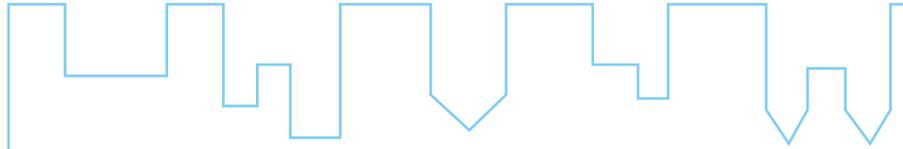


Semi-Annual Report for the 11th Period

From December 1, 2016 to May 31, 2017

11th



Activia Properties Inc.

1-1 Minami-Aoyama 1-chome, Minato-ku, Tokyo <http://www.activia-reit.co.jp/english>



Semi-Annual Report for the 11th Period

From December 1, 2016 to May 31, 2017

► Cash Distributions (Result)

The 11th Period (May 31, 2017)

Cash distributions per unit

¥ 9,248

► Cash Distributions (Forecast)

The 12th Period (November 30, 2017)

Cash distributions per unit

¥ 9,255

The 13th Period (May 31, 2018)

Cash distributions per unit

¥ 9,260

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



Activia Properties Inc. aims at **proactive management** through selecting **real estate favored by retail customers and office tenants** as an urban center and hub for business activity, to maximize unitholder value over the medium to long term. We take initiatives and work proactively to improve our asset management conditions.

Basic Policy of Activia Properties Inc.

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

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

Nariaki Hosoi

Executive Director
Activia Properties Inc.

Thank you very much for your continued support of Activia Properties Inc. (API).

Recently we have closed all accounts for the 11th period (from December 1, 2016 to May 31, 2017), and on June 13 we marked the 5th anniversary of our listing. We owe this achievement to your understanding and continuous support for which we wish to extend our deep appreciation to you.

During this period, Japanese economy continued a mild improvement with an upward trend in capital investment arising from improved corporate earnings. An export recovery was buoyed by the rebound of the world economy and the depreciation of the yen, which happened after

the presidential election in the US, and also with a steady trend in consumer spending.

As for the J-REIT market, even though the TSE REIT index rose after the US presidential election, some declines were seen owing to the unclear outlook for interest rates as well as the new US government's policies. However, the Bank of Japan maintained its easing policy and the number of properties acquired and acquisition prices have continued rising with active funding through public offerings, and J-REITs have continued expanding their asset size.

Regarding retail properties, in the context of a continuously improving employment situation, consumer confidence has rallied. Also, due to an increase in the number of tourists from overseas,

related demand has stayed at a high level even if tourist spending per capita has decreased.

In the office leasing market, the average vacancy rate in the five central wards of Tokyo has diminished steadily, and the rent level continues to rise. Also in major cities other than Tokyo, market recovery can be seen in moderate declines in vacancy rates and higher rent levels.

Under these circumstances, we implemented a public offering in December 2016, for the fourth consecutive year, and acquired Shiodome Building (additional 10% of co-ownership interest), which falls into the "Tokyo Office Properties" category, and three properties in the category "Urban Retail Properties" such as A-FLAG BIJUTSUKAN DORI. In addition, we acquired A-PLACE Shinagawa Higashi from Sponsor group in March 2017. Through these acquisitions, API raised its portfolio to 39 properties and the total acquisition price to ¥407.9 billion.

We achieved continual internal growth in these three categories: sustained upward rent revision in "Tokyo Office Properties," increase in sales-

linked rent at hotels in "Urban Retail Properties," as well as in "Activia Account Properties."

Our portfolio's occupancy rate remained at a high 99.8% at the end of the period.

Given such conditions, as the results of the 11th period, we recorded operating revenue of ¥12,107 million, operating profit of ¥6,980 million and profit of ¥6,151 million. And, we achieved ¥9,248 for distributions per unit (DPU), approximately 5% above the initial forecast (¥8,820).

For the 12th period and onward, we will seek to maximize unitholder value over the medium- to long-term by pursuing external growth and internal growth. We will accomplish this by taking advantage of Tokyu Fudosan Holdings Group's comprehensive value-chain, along with leveraging the expertise and network of TLC REIT Management Inc.

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

Financial Highlights (Millions of yen)

	10th Period	11th Period
Operating revenue	¥ 10,917	¥ 12,107
Operating profit	¥ 6,161	¥ 6,980
Ordinary profit	¥ 5,410	¥ 6,152
Profit	¥ 5,409	¥ 6,151

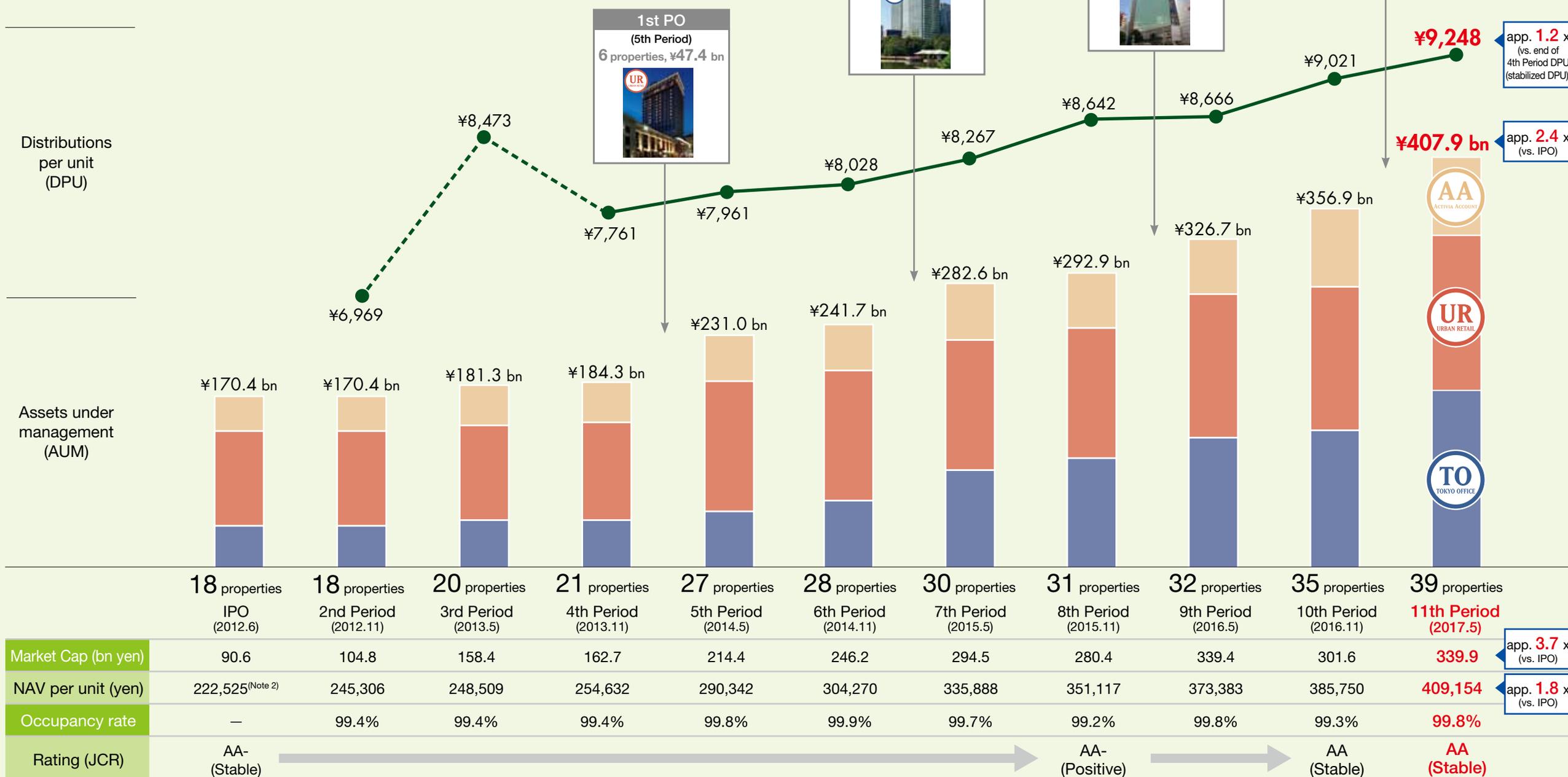
	10th Period	11th Period
Total assets	¥ 371,680	¥ 425,977
Net assets	¥ 177,018	¥ 208,451
Unitholders' equity to total assets (%)	47.6%	48.9%
Net assets per unit (yen) ^(Note)	¥ 295,200	¥ 313,359

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

Topics

1 5-year Trajectory since IPO

- We have achieved continuous steady growth since our IPO by (i) selectively investing in properties with excellent location and quality and (ii) internal growth taking advantage of API strength.
- We keep aiming to maximize unitholder value by proactive asset management from the investor's perspective.



(Note 1) Adjusted for the 2-for-1 unit split effected on October 1, 2015. Thus the figures before the 7th period are shown as half the actual DPU.
 (Note 2) Issue price at IPO.

2 External Growth

5 properties acquired during 11th period (¥51.1 billion)



TO-12 Shiodome Building (additional 10% co-ownership interest)

Location	Kaigan, Minato-ku, Tokyo
Nearest Station	3-minute walk from Hamamatsucho Station on the JR Yamanote Line and other lines 3-minute walk from Daimon Station on the Toei Oedo and Asakusa Lines
Acquisition price	¥20,900 million
Appraisal value	¥21,100 million
vs. Appraisal value	99.1%
Appraisal NOI yield	3.9%
Occupancy rate	99.9% (as of May 31, 2017)

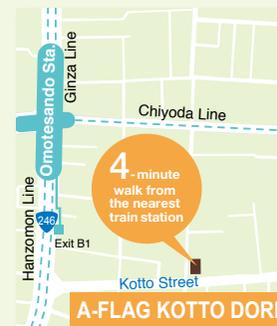


- 3 attractions of Shiodome Building**
- 1. State-of-the-art Office Building**
A high-spec building able to meet various needs
 - 2. Accessibility**
Traffic convenience with easy access to 2 train stations on 5 lines and close to Haneda Airport
 - 3. Growth Potential of the Area**
Further growth with large-scale redevelopment projects

UR-11 A-FLAG KOTTO DORI



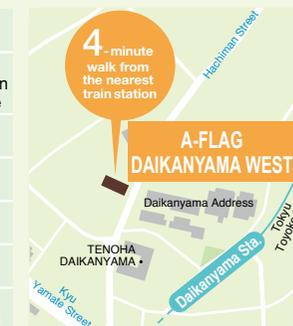
Location	Minami-Aoyama, Minato-ku, Tokyo
Nearest Station	4-minute walk from Omotesando Station on the Tokyo Metro Ginza Line and other lines
Acquisition price	¥4,370 million
Appraisal value	¥4,570 million
vs. Appraisal value	95.6%
Appraisal NOI yield	4.3%
Occupancy rate	100% (as of May 31, 2017)



UR-13 A-FLAG DAIKANYAMA WEST



Location	Sarugakucho, Shibuya-ku, Tokyo
Nearest Station	4-minute walk from Daikanyama Station on the Tokyo Toyo Line
Acquisition price	¥2,280 million
Appraisal value	¥2,300 million
vs. Appraisal value	99.1%
Appraisal NOI yield	4.0%
Occupancy rate	100.0% (as of May 31, 2017)



UR-12 A-FLAG BIJUTSUKAN DORI



Location	Minami-Aoyama, Minato-ku, Tokyo
Nearest Station	7-minute walk from Omotesando Station on the Tokyo Metro Ginza Line and other lines
Acquisition price	¥4,700 million
Appraisal value	¥4,740 million
vs. Appraisal value	99.2%
Appraisal NOI yield	3.9%
Occupancy rate	100.0% (as of May 31, 2017)

- 3 attractions of A-FLAG BIJUTSUKAN DORI**
- 1. Prime Location**
Rare property located along Museum Street in the Omotesando/Minami-Aoyama Area
 - 2. Brand Power**
Tenants include a prestigious jazz club
 - 3. Strong Presence**
Property facing the main street, with good visibility and open atmosphere

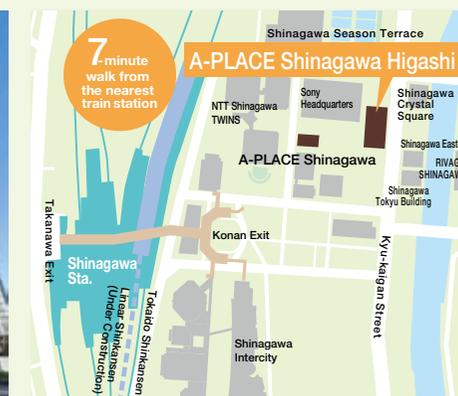


TO-16 A-PLACE Shinagawa Higashi



Location	Konan, Minato-ku, Tokyo
Nearest Station	7-minute walk from Shinagawa Station on the JR and Keiiky Lines
Acquisition price	¥18,800 million
Appraisal value	¥19,000 million
vs. Appraisal value	98.9%
Appraisal NOI yield	4.2%
Occupancy rate	100.0% (as of May 31, 2017)

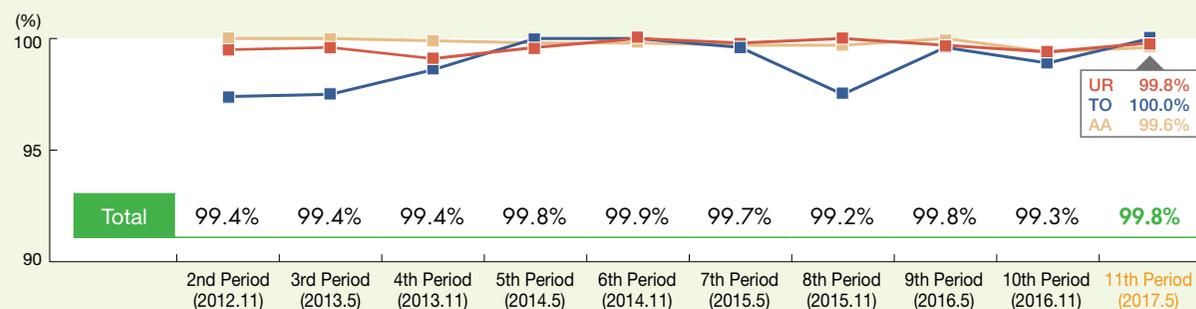
- 3 attractions of A-PLACE Shinagawa Higashi**
- 1. Accessibility**
Shinagawa Station is a terminal station on the Tokaido Shinkansen (bullet train), and has direct access to Haneda Airport via the Keiiky Line
 - 2. Area Potential**
Further growth is expected with the planned opening of the Linear Shinkansen (bullet train)
 - 3. Upside Potential**
Lower-than-Market rent



3 Achievement of Internal Growth

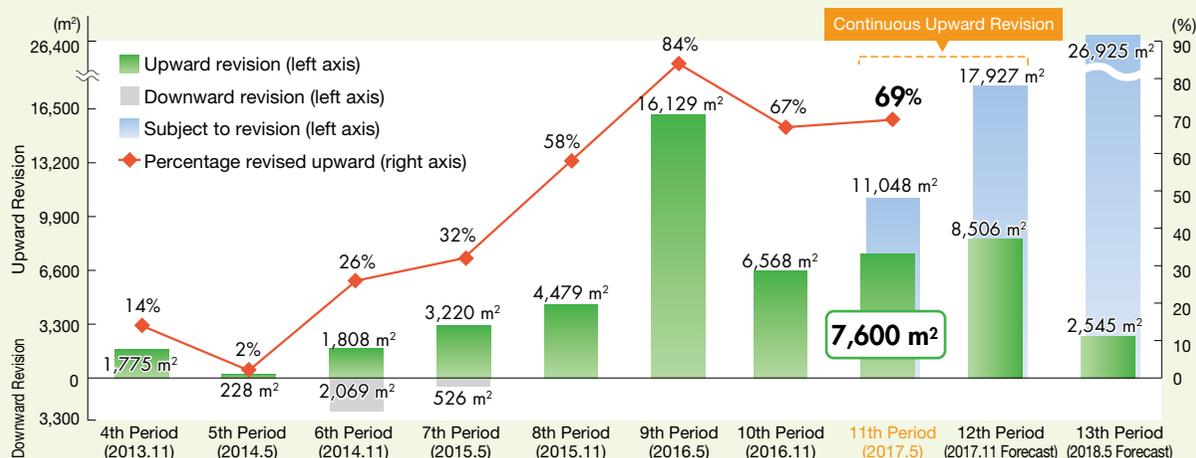
Trend in occupancy rates

Since our listing, we have continuously maintained a high occupancy rate of 99.0% or above at the end of each period.



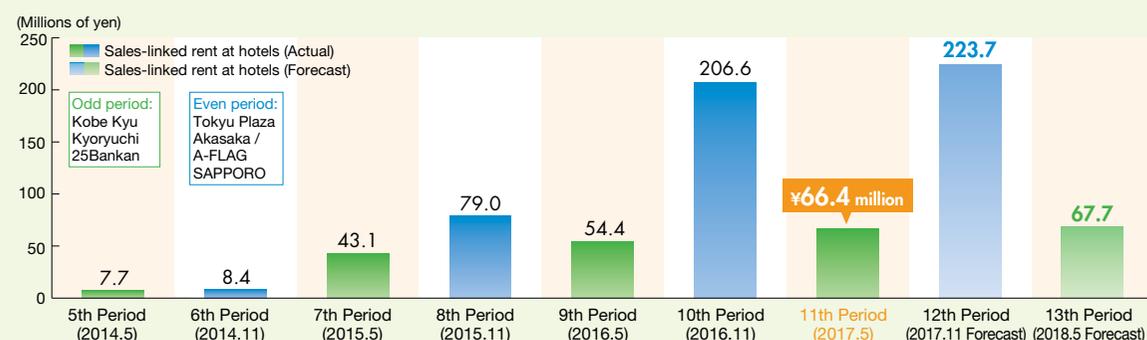
Upward rent revisions for Tokyo Office Properties

We achieved upward rent revisions in approximately 69% out of all lease renewals during the 11th period and the uptrend in rent revisions has continued.



