

Semi-Annual Report for the 13th Period

From December 1, 2017 to May 31, 2018





Semi-Annual Report for the 13th Period

From December 1, 2017 to May 31, 2018

► Cash Distributions (Result)

The 13th Period (May 31, 2018)

Cash distributions per unit

¥9,462

► Cash Distributions (Forecast)

The 14th Period (November 30, 2018)

Cash distributions per unit

¥9,500

The 15th Period (May 31, 2019)

Cash distributions per unit

¥9,502



Activia Properties Inc. aims at **proactive management** through selecting **assets that appeal to retail customers and office tenants** as urban centers and hubs for business activity, in order to maximize unitholder value over the medium to long term. API also takes initiatives to improve its asset management.

Basic Policy of Activia Properties Inc.

- 1 Focused investment in Urban Retail properties and Tokyo Office properties
- 2 Utilization of the comprehensive support and capabilities of the Tokyu Fudosan Holdings Group's value chain
- 3 Strong governance structure aimed at maximizing unitholder value

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Fifth Public Offering Implemented, Now We Aim to Enhance the Scale of Assets on a Continuing Basis and Maximize Our Unitholder Value

Kazuyuki Murayama

Executive Director
Activia Properties Inc.



Thank you very much for your continued support for Activia Properties Inc.

Recently we have closed all accounts for the 13th period (December 1, 2017 to May 31, 2018). We owe this achievement to your understanding and continuous support, for which we wish to extend our deep appreciation to you.

In the 13th period, the Japanese economy maintained its gradual recovery trend against the backdrop of a recovery in the global economy, showing a continuous growth in export and a consistently high demand for capital investment reflecting improved corporate performance.

With respect to the environment surrounding retail properties, according to the Monthly Consumer Confidence Survey released by the Economic and Social Research Institute, Cabinet

Office, Government of Japan, consumer sentiment in general remained unchanged and firm reflecting continuously favorable employment environment. Moreover, according to the Consumption Trend Survey for Foreigners Visiting Japan released by the Japan Tourism Agency, the Ministry of Land, Infrastructure, Transport and Tourism, annual tourism consumption by overseas visitors to Japan reached record high in fiscal 2017, and in the quarter spanning January to March 2018, it increased by 17.2% year on year. As such, demand related to inbound tourism has been steadily expanding.

In the rental office market, according to data published by Miki Shoji Co., Ltd., the average vacancy rate of the five central wards of Tokyo (Chiyoda-ku, Minato-ku, Chuo-ku, Shibuya-ku and Shinjuku-ku) has been below 3% since March 2018, and this figure had fallen to 2.68% as of May

31, 2018. Rent levels have also continued to rise. The average rent running up through May 2018 has been increasing for 53 consecutive months, and it currently stands at above ¥20,000 for the first time in eight years and ten months. Supply has been tight relative to demand in major cities outside Tokyo amid an ongoing trend of declining vacancy rates and rising rent levels.

The J-REIT market remained stable overall despite episodes of sluggish performance, against the backdrop of the Bank of Japan's sustained monetary easing policy and the strong real estate market. Financing activities through publicly offered capital increase and property acquisition have been continuously and actively conducted, and this has led to an ongoing expansion in J-REIT asset sizes.

In December 2017, API conducted publicly offered capital increase for five consecutive years and acquired a total of three properties that includes DECKS Tokyo Beach (acquisition of 49% co-ownership interest) falling under the Urban Retail properties, A-FLAG KITA SHINSAIBASHI and Commercial Mall Hakata. Consequently, total assets held by the Investment Corporation expanded to 42 properties with the total acquisition

price of ¥431.5 billion.

With respect to internal growth, we achieved an upward rent revision in 16,453 m², the largest area ever, in Tokyo Office properties, resulting in a rent increase for 11 consecutive periods from the 4th to the 14th period. In Urban Retail properties as well, tenant replacements with large rent increase have been achieved.

And the occupancy rate of the entire portfolio at the end of the period marked 99.8%, remaining continuously at a high level.

Given such conditions, operating revenue, operating profit, and profit were ¥13,327 million, ¥7,471 million, and ¥6,610 million, respectively, for the 13th period, resulting in distributions per unit (DPU) of ¥9,462, outperforming the previous period result which was ¥9,346.

From the 14th period and onward, we will seek to maximize unitholder value over the medium to long term by pursuing external and internal growth. We will accomplish this by leveraging the expertise and network of TLC REIT Management Inc. as well as by utilizing the value chain of the Tokyu Fudosan Holdings Group.

We would be most grateful for your continued support and encouragement. Thank you.

Financial Highlights (Millions of yen)

	12th Period (ended November 30, 2017)	13th Period (ended May 31, 2018)
Operating revenue	¥ 12,720	¥ 13,327
Operating profit	¥ 7,074	¥ 7,471
Ordinary profit	¥ 6,218	¥ 6,611
Profit	¥ 6,217	¥ 6,610

	12th Period (ended November 30, 2017)	13th Period (ended May 31, 2018)
Total assets	¥ 426,838	¥ 445,941
Net assets	¥ 208,523	¥ 223,777
Unitholders' equity to total assets (%)	48.9%	50.2%
Net assets per unit (yen) ^(Note)	¥ 313,467	¥ 320,275

(Note) API implemented a 2-for-1 investment unit split with October 1, 2015 as the effective date.

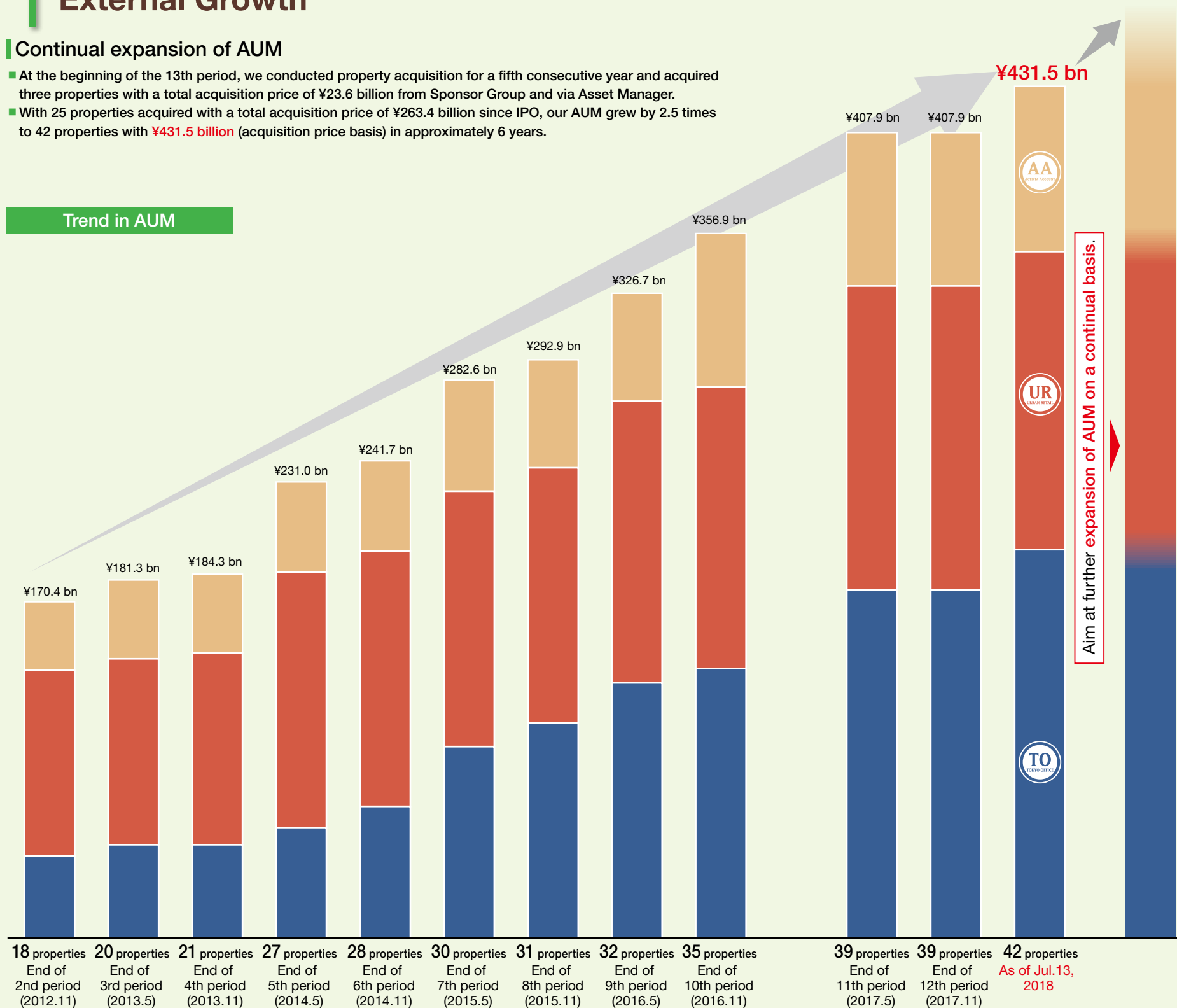
Topics

1 External Growth

Continual expansion of AUM

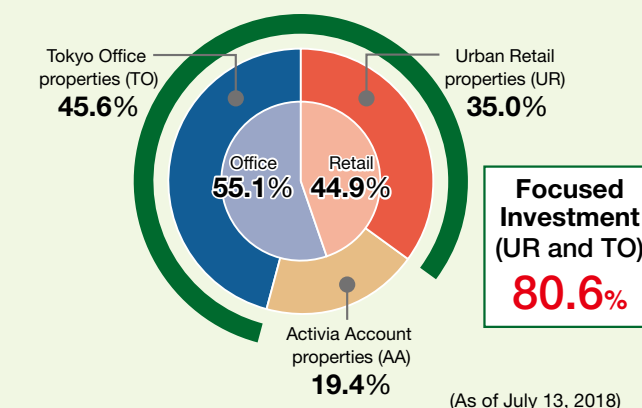
- At the beginning of the 13th period, we conducted property acquisition for a fifth consecutive year and acquired three properties with a total acquisition price of ¥23.6 billion from Sponsor Group and via Asset Manager.
- With 25 properties acquired with a total acquisition price of ¥263.4 billion since IPO, our AUM grew by 2.5 times to 42 properties with **¥431.5 billion** (acquisition price basis) in approximately 6 years.

Trend in AUM



Investment ratio

- The ratio of offices has approximately doubled since IPO.

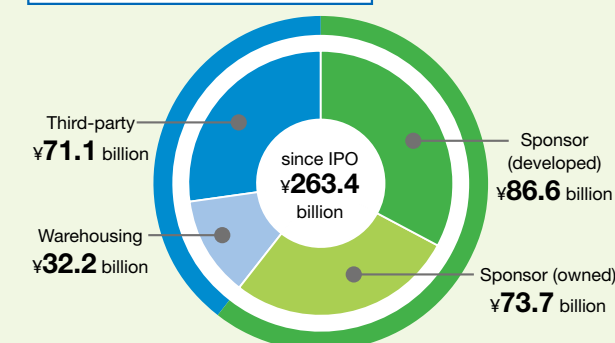


Route for acquisition

- Since IPO, API has achieved external growth leveraging both sourcing from Sponsor and independent sourcing by Asset Manager.

Via Asset Manager

¥103.2 billion (39%)



Acquisition capacity

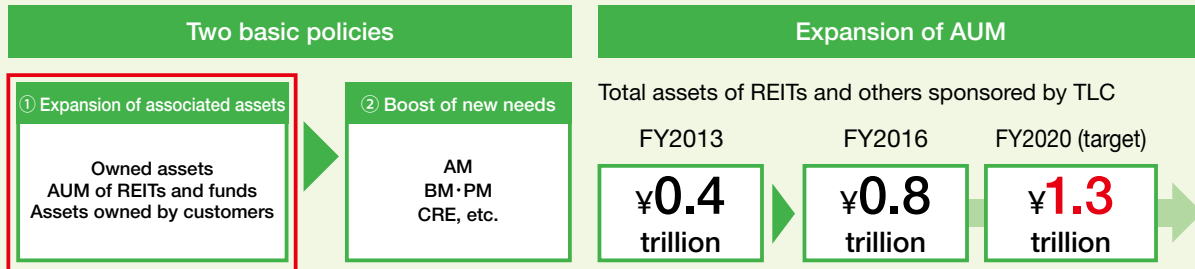
- API has secured sufficient capacity for further acquisition through the fifth PO.

approx. ¥47.2 billion

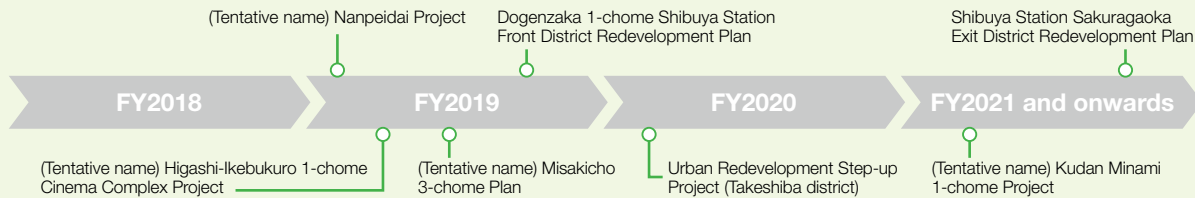
*at LTV 50%

Utilizing the Value Chain of the Tokyu Fudosan Holdings Group (Sponsor Group)

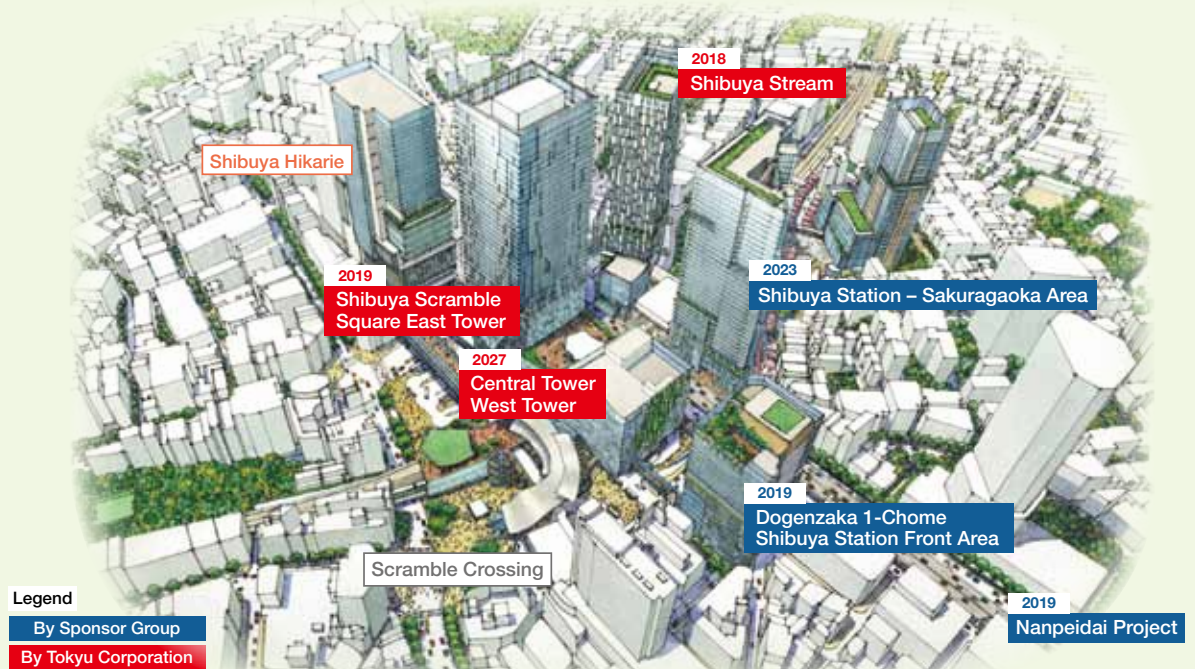
Medium-Term Management Plan (2017-2020) of Tokyu Fudosan Holdings Group



Major development projects planned by Tokyu Fudosan Holdings Group



Redevelopment project in vicinity of Shibuya Station



(Tentative name) Nanpeidai Project

Project owner: Dogenzaka 121 -a general incorporated association- (an operating corporation set up by Tokyu Land Corporation and land owners)

Usage: Event halls, parking, etc.

Total floor area: Approx. 46,954 m²

Height: Approx. 108 m

Opening: FY2019 (scheduled)



Dogenzaka 1-chome Shibuya Station Front District



Project owner: Dogenzaka 1-chome Shibuya Station front district type 1 urban redevelopment union (participant: Tokyu Land Corporation)

Usage: Office, retail, parking, bus terminal, etc.

Total floor area: Approx. 58,900 m²

Height: 110 m

Opening: FY2019 (scheduled)



Shibuya Station Sakuragaoka Exit District



Project owner: Shibuya Station Sakuragaoka Exit District redevelopment preparing union (participant: Tokyu Land Corporation)

Usage: Office, retail, church, business support facility, etc.

Total floor area: Approx. 252,870 m²

Height: Approx. 180 m (building A1)

Opening: FY2023 (scheduled)



Other areas

(Tentative name) Higashi-Ikebukuro 1-chome Cinema Complex Project

Location: Toshima-ku

Usage: Retail, movie theater

Total floor area: Approx. 17 thousand m²

Opening: FY2019 (scheduled)



(Tentative name) Misakicho 3-chome Project

Location: Chiyoda-ku

Usage: Office

Total floor area: Approx. 11 thousand m²

Opening: FY2019 (scheduled)



Urban Redevelopment Step-up Project (Takeshiba district)

Location: Minato-ku

Usage: Office, retail, residence

Total floor area: Approx. 201 thousand m²

Opening: FY2020 (scheduled)



(Tentative name) Kudan Minami 1-chome Project

Location: Chiyoda-ku

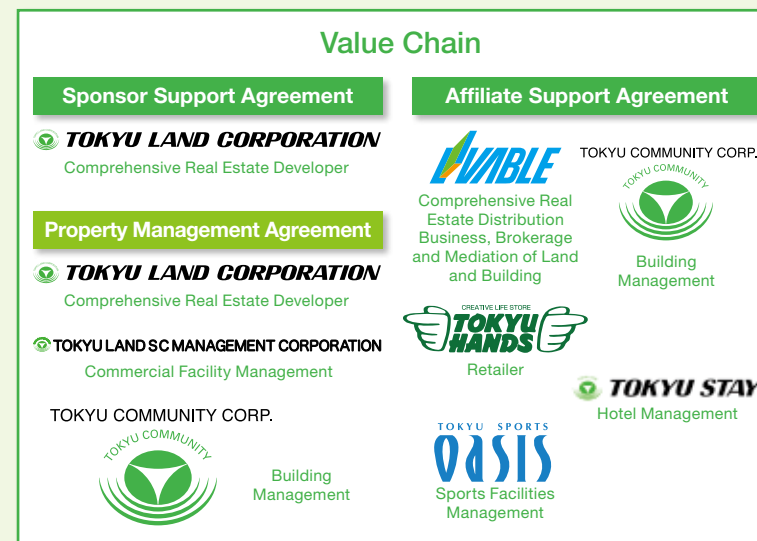
Usage: Office, retail

Total floor area: Approx. 68 thousand m²

Opening: FY2022 (scheduled)



Leverage the Value Chain and Expertise of the Tokyu Fudosan Holdings Group



External Growth Support

Activia
Activia Properties Inc.
Comprehensive support system of the Tokyu Fudosan Holdings Group

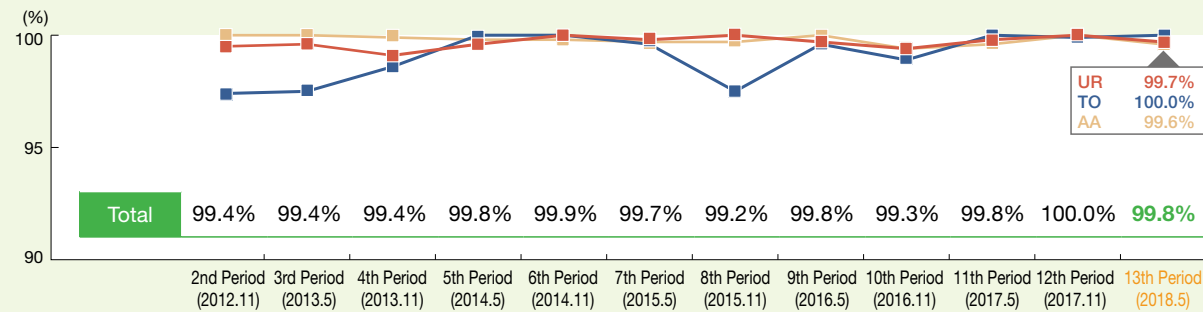
Internal Growth Support

Other Support

2 Internal Growth

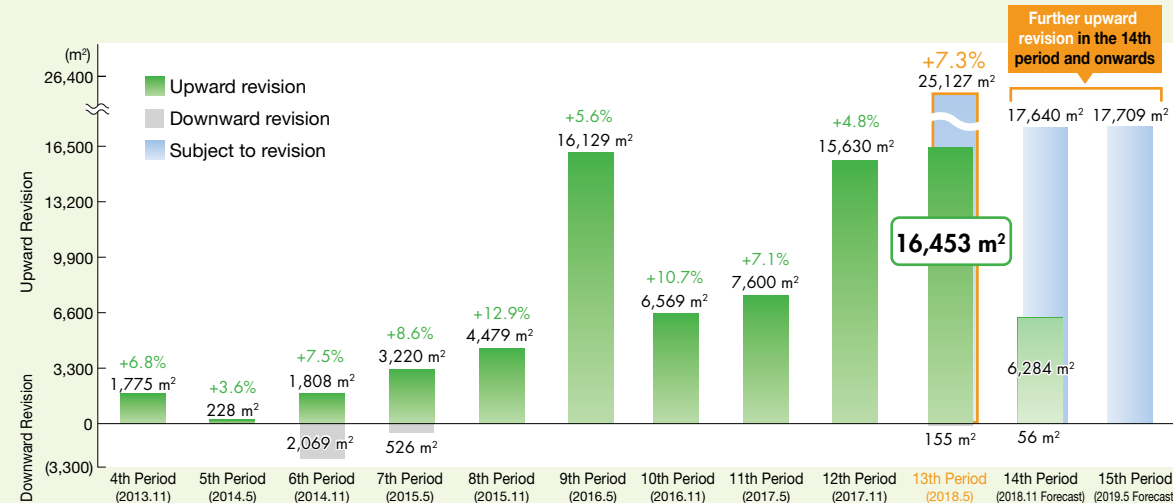
Trend in occupancy rate

■ Since our listing, we have continuously maintained a high occupancy rate of 99% or above at the end of each period.



Upward rent revisions for Tokyo Office properties

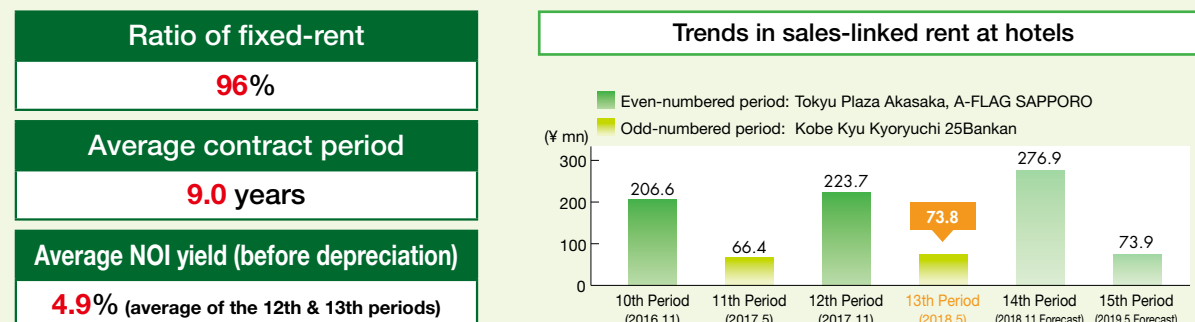
■ In the 13th period, we achieved upward rent revisions in 16,453 m², the largest area ever, of all lease contract renewals, and the uptrend in rent revisions has continued for 11 consecutive periods from the 4th to the 14th. (As of June 30, 2018)



(Note) Figures above each bar represent the rent increase rate.

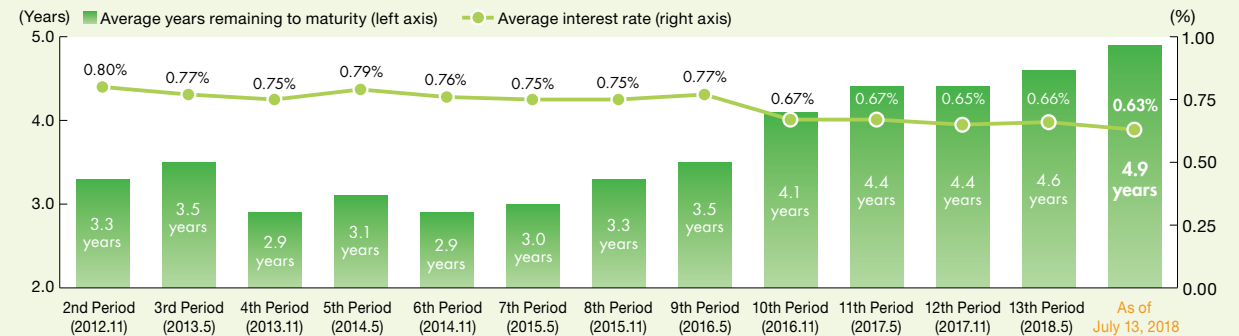
Management of Urban Retail properties

■ Management of Urban Retail properties remains robust backed by Stability and Profitability



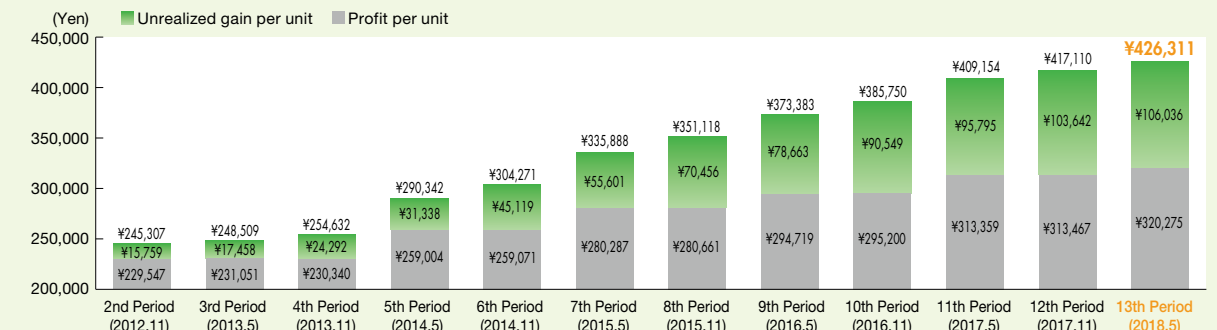
3 Financial Strategies

■ The average years remaining to debt maturity was lengthened and the average interest rate was lowered. As of July 13, 2018, the average interest rate was 0.63% and the average remaining period to maturity was 4.9 years.



