

TOKYU REIT

**The Fiscal Period Ended January 2017
(27th Fiscal Period)
FINANCIAL RESULTS PRESENTATION**

Aiming to be a 100-year REIT

TSE 8957 <http://www.tokyu-reit.co.jp/>

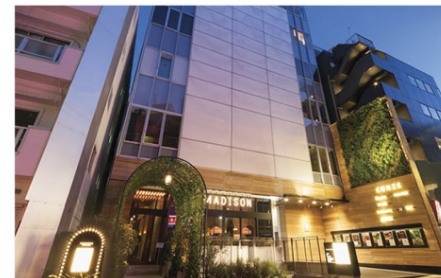
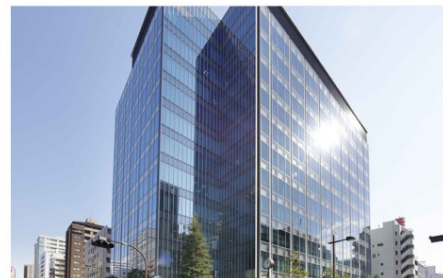


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Terms Used in the Material

LTV based on total assets	Interest-Bearing Debt / Total Assets
LTV based on appraisal value	(Balance of Interest-Bearing Debt at End of Period + Balance of Securities Deposit without Reserved Cash at End of Period) / (Appraisal Value at End of Period)
Unrealized Gain/Loss	The balance after deducting the book value from the appraisal value of properties at the end of the period
Adjusted Net Asset Value (NAV) per Unit	(Net Assets – Scheduled Amount of Distribution + Unrealized Gain) ÷ Outstanding Units
NOI Yield	NOI/Acquisition Price
Tokyu Corporation and its subsidiaries	<p>"Tokyu Corporation and its subsidiaries" refers to any entity that falls under the following 1 to 3:</p> <ol style="list-style-type: none"> 1. Tokyu Corporation 2. A consolidated subsidiary of Tokyu Corporation 3. A tokutei mokuteki kaisha (TMK) or special purpose entity (SPE) that was established based on the intention of Tokyu Corporation or a consolidated subsidiary of Tokyu Corporation and where the share of investment by undisclosed associations or other investment shares in that entity by the respective company exceeds 50%.
Related parties	<p>"Related Parties" is a collective term for "Tokyu Corporation and its subsidiaries," "Affiliates of Tokyu Corporation except Tokyu Corporation's subsidiaries" and "Tokyu Fudosan Holdings Corporation and its subsidiaries".</p> <ol style="list-style-type: none"> 1. "Affiliates of Tokyu Corporation except Tokyu Corporation's subsidiaries" refers to affiliates within the scope of consolidation of Tokyu Corporation. 2. "Tokyu Fudosan Holdings Corporation and its subsidiaries" refers to any entity that falls under the following (i) to (iii): <ol style="list-style-type: none"> (i) Tokyu Fudosan Holdings Corporation ("Tokyu Fudosan Holdings") (ii) A consolidated subsidiary of Tokyu Fudosan Holdings (iii) A tokutei mokuteki kaisha (TMK) or special purpose company (SPC) that was established based on the intention of Tokyu Fudosan Holdings or a consolidated subsidiary of Tokyu Fudosan Holdings and where the share of investment by undisclosed associations or other investment shares in that entity by the respective company exceeds 50%.
Tsubo	1 tsubo is approximately 3.305m ²

*Please refer to the end of this material for the notes.

1. Outline of TOKYU REIT



Setagaya Business Square

Portfolio

Investment limited to office and retail properties in the Tokyo Metropolitan Area ^{*1}

Concentrated investment in Tokyo's central 5 wards with strong growth potential and in areas along Tokyu rail lines ("Tokyu Areas")

Number of owned properties: **28** properties

(Acquisition price: **222.3** billion yen)

(Appraisal value at end of period: **245.2** billion yen)

Area allocation of Tokyo's central 5 wards: **81.9%** (of Shibuya ward: 41.8%)*²

Ratio of properties within 3-minute walk from a station: **77.9%** ^{*3}

Ratio of unrealized gains: **16.7%**



Financial Strategies

Conservative financial management that can withstand economic fluctuations

LTV/Total assets: **42.5%**
(LTV based on appraisal value: 39.9%)

Long-term fixed-rate ratio: **100.0%**

Avg. Duration : **3.70** years

Rating : JCR: **AA-**
R&I : **A⁺**
S&P: (Long-term) **A**, (Short-term) **A-1**

Sponsor Collaboration

Sustainable growth model in collaboration with Tokyu Corporation

Accumulated acquisition price through pipeline support: **128.6** billion yen ^{*3}

In collaboration with sponsors, aim for sustainable growth of investment targeted areas by "Capital Re-investment Model" that maintain and enhance the value of the investment targeted areas through sponsors making re-investment of funds used for acquisitions



Governance

Characteristics of TOKYU REIT's Governance Structure

Strong involvement of independent outside officers

Optimal balance between sponsor collaboration and measures against conflicts of interest

Management fee structure of "being in the same boat as unitholders" (acquisition incentive fee not adopted)

Aggressive information disclosure

Maximize unitholder value + Being a REIT that will last 100 years

^{*1} The investment policy is scheduled to be changed under the condition that approval will be gained at the General Meeting of Unitholders scheduled to be held on April 21, 2017. Please refer to page 10 for details.

^{*2} Based on appraisal value at end of period

^{*3} Based on acquisition price

2. Financial Results Overview and Forecast



TOKYU REIT Toranomon Building
(renewal of rooftop)

Executive Summary

The Fiscal Period Ended January 2017 (27th Fiscal Period)

Disposed of Tokyu Saginuma 2 Building as part of property replacement from the previous fiscal period. Distribution per unit was ¥2,746, a ¥51 increase from the previous period and a ¥116 increase from the forecast

Period Ended January 2017 (FP 27) Highlights

Internal Growth

- Rent increase associated with rent revision
Upward rent revision rate of areas subject to rent revision (based on area): 76% (+ 20pts)
Increase rate: 6.7% (+1.4pts)
- Period-end occupancy rate: 97.1% (+0.1pts)

Property replacement

- Disposition of Tokyu Saginuma 2 Building (gain on sale of properties ¥541 million)
- Retain part of the capital gains on sale of properties (¥267 million) as reserve for reduction entry

Finance, etc.

- Interest expenses: Change of - ¥9 million (Average interest rate: 1.28% (+0.00pts))
- LTV based on appraisal value: 39.9% (-0.9pts)
- Unrealized gains ¥35,007 million (+¥2,280 million)

NOI: 4,768 million yen

(comparison with previous period -68 million yen)
(comparison with forecast +75 million yen)

Distribution per unit: 2,746 yen

(Amount per unit provided in reserve for reduction entry during the current period 273 yen)

(Balance of reserve for reduction entry per unit after the provision during the current period 708 yen)

(comparison with previous period +51 yen)
(comparison with forecast +116 yen)

NAV per unit: 149,528 yen

Acquisition capacity^(Note) 49,620 million yen

(+2,606 yen)
(+4,760 million yen)

(Note) Forecasted LTV based on appraisal value to be 50%
* Figures in parenthesis are comparison with previous fiscal period

Executive Summary

In and after the Fiscal Period Ending July 2017(28th Fiscal Period)

Distribution for the Fiscal Period Ending July 2017 and Fiscal Period Ending January 2018 is forecasted to be 2,650 yen due to internal growth and partial reversal of reserve for reduction entry

Measures in and after the Fiscal Period Ending July 2017 (28th Fiscal Period)

Internal Growth

- Promotion of leasing
(Estimated occupancy rate of overall portfolio)
End of Fiscal Period Ending July 2017 (28th Fiscal Period): 97.7%
End of Fiscal Period Ending January 2018 (29th Fiscal Period): 97.8%
- Promotion of upward revision of rent

Finance, etc.

- Reduction of interest cost through refinancing
(Estimated average interest rate)
Fiscal Period Ending July 2017 (28th Fiscal Period): 1.21%
Fiscal Period Ending January 2018 (29th Fiscal Period): 1.17%
- Partial reversal of reserve for reduction entry
Fiscal Period Ending July 2017 (28th Fiscal Period): ¥ 264 million
Fiscal Period Ending January 2018 (29th Fiscal Period): ¥ 196 million

Expansion of property acquisition opportunities by changing part of investment policy

- Easing of conditions such as use and investment scale
(details on page 10)

Fiscal Period Ending July 2017 (28th Fiscal Period)

Estimated Distribution: 2,650 yen

(Amount of reversal of reserve for reduction entry per unit during the current period 271 yen)

(Balance of reserve for reduction entry per unit after the reversal during the current period 437 yen)

Fiscal Period Ending January 2018 (29th Fiscal Period)

Estimated Distribution: 2,650 yen

(Amount of reversal of reserve for reduction entry per unit during the current period 201 yen)

(Balance of reserve for reduction entry per unit after the reversal during the current period 236 yen)

2. Financial Results Overview and Forecast

Financial Results Overview (FP ended Jan 2017 (FP 27))

Distribution per unit was ¥2,746, ¥51 increase from the previous fiscal period. Part of the capital gains on sales of properties was retained as reserve for reduction entry

■ Income Statement (P/L) and Distribution per Unit

Unit: million yen

Item		FP ended Jan 2017 Actual (FP 27)	FP ended Jul 2016 Actual (FP 26)	Changes	FP ended Jul 2017 Forecast (FP 27) As of Sep. 13 2016	Changes
Operating Condition	Operating Revenues (A)	7,514	9,500	-1,985	7,485	29
	Revenues from Real Estate Operation (B)	6,973	7,150	-176	6,946	27
	Rental Revenues	6,480	6,683	-203	6,475	4
	Other Revenues	493	466	26	470	23
	Gain on Sale of Properties	541	2,349	-1,808	539	1
	Operating Expenses (C)	3,926	5,919	-1,993	3,995	-69
	Expenses from Real Estate Operation	3,232	3,362	-130	3,299	-66
	Expenses (D)	2,204	2,313	-108	2,252	-47
	NOI (B) - (D)	4,768	4,837	-68	4,693	75
	Depreciation	1,001	1,025	-24	1,026	-25
	Loss from the Removal of Fixed Assets	26	23	2	20	5
	Other Operating Expenses	694	715	-21	696	-2
	Investment Management Fee	558	557	0	553	5
	Loss on Sale of Properties	—	1,841	-1,841	—	—
	Operating Income (A) - (C)	3,588	3,580	7	3,490	98
	Non-Operating Revenues	5	2	3	0	4
	Non-Operating Expenses	639	655	-15	642	-2
	Interest Expenses	614	624	-9	614	-0
Others	Ordinary Income	2,954	2,927	26	2,848	105
	Net Income	2,952	2,926	26	2,847	105