Trend in sales-linked rent at hotels

Sales-linked rent at hotels has increased steadily.



Summary of actual rent change by rent revision and tenant

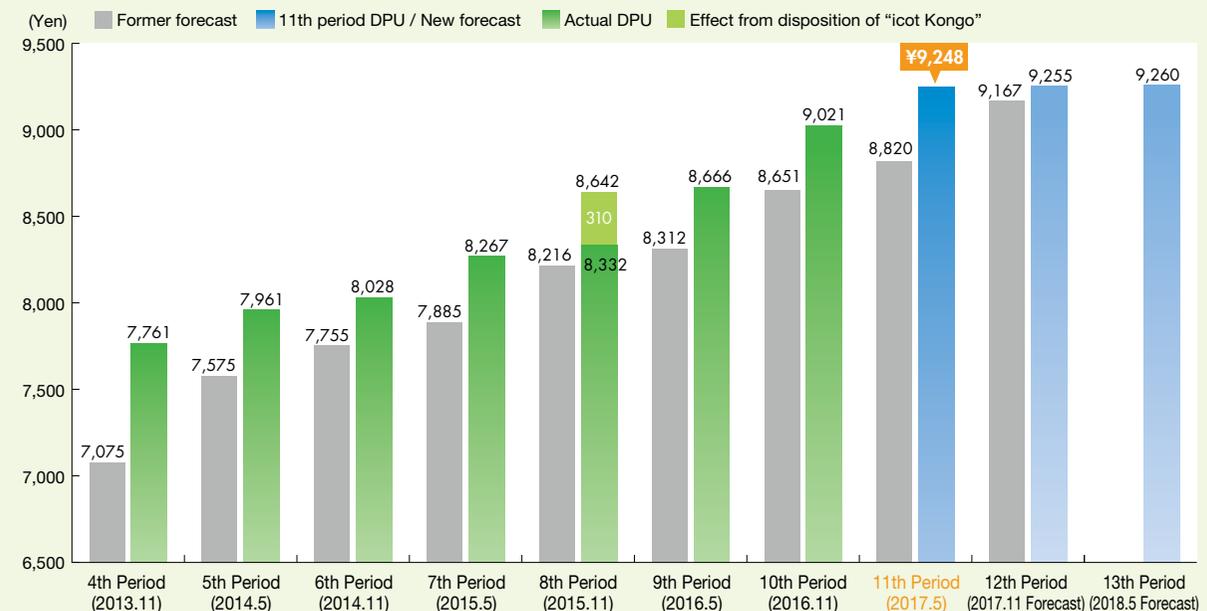
Achieved internal growth in all three categories ("Urban Retail Properties," "Tokyo Office Properties" as well as "Activia Account Properties") through selective investment.

Category	Number of properties	Rate of rent change	Major properties	3 key factors for growth
Urban Retail Properties	16	20%	<ul style="list-style-type: none"> Kobe Kyu Kyoryuchi 25Bankan Q plaza SHINSAIBASHI (1 downward revision) A-FLAG AKASAKA 	<ul style="list-style-type: none"> Realized large rent increases, especially at replacements, maintaining stable income capacity through long-term leases and high fixed rent rates
Tokyo Office Properties	43	8%	<ul style="list-style-type: none"> A-PLACE Ebisu Minami OSAKI WIZTOWER (3 downward revisions) Shiodome Building, A-PLACE Ebisu Minami, A-PLACE Shinagawa 	<ul style="list-style-type: none"> Rent increase in almost all properties taking advantage of properties' potential and the stable need for offices Further internal growth is expected as actual rent gap is -6%
Activia Account Properties	22	11%	<ul style="list-style-type: none"> Osaka Nakanoshima Building Umeda Gate Tower 	<ul style="list-style-type: none"> Achieved upward rent revision and rent increases at tenant replacement by selective investment in competitive properties based on API's judgement
Total	81	11%		

4 Trends in DPU

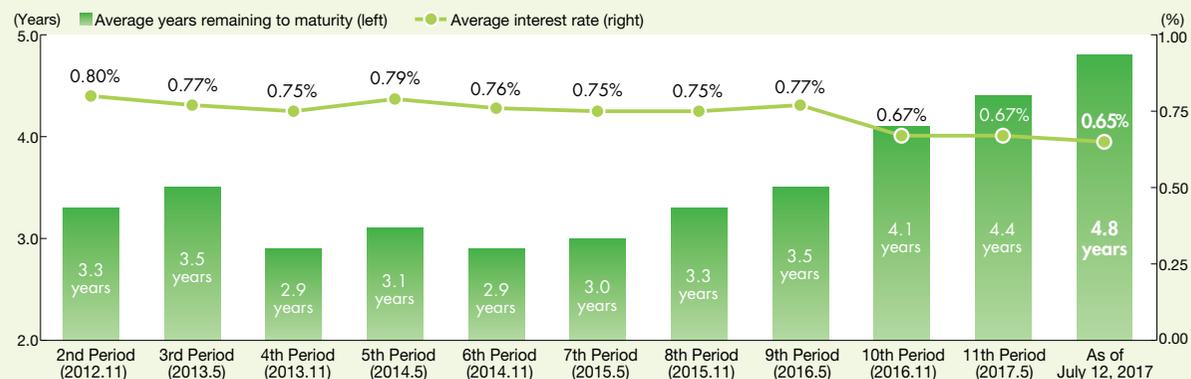
In the 11th period, mainly due to external growth by new contributions from properties acquired in the 11th period and consistent and steady internal growth, actual DPU reached ¥9,248, exceeding the initial forecast for the period (¥8,820), as well as the former forecast for the 12th period (¥9,167).

We are aiming at a DPU level of ¥9,500 in the medium- to long-term through continued steady growth.



5 Financial Strategy

Lengthened average years remaining to debt maturity while lowering average interest rate.



Financial Situation

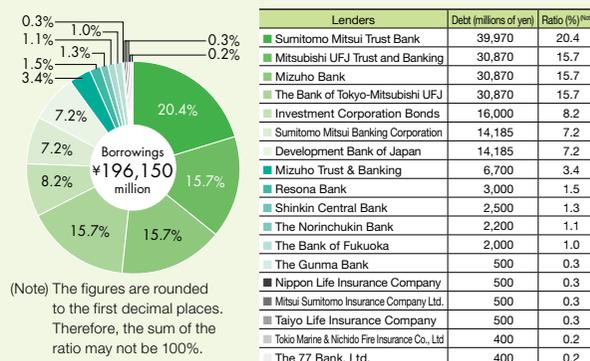
Based on solid bank relationships backed by strong ties with major financial institutions, API will seek to maintain a stable financial base by reducing interest costs and diversifying the maturities of interest-bearing debt.

Key financial indicators

	Nov. 2016 (10th period)	May 2017 (11th period)
Interest-bearing debt outstanding	¥177,150 million	¥196,150 million
LTV (Note 1)	47.7%	46.0%
Long-term borrowing ratio (Note 2)	97.0% (82.0%)	94.9% (82.2%)
Fixed interest ratio (Note 3)	86.5%	92.8%
Average remaining maturity	4.1 years	4.4 years
Average interest rate (Note 3)	0.67%	0.67%

(Note 1) Balance of interest-bearing debt / Total assets × 100
 (Note 2) The figures in parentheses are the long-term borrowing ratio 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



(Note) The figures are rounded to the first decimal places. Therefore, the sum of the ratio may not be 100%.

Enhancing financial stability through lengthening and diversifying maturity period

Maturity ladder (as of July 12, 2017)



API's Basic Policy

Focused Investments in Urban Retail and Tokyo Office Properties

Portfolio Construction Policy I



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 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

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

(Note) "Activia Account Properties" is a renamed asset category formerly called "Other Properties" to clarify its strategic positioning.

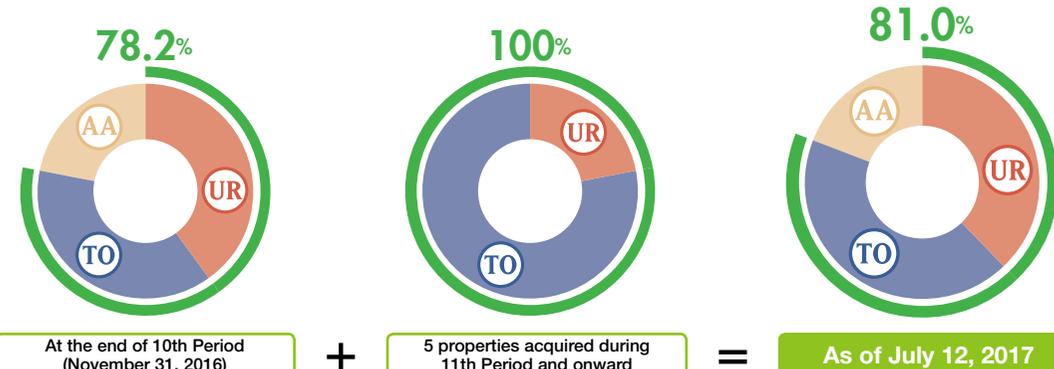
Investment ratio (acquisition price basis)

70% or more

(Note) The actual investment ratio could differ from the ratio indicated above in the short term depending on the acquisition or selling of properties.

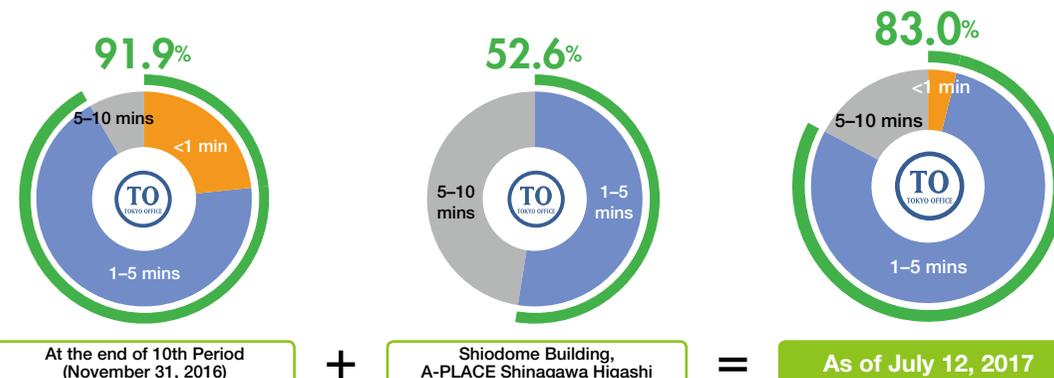
Maintain High Ratio of Investment in Focused Properties I

<Ratio of Urban Retail Properties and Tokyo Office Properties to the entire portfolio>



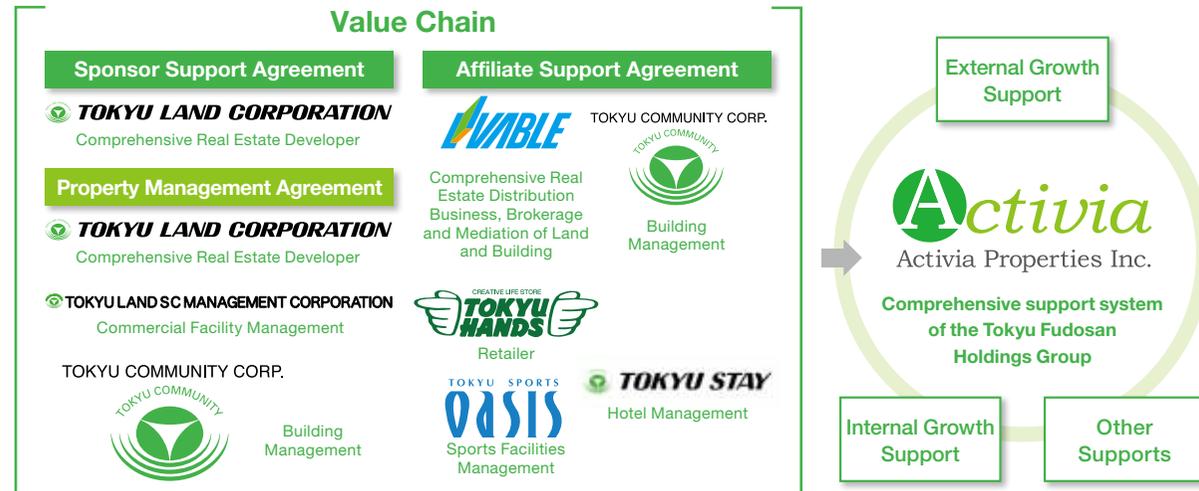
Competitive Location I

<Ratio of Tokyo Office Properties located within 5 minutes from station>



Utilizing the Value Chain of the Tokyu Fudosan Holdings Group

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



Utilizing the Proprietary Expertise of the Asset Manager

TLC REIT Management Inc.

The team is made up of members with extensive experience in development, operations and management of commercial facilities and office buildings in the Tokyu Fudosan Holdings Group.

- External growth leveraging its own expertise on asset acquisitions and the information collection network
- Constructed proper operation and management framework tailored to individual characteristics of assets under management

Governance Structure for Maximizing Unitholder Value

Impartiality in Asset Acquisitions

API introduced an approval process ensuring impartiality in acquiring assets for the purpose of protecting the interests of unitholders, including the avoidance of conflicts of interest.

In addition, from November 1, 2014, any buy/sell transactions and some lending transactions of real estate and/or securities with interested parties are subject to the approval of the Board of Directors of API.

Alignment of the Interests of the Unitholders and Sponsor

Through the sponsor's contribution to API and co-ownership of part of our properties with the sponsor, API has an established system to align the interests of the unitholders that secures collaborative operations between API and the sponsor.

Distribution-Based Compensation

A performance-based compensation system linked to distribution per unit for some management fees gives the asset manager an incentive to maximize unitholder value.

Portfolio List

(As of May 31, 2017)

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 URBAN RETAIL	UR-1	Tokyu Plaza Omotesando Harajuku (Note 3)	Jingu-mae, Shibuya-ku, Tokyo	45,000	11.0%	4,904.94	Mar. 2012	100.0%	
	UR-2	Tokyu Plaza Akasaka (Note 3)	Nagatacho, Chiyoda-ku, Tokyo	11,450	2.8%	16,579.26	Sep. 1969	100.0%	
	UR-3	Q plaza EBISU	Ebisu, Shibuya-ku, Tokyo	8,430	2.1%	4,024.88	Aug. 2008	100.0%	
	UR-4	Shinbashi Place	Shinbashi, Minato-ku, Tokyo	20,500	5.0%	9,156.01	Apr. 2008	100.0%	
	UR-5	Kyoto Karasuma Parking Building	Motohonenjicho, Nakagyo-ku, Kyoto	8,860	2.2%	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	90.0%	
	UR-7	Kobe Kyu Kyoryuchi 25Bankan	Kyomachi, Chuo-ku, Kobe City, Hyogo	21,330	5.2%	19,653.90	Jan. 2010	100.0%	
	UR-8	A-FLAG SAPPORO	Minami-Yonjo-Nishi, Chuo-ku, Sapporo City, Hokkaido	4,410	1.1%	21,229.16	May 1980	100.0%	
	UR-9	A-FLAG SHIBUYA	Udagawa-cho, Shibuya-ku, Tokyo	6,370	1.6%	3,413.80	Jun. 1988	100.0%	
	UR-10	Q plaza SHINSAIBASHI	Shinsaibashi-suji, Chuo-ku, Osaka City, Osaka	13,350	3.3%	2,820.23	Nov. 2007	100.0%	
	Acquired in the 11th period	UR-11	A-FLAG KOTTO DORI	Minami-Aoyama, Minato-ku, Tokyo	4,370	1.1%	2,656.53	Jan. 1992	100.0%
	Acquired in the 11th period	UR-12	A-FLAG BIJUTSUKAN DORI	Minami-Aoyama, Minato-ku, Tokyo	4,700	1.2%	2,055.97	Dec. 1998	100.0%
	Acquired in the 11th period	UR-13	A-FLAG DAIKANYAMA WEST	Sarugakucho, Shibuya-ku, Tokyo	2,280	0.6%	2,579.08	Apr. 1992	100.0%
Urban Retail Properties				154,050	37.8%	112,970.02	—	99.8%	
TO TOKYO OFFICE	TO-1	TLC Ebisu Building	Ebisu, Shibuya-ku, Tokyo	7,400	1.8%	7,342.60	Mar. 1993	100.0%	
	TO-2	A-PLACE Ebisu Minami	Ebisu-minami, Shibuya-ku, Tokyo	9,640	2.4%	7,950.49	Jan. 1995	100.0%	
	TO-3	A-PLACE Yoyogi	Sendagaya, Shibuya-ku, Tokyo	4,070	1.0%	3,106.17	Feb. 2007	100.0%	
	TO-4	A-PLACE Aoyama	Kita-Aoyama, Minato-ku, Tokyo	8,790	2.2%	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)	0.6%	1,287.96	—	100.0%	
	TO-7	A-PLACE Ikebukuro	Minami Ikebukuro, Toshima-ku, Tokyo	3,990	1.0%	3,409.73	Oct. 2011	100.0%	
	TO-8	A-PLACE Shinbashi	Shinbashi, Minato-ku, Tokyo	5,650	1.4%	5,052.14	Mar. 1999	100.0%	
	TO-9	A-PLACE Gotanda	Nishigotanda, Shinagawa-ku, Tokyo	5,730	1.4%	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	2.6%	7,193.28	Jan. 2014	100.0%	
	Acquired in the 11th period	TO-12	Shiodome Building (Note 5)	Kaigan, Minato-ku, Tokyo	30,300 20,400 20,900	17.6%	28,136.05	Dec. 2007	99.9%
					Total 71,600				
	TO-13	A-PLACE Ebisu Higashi	Higashi, Shibuya-ku, Tokyo	7,072	1.7%	4,010.69	Jan. 1992	100.0%	
	TO-14	A-PLACE Shibuya Konnoh	Shibuya, Shibuya-ku, Tokyo	4,810	1.2%	2,983.36	Mar. 1992	100.0%	
	TO-15	A-PLACE Gotanda Ekimae	Nishigotanda, Shinagawa-ku, Tokyo	7,280	1.8%	4,316.89	Nov. 1993	100.0%	
Acquired in the 11th period	TO-16	A-PLACE Shinagawa Higashi	Konan, Minato-ku, Tokyo	18,800	4.6%	14,658.98	Aug. 1985 (the main building) Sep. 1999 (the annex)	100.0%	
Tokyo Office Properties				176,200	43.2%	108,243.43	—	100.0%	
AA ACTIVIA ACCOUNT	AA-1	Amagasaki Q's MALL (Land)	Amagasaki City, Hyogo	12,000	2.9%	27,465.44	—	100.0%	
	AA-2	icot Nakamoju	Sakai City, Osaka	8,500	2.1%	28,098.02	Jun. 2007	100.0%	
	AA-4	icot Mizonokuchi	Kawasaki City, Kanagawa	2,710	0.7%	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	1.7%	9,314.91	Feb. 2009	100.0%	
	AA-7	Osaka Nakanoshima Building	Nakanoshima, Kita-ku, Osaka City, Osaka	11,100	2.7%	20,231.13	Mar. 1984	96.9%	
	AA-8	icot Omori	Omorikita, Ota-ku, Tokyo	5,790	1.4%	6,209.79	Mar. 2007	100.0%	
	AA-9	Market Square Sagami-hara	Shimokuzawa, Chuo-ku, Sagami-hara City, Kanagawa	4,820	1.2%	15,152.42	Jun. 2014	100.0%	
	AA-10	Umeda Gate Tower	Tsurunochi, Kita-ku, Osaka City, Osaka	19,000	4.7%	13,682.03	Jan. 2010	100.0%	
	AA-11	A-PLACE Bashamichi	Honcho, Naka-ku, Yokohama City, Kanagawa	3,930	1.0%	9,613.95	May 1975	100.0%	
	Activia Account Properties				77,670	19.0%	148,981.32	—	99.6%
Total				407,920	100.0%	370,194.77	—	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.

