

## (REIT) Financial Report for the Fiscal Period Ended October 31, 2016

December 16, 2016

REIT Securities Issuer: Tosei Reit Investment Corporation  
 Securities Code: 3451  
 Representative: Hisaaki Kuroyama, Executive Director

Stock Exchange Listing: Tokyo Stock Exchange  
 URL: <http://www.tosei-reit.co.jp/en/>

Asset Management Company: Tosei Asset Advisors, Inc.  
 Representative: Hiroshi Nakamura, Chairman & CEO  
 Appointed Outside  
 Corporate Auditor of Rena Keiichi Yoshida  
 Therapeutic Inc. (current General Manager, Treasury & Planning Department, REIT Division  
 position)  
 TEL: +81-3-5425-2704

Scheduled date of submission of securities report: January 30, 2017  
 Scheduled date of commencement of cash distribution payment: January 20, 2017

Preparation of supplementary financial results briefing materials: Yes  
 Holding of financial results briefing meeting: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest JPY million)

## 1. Status of Management and Assets for Fiscal Period Ended October 31, 2016 (May 1, 2016 – October 31, 2016)

(1) Management (% figures are the rate of period-on-period increase (decrease))

Fiscal period	Operating revenue		Operating income		Ordinary income		Net income	
	JPY million	%	JPY million	%	JPY million	%	JPY million	%
Ended Oct. 31, 2016	1,337	7.4	643	4.9	543	5.0	542	5.1
Ended Apr. 30, 2016	1,245	56.0	613	79.2	517	80.0	516	80.2

Fiscal period	Net income per unit	Ratio of net income to equity	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenue
	JPY	%	%	%
Ended Oct. 31, 2016	3,371	3.2	1.6	40.6
Ended Apr. 30, 2016	3,330	3.9	1.9	41.6

## (2) Cash Distributions

Fiscal period	Cash distribution per unit (not including cash distribution in excess of earnings)	Total cash distribution (not including cash distribution in excess of earnings)	Cash distribution in excess of earnings per unit	Total cash distribution in excess of earnings	Cash distribution per unit (including cash distribution in excess of earnings)	Total cash distribution (including cash distribution in excess of earnings)	Payout ratio	Ratio of cash distribution to net assets
	JPY	JPY million	JPY	JPY million	JPY	JPY million	%	%
Ended Oct. 31, 2016	3,371	542	0	0	3,371	542	99.9	3.2
Ended Apr. 30, 2016	3,014	485	194	31	3,208	516	93.9	2.9

(Note 1) Out of JPY194 of cash distribution in excess of earnings per unit for the fiscal period ended April 2016, JPY194 is reserve for temporary difference adjustments. There is no distribution reducing unitholders' capital for tax purpose.

(Note 2) Payout ratio is calculated using the following formula and rounded down to one decimal place. Payout ratio = Total cash distribution (not including cash distribution in excess of earnings) / net income x 100  
 When calculated as: Payout ratio = Total cash distribution (including cash distribution in excess of earnings) / net income x 100, the payout ratio for the fiscal period ended April 2016 is 99.9%.

(Note 3) Ratio of cash distribution to net assets is calculated using the following formula and rounded down to one decimal place.  
 Ratio of cash distribution to net assets = Cash distribution per unit (not including cash distribution in excess of earnings) / {(net assets per unit at the beginning of the fiscal period + net assets per unit at the end of the fiscal period) / 2} x 100  
 When calculated as: Ratio of cash distribution to net assets = Cash distribution per unit (including cash distribution in excess of earnings) / {(net assets per unit at the beginning of the fiscal period + net assets per unit at the end of the fiscal period) / 2} x 100, the ratio of cash distribution to net assets is 3.1% for the fiscal period ended April 2016.

## (3) Financial Position

Fiscal period	Total assets	Net assets	Equity ratio	Net assets per unit
	JPY million	JPY million	%	JPY
Ended Oct. 31, 2016	34,428	17,043	49.5	105,860
Ended Apr. 30, 2016	33,695	17,006	50.5	105,631

#### (4) Cash Flows

Fiscal period	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	JPY million	JPY million	JPY million	JPY million
Ended Oct. 31, 2016	1,038	(1,464)	80	3,420
Ended Apr. 30, 2016	549	(11,405)	12,254	3,765

#### 2. Forecast for Management Status for Fiscal Period Ending April 30, 2017 (November 1, 2016 – April 30, 2017) and Forecast for Management Status for Fiscal Period Ending October 31, 2017 (May 1, 2017 – October 31, 2017) (% figures are the rate of period-on-period increase (decrease))

Fiscal period	Operating revenue		Operating income		Ordinary income		Net income		Cash distribution per unit (not including cash distribution in excess of earnings)	Cash distribution in excess of earnings per unit
	JPY million	%	JPY million	%	JPY million	%	JPY million	%	JPY	JPY
Ending Apr. 30, 2017	1,564	16.9	750	16.6	616	13.3	615	13.3	3,359	0
Ending Oct. 31, 2017	1,575	0.7	727	(3.1)	589	(4.4)	588	(4.4)	3,211	0

(Reference) Forecast net income per unit for the fiscal period ending April 30, 2017 is JPY3,359 and the fiscal period ending October 31, 2017 is JPY3,211 (assuming total number of investment units issued and outstanding at end of period of 183,200 units).