Distribution per Unit	Net Income per Unit (EPS) (¥)	3,020	2,993	27	2,912	108
	Amount Recorded as Reserve for Reduction Entry per Unit (¥)	273	298	-25	282	-9
	Amount of Reversal of Reserve for Reduction Entry per Unit (¥)	—	—	—	—	—
	Distribution per Unit (DPU) (¥)	2,746	2,695	51	2,630	116
Others	Occupancy Rate (%)	97.1	97.0	0.1pts	96.8	0.3pts
	NOI Yield(Note) (%)	4.23	4.29	-0.06pts	4.17	0.06pts

(Note) Based on asset balance during the period

Prepared on March 16, 2017

■ Major Factors for Difference

<Comparison with previous fiscal period>

Revenues

Rental Revenues

- Disposition of TOKYU REIT Hatchobori Building -100 million yen
- Disposition of Tokyu Saginuma Building -90 million yen
- Setagaya Business Square -79 million yen
- Tokyu Bancho Building (contribution throughout the period) +63 million yen

Gain on Sale of Properties

- Tokyu Saginuma Building (what posted in the previous period) -2,349 million yen
- Disposition of Tokyu Saginuma 2 Building +541 million yen

Expenses

Expenses

- Decrease in repair and maintenance -106 million yen

Loss on Sale of Properties

- Disposition of TOKYU REIT Hatchobori Building (what posted in the previous period) +1,841 million yen

<Comparison with forecast>

Expenses

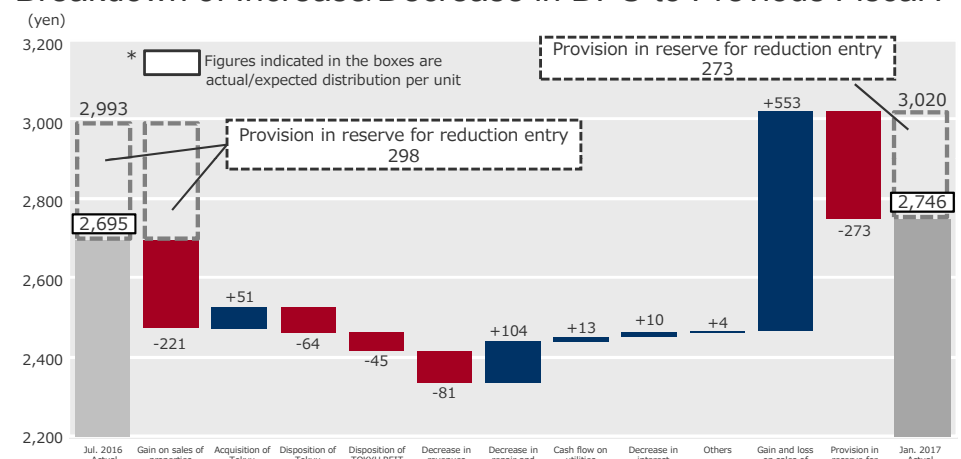
Expenses

- Decrease in utility expenses -32 million yen

Decrease in depreciation

-25 million yen

■ Breakdown of Increase/Decrease in DPU to Previous Fiscal Period



2. Financial Results Overview and Forecast

Financial Results Forecast (FP ending Jul 2017 and FP ending Jan 2018)

Estimated distribution per unit for FP ending Jul 2017 and FP ending Jan 2018 is ¥2,650

Forecast of Income Statement (P/L) and Distribution per Unit

Unit: million yen

Item		FP ended Jan 2017 Actual (FP 27)	FP ending Jul 2017 Forecast (FP 28) As of Mar. 16 2017	Changes	FP ending Jan 2018 Forecast (FP 29) As of Mar. 16 2017	Changes
Operating Condition	Operating Revenues (A)	7,514	6,911	-603	6,950	39
	Revenues from Real Estate Operation (B)	6,973	6,911	-62	6,950	39
	Rental Revenues	6,480	6,454	-26	6,474	20
	Other Revenues	493	457	-36	475	18
	Gain on Sale of Properties	541	—	-541	—	—
	Operating Expenses (C)	3,926	3,997	71	3,978	-19
	Expenses from Real Estate Operation	3,232	3,327	94	3,303	-23
	Expenses (D)	2,204	2,298	93	2,250	-48
	NOI (B) - (D)	4,768	4,612	-156	4,700	87
	Depreciation	1,001	1,015	13	1,041	26
	Loss from the Removal of Fixed Assets	26	13	-13	11	-1
	Other Operating Expenses	694	670	-23	674	4
	Investment Management Fee	558	537	-21	543	6
	Operating Income (A) - (C)	3,588	2,913	-674	2,972	58
	Non-Operating Revenues	5	0	-4	0	-0
	Non-Operating Expenses	639	587	-51	578	-9
Others	Interest Expenses	614	561	-53	550	-10
	Ordinary Income	2,954	2,326	-627	2,395	68
	Net Income	2,952	2,325	-627	2,394	68

Distribution per Unit	Net Income per Unit (EPS) (¥)	3,020	2,379	-641	2,449	70
	Amount Recorded as Reserve for Reduction Entry per Unit (¥)	273	—	-273	—	—
	Amount of Reversal of Reserve for Reduction Entry per Unit (¥)	—	271	271	201	-70
	Distribution per Unit (DPU) (¥)	2,746	2,650	-96	2,650	—
Others	Occupancy Rate (%)	97.1	97.7	0.6pts	97.8	0.1pts
	NOI Yield(Note) (%)	4.23	4.18	-0.04pts	4.19	0.00pts

Major Factors for Difference

<Comparison between FP ending Jul 2017 and FP ended Jan 2017>

Revenues

Rental Revenues

- Disposition of Tokyu Saginuma 2 Building -59 million yen
- TOKYU REIT Toranomon Building -25 million yen
- Setagaya Business Square +13 million yen
- Tokyu Ginza 2-chome Building +11 million yen

Other Revenues

- Gain on Sale of Properties
- Tokyu Saginuma 2 Building (what posted in the previous period) -541 million yen

Expenses

Expenses

- Increase in repair and maintenance +63 million yen
- Non-Operating Expenses
- Decrease in interest expenses -53 million yen

<Comparison between FP ending Jan 2018 and FP ending Jul 2017>

Revenues

Rental Revenues

- Setagaya Business Square +39 million yen
- Tokyu Bancho Building +14 million yen
- TOKYU REIT Toranomon Building +12 million yen
- KALEIDO Shibuya Miyamasuzaka -33 million yen

Expenses

Expenses

- Decrease in repair and maintenance -29 million yen
- Decrease in depreciation +26 million yen
- Non-Operating Expenses
- Decrease in interest expenses -10 million yen

(Note) Based on asset balance during the period

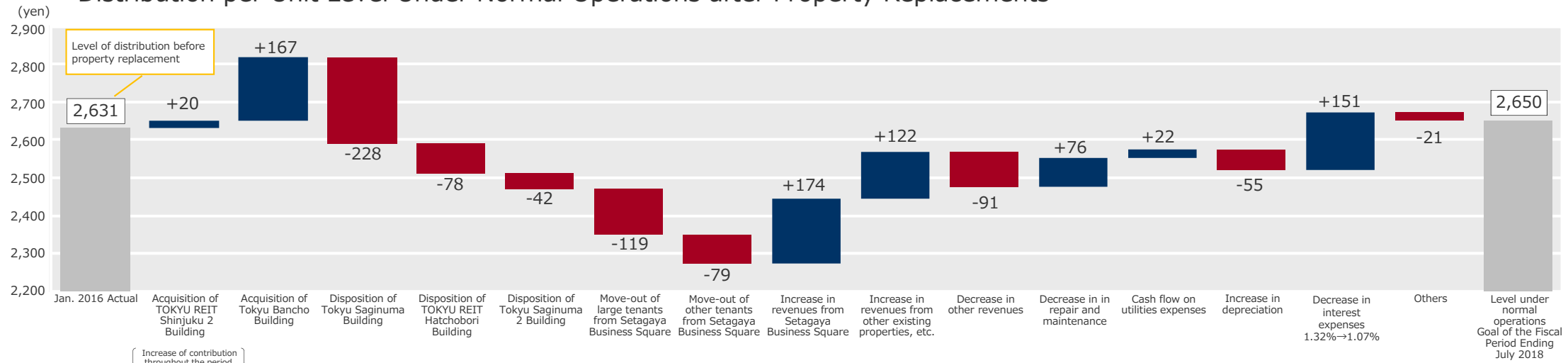
Prepared on March 16, 2017

2. Financial Results Overview and Forecast

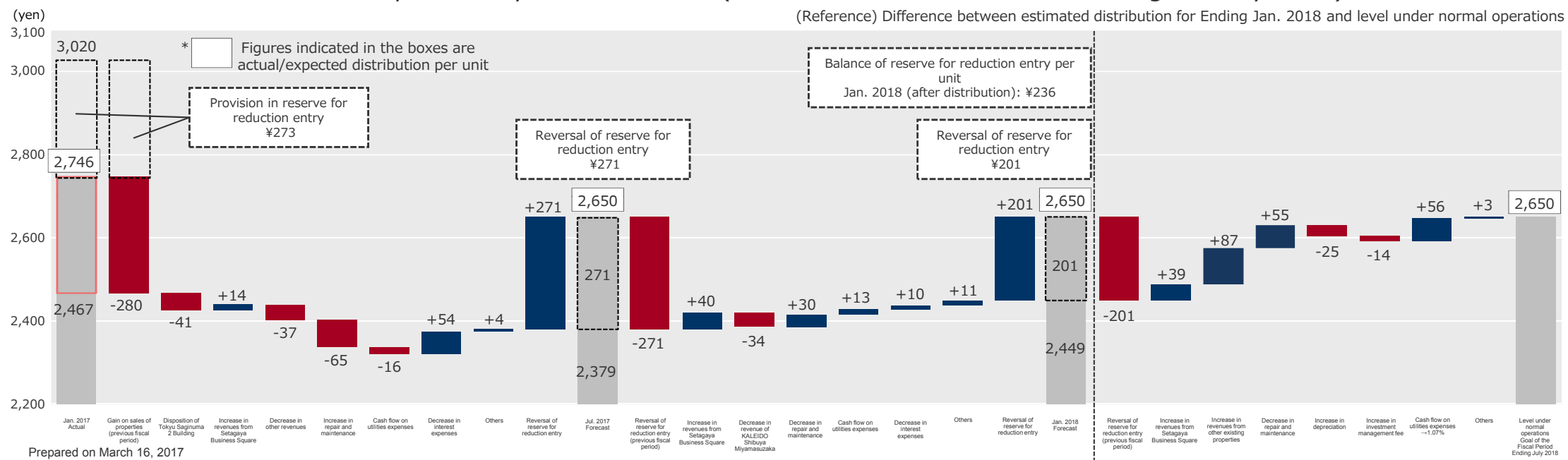
Distribution per Unit Level Under Normal Operations

Aim to achieve distribution per unit level of ¥2,650 under normal operations in the Fiscal Period Ending July 2018 with the increase in revenue of existing properties and decrease in interest expenses

■ Distribution per Unit Level Under Normal Operations after Property Replacements



■ Breakdown of Distribution per Unit by Variable Factor (In and after the Fiscal Period Ending January 2017)



Partial Change of Investment Policy

Partially relax use of properties, investment size and other restrictions to expand property acquisition opportunities while maintaining policy of investing exclusively in the Tokyo Metropolitan Area.

