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For Immediate Release

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Notice Concerning Forecasts of Financial Results for the Fiscal Periods Ending August 31, 2018, February 28, 2019 and August 31, 2019

Takara Leben Real Estate Investment Corporation (the "Investment Corporation") announced today its forecasts of financial results for the fiscal periods ending August 31, 2018 (September 11, 2017 to August 31, 2018), February 28, 2019 (September 1, 2018 to February 28, 2019), and August 31, 2019 (March 1, 2019 to 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)
Fiscal period ending August 31, 2018 (1st fiscal period)	374	187	9	9	26	0
Fiscal period ending February 28, 2019 (2nd fiscal period)	2,115	1,255	1,115	1,114	3,226	0
Fiscal period ending August 31, 2019 (3rd fiscal period)	2,099	1,141	1,004	1,003	2,905	0

(Reference)

Fiscal period ending August 31, 2018

Estimated number of investment units outstanding at the end of the period: 345,500 units

Estimated net income per investment unit: 26 yen

Fiscal period ending February 28, 2019

Estimated number of investment units outstanding at the end of the period: 345,500 units

Estimated net income per investment unit: 3,225 yen

Fiscal period ending August 31, 2019

Estimated number of investment units outstanding at the end of the period: 345,500 units

Estimated net income per investment unit: 2,905 yen

(Note1) The fiscal period of the Investment Corporation is from March 1 to August 31 and September 1 to the end of February in the following year. However, the first fiscal period is from September 11, 2017, the date of incorporation of the Investment Corporation, to August 31, 2018. The actual business period in the first fiscal period is from July 30, 2018 (the planned property acquisition date) to August 31, 2018 (33 days).

(Note2) The forecasts of financial results for the above periods 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 August 31, 2018, February 28, 2019 and August 31, 2019”. Therefore, actual operating revenues, operating income, ordinary income, net income and distributions per unit (excluding cash distribution in excess of earnings), and distributions in excess of earnings per unit may vary 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 and changes in financial markets. 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.

(Note4) The figures have been rounded down to the nearest whole number.

The original Japanese version of this announcement is being distributed July 27, 2018to the Kabuto Club, the Ministry of Land, Infrastructure, Transport and Tourism Press Club, and the Ministry of Land, Infrastructure, Transport and Tourism Construction Specialty Publication Press Club.

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

This notice is the English translation of the Japanese announcement on July 27, 2018. 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, 2018, February 28, 2019 and August 31, 2019

Item	Assumptions
Calculation period	➢ The first fiscal period: September 11, 2017 to August 31, 2018 (355 days) ➢ The second fiscal period: September 1, 2018 to February 28, 2019 (181 days) ➢ The third fiscal period: March 1, 2019 to August 31, 2019 (184 days)
Property portfolio	➢ The assumption is that the real estate trust beneficiary rights scheduled to be newly acquired after the issuance of new investment units for which resolution was made at the meetings of the Board of Directors of the Investment Corporation held on June 25, 2018, July 10, 2018 and July 19, 2018 (total of 27 properties) (hereinafter, the "to-be-acquired assets") will be acquired on July 30, 2018 and that there will be no change in assets under management (acquisition of new properties, disposal of portfolio properties, etc.) through to the end of the fiscal period ending August 31, 2019 (3rd fiscal period). ➢ The actual property portfolio may change due to the acquisition of new properties other than the Assets to be Acquired or the disposal of owned properties, etc.
Operating revenues	➢ Operating revenues from the Assets 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. ➢ Forecasts are based on the assumption that there will be no delay in payment of rent or non-payments by the tenant.
Operating expenses	➢ The main operating expenses are as follows: (see table below) ➢ Property-related expenses of the Assets to be Acquired and constituting major operating expenses, other than depreciation are calculated based on historical data provided by the current beneficiaries, and these costs reflect expected fluctuations. ➢ Depreciation expenses are calculated using the straight-line depreciation method, including certain ancillary expenses.

(millions of yen unless otherwise noted)

	Fiscal period ending August 31, 2018 (the first fiscal period)	Fiscal period ending February 28, 2019 (the second fiscal period)	Fiscal period ending August 31, 2019 (the third fiscal period)
Property-related expense total	155	694	802
Subcontract expenses	27	156	156
(Maintenance expenses)	21	120	120
(Property management fee)	6	36	36
Repair expenses	5	31	31
Tax and dues	0	54	162
Depreciation	91	275	275
Non-property-related expenses total	30	165	156
Asset management fees	0	106	101

Operating expenses	➢ The property taxes and city planning taxes on buying and selling real estate are generally calculated on a pro-rata basis with the current owners and settled at the time of acquisition. However, the amount equivalent to the settlement is not expensed as it is included in the acquisition costs of the Investment Corporation. Therefore, these taxes are not expensed in 2018, and a part of these taxes for 2019 (the amount for the period from January 1, 2019 to the last day of the calculation period) are expensed in the fiscal period ending February 28, 2019 (the second fiscal period). The taxes for 2019 that relate to the calculation period are expensed in the fiscal period ending August 31, 2019 (the third fiscal period). The total amount of these taxes on the Assets to be Acquired estimated to be capitalized is 137 million yen. ➢ 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.
Non-operating expenses	➢ With regard to temporary expenses for the fiscal period ending August 31, 2018 (the first fiscal period), 19 million yen is expected for the foundation expenses, which will be amortized in one lump sum. 88 million yen is expected for the costs to issue and list the new investment units, which will be amortized on a monthly basis over three years from the time they are incurred, and 2 million yen, 14 million yen, and 14 million yen are expected for the fiscal periods ending August 31, 2018 (the first fiscal period), February 28, 2019 (the second fiscal period), and August 31, 2019 (the third fiscal period), respectively. ➢ For interest expenses and other borrowing-related costs, 156 million yen, 125 million yen, and 121 million yen are expected for the fiscal periods ending August 31, 2018 (the first fiscal period), February 28, 2019 (the second fiscal period), and August 31, 2019 (the third fiscal period), respectively.
Interest-bearing debt	➢ It is assumed that a total of 34,600 million yen will be borrowed on July 30, 2018 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 34,600 million yen, 33,260 million yen, and 33,260 million yen as of the end of the fiscal periods ending August 31, 2018 (the first fiscal period), February 28, 2019 (the second fiscal period), and August 31, 2019 (the third fiscal period), respectively. ➢ A refund of consumption tax paid in the fiscal period ending August 31, 2018 (the first fiscal period) is scheduled to take place during the fiscal period ending February 28, 2019 (the second fiscal period). Therefore, it is assumed that a part of such borrowings will be repaid using such refund during the fiscal period ending February 28, 2019 (the third fiscal period). ➢ The LTV ratio is expected to be around 50.1%, 49.0%, and 49.0% as of the end of the fiscal periods ending August 31, 2018 (the first fiscal period), February 28, 2019 (the second fiscal period), and August 31, 2019 (the third fiscal period), respectively. ➢ The LTV ratio is calculated using the following formula: LTV ratio = Total amount of interest-bearing debt as of the end of the fiscal period / (Total assets as of the end of the fiscal period – Expected distribution amount) × 100
Investment units	➢ It is assumed that, there will be no change in the number of investment units issued outstanding as of today (345,500) due to the issuance of new investment units or otherwise by the end of the fiscal period ending August 31, 2019 (the third fiscal period).
Distributions per unit (excluding excess of earnings per unit)	➢ 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	➢ Distributions in excess of earnings per unit are not currently scheduled.
Other	➢ 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.