



## **Asset Management Report for the 1st Period (Semi-Annual Report)**

From September 7, 2011 to May 31, 2012

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**Activia Properties Inc.  
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Shibuya-ku, Tokyo**

# I. Asset Management Report

## 1. Review of Asset Management

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

Fiscal period		1st period
Book-closing month and year		May 2012
Operating revenues	(Million yen)	—
Operating income (loss)	(Million yen)	(7)
Ordinary income (loss)	(Million yen)	(60)
Net income (loss)	(Million yen)	(61)
Total unitholders' capital	(Million yen)	200
Total number of investment units issued	(Unit)	400
Net assets	(Million yen)	138
Total assets	(Million yen)	142
Net assets per unit	(Yen)	347,457
Net income (loss) per unit	(Note 1) (Yen)	(152,542)
Total distribution	(Million yen)	—
Cash distribution per unit	(Yen)	—
Equity ratio	(Note 2) (%)	97.6
Return on equity	(Note 2) (%)	(36.0)

(Note 1) Net income (loss) per unit is calculated by dividing net income (loss) by the average number of investment units for the period.

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

“Equity ratio”: Net assets at the end of the period / Total assets at the end of the period × 100

“Return on equity”: Net income (loss) / Average net assets × 100. Average net assets = (Net assets at the beginning of the period + Net assets at the end of the period) / 2

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

#### 1) Transition of Investment Corporation

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

After that, the Investment Corporation issued additional investment units (204,100 units) through a public offering on June 13, 2012, and was listed on the real estate investment trust securities market of Tokyo Stock Exchange, Inc. (hereinafter referred to as the “Tokyo Stock Exchange”) (Securities code 3279).

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

## 2) Investment Performance

As the Investment Corporation did not engage in asset management in the fiscal period under review, it has no investment performance to disclose.

## 3) Overview of Financing

The Investment Corporation did not raise funds in the period from its establishment to the end of the fiscal period under review.

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

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

## 4) Overview of Financial Results and Distributions

For the fiscal period under review, the Investment Corporation recorded an operating loss of ¥7 million, an ordinary loss of ¥60 million, and a net loss of ¥61 million.

Although the Investment Corporation has a policy of distributing almost the entire amount of unappropriated retained earnings in accordance with the distribution policy established by the Investment Corporation (Article 35 of the Articles of Association), it will not pay distributions in the fiscal year under review, as it recorded losses.

## (3) Capital Increase, etc.

The overview of capital increase in the fiscal period under review is as follows:

Date	Summary	Number of investment units issued		Total unitholders' capital (Million yen)		Remarks
		Increase	Total	Increase	Total	
September 7, 2011	Private placement establishment	400	400	200	200	(Note)

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

## (4) Distributions, etc.

With respect to distributions for the fiscal period under review, there is no amount of distributable profit in the Investment Corporation, as stipulated in the special provisions of the tax system (Article 67-15 of the Act on Special Measures Concerning Taxation). Therefore, the Investment Corporation will not pay distributions in the 1st fiscal period and will carry forward undisposed loss to the subsequent fiscal period.

Fiscal period	1st period
Business period	From September 7, 2011 to May 31, 2012
Unappropriated retained earnings (undisposed loss)	(61,017 thousand yen)
Retained earnings	(61,017 thousand yen)
Total distribution payments (Distributions per unit)	— thousand yen (— yen)
Of which, total distributions of profits was (Distributions of profits per unit)	— thousand yen (— yen)
Of which, total return on unitholders' capital was (Return on unitholders' capital per unit)	— thousand yen (— yen)

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

### **1) Basic Policy**

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

### **2) External Growth Strategy**

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

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

The Investment Corporation was listed on the real estate investment trust securities market of the Tokyo Stock Exchange on June 13, 2012, and acquired 18 properties (with an acquisition cost of ¥170,370 million) from Tokyu Land Corporation and the Tokyu Land Group on the same day.

The properties acquired include Tokyu Plaza Omotesando Harajuku as the flagship property, which was developed by the Tokyu Land Group and will become a new landmark in the Omotesando Harajuku area. With this as a typical example, it will continue to work to acquire properties that have a competitive advantage.

### **3) Internal Growth Strategy**

The Investment Corporation will operate, manage, and refurbish, etc. its portfolio to maintain and improve the competitiveness of its facilities through a comprehensive understanding of the features of its overall portfolio and its individual assets under management, based on the unique expertise of its Asset Management Company. The Investment Corporation will also seek to soundly manage its portfolio and strengthen its earnings power by creating appropriate operational and management systems tailored to the specific characteristics of the assets it has invested in, and through regular and one-time inspections by the property management company, which 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 organic growth through operating and managing properties. It will maximize the competitiveness of its assets through the ongoing assistance of Tokyu Land Corporation and other supporting companies, which, through their face-to-face business with consumers, have a wealth of information regarding consumer needs and developments in industries such as retail and services.

With respect to the property management business for the assets initially acquired, leasing support has been provided from Tokyu Land Corporation and Tokyu Land SC Management Corporation.

## (6) Significant Matters after the Book Closing

Significant matters that arose after the book closing in the Investment Corporation are as follows:

### 1) Issuance of New Investment Units

At the meetings of the Board of Officers held on May 10, 2012, and June 1, 2012, we resolved to issue new investment units, as described below. These were issued on June 12, 2012, and July 10, 2012, when payment was completed.

