

## Financial Report for the Fiscal Period Ended November 30, 2018 (June 1, 2018 – November 30, 2018)

### Activia Properties Inc.

Listing: Tokyo Stock Exchange  
 Securities code: 3279  
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 Scheduled date to start distribution payments: February 12, 2019  
 Supplementary material on financial report: Yes  
 Financial report presentation meeting: Yes (for institutional investors and analysts)

(Amounts truncated to the nearest million yen)

### 1. Summary of financial results for the fiscal period ended November 30, 2018 (June 1, 2018 – November 30, 2018)

#### (1) Operating results (Percentages show changes from the corresponding amounts for the previous period.)

	Operating revenue		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal period ended November 30, 2018	13,815	3.7	7,546	1.0	6,697	1.3	6,696	1.3
Fiscal period ended May 31, 2018	13,327	4.8	7,471	5.6	6,611	6.3	6,610	6.3

	Basic earnings per unit	Return on unitholders' equity (ROE)	Ordinary profit to total assets	Ordinary profit to operating revenue
	Yen	%	%	%
Fiscal period ended November 30, 2018	9,584	3.0	1.5	48.5
Fiscal period ended May 31, 2018	9,493	3.1	1.5	49.6

(Note) Basic earnings per unit is calculated by dividing profit by the day-weighted average number of investment units for the period (696,324 units and 698,704 units for the fiscal period ended May 31, 2018, and the fiscal period ended November 30, 2018, respectively).

## (2) Cash distributions

	Cash distributions per unit (excluding excess of earnings)	Total distributions (excluding excess of earnings)	Cash distributions in excess of earnings per unit	Total distributions in excess of earnings	Payout ratio	Distribution ratio to unitholders' equity
	Yen	Millions of yen	Yen	Millions of yen	%	%
Fiscal period ended November 30, 2018	9,584	6,696	0	0	100.0	3.0
Fiscal period ended May 31, 2018	9,462	6,611	0	0	100.0	3.0

(Note) Because new investment units were issued during the fiscal period ended May 31, 2018, the payout ratio for that period is obtained by the following formula with figures rounded to the first decimal place: Payout ratio = total distributions (excluding excess of earnings) / profit × 100

## (3) Financial position

	Total assets	Net assets	Unitholders' equity to total assets	Net assets per unit
	Millions of yen	Millions of yen	%	Yen
As of November 30, 2018	445,464	223,842	50.2	320,368
As of May 31, 2018	445,941	223,777	50.2	320,275

(Reference) Unitholders' equity

As of November 30, 2018: ¥223,842 million

As of May 31, 2018: ¥223,777 million

## (4) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal period ended November 30, 2018	8,708	(1,471)	(6,762)	13,090
Fiscal period ended May 31, 2018	7,223	(24,040)	11,542	12,615

## 2. Forecasts of results for the fiscal period from December 1, 2018 to May 31, 2019

(Percentages show changes from the corresponding amounts for the previous period.)

	Operating revenue		Operating profit		Ordinary profit		Profit		Cash distributions per unit (excluding excess of earnings)	Cash distributions in excess of earnings per unit
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	Yen
Fiscal period ending May 31, 2019	14,771	6.9	8,582	13.7	7,619	13.8	7,618	13.8	9,878	0

(Reference) Forecasted profit per unit (forecasted profit / total projected number of investment units issued at end of period) for the fiscal period ending May 31, 2019: ¥9,878

**\* Other**

**(1) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements**

- a. Changes in accounting policies due to revisions to accounting standards and other regulations: None
- b. Changes in accounting policies due to other reasons: None
- c. Changes in accounting estimates: None
- d. Restatement of prior period financial statements: None

**(2) Total number of units issued**

- a. Total number of units issued at end of period (including treasury units)

As of November 30, 2018	698,704 units
As of May 31, 2018	698,704 units
- b. Number of treasury units at end of period

As of November 30, 2018	– units
As of May 31, 2018	– units

(Note) Please refer to “Per Unit Information” on page 34 for the number of investment units used as the basis for calculating basic earnings per unit.

**\* Status of audit procedures**

As of the time of this financial report, audit procedures for the financial statements pursuant to the Financial Instruments and Exchange Act of Japan are incomplete.

**\* Appropriate use of forecasts of results and other special items**

Forward-looking statements presented in this financial report including forecasts of results are based on information currently available to us and on certain assumptions we deem to be reasonable. As such, actual operating and other results may differ materially due to a number of factors. Furthermore, these forecasts are in no way a guarantee of any distribution amount. Please refer to “Assumptions for Forecasts of Investment Performance for the 15th Fiscal Period from December 1, 2018 to May 31, 2019 and the 16th Fiscal Period from June 1, 2019 to November 30, 2019” on pages 15 through 17 for information on assumptions for the forecasts.

This English version is a translation of the original Japanese document and is only for reference purposes. In the case where any differences occur between the English version and the original Japanese version, the Japanese version will prevail.

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## 1. The Investment Corporation and Related Corporations

As there have been no significant changes in “Management structure of the Investment Corporation” in the latest Securities Report (filed on August 30, 2018; prepared in Japanese only), the disclosure is omitted.

## 2. Asset Management Policies and Status

### (1) Asset Management Policies

As there have been no significant changes in policies described in “Investment Policy,” “Investment Properties” and “Distribution Policy” in the latest Securities Report (filed on August 30, 2018; prepared in Japanese only), the disclosure is omitted.

### (2) Asset Management Status

#### i) Summary of Results for the Current Fiscal Period

##### (A) Transition of Investment Corporation

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

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

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

Moreover, the Investment Corporation has continued to carefully select investment assets with a focus on location and quality since having concluded its IPO, and consequently held 42 properties (with the total acquisition price of ¥431,485 million) at the end of the fiscal period under review.

##### (B) Investment Environment in the Fiscal Period under Review

In the fiscal period under review, the Japanese economy remained generally robust amid an ongoing trend of gradual recovery in the global economy overall against a backdrop of a continued trajectory of recovery in corporate earnings as well as the employment and income environments, and despite concerns particularly regarding effects from a string of natural disasters.

With respect to the environment surrounding retail properties, developments involving consumer sentiment have been weak according to the Monthly Consumer Confidence Survey released by the Economic and Social Research Institute, Cabinet Office, Government of Japan, yet sales of retailers are gradually picking up steam according to the Current Survey of Commerce released by the Ministry of Economy, Trade and Industry. Moreover, according to the Consumption Trend Survey for Foreigners Visiting Japan released by the Japan Tourism Agency, the Ministry of Land, Infrastructure, Transport and Tourism, the number of foreign overseas visitors to Japan had decreased briefly due to effects from the string of natural disasters in the quarter spanning July to September 2018, but currently as of December 2018 the number exceeds 30 million people annually for the first time ever. As such, demand related to inbound tourism has been holding firm.

In the rental office market, a favorable environment of supply relative to demand has been persisting. In that regard, according to data published by Miki Shoji Co., Ltd., the average vacancy rate of the five central wards of Tokyo (Chiyoda-ku, Minato-ku, Chuo-ku, Shibuya-ku and Shinjuku-ku) had been hovering just above the 2% range since March 2018 until it fell below 2% to 1.98% in November 2018. With respect to rent levels as well, the average rent has been increasing for 59 consecutive months. The market environment continues to be favorable also in major cities outside Tokyo amid declining vacancy rates and an increasingly upward trend in rent levels.

The J-REIT market has held firm overall amid further improvement in business performance underpinned largely by a favorable rental office market, as well as relatively high yields, and despite the Bank of Japan having announced that it will allow long-term interest rates to fluctuate to a greater extent. Financing activities through publicly offered capital increase and property acquisition have been continuously and actively conducted, and this has led to an ongoing expansion in J-REIT asset sizes.

### (C) Investment Performance

The Investment Corporation has continued to maintain and improve its portfolio in accordance with the basic asset management policy set forth in the Articles of Incorporation. Consequently, total assets held by the Investment Corporation at the end of the fiscal period under review were 42 properties (with the total acquisition price of ¥431,485 million) with the total leasable area of 395,967 m<sup>2</sup> (119,764 *tsubo*).

The trend of monthly average occupancy rate (Note) during the fiscal period under review is as follows:

	June 30, 2018	July 31, 2018	August 31, 2018	September 30, 2018	October 31, 2018	November 30, 2018
Urban Retail Properties	99.7%	99.7%	100.0%	100.0%	100.0%	100.0%
Tokyo Office Properties	100.0%	100.0%	100.0%	100.0%	99.9%	99.9%
Activia Account Properties	99.5%	99.3%	99.8%	99.8%	99.8%	99.8%
Total	99.7%	99.6%	99.9%	99.9%	99.9%	99.9%

(Note) Figures for occupancy rates are rounded to the nearest tenth.

### (D) Initiatives Regarding Sustainability

In aiming to build a portfolio consisting of “real estate capable of sustaining customer demand,” the Investment Corporation deems that efforts to achieve “lower environmental loads” while acting to “contribute to our nearby surroundings and local communities” also constitute an important portfolio consideration. This involves daily effort to achieve our basic objective of cutting unit energy consumption by an annual average of 1% over the medium to long term. Initiatives carried out in the fiscal period under review include upgrading to LED lighting at some private areas at A-PLACE Gotanda Ekimae, timed in conjunction with change of tenants at the facility, and some common areas of A-PLACE Ebisu Higashi and Commercial Mall Hakata. In addition, in new lease agreements and memorandums of renewal, we have added “green lease clauses” and are working with each tenant to build a system of cooperation with respect to environmental awareness. Moreover, we continue to engage in annual initiatives geared to acquiring green building certifications. During the fiscal period under review, we have acquired the CASBEE (Comprehensive Assessment System for Built Environment Efficiency) for Real Estate certification, for four properties including A-PLACE Shinagawa Higashi (S class), TLC Ebisu Building (A class), A-PLACE Ebisu Higashi (A class), and A-PLACE Shibuya Konnoh (A class). As such, a total of 24 of our properties have acquired green building certification, which amounted to 58.8% of our holdings calculated on the basis of gross floor area (as of November 30, 2018).

Furthermore, at Tokyu Plaza Omotesando Harajuku, we held the first harvest of the “Yasai-no-mori (garden of vegetables) Project,” which entails the property growing vegetables in cooperation with NPOs, sponsor companies, and neighboring nursery schools. We also cooperated in community

activities to coexist with nearby businesses, residents and cities as part of initiatives for local society, which included our participation in clean-up campaigns and summer festivals in various areas where our properties are located.

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

#### (E) Overview of Financing

In the fiscal period under review, the Investment Corporation refinanced borrowings amounting to ¥17,000 million in June 2018, in order to cover repayment of loans payable that had come due, and worked to otherwise maintain a stable financial base through ongoing moves that have included reducing interest costs and diversifying repayment dates on interest-bearing debt. As of the end of the fiscal period under review, the balance of interest-bearing debt was ¥199,350 million (borrowings of ¥181,350 million and investment corporation bonds of ¥18,000 million). The ratio of interest-bearing debt to total assets (LTV = Balance of interest-bearing debt / Total assets x 100) was 44.8% as of the end of the fiscal period under review. The long-term debt ratio and the ratio of fixed-interest debt to total interest-bearing debt were both 95.4%.

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

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

#### (F) Overview of Financial Results and Distributions in the Fiscal Period under Review

As a result of the above-mentioned investments, operating revenue, operating profit, and ordinary profit were ¥13,815 million, ¥7,546 million, and ¥6,697 million, respectively, for the fiscal period under review, and profit was ¥6,696 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 ¥9,584.

## ii) Outlook for the Next Fiscal Period

### (A) Investment Environment for the Next Fiscal Period

In the Japanese economy going forward, we expect the trend of modest recovery to persist on the whole, driven in part by firm domestic demand particularly in terms of capital investment and personal consumption and also by continued robust employment and income environments, against a backdrop of factors that include the Bank of Japan's sustained monetary easing policy as well as support from government expenditure. On the other hand, risk factors include potential effects on the global economy as well as financial and capital markets stemming from developments with respect to trade policies particularly of the U.S. as well as monetary policy in Europe and the U.S., along with potential effects of outcomes in negotiations ahead of the U.K.'s withdrawal from the European Union and Japan's hike in its consumption tax rate.

In the rental office market, conditions are likely to remain favorable amid a scenario of ongoing robust demand particularly in terms of corporate expansion as well as improving and relocating business sites, along with continued tightening of supply relative to demand. With respect to the environment surrounding retail properties, trends that include robust employment and income environments along with the increasing number of foreign overseas visitors to Japan were ongoing, and temporary effects of the consumption tax hike aside, we anticipate robust performance with some contribution to this expected from fiscal stimulus. The J-REIT market, is likely to gain support from the robust real estate market and long-term interest rates remaining at low levels in Japan, despite the need to closely monitor the overseas economic situation particularly with respect to uncertainties brought about by developments involving policy in Europe and the U.S.

Amid this environment, the Investment Corporation will promote both external growth through making careful investment decisions, in part by continuing to leverage its sponsor support, and also internal growth by leveraging the competitiveness of its assets under management, with the aim of improving unitholder value.

### (B) Investment Policy and Developments to Be Addressed in the Next Fiscal Period

#### a. Basic Policy

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

#### b. External Growth Strategy

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

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

#### c. Internal Growth Strategy

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

The Investment Corporation will also maintain and improve the value of its assets through its expertise in internal growth through operating and managing properties. It will maximize the



competitiveness of its assets through the ongoing assistance of Tokyu Land Corporation and other support companies, which, through their face-to-face business with consumers, have rich information regarding consumer needs and developments in industries such as retail and services.