■ Major changes

*The change of investment policy accompanies a condition precedent that the proposal to partially change the Articles of Incorporation be approved at the General Meeting of Unitholders scheduled to be held on April 21, 2017.

	Before change	After change		
Use of properties to be invested	(1) Office properties (2) Retail properties	(1) Office properties (2) Retail properties (3) <u>Complexes that include office or retail properties</u> (Note 1)		
Minimum investment amount per property	4 billion yen	4 billion yen, in principle, except for the following cases (Note 2)		
		Tokyu Areas (including Shibuya ward)	Central Tokyo (excluding Shibuya ward) (Note 3)	Land with leasehold interest
		<u>1 billion yen</u>	<u>2 billion yen</u>	<u>1 billion yen</u>
Focused investment target areas	Central Tokyo and Tokyu Areas (unchanged)			

(Note 1) When a hotel is included in the complex, the hotel portion shall, in principle, meet the following criteria.

(1) A lease agreement which can reduce business/operational risks of the hotel (e.g. fixed rent + sales-linked rent, etc.) shall be concluded.

(2) The tenant (the body operating the hotel) shall be Tokyu Corporation and its subsidiaries or shall possess operational skills equal to those of Tokyu Corporation and its subsidiaries.

(Note 2) The portfolio shall maintain 80% or higher ratio of properties with the investment amount per property of 4 billion yen or larger.

(Note 3) Chiyoda, Chuo, Minato and Shinjuku wards, and other major commercial and retail districts of Tokyo.

■ Other changes

- In line with the change in use of properties to be invested, the holding ratio by use in the portfolio (long-term target) (office properties: 60%, retail properties: 40%) will be abolished.
- In line with the change in minimum investment amount, the property size criteria set for office properties (over 5,000m² of total floor space and over 330m² of exclusive area in typical space) will be abolished.

3. Investment Performance Results and Future Outlook

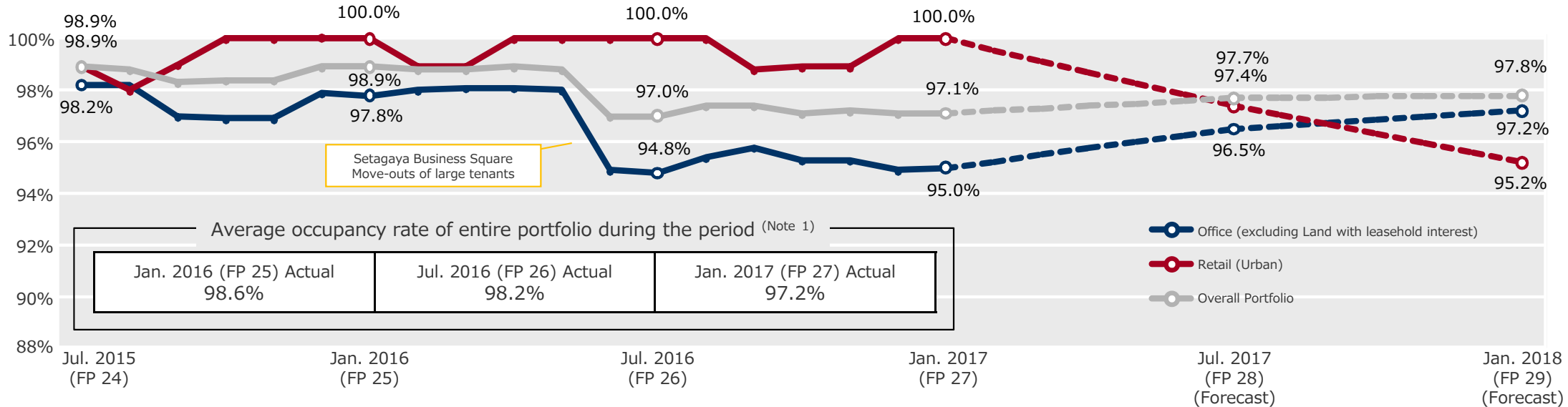
Tokyu Bancho Building

3. Investment Performance Results and Future Outlook

Portfolio Occupancy Status

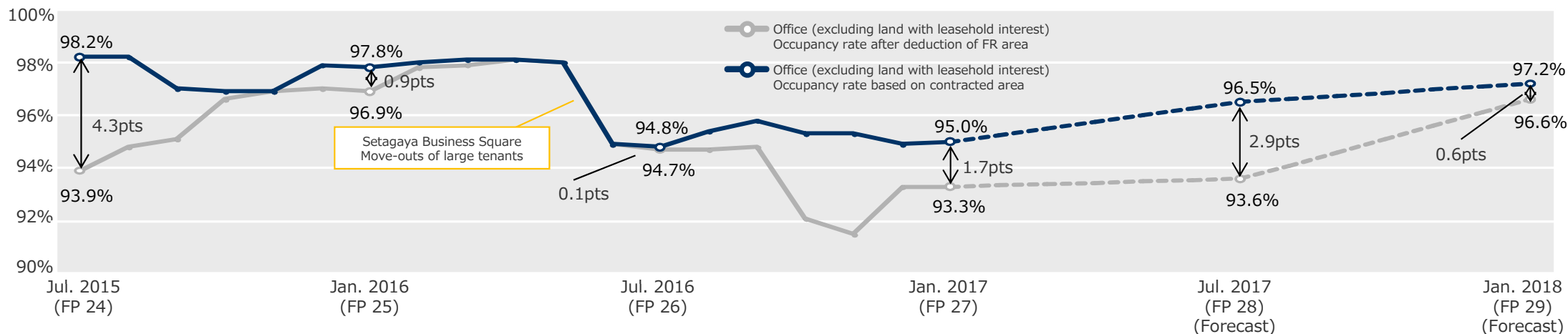
Period-end occupancy rate of overall portfolio is expected to increase

■ Occupancy rate (Overall portfolio, Office (excluding land with leasehold interest), Retail (Urban))



■ Occupancy rate of office (excluding land with leasehold interest)

(Occupancy rate based on contracted area, occupancy rate after deduction of free rent (FR) area (Note 2))



(Note 1) Average occupancy rate of entire portfolio during the period is a simple average of the month-end occupancy rate of the overall portfolio in each period.

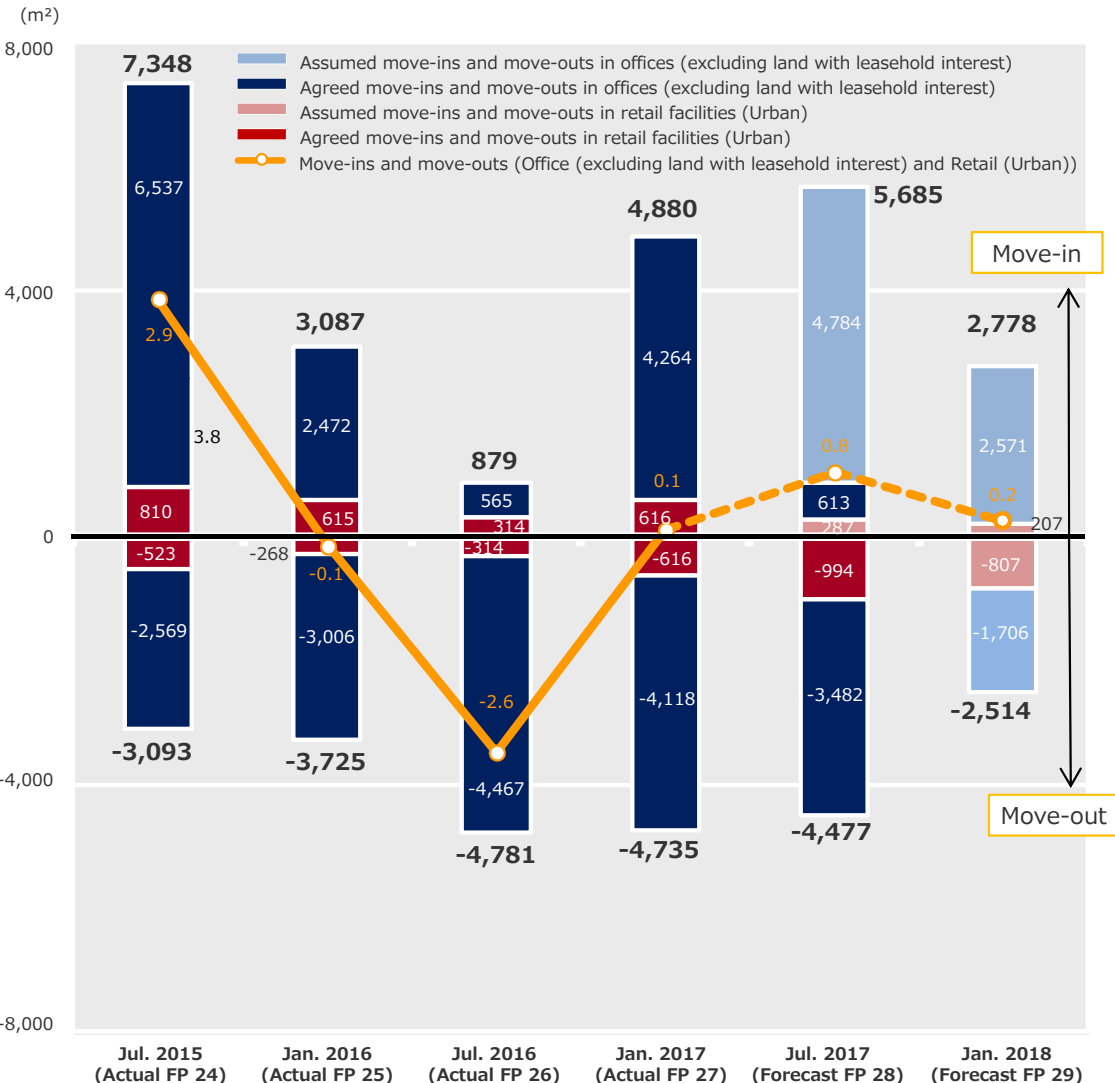
(Note 2) Occupancy rate after deduction of FR area are the figures gained after dividing the leased area calculated by deducting the FR target area from contract-based operating area as of the end of each period by the leasable area.

