



Semi-Annual Report for the 3rd Period

From December 1, 2012 to May 31, 2013

Activia Properties Inc.

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

3rd





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.

Semi-Annual Report for the 3rd Period

From December 1, 2012 to May 31, 2013



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Cash Distributions

The 3rd Period (May 31, 2013)

Cash distributions per unit

¥16,946

Cash Distributions (Forecast)

The 4th Period (November 30, 2013)

Cash distributions per unit

¥15,150

The 5th Period (May 31, 2014)

Cash distributions per unit

¥15,151

Summary of Financial Results for the 3rd Period (May 31, 2013)

Operating revenue	¥5,803 million
Operating income	¥3,851 million
Ordinary income	¥3,479 million
Net income	¥3,478 million
Total assets	¥188,837 million
Net assets	¥94,852 million
Unitholders' equity to total assets	50.2 %
Net assets per unit	¥462,103

Acquisition of Additional Assets for the 3rd Period

Acquired Tokyo Office Properties which is our focused investments

TO-8

TK Shinbashi Building

The property is located a 3-minute walk from “Shinbashi” station which is a major station in Tokyo. Shinbashi area has the high concentration of office buildings and retail properties being expected to attract demand from prospective tenants running various styles of business in different categories.



Location	11-1 Shinbashi 4-chome, Minato-ku, Tokyo
Acquisition price	¥5,650 million
Appraisal value (Date of value estimate)	As of the acquisition date ¥5,780 million (Mar. 1, 2013) As of the end of the 3rd period ¥5,900 million (May 31, 2013)
Land area	1,035.45 m²
Structure / # of floors	Reinforced concrete, steel framed reinforced concrete / 9 floors above and 2 floors underground
Gross floor area	7,143.97 m²
Total leasable area	5,052.14 m²
Completion date	March 1999

Location	2-2 Nakanoshima 2-chome, Kita-ku, Osaka City, Osaka
Acquisition price	¥5,250 million
Appraisal value (Date of value estimate) (Note)	As of the acquisition date ¥5,800 million (Dec. 1, 2012) As of the end of the 3rd period ¥5,800 million (May 31, 2013)
Land area	3,038.20 m²
Structure / # of floors	Steel framed reinforced concrete / 15 floors above and 3 floors underground
Gross floor area	34,248.71 m²
Total leasable area	10,214.88 m² (Note)
Completion date	March 1984

(Note) The figures are calculated based on the pro rata share (50%) of the trust beneficiary interest.



Acquired by collaboration with the sponsor company, Tokyu Land Corporation
(50% co-ownership of trust beneficiary interest)

O-7

Osaka Nakanoshima Building

The property is located between Dojima River and Tosabori River in the Nakanoshima area which features many office buildings, including financial institutions and government offices. The building has predominant visibility because of the location, and provides a favorable office environment.



TOPICS

1

Acquisition of 2 Properties [Go to P4 for more details](#)

For enrichment of the portfolio and improvement of profitability, API acquired Osaka Nakanoshima Building with our sponsor on January 25, 2013, and TK Shinbashi Building on April 19, 2013, categorized as Tokyo Office Properties which is our focused investment, through the information provided by the sponsor on a negotiation basis.

0-7

Osaka Nakanoshima Building

Acquisition price: ¥5,250 million

NOI yield: 6.2% (Note)



TO-8

TK Shinbashi Building

Acquisition price: ¥5,650 million

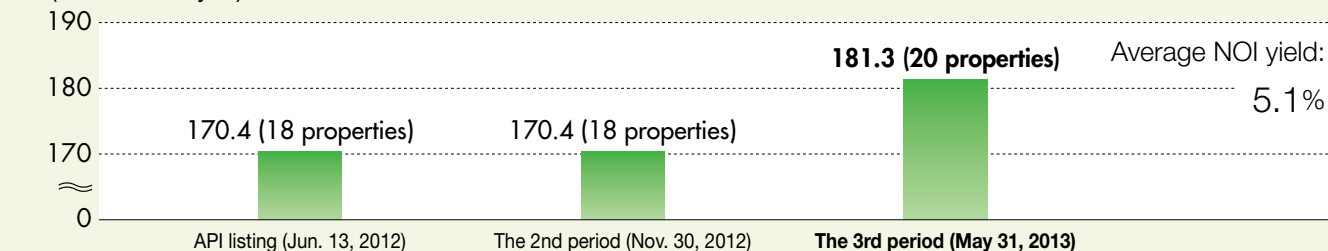
NOI yield: 5.1% (Note)



(Note) NOI yield=NOI / acquisition price. NOI is net operating income, that is, operating revenue less operating expense stated on the appraisal report, and before depreciation is deducted. NOI is different from NCF (Net Cash Flow), which is NOI plus revenue from management, including a security deposit, less capital expenditure.

Change in Assets under Management

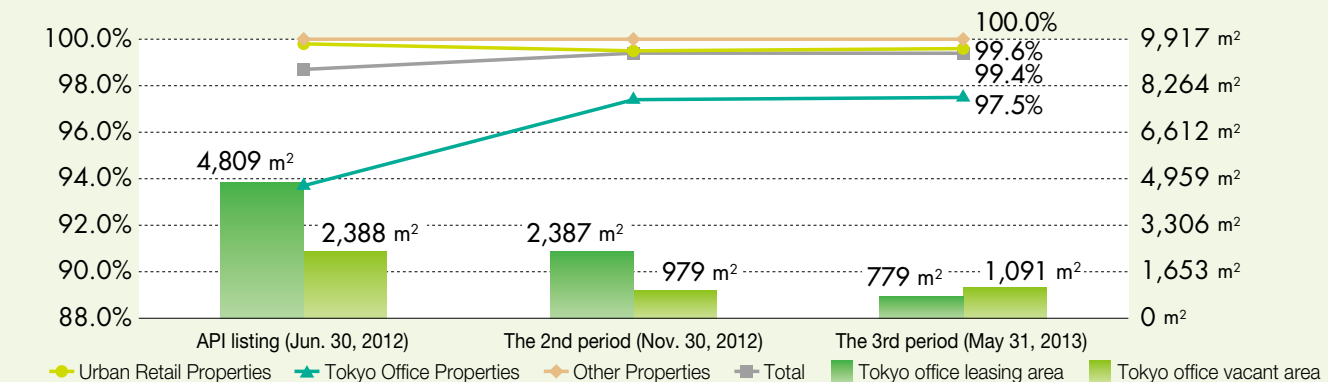
(In billions of yen)



Enhancement of Leasing with the Sponsor Support

The portfolio occupancy rate is maintained high at 99.4% as of the end of May 2013. Especially, improvement of the occupancy rate for Aoyama Plaza Building categorized as Tokyo Office Properties to 100% by fully leveraging the group network with Tokyu Land Corporation Group contributes to maintain and improve of the occupancy rate.

Trends of the Occupancy Rate for Properties API Held



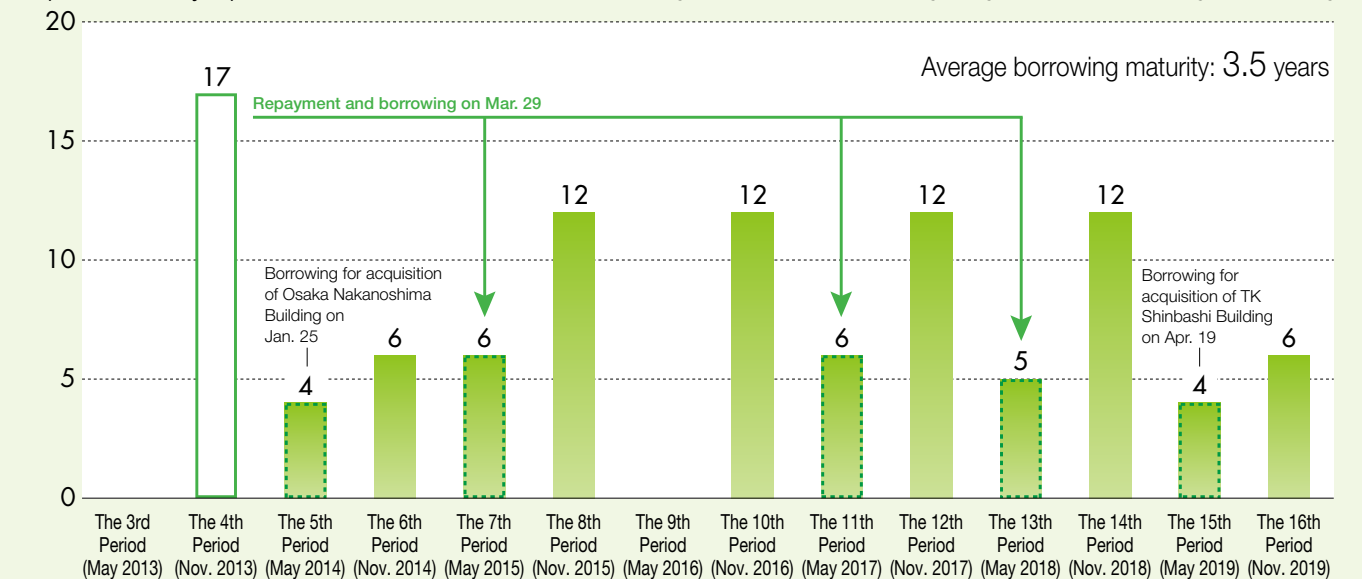
3

Well-managed Financing Operation [Go to P13 for more details](#)

Borrowing of ¥17 billion was early repaid before the maturity of June 13, 2013, and distributed to 2,4 and 5 year-debts in March 2013 to extend maturity and rebalance the borrowing ladder.

Diversified Borrowing Maturity (As of May 31, 2013)

(In billions of yen)



4

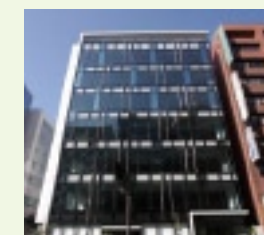
CSR Activities

A-PLACE Ikebukuro and Kanayama Center Place received DBJ Green Building Certification*, "Silver 2012," by Development Bank of Japan Inc. (DBJ) on March 29, 2013.

*DBJ Green Building Certification offered by DBJ is the comprehensive evaluation system which includes an environmental and a social perspectives with 5 ranks (Platinum, Gold, Silver, Bronze, and Certified).



Properties with excellent environmental & social awareness



TO-7 A-PLACE Ikebukuro

Evaluation Points	① LED lighting in common areas	② Automatic dimming in exclusive area	③ Anti-disaster and BCP efforts	④ Roof gardening and wall greening
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O-6 Kanayama Center Place

Evaluation Points	① LED lighting in common areas	② Automatic dimming in exclusive area	③ Anti-disaster and BCP efforts
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Acquired 2 Properties After the Listing, and Aim to Improve More

Activia Properties Inc. (API) closed the 3rd period (from December 1, 2012 to May 31, 2013). 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 operation results in the 3rd period.

In the 3rd period, capital inflows in real estate or J-REIT market increased under the circumstances of raising economic recovery expectation through the change of political situation or qualitative and quantitative monetary easing policy by the Bank of Japan. In the office market, there are indications that the rent of competitive and superior office building will improve in a part of central Tokyo.

Under these circumstances, API acquired 2 properties (TK Shinbashi Building and Osaka Nakanoshima Building) from the third party including the category of “Tokyo Office Properties” which is our main target for investments. Our portfolio size at the end of the 3rd period increased to JPY 181.3 billion with 20 properties by acquisition price.

As to operation of the portfolio, occupancy rate of Aoyama Plaza Building, which was 86.7% at the end of the 2nd period, improved to 100% during the 3rd period, and portfolio average occupancy rate is maintained high at 99.4% through the promotion of leasing with the network of Tokyu Land Corporation Group which entrusts property management.

In addition, the financial condition stabilized further by early repayment of ¥17 billion of short-term borrowing at March 2013 and refinance to long-term borrowing to diversify borrowing maturity.

Thus, the results of the 3rd period, ¥5,803 million for operating revenue, ¥3,851 million for operating income, ¥3,478 million



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

for net income, and ¥16,946 for the distributions per unit, exceeded our original forecasts.

From the 4th period and forward, 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 others) by leveraging the expertise and network of TLC Activia Investment Management Inc., the asset management company, as well as utilizing the value chain of the Tokyu Land Corporation Group.

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

Financial Highlights

	The 2nd Period (Nov. 30, 2012)	The 3rd Period (May 31, 2013)
Operating revenue	¥5,194 million	¥5,803 million
Operating income	¥3,498 million	¥3,851 million
Ordinary income	¥2,923 million	¥3,479 million
Net income	¥2,922 million	¥3,478 million
Total assets	¥180,066 million	¥188,837 million
Net assets	¥94,234 million	¥94,852 million
Unitholders' equity to total assets	52.3 %	50.2 %
Net assets per unit	¥459,095	¥462,103

Basic Policies of Activia Properties Inc.

To make stable distributions and maximize unitholder value over the medium to long term, we have formulated the following 3 basic policies.