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

d. 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.

(C) Significant Subsequent Events

a. Issuance of New Investment Units

At meetings of the board of directors held on November 30, 2018 and December 12, 2018, we resolved to issue new investment units as described below, and issued these per the terms below once payment was completed on December 19, 2018 and January 7, 2019. As a result, unitholders' capital amounted to ¥248,370,846,700, and the total number of investment units issued came to 771,224 units.

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

Number of new investment units issued	67,320 units
Offering price	¥445,410 per unit
Total offering price	¥29,985,001,200
Paid-in amount	¥431,320 per unit
Total paid-in amount	¥29,036,462,400
Payment date	December 19, 2018

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

Number of new investment units issued	5,200 units
Paid-in amount	¥431,320 per unit
Total paid-in amount	¥2,242,864,000
Payment date	January 7, 2019
Allottee	Nomura Securities Co., Ltd.

b. Borrowing of Funds

In order to cover a part of the acquisition costs for beneficiary interests of real estate in trust described in the below section “c. Acquisition of Properties” and related costs, the Investment Corporation borrowed funds as follows.

Category	Lender	Total amount borrowed	Interest rate	Drawdown date	Due date (Note 1)	Borrowing and repayment methods, security, and guarantee
Short-term	Sumitomo Mitsui Trust Bank, Limited	¥5,000 million	Base rate + 0.13%	January 10, 2019	May 31, 2019	Borrowing based on a borrowing agreement with the lender shown at left as the creditor, lump-sum repayment, unsecured, and unguaranteed
	Mizuho Bank, Ltd.					
	MUFG Bank, Ltd.					
	Sumitomo Mitsui Trust Bank, Limited	¥5,000 million	Base rate + 0.13%	January 10, 2019	January 10, 2020	
	Mizuho Bank, Ltd.					
	MUFG Bank, Ltd.					
	Total	¥10,000 million				
Long-term	Sumitomo Mitsui Trust Bank, Limited	¥11,780 million	Base rate + 0.145%	January 10, 2019	July 12, 2021	Borrowing based on a borrowing agreement with the lender shown at left as the creditor, lump-sum repayment, unsecured, and unguaranteed
	Mizuho Bank, Ltd.					
	MUFG Bank, Ltd.					
	Sumitomo Mitsui Banking Corporation	¥1,970 million	0.36607%	January 10, 2019	July 12, 2021	
	Development Bank of Japan Inc.					
	Sumitomo Mitsui Trust Bank, Limited	¥9,640 million	0.55800% (Note 2)	January 10, 2019	January 11, 2028	
	Mizuho Bank, Ltd.					
	MUFG Bank, Ltd.					
	Sumitomo Mitsui Banking Corporation	¥1,610 million	0.65264%	January 10, 2019	January 11, 2028	
	Development Bank of Japan Inc.					
	Total	¥25,000 million				
Total		¥35,000 million				

(Note 1) If the due date is a non-business day, the due date shall be the following business day. If such day comes in the following month, the due date shall be the immediately preceding business day.

(Note 2) The Investment Corporation conducts interest rate swaps to hedge interest rate fluctuation risk, and, accordingly, the indicated interest rate reflects the effect of the interest rate swaps.

c. Acquisition of Properties

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

(UR-16) Tokyu Plaza Ginza (Land) (acquisition of 30% co-ownership interest)

Type of assets	Trust beneficiary interest
Acquisition price	¥37,500 million
Acquisition date	January 10, 2019
Location	2-1, Ginza 5-chome, Chuo-ku, Tokyo
Use	–
Land area	3,766.80 m <sup>2</sup>
Gross floor area	–
Structure	–
Month and year of completion	–
Ownership	Land: Owned (30% co-ownership interest)

(UR-17) Q plaza HARAJUKU (acquisition of 60% co-ownership interest)

Type of assets	Trust beneficiary interest
Acquisition price	¥13,200 million
Acquisition date	January 10, 2019
Location	28-6, Jingumae 6-chome, Shibuya-ku, Tokyo
Use	(Building A) Retail, (Building B) Hall
Land area	2,165.54 m <sup>2</sup>
Gross floor area	7,667.27 m <sup>2</sup>
Structure	(Building A) SRC, Steel framed / 11 floors above and 2 floors underground, (Building B) SRC, Steel framed / 2 floors above and 1 floor underground
Month and year of completion	March 2015
Ownership	Land: Owned (60% co-ownership interest) Building: Owned (60% co-ownership interest)

(AA-13) EDGE Shinsaibashi

Type of assets	Trust beneficiary interest
Acquisition price	¥19,800 million
Acquisition date	January 10, 2019
Location	2-3, Nishishinsaibashi 2-chome, Chuo-ku, Osaka City, Osaka
Use	Office, retail, parking
Land area	2,217.78 m <sup>2</sup>
Gross floor area	23,483.28 m <sup>2</sup>
Structure	SRC, Reinforced concrete, Steel framed / 14 floors above and 2 floors underground
Month and year of completion	April 1986
Ownership	Land: Owned Building: Owned

< Reference Information >

The Investment Corporation plans to transfer property listed below in accordance with the basic asset management policy set forth in the Articles of Incorporation.

(UR-6) A-FLAG AKASAKA

Type of assets	Trust beneficiary interest
Scheduled transfer price	Total ¥3,750 million (i) ¥1,875 million (50% co-ownership interest) (ii) ¥1,875 million (50% co-ownership interest)
Scheduled delivery date (Note)	(i) March 1, 2019 (50% co-ownership interest) (ii) June 3, 2019 (50% co-ownership interest)
Location	3-6, Akasaka 4-chome, Minato-ku, Tokyo
Use	Retail
Land area	514.86 m <sup>2</sup>
Gross floor area	2,429.01 m <sup>2</sup>
Structure	SRC, Steel framed / 7 floors above and 1 floor underground
Month and year of completion	February 2008
Ownership	Land: Owned Building: Owned

(Note) The contract for the sale of trust beneficiary interests falls under a forward commitment, etc. as provided in the “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.” by Financial Services Agency (forward commitment etc. refers to a postdated sales contract under which payment and delivery shall be made at least one month after the conclusion of the contract, or any other contract similar thereto).

(D) Outlook of Investment Performance

For the fiscal period ending May 31, 2019 (15th fiscal period: December 1, 2018 to May 31, 2019), investment performance is estimated as follows. For the assumptions used for the estimation of investment performance, please refer to “Assumptions for Forecasts of Investment Performance for the 15th Fiscal Period from December 1, 2018 to May 31, 2019 and the 16th Fiscal Period from June 1, 2019 to November 30, 2019” on pages 15 through 17.

Operating revenue	¥14,771 million
Operating profit	¥8,582 million
Ordinary profit	¥7,619 million
Profit	¥7,618 million
Cash distributions per unit	¥9,878
Cash distributions in excess of earnings per unit	¥0

If it is assumed that there are no changes in “Assumptions for Forecasts of Investment Performance for the 15th Fiscal Period from December 1, 2018 to May 31, 2019 and the 16th Fiscal Period from June 1, 2019 to November 30, 2019” on pages 15 through 17, the outlook of investment performance for the fiscal period ending November 30, 2019 (16th fiscal period: June 1, 2019 to November 30, 2019) is estimated as follows.

Operating revenue	¥15,383 million
Operating profit	¥8,672 million
Ordinary profit	¥7,640 million
Profit	¥7,639 million
Cash distributions per unit	¥9,905
Cash distributions in excess of earnings per unit	¥0

(Note) The above estimation is determined based on certain assumptions at the time of preparing the financial statements. Due to changes in the circumstances surrounding the Investment Corporation including acquisition or disposition of properties, the trend of real estate market, etc. in the future, actual operating revenue, operating profit, ordinary profit, profit and cash distributions per unit may change. Furthermore, this estimation does not guarantee the amount of distributions.

**Assumptions for Forecasts of Investment Performance for the 15th Fiscal Period from December 1, 2018 to May 31, 2019 and the 16th Fiscal Period from June 1, 2019 to November 30, 2019**

Item	Assumptions
Period	<ul style="list-style-type: none"> <li>• 15th fiscal period (December 1, 2018 to May 31, 2019) (182 days)</li> <li>• 16th fiscal period (June 1, 2019 to November 30, 2019) (183 days)</li> </ul>
Investment portfolio	<ul style="list-style-type: none"> <li>• Our forecasts of investment performance take into account the following property dispositions associated with the 45 properties (the “Assets Currently Held”) for which we hold the trust beneficiary interests as of today.</li> <li>• 15th fiscal period (December 1, 2018 to May 31, 2019) We plan to transfer partial holdings of A-FLAG AKASAKA (50% co-ownership interest) on March 1, 2019 (15th fiscal period), but we assume the total number of properties to be 45 (we will retain 50% co-ownership interest in A-FLAG AKASAKA subsequent to the aforementioned scheduled date of transfer).</li> <li>• 16th fiscal period (June 1, 2019 to November 30, 2019) We plan to transfer A-FLAG AKASAKA (remaining 50% co-ownership interest) on June 3, 2019 (16th fiscal period), and, accordingly, we assume the total number of properties will be 44 subsequent to the aforementioned scheduled date of transfer.</li> <li>• We assume that there will be no material changes to the composition of our investment portfolio, including acquisition of properties or disposition of properties, other than the above, before the end of the 16th fiscal period (November 30, 2019).</li> <li>• Our forecasts, however, may change due to any changes to the composition of our investment portfolio.</li> </ul>
Operating revenue	<ul style="list-style-type: none"> <li>• We have calculated our real estate leasing business revenues from the Assets Currently Held taking into account the relevant lease agreements effective as of today, market trends, etc.</li> <li>• Operating revenue is based on our assumption that there will be no delinquencies or non-payment of rents by tenants.</li> <li>• We expect to record gains on sales amounting to ¥338 million and ¥341 million in the fiscal period ending May 31, 2019 (15th fiscal period) and in the fiscal period ending November 30, 2019 (16th fiscal period), respectively, in association with the transfers of A-FLAG AKASAKA. This may change, however, depending on outcomes of the sales, transfer prices, transfer dates and other conditions.</li> </ul>

Item	Assumptions
Operating expenses	<ul style="list-style-type: none"> <li>• Expenses related to rent business (other than depreciation), which are our principal operating expenses, were calculated based on the historical information and upon considering variable factors, for the Assets Currently Held (the “Assets Held as of the end of the 14th Fiscal Period”), excluding Tokyu Plaza Ginza (Land) (acquisition of 30% co-ownership interest), Q plaza HARAJUKU (acquisition of 60% co-ownership interest) and EDGE Shinsaibashi acquired on January 10, 2019 (collectively, the “Acquired Assets”). Expenses for the Acquired Assets are calculated based on the information provided by the former owner (seller) and upon considering variable factors and others.</li> <li>• In general, property tax and city planning tax of properties acquired are settled at the time of acquisition between the former owner (seller) and the purchaser based on their respective periods of ownership in relation to the relevant tax year. However, any of these taxes allocated to the purchaser are not expensed at the time of acquisition because they are treated as a part of the acquisition cost for accounting purposes. The total amount of property tax and city planning tax on the Acquired Assets that are treated as a part of the acquisition cost is assumed to be ¥354 million. For property tax and city planning tax, ¥988 million and ¥1,087 million for the Assets Currently Held will be expensed in the fiscal period ending May 31, 2019 (15th fiscal period) and in the fiscal period ending November 30, 2019 (16th fiscal period), respectively. With regard to the Acquired Assets, for fiscal 2020, property tax and city planning tax will be expensed from the fiscal period ending November 30, 2020 (18th fiscal period).</li> <li>• Repair and maintenance expenses of buildings are estimated at the amount required for each of the fiscal periods based on the medium- and long-term repair and maintenance plans formed by the Asset Manager. However, the actual repair and maintenance expenses for the fiscal periods may significantly differ from the estimates since (i) an unforeseeable event may cause serious damage to a building requiring emergent repair expenditure, (ii) in general, amounts vary according to the fiscal period, and (iii) certain types of repair and maintenance expenses are not required in every fiscal period.</li> <li>• We calculate depreciation expenses (including incidental expenses) by the straight-line method, assuming ¥1,300 million and ¥1,309 million for the 15th fiscal period ending May 31, 2019 and the 16th fiscal period ending November 30, 2019, respectively.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>• We expect interest and other borrowing-related expenses of ¥927 million and ¥1,023 million for the 15th fiscal period ending May 31, 2019 and the 16th fiscal period ending November 30, 2019, respectively.</li> <li>• We assume the temporary expense of ¥26 million for the 15th fiscal period ending May 31, 2019, relating to the issuance of investment units, etc.</li> </ul>
Interest-bearing debt	<ul style="list-style-type: none"> <li>• As of today, we have a balance of ¥234,350 million in interest-bearing debt (borrowings of ¥216,350 million and investment corporation bonds of ¥18,000 million). We assume that there will be no change to the balance of interest-bearing debt before the end of the 16th fiscal period (November 30, 2019).</li> <li>• We assume that there will be refinancing of interest-bearing debt coming due before the end of the 15th fiscal period (May 31, 2019) and the 16th fiscal period (November 30, 2019) (15th fiscal period: short-term loans payable of ¥9,100 million, long-term loans payable of ¥4,000 million and investment corporation bonds of ¥4,000 million, 16th fiscal period: short-term loans payable of ¥5,000 million and long-term loans payable of ¥13,100 million).</li> <li>• We assume the LTV ratios as of May 31, 2019 and November 30, 2019 are both to be approximately mid-45%.</li> <li>• The LTV ratio is obtained by the following formula:  <math display="block">\text{LTV} = \text{Balance of interest-bearing debt} / \text{Total assets} \times 100</math> </li> </ul>