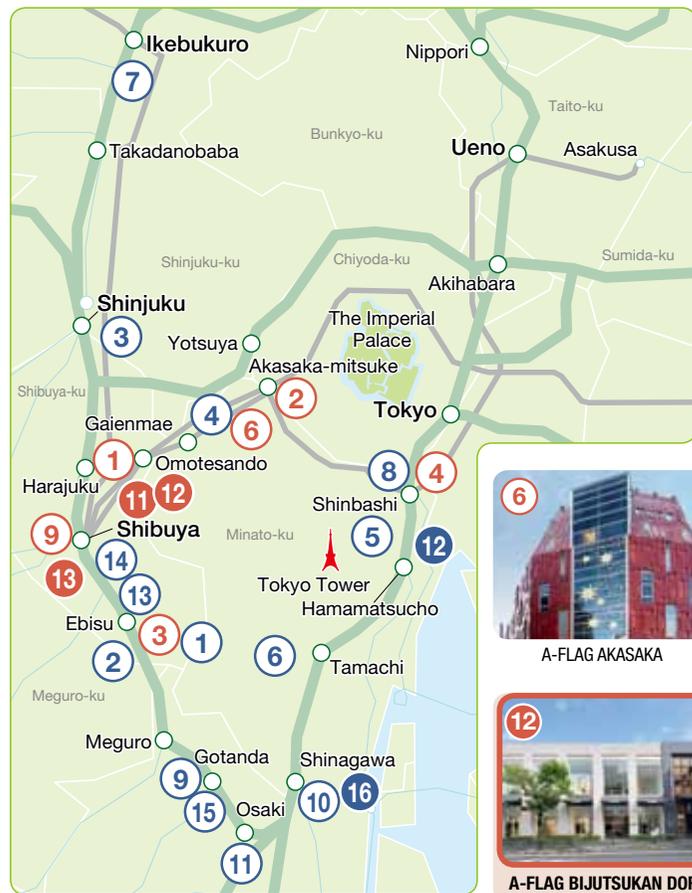
(Note 2) The occupancy rate is the ratio of total leased area to total leasable area on each property as of May 31, 2017.

(Note 3) For Tokyu Plaza Omotesando Harajuku and Tokyu Plaza Akasaka, the figures are in proportion to a pro rata share of our trust beneficiary co-ownership interest (75% and 50%, 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).

(Note 5) For Shiodome Building, API acquired an additional co-ownership interest (15%, 10% and 10%) on January 9, 2015, December 16, 2015 and December 2, 2016, respectively. The first, the second, and the third row relate to the assets API acquired on January 9, 2015, December 16, 2015 and December 2, 2016, respectively. The fourth row indicates the total acquisition price and the investment ratio based on such total acquisition price. The total leasable area is calculated based on the pro rata share of the co-ownership interest (35%).

Central Tokyo Area Portfolio Map



1 Tokyu Plaza Omotesando Harajuku 2 Tokyu Plaza Akasaka



3 Q plaza EBISU 4 Shinbashi Place



6 A-FLAG AKASAKA 9 A-FLAG SHIBUYA 11 A-FLAG KOTTO DORI



12 A-FLAG BIJUTSUKAN DORI 13 A-FLAG DAIKANYAMA WEST 1 TLC Ebisu Building



2 A-PLACE Ebisu Minami 3 A-PLACE Yoyogi 4 A-PLACE Aoyama 5 Luogo Shiodome 6 TAMACHI SQUARE (Land)



7 A-PLACE Ikebukuro 8 A-PLACE Shinbashi 9 A-PLACE Gotanda 10 A-PLACE Shinagawa 11 OSAKI WIZTOWER



12 Shiodome Building 13 A-PLACE Ebisu Higashi 14 A-PLACE Shibuya Konnoh 15 A-PLACE Gotanda Ekimae 16 A-PLACE Shinagawa Higashi



Properties Acquired before the 10th Period



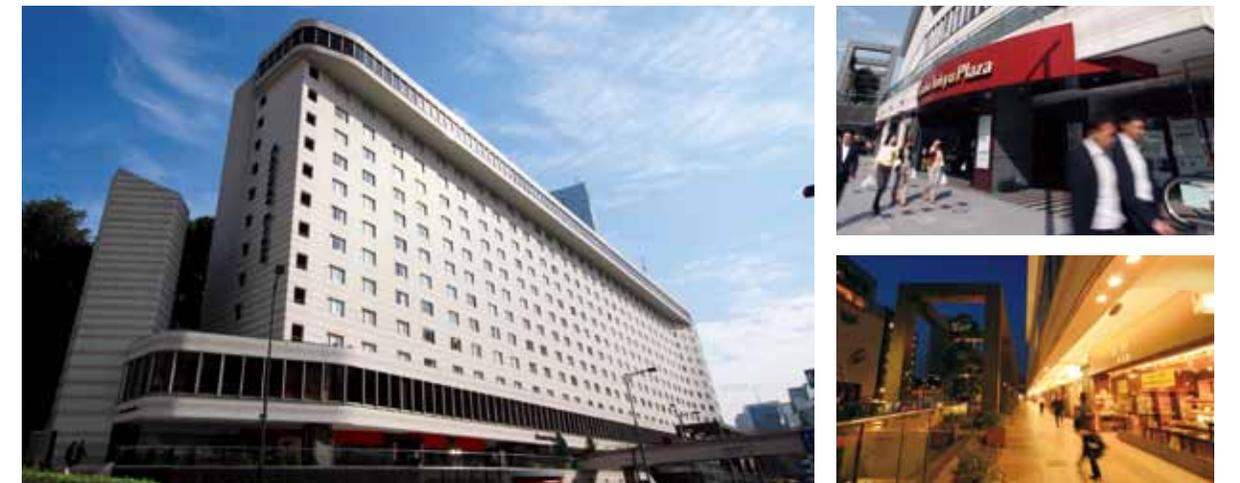
- 3 Advantages
- 1 The ability to attract a large number of customers, supported by population flows into major cities and stable sales
 - 2 A large and diverse tenant pool in response to diversifying consumer needs
 - 3 Scarcity due to the relatively short supply of properties



UR-1 Tokyu Plaza Omotesando Harajuku

Location: 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, a popular area 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. The property can also be used as an office building, offering good flexibility and availability to satisfy a variety of tenants.



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 is located on 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-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

- Akasaka is a 3-minute walk from Akasaka Station and a 5-minute walk from Akasaka-mitsuke Station on the Tokyo Metro Chiyoda line.
- 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: Utagawa-cho, 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 plans in the area.



UR-10 Q plaza SHINSAIBASHI

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

- The property is located in Shinsaibashi, a popular place to visit for "Osaka experience" with both domestic and international tourists.
- The building, which is located near the entrance of Shinsaibashisuji shopping street, has a façade equipped with one of the largest LED displays in Japan, allowing it to utilize its highly advantageous location to promote the property and make it a prominent landmark.



3 Advantages

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



TO-1 TLC Ebisu Building

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

- The surroundings are well known, as it has a large concentration of office buildings in the Ebisu area. 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-2 A-PLACE Ebisu Minami

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

- The property is located within walking distance of Ebisu Station. Due to its traffic convenience, the Ebisu area attracts numerous tenants, particularly IT companies, food and beverage companies, esthetic clinics, schools, and other service companies.



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-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-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-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-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 that enjoys high potential as a terminal station.



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 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 and an automatic security system.

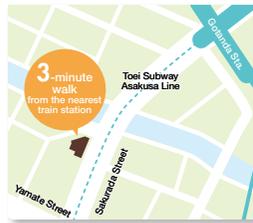




TO-9 A-PLACE Gotanda

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

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



TO-10 A-PLACE Shinagawa

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

■ A 4-minute walk from JR Shingawa Station. It provides easy access to major areas in Tokyo, including direct access to Haneda Airport with the Keikyu Line, as well as connections to the Tokaido Shinkansen (bullet train).



TO-14 A-PLACE Shibuya Konnoh

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

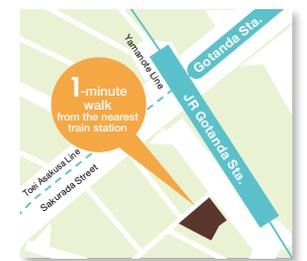
■ A 4-minute walk from Shibuya Station, serviced by nine railway lines. In the area of Shibuya Station's south exit, further development and advancement of accessibility are expected, with several urban improvement and redevelopment plans including the installation of new pedestrian decks and escalators.



TO-15 A-PLACE Gotanda Ekimae

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

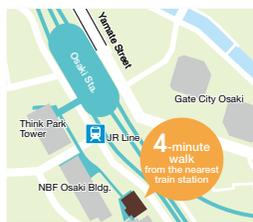
■ Located a 1-minute walk from the west exit of Gotanda Station on the JR Yamanote Line. Having good visibility from Gotanda Station and excellent convenience, the property can fulfill an advertising role and attract demand for various tenants, such as stores where people shop in person.



TO-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, which offers good access to Yokohama and Saitama as well as the Tokyo Metropolitan area.



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.



- Focused Points
- Retail Properties
- Office Properties

- 1 A large population in the trade area
 - 2 Good access to the nearest station or arterial roads
 - 3 Medium- to long-term lease contracts with key tenants
- Competitiveness with the surrounding area



AA-1 Amagasaki Q's MALL (Land)

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



AA-2 icot Nakamozu

Location: Nakamozu Town, 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

Overview of API

Structure



Profile

Name	Activia Properties Inc.
Executive Director	Nariaki Hosoi
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 11th Fiscal Period (Semi-Annual Report)

From December 1, 2016 to May 31, 2017

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		7th period	8th period	9th period	10th period	11th period
Business period		From December 1, 2014 to May 31, 2015	From June 1, 2015 to November 30, 2015	From December 1, 2015 May 31, 2016	From June 1, 2016 to November 30, 2016	From December 1, 2016 to May 31, 2017
Operating revenue	(In millions of yen)	9,120	9,701	10,175	10,917	12,107
[Lease business revenue]	(In millions of yen)	[8,501]	[8,780]	[9,528]	[10,175]	[11,370]
Operating expenses	(In millions of yen)	3,921	4,241	4,249	4,755	5,127
[Expenses related to rent business]	(In millions of yen)	[3,210]	[3,422]	[3,399]	[3,833]	[4,097]
Operating profit	(In millions of yen)	5,199	5,460	5,926	6,161	6,980
Ordinary profit	(In millions of yen)	4,583	4,790	5,197	5,410	6,152
Profit	(In millions of yen)	4,582	4,789	5,196	5,409	6,151
Net assets	(In millions of yen)	155,353	155,560	176,729	177,018	208,451
[Change from the previous period]	(%)	[19.4]	[0.1]	[13.6]	[0.2]	[17.8]
Total assets	(In millions of yen)	297,466	307,746	339,894	371,680	425,977
[Change from the previous period]	(%)	[17.4]	[3.5]	[10.4]	[9.4]	[14.6]
Unitholders' capital	(In millions of yen)	150,770	150,770	171,532	171,532	202,233
Number of units issued and outstanding	(Units)	277,132	554,264	599,654	599,654	665,214
Net assets per unit	(Note 1) (Yen)	280,287	280,661	294,719	295,200	313,359
Total distributions	(In millions of yen)	4,582	4,789	5,196	5,409	6,151
Basic earnings per unit	(Note 1) (Note 2) (Yen)	8,344	8,642	8,722	9,021	9,252
Cash distributions per unit						
[Earnings distributions per unit]	(Yen)	[16,535]	[8,642]	[8,666]	[9,021]	[9,248]
[Distributions per unit in excess of earnings]	(Yen)	[—]	[—]	[—]	[—]	[—]
Ordinary profit to total assets	(Note 3) (%)	1.7	1.6	1.6	1.5	1.5
Return on unitholders' equity	(Note 3) (%)	3.2	3.1	3.1	3.1	3.2
Unitholders' equity to total assets	(Note 3) (%)	52.2	50.5	52.0	47.6	48.9
[Change from the previous period]	(Note 3) (%)	[0.9]	[−1.7]	[1.5]	[−4.4]	[1.3]
Payout ratio	(Note 3) (%)	99.9	99.9	99.9	99.9	100.0
[Other reference]						
Number of properties	(Properties)	30	31	32	35	39
Total leasable area	(Note 4) (m ²)	312,777.90	301,802.03	312,572.42	340,271.66	370,194.77
Occupancy rate at end of period	(%)	99.7	99.2	99.8	99.3	99.8
Depreciation	(In millions of yen)	887	925	989	1,051	1,175
Capital expenditure	(In millions of yen)	429	272	244	502	147
NOI	(Note 3) (In millions of yen)	6,796	7,006	7,766	8,135	9,185

(Note 1) API implemented a 2-for-1 investment unit split with September 30, 2015 as the record date and October 1, 2015 as the effective date. Net assets per unit and basic earnings per unit are calculated on the assumption that the investment unit split was implemented at the beginning of the 7th fiscal period.

(Note 2) Basic earnings per unit is calculated by dividing profit by the daily weighted average number of investment units issued and outstanding (549,191 units, 554,264 units, 595,758 units, 599,654, and 664,866 units for the 7th, 8th, 9th, 10th, and 11th fiscal periods, respectively).

(Note 3) 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 4) 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 and Shiodome Building, the figures are in proportion to a pro rata share of co-ownership interests of each property (75%, 50% and 15% (from the 7th fiscal period to the 8th fiscal period) or 25% (from the 9th fiscal period to the 10th fiscal period) or 35% (the 11th 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. (currently TLC REIT Management Inc.) as the organizer under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, including subsequent revisions), and completed its registration in the Kanto Local Finance Bureau on September 20, 2011 (Director-General of the Kanto Local Finance Bureau No. 73).

After that, the Investment Corporation was listed on the real estate investment trust securities market of Tokyo Stock Exchange, Inc. (Securities code 3279) on June 13, 2012. On December 1, 2016, the Investment Corporation carried out a publicly offered capital increase for the fourth consecutive year, and on December 15, 2016, it carried out a third-party allotment.

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

In the fiscal period under review, which ended on May 31, 2017, the Investment Corporation acquired five properties, including three “Urban Retail Properties” and two “Tokyo Office Properties,” through publicly offered capital increase, etc., which are categorized as its focused investment properties. Consequently, the Investment Corporation held 39 properties (with the total acquisition price of ¥407,920 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 held to a path of moderate recovery. This was partially due to ongoing improvement in corporate earnings stemming from factors such as rebounding exports brought about by recovery in the global economy and yen depreciation in the wake of the U.S. presidential elections, and also due to an upward trend in capital investment along with robust personal consumption.

With respect to the environment surrounding retail properties, consumer sentiment showed signs of recovery against a backdrop of the consumer confidence index generally surpassing levels of the prior month, according to the Monthly Consumer Confidence Survey released by the Economic and Social Research Institute, Cabinet Office, Government of Japan, along with persisting improvement in the employment environment. Moreover, in the quarter spanning January to March 2017, tourism consumption by overseas visitors to Japan increased by 4.0% year on year due to gains in numbers of foreign overseas visitors to Japan, according to the Consumption Trend Survey for Foreigners Visiting Japan released by the Japan Tourism Agency of the Ministry of Land, Infrastructure, Transport and Tourism. As such, demand related to inbound tourism remained at high levels despite a decline in per-person travel expenditure.

In the rental office market, the average vacancy rate of five central wards of Tokyo (Chiyoda-ku, Minato-ku, Chuo-ku, Shibuya-ku and Shinjuku-ku) has continued on a generally moderate downward trajectory, hovering in the 3% range since July 2016, according to data published by Miki Shoji Co., Ltd. Rent levels have remained on an upward trend, having increased for 41 consecutive months running up to May 2017. In addition, the market has also continued to improve moderately in major cities outside Tokyo, amid developments that include falling vacancy rates and rising rent levels.