1 To focus on investments in Urban Retail Properties and Tokyo Office Properties

2 To utilize the Tokyu Land Group's comprehensive value chain support system

3 To establish a governance structure for maximizing unitholder value

Basic Policy 1

To 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 3 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

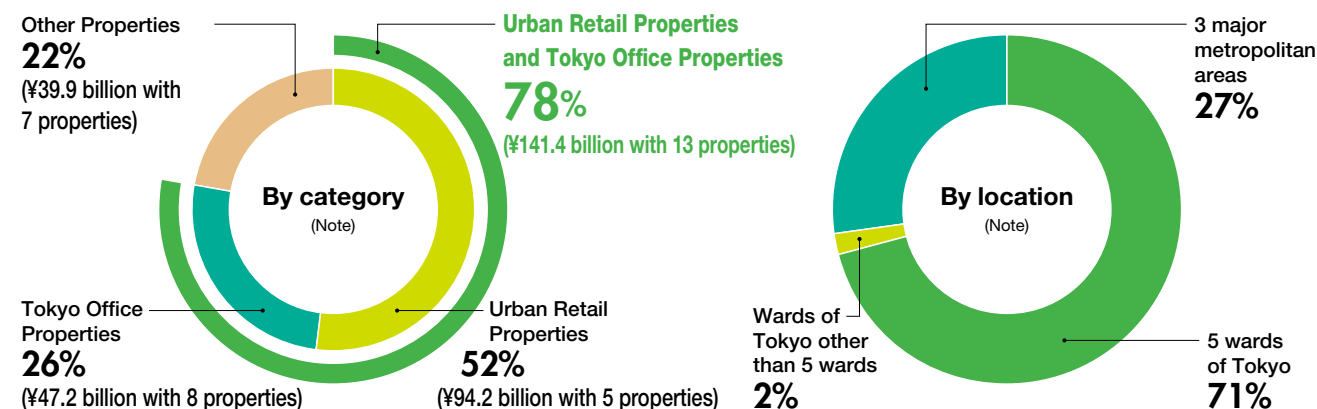
To enhance the stability and profitability of our portfolio, we carefully select commercial facilities other than Urban Retail Properties and office buildings other than Tokyo Office Properties, assessing the attributes and competitiveness of each property.

Target Portfolio (acquisition price basis)

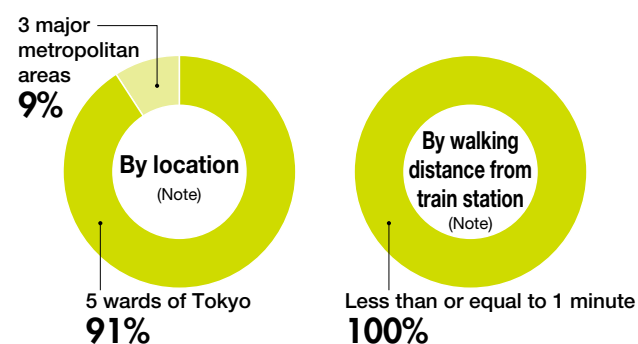
70% or more
of total investments

(Note) Based on acquisition price, excluding consumption tax and other related costs in relation to the acquisition. Percentages may be changed in the short term due to acquisition and sale of properties.

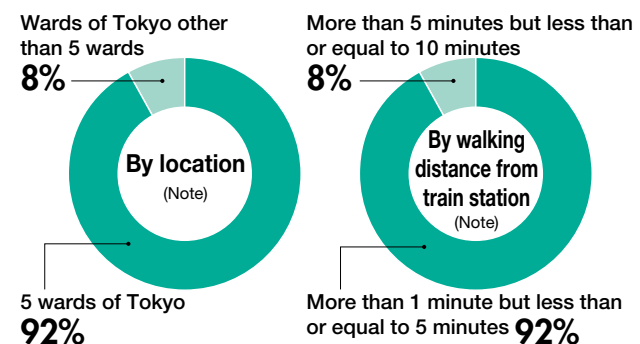
Portfolio Summary at the End of the 3rd Period (May 31, 2013)



Urban Retail Properties



Tokyo Office Properties

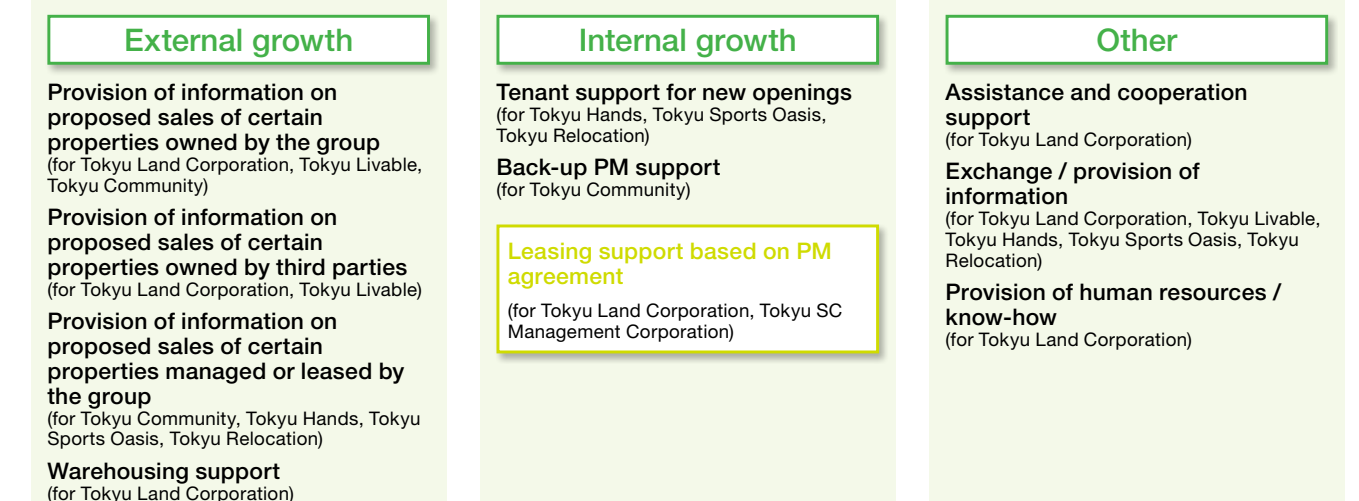
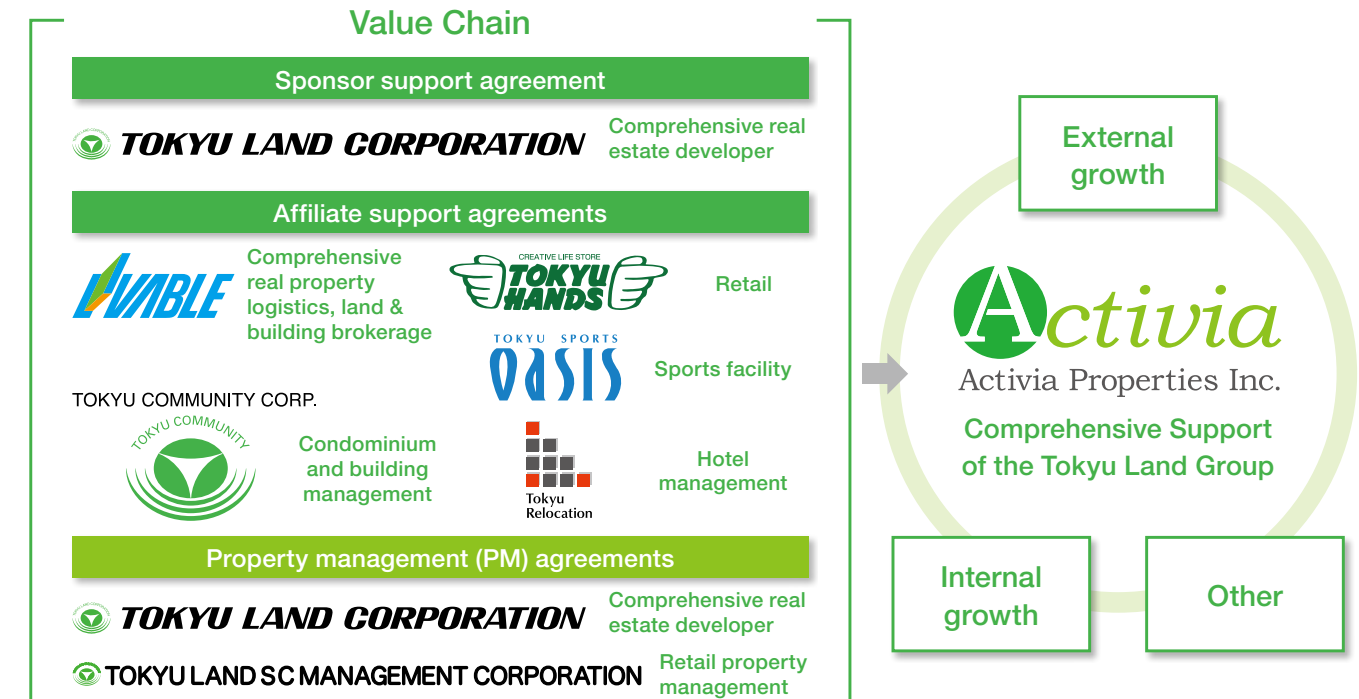


(Note) Based on acquisition price as of May 31, 2013

Basic Policy 2

Tokyu Land Group's Comprehensive Value Chain

Utilizing the Tokyu Land Group's Value Chain and Expertise



Utilizing the Exclusive Expertise of the Asset Manager

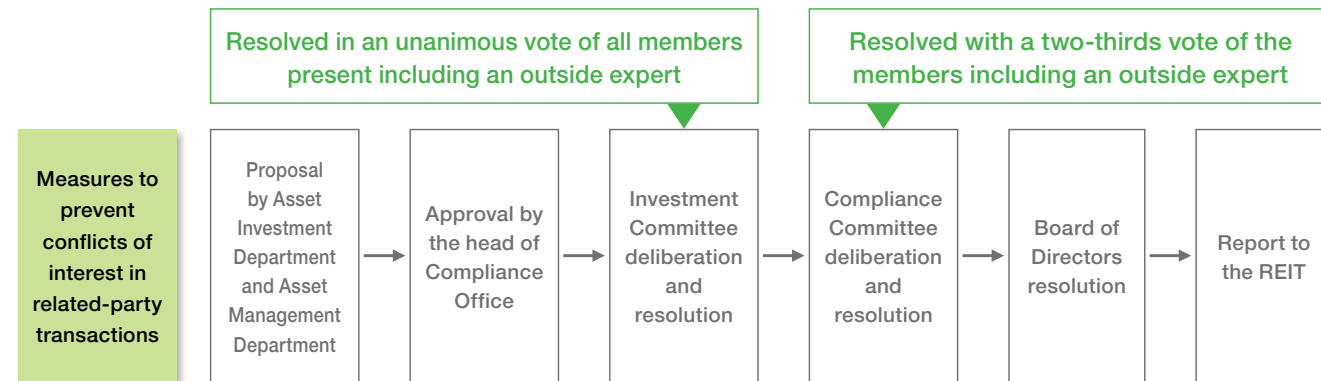


Basic Policy 3

Governance Structure to Maximize Unitholder Value

Impartiality in Asset Acquisitions to Avoid Conflicts of Interest and Protect the Interests of Unitholders

Related-party transactions are subject to resolution by the Compliance Committee.



Alignment of the Interests of the Unitholders and Tokyu Land Corporation

Tokyu Land Corporation's investment in Activia Properties Inc.

Tokyu Land Corporation holds 21,500 units, which account for about 10% of the issued units, and in the sponsor support agreement between Tokyu Land Corporation and the asset manager, Tokyu Land Corporation states the following about the units issued by Activia Properties Inc.

- Tokyu Land Corporation intends to hold the units newly issued when we are listed for at least five years, either directly or through its affiliates.
- Tokyu Land Corporation intends to consider in good faith additional acquisitions of our units in the event that we conduct further offerings.

Co-ownership of properties with the Sponsor

We believe that we can align our interests in operating individual properties with Tokyu Land Corporation's interests by jointly owning properties.

Property name	Our share	Tokyu Land Group company's share
Tokyu Plaza Omotesando Harajuku	75%	25%
Tokyu Plaza Akasaka	50%	50%
Osaka Nakanoshima Building	50%	50%

Management Fee Structure, including Asset Management Fees based on Distribution 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.

Asset Management Fee

	Fee I	Fee II
Basis for calculation	Total assets at the end of the previous fiscal period × 0.3% per year	DPU (before deduction of Fee II) × NOI × 0.0002%
Fee rate (Note)	The sum of Fee I and Fee II may not exceed 0.5% per year of our total assets	

(Note) Fee I may be up to 0.4% per year.

Acquisition / Disposition Fee

Acquisition fee	Disposition fee
0.7% (or 0.5% for related party transactions)	0.5% (or no fee for related party transactions)
Note: no disposition fees when loss on sale is accrued	

Financing Strategy

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

Summary Financial Information (As of May 31, 2013)

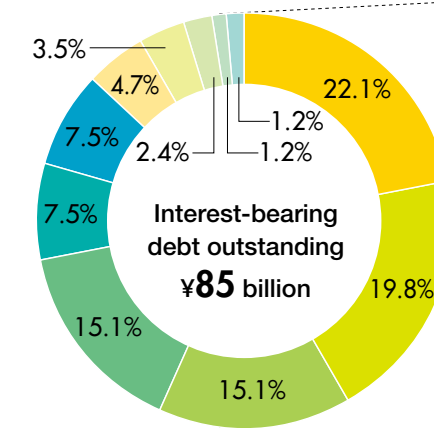
	The 2nd Period (November 30, 2012)	The 3rd Period (May 31, 2013)
Interest-bearing debt outstanding	¥77,000 million	¥85,000 million
Total of deposits	¥7,688 million	¥8,223 million
LTV (Note 1)	42.8%	45.0%
Long-term borrowing ratio (Note 2)	77.9%	100.0% (95.3%)
Fixed interest ratio	70.1%	74.1% (Note 3)
Average borrowing maturity	3.3 years	3.5 years
Average interest ratio	0.79657%	0.77135% (Note 3)

(Note 1) LTV=Interest-bearing debt / Total assets × 100

(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 ratio" is calculated after fixing the interest rate.

