

March 14, 2019

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Tokyo 150-0043, JAPAN

FINANCIAL REPORT FOR THE FISCAL PERIOD ENDED JANUARY 2019

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 26, 2019

Planned start of dividend payments: April 15, 2019

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 FISCAL PERIOD ENDED JANUARY 2019 (AUGUST 1, 2018 – JANUARY 31, 2019)

(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 2019	7,523	5.7	3,547	10.9	3,029	13.1
Period Ended July 2018	7,119	1.2	3,197	4.2	2,679	7.4

	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 2019	3,029	13.1	3,098	2.7	1.4	40.3
Period Ended July 2018	2,678	7.4	2,739	2.4	1.2	37.6

(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 2019	3,099	3,029	0	0	100.0	2.7
Period Ended July 2018	2,739	2,677	0	0	100.0	2.4

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 Share of Common Stock
	(Millions of Yen)	(Millions of Yen)	(%)	(Yen)
Period Ended January 2019	219,958	113,869	51.8	116,478
Period Ended July 2018	219,396	113,517	51.7	116,118

(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)
Period Ended January 2019	8,152	-6,256	-2,677	7,262
Period Ended July 2018	3,708	-743	-1,090	8,044

**FORECAST OF RESULTS FOR THE FISCAL PERIOD ENDED JULY 2019 (FEBRUARY 1, 2019 – JULY 31, 2019)
AND THE FISCAL PERIOD ENDED JANUARY 2020 (AUGUST 1, 2019 – JANUARY 31, 2020)**

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 2019	7,371	-2.0	3,261	-8.1	2,767	-8.7	2,766	-8.7	2,880	0
Period Ending January 2020	7,419	0.7	3,309	1.5	2,825	2.1	2,824	2.1	2,950	0

Reference: Estimated net income per unit for the fiscal period ending July 2019: ¥ 2,829

Estimated net income per unit for the fiscal period ending January 2020: ¥ 2,888

Total number of investment units issued and outstanding for the Period Ending July 2019: 977,600 units

Total number of investment units issued and outstanding for the Period Ending January 2020: 977,600 units

Note: Distribution per unit for the fiscal period ending July 2019 is assumed to be distributed through reversal of part of the reserve for reduction entry (estimated amount: 50 million yen) in addition to net income. Distribution per unit for the fiscal period ending January 2020 is assumed to be distributed through reversal of part of the reserve for reduction entry (estimated amount: 60 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 January 31, 2019 and 977,600 units as of July 31, 2018.

No investment unit is held by TOKYU REIT itself as of January 31, 2019 and July 31, 2018.

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 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 2019 and the Fiscal Period Ending January 2020” identified in the separate reference attached.

Assumptions for Forecasts for the Fiscal Period Ending July 2019 and the Fiscal Period Ending January 2020

Forecasts for operating revenues, operating income, ordinary income, net income, distribution per unit and distributions in excess of earnings per unit for the fiscal period ending July 2019 and the fiscal period ending January 2020 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 30 properties owned by TOKYU REIT as of January 31, 2019, the exchange of Shibuya Dogenzaka Sky Building and Tokyu Bancho Building (additional acquisition), and KALEIDO Shibuya Miyamasuzaka is scheduled on March 28, 2019. 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 2020.
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. Concerning the Exchange, TOKYU REIT plans to implement reduction entry by applying the stipulation for “inclusion in deductible expenses of the amount of advanced depreciation of assets acquired by exchange” in Article 50 of the Corporation Tax Act. Accordingly, TOKYU REIT will be able to reduce ¥2,685 million out of the ¥2,726 million (expected amount as of March 28, 2019), which is the difference between the disposition price and book value of KALEIDO Shibuya Miyamasuzaka, and expects a ¥40 million of gain on exchange of properties after the reduction in the fiscal period ending July 2019. Occupancy Rates as of the end of the fiscal period ending July 2019 and the fiscal period ending January 2020 are projected to be 99.5% and 99.8%, respectively.
Operating expenses	<ul style="list-style-type: none"> Outsourcing expenses for the fiscal period ending July 2019 and the fiscal period ending January 2020 are projected to be ¥454 million and ¥447 million, respectively. Repair, maintenance and renovation expenses for buildings for the fiscal period ending July 2019 and the fiscal period ending January 2020 are projected to be ¥214 million and ¥235 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 (Period Ending July 2019: ¥675 million / Period Ending January 2020: ¥663 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 2019 : ¥983 million / Period Ending January 2020 : ¥1,000 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 fiscal period ending July 2019 and the fiscal period ending January 2020 are expected to be ¥762 million and ¥735 million, respectively.
Non-operating expenses	<ul style="list-style-type: none"> Interest expenses for the fiscal period ending July 2019 and the fiscal period ending January 2020 are expected to be ¥468 million and ¥459 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 January 31, 2019 is ¥ 93,500 million (long-term debt of ¥ 84,000 million and investment corporation bonds of ¥ 9,500 million). With borrowings (long-term debt of ¥ 4,300 million) repayment dates approaching in the fiscal period ending July 2019, it is assumed that long-term debt will be refinanced. It is assumed that short-term debt of ¥2,000 million will be taken out in March 2019 and repaid with cash on hand in the fiscal period ending July 2019. In addition, it is assumed that investment corporation bonds of ¥3,500 million due for redemption will be entirely redeemed with cash on hand. • With borrowings (long-term debt of ¥ 4,900 million) repayment dates approaching in the fiscal period ending January 2020, it is assumed that long-term debt will be refinanced. Furthermore, it is assumed that short-term debt of ¥2,000 million will be taken out in September 2019 and repaid with cash on hand in the fiscal period ending January 2020. • Balance of interest-bearing debt as of the end of the fiscal period ending July 2019 and the fiscal period ending January 2020 are projected to be ¥90,000 million (long-term debt of ¥84,000 million and investment corporation bonds of ¥6,000 million). • LTVs as of the end of the fiscal period ending July 2019 and the fiscal period ending January 2020 are projected to be 41.6 % 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 outstanding as of March 14, 2019 through the end of the fiscal period ending January 2020.
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. • Distribution for the fiscal period ending July 2019 are assumed to be distributed through reversal of part of the reserve for reduction entry (Period Ending July 2019: 50 million yen). • Distribution for the fiscal period ending January 2020 are assumed to be distributed through reversal of part of the reserve for reduction entry (Period Ending January 2020: 60 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. 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.