

September 11, 2015

FINANCIAL REPORT

FOR THE TWENTY-FOURTH FISCAL PERIOD ENDED July 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: October 15, 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-FOURTH FISCAL PERIOD (FEBRUARY 1, 2015 – JULY 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-fourth Fiscal Period | 7,133 | -5.4 | 3,083 | -8.9 | 2,396 | -9.9 |
| Twenty-third Fiscal Period | 7,541 | 3.3 | 3,383 | 4.9 | 2,661 | 8.1 |

| | 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-fourth Fiscal Period | 2,396 | -9.9 | 2,450 | 2.1 | 1.1 | 33.6 |
| Twenty-third Fiscal Period | 2,660 | 8.1 | 2,721 | 2.4 | 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-fourth Fiscal Period | 2,451 | 2,396 | 0 | 0 | 100.0 | 2.1 |
| Twenty-third Fiscal Period | 2,586 | 2,528 | 0 | 0 | 95.0 | 2.2 |

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

Payout Ratio=Total Distributions/Net Income×100

Distribution per unit for the twenty-third fiscal period is calculated by subtracting provision of reserve for reduction entry (¥132 million) from retained earnings and dividing the derived amount by the total number of investment units issued and 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-fourth Fiscal Period | 222,810 | 113,008 | 50.7 | 115,597 |
| Twenty-third Fiscal Period | 223,346 | 113,140 | 50.7 | 115,732 |

(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-fourth Fiscal Period | 3,117 | -652 | -2,527 | 11,052 |
| Twenty-third Fiscal Period | 11,857 | 1,694 | -8,457 | 11,115 |

FORECAST OF RESULTS FOR TWENTY- FIFTH FISCAL PERIOD (AUGUST 1, 2015 – JANUARY 31, 2016) AND TWENTY- SIXTH FISCAL PERIOD (FEBRUARY 1, 2016 – JULY 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-fifth Fiscal Period | 7,246 | 1.6 | 3,085 | 0.1 | 2,406 | 0.4 | 2,405 | 0.4 | 2,460 | 0 |
| Twenty-sixth Fiscal Period | 7,183 | -0.9 | 3,063 | -0.7 | 2,405 | -0.0 | 2,404 | -0.0 | 2,460 | 0 |

Reference: Estimated net income per unit for the twenty-fifth fiscal period: ¥2,460

Estimated net income per unit for the twenty-sixth fiscal period: ¥2,459

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

Total number of investment units issued and outstanding for the twenty-sixth 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) 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, 2015 and 977,600 units as of January 31, 2015.

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

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-fifth Fiscal Period (from August 1, 2015 to January 31, 2016) and the Twenty-sixth Fiscal Period (from February 1, 2016 to July 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-fifth Fiscal Period (from August 1, 2015 to January 31, 2016) and the Twenty-sixth Fiscal Period (from February 1, 2016 to July 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-fifth Fiscal Period (from August 1, 2015 to January 31, 2016) and the twenty-sixth Fiscal Period (from February 1, 2016 to July 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-sixth Fiscal Period (July 31, 2016) from the 29 properties as of July 31, 2015. |
| Operating revenues | <ul style="list-style-type: none"> Rental revenue is calculated in consideration of lease agreements effective as of August 31, 2015, and 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. Occupancy Rates as of the end of the twenty-fifth fiscal period and the end of the twenty-sixth fiscal period are projected to be 98.4% and 96.9%, respectively. |
| Operating expenses | <ul style="list-style-type: none"> Outsourcing expenses for the twenty-fifth and twenty-sixth fiscal periods are projected to be ¥463 million and ¥460 million, respectively. Repair, maintenance and renovation expenses for buildings for the twenty-fifth and twenty-sixth fiscal periods are projected to be ¥304 million and ¥278 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-fifth fiscal period: ¥637 million / twenty-sixth fiscal period: ¥644 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-fifth fiscal period: ¥1,029 million / twenty-sixth fiscal period : ¥1,025 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-fifth and twenty-sixth fiscal periods are expected to be ¥664 million and ¥665 million, respectively. |
| Non-operating expenses | <ul style="list-style-type: none"> Interest expenses for the twenty-fifth and twenty-sixth fiscal periods are expected to be ¥664 million and ¥643 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-fifth fiscal period and ¥8 million for the twenty-sixth fiscal period. |
| Debt financing | <ul style="list-style-type: none"> After the date of this document, with borrowings (long-term debt of ¥5,700 million) repayment dates approaching in the twenty-fifth and twenty-sixth fiscal periods, it is assumed that long-term debt of ¥1,500 million will be repaid with cash on hand and all of the remaining will be refinanced. LTVs as of the end of the twenty-fifth fiscal period and the end of the twenty-sixth fiscal period are projected to be 43.5% and 43.1%, 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, 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. ● Distribution for the twenty-fifth and twenty-sixth fiscal periods are based on the assumption that distribution will be made without reversal of internal reserves (Note). (Note) Refers to capital gains from the disposition of Beacon Hill Plaza (Ito-Yokado Noukendai Store) on August 8, 2014 retained 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) in the amount of ¥132 million. ● 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.