Borrowing Ratio and Lenders (As of May 31, 2013)



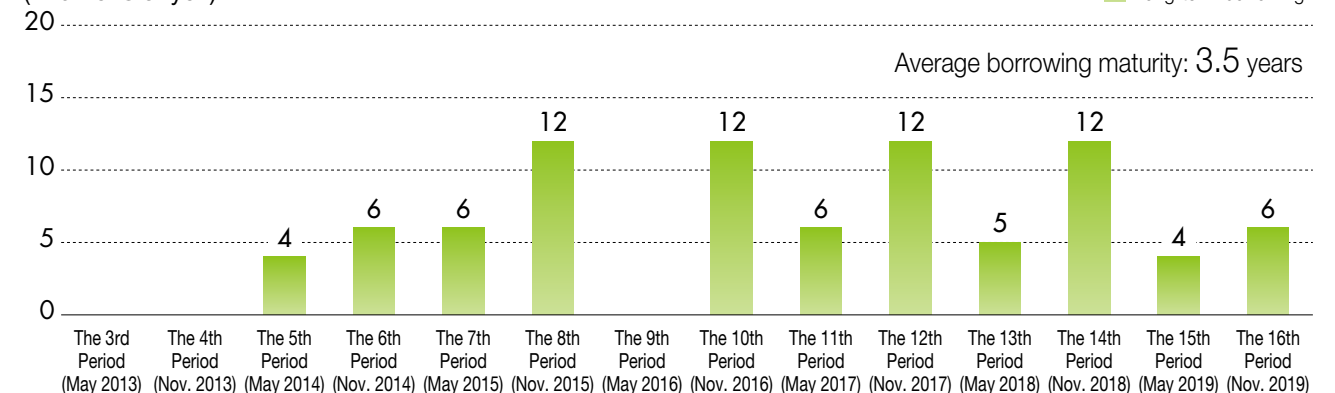
Lenders	Debt (billion)	Ratio (%) (Note 1)
Sumitomo Mitsui Trust Bank, Limited	18.8	22.1
Mitsubishi UFJ Trust and Banking Corporation	16.8	19.8
Mizuho Corporate Bank, Ltd. (Note 2)	12.8	15.1
The Bank of Tokyo-Mitsubishi UFJ Ltd.	12.8	15.1
Sumitomo Mitsui Banking Corporation	6.4	7.5
Development Bank of Japan Inc.	6.4	7.5
Mizuho Trust & Banking Co., Ltd.	4.0	4.7
Resona Bank, Ltd.	3.0	3.5
The Bank of Fukuoka, Ltd.	2.0	2.4
The Gunma Bank, Ltd.	1.0	1.2
Shinkin Central Bank	1.0	1.2
Interest-bearing debt outstanding	85	100.0

(Note 1) The total of ratio will not be 100% due to the figures rounding to the first decimal place.

(Note 2) On July 1, 2013, Mizuho Corporate Bank, Ltd. changed its corporate name to Mizuho Bank, Ltd.

Diversified Borrowing Maturity (As of May 31, 2013)

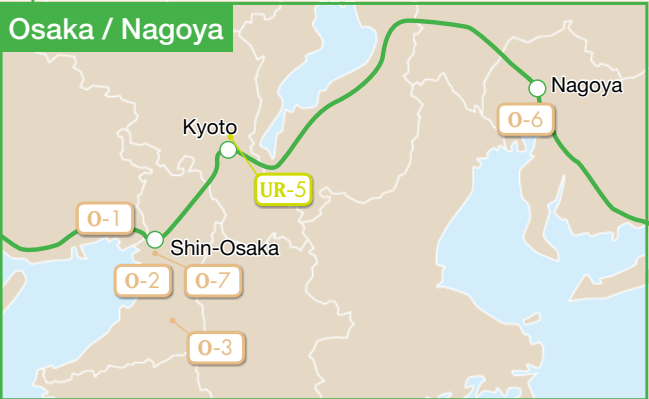
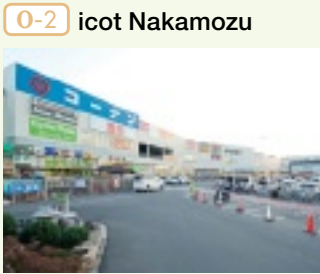
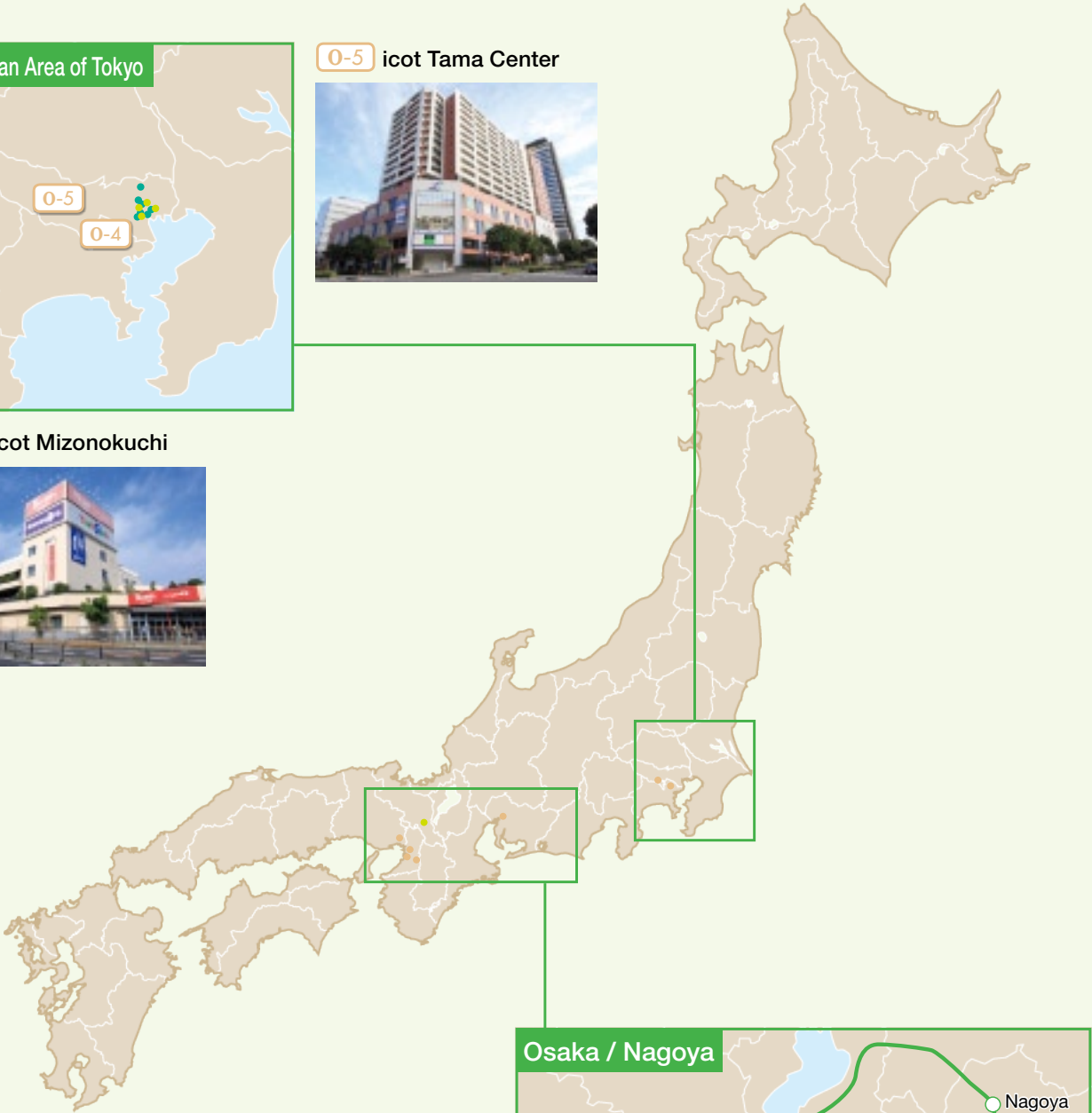
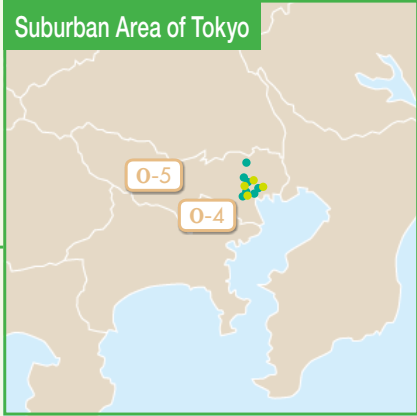
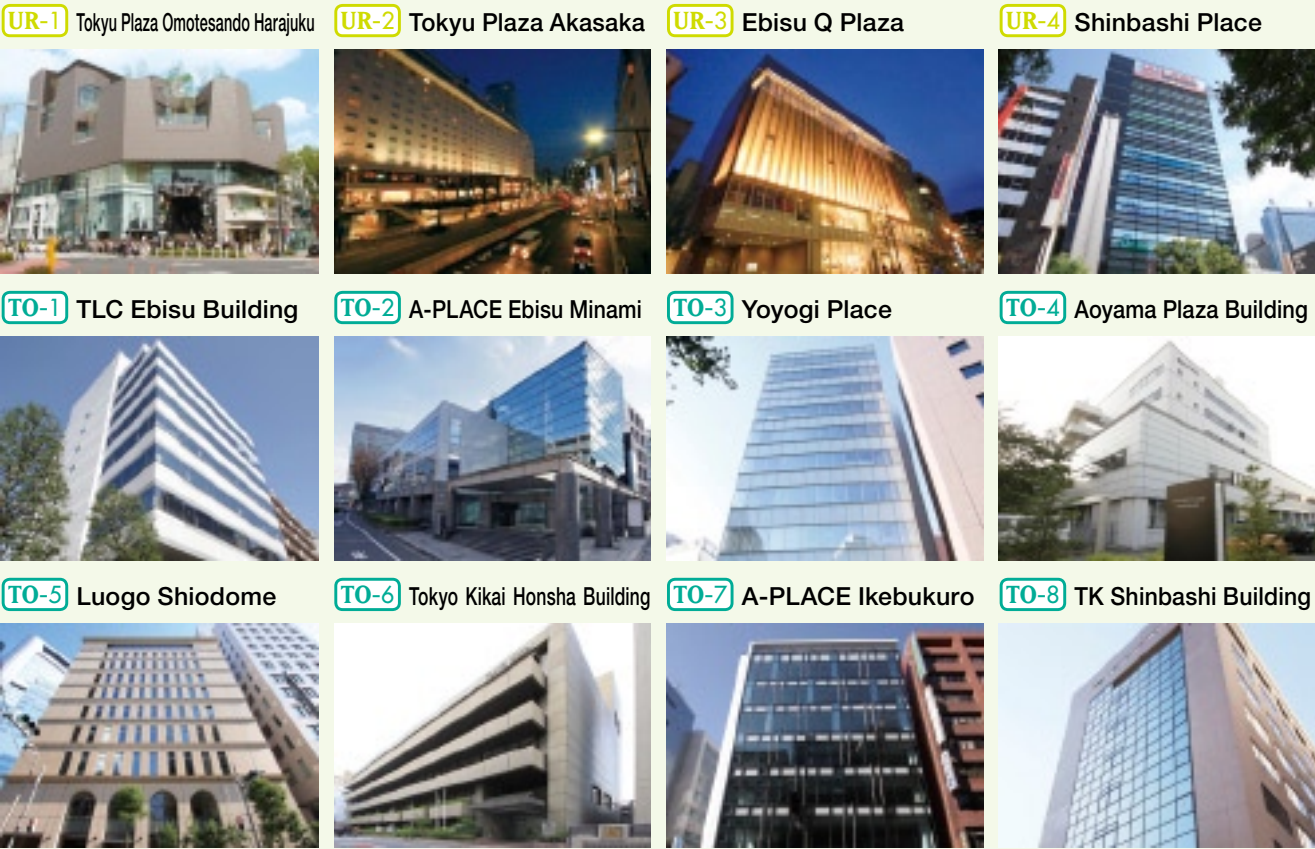
(In billions of yen)



Ratings (As of May 31, 2013)

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

Portfolio Summary



(Note) Property name of COCOE Amagasaki (Land) will be changed to Amagasaki Q's MALL (Land) on October 9, 2013.

- 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 demands from tenants, in response to diversifying consumer needs
- 3 Premium 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.

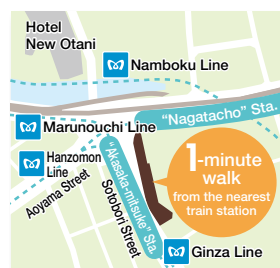


UR-2 Tokyu Plaza Akasaka

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-4 Shinbashi Place

Location: Shinbashi, Minato-ku, Tokyo

Acquisition price: ¥20,500 million

- A 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 as offices for coverage of diversified tenants' needs.

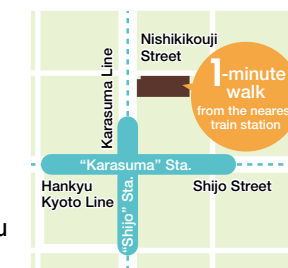


UR-5 Kyoto Karasuma Parking Building

Location: Moto Honenji-cho, 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.



3 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 m² 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 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.



TO-3 Yoyogi Place

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

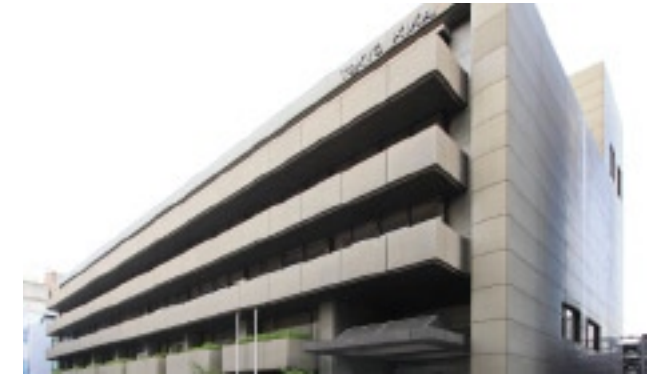
- Highly visible building standing along the roadside of Meiji Street and is within walking distance from "Shinjuku" station. Approx. 346 m² astylar space on one floor allows highly efficient space usage.



TO-4 Aoyama Plaza Building

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

- The 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 completed in 2008.