#### \* Other

##### (1) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement

- ① Changes in accounting policies accompanying amendments to accounting standards, etc.: No
- ② Changes in accounting policies other than ①: No
- ③ Changes in accounting estimates: No
- ④ Retrospective restatement: No

##### (2) Total Number of Investment Units Issued and Outstanding

- ① Total number of investment units issued and outstanding  
(including own investment units) at end of period
- ② Number of own investment units at end of period

Fiscal period ended October 31, 2016	161,000 units
Fiscal period ended April 30, 2016	161,000 units
Fiscal period ended October 31, 2016	0 units
Fiscal period ended April 30, 2016	0 units

(Note) For the number of investment units used as the basis for calculating net income per unit, please refer to “Notes on Per Unit Information” on page 32.

#### \* Presentation of the status of implementation of audit procedures

This financial report is exempt from the audit procedures pursuant to the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended) (the “Financial Instruments and Exchange Act”) and, at the time of disclosure of this financial report, audit procedures for financial statements pursuant to the Financial Instruments and Exchange Act have not been completed.

#### \* Explanation of the appropriate use of the forecast for management status, and other matters of special note

The outlook for management status and other forward-looking statements contained in this document is based on information currently available to and certain assumptions deemed reasonable by Tosei Reit, and the actual management status, etc. may differ materially due to various factors. In addition, the forecast is not a guarantee of the amount of cash distribution. For the assumptions for the forecast for management status, please refer to “Assumptions for Outlook for Management Status for Fiscal Period Ending April 30, 2017 and Fiscal Period Ending October 31, 2017” on page 9.

## 1. Affiliated Juridical Persons of the Investment Corporation

Disclosure is omitted because there is no significant change from “Structure of the Investment Corporation” in the recent securities report (submitted on July 29, 2016).

## 2. Management Policy and Management Status

### (1) Management Policy

Disclosure is omitted because there is no significant change from “Investment Policy,” “Investment Target” and “Cash Distribution Policy” in the recent securities report (submitted on July 29, 2016).

### (2) Management Status

#### ① Overview of the Fiscal Period Under Review

##### (a) Key Developments of the Investment Corporation

Tosei Reit was incorporated by Tosei Asset Advisors, Inc. (the “Asset Management Company” or “Tosei Asset Advisors”) as the organizer under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951; as amended) (the “Investment Trusts Act”) with investments in capital of JPY960 million (9,600 units) on September 4, 2014, and completed registration with the Kanto Local Finance Bureau on September 22, 2014 (Director-General of the Kanto Local Finance Bureau Registration No. 96).

With issuance of new investment units through public offering (86,400 units) on November 26, 2014, Tosei Reit listed on the Tokyo Stock Exchange, Inc. (“Tokyo Stock Exchange”) Real Estate Investment Trust Securities Market (the “J-REIT market” (Note)) (Securities Code: 3451) on November 27, 2014.

Thereafter, Tosei Reit raised funds through public offering in November 2015 and through third-party allotment in December 2015, bringing the total number of investment units issued and outstanding at the end of the fiscal period (October 31, 2016) to 161,000 units.

(Note) “J-REIT” refers to a listed real estate investment corporation. In addition, “J-REIT market” refers to the real estate investment trust securities market established by Tokyo Stock Exchange. The same applies hereinafter.

##### (b) Investment Environment and Management Performance

###### Investment Environment:

In the fiscal period under review (4th Period: fiscal period ended October 31, 2016), although concerns over the future of global economies existed, such as anxiety over the U.K.’s withdrawal from the EU and other political regimes in Europe and the U.S. countries as well as slowdown in emerging economies including that of China, the Japanese economy saw a mild recovery trend continue as a whole due to improvement in employment/income situations against the backdrop of ongoing economic policies by the government and monetary easing policy by the Bank of Japan.

In the real estate transaction market, although investors’ appetite for purchases is strong under a continuing favorable fund procurement environment, both the number and the amount of real estate transactions have turned downward due to the limited supply of properties in the market and the gap in prices sellers and buyers expect. Particularly in Tokyo 5 central wards (Note 1), competition for property acquisition has become heated against the backdrop of limited supply of properties in addition to rise in real estate prices.

The real estate leasing market remained relatively strong with Tokyo business district (Tokyo 5 central wards) office vacancy rates remaining at an extremely low level and average rent continuing to show slight increase albeit with small margin (according to research by Miki Shoji Co., Ltd.). In addition, while the vacancy rates of Tokyo metropolitan area (Note 2) rental housing also remain at a low level and the level of rent unit prices remain high, some cities other than Tokyo 23 wards saw a rise in vacancy rates as well.

###### Management Performance:

Under such circumstances, Tosei Reit acquired one office property (Nishidai NC Building) on August 31, 2016 (acquisition price (Note 3): JPY 1,481 million). As of the end of the fiscal period under review, Tosei Reit owns 18 properties with the total acquisition price of JPY30,839 million and the occupancy rate of the assets under management is 98.1%.