In the J-REIT market, although the Tokyo Stock Exchange REIT Index has marked gains in the wake of the U.S. presidential elections, there has been some sluggishness due to factors such as concerns regarding the interest rate outlook and mounting uncertainties regarding the new administration in the U.S. Nevertheless, the market has seen ongoing expansion in J-REIT asset sizes, fueled by factors such as continuing increases in the number of property acquisitions and rising acquisition prices amid an environment where the Bank of Japan has been maintaining its monetary easing policy and financing activity through publicly offered capital increase has become increasingly brisk.

The Investment Corporation acquired beneficiary interests of real estate in trust by publicly offered capital increase in a total of four properties, namely A-FLAG BIJUTSUKAN DORI (with the acquisition price of ¥4,700 million) and Shiodome Building (additional acquisition of 10% co-ownership interest, with the acquisition price of ¥20,900 million) on December 2, 2016, A-FLAG

KOTTO DORI (with the acquisition price of ¥4,370 million) on December 20, 2016, and A-FLAG DAIKANYAMA WEST (with the acquisition price of ¥2,280 million) on January 6, 2017, as trust assets in accordance with the basic asset management policy set forth in the Articles of Incorporation. Furthermore, the Investment Corporation acquired beneficiary interests of real estate in trust to A-PLACE Shinagawa Higashi (with the acquisition price of ¥18,800 million) on March 16, 2017 as trust assets.

Consequently, total assets held by the Investment Corporation at the end of the fiscal period under review were 39 properties (with the total acquisition price of ¥407,920 million) with the total leasable area of 370,194 m² (111,983 tsubo).

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. From an environmental perspective, this involves daily to reduce energy consumption backed by our basic objective of cutting unit energy consumption by an annual average of 1% over the medium to long term. In specific terms, we have been successively upgrading to LED lighting at more locations, and accordingly completed installations of entrance spotlights at the Q plaza EBISU property and outdoor footlights at the Osaka Nakanoshima Building property during the fiscal period under review. We also continue to engage in annual initiatives geared to acquiring green building certifications, and have accordingly gained Five Stars in the DBJ Green Building Certification with respect to our Shiodome Building. As such, in conjunction with additionally acquired CASBEE (Comprehensive Assessment System for Built Environment Efficiency) for Real Estate certification, a total of 20 of our properties have acquired green building certification, which amounted to 56.8% of our holdings calculated on the basis of gross floor area (as of July 12, 2017). In our communities, we are also taking action to bring about greater vitality with respect to nearby businesses, residents and cities by carrying out clean-up campaigns and holding summer festivals, and also by lending our support to community gardening events and “lights down” initiatives. 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 the acquisition costs for beneficiary interests of real estate in trust to the above five properties and related costs, the Investment Corporation additionally issued investment units (61,040 units) through a public offering on December 1, 2016, issued new investment units (4,520 units) by a third-party allotment on December 15, 2016, and borrowed funds of ¥19,000 million on March 16, 2017. In addition, the Investment Corporation refinanced borrowings of ¥8,400 million in December, 2016 and ¥7,800 million in March, 2017. Also, in order to diversify repayment dates, extend the average maturity and diversify means of financing, the Investment Corporation issued investment corporation bonds of ¥6,000 million on February 2, 2017, 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 ¥202,233 million, the total number of investment units issued came to 665,214 units and the balance of interest-bearing debt was ¥196,150 million (borrowings of ¥180,150 million and investment corporation bonds of ¥16,000 million). The ratio of interest-bearing debt to total assets (LTV = Balance of interest-bearing debt / Total assets x 100) was 46.0% as of the end of the fiscal period under review. The ratio of long-term debt and fixed-interest debt to total interest-bearing debt were 94.9% and 92.8%, respectively.

The credit rating the Investment Corporation has obtained as of the end of the fiscal period under review is as follows. This investment unit does not have a credit rating provided 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 ¥12,107 million, ¥6,980 million, and ¥6,152 million, respectively, for the fiscal period under review, and profit was ¥6,151 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 ¥9,248.

(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)

(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.

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	7th period	8th period	9th period	10th period	11th period
Business period	From December 1, 2014 to May 31, 2015	From June 1, 2015 to November 30, 2015	From December 1, 2015 to May 31, 2016	From June 1, 2016 to November 30, 2016	From December 1, 2016 to May 31, 2017
Highest price	1,137,000	537,000	609,000	580,000	560,000
Lowest price	975,000	421,500	481,500	488,500	490,000

(Note) A 2-for-1 investment unit split was implemented with October 1, 2015 as the effective date. The figures for the 8th period are calculated based on the assumption that the investment unit split was implemented at the beginning of the 8th period.

(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 ¥9,248.

Fiscal period	7th period	8th period	9th period	10th period	11th period
Business period	From December 1, 2014 to May 31, 2015	From June 1, 2015 to November 30, 2015	From December 1, 2015 to May 31, 2016	From June 1, 2016 to November 30, 2016	From December 1, 2016 to May 31, 2017
Unappropriated retained earnings (undisposed loss)	¥4,582,505 thousand	¥4,790,093 thousand	¥5,196,849 thousand	¥5,409,874 thousand	¥6,152,150 thousand
Retained earnings	¥127 thousand	¥143 thousand	¥247 thousand	¥395 thousand	¥251 thousand
Total distribution payments [Distributions per unit]	¥4,582,377 thousand [¥16,535]	¥4,789,949 thousand [¥8,642]	¥5,196,601 thousand [¥8,666]	¥5,409,478 thousand [¥9,021]	¥6,151,899 thousand [¥9,248]
Of which, total distributions of profits were [Distributions of profits per unit]	¥4,582,377 thousand [¥16,535]	¥4,789,949 thousand [¥8,642]	¥5,196,601 thousand [¥8,666]	¥5,409,478 thousand [¥9,021]	¥6,151,899 thousand [¥9,248]
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 modest recovery to continue, fueled by positive effects of factors that include rising capital investment brought about as corporate earnings improve and various economic measures take hold, as well as recovering consumer sentiment brought about by a more upbeat employment environment. Nevertheless, we will need to keep monitoring the situation with respect to developments such as the direction of monetary and economic policy in the U.S., instabilities in Europe such as those involving negotiations ahead of the U.K.'s withdrawal from the European Union, and the outlook in emerging economies including China.

In the rental office market, the trend of rising rents currently persists amid ongoing strong demand for corporate office expansion. As for concerns regarding the anticipated increase in office supply going forward, the likelihood of any such increase substantially affecting the Investment Corporation is seemingly low given that the geographic area involved is limited. Nevertheless, the Investment Corporation needs to monitor potential effects of such developments. With respect to the environment surrounding retail properties, while it is necessary to pay attention to the situation of demand involving inbound tourism, we anticipate ongoing moderate recovery in consumer sentiment against a backdrop of a robust employment environment. Meanwhile, we need to keep an eye on the situation of the J-REIT market, as although it continues to be supported by the monetary easing initiatives of the Bank of Japan, there are concerns regarding potential effects of normalizing interest rates in the U.S. and instabilities in Europe, and presently, the trend of a soft rise in demand appears to be weakening. Amid this environment, the Investment Corporation aims to improve unitholder value while constantly expanding the size of its assets through making continual advancements in internal growth by leveraging on the competitiveness of its assets under management and 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 maintain a governance structure that maximizes investor value.

2) External Growth Strategy

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

3) Internal Growth Strategy

The Investment Corporation will operate, manage, and refurbish its portfolio to maintain and improve the competitiveness of its facilities through a comprehensive understanding of the features of its overall portfolio and its individual assets under management, based on the unique expertise of its Asset 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 Corporation.

4) Financial Strategy

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

	7th period As of May 31, 2015	8th period As of November 30, 2015	9th period As of May 31, 2016	10th period As of November 30, 2016	11th period As of May 31, 2017
Total number of authorized investment units (Units)	2,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Total number of investment units issued (Units)	277,132	554,264	599,654	599,654	665,214
Unitholders' capital (In millions of yen)	¥150,770	¥150,770	¥171,532	¥171,532	¥202,233
Number of unitholders (Persons)	6,832	6,526	6,502	6,359	6,656

(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)	153,771	23.11
The Master Trust Bank of Japan, Ltd. (Trust accounts)	69,067	10.38
Tokyu Land Corporation	61,913	9.30
Trust & Custody Services Bank, Ltd. (Securities investment trust accounts)	54,169	8.14
The Nomura Trust and Banking Co., Ltd. (Investment accounts)	26,203	3.93
STATE STREET BANK AND TRUST COMPANY 505012 (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited. Tokyo office)	12,930	1.94
STATE STREET BANK AND TRUST COMPANY 505223 (Standing proxy: Mizuho Bank, Ltd.)	12,118	1.82
State Street Bank & Trust Company (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited. Tokyo office)	11,988	1.80
THE BANK OF NEW YORK MELLON SA/NV 10 (Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	9,973	1.49
THE BANK OF NEW YORK 133970	7,016	1.05
Total	419,148	63.00

(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)	Michie Kawai (Note 2)	TLC Activia Investment Management Inc., Representative Director, President and Chief Executive Officer	—
	Nariaki Hosoi (Note 2)	TLC REIT Management Inc., Managing Director, Chief Division Officer of 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	—	33,000 (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, 2017, Executive Director Michie Kawai resigned from office, and alternate Executive Director Nariaki Hosoi newly assumed office as an Executive Director on August 25, 2016; prepared April 1, 2017.

(Note 3) Compensation for the Independent Auditor includes fees for preparing comfort letters related to the issuance of new investment units in December 2016 and the issuance of investment corporation bonds in February 2017.

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.

3) Disciplinary Action Ordering a Suspension of Operations to Which the Independent Auditor was

Subject the past two years

Details of the disciplinary action announced by the Financial Services Agency as of December 22, 2015 are as follows:

(i) Target of the disciplinary action

Ernst & Young ShinNihon LLC

(ii) Contents of the disciplinary action

- Suspension from accepting new engagements for three months (from January 1, 2016, to March 31, 2016)
- Ordered to improve its operations (Improvement of audit management systems)
Note: In addition, commencement of trial procedures for the administrative monetary penalty payment order of approximately ¥2.1 billion was decided on the same day.

(iii) Reasons for the action

- Seven certified public accountants from Ernst & Young ShinNihon LLC ("the firm") had, in negligence of due care, attested to financial statements of TOSHIBA CORPORATION for fiscal 2009, fiscal 2011 and fiscal 2012 (for the years ended March 31, 2010, 2012 and 2013) that contained material misstatements.
- The firm's operations were deemed significantly inappropriate.

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

Consignment classification	Name
Asset manager	TLC REIT Management Inc. (Note)
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)	Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited

(Note) On April 1, 2017, Asset Manager implemented an absorption-type merger with the Asset Manager as a surviving company and TLC Activia Investment Management Inc. as an absorbed company (hereinafter referred to as the "Merger"), and taking place concurrently, a portion of the business of Tokyu Land Capital Management Inc. was succeeded to the Asset Manager by means of an absorption-type company split (this in conjunction with the Merger hereinafter referred to as the "Reorganization"). In addition, as of April 1, 2017, in conjunction with the Reorganization the trade name of the Asset Manager has been changed to TLC REIT Management Inc., from TLC Comforia Investment Management INC., previously.

3. Assets of the Investment Corporation

(1) Composition of Assets of the Investment Corporation

Type of assets	Category	10th period As of November 30, 2016		11th period As of May 31, 2017	
		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	142,972	38.5	154,110	36.2
	Tokyo Office Properties	136,678	36.8	176,243	41.4
	Activia Account Properties	77,755	20.9	77,476	18.2
	Subtotal	357,406	96.2	407,830	95.7
Total real estate, etc.		357,406	96.2	407,830	95.7
Deposits and other assets		14,273	3.8	18,146	4.3
Total assets (Note 3)		371,680 (357,406)	100.0 (96.2)	425,977 (407,830)	100.0 (95.7)

(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) As of January 17, 2017, the category name of "Other Properties," one of the Investment Corporation's investment targets, was changed to "Activia Account Properties"; the same shall apply hereinafter.

(Note 3) 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)	71,572	28,136.05	28,113.60	99.9	12.6	Office
Tokyu Plaza Omotesando Harajuku (Note 4)	44,880	4,904.94	4,904.94	100.0	9.0	Retail
Kobe Kyu Kyoryuchi 25Bankan	21,080	19,653.90	19,653.90	100.0	6.5	Retail
Shinbashi Place	20,315	9,156.01	9,156.01	100.0	(Note 5)	Retail
Umeda Gate Tower	19,629	13,682.03	13,682.03	100.0	3.4	Office
A-PLACE Shinagawa Higashi	18,959	14,658.98	14,658.98	100.0	1.7	Office
Q plaza SHINSAIBASHI	13,475	2,820.23	2,820.23	100.0	2.6	Retail
Amagasaki Q's MALL (Land)	12,113	27,465.44	27,465.44	100.0	2.9	Retail
Tokyu Plaza Akasaka (Note 4)	11,803	16,579.26	16,579.26	100.0	5.0	Retail
Osaka Nakanoshima Building	11,044	20,231.13	19,594.85	96.9	4.3	Office
Total	244,875	157,287.97	156,629.24	99.6	—	

(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, 2017 and leasable space for properties for which we acquire only land, based on lease agreements for land or land plans as of May 31, 2017.

(Note 2) Leased area refers to the leased area of each property based on lease agreements as of May 31, 2017. 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, 2017, rounding down to the first decimal place.

(Note 4) As for Shiodome Building, Tokyu Plaza Omotesando Harajuku, 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% and 50%, respectively).

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

(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	4,904.94	56,025	44,880
	Tokyu Plaza Akasaka (Note 4)	14-3 Nagatacho 2-chome, Chiyoda-ku, Tokyo	16,579.26	14,600	11,803
	Q plaza EBISU	8-12 Ebisu 1-chome, Shibuya-ku, Tokyo	4,024.88	10,700	8,306
	Shinbashi Place	12-9 Shinbashi 1-chome, Minato-ku, Tokyo	9,156.01	24,900	20,315
	Kyoto Karasuma Parking Building	678 Motohonjicho, Nakagyo-ku, Kyoto City, Kyoto	21,616.04	11,100	8,783
	A-FLAG AKASAKA	3-6 Akasaka 4-chome, Minato-ku, Tokyo	2,280.22	3,620	3,089
	Kobe Kyu Kyoryuchi 25Bankan	25 Kyomachi, Chuo-ku, Kobe City, Hyogo	19,653.90	26,100	21,080
	A-FLAG SAPPORO	1, Minami-Yonjo-Nishi 5-chome, Chuo-ku, Sapporo City, Hokkaido	21,229.16	6,810	4,554
	A-FLAG SHIBUYA	32-13, Udagawa-cho, Shibuya-ku, Tokyo	3,413.80	7,380	6,365
	Q plaza SHINSAIBASHI	1-10 Shinsaibashi-suji 1-chome, Chuo-ku, Osaka City, Osaka	2,820.23	13,900	13,475
	A-FLAG KOTTO DORI	4-40, Minami-Aoyama 5-chome, Minato-ku, Tokyo	2,656.53	4,690	4,411
	A-FLAG BIJUTSUKAN DORI	3-16, Minami-Aoyama 6-chome, Minato-ku, Tokyo	2,055.97	4,760	4,723
	A-FLAG DAIKANYAMA WEST	11-6, Sarugakucho, Shibuya-ku, Tokyo	2,579.08	2,380	2,320
	Subtotal		112,970.02	186,965	154,110
	Tokyo Office Properties	TLC Ebisu Building	18-18 Ebisu 1-chome, Shibuya-ku, Tokyo	7,342.60	9,570
A-PLACE Ebisu Minami		15-1 Ebisu-minami 1-chome, Shibuya-ku, Tokyo	7,950.51	13,300	9,477
A-PLACE Yoyogi		23-15 Sendagaya 5-chome, Shibuya-ku, Tokyo	3,106.17	4,550	3,953
A-PLACE Aoyama		11-3 Kita-Aoyama 2-chome, Minato-ku, Tokyo	7,303.69	9,460	8,662
Luogo Shiodome		3-3 Higashi-Shinbashi 2-chome, Minato-ku, Tokyo	4,476.35	5,870	4,333
TAMACHI SQUARE (Land)		26-24 Shiba 5-chome, Minato-ku, Tokyo	1,287.96	2,700	2,362
A-PLACE Ikebukuro		16-22 Minami Ikebukuro 1-chome, Toshima-ku, Tokyo	3,409.73	4,870	3,819
A-PLACE Shinbashi		11-1 Shinbashi 4-chome, Minato-ku, Tokyo	5,052.14	6,670	5,747
A-PLACE Gotanda		27-3, Nishigotanda 2-chome, Shinagawa-ku, Tokyo	4,028.69	6,590	5,610
A-PLACE Shinagawa		8-40, Konan 1-chome, Minato-ku, Tokyo	2,986.36	4,300	3,791
OSAKI WIZTOWER		11-1 Osaki 2-chome, Shinagawa-ku, Tokyo	7,193.28	14,100	10,857
Shiodome Building (Note 4)		2-20 Kaigan 1-chome, Minato-ku, Tokyo	20,097.18	74,550	71,572
A-PLACE Ebisu Higashi (Note 5)		13-11 Higashi 3-chome, Shibuya-ku, Tokyo	4,010.69	7,650	7,173
A-PLACE Shibuya Konnoh (Note 5)		3-1 Shibuya 3-chome, Shibuya-ku, Tokyo	2,983.36	5,100	4,974
A-PLACE Gotanda Ekimae		5-1 Nishigotanda 1-chome, Shinagawa-ku, Tokyo	4,316.89	7,640	7,564
A-PLACE Shinagawa Higashi	7-18 Konan 1-chome, Minato-ku, Tokyo	14,658.98	19,100	18,959	
Subtotal		108,243.43	196,020	176,243	