TO-5 Luogo Shiodome

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

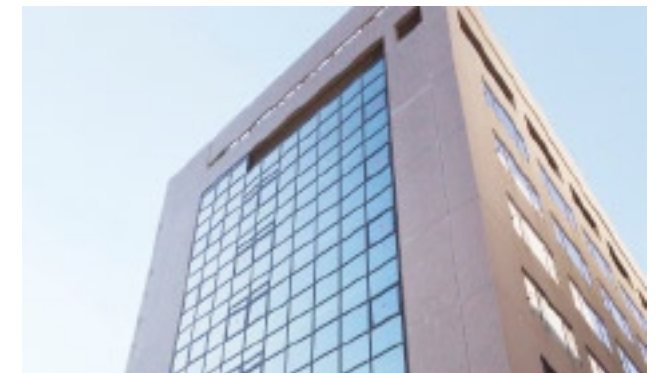
- Located on the north side of Shiodome Siosite's western district, known as "Italy Town," which has high traffic. Higher competitiveness compared with other office properties in the neighborhood due to its quake-absorbing structure.



TO-6 Tokyo Kikai Honsha Building

Location: Shiba, Minato-ku, Tokyo
Acquisition price: ¥3,070 million

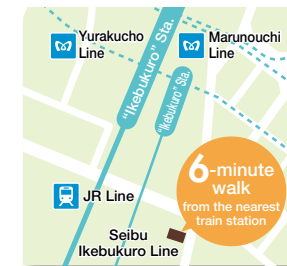
- Located a 2-minute walking distance from "Mita" station and 4-minute walking distance from JR "Tamachi" station. The subject property has a typical floor area of approx. 840 m² and is within short distance of the nearest train station.



TO-7 A-PLACE Ikebukuro

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

- High-profile building located within a 6-minute walking distance from "Ikebukuro" station along Meiji Street.



TO-8 TK Shinbashi Building

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

- The property is located a 3-minute walk from "Shinbashi" Station on 7 lines, such as JR Lines and Tokyo Metro Subway Line. The standard floor for offices has the ceiling height of 2,700 mm, and equipped with qualified features such as the individual air-conditioning units, automated security systems and other.





Focused points

- Retail properties
- Office properties

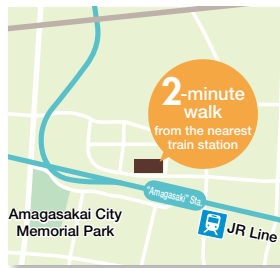
- 1 A large population in the trade area
 - 2 Good access to the nearest station or arterial roads
 - 3 Key tenant lease terms in the medium to long term
- Competitiveness in the surrounding area



0-1 COCOE Amagasaki (Land) (Note)

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

- A large shopping mall with a variety of tenants that is a two-minute walk from the JR Amagasaki train station with three lines. The mall has a main building and a sports club building, both of which are directly connected to the station through a pedestrian walkway on the second floor.



(Note) Property name of COCOE Amagasaki (Land) will be changed to Amagasaki Q's MALL (Land) on Oct. 9, 2013.



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



0-5 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: ¥5,250 million

0-6 Kanayama Center Place

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

- The property is located in a commercial area in front of Kanayama station, which is the most important terminal station in the area, next to Nagoya station. The area is conveniently located, served by the Nagoya Municipal Subway line, the Meitetsu line, and the JR line, and has high potential for offices and commercial facilities.



0-3 icot Kongo

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

Portfolio List (As of May 31, 2013)

	Property number	Property name	Location	Acquisition price (In millions of yen)	Investment ratio (%)	Total leasable area (m ²)	Completion (Note 1)	Acquisition date	Occupancy rate (%)
Urban Retail Properties	UR-1	Tokyu Plaza Omotesando Harajuku (Note 2)	Shibuya-ku, Tokyo	45,000	24.8	4,904.55	Mar. 2012	Jun. 13, 2012	100.0
	UR-2	Tokyu Plaza Akasaka (Note 2)	Chiyoda-ku, Tokyo	11,450	6.3	16,620.48	Sep. 1969	Jun. 13, 2012	98.7
	UR-3	Ebisu Q Plaza	Shibuya-ku, Tokyo	8,430	4.7	4,024.88	Aug. 2008	Jun. 13, 2012	100.0
	UR-4	Shinbashi Place	Minato-ku, Tokyo	20,500	11.3	9,156.01	Apr. 2008	Jun. 13, 2012	100.0
	UR-5	Kyoto Karasuma Parking Building	Kyoto City, Kyoto	8,860	4.9	21,616.04	Jul. 2006	Jun. 13, 2012	100.0
Tokyo Office Properties	TO-1	TLC Ebisu Building	Shibuya-ku, Tokyo	7,400	4.1	7,342.60	Mar. 1993	Jun. 13, 2012	100.0
	TO-2	A-PLACE Ebisu Minami	Shibuya-ku, Tokyo	9,640	5.3	7,950.51	Jan. 1995	Jun. 13, 2012	96.1
	TO-3	Yoyogi Place	Shibuya-ku, Tokyo	4,070	2.2	3,106.17	Feb. 2007	Jun. 13, 2012	100.0
	TO-4	Aoyama Plaza Building	Minato-ku, Tokyo	8,790	4.8	7,303.69	Sep. 1966	Jun. 13, 2012	100.0
	TO-5	Luogo Shiodome	Minato-ku, Tokyo	4,540	2.5	4,476.35	Jul. 2004	Jun. 13, 2012	100.0
	TO-6	Tokyo Kikai Honsha Building	Minato-ku, Tokyo	3,070	1.7	4,389.20	Jun. 1985	Jun. 13, 2012	100.0
	TO-7	A-PLACE Ikebukuro	Toshima-ku, Tokyo	3,990	2.2	3,409.73	Oct. 2011	Jun. 13, 2012	100.0
	TO-8	TK Shinbashi Building	Minato-ku, Tokyo	5,650	3.1	5,052.14	Mar. 1999	Apr. 19, 2013	84.6
Other Properties	O-1	COCOE Amagasaki (Land) (Note 3)	Amagasaki City, Hyogo	12,000	6.6	27,465.44	—	Jun. 13, 2012	100.0
	O-2	icot Nakamozu	Sakai City, Osaka	8,500	4.7	28,098.02	Jun. 2007	Jun. 13, 2012	100.0
	O-3	icot Kongo	Osakasayama City, Osaka	1,600	0.9	17,884.55	Feb. 1977	Jun. 13, 2012	100.0
	O-4	icot Mizonokuchi	Kawasaki City, Kanagawa	2,710	1.5	14,032.05	Jul. 1998	Jun. 13, 2012	100.0
	O-5	icot Tama Center	Tama City, Tokyo	2,840	1.6	5,181.58	Mar. 2006	Jun. 13, 2012	100.0
	O-6	Kanayama Center Place	Nagoya City, Aichi	6,980	3.9	9,314.91	Feb. 2009	Jun. 13, 2012	100.0
	O-7	Osaka Nakanoshima Building (Note 2)	Osaka City, Osaka	5,250	2.9	10,214.88	Mar. 1984	Jan. 25, 2013	99.6
Total				181,270	100.0	211,543.78			

(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.

(Note 2) Tokyu Plaza Omotesando Harajuku, Tokyu Plaza Akasaka, and Osaka Nakanoshima Building, the co-ownership (*jun kyoyu-mochibun*) properties, are calculated based on the pro rata share (75%, 50% and 50%, respectively).

(Note 3) Property name of COCOE Amagasaki (Land) will be changed to Amagasaki Q's MALL (Land) on October 9, 2013.

API Overview

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)

Overview of the Asset Manager

Overview of the Asset Manager

Corporate name	TLC Activia Investment Management Inc.	Shareholder	Tokyu Land Corp. 100%
Established on	November 15, 2010	President & CEO	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 Group

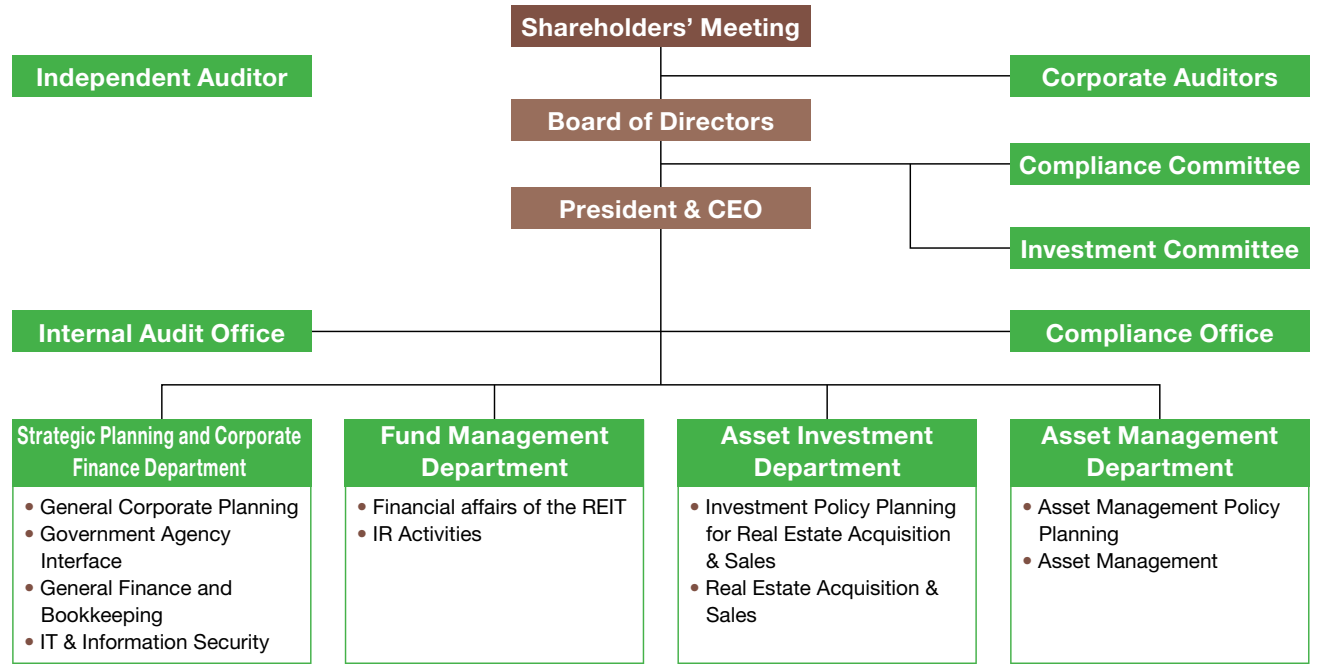
The frontier spirit and development capacity of the Tokyu Land Corporation, growing its business mainly in the Tokyo Metropolitan area and major cities in Japan, have become ingrained in the entire Group. Tokyu Land Corporation has always been ahead of the times in responding to customer needs, being 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 Land Corporation divisions involved in J-REIT asset management, we answer the needs of all of our unitholders.

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 3rd Fiscal Period
(Semi-Annual Report)

From December 1, 2012 to May 31, 2013

- 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		1st period	2nd period	3rd period
Business period		From September 7, 2011 to May 31, 2012	From June 1, 2012 to November 30, 2012	From December 1, 2012 to May 31, 2013
Operating revenue	(In millions of yen)	—	5,194	5,803
[Rent revenue-real estate]	(In millions of yen)	[—]	[4,889]	[5,453]
Operating expenses	(In millions of yen)	7	1,696	1,951
[Expenses related to rent business]	(In millions of yen)	[—]	[1,278]	[1,435]
Operating income (loss)	(In millions of yen)	(7)	3,498	3,851
Ordinary income (loss)	(In millions of yen)	(60)	2,923	3,479
Net income (loss)	(In millions of yen)	(61)	2,922	3,478
Net assets	(In millions of yen)	138	94,234	94,852
[Change from the previous period]	(%)	[—]	[—]	[0.7]
Total assets	(In millions of yen)	142	180,066	188,837
[Change from the previous period]	(%)	[—]	[—]	[4.9]
Unitholders’ capital	(In millions of yen)	200	91,373	91,373
Number of units issued and outstanding	(Units)	400	205,262	205,262
Net assets per unit	(Yen)	347,457	459,095	462,103
Total distributions	(In millions of yen)	—	2,860	3,478
Net income (loss) per unit	(Note 1) (Yen)	(152,542)	15,153	16,946
			[14,244]	
Cash distributions per unit				
[Profit distributions per unit]	(Yen)	[—]	[13,938]	[16,946]
[Distributions per unit in excess of profit]	(Yen)	[—]	[—]	[—]
Ordinary income to total assets	(Note 2) (%)	(35.5)	3.2	1.9
Return on unitholders’ equity	(Note 2) (%)	(36.0)	6.2	3.7
Unitholders’ equity to total assets	(Note 2) (%)	97.6	52.3	50.2
[Change from the previous period]		[—]	[−45.3]	[−2.1]
Payout ratio	(Note 2) (%)	—	97.9	99.9
[Other reference]				
Number of properties	(Properties)	—	18	20
Total leasable area	(Note 3) (m²)	—	196,296.20	211,543.78
Occupancy rate at end of period	(%)	—	99.4	99.4
Depreciation	(In millions of yen)	—	452	487
Capital expenditure	(In millions of yen)	—	84	149
NOI	(Note 2) (In millions of yen)	—	4,373	4,858

(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 (400 units, 192,831 units and 205,262 units for the fiscal periods ended May 31, 2012, November 30, 2012 and May 31, 2013, 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 noncurrent 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 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 kyoyu-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 yen (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 issued additional investment units (204,100 units) through a public offering on June 13, 2012, and was listed on the real estate investment trust securities market of Tokyo Stock Exchange, Inc. (Securities code 3279). In addition, new investment units (762 units) were issued by private placement on July 10, 2012.

“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 investors, 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 May 31, 2013, the Investment Corporation and its sponsor jointly acquired the Osaka Nakanoshima Building on January 25, 2013 by utilizing the value chain of the TLC Group consisting of Tokyu Land Corporation and its group companies. In addition, on April 19, 2013, the Investment Corporation acquired the TK Shinbashi Building, which is categorized as its focused investment properties, “Tokyo Office Properties,” through a direct transaction with a third party. Consequently, the Investment Corporation held 20 properties (with the total acquisition price of ¥181,270 million) at the end of the fiscal period under review.

