

September 12, 2019

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**Notice Concerning Revision to Expected Operating Condition and Distribution Forecast
 for the Fiscal Period Ending January 2020 (33rd Fiscal Period) and the Expected Operating
 Condition and Distribution Forecast for the Fiscal Period Ending July 2020 (34th Fiscal Period)**

TOKYU REIT, Inc. (“TOKYU REIT”) today announces a decision to revise its expected operating condition and its distribution forecast for its fiscal period ending January 2020 (FP 33) (from August 1, 2019 to January 31, 2020) which were announced on March 14, 2019 as follows.

In addition, TOKYU REIT also announces its expected operating condition and distribution forecast for the fiscal period ending July 2020 (FP 34) (from February 1, 2020 to July 31, 2020) as follows.

1. Revision to Expected Operating Condition and Distribution Forecast
 (Fiscal Period Ending January 2020 (FP 33))

	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)	7,419	3,309	2,825	2,824	2,888	2,950	—
Revised Forecast (B)	8,126	4,021	3,531	3,530	3,611	3,250	—
Change (B)-(A)	706	712	706	706	723	300	—
Change	9.5%	21.5%	25.0%	25.0%	25.0%	10.2%	—
<Reference> Actual Distribution per Unit for the Previous Period (Fiscal Period ended July 2019 (FP 32))	7,366	3,349	2,858	2,857	2,923	2,923	—

2. Details of Expected Operating Condition and Distribution Forecast

(Fiscal Period Ending July 2020 (FP 34))

	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)
Current forecast	8,136	4,055	3,585	3,584	3,666	3,300	—

(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.

3. Rationale

The expected operating condition and distribution forecast are revised as a difference of 5% or more from the forecasted distribution per unit for the fiscal period ending January 2020 (33rd fiscal period) announced on March 14, 2019 is expected to occur with the recording of 668 million yen of gain on sale of real estate, etc. in the fiscal period ending January 2020 (33rd fiscal period) due to the exchange of assets as described in “Notice Concerning Acquisition (KN Jiyugaoka Plaza) and Disposition (TOKYU REIT Akasaka Hinokicho Building) of Trust Beneficiary Interest in Domestic Real Estate” announces today.

The expected operating condition and distribution forecast for the fiscal period ending July 2020 (34th fiscal period) are disclosed together with the expected operating condition and distribution forecast for the fiscal period ending January 2020 (33rd fiscal period) based on the new announcement of “FINANCIAL REPORT FOR THE FISCAL PERIOD ENDED JULY 2019” announced today.

[Reference]

Timely Disclosure Relating to the exchange of the assets

September 12, 2019

“Notice Concerning Acquisition (KN Jiyugaoka Plaza) and Disposition (TOKYU REIT Akasaka Hinokicho Building) of Trust Beneficiary Interest in Domestic Real Estate”

**Assumptions for Forecasts for the Fiscal Period Ending January 2020
and the Fiscal Period Ending July 2020**

	Preconditions and Assumptions
Property portfolio	<ul style="list-style-type: none"> • Regarding 31 properties owned by TOKYU REIT as of July 31, 2019, the exchange of TOKYU REIT Akasaka Hinokicho Building and KN Jiyugaoka Plaza is scheduled to take place in the form of 49% quasi-co-ownership interest and 51% quasi-co-ownership interest on October 1, 2019, and March 4, 2020, respectively (the “Exchange”). After that, 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 2020.
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. • Posting gain on sale of ¥668 million in the fiscal period ending January 2020 and ¥687 million in the fiscal period ending July 2020 resulting from the Exchange is projected. • Occupancy Rates as of the end of the fiscal period ending January 2020 and the fiscal period ending July 2020 are projected to be 99.1% and 99.8%, respectively.
Operating expenses	<ul style="list-style-type: none"> • Outsourcing expenses for the fiscal period ending January 2020 and the fiscal period ending July 2020 are projected to be ¥456 million and ¥449 million, respectively. • Repair, maintenance and renovation expenses for buildings for the fiscal period ending January 2020 and the fiscal period ending July 2020 are projected to be ¥261 million and ¥259 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 (Period Ending January 2020 : ¥660 million / Period Ending July 2020 : ¥695 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 (Period Ending January 2020 : ¥982 million / Period Ending July 2020 : ¥980 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 fiscal period ending January 2020 and the fiscal period ending July 2020 are expected to be ¥795 million and ¥793 million, respectively.
Non-operating expenses	<ul style="list-style-type: none"> • Interest expenses for the fiscal period ending January 2020 and the fiscal period ending July 2020 are expected to be ¥465 million and ¥443 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"> • The balance of interest-bearing debt as of July 31, 2019, is ¥92,300 million (short-term debt of ¥2,300 million, long-term debt of ¥84,000 million and investment corporation bonds of ¥6,000 million). As for borrowings for which repayment dates are approaching in the fiscal period ending January 2020, it is assumed that short-term debt of ¥2,300 million will be repaid using funds procured through issuance of investment corporation bonds of ¥2,300 million, and that long-term debt of ¥4,900 million will be entirely refinanced. It is assumed that short-term debt of ¥2,000 million will be taken out in the fiscal period ending January 2020 and repaid with cash on hand during the same fiscal period. • With borrowings (long-term debt of ¥ 6,500 million) repayment dates approaching in the fiscal period ending July 2020, it is assumed that long-term debt will be refinanced. • Balance of interest-bearing debt as of the end of the fiscal period ending January 2020 and the fiscal period ending July 2020 are projected to be ¥92,300 million (long-term debt of ¥84,000 million and investment corporation bonds of ¥8,300 million). • LTVs as of the end of the fiscal period ending January 2020 and the fiscal period ending July 2020 are projected to be 42.0%. (LTV: Interest-bearing debt (forecast) / total assets (forecast))
Total number of investment units issued and outstanding	<ul style="list-style-type: none"> • It is assumed that there will be no additional issuance of investment units to the 977,600 units issued outstanding as of September 12, 2019 through the end of the fiscal period ending July 2020.
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. However, forecasts are based on the assumption that, as for the capital gain projected from the disposition of TOKYU REIT Akasaka Hinokicho Building, ¥353 million of the ¥668 million in capital gains projected, which is to be posted in the fiscal period ending January 2020, as well as ¥358 million of the ¥687 million in capital gains projected, which is to be posted in the fiscal period ending July 2020, are retained through 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.”
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.