Item	Assumptions
Units	<ul style="list-style-type: none"> <li>• The number is based on our assumption of total of 771,224 units issued as of today. We assume that there will be no additional issuance of new investment units before the end of the 16th fiscal period (November 30, 2019).</li> <li>• The cash distributions per unit for the 15th fiscal period ending May 31, 2019 and the 16th fiscal period ending November 30, 2019 have been calculated in accordance with the total projected number of investment units issued as of the end of each of the fiscal periods which are 771,224 units.</li> </ul>
Cash distributions per unit	<ul style="list-style-type: none"> <li>• Cash distributions (cash distributions per unit) are calculated based on the cash distribution policy stipulated in our Articles of Incorporation.</li> <li>• The cash distributions per unit may change due to various factors, including changes to the composition of our investment portfolio, changes in rental revenues accompanying changes in tenants, and unexpected maintenance and repairs.</li> </ul>
Cash distributions in excess of earnings per unit	<ul style="list-style-type: none"> <li>• We do not currently anticipate cash distributions in excess of our distributable profit (cash distributions in excess of earnings per unit).</li> </ul>
Other	<ul style="list-style-type: none"> <li>• We assume that there will be no amendments in legislation, taxation, accounting standards, listing regulations or regulations of the Investment Trusts Association of Japan that affect the above forecasts.</li> <li>• We assume that there will be no material changes in general economic conditions or real estate markets.</li> </ul>

### 3. Financial Statements

#### (1) Balance Sheet

(Unit: Thousands of yen)

	As of May 31, 2018	As of November 30, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	9,498,104	10,023,157
Cash and deposits in trust	3,116,967	3,067,204
Operating accounts receivable	645,833	848,825
Prepaid expenses	455,470	294,817
Consumption taxes receivable	47,699	-
Other	6,514	3,066
<b>Total current assets</b>	<b>13,770,589</b>	<b>14,237,072</b>
Non-current assets		
Property, plant and equipment		
Buildings in trust	83,050,493	83,354,620
Accumulated depreciation	(9,675,982)	(10,879,394)
Buildings in trust, net	73,374,511	72,475,226
Structures in trust	689,748	696,585
Accumulated depreciation	(150,438)	(168,417)
Structures in trust, net	539,310	528,167
Machinery and equipment in trust	1,364,809	1,390,538
Accumulated depreciation	(300,583)	(330,343)
Machinery and equipment in trust, net	1,064,225	1,060,195
Tools, furniture and fixtures in trust	183,401	193,307
Accumulated depreciation	(82,287)	(98,107)
Tools, furniture and fixtures in trust, net	101,113	95,200
Land in trust	346,689,270	346,689,270
Construction in progress in trust	-	6,708
<b>Total property, plant and equipment</b>	<b>421,768,431</b>	<b>420,854,767</b>
Intangible assets		
Leasehold rights in trust	9,130,097	9,130,097
Other	2,575	2,118
<b>Total intangible assets</b>	<b>9,132,673</b>	<b>9,132,216</b>
Investments and other assets		
Long-term prepaid expenses	1,078,965	1,080,595
Derivatives	74,904	54,245
Deferred tax assets	5	18
Other	38,742	38,322
<b>Total investments and other assets</b>	<b>1,192,618</b>	<b>1,173,181</b>
<b>Total non-current assets</b>	<b>432,093,723</b>	<b>431,160,166</b>
Deferred assets		
Investment corporation bond issuance costs	77,584	67,645
<b>Total deferred assets</b>	<b>77,584</b>	<b>67,645</b>
<b>Total assets</b>	<b>445,941,897</b>	<b>445,464,883</b>

(Unit: Thousands of yen)

	As of May 31, 2018	As of November 30, 2018
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	846,139	913,616
Short-term loans payable	9,100,000	9,100,000
Current portion of investment corporation bonds	4,000,000	4,000,000
Current portion of long-term loans payable	18,500,000	19,600,000
Accounts payable - other	234,813	73,949
Accrued expenses	809,070	902,125
Income taxes payable	708	976
Accrued consumption taxes	–	457,386
Advances received	314,273	428,888
Deposits received	4,755	566
Total current liabilities	33,809,761	35,477,509
Non-current liabilities		
Investment corporation bonds	14,000,000	14,000,000
Long-term loans payable	153,750,000	152,650,000
Tenant leasehold and security deposits in trust	20,604,450	19,494,916
Other	6	2
Total non-current liabilities	188,354,456	186,144,918
Total liabilities	222,164,217	221,622,427
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	217,091,520	217,091,520
Surplus		
Unappropriated retained earnings (undisposed loss)	6,611,254	6,696,690
Total surplus	6,611,254	6,696,690
Total unitholders' equity	223,702,774	223,788,210
Valuation and translation adjustments		
Deferred gains or losses on hedges	74,904	54,245
Total valuation and translation adjustments	74,904	54,245
Total net assets	*2 223,777,679	*2 223,842,455
Total liabilities and net assets	445,941,897	445,464,883

## (2) Statement of Income

(Unit: Thousands of yen)

	Previous fiscal period (From December 1, 2017 to May 31, 2018)		Current fiscal period (From June 1, 2018 to November 30, 2018)	
Operating revenue				
Lease business revenue	*1	12,409,430	*1	12,673,479
Other lease business revenue	*1	917,584	*1	1,141,921
Total operating revenue		13,327,014		13,815,400
Operating expenses				
Expenses related to rent business	*1	4,706,236	*1	5,076,357
Asset management fee		1,034,028		1,077,918
Asset custody fee		12,427		12,638
Administrative service fees		32,131		32,248
Directors' compensations		3,300		3,300
Other operating expenses		67,522		66,403
Total operating expenses		5,855,645		6,268,867
Operating profit		7,471,369		7,546,533
Non-operating income				
Interest income		81		55
Reversal of distribution payable		908		830
Interest on refund		–		409
Insurance income		–		149
Total non-operating income		990		1,443
Non-operating expenses				
Interest expenses		615,512		595,522
Interest expenses on investment corporation bonds		35,235		37,928
Amortization of investment corporation bond issuance costs		9,546		9,938
Investment unit issuance expenses		46,468		54,545
Borrowing related expenses		153,550		151,997
Other		500		500
Total non-operating expenses		860,813		850,432
Ordinary profit		6,611,545		6,697,544
Profit before income taxes		6,611,545		6,697,544
Income taxes - current		721		984
Income taxes - deferred		12		(12)
Total income taxes		734		971
Profit		6,610,811		6,696,573
Retained earnings brought forward		442		117
Unappropriated retained earnings (undisposed loss)		6,611,254		6,696,690

### (3) Statement of Unitholders' Equity

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

(Unit: Thousands of yen)

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

Current fiscal period (From June 1, 2018 to November 30, 2018)

(Unit: Thousands of yen)

	Unitholders' equity				Valuation and translation adjustments		Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	
		Unappropriated retained earnings (undisposed loss)	Total surplus				
Balance at beginning of current period	217,091,520	6,611,254	6,611,254	223,702,774	74,904	74,904	223,777,679
Changes of items during period							
Dividends of surplus		(6,611,137)	(6,611,137)	(6,611,137)			(6,611,137)
Profit		6,696,573	6,696,573	6,696,573			6,696,573
Net changes of items other than unitholders' equity					(20,659)	(20,659)	(20,659)
Total changes of items during period	—	85,435	85,435	85,435	(20,659)	(20,659)	64,776
Balance at end of current period	*1 217,091,520	6,696,690	6,696,690	223,788,210	54,245	54,245	223,842,455

## (4) Statement of Cash Distributions

	Previous fiscal period (From December 1, 2017 to May 31, 2018)	Current fiscal period (From June 1, 2018 to November 30, 2018)
	Amount	Amount
I Unappropriated retained earnings	¥6,611,254,555	¥6,696,690,398
II Distributions	¥6,611,137,248	¥6,696,379,136
[Cash Distributions per unit]	[¥9,462]	[¥9,584]
III Earnings carried forward	¥117,307	¥311,262

Calculation method for distributions	Based on the distribution policy set forth in Article 35, Paragraph 1 of the Articles of Incorporation of the Investment Corporation, distributions shall be limited to the amount of net profit in excess of an amount equivalent to ninety hundredths (90/100) of distributable profits, as stipulated in Article 67-15, Paragraph 1 of the Act on Special Measures Concerning Taxation. In consideration of this policy, we will pay distributions at the total amount of ¥6,611,137,248, which is the amount that does not exceed the unappropriated retained earnings and is the greatest value among integral multiples of 698,704, which is the total number of investment units issued; provided, however, that we will not pay the portion of amount that exceeds the net profit defined in Article 35, Paragraph 2 of the Articles of Incorporation of the Investment Corporation.	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 ¥6,696,379,136, which is the amount that does not exceed the unappropriated retained earnings and is the greatest value among integral multiples of 698,704, which is the total number of investment units issued; provided, however, that we will not pay the portion of amount that exceeds the net profit defined in Article 35, Paragraph 2 of the Articles of Incorporation of the Investment Corporation.
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## (5) Statement of Cash Flows

(Unit: Thousands of yen)

	Previous fiscal period (From December 1, 2017 to May 31, 2018)	Current fiscal period (From June 1, 2018 to November 30, 2018)
<b>Cash flows from operating activities</b>		
Profit before income taxes	6,611,545	6,697,544
Depreciation	1,234,776	1,267,428
Loss on retirement of non-current assets	284	–
Amortization of investment corporation bond issuance costs	9,546	9,938
Interest income and interest on securities	(81)	(55)
Interest expenses	650,748	633,450
Investment unit issuance expenses	46,468	54,545
Borrowing related expenses	153,550	151,997
Decrease (increase) in operating accounts receivable	(159,576)	(202,992)
Decrease (increase) in consumption taxes refund receivable	(47,699)	47,699
Increase (decrease) in accrued consumption taxes	(494,431)	457,386
Decrease (increase) in prepaid expenses	(158,518)	166,083
Increase (decrease) in operating accounts payable	22,389	11,232
Increase (decrease) in accounts payable - other	78,334	(78,334)
Increase (decrease) in accrued expenses	24,647	9,346
Increase (decrease) in advances received	(119,943)	114,615
Decrease (increase) in long-term prepaid expenses	11,258	(12,281)
Other, net	(715)	(18,142)
Subtotal	7,862,582	9,309,462
Interest income received	81	55
Interest expenses paid	(638,416)	(600,021)
Income taxes paid	(984)	(717)
Net cash provided by (used in) operating activities	7,223,263	8,708,779
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment in trust	(25,062,465)	(354,286)
Repayments of tenant leasehold and security deposits in trust	(523,524)	(1,879,200)
Proceeds from tenant leasehold and security deposits in trust	1,544,178	786,882
Other, net	1,354	(24,459)
Net cash provided by (used in) investing activities	(24,040,457)	(1,471,063)
<b>Cash flows from financing activities</b>		
Increase in short-term loans payable	4,098,155	4,997,750
Decrease in short-term loans payable	(5,000,000)	(5,000,000)
Proceeds from long-term loans payable	14,940,999	11,878,013
Decrease in long-term loans payable	(13,000,000)	(12,000,000)
Proceeds from issuance of investment corporation bonds	1,979,812	–
Proceeds from issuance of investment units	14,756,418	–
Dividends paid	(6,216,193)	(6,609,955)
Other, net	(16,310)	(28,233)
Net cash provided by (used in) financing activities	11,542,882	(6,762,426)
Net increase (decrease) in cash and cash equivalents	(5,274,310)	475,289
Cash and cash equivalents at beginning of period	17,889,382	12,615,072
Cash and cash equivalents at end of period	*1 12,615,072	*1 13,090,361

(6) Notes on Assumption of Going Concern

Not applicable.

(7) 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 when incurred.</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</p> <p>For property tax, city planning tax, depreciable asset tax for real properties held, the amount of tax levied corresponding to the calculation period is recorded as expenses related to rent business.</p> <p>The settlement money for property tax that is paid to the transferor for acquisition of real properties (so-called “amount equivalent to property tax”) is not recorded as expenses related to rent business but included in the acquisition costs for the related properties. There is no amount equivalent to property tax included in acquisition cost for properties for the current fiscal period.</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 statement 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 interest with real estate, etc. as trust asset</p> <p>With regard to trust beneficiary interest 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 sheet and statement of income.</p> <p>Of the trust assets accounted for under the respective account items, the following items with significance are separately indicated on the balance sheet.</p> <p>i) Cash and deposits in trust</p> <p>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</p> <p>iii) Tenant leasehold and security deposits in trust</p> <p>(2) Accounting method for consumption tax and local consumption tax</p> <p>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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(8) Notes on Change in Presentation Method

**Changes Resulting from Application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”**

The Investment Corporation has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) effective from the beginning of the current fiscal period. Accordingly, the presentation method has been changed, whereby deferred tax assets were presented under “Investments and other assets” and deferred tax liabilities were presented under “Non-current liabilities.” Consequently, deferred tax assets of ¥5 thousand that had been presented under “Current assets” in the balance sheet of the previous fiscal period were presented as being included in deferred tax assets of ¥5 thousand under “Investments and other assets.”

