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Notice Concerning Revision to Expected Operating Condition and Revision to Distribution Forecast for the 25th Fiscal Period (Ending January 31, 2016) and the 26th Fiscal Period (Ending July 31, 2016)

TOKYU REIT, Inc. (“TOKYU REIT”) today announced a decision to revise its expected operating condition and its distribution forecast for its 25th Fiscal Period (from August 1, 2015 to January 31, 2016) and to revise its expected operating condition and its distribution forecast for its 26th Fiscal Period (from February 1, 2016 to July 31, 2016) which were announced on September 11, 2015.

1. Revision to Expected Operating Condition and Revision to Distribution Forecast

(1) 25th Fiscal Period (from August 1, 2015 to January 31, 2016)

	Operating Revenues (Millions of Yen)	Operating Income (Millions of Yen)	Ordinary Income (Millions of Yen)	Net Income (Millions of Yen)	Net Income per Unit (Yen)	Distribution per Unit (not including distribution in excess of earnings) (Yen)	Distribution in Excess of Earnings per Unit (Yen)
Previous Forecast (A)	7,246	3,085	2,406	2,405	2,460	2,460	0
Revised Forecast (B)	7,289	3,251	2,572	2,571	2,630	2,630	0
Change (B) — (A)	42	165	166	166	170	170	0
Change	0.6%	5.4%	6.9%	6.9%	6.9%	6.9%	0%
<Reference> Actual Distribution per Unit for the Previous Period (24th Fiscal Period ended July 31, 2015)	7,133	3,083	2,396	2,396	2,450	2,451	0

(2) 26th Fiscal Period (from February 1, 2016 to July 31, 2016)

	Operating Revenues (Millions of Yen)	Operating Income (Millions of Yen)	Ordinary Income (Millions of Yen)	Net Income (Millions of Yen)	Net Income per Unit (Yen)	Distribution per Unit (not including distribution in excess of earnings) (Yen)	Distribution in Excess of Earnings per Unit (Yen)
Previous Forecast (A)	7,183	3,063	2,405	2,404	2,459	2,460	0
Revised Forecast (B)	9,516	3,514	2,857	2,856	2,921	2,630	0
Change (B) — (A)	2,333	451	451	451	462	170	0
Change	32.5%	14.7%	18.8%	18.8%	18.8%	6.9%	0%

(Note 1) Reserving for reduction entry (¥292 per unit) make the gap between Net Income per Unit and Distribution per unit in 26th fiscal period (from February 1, 2016 to July 31, 2016)

(Note 2) The forecasts presented in this document have been calculated in accordance with the assumptions set out under certain condition as follows. Forecasts for Operating Revenues, Operating Income, Ordinary Income, Net Income, Net Income per Unit, Distribution per Unit, and Distribution in Excess of Earnings per Unit may differ from actual figures and TOKYU REIT does not guarantee any figures. In the future, in the event that a discrepancy between the assumptions and the initial forecast exceeding a certain amount is expected, and the numerical values of the forecast are expected to change beyond a certain amount, we will amend the forecast and announce them accordingly.

(Note 3) Figures have been rounded down and percentages have been rounded to the nearest first decimal place.

2. Rationale

(1) Revision to Expected Operating Condition and Revision to Distribution Forecast for the 25th Fiscal Period (from August 1, 2015 to January 31, 2016)

During the process of accounting for the 25th fiscal period, TOKYU REIT gained a broad perspective of the operating conditions for the period. Accordingly, the expected operating condition and distribution forecast for the 25th fiscal period are being revised to reflect any difference now expected. The revision is mainly attributable to increase in operating income from property leasing activities accompanying the asset acquisition announced in the “Notice Concerning Acquisition of Domestic Real Estate (TOKYU REIT Shinjuku 2 Building (provisional name))” dated October 30, 2015, decrease in utilities expenses due to decrease of fuel cost decline, and decrease in repair expenses due in part to decrease in the amount and postponement of scheduled repair work.

(2) Revision to Expected Operating Condition and Revision to Distribution Forecast for the 26th Fiscal Period (Ending July 31, 2016)

The expected operating condition and distribution forecast for the 26th fiscal period are being revised due to changes in the assumptions for forecasts for the 26th fiscal period resulting from the asset acquisition and disposition announced in the “Notice Concerning Acquisition and Disposition of Properties (Tokyu Bancho Building, Tokyu Saginuma Building and Tokyu Saginuma 2 Building)” dated today and a review of the disposition of portfolio properties and other factors assumed.