2) Investment Environment and Investment Performance

In the fiscal period under review, since the inauguration of the new government, the trend of the Japanese economy has been changing, due to the yen depreciation by the expectation of change for the economic and monetary policies and improvement of business sentiment and the export environment under the stock market recovery. Nevertheless, in this current situation, the financial market is volatile due to expected rises in long-term interest rates and the ongoing correction to the high stock prices and yen depreciation. Thus there is a need for caution regarding the progress of the U.S. measures aimed at reducing quantitative monetary easing and the Japanese government’s growth strategies to deal with deflation.

In retail properties, personal consumption remained steady, as short-term consumer confidence was improved as the Monthly Consumer Confidence Survey for May 2013 released by the Economic and Social Research Institute, Cabinet Office, Government of Japan indicated that the consumer confidence index increased for five consecutive months. The rental office market appears to have hit bottom, as the data published by Miki Shoji Co., Ltd. showed the average vacancy rate of five central Tokyo wards (Chiyoda-ku, Minato-ku, Chuo-ku, Shibuya-ku and Shinjuku-ku) as of May 31, 2013 stood at 8.33%, down from 8.76% as of November 30, 2012, due partly to a decrease in the supply of newly constructed office buildings in the central area of Tokyo. With regard to rent levels, the asking rent prices for newly constructed buildings followed a firm trend while market rent prices for existing buildings followed a weakening trend, and, in some areas of the market, rent prices appear to have signs of bouncing back after hitting bottom. In the real estate transaction market, a recovery in investment unit prices has supported a continuation of new J-REIT IPOs and publicly offered capital increases, which led an increase of acquisition and disposition, including transactions with sponsors.

In this situation, the Investment Corporation acquired beneficiary rights of real estate in trust on January 25, 2013 to Osaka Nakanoshima Building (with the acquisition price of ¥5,250 million) and on April 19, 2013 to TK Shinbashi Building (with the acquisition price of ¥5,650 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 20 properties (with the total acquisition price of ¥181,270 million) with the total leasable area of 211,543m² (63,991 *tsubo*).

3) Overview of Financing

In the fiscal period under review, in order to cover the acquisition costs for beneficiary rights of real estate in trust to 2 properties and related costs, funds of ¥8,000 million were borrowed, resulting in the total borrowings of ¥85,000 million as of the end of the fiscal period under review. Moreover, aiming to extend the average maturity and diversify the sources of financing, short-term borrowings of ¥17,000 million were repaid before the due date and refinanced. The interest rate of long-term borrowings of ¥5,000 million thereamong was fixed by an interest swap transaction. Consequently, the ratio of interest-bearing debt to total assets (LTV = Balance of aggregate principal amount of interest-bearing debt / Total assets x 100) was 45.0% 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% and 74.1%, respectively.

The credit rating the Investment Corporation has obtained as of the end of the fiscal period under review is as follows:

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

4) Overview of Financial Results and Distributions

As a result of the above-mentioned investments, operating revenue, operating income and ordinary income came to ¥5,803 million, ¥3,851 million, ¥3,479 million, respectively, for the fiscal period under review, and net income was ¥3,478 million.

In accordance with the distribution policy set forth by the Investment Corporation (Article 35 of the Articles of Incorporation), it was decided that the all 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 greatest as possible distributions of profits would be included in tax deductible expenses under Article 67-15 of the Act on Special Measures Concerning Taxation. Consequently, distributions per investment unit came to ¥16,946.

(3) Capital Increase, etc.

The overview of capital increase for previous periods 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)

(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.

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:

Fiscal period	1st period	2nd period	3rd period
Business period	From September 7, 2011 to May 31, 2012	From June 1, 2012 to November 30, 2012	From December 1, 2012 to May 31, 2013
Highest price	—	557,000	976,000
Lowest price	—	440,500	501,000

(Yen)

(4) Distributions, etc.

The Investment Corporation intends to distribute all of unappropriated retained earnings at the end of the period, except for fractional distributions 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 May 31, 2013 amounted to ¥16,946.

Fiscal period	1st period	2nd period	3rd period
Business period	From September 7, 2011 to May 31, 2012	From June 1, 2012 to November 30, 2012	From December 1, 2012 to May 31, 2013
Unappropriated retained earnings (undisposed loss)	(¥61,017 thousand)	¥2,861,026 thousand	¥3,478,463 thousand
Retained earnings	(¥61,017 thousand)	¥85 thousand	¥93 thousand
Total distribution payments	¥— thousand	¥2,860,941 thousand	¥3,478,369 thousand
[Distributions per unit]	[¥—]	[¥13,938]	[¥16,946]
Of which, total distributions of profits was	¥— thousand	¥2,860,941 thousand	¥3,478,369 thousand
[Distributions of profits per unit]	[¥—]	[¥13,938]	[¥16,946]
Of which, total return on unitholders' capital was	¥— thousand	¥— thousand	¥— thousand
[Return on unitholders' capital per unit]	[¥—]	[¥—]	[¥—]

(5) Future Investment Policy and Issues to Address

The Japanese economy is expected to follow a course of recovery as a result of rises in household income and increased investments following the improvement of corporate earnings from the effect of various government measures and a recovery in exports. However, the Japanese economy will continue to be exposed to various risks such as a possible rise of long-term interest rates and overseas risks including a downswing in economies outside Japan as seen by an outflow of funds from emerging countries due to a reduction of quantitative monetary easing in the U.S. and concerns of China’s financial system as well, which may correct the stock prices around the world.

In circumstances surrounding retail properties, the upward trend in consumer confidence is expected to continue and personal consumption is expected to remain steady for the time being. However, trends of employment and income will need to be watched carefully. In the rental office market, while the economy is recovering gradually, vacancy rates are expected to continue to gently improve. Moreover, rent levels are close to bottoming and a rebound in rent prices is also expected. In the real estate transaction market, although property acquisitions through J-REITs are expected to increase under a favorable financing environment, signs of upward trends of asking price may cause sellers reluctant for disposition, which would lead to continued pressure on the supply and demand in the real estate market.

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 Land Group’s value chain based on the comprehensive support system; and a governance structure that maximizes investor 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. 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 Land 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 one-time 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 and Tokyu Land SC Management Corporation.

4) Financial Strategy

Having the 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

Not applicable

2. Overview of the Investment Corporation

(1) Unitholders’ Capital

	1st period As of May 31, 2012	2nd period As of November 30, 2012	3rd period As of May 31, 2013
Total number of authorized investment units (Units)	2,000,000	2,000,000	2,000,000
Total number of investment units issued (Units)	400	205,262	205,262
Unitholders’ capital (In millions of yen)	200	91,373	91,373
Number of unitholders (Persons)	1	15,134	10,194

(2) Matters Relating to Investment Units

Major unitholders as of May 31, 2013 were as follows:

Name	Number of units owned	Percentage of total units issued (%) (Note)
Japan Trustee Services Bank, Ltd. (Trust accounts)	39,239	19.11
Tokyu Land Corporation	21,500	10.47
The Master Trust Bank of Japan, Ltd. (Trust accounts)	15,477	7.54
Trust & Custody Services Bank, Ltd. (Securities investment trust accounts)	14,725	7.17
The Nomura Trust and Banking Co., Ltd. (Investment accounts)	11,093	5.40
NOMURA BANK (LUXEMBOURG) S.A.	6,813	3.31
STATE STREET BANK AND TRUST COMPANY	3,703	1.80
THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT	3,065	1.49
STATE STREET BANK AND TRUST COMPANY	2,487	1.21
EVERGREEN	2,365	1.15
Total	120,467	58.68

(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 business 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	Haruki Sakane	TLC Activia Investment Management Inc., President and Chief Executive Officer	—
Supervisory Directors	Yonosuke Yamada	Yamada, Goya and Suzuki Law Office Representative Partner	3,300
	Yoshinori Ariga	Ariga Yoshinori Accounting Office Ariga Yoshinori Tax Advisor Office Representative Director	
Independent Auditor	Ernst & Young ShinNihon LLC	—	9,000

(Note) 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.

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

We have a policy to determine whether to dismiss the independent auditor pursuant to the provisions of the Investment Trust Act, and determine whether not to reappoint the independent auditor taking into comprehensive consideration on 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

3. Assets of the Investment Corporation

(1) Composition of the Assets of the Investment Corporation

Type of assets	Category	2nd period As of November 30, 2012		3rd period As of May 31, 2013	
		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	94,817	52.7	94,776	50.2
	Tokyo Office Properties	41,721	23.2	47,445	25.1
	Other Properties	34,881	19.4	40,081	21.2
	Subtotal	171,420	95.2	182,303	96.5
Total real estate, etc.		171,420	95.2	182,303	96.5
Deposits and other assets		8,646	4.8	6,534	3.5
Total assets (Note 2)		180,066 [171,420]	100.0 [95.2]	188,837 [182,303]	100.0 [96.5]

(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 brackets 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 ²) (Note 1)	Total leased area (m ²) (Note 2)	Occupancy rate (%) (Note 3)	Ratio of rental revenue to total rental revenues (%)	Major use
Tokyu Plaza Omotesando Harajuku (Note 4)	45,176	4,904.55	4,904.55	100.0	19.0	Retail
Shinbashi Place	20,577	9,156.01	9,156.01	100.0	(Note 5)	Retail
COCOE Amagasaki (Land) (Note 6)	12,113	27,465.44	27,465.44	100.0	5.9	Retail
Tokyu Plaza Akasaka (Note 4)	11,662	16,620.48	16,409.05	98.7	10.1	Retail
A-PLACE Ebisu Minami	9,671	7,950.51	7,638.74	96.1	5.4	Office
Kyoto Karasuma Parking Building	8,908	21,616.04	21,616.04	100.0	(Note 5)	Parking
Aoyama Plaza Building	8,835	7,303.69	7,303.69	100.0	4.3	Office
icot Nakamozu	8,514	28,098.02	28,098.02	100.0	5.4	Retail
Ebisu Q Plaza	8,450	4,024.88	4,024.88	100.0	4.7	Retail
TLC Ebisu Building	7,378	7,342.60	7,342.60	100.0	4.6	Office
Total	141,289	134,482.22	133,959.02	99.6	—	

(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, 2013. 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, 2013.

(Note 2) The total leased area is equal to the total leased area in each property as of May 31, 2013. 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, 2013, 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 kyoyu-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) On October 9, 2013, the name of COCOE Amagasaki (Land) is scheduled to be changed to Amagasaki Q's MALL (Land).

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

Property name		Location	Asset type	Total leasable area (m ²) (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 Jingumae 4-chome, Shibuya-ku, Tokyo	Trust beneficiary interests	4,904.55	47,000	45,176
	Tokyu Plaza Akasaka (Note 4)	14-3 Nagatacho 2-chome, Chiyoda-ku, Tokyo	Trust beneficiary interests	16,620.48	11,500	11,662
	Ebisu Q Plaza	8-12 Ebisu 1-chome, Shibuya-ku, Tokyo	Trust beneficiary interests	4,024.88	9,030	8,450
	Shinbashi Place	12-9 Shinbashi 1-chome, Minato-ku, Tokyo	Trust beneficiary interests	9,156.01	22,800	20,577
	Kyoto Karasuma Parking Building	678 Motohonenjicho, Nakagyo-ku, Kyoto City, Kyoto	Trust beneficiary interests	21,616.04	9,320	8,908
	Subtotal			56,321.96	99,650	94,776
Tokyo Office Properties	TLC Ebisu Building	18-18 Ebisu 1-chome, Shibuya-ku, Tokyo	Trust beneficiary interests	7,342.60	7,500	7,378
	A-PLACE Ebisu Minami	15-1 Ebisu-minami 1-chome, Shibuya-ku, Tokyo	Trust beneficiary interests	7,950.51	10,300	9,671
	Yoyogi Place	23-15 Sendagaya 5-chome, Shibuya-ku, Tokyo	Trust beneficiary interests	3,106.17	3,780	4,076
	Aoyama Plaza Building	11-3 Kita-Aoyama 2-chome, Minato-ku, Tokyo	Trust beneficiary interests	7,303.69	8,340	8,835
	Luogo Shiodome	3-3 Higashi-Shinbashi 2-chome, Minato-ku, Tokyo	Trust beneficiary interests	4,476.35	4,700	4,534
	Tokyo Kikai Honsha Building	26-24 Shiba 5-chome, Minato-ku, Tokyo	Trust beneficiary interests	4,389.20	3,070	3,087
	A-PLACE Ikebukuro	16-22 Minami Ikebukuro 1-chome, Toshima-ku, Tokyo	Trust beneficiary interests	3,409.73	4,120	3,984
	TK Shinbashi Building	11-1 Shinbashi 4-chome, Minato-ku, Tokyo	Trust beneficiary interests	5,052.14	5,900	5,876
	Subtotal			43,030.39	47,710	47,445
Other Properties	COCOE Amagasaki (Land) (Note 5)	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	12,100	12,113
	icot Nakamozu	428-2 Nakamozucho 3-cho, Kita-ku, Sakai City, Osaka	Trust beneficiary interests	28,098.02	9,010	8,514
	icot Kongo	35-1 Handa 1-chome, Osakasayama City, Osaka	Trust beneficiary interests	17,884.55	1,810	1,636
	icot Mizonokuchi	11-1 Mizonokuchi 6-chome, Takatsu-ku, Kawasaki City, Kanagawa	Trust beneficiary interests	14,032.05	2,960	2,720
	icot Tama Center	35 Ochiai 1-chome, Tama City, Tokyo	Trust beneficiary interests	5,181.58	3,010	2,838
	Kanayama Center Place	14-18 Kanayama 1-chome, Naka-ku, Nagoya City, Aichi	Trust beneficiary interests	9,314.91	7,420	6,943
	Osaka Nakanoshima Building (Note 4)	2-2 Nakanoshima 2-chome, Kita-ku, Osaka City, Osaka	Trust beneficiary interests	10,214.88	5,800	5,314
	Subtotal			112,191.43	42,110	40,081
Total				211,543.78	189,470	182,303

(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, 2013. 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, 2013.