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)
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)			
	icot Nakamozu	428-2 Nakamozucho 3-cho, Kita-ku, Sakai City, Osaka			
	icot Mizonokuchi	11-1 Mizonokuchi 6-chome, Takatsu-ku, Kawasaki City, Kanagawa			
	icot Tama Center	35 Ochiai 1-chome, Tama City, Tokyo			
	A-PLACE Kanayama	14-18 Kanayama 1-chome, Naka-ku, Nagoya City, Aichi			
	Osaka Nakanoshima Building	2-2 Nakanoshima 2-chome, Kita-ku, Osaka City, Osaka			
	icot Omori	8-2, Omorikita 1-chome, Ota-ku, Tokyo			
	Market Square Sagami-hara	777-2 Shimokuzawa, Chuo-ku, Sagami-hara-shi, Kanagawa			
	Umeda Gate Tower	1-9, Tsurunochi, Kita-ku, Osaka City, Osaka			
	A-PLACE Bashamichi	43 Honcho 4-chome, Naka-ku, Yokohama City, Kanagawa			
Subtotal			148,981.32	88,570	77,476
Total			370,194.77	471,555	407,830

- (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, 2017 and leasable space for properties for which we acquire only land, based on lease agreements for land or land plans as of May 31, 2017.
- (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 Morii Appraisal & Investment Consulting, Inc. Assessed value at end of period stands for the appraised value described in each real estate appraisal report, with May 31, 2017 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, 2017, rounded down to the nearest ¥ million.
- (Note 4) As for Tokyu Plaza Omotesando Harajuku, Tokyu Plaza Akasaka, 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% 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	10th period (From June 1, 2016 to November 30, 2016)				11th period (From December 1, 2016 to May 31, 2017)					
	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	1,092	10.0	28	100.0	1,089	9.0	
	Tokyu Plaza Akasaka (Note 4)	97	100.0	654	6.0	96	100.0	609	5.0	
	Q plaza EBISU	4	100.0	274	2.5	4	100.0	268	2.2	
	Shinbashi Place	1	100.0	(Note 5)	(Note 5)	1	100.0	(Note 5)	(Note 5)	
	Kyoto Karasuma Parking Building	2	100.0	(Note 5)	(Note 5)	2	100.0	(Note 5)	(Note 5)	
	A-FLAG AKASAKA	6	74.1	107	1.0	7	90.0	93	0.8	
	Kobe Kyu Kyoryuchi 25Bankan	7	100.0	723	6.6	7	100.0	787	6.5	
	A-FLAG SAPPORO	18	100.0	601	5.5	18	100.0	437	3.6	
	A-FLAG SHIBUYA	2	100.0	206	1.9	2	100.0	205	1.7	
	Q plaza SHINSAIBASHI	6	100.0	303	2.8	6	100.0	310	2.6	
	A-FLAG KOTTO DORI	—	—	—	—	7	100.0	94	0.8	
	A-FLAG BIJUTSUKAN DORI	—	—	—	—	3	100.0	122	1.0	
	A-FLAG DAIKANYAMA WEST	—	—	—	—	1	100.0	(Note 5)	(Note 5)	
	Subtotal	172	99.4	—	—	182	99.8	—	—	
	Tokyo Office Properties	TLC Ebisu Building	12	100.0	293	2.7	12	100.0	295	2.4
		A-PLACE Ebisu Minami	9	100.0	352	3.2	11	100.0	350	2.9
		A-PLACE Yoyogi	4	88.9	128	1.2	4	100.0	122	1.0
A-PLACE Aoyama		8	100.0	290	2.7	8	100.0	287	2.4	
Luogo Shiodome		6	100.0	169	1.6	6	100.0	168	1.4	
TAMACHI SQUARE (Land)		1	100.0	62	0.6	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	196	1.8	10	100.0	189	1.6	
A-PLACE Gotanda		9	89.3	162	1.5	11	100.0	166	1.4	
A-PLACE Shinagawa		8	100.0	112	1.0	8	100.0	113	0.9	
OSAKI WIZTOWER		5	100.0	336	3.1	5	100.0	332	2.7	
Shiodome Building (Note 4)		37	99.4	1,060	9.7	38	99.9	1,525	12.6	
A-PLACE Ebisu Higashi		9	100.0	162	1.5	9	100.0	164	1.4	
A-PLACE Shibuya Konnoh		3	100.0	(Note 5)	(Note 5)	3	100.0	(Note 5)	(Note 5)	
A-PLACE Gotanda Ekimae		10	100.0	132	1.2	10	100.0	172	1.4	
A-PLACE Shinagawa Higashi		—	—	—	—	9	100.0	203	1.7	
Subtotal		132	98.9	—	—	146	100.0	—	—	

Activia Account Properties	Amagasaki Q's MALL (Land)	1	100.0	350	3.2	1	100.0	350	2.9
	icot Nakamozu	2	100.0	310	2.8	2	100.0	310	2.6
	icot Mizonokuchi	1	100.0	(Note 5)	(Note 5)	1	100.0	(Note 5)	(Note 5)
	icot Tama Center	9	100.0	144	1.3	9	100.0	146	1.2
	A-PLACE Kanayama	20	100.0	284	2.6	20	100.0	283	2.3
	Osaka Nakanoshima Building	41	100.0	520	4.8	40	96.9	517	4.3
	icot Omori	9	100.0	232	2.1	9	100.0	231	1.9
	Market Square Sagamihara	3	100.0	(Note 5)	(Note 5)	3	100.0	(Note 5)	(Note 5)
	Umeda Gate Tower	10	93.6	155	1.4	11	100.0	414	3.4
	A-PLACE Bashamichi	31	99.1	48	0.4	32	100.0	174	1.4
	Subtotal	127	99.4	—	—	128	99.6	—	—
	Total	431	99.3	10,917	100.0	456	99.8	12,107	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, 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% and 25% (to December 1, 2016 in 10th period and 11th period) or 35% (from December 2, 2016 to May 31, 2017 in 11th period), 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)	24,400,000	19,400,000	65,673
		Total		

(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 (In millions of yen)		
			Total amount	Payment for the period	Total amount paid
A-PLACE Ebisu Minami (Shibuya, Tokyo)	Maintenance of exterior wall tile and sealant (First period)	From August 2017 to November 2017	58	–	–
Osaka Nakanoshima Building (Osaka, Osaka)	Repair and replacement of air conditioning units	From March 2017 to October 2017	55	–	–
A-PLACE Ebisu Minami (Shibuya, Tokyo)	Restroom appearance enhancement (Second period)	From July 2017 to November 2017	34	–	–
A-FLAG SAPPORO (Sapporo, Hokkaido)	Maintenance of exterior wall tile	From July 2017 to October 2017	28	–	–
A-PLACE Bashamichi (Yokohama, Kanagawa)	Maintenance of rooftop waterproofing, coping and rain gutters	From September 2017 to November 2017	21	–	–
Tokyu Plaza Omotesando Harajuku (Shibuya, Tokyo)	Commercialization work	From September 2017 to October 2017	20 (Note)	–	–
A-FLAG SAPPORO (Sapporo, Hokkaido)	Replacement of air conditioning units of main building systems	From September 2017 to November 2017	19	–	–
A-FLAG SAPPORO (Sapporo, Hokkaido)	Replacement work of main horizontal drainage piping in the lowest floor of the new annex	From June 2017 to September 2017	14	–	–
A-FLAG SAPPORO (Sapporo, Hokkaido)	Replacement of electrical room systems of main building	From September 2017 to November 2017	13	–	–
TLC Ebisu Building (Shibuya, Tokyo)	Exchange work of total heat exchanger rotors for air conditioning	From August 2017 to October 2017	12	–	–
A-PLACE Shinbashi (Minato, Tokyo)	Servicing of parking facility equipment for conveying machinery	From September 2017 to November 2017	12	–	–
A-FLAG SAPPORO (Sapporo, Hokkaido)	Installation work of wheelchair-accessible restrooms	From October 2017 to November 2017	12	–	–
A-FLAG SAPPORO (Sapporo, Hokkaido)	Replacement of water well double casing in new annex	From September 2017 to November 2017	11	–	–
icot Tama Center (Tama, Tokyo)	Exchange, repair and maintenance work of elevator parts, etc. (elevator rope, etc.)	From July 2017 to November 2017	10	–	–

(Note) The shown construction cost with regard to Tokyu Plaza Omotesando Harajuku is the amount equivalent to the ratio of the Investment Corporation's co-ownership interests of real estate trust beneficiary (75%).

(2) Capital Expenditure during the Period

The following table shows major construction works for owned assets conducted by the Investment Corporation that falls into capital expenditure during the fiscal period under review. Capital expenditure amounted to ¥147 million for the fiscal period, and repair and maintenance expenses that were accounted for as expense in the period came to ¥197 million. On aggregate, construction work of ¥344 million was carried out during the fiscal period.

Name of real property (Location)	Purpose	Period	Construction cost (In millions of yen)
A-PLACE Ebisu Minami (Shibuya, Tokyo)	Restroom appearance enhancement (First period)	From April 2017 to May 2017	21
Osaka Nakanoshima Building (Osaka, Osaka)	Exchange work of Scott connection transformers in electric pipe space on each floor	From December 2016 to March 2017	11
Tokyu Plaza Omotesando Harajuku (Shibuya, Tokyo)	Partial remodeling work	From May 2017 to May 2017	10 (Note)
Other			103
Total			147

(3) Money Accumulated for Long-Term Repair Plan

Not applicable

5. Expenses and Liabilities

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

(In thousands of yen)

Item	10th period (From June 1, 2016 to November 30, 2016)	11th period (From December 1, 2016 to May 31, 2017)
(a) Asset management fees (Note)	821,891	915,853
(b) Asset custody fees	10,016	11,446
(c) Administrative service fees	26,211	29,098
(d) Directors' compensation	3,300	3,300
(e) Other operating expenses	60,776	69,516
Total	922,196	1,029,214

(Note) Asset management fees contain acquisition fees that were included in the book value of acquired properties (10th fiscal period: ¥211,470 thousand; 11th fiscal period: ¥263,990 thousand).

(2) Borrowings

The status of borrowings from financial institutions as of May 31, 2017 is as follows:

Category	Lender	Drawdown date	Balance as of November 30, 2016 (In millions of yen)	Balance as of May 31, 2017 (In millions of yen)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use of funds	Remarks
Short-term loans payable	Sumitomo Mitsui Trust Bank, Limited	September 21, 2016	375	—	0.160	May 31, 2017	Lump-sum repayment	(Note 3)	Unsecured, non-guaranteed
		September 21, 2016	375	—	0.160	June 30, 2017			
		November 2, 2016	600	—	0.160	June 30, 2017			
		March 16, 2017	—	1,250	0.157	September 29, 2017			
		March 16, 2017	—	1,250	0.157	March 16, 2018			
		September 21, 2016	375	—	0.160	May 31, 2017			
	Mitsubishi UFJ Trust and Banking Corporation	September 21, 2016	375	—	0.160	June 30, 2017	Lump-sum repayment	(Note 3)	
		September 21, 2016	375	—	0.160	June 30, 2017			
		November 2, 2016	600	—	0.160	June 30, 2017			
		March 16, 2017	—	1,250	0.157	September 29, 2017			
		March 16, 2017	—	1,250	0.157	March 16, 2018			
		September 21, 2016	375	—	0.158	May 31, 2017			
	Mizuho Bank, Ltd.	September 21, 2016	375	—	0.158	June 30, 2017	Lump-sum repayment	(Note 3)	
		September 21, 2016	375	—	0.158	June 30, 2017			
		November 2, 2016	600	—	0.157	June 30, 2017			
		March 16, 2017	—	1,250	0.157	September 29, 2017			
		March 16, 2017	—	1,250	0.157	March 16, 2018			
		September 21, 2016	375	—	0.158	May 31, 2017			
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 21, 2016	375	—	0.158	June 30, 2017	Lump-sum repayment	(Note 3)		
	September 21, 2016	375	—	0.158	June 30, 2017				
	November 2, 2016	600	—	0.157	June 30, 2017				
	March 16, 2017	—	1,250	0.157	September 29, 2017				
	March 16, 2017	—	1,250	0.157	March 16, 2018				
	September 21, 2016	375	—	0.158	May 31, 2017				
Subtotal		5,400	10,000						
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)	
		December 19, 2013	530	530	1.080	December 19, 2020			
		January 10, 2014	80	80	0.938	January 10, 2020			
		January 10, 2014	670	670	1.079	January 10, 2021			
		June 13, 2014	6,000	—	0.184	December 13, 2016			
		July 9, 2014	300	300	0.725	January 10, 2020			
		January 9, 2015	390	390	0.498	January 9, 2018			
		January 9, 2015	250	250	0.523	January 9, 2019			
		January 9, 2015	170	170	0.544	July 9, 2019			
		January 9, 2015	420	420	0.737	January 9, 2022			
		December 16, 2015	100	100	0.657	June 15, 2022			
		December 16, 2015	625	625	0.754	June 15, 2023			
		December 16, 2015	600	600	0.854	June 17, 2024			
		January 12, 2016	700	700	0.784	January 12, 2024			
		September 21, 2016	600	600	0.541	March 21, 2025			
		September 21, 2016	1,050	1,050	0.619	March 19, 2026			
		October 6, 2016	400	400	0.385	April 6, 2023			
		December 13, 2016	—	6,000	0.698	June 12, 2026			
	March 16, 2017	—	900	0.702	September 16, 2025				
	Sumitomo Mitsui Trust Bank, Limited	June 13, 2012	3,000	3,000	0.953	June 13, 2017	Lump-sum repayment	(Note 3)	
		June 13, 2012	3,000	3,000	1.063	June 13, 2018			
		March 29, 2013	500	—	0.205	March 31, 2017			
		March 29, 2013	5,000	5,000	0.683 (Note 5)	March 31, 2018			
		April 19, 2013	800	800	0.919	April 19, 2019			
		December 19, 2013	1,060	1,060	1.080	December 19, 2020			
		January 10, 2014	160	160	0.938	January 10, 2020			
		January 10, 2014	1,340	1,340	1.079	January 10, 2021			
		July 9, 2014	600	600	0.725	January 10, 2020			
		January 9, 2015	780	780	0.498	January 9, 2018			
		January 9, 2015	500	500	0.523	January 9, 2019			
		January 9, 2015	340	340	0.544	July 9, 2019			
		January 9, 2015	840	840	0.737	January 9, 2022			
		June 15, 2015	1,500	1,500	0.947	June 15, 2022			
		June 15, 2015	1,500	1,500	1.063	June 15, 2023			
		September 30, 2015	1,250	1,250	0.613 (Note 5)	March 30, 2023			
		October 1, 2015	2,400	—	0.168	December 26, 2016			
December 16, 2015		200	200	0.657	June 15, 2022				
December 16, 2015	1,200	1,200	0.854	June 17, 2024					
January 12, 2016	1,400	1,400	0.784	January 12, 2024					
June 13, 2016	1,500	1,500	0.332 (Note 5)	June 17, 2024					
June 13, 2016	1,500	1,500	0.369 (Note 5)	December 13, 2024					
July 1, 2016	4,100	4,100	0.165	January 9, 2018					
September 21, 2016	1,200	1,200	0.541	March 21, 2025					
September 21, 2016	2,100	2,100	0.619	March 19, 2026					
October 6, 2016	800	800	0.385	April 6, 2023					
March 16, 2017	—	1,800	0.702	September 16, 2025					

Category	Drawdown date	Balance as of November 30, 2016 (In millions of yen)	Balance as of May 31, 2017 (In millions of yen)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use of funds	Remarks
Mitsubishi UFJ Trust and Banking Corporation	June 13, 2012	3,000	3,000	0.953	June 13, 2017	Lump-sum repayment	Unsecured, non-guaranteed	
	June 13, 2012	3,000	3,000	1.063	June 13, 2018			
	April 19, 2013	800	800	0.919	April 19, 2019			
	December 19, 2013	1,060	1,060	1.080	December 19, 2020			
	January 10, 2014	160	160	0.938	January 10, 2020			
	January 10, 2014	1,340	1,340	1.079	January 10, 2021			
	July 9, 2014	600	600	0.725	January 10, 2020			
	January 9, 2015	780	780	0.498	January 9, 2018			
	January 9, 2015	500	500	0.523	January 9, 2019			
	January 9, 2015	340	340	0.544	July 9, 2019			
	January 9, 2015	840	840	0.737	January 9, 2022			
	June 15, 2015	1,500	1,500	0.947	June 15, 2022			
	June 15, 2015	1,500	1,500	1.063	June 15, 2023			
	September 30, 2015	1,250	1,250	0.613 (Note 5)	March 30, 2023			
	December 16, 2015	200	200	0.657	June 15, 2022			
	December 16, 2015	1,200	1,200	0.854	June 17, 2024			
	January 12, 2016	1,400	1,400	0.784	January 12, 2024			
	June 13, 2016	1,500	1,500	0.332 (Note 5)	June 17, 2024			
	June 13, 2016	1,500	1,500	0.369 (Note 5)	December 13, 2024			
	September 21, 2016	1,200	1,200	0.541	March 21, 2025			
September 21, 2016	2,100	2,100	0.619	March 19, 2026				
October 6, 2016	800	800	0.385	April 6, 2023				
March 16, 2017	—	1,800	0.702	September 16, 2025				
Mizuho Bank, Ltd.	June 13, 2012	3,000	3,000	0.953	June 13, 2017	Lump-sum repayment	Unsecured, non-guaranteed	
	June 13, 2012	3,000	3,000	1.063	June 13, 2018			
	April 19, 2013	800	800	0.919	April 19, 2019			
	December 19, 2013	1,060	1,060	1.080	December 19, 2020			
	January 10, 2014	160	160	0.938	January 10, 2020			
	January 10, 2014	1,340	1,340	1.079	January 10, 2021			
	July 9, 2014	600	600	0.725	January 10, 2020			
	January 9, 2015	780	780	0.498	January 9, 2018			
	January 9, 2015	500	500	0.523	January 9, 2019			
	January 9, 2015	340	340	0.544	July 9, 2019			
	January 9, 2015	840	840	0.737	January 9, 2022			
	June 15, 2015	1,500	1,500	0.947	June 15, 2022			
	June 15, 2015	1,500	1,500	1.063	June 15, 2023			
	September 30, 2015	1,250	1,250	0.613 (Note 5)	March 30, 2023			
	December 16, 2015	200	200	0.657	June 15, 2022			
	December 16, 2015	1,200	1,200	0.854	June 17, 2024			
	January 12, 2016	1,400	1,400	0.784	January 12, 2024			
	June 13, 2016	1,500	1,500	0.332 (Note 5)	June 17, 2024			
	June 13, 2016	1,500	1,500	0.369 (Note 5)	December 13, 2024			
	September 21, 2016	1,200	1,200	0.541	March 21, 2025			
September 21, 2016	2,100	2,100	0.619	March 19, 2026				
October 6, 2016	800	800	0.385	April 6, 2023				
March 16, 2017	—	1,800	0.702	September 16, 2025				
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	June 13, 2012	3,000	3,000	0.953	June 13, 2017	Lump-sum repayment	Unsecured, non-guaranteed	
	June 13, 2012	3,000	3,000	1.063	June 13, 2018			
	April 19, 2013	800	800	0.919	April 19, 2019			
	December 19, 2013	1,060	1,060	1.080	December 19, 2020			
	January 10, 2014	160	160	0.938	January 10, 2020			
	January 10, 2014	1,340	1,340	1.079	January 10, 2021			
	July 9, 2014	600	600	0.725	January 10, 2020			
	January 9, 2015	780	780	0.498	January 9, 2018			
	January 9, 2015	500	500	0.523	January 9, 2019			
	January 9, 2015	340	340	0.544	July 9, 2019			
	January 9, 2015	840	840	0.737	January 9, 2022			
	June 15, 2015	1,500	1,500	0.947	June 15, 2022			
	June 15, 2015	1,500	1,500	1.063	June 15, 2023			
	September 30, 2015	1,250	1,250	0.613 (Note 5)	March 30, 2023			
	December 16, 2015	200	200	0.657	June 15, 2022			
	December 16, 2015	1,200	1,200	0.854	June 17, 2024			
	January 12, 2016	1,400	1,400	0.784	January 12, 2024			
	June 13, 2016	1,500	1,500	0.332 (Note 5)	June 17, 2024			
	June 13, 2016	1,500	1,500	0.369 (Note 5)	December 13, 2024			
	September 21, 2016	1,200	1,200	0.541	March 21, 2025			
September 21, 2016	2,100	2,100	0.619	March 19, 2026				
October 6, 2016	800	800	0.385	April 6, 2023				
March 16, 2017	—	1,800	0.702	September 16, 2025				

