

October 28, 2022

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**Notice Concerning Revision to Expected Operating Condition and Distribution Forecast**  
**for the Fiscal Period Ending January 2023 (39th Fiscal Period)**  
**and the Fiscal Period Ending July 2023 (40th Fiscal Period)**

TOKYU REIT, Inc. (“TOKYU REIT”) today announced a decision to revise its expected operating condition and its distribution forecast for its Fiscal Period Ending January 2023 (FP 39) (from August 1, 2022 to January 31, 2023) and to revise its expected operating condition and its distribution forecast for its Fiscal Period Ending July 2023 (FP 40) (from February 1, 2023 to July 31, 2023), which had been announced on September 14, 2022.

1. Revision to Expected Operating Condition and Distribution Forecast

(1) Fiscal Period Ending January 2023 (FP 39)

	Operating Revenues (Millions of Yen)	Operating Income (Millions of Yen)	Ordinary Income (Millions of Yen)	Net Income (Millions of Yen)	Net Income per Unit (Yen)	Distribution per Unit (not including distribution in excess of earnings) (Yen)	Distribution in Excess of Earnings per Unit (Yen)
Previous Forecast (A)	6,730	2,888	2,489	2,488	2,546	3,200	—
Revised Forecast (B)	11,295	7,299	6,908	6,907	7,066	4,040	—
Change (B) - (A)	4,565	4,411	4,418	4,418	4,520	840	—
Change	67.8 %	152.7 %	177.5 %	177.5 %	177.5 %	26.3 %	—

**(2) Fiscal Period Ending July 2023 (FP 40)**

	Operating Revenues (Millions of Yen)	Operating Income (Millions of Yen)	Ordinary Income (Millions of Yen)	Net Income (Millions of Yen)	Net Income per Unit (Yen)	Distribution per Unit (not including distribution in excess of earnings) (Yen)	Distribution in Excess of Earnings per Unit (Yen)
Previous Forecast (A)	7,682	3,374	2,942	2,941	3,009	3,400	—
Revised Forecast (B)	7,615	3,402	3,001	3,000	3,069	3,400	—
Change (B) - (A)	-67	27	58	58	60	—	—
Change	-0.9 %	0.8 %	2.0 %	2.0 %	2.0 %	—	—

(Note 1) The forecasts presented in this document have been calculated in accordance with the assumptions set out under certain condition. Forecasts for Operating Revenues, Operating Income, Ordinary Income, Net Income, Net Income per Unit, Distribution per Unit, and Distribution in Excess of Earnings per Unit may differ from actual figures and TOKYU REIT does not guarantee any figures. In the future, in the event that a discrepancy between the assumptions and the initial forecast exceeding a certain amount is expected, and the numerical values of the forecast are expected to change beyond a certain amount, we will amend the forecast and announce them accordingly.

(Note 2) Figures have been rounded down and percentages have been rounded to the nearest first decimal place.

## 2. Rationale

The expected operating conditions and distribution forecasts for the fiscal periods ending January 2023 (FP 39) and ending July 2023 (FP 40) are revised for the reasons mentioned below. First, differences of 10% or more from the forecast operating revenues, of 30% or more from the forecast ordinary income and net income, and of 5% or more from the forecast distribution per unit announced on September 14, 2022 are expected to occur with the recording of 4,586 million yen of gain on sale of real estate, etc. in the fiscal period ending January 2023 (FP 39).

Second, amendments are expected to be made to the assumptions for forecasts for the fiscal period ending July 2023 (FP 40). They are both due to the property disposition announced today in “Notice Concerning Disposition (Tokyu Ginza 2-chome Building) of Trust Beneficiary Interest in Domestic Real Estate.”

[Reference]

Timely Disclosure Relating to the Disposition of the Property

October 28, 2022

“Notice Concerning Disposition (Tokyu Ginza 2-chome Building) of Trust Beneficiary Interest in Domestic Real Estate”

