

March 16, 2015

FINANCIAL REPORT

FOR THE TWENTY-THIRD FISCAL PERIOD ENDED January 31, 2015

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 13, 2015

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-THIRD FISCAL PERIOD (AUGUST 1, 2014 – JANUARY 31, 2015)

(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-third Fiscal Period	7,541	3.3	3,383	4.9	2,661	8.1
Twenty-second Fiscal Period	7,302	-0.1	3,225	-2.9	2,462	-1.8

	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-third Fiscal Period	2,660	8.1	2,721	2.4	1.2	35.3
Twenty-second Fiscal Period	2,461	-1.8	2,517	2.2	1.1	33.7

(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-third Fiscal Period	2,586	2,528	0	0	95.0	2.2
Twenty-second Fiscal Period	2,517	2,460	0	0	100.0	2.2

Note: The payout ratio is calculated by the following formula.

Payout Ratio=Total Distributions/Net Income×100

Furthermore, distribution per unit for the twenty-third fiscal period is calculated by subtracting provision of reserve for reduction entry (¥132 million) from retained earnings of the twenty-third fiscal period and dividing the derived amount by the number of investment units outstanding.

(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-third Fiscal Period	223,346	113,140	50.7	115,732
Twenty-second Fiscal Period	230,969	112,940	48.9	115,528

(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-third Fiscal Period	11,857	1,694	-8,457	11,115
Twenty-second Fiscal Period	3,926	-642	-2,542	6,020

FORECAST OF RESULTS FOR TWENTY- FOURTH FISCAL PERIOD (FEBRUARY 1, 2015 – JULY 31, 2015) AND TWENTY- FIFTH FISCAL PERIOD (AUGUST 1, 2015 – JANUARY 31, 2016)

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-fourth Fiscal Period	7,112	-5.7	3,013	-10.9	2,317	-12.9	2,316	-12.9	2,420	0
Twenty-fifth Fiscal Period	7,139	0.4	3,006	-0.2	2,323	0.3	2,322	0.3	2,460	0

Reference: Estimated net income per unit for the twenty-fourth fiscal period: ¥2,369

Estimated net income per unit for the twenty-fifth fiscal period: ¥2,375

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

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

Note : Distribution per unit for the twenty-fourth fiscal period and twenty-fifth fiscal period are based on the assumption that distribution will be the amount of net income, plus reversal of provision of reserve for reduction entry (¥50 million for the twenty-fourth fiscal period and ¥82 million for the twenty-fifth fiscal period).

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 977,600 units as of January 31, 2015 and 977,600 units as of July 31, 2014.

No investment unit is held by TOKYU REIT itself as of January 31, 2015 and July 31, 2014.

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-fourth Fiscal Period (from February 1, 2015 to July 31, 2015) and the Twenty-fifth Fiscal Period (from August 1, 2015 to January 31, 2016)” 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-fourth Fiscal Period (from February 1, 2015 to July 31, 2015) and the Twenty-fifth Fiscal Period (from August 1, 2015 to January 31, 2016)

Forecasts for operating revenues, operating income, ordinary income, net income, distribution per unit and distributions in excess of earnings per unit for the twenty-fourth Fiscal Period (from February 1, 2015 to July 31, 2015) and the twenty-fifth Fiscal Period (from August 1, 2015 to January 31, 2016) 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-fifth Fiscal Period (January 31, 2016) from the 29 properties as of January 31, 2015.
Operating revenues	<ul style="list-style-type: none"> Rental revenues are calculated based on lease agreements effective as of February 28, 2015. For tenants, announced lease cancellation by February 28, 2015, is considered as vacant during the period from the cancellation date to the end of the twenty-fifth 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-fourth fiscal period and the end of the twenty-fifth fiscal period are projected to be 98.0% and 97.7%, respectively.
Operating expenses	<ul style="list-style-type: none"> Outsourcing expenses for the twenty-fourth and twenty-fifth fiscal periods are projected to be ¥461 million and ¥459 million, respectively. Repair, maintenance and renovation expenses for buildings for the twenty-fourth and twenty-fifth fiscal periods are projected to be ¥256 million and ¥268 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-fourth fiscal period: ¥635 million / twenty-fifth fiscal period: ¥632 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-fourth fiscal period: ¥1,003 million / twenty-fifth fiscal period : ¥1,038 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-fourth and twenty-fifth fiscal periods are expected to be ¥654 million and ¥652 million, respectively. Furthermore, it is assumed that the calculation rates for Base 1 and Base 2 of investment management fees will be approved to amend at the seventh general meeting of unitholders to be held on April 17, 2015.
Non-operating expenses	<ul style="list-style-type: none"> Interest expenses for the twenty-fourth and twenty-fifth fiscal periods are expected to be ¥681 million and ¥667 million, respectively. Interest expenses include interest expense, interest expense on investment corporation bonds, 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-fourth fiscal period and ¥8 million for the twenty-fifth fiscal period.
Debt financing	<ul style="list-style-type: none"> After the date of this document, with borrowings (long-term debt of ¥11,200 million) repayment dates approaching in the twenty-fourth and twenty-fifth fiscal periods, it is assumed that all will be refinanced. LTVs as of the end of the twenty-fourth fiscal period and the end of the twenty-fifth fiscal period are projected to be 43.5% and 43.5%, 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, 2016.

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. ● In the twenty-third fiscal period, ¥132 million from ¥466 million of capital gains from the disposition of Beacon Hill Plaza (Ito-Yokado Noukendai Store) on August 8, 2014 is internally reserved as reserve for reduction entry pursuant to the “Special Provisions for Taxation in the Case of Advance Acquisition of Land, etc. in 2009 and 2010” (Article 66-2 of Special Taxation Measures Law). Forecasts are based on the assumption that, concerning the amount internally reserved, distribution will be after reversal of the ¥50 million and ¥82 million in the twenty-fourth and twenty-fifth fiscal periods, respectively. ● 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.