(9) Notes to Financial Statements

**Notes to Balance Sheet**

1. Commitment Line Contracts

The Investment Corporation has the commitment line contracts with three of the banks with which it does business.

	As of May 31, 2018	As of November 30, 2018
Total amount specified in the commitment line contracts	¥20,000,000 thousand	¥21,000,000 thousand
Loan balance	-	-
Net balance	¥20,000,000 thousand	¥21,000,000 thousand

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

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

## Notes to Statement of Income

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

	(Unit: Thousands of yen)			
	Previous fiscal period (From December 1, 2017 to May 31, 2018)		Current fiscal period (From June 1, 2018 to November 30, 2018)	
A. Real estate leasing business revenues				
Lease business revenue				
Rent	11,196,642		11,463,285	
Common service fees	851,982		810,382	
Parking lot fees	267,359		285,449	
Other rent revenue	93,445	12,409,430	114,361	12,673,479
Other lease business revenue		917,584		1,141,921
Total real estate leasing business revenues		13,327,014		13,815,400
B. Real estate leasing business expenses				
Expenses related to rent business				
Management operation expenses	1,225,076		1,236,276	
Utilities expenses	836,857		1,001,848	
Tax and public dues	895,539		988,148	
Insurance	8,795		8,875	
Repair and maintenance expenses	235,857		281,326	
Depreciation	1,234,521		1,267,174	
Loss on retirement of non-current assets	284		-	
Other expenses related to rent business	269,303	4,706,236	292,707	5,076,357
Total real estate leasing business expenses		4,706,236		5,076,357
C. Profit (loss) from real estate leasing business (A – B)		8,620,778		8,739,043

### Notes to Statement of Unitholders' Equity

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

## Notes to Statement of Cash Flows

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

	Previous fiscal period (From December 1, 2017 to May 31, 2018)	Current fiscal period (From June 1, 2018 to November 30, 2018)
Cash and deposits	¥9,498,104 thousand	¥10,023,157 thousand
Cash and deposits in trust	¥3,116,967 thousand	¥3,067,204 thousand
Cash and cash equivalents	¥12,615,072 thousand	¥13,090,361 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.

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

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

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

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

Borrowings and investment corporation bonds are mainly for the purpose of acquiring real estate and refinancing of existing borrowings. Tenant leasehold and security deposits are deposits provided by tenants. Borrowings, investment corporation bonds, tenant leasehold and security deposits are exposed to liquidity risks at the time of repayment or redemption. 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 bonds 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 May 31, 2018, are as shown below. Financial instruments whose fair value is considered to be extremely difficult to determine are not included in this table (please refer to (Note 2)).

(Unit: Thousands of yen)

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

Carrying amounts, fair values, and the differences between the two values as of November 30, 2018, are as shown below. Financial instruments whose fair value is considered to be extremely difficult to determine are not included in this table (please refer to (Note 2)).

(Unit: Thousands of yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	10,023,157	10,023,157	–
(2) Cash and deposits in trust	3,067,204	3,067,204	–
Total assets	13,090,361	13,090,361	–
(1) Short-term loans payable	9,100,000	9,100,000	–
(2) Current portion of investment corporation bonds	4,000,000	4,006,417	6,417
(3) Current portion of long-term loans payable	19,600,000	19,663,090	63,090
(4) Investment corporation bonds	14,000,000	14,199,701	199,701
(5) Long-term loans payable	152,650,000	154,031,795	1,381,795
Total liabilities	199,350,000	201,001,005	1,651,005
Derivative transactions	54,245	54,245	–

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

Assets

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

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

Liabilities

(1) Short-term loans payable

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

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

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

(3) Current portion of long-term loans payable, (5) Long-term loans payable

These fair values are determined by discounting the total of principal and interest at the rate assumed when a new loan is made corresponding to the remaining period. The book value is used as the fair value of those loans payable with floating interest rate, given that the fair value is almost the same as the book value, as their interest rates are reviewed on a short-term interval to reflect market interest rates (however, for long-term loans payable with floating interest rate to which special treatment for interest rate swaps is applied, the fair value is the value calculated by discounting the sum of principal and interest, which are treated in combination with the said interest rate swap, at a reasonable rate estimated for a similar new loan).

Derivative transactions

Please refer to “Notes on Derivative Transactions” on pages 31 and 32.

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

(Unit: Thousands of yen)

Category	As of May 31, 2018	As of November 30, 2018
Tenant leasehold and security deposits in trust *	20,604,450	19,494,916

\* 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 Redemption of Monetary Claims after the Account Closing Date (May 31, 2018)

(Unit: Thousands of yen)

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

Expected Amounts of Redemption of Monetary Claims after the Account Closing Date (November 30, 2018)

(Unit: Thousands of yen)

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Deposits	10,023,157	-	-	-	-	-
Deposits in trust	3,067,204	-	-	-	-	-
Total	13,090,361	-	-	-	-	-

(Note 4) Expected Amounts of Repayment of Loans Payable and Investment Corporation Bonds after the Account Closing Date (May 31, 2018)

(Unit: Thousands of yen)

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Short-term loans payable	9,100,000	-	-	-	-	-
Investment corporation bonds	4,000,000	6,000,000	-	-	1,000,000	7,000,000
Long-term loans payable	18,500,000	20,400,000	12,500,000	9,100,000	19,000,000	92,750,000
Total	31,600,000	26,400,000	12,500,000	9,100,000	20,000,000	99,750,000

Expected Amounts of Repayment of Loans Payable and Investment Corporation Bonds after the Account Closing Date (November 30, 2018)

(Unit: Thousands of yen)

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Short-term loans payable	9,100,000	–	–	–	–	–
Investment corporation bonds	4,000,000	6,000,000	–	1,000,000	–	7,000,000
Long-term loans payable	19,600,000	7,300,000	12,500,000	21,100,000	25,250,000	86,500,000
Total	32,700,000	13,300,000	12,500,000	22,100,000	25,250,000	93,500,000

**Notes on Derivative Transactions**

1. Derivative Transaction to Which Hedge Accounting Is Not Applied

(As of May 31, 2018)

Not applicable.

(As of November 30, 2018)

Not applicable.

2. Derivative Transaction to Which Hedge Accounting Is Applied

(As of May 31, 2018)

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

(Unit: Thousands of yen)

Hedge accounting	Type of derivative transactions	Major hedged items	Amount of contract		Fair value	Calculation method for fair value
				Portion due after 1 year		
Deferred hedge accounting	Interest rate swaps Receive floating Pay fixed	Long-term loans payable	14,400,000	14,400,000	74,904	Based on prices, etc. indicated by partner financial institutions
Special treatment for interest rate swaps	Interest rate swaps Receive floating Pay fixed	Long-term loans payable	5,000,000	5,000,000	*	–

(As of November 30, 2018)

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

(Unit: Thousands of yen)

Hedge accounting	Type of derivative transactions	Major hedged items	Amount of contract		Fair value	Calculation method for fair value
				Portion due after 1 year		
Deferred hedge accounting	Interest rate swaps Receive floating Pay fixed	Long-term loans payable	14,400,000	12,000,000	54,245	Based on prices, etc. indicated by partner financial institutions
Special treatment for interest rate swaps	Interest rate swaps Receive floating Pay fixed	Long-term loans payable	5,000,000	5,000,000	*	—

\* Interest rate swap transactions to which special treatment is applied are accounted for as an integral part of long-term loans payable, a hedged item. Thus, their fair values are included in the fair value of long-term loans payable. (Please refer to the preceding “Notes on Financial Instruments, 2. Matters Regarding Fair Values of Financial Instruments, (Note 1) Liabilities (5)” on page 29.)

## Notes on Tax Effect Accounting

### 1. Components of Deferred Tax Assets and Deferred Tax Liabilities

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

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

	As of May 31, 2018	As of November 30, 2018
Effective statutory tax rate	31.74%	31.51%
Adjustments		
Distributions paid included in deductibles	(31.74)%	(31.50)%
Other	0.01%	0.00%
Effective income tax rate after application of tax effect accounting	0.01%	0.01%



## Notes on Transactions with Related Parties

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

Not applicable.

Current fiscal period (From June 1, 2018 to November 30, 2018)

Not applicable.

## Notes on Investment and Rental Properties

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

(Unit: Thousands of yen)

Use		Previous fiscal period (From December 1, 2017 to May 31, 2018)	Current fiscal period (From June 1, 2018 to November 30, 2018)
Urban Retail Properties	Carrying amount on the balance sheet		
	Balance at beginning of period	153,842,632	172,148,067
	Changes during period	18,305,434	(21,103,355)
	Balance at end of period	172,148,067	151,044,711
	Fair value at end of period	205,947,000	189,637,000
Tokyo Office Properties	Carrying amount on the balance sheet		
	Balance at beginning of period	175,846,419	175,402,564
	Changes during period	(443,854)	20,498,333
	Balance at end of period	175,402,564	195,900,898
	Fair value at end of period	201,240,000	223,770,000
Activia Account Properties	Carrying amount on the balance sheet		
	Balance at beginning of period	77,256,285	83,348,268
	Changes during period	6,091,983	(309,624)
	Balance at end of period	83,348,268	83,038,644
	Fair value at end of period	97,800,000	98,280,000
Total	Carrying amount on the balance sheet		
	Balance at beginning of period	406,945,337	430,898,900
	Changes during period	23,953,563	(914,646)
	Balance at end of period	430,898,900	429,984,254
	Fair value at end of period	504,987,000	511,687,000

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

(Note 2) The main reason for the decrease in the current fiscal period is the provision of depreciation worth ¥1,267,174 thousand.

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

The profit/loss concerning investment and rental properties for the current fiscal period is indicated under "Notes to Statement of Income."

## Per Unit Information

	Previous fiscal period (From December 1, 2017 to May 31, 2018)	Current fiscal period (From June 1, 2018 to November 30, 2018)
Net assets per unit	¥320,275	¥320,368
Basic earnings per unit	¥9,493	¥9,584

(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 696,324 units; current fiscal period 698,704 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 December 1, 2017 to May 31, 2018)	Current fiscal period (From June 1, 2018 to November 30, 2018)
Profit (Thousands of yen)	6,610,811	6,696,573
Amount not attributable to common unitholders (Thousands of yen)	—	—
Profit attributable to common investment units (Thousands of yen)	6,610,811	6,696,573
Average number of investment units for the period (Units)	696,324	698,704

## Significant Subsequent Events

### 1. Issuance of New Investment Units

At meetings of the board of directors held on November 30, 2018 and December 12, 2018, we resolved to issue new investment units as described below, and issued these per the terms below once payment was completed on December 19, 2018 and January 7, 2019. As a result, unitholders' capital amounted to ¥248,370,846,700, and the total number of investment units issued came to 771,224 units.

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

i) Number of new investment units issued	67,320 units
ii) Offering price	¥445,410 per unit
iii) Total offering price	¥29,985,001,200
iv) Paid-in amount	¥431,320 per unit
v) Total paid-in amount	¥29,036,462,400
vi) Payment date	December 19, 2018
vii) Initial date of reckoning distributions	December 1, 2018

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

i) Number of new investment units issued	5,200 units
ii) Paid-in amount	¥431,320 per unit
iii) Total paid-in amount	¥2,242,864,000
iv) Payment date	January 7, 2019
v) Initial date of reckoning distributions	December 1, 2018
vi) Allottee	Nomura Securities Co., Ltd.

## 2. Borrowing of Funds

In order to cover a part of the acquisition costs for beneficiary interests of real estate in trust described in the below section “3. Acquisition of Properties” and related costs, the Investment Corporation borrowed funds of ¥35,000 million on January 10, 2019. For the details, please refer to the preceding “2. Asset Management Policies and Status, (2) Asset Management Status, ii) Outlook for the Next Fiscal Period, (C) Significant Subsequent Events, b. Borrowing of Funds” on page 10.

## 3. Acquisition of Properties

The Investment Corporation acquired beneficiary interests of real estate in trust to three properties for ¥70,500 million on January 10, 2019, with proceeds from the issuance of new investment units through public offering (public placement) and third-party allotment and from borrowings, etc. in accordance with the basic asset management policy set forth in the Articles of Incorporation. For the details, please refer to the preceding “2. Asset Management Policies and Status, (2) Asset Management Status, ii) Outlook for the Next Fiscal Period, (C) Significant Subsequent Events, c. Acquisition of Properties” on pages 11 and 12.

### **Omission of Disclosure**

As the need for disclosing notes on lease transactions, securities, retirement benefits, equity in earnings of affiliates, asset retirement obligations, and segment information in this financial report is not considered to be substantial, the disclosure of these items is omitted.