**Assumptions for Forecasts for the Fiscal Period Ending January 2023  
and the Fiscal Period Ending July 2023**

	Preconditions and Assumptions
Property portfolio	<ul style="list-style-type: none"> <li>Regarding the 31 properties owned by TOKYU REIT as of today, it is assumed that Tokyu Ginza 2-chome Building will be disposed of on November 30, 2022, part of co-ownership interest in Futako Tamagawa Rise will be acquired on January 31, 2023. Subsequently, it is assumed that there will be no transfers (additional property acquisition or disposition of owned properties) until the end of the fiscal period ending July 2023.</li> </ul>
Operating revenues	<ul style="list-style-type: none"> <li>Rental revenue is calculated in consideration of rent level, occupancy rate, etc., and other fluctuation factors in light of recent real estate market conditions, state of negotiations with tenants, presence of competitive properties in the area, etc., in addition to lease agreements effective as of today. In addition, there is assumed to be no payment delay or nonpayment by tenants.</li> <li>Gain on sale of real estate, etc. of ¥4,586 million in the fiscal period ending January 2023 resulting from the disposition of Tokyu Ginza 2-chome Building is projected.</li> <li>Occupancy Rates as of the end of the fiscal period ending January 2023 and the fiscal period ending July 2023 are projected to be 99.2 % and 99.3 %, respectively.</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>Outsourcing expenses for the fiscal period ending January 2023 and the fiscal period ending July 2023 are projected to be ¥409 million and ¥535 million, respectively.</li> <li>Repair, maintenance and renovation expenses for buildings for the fiscal period ending January 2023 and the fiscal period ending July 2023 are projected to be ¥151 million and ¥169 million, respectively. In an aim to improve the competitiveness of properties and the satisfaction of tenants under management, etc., constructions scheduled in the future will be implemented with priority. Actual repair, maintenance and renovation expenses for each fiscal period may, however, differ significantly from estimated amounts due to unforeseen circumstances or emergencies and the others.</li> <li>Property and other taxes, such as fixed property tax and city planning tax, on real estate TOKYU REIT possesses are calculated based on the amount expected to be imposed in each fiscal period (Period Ending January 2023: ¥626 million / Period Ending July 2023: ¥685 million). Fixed property tax and other taxes paid as part of the purchase prices to the seller upon the property acquisition were not recorded as expenses but included in the relevant property acquisition costs.</li> <li>Depreciation and amortization expenses, including associated costs and additional capital expenditure in the future, are calculated based on the straight-line method (Period Ending January 2023: ¥861 million / Period Ending July 2023: ¥966 million).</li> <li>Rental expenses other than those listed above are calculated in consideration of fluctuation factors based on results in past fiscal periods.</li> <li>Operating expenses other than expenses from real estate operation (investment management fees and asset custodian fees, etc.) for the fiscal period ending January 2023 and the fiscal period ending July 2023 are expected to be ¥939 million and ¥812 million, respectively.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>Interest expenses for the fiscal period ending January 2023 and the fiscal period ending July 2023 are expected to be ¥365 million and ¥383 million, respectively. Interest expenses include interest expense, interest expense on investment corporation bonds, and other financial expenses.</li> </ul>
Interest-Bearing Debt	<ul style="list-style-type: none"> <li>The balance of interest-bearing debt as of today, is ¥94,500 million (long-term debt of ¥86,500 million and investment corporation bonds of ¥8,000 million). As for long-term debt of ¥2,200 million due for repayment in the fiscal period ending January 2023, it is assumed that it will be entirely refinanced. In addition, it is assumed that ¥10,000 million of short-term debt will be newly borrowed as funds for the acquisition of Futako Tamagawa Rise.</li> <li>As for long-term debt of ¥5,000 million due for repayment in the fiscal period ending July 2023, it is assumed that it will be entirely refinanced.</li> <li>Balance of interest-bearing debt as of the end of the fiscal period ending January 2023 and the fiscal period ending July 2023 are projected to be ¥104,500 million (short-term debt of ¥10,000 million, long-term debt of ¥86,500 million and investment corporation bonds of ¥8,000 million).</li> <li>LTVs as of the end of the fiscal period ending January 2023 and the fiscal period ending July 2023 are projected to be 43.5% and 43.7%, respectively. (LTV: Interest-bearing debt (forecast) / total assets (forecast))</li> </ul>
Total number of investment units issued and outstanding	<ul style="list-style-type: none"> <li>It is assumed that there will be no additional issuance of investment units to the 977,600 units issued and outstanding as of today, through the end of the fiscal period ending July 2023.</li> </ul>

<p>Distribution per unit</p>	<ul style="list-style-type: none"> <li>• Distribution per unit is calculated based on the distribution policy stipulated in the Articles of Incorporation.</li> <li>• Forecasts are based on the assumption that, as for the capital gain projected from the disposition of Tokyu Ginza 2-chome Building, ¥2,958 million of the ¥4,586 million in capital gains projected, which is to be posted in the fiscal period ending January 2023, are retained through application of the “Special Provisions for Taxation in Cases of Repurchase of Specified Assets” (Article 65-7 of the Act on Special Measures Concerning Taxation) for provision as reserve for reduction entry, up to the limit amount of reserve as stipulated in the “Ordinance on Accountings of Investment Corporations.”</li> <li>• Distribution for the fiscal period ending July 2023 is assumed to be distributed through reversal of part of the reserve for reduction entry (Period Ending July 2023: ¥323 million).</li> <li>• It is possible that the distribution per unit could change due to various factors, including changes in assets under management, changes in rental revenue accompanying changes in tenants, etc., and unexpected maintenance and repairs.</li> </ul>
<p>Distribution in excess of earnings per unit</p>	<ul style="list-style-type: none"> <li>• TOKYU REIT does not currently anticipate distribution in excess of earnings per unit.</li> </ul>
<p>Other</p>	<ul style="list-style-type: none"> <li>• Forecasts are based on the assumption that any major revisions to regulatory requirements, accounting standards and taxation will not impact forecast figures.</li> <li>• Forecasts are based on the assumption that there will be no major unforeseen changes to economic trends and in real estate and other markets.</li> </ul>

This notice may contain forward-looking statements, such as current plans, strategies, and future performance. These forward-looking statements are based on judgments obtained from currently available information. Please be advised that, for a variety of reasons, actual results may differ materially from those discussed in the forward-looking statements. Events that might affect actual results include, but are not limited to, fluctuations of the real estate market in Japan, general conditions of the Japanese economy, competitive pressures and relevant regulations.

This notice is a translation of the original document in Japanese and is prepared solely for the convenience of non-Japanese speakers. There is no assurance as to the accuracy of the English translation. The original Japanese notice shall prevail in the event of any discrepancies between the translation and the Japanese original.