4 Trend in NAV per unit

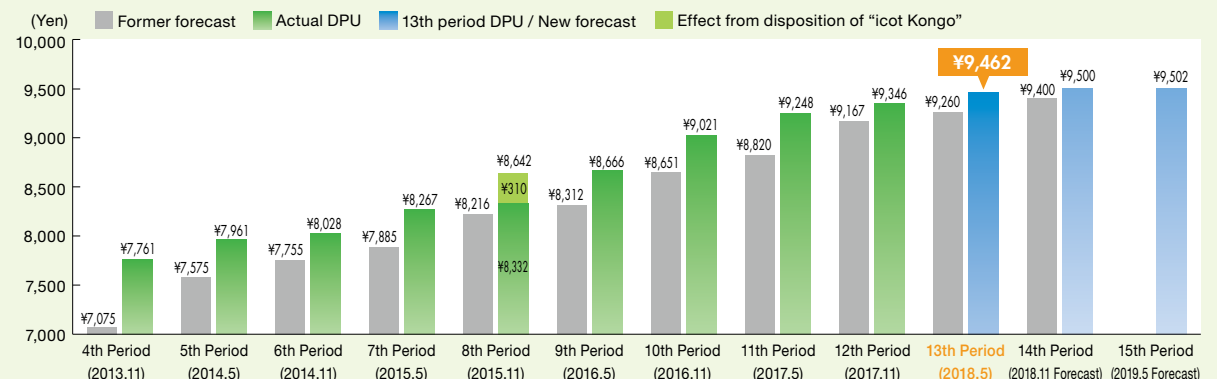
■ The NAV per unit at the end of the 13th period was ¥426,311, an increase of ¥9,201 by 2.2% from the end of the 12th period.



(Note) API implemented a 2-for-1 investment unit split with October 1, 2015 as effective date. To reflect the split, the NAV per unit before the 8th period are represented as half of the actual values.

5 Trend in DPU per unit

■ For the 13th period, we achieved DPU of ¥9,462, up from the former forecast of the period as well as the 12th period result. DPU are expected to be ¥9,500 for the 14th period, and ¥9,502 for the 15th period.



(Note) API implemented a 2-for-1 investment unit split with October 1, 2015 as the effective date. To reflect the split, the DPU before the 8th period are represented as half of the actual values.

Financial Situation

Based on solid bank relationships backed by strong ties with major financial institutions, API will seek to maintain a stable financial base by reducing interest costs and diversifying the maturities of interest-bearing debt.

Key financial indicators

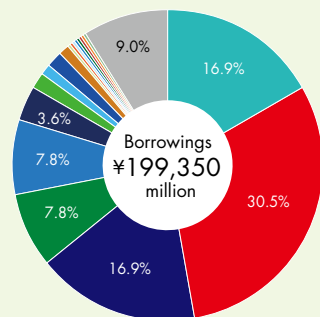
	The 12th period (Nov. 2017)	The 13th period (May 2018)	As of July 13, 2018
Interest-bearing debt outstanding	¥196,150 million	¥199,350 million	¥199,350 million
LTV (Note 1)	46.0%	44.7%	44.7%
Long-term borrowing ratio (Note 2)	94.9% (82.2%)	95.4% (84.1%)	95.4% (85.1%)
Fixed interest ratio (Note 3)	92.8%	95.4%	95.4%
Average remaining period to maturity	4.4 years	4.6 years	4.9 years
Average interest rate (Note 3)	0.65%	0.66%	0.63%

(Note 1) Balance of interest-bearing debt / Total assets × 100

(Note 2) The figures in parentheses are the long-term borrowing ratios excluding the long-term borrowings to be repaid within a year.

(Note 3) To hedge the risks arising from interest rate fluctuations, API has entered into interest rate swap agreements. Therefore, the figures reflect the effect of interest rate swaps (fixation of interest rate).

Diversification of lenders (as of July 13, 2018)

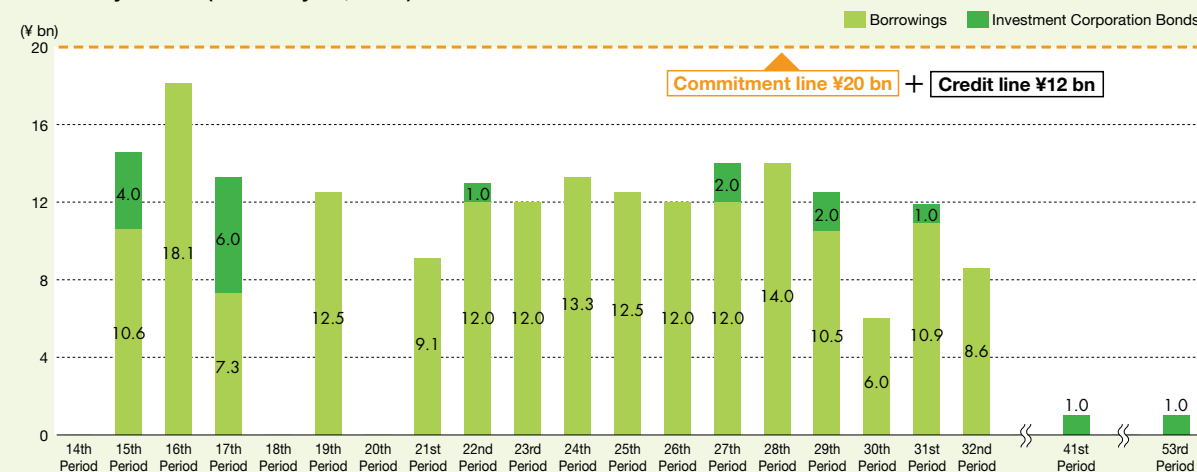


(Note) The figures are rounded to the first decimal places. Therefore, the ratio may not add up to total 100%.

(Note 1) The borrowings from MUFG Bank, Ltd. include ¥27,035 million formerly borrowed from Mitsubishi UFJ Trust and Banking Corporation.

(Note 2) New banks invited to join the refinancing in March 2018.

Maturity ladder (as of July 13, 2018)



API's Basic Policy

Focused investments in Urban Retail and Tokyo Office properties

Portfolio Construction Policy



Urban Retail properties

Urban Retail properties are easily recognizable and are located near major train stations or popular areas in Tokyo, Government-designated major cities within the three major metropolitan areas or other major cities in Japan.



Tokyo Office properties

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

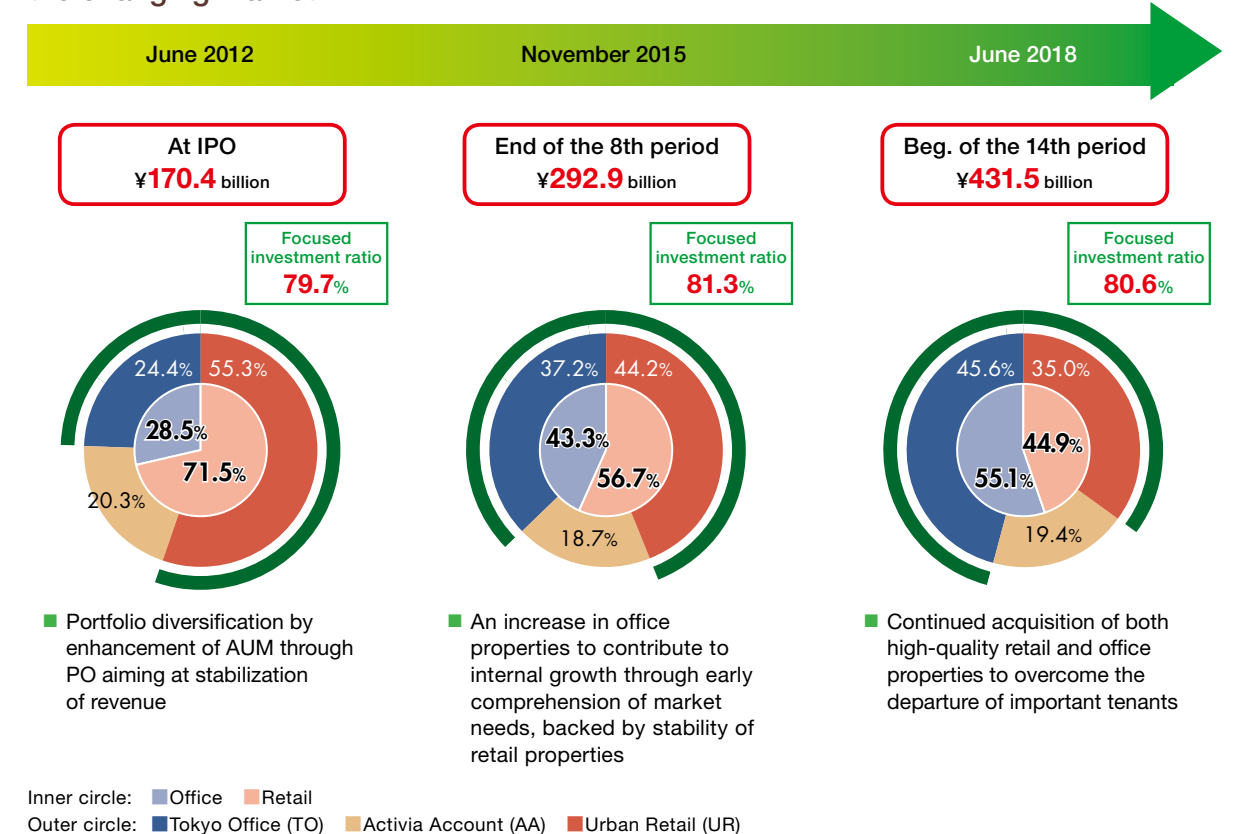


Activia Account properties

Commercial facilities and office buildings other than Urban Retail and Tokyo Office properties that API rigorously selected assessing the attributes and competitiveness of each property and anticipate such properties will secure both stability and profitability through portfolio diversification.

Investment ratio (acquisition price basis)
70% or more
of the amount invested
(Note) The actual investment ratio could differ from the ratio indicated above in the short term depending on the acquisition or selling of properties.

Consistently maintain the investment ratio and the optimal portfolio closely reflecting the changing market



Portfolio diversification by enhancement of AUM through PO aiming at stabilization of revenue

An increase in office properties to contribute to internal growth through early comprehension of market needs, backed by stability of retail properties

Continued acquisition of both high-quality retail and office properties to overcome the departure of important tenants

Inner circle: Office Retail
Outer circle: Tokyo Office (TO) Activia Account (AA) Urban Retail (UR)

Continuous Effort for ESG

External assessment of sustainability

▶ Over half of API's existing properties have been awarded environmental certificates by outside certification authorities

GRESB Real Estate Assessment



- **"Sector Leader"** in "Diversified – Office/Retail/Asia" sector in 2017
- Since its participation in 2013, **API has obtained the highest grade "Green Star" for four consecutive years from 2014**
- **Awarded four stars** in the comparative assessment introduced in 2016

CASBEE Property Assessment Certification



- **12 properties** have been assessed and all were given **top level evaluations** out of 5 classes
- S class (5 stars): 6 properties (A-PLACE Ebisu Minami, etc.)
- A class (4 stars): 6 properties (Q plaza EBISU, etc.)

DBJ Green Building Certification



- **8 properties** have been **awarded 3 stars to 5 stars**
- 5 stars: 2 properties (OSAKI WIZTOWER, etc.)
- 4 stars: 2 properties (Tokyu Plaza Omotesando Harajuku, etc.)
- 3 stars: 4 properties (Tokyu Plaza Akasaka, etc.)

BELS Assessment



- **6 properties** have been awarded **1 star to 3 stars**
- 3 stars: 2 properties (A-PLACE Shibuya Konnoh, etc.)
- 2 stars: 3 properties (A-PLACE Yoyogi, etc.)
- 1 star: 1 property (A-PLACE Shinagawa)

Examples of measures taken by API

Investment related to energy saving

TO-14 A-PLACE Shibuya Konnoh



Renewal of air conditioning in common area

UR-8 A-FLAG SAPPORO

TO-2 A-PLACE Ebisu Minami



Energy saving check-up

Initiatives for local communities

UR-1 Tokyu Plaza Omotesando Harajuku

- Experience of vegetable farming by local nursery school kids at "Yasai-no-mori (garden of vegetables)" project in terrace on 6th floor
- Celebrated the first harvest of the project in June, the property will continue to engage with the local community through various projects



Examples of measures taken by TRM

In-house training program

- Regularly holds seminar by external guest lecturer rich in experience



Support system for certification acquisition and list of qualified employees

- Test cost and seminar fees for acquisition/holding of qualification/certification were funded by the asset manager. The table at right indicates the number of qualified employees as of April 1, 2018.

(Note) Includes those who are unregistered.

Registered Real Estate Notary	71 employees	First-class Registered Architect	4 employees
Ares Real Estate Securitization Master	36 employees	Certified Public Tax Accountant	1 employee
Licensed Real Estate Appraiser	7 employees	Certified Building Administrator	17 employees
Chartered Member of the Securities Analysts Association of Japan	2 employees		

Portfolio List

(As of May 31, 2018)

Category	Property number	Property name	Location	Acquisition price (In millions of yen)	Investment ratio	Total leasable area (m ²)	Completion (Note 1)	Occupancy rate (Note 2)
UR	UR-1	Tokyu Plaza Omotesando Harajuku (Note 3)	Jingumae, Shibuya-ku, Tokyo	45,000	10.4%	4,999.87	Mar. 2012	100.0%
	UR-2	Tokyu Plaza Akasaka (Note 3)	Nagatacho, Chiyoda-ku, Tokyo	11,450	2.7%	16,579.26	Sep. 1969	100.0%
	UR-3	Q plaza EBISU	Ebisu, Shibuya-ku, Tokyo	8,430	2.0%	4,024.88	Aug. 2008	100.0%
	UR-4	Shinbashi Place	Shinbashi, Minato-ku, Tokyo	20,500	4.8%	6,484.57	Apr. 2008	100.0%
	UR-5	Kyoto Karasuma Parking Building	Motohononjicho, Nakagyo-ku, Kyoto	8,860	2.1%	21,616.04	Jul. 2006	100.0%
	UR-6	A-FLAG AKASAKA	Akasaka, Minato-ku, Tokyo	3,000	0.7%	2,280.22	Feb. 2008	100.0%
	UR-7	Kobe Kyu Kyoryuchi 25Bankan	Kyomachi, Chuo-ku, Kobe City, Hyogo	21,330	4.9%	19,653.90	Jan. 2010	100.0%
	UR-8	A-FLAG SAPPORO	Minami-Yonjo-Nishi, Chuo-ku, Sapporo City, Hokkaido	4,410	1.0%	21,229.16	May 1980	100.0%
	UR-9	A-FLAG SHIBUYA	Udagawacho, Shibuya-ku, Tokyo	6,370	1.5%	3,413.80	Jun. 1988	100.0%
	UR-10	Q plaza SHINSAIBASHI	Shinsaibashi-suji, Chuo-ku, Osaka City, Osaka	13,350	3.1%	2,820.23	Nov. 2007	88.4%
	UR-11	A-FLAG KOTTO DORI	Minami-Aoyama, Minato-ku, Tokyo	4,370	1.0%	2,656.53	Jan. 1992	100.0%
	UR-12	A-FLAG BIJUTSUKAN DORI	Minami-Aoyama, Minato-ku, Tokyo	4,700	1.1%	2,055.97	Dec. 1998	100.0%
	UR-13	A-FLAG DAIKANYAMA WEST	Sarugakuchu, Shibuya-ku, Tokyo	2,280	0.5%	2,579.08	Apr. 1992	100.0%
	UR-14	A-FLAG KITA SHINSAIBASHI	Minami-Senba, Chuo-ku, Osaka City, Osaka	4,725	1.1%	2,536.75	Mar. 2008	100.0%
	UR-15	DECKS Tokyo Beach (Note 3)	Daiba, Minato-ku, Tokyo	12,740	3.0%	16,112.00	Jun. 1996 Nov. 2000 (Extension)	100.0%
Urban Retail properties				171,515	39.7%	129,042.26	—	99.7%
TO	TO-1	TLC Ebisu Building	Ebisu, Shibuya-ku, Tokyo	7,400	1.7%	7,342.60	Mar. 1993	100.0%
	TO-2	A-PLACE Ebisu Minami	Ebisu-Minami, Shibuya-ku, Tokyo	9,640	2.2%	7,950.49	Jan. 1995	100.0%
	TO-3	A-PLACE Yoyogi	Sendagaya, Shibuya-ku, Tokyo	4,070	0.9%	3,106.17	Feb. 2007	100.0%
	TO-4	A-PLACE Aoyama	Kita-Aoyama, Minato-ku, Tokyo	8,790	2.0%	7,303.69	Sep. 1966	100.0%
	TO-5	Luogo Shiodome	Higashi-Shinbashi, Minato-ku, Tokyo	4,540	1.1%	4,476.35	Jul. 2004	100.0%
	TO-6	TAMACHI SQUARE (Land)	Shiba, Minato-ku, Tokyo	2,338 (Note 4)	0.5%	1,287.96	—	100.0%
	TO-7	A-PLACE Ikebukuro	Minami-Ikebukuro, Toshima-ku, Tokyo	3,990	0.9%	3,409.73	Oct. 2011	100.0%
	TO-8	A-PLACE Shinbashi	Shinbashi, Minato-ku, Tokyo	5,650	1.3%	5,052.14	Mar. 1999	100.0%
	TO-9	A-PLACE Gotanda	Nishi-Gotanda, Shinagawa-ku, Tokyo	5,730	1.3%	4,028.69	Feb. 2012	100.0%
	TO-10	A-PLACE Shinagawa	Konan, Minato-ku, Tokyo	3,800	0.9%	2,986.36	Sep. 1991	100.0%
	TO-11	OSAKI WIZTOWER	Osaki, Shinagawa-ku, Tokyo	10,690	2.5%	7,193.28	Jan. 2014	100.0%
	TO-12	Shiodome Building (Note 3)	Kaigan, Minato-ku, Tokyo	71,600	16.6%	28,136.05	Dec. 2007	99.9%
	TO-13	A-PLACE Ebisu Higashi	Higashi, Shibuya-ku, Tokyo	7,072	1.6%	4,010.69	Jan. 1992	100.0%
	TO-14	A-PLACE Shibuya Konnoh	Shibuya, Shibuya-ku, Tokyo	4,810	1.1%	2,995.72	Mar. 1992	100.0%
	TO-15	A-PLACE Gotanda Ekimae	Nishi-Gotanda, Shinagawa-ku, Tokyo	7,280	1.7%	4,316.89	Nov. 1993	100.0%
	TO-16	A-PLACE Shinagawa Higashi	Konan, Minato-ku, Tokyo	18,800	4.4%	14,658.98	Aug. 1985 (Main building) Sep. 1999 (Annex)	100.0%
Tokyo Office properties				176,200	40.8%	108,255.79	—	100.0%
AA	AA-1	Amagasaki Q's MALL (Land)	Amagasaki City, Hyogo	12,000	2.8%	27,465.44	—	100.0%
	AA-2	icot Nakamozu	Sakai City, Osaka	8,500	2.0%	28,098.02	Jun. 2007	100.0%
	AA-4	icot Mizonokuchi	Kawasaki City, Kanagawa	2,710	0.6%	14,032.05	Jul. 1998	100.0%
	AA-5	icot Tama Center	Tama City, Tokyo	2,840	0.7%	5,181.58	Mar. 2006	100.0%
	AA-6	A-PLACE Kanayama	Nagoya City, Aichi	6,980	1.6%	9,314.91	Feb. 2009	100.0%
	AA-7	Osaka Nakanoshima Building	Nakanoshima, Kita-ku, Osaka City, Osaka	11,100	2.6%	20,229.20	Mar. 1984	98.4%
	AA-8	icot Omori	Omorikita, Ota-ku, Tokyo	5,790	1.3%	6,209.79	Mar. 2007	100.0%
	AA-9	Market Square Sagami-hara	Shimokuzawa, Chuo-ku, Sagami-hara City, Kanagawa	4,820	1.1%	15,152.42	Jun. 2014	100.0%
	AA-10	Umeda Gate Tower	Tsurunochi, Kita-ku, Osaka City, Osaka	19,000	4.4%	13,624.49	Jan. 2010	100.0%
	AA-11	A-PLACE Bashamichi	Honcho, Naka-ku, Yokohama City, Kanagawa	3,930	0.9%	9,775.50	May 1975	100.0%
	AA-12	Commercial Mall Hakata	Tokojimachi, Hakata-ku, Fukuoka City, Fukuoka	6,100	1.4%	9,612.88	Nov. 2005	97.0%
Activia Account properties				83,770	19.4%	158,696.28	—	99.6%
Total				431,485	100.0%	395,944.33	—	99.8%

(Note 1) The completion date represents the date of construction of the main building as described in the property registry. For properties with multiple main buildings, the construction date of the oldest building is listed. However, for A-PLACE Shinbashi and A-FLAG SHIBUYA, the date of inspection that confirms the completion of construction written on the certificate of inspection is provided.

(Note 2) The occupancy rate is the ratio of total leased area to total leasable area on each property as of May 31, 2018.

(Note 3) For Tokyu Plaza Omotesando Harajuku, Tokyu Plaza Akasaka, DECKS Tokyo Beach and Shiodome Building, the figures are in proportion to our pro rata share of the co-ownership interests (75%, 50%, 49% and 35%, respectively).

(Note 4) The acquisition price of TAMACHI SQUARE (Land) is the land acquisition price at the time of the initial acquisition (June 13, 2012).

Central Tokyo Area Portfolio Map



Outline of Urban Retail Properties



UR-1 Tokyu Plaza Omotesando Harajuku

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

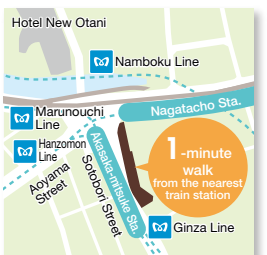
- The property is located on the corner of Omotesando Street and Meiji Street (Jingumae Crossing), a center of fashion and culture in Japan. Fashion outlets can expect significant branding effects from the location.



UR-2 Tokyu Plaza Akasaka

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

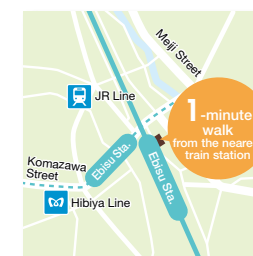
- Adjoining the Nagatacho and Kasumigaseki area, the Akasaka area is home to many embassies and foreign firms. The property is located in a business quarter in proximity to restaurants, bars, hotels and offices where many office workers gather.



UR-3 Q plaza EBISU

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

- The property is located in Ebisu, an area recognized as city for adults.
- Facing the front of Ebisu Station, the property enjoys high visibility with a fancy, well-lit façade made of terracotta bars and glass.



UR-4 Shinbashi Place

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

- The property is located only 1 minute on foot from Shinbashi Station, one of Japan's leading terminal stations with good traffic access.
- A commercial district with buildings housing a variety of tenants such as restaurants, consumer electronics chains, other retail stores and karaoke establishments as well as of business offices.



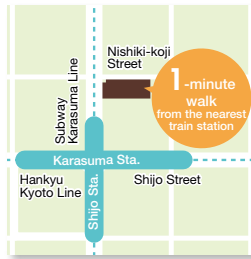
(Note) The category and property name have been changed to Tokyo Office and A-PLACE Shinbashi Ekimae effective June 1, 2018.



UR-5 Kyoto Karasuma Parking Building

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

- The property is located in the Shijo Karasuma area, Kyoto's most prominent city center.
- As a tie-up parking lot for the Daimaru Kyoto department store and the Takashimaya Kyoto department store, the property also serves as an important service facility for neighboring retail stores.



UR-6 A-FLAG AKASAKA

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

- Located a 3-minute walk from Akasaka Station and a 5-minute walk from Akasaka-mitsuke Station
- The property is a highly visible commercial building facing Hitotsugi Street, the busiest street with the heaviest foot traffic in the Akasaka area.



UR-9 A-FLAG SHIBUYA

Location: Udagawacho, Shibuya-ku, Tokyo
Acquisition price: ¥6,370 million

- The property is located in Shibuya, a major commercial district that is also known as a center for younger generations and the forefront of Japanese fashion and cultural trends.
- Further growth is expected, reflected by large-scale redevelopment projects in the area.



UR-10 Q plaza SHINSAIBASHI

Location: Shinsaibashi-suji, Chuo-ku, Osaka City, Osaka
Acquisition price: ¥13,350 million

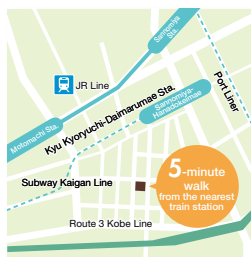
- Located in Shinsaibashi, a popular place for both domestic and international tourists to experience the uniqueness of the city of Osaka
- The building located near the entrance of Shinsaibashi-suji shopping street is a prominent landmark.



UR-7 Kobe Kyu Kyoryuchi 25Bankan

Location: Kyomachi, Chuo-ku, Kobe City, Hyogo
Acquisition price: ¥21,330 million

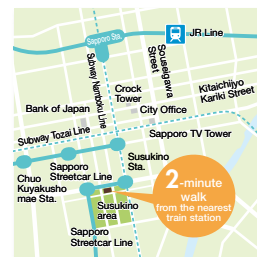
- In the Kyu Kyoryuchi (the Former Foreign Settlement) area, there are famous historical spots in the port city Kobe at every turn. As a center of tourism and commerce in western Japan, it enjoys a prominent ability to attract tourists and customers.
- The property faces the main street, Nakamachi Street, with high demand for its favorable location near Daimaru Kobe, the Bank of Japan Kobe Branch and the Kobe City Museum.