Category	Drawdown date	Balance as of November 30, 2016 (In millions of yen)	Balance as of May 31, 2017 (In millions of yen)	Average interest rate (%) (Note 1)	Maturity date	Repayment method	Use of funds	Remarks				
Development Bank of Japan Inc.	June 13, 2012	6,000	6,000	1.191	June 13, 2019	Lump-sum repayment	Unsecured, non-guaranteed					
	April 19, 2013	400	400	0.919	April 19, 2019							
	December 19, 2013	530	530	1.080	December 19, 2020							
	January 10, 2014	80	80	0.938	January 10, 2020							
	January 10, 2014	670	670	1.079	January 10, 2021							
	July 9, 2014	300	300	0.725	January 10, 2020							
	January 9, 2015	390	390	0.498	January 9, 2018							
	January 9, 2015	250	250	0.523	January 9, 2019							
	January 9, 2015	170	170	0.544	July 9, 2019							
	January 9, 2015	420	420	0.737	January 9, 2022							
	December 16, 2015	100	100	0.657	June 15, 2022							
	December 16, 2015	625	625	0.754	June 15, 2023							
	December 16, 2015	600	600	0.854	June 17, 2024							
	January 12, 2016	700	700	0.784	January 12, 2024							
	September 21, 2016	600	600	0.541	March 21, 2025							
	September 21, 2016	1,050	1,050	0.619	March 19, 2026							
	October 6, 2016	400	400	0.385	April 6, 2023							
	March 16, 2017	—	900	0.702	September 16, 2025							
	Mizuho Trust & Banking Co., Ltd.	March 29, 2013	2,000	—	0.205				March 31, 2017	Lump-sum repayment	Unsecured, non-guaranteed	
		August 29, 2014	1,500	1,500	0.510				August 29, 2019			
March 31, 2015		2,000	2,000	0.685	March 31, 2022							
June 30, 2016		1,200	1,200	0.029 (Note 5)	June 28, 2019							
Resona Bank, Limited.	March 29, 2013	1,500	—	0.205	March 31, 2017	Lump-sum repayment	Unsecured, non-guaranteed					
	March 31, 2015	1,500	1,500	0.525	March 31, 2020							
The Bank of Fukuoka, Ltd.	March 31, 2017	—	1,500	0.414	March 29, 2024	Lump-sum repayment	Unsecured, non-guaranteed					
	March 29, 2013	1,000	—	0.205	March 31, 2017							
	March 31, 2015	1,000	1,000	0.525	March 31, 2020							
The Gunma Bank, Ltd.	March 31, 2017	—	1,000	0.414	March 29, 2024	Lump-sum repayment	Unsecured, non-guaranteed					
	March 29, 2013	500	—	0.205	March 31, 2017							
Shinkin Central Bank	March 31, 2015	500	500	0.525	March 31, 2020	Lump-sum repayment	Unsecured, non-guaranteed					
	March 29, 2013	500	—	0.205	March 31, 2017							
	August 29, 2014	1,500	1,500	0.510	August 29, 2019							
The Norinchukin Bank	March 31, 2015	500	500	0.685	March 31, 2022	Lump-sum repayment	Unsecured, non-guaranteed					
	March 31, 2017	—	500	0.414	March 29, 2024							
Nippon Life Insurance Company	March 31, 2015	500	500	0.525	March 31, 2020	Lump-sum repayment	Unsecured, non-guaranteed					
	June 30, 2016	1,200	1,200	0.029 (Note 5)	June 28, 2019							
Tokio Marine & Nichido Fire Insurance Co., Ltd.	March 31, 2017	—	500	0.414	March 29, 2024	Lump-sum repayment	Unsecured, non-guaranteed					
	March 31, 2017	—	500	0.250	March 31, 2021							
The 77 Bank, Ltd.	March 31, 2017	—	400	0.306	March 31, 2022	Lump-sum repayment	Unsecured, non-guaranteed					
Taiyo Life Insurance Company	March 31, 2017	—	500	0.360	September 29, 2023	Lump-sum repayment	Unsecured, non-guaranteed					
Mitsui Sumitomo Insurance Company, Limited	March 31, 2017	—	500	0.360	September 29, 2023	Lump-sum repayment	Unsecured, non-guaranteed					
Subtotal		161,750	170,150									
Total		167,150	180,150									

(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).

Investment Corporation Bonds

Name of bonds	Issuance date	Balance as of May 31, 2016 (In millions of yen)	Balance as of November 30, 2016 (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	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	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	0.810	February 2, 2032	Lump sum (Note)	Repayment of outstanding loans payable	Unsecured and unguaranteed
Total		10,000	16,000					

(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 BIJUTSUKAN DORI	December 2, 2016	4,700	—	—	—	—
Tokyo Office Properties	Trust beneficiary interests	Shiodome Building (Note 2)	December 2, 2016	20,900	—	—	—	—
Urban Retail Properties	Trust beneficiary interests	A-FLAG KOTTO DORI	December 20, 2016	4,370	—	—	—	—
Urban Retail Properties	Trust beneficiary interests	A-FLAG DAIKANYAMA WEST	January 6, 2017	2,280	—	—	—	—
Tokyo Office Properties	Trust beneficiary interests	A-PLACE Shinagawa Higashi	March 16, 2017	18,800	—	—	—	—
Total				51,050	—	—	—	—

(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 the Shiodome Building represent figures equivalent to the percentage of the Investment Corporation's co-ownership interest (10%).

(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 BIJUTSUKAN DORI	December 2, 2016	4,700	4,740	Japan Real Estate Institute	October 1, 2016
	Shiodome Building (Note 2)	December 2, 2016	20,900	21,100	Morii Appraisal & Investment Consulting Inc.	October 1, 2016
	A-FLAG KOTTO DORI	December 20, 2016	4,370	4,570	DAIWA REAL ESTATE APPRAISAL CO.,LTD.	September 1, 2016
	A-FLAG DAIKANYAMA WEST	January 6, 2017	2,280	2,300	Japan Valuers Co., Ltd.	October 1, 2016
	A-PLACE Shinagawa Higashi	March 16, 2017	18,800	19,000	Morii Appraisal & Investment Consulting Inc.	February 1, 2017
	Total	—	51,050	51,710	—	—

(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 the Shiodome Building represent figures equivalent to the percentage of the Investment Corporation's co-ownership interest (10%).

(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

1) Transaction

Category	Purchase and sales amounts	
	Purchase amounts	Sales amounts
Total amount	¥46,680 million	¥— million
Details of transactions between interested parties		
PROTOS Limited Liability Company	¥18,800 million (40.3%)	¥— million (—%)
Klasse LLC	¥10,450 million (22.4%)	¥— million (—%)
MARE.Y.K.	¥10,450 million (22.4%)	¥— million (—%)
Tokyu Land Corporation	¥4,700 million (10.1%)	¥— million (—%)
TRITOS Limited Liability Company	¥2,280 million (4.9%)	¥— million (—%)
Total	¥46,680 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	367,348	Tokyu Community Corp.	155,957	42.5
		Tokyu Land SC Management Corporation	95,247	25.9
		Tokyu Land Corporation	73,739	20.1
Building management fee	601,051	Tokyu Community Corp.	491,033	81.7
		Tokyu Community Corp.	5,351	71.6
Construction management fee	7,468	Tokyu Land Corporation	947	12.7
		Tokyu Land SC Management Corporation	909	12.2
		Tokyu Land SC Management Corporation	3,375	5.5
Other management operation expenses	61,683	Tokyu Community Corp.	38,849	17.9
Other lease business expenses	217,457	Tokyu Land SC Management Corporation	4,507	2.1
		Ishikatsu Exterior Inc	1,030	0.5
		Tokyu Homes Corporation	1,007	0.5
		Tokyu Land Corporation	697	0.3
		HANDS LAB INC.	510	0.2

(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.	¥49,154 thousand
Tokyu Homes Corporation	¥17,564 thousand
Tokyu Land SC Management Corporation	¥1,032 thousand
Tokyu Land Corporation	¥824 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 25, 2017	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, 2017 to May 31, 2018); 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, 2016	As of May 31, 2017
Assets		
Current assets		
Cash and deposits	7,919,219	12,959,519
Cash and deposits in trust	4,265,231	2,881,469
Operating accounts receivable	510,269	645,163
Prepaid expenses	271,796	449,641
Deferred tax assets	17	10
Consumption taxes receivable	240,810	–
Other	2,040	2,241
Total current assets	13,209,384	16,938,046
Non-current assets		
Property, plant and equipment		
Buildings in trust	74,293,765	79,082,209
Accumulated depreciation	(6,259,822)	(7,373,381)
Buildings in trust, net	68,033,942	71,708,828
Structures in trust	604,762	637,056
Accumulated depreciation	(99,187)	(116,034)
Structures in trust, net	505,575	521,022
Machinery and equipment in trust	1,321,677	1,352,828
Accumulated depreciation	(210,123)	(241,957)
Machinery and equipment in trust, net	1,111,554	1,110,871
Tools, furniture and fixtures in trust	115,826	131,955
Accumulated depreciation	(41,572)	(54,665)
Tools, furniture and fixtures in trust, net	74,253	77,290
Land in trust	282,854,628	325,281,819
Construction in progress in trust	1,160	–
Total property, plant and equipment	352,581,114	398,699,831
Intangible assets		
Leasehold rights in trust	4,825,698	9,130,097
Other	1,245	784
Total intangible assets	4,826,943	9,130,881
Investments and other assets		
Long-term prepaid expenses	926,738	1,052,097
Derivatives	75,684	65,673
Other	14,791	15,217
Total investments and other assets	1,017,214	1,132,989
Total non-current assets	358,425,272	408,963,702
Deferred assets		
Investment corporation bond issuance costs	45,916	75,651
Total deferred assets	45,916	75,651
Total assets	371,680,572	425,977,400

(Unit: Thousands of yen)

	As of November 30, 2016	As of May 31, 2017
Liabilities		
Current liabilities		
Operating accounts payable	666,864	668,243
Short-term loans payable	5,400,000	10,000,000
Current portion of long-term loans payable	26,400,000	25,000,000
Accounts payable - other	61,823	103,682
Accrued expenses	672,969	720,452
Income taxes payable	946	784
Accrued consumption taxes	–	232,885
Advances received	316,814	428,034
Deposits received	2,083	23,755
Other	27	4,076
Total current liabilities	33,521,528	37,181,916
Non-current liabilities		
Investment corporation bond	10,000,000	16,000,000
Long-term loans payable	135,350,000	145,150,000
Tenant leasehold and security deposits in trust	15,790,599	19,194,160
Other	72	51
Total non-current liabilities	161,140,671	180,344,211
Total liabilities	194,662,199	217,526,128
Net assets		
Unitholders' equity		
Unitholders' capital	171,532,813	202,233,447
Surplus		
Unappropriated retained earnings	5,409,874	6,152,150
(undisposed loss)	–	–
Total surplus	5,409,874	6,152,150
Total unitholders' equity	176,942,688	208,385,598
Valuation and translation adjustments		
Deferred gains or losses on hedges	75,684	65,673
Total valuation and translation adjustments	75,684	65,673
Total net assets	*2 177,018,373	*2 208,451,272
Total liabilities and net assets	371,680,572	425,977,400

III. Statements of Operations

(Unit: Thousands of yen)

	Previous fiscal period		Current fiscal period	
	(From June 1, 2016 to November 30, 2016)		(From December 1, 2016 to May 31, 2017)	
Operating revenue				
Lease business revenue	*1, *2	10,175,270	*1	11,370,770
Other lease business revenue	*1, *2	741,808	*1	736,582
Total operating revenue		10,917,079		12,107,352
Operating expenses				
Expenses related to rent business	*1, *2	3,833,354	*1	4,097,908
Asset management fee		821,891		915,853
Asset custody fee		10,016		11,446
Administrative service fees		26,211		29,098
Directors' compensations		3,300		3,300
Other operating expenses		60,776		69,516
Total operating expenses		4,755,550		5,127,122
Operating profit		6,161,528		6,980,230
Non-operating income				
Interest income		56		60
Interest on securities		–		113
Reversal of distribution payable		2,924		1,768
Interest on refund		153		1,076
Insurance income		80		–
Total non-operating income		3,214		3,019
Non-operating expenses				
Interest expenses		536,470		598,109
Interest expenses on investment corporation bonds		25,379		29,422
Amortization of investment corporation bond issuance costs		5,053		7,524
Investment unit issuance expenses		56,862		48,191
Borrowing related expenses		129,896		146,928
Other		500		500
Total non-operating expenses		754,161		830,676
Ordinary Profit		5,410,581		6,152,573
Profit before income taxes		5,410,581		6,152,573
Income taxes - current		954		811
Income taxes - deferred		(0)		7
Total income taxes		954		818
Profit		5,409,626		6,151,755
Retained earnings brought forward		247		395
Unappropriated retained earnings (undisposed loss)		5,409,874		6,152,150

IV. Statements of Changes in Unitholders' Equity

Previous fiscal period (From June 1, 2016 to November 30, 2016)

(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	171,532,813	5,196,849	5,196,849	176,729,663	–	–	176,729,663
Changes of items during period							
Dividends of surplus		(5,196,601)	(5,196,601)	(5,196,601)			(5,196,601)
Profit		5,409,626	5,409,626	5,409,626			5,409,626
Net changes of items other than unitholders' equity					75,684	75,684	75,684
Total changes of items during period	–	213,025	213,025	213,025	75,684	75,684	288,710
Balance at end of current period	*1 171,532,813	5,409,874	5,409,874	176,942,688	75,684	75,684	177,018,373

Current fiscal period (From December 1, 2016 to May 31, 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	171,532,813	5,409,874	5,409,874	176,942,688	75,684	75,684	177,018,373
Changes of items during period							
Issuance of new investment units	30,700,633			30,700,633			30,700,633
Dividends of surplus		(5,409,478)	(5,409,478)	(5,409,478)			(5,409,478)
Profit		6,151,755	6,151,755	6,151,755			6,151,755
Net changes of items other than unitholders' equity					(10,010)	(10,010)	(10,010)
Total changes of items during period	30,700,633	742,276	742,276	31,442,909	(10,010)	(10,010)	31,432,898
Balance at end of current period	*1 202,233,447	6,152,150	6,152,150	208,385,598	65,673	65,673	208,451,272

V. Statements of Cash Distributions

	Fiscal periods	
	Previous fiscal period (From June 1, 2016 to November 30, 2016)	Current fiscal period (From December 1, 2016 to May 31, 2017)
	Amount	Amount
I Unappropriated retained earnings (Undisposed loss)	¥5,409,874,423	¥6,152,150,774
II Distributions	¥5,409,478,734	¥6,151,899,072
[Cash distribution per unit]	¥[9,021]	¥[9,248]
III Earnings carried forward	¥395,689	¥251,702

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 ¥5,409,478,734, which is the amount that does not exceed the unappropriated retained earnings and is the greatest value among integral multiples of 599,654, 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 ¥6,151,899,072, 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.

