

March 14, 2014

FINANCIAL REPORT

FOR THE TWENTY-FIRST FISCAL PERIOD ENDED January 31, 2014

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

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

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Planned start of dividend payments: April 14, 2014

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-FIRST FISCAL PERIOD (AUGUST 1, 2013 – JANUARY 31, 2014)

(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-first Fiscal Period	7,308	12.5	3,322	18.6	2,508	23.2
Twentieth Fiscal Period	6,495	2.5	2,801	5.1	2,036	7.8

	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-first Fiscal Period	2,507	23.2	2,590	2.4	1.1	34.3
Twentieth Fiscal Period	2,035	7.8	2,403	2.0	1.0	31.4

Note: TOKYU REIT conducted a five-for-one split of investment units with January 31, 2014 as the reference date and February 1, 2014 as the effective date. "Net Income per Unit" in the table above is calculated on the basis that the split of investment units was conducted at the beginning of the twentieth fiscal period. Net income per unit when calculated based on the number of investment units issued and outstanding prior to the split of investment units is ¥12,018 for the twentieth fiscal period and ¥12,951 for the twenty-first fiscal period.

(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-first Fiscal Period	12,823	2,507	0	0	100.0	2.4
Twentieth Fiscal Period	12,019	2,035	0	0	100.0	2.0

Note1: The payout ratio is rounded down to the nearest first decimal place.

Note2: 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 Share of Common Stock
	(Millions of Yen)	(Millions of Yen)	(%)	(Yen)
Twenty-first Fiscal Period	230,966	112,986	48.9	115,575
Twentieth Fiscal Period	206,988	100,055	48.3	118,143

Note: TOKYU REIT conducted a five-for-one split of investment units with January 31, 2014 as the reference date and February 1, 2014 as the effective date. "Net Assets per Share of Common Stock" in the table above is calculated on the basis that the split of investment units was conducted at the beginning of the twentieth fiscal period. Net Assets per Share of Common Stock when calculated based on the number of investment units issued and outstanding prior to the split of investment units is ¥590,716 for the twentieth fiscal period and ¥577,877 for the twenty-first fiscal period.

(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-first Fiscal Period	3,587	-25,276	21,872	5,279
Twentieth Fiscal Period	3,090	-4,908	2,613	5,095

FORECAST OF RESULTS FOR TWENTY-SECOND FISCAL PERIOD (FEBRUARY 1, 2014 – JULY 31, 2014) AND TWENTY-THIRD FISCAL PERIOD (AUGUST 1, 2014 – JANUARY 31, 2015)

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-second Fiscal Period	7,289	-0.3	3,214	-3.3	2,445	-2.5	2,444	-2.5	2,500	0
Twenty-third Fiscal Period	7,303	0.2	3,226	0.4	2,445	-0.0	2,444	-0.0	2,500	0

Reference : Estimated net income per unit for the twenty-second fiscal period: ¥2,500

Estimated net income per unit for the twenty-third fiscal period: ¥2,500

The number of investment units outstanding twenty-second fiscal period: 977,600 units

The number of investment units outstanding twenty-third fiscal period: 977,600 units

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) The number of investment units outstanding

The number of investment units outstanding totaled 195,520 units as of January 31, 2014 and 169,380 units as of July 31, 2013.

No investment unit is held by TOKYU REIT itself as of January 31, 2014 and July 31, 2013.

Note: TOKYU REIT conducted a five-for-one split of investment units with January 31, 2014 as the reference date and February 1, 2014 as the effective date.

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-second Fiscal Period (from February 1, 2014 to July 31, 2014) and the Twenty-third Fiscal Period (from August 1, 2014 to January 31, 2015)” 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.

Note3 :

TOKYU REIT conducted a five-for-one split of investment units with January 31, 2014 as the reference date and February 1, 2014 as the effective date. The “Assumptions for Forecasts for the Twenty-second Fiscal Period (from February 1, 2014 to July 31, 2014) and the Twenty-third Fiscal Period (from August 1, 2014 to January 31, 2015)” is based on the number of investment units issued and outstanding after the split of investment units (977,600 units).