UR-8 A-FLAG SAPPORO

Location: Minami-Yonjo-Nishi, Chuo-ku, Sapporo City, Hokkaido
Acquisition price: ¥4,410 million

- The property is located in Susukino, the largest amusement center in Hokkaido and one of the most popular tourist spots in Japan.
- SAPPORO TOKYU REI HOTEL, opened in 1980, is one of the largest hotels in Sapporo, with a total of 575 guest rooms.



UR-11 A-FLAG KOTTO DORI

Location: Minami-Aoyama, Minato-ku, Tokyo
Acquisition price: ¥4,370 million

- A rare property located along Kotto Street in the Omotesando and Minami-Aoyama area with a luxurious and high-design façade finished with granite
- A high versatile space able to meet various commercial needs



UR-12 A-FLAG BIJUTSUKAN DORI

Location: Minami-Aoyama, Minato-ku, Tokyo
Acquisition price: ¥4,700 million

- A rare property located along Museum Street in Omotesando and Minami-Aoyama area with a famous jazz club as one of tenants
- The building facing a boulevard has a high visibility and offers a spacious atmosphere.





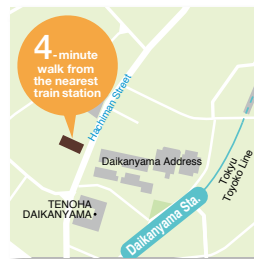
Outline of Tokyo Office Properties



UR-13 A-FLAG DAIKANYAMA WEST

Location: Sarugakucho, Shibuya-ku, Tokyo
Acquisition price: ¥2,280 million

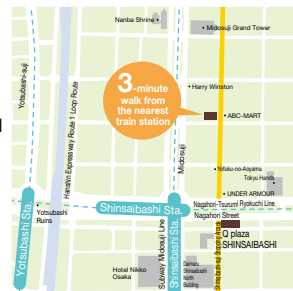
- An area full of individuality with a concentration of highly sensitive shops
- Located in Daikanyama, an area recently expanding its ability to draw customers
- The property is equipped with a courtyard and a corridor that appeals to tenants who prefer the area.



UR-14 A-FLAG KITA SHINSAIBASHI

Location: Minami-Senba, Chuo-ku, Osaka City, Osaka
Acquisition price: ¥4,725 million

- Facing a popular shopping arcade in the Shinsaibashi-suji kita shopping district, the property enjoys a locational advantage as a retail property.
- This property meets the needs of customers with a diverse tenant structure including a cellular phone store, a fitness gym and a live music club.



UR-15 DECKS Tokyo Beach

Location: Daiba, Minato-ku, Tokyo
Acquisition price: ¥12,740 million

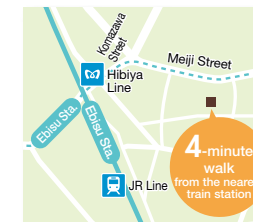
- Located in Odaiba, an area crowded by domestic and inbound visitors, in which development and infrastructure improvement projects are under way in preparation for the 2020 Olympic and Paralympic Games
- A large commercial facility with rare, hands-on experience based retail tenants being the one and only outlet in Japan or in Tokyo metropolitan area
- Bayside shopping mall on the beach with a scenic view of Rainbow Bridge and central Tokyo



TO-1 TLC Ebisu Building

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

- The surroundings are well known, as the area has a large concentration of office buildings around Ebisu.
- The property is superior in terms of scale compared with other office buildings in the vicinity, with a standard floor area of approximately 805 m².



TO-3 A-PLACE Yoyogi

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

- The property is located within walking distance of Shinjuku Station and is situated on Meiji Street with good visibility.
- Tenants can efficiently use a column-free space of approximately 346 m² per floor.



TO-2 A-PLACE Ebisu Minami

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

- The property is conveniently located a 4-minute walk from Ebisu Station.
- Thanks to its traffic convenience, the Ebisu area attracts numerous tenants, particularly IT companies such as software development companies, apparel companies and foreign firms.



TO-4 A-PLACE Aoyama

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

- The property is superior in terms of scale compared to other office buildings located in the vicinity.
- Large-scale renovations, including anti-earthquake reinforcement, were completed in 2008.





TO-5 Luogo Shiodome

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

- The property is located on the north side of the west district of "Shiodome Sio-Site," which is known as "Italia Gai (Italy Town)," and boasts good traffic access.
- Equipped with an earthquake-resistant structure, it is highly competitive with surrounding office buildings.



TO-7 A-PLACE Ikebukuro

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

- The property offers good visibility, as it is located along Meiji Street. A 6-minute walk from Ikebukuro Station which enjoys high potential as a terminal station.

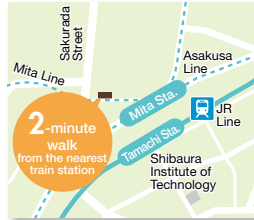


TO-6 TAMACHI SQUARE (Land)

Location: Shiba, Minato-ku, Tokyo
Acquisition price: ¥2,338 million (Note)

- A 2-minute walk from Mita Station and a 4-minute walk from Tamachi Station
- The area offers close proximity to central Tokyo with good traffic access, as several JR lines and Toei subway lines can be used.

(Note) The land acquisition price stated is at the time of the initial acquisition (June 13, 2012).



TO-8 A-PLACE Shinbashi

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

- A 3-minute walk from Shinbashi Station, where seven lines converge, including the JR Yamanote Line and the Tokyo Metro Ginza Line
- In addition to a spacious office space with a ceiling height of 2,700 mm, the property offers quality facilities such as individual air conditioning.



TO-9 A-PLACE Gotanda

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

- Conveniently located a 3-minute walk from Gotanda Station on the Toei Subway Asakusa Line and a 4-minute walk from Gotanda Station on JR Line
- The property offers good access to major areas in Tokyo via several railway lines.



TO-11 OSAKI WIZTOWER

Location: Osaki, Shinagawa-ku, Tokyo
Acquisition price: ¥10,690 million

- A 4-minute walk with a direct connection through the pedestrian deck from Osaki Station, a terminal station serviced by four railway lines
- Enjoys good access to Tokyo metropolitan area as well as Yokohama and Saitama.



TO-10 A-PLACE Shinagawa

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

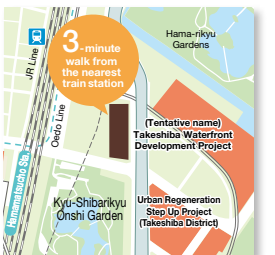
- A 4-minute walk from JR Shingawa Station
- Shinagawa Station is serviced by the Tokaido Shinkansen (bullet train) and has direct access to Haneda Airport by Keikyu Line.



TO-12 Shiodome Building

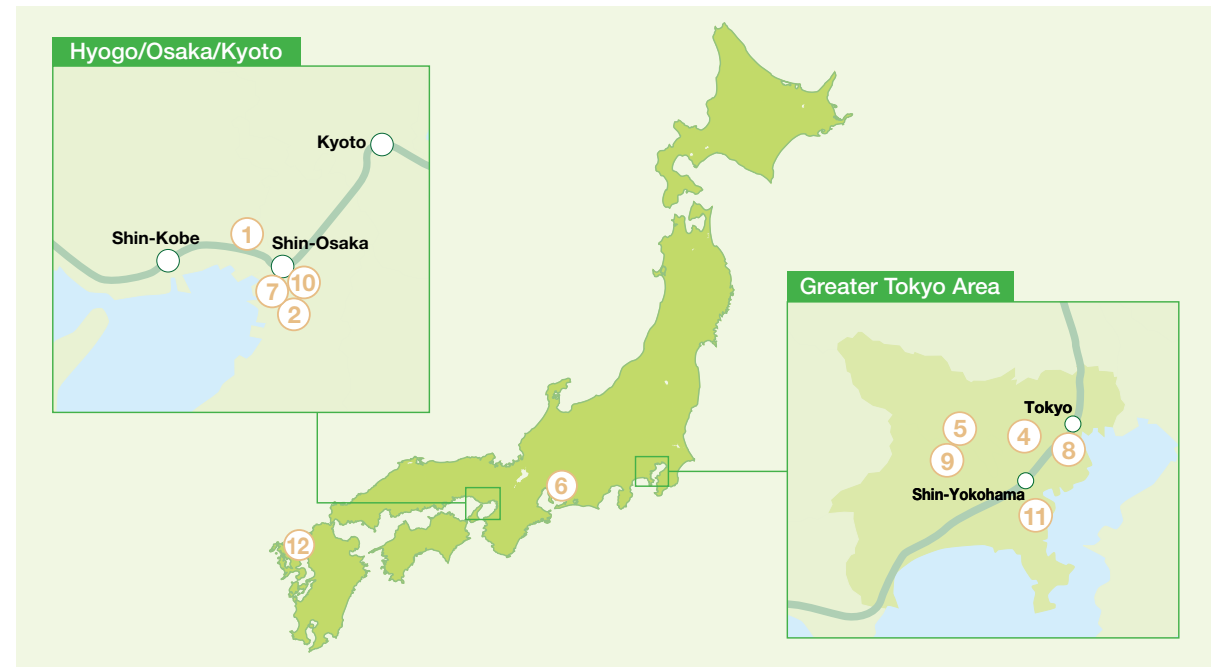
Location: Kaigan, Minato-ku, Tokyo
Acquisition price: ¥71,600 million

- A high-spec building able to respond flexibly to a wide range of needs
- Accessible from two train stations serviced by five lines, the property also has direct access to Haneda Airport. Further development of the area is expected in line with large-scale urban redevelopment projects.





Outline of Activia Account Properties



TO-13 A-PLACE Ebisu Higashi

Location: Higashi, Shibuya-ku, Tokyo
Acquisition price: ¥7,072 million

- Located a 6-minute walk from Ebisu Station and on a corner along Meiji Street, the property has excellent lighting and visibility.
- A comprehensive renovation of facilities in the entire building has enhanced its appeal to tenants.



TO-14 A-PLACE Shibuya Konnoh

Location: Shibuya, Shibuya-ku, Tokyo
Acquisition price: ¥4,810 million

- A 4-minute walk from Shibuya Station, serviced by nine railway lines
- Around Shibuya Station South Exit, further development and improved accessibility are expected. Improvement projects along National Route 246 and other renewal plans include the installation of new pedestrian decks and escalators.



TO-15 A-PLACE Gotanda Ekimae

Location: Nishi-Gotanda, Shinagawa-ku, Tokyo
Acquisition price: ¥7,280 million

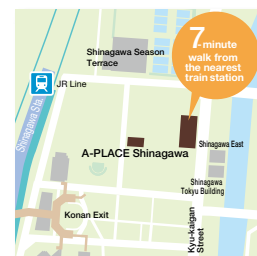
- Located a short 1-minute walk from Gotanda Station
- Having good visibility from Gotanda Station and excellent convenience, the property can fulfill an advertising role and attract demand for various tenants, such as stores where people shop in person.



TO-16 A-PLACE Shinagawa Higashi

Location: Konan, Minato-ku, Tokyo
Acquisition price: ¥18,800 million

- Located near Konan Exit of Shinagawa Station, an area serving as a hub of major domestic companies. Further development of the area is expected along with the opening of the Linear Shinkansen (bullet train).
- A large renovation completed in 2014 including installation of a green wall.



AA-1 Amagasaki Q's MALL (Land)

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



AA-2 icot Nakamozu

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



AA-4 icot Mizonokuchi

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



AA-5 icot Tama Center

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



AA-6 A-PLACE Kanayama

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



AA-7 Osaka Nakanoshima Building

Location: Nakanoshima, Kita-ku, Osaka City, Osaka
Acquisition price: ¥11,100 million



AA-8 icot Omori

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



AA-9 Market Square Sagamihara

Location: Shimokuzawa, Chuo-ku, Sagamihara City, Kanagawa
Acquisition price: ¥4,820 million



AA-10 Umeda Gate Tower

Location: Tsurunochi, Kita-ku, Osaka City, Osaka
Acquisition price: ¥19,000 million



AA-11 A-PLACE Bashamichi

Location: Honcho, Naka-ku, Yokohama City, Kanagawa
Acquisition price: ¥3,930 million



AA-12 Commercial Mall Hakata

Location: Tokojimachi, Hakata-ku, Fukuoka City, Fukuoka
Acquisition price: ¥6,100 million

Overview of API

Structure



Profile

Name	Activia Properties Inc.
Executive Director	Kazuyuki Murayama
Address	Shin-Aoyama Building East 9F, 1-1 Minami-Aoyama 1-chome, Minato-ku, Tokyo, Japan
Contact	TLC REIT Management Inc. Tel. +81-3-6804-5671
Closing dates	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)

Asset Management Report for the 13th Fiscal Period (Semi-Annual Report)

From December 1, 2017 to May 31, 2018

I.	Asset Management Report
II.	Balance Sheets
III.	Statements of Operations
IV.	Statements of Changes in Unitholders' Equity
V.	Statements of Cash Distributions
VI.	Statements of Cash Flows
VII.	Notes to Financial Statements
VIII.	Schedule of Financial Statements
	Independent Auditor's Report

Activia Properties Inc.
1-1 Minami-Aoyama 1-chome,
Minato-ku, Tokyo

I. Asset Management Report

1. Review of Asset Management

(1) Investment Performance of the Investment Corporation

Fiscal period		9th period	10th period	11th period	12th period	13th period
Business period		From December 1, 2015 May 31, 2016	From June 1, 2016 to November 30, 2016	From December 1, 2016 to May 31, 2017	From June 1, 2017 to November 30, 2017	From December 1, 2017 to May 31, 2018
Operating revenue	(In millions of yen)	10,175	10,917	12,107	12,720	13,327
[Lease business revenue]	(In millions of yen)	[9,528]	[10,175]	[11,370]	[11,861]	[12,409]
Operating expenses	(In millions of yen)	4,249	4,755	5,127	5,645	5,855
[Expenses related to rent business]	(In millions of yen)	[3,399]	[3,833]	[4,097]	[4,509]	[4,706]
Operating profit	(In millions of yen)	5,926	6,161	6,980	7,074	7,471
Ordinary profit	(In millions of yen)	5,197	5,410	6,152	6,218	6,611
Profit	(In millions of yen)	5,196	5,409	6,151	6,217	6,610
Net assets	(In millions of yen)	176,729	177,018	208,451	208,523	223,777
[Change from the previous period]	(%)	[13.6]	[0.2]	[17.8]	[0.0]	[7.3]
Total assets	(In millions of yen)	339,894	371,680	425,977	426,838	445,941
[Change from the previous period]	(%)	[10.4]	[9.4]	[14.6]	[0.2]	[4.5]
Unitholders' capital	(In millions of yen)	171,532	171,532	202,233	202,233	217,091
Number of units issued and outstanding	(Units)	599,654	599,654	665,214	665,214	698,704
Net assets per unit	(Yen)	294,719	295,200	313,359	313,467	320,275
Total distributions	(In millions of yen)	5,196	5,409	6,151	6,217	6,611
Basic earnings per unit (Note 1)	(Yen)	8,722	9,021	9,252	9,346	9,493
Cash distributions per unit						
[Earnings distributions per unit]	(Yen)	[8,666]	[9,021]	[9,248]	[9,346]	[9,462]
[Distributions per unit in excess of earnings]	(Yen)	[—]	[—]	[—]	[—]	[—]
Ordinary profit to total assets (Note 2)	(%)	1.6	1.5	1.5	1.5	1.5
Return on unitholders' equity (Note 2)	(%)	3.1	3.1	3.2	3.0	3.1
Unitholders' equity to total assets	(%)	52.0	47.6	48.9	48.9	50.2
[Change from the previous period]	(%)	[1.5]	[−4.4]	[1.3]	[—]	[1.3]
Payout ratio (Note 2)	(%)	99.9	99.9	100.0	99.9	100.0
[Other reference]						
Number of properties	(Properties)	32	35	39	39	42
Total leasable area (Note 3)	(m ²)	312,572.42	340,271.66	370,194.77	370,296.85	395,994.33
Occupancy rate at end of period	(%)	99.8	99.3	99.8	100.0	99.8
Depreciation	(In millions of yen)	989	1,051	1,175	1,189	1,234
Capital expenditure	(In millions of yen)	244	502	147	303	1,077
NOI (Note 2)	(In millions of yen)	7,766	8,135	9,185	9,400	9,855

(Note 1) Basic earnings per unit is calculated by dividing profit by the daily weighted average number of investment units issued and outstanding (595,758 units, 599,654 units, 664,866 units, 665,214 units and 696,324 units for the 9th, 10th, 11th, 12th and 13th fiscal periods, respectively).

(Note 2) The indicators are calculated as follows:

Ordinary profit to total assets: Ordinary profit ÷ Average total assets × 100; Average total assets = (Total assets at beginning of period + Total assets at end of period) ÷ 2

Return on unitholders' equity: Profit ÷ Average net assets × 100; Average net assets = (Net assets at beginning of period + Net assets at end of period) ÷ 2

Unitholders' equity to total assets: Net assets at end of period ÷ Total assets at end of period × 100

Payout ratio: Total distribution amount ÷ Profit × 100 (rounded down to the first decimal place)

NOI: Rental operating income (Lease business revenue + Other lease business revenue − Expenses related to rental business) + Depreciation + Loss on retirement of non-current assets

(Note 3) The total leasable area is equal to the gross floor area of leasable space in each property excluding properties for which we acquire land only, 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 only land is acquired 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, DECKS Tokyo Beach and Shiodome Building, the figures are in proportion to a pro rata share of co-ownership interests of each property (75%, 50%, 49% and 25% (from the 9th fiscal period to the 10th fiscal period) or 35% (from the 11th fiscal period to the 13th fiscal period), respectively).

(2) Asset Management during the Fiscal Period under Review

1) Transition of Investment Corporation

Activia Properties Inc. (hereinafter referred to as the “Investment Corporation”) was established on September 7, 2011, with unitholders’ capital of ¥200 million (400 units) and TLC Township Inc. (on April 1, 2017, an absorption-type merger took place with current TLC REIT Management Inc. (hereinafter referred to as the “Asset Manager”) as a surviving company and TLC Activia Investment Management Inc. (its trade name was changed from TLC Township Inc. on April 1, 2012) as an absorbed company) as the organizer under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, including subsequent revisions), and completed its registration in the Kanto Local Finance Bureau on September 20, 2011 (Director-General of the Kanto Local Finance Bureau No. 73).

After that, the Investment Corporation was listed on the real estate investment trust securities market of Tokyo Stock Exchange, Inc. (Securities code 3279) on June 13, 2012. On December 13, 2017, the Investment Corporation carried out a publicly offered capital increase for the fifth consecutive year, and on December 26, 2017, it carried out a third-party allotment.

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

In the fiscal period under review, which ended on May 31, 2018, the Investment Corporation, using proceeds from a publicly offered capital increase, acquired three properties including DECKS Tokyo Beach (acquisition of 49% co-ownership interest), which belongs in the focused investment properties category of “Urban Retail Properties.” Consequently, the Investment Corporation held 42 properties (with the total acquisition price of ¥431,485 million) at the end of the fiscal period under review.

2) Investment Environment and Investment Performance

In the fiscal period under review, the Japanese economy maintained its gradual recovery trend against the backdrop of a recovery in the global economy, showing a continuous growth in export and a consistently high demand for capital investment reflecting improved corporate performance.

With respect to the environment surrounding retail properties, according to the Monthly Consumer Confidence Survey released by the Economic and Social Research Institute, Cabinet Office, Government of Japan, consumer sentiment in general remained unchanged and firm reflecting continuously favorable employment environment. Moreover, according to the Consumption Trend Survey for Foreigners Visiting Japan released by the Japan Tourism Agency, the Ministry of Land, Infrastructure, Transport and Tourism, annual tourism consumption by overseas visitors to Japan reached record high in fiscal 2017, and in the quarter spanning January to March 2018, it increased by 17.2% year on year. As such, demand related to inbound tourism has been steadily expanding.

In the rental office market, according to data published by Miki Shoji Co., Ltd., the average vacancy rate of the five central wards of Tokyo (Chiyoda-ku, Minato-ku, Chuo-ku, Shibuya-ku and Shinjuku-ku) has been below 3% since March 2018, and this figure had fallen to 2.68% as of May 31, 2018. Rent levels have also continued to rise. The average rent running up through May 2018 has been increasing for 53 consecutive months, and it currently stands at above ¥20,000 per *tsubo* for the first time in eight years and ten months. Supply has been tight relative to demand in major cities outside Tokyo amid an ongoing trend of declining vacancy rates and rising rent levels.

The J-REIT market remained stable overall despite episodes of sluggish performance, against the backdrop of the Bank of Japan’s sustained monetary easing policy and the strong real estate market. Financing activities through publicly offered capital increase and property acquisition have been continuously and actively conducted, and this has led to an ongoing expansion in J-REIT asset sizes.

The Investment Corporation acquired beneficiary interests of real estate in trust by publicly offered capital increase in a total of three properties, namely A-FLAG KITA SHINSAIBASHI (with the acquisition price of ¥4,725 million) on December 1, 2017, DECKS Tokyo Beach (acquisition of 49% co-ownership interest, with the acquisition price

of ¥12,740 million) and Commercial Mall Hakata (with the acquisition price of ¥6,100 million) both on January 5, 2018, as trust assets 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 42 properties (with the total acquisition price of ¥431,485 million) with the total leasable area of 395,994 m² (119,786 *tsubo*). In addition, the occupancy rate at the end of the 13 th period was 99.8%.

3) Initiatives Regarding Sustainability

In aiming to build a portfolio consisting of “real estate capable of sustaining customer demand,” the Investment Corporation deems that efforts to achieve “lower environmental loads” while acting to “contribute to our nearby surroundings and local communities” also constitute an important portfolio consideration. This involves daily effort to achieve our basic objective of cutting unit energy consumption by an annual average of 1% over the medium to long term. Initiatives carried out in the fiscal period under review include upgrading to LED lighting at some private areas at A-FLAG KOTTO DORI and A-PLACE Bashamichi, timed in conjunction with change of tenants at these facilities, and some common areas of Tokyu Plaza Omotesando Harajuku, Tokyu Plaza Akasaka, A-FLAG AKASAKA, A-FLAG SAPPORO, and DECKS Tokyo Beach. Moreover, we continue to engage in annual initiatives geared to acquiring green building certifications. A total of 22 of our properties have acquired green building certification, which amounted to 53.3% of our holdings calculated on the basis of gross floor area (as of May 31, 2018).

As a part of efforts to improve tenant satisfaction, we conducted a CS (customer satisfaction) survey to the tenants of our seven properties during the fiscal period under review.

Furthermore, at Tokyu Plaza Omotesando Harajuku, “Yasai-no-mori (garden of vegetables) Project” was launched. In this project, the property grows vegetables in cooperation with NPOs, sponsor companies, and neighboring nursery schools. We also cooperated in community activities to coexist with nearby businesses, residents and cities as part of initiatives for local society, which included our participation in clean-up campaigns in various areas where our properties are located.

The Investment Corporation will contribute to achieving a sustainable society by engaging in such initiatives geared to the environment and society.

4) Overview of Financing

In the fiscal period under review, in order to cover a part of the acquisition costs for beneficiary interests of real estate in trust to the above three properties and related costs, the Investment Corporation additionally issued investment units (31,090 units) through a public offering on December 13, 2017, issued new investment units (2,400 units) by a third-party allotment on December 26, 2017, and borrowed funds of ¥3,200 million on January 5, 2018. In addition, the Investment Corporation refinanced borrowings of ¥8,000 million in January 2018 and March 2018, respectively. Also, in order to diversify repayment dates, extend the average maturity and diversify means of financing, the Investment Corporation issued investment corporation bonds of ¥2,000 million on February 13, 2018, and used the funds to cover repayment of short-term loans payable. As a result, as of the end of the fiscal period under review, unitholders’ capital amounted to ¥217,091 million, the total number of investment units issued came to 698,704 units and the balance of interest-bearing debt was ¥199,350 million (borrowings of ¥181,350 million and investment corporation bonds of ¥18,000 million). The ratio of interest-bearing debt to total assets (LTV = Balance of interest-bearing debt / Total assets x 100) was 44.7% as of the end of the fiscal period under review. The long-term debt ratio and the ratio of fixed-interest debt to total interest-bearing debt were both 95.4%.

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

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

5) Overview of Financial Results and Distributions

As a result of the above-mentioned investments, operating revenue, operating profit, and ordinary profit were ¥13,327 million, ¥7,471 million, and ¥6,611 million, respectively, for the fiscal period under review, and profit was ¥6,610 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 (Act No. 26 of 1957, including subsequent revisions; hereinafter referred to as the “Special Taxation Measures Act”). Consequently, distributions per investment unit resulted in ¥9,462.

(3) Capital Increase, etc.

A summary of capital increases until the fiscal period under review is as follows:

Date	Summary	Number of total investment units issued		Total unitholders' capital (In millions of yen)		Remarks
		Increase	Total	Increase	Total	
September 7, 2011	Establishment through private placement	400	400	200	200	(Note 1)
June 12, 2012	Capital increase through public offering	204,100	204,500	90,834	91,034	(Note 2)
July 10, 2012	Capital increase through third-party allotment	762	205,262	339	91,373	(Note 3)
December 16, 2013	Capital increase through public offering	43,100	248,362	32,636	124,010	(Note 4)
January 15, 2014	Capital increase through third-party allotment	2,700	251,062	2,044	126,054	(Note 5)
December 17, 2014	Capital increase through public offering	24,050	275,112	22,800	148,855	(Note 6)
January 8, 2015	Capital increase through third-party allotment	2,020	277,132	1,915	150,770	(Note 7)
October 1, 2015	Investment unit split	277,132	554,264	—	150,770	(Note 8)
December 15, 2015	Capital increase through public offering	41,870	596,134	19,152	169,922	(Note 9)
January 6, 2016	Capital increase through third-party allotment	3,520	599,654	1,610	171,532	(Note 10)
December 1, 2016	Capital increase through public offering	61,040	660,694	28,583	200,116	(Note 11)
December 15, 2016	Capital increase through third-party allotment	4,520	665,214	2,116	202,233	(Note 12)
December 13, 2017	Capital increase through public offering	31,090	696,304	13,793	216,026	(Note 13)
December 26, 2017	Capital increase through third-party allotment	2,400	698,704	1,064	217,091	(Note 14)

(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) API issued new investment units through a public offering at a price of ¥460,000 per unit (issue price of ¥445,050 per unit) to raise funds for the acquisition of new properties, etc.

