneficiary rights of real estate in trust to two properties and related costs, the Investment Corporation borrowed funds of ¥16,300 million on January 9, 2015. For the details, please refer to the preceding "I. Asset Management Report, 1. Review of Asset Management, (6) Significant Matters after the Book Closing, b. Borrowing of Funds."</p> <p>3. Acquisition of Properties</p> <p>The Investment Corporation acquired beneficiary rights of real estate in trust to one property for ¥5,850 million on December 19, 2014, and two properties for ¥35,120 million on January 9, 2015, with proceeds from the issuance of new investment units through public offering (public placement) and third-party allotment and borrowings, etc. in accordance with the basic asset management policy set forth in the Articles of Incorporation. For the details, please refer to the preceding "I. Asset Management Report, 1. Review of Asset Management, (6) Significant Matters after the Book Closing, c. Acquisition of Properties."</p>



## VI. Statements Related to Distributions Paid

	Previous fiscal period (From December 1, 2013 to May 31, 2014)	Current fiscal period (From June 1, 2014 to November 30, 2014)
	Amount	Amount
I Unappropriated retained earnings	¥3,997,550,439	¥4,031,303,721
II Distributions	¥3,997,409,164	¥4,031,302,534
[Cash distributions per unit]	[¥15,922]	[¥16,057]
III Earnings carried forward	¥141,275	¥1,187

Calculation method for distributions	Based on the distribution policy set forth in Article 35, Paragraph 1 of the Articles of Incorporation of the Investment Corporation, distributions shall be limited to the amount of profit in excess of an amount equivalent to ninety hundredths (90/100) of distributable profits, as stipulated in Article 67-15, Paragraph 1 of the Act on Special Measures Concerning Taxation. In consideration of this policy, we will pay distributions at the total amount of ¥3,997,409,164, which is the amount that does not exceed the unappropriated retained earnings and is the greatest value among integral multiples of 251,062, which is the number of investment units issued; provided, however, that we will not pay the portion of amount that exceeds the profit defined in Article 35, Paragraph 2 of the Articles of Incorporation of the Investment Corporation.	Based on the distribution policy set forth in Article 35, Paragraph 1 of the Articles of Incorporation of the Investment Corporation, distributions shall be limited to the amount of profit in excess of an amount equivalent to ninety hundredths (90/100) of distributable profits, as stipulated in Article 67-15, Paragraph 1 of the Act on Special Measures Concerning Taxation. In consideration of this policy, we will pay distributions at the total amount of ¥4,031,302,534, which is the amount that does not exceed the unappropriated retained earnings and is the greatest value among integral multiples of 251,062, which is the number of investment units issued; provided, however, that we will not pay the portion of amount that exceeds the profit defined in Article 35, Paragraph 2 of the Articles of Incorporation of the Investment Corporation.
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### Note

Accompanying English financial information, comprising balance sheets, statements of income, statements of unitholders' equity, notes to financial statements and statements related to distributions paid, have been translated from the Japanese financial statements of the Investment Corporation prepared in accordance with the Act on Investment Trusts and Investment Corporations of Japan.

Under Article 130 of the Act on Investment Trusts and Investment Corporations of Japan, the Japanese financial statements for the six months ended November 30, 2014 have been audited by Ernst & Young ShinNihon LLC, in accordance with auditing standards generally accepted in Japan. But, English translation of the Japanese language report of independent auditors is not attached herein because the accompanying English translation of balance sheets, statements of income, statements of unitholders' equity, notes to financial statements and statements related to distributions paid are unaudited.