Assumptions for Forecasts for the Twenty-second Fiscal Period (from February 1, 2014 to July 31, 2014) and the Twenty-third Fiscal Period (from August 1, 2014 to January 31, 2015)

Forecasts for operating revenues, operating income, ordinary income, net income, distribution per unit and distributions in excess of earnings per unit for the twenty-second fiscal period (from February 1, 2014 to July 31, 2014) and the twenty-third fiscal period (from August 1, 2014 to January 31, 2015) 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 there will be no transfers (new properties added or existing properties removed from the initial portfolio, etc.) by the end of the Twenty-third Fiscal Period (January 31, 2015) from the 30 properties as of January 31, 2014.
Operating revenues	<ul style="list-style-type: none"> ● Rental revenues are calculated based on lease agreements effective as of March 4, 2014. For tenants, announced lease cancellation by March 4, 2014, is considered as vacant during the period from the cancellation date to the end of the twenty-third fiscal period. Average leasing rates are calculated based on those for competitive properties located in the same areas and exhibiting the same market trends. Forecasts are based on the assumption that there is no payment delay or nonpayment of tenants. ● Occupancy Rates as of the end of the twenty-second fiscal period and the end of the twenty-third fiscal period are projected to be 97.6% and 97.4%, respectively.
Operating expenses	<ul style="list-style-type: none"> ● Outsourcing expenses for the twenty-second and twenty-third fiscal periods are projected to be ¥469 million and ¥469 million, respectively. ● Repair, maintenance and renovation expenses for buildings for the twenty-second and twenty-third fiscal periods are projected to be ¥179 million and ¥150 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 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-second fiscal period: ¥678 million / twenty-third fiscal period: ¥671 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-second fiscal period: ¥1,087 million / twenty-third fiscal period : ¥1,099 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-second and twenty-third fiscal periods are expected to be ¥666 million and ¥668 million, respectively.
Non-operating expenses	<ul style="list-style-type: none"> ● Interest expenses for the twenty-second and twenty-third fiscal periods are expected to be ¥758 million and ¥771 million, respectively. Interest expenses include interest expense, interest expense on investment corporation bonds, interest expense on security deposits and other financial expenses. ● The amortization of issuance expenses for the new investment units issued in the twenty-first fiscal period are ¥8 million for the twenty-second fiscal period and ¥8 million for the twenty-third fiscal period.

Debt financing	<ul style="list-style-type: none"> ● Of the balance of interest-bearing debt as of the date of this document of ¥106,000 million (short-term debt of ¥8,000 million, long-term debt of ¥83,500 million, and investment corporation bonds of ¥14,500 million), it is assumed that short-term debt of ¥3,000 million will be repaid in the twenty-second fiscal period with funds from the investment corporation bonds issued on March 11, 2014 and cash on hand. ● After the date of this document, with borrowings (short-term debt of ¥5,000 million (excluding the short-term debt of ¥3,000 million expected to be repaid in the twenty-second fiscal period above), and long-term debt of ¥2,000 million) repayment dates approaching in the twenty-second and twenty-third fiscal periods, it is assumed that all will be refinanced. In addition, with investment corporation bonds (¥5,000 million) redemption date approaching in the twenty-third fiscal period, it is assumed that the investment corporation bonds will be redeemed with funds from issuance of investment corporation bonds (¥5,000 million). ● LTVs as of the end of the twenty-second fiscal period and the end of the twenty-third fiscal period are projected to be 44.6% and 44.7%, respectively. LTV: Interest-bearing debt (forecast) / total assets (forecast)
Investment units	<ul style="list-style-type: none"> ● TOKYU REIT has 977,600 investment units issued and outstanding as of January 31, 2015.
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. ● 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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