

August 15, 2019

For Immediate Release

REIT Issuer:
 14-15, Akasaka 1-chome, Minato-ku, Tokyo
 Takara Leben Real Estate Investment Corporation
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 (Securities Code: 3492)

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

Takara Leben Real Estate Investment Corporation (the “Investment Corporation”) hereby revises its forecasts of financial results and distributions for the fiscal period ending February 29, 2020 (4th fiscal period) (from September 1, 2019 to February 29, 2020) published in the “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 July 17, 2019, and newly announces its forecasts of financial results for the fiscal period ending August 31, 2020 (5th fiscal period) (from March 1, 2020 to August 31, 2020) as follows. There is no change to its forecast of financial results for the fiscal period ending August 31, 2019.

1. Revision of Forecasts of Financial Results for 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 distributions in excess of earnings)	Distributions in excess of earnings per unit (yen) (Note 1)	Distributions per unit (yen) (including distributions in excess of earnings)
Forecasts previously announced (A)	2,442	1,359	1,210	1,209	3,494	6	3,500
Forecasts hereby revised (B)	3,025	1,879	1,666	1,665	3,596	4	3,600
Increase/decrease (B – A)	583	520	455	455	102	▲2	100
Increase/decrease (%)	23.9	38.3	37.6	37.7	2.9	▲33.3	2.9

(Reference)

Estimated total number of investment units outstanding at the end of the period: 462,500 units

Estimated net income per investment unit: 3,600 yen

Note: This press release is a document for making a public announcement concerning the revision of the Investment Corporation’s forecasts of financial results and distributions for the fiscal period ending February 29, 2020 and its forecasts of financial results and distributions for the fiscal period ending August 31, 2020, and has not been prepared for the purpose of soliciting investment. We caution readers to undertake investment decisions based on their own investigation and responsibility. This press release does not constitute an offer of securities in the United States of America. The securities referred to above have not been, and will not be registered under the United States Securities Act of 1933, as amended (hereinafter referred to as the “Securities Act”). The securities may not be offered or sold in the United States absent registration or an exemption from registration under the Securities Act. The securities referred to above will not be offered or sold, publicly or otherwise, in the United States.

2. Forecasts of Financial Results for 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 distributions in excess of earnings)	Distributions in excess of earnings per unit (yen) (Note 1)	Distributions per unit (yen) (including distributions in excess of earnings)
Forecasts hereby announced	2,729	1,650	1,434	1,433	3,096	4	3,100

(Reference)

Estimated total number of investment units outstanding at the end of the period: 462,500 units

Estimated net income per investment unit: 3,100 yen

(Notes)

- 1 Distributions in excess of earnings per unit consist only of the allowance for temporary difference adjustment and not a return of capital for Japanese tax law purposes.
- 2 The above forecasts are as of today, calculated based on the assumptions listed in the attachment "Assumptions for the Forecasts of Financial Results for the Fiscal Periods Ending February 29, 2020 and August 31, 2020". Therefore, actual operating revenues, operating income, ordinary income, net income and distributions per unit, and distributions in excess of earnings per unit may vary as a result of differences from the assumptions due to the factors in the future, such as additional acquisitions or disposals of real estate properties, changes in rent revenues due to changes in tenants or lease conditions, unexpected repairs and maintenance expenses, other changes in management environment, the actual number and issue price of new investment units to be issued, changes in financial markets, and the changes in conditions surrounding the Investment Corporation. In addition, these forecasts do not guarantee the actual distribution amount.
- 3 Forecasts may be revised in the event where the difference between the forecasts and actual results are expected to exceed a certain threshold.
- 4 The figures have been rounded down to the nearest whole number, and the percentages are rounded to the first decimal place.