## VII. Statements of Cash Flows (Reference Information)

	(Unit: Thousands of yen)	
	Previous fiscal period	Current fiscal period
	(From December 1, 2013 to May 31, 2014)	(From June 1, 2014 to November 30, 2014)
Cash flows from operating activities		
Income before income taxes	3,998,562	4,032,008
Depreciation	739,644	763,242
Loss on retirement of non-current assets	4,426	115
Amortization of investment corporation bond issuance costs	793	2,380
Interest income and interest on securities	(2,139)	(2,230)
Interest expenses	387,944	421,411
Investment unit issuance expenses	106,174	49,228
Borrowing related expenses	88,739	93,976
Decrease (increase) in operating accounts receivable	(103,650)	(11,842)
Decrease (increase) in consumption taxes refund receivable	(541,917)	541,917
Increase (decrease) in accrued consumption taxes	(173,647)	116,971
Decrease (increase) in prepaid expenses	(108,049)	109,947
Decrease in sales of property, plant and equipment in trust	692,998	–
Increase (decrease) in operating accounts payable	98,507	72,950
Increase (decrease) in accrued expenses	47,221	9,030
Increase (decrease) in advances received	7,984	(6,144)
Decrease (increase) in long-term prepaid expenses	4,224	350
Other, net	6,335	(8,889)
Subtotal	5,254,154	6,184,423
Interest income received	2,126	2,218
Interest expenses paid	(329,717)	(417,839)
Income taxes paid	(970)	(1,124)
Net cash provided by (used in) operating activities	4,925,593	5,767,677
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(48,323,518)	(11,215,077)
Purchase of intangible assets in trust	–	(2,056)
Repayments of tenant leasehold and security deposits	(339,594)	(77,350)
Proceeds from tenant leasehold and security deposits	2,784,598	550,690
Net cash provided by (used in) investing activities	(45,878,514)	(10,743,793)
Cash flows from financing activities		
Increase in short-term loans payable	–	10,000,000
Decrease in short-term loans payable	–	(13,000,000)
Proceeds from long-term loans payable	12,645,800	18,939,062
Decrease in long-term loans payable	(4,000,000)	(6,000,000)
Proceeds from issuance of investment corporation bonds	3,978,087	–
Proceeds from issuance of investment units	34,527,660	–
Dividends paid	(3,186,247)	(3,996,503)
Other, net	(2,218)	(15,179)
Net cash provided by (used in) financing activities	43,963,082	5,927,379
Net increase (decrease) in cash and cash equivalents	3,010,160	951,264
Cash and cash equivalents at beginning of period	6,163,742	9,173,903
Cash and cash equivalents at end of period	*1 9,173,903	*1 10,125,167

(Note) The statements of cash flows are unaudited because the statements are out of scope of independent audit under Article 130 of the Act on Investment Trusts and Investment Corporations of Japan.

[Notes to Important Accounting Policies] (Reference Information)

	As of May 31, 2014	As of November 30, 2014
Scope of cash (cash and cash equivalents) in the statements of cash flows	Cash and cash equivalents include cash on hand, cash in trust, demand deposits, deposits in trust, and highly liquid short-term investments that are readily convertible, bear little risk in price fluctuations, and will mature within 3 months from the date of acquisition.	Cash and cash equivalents include cash on hand, cash in trust, demand deposits, deposits in trust, and highly liquid short-term investments that are readily convertible, bear little risk in price fluctuations, and will mature within 3 months from the date of acquisition.

[Notes to Statements of Cash Flows] (Reference Information)