(Note 3) Following the public offering on June 12, 2012, API issued new investment units through a third-party allotment at a price of ¥445,050 per unit.

(Note 4) API issued new investment units through a public offering at a price of ¥782,925 per unit (issue price of ¥757,229 per unit) to raise funds for the acquisition of new properties, etc.

(Note 5) Following the public offering on December 16, 2013, API issued new investment units through a third-party allotment at a price of ¥757,229 per unit.

(Note 6) API issued new investment units through a public offering at a price of ¥979,020 per unit (issue price of ¥948,051 per unit) to raise funds for the acquisition of new properties.

(Note 7) Following the public offering on December 17, 2014, API issued new investment units through a third-party allotment at a price of ¥948,051 per unit.

(Note 8) A 2-for-1 investment unit split was implemented with September 30, 2015 as the record date and October 1, 2015 as the effective date.

(Note 9) API issued new investment units through a public offering at a price of ¥472,360 per unit (issue price of ¥457,418 per unit) to raise funds for the acquisition of new properties, etc.

(Note 10) Following the public offering on December 15, 2015, API issued new investment units through a third-party allotment at a price of ¥457,418 per unit.

(Note 11) API issued new investment units through a public offering at a price of ¥483,326 per unit (issue price of ¥468,283 per unit) to raise funds for the acquisition of new properties.

(Note 12) Following the public offering on December 1, 2016, API issued new investment units through a third-party allotment at a price of ¥468,283 per unit.

(Note 13) API issued new investment units through a public offering at a price of ¥458,150 per unit (issue price of ¥443,657 per unit) to raise funds for the acquisition of new properties.

(Note 14) Following the public offering on December 13, 2017, API issued new investment units through a third-party allotment at a price of ¥443,657 per unit.

Fluctuation in Market Price of the Investment Securities

Changes in prices of the Investment Corporation’s investment units listed on the Tokyo Stock Exchange REIT Market are as follows.

(Yen)

Fiscal period	9th period	10th period	11th period	12th period	13th period
Business period	From December 1, 2015 to May 31, 2016	From June 1, 2016 to November 30, 2016	From December 1, 2016 to May 31, 2017	From June 1, 2017 to November 30, 2017	From December 1, 2017 to May 31, 2018
Highest price	609,000	580,000	560,000	518,000	499,500
Lowest price	481,500	488,500	490,000	437,500	448,000

(4) Distributions, etc.

The Investment Corporation decided to distribute the entire unappropriated retained earnings at the end of the fiscal period under review excluding fractions of the distribution amount per unit that are less than ¥1 to ensure that the maximum amount of profit distribution would be included in tax deductible expenses with the application of a special provision of taxation (Article 67-15 of the Act on Special Measures Concerning Taxation). Accordingly, distributions per investment unit were ¥9,462.

Fiscal period	9th period	10th period	11th period	12th period	13th period
Business period	From December 1, 2015 to May 31, 2016	From June 1, 2016 to November 30, 2016	From December 1, 2016 to May 31, 2017	From June 1, 2017 to November 30, 2017	From December 1, 2017 to May 31, 2018
Unappropriated retained earnings (undisposed loss)	¥5,196,849 thousand	¥5,409,874 thousand	¥6,152,150 thousand	¥6,217,532 thousand	¥6,611,254 thousand
Retained earnings	¥247 thousand	¥395 thousand	¥251 thousand	¥442 thousand	¥117 thousand
Total distribution payments [Distributions per unit]	¥5,196,601 thousand [¥8,666]	¥5,409,478 thousand [¥9,021]	¥6,151,899 thousand [¥9,248]	¥6,217,090 thousand [¥9,346]	¥6,611,137 thousand [¥9,462]
Of which, total distributions of profits were [Distributions of profits per unit]	¥5,196,601 thousand [¥8,666]	¥5,409,478 thousand [¥9,021]	¥6,151,899 thousand [¥9,248]	¥6,217,090 thousand [¥9,346]	¥6,611,137 thousand [¥9,462]
Of which, total return on unitholders' capital was [Return on unitholders' capital per unit]	¥— thousand [¥—]	¥— thousand [¥—]	¥— thousand [¥—]	¥— thousand [¥—]	¥— thousand [¥—]
Of the total return on unitholders' capital, the total distribution payments from the allowance for temporary difference adjustment [Of the return on unitholders' capital per unit, the distribution payment from the allowance for temporary difference adjustment per unit]	¥— thousand [¥—]	¥— thousand [¥—]	¥— thousand [¥—]	¥— thousand [¥—]	¥— thousand [¥—]
Of the total return on unitholders' capital, the total distribution payments from investments and other decreased distribution under tax laws [Of the return on unitholders' capital per unit, the distribution payments from investments and other decreased distribution under tax laws]	¥— thousand [¥—]	¥— thousand [¥—]	¥— thousand [¥—]	¥— thousand [¥—]	¥— thousand [¥—]

(5) Future Investment Policy and Issues to Address

In the Japanese economy going forward, we expect the trend of modest recovery to continue, supported by steady growth of the global economy and the Bank of Japan’s sustained monetary easing policy. It is anticipated that favorable employment environment and steady corporate performance will continue, and personal consumption and capital investment will remain on a modest upward trend. However, risks of downward pressures on the global economy need to be monitored, including interest rate hikes resulting from the normalization of monetary policy in Europe and the U.S. as well as the impact on trade from changes in trade policy.

In the rental office market, while an increase in supply is expected, there should be a steady demand for upgrading locations of business and increasing office floor space to increase corporate performance and to secure human resources. With respect to the environment surrounding retail properties, although modest recovery is expected reflecting the continuous and gradual improvement of the employment and income environments as well as high levels of demand related to inbound tourism, it is necessary to keep eyes on their trend. The J-REIT market is expected to stay steady, with demand sustained by the anticipation for improved business performance and the relatively high levels of yields, against the backdrop of strong real estate market and the Bank of Japan’s sustained monetary easing policy. Amid this environment, the Investment Corporation will promote both external growth in part by continuing to leverage its sponsor support, and also internal growth by leveraging the competitiveness of its assets under management, with the aim of improving unitholder value while constantly expanding the size of its assets by making careful investment decisions.

1) Basic Policy

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

2) External Growth Strategy

The Investment Corporation will invest in Urban Retail and Tokyo Office properties as a main target. It will make its investment decisions carefully, concentrating on selecting properties in excellent locations, including surrounding areas, and thoroughly considering individual factors such as use, size, specifications and other qualities of properties, and credibility and name recognition of tenants, in order to construct a competitive portfolio in the medium to 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 regarding the Investment Corporation and its support agreement with five group companies in the Tokyu Fudosan Holdings Group. It will also acquire properties through the exclusive know-how and information-gathering network of the Asset Manager.

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 Manager. The Investment Corporation will also seek to manage its portfolio in a stable manner and strengthen its earnings by establishing appropriate operational and management systems tailored to the specific characteristics of the assets it has invested in, and through regular and non-regular inspections by the property management company that has considerable experience in the operation and management of real estate.

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

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

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 the aim of diversifying means of raising funds, the Investment Corporation will issue investment corporation bonds while paying close attention to trends in financial markets. The Investment Corporation will also continue to flexibly issue new investment units while paying appropriate attention to dilution of investment units with the aim of achieving long-term and stable growth.

(6) Significant Matters after Book Closing

Not applicable

2. Overview of the Investment Corporation

(1) Unitholders' Capital

	9th period As of May 31, 2016	10th period As of November 30, 2016	11th period As of May 31, 2017	12th period As of November 30, 2017	13th period As of May 31, 2018
Total number of authorized investment units (Units)	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Total number of investment units issued (Units)	599,654	599,654	665,214	665,214	698,704
Unitholders' capital (In millions of yen)	¥171,532	¥171,532	¥202,233	¥202,233	¥217,091
Number of unitholders (Persons)	6,502	6,359	6,656	6,871	7,162

(2) Matters Relating to Investment Units

The top 10 unitholders as of the end of the fiscal period under review are as follows:

Name	Number of units owned	Percentage of total units issued (%) (Note)
Japan Trustee Services Bank, Ltd. (Trust accounts)	149,033	21.32
The Master Trust Bank of Japan, Ltd. (Trust accounts)	107,549	15.39
Tokyu Land Corporation	61,913	8.86
The Nomura Trust and Banking Co., Ltd. (Investment accounts)	28,237	4.04
Trust & Custody Services Bank, Ltd. (Securities investment trust accounts)	26,472	3.78
THE BANK OF NEW YORK 133970 (Standing proxy: Mizuho Bank, Ltd.)	10,246	1.46
State Street Bank & Trust Company (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited. Tokyo office)	9,317	1.33
STATE STREET BANK AND TRUST COMPANY 505012 (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited. Tokyo office)	8,425	1.20
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Mizuho Bank, Ltd.)	8,193	1.17
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	7,283	1.04
Total	416,668	59.63

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

(3) Matters Relating to Officers, etc.

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

Title	Name of officer, etc.	Major concurrent post, etc.	Total amount of compensation for each position during the business period under review (In thousands of yen)
Executive Director (Note 1)	Nariaki Hosoi (Note 2)	TLC REIT Management Inc., Managing Director, Chief Division Officer of Activia Management Division	—
	Kazuyuki Murayama (Note 2)	TLC REIT Management Inc., General Manager of Strategy Department, Activia Management Division	—
Supervisory Directors (Note 1)	Yonosuke Yamada	Yamada, Goya and Suzuki Law Office Managing Partner	3,300
	Yoshinori Ariga	Ariga Yoshinori Accounting Office Managing Partner	
Independent Auditor	Ernst & Young ShinNihon LLC	—	32,000 (Note 3)

(Note 1) Executive Directors or Supervisory Directors do not hold any investment units of the Investment Corporation under their or another person's name. Supervisory Directors may serve as directors of companies other than those mentioned above, but there are no mutual business interests whatsoever between such companies and the Investment Corporation.

(Note 2) On March 31, 2018, Executive Director Nariaki Hosoi resigned from office, and alternate Executive Director Kazuyuki Murayama newly assumed office as an Executive Director on April 1, 2018; prepared August 10, 2017.

(Note 3) Compensation for the Independent Auditor includes fees for preparing comfort letters related to the issuance of new investment units in December 2017 and the issuance of investment corporation bonds in February 2018.

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

The Investment Corporation will dismiss the accounting auditor in conformity with the provisions of the Investment Trust Act and determine not to reappoint the accounting auditor through a resolution of a general meeting of unitholders while comprehensively considering various factors.

Asset Manager, Custodian Company, and Administrative Agent

Consignment classification	Name
Asset manager	TLC REIT Management Inc.
Asset custodian	Sumitomo Mitsui Trust Bank, Limited
General administrator (administration of the unitholders' registry, etc.)	Sumitomo Mitsui Trust Bank, Limited
General administrator (accounting data processing, etc.)	Sumitomo Mitsui Trust Bank, Limited
General administrator (administration related to the operation of administrative instruments)	Sumitomo Mitsui Trust Bank, Limited
General administrator (administration related to investment corporation bonds)	MUFG Bank, Ltd. (Note) Sumitomo Mitsui Trust Bank, Limited

(Note) MUFG Bank, Ltd.changed its name from The Bank of Tokyo-Mitsubishi UFJ, Ltd. as of April 1, 2018.

3. Assets of the Investment Corporation

(1) Composition of Assets of the Investment Corporation

Type of assets	Category	12th period As of November 30, 2017		13th period As of May 31, 2018	
		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	—	—	—	—
	Activia Account Properties	—	—	—	—
	Subtotal	—	—	—	—
Real estate in trust	Urban Retail Properties	153,842	36.0	172,148	38.6
	Tokyo Office Properties	175,846	41.2	175,402	39.3
	Activia Account Properties	77,256	18.1	83,348	18.7
	Subtotal	406,945	95.3	430,898	96.6
Total real estate, etc.		406,945	95.3	430,898	96.6
Deposits and other assets		19,893	4.7	15,042	3.4
Total assets (Note 2)		426,838 (406,945)	100.0 (95.3)	445,941 (430,898)	100.0 (96.6)

(Note 1) The total amount of assets owned is based on the amounts on 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 on the balance sheets as of the end of each fiscal period. The figures in parentheses represent portions that practically correspond to real estate owned in the object assets.

(2) Major Assets Owned

Major assets owned by the Investment Corporation (the 10 largest properties by book value) as of the end of the fiscal period under review are as follows:

Property name	Book value at end of period (In millions of yen)	Leasable area (m ²) (Note 1)	Leased area (m ²) (Note 2)	Occupancy rate (%) (Note 3)	Ratio of rental revenue to total rental revenues (%)	Major use
Shiodome Building (Note 4)	71,280	28,136.05	28,096.11	99.9	11.3	Office
Tokyu Plaza Omotesando Harajuku (Note 4)	44,796	4,999.87	4,999.87	100.0	8.1	Retail
Shinbashi Place (Note 6)	20,971	6,484.57	6,484.57	100.0	(Note 5)	Retail
Kobe Kyu Kyoryuchi 25Bankan	20,847	19,653.90	19,653.90	100.0	6.1	Retail
Umeda Gate Tower	19,498	13,624.49	13,624.49	100.0	3.4	Office
A-PLACE Shinagawa Higashi	18,905	14,658.98	14,658.98	100.0	3.7	Office
Q plaza SHINSAIBASHI	13,449	2,820.23	2,493.99	88.4	2.1	Retail
DECKS Tokyo Beach (Note 4)	12,907	16,112.00	16,112.00	100.0	3.5	Retail
Amagasaki Q's MALL (Land)	12,113	27,465.44	27,465.44	100.0	2.7	Retail
Tokyu Plaza Akasaka (Note 4)	11,755	16,579.26	16,579.26	100.0	4.6	Retail
Total	246,526	150,534.79	150,168.61	99.8	—	

(Note 1) Total leasable area refers to leasable space for each property excluding properties for which we acquire only land, based on lease agreements for building or floor plans as of May 31, 2018 and leasable space for properties for which we acquire only land, based on lease agreements for land or land plans as of May 31, 2018.

(Note 2) Leased area refers to the leased area of each property based on lease agreements as of May 31, 2018. For properties with master lease agreements, leased area refers to leased areas of each property and is actually leased based on sublease agreements with end-tenants.

(Note 3) Occupancy rate refers to the percentage of total leased area for each property to total leasable area for each property as of May 31, 2018, rounding down to the first decimal place.

(Note 4) As for Shiodome Building, Tokyu Plaza Omotesando Harajuku, DECKS Tokyo Beach and Tokyu Plaza Akasaka, the figures are in proportion to a pro rata share of our trust beneficiary co-ownership interest of each property (35%, 75%, 49%and 50%, respectively).

(Note 5) Ratio of rental revenue to total rental revenues is not disclosed, as consent from tenants has not been obtained.

(Note 6) As of June 1, 2018, the name of Shinbashi Place was changed to A-PLACE Shinbashi Ekimae and its asset category was changed from Urban Retail Properties to Tokyo Office Properties; the same shall apply hereinafter.

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

A summary of properties owned and under management by the Investment Corporation as of the end of the fiscal period under review is as follows:

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 Jingu-mae 4-chome, Shibuya-ku, Tokyo	Trust beneficiary interests	4,999.87	59,100	44,796
	Tokyu Plaza Akasaka (Note 4)	14-3 Nagatacho 2-chome, Chiyoda-ku, Tokyo	Trust beneficiary interests	16,579.26	15,000	11,755
	Q plaza EBISU	8-12 Ebisu 1-chome, Shibuya-ku, Tokyo	Trust beneficiary interests	4,024.88	11,300	8,269
	Shinbashi Place	12-9 Shinbashi 1-chome, Minato-ku, Tokyo	Trust beneficiary interests	6,484.57	20,300	20,971
	Kyoto Karasuma Parking Building	678 Motohonenjicho, Nakagyo-ku, Kyoto City, Kyoto	Trust beneficiary interests	21,616.04	11,000	8,752
	A-FLAG AKASAKA	3-6 Akasaka 4-chome, Minato-ku, Tokyo	Trust beneficiary interests	2,280.22	3,730	3,078
	Kobe Kyu Kyoryuchi 25Bankan	25 Kyomachi, Chuo-ku, Kobe City, Hyogo	Trust beneficiary interests	19,653.90	26,800	20,847
	A-FLAG SAPPORO	1, Minami-Yonjo-Nishi 5-chome, Chuo-ku, Sapporo City, Hokkaido	Trust beneficiary interests	21,229.16	7,080	4,650
	A-FLAG SHIBUYA	32-13, Udagawa-cho, Shibuya-ku, Tokyo	Trust beneficiary interests	3,413.80	7,430	6,350
	Q plaza SHINSAIBASHI	1-10 Shinsaibashi-suji 1-chome, Chuo-ku, Osaka City, Osaka	Trust beneficiary interests	2,820.23	14,600	13,449
	A-FLAG KOTTO DORI	4-40, Minami-Aoyama 5-chome, Minato-ku, Tokyo	Trust beneficiary interests	2,656.53	4,880	4,406
	A-FLAG BIJUTSUKAN DORI	3-16, Minami-Aoyama 6-chome, Minato-ku, Tokyo	Trust beneficiary interests	2,055.97	4,760	4,713
	A-FLAG DAIKANYAMA WEST	11-6, Sarugakucho, Shibuya-ku, Tokyo	Trust beneficiary interests	2,579.08	2,340	2,348
	A-FLAG KITA SHINSAIBASHI	10-11, Minami Senba 3-chome, Chuo-ku, Osaka city, Osaka	Trust beneficiary interests	2,536.75	4,740	4,849
	DECKS Tokyo Beach (Note 4)	6-1, Daiba 1-chome, Minato-ku, Tokyo	Trust beneficiary interests	16,112.00	12,887	12,907
	Subtotal			129,042.26	205,947	172,148
Tokyo Office Properties	TLC Ebisu Building	18-18 Ebisu 1-chome, Shibuya-ku, Tokyo	Trust beneficiary interests	7,342.60	10,300	7,315
	A-PLACE Ebisu Minami	15-1 Ebisu-minami 1-chome, Shibuya-ku, Tokyo	Trust beneficiary interests	7,950.49	13,900	9,443
	A-PLACE Yoyogi	23-15 Sendagaya 5-chome, Shibuya-ku, Tokyo	Trust beneficiary interests	3,106.17	4,710	3,922
	A-PLACE Aoyama	11-3 Kita-Aoyama 2-chome, Minato-ku, Tokyo	Trust beneficiary interests	7,303.69	9,970	8,638
	Luogo Shiodome	3-3 Higashi-Shinbashi 2-chome, Minato-ku, Tokyo	Trust beneficiary interests	4,476.35	6,220	4,279
	TAMACHI SQUARE (Land)	26-24 Shiba 5-chome, Minato-ku, Tokyo	Trust beneficiary interests	1,287.96	2,770	2,362
	A-PLACE Ikebukuro	16-22 Minami Ikebukuro 1-chome, Toshima-ku, Tokyo	Trust beneficiary interests	3,409.73	5,020	3,778
	A-PLACE Shinbashi	11-1 Shinbashi 4-chome, Minato-ku, Tokyo	Trust beneficiary interests	5,052.14	6,670	5,712
	A-PLACE Gotanda	27-3, Nishigotanda 2-chome, Shinagawa-ku, Tokyo	Trust beneficiary interests	4,028.69	6,940	5,556
	A-PLACE Shinagawa	8-40, Konan 1-chome, Minato-ku, Tokyo	Trust beneficiary interests	2,986.36	4,300	3,788
	OSAKI WIZTOWER	11-1 Osaki 2-chome, Shinagawa-ku, Tokyo	Trust beneficiary interests	7,193.28	14,600	10,761
	Shiodome Building (Note 4)	2-20 Kaigan 1-chome, Minato-ku, Tokyo	Trust beneficiary interests	28,136.05	75,600	71,280
	A-PLACE Ebisu Higashi (Note 5)	13-11 Higashi 3-chome, Shibuya-ku, Tokyo	Trust beneficiary interests	4,010.69	7,700	7,128
	A-PLACE Shibuya Konnoh (Note 5)	3-1 Shibuya 3-chome, Shibuya-ku, Tokyo	Trust beneficiary interests	2,995.72	5,350	4,979
	A-PLACE Gotanda Ekimae	5-1 Nishigotanda 1-chome, Shinagawa-ku, Tokyo	Trust beneficiary interests	4,316.89	7,690	7,549
	A-PLACE Shinagawa Higashi	7-18 Konan 1-chome, Minato-ku, Tokyo	Trust beneficiary interests	14,658.98	19,500	18,905
	Subtotal			108,255.79	201,240	175,402

Activia Account Properties	Amagasaki Q's MALL (Land)	3-1 Shioe 1-chome, Amagasaki City, Hyogo (main building) 2-3 Shioe 1-chome, Amagasaki City, Hyogo (sports club)	Trust beneficiary interests	27,465.44	13,900	12,113
	icot Nakamozu	428-2 Nakamozucho 3-cho, Kita-ku, Sakai City, Osaka	Trust beneficiary interests	28,098.02	10,300	8,172
	icot Mizonokuchi	11-1 Mizonokuchi 6-chome, Takatsu-ku, Kawasaki City, Kanagawa	Trust beneficiary interests	14,032.05	3,230	2,637
	icot Tama Center	35 Ochiai 1-chome, Tama City, Tokyo	Trust beneficiary interests	5,181.58	3,890	2,664
	A-PLACE Kanayama	14-18 Kanayama 1-chome, Naka-ku, Nagoya City, Aichi	Trust beneficiary interests	9,314.91	8,530	6,428
	Osaka Nakanoshima Building	2-2 Nakanoshima 2-chome, Kita-ku, Osaka City, Osaka	Trust beneficiary interests	20,229.20	14,100	11,035
	icot Omori	8-2, Omorikita 1-chome, Ota-ku, Tokyo	Trust beneficiary interests	6,209.79 (Note 5)	6,750	5,688
	Market Square Sagamihara	777-2 Shimokuzawa, Chuo-ku, Sagamihara City, Kanagawa	Trust beneficiary interests	15,152.42	5,030	4,733
	Umeda Gate Tower	1-9, Tsurunochi, Kita-ku, Osaka City, Osaka	Trust beneficiary interests	13,624.49	21,300	19,498
	A-PLACE Bashamichi	43 Honcho 4-chome, Naka-ku, Yokohama City, Kanagawa	Trust beneficiary interests	9,775.50	4,500	4,031
	Commercial Mall Hakata	6-40, Tokojimachi 2-chome, Hakata-ku, Fukuoka city, Fukuoka	Trust beneficiary interests	9,612.88	6,270	6,344
	Subtotal			158,696.28	97,800	83,348
Total				395,994.33	504,987	430,898

- (Note 1) Total leasable area refers to leasable space for each property excluding properties for which we acquire only land, based on lease agreements for building or floor plans as of May 31, 2018 and leasable space for properties for which we acquire only land, based on lease agreements for land or land plans as of May 31, 2018.
- (Note 2) The appraisal of each property is commissioned to the Japan Real Estate Institute, Daiwa Real Estate Appraisal Co., Ltd., The Tanizawa Sogo Appraisal Co., Ltd., Japan Valuers Co., Ltd. or JLL Mori Valuation & Advisory K.K.. Assessed value at end of period stands for the appraised value described in each real estate appraisal report, with May 31, 2018 taken as the point of evaluation.
- (Note 3) Book value at end of period stands for the book value minus depreciation as of May 31, 2018, rounded down to the nearest ¥ million.
- (Note 4) As for Tokyu Plaza Omotesando Harajuku, Tokyu Plaza Akasaka, DECKS Tokyo Beach and Shiodome Building, the figures are in proportion to a pro rata share of our trust beneficiary co-ownership interest of each property (75%, 50%, 49% and 35%, respectively).
- (Note 5) The calculation of total leasable area for icot Omori includes part of an external bicycle parking lot (approximately 21 m²) and part of a common area on the second floor (approximately 28 m²).

