

March 16, 2021

FINANCIAL REPORT FOR THE FISCAL PERIOD ENDED JANUARY 2021

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 23, 2021

Planned start of dividend payments: April 15, 2021

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 2021 (AUGUST 1, 2020 – JANUARY 31, 2021)

(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 2021	8,611	5.0	4,538	4.9	4,084	5.9
Period Ended July 2020	8,203	1.0	4,325	6.8	3,856	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)	(%)	(%)	(%)
Period Ended January 2021	4,083	5.9	4,176	3.5	1.8	47.4
Period Ended July 2020	3,855	7.7	3,944	3.4	1.8	47.0

(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 2021	3,760	3,675	-	-	90.0	3.2
Period Ended July 2020	3,551	3,471	-	-	90.0	3.0

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 2020 is calculated by dividing by the total number of units issued and outstanding the amount obtained after subtracting ¥384 million of provision of reserve for reduction entry from unappropriated retained earnings.

Distribution per unit for the fiscal period ended January 2021 is calculated by dividing by the total number of units issued and outstanding the amount obtained after subtracting ¥407 million of provision of reserve for reduction entry from unappropriated retained earnings.

(3) Financial Position

	Total Assets	Net Assets	Unitholders' Capital to Total Assets	Net Assets per Unit
	(Millions of Yen)	(Millions of Yen)	(%)	(Yen)
Period Ended January 2021	231,090	115,663	50.1	118,313
Period Ended July 2020	220,068	115,051	52.3	117,688

(4) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the end of Period
	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)
Period Ended January 2021	7,065	-13,576	6,111	4,663
Period Ended July 2020	6,420	-2,151	-3,223	5,064

**FORECAST OF RESULTS FOR THE FISCAL PERIOD ENDING JULY 2021 (FEBRUARY 1, 2021 – JULY 31, 2021)
AND THE FISCAL PERIOD ENDING JANUARY 2022 (AUGUST 1, 2021 – JANUARY 31, 2022)**

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 2021	7,910	-8.1	3,722	-18.0	3,285	-19.5	3,284	-19.5	3,360	-
Period Ending January 2022	7,820	-1.1	3,594	-3.4	3,168	-3.6	3,167	-3.6	3,390	-

Reference: Estimated net income per unit for the Fiscal Period Ending July 2021: ¥ 3,360
 Estimated net income per unit for the Fiscal Period Ending January 2022: ¥ 3,240
 Total number of investment units issued and outstanding for the Period Ending July 2021: 977,600 units
 Total number of investment units issued and outstanding for the Period Ending January 2022: 977,600 units

Note: Distribution per unit for the fiscal period ending January 2022 is assumed to be distributed through reversal of part of the reserve for reduction entry (estimated amount: 146 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, 2021 and 977,600 units as of July 31, 2020.

No investment unit is held by TOKYU REIT itself as of January 31, 2021 and July 31, 2020.

Note 1: Status of auditing procedure

This summary of financial results is not subject to audit procedures by certified public accountant or audit firm.

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 2021 and the Fiscal Period Ending January 2022” identified in the separate reference attached.

Assumptions for Forecasts for the Fiscal Period Ending July 2021 and the Fiscal Period Ending January 2022

Forecasts for operating revenues, operating income, ordinary income, net income, distribution per unit and distribution in excess of earnings per unit for the fiscal period ending July 2021 and the fiscal period ending January 2022 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 the 33 properties owned by TOKYU REIT as of January 31, 2021, 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 2022.
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. Gain on sale of real estate, etc. on sale of ¥570 million in the fiscal period ending January 2022 resulting from the disposition of OKI System Center (land with leasehold interest) is projected. Occupancy Rates as of the end of the fiscal period ending July 2021 and the fiscal period ending January 2022 are projected to be 97.4% and 98.3%, respectively. As to the impact of COVID-19 in the fiscal period ending July 2021 and fiscal period ending January 2022, rent reduction/exemption and rent holiday (Note) of some retail tenants assumed at this point in time are factored in upon calculation. (Note) A type of contract where tenants are exempted from rent payments during a specific period other than the time of move-in, out of the contract type where tenants are exempted from rent payment for a certain period after occupancy in lease agreements.
Operating expenses	<ul style="list-style-type: none"> Outsourcing expenses for the fiscal period ending July 2021 and the fiscal period ending January 2022 are projected to be ¥486 million and ¥475 million, respectively. Repair, maintenance and renovation expenses for buildings for the fiscal period ending July 2021 and the fiscal period ending January 2022 are projected to be ¥265 million and ¥302 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, on real estate TOKYU REIT possesses, are calculated based on the amount expected to be imposed in each fiscal period (Period Ending July 2021 : ¥724 million / Period Ending January 2022 : ¥717 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 2021 : ¥1,013 million / Period Ending January 2022 : ¥1,043 million). Rental expenses other than those listed above are 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 2021 and the fiscal period ending January 2022 are expected to be ¥827 million and ¥821 million, respectively.
Non-operating expenses	<ul style="list-style-type: none"> Interest expenses for the fiscal period ending July 2021 and the fiscal period ending January 2022 are expected to be ¥417 million and ¥405 million, respectively. Interest expenses include interest expense, interest expense on investment corporation bonds, and other financial expenses.

Interest-Bearing Debt	<ul style="list-style-type: none"> • The balance of interest-bearing debt as of January 31, 2021, is ¥101,600 million (short-term debt of ¥4,200 million, long-term debt of ¥86,400 million and investment corporation bonds of ¥11,000 million). As for borrowings for which repayment dates are approaching in the fiscal period ending July 2021, it is assumed that short-term debt of ¥4,200 million and long-term debt of ¥5,000 million will be entirely refinanced. In addition, investment corporation bonds of ¥3,000 million due for redemption in March 2021 are assumed to be redeemed with ¥3,000 million to be procured as short-term debt. • As for borrowings whose payments are due in the fiscal period ending January 2022, it is assumed that part of the short-term debt of ¥4,200 million will be repaid using the gain on sale of OKI System Center (land with leasehold interest) and the remaining will be refinanced, and that long-term debt of ¥9,000 million will be entirely refinanced. In addition, it is assumed that short-term debt of ¥3,000 million will be taken out in the fiscal period ending July 2021 and repaid through issuance of investment corporation bonds of ¥3,000 million. • Balance of interest-bearing debt as of the end of the fiscal period ending July 2021 is projected to be ¥101,600 million (short-term debt of ¥7,200 million, long-term debt of ¥86,400 million and investment corporation bonds of ¥8,000 million), and the fiscal period ending January 2022 is projected to be ¥99,600 million (short-term debt of ¥2,200 million, long-term debt of ¥86,400 million and investment corporation bonds of ¥11,000 million). • LTVs as of the end of the fiscal period ending July 2021 and the fiscal period ending January 2022 are projected to be 44.0% and 43.6%, 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 and outstanding as of March 16, 2021, through the end of the fiscal period ending January 2022.
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 January 2022 is assumed to be distributed through reversal of part of the reserve for reduction entry (Period Ending January 2022: ¥146 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.
Distribution in excess of earnings per unit	<ul style="list-style-type: none"> • TOKYU REIT does not currently anticipate distribution 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. • Forecasts are made under the assumption that there will be no prolonged impact of the COVID-19 pandemic or further spread.

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.