3. Investment Performance Results and Future Outlook

Results and forecasts of move-ins and move-outs of tenants

Improvement of tenant turnover rate progressed in and after the Fiscal Period Ended January 2017 (27th Period)

■ Area and Ratio of Tenant Turnover



*Tenant turnover rate (Office (excluding land with leasehold interest) and Retail (Urban)) = (Occupied area (agreed + assumed) - vacated area (agreed + assumed)) / Total leasable area (Office (excluding land with leasehold interest) and Retail (Urban))

Prepared on March 16, 2017

■ Status of Tenant Turnover

Name of Property		Ended Jan. 2017 (FP 27) Actual	Ended Jul. 2017 (FP 28) Forecast	Ended Jan. 2018 (FP 29) Forecast	Remark
Retail Properties					
Lexington Aoyama	Move-ins	291.77m ²	-	-	A section became vacant in the 27th Fiscal Period but move-in was realized during the period by changing the use within the section
	Move-outs	291.77m ²	-	313.90m ²	
	Area of vacant rooms as of the end of period	-	-	313.90m ²	
	Occupancy rate as of the end of period	100.0%	100.0%	84.8%	
cocoti	Move-ins	324.97m ²	-	207.08m ²	Conducted construction work to connect the building to SHIBUYA CAST. developed by sponsors, etc. at the adjacent land, scheduled to be completed in the 28th Fiscal Period
	Move-outs	324.97m ²	207.08m ²	-	
	Area of vacant rooms as of the end of period	-	207.08m ²	-	
	Occupancy rate as of the end of period	100.0%	97.5%	100.0%	
CONZE Ebisu	Move-ins	-	287.15m ²	-	A section is scheduled to become vacant in the 28th Fiscal Period but move-in is expected during the period
	Move-outs	-	287.15m ²	-	
	Area of vacant rooms as of the end of period	-	-	-	
	Occupancy rate as of the end of period	100.0%	100.0%	100.0%	
KALEIDO Shibuya Miyamasuzaka	Move-ins	-	-	-	Conducted leasing activities of the sections to become vacant mainly to restaurants, amusement, etc.
	Move-outs	-	500.59m ²	488.00m ²	
	Area of vacant rooms as of the end of period	-	500.59m ²	988.59m ²	
	Occupancy rate as of the end of period	100.0%	85.3%	70.9%	
Office					
Setagaya Business Square	Move-ins	2,281.15m ²	4,213.62m ²	258.06m ²	Conducted renewal work of traffic line portion from station to all buildings and retail section in addition to exclusive areas and common areas in office sections
	Move-outs	1,858.73m ²	672.92m ²	641.70m ²	
	Area of vacant rooms as of the end of period	4,535.94m ²	995.24m ²	1,378.88m ²	
	Occupancy rate as of the end of period	81.8%	96.0%	94.5%	
TOKYU REIT Toranomon Building	Move-ins	-	1,184.63m ²	1,184.63m ²	Opened the building to tenants by changing the specification of part of the rooftop to a refreshing space (September 2016)
	Move-outs	-	2,369.26m ²	-	
	Area of vacant rooms as of the end of period	-	1,184.63m ²	-	
	Occupancy rate as of the end of period	100.0%	88.4%	100.0%	
Tokyu Ikejiri-ohashi Building	Move-ins	568.87m ²	-	-	Conducted renovation work on bathrooms and kitchens on each floor in the previous period (26th Fiscal Period). Achieved occupancy rate of 100% in the 27th Fiscal Period.
	Move-outs	-	-	1,064.53m ²	
	Area of vacant rooms as of the end of period	-	-	1,064.53m ²	
	Occupancy rate as of the end of period	100.0%	100.0%	81.4%	
TOKYU REIT Shinjuku Building	Move-ins	851.81m ²	-	-	Two sections became vacant in the 27th Fiscal Period but move-in was realized for both sections during the period and one was occupied without downtime
	Move-outs	851.81m ²	440.25m ²	-	
	Area of vacant rooms as of the end of period	-	440.25m ²	440.25m ²	
	Occupancy rate as of the end of period	100.0%	92.9%	92.9%	
Akihabara Sanwa Toyo Building	Move-ins	-	-	564.16m ²	Conducted leasing of vacated sections targeting IT companies and companies in the surrounding area. Also installed LED at exclusive areas and conducted renewal work at common areas
	Move-outs	564.16m ²	564.16m ²	-	
	Area of vacant rooms as of the end of period	564.16m ²	564.16m ²	-	
	Occupancy rate as of the end of period	87.8%	87.8%	100.0%	
TOKYU REIT Shibuya R Building	Move-ins	562.25m ²	-	-	Out of the two sections that were occupied in the 27th Fiscal Period was occupied without downtime and the other was occupied with downtime of one month
	Move-outs	279.08m ²	-	-	
	Area of vacant rooms as of the end of period	-	-	-	
	Occupancy rate as of the end of period	100.0%	100.0%	100.0%	
Tokyu Bancho Building	Move-ins	-	-	564.69m ²	Currently conducting leasing activities of a section where a partition wall was eliminated or both of the two sections that became vacant in the 27th Fiscal Period as they are adjacent to each other
	Move-outs	564.69m ²	-	-	
	Area of vacant rooms as of the end of period	564.69m ²	564.69m ²	-	
	Occupancy rate as of the end of period	90.1%	90.1%	100.0%	

*Figures for Setagaya Business Square are the values after conversion with the 55% coownership interest.

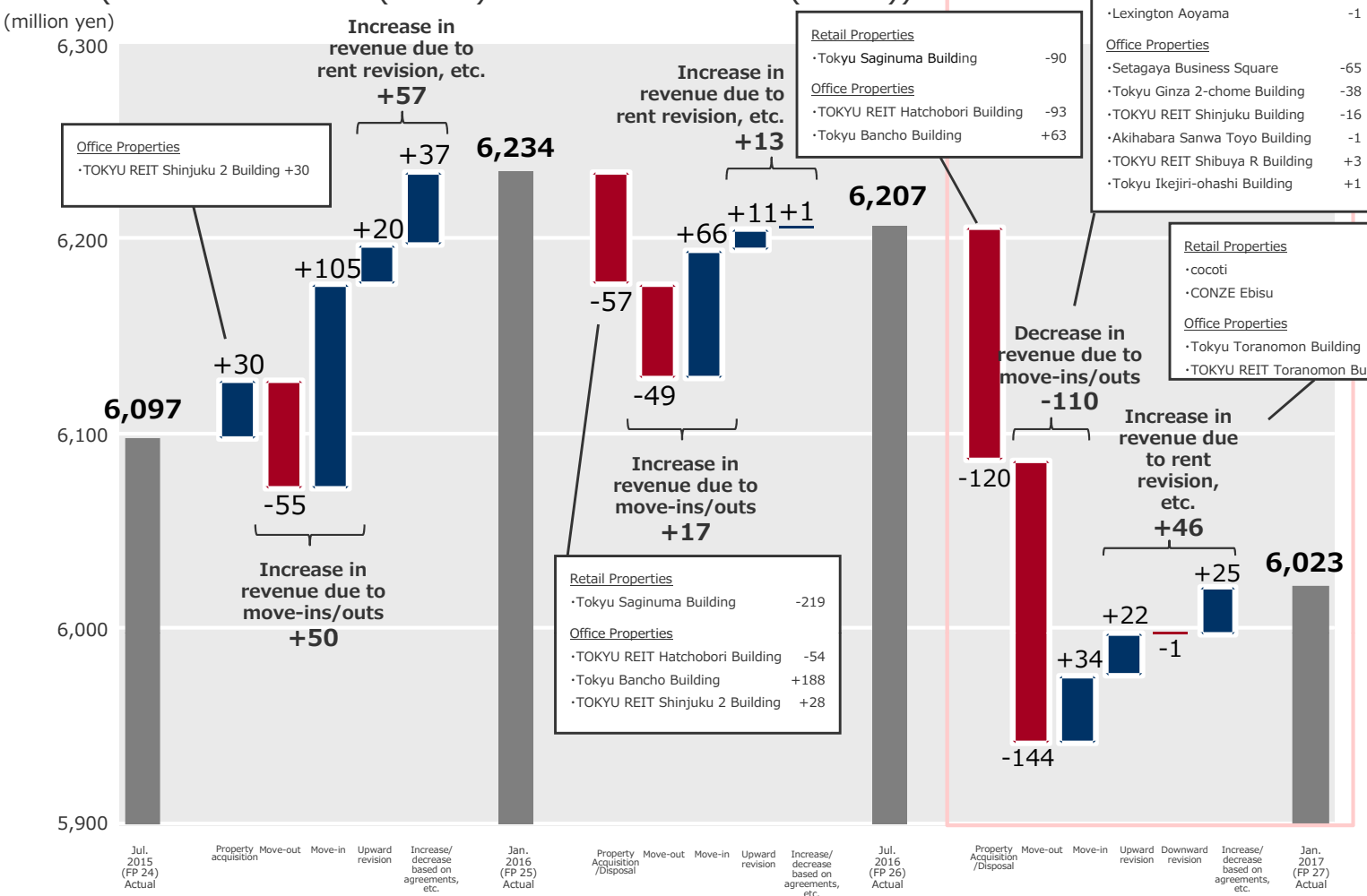
*Figures for Tokyu Bancho Building are the values after conversion with 49% quasi-coownership interest of the 95.1% compartmentalized ownership interest of the trust beneficiary interest.