VI. Statements of Cash Flows

(Unit: Thousands of yen)

	Previous fiscal period (From June 1, 2016 to November 30, 2016)	Current fiscal period (From December 1, 2016 to May 31, 2017)
Cash flows from operating activities		
Profit before income taxes	5,410,581	6,152,573
Depreciation	1,052,200	1,176,077
Loss on retirement of non-current assets	–	0
Amortization of investment corporation bond issuance costs	5,053	7,524
Interest income and interest on securities	(56)	(174)
Interest expenses	561,849	627,531
Investment unit issuance expenses	56,862	48,191
Borrowing related expenses	129,896	146,928
Decrease (increase) in operating accounts receivable	(62,249)	(134,894)
Decrease (increase) in consumption taxes refund receivable	(235,727)	240,810
Increase (decrease) in accrued consumption taxes	–	232,885
Decrease (increase) in prepaid expenses	120,125	(160,833)
Increase (decrease) in operating accounts payable	117,857	94,699
Increase (decrease) in accrued expenses	29,848	63,227
Increase (decrease) in advances received	112,838	111,220
Decrease (increase) in long-term prepaid expenses	2,654	15,594
Other, net	(5,876)	23,628
Subtotal	7,295,857	8,644,992
Interest income received	56	174
Increase expenses paid	(545,308)	(592,201)
Income taxes paid	(711)	(972)
Net cash provided by (used in) operating activities	6,749,894	8,051,992
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(31,446,459)	(47,344,411)
Purchase of intangible assets in trust	(263,070)	(4,304,399)
Repayments of tenant leasehold and security deposits in trust	(162,489)	(427,568)
Proceeds from tenant leasehold and security deposits in trust	1,131,156	3,831,129
Other, net	–	(426)
Net cash provided by (used in) investing activities	(30,740,863)	(48,245,675)
Cash flows from financing activities		
Increase in short-term loans payable	8,497,828	12,396,074
Decrease in short-term loans payable	(5,500,000)	(7,800,000)
Proceeds from long-term loans payable	38,534,925	22,519,387
Repayments of long-term loans payable	(12,000,000)	(14,400,000)
Proceeds from issuance of investment corporation bonds	–	5,962,843
Proceeds from issuance of investment units	–	30,597,876
Dividends paid	(5,197,061)	(5,410,632)
Other, net	(24,251)	(15,326)
Net cash provided by (used in) financing activities	24,311,441	43,850,222
Net increase (decrease) in cash and cash equivalents	320,471	3,656,538
Cash and cash equivalents at beginning of period	11,863,978	12,184,450
Cash and cash equivalents at end of period	*1 12,184,450	*1 15,840,989

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 border="0"> <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. 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. Taxes on property, plant and equipment capitalized as part of the acquisition cost of properties amounted to ¥101,356 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	<p>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.</p>								

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, 2016	As of May 31, 2017
Total amount specified in the commitment line contracts	¥16,000,000 thousand	¥20,000,000 thousand
Loan balance	-	-
Net balance	¥16,000,000 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, 2016	As of May 31, 2017
	¥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, 2016 to November 30, 2016)		Current fiscal period (From December 1, 2016 to May 31, 2017)	
A. Real estate leasing business revenues				
Lease business revenue				
Rent	9,237,180		10,233,375	
Common service fees	677,667		845,780	
Parking lot fees	182,642		206,124	
Other rent revenue	77,779	10,175,270	85,490	11,370,770
Other lease business revenue		741,808		736,582
Total real estate leasing business revenues		10,917,079		12,107,352
B. Real estate leasing business expenses				
Expenses related to rent business				
Management operation expenses	917,069		1,037,552	
Utilities expenses	652,342		682,073	
Tax and public dues	772,413		778,702	
Insurance	7,417		8,854	
Repair and maintenance expenses	231,085		197,447	
Depreciation	1,051,941		1,175,819	
Loss on retirement of non-current assets	–		0	
Other expenses related to rent business	201,084	3,833,354	217,457	4,097,908
Total real estate leasing business expenses		3,833,354		4,097,908
C. Income from real estate leasing business (A – B)		7,083,724		8,009,444

***2. Transactions with Major Unitholders**

(Unit: Thousands of yen)

	Previous fiscal period (From June 1, 2016 to November 30, 2016)	Current fiscal period (From December 1, 2016 to May 31, 2017)
Operating transactions		
Lease business revenue	2,008,147	–
Other lease business revenue	151,391	–
Expenses related to rent business	72,757	–

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, 2016 to November 30, 2016)	Current fiscal period (From December 1, 2016 to May 31, 2017)
Total number of authorized investment units	4,000,000 units	4,000,000 units
Total number of investment units issued	599,654 units	665,214 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, 2016 to November 30, 2016)	Current fiscal period (From December 1, 2016 to May 31, 2017)
Cash and deposits	¥7,919,219 thousand	¥12,959,519 thousand
Cash and deposits in trust	¥4,265,231 thousand	¥2,881,469 thousand
Cash and cash equivalents	¥12,184,450 thousand	¥15,840,989 thousand

Notes to Lease Rental Revenues

The Investment Corporation leases properties on which rental revenues are earned. As of November 30, 2016 and May 31, 2017, future lease revenues under non-cancelable operating leases are summarized as follows:

	As of November 30, 2016	As of May 31, 2017
Due within one year	¥11,338,594 thousand	¥11,661,077 thousand
Due after one year	¥48,697,927 thousand	¥46,131,225 thousand
Total	¥60,036,521 thousand	¥57,792,302 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, 2016, 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	7,919,219	7,919,219	–
(2) Cash and deposits in trust	4,265,231	4,265,231	–
Total assets	12,184,450	12,184,450	–
(1) Short-term loans payable	5,400,000	5,400,000	–
(2) Current portion of long-term loans payable	26,400,000	26,447,238	47,238
(3) Investment corporation bonds	10,000,000	10,171,335	171,335
(4) Long-term loans payable	135,350,000	137,875,039	2,525,039
Total liabilities	177,150,000	179,893,614	2,743,614
Derivative transactions	75,684	75,684	–

Carrying amounts, fair values, and the differences between the two values as of May 31, 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	12,959,519	12,959,519	–
(2) Cash and deposits in trust	2,881,469	2,881,469	–
Total assets	15,840,989	15,840,989	–
(1) Short-term loans payable	10,000,000	10,000,000	–
(2) Current portion of long-term loans payable	25,000,000	25,038,580	38,580
(3) Investment corporation bonds	16,000,000	16,201,572	201,572
(4) Long-term loans payable	145,150,000	147,457,012	2,307,012
Total liabilities	196,150,000	198,697,165	2,547,165
Derivative transactions	65,673	65,673	–

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

Assets

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

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

Liabilities

(1) Short-term loans payable

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

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

These fair values are determined by discounting the total of principal and interest at the rate assumed when a new loan is made corresponding to the remaining period. The book value is used as the fair value of those loans payable with floating interest 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).

(3) 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.

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, 2016	As of May 31, 2017
Tenant leasehold and security deposits in trust *1	15,790,599	19,194,160

*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, 2016)

(Unit: Thousands of yen)

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Deposits	7,919,219	-	-	-	-	-
Deposits in trust	4,265,231	-	-	-	-	-
Total	12,184,450	-	-	-	-	-

Expected Amounts of Repayment of Monetary Claims after the Account Closing Date (May 31, 2017)

(Unit: Thousands of yen)

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Deposits	12,959,519	-	-	-	-	-
Deposits in trust	2,881,469	-	-	-	-	-
Total	15,840,989	-	-	-	-	-

(Note 4) Expected Amounts of Repayment of Loans Payable and Investment Corporation Bonds after the Account Closing Date (November 30, 2016)

(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	5,400,000	-	-	-	-	-
Investment corporation bonds	-	-	4,000,000	2,000,000	-	4,000,000
Long-term loans payable	26,400,000	25,000,000	19,600,000	7,300,000	12,000,000	71,450,000
Total	31,800,000	25,000,000	23,600,000	9,300,000	12,000,000	75,450,000

Expected Amounts of Repayment of Loans Payable and Investment Corporation Bonds after the Account Closing Date (May 31, 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	18,500,000	20,400,000	12,500,000	7,500,000	86,250,000
Total	35,000,000	22,500,000	26,400,000	12,500,000	7,500,000	92,250,000

Notes on Derivative Transactions

1. Derivative transaction to which hedge accounting is not applied

(As of November 30, 2016)

Not applicable

(As of May 31, 2017)

Not applicable

2. Derivative transaction to which hedge accounting is applied

(As of November 30, 2016)

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	75,684	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	10,000,000	*	-

* 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 (4), 2. Matters Regarding Fair Values of Financial Instruments, Notes on Financial Instruments.”)

(As of May 31, 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	65,673	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 (4), 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, 2016	As of May 31, 2017
Deferred tax assets		
Non-deductible amount for tax purposes of enterprise tax payable	¥17 thousand	¥10 thousand
Total deferred tax assets	¥17 thousand	¥10 thousand
Net deferred tax assets	¥17 thousand	¥10 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, 2016	As of May 31, 2017
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, 2016 to November 30, 2016)

Attribute	Name	Address	Capital stock or investment in capital (Millions of yen)	Business or occupation	Percentage of voting rights owning (owned)	Relationship		Transaction	Transaction amount (Thousands of yen)	Account title	Ending balance (Thousands of yen)
						Interlocking officers, etc.	Business relationship				
Major unitholder	Tokyu Land Corporation	21-2, Dogenzaka 1-chome, Shibuya-ku, Tokyo	57,551	Real estate business	10.32%	None	Major unitholder, and rent and management of properties	Receipt of tenant leasehold and security deposits	7,261	Tenant leasehold and security deposits in trust	2,485,408
								Repayments of tenant leasehold and security deposits	15,956		
								Rental revenues, etc.	2,159,539	Operating accounts receivable	68,012
										Advances received	104,270

Current fiscal period (From December 1, 2016 to May 31, 2017)

Attribute	Name	Address	Capital stock or investment in capital (Millions of yen)	Business or occupation	Percentage of voting rights owning (owned) (Note 3)	Relationship		Transaction	Transaction amount (Thousands of yen)	Account title	Ending balance (Thousands of yen) (Note 3)
						Interlocking officers, etc.	Business relationship				
Major unitholder	Tokyu Land Corporation	21-2, Dogenzaka 1-chome, Shibuya-ku, Tokyo	57,551	Real estate business	10.32%	None	Major unitholder, and rent and management of properties	—	—	Tenant leasehold and security deposits in trust	2,485,408
										Operating accounts receivable	68,012
										Advances received	104,270

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

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

(Note 3) Due to the Investment Corporation's issuance of new investment units through public offering that was conducted on December 1, 2016 (first day of the fiscal period), Tokyu Land Corporation no longer qualifies as a related party. Consequently, the percentage of voting rights owning (owned) and the ending balance stated above, are for the percentage and amount as of the start of the fiscal period when that company ceased to qualify as a related party.

2. Affiliates, etc.

Previous fiscal period (From June 1, 2016 to November 30, 2016)

Not applicable

Current fiscal period (From December 1, 2016 to May 31, 2017)

Not applicable

3. Sister companies, etc.

Previous fiscal period (From June 1, 2016 to November 30, 2016)

Attribute	Name	Address	Capital stock or investment in capital (Millions of yen)	Business or occupation	Percentage of voting rights owning (owned)	Relationship		Transaction	Transaction amount (Thousands of yen)	Account title	Ending balance (Thousands of yen)
						Interlocking officers, etc.	Business relation				
Subsidiary of major unitholder	Tokyu Land SC Management Corporation	2-2 Dogenzaka 1-chome, Shibuya-ku, Tokyo	100	Real estate management business	-	None	Subsidiary of major unitholder	Receipt of tenant leasehold and security deposits	22,712	Tenant leasehold and security deposits in trust	5,382,707
								Repayments of tenant leasehold and security deposits	29,000		
								Rental revenues, etc.	3,912,813		
										Advances received	1,083
Subsidiary of major unitholder	TLC Activia Investment Management Inc.	1-1, Minami-Aoyama 1-chome, Minato-ku, Tokyo	300	Operations related to management of the Investment Corporation's portfolio assets	-	One interlocking officer	Asset manager	Payment of fees for asset management	1,033,361	Other accrued expenses	335,504

Current fiscal period (From December 1, 2016 to May 31, 2017)

Attribute	Name	Address	Capital stock or investment in capital (Millions of yen)	Business or occupation	Percentage of voting rights owning (owned)	Relationship		Transaction	Transaction amount (Thousands of yen)	Account title	Ending balance (Thousands of yen)
						Interlocking officers, etc.	Business relation				
Subsidiary of major unitholder	Tokyu Land SC Management Corporation	2-2 Dogenzaka 1-chome, Shibuya-ku, Tokyo	100	Real estate management business	-	None	Subsidiary of major unitholder	-	-	Tenant leasehold and security deposits in trust	5,382,707
										Operating accounts receivable	147,261
										Advances received	1,083
Subsidiary of major unitholder	TLC Activia Investment Management Inc.	1-1, Minami-Aoyama 1-chome, Minato-ku, Tokyo	300	Operations related to management of the Investment Corporation's portfolio assets	-	One interlocking officer	Asset manager	-	-	Other accrued expenses	335,504

(Note 1) The amount of Payment of fees for asset management above is in accordance with the terms set forth in the Articles of Incorporation of the Investment Corporation.

(Note 2) Of the amounts above, the transaction amount does not include consumption taxes, and the ending balance includes consumption taxes.

(Note 3) The transaction terms are based on current market practices.

(Note 4) As a result of Tokyu Land Corporation no longer qualifying as a related party due to the Investment Corporation's issuance of new investment units through public offering that was conducted on December 1, 2016 (first day of the fiscal period), Tokyu Land Corporation's subsidiaries Tokyu Land SC Management Corporation, and TLC Activia Investment Management Inc. no longer qualify as related parties. Consequently, the percentage of voting rights owning (owned) and the ending balance stated above, are for the percentage and amount as of the start of the fiscal period when the two companies ceased to qualify as related parties.

4. Directors and major individual unitholders

Previous fiscal period (From June 1, 2016 to November 30, 2016)

Not applicable

Current fiscal period (From December 1, 2016 to May 31, 2017)

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	Current fiscal period
		(From June 1, 2016 to November 30, 2016)	(From December 1, 2016 to May 31, 2017)
Urban Retail Properties	Carrying amount on the balance sheets		
	Balance at beginning of period	142,985,252	142,972,944
	Changes during period	(12,308)	11,137,686
	Balance at end of period	142,972,944	154,110,630
	Fair value at end of period	172,235,000	186,965,000
Tokyo Office Properties	Carrying amount on the balance sheets		
	Balance at beginning of period	129,392,529	136,678,436
	Changes during period	7,285,907	39,564,647
	Balance at end of period	136,678,436	176,243,083
	Fair value at end of period	152,420,000	196,020,000
Activia Account Properties	Carrying amount on the balance sheets		
	Balance at beginning of period	54,166,215	77,755,251
	Changes during period	23,589,036	(278,260)
	Balance at end of period	77,755,251	77,476,991
	Fair value at end of period	87,050,000	88,570,000
Total	Carrying amount on the balance sheets		
	Balance at beginning of period	326,543,997	357,406,633
	Changes during period	30,862,635	50,424,072
	Balance at end of period	357,406,633	407,830,705
	Fair value at end of period	411,705,000	471,555,000

(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 five properties (A-FLAG KOTTO DORI, A-FLAG BIJUTSUKAN DORI, A-FLAG DAIKANYAMA WEST, Shiodome Building and A-PLACE Shinagawa Higashi) worth ¥51,452,384 thousand. The decrease is mainly due to the provision of depreciation worth ¥1,175,819 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, 2016 and May 31, 2017 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, 2016 to November 30, 2016)

(Unit: Thousands of yen)

Name of Customer	Revenues	Related Segment
Tokyu Land SC Management Corporation	3,912,813	Property rental business
Tokyu Community Corporation	3,427,000	Property rental business
Tokyu Land Corporation	2,159,539	Property rental business

Current fiscal period (From December 1, 2016 to May 31, 2017)

(Unit: Thousands of yen)

Name of Customer	Revenues	Related Segment
Tokyu Land SC Management Corporation	3,979,976	Property rental business
Tokyu Community Corporation	3,874,279	Property rental business
Tokyu Land Corporation	2,112,048	Property rental business

Per Unit Information

	Previous fiscal period (From June 1, 2016 to November 30, 2016)	Current fiscal period (From December 1, 2016 to May 31, 2017)
Net assets per unit	¥295,200	¥313,359
Basic earnings per unit	¥9,021	¥9,252

(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 599,654 units; current fiscal period 664,866 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, 2016 to November 30, 2016)	Current fiscal period (From December 1, 2016 to May 31, 2017)
Profit (Thousands of yen)	5,409,626	6,151,755
Amount not attributable to common unitholders (Thousands of yen)	—	—
Profit attributable to common investment units (Thousands of yen)	5,409,626	6,151,755
Average number of investment units for the period (Units)	599,654	664,866

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	24,400,000	19,400,000	65,673
	Total	24,400,000	19,400,000	65,673

(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 (Note 1)	74,293,765	4,788,728	284	79,082,209	7,373,381	1,113,843	71,708,828
	Structures in trust	604,762	32,293	-	637,056	116,034	16,846	521,022
	Machinery and equipment in trust	1,321,677	31,150	-	1,352,828	241,957	31,834	1,110,871
	Tools, furniture and fixtures in trust	115,826	16,129	-	131,955	54,665	13,092	77,290
	Land in trust (Note 1)	282,854,628	42,427,190	-	325,281,819	-	-	325,281,819
	Construction in progress in trust	1,160	-	1,160	-	-	-	-
	Subtotal	359,191,820	47,295,493	1,444	406,485,869	7,786,038	1,175,616	398,699,831
Intangible Assets	Leasehold rights in trust (Note 1)	4,825,698	4,304,399	-	9,130,097	-	-	9,130,097
	Other (Note 2)	4,610	-	-	4,610	3,826	461	784
	Subtotal	4,830,309	4,304,399	-	9,134,708	3,826	461	9,130,881
Total		364,022,130	51,599,892	1,444	415,620,577	7,789,864	1,176,077	407,830,712

(Note 1) The main reason for the increase in the fiscal period ended May 31, 2017 is the acquisition of 5 properties (A-FLAG KOTTO DORI, A-FLAG BIJUTSUKAN DORI, A-FLAG DAIKANYAMA WEST, Shiodome Building, A-PLACE Shinagawa Higashi).