As a result, unitholders' capital amounted to ¥91,373,833,100, and the number of investment units issued came to 205,262 units.

#### (i) Issuance of New Investment Units by Public Offering (Public Placement)

Number of new investment units issued	204,100 units
Offering price	¥460,000 per unit
Total offering price	¥93,886,000,000
Issue price	¥445,050 per unit
Total amount payable	¥90,834,705,000
Payment date	June 12, 2012

#### (ii) Issuance of New Investment Units by Private Placement

Number of new investment units issued	762 units
Issue price	¥445,050 per unit
Total amount payable	¥339,128,100
Payment date	July 10, 2012
Allottee	Nomura Securities Co., Ltd.

## 2) Borrowing of Funds

Type	Financial institution	Borrowing amount (Million yen)	Interest rate	Drawdown date	Due date <sup>(Note3)</sup>	Repayment method	Security
Short-term	Sumitomo Mitsui Trust Bank, Limited	170	Basic interest rate + 0.275% <sup>(Note2)</sup>	June 13, 2012	June 13, 2013	Lump sum repayment	Unsecured, non-guaranteed
Long-term	Sumitomo Mitsui Banking Corporation	60	Basic interest rate + 0.20% <sup>(Note2)</sup>		June 13, 2014		
	Syndicate with Sumitomo Mitsui Trust Bank, Limited as the arranger <sup>(Note1)</sup>	120	0.79955%		June 13, 2015		
	Syndicate with Mitsubishi UFJ Trust and Banking Corporation as the arranger <sup>(Note1)</sup>	120	0.86572%		June 13, 2016		
	Syndicate with The Bank of Tokyo-Mitsubishi UFJ, Ltd. As the arranger <sup>(Note1)</sup>	120	0.95315%		June 13, 2017		
	Syndicate with Mizuho Corporate Bank, Ltd. As the arranger <sup>(Note1)</sup>	120	1.06309%		June 13, 2018		
	Development Bank of Japan Inc.	60	1.19051%		June 13, 2019		

(Note 1) The syndicate of lenders consists of Sumitomo Mitsui Trust Bank, Limited, Mitsubishi UFJ Trust and Banking Corporation, Mizuho Corporate Bank, Ltd., and The Bank of Tokyo-Mitsubishi UFJ Ltd.

(Note 2) The interest payment dates are the last day of June 2012, the last day of every month that follows, and the due date of repayment of the principal (if the due date is not a business day, the following business day; if the following business day is the next month, the business day immediately preceding the date).

The basic interest rate applicable during the calculation period of interest to be paid on the interest payment date is based on the Japanese Bankers Association (JBA) 1-month yen TIBOR as of two business days prior to the interest payment date. If the calculation period is less than a month, the basic interest rate during the period is calculated using the method set out in the agreement. The basic interest rate for the first calculation period is 0.15098%.

We will not communicate interest rates to be determined for the borrowings with variable interest rates. To check changes in JBA 1-month yen TIBOR, based on which the basic interest rate will be determined, visit the website of the JBA (<http://www.zenginkyo.or.jp/tibor/>).

(Note 3) If the due date is not a business day, the following business day; if the following business day is the next month, the business day immediately preceding the date.

We have also established a commitment line and entered into a master revolving credit agreement as follows:

(i) Commitment Line

Credit limit	¥10 billion
Counterparty	Sumitomo Mitsui Trust Bank, Ltd.
Contract day	June 6, 2012
Contract period	From June 13, 2012 to June 12, 2013
Security	Unsecured and unguaranteed

(ii) Revolving Credit Line (on an uncommitted basis)

We entered into a master revolving credit agreement (on an uncommitted basis) on June 6, 2012, with Sumitomo Mitsui Trust Bank, Ltd., Mitsubishi UFJ Trust and Banking Corporation, Mizuho Corporate Bank, Ltd., and The Bank of Tokyo-Mitsubishi UFJ, Ltd. in case a need to raise funds to purchase investment assets arises in the future.

Financial institution	Total amount to be borrowed	Due date	Repayment method	Use	Security
Sumitomo Mitsui Trust Bank, Limited Mitsubishi UFJ Trust and Banking Corporation Mizuho Corporate Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd.	10 billion yen	Within one year from the drawdown date	Lump-sum repayment	To purchase additional assets to be acquired and cover related expenses, etc.	Unsecured and unguaranteed



### 3) Acquisition of Assets

We acquired properties below under the basic policy of our articles of incorporation by proceed from the issuance of new investment units and borrowings under term loans.

#### (UR-1) Tokyu Plaza Omotesando Harajuku

Asset type	Trust beneficiary interests
Acquisition price (Million yen)	45,000
Acquisition date	June 13, 2012
Location	30-3 Jingumae 4-chome, Shibuya-ku, Tokyo
Use	Retail • Parking
Land area	1,576.50 m <sup>2</sup> (Note)
Gross floor area	11,368.11 m <sup>2</sup>
Structure	Steel frame, reinforced concrete, steel-framed reinforced concrete; 7 floors above ground and 2 floors underground
Date of construction	March 2012
Ownership	Land: ownership (75% of trust beneficiary co-ownership interests) Building: ownership (75% of trust beneficiary co-ownership interests)

(Note) Part of the site (about 45 m<sup>2</sup>) is deemed part of a road under Article 42, Paragraph 2 of the Building Standards Act.