Rental Revenue Results

Overall revenue decreased due to move-outs and property dispositions although upward rent revisions will progress. Will enforce leasing toward increase in revenues

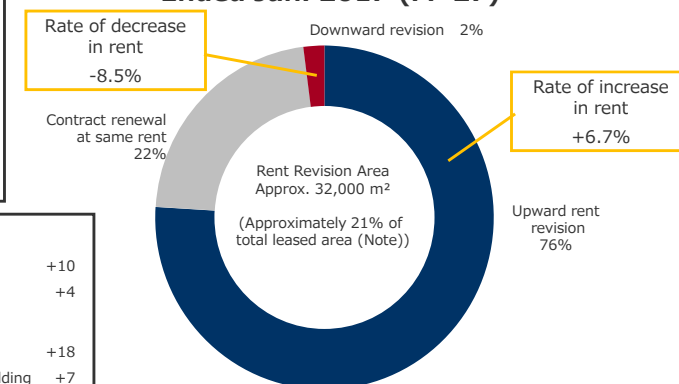
■ Breakdown of Increase/Decrease in Rental Revenues

(Ended Jan. 2016 (FP 25) - Ended Jan. 2017 (FP 27))



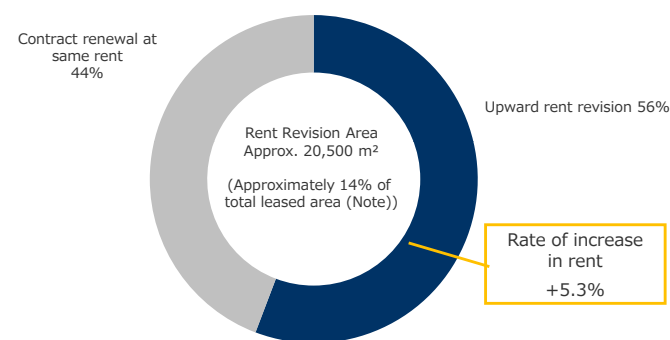
■ Rent Revision Trends (Retail (Urban) and Office)

Ended Jan. 2017 (FP 27)



Upward rent revision area: Approx. 24,300 m²

Ended Jul. 2016 (FP 26)



Upward rent revision area: Approx. 11,400 m²

(Note) Total leased area of Retail (Urban) and Office
(excluding Land with leasehold interest)

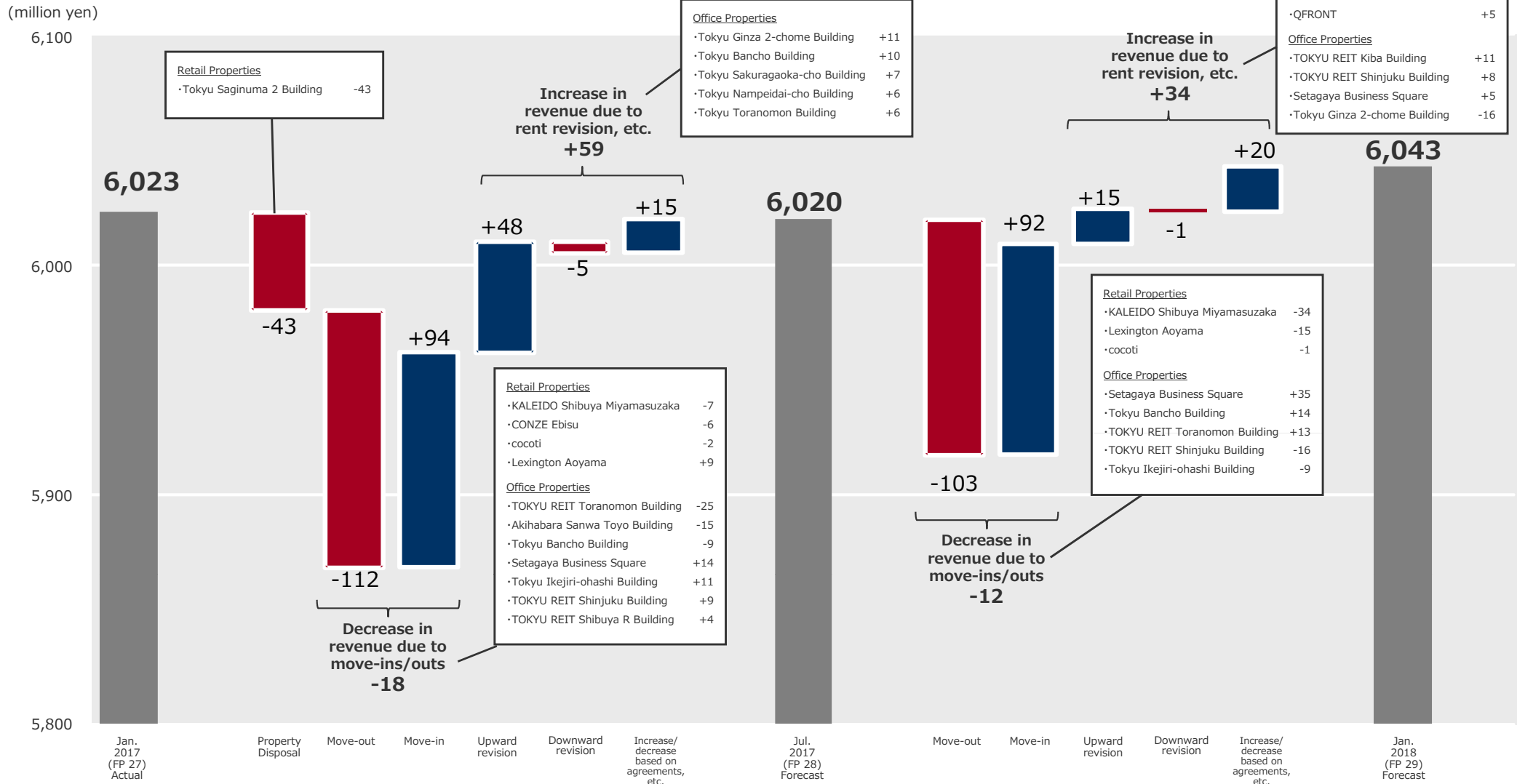
FP ended Jan. 2017 (FP 27)

3. Investment Performance Results and Future Outlook

Rental Revenue Outlook

Negative factors due to move-outs and property dispositions will disappear and enter revenue increase trend in the FP 29 (ending Jan. 2018)

■ Breakdown of Increase/Decrease in Rental Revenues (Ended Jan. 2017 (FP 27) - Ending Jan. 2018 (FP 29))



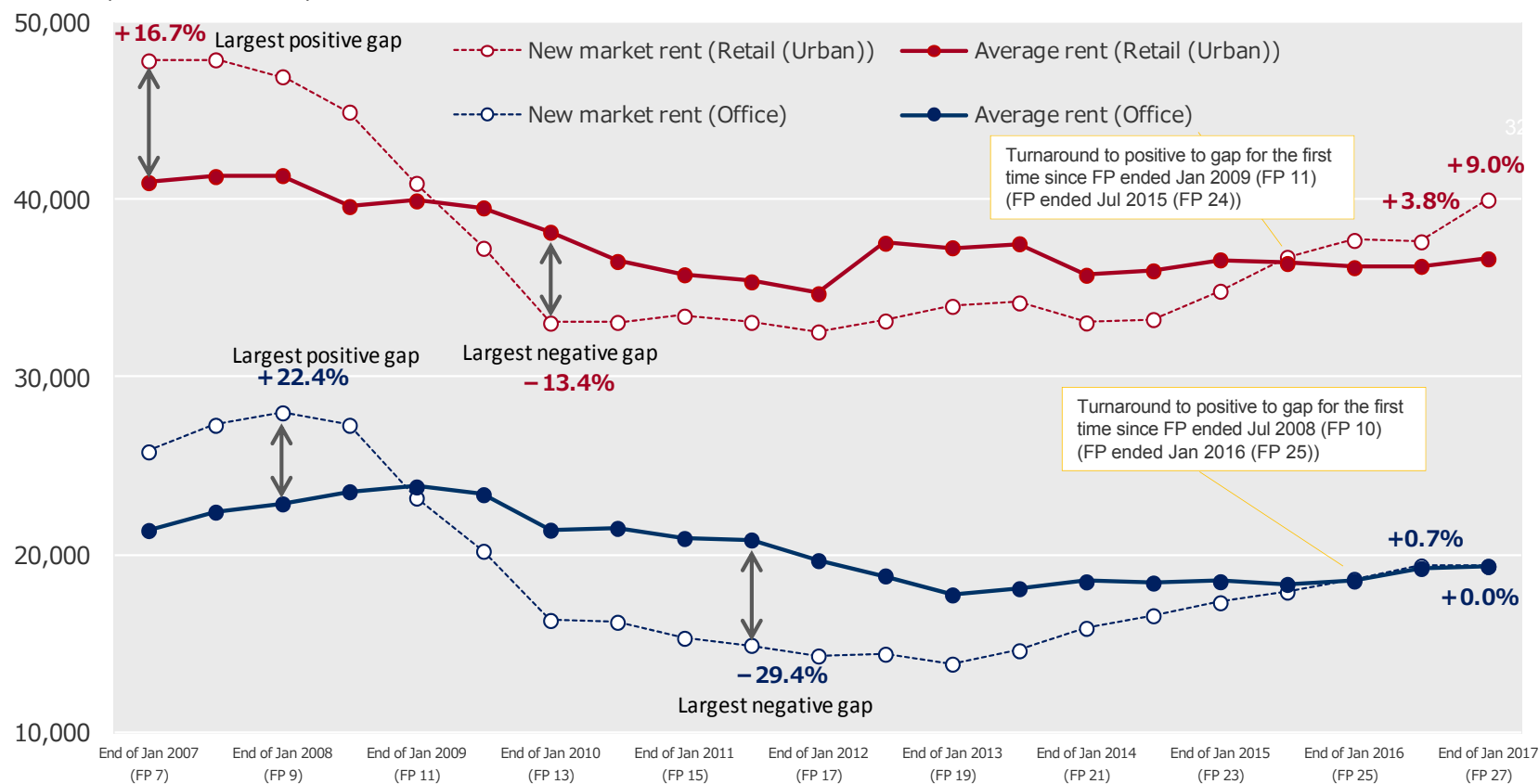
Rent Gap and Percentage of Tenants Facing Rent Revision

Positive gap continues for rent gap. Will aim for upward rent revisions at the timing of rent revisions

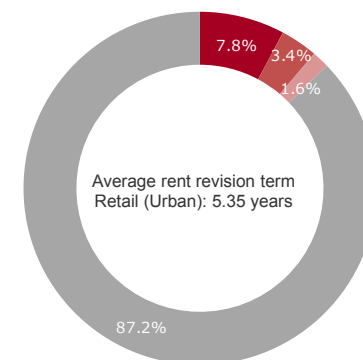
■ Change in Rent Gap

<Rate of Gap between Average Rent and New Market Rent>

Unit Price (¥/Month/Tsubo)

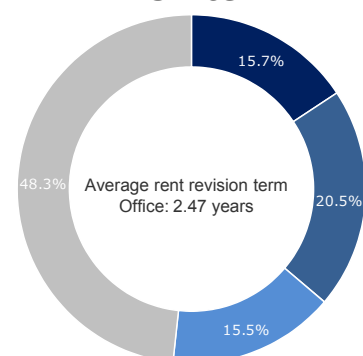


■ Percentage of Tenants Facing Rent Revision Retail (Urban)



2017/07 (FP 28) 2018/01 (FP 29) 2018/07 (FP 30) 2019/01 (FP 31) and onward

Office



2017/07 (FP 28) 2018/01 (FP 29) 2018/07 (FP 30) 2019/01 (FP 31) and onward

*In calculating the average rent, vacant spaces have not been factored in.