Changes in key figures in the rental business (figures by property owned and under management by the Investment Corporation)

Property name		12th period (From June 1, 2017 to November 30, 2017)				13th period (From December 1, 2017 to May 31, 2018)			
		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)	29	100.0	1,077	8.5	30	100.0	1,084	8.1
	Tokyu Plaza Akasaka (Note 4)	96	99.7	654	5.1	97	100.0	612	4.6
	Q plaza EBISU	4	100.0	273	2.2	4	100.0	267	2.0
	Shinbashi Place	1	100.0	(Note 5)	(Note 5)	6	100.0	(Note 5)	(Note 5)
	Kyoto Karasuma Parking Building	2	100.0	(Note 5)	(Note 5)	2	100.0	(Note 5)	(Note 5)
	A-FLAG AKASAKA	8	100.0	97	0.8	8	100.0	103	0.8
	Kobe Kyu Kyoryuchi 25Bankan	7	100.0	731	5.8	7	100.0	809	6.1
	A-FLAG SAPPORO	18	100.0	629	4.9	18	100.0	443	3.3
	A-FLAG SHIBUYA	2	100.0	207	1.6	2	100.0	205	1.5
	Q plaza SHINSAIBASHI	6	100.0	314	2.5	5	88.4	283	2.1
	A-FLAG KOTTO DORI	7	100.0	106	0.8	7	100.0	107	0.8
	A-FLAG BIJUTSUKAN DORI	3	100.0	125	1.0	3	100.0	123	0.9
	A-FLAG DAIKANYAMA WEST	1	100.0	(Note 5)	(Note 5)	1	100.0	(Note 5)	(Note 5)
	A-FLAG KITA SHINSAIBASHI	—	—	—	—	5	100.0	108	0.8
	DECKS Tokyo Beach	—	—	—	—	86	100.0	462	3.5
	Subtotal	184	100.0	—	—	281	99.7	—	—
Tokyo Office Properties	TLC Ebisu Building	12	100.0	291	2.3	12	100.0	317	2.4
	A-PLACE Ebisu Minami	11	100.0	356	2.8	11	100.0	368	2.8
	A-PLACE Yoyogi	4	100.0	128	1.0	4	100.0	127	1.0
	A-PLACE Aoyama	8	100.0	296	2.3	8	100.0	293	2.2
	Luogo Shiodome	7	100.0	167	1.3	7	100.0	174	1.3
	TAMACHI SQUARE (Land)	1	100.0	62	0.5	1	100.0	62	0.5
	A-PLACE Ikebukuro	1	100.0	(Note 5)	(Note 5)	1	100.0	(Note 5)	(Note 5)
	A-PLACE Shinbashi	10	100.0	197	1.6	10	100.0	197	1.5
	A-PLACE Gotanda	11	100.0	177	1.4	11	100.0	175	1.3
	A-PLACE Shinagawa	7	100.0	113	0.9	7	100.0	114	0.9
	OSAKI WIZTOWER	5	100.0	339	2.7	5	100.0	334	2.5
	Shiodome Building (Note 4)	38	99.7	1,522	12.0	38	99.9	1,499	11.3
	A-PLACE Ebisu Higashi	9	100.0	166	1.3	8	100.0	179	1.3
	A-PLACE Shibuya Konnoh	3	100.0	(Note 5)	(Note 5)	4	100.0	(Note 5)	(Note 5)
	A-PLACE Gotanda Ekimae	10	100.0	181	1.4	10	100.0	180	1.4
	A-PLACE Shinagawa Higashi	9	100.0	495	3.9	9	100.0	492	3.7
	Subtotal	146	99.9	—	—	146	100.0	—	—

Activia Account Properties	Amagasaki Q's MALL (Land)	1	100.0	353	2.8	1	100.0	353	2.7
	icot Nakamozu	2	100.0	310	2.4	2	100.0	310	2.3
	icot Mizonokuchi	1	100.0	(Note 5)	(Note 5)	1	100.0	(Note 5)	(Note 5)
	icot Tama Center	9	100.0	147	1.2	9	100.0	147	1.1
	A-PLACE Kanayama	20	100.0	288	2.3	20	100.0	285	2.1
	Osaka Nakanoshima Building	40	100.0	515	4.1	40	98.4	525	3.9
	icot Omori	9	100.0	238	1.9	9	100.0	233	1.8
	Market Square Sagamihara	3	100.0	(Note 5)	(Note 5)	3	100.0	(Note 5)	(Note 5)
	Umeda Gate Tower	13	100.0	436	3.4	13	100.0	449	3.4
	A-PLACE Bashamichi	33	100.0	191	1.5	33	100.0	185	1.4
	Commercial Mall Hakata	—	—	—	—	18	97.0	168	1.3
	Subtotal	131	100.0	—	—	149	99.6	—	—
Total			461	100.0	12,720	576	99.8	13,327	100.0

(Note 1) The number of tenants refers to the total number of tenants for each property at the end of each fiscal period, based on each lease agreement. In the case where a master lease agreement is in place, the number of end tenants is counted. In the case of a property for which only land is acquired, the total number of tenants on the land is counted.

(Note 2) Occupancy rate refers to the percentage of leased area to leasable area for each property as of the end of each fiscal period, rounding down to the first decimal place.

(Note 3) Rental revenue includes other rental revenue.

(Note 4) As for Tokyu Plaza Omotesando Harajuku, Tokyu Plaza Akasaka, DECKS Tokyo Beach and Shiodome Building, the figures are in proportion to a pro rata share of our trust beneficiary co-ownership interest of each property (75%, 50% , 49% and 35%, respectively).

(Note 5) Rental revenue and the ratio of rental revenue to total rental revenues are not disclosed, as consent from tenants has not been obtained.

(4) Details of Specified Transaction

The outstanding contract amount and fair value of specified transactions as of the end of the fiscal period under review are as follows:

(In thousands of yen)

Classification	Transaction	Notional contract amount (Note 1)		Fair value (Note 2) (Note 3)
			Over 1 year	
Over-the-counter	Interest rate swaps (Receive floating pay fixed)	19,400,000	19,400,000	74,904
Total		19,400,000	19,400,000	74,904

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

(Note 2) The statement of the fair value is omitted for those transactions that satisfy requirements for special treatment based on accounting standards for financial instruments.

(Note 3) Fair value is based on prices, etc. indicated by partner financial institutions.

(5) Other Assets

There are no major incorporations of other specified assets that are the principal investment targets of the Investment Corporation as of the end of the fiscal period under review.

4. Capital Expenditure for Assets under Management

(1) Scheduled Capital Expenditure

The following table shows major capital expenditure for renovation works, etc., scheduled for the properties owned by the Investment Corporation at the end of the fiscal period under review. The estimated construction cost below includes the portion expensed for accounting purposes.

Name of real property (Location)	Purpose	Scheduled period	Estimated construction cost (Millions of yen)		
			Total amount	Payment for the period	Total amount paid
A-FLAG SAPPORO (Sapporo, Hokkaido)	Conversion of air conditioning units of large banquet hall systems into gas-heat-pump (GHP) air-conditioning systems	From September 2018 to November 2018	63	—	—
Tokyu Plaza Omotesando Harajuku (Shibuya, Tokyo)	Construction to extend women's restroom and relocate nursing room	From October 2018 to November 2018	31 (Note)	—	—
A-FLAG BIJUTSUKAN DORI (Shibuya, Tokyo)	Construction to repartition store areas	From October 2018 to November 2018	30	—	—
A-FLAG SAPPORO (Sapporo, Hokkaido)	Replacement of halon fire extinguishing system control panel	From October 2018 to November 2018	24	—	—
Tokyu Plaza Akasaka (Chiyoda, Tokyo)	Construction to upgrade plumbing	From July 2018 to November 2018	22 (Note)	—	—
Osaka Nakanoshima Building (Osaka, Osaka)	Replacement of air-cooled air conditioning units (First period)	From July 2018 to July 2018	21	—	—
A-FLAG SAPPORO (Sapporo, Hokkaido)	Replacement of air conditioning units and fan coil units	From October 2018 to November 2018	17	—	—
A-FLAG SAPPORO (Sapporo, Hokkaido)	Replacement of heater units	From October 2018 to November 2018	16	—	—
A-FLAG SHIBUYA (Shibuya, Tokyo)	Maintenance of total heat exchangers	From October 2018 to November 2018	16	—	—
Kobe Kyu Kyoryuchi 25Bankan (Kobe, Hyogo)	Renovation of multilevel car park system	From October 2018 to November 2018	14	—	—
Shiodome Building (Minato, Tokyo)	Replacement of humidifying element	From July 2018 to July 2018	14 (Note)	—	—
TLC Ebisu Building (Shibuya, Tokyo)	Replacement of disaster prevention control panels	From July 2018 to July 2018	12	—	—
A-FLAG SAPPORO (Sapporo, Hokkaido)	Extension of chilled water coil for restaurant air conditioning	From May 2018 to June 2018	12	—	—

Name of real property (Location)	Purpose	Scheduled period	Estimated construction cost (Millions of yen)		
			Total amount	Payment for the period	Total amount paid
Osaka Nakanoshima Building (Osaka, Osaka)	Protective maintenance of water-cooled air conditioning units	From July 2018 to July 2018	10	—	—
TLC Ebisu Building (Shibuya, Tokyo)	Maintenance of electric generator	From July 2018 to July 2018	10	—	—

(Note) The shown estimated construction cost with regard to Tokyu Plaza Omotesando Harajuku, Tokyu Plaza Akasaka and Shiodome Building is the amount equivalent to the ratio of the Investment Corporation's co-ownership interests of real estate trust beneficiary (75%, 50% and 35%, respectively).

(2) Capital Expenditure during the Period

For assets held by the Investment Corporation in the 13th fiscal period, construction work conducted by the Investment Corporation during the fiscal period ended May 31, 2018 that falls into capital expenditure is as follows. The capital expenditure for the fiscal period ended May 31, 2018 amounted to ¥1,077 million, and repair and maintenance expenses that were accounted for as expense in the fiscal period ended May 31, 2018 came to ¥235 million. On aggregate, construction work of ¥1,313 million was carried out during the fiscal period.

Name of real property (Location)	Purpose	Period	Construction cost (Millions of yen)
Shinbashi Place (Minato, Tokyo)	Office construction	From January 2018 to May 2018	724
A-FLAG SAPPORO (Sapporo, Hokkaido)	Replacement of customer elevators	From November 2017 to May 2018	59
Osaka Nakanoshima Building (Osaka, Osaka)	Repair and replacement of substation equipment (Third period)	From February 2018 to February 2018	30
A-FLAG SAPPORO (Sapporo, Hokkaido)	Replacement of air conditioning units of new annex guest room systems	From February 2018 to February 2018	21
A-FLAG SAPPORO (Sapporo, Hokkaido)	Replacement of total heat exchangers in new annex	From May 2018 to May 2018	18
A-FLAG SAPPORO (Sapporo, Hokkaido)	Replacement of heater units in parking lot systems	From April 2018 to April 2018	17
A-FLAG DAIKANYAMA WEST (Shibuya, Tokyo)	Replacement of automatic fire alarm equipment	From January 2018 to May 2018	17
A-FLAG SAPPORO (Sapporo, Hokkaido)	Replacement of boiler room heater units	From April 2018 to April 2018	15
DECKS Tokyo Beach (Minato, Tokyo)	Refurbishing of Odaiba Takoyaki Museum	From January 2018 to March 2018	15 (Note)
Osaka Nakanoshima Building (Osaka, Osaka)	Exchange of electrical switchboards (Second period)	From February 2018 to February 2018	13
A-PLACE Shibuya Konnoh (Shibuya, Tokyo)	Installation of air conditioning units in common area	From May 2018 to May 2018	10
Other			133
Total			1,077

(Note) The shown estimated construction cost with regard to DECKS Tokyo Beach is the amount equivalent to the ratio of the Investment Corporation's co-ownership interests of real estate trust beneficiary (49%).

(3) Money Accumulated for Long-Term Repair Plan

Not applicable

5. Expenses and Liabilities

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

Item	(In thousands of yen)	
	12th period (From June 1, 2017 to November 30, 2017)	13th period (From December 1, 2017 to May 31, 2018)
(a) Asset management fees (Note)	1,013,473	1,034,028
(b) Asset custody fees	11,947	12,427
(c) Administrative service fees	31,652	32,131
(d) Directors' compensation	3,300	3,300
(e) Other operating expenses	76,091	67,522
Total	1,136,464	1,149,409

(Note) Asset management fees contain acquisition fees that were included in the book value of acquired properties (13th fiscal period: ¥117,825 thousand).

(2) Borrowings

The status of borrowings from financial institutions as of May 31, 2018 is as follows:

	Category	Drawdown date	Balance as of November 30, 2017 (In millions of yen)	Balance as of May 31, 2018 (In millions of yen)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use of funds	Remarks
	Lender								
Short-term loans payable	Sumitomo Mitsui Trust Bank, Limited	March 16, 2017	1,250	—	0.174	March 16, 2018	Lump-sum repayment	(Note 3)	Unsecured, non-guaranteed
		September 29, 2017	1,250	1,250	0.181	June 1, 2018		(Note 4)	
	MUFG Bank, Ltd. (Note 6)(Note 7)	January 9, 2018	—	1,025	0.184	January 9, 2019		(Note 3)	
		March 16, 2017	2,500	—	0.174	March 16, 2018		(Note 3)	
		September 29, 2017	2,500	2,500	0.181	June 1, 2018		(Note 4)	
		January 9, 2018	—	2,050	0.184	January 9, 2019		(Note 3)	
	Mizuho Bank, Ltd.	March 16, 2017	1,250	—	0.174	March 16, 2018		(Note 3)	
		September 29, 2017	1,250	1,250	0.181	June 1, 2018		(Note 4)	
		January 9, 2018	—	1,025	0.184	January 9, 2019		(Note 3)	
	Subtotal		10,000	9,100					
Long-term loans payable (Note 2)	Sumitomo Mitsui Banking Corporation	April 19, 2013	400	400	0.919	April 19, 2019	Lump-sum repayment	(Note 3)	Unsecured, non-guaranteed
		December 19, 2013	530	530	1.080	December 19, 2020		(Note 3)	
		January 10, 2014	80	80	0.938	January 10, 2020		(Note 4)	
		January 10, 2014	670	670	1.079	January 10, 2021		(Note 3)	
		July 9, 2014	300	300	0.725	January 10, 2020		(Note 3)	
		January 9, 2015	390	—	0.498	January 9, 2018		(Note 3)	
		January 9, 2015	250	250	0.523	January 9, 2019		(Note 3)	
		January 9, 2015	170	170	0.544	July 9, 2019		(Note 3)	
		January 9, 2015	420	420	0.737	January 9, 2022		(Note 3)	
		December 16, 2015	100	100	0.657	June 15, 2022		(Note 3)	
		December 16, 2015	625	625	0.754	June 15, 2023		(Note 3)	
		December 16, 2015	600	600	0.854	June 17, 2024		(Note 3)	
		January 12, 2016	700	700	0.784	January 12, 2024		(Note 3)	
		September 21, 2016	600	600	0.541	March 21, 2025		(Note 3)	
		September 21, 2016	1,050	1,050	0.619	March 19, 2026		(Note 3)	
		October 6, 2016	400	400	0.385	April 6, 2023		(Note 3)	
		December 13, 2016	6,000	6,000	0.698	June 12, 2026		(Note 3)	
		March 16, 2017	900	900	0.702	September 16, 2025		(Note 3)	
		January 5, 2018	—	160	0.419	December 28, 2021		(Note 3)	
		January 5, 2018	—	160	0.749	July 5, 2027		(Note 3)	
		January 9, 2018	—	390	0.707	January 9, 2027		(Note 3)	
		March 30, 2018	—	375	0.448	March 30, 2023		(Note 3)	
		March 30, 2018	—	250	0.586	September 16, 2025		(Note 3)	
	Sumitomo Mitsui Trust Bank, Limited	June 13, 2012	3,000	3,000	1.063	June 13, 2018		(Note 3)	
		March 29, 2013	5,000	—	0.683 (Note 5)	March 31, 2018		(Note 3)	
		April 19, 2013	800	800	0.919	April 19, 2019		(Note 3)	
		December 19, 2013	1,060	1,060	1.080	December 19, 2020		(Note 3)	
		January 10, 2014	160	160	0.938	January 10, 2020		(Note 3)	
		January 10, 2014	1,340	1,340	1.079	January 10, 2021		(Note 3)	
		July 9, 2014	600	600	0.725	January 10, 2020		(Note 3)	
		January 9, 2015	780	—	0.498	January 9, 2018		(Note 3)	
		January 9, 2015	500	500	0.523	January 9, 2019		(Note 3)	
		January 9, 2015	340	340	0.544	July 9, 2019		(Note 3)	
		January 9, 2015	840	840	0.737	January 9, 2022		(Note 3)	
		June 15, 2015	1,500	1,500	0.947	June 15, 2022		(Note 3)	
		June 15, 2015	1,500	1,500	1.063	June 15, 2023		(Note 3)	
		September 30, 2015	1,250	1,250	0.613 (Note 5)	March 30, 2023		(Note 3)	
		December 16, 2015	200	200	0.657	June 15, 2022		(Note 3)	
		December 16, 2015	1,200	1,200	0.854	June 17, 2024		(Note 3)	
		January 12, 2016	1,400	1,400	0.784	January 12, 2024		(Note 3)	
		June 13, 2016	1,500	1,500	0.332 (Note 5)	June 17, 2024		(Note 3)	
		June 13, 2016	1,500	1,500	0.369 (Note 5)	December 13, 2024		(Note 3)	
		September 21, 2016	1,200	1,200	0.541	March 21, 2025		(Note 3)	
		September 21, 2016	2,100	2,100	0.619	March 19, 2026		(Note 3)	
		October 6, 2016	800	800	0.385	April 6, 2023		(Note 3)	
		March 16, 2017	1,800	1,800	0.702	September 16, 2025		(Note 3)	
		June 13, 2017	1,250	1,250	0.464	June 15, 2023		(Note 3)	
		June 13, 2017	1,750	1,750	0.710	December 14, 2026		(Note 3)	
		January 5, 2018	—	320	0.419	December 28, 2021		(Note 3)	
		January 5, 2018	—	320	0.749	July 5, 2027		(Note 3)	
		January 9, 2018	—	780	0.707	January 9, 2027		(Note 3)	
		March 30, 2018	—	750	0.448	March 30, 2023		(Note 3)	
		March 30, 2018	—	500	0.586	September 16, 2025		(Note 3)	
	MUFG Bank, Ltd. (Note 6)	June 13, 2012	6,000	6,000	1.063	June 13, 2018		(Note 3)	
		April 19, 2013	800	800	0.919	April 19, 2019		(Note 3)	
		December 19, 2013	1,060	1,060	1.080	December 19, 2020		(Note 3)	
		January 10, 2014	160	160	0.938	January 10, 2020		(Note 3)	
		January 10, 2014	1,340	1,340	1.079	January 10, 2021		(Note 3)	
		July 9, 2014	600	600	0.725	January 10, 2020		(Note 3)	
		January 9, 2015	780	—	0.498	January 9, 2018		(Note 3)	
		January 9, 2015	500	500	0.523	January 9, 2019		(Note 3)	
		January 9, 2015	340	340	0.544	July 9, 2019		(Note 3)	
		January 9, 2015	840	840	0.737	January 9, 2022		(Note 3)	
		June 15, 2015	1,500	1,500	0.947	June 15, 2022		(Note 3)	
		June 15, 2015	1,500	1,500	1.063	June 15, 2023		(Note 3)	
		September 30, 2015	1,250	1,250	0.613 (Note 5)	March 30, 2023		(Note 3)	
		December 16, 2015	200	200	0.657	June 15, 2022		(Note 3)	
		December 16, 2015	1,200	1,200	0.854	June 17, 2024		(Note 3)	
		January 12, 2016	1,400	1,400	0.784	January 12, 2024		(Note 3)	
		June 13, 2016	1,500	1,500	0.332 (Note 5)	June 17, 2024		(Note 3)	
		June 13, 2016	1,500	1,500	0.369 (Note 5)	December 13, 2024		(Note 3)	
		September 21, 2016	2,400	2,400	0.541	March 21, 2025		(Note 3)	
		September 21, 2016	4,200	4,200	0.619	March 19, 2026		(Note 3)	
		October 6, 2016	1,600	1,600	0.385	April 6, 2023		(Note 3)	
		March 16, 2017	3,600	3,600	0.702	September 16, 2025		(Note 3)	
		June 13, 2017	2,500	2,500	0.464	June 15, 2023		(Note 3)	
		June 13, 2017	3,500	3,500	0.710	December 14, 2026		(Note 3)	
		January 5, 2018	—	640	0.419	December 28, 2021		(Note 3)	
		January 5, 2018	—	640	0.749	July 5, 2027		(Note 3)	
		January 9, 2018	—	1,560	0.707	January 9, 2027		(Note 3)	
		March 30, 2018	—	750	0.448	March 30, 2023		(Note 3)	
		March 30, 2018	—	500	0.586	September 16, 2025		(Note 3)	

Category	Drawdown date	Balance as of November 30, 2017 (In millions of yen)	Balance as of May 31, 2018 (In millions of yen)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use of funds	Remarks
Lender								
MUFG Bank, Ltd. (Note 6)(Note 7)	April 19, 2013	800	800	0.919	April 19, 2019	Lump-sum repayment	(Note 3)	Unsecured, non-guaranteed
	December 19, 2013	1,060	1,060	1.080	December 19, 2020		(Note 3)	
	January 10, 2014	160	160	0.938	January 10, 2020		(Note 3)	
	January 10, 2014	1,340	1,340	1.079	January 10, 2021		(Note 3)	
	July 9, 2014	600	600	0.725	January 10, 2020		(Note 3)	
	January 9, 2015	780	—	0.498	January 9, 2018		(Note 3)	
	January 9, 2015	500	500	0.523	January 9, 2019		(Note 3)	
	January 9, 2015	340	340	0.544	July 9, 2019		(Note 3)	
	January 9, 2015	840	840	0.737	January 9, 2022		(Note 3)	
	June 15, 2015	1,500	1,500	0.947	June 15, 2022		(Note 3)	
	June 15, 2015	1,500	1,500	1.063	June 15, 2023		(Note 3)	
	September 30, 2015	1,250	1,250	0.613 (Note 5)	March 30, 2023		(Note 3)	
	December 16, 2015	200	200	0.657	June 15, 2022		(Note 3)	
	December 16, 2015	1,200	1,200	0.854	June 17, 2024		(Note 3)	
	January 12, 2016	1,400	1,400	0.784	January 12, 2024		(Note 3)	
	June 13, 2012	3,000	3,000	1.063	June 13, 2018		(Note 3)	
	April 19, 2013	800	800	0.919	April 19, 2019		(Note 3)	
	December 19, 2013	1,060	1,060	1.080	December 19, 2020		(Note 3)	
	January 10, 2014	160	160	0.938	January 10, 2020		(Note 3)	
	January 10, 2014	1,340	1,340	1.079	January 10, 2021		(Note 3)	
	July 9, 2014	600	600	0.725	January 10, 2020		(Note 3)	
	January 9, 2015	780	—	0.498	January 9, 2018		(Note 3)	
	January 9, 2015	500	500	0.523	January 9, 2019		(Note 3)	
	January 9, 2015	340	340	0.544	July 9, 2019		(Note 3)	

Category	Drawdown date	Balance as of November 30, 2017 (In millions of yen)	Balance as of May 31, 2018 (In millions of yen)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use of funds	Remarks		
Long-term loans payable (Note 2)	Lender									
	Development Bank of Japan Inc.	June 13, 2012	6,000	6,000	1.191	June 13, 2019	Lump-sum repayment	(Note 3)	Unsecured, non-guaranteed	
		April 19, 2013	400	400	0.919	April 19, 2019				
		December 19, 2013	530	530	1.080	December 19, 2020				(Note 4)
		January 10, 2014	80	80	0.938	January 10, 2020				
		January 10, 2014	670	670	1.079	January 10, 2021		(Note 3)		
		July 9, 2014	300	300	0.725	January 10, 2020				
		January 9, 2015	390	—	0.498	January 9, 2018				(Note 4)
		January 9, 2015	250	250	0.523	January 9, 2019				
		January 9, 2015	170	170	0.544	July 9, 2019		(Note 3)		
		January 9, 2015	420	420	0.737	January 9, 2022				
		December 16, 2015	100	100	0.657	June 15, 2022				(Note 4)
		December 16, 2015	625	625	0.754	June 15, 2023				
		December 16, 2015	600	600	0.854	June 17, 2024		(Note 3)		
		January 12, 2016	700	700	0.784	January 12, 2024				
		September 21, 2016	600	600	0.541	March 21, 2025				(Note 3)
		September 21, 2016	1,050	1,050	0.619	March 19, 2026				
		October 6, 2016	400	400	0.385	April 6, 2023		(Note 4)		
		March 16, 2017	900	900	0.702	September 16, 2025				
		January 5, 2018	—	160	0.419	December 28, 2021				
		January 5, 2018	—	160	0.749	July 5, 2027				
		January 9, 2018	—	390	0.707	January 9, 2027		(Note 3)		
		March 30, 2018	—	375	0.448	March 30, 2023				
		March 30, 2018	—	250	0.586	September 16, 2025				
		August 29, 2014	1,500	1,500	0.510	August 29, 2019				
	Mizuho Trust & Banking Co., Ltd.	March 31, 2015	2,000	2,000	0.685 (Note 5)	March 31, 2022	(Note 4)			
		June 30, 2016	1,200	1,200	0.029 (Note 5)	June 28, 2019				
		March 31, 2017	2,000	2,000	0.414	March 29, 2024				
		March 16, 2018	—	440	0.465	September 16, 2025				
	Resona Bank, Limited.	March 31, 2015	1,500	1,500	0.525	March 31, 2020	(Note 4)			
		March 31, 2017	1,500	1,500	0.414	March 29, 2024				
		March 16, 2018	—	440	0.465	September 16, 2025				
	The Bank of Fukuoka, Ltd.	March 31, 2015	1,000	1,000	0.525	March 31, 2020	(Note 4)			
		March 31, 2017	1,000	1,000	0.414	March 29, 2024				
		March 16, 2018	—	440	0.465	September 16, 2025				
	The Gunma Bank, Ltd.	March 31, 2015	500	500	0.525	March 31, 2020	(Note 4)			
	Shinkin Central Bank	August 29, 2014	1,500	1,500	0.510	August 29, 2019				
		March 31, 2015	500	500	0.685	March 31, 2022				
		March 31, 2017	500	500	0.414	March 29, 2024				
		March 16, 2018	—	440	0.465	September 16, 2025				
	The Norinchukin Bank	March 31, 2015	500	500	0.525	March 31, 2020				
		June 30, 2016	1,200	1,200	0.029 (Note 5)	June 28, 2019				
		March 31, 2017	500	500	0.414	March 29, 2024				
		March 16, 2018	—	440	0.465	September 16, 2025				
	Nippon Life Insurance Company	March 31, 2017	500	500	0.250	March 31, 2021		(Note 4)		
	Tokio Marine & Nichido Fire Insurance Co., Ltd.	March 31, 2017	400	400	0.306	March 31, 2022				
	The 77 Bank, Ltd.	March 31, 2017	400	400	0.306	March 31, 2022				
	Taiyo Life Insurance Company	March 31, 2017	500	500	0.360	September 29, 2023				
	Mitsui Sumitomo Insurance Company, Limited	March 31, 2017	500	500	0.360	September 29, 2023				
	THE NISHI-NIPPON CITY BANK, LTD.	March 16, 2018	—	500	0.465	September 16, 2025				
	The Bank of Kyoto, Ltd.	March 16, 2018	—	300	0.465	September 16, 2025				
	Subtotal		170,150	172,250						
Total		180,150	181,350							

(Note 1) The average interest rate of borrowings with floating interest rates is weighted by the balance of each borrowing as at the end of the period and rounded to the nearest third decimal place.

(Note 2) Long-term loans payable includes long-term borrowings to be repaid within a year.

(Note 3) Proceeds from the borrowings are used to acquire real estate trust beneficiary interests and pay for their related expenses.

(Note 4) Proceeds from borrowings are used to repay existing loans payable.

(Note 5) To hedge the risks arising from interest rate fluctuations, API has entered into interest rate swap agreements. Therefore, the figures reflect the effect of interest rate swaps (fixation of interest rates).