## (10) Changes in Total Number of Investment Units Issued and Outstanding

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

Date	Summary	Total investments (Thousands of yen)		Total number of investment units issued (Units)		Remarks
		Change	Balance	Change	Balance	
September 7, 2011	Establishment through private placement	200,000	200,000	400	400	(Note 1)
June 12, 2012	Capital increase through public offering	90,834,705	91,034,705	204,100	204,500	(Note 2)
July 10, 2012	Capital increase through third-party allotment	339,128	91,373,833	762	205,262	(Note 3)
December 16, 2013	Capital increase through public offering	32,636,569	124,010,403	43,100	248,362	(Note 4)
January 15, 2014	Capital increase through third-party allotment	2,044,518	126,054,921	2,700	251,062	(Note 5)
December 17, 2014	Capital increase through public offering	22,800,626	148,855,547	24,050	275,112	(Note 6)
January 8, 2015	Capital increase through third-party allotment	1,915,063	150,770,610	2,020	277,132	(Note 7)
October 1, 2015	Investment unit split	–	150,770,610	277,132	554,264	(Note 8)
December 15, 2015	Capital increase through public offering	19,152,091	169,922,702	41,870	596,134	(Note 9)
January 6, 2016	Capital increase through third-party allotment	1,610,111	171,532,813	3,520	599,654	(Note 10)
December 1, 2016	Capital increase through public offering	28,583,994	200,116,808	61,040	660,694	(Note 11)
December 15, 2016	Capital increase through third-party allotment	2,116,639	202,233,447	4,520	665,214	(Note 12)
December 13, 2017	Capital increase through public offering	13,793,296	216,026,743	31,090	696,304	(Note 13)
December 26, 2017	Capital increase through third-party allotment	1,064,776	217,091,520	2,400	698,704	(Note 14)

- (Note 1) The Investment Corporation was established with an offering price per unit of ¥500,000.
- (Note 2) New investment units were issued by public offering with an offering price per unit of ¥460,000 (paid-in amount of ¥445,050 per unit) in order to raise funds for the acquisition of new properties, etc., and then investment operations were commenced.
- (Note 3) New investment units were issued through a private placement to Nomura Securities Co., Ltd. with a paid-in amount of ¥445,050 per unit.
- (Note 4) New investment units were issued by public offering with an offering price per unit of ¥782,925 (paid-in amount of ¥757,229 per unit) in order to raise funds for the acquisition of new properties, etc.
- (Note 5) New investment units were issued through a private placement to Nomura Securities Co., Ltd. with a paid-in amount of ¥757,229 per unit.
- (Note 6) New investment units were issued by public offering with an offering price per unit of ¥979,020 (paid-in amount of ¥948,051 per unit) in order to raise funds for the acquisition of new properties.
- (Note 7) New investment units were issued through a private placement to Nomura Securities Co., Ltd. with a paid-in amount of ¥948,051 per unit.
- (Note 8) A two-for-one split of the investment units has been implemented, with September 30, 2015 as the record date and October 1, 2015 as the effective date.
- (Note 9) New investment units were issued by public offering with an offering price per unit of ¥472,360 (paid-in amount of ¥457,418 per unit) in order to raise funds for the acquisition of new properties, etc.
- (Note 10) New investment units were issued through a private placement to Nomura Securities Co., Ltd. with a paid-in amount of ¥457,418 per unit.
- (Note 11) New investment units were issued by public offering with an offering price per unit of ¥483,326 (paid-in amount of ¥468,283 per unit) in order to raise funds for the acquisition of new properties.
- (Note 12) New investment units were issued through a private placement to Nomura Securities Co., Ltd. with a paid-in amount of ¥468,283 per unit.
- (Note 13) New investment units were issued by public offering with an offering price per unit of ¥458,150 (paid-in amount of ¥443,657 per unit) in order to raise funds for the acquisition of new properties.
- (Note 14) New investment units were issued through a private placement to Nomura Securities Co., Ltd. with a paid-in amount of ¥443,657 per unit.

#### 4. Changes in Directors and Corporate Auditors

There have been no changes of directors and corporate auditors described in “Directors and Corporate Auditors” in the latest Securities Report (filed on August 30, 2018; prepared in Japanese only).

#### 5. Reference Information

##### (1) Composition of Invested Assets

Type of assets	Category	Previous fiscal period (As of May 31, 2018)		Current fiscal period (As of November 30, 2018)	
		Total amount held (Millions of yen) (Note 1)	Percentage to total assets (%) (Note 2)	Total amount held (Millions of yen) (Note 1)	Percentage to total assets (%) (Note 2)
Real estate	By property type				
	Urban Retail Properties	–	–	–	–
	Tokyo Office Properties	–	–	–	–
	Activia Account Properties	–	–	–	–
	By location				
	The five central wards of Tokyo (Note 3)	–	–	–	–
	Wards of Tokyo other than the five central wards	–	–	–	–
	Three major metropolitan areas (Note 4)	–	–	–	–
	Other locations	–	–	–	–
	Subtotal	–	–	–	–
Real estate in trust	By property type				
	Urban Retail Properties (Note 5)	172,148	38.6	151,044	33.9
	Tokyo Office Properties (Note 5)	175,402	39.3	195,900	44.0
	Activia Account Properties	83,348	18.7	83,038	18.6
	By location				
	The five central wards of Tokyo (Note 3)	267,354	60.0	266,900	59.9
	Wards of Tokyo other than the five central wards	33,333	7.5	33,220	7.5
	Three major metropolitan areas (Note 4)	119,215	26.7	118,802	26.7
	Other locations	10,995	2.5	11,060	2.5
	Subtotal	430,898	96.6	429,984	96.5
Total real estate assets		430,898	96.6	429,984	96.5
Deposits and other assets		15,042	3.4	15,480	3.5
Total assets (Note 6)		445,941	100.0	445,464	100.0

	Amount (Millions of yen)	Percentage to total assets (%) (Note 2)	Amount (Millions of yen)	Percentage to total assets (%) (Note 2)
Total liabilities (Note 6, 7)	222,164	49.8	221,622	49.8
Total net assets (Note 6)	223,777	50.2	223,842	50.2

(Note 1) The total amount held is based on the carrying amounts on the balance sheet 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) Figures are rounded to the nearest tenth.

(Note 3) “The five central wards of Tokyo” refers to Chiyoda ward (*Chiyoda-ku*), Chuo ward (*Chuo-ku*), Minato ward (*Minato-ku*), Shinjuku ward (*Shinjuku-ku*) and Shibuya ward (*Shibuya-ku*) in Tokyo.

(Note 4) “Three major metropolitan areas” refers to the Tokyo area (Tokyo, Kanagawa Prefecture, Saitama Prefecture and Chiba Prefecture), the Chukyo area (Aichi Prefecture) and the Kinki area (Osaka Prefecture, Kyoto Prefecture and Hyogo Prefecture); the same shall apply hereinafter.

(Note 5) Concerning A-PLACE Shinbashi Ekimae, which is categorized as “Tokyo Office Properties” for the current fiscal period, as of June 1, 2018, its asset category was changed from “Urban Retail Properties” to “Tokyo Office Properties”; its property number was changed from “UR-4” to “TO-17”; and its name was changed from “Shinbashi Place” to “A-PLACE Shinbashi Ekimae.” The same shall apply hereinafter.

(Note 6) Total assets, total liabilities and total net assets represent the amounts reported in the balance sheet as of the end of each fiscal period.

(Note 7) Total liabilities include the obligation to refund tenant leasehold and security deposits.

(2) Investment Assets

i) Major investment securities

Not applicable.

ii) Investment properties

Properties in trust held by the Investment Corporation are included in the below section “iii) Other investment assets.”

iii) Other investment assets

(A) Overview of real estate and beneficiary interests of real estate in trust

The following table shows property name, acquisition price, book value at the end of the fiscal period, assessed value at the end of the fiscal period, return price and investment ratio related to the assets held by the Investment Corporation as of the end of the 14th fiscal period. Figures shown in the table are as of November 30, 2018 unless otherwise provided.

a. Overview of assets held (1)

(As of November 30, 2018)

Category	Property number (Note 1)	Property name	Acquisition price  (Millions of yen) (Note 2)	Book value at end of period  (Millions of yen) (Note 3)	Assessed value at end of period  (Millions of yen) (Note 4)	Return price (Note 4)					Investment ratio  (%) (Note 5)
						Direct capitalization method		DCF method			
						Price based on direct capitalization method  (Millions of yen)	Direct capitalization rate  (%)	Price based on DCF method  (Millions of yen)	Discount rate  (%)	Terminal capitalization rate  (%)	
Urban Retail Properties	UR-1	Tokyu Plaza Omotesando Harajuku (Note 6)	45,000	44,757	61,200	61,950	2.7	60,375	2.4	2.8	10.4
	UR-2	Tokyu Plaza Akasaka (Note 6)	11,450	11,744	15,500	15,700	4.0	15,400	4.1	4.2	2.7
	UR-3	Q plaza EBISU (Note 7)	8,430	8,251	11,900	12,000	3.2	11,800	3.4/3.3	3.4	2.0
	UR-5	Kyoto Karasuma Parking Building	8,860	8,736	11,000	11,100	4.9	11,000	4.9	5.1	2.1
	UR-6	A-FLAG AKASAKA (Note 8)	3,000	3,070	3,750	3,810	3.5	3,680	3.3	3.7	0.7
	UR-7	Kobe Kyu Kyoryuchi 25Bankan	21,330	20,753	26,900	27,300	4.0	26,500	3.8	4.2	4.9
	UR-8	A-FLAG SAPPORO	4,410	4,723	7,090	7,090	5.5	7,090	5.3	5.7	1.0
	UR-9	A-FLAG SHIBUYA	6,370	6,358	7,930	7,940	4.0	7,930	3.8	4.2	1.5
	UR-10	Q plaza SHINSAIBASHI	13,350	13,437	14,600	14,500	3.6	14,600	3.4	3.8	3.1
	UR-11	A-FLAG KOTTO DORI	4,370	4,401	4,880	4,940	3.5	4,850	3.2	3.6	1.0
	UR-12	A-FLAG BIJUTSUKAN DORI	4,700	4,722	4,920	5,000	3.6	4,830	3.4	3.8	1.1
	UR-13	A-FLAG DAIKANYAMA WEST	2,280	2,345	2,340	2,390	3.9	2,290	3.7	4.1	0.5
	UR-14	A-FLAG KITA SHINSAIBASHI	4,725	4,847	4,740	4,920	3.9	4,680	3.6	4.0	1.1
	UR-15	DECKS Tokyo Beach (Note 6)	12,740	12,892	12,887	13,083	4.0	12,642	3.8	4.2	3.0
		Subtotal	151,015	151,044	189,637	191,723	-	187,667	-	-	35.0
Tokyo Office Properties	TO-1	TLC Ebisu Building	7,400	7,289	10,800	11,100	3.6	10,700	3.7	3.8	1.7
	TO-2	A-PLACE Ebisu Minami	9,640	9,411	14,600	14,700	3.5	14,600	3.6	3.7	2.2
	TO-3	A-PLACE Yoyogi	4,070	3,907	4,710	4,790	3.9	4,630	3.7	4.1	0.9
	TO-4	A-PLACE Aoyama	8,790	8,615	10,100	10,100	4.0	10,100	3.8	4.2	2.0
	TO-5	Luogo Shiodome	4,540	4,256	6,220	6,280	3.6	6,190	3.4	3.8	1.1
	TO-6	TAMACHI SQUARE (Land)	2,338	2,362	2,830	2,960	3.6	2,780	4.0	3.8	0.5
	TO-7	A-PLACE Ikebukuro	3,990	3,757	5,120	5,200	4.1	5,030	3.9	4.3	0.9
	TO-8	A-PLACE Shinbashi	5,650	5,701	7,080	7,220	3.8	6,930	3.6	4.0	1.3
	TO-9	A-PLACE Gotanda	5,730	5,529	6,970	7,060	3.7	6,870	3.5	3.9	1.3
	TO-10	A-PLACE Shinagawa	3,800	3,787	4,400	4,480	3.6	4,320	3.4	3.8	0.9
	TO-11	OSAKI WIZTOWER	10,690	10,713	14,600	14,600	3.5	14,600	3.1	3.5	2.5
	TO-12	Shiodome Building (Note 6)	71,600	71,141	75,600	79,450	3.4	73,850	3.2	3.6	16.6
	TO-13	A-PLACE Ebisu Higashi	7,072	7,112	7,700	7,870	3.7	7,530	3.5	3.9	1.6
	TO-14	A-PLACE Shibuya Konnoh	4,810	4,970	5,350	5,420	3.6	5,270	3.3	3.7	1.1
	TO-15	A-PLACE Gotanda Ekimae	7,280	7,546	7,690	7,810	3.8	7,570	3.5	3.9	1.7
	TO-16	A-PLACE Shinagawa Higashi	18,800	18,876	19,500	19,700	3.9	19,200	3.7	4.1	4.4
	TO-17	A-PLACE Shinbashi Ekimae	20,500	20,921	20,500	21,100	3.6	20,300	3.3	3.7	4.8
	Subtotal	196,700	195,900	223,770	229,840	-	220,470	-	-	45.6	



Category	Property number (Note 1)	Property name	Acquisition price  (Millions of yen) (Note 2)	Book value at end of period  (Millions of yen) (Note 3)	Assessed value at end of period  (Millions of yen) (Note 4)	Return price (Note 4)					Investment ratio  (%) (Note 5)
						Direct capitalization method		DCF method			
						Price based on direct capitalization method  (Millions of yen)	Direct capitalization rate  (%)	Price based on DCF method  (Millions of yen)	Discount rate  (%)	Terminal capitalization rate  (%)	
Activia Account Properties	AA-1	Amagasaki Q's MALL (Land)	12,000	12,113	13,900	14,000	4.3	13,700	4.0	4.5	2.8
	AA-2	icot Nakamozu (Note 9)	8,500	8,137	10,500	10,700	5.0	10,400	4.9 /5.0 /5.1	5.2	2.0
	AA-4	icot Mizonokuchi	2,710	2,629	3,170	3,240	5.5	3,100	5.3	5.9	0.6
	AA-5	icot Tama Center	2,840	2,645	3,880	3,890	5.1	3,870	4.7	5.3	0.7
	AA-6	A-PLACE Kanayama	6,980	6,377	8,550	8,690	5.1	8,400	4.9	5.3	1.6
	AA-7	Osaka Nakanoshima Building	11,100	10,970	14,300	14,500	4.0	14,100	3.8	4.2	2.6
	AA-8	icot Omori	5,790	5,674	6,870	6,940	4.4	6,790	4.2	4.6	1.3
	AA-9	Market Square Sagamihara	4,820	4,709	5,020	5,040	5.3	4,990	5.1	5.5	1.1
	AA-10	Umeda Gate Tower	19,000	19,431	21,300	21,900	3.7	21,100	3.4	3.8	4.4
	AA-11	A-PLACE Bashamichi	3,930	4,012	4,500	4,600	4.9	4,400	4.6	5.1	0.9
	AA-12	Commercial Mall Hakata	6,100	6,336	6,290	6,310	4.8	6,270	4.5	4.9	1.4
		Subtotal	83,770	83,038	98,280	99,810	–	97,120	–	–	19.4
	Total	431,485	429,984	511,687	521,373	–	505,257	–	–	100.0	

(Note 1) A property number is assigned to each of assets held by the Investment Corporation, which are divided into the three categories: UR (meaning Urban Retail Properties), TO (meaning Tokyo Office Properties) and AA (meaning Activia Account Properties).