3. Reason for Revision

In connection with the acquisition of trust beneficiary interests in domestic real estate of 6 properties ("Assets to be Acquired") announced by the "Notice Concerning Acquisition and Leasing of Trust Beneficiary Interests in Domestic Real Estate" as of today, the issuance of new investment units announced by the "Notice Concerning the Issuance of New Investment Units and Secondary Distribution of Investment Units" as of today, and new borrowings, etc. announced by the "Notice Concerning Borrowing of Funds" as of today, changes have occurred in the assumptions announced by the "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 July 17, 2019 and more than 10% of discrepancy in operating revenues and more than 30% of discrepancy in ordinary income and net income have occurred. As the result, the Investment Corporation hereby revises its forecasts of financial results for the fiscal period ending February 29, 2020, and newly announces its forecasts of financial results for the fiscal period ending August 31, 2020.

Note: This press release is a document for making a public announcement concerning the revision of the Investment Corporation's forecasts of financial results and distributions for the fiscal period ending February 29, 2020 and its forecasts of financial results and distributions for the fiscal period ending August 31, 2020, and has not been prepared for the purpose of soliciting investment. We caution readers to undertake investment decisions based on their own investigation and responsibility. This press release does not constitute an offer of securities in the United States of America. The securities referred to above have not been, and will not be registered under the United States Securities Act of 1933, as amended (hereinafter referred to as the "Securities Act"). The securities may not be offered or sold in the United States absent registration or an exemption from registration under the Securities Act. The securities referred to above will not be offered or sold, publicly or otherwise, in the United States.

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

This notice is the English translation of the Japanese announcement on August 15 2019. However, no assurance or warranties are given for the completeness or accuracy of this English translation.