- (Note 1) “Tokyo 5 central wards” collectively refers to Chiyoda, Chuo, Minato, Shinjuku and Shibuya wards. The same applies hereinafter.  
 (Note 2) “Tokyo metropolitan area” collectively refers to Tokyo, Kanagawa, Saitama, and Chiba prefectures. The same applies hereinafter.  
 (Note 3) “Acquisition price” is the sale and purchase price stated in the real estate trust beneficiary right sale and purchase contract. The sale and purchase price is excluding consumption tax, local consumption tax and various expenses required for the acquisition. The same applies hereinafter.

(c) Overview of Fund Procurement

In the procurement of funds for acquisition of assets, Tosei Reit adopts a basic policy of establishing stable and sound financial standing over the medium to long term with securing of revenue and sustainable growth of asset value in mind. During the fiscal period under review, short-term loans (JPY200 million) were repaid on August 31, 2016 while funds were procured through short-term loans (JPY800 million) on August 31, 2016 in line with new property acquisition.

As of October 31, 2016, unitholders’ capital was JPY16,521 million and interest-bearing debt outstanding was the amount of JPY15,469 million.

At the end of the fiscal period under review, the ratio of interest-bearing debt to total assets (LTV) was 44.9%.

(d) Overview of Business Performance and Cash Distribution

As a result of the management described above, business performance in the fiscal period under review was operating revenue of JPY1,337 million (up 7.4% period-on-period) and operating income of JPY643 million (up 4.9% period-on-period), and that after deducting interest expenses on loans and other expenses was ordinary income of JPY543 million (up 5.0% period-on-period) and net income of JPY542 million (up 5.1% period-on-period).

Concerning cash distribution in the fiscal period under review, in accordance with the cash distribution policy provided in the Articles of Incorporation of Tosei Reit and to ensure that the maximum amount of cash distribution of earnings would be included in deductible expenses based on application of special provisions for taxation on investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1958; as amended) (the “Special Taxation Measures Act”)), Tosei Reit decided to distribute almost the entire amount remaining after subtracting the reversal amount of reserve for temporary difference adjustments from earnings defined in Article 136 Paragraph 1 of the Investment Trusts Act, excluding the portion where cash distribution per investment unit would be less than JPY1. As a result, Tosei Reit declared a cash distribution per investment unit of JPY3,371.

② Outlook for the Next Fiscal Period

Under the government’s various economic policies and accommodative financial environment, not only Japanese corporate bodies including J-REITs, individual and institutional investors, but also overseas firms, investment funds, etc. are expected to continue investing in Japanese real estate. Thus, for the time being, acquisition competition and the trend of rising real estate transaction prices in the real estate transaction market are likely to continue to a certain degree. However, if uncertainties in financial markets at home and abroad remain unsolved and the risk-averting stance of investors prolongs, the fund procurement environment may change. Therefore, it is necessary to keep a close watch on future trends.

In addition, the economic recovery trend is assumed to continue due to the abovementioned effects of the government measures, etc. Amid such, the Tokyo metropolitan area office, retail facility and residential property leasing market is projected to continue showing a trend of moderate improvement in both occupancy rates and rent unit prices.

Future Management Policy and Challenges to Address

(a) Management Policy:

Tosei Reit engages in management and investment for the purpose of utilization and revitalization of the “vast existing building stock” (Note 1) in Japan’s real estate market by leveraging the core competencies of Tosei Corporation (the “Sponsor” or “Tosei”) of “good judgment” (Note 2), “leasing capability” (Note 2) and “revitalization capability” (Note 2), by investing primarily in highly advantageous real estate properties located

in areas where acquisition competition is relatively low and where high yields can be expected or properties with strong potential regardless of the properties' age.

Also when Tosei Reit acquires assets from the Sponsor as sourcing support, the Sponsor demonstrates its core competencies of leasing capability and revitalization capability during the period that it holds the target properties, allowing Tosei Reit to acquire assets generating stable revenue. In addition, even in cases where Tosei Reit acquires assets from sources other than the Sponsor, leveraging the leasing capability of not only the Asset Management Company but also the Sponsor allows Tosei Reit to achieve early enhancement of the revenue-generating potential of the held assets under management.

(Note 1) "Existing building stock" collectively refers to building assets which were constructed in the past and still exist at present.

(Note 2) "Core competencies of Tosei" collectively refers to three forms of know-how. Specifically, (a) the know-how to comprehensively assess an investment property based on factors including location, size, age, facilities/specifications and structure, and to assess a property's competitiveness and potential as a rental property ("good judgment"), (b) the know-how to raise the level of satisfaction among tenants through appropriate management of investment properties, and to improve and/or maintain occupancy rates with leasing activities that match a property's specific features ("leasing capability") and (c) the know-how to improve and/or maintain the competitiveness of a property by assessing the property's current competitiveness in the market, followed by performing any necessary refurbishments or renovations at the appropriate time ("revitalization capability"). The same applies hereinafter.

(Note 3) "Cap rate" refers to the figure arrived at when NOI is divided by the real estate price. In addition, "NOI" refers to net operating income by the direct capitalization method. Please note that NOI is income before depreciation, and the expected cap rate based on income less depreciation would be lower than this. It is also different from net cash flow (NCF), which is NOI plus financial interests on deposits and less capital expenditure.