(Note 2) Acquisition price represents trading value of beneficiary interests in trust stipulated in each beneficiary interest sales agreement in relation to the assets held (excluding consumption tax and local consumption tax, and expenses such as trading commissions, rounding down to the nearest million yen).

(Note 3) Book value at end of period represents book value for each property less depreciation expenses as of November 30, 2018, rounding down to the nearest million yen.

(Note 4) The appraisal of properties is commissioned to Japan Real Estate Institute, Daiwa Real Estate Appraisal Co., Ltd., The Tanizawa Sōgō Appraisal Co., Ltd., Japan Valuers Co., Ltd. or JLL Morii Valuation & Advisory K.K. Assessed value at end of period and return price show value described in each real estate appraisal report with the date of value estimate of November 30, 2018.

(Note 5) Investment ratio is calculated by dividing the acquisition price for each property by the total acquisition price (excluding consumption tax and other acquisition-related expenses). Figures are rounded to the nearest tenth.

(Note 6) As for Tokyu Plaza Omotesando Harajuku, Tokyu Plaza Akasaka, DECKS Tokyo Beach, and Shiodome Building, the figures are in proportion to the pro rata share of our trust beneficiary co-ownership interests (*jun kyōyū-mochibun*) (75%, 50%, 49% and 35%, respectively).

(Note 7) The discount rates of Q plaza EBISU represent 3.4% from the first year to the fifth year and 3.3% in and after the sixth year.

(Note 8) Regarding the trust beneficiary co-ownership interests in A-FLAG AKASAKA, the Investment Corporation and ORB Limited Liability Company concluded sales contracts with the effective dates of March 1, 2019 (50% co-ownership interest) and June 3, 2019 (50% co-ownership interest). The Investment Corporation also concluded an agreement on trust beneficiary co-ownership interest with ORB Limited Liability Company; the same shall apply hereinafter.

(Note 9) The discount rates of icot Nakamozu represent 4.9% from the first year to the fourth year, 5.0% from the fifth year to the ninth year and 5.1% in and after the tenth year.

b. Overview of assets held (2)

(As of November 30, 2018)

Category	Property number	Property name	Location	Date of construction (Note 1)	Number of tenants (Note 2)	Contracted rent (Annual) (Millions of yen) (Note 3)	Tenant leasehold and security deposit (Millions of yen) (Note 4)	Total leasable area (m <sup>2</sup> ) (Note 5)	Total leased area (m <sup>2</sup> ) (Note 6)	Occupancy rate (%) (Note 7)
Urban Retail Properties	UR-1	Tokyu Plaza Omotesando Harajuku (Note 8)	Shibuya, Tokyo	March 14, 2012	30	2,027	1,690	4,999.87	4,999.87	100.0
	UR-2	Tokyu Plaza Akasaka (Note 8)	Chiyoda, Tokyo	September 10, 1969	98	961	403	16,609.75	16,609.75	100.0
	UR-3	Q plaza EBISU	Shibuya, Tokyo	August 20, 2008	4	485	475	4,024.88	4,024.88	100.0
	UR-5	Kyoto Karasuma Parking Building	Kyoto, Kyoto	July 24, 2006	2	(Note 9)	(Note 9)	21,616.04	21,616.04	100.0
	UR-6	A-FLAG AKASAKA	Minato, Tokyo	February 18, 2008	8	173	142	2,280.22	2,280.22	100.0
	UR-7	Kobe Kyu Kyoryuchi 25Bankan	Kobe, Hyogo	January 31, 2010	7	1,254	1,431	19,653.90	19,653.90	100.0
	UR-8	A-FLAG SAPPORO	Sapporo, Hokkaido	May 23, 1980	17	623	132	21,229.16	21,229.16	100.0
	UR-9	A-FLAG SHIBUYA	Shibuya, Tokyo	June 29, 1988	2	420	179	3,417.70	3,417.70	100.0
	UR-10	Q plaza SHINSAIBASHI	Osaka, Osaka	November 16, 2007	6	671	433	2,820.23	2,820.23	100.0
	UR-11	A-FLAG KOTTO DORI	Minato, Tokyo	January 22, 1992	7	230	176	2,656.53	2,656.53	100.0
	UR-12	A-FLAG BIJUTSUKAN DORI	Minato, Tokyo	December 1, 1998	4	239	241	1,994.65	1,994.65	100.0
	UR-13	A-FLAG DAIKANYAMA WEST	Shibuya, Tokyo	April 21, 1992	1	(Note 9)	(Note 9)	2,579.08	2,579.08	100.0
	UR-14	A-FLAG KITA SHINSAIBASHI	Osaka, Osaka	March 25, 2008	5	199	125	2,536.75	2,536.75	100.0
	UR-15	DECKS Tokyo Beach (Note 8)	Minato, Tokyo	June 20, 1996	85	658	503	16,112.00	16,056.19	99.7
	Subtotal				-	276	-	-	122,530.76	122,474.95

Category	Property number	Property name	Location	Date of construction (Note 1)	Number of tenants (Note 2)	Contracted rent (Annual) (Millions of yen) (Note 3)	Tenant leasehold and security deposit (Millions of yen) (Note 4)	Total leasable area (m <sup>2</sup> ) (Note 5)	Total leased area (m <sup>2</sup> ) (Note 6)	Occupancy rate (%) (Note 7)
Tokyo Office Properties	TO-1	TLC Ebisu Building	Shibuya, Tokyo	March 5, 1993	12	585	482	7,342.60	7,342.60	100.0
	TO-2	A-PLACE Ebisu Minami	Shibuya, Tokyo	January 31, 1995	11	710	586	7,950.49	7,950.49	100.0
	TO-3	A-PLACE Yoyogi	Shibuya, Tokyo	February 22, 2007	3	239	219	3,106.17	3,106.17	100.0
	TO-4	A-PLACE Aoyama	Minato, Tokyo	September 6, 1966	8	549	515	7,303.69	7,303.69	100.0
	TO-5	Luogo Shiodome	Minato, Tokyo	July 30, 2004	7	330	291	4,476.35	4,476.35	100.0
	TO-6	TAMACHI SQUARE (Land)	Minato, Tokyo	–	1	125	–	1,287.96	1,287.96	100.0
	TO-7	A-PLACE Ikebukuro	Toshima, Tokyo	October 13, 2011	1	(Note 9)	(Note 9)	3,409.73	3,409.73	100.0
	TO-8	A-PLACE Shinbashi	Minato, Tokyo	March 4, 1999	9	361	307	5,052.14	4,987.58	98.7
	TO-9	A-PLACE Gotanda	Shinagawa, Tokyo	February 27, 2012	11	340	305	4,028.69	4,028.69	100.0
	TO-10	A-PLACE Shinagawa	Minato, Tokyo	September 20, 1991	7	211	193	2,986.36	2,986.36	100.0
	TO-11	OSAKI WIZTOWER	Shinagawa, Tokyo	January 10, 2014	5	648	648	7,193.28	7,193.28	100.0
	TO-12	Shiodome Building (Note 8)	Minato, Tokyo	December 14, 2007	39	3,228	2,652	28,136.05	28,136.05	100.0
	TO-13	A-PLACE Ebisu Higashi	Shibuya, Tokyo	January 10, 1992	8	325	228	4,010.69	4,010.69	100.0
	TO-14	A-PLACE Shibuya Konnoh	Shibuya, Tokyo	March 18, 1992	4	215	149	2,995.72	2,995.72	100.0
	TO-15	A-PLACE Gotanda Ekimae	Shinagawa, Tokyo	November 30, 1993	10	336	290	4,316.89	4,316.89	100.0
	TO-16	A-PLACE Shinagawa Higashi	Minato, Tokyo	August 31, 1985 (main building) September 13, 1999 (annex)	9	914	820	14,658.98	14,658.98	100.0
	TO-17	A-PLACE Shinbashi Ekimae	Minato, Tokyo	April 25, 2008	6	781	600	6,484.57	6,484.57	100.0
	Subtotal			–	151	–	–	114,740.36	114,675.80	99.9
Activia Account Properties	AA-1	Amagasaki Q's MALL (Land)	Amagasaki, Hyogo	–	1	714	341	27,465.44	27,465.44	100.0
	AA-2	icot Nakamozu	Sakai, Osaka	June 27, 2007	2	619	430	28,098.02	28,098.02	100.0
	AA-4	icot Mizonokuchi	Kawasaki, Kanagawa	July 15, 1998	1	(Note 9)	100	14,032.05	14,032.05	100.0
	AA-5	icot Tama Center	Tama, Tokyo	March 7, 2006	9	240	237	5,181.58	5,181.58	100.0
	AA-6	A-PLACE Kanayama	Nagoya, Aichi	February 10, 2009	20	508	404	9,314.90	9,314.90	100.0
	AA-7	Osaka Nakanoshima Building	Osaka, Osaka	March 5, 1984	41	955	689	20,229.25	20,229.25	100.0
	AA-8	icot Omori	Ota, Tokyo	March 6, 2007	8	388	359	6,209.79 (Note 10)	6,209.79 (Note 10)	100.0
	AA-9	Market Square Sagami-hara	Sagami-hara, Kanagawa	June 13, 2014	3	(Note 9)	(Note 9)	15,152.42	15,152.42	100.0
	AA-10	Umeda Gate Tower	Osaka, Osaka	January 15, 2010	14	843	577	13,624.49	13,624.49	100.0
	AA-11	A-PLACE Bashamichi	Yokohama, Kanagawa	May 31, 1975	33	321	201	9,775.50	9,775.50	100.0
	AA-12	Commercial Mall Hakata	Fukuoka, Fukuoka	November 3, 2005	18	342	159	9,612.88	9,327.53	97.0
		Subtotal			–	150	–	–	158,696.32	158,410.97
	Total			–	577	–	–	395,967.44	395,561.72	99.9

- (Note 1) Date of construction of the main building, as described in the property registry. For properties with several main buildings, the construction date of the oldest building is listed. The construction date is omitted in case of acquisition of land only (Land represents the part of site on which the building is established under a land lease right; the same shall apply hereinafter). However, for A-PLACE Shinbashi and A-FLAG SHIBUYA, the date of inspection confirming completion of construction written on the certificate of inspection is provided.
- (Note 2) At each property, the number of tenants is equal to the aggregate number of tenants as of November 30, 2018 described in the lease agreements in relation to buildings, except that for properties with master lease agreements, the total number of end-tenants is listed. For properties for which we acquire only land, the total number of tenants of the land is listed.
- (Note 3) The contracted rent (annual) for each property other than properties for which we acquire only land is calculated by multiplying the aggregate anticipated monthly rent (limited to rent for rooms which were occupied by tenants as of November 30, 2018), including common service fee and excluding usage fee for warehouses, signboards and parking lots, and also excluding revenue-based rents, regardless of free rents and rent holidays as of November 30, 2018, as indicated in the lease agreements in relation to buildings as of November 30, 2018 by 12 (for where multiple lease agreements are concluded in relation to buildings, the aggregate anticipated monthly rent for all lease agreements) (excluding consumption tax) and rounding to the nearest million yen. For properties for which we acquire only land, it is calculated as the annual contracted rent (excluding consumption tax) as indicated in the lease agreement for such land as of November 30, 2018, rounding to the nearest million yen. For properties with master lease agreements, the annual contracted rent is calculated by multiplying the aggregate anticipated monthly rent (limited to rent for rooms; including common service fees and excluding usage fees for warehouses, signboards and parking lots, and also excluding revenue-based rents, regardless of free rents and rent holidays as of November 30, 2018), as indicated in the relevant sublease agreement with end-tenants by 12.
- (Note 4) The tenant leasehold and security deposit is calculated as the total amount on the lease agreement for each property as of November 30, 2018 (limited to tenant leasehold and security deposit based on the lease agreement for leased property that was occupied by the tenant as of November 30, 2018), rounding to the nearest million yen. For properties with master lease agreements, the tenant leasehold and security deposit is calculated as the total amount required based on the sublease agreements with end-tenants, rounding to the nearest million yen.
- (Note 5) The total leasable area represents the total of gross floor area considered to be leasable based on the lease agreements for building or floor plans as of November 30, 2018 of each property other than properties of which we acquire only land, and gross land area considered to be leasable based on the lease agreement for land or land plans as of November 30, 2018 of each property of which we acquire only land.
- (Note 6) The total leased area is equal to the total of leased area presented in each lease agreement for properties held as of November 30, 2018. For properties with master lease agreements, counted is the total of the area of properties for which sublease agreements are concluded with end-tenants and that are actually subleased.
- (Note 7) The occupancy rate is calculated by dividing total leased area for each property by the total leasable area as of November 30, 2018, rounding to the nearest tenth. The subtotal and total are calculated by dividing aggregate leased area by aggregate leasable area, rounding to the nearest tenth.
- (Note 8) As for Tokyu Plaza Omotesando Harajuku, Tokyu Plaza Akasaka, DECKS Tokyo Beach, and Shiodome Building, the figures are in proportion to the pro rata share of our trust beneficiary co-ownership interests (*jun kyōyū-mochibun*) (75%, 50%, 49% and 35%, respectively). However, the numbers of tenants provided are the numbers for each whole building.
- (Note 9) Since we have not obtained permission from the tenant of this property to release the information, the information is not disclosed.
- (Note 10) The calculation of total leasable area and total leased area for icot Omori includes part of an external bicycle parking lot (approximately 21 m<sup>2</sup>) and part of a common area on the second floor (approximately 28 m<sup>2</sup>).
- (Note 11) For lease agreements with end-tenants that have been asked to be terminated or cancelled, or for which the rent has not been paid, number of tenants, contracted rent (annual), tenant leasehold and security deposit, total leased area and occupancy rate are shown in the above table if these agreements continued as of November 30, 2018, assuming that the lease agreements with the end-tenants remained effective; the same shall apply hereinafter.

