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Notice Concerning Revision to Expected Operating Condition and Distribution Forecast
for the Fiscal Period Ending January 2022 (37th Fiscal Period)
and the Fiscal Period Ending July 2022 (38th 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 2022 (FP 37) (from August 1, 2021 to January 31, 2022), which had been announced on September 10, 2021 and to revise its expected operating condition and its distribution forecast for its Fiscal Period Ending July 2022 (FP 38) (from February 1, 2022 to July 31, 2022), which had been announced on October 29, 2021.

1. Revision to Expected Operating Condition and Distribution Forecast

(1) Fiscal Period Ending January 2022 (FP 37)

	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)	8,412	4,101	3,690	3,689	3,773	3,410	—
Revised Forecast (B)	11,587	7,386	6,975	6,974	7,134	3,950	—
Change (B) -(A)	3,174	3,284	3,285	3,285	3,361	540	—
Change	37.7 %	80.1 %	89.0 %	89.1 %	89.1 %	15.8 %	—

(2) Fiscal Period Ending July 2022 (FP 38)

	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)	8,939	4,501	4,104	4,106	4,200	3,780	—
Revised Forecast (B)	8,307	4,521	4,125	4,127	4,222	3,800	—
Change (B) -(A)	-631	19	20	20	22	20	—
Change	-7.1 %	0.4 %	0.5 %	0.5 %	0.5 %	0.5 %	—

(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 2022 (37th fiscal period) and ending July 2022 (38th fiscal period) 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 10, 2021 are expected to occur with the recording of 3,354 million yen of gain on sale of real estate, etc. in the fiscal period ending January 2022 (37th fiscal period).

Second, amendments are expected to be made to the assumptions for forecasts for the fiscal period ending July 2022 announced on October 29, 2021. They are both due to the property acquisition and disposition announced today in “Notice Concerning Disposition (Setagaya Business Square) of Trust Beneficiary Interest in Domestic Real Estate” and in “Notice Concerning Acquisition (Aoyama Oval Building) of Trust Beneficiary Interest in Domestic Real Estate.”

[Reference]

Timely Disclosure Relating to the Disposition of the Property

November 22, 2021

“Notice Concerning Disposition (Setagaya Business Square) of Trust Beneficiary Interest in Domestic Real Estate”

Timely Disclosure Relating to the Acquisition of the Property

November 22, 2021

“Notice Concerning Acquisition (Aoyama Oval Building) of Trust Beneficiary Interest in Domestic Real Estate”

**Assumptions for Forecasts for the Fiscal Period Ending January 2022
and the Fiscal Period Ending July 2022**

	Preconditions and Assumptions
Property portfolio	<ul style="list-style-type: none"> Regarding the 32 properties owned by TOKYU REIT as of today, it is assumed that Setagaya Business Square will be disposed of on December 1, 2021, that 30% co-ownership interest in OKI System Center (land with leasehold interest) will be disposed of on December 24, 2021 and on February 25, 2022 respectively, that Aoyama Oval Building will be acquired on December 10, 2021, and that Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building) will be disposed of on March 31, 2022. 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 2022.
Operating revenues	<ul style="list-style-type: none"> 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. Gain on sale of real estate, etc. of ¥3,354 million in the fiscal period ending January 2022 resulting from the disposition of Setagaya Business Square is projected. Occupancy Rates as of the end of the fiscal period ending January 2022 and the fiscal period ending July 2022 are projected to be 97.1% and 99.1%, respectively. As to the impact of COVID-19, rent reduction/exemption of some retail tenants concluded at this point in time are factored in upon calculation.
Operating expenses	<ul style="list-style-type: none"> Outsourcing expenses for the fiscal period ending January 2022 and the fiscal period ending July 2022 are projected to be ¥441 million and ¥391 million, respectively. Repair, maintenance and renovation expenses for buildings for the fiscal period ending January 2022 and the fiscal period ending July 2022 are projected to be ¥285 million and ¥301 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 January 2022: ¥637 million / Period Ending July 2022: ¥654 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 2022: ¥998 million / Period Ending July 2022: ¥820 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 January 2022 and the fiscal period ending July 2022 are expected to be ¥979 million and ¥835 million, respectively.
Non-operating expenses	<ul style="list-style-type: none"> Interest expenses for the fiscal period ending January 2022 and the fiscal period ending July 2022 are expected to be ¥384 million and ¥369 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 today, is ¥97,600 million (short-term debt of ¥3,200 million, long-term debt of ¥86,400 million and investment corporation bonds of ¥8,000 million). Short-term debt of ¥3,200 million due for repayment in the fiscal period ending January 2022 is assumed to be repaid using proceeds from the sale of Setagaya Business Square. In addition, long-term debt of ¥5,000 million is assumed to be entirely refinanced. As for long-term debt of ¥9,400 million due for repayment in the fiscal period ending July 2022, it is assumed that part of ¥900 million will be repaid while the remaining will be refinanced. Balance of interest-bearing debt as of the end of the fiscal period ending January 2022 is projected to be ¥94,400 million (long-term debt of ¥86,400 million and investment corporation bonds of ¥8,000 million), and the fiscal period ending July 2022 is projected to be ¥93,500 million (long-term debt of ¥85,500 million and investment corporation bonds of ¥8,000 million).

Interest-Bearing Debt	<ul style="list-style-type: none"> LTVs as of the end of the fiscal period ending January 2022 and the fiscal period ending July 2022 are projected to be 41.7% and 41.6%, respectively. (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 today, through the end of the fiscal period ending July 2022.
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. Forecasts are based on the assumption that, as for the capital gain projected from the disposition of Shonan Mall Fill (land with leasehold interest), ¥428 million of the ¥662 million in capital gains projected, which is to be posted in the fiscal period ending January 2022, are retained through application of the “Special Provisions for Taxation in Cases of Repurchase of Specified Assets” (Article 65-7 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.” Forecasts are based on the assumption that, as for the capital gain projected from the disposition of Setagaya Business Square, ¥2,683 million of the ¥3,354 million in gain on sale of real estate, etc. projected, which is to be posted in the fiscal period ending January 2022, are retained through application of the “Special Provisions for Taxation in Cases of Repurchase of Specified Assets” (Article 65-7 of Special Taxation Measures Law) for provision as reserve for reduction entry of replaced property stipulated in the “Ordinance on Accountings of Investment Corporations.” Forecasts are based on the assumption that, as for the capital gain projected from the disposition of Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building), ¥412 million of the ¥1,417 million in gain on sale of real estate, etc. projected, which is to be posted in the fiscal period ending July 2022, are retained through application of the “Special Provisions for Taxation in Cases of Repurchase of Specified Assets” (Article 65-7 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. Forecasts are made under the assumption that there will be no prolonged impact of the COVID-19 pandemic or further spread.

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.