**Assumptions for Forecasts for the 25th Fiscal Period (from August 1, 2015 to January 31, 2016)
and the 26th Fiscal Period (from February 1, 2016 to July 31, 2016)**

Item	Preconditions and Assumptions
Period of operation	<ul style="list-style-type: none"> 25th Fiscal Period (from August 1, 2015 to January 31, 2016) 26th Fiscal Period (from February 1, 2016 to July 31, 2016)
Property portfolio	<ul style="list-style-type: none"> It is assumed that there will be the 30 properties owned by TOKYU REIT as of today, then acquisition of 49.0% quasi-co-ownership interest of the 95.1% compartmentalized ownership interest of Tokyu Bancho Building and disposition of Tokyu Saginuma Building on March 24, 2016 (disposition of Tokyu Saginuma 2 Building has been decided, but is not scheduled to take place until the 27th fiscal period). For details of the acquisition and the disposition, please refer to the “Notice Concerning Acquisition and Disposition of Properties(Tokyu Bancho Building, Tokyu Saginuma Building and Tokyu Saginuma 2 Building)” dated today. A disposition of a portfolio property for 26th fiscal period is assumed, but the disposition is yet to be finalized at this point in time. For other properties, it is assumed that there will be no transfers (new property acquisitions or transfer of owned properties) until the end of the 26th fiscal period.
Operating revenues	<ul style="list-style-type: none"> Rental revenues are calculated based on lease agreements effective as of February 15, 2016, rent level, occupancy rates and other variable element considering transfers of properties (the acquisition and the disposition above mentioned), the recent real estate market conditions, negotiations with tenants, competitive properties located in the same areas etc. Forecasts are based on the assumption there is no payment delay or nonpayment of tenants. Posting gain on sale of 2,344 million yen in the 26th fiscal period resulting from the transfer of Tokyu Saginuma Building on March 24, 2016 is projected. Occupancy Rates as of the end of the 25th fiscal period and 26th fiscal period are projected to be 98.9% and 96.8%, respectively.
Operating expenses	<ul style="list-style-type: none"> Outsourcing expenses for the 25th and 26th fiscal periods are projected to be ¥460 million and ¥460 million, respectively. Repair, maintenance and renovation expenses for buildings for the 25th and 26th fiscal periods are projected to be ¥236 million and ¥254 million, respectively. Repair, maintenance and renovation that enhance the competitive power of properties or the satisfaction of tenants may be conducted as priority. <p>Actual repair, maintenance and renovation expenses for each fiscal period may, however, differ significantly from estimated amounts due to unforeseen circumstances or emergencies and others.</p> <ul style="list-style-type: none"> 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 (25th fiscal period: ¥633 million / 26th fiscal period: ¥635 million). <p>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.</p> <ul style="list-style-type: none"> Depreciation and amortization expenses, including associated costs and additional capital expenditure in the future, are calculated based on the straight-line method (25th fiscal period: ¥1,023 million / 26th fiscal period : ¥1,046 million). Rental expenses other than those listed above were calculated in consideration of fluctuation factors based on results in past fiscal periods. A certain amount of loss on sales of real estate properties for 26th fiscal period is assumed due to disposition of a portfolio property, but the disposition is yet to be finalized at this point in time. In actual practice, this may vary depending on whether or not the transaction takes place, disposition price, delivery date and other terms and conditions. Operating expenses other than expenses from real estate operation (investment management fees

Item	Preconditions and Assumptions
	and asset custodian fees, etc.) for the 25th and 26th fiscal periods are expected to be ¥669 million and ¥730 million, respectively.
Non-operating expenses	<ul style="list-style-type: none"> Interest expenses for the 25th and 26th fiscal periods are expected to be ¥644 million and ¥624 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 21st fiscal period are ¥8 million for the 25th fiscal period and ¥8 million for the 26th fiscal period.
Debt financing	<ul style="list-style-type: none"> After the date of this document, with borrowings (long-term debt of ¥3,500 million) repayment dates approaching in the 26th fiscal period, 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 25th fiscal period and the end of the 26th fiscal period are projected to be 43.5% and 43.0%, respectively. <p>LTV: Interest-bearing debt (forecast) / total assets (forecast)</p>
Investment units	<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 February 26, 2016 through the end of the 26th fiscal period.
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. However, forecasts are based on the assumption that ¥285 million of the ¥2,344 million in capital gains projected from the disposition of Tokyu Saginuma Building, which is expected to arise in the 26th fiscal period, is retained by application of the “Special Provisions for Taxation in Cases of Repurchase of Specified Assets” (Article 65-7 of Special Taxation Measures Law) for provision as reserve for reduction entry. Distribution for the 25th and 26th fiscal periods are based on the assumption that distribution will be made without reversal of the existing reserve for reduction entry (Note) or the abovementioned reserve for reduction entry. <p>(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.</p> <ul style="list-style-type: none"> 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 revisions will not be made to laws and regulations, tax systems, accounting standards, listing rules, rules of the Investment Trusts Association, Japan that impact forecast figures. Forecasts are based on the assumption there will be no major unforeseen changes to general economic trends in real estate and other market conditions, etc.