(Note 2) The appraisal of properties is commissioned to Japan Real Estate Institute, Daiwa Real Estate Appraisal Co., Ltd., The Tanizawa Sôgô 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 May 31, 2013.

(Note 3) Book value at end of period represents book value less depreciation expenses as of May 31, 2013, 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 kyoyu-mochibun*) (75%, 50% and 50%, respectively).

(Note 5) On October 9, 2013, the name of COCOE Amagasaki (Land) is scheduled to be changed to Amagasaki Q's MALL (Land).

Transition of our leasing business is as follows:

Property name		2nd fiscal period (From June 1, 2012 to November 30, 2012)				3rd fiscal period (From December 1, 2012 to May 31, 2013)			
		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	1,046	20.2	27	100.0	1,104	19.0
	Tokyu Plaza Akasaka (Note 4)	96	98.5	555	10.7	99	98.7	588	10.1
	Ebisu Q Plaza	4	100.0	252	4.9	4	100.0	270	4.7
	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)
	Subtotal	130	99.5	—	—	133	99.6	—	—
Tokyo Office Properties	TLC Ebisu Building	11	100.0	250	4.8	11	100.0	266	4.6
	A-PLACE Ebisu Minami	8	100.0	291	5.6	8	96.1	314	5.4
	Yoyogi Place	3	100.0	130	2.5	3	100.0	132	2.3
	Aoyama Plaza Building	7	86.7	235	4.5	9	100.0	248	4.3
	Luogo Shiodome	6	100.0	115	2.2	6	100.0	166	2.9
	Tokyo Kikai Honsha Building	3	100.0	134	2.6	3	100.0	151	2.6
	A-PLACE Ikebukuro	1	100.0	(Note 5)	(Note 5)	1	100.0	(Note 5)	(Note 5)
	TK Shinbashi Building	—	—	—	—	5	84.6	32	0.6
	Subtotal	39	97.4	—	—	46	97.5	—	—
Other Properties	COCOE Amagasaki (Land) (Note 6)	1	100.0	318	6.1	1	100.0	341	5.9
	icot Nakamozu	2	100.0	290	5.6	2	100.0	310	5.4
	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	133	2.6	11	100.0	142	2.5
	Kanayama Center Place	20	100.0	262	5.1	20	100.0	277	4.8
	Osaka Nakanoshima Building (Note 4)	—	—	—	—	43	99.6	195	3.4
	Subtotal	36	100.0	—	—	79	100.0	—	—
Total		205	99.4	5,194	100.0	258	99.4	5,803	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 kyoyu-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) On October 9, 2013, the name of COCOE Amagasaki (Land) is scheduled to be changed to Amagasaki Q's MALL (Land).

(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		Fair value (Note)
			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) 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.

(5) Other Assets

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

(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	9,942	—	—	9,965	22	Given as security deposits
Total		10,000	9,942	—	—	9,965	22	

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 3rd fiscal period as of May 31, 2013. 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
Tokyu Plaza Akasaka (Chiyoda-ku, Tokyo)	Air-conditioning work separately for each shop on the first floor	From July 2013 to September 2013	42 (Note)	—	—
Tokyu Plaza Akasaka (Chiyoda-ku, Tokyo)	Replacement of blower fans	From September 2013 to November 2013	21 (Note)	—	—
TK Shinbashi Building (Minato-ku, Tokyo)	Work for the control system in the building	From August 2013 to November 2013	20	—	—
Aoyama Plaza Building (Minato-ku, Tokyo)	Waterproofing work on the rooftop on the second floor for replacement	From July 2013 to October 2013	12	—	—
icot Kongo (Osakasayama City, Osaka)	Waterproofing work on the rooftop for replacement	From October 2013 to November 2013	11	—	—

(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.

(2) Capital Expenditures during the Period

For assets held by the Investment Corporation in the 3rd fiscal period, construction work conducted by the Investment Corporation during the fiscal period ended May 31, 2013 that falls into capital expenditure is as follows. The capital expenditure for the fiscal period ended May 31, 2013 amounted to ¥149 million, and repair and maintenance expenses that were accounted for as expense in the fiscal period ended May 31, 2013 came to ¥97 million. On aggregate, construction work of ¥246 million was carried out during the fiscal period.

Name of real property (Location)	Purpose	Period	Construction cost (In millions of yen)
Tokyu Plaza Akasaka (Chiyoda-ku, Tokyo)	Replacement works for BR electrical room	From October 2012 to April 2013	40 (Note)
icot Kongo (Osakasayama City, Osaka)	Replacement works for the east entrance subgrades	From January 2013 to March 2013	15
Tokyu Plaza Akasaka (Chiyoda-ku, Tokyo)	Replacement works for elevated water tanks	From September 2012 to March 2013	11 (Note)
Tokyu Plaza Akasaka (Chiyoda-ku, Tokyo)	Replacement works for power board and electric lights board	From November 2012 to March 2013	11 (Note)
Other			71
Total			149

(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	2nd period (From June 1, 2012 to November 30, 2012)	3rd period (From December 1, 2012 to May 31, 2013)
(a) Asset management fees (Note)	380,548	442,330
(b) Asset custody fees	4,360	5,144
(c) Administrative service fees	4,476	15,564
(d) Remuneration paid to officers	3,300	3,300
(e) Other expenses	25,650	49,765
Total	418,335	516,105

(Note) Aside from the amount of the asset management fees entered above, a total of ¥851,850 thousand for the 2nd fiscal period and a total of ¥76,300 thousand for the 3rd 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 December 1, 2012 (In millions of yen)	Balance as of May 31, 2013 (In millions of yen)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use of funds	Remarks
	Lender								
Short-term	Sumitomo Mitsui Trust Bank, Limited	June 13, 2012	17,000	—	0.453	June 13, 2013	Lump-sum repayment	(Note 2)	Unsecured, non-guaranteed
	Subtotal		17,000	—					
Long-term (Note 3)	Sumitomo Mitsui Banking Corporation	June 13, 2012	6,000	6,000	0.37	June 13, 2014	Lump-sum repayment	(Note 2)	Unsecured, non-guaranteed
		April 19, 2013	—	400	0.919	April 19, 2019			
	Sumitomo Mitsui Trust Bank, Limited	June 13, 2012	3,000	3,000	0.8	June 13, 2015			
		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	0.305	March 31, 2015			
		March 29, 2013	—	500	0.33	March 31, 2017			
		March 29, 2013	—	5,000	0.683 (Note 5)	March 31, 2018			
		April 19, 2013	—	800	0.919	April 19, 2019			
	Mitsubishi UFJ Trust and Banking Corporation	June 13, 2012	3,000	3,000	0.8	June 13, 2015			
		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			
		January 25, 2013	—	4,000	0.338	April 25, 2014			
		April 19, 2013	—	800	0.919	April 19, 2019			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	June 13, 2012	3,000	3,000	0.8	June 13, 2015			
		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	0.919	April 19, 2019			
	Mizuho Corporate Bank, Ltd. (Note 6)	June 13, 2012	3,000	3,000	0.8	June 13, 2015			
		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	0.919	April 19, 2019			
	Development Bank of Japan Inc.	June 13, 2012	6,000	6,000	1.191	June 13, 2019			
		April 19, 2013	—	400	0.919	April 19, 2019			
	Mizuho Trust & Banking Co., Ltd.	March 29, 2013	—	2,000	0.305	March 31, 2015			
		March 29, 2013	—	2,000	0.33	March 31, 2017			
	Resona Bank, Limited.	March 29, 2013	—	1,500	0.305	March 31, 2015			
		March 29, 2013	—	1,500	0.33	March 31, 2017			
	The Bank of Fukuoka, Ltd.	March 29, 2013	—	1,000	0.305	March 31, 2015			
		March 29, 2013	—	1,000	0.33	March 31, 2017			
	The Gunma Bank, Ltd.	March 29, 2013	—	500	0.305	March 31, 2015			
		March 29, 2013	—	500	0.33	March 31, 2017			
	Shinkin Central Bank	March 29, 2013	—	500	0.305	March 31, 2015			
March 29, 2013		—	500	0.33	March 31, 2017				
Subtotal			60,000	85,000					
Total			77,000	85,000					

(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.
(Note 6) On July 1, 2013, Mizuho Corporate Bank, Ltd. changed its corporate name to Mizuho Bank, Ltd.

(3) Investment Corporation Bonds

Not applicable

(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 thousands of yen) (Note 1)	Disposal date	Disposal amount (In thousands of yen)	Book value (In thousands of yen)	Gain (loss) on disposal (In thousands of yen)
Other Properties	Trust beneficiary interests	Osaka Nakanoshima Building (Note 2)	January 25, 2013	5,250,000	—	—	—	—
Tokyo Office Properties	Trust beneficiary interests	TK Shinbashi Building	April 19, 2013	5,650,000	—	—	—	—
Total				10,900,000	—	—	—	—

(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).
(Note 2) As for Osaka Nakanoshima Building, the figures are in proportion to the pro rata share of our trust beneficiary co-ownership interests (*jun kyoyu-mochibun*) (50%).

(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

1) Property

Acquisition / Disposal	Property name	Acquisition date	Acquisition price (In thousands of yen) (Note 1)	Assessed value at end of period (In thousands of yen)	Name of appraiser	Date of appraisal
Acquisition	Osaka Nakanoshima Building (Note 2)	January 25, 2013	5,250,000	5,800,000	Japan Real Estate Institute	December 1, 2012
	TK Shinbashi Building	April 19, 2013	5,650,000	5,780,000	Japan Real Estate Institute	March 1, 2013
	Total	—	10,900,000	11,580,000	—	—

(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).
(Note 2) As for Osaka Nakanoshima Building, the figures are in proportion to the pro rata share of our trust beneficiary co-ownership interests (*jun kyoyu-mochibun*) (50%).
(Note 3) The real estate appraisal is conducted by applying “Real Estate Appraisal Standard Section 3: appraisals concerning prices of real estate subject to securitization.”

2) Other Transactions

For the six months ended May 31, 2013, the Investment Corporation entered into an interest rate swap contract which was subject to the research in accordance with Article 201 of the Act on Investment Trusts and Investment Corporation of Japan. Terms and conditions of the interest rate swap contract, such as name of counterparty and term, etc., were researched and reported by Ernst & Young ShinNihon LLC.

(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	178,683	Tokyu Land Corporation	163,452	91.5
		Tokyu Land SC Management Corporation	13,897	7.8
Building management fee	215,557	Tokyu Land Corporation	89,462	41.5
		Tokyu Community Corporation	101,455	47.1
Construction management fee	4,298	Tokyu Land Corporation	3,682	85.7
		Tokyu Land SC Management Corporation	615	14.3
Other management operation expenses	13,316	Tokyu Land SC Management Corporation	5,625	42.2
Other expenses related to rent business	132,024	Tokyu Community Corporation	15,685	11.9
		Tokyu Land SC Management Corporation	712	0.5

(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. “Major shareholders” means the major shareholders of the asset manager as defined in Article 29-4, Paragraph 2 of the Financial Instrument and Exchange Act.

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

Tokyu Homes Corporation	¥19,576 thousand
Ishikatsu Exterior, Inc.	¥9,545 thousand
Tokyu Community Corporation	¥7,324 thousand
Tokyu Land Corporation	¥4,771 thousand
Tokyu Land SC Management Corporation	¥907 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

Not applicable

(3) Other

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

II. Balance Sheets

	(In thousands of yen)	
	Previous fiscal period (As of November 30, 2012)	Current fiscal period (As of May 31, 2013)
Assets		
Current assets		
Cash and deposits	5,586,163	4,707,652
Cash and deposits in trust	1,048,439	1,052,109
Operating accounts receivable	156,242	178,217
Prepaid expenses	110,647	223,261
Deferred tax assets	26	16
Consumption taxes receivable	1,446,329	—
Total current assets	8,347,848	6,161,257
Noncurrent assets		
Property, plant and equipment		
Buildings in trust	30,445,044	33,521,802
Accumulated depreciation	(428,592)	(891,456)
Buildings in trust, net	30,016,451	32,630,345
Structures in trust	323,045	352,430
Accumulated depreciation	(8,823)	(18,096)
Structures in trust, net	314,222	334,334
Machinery and equipment in trust	576,121	617,991
Accumulated depreciation	(13,921)	(28,449)
Machinery and equipment in trust, net	562,200	589,542
Tools, furniture and fixtures in trust	4,286	8,049
Accumulated depreciation	(189)	(699)
Tools, furniture and fixtures in trust, net	4,096	7,350
Land in trust	136,258,287	144,250,646
Construction in progress in trust	—	3,224
Total property, plant and equipment	167,155,259	177,815,442
Intangible assets		
Leasehold rights in trust	4,265,157	4,487,617
Other	2,331	2,072
Total intangible assets	4,267,489	4,489,689
Investments and other assets		
Long-term prepaid expenses	286,230	361,340
Invest securities	9,930	9,942
Total investments and other assets	296,160	371,283
Total noncurrent assets	171,718,909	182,676,416
Total assets	180,066,757	188,837,673

	(In thousands of yen)	
	Previous fiscal period (As of November 30, 2012)	Current fiscal period (As of May 31, 2013)
Liabilities		
Current liabilities		
Operating accounts payable	287,850	340,229
Short-term loans payable	17,000,000	—
Current portion of long-term loans payable	—	4,000,000
Accounts payable-other	304,544	49,078
Accrued expenses	424,963	220,466
Income taxes payable	834	495
Accrued consumption taxes	—	33,490
Advances received	102,941	116,320
Deposits received	21,873	2,235
Other	21	—
Total current liabilities	18,143,029	4,762,316
Noncurrent liabilities		
Long-term loans payable	60,000,000	81,000,000
Tenant leasehold and security deposits in trust	7,688,827	8,223,028
Other	41	31
Total noncurrent liabilities	67,688,868	89,223,059
Total liabilities	85,831,897	93,985,376
Net assets		
Unitholders' equity		
Unitholders' capital	91,373,833	91,373,833
Surplus		
Unappropriated retained earnings (undisposed loss)	2,861,026	3,478,463
Total surplus	2,861,026	3,478,463
Total unitholders' equity	94,234,859	94,852,296
Total net assets	94,234,859	94,852,296
Total liabilities and net assets	180,066,757	188,837,673