#### (UR-2) Tokyu Plaza Akasaka

Asset type	Trust beneficiary interests
Acquisition price (Million yen)	11,450
Acquisition date	June 13, 2012
Location	14-3 Nagatacho 2-chome, Chiyoda-ku, Tokyo
Use	Hotel • Office • Retail • Parking
Land area	5,103.57 m <sup>2</sup> (Note)
Gross floor area	51,491.66 m <sup>2</sup>
Structure	Steel-framed reinforced concrete; 14 floors above ground and 3 floors underground
Date of construction	September 1969
Ownership	Land: ownership (50% of trust beneficiary co-ownership interests) Building: ownership (50% of trust beneficiary co-ownership interests)

(Note) Part of the site (about 284 m<sup>2</sup>) is deemed part of a road under Article 42, Paragraph 1 of the Building Standards Act.

#### (UR-3) Ebisu Q Plaza

Asset type	Trust beneficiary interests
Acquisition price (Million yen)	8,430
Acquisition date	June 13, 2012
Location	8-12 Ebisu 1-chome, Shibuya-ku, Tokyo
Use	Retail • Sports Gym
Land area	956.38 m <sup>2</sup>
Gross floor area	4,670.02 m <sup>2</sup>
Structure	Steel frame, reinforced concrete; 6 floors above ground and 1 floor underground
Date of construction	August 2008
Ownership	Land: Ownership, land lease right(Note) Building: Ownership

(Note) Activia Properties Inc. has a land lease right to an area of 398.20 m<sup>2</sup>.

(UR-4) Shinbashi Place

Asset type	Trust beneficiary interests
Acquisition price (Million yen)	20,500
Acquisition date	June 13, 2012
Location	12-9 Shinbashi 1-chome, Minato-ku, Tokyo
Use	Retail • Office • Parking
Land area	1,001.39m <sup>2</sup>
Gross floor area	8,541.70m <sup>2</sup>
Structure	Steel frame, steel-framed reinforced concrete; 10 floors above ground and 1 floor underground
Date of construction	April 2008
Ownership	Land: Ownership Building: Ownership

(UR-5) Kyoto Karasuma Parking Building

Asset type	Trust beneficiary interests
Acquisition price (Million yen)	8,860
Acquisition date	June 13, 2012
Location	678 Motohonenjicho, Nakagyo-ku, Kyoto City, Kyoto
Use	Parking • Retail
Land area	2,940.68m <sup>2</sup>
Gross floor area	21,495.47m <sup>2</sup>
Structure	Steel frame; 9 floors above ground and 1 floor underground
Date of construction	July 2006
Ownership	Land: Ownership Building: Ownership

(TO-1) Ebisu Tokyu Building

Asset type	Trust beneficiary interests
Acquisition price (Million yen)	7,400
Acquisition date	June 13, 2012
Location	18-18 Ebisu 1-chome, Shibuya-ku, Tokyo
Use	Office • Parking
Land area	1,785.15m <sup>2</sup> (Note1)
Gross floor area	10,297.73m <sup>2</sup>
Structure	Steel framed reinforced concrete; 9 floors above ground and 1 floor underground
Date of construction	March 1993
Ownership	Land: Ownership, land lease right (Note2) Building: Ownership

(Note1) Part of the site (about 78 m<sup>2</sup>) is deemed part of a road under Article 42, Paragraph 2 of the Building Standards Act. Of the 78 m<sup>2</sup>, 14 m<sup>2</sup> is owned by Activia Properties Inc., and 64 m<sup>2</sup> is land to which Activia Properties Inc. holds lease rights.

(Note 2) Activia Properties Inc. has a land lease right to an area of 731.45 m<sup>2</sup>.

(TO-2) A-PLACE Ebisu Minami

Asset type	Trust beneficiary interests
Acquisition price (Million yen)	9,640
Acquisition date	June 13, 2012
Location	15-1 Ebisu-minami 1-chome, Shibuya-ku, Tokyo
Use	Office • Parking
Land area	3,585.34m <sup>2</sup>
Gross floor area	12,167.57m <sup>2</sup>
Structure	Steel framed reinforced concrete; 6 floors above ground and 1 floor underground
Date of construction	January 1995
Ownership	Land: Ownership Building: Ownership

(TO-3) Yoyogi Place

Asset type	Trust beneficiary interests
Acquisition price (Million yen)	4,070
Acquisition date	June 13, 2012
Location	23-15 Sendagaya 5-chome, Shibuya-ku, Tokyo
Use	Office • Garage
Land area	723.17m <sup>2</sup> (Note)
Gross floor area	4,201.59m <sup>2</sup>
Structure	Steel frame; 10 floors above ground and 1 floor underground
Date of construction	February 2007
Ownership	Land: Ownership Building: Ownership

(Note) Part of the site (about 10 m<sup>2</sup>) is deemed part of a road under Article 42, Paragraph 2 of the Building Standards Act.