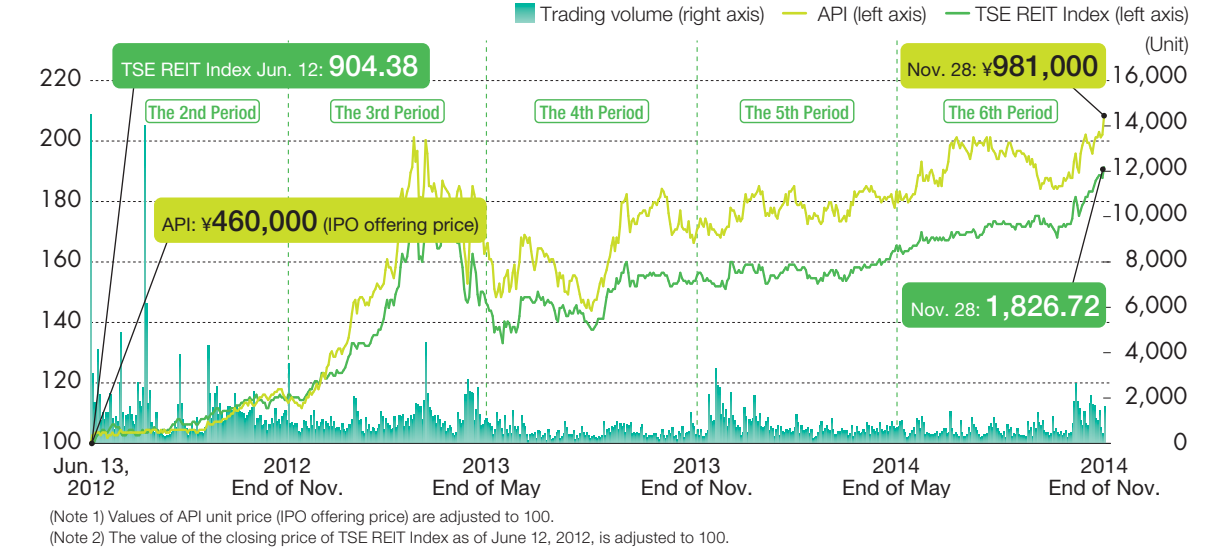
\*1. The relationship between cash and cash equivalents at the end of the period and the amount of items recorded in balance sheets

(In thousands of yen)

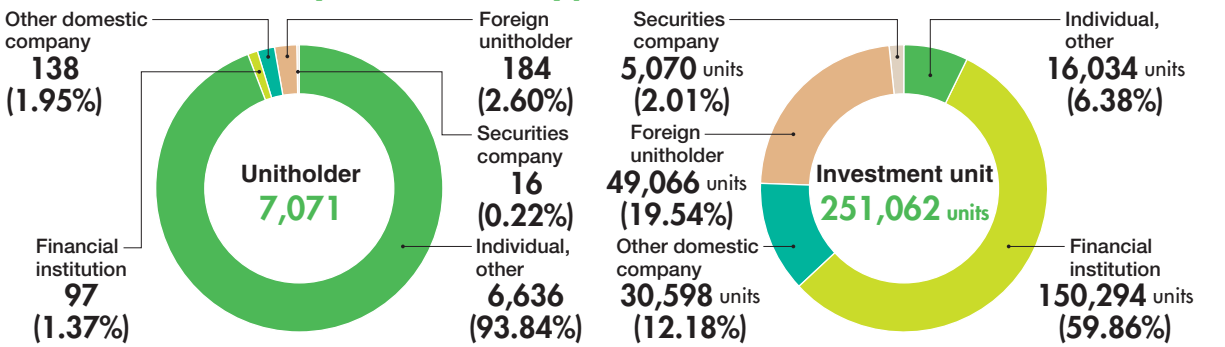
	As of May 31, 2014	As of November 30, 2014
Cash and deposits	7,702,411	8,585,158
Cash and deposits in trust	1,471,491	1,540,009
Cash and cash equivalents	9,173,903	10,125,167

Information for Unitholders

API Unit Price Performance I



Investment Units by Unitholders Type I



Annual Schedule I



API Website I

Information is timely updated on API website.

