

September 13, 2017

FINANCIAL REPORT

FOR THE TWENTY-EIGHTH FISCAL PERIOD ENDED JULY 31, 2017

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: October 13, 2017

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-EIGHTH FISCAL PERIOD (FEBRUARY 1, 2017 – JULY 31, 2017)

(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-eighth Fiscal Period	6,919	-7.9	2,940	-18.1	2,355	-20.3
Twenty-seventh Fiscal Period	7,514	-20.9	3,588	0.2	2,954	0.9

	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-eighth Fiscal Period	2,355	-20.2	2,409	2.1	1.1	34.0
Twenty-seventh Fiscal Period	2,952	0.9	3,020	2.6	1.3	39.3

(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-eighth Fiscal Period	2,650	2,590	0	0	110.0	2.3
Twenty-seventh Fiscal Period	2,746	2,684	0	0	90.9	2.4

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

$$\text{Payout Ratio} = \text{Total Distributions} / \text{Net Income} \times 100$$

Distribution per unit for the fiscal period ended July 2017 is calculated by dividing the amount gained by adding 234 million yen of Reversal of reserve for reduction entry to unappropriated retained earnings by the number of issued units.

Distribution per unit for the fiscal period ended January 2017 is calculated by dividing the amount gained by deducting 267 million yen of reserve for reduction entry from unappropriated retained earnings by the number of issued units.

(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-eighth Fiscal Period	219,579	113,527	51.7	116,128
Twenty-seventh Fiscal Period	219,762	113,856	51.8	116,465

(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-eighth Fiscal Period	3,343	-601	-2,684	8,283
Twenty-seventh Fiscal Period	5,224	-731	-4,634	8,225

FORECAST OF RESULTS FOR TWENTY-NINTH FISCAL PERIOD (AUGUST 1, 2017 – JANUARY 31, 2018) AND THIRTIETH FISCAL PERIOD (FEBRUARY 1, 2018 – JULY 31, 2018)

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-ninth Fiscal Period	7,022	1.5	3,026	2.9	2,447	3.9	2,446	3.9	2,650	0
Thirtieth Fiscal Period	7,075	0.8	3,116	3.0	2,591	5.9	2,590	5.9	2,650	0

Reference: Estimated net income per unit for the Twenty-ninth fiscal period: ¥2,502

Estimated net income per unit for the Thirtieth fiscal period: ¥2,650

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

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

Note: Distribution per unit for the Twenty-ninth fiscal period is assumed to be distributed through reversal of part of the reserve for reduction entry (estimated amount: 143 million yen) in addition to net income.

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 July 31, 2017 and 977,600 units as of January 31, 2017.

No investment unit is held by TOKYU REIT itself as of July 31, 2017 and January 31, 2017.

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-ninth Fiscal Period (from August 1, 2017 to January 31, 2018) and the Thirtieth Fiscal Period (from February 1, 2018 to July 31, 2018)” 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-ninth Fiscal Period (from AUGUST 1, 2017 to JANUARY 31, 2018) and the Thirtieth Fiscal Period (from FEBRUARY 1, 2018 to JULY 31, 2018)

Forecasts for operating revenues, operating income, ordinary income, net income, distribution per unit and distributions in excess of earnings per unit for the Twenty-ninth Fiscal Period (from August 1, 2017 to January 31, 2018) and the Thirtieth Fiscal Period (from February 1, 2018 to July 31, 2018) 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 there will be no transfers (new properties added or existing properties removed from the initial portfolio, etc.) by the end of the Thirtieth Fiscal Period (from February 1, 2018 to July 31, 2018) from the 28 properties as of July 31, 2017.
Operating revenues	<ul style="list-style-type: none"> ● Rental revenue is calculated in consideration of 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. ● Occupancy Rates as of the end of the Twenty-ninth fiscal period and the end of the Thirtieth fiscal period are projected to be 98.3% and 99.6%, respectively.
Operating expenses	<ul style="list-style-type: none"> ● Outsourcing expenses for the Twenty-ninth and Thirtieth fiscal periods are projected to be ¥459 million and ¥449 million, respectively. ● Repair, maintenance and renovation expenses for buildings for the Twenty-ninth and Thirtieth fiscal periods are projected to be ¥188 million and ¥157 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-ninth fiscal period: ¥627 million / Thirtieth fiscal period: ¥647 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. ● Depreciation and amortization expenses, including associated costs and additional capital expenditure in the future, are calculated based on the straight-line method (Twenty-ninth fiscal period: ¥1,028 million / Thirtieth fiscal period : ¥1,043 million). ● Rental expenses other than those listed above were calculated in consideration of fluctuation factors based on results in past fiscal periods. ● Operating expenses other than expenses from real estate operation (investment management fees and asset custodian fees, etc.) for the Twenty-ninth and Thirtieth fiscal periods are expected to be ¥687 million and ¥693 million, respectively.
Non-operating expenses	<ul style="list-style-type: none"> ● Interest expenses for the Twenty-ninth and Thirtieth fiscal periods are expected to be ¥572 million and ¥518 million, respectively. Interest expenses include interest expense, interest expense on investment corporation bonds, and other financial expenses.

Debt financing	<ul style="list-style-type: none"> ● Balance of interest-bearing debt as of July 31, 2017 is ¥93,500 million (long-term debt of ¥84,000 million and investment corporation bonds of ¥9,500 million). With borrowings (long-term debt of ¥7,000 million) repayment dates approaching in the Twenty-ninth fiscal periods, it is assumed that long-term debt will be refinanced. ● With borrowings (long-term debt of ¥7,500 million) repayment dates approaching in the Thirtieth fiscal periods, it is assumed that long-term debt will be refinanced. ● Balance of interest-bearing debt as of the end of the Twenty-ninth and the Thirtieth fiscal periods are projected to be ¥93,500 million (long-term debt of ¥84,000 million and investment corporation bonds of ¥9,500 million). ● LTVs as of the end of the Twenty-ninth fiscal period and the end of the Thirtieth fiscal period are projected to be 42.6% and 42.6%, 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 July 31, 2018.
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. ● Distributions for the Twenty-ninth fiscal period are assumed to be distributed through reversal of part of the reserve for reduction entry (Twenty-ninth fiscal period: ¥143 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. 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.