*1

III. Statements of Income

(In thousands of yen)			
		Previous fiscal period (From June 1, 2012 to November 30, 2012)	Current fiscal period (From December 1, 2012 to May 31, 2013)
Operating revenue			
Rent revenue-real estate	*1, *2	4,889,315	5,453,936
Other lease business revenue	*1, *2	305,296	349,567
Total operating revenue		5,194,612	5,803,503
Operating expenses			
Expenses related to rent business	*1, *2	1,278,245	1,435,773
Asset management fee		380,548	442,330
Asset custody fee		4,360	5,144
Administrative service fees		4,476	15,564
Directors’ compensation		3,300	3,300
Other operating expenses		25,650	49,765
Total operating expenses		1,696,580	1,951,879
Operating income		3,498,031	3,851,624
Non-operating income			
Interest income		128	237
Interest on securities		1,410	2,003
Interest on refund		—	3,407
Total non-operating income		1,539	5,648
Non-operating expenses			
Interest expenses		287,063	313,535
Investment unit issuance expenses		129,644	—
Other offering costs associated with the issuance of investment units		86,181	—
Borrowing related expenses		69,524	64,401
Other		4,000	—
Total non-operating expenses		576,413	377,936
Ordinary income		2,923,157	3,479,336
Income before income taxes		2,923,157	3,479,336
Income taxes-current		1,139	948
Income taxes-deferred		(26)	9
Total income taxes		1,113	957
Net income		2,922,043	3,478,378
Retained earnings (deficit) brought forward		(61,017)	85
Unappropriated retained earnings (undisposed loss)		2,861,026	3,478,463

IV. Statements of Unitholders’ Equity

(In thousands of yen)			
		Previous fiscal period (From June 1, 2012 to November 30, 2012)	Current fiscal period (From December 1, 2012 to May 31, 2013)
Unitholders’ equity			
Unitholders’ capital			
Balance at the beginning of current period		200,000	91,373,833
Changes of items during the period			
Issuance of new investment units		91,173,833	—
Total changes of items during the period		91,173,833	—
Balance at the end of current period	*1	91,373,833	91,373,833
Surplus			
Unappropriated retained earnings (undisposed loss)			
Balance at the beginning of current period		(61,017)	2,861,026
Changes of items during the period			
Dividends from surplus		—	(2,860,941)
Net income		2,922,043	3,478,378
Total changes of items during the period		2,922,043	617,436
Balance at the end of current period		2,861,026	3,478,463
Total surplus			
Balance at the beginning of current period		(61,017)	2,861,026
Changes of items during the period			
Dividends from surplus		—	(2,860,941)
Net income		2,922,043	3,478,378
Total changes of items during the period		2,922,043	617,436
Balance at the end of current period		2,861,026	3,478,463
Total unitholders’ equity			
Balance at the beginning of current period		138,982	94,234,859
Changes of items during the period			
Issuance of new investment units		91,173,833	—
Dividends from surplus		—	(2,860,941)
Net income		2,922,043	3,478,378
Total changes of items during the period		94,095,877	617,436
Balance at the end of current period		94,234,859	94,852,296
Total net assets			
Balance at the beginning of current period		138,982	94,234,859
Changes of items during the period			
Issuance of new investment units		91,173,833	—
Dividends from surplus		—	(2,860,941)
Net income		2,922,043	3,478,378
Total changes of items during the period		94,095,877	617,436
Balance at the end of current period		94,234,859	94,852,296

V. Notes to Financial Statements

[Notes to Important Accounting Policies]

Item	Previous fiscal period (From June 1, 2012 to November 30, 2012)	Current fiscal period (From December 1, 2012 to May 31, 2013)
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 noncurrent 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 32 years Tools, furniture, and fixtures 3 to 8 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 64 years Structures 2 to 60 years Machinery and equipment 2 to 32 years Tools, furniture, and fixtures 2 to 8 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	Investment unit issuance expenses The full amount is recorded as expenses at the time of expenditure.	—
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 ¥456,323 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. The amount equivalent to property tax included in acquisition cost for properties for the current fiscal period is ¥64,888 thousand.
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 whether 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; 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 noncurrent 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 noncurrent 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

	Previous fiscal period (As of November 30, 2012)	Current fiscal period (As of May 31, 2013)
	¥50,000 thousand	¥50,000 thousand

2. Commitment Line Contracts

The Investment Corporation has the commitment line contracts with one bank with which we have transactions.

	Previous fiscal period (As of November 30, 2012)	Current fiscal period (As of May 31, 2013)
Total amount specified in the commitment line contracts	¥10,000,000 thousand	¥10,000,000 thousand
Loan balance	—	—
Net balance	¥10,000,000 thousand	¥10,000,000 thousand

[Notes to Statements of Income]

*1. Breakdown of Income from Real Estate Leasing Business

(In thousands of yen)				
	Previous fiscal period (From June 1, 2012 to November 30, 2012)		Current fiscal period (From December 1, 2012 to May 31, 2013)	
A. Real estate leasing business revenues				
Rent revenue-real estate				
Rent	4,449,798		4,946,608	
Common service fees	325,961		373,661	
Parking lot fees	77,849		93,053	
Other rent revenue	35,705	4,889,315	40,613	5,453,936
Other rent business revenue		305,296		349,567
Total real estate leasing business revenues		5,194,612		5,803,503
B. Real estate leasing business expenses				
Expenses related to rent business				
Management operation expenses	343,672		411,855	
Utilities expenses	272,691		288,930	
Taxes and public dues	—		10,265	
Insurance	4,306		4,962	
Repair and maintenance expenses	108,170		97,004	
Depreciation	452,047		487,983	
Loss on retirement of noncurrent assets	5,230		2,746	
Other expenses related to rent business	92,126	1,278,245	132,024	1,435,773
Total real estate leasing business expenses		1,278,245		1,435,773
C. Income from real estate leasing business (A – B)		3,916,367		4,367,729

*2. Transactions with Major Unitholders

(In thousands of yen)		
	Previous fiscal period (From June 1, 2012 to November 30, 2012)	Current fiscal period (From December 1, 2012 to May 31, 2013)
Operating transactions		
Rent revenue-real estate	4,191,200	4,706,243
Other lease business revenue	273,876	315,989
Expenses related to rent business	218,363	256,607

[Notes to Statements of Unitholders' Equity]

	Previous fiscal period (From June 1, 2012 to November 30, 2012)	Current fiscal period (From December 1, 2012 to May 31, 2013)
*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	205,262 units	205,262 units

[Notes to Tax Effect Accounting]

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

(In thousands of yen)		
	Previous fiscal period (From June 1, 2012 to November 30, 2012)	Current fiscal period (From December 1, 2012 to May 31, 2013)
Deferred tax assets		
Non-deductible amount for tax purposes of enterprise tax payable	26	16
Total deferred tax assets	26	16
Net deferred tax assets	26	16

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 June 1, 2012 to November 30, 2012)	Current fiscal period (From December 1, 2012 to May 31, 2013)
Effective statutory tax rate	36.59%	36.59%
(Adjustments)		
Dividends paid included in deductibles	(35.81)%	(36.58)%
Other	(0.74)%	(0.02)%
Effective income tax rate after the application of tax effect accounting	0.04%	0.03%

[Notes on Financial Instruments]

Previous fiscal period (From June 1, 2012 to November 30, 2012)

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.

(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 there is 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, 2012, 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	5,586,163	5,586,163	—
(2) Cash and deposits in trust	1,048,439	1,048,439	—
Total assets	6,634,602	6,634,602	—
(1) Short-term loans payable	17,000,000	17,000,000	—
(2) Long-term loans payable	60,000,000	60,345,213	345,213
Total liabilities	77,000,000	77,345,213	345,213

(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) 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.

(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, 2012
Tenant leasehold and security deposits in trust *1	7,688,827

*1. 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, 2012)

(In thousands of yen)

	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years
Deposits	5,586,163	—	—	—	—	—
Deposits in trust	1,048,439	—	—	—	—	—
Total	6,634,602	—	—	—	—	—

(Note 4) Expected Amount of Repayments of Loans Payable after the Account Closing Date (November 30, 2012)

(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	17,000,000	—	—	—	—	—
Long-term loans payable	—	6,000,000	12,000,000	12,000,000	12,000,000	18,000,000
Total	17,000,000	6,000,000	12,000,000	12,000,000	12,000,000	18,000,000

Current fiscal period (From December 1, 2012 to May 31, 2013)

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 are received mainly for the purpose of acquiring real estate and refinancing of existing borrowings. Tenant leasehold and security deposits are deposits provided by tenants. Borrowings, 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 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, 2013, 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	4,707,652	4,707,652	—
(2) Cash and deposits in trust	1,052,109	1,052,109	—
Total assets	5,759,761	5,759,761	—
(1) Current portion of long-term loans payable	4,000,000	4,000,000	—
(2) Long-term loans payable	81,000,000	80,714,493	(285,506)
Total liabilities	85,000,000	84,714,493	(285,506)
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 , (2) 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.

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 one 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 above note (Liabilities, (2) 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, 2012
Tenant leasehold and security deposits in trust *2	8,223,028

*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, 2013)

(In thousands of yen)

	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years
Deposits	4,707,652	—	—	—	—	—
Deposits in trust	1,052,109	—	—	—	—	—
Total	5,759,761	—	—	—	—	—

(Note 4) Expected Amount of Repayments of Loans Payable after the Account Closing Date (May 31, 2013)

(In thousands of yen)

	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years
Long-term loans payable	4,000,000	12,000,000	12,000,000	18,000,000	17,000,000	22,000,000
Total	4,000,000	12,000,000	12,000,000	18,000,000	17,000,000	22,000,000

[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 May 31, 2013, changes during the fiscal period, and fair values of lease properties are as follows.

(In thousands of yen)

	Previous fiscal period (From June 1, 2012 to November 30, 2012)	Current fiscal period (From December 1, 2012 to May 31, 2013)
Amount on the balance sheets		
Balance at beginning of period	—	171,420,417
Changes during period	171,420,417	10,882,642
Balance at end of period	171,420,417	182,303,059
Fair value at end of period	177,890,000	189,470,000

(Note 1) The amount on the balance sheets is the acquisition cost less accumulated depreciation.

(Note 2) The main reason for the increase for the current fiscal period is the acquisition of 2 properties (TK Shinbashi Building and Osaka Nakanoshima Building) worth ¥11,223,650 thousand. The decrease is mainly due to provision of depreciation (¥487,983 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 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 June 1, 2012 to November 30, 2012)

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	10.47%	None	Major unitholder, and rent and management of properties	Purchase of real estate trust beneficiary rights	64,437,000	—	—
							Acceptance of tenant leasehold and security deposits	2,896,924	Security deposits in trust	6,590,205
							Delivery of tenant leasehold and security deposits	5,757,583		
							Receipt of tenant leasehold and security deposits	6,271,854		
							Repayments of tenant leasehold and security deposits	23,086		
							Rental revenues, etc.	4,465,077	Operating accounts receivable	144,544
									Advances received	102,913
							Fees for consignment for real estate management	218,314	Operating accounts payable	38,408
Subsidiary of major unitholder	Cross Special Purpose Company	4-1 Nihonbashi 1-chome, Chuo-ku, Tokyo	Real estate business	—	None	Subsidiary of major unitholder	Purchase of real estate trust beneficiary rights	45,000,000	—	—
							Acceptance of tenant leasehold and security deposits	1,756,535	—	—
Subsidiary of major unitholder	Pixis Ltd.	4-1 Nihonbashi 1-chome, Chuo-ku, Tokyo	Real estate business	—	None	Subsidiary of major unitholder	Purchase of real estate trust beneficiary rights	20,500,000	—	—
							Acceptance of tenant leasehold and security deposits	1,200,000	—	—
Subsidiary of major unitholder	Kotoru Ltd.	11 Kanda-Jimbocho 1-chome, Chiyoda-ku, Tokyo	Real estate business	—	None	Subsidiary of major unitholder	Purchase of real estate trust beneficiary rights	8,860,000	—	—
							Acceptance of tenant leasehold and security deposits	46,941	—	—
Subsidiary of major unitholder	Rouge LLC	4-1 Nihonbashi 1-chome, Chuo-ku, Tokyo	Real estate business	—	None	Subsidiary of major unitholder	Purchase of real estate trust beneficiary rights	8,790,000	—	—
Subsidiary of major unitholder	Classer LLC	4-1 Nihonbashi 1-chome, Chuo-ku, Tokyo	Real estate business	—	None	Subsidiary of major unitholder	Purchase of real estate trust beneficiary rights	4,540,000	—	—
							Acceptance of tenant leasehold and security deposits	248,564	—	—
Subsidiary of major unitholder	Happy Family Special Purpose Company	10-5 Akasaka 2-chome, Minato-ku, Tokyo	Real estate business	—	None	Subsidiary of major unitholder	Purchase of real estate trust beneficiary rights	8,423,000	—	—
							Acceptance of tenant leasehold and security deposits	427,576	—	—
Subsidiary of major unitholder	KTMO Ltd.	4-1 Nihonbashi 1-chome, Chuo-ku, Tokyo	Real estate business	—	None	Subsidiary of major unitholder	Purchase of real estate trust beneficiary rights	2,840,000	—	—
							Acceptance of tenant leasehold and security deposits	232,200	—	—
Subsidiary of major unitholder	Villa LLC	4-1 Nihonbashi 1-chome, Chuo-ku, Tokyo	Real estate business	—	None	Subsidiary of major unitholder	Purchase of real estate trust beneficiary rights	6,980,000	—	—
							Acceptance of tenant leasehold and security deposits	388,900	—	—
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	Increase in tenant leasehold and security deposits	1,002,412	Tenant leasehold and security deposits in trust	1,002,412
							Receipt of tenant leasehold and security deposits	1,002,412		
							Rental revenues, etc.	639,740	Operating accounts receivable	11,698
									Advances received	28
Asset custody company	Sumitomo Mitsui Trust Bank, Limited	4-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo	Banking business	—	None	Asset custody company	Drawing of short-term loans	17,000,000	Short-term loans payable	17,000,000
							Drawing of long-term loans	12,000,000	Long-term loans payable	12,000,000
							Interest expenses	87,764	Accrued expenses	514
							Loan fees	92,603	Accrued expenses	9,369
									Prepaid expenses	17,972
									Long-term prepaid expenses	54,607