*Both the average rent and new market rent include common area charges (excludes income from parking, warehousing and billboards).

*(Office) OKI System Center (Land with leasehold interest) is excluded. New market rent is the mean value of rents appraised by CBRE for individual properties.

*Retail (Urban) new market rent is prepared by Tokyu REIM based on various reports and other materials.

*Percentage calculated by dividing rent for tenants facing rent revision by total rent by asset class.

*Average rent revision term is calculated by weighted average of monthly rent at the end of FP 27.

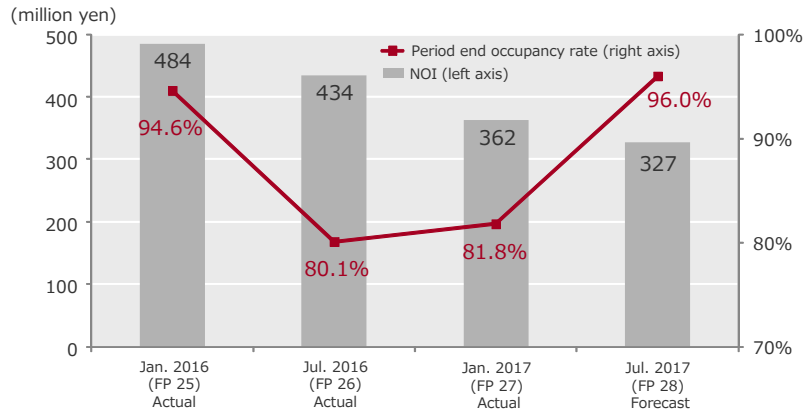
*Rent includes common area charges (excludes income from parking, warehousing and billboards).

3. Investment Performance Results and Future Outlook

Status of Setagaya Business Square (Leasing Status)

Progress leasing of vacant sections and expect to recover occupancy rate to 96.0% by the End of FP 28 (ending July 2017)

■ Results and Forecasts of Occupancy Rate and NOI



■ Status of Leasing Activities (FP 27 Actual and FP 28 Forecast)

Diversification of tenants for the vacated sections

- Move-out sections of large tenants in the Fiscal Period Ended July 2016 (26th Period); 1 tenant, 10 sections (3,752m²)
 - FP 27 (ended Jan. 2017) Actual: Move-in of 3 tenants in 4 Sections (1,524m²)
 - FP 28 (ending July 2017) Forecast: Move-in of 3 tenants in 5 Sections (1,635m²)
 - Estimated move-in of 6 tenants in 9 sections (3,159m²) in 2 periods in total

Tenant attributes

■ FP 27 (ended Jan. 2017)

Occupied tenants: 7 sections (Expansion of floor area within the property: 1 section, companies based on territorial bonding in Setagaya Ward: 2 sections, TOKYU group company; 1 section, others: 3 sections)

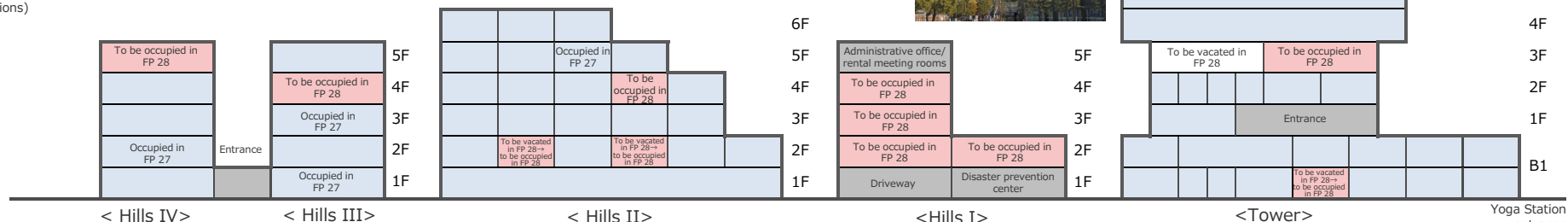
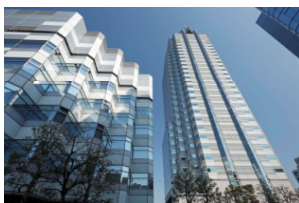
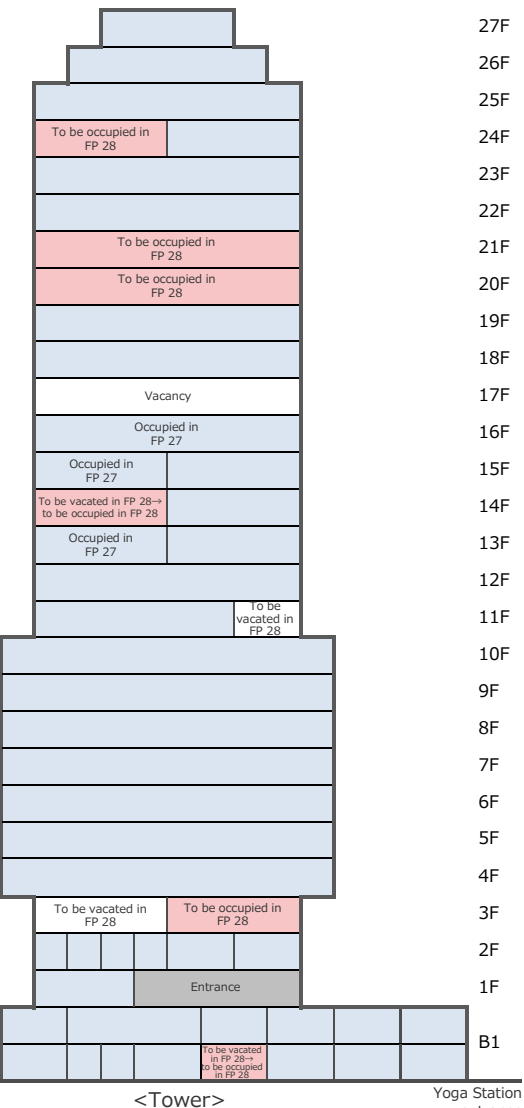
■ FP 28 (ending July 2017)

Agreements concluded tenants; 7 sections (Expansion of floor area within the property: 2 sections, companies based on territorial bonding in Setagaya Ward: 3 sections, TOKYU group company; 2 sections)

Tenants under discussion: 8 sections (Companies based on territorial bonding in Setagaya Ward: 1 section, TOKYU group company; 4 sections, others: 3 sections)

■ Actual and Forecasts of Move-in/Move-outs (excluding warehouse)