(Note 6) MUFG Bank, Ltd. changed its name from The Bank of Tokyo-Mitsubishi UFJ, Ltd. as of April 1, 2018.

(Note 7) Corporate loan-related businesses of Mitsubishi UFJ Trust and Banking Corporation has been transferred to MUFG Bank, Ltd. on April 16, 2018.

Investment Corporation Bonds

Name of bonds	Issuance date	Balance as of November 30, 2017 (In millions of yen)	Balance as of May 31, 2018 (In millions of yen)	Interest rate (%)	Maturity date	Repayment method	Use of proceeds	Remarks
The 1st Unsecured Investment Corporation Bond	April 25, 2014	4,000	4,000	0.370	April 25, 2019	Lump sum (Note)	Repayment of outstanding loans payable	Unsecured and unguaranteed
The 2nd Unsecured Investment Corporation Bond	April 21, 2015	2,000	2,000	0.297	April 21, 2020	Lump sum (Note)	Repayment of outstanding loans payable	Unsecured and unguaranteed
The 3rd Unsecured Investment Corporation Bond	April 21, 2015	2,000	2,000	0.726	April 21, 2025	Lump sum (Note)	Repayment of outstanding loans payable	Unsecured and unguaranteed
The 4th Unsecured Investment Corporation Bond	February 3, 2016	2,000	2,000	0.770	February 3, 2026	Lump sum (Note)	Repayment of outstanding loans payable	Unsecured and unguaranteed
The 5th Unsecured Investment Corporation Bond	February 2, 2017	4,000	4,000	0.001	January 31, 2020	Lump sum (Note)	Repayment of outstanding loans payable	Unsecured and unguaranteed
The 6th Unsecured Investment Corporation Bond	February 2, 2017	1,000	1,000	0.480	February 2, 2027	Lump sum (Note)	Repayment of outstanding loans payable	Unsecured and unguaranteed
The 7th Unsecured Investment Corporation Bond	February 2, 2017	1,000	1,000	0.810	February 2, 2032	Lump sum (Note)	Repayment of outstanding loans payable	Unsecured and unguaranteed
The 8th Unsecured Investment Corporation Bond	February 13, 2018	—	1,000	0.160	August 12, 2022	Lump sum (Note)	Repayment of outstanding loans payable	Unsecured and unguaranteed
The 9th Unsecured Investment Corporation Bond	February 13, 2018	—	1,000	1.050	February 12, 2038	Lump sum (Note)	Repayment of outstanding loans payable	Unsecured and unguaranteed
Total		16,000	18,000					

(Note) The Investment Corporation may repurchase and cancel bonds at any time after the date of payment unless otherwise specified by the Japan Securities Depository Center, Inc.

(3) Short-Term Investment Corporation Bonds
Not applicable

(4) Subscription Rights for New Investment Units
Not applicable

6. Buying and Selling during the Period

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

Category	Asset type	Property name	Acquisition		Disposal			
			Acquisition date	Acquisition price (In millions of yen) (Note1)	Disposal date	Disposal amount (In millions of yen)	Book value (In millions of yen)	Gain (loss) on disposal (In millions of yen)
Urban Retail Properties	Trust beneficiary interests	A-FLAG KITA SHINSAIBASHI	December 1, 2017	4,725	—	—	—	—
Urban Retail Properties	Trust beneficiary interests	DECKS Tokyo Beach (Note 2)	January 5, 2018	12,740	—	—	—	—
Activia Account	Trust beneficiary interests	Commercial Mall Hakata	January 5, 2018	6,100	—	—	—	—
Total				23,565	—	—	—	—

(Note1) The acquisition price represents the trading value of trust beneficiary rights stipulated in each beneficiary right purchase for the assets (excluding consumption tax, local consumption tax, and expenses such as trading commissions).

(Note2) The acquisition price for DECKS Tokyo Beach represents figures equivalent to the percentage of the Investment Corporation’s co-ownership interest (49%).

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

Not applicable. In addition, the Investment Corporation’s assets other than the above-mentioned real estate and asset-backed securities are mostly comprised of direct bank deposits and bank deposits in trust.

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

1) Real Estate

Acquisition / Disposal	Property name	Date of acquisition / disposal	Acquisition price or disposal amount (In millions of yen) (Note 1)	Appraisal value at end of period (In millions of yen)	Name of appraiser	Date of appraisal
Acquisition	A-FLAG KITA SHINSAIBASHI	December 1, 2017	4,725	4,770	Japan Valuers Co., Ltd.	October 1, 2017
	DECKS Tokyo Beach (Note 2)	January 5, 2018	12,740	12,887	JLL Morii Valuation & Advisory K.K.	October 1, 2017
	Commercial Mall Hakata	January 5, 2018	6,100	6,270	Japan Valuers Co., Ltd.	October 1, 2017
	Total	—	23,565	23,927	—	—

(Note 1) The acquisition price represents the trading value of trust beneficiary rights stipulated in each beneficiary right purchase and sale agreement for the assets (excluding consumption tax, local consumption tax, and expenses such as trading commissions).

(Note 2) The acquisition price for DECKS Tokyo Beach represents figures equivalent to the percentage of the Investment Corporation’s co-ownership interest (49%).

(Note 3) The appraisals of the above-mentioned real estate were conducted by applying “Real Estate Appraisal Standard Section 3: Appraisals Regarding Prices of Real Estate for Securitization.”

2) Others

Not applicable

(4) Transactions between Interested Parties

Category	Purchase and sales amounts	
	Purchase amounts	Sales amounts
Total amount	¥23,565 million	¥— million
Details of transactions between interested parties		
Tokyu Land Corporation	¥12,740 million (54.1%)	¥— million (—%)
Cosmos Corporation	¥10,825 million (45.9%)	¥— million (—%)
Total	¥23,565 million (100.0%)	¥— million (—%)

Commissions Paid

Category	Total amount (A) (In thousands of yen)	Breakdown of transactions with interested parties		(B) / (A) (%)
		Paid to	Amount (B) (In thousands of yen)	
Property management fee	455,970	Tokyu Land SC Management Corporation	201,375	44.2
		Tokyu Community Corp.	149,653	32.8
		Tokyu Land Corporation	68,564	15.0
Building management fee	702,083	Tokyu Community Corp.	590,435	84.1
Construction management fee	7,555	Tokyu Community Corp.	4,019	53.2
		Tokyu Land SC Management Corporation	2,225	29.5
		Tokyu Land Corporation	877	11.6
Other management operation expenses	59,467	Tokyu Community Corp.	6,626	11.1
		Tokyu Land SC Management Corporation	562	0.9
Other lease business expenses	269,303	Tokyu Community Corp.	36,967	13.7
		Tokyu Land SC Management Corporation	2,828	1.1
		Tokyu Livable Staff Corporation	1,854	0.7
		Tokyu Re・design Corporation	1,399	0.5
		Tokyu Land Corporation	947	0.4
		Ishikatsu Exterior Inc.	900	0.3
Warehousing expenses	298,306	HANDS LAB INC.	837	0.3
		Cosmos Corporation	298,306	100.0

(Note 1) The term “Interested parties” refers to interested parties of Asset Management Companies as stipulated by Article 201, Paragraph 1 of the Investment Trust Act, Article 123 of the Enforcement Ordinances of the Act on Investment Trust and Investment Corporation of Japan and Article 26, Paragraph 1, Item 27 of the Regulations Concerning Investment Reports of Investment Trusts and Investment Corporations, issued by The Investment Trusts Association, Japan.

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

Tokyu Community Corp.	¥72,904 thousand
Tokyu Re・design Corporation	¥25,652 thousand
Tokyu Land SC Management Corporation	¥7,746 thousand
Tokyu Land Corporation	¥658 thousand

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

No relevant matter exists under this subject as the asset manager (TLC REIT Management Inc.) does not engage in any other business such as the first- or second-type financial instruments businesses 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 real estate joint enterprise.

7. Accounting Status

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

Please refer to “II. Balance Sheets,” “III. Statements of Operations,” “IV. Statements of Changes in Unitholders’ Equity,” “V. Statements of Cash Distributions” and “VII. Notes to Financial Statements.”

(2) Changes in the Calculation Method of Depreciation Expenses

Not applicable

(3) Changes in the Evaluation Method of Real Estate, etc. and Infrastructure Assets, etc.

Not applicable

8. Other

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

Not applicable

(2) Announcements

Here is an outline of major agreements that the Board of Directors of the Investment Corporation approved to conclude and modify for the fiscal period under review.

Date of approval	Item	Summary
May 28, 2018	Comprehensive approval of issuance of investment corporation bonds and appointment of administrators	The Board of Directors of the Investment Corporation made a comprehensive resolution regarding the issuance of investment corporation bonds (total amount: ¥50 billion or less; issuance period: June 1, 2018 to May 31, 2019); approved the appointment of candidate companies for the entrustment of affairs and administrative works, such as issuing agent, financial agent, and paying agent regarding the placing of investment corporation bonds; and entrusted the decision of other necessary matters to the Executive Director.

(3) Status of Companies Owning Real Estate Overseas

Not applicable

(4) Status of Real Estate Owned by Companies Owning Real Estate Overseas

Not applicable

(5) Other

For the purpose of this report, the numbers for amounts below unit and percentages are rounded to units, unless otherwise mentioned specifically.

Financial Statements

II. Balance Sheets

	(Unit: Thousands of yen)	
	As of November 30, 2017	As of May 31, 2018
Assets		
Current assets		
Cash and deposits	15,165,946	9,498,104
Cash and deposits in trust	2,723,436	3,116,967
Operating accounts receivable	486,257	645,833
Prepaid expenses	292,870	455,470
Deferred tax assets	18	5
Consumption taxes receivable	—	47,699
Other	2,230	6,514
Total current assets	18,670,759	13,770,595
Non-current assets		
Property, plant and equipment		
Buildings in trust	79,354,657	83,050,493
Accumulated depreciation	(8,503,434)	(9,675,982)
Buildings in trust, net	70,851,222	73,374,511
Structures in trust	638,231	689,748
Accumulated depreciation	(132,712)	(150,438)
Structures in trust, net	505,519	539,310
Machinery and equipment in trust	1,364,809	1,364,809
Accumulated depreciation	(271,072)	(300,583)
Machinery and equipment in trust, net	1,093,736	1,064,225
Tools, furniture and fixtures in trust	150,520	183,401
Accumulated depreciation	(68,153)	(82,287)
Tools, furniture and fixtures in trust, net	82,367	101,113
Land in trust	325,281,819	346,689,270
Construction in progress in trust	1,126	—
Total property, plant and equipment	397,815,791	421,768,431
Intangible assets		
Leasehold rights in trust	9,130,097	9,130,097
Other	3,032	2,575
Total intangible assets	9,133,130	9,132,673
Investments and other assets		
Long-term prepaid expenses	1,064,673	1,078,965
Derivatives	72,117	74,904
Other	15,217	38,742
Total investments and other assets	1,152,009	1,192,612
Total non-current assets	408,100,931	432,093,717
Deferred assets		
Investment corporation bond issuance costs	66,891	77,584
Total deferred assets	66,891	77,584
Total assets	426,838,582	445,941,897

	(Unit: Thousands of yen)	
	As of November 30, 2017	As of May 31, 2018
Liabilities		
Current liabilities		
Operating accounts payable	764,214	846,139
Short-term loans payable	10,000,000	9,100,000
Current portion of investment corporation bonds	—	4,000,000
Current portion of long-term loans payable	25,000,000	18,500,000
Accounts payable - other	65,580	234,813
Accrued expenses	822,039	809,070
Income taxes payable	972	708
Accrued consumption taxes	494,431	—
Advances received	434,216	314,273
Deposits received	1,190	4,755
Total current liabilities	37,582,644	33,809,761
Non-current liabilities		
Investment corporation bond	16,000,000	14,000,000
Long-term loans payable	145,150,000	153,750,000
Tenant leasehold and security deposits in trust	19,582,816	20,604,450
Other	23	6
Total non-current liabilities	180,732,839	188,354,456
Total liabilities	218,315,484	222,164,217
Net assets		
Unitholders' equity		
Unitholders' capital	202,233,447	217,091,520
Surplus		
Unappropriated retained earnings	6,217,532	6,611,254
(undisposed loss)	—	—
Total surplus	6,217,532	6,611,254
Total unitholders' equity	208,450,980	223,702,774
Valuation and translation adjustments		
Deferred gains or losses on hedges	72,117	74,904
Total valuation and translation adjustments	72,117	74,904
Total net assets	*2 208,523,097	*2 223,777,679
Total liabilities and net assets	426,838,582	445,941,897

III. Statements of Operations

(Unit: Thousands of yen)				
	Previous fiscal period (From June 1, 2017 to November 30, 2017)		Current fiscal period (From December 1, 2017 to May 31, 2018)	
Operating revenue				
Lease business revenue	*1	11,861,072	*1	12,409,430
Other lease business revenue	*1	859,517	*1	917,584
Total operating revenue		12,720,589		13,327,014
Operating expenses				
Expenses related to rent business	*1	4,509,419	*1	4,706,236
Asset management fee		1,013,473		1,034,028
Asset custody fee		11,947		12,427
Administrative service fees		31,652		32,131
Directors' compensations		3,300		3,300
Other operating expenses		76,091		67,522
Total operating expenses		5,645,884		5,855,645
Operating profit		7,074,704		7,471,369
Non-operating income				
Interest income		68		81
Reversal of distribution payable		1,456		908
Insurance income		177		—
Total non-operating income		1,702		990
Non-operating expenses				
Interest expenses		609,206		615,512
Interest expenses on investment corporation bonds		31,863		35,235
Amortization of investment corporation bond issuance costs		8,760		9,546
Investment unit issuance expenses		55,185		46,468
Borrowing related expenses		152,635		153,550
Other		500		500
Total non-operating expenses		858,151		860,813
Ordinary Profit		6,218,255		6,611,545
Profit before income taxes		6,218,255		6,611,545
Income taxes - current		982		721
Income taxes - deferred		(8)		12
Total income taxes		974		734
Profit		6,217,281		6,610,811
Retained earnings brought forward		251		442
Unappropriated retained earnings (undisposed loss)		6,217,532		6,611,254

IV. Statements of Changes in Unitholders' Equity

Previous fiscal period (From June 1, 2017 to November 30, 2017)

(Unit: Thousands of yen)							
	Unitholders' equity				Valuation and translation adjustments		Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	
		Unappropriated retained earnings (undisposed loss)	Total surplus				
Balance at beginning of current period	202,233,447	6,152,150	6,152,150	208,385,598	65,673	65,673	208,451,272
Changes of items during period							
Dividends of surplus		(6,151,899)	(6,151,899)	(6,151,899)			(6,151,899)
Profit		6,217,281	6,217,281	6,217,281			6,217,281
Net changes of items other than unitholders' equity					6,443	6,443	6,443
Total changes of items during period	—	65,381	65,381	65,381	6,443	6,443	71,825
Balance at end of current period	*1 202,233,447	6,217,532	6,217,532	208,450,980	72,117	72,117	208,523,097

Current fiscal period (From December 1, 2017 to May 31, 2018)

(Unit: Thousands of yen)							
	Unitholders' equity				Valuation and translation adjustments		Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	
		Unappropriated retained earnings (undisposed loss)	Total surplus				
Balance at beginning of current period	202,233,447	6,217,532	6,217,532	208,450,980	72,117	72,117	208,523,097
Changes of items during period							
Issuance of new investment units	14,858,072			14,858,072			14,858,072
Dividends of surplus		(6,217,090)	(6,217,090)	(6,217,090)			(6,217,090)
Profit		6,610,811	6,610,811	6,610,811			6,610,811
Net changes of items other than unitholders' equity					2,787	2,787	2,787
Total changes of items during period	14,858,072	393,721	393,721	15,251,794	2,787	2,787	15,254,581
Balance at end of current period	*1 217,091,520	6,611,254	6,611,254	223,702,774	74,904	74,904	223,777,679

V. Statements of Cash Distributions

	Fiscal periods	
	Previous fiscal period (From June 1, 2017 to November 30, 2017)	Current fiscal period (From December 1, 2017 to May 31, 2018)
	Amount	Amount
I Unappropriated retained earnings (Undisposed loss)	¥6,217,532,741	¥6,611,254,555
II Distributions	¥6,217,090,044	¥6,611,137,248
[Cash distribution per unit]	¥[9,346]	¥[9,462]
III Earnings carried forward	¥442,697	¥117,307

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 net 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 ¥6,217,090,044, which is the amount that does not exceed the unappropriated retained earnings and is the greatest value among integral multiples of 665,214, which is the total number of investment units issued; provided, however, that we will not pay the portion of amount that exceeds the net 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 net 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 ¥6,611,137,248, which is the amount that does not exceed the unappropriated retained earnings and is the greatest value among integral multiples of 698,704, which is the total number of investment units issued; provided, however, that we will not pay the portion of amount that exceeds the net profit defined in Article 35, Paragraph 2 of the Articles of Incorporation of the Investment Corporation.
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VI. Statements of Cash Flows

	(Unit: Thousands of yen)	
	Previous fiscal period (From June 1, 2017 to November 30, 2017)	Current fiscal period (From December 1, 2017 to May 31, 2018)
Cash flows from operating activities		
Profit before income taxes	6,218,255	6,611,545
Depreciation	1,189,628	1,234,776
Loss on retirement of non-current assets	—	284
Amortization of investment corporation bond issuance costs	8,760	9,546
Interest income and interest on securities	(68)	(81)
Interest expenses	641,070	650,748
Investment unit issuance expenses	55,185	46,468
Borrowing related expenses	152,635	153,550
Decrease (increase) in operating accounts receivable	158,906	(159,576)
Decrease (increase) in consumption taxes refund receivable	—	(47,699)
Increase (decrease) in accrued consumption taxes	261,545	(494,431)
Decrease (increase) in prepaid expenses	154,892	(158,518)
Increase (decrease) in operating accounts payable	18,149	22,389
Increase (decrease) in accounts payable - other	—	78,334
Increase (decrease) in accrued expenses	17,528	24,647
Increase (decrease) in advances received	6,181	(119,943)
Decrease (increase) in long-term prepaid expenses	11,381	11,258
Other, net	(30,436)	(715)
Subtotal	8,863,616	7,862,582
Interest income received	68	81
Interest expenses paid	(609,261)	(638,416)
Income taxes paid	(795)	(984)
Net cash provided by (used in) operating activities	8,253,629	7,223,263
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(264,927)	(25,062,465)
Purchase of intangible assets	(2,536)	—
Repayments of tenant leasehold and security deposits in trust	(417,990)	(523,524)
Proceeds from tenant leasehold and security deposits in trust	808,786	1,544,178
Other, net	—	1,354
Net cash provided by (used in) investing activities	123,332	(24,040,457)
Cash flows from financing activities		
Increase in short-term loans payable	4,998,489	4,098,155
Decrease in short-term loans payable	(5,000,000)	(5,000,000)
Proceeds from long-term loans payable	11,849,238	14,940,999
Repayments of long-term loans payable	(12,000,000)	(13,000,000)
Proceeds from issuance of investment corporation bonds	—	1,979,812
Proceeds from issuance of investment units	—	14,756,418
Dividends paid	(6,150,128)	(6,216,193)
Other, net	(26,167)	(16,310)
Net cash provided by (used in) financing activities	(6,328,568)	11,542,882
Net increase (decrease) in cash and cash equivalents	2,048,393	(5,274,310)
Cash and cash equivalents at beginning of period	15,840,989	17,889,382
Cash and cash equivalents at end of period	*1 17,889,382	*1 12,615,072

VII. Notes to Financial Statements

Notes on Assumption of Going Concern

Not applicable

Notes on Important Accounting Policies

1. Method of depreciation of non-current assets	<p>(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.</p> <table> <tr> <td>Buildings</td><td>2 to 70 years</td></tr> <tr> <td>Structures</td><td>2 to 60 years</td></tr> <tr> <td>Machinery and equipment</td><td>2 to 33 years</td></tr> <tr> <td>Tools, furniture and fixtures</td><td>2 to 15 years</td></tr> </table> <p>(2) Intangible assets Internal use software is amortized by the straight-line method over the expected useful life (5 years).</p> <p>(3) Long-term prepaid expenses The straight-line method is used.</p>	Buildings	2 to 70 years	Structures	2 to 60 years	Machinery and equipment	2 to 33 years	Tools, furniture and fixtures	2 to 15 years
Buildings	2 to 70 years								
Structures	2 to 60 years								
Machinery and equipment	2 to 33 years								
Tools, furniture and fixtures	2 to 15 years								
2. Accounting method for deferred assets	<p>(1) Investment unit issuance expenses The full amount is recorded as expenses at the time of expenditure.</p> <p>(2) Investment corporation bond issuance costs Amortized by the straight-line method over the period until maturity.</p>								
3. Accounting for income and expenses	<p>Property-related taxes For property tax, city planning tax, depreciable asset tax for real properties held, the amount of tax levied corresponding to the calculation period is recorded as expenses related to rent business.</p> <p>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 ¥129,633 thousand.</p>								
4. Method of hedge accounting	<p>(1) Method of hedge accounting Deferred hedge accounting is applied. For interest rate swaps that satisfy the requirements for special treatment, special treatment is applied.</p> <p>(2) Hedging instruments and hedged items Hedging instruments: Interest rate swaps transactions Hedged items: Long-term loans payable</p> <p>(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.</p> <p>(4) Method of assessing hedge effectiveness The Investment Corporation assesses hedge effectiveness by comparing the cumulative total changes in the cash flows of the hedged items with those of the hedging instruments, and then verifying the ratio of the changes in both amounts. However, hedge effectiveness is deemed to have been ensured with respect to interest rate swaps that satisfy the requirements for special treatment.</p>								
5. 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 mature within three months of the date of acquisition.								

6. Other important matters related to the preparation of financial statements	<p>(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 operations. Of the trust assets accounted for under the respective account items, the following items with significance are separately indicated on the balance sheets.</p> <ul style="list-style-type: none"> 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 <p>(2) Accounting method for consumption tax and local consumption tax Consumption tax and local consumption tax are accounted for by the tax-exclusion method. Consumption taxes unqualified for deduction for tax purposes for non-current assets, etc. are included in acquisition cost for each asset.</p>
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Notes to Balance Sheets

1. Commitment Line Contracts

The Investment Corporation has the commitment line contracts with four of the banks (as of November 30, 2017) and three of the banks (as of May 31, 2018), respectively.

	As of November 30, 2017	As of May 31, 2018
Total amount specified in the commitment line contracts	¥20,000,000 thousand	¥20,000,000 thousand
Loan balance	—	—
Net balance	¥20,000,000 thousand	¥20,000,000 thousand

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

	As of November 30, 2017	As of May 31, 2018
	¥50,000 thousand	¥50,000 thousand

Notes to Statements of Operations

*1. Breakdown of Income from Real Estate Leasing Business

(Unit: Thousands of yen)

	Previous fiscal period (From June 1, 2017 to November 30, 2017)		Current fiscal period (From December 1, 2017 to May 31, 2018)	
A. Real estate leasing business revenues				
Lease business revenue				
Rent	10,738,149		11,196,642	
Common service fees	830,944		851,982	
Parking lot fees	209,935		267,359	
Other rent revenue	82,041	11,861,072	93,445	12,409,430
Other lease business revenue		859,517		917,584
Total real estate leasing business revenues		12,720,589		13,327,014
B. Real estate leasing business expenses				
Expenses related to rent business				
Management operation expenses	1,062,726		1,225,076	
Utilities expenses	791,991		836,857	
Tax and public dues	887,699		895,539	
Insurance	9,090		8,795	
Repair and maintenance expenses	304,182		235,857	
Depreciation	1,189,537		1,234,521	
Loss on retirement of non-current assets	—		284	
Other expenses related to rent business	264,192	4,509,419	269,303	4,706,236
Total real estate leasing business expenses		4,509,419		4,706,236
C. Income from real estate leasing business (A – B)		8,211,169		8,620,778

Notes to Statements of Changes in Unitholders' Equity

*1. Total number of authorized investment units and total number of investment units issued are as follows:

	Previous fiscal period (From June 1, 2017 to November 30, 2017)	Current fiscal period (From December 1, 2017 to May 31, 2018)
Total number of authorized investment units	4,000,000 units	4,000,000 units
Total number of investment units issued	665,214 units	698,704 units

Notes to Statements of Cash Flows

*1. Reconciliation between Cash and Cash Equivalents at End of Period and the Amount on the Balance Sheets

	Previous fiscal period (From June 1, 2017 to November 30, 2017)	Current fiscal period (From December 1, 2017 to May 31, 2018)
Cash and deposits	¥15,165,946 thousand	¥9,498,104 thousand
Cash and deposits in trust	¥2,723,436 thousand	¥3,116,967 thousand
Cash and cash equivalents	¥17,889,382 thousand	¥12,615,072 thousand

Notes to Lease Rental Revenues

The Investment Corporation leases properties on which rental revenues are earned. As of November 30, 2017 and May 31, 2018, future lease revenues under non-cancelable operating leases are summarized as follows:

	As of November 30, 2017	As of May 31, 2018
Due within one year	¥10,224,608 thousand	¥12,024,634 thousand
Due after one year	¥42,873,522 thousand	¥50,559,841 thousand
Total	¥53,098,130 thousand	¥62,584,475 thousand

Notes on Financial Instruments

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 financing 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.

The Investment Corporation also invests temporary excess funds in deposits in general, taking safety and liquidity, etc. into account and considering the interest-rate environment and its cash management.

The Investment Corporation may carry out derivatives transactions for the purpose of hedging the interest-rate risk of borrowings and other risks, but does 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, the Investment Corporation deposits excess funds carefully by limiting the period of deposits to the short term, taking safety and liquidity, etc. into account and considering the financial environment and its cash management.

Borrowings and investment corporation bond 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, investment corporation bond, tenant leasehold and security deposits are exposed to liquidity risks at the time of repayments. However, these risks are managed through management of liquidity in hand by preparing a monthly funding plan, efforts to reduce liquidity risk on loans payable and investment corporation bond by diversifying repayment periods, etc., and other means.

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

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

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

2. Matters Regarding Fair Values of Financial Instruments

Carrying amounts, fair values, and the differences between the two values as of November 30, 2017, are as shown below. Financial instruments whose fair value is considered to be extremely difficult to determine are not included in this table (please refer to (Note 2)).

