

March 15, 2016

FINANCIAL REPORT

FOR THE TWENTY-FIFTH FISCAL PERIOD ENDED January 31, 2016

TOKYU REIT, Inc. is listed on the Tokyo Stock Exchange with the securities code number 8957.

 URL: <http://www.tokyu-reit.co.jp/eng/>

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Planned start of dividend payments: April 15, 2016

Supplementary documents for results YES

Results briefing (for institutional investor and analysts) YES

This financial report has been prepared in accordance with Japanese accounting standards and Japanese law.

Figures have been rounded down to eliminate amounts of less than one million yen.

PERFORMANCE FOR THE TWENTY-FIFTH FISCAL PERIOD (AUGUST 1, 2015 – JANUARY 31, 2016)

(1) Business Results

Percentage change shows the increase and decrease ratio to the previous period.

	Operating Revenues		Operating Income		Ordinary Income	
	(Millions of Yen)	(%)	(Millions of Yen)	(%)	(Millions of Yen)	(%)
Twenty-fifth Fiscal Period	7,289	2.2	3,251	5.4	2,572	7.3
Twenty-fourth Fiscal Period	7,133	-5.4	3,083	-8.9	2,396	-9.9

	Net Income		Net Income per Unit	Return on Unitholders' Equity (ROE)	Ordinary Income to Total Assets	Ordinary Income to Operating Revenues
	(Millions of Yen)	(%)	(Yen)	(%)	(%)	(%)
Twenty-fifth Fiscal Period	2,571	7.3	2,630	2.3	1.2	35.3
Twenty-fourth Fiscal Period	2,396	-9.9	2,450	2.1	1.1	33.6

(2) Distributions

	Distribution per Unit	Total Distributions	Distribution in Excess of Earnings per Unit	Total Distributions in Excess of Earnings	Payout Ratio	Distribution Ratio to Unitholders' Equity
	(Yen)	(Millions of Yen)	(Yen)	(Millions of Yen)	(%)	(%)
Twenty-fifth Fiscal Period	2,631	2,572	0	0	100.0	2.3
Twenty-fourth Fiscal Period	2,451	2,396	0	0	100.0	2.1

Note: The payout ratio is calculated by the following formula.

Payout Ratio=Total Distributions/Net Income×100

(3) Financial Position

	Total Assets	Net Assets	Unitholders' Capital to Total Assets	Net Assets per Share of Common Stock
	(Millions of Yen)	(Millions of Yen)	(%)	(Yen)
Twenty-fifth Fiscal Period	222,868	113,183	50.8	115,777
Twenty-fourth Fiscal Period	222,810	113,008	50.7	115,597

(4) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at end of Period
	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)
Twenty-fifth Fiscal Period	3,776	-3,744	-2,395	8,688
Twenty-fourth Fiscal Period	3,117	-652	-2,527	11,052

**FORECAST OF RESULTS FOR TWENTY-SIXTH FISCAL PERIOD (FEBRUARY 1, 2016 – JULY 31, 2016) AND
TWENTY-SEVENTH FISCAL PERIOD (AUGUST 1, 2016 – JANUARY 31, 2017)**

Percentage change shows the increase and decrease ratio to the previous period.

	Operating Revenues		Operating Income		Ordinary Income		Net Income		Distribution Per Unit	Distribution in Excess of Earnings per Unit
	(Millions of Yen)	(%)	(Millions of Yen)	(%)	(Millions of Yen)	(%)	(Millions of Yen)	(%)	(Yen)	(Yen)
Twenty-sixth Fiscal Period	9,516	30.6	3,515	8.1	2,858	11.1	2,857	11.1	2,630	0
Twenty-seventh Fiscal Period	7,484	-21.4	3,491	-0.7	2,848	-0.3	2,847	-0.3	2,630	0

Reference: Estimated net income per unit for the twenty-sixth fiscal period: ¥2,922

Estimated net income per unit for the twenty-seventh fiscal period: ¥2,912

Total number of investment units issued and outstanding for the twenty-sixth fiscal period: 977,600 units

Total number of investment units issued and outstanding for the twenty-seventh fiscal period: 977,600 units

Note: Distribution per unit for the twenty-sixth fiscal period is based on the assumption that distribution will be of the amount of net income, less provision of reserve for reduction entry (amount assumed to be ¥285 million), and distribution per unit for the twenty-seventh fiscal period is based on the assumption that distribution will be of the amount of net income, less provision of reserve for reduction entry (amount assumed to be ¥276 million).