#### (b) Expansion of Asset Size (Note 1)

Tosei Reit manages assets totaling 18 properties and amounting to approximately JPY30,839 million, but early expansion in size is thought to be required to realize stable cash distribution to unitholders.

In today's real estate market in which acquisition competition is fierce, Tosei Reit will aim for external growth through acquisition of carefully-selected properties that can be expected to have relatively high yields, while securing diverse investment opportunities by leveraging the sourcing support of the Sponsor along with also leveraging the Asset Management Company's own network from its management of private placement funds (Note 2).

(Note 1) "Asset size" refers to the total amount of acquisition price as of the record date.

(Note 2) Tosei Reit concluded on October 11, 2016 sale and purchase agreements for 5 properties, JPT Motomachi Building, Hakusan Asanomi Building, Selection Hatsutomi, Prime Garden and T's garden Shinkoiwa (the "Assets Acquired in the 5th Period"), and acquired the said assets on November 2, 2016.

#### (c) Financial Strategy

At this point in time, given the Bank of Japan's monetary easing policy and the market interest rate trends, Tosei Reit has put forth efforts to lengthen maturities and fix interest rates. Accordingly, Tosei Reit refinanced JPY3,969 million matured on November 30, 2016 with JPY3,900 million (over 4 years with fixed interest rates) borrowed from bank syndicates as described in "③ Significant Subsequent Events (c) Debt Financing" below. Going forward, Tosei Reit intends to continue to procure funds with fixed interest rates in principle (including interest rate swap agreements), taking into account the future risk of interest rate rise, economic conditions, etc. However, Tosei Reit will not execute interest rate swap agreements when risks concerning effects of the current negative interest rate policy on the interest rate swap agreements cannot be excluded.

In addition, debt financing from bank syndicates is currently secured debt financing with assets under management pledged as collateral. Going forward, however, when asset size grows to a certain level, Tosei Reit will seek cost reduction and greater agility in debt financing by releasing the collateral.

## (d) Outlook for Management Status for Fiscal Period Ending April 30, 2017 and Fiscal Period Ending October 31, 2017

Fiscal period	Operating revenue	Operating income	Ordinary income	Net income	Cash distribution per unit (not including cash distribution in excess of earnings)	Cash distribution in excess of earnings per unit
	JPY million	JPY million	JPY million	JPY million	JPY	JPY
Ending Apr. 30, 2017	1,564	750	616	615	3,359	0
Ending Oct. 31, 2017	1,575	727	589	588	3,211	0

The outlook is based on information currently available to and certain assumptions deemed reasonable by Tosei Reit, and the actual management status, etc. may differ materially due to various factors. In addition, the forecast is not a guarantee of the amount of cash distribution. For the assumptions for the outlook, please refer to “Assumptions for Outlook for Management Status for Fiscal Period Ending April 30, 2017 and Fiscal Period Ending October 31, 2017” on page 9.

## ③ Significant Subsequent Events

## (a) Acquisition of Assets

Tosei Reit concluded on October 11, 2016 sale and purchase agreements for the following 5 properties and acquired the assets on November 2, 2016.

Type	Property no.	Property name	Location	Acquisition price (JPY million)
Offices	O-08	JPT Motomachi Building	Yokohama-shi, Kanagawa	2,377
	O-09	Hakusan Asanomi Building	Bunkyo-ku, Tokyo	1,380
Retail facility	Rt-03	Selection Hatsutomi	Kamagaya-shi, Chiba	310
Residential properties	Rd-10	Prime Garden	Kamagaya-shi, Chiba	600
	Rd-11	T's garden Shinkoiwa	Katsushika-ku, Tokyo	670
Total (5 properties)			-	5,337

## (b) Issuance of New Investment Units

Tosei Reit resolved at the Board of Directors meetings held on October 11, 2016 and October 19, 2016 on the following issuance of new investment units, payment was completed on November 1, 2016 for the issuance of new investment units through public offering. As a result, as of the date of this document, unitholders' capital is JPY18,745 million and the total number of investment units issued and outstanding is 183,200 units.

## (Issuance of new investment units through primary offering (public offering))

Number of new investment units issued	: 22,200 units
Issue price (offer price)	: JPY103,938 per unit
Total issue price (total offer price)	: JPY2,307,423,600
Issue amount (paid-in amount)	: JPY100,206 per unit
Total issue amount (total paid-in amount)	: JPY2,224,573,200
Payment date	: November 1, 2016

## (Use of funds)

The funds procured from the above issuance of new investment units through public offering were allocated to part of funds for new acquisition of specified assets by Tosei Reit (including acquisition-related expenses, etc.).

## (c) Debt Financing

Tosei Reit executed the following debt financing to procure part of funds for acquiring real estate trust beneficiary rights described in “(a) Acquisition of Assets” above and for the related expenses.

