

July 17, 2019

For Immediate Release

REIT Issuer:
 Takara Leben Real Estate Investment Corporation
 Representative: Masayuki Ishihara, Executive Director
 (Securities Code:3492)

Asset Manager:
 Takara PAG Real Estate Advisory Limited
 Representative: Tetsuo Funamoto, Representative Director
 and President
 Contact: Tetsu Kasuga, Managing Director and CFO
 TEL: +81-3-6435-5264

Notice Concerning Revision of Forecasts of Financial Results
for the Fiscal Period Ending August 31, 2019 and the Fiscal Period Ending February 29, 2020

Takara Leben Real Estate Investment Corporation (the “Investment Corporation”) announces the following revision of the Investment Corporation’s forecasts of financial results for the fiscal period ending August 31, 2019 (3rd fiscal period) (from March 1, 2018 to August 31, 2019) and the fiscal period ending February 29, 2020 (4th fiscal period) (from September 1, 2019 to February 29, 2020), announced in “Notice Concerning Revision of Forecasts of Financial Results for the Fiscal Period Ending August 31, 2019 and the Fiscal Period Ending February 29, 2020” dated June 26, 2019”.

1. Details of revision

(1) The Fiscal Period Ending August 31, 2019

(millions of yen unless otherwise noted)

	Operating revenues	Operating income	Ordinary income	Net income	Distributions per unit (yen) (excluding excess of earnings per unit)	Distributions in excess of earnings per unit (yen)	Distributions per unit (yen) (including excess of earnings per unit)
Previous forecast(A)	2,155	1,196	1,051	1,050	3,034	6	3,040
Revised forecast(B)	2,866	1,733	1,590	1,589	4,594	6	4,600
Amount of change (B-A)	711	536	538	538	1,560	-	1,560
Rate of change (%)	33.0	44.9	51.2	51.3	51.4	-	51.3

Note : This press release is an announcement concerning revisions to forecast for the fiscal period ending August 31, 2019 and February 29, 2020 of the Investment Corporation and has not been prepared for the purpose of solicitation for investment.

(2) The Fiscal Period Ending February 29, 2020

(millions of yen unless otherwise noted)

	Operating revenues	Operating income	Ordinary income	Net income	Distributions per unit (yen) (excluding excess of earnings per unit)	Distributions in excess of earnings per unit (yen)	Distributions per unit (yen) (including excess of earnings per unit)
Previous forecast(A)	2,205	1,230	1,072	1,071	3,094	6	3,100
Revised forecast(B)	2,442	1,359	1,210	1,209	3,494	6	3,500
Amount of change (B-A)	236	128	138	138	400	-	400
Rate of change (%)	10.7	10.5	12.9	12.9	12.9	-	12.9

(Reference)

Fiscal period ending August 31, 2019: expected number of investment units outstanding at the end of the period: 345,500 units

Fiscal period ending February 29, 2020: expected number of investment units outstanding at the end of the period: 345,500 units

(Note1) Distributions in excess of earnings per unit consist only of allowance for temporary difference adjustment. There is no distribution under tax law resulting in a decrease of investment capital.

(Note2) Since the above forecast figures are forecast as of today, calculated based on the assumptions described in the attachment “Assumptions for the Forecasts of Financial Results for the Fiscal Periods Ending August 31, 2019 and February 29, 2020”, actual values may fluctuate. In addition, these forecasts do not guarantee the actual distribution amount.

(Note3) Forecasts may be revised in the event that the difference between the forecasts and actual results are expected to exceed a certain threshold.

2. Reason for revision of forecasts

Considering the effect of the disposition asset announced, in “Notice Concerning of Disposition of Trust Beneficiary Interests in Domestic Real Estate” on July 17, 2019, the Investment Corporation has revised the forecast of the management performance due to the change in the assumptions for the forecast of the management performance for the fiscal period ending August 31, 2019 and the fiscal period ending February 29, 2020, which was announced on April 12, 2019.

The Investment Corporation’s website : <https://takara-reit.co.jp/>

This notice is the English translation of the Japanese announcement on July 17, 2019. However, no assurance or warranties are given for the completeness or accuracy of this English translation.

ATTACHMENT

Assumptions for the Forecasts of Financial Results for the Fiscal Periods
Ending August 31, 2019 and February 29, 2020

