

September 13, 2016

FINANCIAL REPORT

FOR THE TWENTY-SIXTH FISCAL PERIOD ENDED July 31, 2016

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

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

Contact: Tokyu Real Estate Investment Management Inc. (Investment Management Company)
 Kazuyoshi Kashiwazaki, Representative Director & President, Chief Executive Officer
 Kiyoshi Yamakawa, Executive Officer, Chief Financial Officer and General Manager, Finance and IR
 Tel: +81-3-5428-5828

Planned start of dividend payments: October 17, 2016

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-SIXTH FISCAL PERIOD (FEBRUARY 1, 2016 – JULY 31, 2016)

(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-sixth Fiscal Period	9,500	30.3	3,580	10.1	2,927	13.8
Twenty-fifth Fiscal Period	7,289	2.2	3,251	5.4	2,572	7.3

	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-sixth Fiscal Period	2,926	13.8	2,993	2.6	1.3	30.8
Twenty-fifth Fiscal Period	2,571	7.3	2,630	2.3	1.2	35.3

(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-sixth Fiscal Period	2,695	2,634	0	0	90.0	2.3
Twenty-fifth Fiscal Period	2,631	2,572	0	0	100.0	2.3

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 2016 is calculated by dividing the amount gained by deducting 292 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-sixth Fiscal Period	221,495	113,538	51.3	116,139
Twenty-fifth Fiscal Period	222,868	113,183	50.8	115,777

(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-sixth Fiscal Period	17,259	-13,510	-4,071	8,366
Twenty-fifth Fiscal Period	3,776	-3,744	-2,395	8,688

**FORECAST OF RESULTS FOR TWENTY-SEVENTH FISCAL PERIOD (AUGUST 1, 2016 – JANUARY 31, 2017)
AND TWENTY-EIGHTH FISCAL PERIOD (FEBRUARY 1, 2017 – JULY 31, 2017)**

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-seventh Fiscal Period	7,485	-21.2	3,490	-2.5	2,848	-2.7	2,847	-2.7	2,630	0
Twenty-eighth Fiscal Period	6,816	-8.9	2,818	-19.3	2,230	-21.7	2,229	-21.7	2,630	0

Reference: Estimated net income per unit for the Twenty-seventh fiscal period: ¥2,912

Estimated net income per unit for the Twenty-eighth fiscal period: ¥2,280

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

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

Note: Distribution per unit for the Twenty-seventh fiscal period is based on the assumption that distribution will be of the amount of net income, less provision of reserve for reduction entry (amount assumed to be ¥276 million), and distribution per unit for the Twenty-eighth fiscal period is assumed to be distributed through reversal of part of the reserve for reduction entry (estimated amount: 342 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, 2016 and 977,600 units as of January 31, 2016.

No investment unit is held by TOKYU REIT itself as of July 31, 2016 and January 31, 2016.

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-seventh Fiscal Period (from August 1, 2016 to January 31, 2017) and the Twenty-eighth Fiscal Period (from February 1, 2017 to July 31, 2017)” 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-seventh Fiscal Period (from August 1, 2016 to January 31, 2017) and the Twenty-eighth Fiscal Period (from February 1, 2017 to July 31, 2017)

Forecasts for operating revenues, operating income, ordinary income, net income, distribution per unit and distributions in excess of earnings per unit for the Twenty-seventh Fiscal Period (from August 1, 2016 to January 31, 2017) and the Twenty-eighth Fiscal Period (from February 1, 2017 to July 31, 2017) 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 Tokyu Saginuma 2 Building will be disposed on January 31, 2017, from the 29 properties owned by TOKYU REIT as of July 31, 2016. ● For other properties, it is assumed that there will be no transfers (new properties acquisitions or disposition of owned properties) until the end of the Twenty-eighth fiscal period.
Operating revenues	<ul style="list-style-type: none"> ● Rental revenue is calculated in consideration of lease agreements effective as of July 8, 2016, and transfers of properties (the disposition mentioned above), 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 ¥539 million in the Twenty-seventh fiscal period resulting from the disposition of Tokyu Saginuma 2 Building on January 31, 2017 is projected. ● Occupancy Rates as of the end of the Twenty-seventh fiscal period and the end of the Twenty-eighth fiscal period are projected to be 96.8% and 95.4%, respectively.
Operating expenses	<ul style="list-style-type: none"> ● Outsourcing expenses for the Twenty-seventh and Twenty-eighth fiscal periods are projected to be ¥450 million and ¥453 million, respectively. ● Repair, maintenance and renovation expenses for buildings for the Twenty-seventh and Twenty-eighth fiscal periods are projected to be ¥179 million and ¥218 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-seventh fiscal period: ¥609 million / Twenty-eighth fiscal period: ¥639 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-seventh fiscal period: ¥1,026 million / Twenty-eighth fiscal period : ¥1,045 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-seventh and Twenty-eighth fiscal periods are expected to be ¥696 million and ¥669 million, respectively.
Non-operating expenses	<ul style="list-style-type: none"> ● Interest expenses for the Twenty-seventh and Twenty-eighth fiscal periods are expected to be ¥634 million and ¥581 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, 2016 is ¥95,500 million (long-term debt of ¥86,000 million and investment corporation bonds of ¥9,500 million). With borrowings (long-term debt of ¥7,000 million) repayment dates approaching in the Twenty-seventh fiscal periods, it is assumed that long-term debt will be refinanced. ● With borrowings (long-term debt of ¥7,000 million) repayment dates approaching in the Twenty-eighth fiscal periods, it is assumed that long-term debt will be refinanced. ● Balance of interest-bearing debt as of the end of the Twenty-seventh and the Twenty-eighth fiscal periods are projected to be ¥95,500 million (long-term debt of ¥86,000 million and investment corporation bonds of ¥9,500 million). ● LTVs as of the end of the Twenty-seventh fiscal period and the end of the Twenty-eighth fiscal period are projected to be 43.1% and 43.2%, 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, 2017.
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. However, forecasts are based on the assumption that ¥276 million of the ¥539 million in capital gains projected from the disposition of Tokyu Saginuma 2 Building, which is expected to arise in the Twenty-seventh fiscal period, is retained by application of the “Special Provisions for Taxation in the Case of Advance Acquisition of Land, etc. in 2009 and 2010” for provision as reserve for reduction entry, up to the limit amount of reserve as stipulated in the “Ordinance on Accountings of Investment Corporations.” ● Distribution for the 28th period is assumed to be distributed through reversal of part of the reserve for reduction entry (342 million yen). ● 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.
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