Lender	Loan amount (JPY million)	Interest rate	Drawdown date	Maturity date	Repayment method	Security
The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Resona Bank, Limited Shinsei Bank, Limited Aozora Bank, Ltd. The Chiba Bank, Ltd. The Bank of Fukuoka, Ltd.	1,600	Base rate (JBA 1 month JPY TIBOR) (Note 2) + 0.50%	November 2, 2016	May 29, 2020	Lump-sum repayment on maturity date	Secured
The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Resona Bank, Limited Shinsei Bank, Limited Aozora Bank, Ltd. The Chiba Bank, Ltd. The Bank of Fukuoka, Ltd.	1,700	0.87445% (Fixed rate)	November 2, 2016	October 29, 2021	Lump-sum repayment on maturity date	Secured
Total	3,300	—	—	—	—	—

(Note 1) Figures indicated do not include borrowing related expenses, etc. to be paid to the lenders.

(Note 2) The base rate applicable to the interest rate calculation period for each interest payment date will be determined on the date two business days prior to the interest payment date immediately before each interest payment date (the drawdown date for the first interest payment date). For JBA's JPY TIBOR, please check with the JBA TIBOR Administration's website (<http://www.jbatibor.or.jp/english/rate/>).

Tosei Reit executed the following debt financing to repay JPY3,969 million matured on November 30, 2016.

Lender	Loan amount (JPY million)	Interest rate	Drawdown date	Maturity date	Repayment method	Security
The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Resona Bank, Limited Shinsei Bank, Limited Aozora Bank, Ltd.	500	0.84075% (Fixed rate)	November 30, 2016	November 30, 2020	Lump-sum repayment on maturity date	Secured
The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Resona Bank, Limited Shinsei Bank, Limited Aozora Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited.	1,200	0.95441% (Fixed rate)	November 30, 2016	November 30, 2021	Lump-sum repayment on maturity date	Secured
The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd.	800	1.17068% (Fixed rate)	November 30, 2016	November 30, 2022	Lump-sum repayment on maturity date	Secured
The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation	1,400	1.39061% (Fixed rate)	November 30, 2016	November 30, 2023	Lump-sum repayment on maturity date	Secured
Total	3,900	—	—	—	—	—

(Note) Figures indicated do not include borrowing related expenses, etc. to be paid to the lenders.



Assumptions for Outlook for Management Status for  
Fiscal Period Ending April 30, 2017 and Fiscal Period Ending October 31, 2017

Item	Assumptions		
Calculation period	<ul style="list-style-type: none"> <li>Fiscal period ending April 30, 2017 (5th Period): November 1, 2016 – April 30, 2017 (181 days)</li> <li>Fiscal period ending October 31, 2017 (6th Period): May 1, 2017 – October 31, 2017 (184 days)</li> </ul>		
Assets under management	<ul style="list-style-type: none"> <li>It is assumed that there will be no change (new property acquisitions, sales of existing properties, etc.) through the end of the fiscal period ending October 31, 2017 (6th fiscal period) to the real estate trust beneficiary rights owned by Tosei Reit as of the date of this document (23 properties in total) (the “Assets under Management”).</li> <li>In practice, they may vary due to acquisition of new properties other than the Assets under Management or sales of the Assets under Management, etc.</li> </ul>		
Operating revenue	<ul style="list-style-type: none"> <li>Rental revenues from the Assets under Management are calculated taking into account lease agreements that are effective as of the date of this document, tenant and market trends, etc. As for Tama Center Tosei Building, calculation is made based on the fixed-rent master lease agreement newly concluded on November 22, 2016.</li> <li>For rental revenues, it is assumed that no rent payments will be behind or declined by tenants.</li> </ul>		
Operating expenses	<ul style="list-style-type: none"> <li>The following are the major items of operating expenses.</li> </ul>		
		Fiscal period ending April 30, 2017	Fiscal period ending October 31, 2017
	Expenses related to rent business	JPY678 million	JPY703 million
	<i>Of which:</i> Management fee	JPY147 million	JPY143 million
	<i>[Of which:</i> Operational management costs	JPY111 million]	JPY111 million]
	<i>[Of which:</i> Property management costs	JPY31 million]	JPY31 million]
	Repair expenses	JPY31 million	JPY30 million
	Property taxes	JPY116 million	JPY130 million
	Depreciation	JPY197 million	JPY197 million
	Expenses other than expenses related to rent business	JPY135 million	JPY144 million
	<i>Of which:</i> Asset management fee	JPY87 million	JPY91 million
	<ul style="list-style-type: none"> <li>For the expenditure for repair and maintenance (repair expenses) of buildings, the amount expected to be required in the fiscal period is assumed as expenses, based on the amount planned by the asset management company of Tosei Reit, after considering the amount stated in the engineering report. However, the expenditure for repair and maintenance for the fiscal period could differ significantly from the estimated amount, as expenditures may arise urgently due to damages to buildings and such caused by unexpected factors, and because the variance in amounts generally tends to be significant from year to year and repair maintenance expenses do not arise regularly.</li> <li>For property taxes, upon transactions of real estate and other properties, it is a general practice to calculate and reimburse the pro rata portion of fixed asset taxes, city planning taxes and other public charges based on the number of days of ownership to the current owner and settle them at the time of acquisition. However, the settled amount is included in the acquisition cost and is not recorded as expenses at the time of acquisition by Tosei Reit. Therefore, concerning Nishidai NC Building acquired on August 31, 2016 and the assets acquired on November 2, 2016 in the 5th fiscal period (5 properties), fixed asset taxes, city planning taxes and other public charges in fiscal 2016 will not be recorded as expenses in the fiscal period ending April 30, 2017. The total of fixed asset taxes, city planning taxes and other public charges for Nishidai NC Building, which are to be included in acquisition cost in the fiscal period ending April 30, 2017, is assumed to be JPY2 million (equivalent to that for 61 days). Furthermore, the total of fixed asset taxes, city planning taxes and other public charges for the assets acquired in the 5th Period, which are to be included in acquisition cost in the fiscal period ending April 30, 2017, is assumed to be JPY6 million (equivalent to that for 60 days).</li> </ul>		
NOI	<ul style="list-style-type: none"> <li>NOI for the entire portfolio is assumed to be JPY1,083 million for the fiscal period ending April 30, 2017 and JPY1,069 million for the fiscal period ending October 31, 2017.</li> <li>Out of the above, NOI for the Assets under Management excluding the assets acquired in the 5th Period is assumed to be JPY922 million for the fiscal period ending April 30, 2017 and JPY912 million for the fiscal period ending October 31, 2017.</li> <li>Out of the above, NOI for the assets acquired in the 5th Period is assumed to be JPY161 million for the fiscal period ending April 30, 2017 and JPY157 million for the fiscal period ending October 31, 2017.</li> <li>NOI is calculated by using the following calculation method.  NOI = Property-related operating revenue – Property-related operating expenses (less depreciation)</li> </ul>		