(Unit: Thousands of yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	15,165,946	15,165,946	—
(2) Cash and deposits in trust	2,723,436	2,723,436	—
Total assets	17,889,382	17,889,382	—
(1) Short-term loans payable	10,000,000	10,000,000	—
(2) Current portion of long-term loans payable	25,000,000	25,075,199	75,199
(3) Investment corporation bonds	16,000,000	16,195,996	195,996
(4) Long-term loans payable	145,150,000	146,708,543	1,558,543
Total liabilities	196,150,000	197,979,740	1,829,740
Derivative transactions	72,117	72,117	—

Carrying amounts, fair values, and the differences between the two values as of May 31, 2018, are as shown below. Financial instruments whose fair value is considered to be extremely difficult to determine are not included in this table (please refer to (Note 2)).

(Unit: Thousands of yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	9,498,104	9,498,104	—
(2) Cash and deposits in trust	3,116,967	3,116,967	—
Total assets	12,615,072	12,615,072	—
(1) Short-term loans payable	9,100,000	9,100,000	—
(2) Current portion of investment corporation bonds	4,000,000	4,011,819	11,819
(3) Current portion of long-term loans payable	18,500,000	18,535,570	35,570
(4) Investment corporation bonds	14,000,000	14,225,517	225,517
(5) Long-term loans payable	153,750,000	155,002,178	1,252,178
Total liabilities	199,350,000	200,875,086	1,525,086
Derivative transactions	74,904	74,904	—

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

Assets

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

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

Liabilities

(1) Short-term loans payable

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

(2) Current portion of investment corporation bonds, (4) Investment corporation bonds

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

(3) Current portion of long-term loans payable, (5) 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 rates, 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 (however, for long-term loans payable with floating interest rates to which special treatment for interest rate swaps is applied, the fair value is the value calculated by discounting the sum of principal and interest, which are treated in combination with the said interest rate swap, at a reasonable rate estimated for a similar new loan).

Derivative transactions

Please refer to “Notes on Derivative Transactions.”

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

(Unit: Thousands of yen)

Category	As of November 30, 2017	As of May 31, 2018
Tenant leasehold and security deposits in trust *1	19,582,816	20,604,450

*1 As there are no market prices for tenant leasehold and 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 tenant leasehold and security deposits in trust is not subject to the disclosure of fair value.

(Note 3) Expected Amounts of Repayment of Monetary Claims after the Account Closing Date (November 30, 2017)

(Unit: Thousands of yen)

	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years
Deposits	15,165,946	—	—	—	—	—
Deposits in trust	2,723,436	—	—	—	—	—
Total	17,889,382	—	—	—	—	—

Expected Amounts of Repayment of Monetary Claims after the Account Closing Date (May 31, 2018)

(Unit: Thousands of yen)

	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years
Deposits	9,498,104	—	—	—	—	—
Deposits in trust	3,116,967	—	—	—	—	—
Total	12,615,072	—	—	—	—	—

(Note 4) Expected Amounts of Repayment of Loans Payable and Investment Corporation Bonds after the Account Closing Date (November 30, 2017)

(Unit: 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	10,000,000	—	—	—	—	—
Investment corporation bonds	—	4,000,000	6,000,000	—	—	6,000,000
Long-term loans payable	25,000,000	19,600,000	7,300,000	12,500,000	14,500,000	91,250,000
Total	35,000,000	23,600,000	13,300,000	12,500,000	14,500,000	97,250,000

Expected Amounts of Repayment of Loans Payable and Investment Corporation Bonds after the Account Closing Date (May 31, 2018)

(Unit: 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	9,100,000	—	—	—	—	—
Investment corporation bonds	4,000,000	6,000,000	—	—	1,000,000	7,000,000
Long-term loans payable	18,500,000	20,400,000	12,500,000	9,100,000	19,000,000	92,750,000
Total	31,600,000	26,400,000	12,500,000	9,100,000	20,000,000	99,750,000

Notes on Derivative Transactions

1. Derivative transaction to which hedge accounting is not applied

(As of November 30, 2017)

Not applicable

(As of May 31, 2018)

Not applicable

2. Derivative transaction to which hedge accounting is applied

(As of November 30, 2017)

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.

(Unit: 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		
Deferred hedge accounting	Interest rate swaps Receive floating Pay fixed	Long-term loans payable	14,400,000	14,400,000	72,117	Based on prices, etc. indicated by partner financial institutions
Special treatment for interest rate swaps	Interest rate swaps Receive floating Pay fixed	Long-term loans payable	10,000,000	5,000,000	*	—

* 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 “(Note 1) Liabilities (5), 2. Matters Regarding Fair Values of Financial Instruments, Notes on Financial Instruments.”)

(As of May 31, 2018)

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.

(Unit: 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		
Deferred hedge accounting	Interest rate swaps Receive floating Pay fixed	Long-term loans payable	14,400,000	14,400,000	74,904	Based on prices, etc. indicated by partner financial institutions
Special treatment for interest rate swaps	Interest rate swaps Receive floating Pay fixed	Long-term loans payable	5,000,000	5,000,000	*	—

* 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 “(Note 1) Liabilities (5), 2. Matters Regarding Fair Values of Financial Instruments, Notes on Financial Instruments.”)

Notes on Deferred Tax Accounting

1. Components of Deferred Tax Assets and Deferred Tax Liabilities

	As of November 30, 2017	As of May 31, 2018
Deferred tax assets		
Non-deductible amount for tax purposes of enterprise tax payable	¥18 thousand	¥5 thousand
Total deferred tax assets	¥18 thousand	¥5 thousand
Net deferred tax assets	¥18 thousand	¥5 thousand

2. Reconciliation of Significant Difference between Effective Statutory Tax Rate and Effective Income Tax Rate after Application of Deferred Tax Accounting

	As of November 30, 2017	As of May 31, 2018
Effective statutory tax rate	31.74%	31.74%
(Adjustments)		
Distributions paid included in deductibles	(31.73)%	(31.74)%
Other	0.01%	0.01%
Effective income tax rate after application of tax effect accounting	0.02%	0.01%

Notes on Transactions with Related Parties

1. Parent Company and Major Corporate Unitholders

Previous fiscal period (From June 1, 2017 to November 30, 2017)

Not applicable

Current fiscal period (From December 1, 2017 to May 31, 2018)

Not applicable

2. Affiliates, etc.

Previous fiscal period (From June 1, 2017 to November 30, 2017)

Not applicable

Current fiscal period (From December 1, 2017 to May 31, 2018)

Not applicable

3. Sister companies, etc.

Previous fiscal period (From June 1, 2017 to November 30, 2017)

Not applicable

Current fiscal period (From December 1, 2017 to May 31, 2018)

Not applicable

4. Directors and major individual unitholders

Previous fiscal period (From June 1, 2017 to November 30, 2017)

Not applicable

Current fiscal period (From December 1, 2017 to May 31, 2018)

Not applicable

Notes on Investment and Rental Properties

The Investment Corporation holds Urban Retail and Tokyo Office properties, etc. in Tokyo and other regions for rental revenue. The carrying amounts on the balance sheet, changes during the fiscal period, and fair values of investment and rental properties are as follows.

(Unit: Thousands of yen)

Use		Previous fiscal period (From June 1, 2017 to November 30, 2017)	Current fiscal period (From December 1, 2017 to May 31, 2018)
Urban Retail Properties	Carrying amount on the balance sheets		
	Balance at beginning of period	154,110,630	153,842,632
	Changes during period	(267,998)	18,305,434
	Balance at end of period	153,842,632	172,148,067
	Fair value at end of period	187,050,000	205,947,000
Tokyo Office Properties	Carrying amount on the balance sheets		
	Balance at beginning of period	176,243,083	175,846,419
	Changes during period	(396,664)	(443,854)
	Balance at end of period	175,846,419	175,402,564
	Fair value at end of period	198,870,000	201,240,000
Activia Account Properties	Carrying amount on the balance sheets		
	Balance at beginning of period	77,476,991	77,256,285
	Changes during period	(220,705)	6,091,983
	Balance at end of period	77,256,285	83,348,268
	Fair value at end of period	89,970,000	97,800,000
Total	Carrying amount on the balance sheets		
	Balance at beginning of period	407,830,705	406,945,337
	Changes during period	(885,368)	23,953,563
	Balance at end of period	406,945,337	430,898,900
	Fair value at end of period	475,890,000	504,987,000

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

(Note 2) The main reason for the increase in the current fiscal period is the acquisition of three properties (A-FLAG KITA SHINSAIBASHI, DECKS Tokyo Beach and Commercial Mall Hakata) worth ¥24,110,584 thousand. The decrease is mainly due to the provision of depreciation worth ¥1,234,521 thousand.

(Note 3) The fair value at end of period is the appraisal value provided by an independent real estate appraiser.

The income/loss concerning investment and rental properties is indicated under "Notes to Statements of Operations."

Segment Information

Segment Information for the fiscal periods ended November 30, 2017 and May 31, 2018 is as follows:

1. Operating Segment Information

Disclosure is omitted as the Investment Corporation is comprised of a single reportable segment engaged in the property rental business.

2. Enterprise-wide Disclosures

(1) Information about Products and Services

Disclosure is not required as revenues from external customers for the single segment is in excess of 90% of total revenues.

(2) Information about Geographic Areas

Revenues from Overseas Customers:

Disclosure is not required as revenues from external customers attributed to Japan are in excess of 90% of total revenues.

Property, plant and equipment:

Disclosure is not required as Property, plant and equipment located in Japan are in excess of 90% of total Property, plant and equipment.

3. Information about Major Customers

Previous fiscal period (From June 1, 2017 to November 30, 2017)

(Unit: Thousands of yen)		
Name of Customer	Revenues	Related Segment
Tokyu Community Corp.	4,252,600	Property rental business
Tokyu Land SC Management Corporation	4,161,768	Property rental business
Tokyu Land Corporation	2,148,014	Property rental business

Current fiscal period (From December 1, 2017 to May 31, 2018)

(Unit: Thousands of yen)		
Name of Customer	Revenues	Related Segment
Tokyu Community Corp.	4,616,099	Property rental business
Tokyu Land SC Management Corporation	4,530,224	Property rental business
Tokyu Land Corporation	2,113,698	Property rental business

Per Unit Information

	Previous fiscal period (From June 1, 2017 to November 30, 2017)	Current fiscal period (From December 1, 2017 to May 31, 2018)
Net assets per unit	¥313,467	¥320,275
Basic earnings per unit	¥9,346	¥9,493

(Note 1) Basic earnings per unit is calculated by dividing profit by the day-weighted average number of investment units for the period (previous fiscal period 665,214 units; current fiscal period 696,324 units). Diluted earnings per unit is not stated, as there is no potential investment unit.

(Note 2) The basis for calculating basic earnings per unit is as follows:

	Previous fiscal period (From June 1, 2017 to November 30, 2017)	Current fiscal period (From December 1, 2017 to May 31, 2018)
Profit (Thousands of yen)	6,217,281	6,610,811
Amount not attributable to common unitholders (Thousands of yen)	—	—
Profit attributable to common investment units (Thousands of yen)	6,217,281	6,610,811
Average number of investment units for the period (Units)	665,214	696,324

Significant Subsequent Events

Not applicable

Omission of Disclosure

As the need for disclosing notes on securities, retirement benefits, equity in earnings of affiliates, and asset retirement obligations in this financial report is not material or applicable, the disclosure of these items is omitted.

VIII. Schedule of Financial Statements

Securities

1. Shares

Not applicable

2. Securities Other Than Shares

Not applicable

Derivative Transactions

(Unit: Thousands of yen)

Classification	Type of derivative transactions	Amount of contract (Note 1)		Fair value (Note 2) (Note 3)
			Portion due after one year	
Over-the-counter	Interest rate swaps Receive floating Pay fixed	19,400,000	19,400,000	74,904
Total		19,400,000	19,400,000	74,904

(Note 1) The amounts of contract do not represent the market risk exposure associated with the derivative instruments.

(Note 2) The interest rate swaps which qualify for hedge accounting and meet specific criteria are not measured at fair value in the balance sheets and the interest received or paid under the interest rate swap contracts is recognized on an accrual basis.

(Note 3) Fair value is based on prices, etc. indicated by partner financial institutions.

Property and Equipment

The following tables show the summary of movement in property and equipment.

(Unit: Thousands of yen)

		Beginning balance	Increase	Decrease	Ending Balance	Accumulated depreciation	Depreciation for the period	Net property, plant and equipment
Tangible Assets	Buildings in trust	79,354,657	3,696,521	685	83,050,493	9,675,982	1,172,947	73,374,511
	Structures in trust	638,231	51,517	—	689,748	150,438	17,726	539,310
	Machinery and equipment in trust	1,364,809	—	—	1,364,809	300,583	29,510	1,064,225
	Tools, furniture and fixtures in trust	150,520	32,880	—	183,401	82,287	14,134	101,113
	Land in trust (Note1)	325,281,819	21,407,450	—	346,689,270	—	—	346,689,270
	Construction in progress in trust	1,126	—	1,126	—	—	—	—
	Subtotal	406,791,164	25,188,369	1,811	431,977,722	10,209,291	1,234,318	421,768,431
Intangible Assets	Leasehold rights in trust	9,130,097	—	—	9,130,097	—	—	9,130,097
	Other (Note2)	7,153	—	—	7,153	4,577	457	2,575
	Subtotal	9,137,251	—	—	9,137,251	4,577	457	9,132,673
Total		415,928,415	25,188,369	1,811	441,114,974	10,213,869	1,234,776	430,901,104

(Note1) The main reason for the increase in the fiscal period ended May 31, 2018 is the acquisition of 3properties (A-FLAG KITA SHINSAIBASHI, DECKS Tokyo Beach, Commercial Mall Hakata).

(Note2) “Other” is software (non-real estate asset).

Other Specified Assets

Not applicable

Investment Corporation Bonds

(Unit: Thousands of yen)

Issue	Issue Date	Beginning balance	Decrease	Ending balance	Interest Rate	Redemption Date	Use of funds	Remarks
1st unsecured bonds (with pari passu conditions among specified investment corporation bonds)	April 25, 2014	4,000,000	—	4,000,000	0.370%	April 25, 2019	Partial repayment of the long-term borrowings	Unsecured, non-guaranteed
2nd unsecured bonds (with pari passu conditions among specified investment corporation bonds)	April 21, 2015	2,000,000	—	2,000,000	0.297%	April 21, 2020	Partial repayment of the long-term borrowings	Unsecured, non-guaranteed
3rd unsecured bonds (with pari passu conditions among specified investment corporation bonds)	April 21, 2015	2,000,000	—	2,000,000	0.726%	April 21, 2025	Partial repayment of the long-term borrowings	Unsecured, non-guaranteed
4th unsecured bonds (with pari passu conditions among specified investment corporation bonds)	February 3, 2016	2,000,000	—	2,000,000	0.770%	February 3, 2026	Partial repayment of the long-term borrowings	Unsecured, non-guaranteed
5th unsecured bonds (with pari passu conditions among specified investment corporation bonds)	February 2, 2017	4,000,000	—	4,000,000	0.001%	January 31, 2020	Partial repayment of the long-term borrowings	Unsecured, non-guaranteed
6th unsecured bonds (with pari passu conditions among specified investment corporation bonds)	February 2, 2017	1,000,000	—	1,000,000	0.480%	February 2, 2027	Partial repayment of the long-term borrowings	Unsecured, non-guaranteed
7th unsecured bonds (with pari passu conditions among specified investment corporation bonds)	February 2, 2017	1,000,000	—	1,000,000	0.810%	February 2, 2032	Partial repayment of the long-term borrowings	Unsecured, non-guaranteed
8th unsecured bonds (with pari passu conditions among specified investment corporation bonds)	February 13, 2018	—	—	1,000,000	0.160%	August 12, 2022	Partial repayment of the long-term borrowings	Unsecured, non-guaranteed
9th unsecured bonds (with pari passu conditions among specified investment corporation bonds)	February 13, 2018	—	—	1,000,000	1.050%	February 12, 2038	Partial repayment of the long-term borrowings	Unsecured, non-guaranteed
Total	—	16,000,000	—	18,000,000	—	—	—	—

(Note) Annual redemptions of investment corporation bonds scheduled for next five years after each balance sheet date were as follows:

(Unit: Thousands of yen)

	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years
Unsecured bonds (with pari passu conditions among specified investment corporation bonds)	4,000,000	6,000,000	—	—	1,000,000

Loans Payable

The following tables show the details of loans payable.

(Unit: Thousands of yen)									
	Category	Beginning balance	Increase	Decrease	Ending balance	Average interest rate (Note 1)	Maturity date	Use of funds	Remarks
	Lender								
Short-term loans payable	Sumitomo Mitsui Trust Bank, Limited	1,250,000	—	1,250,000	—	0.17422%	March 16, 2018	(Note 3)	Unsecured, non-guaranteed
	Mizuho Bank, Ltd.	1,250,000	—	1,250,000	—				
	MUFG Bank, Ltd. (Note 6) (Note7)	2,500,000	—	2,500,000	—				
	Sumitomo Mitsui Trust Bank, Limited	1,250,000	—	—	1,250,000	0.18120%	June 1, 2018	(Note 4)	Unsecured, non-guaranteed
	Mizuho Bank, Ltd.	1,250,000	—	—	1,250,000				
	MUFG Bank, Ltd. (Note 6) (Note7)	2,500,000	—	—	2,500,000				
	Sumitomo Mitsui Trust Bank, Limited	—	1,025,000	—	1,025,000	0.18377%	January 9, 2019	(Note 4)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6) (Note7)	—	2,050,000	—	2,050,000				
	Mizuho Bank, Ltd.	—	1,025,000	—	1,025,000				
	Total	10,000,000	4,100,000	5,000,000	9,100,000				
Long-term loans payable (Note 2)	Sumitomo Mitsui Trust Bank, Limited	780,000	—	780,000	—	0.49815%	January 9, 2018	(Note 3)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6) (Note7)	780,000	—	780,000	—	0.49815%	January 9, 2018	(Note 3)	Unsecured, non-guaranteed
	Mizuho Bank, Ltd.	780,000	—	780,000	—	0.49815%	January 9, 2018	(Note 3)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6)	780,000	—	780,000	—	0.49815%	January 9, 2018	(Note 3)	Unsecured, non-guaranteed
	Sumitomo Mitsui Banking Corporation	390,000	—	390,000	—	0.49815%	January 9, 2018	(Note 3)	Unsecured, non-guaranteed
	Development Bank of Japan Inc.	390,000	—	390,000	—	0.49815%	January 9, 2018	(Note 3)	Unsecured, non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	4,100,000	—	4,100,000	—	0.16500%	January 9, 2018	(Note 3)	Unsecured, non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	5,000,000	—	5,000,000	—	0.68315% (Note 5)	March 31, 2018	(Note 4)	Unsecured, non-guaranteed
	Mizuho Bank, Ltd.	3,000,000	—	—	3,000,000	1.06309%	June 13, 2018	(Note 3)	Unsecured, non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	3,000,000	—	—	3,000,000				
	MUFG Bank, Ltd. (Note 6) (Note7)	6,000,000	—	—	6,000,000				
	Sumitomo Mitsui Trust Bank, Limited	500,000	—	—	500,000	0.52304%	January 9, 2019	(Note 3)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6) (Note7)	500,000	—	—	500,000	0.52304%	January 9, 2019	(Note 3)	Unsecured, non-guaranteed
	Mizuho Bank, Ltd.	500,000	—	—	500,000	0.52304%	January 9, 2019	(Note 3)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6)	500,000	—	—	500,000	0.52304%	January 9, 2019	(Note 3)	Unsecured, non-guaranteed
	Sumitomo Mitsui Banking Corporation	250,000	—	—	250,000	0.52304%	January 9, 2019	(Note 3)	Unsecured, non-guaranteed
	Development Bank of Japan Inc.	250,000	—	—	250,000	0.52304%	January 9, 2019	(Note 3)	Unsecured, non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	800,000	—	—	800,000	0.91941%	April 19, 2019	(Note 3)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6) (Note7)	800,000	—	—	800,000	0.91941%	April 19, 2019	(Note 3)	Unsecured, non-guaranteed
	Mizuho Bank, Ltd.	800,000	—	—	800,000	0.91941%	April 19, 2019	(Note 3)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6)	800,000	—	—	800,000	0.91941%	April 19, 2019	(Note 3)	Unsecured, non-guaranteed

(Unit: Thousands of yen)

	Category	Beginning balance	Increase	Decrease	Ending balance	Average interest rate (Note 1)	Maturity date	Use of funds	Remarks
	Lender								
Long-term loans payable (Note 2)	Sumitomo Mitsui Banking Corporation	400,000	—	—	400,000	0.91941%	April 19, 2019	(Note 3)	Unsecured, non-guaranteed
	Development Bank of Japan Inc.	400,000	—	—	400,000	0.91941%	April 19, 2019	(Note 3)	Unsecured, non-guaranteed
	Development Bank of Japan Inc.	6,000,000	—	—	6,000,000	1.19051%	June 13, 2019	(Note 3)	Unsecured, non-guaranteed
	Mizuho Trust & Banking Co.,LTD.	1,200,000	—	—	1,200,000	0.02875% (Note 5)	June 28, 2019	(Note 4)	Unsecured, non-guaranteed
	The Norinchukin Bank	1,200,000	—	—	1,200,000				
	Sumitomo Mitsui Trust Bank, Limited	340,000	—	—	340,000	0.54352%	July 9, 2019	(Note 3)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6) (Note7)	340,000	—	—	340,000	0.54352%	July 9, 2019	(Note 3)	Unsecured, non-guaranteed
	Mizuho Bank, Ltd.	340,000	—	—	340,000	0.54352%	July 9, 2019	(Note 3)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6)	340,000	—	—	340,000	0.54352%	July 9, 2019	(Note 3)	Unsecured, non-guaranteed
	Sumitomo Mitsui Banking Corporation	170,000	—	—	170,000	0.54352%	July 9, 2019	(Note 3)	Unsecured, non-guaranteed
	Development Bank of Japan Inc.	170,000	—	—	170,000	0.54352%	July 9, 2019	(Note 3)	Unsecured, non-guaranteed
	Mizuho Trust & Banking Co.,LTD.	1,500,000	—	—	1,500,000	0.51000%	August 29, 2019	(Note 4)	Unsecured, non-guaranteed
	Shinkin Central Bank	1,500,000	—	—	1,500,000				
	Sumitomo Mitsui Trust Bank, Limited	160,000	—	—	160,000	0.93846%	January 10, 2020	(Note 3)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6) (Note7)	160,000	—	—	160,000	0.93846%	January 10, 2020	(Note 3)	Unsecured, non-guaranteed
	Mizuho Bank, Ltd.	160,000	—	—	160,000	0.93846%	January 10, 2020	(Note 3)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6)	160,000	—	—	160,000	0.93846%	January 10, 2020	(Note 3)	Unsecured, non-guaranteed
	Sumitomo Mitsui Banking Corporation	80,000	—	—	80,000	0.93846%	January 10, 2020	(Note 3)	Unsecured, non-guaranteed
	Development Bank of Japan Inc.	80,000	—	—	80,000	0.93846%	January 10, 2020	(Note 3)	Unsecured, non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	600,000	—	—	600,000	0.72546%	January 10, 2020	(Note 4)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6) (Note7)	600,000	—	—	600,000	0.72546%	January 10, 2020	(Note 4)	Unsecured, non-guaranteed
	Mizuho Bank, Ltd.	600,000	—	—	600,000	0.72546%	January 10, 2020	(Note 4)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6)	600,000	—	—	600,000	0.72546%	January 10, 2020	(Note 4)	Unsecured, non-guaranteed
	Sumitomo Mitsui Banking Corporation	300,000	—	—	300,000	0.72546%	January 10, 2020	(Note 4)	Unsecured, non-guaranteed
	Development Bank of Japan Inc.	300,000	—	—	300,000	0.72546%	January 10, 2020	(Note 4)	Unsecured, non-guaranteed
	Resona Bank, Limited.	1,500,000	—	—	1,500,000	0.52500%	March 31, 2020	(Note 4)	Unsecured, non-guaranteed
	The Bank of Fukuoka, Ltd.	1,000,000	—	—	1,000,000				
	The Gunma Bank, Ltd.	500,000	—	—	500,000				
	The Norinchukin Bank	500,000	—	—	500,000				
	Sumitomo Mitsui Trust Bank, Limited	1,060,000	—	—	1,060,000	1.07980%	December 19, 2020	(Note 3)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6) (Note7)	1,060,000	—	—	1,060,000	1.07980%	December 19, 2020	(Note 3)	Unsecured, non-guaranteed
	Mizuho Bank, Ltd.	1,060,000	—	—	1,060,000	1.07980%	December 19, 2020	(Note 3)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6)	1,060,000	—	—	1,060,000	1.07980%	December 19, 2020	(Note 3)	Unsecured, non-guaranteed

(Unit: Thousands of yen)