(Note 2) "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	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	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	0.810%	February 2, 2032	Partial repayment of the long-term borrowings	Unsecured, non-guaranteed
Total	-	10,000,000	-	16,000,000	-	-	-	-

(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	-	-

Loans Payable

The following tables show the details of loans payable.

(Unit: Thousands of yen)

Category	Lender	Beginning balance	Increase	Decrease	Ending balance	Average interest rate (Note 1)	Maturity date	Use of funds	Remarks
Short-term loans payable	Sumitomo Mitsui Trust Bank, Limited	375,000	-	375,000	-	0.16000%	May 31, 2017	(Note 3)	Unsecured, non-guaranteed
	Mitsubishi UFJ Trust and Banking Corporation	375,000	-	375,000	-				
	Mizuho Bank, Ltd.	375,000	-	375,000	-				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	375,000	-	375,000	-				
	Sumitomo Mitsui Trust Bank, Limited	-	600,000	600,000	-				
	Mitsubishi UFJ Trust and Banking Corporation	-	600,000	600,000	-	0.15818%	May 31, 2017	(Note 4)	Unsecured, non-guaranteed
	Mizuho Bank, Ltd.	-	600,000	600,000	-				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	600,000	600,000	-				
	Sumitomo Mitsui Trust Bank, Limited	375,000	-	375,000	-				
	Mitsubishi UFJ Trust and Banking Corporation	375,000	-	375,000	-	0.16000%	June 30, 2017	(Note 3)	Unsecured, non-guaranteed
	Mizuho Bank, Ltd.	375,000	-	375,000	-				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	375,000	-	375,000	-				
	Sumitomo Mitsui Trust Bank, Limited	600,000	-	600,000	-				
	Mitsubishi UFJ Trust and Banking Corporation	600,000	-	600,000	-	0.16000%	June 30, 2017	(Note 4)	Unsecured, non-guaranteed
	Mizuho Bank, Ltd.	600,000	-	600,000	-				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	600,000	-	600,000	-				
	Sumitomo Mitsui Trust Bank, Limited	-	1,250,000	-	1,250,000				
	Mitsubishi UFJ Trust and Banking Corporation	-	1,250,000	-	1,250,000	0.15728%	September 29, 2017	(Note 3)	Unsecured, non-guaranteed
	Mizuho Bank, Ltd.	-	1,250,000	-	1,250,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	1,250,000	-	1,250,000				
Sumitomo Mitsui Trust Bank, Limited	-	1,250,000	-	1,250,000					
Mitsubishi UFJ Trust and Banking Corporation	-	1,250,000	-	1,250,000	0.15728%	March 16, 2018	(Note 3)	Unsecured, non-guaranteed	
Mizuho Bank, Ltd.	-	1,250,000	-	1,250,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	1,250,000	-	1,250,000					
Sumitomo Mitsui Trust Bank, Limited	-	1,250,000	-	1,250,000					
Total		5,400,000	12,400,000	7,800,000	10,000,000				
Long-term loans payable (Note 2)	Sumitomo Mitsui Banking Corporation	6,000,000	-	6,000,000	-	0.18432%	December 13, 2016	(Note 4)	Unsecured, non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	2,400,000	-	2,400,000	-	0.16765%	December 26, 2016	(Note 3)	Unsecured, non-guaranteed
	Mizuho Trust & Banking Co., LTD.	2,000,000	-	2,000,000	-	0.20500%	March 31, 2017	(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	-				
	The Gunma Bank, Ltd.	500,000	-	500,000	-				
	Shinkin Central Bank	500,000	-	500,000	-				
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	500,000	-				

(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)	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,000,000	-	-	3,000,000	0.95315%	June 13, 2017	(Note 3)	Unsecured, non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	3,000,000	-	-	3,000,000				
	Mitsubishi UFJ Trust and Banking Corporation	3,000,000	-	-	3,000,000				
	Mizuho Bank, Ltd.	3,000,000	-	-	3,000,000				
	Sumitomo Mitsui Trust Bank, Limited	780,000	-	-	780,000	0.49815%	January 9, 2018	(Note 3)	Unsecured, non-guaranteed
	Mitsubishi UFJ Trust and Banking Corporation	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
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	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				
	Mitsubishi UFJ Trust and Banking Corporation	3,000,000	-	-	3,000,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,000,000	-	-	3,000,000				
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000	0.52304%	January 9, 2019	(Note 3)	Unsecured, non-guaranteed
	Mitsubishi UFJ Trust and Banking Corporation	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
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	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	
Mitsubishi UFJ Trust and Banking Corporation	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	
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	800,000	-	-	800,000	0.91941%	April 19, 2019	(Note 3)	Unsecured, non-guaranteed	
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	

(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)	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
	Mitsubishi UFJ Trust and Banking Corporation	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
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	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
	Mitsubishi UFJ Trust and Banking Corporation	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
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	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
	Mitsubishi UFJ Trust and Banking Corporation	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
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	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
	Mitsubishi UFJ Trust and Banking Corporation	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	
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,060,000	-	-	1,060,000	1.07980%	December 19, 2020	(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	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
	Mitsubishi UFJ Trust and Banking Corporation	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
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	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	840,000	-	-	840,000	0.73690%	January 9, 2022	(Note 3)	Unsecured, non-guaranteed
	Mitsubishi UFJ Trust and Banking Corporation	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
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	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
	Mitsubishi UFJ Trust and Banking Corporation	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
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	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
	Mitsubishi UFJ Trust and Banking Corporation	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
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	200,000	-	-	200,000	0.65691%	June 15, 2022	(Note 3)	Unsecured, non-guaranteed
	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	

(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 Trust Bank, Limited	1,250,000	-	-	1,250,000	0.61330% (Note 5)	March 30, 2023	(Note 4)	Unsecured, non-guaranteed
	Mitsubishi UFJ Trust and Banking Corporation	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
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,250,000	-	-	1,250,000	0.61330% (Note 5)	March 30, 2023	(Note 4)	Unsecured, non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	800,000	-	-	800,000	0.38472%	April 6, 2023	(Note 3)	Unsecured, non-guaranteed
	Mitsubishi UFJ Trust and Banking Corporation	800,000	-	-	800,000				
	Mizuho Bank, Ltd.	800,000	-	-	800,000				
	The Bank of Tokyo-Mitsubishi UFJ, 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
	Mitsubishi UFJ Trust and Banking Corporation	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
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	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
	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
	Mitsubishi UFJ Trust and Banking Corporation	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	
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	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	
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					

(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 Trust Bank, Limited	1,200,000	-	-	1,200,000	0.85377%	June 17, 2024	(Note 3)	Unsecured, non-guaranteed
	Mitsubishi UFJ Trust and Banking Corporation	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
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	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
	Mitsubishi UFJ Trust and Banking Corporation	1,500,000	-	-	1,500,000				
	Mizuho Bank, Ltd.	1,500,000	-	-	1,500,000				
	The Bank of Tokyo-Mitsubishi UFJ, 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
	Mitsubishi UFJ Trust and Banking Corporation	1,500,000	-	-	1,500,000				
	Mizuho Bank, Ltd.	1,500,000	-	-	1,500,000				
	The Bank of Tokyo-Mitsubishi UFJ, 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
	Mitsubishi UFJ Trust and Banking Corporation	1,200,000	-	-	1,200,000				
	Mizuho Bank, Ltd.	1,200,000	-	-	1,200,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,200,000	-	-	1,200,000				
	Sumitomo Mitsui Banking Corporation	600,000	-	-	600,000	0.70169%	September 16, 2025	(Note 3)	Unsecured, non-guaranteed
	Development Bank of Japan Inc.	600,000	-	-	600,000				
Sumitomo Mitsui Trust Bank, Limited	-	1,800,000	-	1,800,000					
Mitsubishi UFJ Trust and Banking Corporation	-	1,800,000	-	1,800,000					
Mizuho Bank, Ltd.	-	1,800,000	-	1,800,000	0.61942%	March 19, 2026	(Note 3)	Unsecured, non-guaranteed	
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	1,800,000	-	1,800,000					
Sumitomo Mitsui Banking Corporation	-	900,000	-	900,000					
Development Bank of Japan Inc.	-	900,000	-	900,000					
Sumitomo Mitsui Trust Bank, Limited	2,100,000	-	-	2,100,000	0.61942%	March 19, 2026	(Note 3)	Unsecured, non-guaranteed	
Mitsubishi UFJ Trust and Banking Corporation	2,100,000	-	-	2,100,000					
Mizuho Bank, Ltd.	2,100,000	-	-	2,100,000					
The Bank of Tokyo-Mitsubishi UFJ, 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					

Independent Auditor's Report



Ernst & Young ShinNihon LLC
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 2-2-3 Uchisaiwai-cho, Chiyoda-ku
 Tokyo 100-0011, Japan
 Tel: +81 3 3503 1100
 Fax: +81 3 3503 1197
 www.shinnihon.or.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, 2017, 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, 2017, 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 23, 2017
 Tokyo, Japan

(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	-	6,000,000	-	6,000,000	0.69796%	June 12, 2026	(Note 4)	Unsecured, non-guaranteed
Total		161,750,000	22,800,000	14,400,000	170,150,000				

(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.

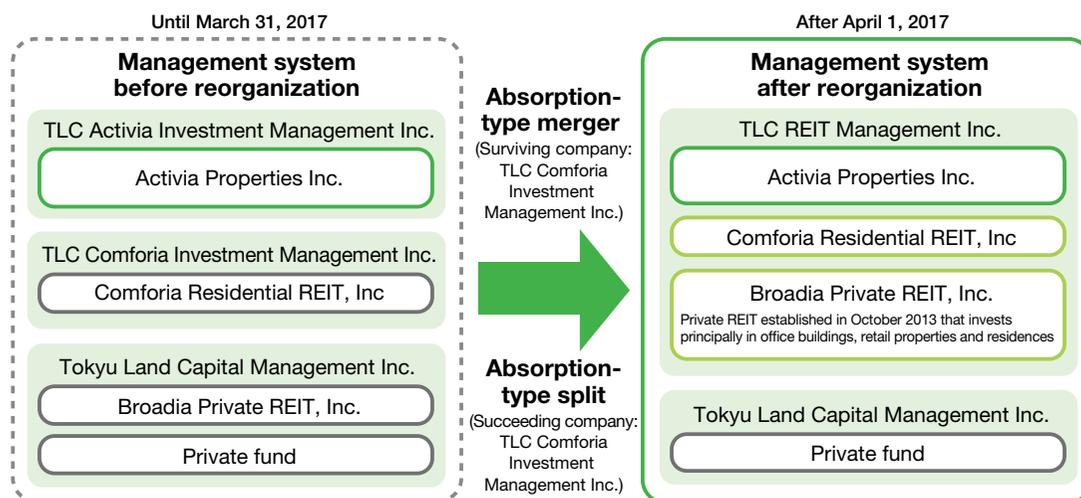
(Note 6) Annual repayments of long-term loans payable scheduled for next five years after each balance sheet date were as follows:

(Unit: Thousands of yen)

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years
Long-term loans payable	25,000,000	18,500,000	20,400,000	12,500,000	7,500,000

Overview of the Asset Manager

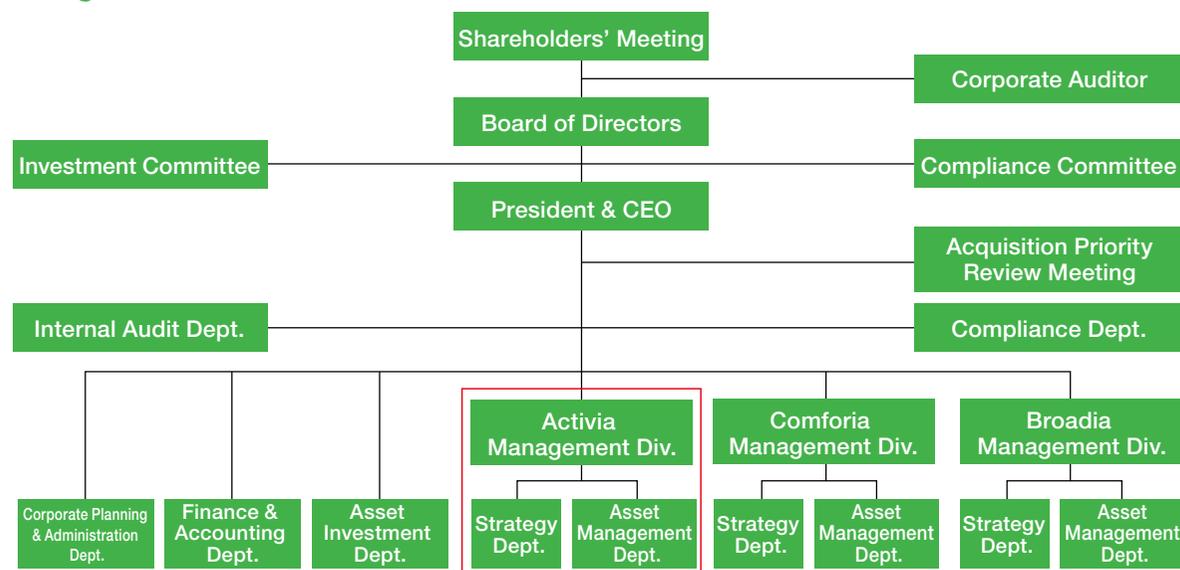
Merger of Asset Managers



Overview of the Asset Manager

Corporate name	TLC REIT Management Inc.	Registration & License	Licensed Financial Instrument Trader (kinsho) Kanto Local Finance Bureau License No. 2370
Established	October 6, 2009		Discretionary Transaction Agent License (Minister of Land, Infrastructure and Transportation Approval No. 65)
Capital	¥200 million	President and CEO	Building Lots and Building Transactions Business License (Governor of Tokyo (2) No. 91139)
Shareholder	Tokyu Land Corporation 100%		Member of the Investment Trusts Association, Japan (general incorporated association)
			Hiroyuki Tohmata

Organizational Chart



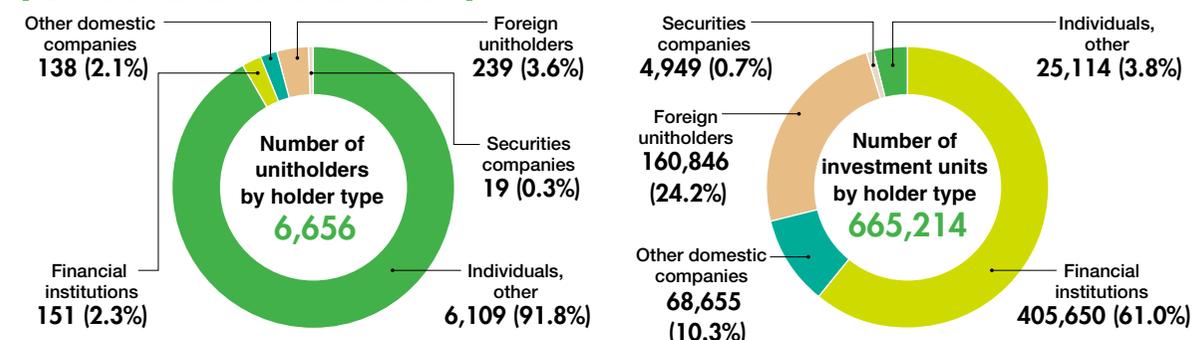
Information on Unitholders

Trends in Unit Prices



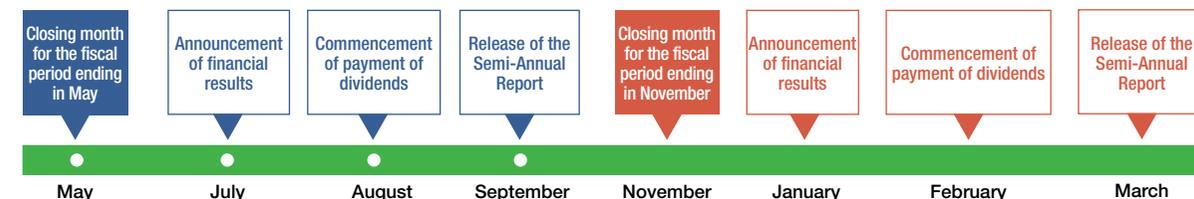
(Note 1) The performance of TSE REIT Index is indexed to API unit price as of June 13, 2012.
 (Note 2) API implemented a 2-for-1 investment unit split with October 1, 2015 as the effective date. To reflect the split, the issue price is indicated as ¥230,000 (half of ¥460,000).

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

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



Accessible from smartphone as well.



Information on Unitholders

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 168-0003, Japan
Address of administrator of unitholders' registry	Stock Transfer Agency Business Planning Department of Sumitomo Mitsui Trust Bank, Limited 4-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo 168-0003, Japan Tel: 0120-782-031 (toll-free, available within Japan only) URL: http://www.smtb.jp/personal/agency/ (Japanese page)
Stock exchange	J-REIT section of the Tokyo Stock Exchange (securities code: 3279)
Newspaper to provide public notice	<i>Nihon Keizai Shimbun</i>

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 Department, 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.)

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%					
	<table border="1"> <tr> <td rowspan="2">Breakdown</td> <td>Income tax 15% + Reconstruction special income tax 0.315% <small>(Note)</small></td> </tr> <tr> <td>Residence tax 5%</td> </tr> </table>	Breakdown	Income tax 15% + Reconstruction special income tax 0.315% <small>(Note)</small>	Residence tax 5%	<table border="1"> <tr> <td rowspan="2">Breakdown</td> <td>Income tax 15%</td> </tr> <tr> <td>Residence tax 5%</td> </tr> </table>	Breakdown	Income tax 15%
Breakdown	Income tax 15% + Reconstruction special income tax 0.315% <small>(Note)</small>						
	Residence tax 5%						
Breakdown	Income tax 15%						
	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