Item	Assumptions																														
Accounting period	<ul style="list-style-type: none">➤ The third fiscal period: March 1, 2019 to August 31, 2019 (184 days)➤ The fourth fiscal period: September 1, 2019 to February 29, 2020 (182 days)																														
Property portfolio	<ul style="list-style-type: none">➤ The Investment Corporation plans to hold a total of 28 properties that are the beneficiary interests in trust (27 properties) and real estate (2 properties), excluding the property to be disposed (hereinafter referred to as “held properties”) pertaining to the real estate owned as of today. It is assumed that there will be no change in assets under management (acquisition of new properties, disposal of properties, etc.) by the end of the fiscal year ending February 29, 2020.➤ The actual property portfolio may change due to the acquisition of new properties or the disposal of owned properties, etc.																														
Operating revenues	<ul style="list-style-type: none">➤ Operating revenues from the held properties are based on the expected occupancy rate and the expected rent fluctuations, in turn based on the assumptions of tenant fluctuation and rent level, the contents of lease agreement that are effective as of the date of this document.➤ Gain on disposition of the beneficiary interests in trust (TTS Minami Aoyama Building) is 747 million yen and 320 million yen are expected for the fiscal periods ending August 31, 2019 (the third fiscal period), and February 29, 2020 (the fourth fiscal period), respectively.➤ Forecasts are based on the assumption that there will be no delay in payment of rent or non-payments by the tenant.																														
Operating expenses	<ul style="list-style-type: none">➤ The main operating expenses are as follows:<div>(millions of yen unless otherwise noted)</div><table><thead><tr><th></th><th>Fiscal period ending August 31, 2019 (the third fiscal period)</th><th>Fiscal period ending February 29, 2020 (the fourth fiscal period)</th></tr></thead><tbody><tr><td>Property-related expenses total</td><td>928</td><td>770</td></tr><tr><td>Subcontract expenses</td><td>226</td><td>153</td></tr><tr><td>(Maintenance expenses)</td><td>118</td><td>116</td></tr><tr><td>(Property management fee)</td><td>36</td><td>36</td></tr><tr><td>Repair expenses</td><td>114</td><td>32</td></tr><tr><td>Tax and dues</td><td>165</td><td>161</td></tr><tr><td>Depreciation</td><td>256</td><td>250</td></tr><tr><td>Non-property-related expenses total</td><td>215</td><td>321</td></tr><tr><td>Asset management fees</td><td>134</td><td>117</td></tr></tbody></table>➤ Property-related expenses of constituting major operating expenses, other than depreciation of the held properties are calculated based on historical data, and these costs reflect expected fluctuations.➤ Depreciation expenses are calculated using the straight-line depreciation method, including certain ancillary expenses.➤ The property tax, planning tax, etc. on real estate held by the Investment Corporation during the 3rd fiscal period and the 4th fiscal period are calculated based on the tax amount of previous periods. Tax amount of the property acquired on March 28, 2019 and June 28, 2019 the asset to be acquired, incurred during the 3rd and 4th fiscal periods are recognized as acquisition value in accordance with accounting practice.➤ As for repair expenses, the amount assumed as necessary for each property is based on the repair plan of the Asset Management Company, Takara PAG Real Estate Advisory Ltd., for each fiscal period. However, the repair expenses may be substantially different from the expected amount due to certain unexpected factors.		Fiscal period ending August 31, 2019 (the third fiscal period)	Fiscal period ending February 29, 2020 (the fourth fiscal period)	Property-related expenses total	928	770	Subcontract expenses	226	153	(Maintenance expenses)	118	116	(Property management fee)	36	36	Repair expenses	114	32	Tax and dues	165	161	Depreciation	256	250	Non-property-related expenses total	215	321	Asset management fees	134	117
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Non-operating expenses	<ul style="list-style-type: none"> ➤ The costs to issue and list the new investment units will be amortized on a monthly basis over three years from the time they are incurred, 12 million yen, and 12 million yen are expected for the fiscal periods ending August 31, 2019 (the third fiscal period), and February 29, 2020 (the fourth fiscal period), respectively. ➤ For interest expenses and other borrowing-related costs, 130 million yen, and 135 million yen are expected for the fiscal periods ending August 31, 2019 (the third fiscal period), and February 29, 2020 (the fourth fiscal period), respectively.
Interest-bearing debt	<ul style="list-style-type: none"> ➤ It is assumed that the total amount of interest-bearing debt will be 35,980 million yen as of the end of the fiscal periods ending August 31, 2019 (the third fiscal period), and February 29, 2020 (the fourth fiscal period), respectively. ➤ The LTV ratio is expected to be around 49.5%, and 47.5% as of the end of the fiscal periods ending August 31, 2019 (the third fiscal period), and February 29, 2020 (the fourth fiscal period), respectively. ➤ The LTV ratio is calculated using the following formula: $\text{LTV ratio} = \frac{\text{Total amount of interest-bearing debt as of the end of the fiscal period}}{\text{Total assets as of the end of the fiscal period}} \times 100$
Investment units	<ul style="list-style-type: none"> ➤ It is assumed that, there will be no change in the number of investment units issued outstanding as of today (345,500) by the end of the fiscal period ending February 29, 2020 (the fourth fiscal period).
Distributions per unit (excluding excess of earnings per unit)	<ul style="list-style-type: none"> ➤ Distributions per unit (excluding distributions in excess of earnings) are calculated based on the cash distribution policy stipulated in the Investment Corporation's Articles of Incorporation. ➤ Actual distributions per unit (excluding distributions in excess of earnings) may fluctuate due to various factors including changes in rental revenues, changes in investment assets and tenants, and unexpected repairs and other factors.
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> ➤ Allowance for temporary difference adjustment of 2,073,000 yen is expected to book concerning the difference between net income and taxable income associated with recording of asset retirement obligation as of the end of the fiscal periods ending August 31, 2019 (the third fiscal period), and February 29, 2020 (the fourth fiscal period), respectively. It is assumed that the distribution in excess of earnings per unit will be 6 yen, and 6 yen as of the end of the fiscal periods ending August 31, 2019 (the third fiscal period), and February 29, 2020 (the fourth fiscal period), respectively. ➤ It is assumed that no deferred losses on hedges will be incurred, which is an item of deduction from net assets, as described above. ➤ In addition, of distribution in excess of earnings, that falling under the category of distribution under tax law resulting in a decrease of investment capital is not scheduled at this point.
Other	<ul style="list-style-type: none"> ➤ It is assumed that there will be no change in laws and regulations, the taxation system, accounting standards, the Securities Listing Regulations of the Tokyo Stock Exchange, or the rules of the Investment Trust Association, Japan, etc. that could affect the above forecasts. ➤ It is assumed that there will be no unexpected significant change in general economic trends, real estate market conditions, etc.

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