(B) Capital expenditure for assets under management

a. Scheduled capital expenditure

The following table shows major estimated capital expenditure for renovation work, etc. that the Investment Corporation plans to conduct for assets held in the 14th fiscal period as of November 30, 2018. The estimated construction cost below includes the portion expensed for accounting purposes.

Name of real property (Location)	Purpose	Scheduled period	Estimated construction cost (Millions of yen)		
			Total amount	Payment for the period	Total amount paid
A-PLACE Shinbashi (Minato, Tokyo)	Large-scale repairs	From November 2018 to April 2019	139	–	–
A-FLAG SAPPORO (Sapporo, Hokkaido)	Renewal of hot water main pipe	From January 2019 to April 2019	59	–	–
Tokyu Plaza Omotesando Harajuku (Shibuya, Tokyo)	Renewal works (First period)	From February 2019 to May 2019	48 (Note)	–	–
A-FLAG SAPPORO (Sapporo, Hokkaido)	Renewal of power control board (First period)	From June 2018 to May 2019	29	–	–
A-FLAG SAPPORO (Sapporo, Hokkaido)	Work to replace card locks	From January 2019 to March 2019	21	–	–
A-PLACE Shinagawa Higashi (Minato, Tokyo)	Renewal of air conditioning equipment on the fourth floor	From December 2018 to January 2019	14	–	–
DECKS Tokyo Beach (Minato, Tokyo)	Work to reinforce ceiling meeting specific engineering specifications	From January 2019 to February 2019	11 (Note)	–	–
Shiodome Building (Minato, Tokyo)	Renewal of ITV camera surveillance system	From January 2019 to February 2019	10 (Note)	–	–
Tokyu Plaza Omotesando Harajuku (Shibuya, Tokyo)	Construction of nursing room	From February 2019 to February 2019	10 (Note)	–	–
Kobe Kyu Kyoryuchi 25Bankan (Kobe, Hyogo)	Renovation of multilevel car park system	From April 2019 to May 2019	10	–	–

(Note) The shown estimated construction cost with regard to Tokyu Plaza Omotesando Harajuku, DECKS Tokyo Beach and Shiodome Building is the amount equivalent to the ratio of the Investment Corporation's co-ownership interests of real estate trust beneficiary (75%, 49% and 35%, respectively).

b. Capital expenditure during the fiscal period

For assets held by the Investment Corporation in the 14th fiscal period, construction work conducted by the Investment Corporation during the fiscal period ended November 30, 2018 that falls into capital expenditure is as follows. The capital expenditure for the fiscal period ended November 30, 2018 amounted to ¥352 million, and repair and maintenance expenses that were accounted for as expense in the fiscal period ended November 30, 2018 came to ¥281 million. On aggregate, construction work of ¥633 million was carried out during the fiscal period.

Name of real property (Location)	Purpose	Period	Construction cost (Millions of yen)
A-FLAG SAPPORO (Sapporo, Hokkaido)	Conversion of air conditioning units of large banquet hall systems into gas-heat-pump (GHP) air-conditioning systems	From September 2018 to November 2018	60
Tokyu Plaza Akasaka (Chiyoda, Tokyo)	Construction to upgrade plumbing	From July 2018 to November 2018	17 (Note)
Kobe Kyu Kyoryuchi 25Bankan (Kobe, Hyogo)	Renovation of multilevel car park system	From September 2018 to November 2018	17
A-FLAG SAPPORO (Sapporo, Hokkaido)	Replacement of halon fire extinguishing system control panel	From October 2018 to November 2018	16
A-FLAG SAPPORO (Sapporo, Hokkaido)	Replacement of heater units	From November 2018 to November 2018	14
A-FLAG SAPPORO (Sapporo, Hokkaido)	Replacement of air conditioning units and fan coil units	From September 2018 to November 2018	14
A-FLAG SAPPORO (Sapporo, Hokkaido)	Extension of chilled water coil	From May 2018 to June 2018	11
TLC Ebisu Building (Shibuya, Tokyo)	Replacement works for receivers and sensors of automatic fire alarms	From August 2018 to November 2018	11
Tokyu Plaza Omotesando Harajuku (Shibuya, Tokyo)	Renovation of women's restroom	From November 2018 to November 2018	10 (Note)
A-FLAG SHIBUYA (Shibuya, Tokyo)	Maintenance of total heat exchangers	From November 2018 to November 2018	10
Other			167
Total			352

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

(C) Information concerning major tenants

a. Summary of major tenants

For assets held in the 14th fiscal period, the table below shows tenants whose leased area accounts for 10% or more of the total leased area in the entire portfolio (major tenants) based on the data as of November 30, 2018. The forms of agreements with the tenants in the table are ordinary lease agreements.

As for certain assets held, the Investment Corporation has entered into lease agreements (master lease agreements) with Tokyu Community Corp. and Tokyu Land SC Management Corporation with the objective of allowing them to be master lease companies and sublease the leased assets to end-tenants. The table below shows information on the major tenants with master lease agreements based on the data as of November 30, 2018. Rents received by the Investment Corporation from the master lease companies are equal to the rents received by these companies from sublessees (end-tenants) (pass-through master lease), and such rents are not guaranteed.

Tenant	Business	Property name	Leased area (m <sup>2</sup> ) (Note 1)	Contracted rent (Annual) (Millions of yen) (Note 2)	Tenant leasehold and security deposit (Millions of yen) (Note 3)	Expiration date (Note 4)
Tokyu Community Corp.	Real Estate Management	A-FLAG KOTTO DORI	2,656.53	230	176	December 31, 2026
		TLC Ebisu Building	7,342.60	585	482	May 31, 2025
		A-PLACE Ebisu Minami	7,950.49	710	586	May 31, 2025
		A-PLACE Yoyogi	3,106.17	239	219	May 31, 2025
		A-PLACE Aoyama	7,303.69	549	515	May 31, 2025
		Luogo Shiodome	4,476.35	330	291	May 31, 2025
		A-PLACE Ikebukuro	3,409.73	(Note 5)	(Note 5)	May 31, 2025
		A-PLACE Shinbashi	4,987.58	361	307	May 31, 2025
		A-PLACE Gotanda	4,028.69	340	305	May 31, 2025
		A-PLACE Shinagawa	2,986.36	211	193	May 31, 2025
		OSAKI WIZTOWER	7,193.28	648	648	May 31, 2025
		A-PLACE Ebisu Higashi	4,010.69	325	228	May 31, 2025
		A-PLACE Shibuya Konnoh	2,995.72	215	149	September 30, 2025
		A-PLACE Gotanda Ekimae	4,316.89	336	290	June 30, 2026
		A-PLACE Shinagawa Higashi	14,658.98	914	820	March 31, 2027
		A-PLACE Shinbashi Ekimae	6,484.57	781	600	May 31, 2028
		A-PLACE Kanayama	9,314.90	508	404	May 31, 2025
		Osaka Nakanoshima Building	20,229.25	955	689	November 30, 2024
		Umeda Gate Tower	13,624.49	843	577	April 30, 2028
		A-PLACE Bashamichi	9,775.50	321	201	October 31, 2026
		Commercial Mall Hakata	9,327.53	342	159	March 31, 2027
		Total	150,179.99	-	-	-

Tenant	Business	Property name	Leased area (m <sup>2</sup> ) (Note 1)	Contracted rent (Annual) (Millions of yen) (Note 2)	Tenant leasehold and security deposit (Millions of yen) (Note 3)	Expiration date (Note 4)
Tokyu Land SC Management Corporation	Real Estate Management	Q plaza EBISU	4,024.88	485	475	June 30, 2022
		Kyoto Karasuma Parking Building	21,616.04	(Note 5)	(Note 5)	November 30, 2024
		A-FLAG AKASAKA	2,280.22	173	142	August 31, 2023
		Kobe Kyu Kyoryuchi 25Bankan	19,653.90	1,254	1,431	August 31, 2023
		A-FLAG SAPPORO	21,229.16	623	132	December 31, 2023
		A-FLAG SHIBUYA	3,417.70	420	179	December 31, 2023
		Q plaza SHINSAIBASHI	2,820.23	671	433	December 31, 2025
		A-FLAG BIJUTSUKAN DORI	1,994.65	239	241	December 31, 2026
		A-FLAG DAIKANYAMA WEST	2,579.08	(Note 5)	(Note 5)	December 31, 2026
		A-FLAG KITA SHINSAIBASHI	2,536.75	199	125	June 30, 2027
		DECKS Tokyo Beach (Note 6)	16,056.19	658	503	January 31, 2028
		icot Nakamozu	28,098.02	619	430	June 30, 2022
		icot Mizonokuchi	14,032.05	(Note 5)	100	June 30, 2022
		icot Tama Center	5,181.58	240	237	November 30, 2024
		icot Omori	6,209.79	388	359	December 31, 2023
		Market Square Sagamihara	15,152.42	(Note 5)	(Note 5)	January 31, 2025
			Total	166,882.66	-	-

(Note 1) The leased area is the leased area to end-tenants in respect to the leased area provided in the master lease agreement as of November 30, 2018 where the tenant is the master lease company and sublessor, rounding to the nearest hundredth.

(Note 2) Under master lease contracts concluded with tenants, for properties of which the master lease rent payable by the tenant equals to the rent payable by the end-tenant to the tenant, the contracted rent (annual) for each property is calculated by multiplying the monthly rent (limited to rooms which were occupied by tenants as of November 30, 2018), including common service fee and excluding usage fee for warehouses, signboards and parking lots, and also excluding revenue-based rents, regardless of free rents and rent holidays as of November 30, 2018, as indicated in the sublease agreement concluded with the end-tenant as of November 30, 2018 by 12, rounding to the nearest million yen.

(Note 3) The tenant leasehold and security deposit is calculated as the total amount on the sublease agreement with the end-tenant as of November 30, 2018 (limited to tenant leasehold and security deposit based on the lease agreement for leased property that was occupied by the tenant as of November 30, 2018), rounding to the nearest million yen, where the tenant is the master lease company and sublessor.

(Note 4) The expiration date is the date provided in the lease agreement where the tenant is the lessee, including where the tenant is a sublessor and master lease company under a sublease agreement. Concerning the method of renewing the master lease agreement entered into with the above-mentioned major tenant who is the master lease company, assuming that the lessor or lessee has not expressed in writing their intention to refuse renewal at a time that is at least three full months before the expiry of the lease agreement, the agreement shall be renewed for a further two years under the same conditions, and the same will apply thereafter.

(Note 5) Since we have not obtained permission from the tenant of this property to release the information, the information is not disclosed.

(Note 6) As for DECKS Tokyo Beach, the figures are in proportion to the pro rata share of our trust beneficiary co-ownership interests (*jun kyōyū-mochibun*) (49%).



b. End-tenants in the top 10 in terms of total leased area

For assets held by the Investment Corporation, the following table shows end-tenants ranked in the top 10 in terms of total leased area in the entire portfolio as of November 30, 2018.