OTHERS

(1) Changes in Account Policies, changes in accounting estimates, and restatement of accounting errors

Changes according to revision of account standard: No

Changes according to another reason: No

Changes in accounting estimates: No

Restatement of accounting errors: No

(2) Total number of investment units issued and outstanding

The total number of investment units issued and outstanding is 977,600 units as of January 31, 2016 and 977,600 units as of July 31, 2015.

No investment unit is held by TOKYU REIT itself as of January 31, 2016 and July 31, 2015.

Note 1: Status of auditing procedure

This summary of financial statements is not subject to the auditing procedure specified in the Financial Instruments and Exchange Law (Law No. 25 of 1948, as amended). The auditing procedure under the Financial Instruments and Exchange Law for the financial statements is not completed when this summary is disclosed.

Note 2:

Forecasts presented in this document are based on “Assumptions for Forecasts for the Twenty-sixth Fiscal Period (from February 1, 2016 to July 31, 2016) and the Twenty-seventh Fiscal Period (from August 1, 2016 to January 31, 2017)” identified in the separate reference attached. Forecasts for operating revenues, operating income, ordinary income, net income, distribution per unit and distribution in excess of earnings per unit may differ significantly from actual results due to changes in operating conditions and a variety of factors. Accordingly, TOKYU REIT does not guarantee any distribution amount.

Assumptions for Forecasts for the Twenty-sixth Fiscal Period (from February 1, 2016 to July 31, 2016) and the Twenty-seventh Fiscal Period (from August 1, 2016 to January 31, 2017)

Forecasts for operating revenues, operating income, ordinary income, net income, distribution per unit and distributions in excess of earnings per unit for the twenty-sixth Fiscal Period (from February 1, 2016 to July 31, 2016) and the twenty-seventh Fiscal Period (from August 1, 2016 to January 31, 2017) are based on the following preconditions and assumptions. If major discrepancies between the following assumptions and initial forecast are found, and if they may cause a certain level of change in forecast figures displayed above, a revised forecast shall be drafted and announced immediately.

	Preconditions and Assumptions
Property portfolio	<ul style="list-style-type: none"> ● It is assumed that 49.0% quasi-co-ownership interest of the 95.1% compartmentalized ownership interest of Tokyu Bancho Building will be acquired and Tokyu Saginuma Building will be disposed on March 24, 2016, from the 30 properties owned by TOKYU REIT as of January 31, 2016. In addition, it is assumed that Tokyu Saginuma 2 Building will be disposed on January 31, 2017. ● A disposition of a portfolio property for the twenty-sixth fiscal period is assumed, but the disposition is yet to be finalized at this point in time. ● For other properties, it is assumed that there will be no transfers (new properties acquisitions or disposition of owned properties) until the end of the twenty-seventh fiscal period.
Operating revenues	<ul style="list-style-type: none"> ● Rental revenue is calculated in consideration of lease agreements effective as of February 15, 2016, and transfers of properties (the acquisition and disposition mentioned above), rent level, occupancy rate, etc. 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, there is assumed to be no payment delay or nonpayment by tenants. ● Posting gain on sale of ¥2,344 million in the twenty-sixth fiscal period resulting from the disposition of Tokyu Saginuma Building on March 24, 2016 is projected. ● Posting gain on sale of ¥539 million in the twenty-seventh fiscal period resulting from the disposition of Tokyu Saginuma 2 Building on January 31, 2017 is projected. ● Occupancy Rates as of the end of the twenty-sixth fiscal period and the end of the twenty-seventh fiscal period are projected to be 96.8% and 97.1%, respectively.
Operating expenses	<ul style="list-style-type: none"> ● Outsourcing expenses for the twenty-sixth and twenty-seventh fiscal periods are projected to be ¥460 million and ¥446 million, respectively. ● Repair, maintenance and renovation expenses for buildings for the twenty-sixth and twenty-seventh fiscal periods are projected to be ¥254 million and ¥177 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. ● Property and other taxes, such as fixed property tax and city planning tax TOKYU REIT possesses are calculated based on the amount expected to be imposed in each fiscal period (twenty-sixth fiscal period: ¥635 million / twenty-seventh fiscal period: ¥610 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. (twenty-sixth fiscal period: ¥39 million) ● Depreciation and amortization expenses, including associated costs and additional capital expenditure in the future, are calculated based on the straight-line method (twenty-sixth fiscal period: ¥1,046 million / twenty-seventh fiscal period : ¥1,037 million). ● Rental expenses other than those listed above were calculated in consideration of fluctuation factors based on results in past fiscal periods. ● ¥1,839 million of loss on sales of real estate properties for the twenty-sixth fiscal period is assumed due to disposition of a portfolio property, but the disposition is yet to be finalized at this point in time. In actual practice, this may vary depending on whether or not the transaction takes place, disposition price, delivery date and other terms and conditions. ● Operating expenses other than expenses from real estate operation (investment management fees and asset custodian fees, etc.) for the twenty-sixth and twenty-seventh fiscal periods are expected to be ¥729 million and ¥695 million, respectively.