(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 December 1, 2012 to May 31, 2013)

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	10.47%	None	Major unitholder, and rent and management of properties	Delivery of tenant leasehold and security deposits	621,227	Tenant leasehold and security deposits in trust	7,124,406
							Receipt of tenant leasehold and security deposits	765,360		
							Repayments of tenant leasehold and security deposits	231,159		
							Rental revenues, etc.	5,022,232	Operating accounts payable	166,319
									Advances received	116,288
							Fees for consignment for real estate management	256,597	Operating accounts payable	62,858
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	96,209	Tenant leasehold and security deposits in trust	1,098,621
							Receipt of tenant leasehold and security deposits	96,209		
							Rental revenues, etc.	781,270	Operating accounts payable	11,897
Asset custody company	Sumitomo Mitsui Trust Bank, Limited	4-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo	Banking business	—	None	Asset custody company	Repayment of short-term loans	17,000,000	—	—
							Drawing of long-term loans	6,800,000	Long-term loans	18,800,000
							Interest expenses	87,355	Accrued expenses	7,166
							Loan fees	113,641	Accrued expenses	10,044
									Prepaid expenses	41,214
									Long-term prepaid expenses	121,747

(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 June 1, 2012 to November 30, 2012)	Current fiscal period (From December 1, 2012 to May 31, 2013)
Net assets per unit	¥459,095	¥462,103
Net income per unit	¥15,153 [¥14,244]	¥16,946

(Note 1) Net income per unit is calculated by dividing net income by the day-weighted average number of investment units for the period (192,831 units and 205,262 units for the previous fiscal period and the current fiscal period, respectively). For the previous fiscal period, net income per unit that is calculated based on the 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. 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 June 1, 2012 to November 30, 2012)	Current fiscal period (From December 1, 2012 to May 31, 2013)
Net income (In thousands of yen)	2,922,043	3,478,378
Amount not attributable to common unitholders (In thousands of yen)	—	—
Net income attributable to common investment units (In thousands of yen)	2,922,043	3,478,378
Average number of investment units for the period (Units)	192,831	205,262

[Notes to Major Subsequent Events]

Previous fiscal period (From June 1, 2012 to November 30, 2012)	Current fiscal period (From December 1, 2012 to May 31, 2013)
Not applicable	Not applicable

VI. Statements Related to Distributions Paid

	Previous fiscal period (From June 1, 2012 to November 30, 2012)	Current fiscal period (From December 1, 2012 to May 31, 2013)
	Amount	Amount
I Unappropriated retained earnings	2,861,026,757	3,478,463,414
II Distributions	2,860,941,756	3,478,369,852
[Cash distributions per unit]	[13,938]	[16,946]
III Earnings carried forward	85,001	93,562

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 ¥2,860,941,756, which is the amount that does not exceed the unappropriated retained earnings and is the greatest value among integral multiples of 205,262, 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 ¥3,478,369,852, which is the amount that does not exceed the unappropriated retained earnings and is the greatest value among integral multiples of 205,262, 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 May 31, 2013 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)

	(In thousands of yen)	
	Previous fiscal period (From June 1, 2012 to November 30, 2012)	Current fiscal period (From December 1, 2012 to May 31, 2013)
Cash flows from operating activities		
Income before income taxes	2,923,157	3,479,336
Depreciation and amortization	452,298	488,241
Loss on retirement of noncurrent assets	5,230	2,746
Interest income and interest on securities	(1,539)	(2,241)
Interest expenses	287,063	313,535
Investment unit issuance expenses	129,644	—
Borrowing related expenses	58,603	52,838
Decrease (increase) in operating accounts receivable	(156,242)	(21,974)
Decrease (increase) in consumption taxes refund receivable	(1,446,329)	1,446,329
Increase (decrease) in accrued consumption tax	—	33,490
Decrease (increase) in prepaid expenses	(19,726)	(69,997)
Decrease (increase) in advances paid	4,200	—
Increase (decrease) in operating accounts payable	238,935	35,856
Increase (decrease) in accrued expenses	420,735	(214,740)
Increase (decrease) in advances received	102,941	13,378
Decrease (increase) in long-term prepaid expenses	(13,204)	2,334
Other, net	21,290	(19,668)
Subtotal	3,007,057	5,539,465
Interest income received	1,529	2,228
Interest expenses paid	(285,382)	(303,292)
Income taxes paid	(494)	(1,286)
Net cash provided by operating activities	2,722,709	5,237,115
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(167,259,077)	(11,403,309)
Purchase of intangible assets	(2,582)	—
Purchase of intangible assets in trust	(4,265,157)	(222,459)
Repayments of tenant leasehold and security deposits	(23,086)	(231,159)
Proceeds from tenant leasehold and security deposits	7,711,913	765,360
Net cash used in investing activities	(163,837,990)	(11,091,568)
Cash flows from financing activities		
Increase in short-term loans payable	17,000,000	—
Decrease in short-term loans payable	—	(17,000,000)
Proceeds from long-term loans payable	59,578,500	24,827,100
Proceeds from issuance of investment units	91,044,188	—
Cash distributions paid	—	(2,847,488)
Net cash provided by financing activities	167,622,688	4,979,611
Net increase (decrease) in cash and cash equivalents	6,507,407	(874,841)
Cash and cash equivalents at beginning of period	127,194	6,634,602
Cash and cash equivalents at end of period	*1 6,634,602	5,759,761

(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)

	Previous fiscal period (As of November 30, 2012)	Current fiscal period (As of May 31, 2013)
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 three 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 three months from the date of acquisition.

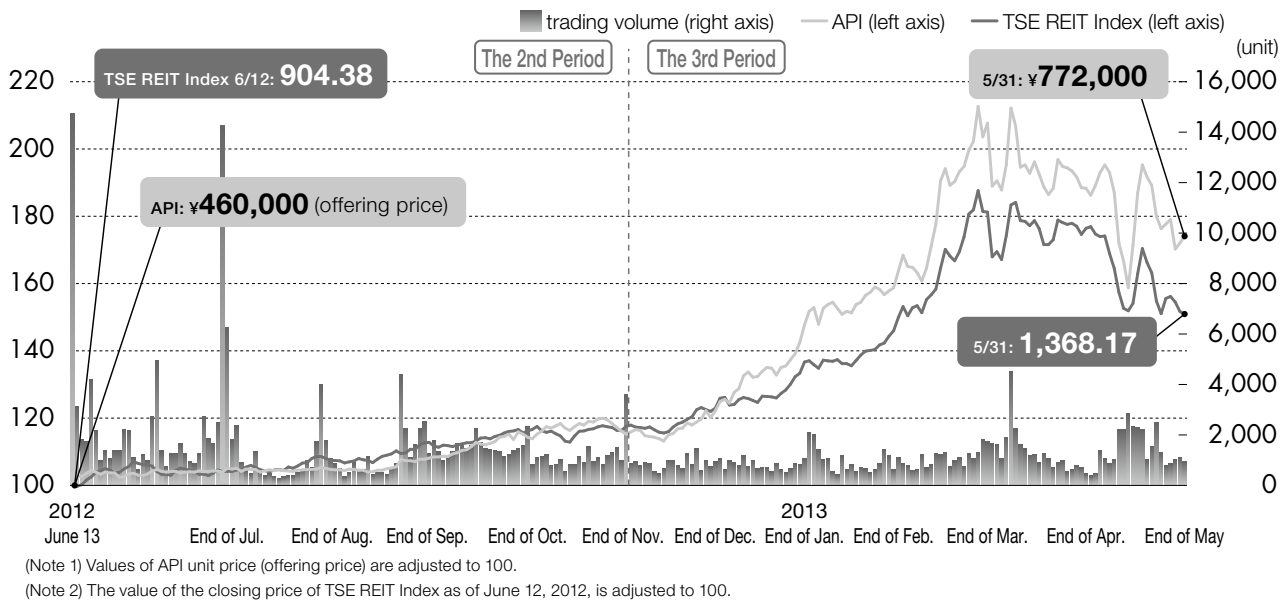
[Notes to Statements of Cash Flows] (Reference Information)

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

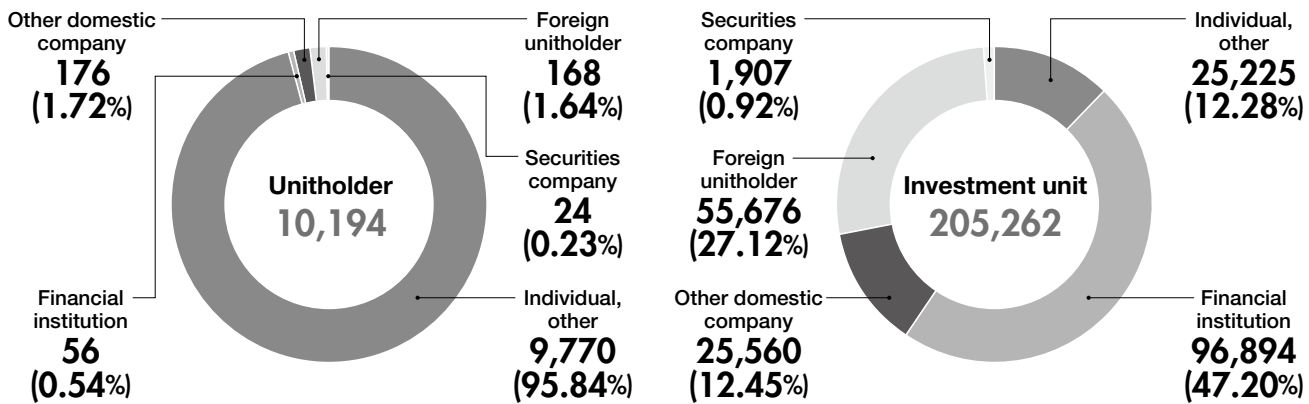
	(In thousands of yen)	
	Previous fiscal period (From June 1, 2012 to November 30, 2012)	Current fiscal period (From December 1, 2012 to May 31, 2013)
Cash and deposits	5,586,163	4,707,652
Cash and deposits in trust	1,048,439	1,052,109
Cash and cash equivalents	6,634,602	5,759,761

Information for Unitholders

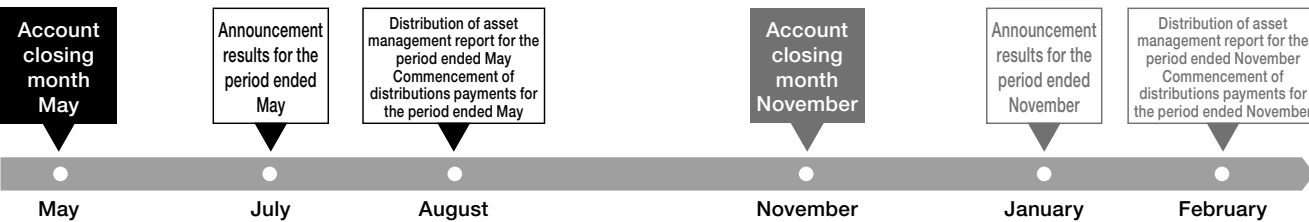
Performance of API Unit Price



Investment Units by Unitholders' Type



Annual Schedule



API Web Site

Information is timely updated on API website.

URL

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



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 Article of Incorporation
Date for determining cash distributions 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: http://www.smtb.jp/personal/agency/ (Japanese page)
Stock exchange	J-REIT section of the Tokyo Stock Exchange (Securities code: 3279)
Newspaper to provide public notice	The Nikkei

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 for your securities company.

Contact	Stock Transfer Agency Business Planning Dept. of Sumitomo Mitsui Trust Bank, Limited TEL: 0120-782-031 (toll-free, available within Japan only)
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Distributions statement

Under the Special Taxation Measures Law, we are required to send a payment distributions notice stating the distributions amount and the amount of taxes on it. The enclosed distributions 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.)

Special Income Tax for Reconstruction

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 on January 1, 2013, and **2.1% of the income tax on income from January 1, 2013 to December 31, 2037 (25 years) 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 distributions payments	From Jan. 1, 2013 to Dec. 31, 2013		From Jan. 1, 2014 to Dec. 31, 2037		From Jan. 1, 2038	
Distributions tax rate for listed company	10.147%		20.315%		20%	
	Detail	Income tax ^(Note 1) + <u>special income tax for reconstruction</u> 7.147% ^(Note 2)	Detail	Income tax + <u>special income tax for reconstruction</u> 15.315% ^(Note 3)	Detail	Income tax 15%
		Resident tax ^(Note 1) 3%		Resident tax 5%		Resident tax 5%

(Note 1) The income tax rate and resident tax rate for distributions from listed investment corporations have been reduced to 7% and 3% (from 15% and 5%), respectively, until December 31, 2013, under the Act on Special Measures concerning Taxation.

(Note 2) Income tax rate (reduced tax rate) during the period (7%) + Additional special income tax for reconstruction (0.147%) (7% × Special income tax for reconstruction rate 2.1%)

(Note 3) Income tax rate (original tax rate) during the period (15%) + Additional special income tax for reconstruction (0.315%) (15% × Special income tax for reconstruction rate 2.1%)

The special income tax for reconstruction

- 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.
- 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.

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 different from those described above.
- No resident tax is imposed on distributions received by judicial persons.

For further information, please contact the tax office.



Activia Properties Inc.

API 3279