Category	Lender	Beginning balance	Increase	Decrease	Ending balance	Average interest rate (Note 1)	Maturity date	Use of funds	Remarks
Long-term loans payable (Note 2)	Sumitomo Mitsui Banking Corporation	530,000	—	—	530,000	1.07980%	December 19, 2020	(Note 3)	Unsecured, non-guaranteed
	Development Bank of Japan Inc.	530,000	—	—	530,000	1.07980%	December 19, 2020	(Note 3)	Unsecured, non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	1,340,000	—	—	1,340,000	1.07856%	January 10, 2021	(Note 3)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6) (Note7)	1,340,000	—	—	1,340,000	1.07856%	January 10, 2021	(Note 3)	Unsecured, non-guaranteed
	Mizuho Bank, Ltd.	1,340,000	—	—	1,340,000	1.07856%	January 10, 2021	(Note 3)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6)	1,340,000	—	—	1,340,000	1.07856%	January 10, 2021	(Note 3)	Unsecured, non-guaranteed
	Sumitomo Mitsui Banking Corporation	670,000	—	—	670,000	1.07856%	January 10, 2021	(Note 3)	Unsecured, non-guaranteed
	Development Bank of Japan Inc.	670,000	—	—	670,000	1.07856%	January 10, 2021	(Note 3)	Unsecured, non-guaranteed
	Nippon Life Insurance Company	500,000	—	—	500,000	0.25000%	March 31, 2021	(Note 4)	Unsecured, non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	—	320,000	—	320,000	0.41931%	December 28, 2021	(Note 3)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6) (Note7)	—	640,000	—	640,000				
	Mizuho Bank, Ltd.	—	320,000	—	320,000				
	Sumitomo Mitsui Banking Corporation	—	160,000	—	160,000				
	Development Bank of Japan Inc.	—	160,000	—	160,000				
	Sumitomo Mitsui Trust Bank, Limited	840,000	—	—	840,000	0.73690%	January 9, 2022	(Note 3)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6) (Note7)	840,000	—	—	840,000	0.73690%	January 9, 2022	(Note 3)	Unsecured, non-guaranteed
	Mizuho Bank, Ltd.	840,000	—	—	840,000	0.73690%	January 9, 2022	(Note 3)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6)	840,000	—	—	840,000	0.73690%	January 9, 2022	(Note 3)	Unsecured, non-guaranteed
	Sumitomo Mitsui Banking Corporation	420,000	—	—	420,000	0.73690%	January 9, 2022	(Note 3)	Unsecured, non-guaranteed
	Development Bank of Japan Inc.	420,000	—	—	420,000	0.73690%	January 9, 2022	(Note 3)	Unsecured, non-guaranteed
	Mizuho Trust & Banking Co., LTD.	2,000,000	—	—	2,000,000	0.68500%	March 31, 2022	(Note 4)	Unsecured, non-guaranteed
	Shinkin Central Bank	500,000	—	—	500,000				
	Tokio Marine & Nichido Fire Insurance Co., Ltd.	400,000	—	—	400,000	0.30630%	March 31, 2022	(Note 4)	Unsecured, non-guaranteed
	The 77 Bank, Ltd.	400,000	—	—	400,000				
	Sumitomo Mitsui Trust Bank, Limited	1,500,000	—	—	1,500,000	0.94688%	June 15, 2022	(Note 4)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6) (Note7)	1,500,000	—	—	1,500,000	0.94688%	June 15, 2022	(Note 4)	Unsecured, non-guaranteed
	Mizuho Bank, Ltd.	1,500,000	—	—	1,500,000	0.94688%	June 15, 2022	(Note 4)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6)	1,500,000	—	—	1,500,000	0.94688%	June 15, 2022	(Note 4)	Unsecured, non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	200,000	—	—	200,000	0.65691%	June 15, 2022	(Note 3)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6) (Note7)	200,000	—	—	200,000	0.65691%	June 15, 2022	(Note 3)	Unsecured, non-guaranteed
	Mizuho Bank, Ltd.	200,000	—	—	200,000	0.65691%	June 15, 2022	(Note 3)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6)	200,000	—	—	200,000	0.65691%	June 15, 2022	(Note 3)	Unsecured, non-guaranteed

(Unit: Thousands of yen)

Category	Lender	Beginning balance	Increase	Decrease	Ending balance	Average interest rate (Note 1)	Maturity date	Use of funds	Remarks
Long-term loans payable (Note 2)	Sumitomo Mitsui Banking Corporation	100,000	—	—	100,000	0.65691%	June 15, 2022	(Note 3)	Unsecured, non-guaranteed
	Development Bank of Japan Inc.	100,000	—	—	100,000	0.65691%	June 15, 2022	(Note 3)	Unsecured, non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	1,250,000	—	—	1,250,000	0.61330% (Note 5)	March 30, 2023	(Note 4)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6) (Note7)	1,250,000	—	—	1,250,000	0.61330% (Note 5)	March 30, 2023	(Note 4)	Unsecured, non-guaranteed
	Mizuho Bank, Ltd.	1,250,000	—	—	1,250,000	0.61330% (Note 5)	March 30, 2023	(Note 4)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6)	1,250,000	—	—	1,250,000	0.61330% (Note 5)	March 30, 2023	(Note 4)	Unsecured, non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	—	750,000	—	750,000	0.44804%	March 30, 2023	(Note 4)	Unsecured, non-guaranteed
	Mizuho Bank, Ltd.	—	750,000	—	750,000				
	MUFG Bank, Ltd. (Note 6)	—	750,000	—	750,000				
	Sumitomo Mitsui Banking Corporation	—	375,000	—	375,000				
	Development Bank of Japan Inc.	—	375,000	—	375,000	0.38472%	April 6, 2023	(Note 3)	Unsecured, non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	800,000	—	—	800,000				
	MUFG Bank, Ltd. (Note 6) (Note7)	1,600,000	—	—	1,600,000				
	Mizuho Bank, Ltd.	800,000	—	—	800,000				
	Sumitomo Mitsui Banking Corporation	400,000	—	—	400,000				
	Development Bank of Japan Inc.	400,000	—	—	400,000				
	Sumitomo Mitsui Trust Bank, Limited	1,500,000	—	—	1,500,000	1.06316%	June 15, 2023	(Note 4)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6) (Note7)	1,500,000	—	—	1,500,000	1.06316%	June 15, 2023	(Note 4)	Unsecured, non-guaranteed
	Mizuho Bank, Ltd.	1,500,000	—	—	1,500,000	1.06316%	June 15, 2023	(Note 4)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6)	1,500,000	—	—	1,500,000	1.06316%	June 15, 2023	(Note 4)	Unsecured, non-guaranteed
	Sumitomo Mitsui Banking Corporation	625,000	—	—	625,000	0.75387%	June 15, 2023	(Note 3)	Unsecured, non-guaranteed
	Development Bank of Japan Inc.	625,000	—	—	625,000	0.75387%	June 15, 2023	(Note 3)	Unsecured, non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	1,250,000	—	—	1,250,000	0.46400%	June 15, 2023	(Note 4)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6) (Note7)	2,500,000	—	—	2,500,000				
	Mizuho Bank, Ltd.	1,250,000	—	—	1,250,000				
	Taiyo Life Insurance Company	500,000	—	—	500,000	0.35998%	September 29, 2023	(Note 4)	Unsecured, non-guaranteed
	Mitsui Sumitomo Insurance Company, Limited	500,000	—	—	500,000				
	Sumitomo Mitsui Trust Bank, Limited	1,400,000	—	—	1,400,000	0.78362%	January 12, 2024	(Note 4)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6) (Note7)	1,400,000	—	—	1,400,000	0.78362%	January 12, 2024	(Note 4)	Unsecured, non-guaranteed
	Mizuho Bank, Ltd.	1,400,000	—	—	1,400,000	0.78362%	January 12, 2024	(Note 4)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6)	1,400,000	—	—	1,400,000	0.78362%	January 12, 2024	(Note 4)	Unsecured, non-guaranteed
	Sumitomo Mitsui Banking Corporation	700,000	—	—	700,000	0.78362%	January 12, 2024	(Note 4)	Unsecured, non-guaranteed
	Development Bank of Japan Inc.	700,000	—	—	700,000	0.78362%	January 12, 2024	(Note 4)	Unsecured, non-guaranteed

(Unit: Thousands of yen)

Category	Lender	Beginning balance	Increase	Decrease	Ending balance	Average interest rate (Note 1)	Maturity date	Use of funds	Remarks
Long-term loans payable (Note 2)	Mizuho Trust & Banking Co.,LTD.	2,000,000	—	—	2,000,000	0.41380%	March 29, 2024	(Note 4)	Unsecured, non-guaranteed
	Resona Bank, Limited.	1,500,000	—	—	1,500,000				
	The Bank of Fukuoka, Ltd.	1,000,000	—	—	1,000,000				
	Shinkin Central Bank	500,000	—	—	500,000				
	The Norinchukin Bank	500,000	—	—	500,000				
	Sumitomo Mitsui Trust Bank, Limited	1,200,000	—	—	1,200,000	0.85377%	June 17, 2024	(Note 3)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6) (Note7)	1,200,000	—	—	1,200,000	0.85377%	June 17, 2024	(Note 3)	Unsecured, non-guaranteed
	Mizuho Bank, Ltd.	1,200,000	—	—	1,200,000	0.85377%	June 17, 2024	(Note 3)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6)	1,200,000	—	—	1,200,000	0.85377%	June 17, 2024	(Note 3)	Unsecured, non-guaranteed
	Sumitomo Mitsui Banking Corporation	600,000	—	—	600,000	0.85377%	June 17, 2024	(Note 3)	Unsecured, non-guaranteed
	Development Bank of Japan Inc.	600,000	—	—	600,000	0.85377%	June 17, 2024	(Note 3)	Unsecured, non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	1,500,000	—	—	1,500,000	0.33150% (Note 5)	June 17, 2024	(Note 4)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6) (Note7)	3,000,000	—	—	3,000,000				
	Mizuho Bank, Ltd.	1,500,000	—	—	1,500,000				
	Sumitomo Mitsui Trust Bank, Limited	1,500,000	—	—	1,500,000	0.36900% (Note 5)	December 13, 2024	(Note 4)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6) (Note7)	3,000,000	—	—	3,000,000				
	Mizuho Bank, Ltd.	1,500,000	—	—	1,500,000				
	Sumitomo Mitsui Trust Bank, Limited	1,200,000	—	—	1,200,000	0.54094%	March 21, 2025	(Note 3)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6) (Note7)	2,400,000	—	—	2,400,000				
	Mizuho Bank, Ltd.	1,200,000	—	—	1,200,000				
	Sumitomo Mitsui Banking Corporation	600,000	—	—	600,000				
	Development Bank of Japan Inc.	600,000	—	—	600,000				
	Sumitomo Mitsui Trust Bank, Limited	1,800,000	—	—	1,800,000	0.70169%	September 16, 2025	(Note 3)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6) (Note7)	3,600,000	—	—	3,600,000				
	Mizuho Bank, Ltd.	1,800,000	—	—	1,800,000				
	Sumitomo Mitsui Banking Corporation	900,000	—	—	900,000				
	Development Bank of Japan Inc.	900,000	—	—	900,000				
	Mizuho Trust & Banking Co.,LTD.	—	440,000	—	440,000	0.46453%	September 16, 2025	(Note 4)	Unsecured, non-guaranteed
	Resona Bank, Limited.	—	440,000	—	440,000				
	The Bank of Fukuoka, Ltd.	—	440,000	—	440,000				
	Shinkin Central Bank	—	440,000	—	440,000				
	The Norinchukin Bank	—	440,000	—	440,000				
	THE NISHI-NIPPON CITY BANK, LTD.	—	500,000	—	500,000				
	The Bank of Kyoto, Ltd.	—	300,000	—	300,000				

(Unit: Thousands of yen)

Category	Lender	Beginning balance	Increase	Decrease	Ending balance	Average interest rate (Note 1)	Maturity date	Use of funds	Remarks
Long-term loans payable (Note 2)	Sumitomo Mitsui Trust Bank, Limited	—	500,000	—	500,000	0.58630%	September 16, 2025	(Note 4)	Unsecured, non-guaranteed
	Mizuho Bank, Ltd.	—	500,000	—	500,000				
	MUFG Bank, Ltd. (Note 6)	—	500,000	—	500,000				
	Sumitomo Mitsui Banking Corporation	—	250,000	—	250,000				
	Development Bank of Japan Inc.	—	250,000	—	250,000				
	Sumitomo Mitsui Trust Bank, Limited	2,100,000	—	—	2,100,000	0.61942%	March 19, 2026	(Note 3)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6) (Note7)	4,200,000	—	—	4,200,000				
	Mizuho Bank, Ltd.	2,100,000	—	—	2,100,000				
	Sumitomo Mitsui Banking Corporation	1,050,000	—	—	1,050,000				
	Development Bank of Japan Inc.	1,050,000	—	—	1,050,000				
	Sumitomo Mitsui Banking Corporation	6,000,000	—	—	6,000,000	0.69796%	June 12, 2026	(Note 4)	Unsecured, non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	1,750,000	—	—	1,750,000	0.71015%	December 14, 2026	(Note 4)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6) (Note7)	3,500,000	—	—	3,500,000				
	Mizuho Bank, Ltd.	1,750,000	—	—	1,750,000				
	Sumitomo Mitsui Trust Bank, Limited	—	780,000	—	780,000	0.70698%	January 9, 2027	(Note 4)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6) (Note7)	—	1,560,000	—	1,560,000				
	Mizuho Bank, Ltd.	—	780,000	—	780,000				
	Sumitomo Mitsui Banking Corporation	—	390,000	—	390,000				
	Development Bank of Japan Inc.	—	390,000	—	390,000				
	Sumitomo Mitsui Trust Bank, Limited	—	320,000	—	320,000	0.74869%	July 5, 2027	(Note 3)	Unsecured, non-guaranteed
	MUFG Bank, Ltd. (Note 6) (Note7)	—	640,000	—	640,000				
	Mizuho Bank, Ltd.	—	320,000	—	320,000				
	Sumitomo Mitsui Banking Corporation	—	160,000	—	160,000				
	Development Bank of Japan Inc.	—	160,000	—	160,000				
Total		170,150,000	15,100,000	13,000,000	172,250,000				

(Note 1) Weighted average rate, rounding to the sixth decimal place.

(Note 2) Long-term loans payable include current portion.

(Note 3) Use of the borrowings is acquisition of the real estate trust beneficiary interests.

(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) MUFG Bank, Ltd. changed its name from The Bank of Tokyo-Mitsubishi UFJ, Ltd. as of April 1, 2018.

(Note 7) Corporate loan-related businesses of Mitsubishi UFJ Trust and Banking Corporation has been transferred to MUFG, Ltd. on April 16, 2018.

(Note 8) Annual repayments of long-term loans payable scheduled for next five years after each balance sheet date were as follows:

(Unit: Thousands of yen)

	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years
Long-term loans payable	18,500,000	20,400,000	12,500,000	9,100,000	19,000,000

Independent Auditor's Report



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 Tokyo 100-0006, Japan
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 www.ejapan.jp

Independent Auditor's Report

The Board of Directors
 Activia Properties Inc.

We have audited the accompanying financial statements of Activia Properties Inc., which comprise the balance sheet as at May 31, 2018, and the statements of operations, changes in unitholders' equity, cash distributions and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Activia Properties Inc. as at May 31, 2018, and their financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young ShinNihon LLC

August 29, 2018
 Tokyo, Japan

Overview of the Asset Manager

Overview of the Asset Manager

Corporate name	TLC REIT Management Inc.	Registration & License	Financial Instruments Business Firm, granted by the Director of the Kanto Regional Finance Bureau (Financial Instruments) Registration No. 2370
Established	October 6, 2009		Discretionary Transaction Agent granted by the Minister of Land, Infrastructure, Transport and Tourism, Registration No. 65
Capital	¥200 million		Building Lots and Building Transactions Business License, granted by the Governor of Tokyo (2) No. 91139
Shareholder	Tokyu Land Corporation 100%	President and CEO	Hiroyuki Tohmata

DNA of Tokyu Land Corporation

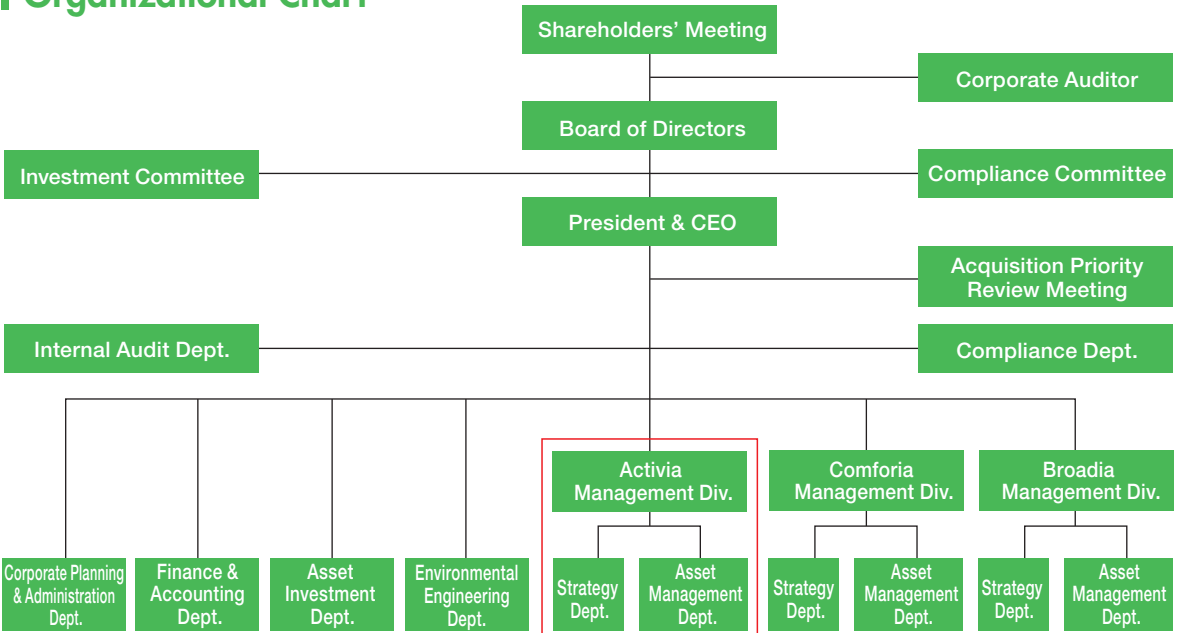
The Tokyu Fudosan Holdings Group generally carries on the frontier spirit and development capabilities of Tokyo Land Corporation in undertaking development mainly in the Tokyo metropolitan area and major cities nationwide. The Group has built up a strong track record as a pioneer in creating businesses ahead of the times in anticipation of customer demands, for example by opening Tokyu Plaza as the forefront of a building complex near the station and Tokyu Hands as a specialty store for daily-life materials.

API's staff, with abundant experience in many fields of the Tokyu Fudosan Holdings Group, engage in J-REIT operations to meet the needs of unitholders.

Proactive Behavior

As an asset manager, API's staff member is required to work proactively (take initiative, foresee and make improvements). API aims at stable asset management over the middle to long term, by not only management and good care of individual properties, but also closely observing and responding early to the changing market environment (real estate transaction, leasing and finance markets).

Organizational Chart

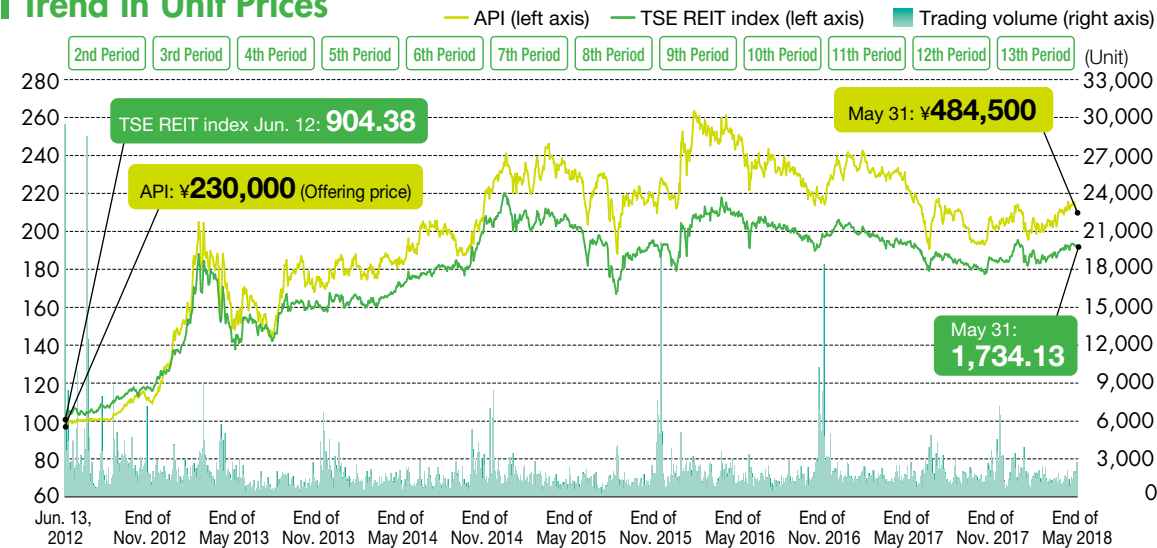


(Note) Newly established as of April 1, 2018.

(Note)

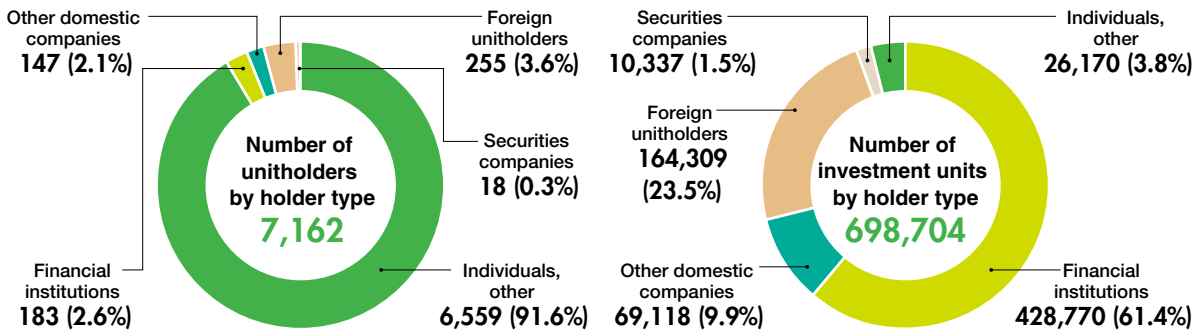
Information on Unitholders

Trend in Unit Prices



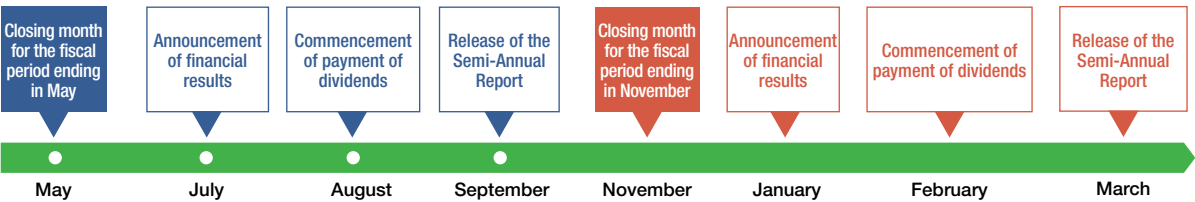
(Note 1) API implemented a 2-for-1 investment unit split with October 1, 2015 as the effective date. To reflect the split, the issue price is indicated as ¥230,000 (half of ¥460,000).
 (Note 2) For API's unit price, the closing prices on and after the listing date are indexed to the offering price being 100.
 (Note 3) For the performance of TSE REIT Index, the closing prices on and after the listing date are indexed to API unit price as of June 12, 2012 being 100.

Distribution of Unitholders



(Note) API implemented a 2-for-1 investment unit split, with October 1, 2015 as the effective date.

Annual Schedule



API Website

We provide all relevant information on our website in a timely and reliable manner.

URL

<https://www.activia-reit.co.jp/en/>



Accessible from smartphone as well.

Unitholder Memo

Account closing dates	May 31 and November 30
Unitholders' meeting	To be held at least once every two years
Record date for unitholders' meeting	A record date based on Article 15, Section 1 of the Articles of Incorporation
Dates for determining cash distribution payments	May 31 and November 30
Administrator of unitholders' registry	Sumitomo Mitsui Trust Bank, Limited 4-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo 168-0063, Japan
Place of business of administrator of unitholders' registry	Stock Transfer Agency Business Planning Department of Sumitomo Mitsui Trust Bank, Limited Mailing address: 4-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo 168-0063, Japan Tel: 0120-782-031 (toll-free, available within Japan only) URL: https://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	Nihon Keizai Shimbun

Change of registered address, name or seal, etc., or designation or change of account for receipt of dividends:

Please contact the securities company.

Dividends

You can receive dividends by presenting a dividend receipt to the nearest head office/branch/office of Japan Post Bank (bank agency). If the period for receipt has already expired, please specify how you wish to receive dividends on the back of the dividend receipt, and then mail it to the Stock Transfer Agency Department, Sumitomo Mitsui Trust Bank, or receive dividends directly at the service counter of the head office/branch of the bank.

In addition, with respect to future dividends, if you wish to receive dividends through transfer to a bank account, etc., please take the necessary procedures at your securities company.

Telephone inquiries	Stock Transfer Agency Business Planning Department of Sumitomo Mitsui Trust Bank, Limited Tel: 0120-782-031 (toll-free, available within Japan only)
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Dividend statement

Pursuant to the provisions of the Act on Special Measures concerning Taxation, with regard to dividends paid by API, API will send to each unitholder a payment notification describing the amount of the dividend, withholding tax and so forth. However, the dividend statement sent along with the dividend payment also functions as the payment notification.

Please note that each unitholder may use the payment notification as an attachment for a tax return. (If you select the method of allocation in proportion to the number of shares held, please ask your securities company for further information.)

Information on Unitholders

Withholding tax rate on dividends of listed investment corporations

Commencement date of the dividend payment	From January 1, 2014 through December 31, 2037		From January 1, 2038	
Dividend tax rate of listed investment corporations	20.315%		20%	
	Breakdown	Income tax 15% + Reconstruction special income tax 0.315% <small>(Note)</small>	Breakdown	Income tax 15%
		Residence tax 5%		Residence tax 5%

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

During the period from January 1, 2013 through December 31, 2037 (25 years), the Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake (2011 Law No. 117) is in force. **As a result, there is a reconstruction special income tax of 2.1%.**

This reconstruction special income tax will be imposed together when income tax is withheld at the source on dividends paid by listed investment corporations.

Additional issues to be aware of are as follows.

■ Matters to be noted regarding the withholding tax on dividends of listed investment corporations

- In the case of an individual unitholder who holds 3% or more of the outstanding investment, the income tax rate is 20.42% (income tax 20% + reconstruction special income tax 0.42% (Note)). However, with regard to residence tax, a separate procedure is required.
- If a corporate unitholder receives dividends, no residence tax will be imposed.

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

■ Matters to be noted regarding the Reconstruction Special Income Tax

- In cases where income tax is non-taxable or exempt, or where the income tax rate is less than the rate provided by domestic laws due to the application of a tax treaty, the reconstruction special income tax will not be imposed.
- With regard to taxes in the case where you have selected the method of allocation in proportion to the number of shares held, please ask your securities company.

For more details, please ask the tax office with jurisdiction over the place of tax payment.



Activia Properties Inc.

API 3279