

March 16, 2020

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 Tokyo 150-0043, JAPAN

FINANCIAL REPORT FOR THE FISCAL PERIOD ENDED JANUARY 2020

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

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

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Planned date of filing Securities Report: April 24, 2020

Planned start of dividend payments: April 15, 2020

Supplementary documents for results: YES

Results briefing: NO

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 FISCAL PERIOD ENDED JANUARY 2020 (AUGUST 1, 2019 – JANUARY 31, 2020)

(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)	(%)
Period Ended January 2020	8,123	10.3	4,049	20.9	3,578	25.2
Period Ended July 2019	7,366	-2.1	3,349	-5.6	2,858	-5.7

	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)	(%)	(%)	(%)
Period Ended January 2020	3,580	25.3	3,662	3.1	1.6	44.0
Period Ended July 2019	2,857	-5.7	2,923	2.5	1.3	38.8

(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)	(%)	(%)
Period Ended January 2020	3,298	3,224	-	-	90.0	2.8
Period Ended July 2019	2,923	2,857	-	-	100.0	2.5

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

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

(3) Financial Position

	Total Assets	Net Assets	Unitholders' Capital to Total Assets	Net Assets per Unit
	(Millions of Yen)	(Millions of Yen)	(%)	(Yen)
Period Ended January 2020	219,504	114,420	52.1	117,041
Period Ended July 2019	218,587	113,697	52.0	116,302

(4) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the end of Period
	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)
Period Ended January 2020	6,486	-1,884	-3,173	4,018
Period Ended July 2019	3,606	-4,049	-4,229	2,590

**FORECAST OF RESULTS FOR THE FISCAL PERIOD ENDING JULY 2020 (FEBRUARY 1, 2020 – JULY 31, 2020)
AND THE FISCAL PERIOD ENDING JANUARY 2021 (AUGUST 1, 2020 – JANUARY 31, 2021)**

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)
Period Ending July 2020	8,295	2.1	4,230	4.5	3,760	5.1	3,759	5.0	3,460	-
Period Ending January 2021	7,673	-7.5	3,613	-14.6	3,167	-15.8	3,166	-15.8	3,240	-

Reference: Estimated net income per unit for the Fiscal Period Ending July 2020: ¥ 3,845
 Estimated net income per unit for the Fiscal Period Ending January 2021: ¥ 3,239
 Total number of investment units issued and outstanding for the Period Ending July 2020: 977,600 units
 Total number of investment units issued and outstanding for the Period Ending January 2021: 977,600 units

Note: Distribution per unit for the fiscal period ending July 2020 is assumed to be net income less provision of the amount of reserve for reduction entry (estimated amount: ¥375 million yen).

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, 2020 and 977,600 units as of July 31, 2019.

No investment unit is held by TOKYU REIT itself as of January 31, 2020 and July 31, 2019.

Note 1: Status of auditing procedure

This summary of financial results is not subject to audit procedures by certified public accountant or audit firm.

Note 2: Forecasts for operating revenues, operating income, ordinary income, and 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.

Forecasts presented in this document are based on “Assumptions for Forecasts for the Fiscal Period Ending July 2020 and the Fiscal Period Ending January 2021” identified in the separate reference attached.

Assumptions for Forecasts for the Fiscal Period Ending July 2020 and the Fiscal Period Ending January 2021

Forecasts for operating revenues, operating income, ordinary income, net income, distribution per unit and distribution in excess of earnings per unit for the fiscal period ending July 2020 and the fiscal period ending January 2021 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"> • Regarding 32 properties owned by TOKYU REIT as of January 31, 2020, the acquisition of KN Jiyugaoka Plaza and disposition of TOKYU REIT Akasaka Hinokicho Building is taken place in the form of 51% quasi-co-ownership interest on March 4, 2020, respectively. 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 January 2021.
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 ¥701 million in the fiscal period ending July 2020 resulting from the disposition of TOKYU REIT Akasaka Hinokicho Building in the form of 51% quasi-co-ownership interest is projected. • Occupancy Rates as of the end of the fiscal period ending July 2020 and the fiscal period ending January 2021 are projected to be 99.5% and 99.9%, respectively.
Operating expenses	<ul style="list-style-type: none"> • Outsourcing expenses for the fiscal period ending July 2020 and the fiscal period ending January 2021 are projected to be ¥449 million and ¥446 million, respectively. • Repair, maintenance and renovation expenses for buildings for the fiscal period ending July 2020 and the fiscal period ending January 2021 are projected to be ¥238 million and ¥246 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, on real estate TOKYU REIT possesses, are calculated based on the amount expected to be imposed in each fiscal period (Period Ending July 2020 : ¥695 million / Period Ending January 2021 : ¥687 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 July 2020 : ¥977 million / Period Ending January 2021 : ¥985 million). • Rental expenses other than those listed above are 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 July 2020 and the fiscal period ending January 2021 are expected to be ¥824 million and ¥787 million, respectively.
Non-operating expenses	<ul style="list-style-type: none"> • Interest expenses for the fiscal period ending July 2020 and the fiscal period ending January 2021 are expected to be ¥443 million and ¥418 million, respectively. Interest expenses include interest expense, interest expense on investment corporation bonds, and other financial expenses.

Interest-Bearing Debt	<ul style="list-style-type: none"> • The balance of interest-bearing debt as of January 31, 2020, is ¥92,000 million (long-term debt of ¥84,000 million and investment corporation bonds of ¥8,000 million). As for borrowings for which repayment dates are approaching in the fiscal period ending July 2020, it is assumed that long-term debt of ¥6,500 million will be entirely refinanced. • With borrowings (long-term debt of ¥ 7,400 million) repayment dates approaching in the fiscal period ending January 2021, it is assumed that long-term debt will be refinanced. • Balance of interest-bearing debt as of the end of the fiscal period ending July 2020 and the fiscal period ending January 2021 are projected to be ¥92,000 million (long-term debt of ¥84,000 million and investment corporation bonds of ¥8,000 million). • LTVs as of the end of the fiscal period ending July 2020 and the fiscal period ending January 2021 are projected to be 41.8%. (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 and outstanding as of March 16, 2020, through the end of the fiscal period ending January 2021.
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, ¥375 million of the ¥701 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.” • 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.
Distribution in excess of earnings per unit	<ul style="list-style-type: none"> • TOKYU REIT does not currently anticipate distribution 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.