(TO-4) Aoyama Plaza Building

Asset type	Trust beneficiary interests
Acquisition price (Million yen)	8,790
Acquisition date	June 13, 2012
Location	11-3 Kita-Aoyama 2-chome, Minato-ku, Tokyo
Use	Office
Land area	3,630.51 m <sup>2</sup> (Note)
Gross floor area	9,958.33m <sup>2</sup>
Structure	Reinforce concrete; 9 floors above ground and 1 floor underground
Date of construction	September 1966
Ownership	Land: Ownership Building: Ownership

(Note) Part of the site (283 m<sup>2</sup>) is deemed part of a road under Article 42, Paragraph 1 of the Building Standards Act.

(TO-5) Luogo Shiodome

Asset type	Trust beneficiary interests
Acquisition price (Million yen)	4,540
Acquisition date	June 13, 2012
Location	3-3 Higashi-Shinbashi 2-chome, Minato-ku, Tokyo
Use	Office
Land area	792.11 m <sup>2</sup> (Note)
Gross floor area	8,242.61 m <sup>2</sup>
Structure	Steel frame, reinforced concrete; 11 floors above ground and 1 floor underground
Date of construction	July 2004
Ownership	Land: Ownership Building: Ownership

(Note) The land area is the area of the existing land. The sum of the areas of tentatively replotted land and reservation, specified in the tentatively replotted land designation notice and reservation register, is 1,134 m<sup>2</sup>.

(TO-6) Tokyo Kikai Honsha Building

Asset type	Trust beneficiary interests
Acquisition price (Million yen)	3,070
Acquisition date	June 13, 2012
Location	26-24 Shiba 5-chome, Minato-ku, Tokyo
Use	Office • Garage
Land area	1,287.96 m <sup>2</sup>
Gross floor area	6,992.31 m <sup>2</sup>
Structure	Steel framed reinforced concrete; 6 floors above ground and 1 floor underground
Date of construction	June 1985
Ownership	Land: Ownership Building: Ownership

(TO-7) A-PLACE Ikebukuro

Asset type	Trust beneficiary interests
Acquisition price (Million yen)	3,990
Acquisition date	June 13, 2012
Location	16-22 Minami Ikebukuro 1-chome, Toshima-ku, Tokyo
Use	Office • Retail • Parking
Land area	755.05 m <sup>2</sup> (Note)
Gross floor area	4,709.05 m <sup>2</sup>
Structure	Steel frame, reinforced concrete; 7 floors above ground and 1 floor underground
Date of construction	October 2011
Ownership	Land: Ownership Building: Ownership

(Note) Part of the site (about 8 m<sup>2</sup>) is deemed part of a road under Article 42, Paragraph 2 of the Building Standards Act.

(O-1) COCOE Amagasaki

Asset type	Trust beneficiary interests
Acquisition price (Million yen)	12,000
Acquisition date	June 13, 2012
Location	3-1 Shioe 1-chome, Amagasaki, Hyogo (main building) 2-3 Shioe 1-chome, Amagasaki, Hyogo (sports club)
Use	—
Land area	27,465.44m <sup>2</sup>
Gross floor area	—
Structure	—
Date of construction	—
Ownership	Land: Ownership

(O-2) icot Nakamozu

Asset type	Trust beneficiary interests
Acquisition price (Million yen)	8,500
Acquisition date	June 13, 2012
Location	428-2 Nakamozucho 3-cho, Kita-ku, Sakai, Osaka
Use	Retail · Parking · Bank
Land area	30,857.61m <sup>2</sup> (Note1)
Gross floor area	27,408.34m <sup>2</sup> (Note2)
Structure	Steel frame; 3 floors above ground
Date of construction	June 2007 (Kohnan building) February 2008 (bank building)
Ownership	Land: Ownership Building: Ownership

(Note1) Part of the site (561 m<sup>2</sup>) is deemed part of a road under Article 42, Paragraph 2 of the Building Standards Act.

(Note2) The property has two buildings. The gross floor area is the sum of the gross floor areas of the two buildings.

(O-3) icot Kongo

Asset type	Trust beneficiary interests
Acquisition price (Million yen)	1,600
Acquisition date	June 13, 2012
Location	35-1 Handa 1-chome, Osakasayama, Osaka
Use	Retail
Land area	10,821.40m <sup>2</sup> (Note)
Gross floor area	17,894.95m <sup>2</sup>
Structure	Reinforced concrete; 3 floors above ground
Date of construction	February 1977
Ownership	Land: Ownership Building: Ownership

(Note) Part of the site (about 82 m<sup>2</sup>) is deemed part of a road under Article 42, Paragraph 1 of the Building Standards Act.

(O-4) icot Mizonokuchi

Asset type	Trust beneficiary interests
Acquisition price (Million yen)	2,710
Acquisition date	June 13, 2012
Location	11-1 Mizonokuchi 6-chome, Takatsu-ku, Kawasaki, Kanagawa
Use	Retail · Parking
Land area	6,128.52m <sup>2</sup> (Note)
Gross floor area	14,032.05m <sup>2</sup>
Structure	Steel frame; 4 floors above ground and 1 floor underground
Date of construction	July 1998
Ownership	Land: Ownership Building: Ownership

(Note) Part of the site (about 158 m<sup>2</sup>) is deemed part of a road under Article 42, Paragraph 1 of the Building Standards Act.