End-tenants	Property name	Total leased area (m <sup>2</sup> ) (Note 1)	Lease expiration date	Form of agreement (Note 2)
Tokyu Hotels Co., Ltd.	Tokyu Plaza Akasaka A-FLAG SAPPORO	30,182.69	October 31, 2021	Fixed-term building lease agreement
Sumitomo Mitsui Trust Bank, Limited (Note 3)	TAMACHI SQUARE (Land) Amagasaki Q's MALL (Land)	28,753.40 (Note 4)	May 31, 2074 January 31, 2042	Ordinary leasehold land agreement Fixed-term business-use lease agreement
Kohnan Shoji Co., Ltd.	icot Nakamozu	26,529.03	July 11, 2027	Fixed-term building lease agreement
Times24 Co., Ltd.	Kyoto Karasuma Parking Building	21,224.14	–	Fixed-term building lease agreement
Plan·Do·See Inc.	Kobe Kyu Kyoryuchi 25Bankan	14,195.42	–	–
Room's-Taishodo	icot Mizonokuchi	14,032.05	July 24, 2023	Fixed-term building lease agreement
K'S HOLDINGS CORPORATION	Market Square Sagamihara	11,863.92	June 30, 2034	Fixed-term building lease agreement
NTT Communications Corporation	Shiodome Building	10,336.62	–	–
YANMAR Co., Ltd.	Umeda Gate Tower	7,870.86	–	–
Swing Corporation	A-PLACE Shinagawa Higashi	6,100.88	April 30, 2020	Ordinary building lease agreement

(Note 1) The total leased area is equal to the total leased area in each property under the lease agreement with the end-tenant as of November 30, 2018. As for Tokyu Plaza Akasaka and Shiodome Building, the figure is based on the amount in proportion to the pro rata share of our trust beneficiary co-ownership interests (*jun kyōyū-mochibun*) as of November 30, 2018 (50% and 35%, respectively).

(Note 2) The form of agreement is equal to the form of agreement described in the lease agreement with the end-tenants as of November 30, 2018.

(Note 3) Tenant is the trustee of the building on the land; Tokyu Land Corporation is the trust beneficiary under such trust.

(Note 4) Total leased area for TAMACHI SQUARE (Land) and Amagasaki Q's MALL (Land) is in respect of the land.

(Note 5) Since we have not obtained permission from the tenant of the properties to release the information, the information missing from this table is not disclosed.

## (D) Overview of lease and profit and loss

14th fiscal period (From June 1, 2018 to November 30, 2018)

(Unit: Thousands of yen)

Property number	UR-1	UR-2	UR-3	UR-5	UR-6
Property name	Tokyu Plaza Omotesando Harajuku (Note 1)	Tokyu Plaza Akasaka (Note 1)	Q plaza EBISU	Kyoto Karasuma Parking Building	A-FLAG AKASAKA
Number of business days in the 14th fiscal period	183	183	183	183	183
a. Real estate leasing business revenues	1,101,047	656,253	275,165	(Note 2)	107,851
Lease business revenue	1,042,366	555,117	240,238	(Note 2)	82,542
Other lease business revenue	58,680	101,136	34,926	(Note 2)	25,309
b. Expenses related to rent business	245,679	261,684	64,772	39,396	36,348
Management operation expenses	88,301	82,621	17,143	3,737	11,277
Utilities expenses	33,069	77,988	28,909	–	13,679
Tax and public dues	59,080	68,897	8,671	33,643	7,643
Insurance	191	412	75	159	36
Repair and maintenance expenses	6,579	23,385	131	814	2,109
Other expenses related to rent business	58,457	8,377	9,841	1,040	1,603
c. NOI (a – b)	855,367	394,569	210,392	(Note 2)	71,503
d. Depreciation, etc.	51,014	38,998	18,264	15,810	8,066
Profit (loss) from rent business (c – d)	804,352	355,571	192,127	(Note 2)	63,436

(Unit: Thousands of yen)

Property number	UR-7	UR-8	UR-9	UR-10	UR-11
Property name	Kobe Kyu Kyoryuchi 25Bankan	A-FLAG SAPPORO	A-FLAG SHIBUYA	Q plaza SHINSAIBASHI	A-FLAG KOTTO DORI
Number of business days in the 14th fiscal period	183	183	183	183	183
a. Real estate leasing business revenues	744,420	677,651	212,075	345,331	121,961
Lease business revenue	661,670	598,387	203,514	327,406	115,831
Other lease business revenue	82,750	79,263	8,560	17,924	6,129
b. Expenses related to rent business	208,941	256,345	86,639	49,119	37,848
Management operation expenses	77,767	121,267	40,488	10,025	13,294
Utilities expenses	65,090	71,542	6,238	14,867	6,789
Tax and public dues	46,634	24,363	11,057	14,347	13,088
Insurance	619	476	53	64	73
Repair and maintenance expenses	13,740	25,357	23,468	3,787	2,588
Other expenses related to rent business	5,089	13,338	5,333	6,027	2,015
c. NOI (a – b)	535,478	421,305	125,435	296,211	84,112
d. Depreciation, etc.	120,626	64,841	7,838	15,794	4,909
Profit (loss) from rent business (c – d)	414,852	356,463	117,596	280,417	79,203

(Unit: Thousands of yen)

Property number	UR-12	UR-13	UR-14	UR-15	TO-1
Property name	A-FLAG BIJUTSUKAN DORI	A-FLAG DAIKANYAMA WEST	A-FLAG KITA SHINSAIBASHI	DECKS Tokyo Beach (Note 1)	TLC Ebisu Building
Number of business days in the 14th fiscal period	183	183	183	183	183
a. Real estate leasing business revenues	138,673	(Note 2)	110,223	634,257	324,751
Lease business revenue	111,075	(Note 2)	99,584	496,049	299,450
Other lease business revenue	27,597	(Note 2)	10,639	138,208	25,301
b. Expenses related to rent business	57,242	29,548	25,565	270,485	84,779
Management operation expenses	16,379	12,101	5,639	106,462	25,888
Utilities expenses	8,975	300	10,350	116,524	22,504
Tax and public dues	2,190	12,842	5,969	15	16,872
Insurance	36	58	70	607	193
Repair and maintenance expenses	10,912	1,525	2,121	5,165	10,260
Other expenses related to rent business	18,748	2,719	1,413	41,709	9,060
c. NOI (a – b)	81,430	(Note 2)	84,658	363,772	239,971
d. Depreciation, etc.	6,574	2,684	4,628	21,789	41,594
Profit (loss) from rent business (c – d)	74,856	(Note 2)	80,030	341,982	198,377

(Unit: Thousands of yen)

Property number	TO-2	TO-3	TO-4	TO-5	TO-6
Property name	A-PLACE Ebisu Minami	A-PLACE Yoyogi	A-PLACE Aoyama	Luogo Shiodome	TAMACHI SQUARE (Land)
Number of business days in the 14th fiscal period	183	183	183	183	183
a. Real estate leasing business revenues	373,973	129,208	303,637	181,904	62,502
Lease business revenue	355,826	120,835	283,251	167,916	62,502
Other lease business revenue	18,147	8,372	20,385	13,988	–
b. Expenses related to rent business	88,646	38,327	69,509	52,983	8,968
Management operation expenses	27,471	12,554	19,156	12,411	–
Utilities expenses	23,816	9,442	20,996	14,338	–
Tax and public dues	31,058	10,253	21,795	18,296	8,700
Insurance	247	83	181	158	–
Repair and maintenance expenses	2,034	1,037	3,276	5,284	–
Other expenses related to rent business	4,018	4,955	4,102	2,494	267
c. NOI (a – b)	285,327	90,880	234,127	128,921	53,533
d. Depreciation, etc.	33,332	15,429	23,751	27,176	–
Profit (loss) from rent business (c – d)	251,994	75,451	210,376	101,745	53,533

(Unit: Thousands of yen)

Property number	TO-7	TO-8	TO-9	TO-10	TO-11
Property name	A-PLACE Ikebukuro	A-PLACE Shinbashi	A-PLACE Gotanda	A-PLACE Shinagawa	OSAKI WIZTOWER
Number of business days in the 14th fiscal period	183	183	183	183	183
a. Real estate leasing business revenues	(Note 2)	199,410	180,660	116,430	349,446
Lease business revenue	(Note 2)	184,740	167,660	109,035	325,455
Other lease business revenue	(Note 2)	14,670	12,999	7,395	23,990
b. Expenses related to rent business	33,943	53,102	41,676	33,898	98,867
Management operation expenses	10,308	16,524	12,890	9,292	57,640
Utilities expenses	10,438	14,076	11,670	6,802	17,477
Tax and public dues	10,494	15,310	14,107	10,813	21,821
Insurance	84	132	106	71	304
Repair and maintenance expenses	818	1,947	1,251	4,462	–
Other expenses related to rent business	1,799	5,110	1,649	2,456	1,623
c. NOI (a – b)	(Note 2)	146,308	138,984	82,532	250,579
d. Depreciation, etc.	20,685	21,100	26,844	8,697	48,275
Profit (loss) from rent business (c – d)	(Note 2)	125,207	112,139	73,834	202,303

(Unit: Thousands of yen)

Property number	TO-12	TO-13	TO-14	TO-15	TO-16
Property name	Shiodome Building (Note 1)	A-PLACE Ebisu Higashi	A-PLACE Shibuya Konnoh	A-PLACE Gotanda Ekimae	A-PLACE Shinagawa Higashi
Number of business days in the 14th fiscal period	183	183	183	183	183
a. Real estate leasing business revenues	1,534,740	175,164	115,557	179,102	509,697
Lease business revenue	1,447,964	165,077	109,595	168,117	464,032
Other lease business revenue	86,775	10,087	5,962	10,985	45,664
b. Expenses related to rent business	380,446	43,974	30,461	59,707	137,867
Management operation expenses	105,630	12,643	11,678	17,653	45,873
Utilities expenses	98,613	9,563	6,598	12,656	38,941
Tax and public dues	115,146	13,831	9,469	18,076	47,079
Insurance	916	100	76	116	463
Repair and maintenance expenses	34,504	5,949	345	4,453	2,206
Other expenses related to rent business	25,633	1,887	2,293	6,750	3,303
c. NOI (a – b)	1,154,293	131,189	85,096	119,394	371,830
d. Depreciation, etc.	148,280	23,609	12,906	12,292	30,245
Profit (loss) from rent business (c – d)	1,006,013	107,579	72,189	107,101	341,585

(Unit: Thousands of yen)

Property number	TO-17	AA-1	AA-2	AA-4	AA-5
Property name	A-PLACE Shinbashi Ekimae	Amagasaki Q's MALL (Land)	icot Nakamozu	icot Mizonokuchi	icot Tama Center
Number of business days in the 14th fiscal period	183	183	183	183	183
a. Real estate leasing business revenues	381,874	356,759	311,402	(Note 2)	147,018
Lease business revenue	371,823	356,759	310,545	(Note 2)	135,589
Other lease business revenue	10,050	–	856	(Note 2)	11,428
b. Expenses related to rent business	82,181	56,402	41,663	14,219	45,971
Management operation expenses	19,024	–	5,682	3,261	18,524
Utilities expenses	14,793	–	30	–	13,891
Tax and public dues	34,311	56,134	30,423	10,074	11,753
Insurance	155	–	235	100	145
Repair and maintenance expenses	6,403	–	2,801	–	452
Other expenses related to rent business	7,492	267	2,491	783	1,205
c. NOI (a – b)	299,692	300,356	269,738	(Note 2)	101,046
d. Depreciation, etc.	52,170	–	34,625	8,440	18,944
Profit (loss) from rent business (c – d)	247,521	300,356	235,113	(Note 2)	82,102

(Unit: Thousands of yen)

Property number	AA-6	AA-7	AA-8	AA-9	AA-10
Property name	A-PLACE Kanayama	Osaka Nakanoshima Building	icot Omori	Market Square Sagamihara	Umeda Gate Tower
Number of business days in the 14th fiscal period	183	183	183	183	183
a. Real estate leasing business revenues	292,745	535,622	239,961	(Note 2)	444,714
Lease business revenue	264,023	502,820	202,377	(Note 2)	407,845
Other lease business revenue	28,721	32,802	37,584	(Note 2)	36,868
b. Expenses related to rent business	90,294	195,076	65,863	36,437	107,696
Management operation expenses	25,257	56,636	11,248	16,059	36,554
Utilities expenses	25,613	48,275	32,425	5,551	31,457
Tax and public dues	25,802	50,768	12,515	13,841	34,135
Insurance	252	749	94	132	365
Repair and maintenance expenses	10,530	29,589	8,370	–	2,208
Other expenses related to rent business	2,838	9,058	1,209	851	2,974
c. NOI (a – b)	202,450	340,545	174,098	(Note 2)	337,018
d. Depreciation, etc.	51,749	71,045	17,500	23,941	68,924
Profit (loss) from rent business (c – d)	150,701	269,500	156,598	(Note 2)	268,094

(Unit: Thousands of yen)

Property number	AA-11	AA-12
Property name	A-PLACE Bashamichi	Commercial Mall Hakata
Number of business days in the 14th fiscal period	183	183
a. Real estate leasing business revenues	191,089	222,272
Lease business revenue	169,053	174,895
Other lease business revenue	22,036	47,377
b. Expenses related to rent business	81,698	64,898
Management operation expenses	19,085	20,814
Utilities expenses	24,186	33,362
Tax and public dues	16,814	–
Insurance	293	174
Repair and maintenance expenses	18,420	3,034
Other expenses related to rent business	2,896	7,513
c. NOI (a – b)	109,391	157,373
d. Depreciation, etc.	29,031	14,734
Profit (loss) from rent business (c – d)	80,359	142,638

(Note 1) As for Tokyu Plaza Omotesando Harajuku, Tokyu Plaza Akasaka, DECKS Tokyo Beach and Shiodome Building, the figures are in proportion to the pro rata share of our trust beneficiary co-ownership interests (*jun kyōyū-mochibun*) (75%, 50%, 49% and 35%, respectively).

(Note 2) Since we have not obtained permission from the tenant of this property to release the information, the information is not disclosed.