Non-operating expenses	<ul style="list-style-type: none"> <li>Expenses for the issuance of new investment units are assumed to be JPY8 million for the fiscal period ending April 30, 2017 and JPY8 million for the fiscal period ending October 31, 2017.</li> <li>Interest expenses and borrowing related expenses are assumed to be JPY126 million for the fiscal period ending April 30, 2017 and JPY130 million for the fiscal period ending October 31, 2017. Among the borrowing related expenses, JPY45 million for the fiscal period ending April 30, 2017 and JPY45 million for the fiscal period ending October 31, 2017 will be expensed in accordance with the borrowing period.</li> </ul>
Debt financing	<ul style="list-style-type: none"> <li>Debt outstanding as of the date of this document is JPY18,700 million. It is assumed that there will be no changes in the debt outstanding through the end of the fiscal period ending October 31, 2017 (6th Period).</li> <li>LTV is assumed to be 46.5% as of the end of the fiscal period ending April 30, 2017 (5th Period) and 46.5% as of the end of the fiscal period ending October 31, 2017 (6th Period).</li> <li>LTV is calculated by using the following calculation method.  <math display="block">LTV = \text{Total interest-bearing debt} \div \text{Total assets} \times 100</math> </li> </ul>
Total number of investment units issued and outstanding	<ul style="list-style-type: none"> <li>It is assumed that the total number of investment units issued and outstanding will be 183,200 units as of the date of this document, and that there will be no changes to this number due to additional issuance of new investment units and such through the end of the fiscal period ending October 31, 2017.</li> <li>Cash distribution per unit is calculated using the forecast total number of investment units issued and outstanding at the end of the fiscal period ending April 30, 2017 and the fiscal period ending October 31, 2017 (183,200 units).</li> </ul>
Cash distribution per unit (not including cash distribution in excess of earnings)	<ul style="list-style-type: none"> <li>Cash distribution per unit is calculated on the assumption described in the monetary cash distribution policy stipulated in Tosei Reit's Articles of Incorporation.</li> <li>It is assumed that the entire amount of unappropriated retained earnings is distributed excluding the portion where cash distribution per unit would be less than JPY1.</li> <li>Deferred losses on hedges of interest rate swaps as a difference of evaluation/conversion, etc. is expected to be JPY20 million for the fiscal periods ending April 30, 2017 and ending October 31, 2017, which is the same amount for the fiscal period ended October 31, 2016; and cash distribution per unit is calculated with an assumption there is no fluctuation to the fair value of interest rate swaps.</li> <li>It is possible that the cash distribution per unit (not including cash distribution in excess of earnings) could change due to various factors, including changes in the Assets under Management, changes in rental revenue accompanying changes in tenants, etc., and unexpected maintenance and repairs, etc.</li> </ul>
Cash distribution in excess of earnings per unit (out of which, reserve for temporary adjustments)	<ul style="list-style-type: none"> <li>It is assumed that, out of cash distribution in excess of earnings defined in Article 136 Paragraph 1 of the Investment Trusts Act, Tosei Reit will make distribution as reserve for temporary difference adjustments, of which amount is to be determined by Tosei Reit as an amount equivalent to net asset deduction items (as defined in Article 2 item 30 (b) of the Ordinance on Accountings of Investment Corporations), considering the impact of net asset deduction items on cash distribution.</li> <li>No cash distribution in excess of earnings (reserve for temporary difference adjustments) is expected for the fiscal periods ending April 30, 2017 and October 31, 2017 as the calculation is made under assumption that there is no fluctuation to the fair value of interest rate swaps.</li> </ul>
Cash distribution in excess of earnings per unit (out of which, distribution reducing unitholders' capital for tax purpose)	<ul style="list-style-type: none"> <li>Out of cash distribution in excess of earnings defined in Article 136 Paragraph 1 of the Investment Trusts Act, Tosei Reit does not currently anticipate a return of contribution.</li> </ul>
Other	<ul style="list-style-type: none"> <li>Forecasts are based on the assumption 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.</li> <li>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.</li> </ul>

## (3) Investment Risks

Disclosure is omitted because there is no significant change from "Investment Risks" in the securities registration statement (submitted on July 29, 2016).

