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**Notice Concerning Revision to Expected Operating Condition  
and Revision to Distribution Forecast for the 30th Fiscal Period (Ending July 31, 2018)  
and the 31st Fiscal Period (Ending January 31, 2019)**

TOKYU REIT, Inc. (“TOKYU REIT”) today announced a decision to revise its expected operating condition and its distribution forecast for its 30th Fiscal Period (from February 1, 2018 to July 31, 2018) and to revise its expected operating condition and its distribution forecast for its 31st Fiscal Period (from August 1, 2018 to January 31, 2019) which were announced on March 15, 2018.

**1. Revision to Expected Operating Condition and Revision to Distribution Forecast**

(1) 30th Fiscal Period (from February 1, 2018 to July 31, 2018)

	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)	7,116	3,133	2,611	2,610	2,670	2,670	0
Revised Forecast (B)	7,121	3,170	2,650	2,649	2,710	2,710	0
Change (B) — (A)	5	36	39	39	40	40	—
Change	0.1%	1.2%	1.5%	1.5%	1.5%	1.5%	—
<Reference> Actual Distribution per Unit for the Previous Period (29th Fiscal Period ended January 31, 2018)	7,032	3,068	2,494	2,493	2,550	2,650	0

(2) 31st Fiscal Period (from August 1, 2018 to January 31, 2019)

	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)	7,172	3,191	2,670	2,669	2,730	2,730	0
Revised Forecast (B)	7,492	3,463	2,943	2,942	3,010	3,010	0
Change (B) - (A)	320	272	273	273	280	280	—
Change	4.5%	8.5%	10.2%	10.2%	10.3%	10.3%	—

(Note 1) The forecasts presented in this document have been calculated in accordance with the assumptions set out under certain condition as follows. 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

In line with the disposition of assets as described in “Notice Concerning Acquisition (Lucid Square Ebisu) and Disposition (TOKYU REIT Kiba Building) of Trust Beneficiary Interest in Domestic Real Estate” separately announced today, gain on property disposition of 314 million yen is expected to occur and also the forecast distribution per unit is projected to change by 5% or more due to changes in the assumptions for the forecast for 31st fiscal period ending January 2019 announced on March 15, 2018. Accordingly, TOKYU REIT has decided to revise the operating condition and distribution forecasts. Along with the revision, TOKYU REIT is to also revise the operating condition forecast for the fiscal period ending July 2018.

**Assumptions for Forecasts for the 30th Fiscal Period (from February 1, 2018 to July 31, 2018) and the 31st Fiscal Period (from August 1, 2018 to January 31, 2019)**

Item	Preconditions and Assumptions
Period of operation	<ul style="list-style-type: none"> <li>• 30th Fiscal Period (from February 1, 2018 to July 31, 2018)</li> <li>• 31st Fiscal Period (from August 1, 2018 to January 31, 2019)</li> </ul>
Property portfolio	<ul style="list-style-type: none"> <li>• It is assumed that the acquisition of Lucid Square Ebisu and disposition of TOKYU REIT Kiba Building, on August 1, 2018 as well as the acquisition of REVE Nakameguro (land with leasehold interest) on September 27, 2018 will be reflected in the 29 properties owned by TOKYU REIT as of July 13, 2018. For details of the acquisition and the disposition, please refer to “Notice Concerning Acquisition (Lucid Square Ebisu) and Disposition (TOKYU REIT Kiba Building) of Trust Beneficiary Interest in Domestic Real Estate” dated today and “Notice Concerning Acquisition of Property (REVE Nakameguro (land with leasehold interest))” dated June 22, 2018.</li> <li>• For other properties, it is assumed that there will be no transfers (new property acquisition or disposition of owned properties) until the end of the 31st fiscal period.</li> </ul>
Operating revenues	<ul style="list-style-type: none"> <li>• Rental revenues are calculated based on lease agreements effective as of June 22, 2018, rent level, occupancy rates and other variable elements considering transfers of properties (the acquisition and the disposition above mentioned), the recent real estate market conditions, negotiations with tenants, competitive properties located in the same areas etc. Forecasts are based on the assumption there is no payment delay or nonpayment of tenants.</li> <li>• Posting gain on property disposition of 314 million yen in the 31st fiscal period resulting from the disposition of TOKYU REIT Kiba Building on August 1, 2018 is projected.</li> <li>• Occupancy Rates as of the end of the 30th fiscal period and 31st fiscal period are projected to be 99.3% and 99.0%, respectively.</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>• Outsourcing expenses for the 30th and 31st fiscal periods are projected to be ¥446 million and ¥444 million, respectively.</li> <li>• Repair, maintenance and renovation expenses for buildings for the 30th and 31st fiscal periods are projected to be ¥132 million and ¥197 million, respectively. Actual repair, maintenance and renovation expenses for each fiscal period may, however, differ significantly from estimated amounts due to unforeseen circumstances or emergencies and others.</li> <li>• Property and other taxes, such as fixed property tax and city planning tax related to properties owned by TOKYU REIT are calculated based on the amount expected to be imposed in each fiscal period (30th fiscal period: ¥663 million / 31st fiscal period: ¥650 million). Fixed property tax and other taxes paid to the seller as adjustment money in the initial fiscal year upon the property acquisition were not recorded as expenses but included in the relevant property acquisition costs in accordance with the rules of The Investment Trusts Association, Japan.</li> <li>• Depreciation and amortization expenses, including associated costs and additional capital expenditure in the future, are calculated based on the straight-line method (30th fiscal period: ¥1,048 million / 31st fiscal period: ¥1,021 million).</li> <li>• Rental expenses other than those listed above were calculated in consideration of fluctuation factors based on results in past fiscal periods.</li> <li>• Operating expenses other than expenses from real estate operation (investment management fees and asset custodian fees, etc.) for the 30th and 31st fiscal periods are expected to be ¥711 million and ¥726 million, respectively.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>• Interest expenses for the 30th and 31st fiscal periods are expected to be ¥492 million and ¥491 million, respectively.</li> </ul> <p>Interest expenses include interest expense, interest expense on investment corporation bonds, interest expense on security deposits and other financial expenses.</p>

Item	Preconditions and Assumptions
Debt financing	<ul style="list-style-type: none"> <li>• After the date of this document, with borrowings (long-term debt of ¥2,000 million) repayment dates approaching in the 30th fiscal period and borrowings (long-term debt of ¥4,700 million) repayment dates approaching in the 31st fiscal period, it is assumed that all of the long-term debt financing will be refinanced.</li> <li>• LTVs as of the end of the 30th fiscal period and the end of the 31st fiscal period are projected to be 42.5% and 42.5%, respectively. LTV: Interest-bearing debt (forecast) / total assets (forecast)</li> </ul>
Investment units	<ul style="list-style-type: none"> <li>• It is assumed that there will be no additional issuance of investment units to the 977,600 units issued outstanding as of July 13, 2018 through the end of the 31st fiscal period.</li> </ul>
Distribution per unit	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> <li>• TOKYU REIT does not currently anticipate distributions in excess of earnings per unit.</li> </ul>
Other	<ul style="list-style-type: none"> <li>• Forecasts are based on the assumption that revisions will not be made to laws and regulations, tax systems, accounting standards, listing rules, rules of the Investment Trusts Association, Japan that impact forecast figures.</li> <li>• Forecasts are based on the assumption there will be no major unforeseen changes to general economic trends in real estate and other market conditions, etc.</li> </ul>

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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