(O-5) icot Tama Center

Asset type	Trust beneficiary interests
Acquisition price (Million yen)	2,840
Acquisition date	June 13, 2012
Location	35 Ochiai 1-chome, Tama, Tokyo
Use	Retail · Parking · Residence
Land area	6,110.36m <sup>2</sup>
Gross floor area	31,553.75m <sup>2</sup>
Structure	Reinforced concrete; 15 floors above ground and 1 floor underground
Date of construction	March 2006
Ownership	Land: Right of site (721,547/2,181,277 (Note)) Building: Stratified ownership ( <i>kubun shoyu</i> ) interest (occupied part: 11,255.63 m <sup>2</sup> (Note))

(Note) Activia Properties Inc. has stratified ownership, and the figures above are for the part acquired by the investment corporation.

(O-6) Kanayama Center Place

Asset type	Trust beneficiary interests
Acquisition price (Million yen)	6,980
Acquisition date	June 13, 2012
Location	14-18 Kanayama 1-chome, Naka-ku, Nagoya, Aichi
Use	Office · Retail
Land area	1,508.90m <sup>2</sup>
Gross floor area	12,783.13m <sup>2</sup>
Structure	Steel frame, steel framed reinforced concrete; 9 floors above ground and 1 floor underground
Date of construction	February 2009
Ownership	Land: Ownership Building: Ownership

## 2. Overview of the Investment Corporation

### (1) Unitholders' Capital

		1st period As of May 31, 2012
Total number of authorized investment units	(Units)	2,000,000
Total number of investment units issued	(Units)	400
Unitholders' capital	(Millions of yen)	200
Number of Unitholders	(Persons)	1

### (2) Matters Relating to Investment Units

The major unitholder as of May 31, 2012, is as follows:

Name	Number of units owned (actual)	Percentage of total units issued (actual) (%)
Tokyu Land Corporation	400	100
Total	400	100

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

#### 1) Corporate Officers, Supervisory Officers, and Accounting Auditor during the business period under review

Title	Name of officer, etc.	Major concurrent post, etc.	Total amount of compensation for each position during the business period under review (Thousands of yen)
Corporate officer	Haruki Sakane	TLC Activia Investment Management Inc., Representative Director, President and Chief Executive Officer	—
Supervisory officer	Yonosuke Yamada	Yamada Goya Suzuki Law Offices Representative Partner	1,620
	Yoshinori Ariga	Ariga Accounting Offices Certified accountant	
Independent auditor	Ernst & Young ShinNihon LLC	—	—

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

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

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

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

Consignment classification	Name
Asset manager	TLC Activia Investment Management Inc.
Custodian	Sumitomo Mitsui Trust Bank, Ltd.
Administrative agent (administration of the investors' registry, etc.)	Sumitomo Mitsui Trust Bank, Ltd.
Administrative agent (accounting data processing, etc.)	Sumitomo Mitsui Trust Bank, Ltd.
Administrative agent (administration related to the operation of administrative instruments)	Sumitomo Mitsui Trust Bank, Ltd.

### 3. Assets of the Investment Corporation

#### (1) Composition of the Assets of the Investment Corporation

Type of assets	Category	1st period As of May 31, 2012	
		Total amount of assets owned (Million yen)	Ratio to total assets (%)
Real estate	Urban Retail properties	—	—
	Tokyo Office properties	—	—
	Other Properties	—	—
	Subtotal	—	—
Real estate in trust	Urban Retail properties	—	—
	Tokyo Office properties	—	—
	Other Properties	—	—
	Subtotal	—	—
Total real estate, etc.		—	—
Deposits and other assets		142	100
Total assets		142	100

(Note) The total amount of assets owned is based on the amounts recorded in the balance sheets as of May 31, 2012.

#### (2) Major Assets Owned

As we did not engage in asset management in the fiscal period under review, there are no applicable items.

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

As we did not engage in asset management in the fiscal period under review, there are no applicable items.

#### (4) Other Assets

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



## Securities Other Than Shares

(Unit: Thousand yen)

Type of asset	Name	Total face value	Book value	Accrued interest	Prepaid accrued interest	Market value	Valuation gain or loss	Remarks
Government bonds	Principal-stripped government bonds (5 years, Series 91)	10,000	9,917	—	—	9,965	47	Given as security deposit
Total		10,000	9,917	—	—	9,965	47	

**(5) Asset Holdings by Country and Region**

Not applicable

## **4. Capital Expenditures for Real Estate Owned**

### **(1) Planned Capital Expenditures**

As we did not engage in asset management in the fiscal period under review, there were no planned capital expenditures.

### **(2) Capital Expenditures During the Period**

As we did not engage in asset management in the fiscal period under review, there were no capital expenditures.

### **(3) Money Accumulated for Long-Term Repair Plan**

As we did not engage in asset management in the fiscal period under review, no money was accumulated.

## 5. Expenses and Liabilities

### (1) Details of Expenses Related to Investments, etc.

(Unit: Thousand yen)

Item	1st period From September 7, 2011 to May 31, 2012
Asset management fees	—
Asset custody fees	836
Administrative service fees	1,670
Remuneration paid to officers	1,620
Remuneration paid to independent auditor	—
Other expenses	3,090
Total	7,217

### (2) Borrowing

There was no borrowing in the fiscal period under review.

### (3) Investment Corporation Bonds

Not applicable

### (4) Short-Term Investment Corporation Bonds

Not applicable

## **6. Buying and Selling During the Period**

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

We did not buy or sell real estate and asset-backed securities, etc. in the fiscal period under review.