## 3. Financial Statements

## (1) Balance Sheet

(Unit: JPY thousand)

	3rd Period (As of Apr. 30, 2016)	4th Period (As of Oct. 31, 2016)
<b>Assets</b>		
Current assets		
Cash and deposits	1,427,661	921,684
Cash and deposits in trust	*1 2,338,098	*1 2,498,345
Operating accounts receivable	3,334	4,623
Prepaid expenses	81,294	62,926
Deferred tax assets	16	14
Consumption taxes receivable	251,596	-
Total current assets	4,102,003	3,487,595
Non-current assets		
Property, plant and equipment		
Buildings in trust	9,212,530	9,720,152
Accumulated depreciation	(302,064 )	(450,463 )
Buildings in trust, net	*1 8,910,465	*1 9,269,689
Structures in trust	116,282	116,558
Accumulated depreciation	(9,784)	(14,619 )
Structures in trust, net	*1 106,497	*1 101,939
Machinery and equipment in trust	243,783	251,755
Accumulated depreciation	(21,141 )	(31,834 )
Machinery and equipment in trust, net	*1 222,641	*1 219,920
Tools, furniture and fixtures in trust	91,358	92,812
Accumulated depreciation	(8,432 )	(12,939 )
Tools, furniture and fixtures in trust, net	*1 82,926	*1 79,872
Land in trust	*1 20,092,132	*1 21,124,106
Construction in progress in trust	2,040	2,196
Total property, plant and equipment	29,416,703	30,797,725
Investments and other assets		
Long-term prepaid expenses	144,967	115,456
Lease and guarantee deposits	10,000	10,000
Total investments and other assets	154,967	125,456
Total non-current assets	29,571,671	30,923,181
Deferred assets		
Investment unit issuance expenses	21,673	17,338
Total deferred assets	21,673	17,338
<b>Total assets</b>	<b>33,695,348</b>	<b>34,428,115</b>

(Unit: JPY thousand)

	3rd Period (As of Apr. 30, 2016)	4th Period (As of Oct. 31, 2016)
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	48,739	41,096
Short-term loans payable	*1 200,000	*1 800,000
Current portion of long-term loans payable	*1 3,169,000	*1 3,169,000
Accounts payable – other	58,012	65,778
Income taxes payable	915	910
Accrued consumption taxes	-	11,785
Advances received	217,519	232,688
Other	42,529	34,487
Total current liabilities	3,736,715	4,355,747
Non-current liabilities		
Long-term loans payable	*1 11,500,000	*1 11,500,000
Tenant leasehold and security deposits in trust	1,420,650	1,508,117
Other	31,306	20,715
Total non-current liabilities	12,951,956	13,028,833
Total liabilities	16,688,672	17,384,580
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	16,521,321	16,521,321
Deduction from unitholders' capital		
Reserve for temporary difference adjustments	-	*3 (31,234 )
Total deduction from unitholders' capital	-	(31,234 )
Unitholders' capital, net	16,521,321	16,490,087
Surplus		
Unappropriated retained earnings (undisposed loss)	516,660	574,162
Total surplus	516,660	574,162
Total unitholders' equity	17,037,982	17,064,250
Valuation and translation adjustments		
Deferred gains or losses on hedges	(31,306 )	(20,715 )
Total valuation and translation adjustments	(31,306 )	(20,715 )
Total net assets	*2 17,006,676	*2 17,043,534
Total liabilities and net assets	33,695,348	34,428,115

## (2) Statement of Income

(Unit: JPY thousand)

	3rd Period (From: Nov. 1, 2015 To: Apr. 30, 2016)	4th Period (From: May 1, 2016 To: Oct. 31, 2016)
Operating revenue		
Rent revenue – real estate	*1, *2 1,139,845	*1, *2 1,208,837
Other lease business revenue	*1, *2 105,772	*1, *2 128,925
Total operating revenue	1,245,618	1,337,762
Operating expenses		
Expenses related to rent business	*1 522,192	*1 563,262
Asset management fee	66,000	79,600
Asset custody fee	1,049	1,666
Administrative service fees	9,383	11,126
Directors' compensations	3,900	3,900
Other operating expenses	29,532	34,883
Total operating expenses	632,059	694,438
Operating income	613,559	643,324
Non-operating income		
Interest income	295	18
Interest on refund	-	361
Miscellaneous income	54	18
Total non-operating income	349	398
Non-operating expenses		
Interest expenses	51,548	51,331
Borrowing related expenses	40,447	44,327
Other	4,334	4,393
Total non-operating expenses	96,330	100,051
Ordinary income	517,578	543,671
Income before income taxes	517,578	543,671
Income taxes – current	960	913
Income taxes – deferred	(3 )	1
Total income taxes	957	915
Net income	516,621	542,755
Retained earnings brought forward	39	31,406
Unappropriated retained earnings (undisposed loss)	516,660	574,162

