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For Immediate Release

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Notice Concerning Revision of Forecasts of Financial Results
for the Fiscal Period Ending February 29, 2020 and the Fiscal Period Ending August 31, 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 February 29, 2020 (4th fiscal period) (from September 1, 2019 to February 29, 2020) and the fiscal period ending August 31, 2020 (5th fiscal period) (from March 1, 2020 to August 31, 2020), announced in “(REIT) Financial Report for Fiscal Period Ended August 31, 2019” dated October 11, 2019”.

1. Details of revision

(1) 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)	3,025	1,878	1,666	1,665	3,401	199	3,600
Revised forecast(B)	3,038	1,887	1,675	1,674	3,421	199	3,620
Amount of change (B-A)	12	8	8	8	20	-	20
Rate of change (%)	0.4	0.5	0.5	0.5	0.6	-	0.6

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

(2) The Fiscal Period Ending August 31, 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)	2,729	1,640	1,435	1,433	3,100	-	3,100
Revised forecast(B)	2,747	1,650	1,444	1,443	3,120	-	3,120
Amount of change (B-A)	17	9	9	9	20	-	20
Rate of change (%)	0.6	0.6	0.6	0.6	0.6	-	0.6

(Reference)

Fiscal period ending February 29, 2020: expected number of investment units outstanding at the end of the period: 462,500 units

Fiscal period ending August 31, 2020: expected number of investment units outstanding at the end of the period: 462,500 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 February 29, 2020 and August 31, 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 acquisition asset announced, in “Notice Concerning of Acquisition of Domestic Real Estate” on October 25, 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 4th period ending February 29, 2020 and the 5th period ending August 31, 2020, which was announced on October 11, 2019.

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

This notice is the English translation of the Japanese announcement on October 25, 2019. However, no assurance or warranties are given for the completeness or accuracy of this English translation.

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

ATTACHMENT

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

Item	Assumptions																														
Accounting period	<ul style="list-style-type: none"> ➤ The fourth fiscal period: September 1, 2019 to February 29, 2020 (182 days) ➤ The fifth fiscal period: March 1, 2020 to August 31, 2020 (184 days) 																														
Property portfolio	<ul style="list-style-type: none"> ➤ The Investment Corporation plans to hold a total of 35 properties that are the beneficiary interests in trust (32 properties) and real estate (2 properties), excluding the property to be disposed (hereinafter referred to as “held properties”) in addition to the asset to be acquired. 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 August 31, 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. ➤ Operating revenues from the asset to be acquired are based on the expected occupancy rate and the expected rent fluctuations, in turn based on the assumptions of tenant fluctuation and rent level after the acquisition, the contents of lease agreement provided by the current beneficiaries, past tenant and market trends, and the contents of the lease agreement to be effective on the planned acquisition date. ➤ Gain on disposition of TTS Minami Aoyama Building disposed as of September 2 is expected to be 319 million yen in the fiscal period ending February 29, 2020 (4th fiscal period). ➤ 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 style="text-align: right; margin-left: 20px;"> (millions of yen unless otherwise noted) </div> <table style="margin-left: 40px; border-collapse: collapse;"> <thead> <tr> <th></th> <th align="right">Fiscal period ending February 29, 2020 (the fourth fiscal period)</th> <th align="right">Fiscal period ending August 31, 2020 (the fifth fiscal period)</th> </tr> </thead> <tbody> <tr> <td>Property-related expenses total</td> <td align="right">869</td> <td align="right">894</td> </tr> <tr> <td>Subcontract expenses</td> <td align="right">182</td> <td align="right">180</td> </tr> <tr> <td> (Maintenance expenses)</td> <td align="right">138</td> <td align="right">135</td> </tr> <tr> <td> (Property management fee)</td> <td align="right">44</td> <td align="right">44</td> </tr> <tr> <td> Repair expenses</td> <td align="right">37</td> <td align="right">24</td> </tr> <tr> <td> Tax and dues</td> <td align="right">160</td> <td align="right">201</td> </tr> <tr> <td> Depreciation</td> <td align="right">317</td> <td align="right">317</td> </tr> <tr> <td>Non-property-related expenses total</td> <td align="right">281</td> <td align="right">202</td> </tr> <tr> <td> Asset management fees</td> <td align="right">141</td> <td align="right">143</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. ➤ With respect to property tax, planning tax, etc. on real estate held by the Investment Corporation of the tax amount assessed and determined, the amount corresponding to the relevant calculation period is recognized as rental expenses. However, if real estate or other assets were newly acquired and an adjusted amount of property tax, etc., for the year to which the calculation period belongs (the “amount equivalent to property tax, etc.”) arises between the Investment Corporation and the seller, the relevant adjusted amount is capitalized as part of the acquisition cost of the real estate, etc. in question. According for the asset to be acquired, no amount will be recognized as a tax expense for the fourth fiscal period. ➤ 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 		Fiscal period ending February 29, 2020 (the fourth fiscal period)	Fiscal period ending August 31, 2020 (the fifth fiscal period)	Property-related expenses total	869	894	Subcontract expenses	182	180	(Maintenance expenses)	138	135	(Property management fee)	44	44	Repair expenses	37	24	Tax and dues	160	201	Depreciation	317	317	Non-property-related expenses total	281	202	Asset management fees	141	143
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	<p>Ltd., for each fiscal period. However, the repair expenses may be substantially different from the expected amount due to certain unexpected factors.</p>
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, 19 million yen, and 19 million yen are expected for the fiscal periods ending February 29, 2020 (the fourth fiscal period), and August 31, 2020 (the fifth fiscal period), respectively. ➤ For interest expenses and other borrowing-related costs, 192 million yen, and 186 million yen are expected for the fiscal periods ending February 29, 2020 (the fourth fiscal period), and August 31, 2020 (the fifth 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 43,400 million yen, and 43,400 million yen as of the end of the fiscal periods ending February 29, 2020 (the fourth fiscal period), and August 31, 2020 (the fifth fiscal period), respectively. ➤ The LTV ratio is expected to be around 46.5%, and 46.6% as of the end of the fiscal periods ending February 29, 2020 (the fourth fiscal period), and August 31, 2020 (the fifth fiscal period), respectively. ➤ The LTV ratio is calculated using the following formula: ➤ $LTV \text{ ratio} = \frac{\text{Total amount of interest-bearing debt as of the end of the fiscal period}}{\text{Total assets as of the end of the fiscal period}} \times 100$
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 (462,500) due to the issuance of new investment units or otherwise by the end of the fiscal period ending August 31, 2020 (the fifth 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 92 million 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 February 29, 2020 (the fourth fiscal period) respectively. It is assumed that the distribution in excess of earnings per unit will be 199 yen as of the end of the fiscal periods ending February 29, 2020 (the fourth fiscal period). ➤ 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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