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

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

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

As we did not engage in asset management in the fiscal period under review, there were no applicable items.

### **(4) Transactions between Interested Parties and Major Unitholders**

Not applicable

### **(5) Transactions between the Asset Management Company in Other Businesses of the Asset Management Company**

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

## **7. Accounting Status**

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

Please refer to “II. Balance Sheets,” “III. Statements of Income,” “IV. Statements of Unitholders’ Equity,” “V. Notes to the Financial Statements” and “VI. Statements Related to Distributions Paid.”

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

Not applicable

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

Not applicable

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

Not applicable

## 8. Other

### (1) Announcements

The overview of the conclusion of and changes in major agreements approved by the Board of Officers of the Investment Corporation in the fiscal period under review is as follows:

Date of approval	Item	Summary
September 7, 2011	Conclusion of a consignment agreement for asset management	We entrusted TLC Township Inc. (currently TLC Activia Investment Management Inc.) with business related to asset management of the Investment Corporation.
	Conclusion of a consignment agreement for the administrator of an investors' registry, etc.	We entrusted The Chuo Mitsui Trust and Banking Co., Ltd. (currently Sumitomo Mitsui Trust Bank, Ltd.) with general business related to the transfer of the name, etc. of the Investment Corporation.
	Conclusion of a consignment agreement for an administrative agent	We entrusted The Sumitomo Trust & Banking Co., Ltd. (currently Sumitomo Mitsui Trust Bank, Ltd.) with general business related to the operation of administrative instruments and accounting data processing, etc. of the Investment Corporation.
	Conclusion of a consignment agreement for custody of assets	We entrusted The Sumitomo Trust & Banking Co., Ltd. (currently Sumitomo Mitsui Trust Bank, Ltd.) with general business related to the custody of assets of the Investment Corporation.
February 29, 2012	Conclusion of the first alteration agreement for a consignment agreement for asset management	We entered into the first alteration agreement for a consignment agreement for asset management on February 29, 2012, to build an asset management fee system of the Investment Corporation that would maximize investor value.
March 22, 2012	Conclusion of a memorandum of understanding on a consignment agreement for asset management	We reached an agreement on the rate for management fees set forth in the consignment agreement for asset management.
May 10, 2012	Conclusion of an underwriting agreement for new investment units	We entrusted the allottees (Note) with general administration related to the issuance of new investment units and the secondary offering of investment units, which was approved by the Board of Officers on the same day.

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

### (2) Other

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

## II. Balance Sheets

		(Unit: Thousand yen)
		1st period
		As of May 31, 2012
Assets		
Current assets		
Cash and deposits		127,194
Prepaid expenses		1,050
Advances paid		4,200
Other		2
Total current assets		<u>132,447</u>
Noncurrent assets		
Investments and other assets		
Securities deposited as collateral		9,917
Total investments and other assets		<u>9,917</u>
Total noncurrent assets		<u>9,917</u>
Total assets		<u>142,365</u>
Liabilities		
Current liabilities		
Accrued expenses		2,547
Income taxes payable		188
Deposits received		645
Total current liabilities		<u>3,382</u>
Total liabilities		<u>3,382</u>
Net assets		
Unitholders' equity		
Unitholders' capital		200,000
Surplus		
Unappropriated retained earnings (undisposed loss)		(61,017)
Total surplus		<u>(61,017)</u>
Total unitholders' equity		<u>138,982</u>
Total net assets	* 1	<u>138,982</u>
Total liabilities and net assets		<u>142,365</u>

### III. Statements of Income

	(Unit: Thousand yen)
	1st period
	From September 7, 2011
	to May 31, 2012
Operating revenue	
Total operating revenue	—
Operating expenses	
Asset custody fees	836
Administrative service fees	1,670
Remuneration paid to officers	1,620
Other operating expenses	3,090
Total operating expenses	7,217
Operating income (loss)	(7,217)
Non-operating income	
Interest income	24
Interest on securities	12
Total non-operating income	36
Non-operating expenses	
Initial expenses	53,642
Total non-operating expenses	53,642
Ordinary income (loss)	(60,823)
Income (loss) before income taxes	(60,823)
Income taxes-current	193
Total income taxes	193
Net income (loss)	(61,017)
Unappropriated retained earnings (undisposed loss)	(61,017)



## IV. Statements of Unitholders' Equity

(Unit: Thousand yen)

		1st period
		From September 7, 2011
		to May 31, 2012
Unitholders' equity		
Unitholders' capital		
Balance at the start of the period		—
Changes in items during the period		
Issuance of new investment units		200,000
Total changes in items during the period		<u>200,000</u>
Balance at the end of the period	* 1	<u>200,000</u>
Surplus		
Unappropriated retained earnings (undisposed loss)		
Balance at the start of the period		—
Changes in items during the period		
Net income (loss)		(61,017)
Total changes in items during the period		<u>(61,017)</u>
Balance at the end of the period		<u>(61,017)</u>
Total surplus		
Balance at the start of the period		—
Changes in items during the period		
Net income (loss)		(61,017)
Total changes in items during the period		<u>(61,017)</u>
Balance at the end of the period		<u>(61,017)</u>
Total unitholders' equity		
Balance at the start of the period		—
Changes in items during the period		
Issuance of new investment units		200,000
Net income (loss)		(61,017)
Total changes in items during the period		<u>138,982</u>
Balance at the end of the period		<u>138,982</u>
Total net assets		
Balance at the start of the period		—
Changes in items during the period		
Issuance of new investment units		200,000
Net income (loss)		(61,017)
Total changes in items during the period		<u>138,982</u>
Balance at the end of the period		<u>138,982</u>