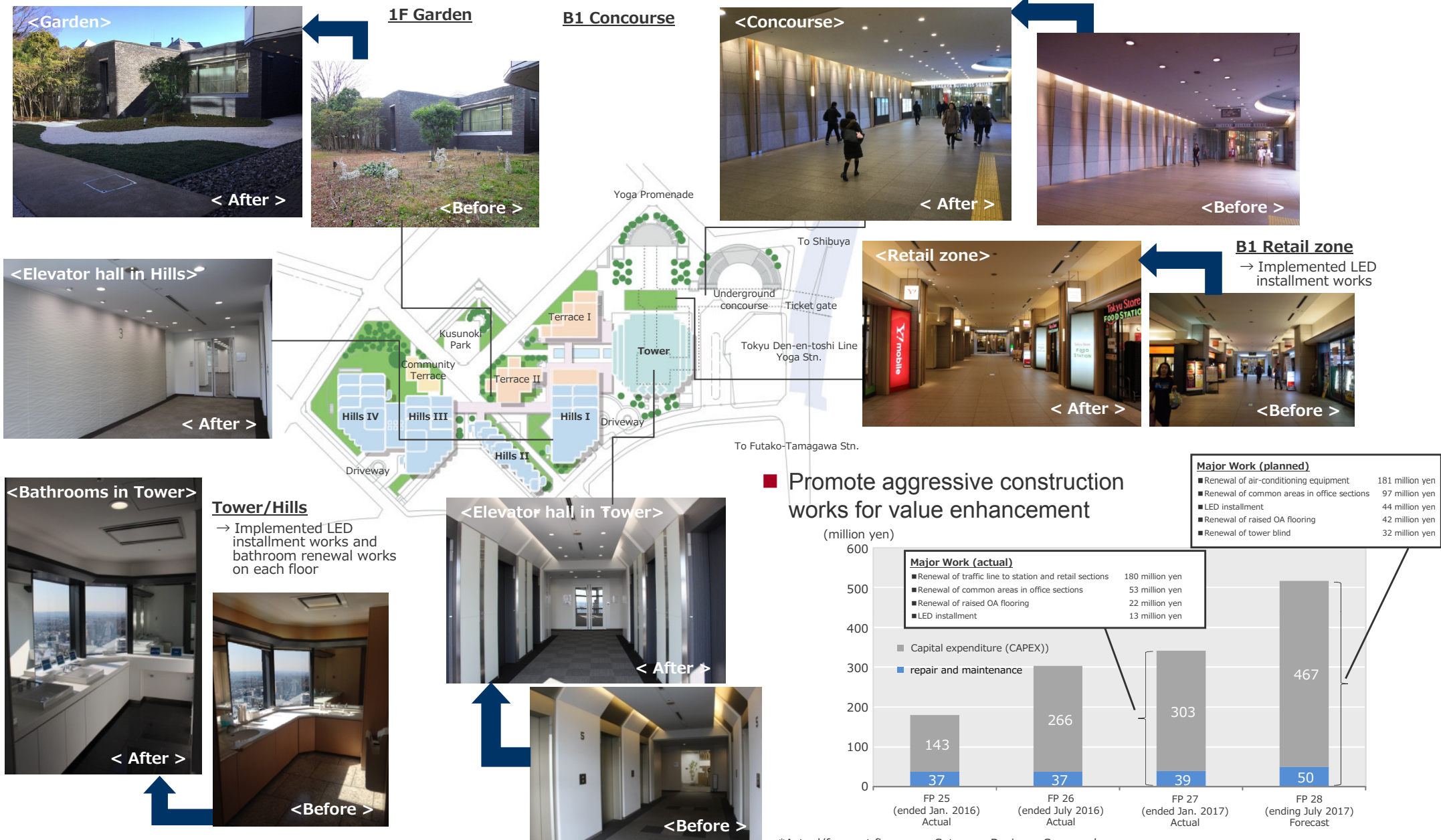
Area		FP 27 (ended Jan. 2017) Actual	FP 28 (ending July 2017) Forecast
Tower	Move-ins	3 sections (1,223m ²)	6 sections (2,187m ²)
	Move-outs	4 sections (1,818m ²)	4 sections (627m ²)
	Vacant sections at end of FP	5 sections (2,410m ²)	3 sections (850m ²)
Hills I	Move-ins	-	4 sections (1,400m ²)
	Move-outs	-	-
	Vacant sections at end of FP	4 sections (1,400m ²)	-
Hills II	Move-ins	1 sections (20m ²)	3 sections (65m ²)
	Move-outs	2 sections (40m ²)	2 sections (44m ²)
	Vacant sections at end of FP	1 sections (20m ²)	-
Hills III/IV	Move-ins	3 sections (1,037m ²)	2 sections (560m ²)
	Move-outs	-	-
	Vacant sections at end of FP	2 sections (560m ²)	-
Overall	Move-ins	7 sections (2,281m ²)	15 sections (4,213m ²)
	Move-outs	6 sections (1,858m ²)	6 sections (672m ²)
	Vacant sections at end of FP	12 sections (4,391m ²)	3 sections (850m ²)



3. Investment Performance Results and Future Outlook

Status of Setagaya Business Square (Actual and future outlook of construction works for value enhancement)

Will aim for early lease-up by promoting aggressive construction works for value enhancement

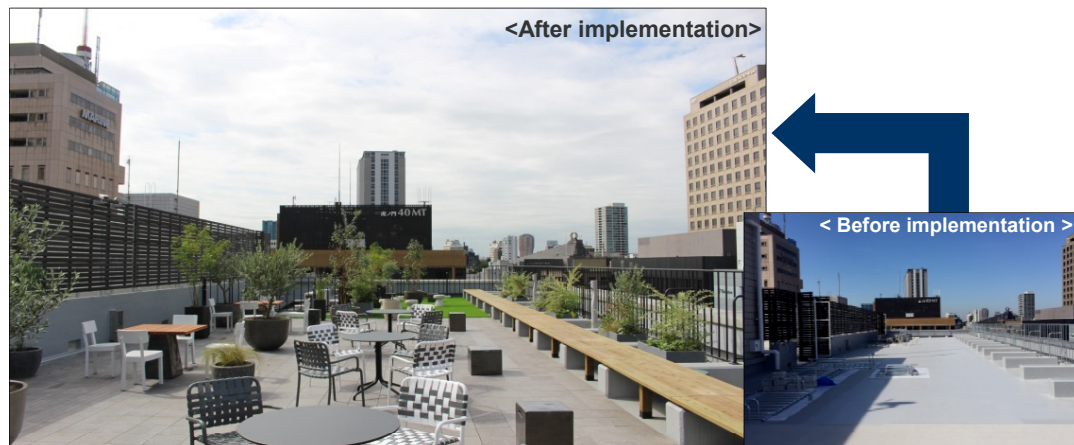


Actual results and schedule of value enhancement work

Continuously implement renovations of common use areas in addition to renewals for exclusive areas of tenants

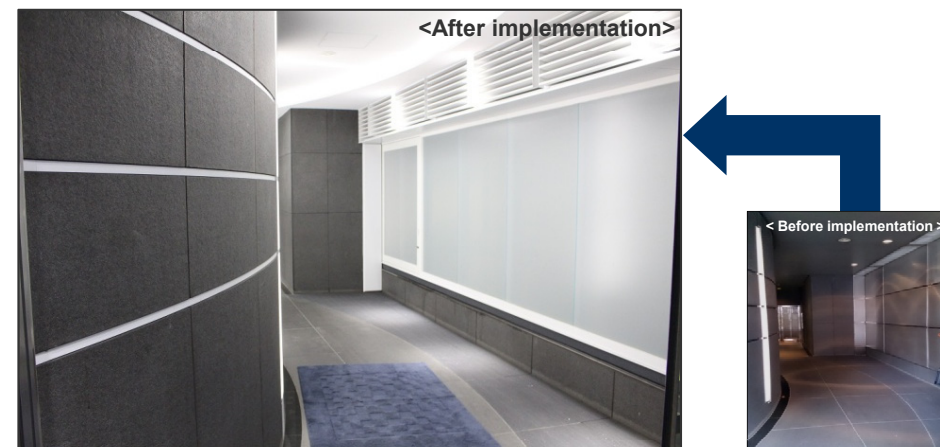
Actual results of value enhancement work

Renewal work of rooftop (TOKYU REIT Toranomon Building)



•Implemented renewal work of rooftop in autumn 2016, Installed smoking space and refresh space

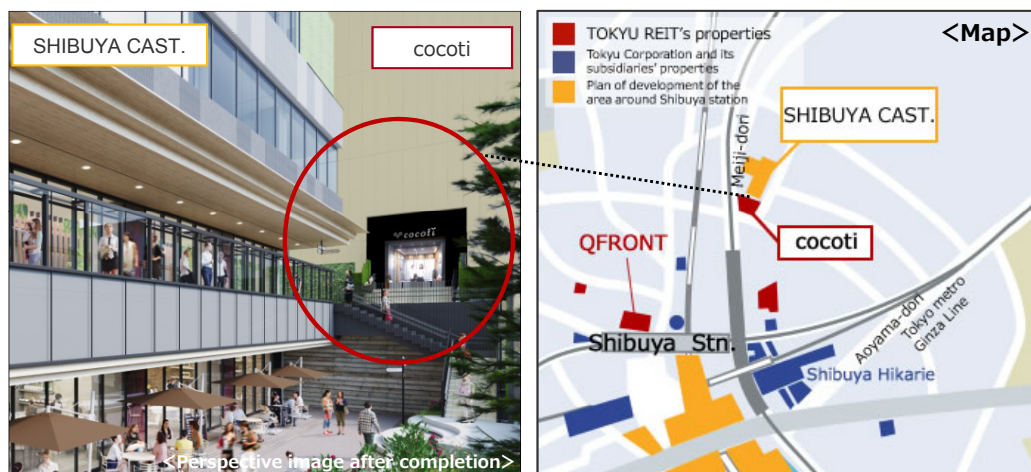
Renovation work of entrance (TOKYU REIT Shinjuku 2 Building)



•Implemented renovation work for the entrance from December 2016 to January 2017

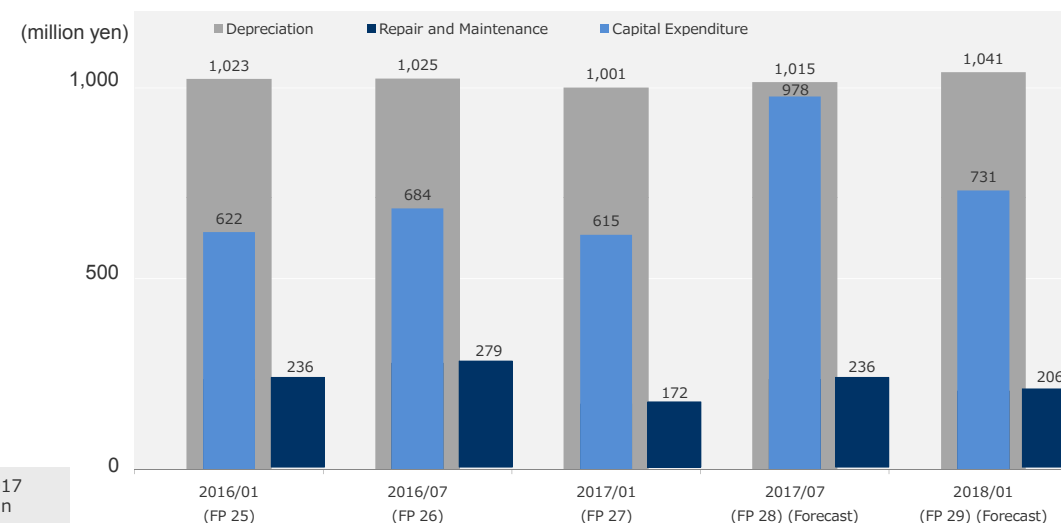
Schedule for next period and after

Connection with SHIBUYA CAST. (cocoti)



•Installed a deck connected to SHIBUYA CAST, a property developed by sponsors which is scheduled to open in spring 2017
•Intends to further enhance value as a retail property through improvement of traffic line and partnership with sponsors in business, etc.