Non-operating expenses	<ul style="list-style-type: none"> ● Interest expenses for the twenty-sixth and twenty-seventh fiscal periods are expected to be ¥642 million and ¥636 million, respectively. Interest expenses include interest expense, interest expense on investment corporation bonds, and other financial expenses. ● The amortization of issuance expenses for the new investment units issued in the twenty-first fiscal period are ¥8 million for the twenty-sixth fiscal period.
Debt financing	<ul style="list-style-type: none"> ● Balance of interest-bearing debt as of January 31, 2016 is ¥97,000 million (long-term debt of ¥87,500 million and investment corporation bonds of ¥9,500 million). As for the long-term debt of ¥3,500 million for which repayment dates are approaching in the twenty-sixth fiscal period, it is assumed that ¥2,000 million will be refinanced and ¥1,500 million will be repaid with cash on hand. Furthermore, it is assumed that Tokyu REIT will undertake short-term debt financing of ¥4,000 million on March 23, 2016 and repay the debt during the twenty-sixth fiscal period. ● With borrowings (long-term debt of ¥7,000 million) repayment dates approaching in the twenty-seventh fiscal periods, it is assumed that long-term debt will be refinanced. ● Balance of interest-bearing debt as of the end of the twenty-sixth and the twenty-seventh fiscal periods are projected to be ¥95,500 million (long-term debt of ¥86,000 million and investment corporation bonds of ¥9,500 million). ● LTVs as of the end of the twenty-sixth fiscal period and the end of the twenty-seventh fiscal period are projected to be 43.0% and 43.1%, respectively. LTV: Interest-bearing debt (forecast) / total assets (forecast)
Total number of investment units issued and outstanding	<ul style="list-style-type: none"> ● TOKYU REIT has 977,600 investment units issued and outstanding as of January 31, 2017.
Distribution per unit	<ul style="list-style-type: none"> ● Distribution per unit is calculated based on the distribution policy stipulated in the Articles of Incorporation. Calculations are based on a 100% distribution of retained earnings. However, forecasts are based on the assumption that ¥285 million of the ¥2,344 million in capital gains projected from the disposition of Tokyu Saginuma Building, which is expected to arise in the twenty-sixth fiscal period, is retained by application of the “Special Provisions for Taxation in Cases of Repurchase of Specified Assets” (Article 65-8 of Special Taxation Measures Law) for provision as reserve for reduction entry, up to the limit amount of reserve as stipulated in the “Ordinance on Accountings of Investment Corporations.” ● Furthermore, forecasts are based on the assumption that ¥276 million of the ¥539 million in capital gains projected from the disposition of Tokyu Saginuma 2 Building, which is expected to arise in the twenty-seventh fiscal period, is retained by application of the “Special Provisions for Taxation in the Case of Advance Acquisition of Land, etc. in 2009 and 2010” (Article 66-2 of Special Taxation Measures Law) for provision as reserve for reduction entry, up to the limit amount of reserve as stipulated in the “Ordinance on Accountings of Investment Corporations.” ● Distribution for the twenty-sixth and twenty-seventh fiscal periods are based on the assumption that distribution will be made without reversal of the existing reserve for reduction entry (Note) or the abovementioned reserve for reduction entry. (Note)Refers to capital gains from the disposition of Beacon Hill Plaza (Ito-Yokado Noukendai Store) on August 8, 2014 retained as reserve for reduction entry pursuant to the “Special Provisions for Taxation in the Case of Advance Acquisition of Land, etc. in 2009 and 2010” (Article 66-2 of Special Taxation Measures Law) in the amount of ¥132 million. ● 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.
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> ● TOKYU REIT does not currently anticipate distributions in excess of earnings per unit.
Other	<ul style="list-style-type: none"> ● Forecasts are based on the assumption that any major revisions to regulatory requirements, accounting standards and taxation will not impact forecast figures. ● Forecasts are based on the assumption that there will be no major unforeseen changes to economic trends and in real estate and other markets.

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.
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