## V. Notes to Financial Statements

### [Notes to Important Accounting Policies]

Item	1st period From September 7, 2011 to May 31, 2012
1. Valuation standards and accounting methods for securities	Held-to-maturity bonds The amortized cost method (straight-line method) is used.
2. Accounting method for deferred assets	Initial expenses The full amount is recorded as expenses at the time of payment.
3. Scope of cash (cash and cash equivalents) in the statements of cash flows	Cash and cash equivalents include cash on hand, cash in trust, demand deposits, deposits in trust, and highly liquid short-term investments that are readily convertible, bear little risk in price fluctuations, and mature within three months of the date of acquisition.
4. Other important matters related to the preparation of financial statements	Accounting method for consumption taxes and local consumption taxes Consumption taxes and local consumption taxes are accounted for by the tax-exclusion method.

### [Notes to Balance Sheets]

1st period As of May 31, 2012
* 1. Minimum net assets stipulated in Article 67, Paragraph 4 of the Act on Investment Trusts and Investment Corporations  <div style="text-align: right;">50,000 thousand yen</div>

### [Notes to Statements of Unitholders' Equity]

1st period From September 7, 2011 to May 31, 2012	
* 1. Total number of authorized investment units and total number of investment units issued	
Total number of authorized investment units	2,000,000 units
Total number of investment units issued	400 units

### [Notes to Financial Instruments]

#### 1. Matters Relating to Financial Instruments

##### (1) Policy for Financial Instruments

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

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

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

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

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

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

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

The market 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 Relating to the Market Value of Financial Instruments

Book value, market value, and the difference between the two values as of May 31, 2012, are as shown below. Financial instruments whose market value is considered to be extremely difficult to determine are not included in this table.

(Unit: Thousand yen)

	Book value	Market value	Difference
(1) Cash and deposits	127,194	127,194	—
(2) Advances paid	4,200	4,200	—
(3) Securities deposited as collateral (Held-to-maturity bonds)	9,917	9,965	47
Total assets	141,312	141,360	47
(1) Accrued expenses	2,547	2,547	—
Total liabilities	2,547	2,547	—

### (Note 1) Calculation Method for the Market Value of Financial Instruments

#### Assets

#### (1) Cash and deposits, (2) Advances paid

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

#### (3) Securities deposited as collateral

Prices announced by the Japan Securities Dealers Association are used as the market values.

#### Liabilities

#### (1) Accrued expenses

The book value is used as the market value of these liabilities, given that the market value is almost the same as the book value.

### (Note 2) Expected Amount of Repayments of Monetary Claims and Securities with Maturities after the Book Closing Date (May 31, 2012)

(Unit: Thousand yen)

	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years
Cash and deposits	127,194	—	—	—	—	—
Advances paid	4,200	—	—	—	—	—
Securities deposited as collateral Held-to-maturity bonds (Government bonds)	—	—	—	10,000	—	—
<b>Total</b>	<b>131,394</b>	<b>—</b>	<b>—</b>	<b>10,000</b>	<b>—</b>	<b>—</b>

## [Notes to Transactions with Related Parties]

1st Period (From September 7, 2011 to May 31, 2012)

Attribute	Name of company	Address	Capital stock or investment in capital (Millions of yen)	Business or occupation	Percentage of investment units owned (owned by related parties)	Relationship		Transaction	Transaction amount (Thousands of yen)	Description	Ending balance (Thousands of yen)
						Interlocking officers, etc.	Business relationship				
Controlling investor	Tokyu Land Corporation	21-2 Dogenzaka 1-chome, Shibuya-ku, Tokyo	57,551	Real estate business	100%	None	Controlling investor	Acceptance of investment capital	200,000	Unitholders' capital	200,000
Subsidiary of controlling investor	TLC Activia Investment Management Inc.	16-3 Dogenzaka 1-chome, Shibuya-ku, Tokyo	300	Business related to investment of assets under management of the Investment Corporation	None	One interlocking officer	Asset management company	Payment of remuneration to the organizer	50,000	—	—
								Payment of expenses related to the listing	4,200	Advances paid	4,200
Asset custody company	Sumitomo Mitsui Trust Bank, Ltd.	4-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo	342,037	Banking business	None	None	Asset custody company	Payment of fees to the administrative agent	1,700	Accrued expenses	1,669

(Note 1) The amount of remuneration above is in accordance with the terms set forth in the Articles of Association of the Investment Corporation.

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

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

[Notes to Tax Effect Accounting]

1st period As of May 31, 2012	
1. Breakdown of deferred tax assets and deferred tax liability by origin	
(Unit: Thousand yen)	
(Deferred tax assets)	
Tax loss carried forward	23,922
Valuation allowance	(23,922)
Total deferred tax assets	—
Net deferred tax assets	—
2. Breakdown of major items that cause differences between statutory and effective tax rates and income tax burden after tax effect accounting is applied	
As we recorded loss before income taxes, the statement is omitted.	