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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 fiscal period ending February 29, 2020 (4th fiscal period): from September 1, 2019 to February 29, 2020 (182 days) The fiscal period ending August 31, 2020 (5th fiscal period): from March 1, 2020 to August 31, 2020 (184 days) 																														
Property portfolio	<ul style="list-style-type: none"> ➤ With respect to trust beneficiary interests in real estate (27 properties) and real estate (2 properties) owned as of today (“Existing Assets”) excluding TTS Minami Aoyama Building to be disposed as of August 30, 2019 and September 2, 2019 (“Asset to be Disposed”) and including 6 properties of Assets to be Acquired (34 properties in total), it is assumed that there will be no change in property portfolio (any acquisition of new properties or any disposal of owned properties, etc.) until the end of the fiscal period ending August 31, 2020 (5th fiscal period). ➤ The actual property portfolio may vary due to the acquisition of new properties other than the Assets to be Acquired or the disposal of owned properties, etc. 																														
Operating revenues	<ul style="list-style-type: none"> ➤ Operating revenues from leasing business of the Existing Assets (excluding the Asset to be Disposed; hereinafter the same) are calculated based on the rents, etc. set forth in the lease agreements effective as of today, taking into account market trends, and the expected occupancy rate and the expected rent fluctuations based on the assumptions of tenant movement and fluctuation of rent level. ➤ Operating revenues from leasing business of the Assets to be Acquired are calculated based on the contents of lease agreements provided by the current beneficiaries, past tenants and market trends, and the contents of the lease agreements to be effective on the expected acquisition date, taking into account of the expected occupancy rate and the expected rent fluctuations. ➤ Gain on disposition of the Asset to be Disposed 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 or non-payments of rent by tenants. 																														
Operating expenses	<ul style="list-style-type: none"> ➤ The main operating expenses are as follows: <table style="margin-left: 40px; border-collapse: collapse; width: 100%;"> <thead> <tr> <th style="text-align: left;"></th> <th style="text-align: center;">Fiscal period ending February 29, 2020 (4th fiscal period)</th> <th style="text-align: center;">Fiscal period ending August 31, 2020 (5th fiscal period)</th> </tr> </thead> <tbody> <tr> <td>Property-related expenses total</td> <td style="text-align: right;">838 million yen</td> <td style="text-align: right;">873 million yen</td> </tr> <tr> <td> Subcontract expenses</td> <td style="text-align: right;">166 million yen</td> <td style="text-align: right;">167 million yen</td> </tr> <tr> <td> (Maintenance expenses)</td> <td style="text-align: right;">122 million yen</td> <td style="text-align: right;">122 million yen</td> </tr> <tr> <td> (Property management expenses)</td> <td style="text-align: right;">43 million yen</td> <td style="text-align: right;">44 million yen</td> </tr> <tr> <td> Repair expenses</td> <td style="text-align: right;">37 million yen</td> <td style="text-align: right;">37 million yen</td> </tr> <tr> <td> Tax and dues</td> <td style="text-align: right;">160 million yen</td> <td style="text-align: right;">200 million yen</td> </tr> <tr> <td> Depreciation expenses</td> <td style="text-align: right;">293 million yen</td> <td style="text-align: right;">293 million yen</td> </tr> <tr> <td>Non-property-related expenses total</td> <td style="text-align: right;">308 million yen</td> <td style="text-align: right;">205 million yen</td> </tr> <tr> <td> Asset management fees</td> <td style="text-align: right;">141 million yen</td> <td style="text-align: right;">143 million yen</td> </tr> </tbody> </table> ➤ Property-related expenses constituting main operating expenses other than depreciation expenses are calculated, for the Existing Assets, based on the historical data, reflecting fluctuation factors of respective expenses, and for the Assets to be Acquired, based on information provided by the current beneficiaries and the historical data, reflecting fluctuation factors of respective expenses. 		Fiscal period ending February 29, 2020 (4th fiscal period)	Fiscal period ending August 31, 2020 (5th fiscal period)	Property-related expenses total	838 million yen	873 million yen	Subcontract expenses	166 million yen	167 million yen	(Maintenance expenses)	122 million yen	122 million yen	(Property management expenses)	43 million yen	44 million yen	Repair expenses	37 million yen	37 million yen	Tax and dues	160 million yen	200 million yen	Depreciation expenses	293 million yen	293 million yen	Non-property-related expenses total	308 million yen	205 million yen	Asset management fees	141 million yen	143 million yen
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	<ul style="list-style-type: none"> ➤ Depreciation expenses are calculated using the straight-line depreciation method, including certain ancillary expenses. ➤ Property taxes on the Existing Assets for the fiscal period ending February 29, 2020 (4th fiscal period) and the fiscal period ending August 31, 2020 (5th fiscal period) are estimated based on the past property taxes and city planning taxes, etc. Among the Existing Assets, for TA Shonan Kugenumakaigan acquired as of March 28, 2019, Dormy Inn Morioka acquired as of June 28, 2019, and the Assets to be Acquired (collectively referred to as “New Acquisitions”), the property taxes and city planning taxes, etc. are not accounted for as expenses for the fiscal period ending February 29, 2020 (4th fiscal period) because such taxes were estimated on a pro-rata basis with the former owners and settled at the time of acquisition, and such settlement amount is included in the acquisition costs. The property taxes and city planning taxes, etc. on New Acquisitions will be accounted for as expenses from the fiscal period ending August 31, 2020 (5th fiscal period), and the amount of the property taxes and city planning taxes, etc. of the fiscal period ending August 31, 2020 (5th fiscal period) is estimated approximate total 200 million yen including those on the Existing Assets. Among the approximate total amount of 200 million yen, the property tax and the city planning tax, etc. for the Assets to be Acquired is expected to be 39 million yen. ➤ As for repair expenses, the amount assumed as necessary for each property is accounted as expenses based on the repair plan of the asset management company of the Investments Corporation, Takara PAG Real Estate Advisory Limited., for each fiscal period. However, the repair expenses for each fiscal period may be substantially different from the expected amount, because there is the possibility of an increase or addition of repair costs caused by certain unexpected factors, the amount in general substantially differs year by year, and such expenses do not regularly accrue.
Non-operating expenses	<ul style="list-style-type: none"> ➤ Investment unit issuance costs will be monthly amortized for 3 years, and each 21 million yen for the fiscal periods ending February 29, 2020 (4th fiscal period) and August 31, 2020 (5th fiscal period) are expected respectively. ➤ For interest expenses and other borrowing related costs, 191 million yen and 193 million yen for the fiscal periods ending February 29, 2020 (4th fiscal period) and August 31, 2020 (5th fiscal period) are expected respectively.
Interest-bearing debts	<ul style="list-style-type: none"> ➤ It is assumed that up to the total amount of 13,400 million yen will be borrowed on September 3, 2019 from qualified institutional investors provided for in Article 2, Paragraph 3, Item 1 of the Financial Instruments and Exchange Act. ➤ It is assumed that the total amount of interest-bearing debt will be each 43,400 million yen as of the end of the fiscal periods ending February 29, 2020 (4th fiscal period) and August 31, 2020 (5th 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 (4th fiscal period) and August 31, 2020 (5th fiscal period), respectively. ➤ The LTV ratio is calculated using the following formula: LTV ratio = Total amount of interest-bearing debts as of the end of the fiscal period / Total amount of assets as of the end of the fiscal period x 100
Investment units	<ul style="list-style-type: none"> ➤ It is assumed that, in addition to the total number of issued and outstanding units as of today (345,500 units), new investment units (117,000 units) will be issued through the public offering as approved at the Board of Directors’ meeting of the Investment Corporation held today. ➤ It is assumed that, excluding the above, there will be no change in the number of investment units due to the issuance of new investment units or otherwise by the end of the fiscal period ending August 31, 2020 (5th fiscal period).
Distribution per unit	<ul style="list-style-type: none"> ➤ Distributions per unit (excluding distributions in excess of earnings) are calculated