URL

<http://www.activia-reit.co.jp/english>





# Information for Unitholders

## Note for Unitholders

Account closing month	May 31 and November 30
Unitholders' meeting	To be held at least once every two years
Record date	A record date based on the article 15 section 1 in the Articles of Incorporation
Date for determining cash distribution payments	May 31 and November 30
Administrator of unitholders' registry	4-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo Zipcode 168-0003 Sumitomo Mitsui Trust Bank, Limited
Address of administrator of unitholders' registry	4-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo Zipcode 168-0003 Stock Transfer Agency Business Planning Dept. of Sumitomo Mitsui Trust Bank, Limited. TEL: 0120-782-031 (toll-free, available within Japan only) URL: <a href="http://www.smtb.jp/personal/agency/">http://www.smtb.jp/personal/agency/</a> (Japanese page)
Stock exchange	J-REIT section of the Tokyo Stock Exchange (Securities code: 3279)
Newspaper to provide public notice	Nihon Keizai Shimbun

### ■ Payment instructions; change of address, name, and registered seal; and designation and change of bank account for distributions

Please contact your securities company.

### ■ Inquiries about the receipt of distributions

You can receive distributions when you bring your receipt for distributions to the head office, branch, or local office of the Japan Post Bank in Japan or to a post office (bank agent). If the period for receiving distributions has elapsed, you can receive distributions by writing the receiving method on the back of your receipt for distributions and mailing it to the Stock Transfer Agency Business Planning Dept. of Sumitomo Mitsui Trust Bank, Limited, or to the head office or a branch of Sumitomo Mitsui Trust Bank, Limited. If you would like to specify an account to which future distributions will be transferred, please follow the procedures from your securities company.

TEL	<b>0120-782-031</b> (toll-free, available within Japan only) Stock Transfer Agency Business Planning Dept. of Sumitomo Mitsui Trust Bank, Limited
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### ■ Distributions statement

Under the Special Taxation Measures Law, we are required to send a payment distribution notice stating the distribution amount and the amount of taxes on it. The enclosed distribution statement is also a notice of payment. You can use this notice of payment as accompanying material when you file your income tax return. (If you have chosen computerized proportional allotment in accordance with the number of shares you hold, please contact your securities company.)

## Abolishment of 10% reduced tax rate on distributions from listed investment corporations (income tax: 7%, resident tax: 3%)

**The original tax rate of 20% (income tax: 15%, resident tax: 5%)** was re-adopted from January 1, 2014 due to abolishment of 10% reduced tax rate on distributions from listed investment corporations (income tax: 7%, resident tax: 3%).

Also, the Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction Following the Great East Japan Earthquake (Act No. 117 of 2011) went into effect from January 1, 2013 to December 31, 2037 (for 25 years), and **2.1% of the income tax on income was and will be charged as a special income tax for reconstruction.**

The special income tax for reconstruction is assessed on distributions from listed investment corporations, and this special income tax for reconstruction in addition to income tax is collected at the source.

### Rate of withholding tax on distributions from listed investment corporations

Commencement of distribution payments	From Jan. 1, 2014 to Dec. 31, 2037		From Jan. 1, 2038	
Distribution tax rate for listed company	<b>20.315%</b>		<b>20%</b>	
	Detail	Income tax 15% + Special income tax for reconstruction 0.315% <sup>(Note)</sup>	Detail	Income tax 15%
		Resident tax 5%		Resident tax 5%

(Note) 15% × special income tax for reconstruction rate 2.1% = 0.315%

For more details, please refer to the information below.

### ■ Tax withheld on distributions from listed investment corporations (for reference)

- If an individual unitholder holds investment units that are 3% or more of the total number of investment units issued, the tax rates are 20.42% (income tax 20% + special income tax for reconstruction 0.42% <sup>(Note)</sup>). As to resident tax, other procedures shall be performed.
- No resident tax is imposed on distributions received by judicial persons.

(Note) 20% × special income tax for reconstruction rate 2.1% = 0.42%

### ■ The special income tax for reconstruction

- If you are exempted from income tax, or if your tax rate falls below the tax rate under domestic laws due to the application of a tax treaty, no special income tax for reconstruction will be imposed.
- If you receive distributions through computerized proportional allotment in accordance with the number of shares you hold, please contact your securities company for information on the amount of tax.

For further information, please contact the tax office.



Activia Properties Inc.

***API 3279***