Changes in Depreciation, Repair and Maintenance and Capital Expenditure



3. Operation Results and Outlook

Status of Appraisal Value at the End of Fiscal Period

Unrealized gains of the entire portfolio increased by 2.2 billion yen mainly due to the decrease of cap rate

■ Appraisal Value at the end of Period

	End of Jan. 2017 (FP 27)	End of Jul. 2016 (FP 26)	Change
Number of Properties	28 Properties	29 Properties	-1 Properties
Appraisal value	245.2 billion yen	244.5 billion yen	+0.7 billion yen
Book value	210.1 billion yen	211.7 billion yen	-1.5 billion yen
Unrealized gains	35.0 billion yen	32.7 billion yen	+2.2 billion yen
Unrealized gains over book value	16.7%	15.5%	+1.2pts
Cap Rate	3.84%	3.95%	-0.11pts

■ Changes in Each Property (Comparison with Previous Fiscal Period)

<Cap Rate>

(Number of Properties)

	End of Jan. 2017 (FP 27)	End of Jul. 2016 (FP 26)
Decrease	25	8
Unchanged	3	20
Increase	0	0

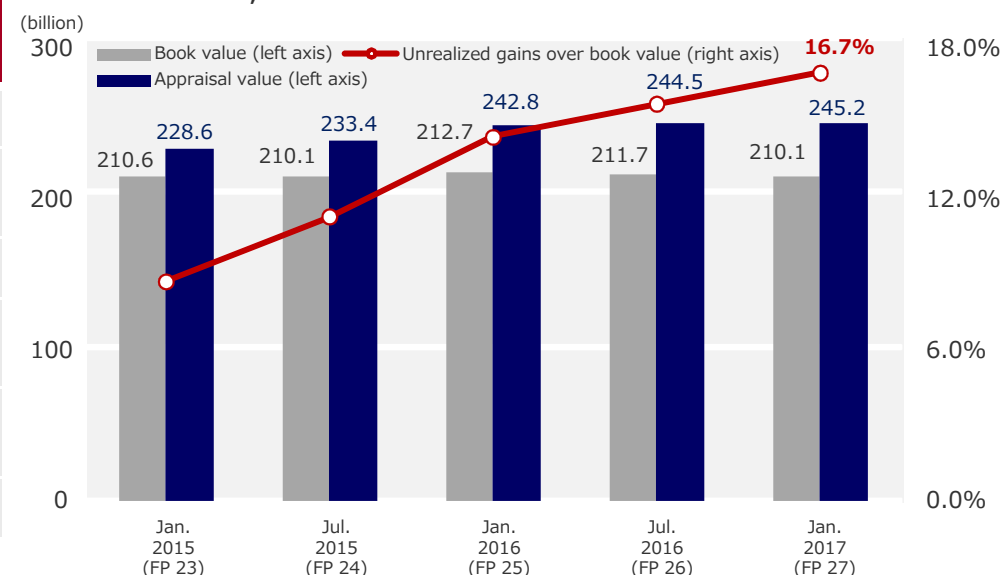
<Appraisal value>

(Number of Properties)

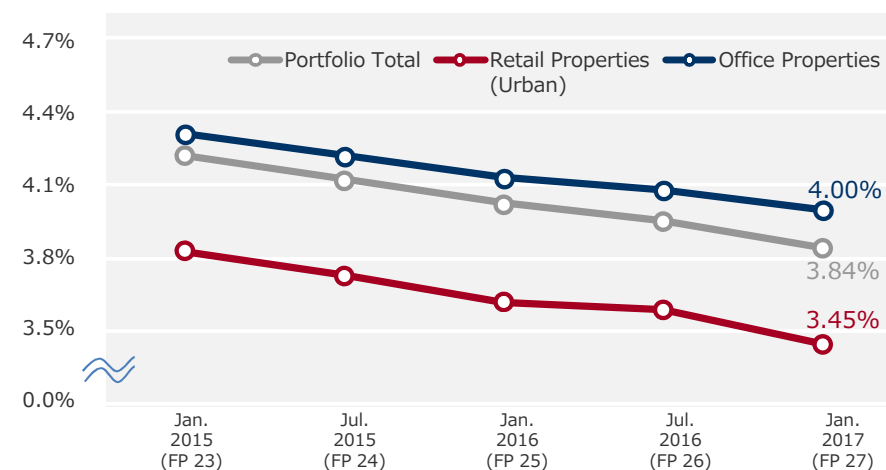
	End of Jan. 2017 (FP 27)	End of Jul. 2016 (FP 26)
Increase	23	16
Unchanged	3	11
Decrease	2	1

*Please refer to page 35 for details of appraisal value of each property at the end of fiscal period

■ Changes in Appraisal Value at the End of Fiscal Period, Book Value and Ratio of Unrealized Gains



■ Changes in Cap Rate



3. Investment Performance Results and Future Outlook

Interest-Bearing Debt Status

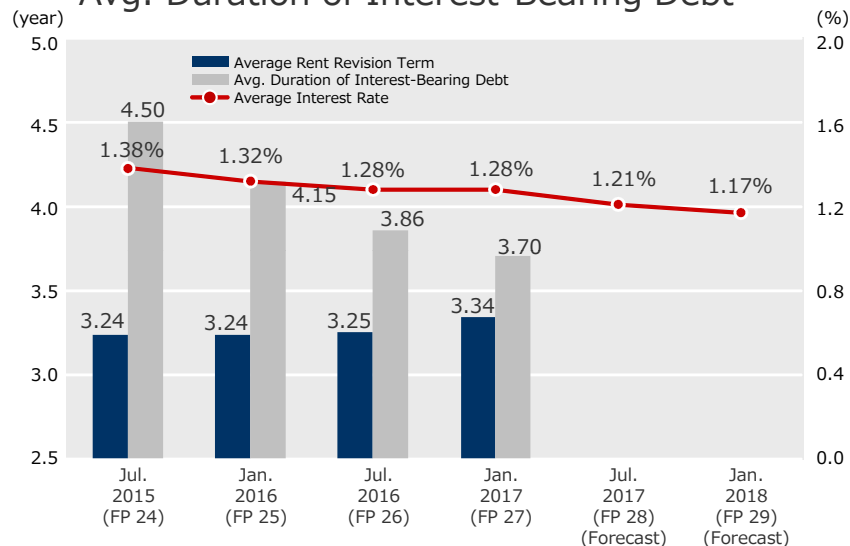
Conservative financial management focusing on financing stability

■ Major Financial Indices

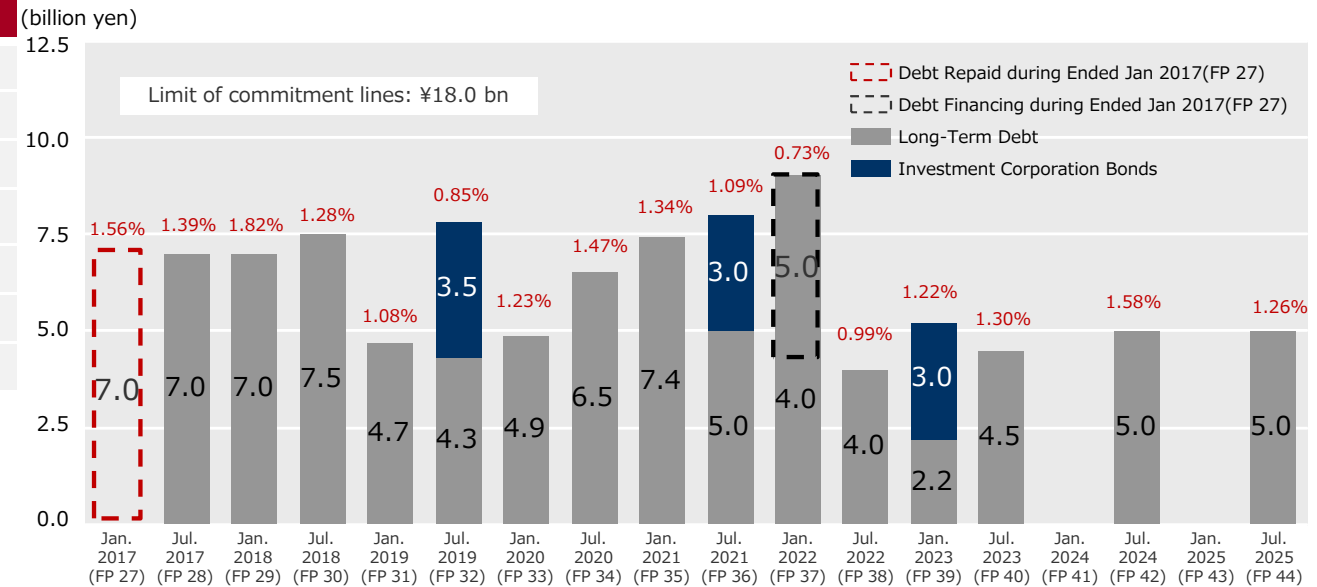
	End of Jan. 2017 (FP 27)	End of Jul. 2016 (FP 26)	Change
Total Interest-Bearing Debt	93.5 billion yen	95.5 billion yen	-2.0 billion yen
Average Interest Rate	1.28%	1.28%	+0.0 pts
Avg. Duration	3.70 years	3.86 years	-0.16 years
Long-Term Fixed-Rate Ratio	100%	100%	0 pts
LTV / Total Assets	42.5%	43.1%	-0.6 pts
LTV based on appraisal value	39.9%	40.8%	-0.9 pts
Acquisition Capacity (Note)	49.6 billion yen	44.8 billion yen	+4.7 billion yen

(Note) Assumed LTV based on appraisal value to be 50%

■ Average Rent Revision Term and Avg. Duration of Interest-Bearing Debt



■ Breakdown by Repayment/Redemption Dates of Interest-Bearing Debt (as of End of Jan. 2017 (FP 27))



Refinancing made during the FP 27 (ended Jan. 2017)

- Sumitomo Mitsui Trust Bank ¥5.0 bn (6 years 1.63%) → ¥ 3.5 bn (5 years 0.56%)
- Nippon Life Insurance ¥2.0 bn (5.5 years 1.37%) → ¥ 1.5 bn (5 years 0.50%)

Borrowings to be due during Ending Jul. 2017 (FP 28)

- Sumitomo Mitsui Trust Bank ¥4.0 bn (6 years 1.48%)
- Mizuho Bank ¥2.0 bn (6 years 1.45%)
- The Norinchukin Bank ¥1.0 bn (5 years 0.94%)

Borrowings to be due during Ending Jan. 2018 (FP 29)

- Development Bank of Japan ¥5.0 bn (12 years 1.95%)
- Nippon Life Insurance ¥2.0 bn (6.5 years 1.50%)

■ Rating

JCR	Long-Term: AA- (Stable)
R&I	A+ (Stable)
S&P	Long-Term: A (Stable) Short-Term: A-1

■ TOKYU REIT's Debt Management Policy

- High long-term debt ratio without depending on short-term debt
- Control each period's repayment amount by long average duration of interest-bearing debt
- Control issuance of investment corporation bonds by focusing on highly-stable indirect finance
- Secure transparency of effective interest rate level by not applying financing fees