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(excluding distribution in excess of earnings)	<p>on the assumption that it will be distributed following the cash distribution policy stipulated in the Investment Corporation's Articles of Incorporation.</p> <ul style="list-style-type: none"> ➤ Actual distributions per unit (excluding distributions in excess of earnings) may fluctuate due to various factors including changes in investments assets, changes in rental revenues associated with changes in tenants, unexpected repairs and other factors.
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> ➤ Allowance for temporary difference adjustments of 2 million yen are expected to be accounted 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 (4th fiscal period) and August 31, 2020 (5th fiscal period), respectively. It is assumed that distributions in excess of earnings of 4 yen per unit (the allowance for temporary difference adjustments) will be made for the fiscal periods ending February 29, 2020 (4th fiscal period) and August 31, 2020 (5th fiscal period), respectively. ➤ It is assumed that there will be no deferred hedge loss accounting for deduction from net assets. ➤ A return of capital for Japanese tax law purposes is not currently scheduled.
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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Reference Material: Estimated amount of ordinary distributions (*junko bunpaikin*) per unit (Note 1)

	Fiscal Period ending February 29, 2020 (4th fiscal period)	Fiscal Period ending August 31, 2020 (5th fiscal period)
Estimated amount of unrecognized property taxes and city planning taxes, etc. (millions of yen) (Note 2)	39	-
Gain on disposition of the Asset to be Disposed (millions of yen)	319	-
Distribution per unit (after the adjustment of property taxes and city planning taxes, etc. and excluding the effect of gain on disposition) (including distribution in excess of earnings) (yen)	3,066	3,100
Distributions in excess of earnings per unit (the allowance for temporary difference adjustment) (yen)	4	4
Estimated total number of investment units outstanding at the end of the period (unit) (Note 3)	462,500	462,500

(Note 1) “Estimated amount of ordinary distributions per unit” refers to an estimated amount of distributions per unit obtained by deducting gain on disposition of the Asset to be Disposed from an estimated amount of distributions per unit calculated on the assumption that property taxes and city planning taxes, etc. included in the acquisition cost for the respective accounting periods have been recognized as expenses. This does not constitute forecasts or expectations of distributions per unit for a specific fiscal period of the Investment Corporation.

(Note 2) “Unrecognized property taxes and city planning taxes, etc.” is an estimated amount of property taxes and city planning taxes, etc. that are not recognized as expenses for the relevant accounting period as they are included in the acquisition costs.

(Note 3) “Estimated total number of investment units outstanding at the end of the period” of the fiscal period ending February 29, 2020 (4th fiscal period) and the fiscal period ending August 31, 2020 (5th fiscal period) is based on the assumptions specified in the Attachment “Assumptions for the Forecasts of Financial Results for the Fiscal Periods Ending February 29, 2020 and August 31, 2020”.

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