[Notes to Per Unit Information]

1st period From September 7, 2011 to May 31, 2012	
Net assets per unit	¥347,457
Net income (loss) per unit	(¥152,542)
Net income (loss) per unit is calculated by dividing net income (loss) by the average number of investment units for the period. Fully diluted net income (loss) per unit is not stated, as there is no potential investment unit.	

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

	1st period From September 7, 2011 to May 31, 2012
Net income (loss) (Thousand yen)	(61,017)
Amount not attributable to common unitholders (Thousand yen)	—
Net income (loss) attributable to common investment units (Thousand yen)	(61,017)
Average number of investment units for the period (Units)	400

[Notes to Major Subsequent Events]

1st period  
From September 7, 2011  
to May 31, 2012

1. Issuance of New Investment Units

At meetings of the Board of Officers held on May 10, 2012 and June 1, 2012, we resolved to issue new investment units as described below, and issued these on June 12, 2012 and July 10, 2012 per the terms below once payment was completed. As a result, unitholders' capital amounted to ¥91,373,833,100, and the number of investment units issued came to 205,262 units.

(1) Issuance of New Investment Units by Public Offering (Public Placement)

- |      |  |                   |
|------|--|-------------------|
| i)   | Number of new investment units issued:   | 204,100           |
| ii)  | Offering price:                          | ¥460,000 per unit |
| iii) | Total offering price:                    | ¥93,886,000,000   |
| iv)  | Issue price:                             | ¥445,050 per unit |
| v)   | Total amount payable:                    | ¥90,834,705,000   |
| vi)  | Payment date:                            | June 12, 2012     |
| vii) | Initial date of reckoning distributions: | June 1, 2012      |

(2) Issuance of New Investment Units by Private Placement

- |      |  |                             |
|------|--|-----------------------------|
| i)   | Number of new investment units issued:   | 762                         |
| ii)  | Issue price:                             | ¥445,050 per unit           |
| iii) | Total amount payable:                    | ¥339,128,100                |
| iv)  | Payment date:                            | July 10, 2012               |
| v)   | Initial date of reckoning distributions: | June 1, 2012                |
| vi)  | Allottee:                                | Nomura Securities Co., Ltd. |

2. Borrowing of Funds

The Investment Corporation borrowed ¥77 billion on June 13, 2012, to appropriate the funds to acquire real estate trust beneficiary rights to 18 properties and related expenses. For more details, please refer to the aforementioned "Asset Management Report, 1. Review of Asset Management, (6) Significant Matters after the Book Closing, 2) Borrowing of Funds."

3. Acquisition of Assets

The Investment Corporation acquired real estate trust beneficiary rights on June 13, 2012, to 18 properties worth ¥170,370 million as trust assets with proceeds from the issuance of new investment assets by public placement (public offering) and borrowings in accordance with the basic asset management policy set forth in the Articles of Association. For more details, please refer to the aforementioned "Asset Management Report, 1. Review of Asset Management, (6) Significant Matters after the Book Closing, 3) Acquisition of Assets."

## VI. Statements Related to Distributions Paid

	1st period From September 7, 2011 to May 31, 2012
	Amount (Yen)
I. Unappropriated retained earnings (undisposed loss)	(61,017,145)
II. Distributions	—
(Cash Distribution per unit)	( — )
III. Loss carried forward	(61,017,145)

Calculation method for distributions	Based on the policy set forth in Article 35, Paragraph 1 of the Articles of Association of the Investment Corporation, distributions shall be limited to the amount of profit in excess of an amount equivalent to ninety hundredths (90/100) of distributable profits, as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation. In consideration of this policy, the Investment Corporation did not pay distributions in the fiscal period under review, as there were no profits. Undisposed loss will be carried forward to the next fiscal period.
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## VII. Statements of Cash Flows (Reference Information)

(Unit: Thousands of yen)

	1st period From September 7, 2011 to May 31, 2012
Cash flows from operating activities	
Income (loss) before income taxes	(60,823)
Interest income	(36)
Decrease (increase) in prepaid expenses	(1,050)
Decrease (increase) in advances paid	(4,200)
Other	3,193
Subtotal	(62,917)
Interest income received	21
Income taxes paid	(4)
Net cash provided by (used in) operating activities	(62,899)
Cash flows from investing activities	
Purchase of investment securities	(9,905)
Net cash provided by (used in) investing activities	(9,905)
Cash flows from financing activities	
Proceeds from issuance of investment units	200,000
Net cash provided by (used in) financing activities	200,000
Increase (decrease) in cash and cash equivalents	127,194
Cash and cash equivalents at beginning of period	—
Cash and cash equivalents at end of period	* 1 127,194

(Note) These statements of cash flows are not audited by the independent auditor as they are not subject to an audit of the independent auditor, pursuant to Article 130 of the Act on Investment Trusts and Investment Corporations.

### [Notes to Important Accounting Policies] (Reference Information)

Scope of cash (cash and cash equivalents) in the statements of cash flows	Cash and cash equivalents include cash on hand, cash in trust, demand deposits, deposits in trust, and highly liquid short-term investments that are readily convertible, bear little risk in price fluctuations, and will mature within three months from the date of acquisition.
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### [Notes to Statement of Cash Flows] (Reference Information)

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

	1st period From September 7, 2011 to May 31, 2012
Cash and deposits	¥127,194,000
Cash and cash equivalents	¥127,194,000