## (3) Statement of Unitholders' Equity

3rd Period (from November 1, 2015 to April 30, 2016)

(Unit: JPY thousand)

	Unitholders' equity			
	Unitholders' capital	Surplus		Total unitholders' equity
		Unappropriated retained earnings (undisposed loss)	Total surplus	
Balance at beginning of current period	9,525,436	286,695	286,695	9,812,132
Changes of items during period				
Issuance of new investment units	6,995,885			6,995,885
Dividends of surplus		(286,656)	(286,656)	(286,656)
Net income		516,621	516,621	516,621
Net changes of items other than unitholders' equity				
Total changes of items during period	6,995,885	229,965	229,965	7,225,850
Balance at end of current period	*1 16,521,321	516,660	516,660	17,037,982

(Unit: JPY thousand)

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of current period	(10,172)	(10,172)	9,801,960
Changes of items during period			
Issuance of new investment units			6,995,885
Dividends of surplus			(286,656)
Net income			516,621
Net changes of items other than unitholders' equity	(21,134)	(21,134)	(21,134)
Total changes of items during period	(21,134)	(21,134)	7,204,716
Balance at end of current period	(31,306)	(31,306)	17,006,676

4th Period (from May 1, 2016 to October 31, 2016)

(Unit: JPY thousand)

	Unitholders' equity				
	Unitholders' capital				Surplus
	Unitholders' capital	Deduction from unitholders' capital		Unitholders' capital, net	Unappropriated retained earnings (undisposed loss)
		Reserve for temporary difference adjustments	Total deduction from unitholders' capital		
Balance at beginning of current period	16,521,321	-	-	16,521,321	516,660
Changes of items during period					
Dividends of surplus					(485,254)
Distribution in excess of earnings with reserve for temporary difference adjustments		(31,234)	(31,234)	(31,234)	
Net income					542,755
Net changes of items other than unitholders' equity					
Total changes of items during period	-	(31,234)	(31,234)	(31,234)	57,501
Balance at end of current period	*1 16,521,321	(31,234)	(31,234)	16,490,087	574,162

(Unit: JPY thousand)

	Unitholders' equity		Valuation and translation adjustments		Total net assets
	Surplus	Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	
	Total surplus				
Balance at beginning of current period	516,660	17,037,982	(31,306)	(31,306)	17,006,676
Changes of items during period					
Dividends of surplus	(485,254)	(485,254)			(485,254)
Distribution in excess of earnings with reserve for temporary difference adjustments		(31,234)			(31,234)
Net income	542,755	542,755			542,755
Net changes of items other than unitholders' equity			10,590	10,590	10,590
Total changes of items during period	57,501	26,267	10,590	10,590	36,858
Balance at end of current period	574,162	17,064,250	(20,715)	(20,715)	17,043,534

## (4) Statement of Cash Distributions

(Unit: JPY)		
Item	3rd Period (From: Nov. 1, 2015 To: Apr. 30, 2016)	4th Period (From: May 1, 2016 To: Oct. 31, 2016)
I. Unappropriated retained earnings	516,660,848	574,162,773
II. Amount to be added to cash distribution in excess of earnings	31,234,000	-
Of which, reserve for temporary difference adjustments	31,234,000	-
III. Incorporation into unitholders' capital	-	10,626,000
Out of which, reversal of reserve for temporary difference adjustments	-	10,626,000
IV. Amount of cash distribution	516,488,000	542,731,000
[Amount of cash distribution per investment unit]	[3,208]	[3,371]
Of which, cash distribution of earnings	485,254,000	542,731,000
(Of which, cash distribution of earnings per unit)	[3,014]	[3,371]
Of which, reserve for temporary difference adjustments	31,234,000	-
(Of which, cash distribution in excess of earnings per unit (for reserve for temporary difference adjustments))	[194]	-
IV. Retained earnings carried forward	31,406,848	20,805,773
Method of calculating the amount of cash distribution	<p>Cash distribution per investment unit for the fiscal period under review is JPY3,208 as stated above. Concerning cash distribution of earnings (not including cash distribution in excess of earnings), in order to ensure that the maximum amount of cash distribution of earnings would be included in deductible expenses based on application of special provisions for taxation on investment corporations (Article 67-15 Paragraph 1 the Special Taxation Measures Act), Tosei Reit decided to distribute almost the entire amount of earnings defined in Article 136 Paragraph 1 of the Investment Trusts Act, excluding the portion where cash distribution per investment unit would be less than JPY1. As a result, Tosei Reit declared a cash distribution per investment unit (not including cash distribution in excess of earnings) of JPY3,014.</p> <p>In addition, Tosei Reit will make cash distribution in excess of earnings ("Cash Distribution in Excess of Earnings"), of which amount is to be determined by Tosei Reit as an amount equivalent to net asset deduction items on cash distribution (as defined in Article 2 Paragraph 2 item 30 (b) of the Ordinance on Accountings of Investment Corporations), considering the impact of net asset deduction items, in accordance with the cash distribution policy provided in the Articles of Incorporation of Tosei Reit.</p> <p>For the fiscal period under review, Cash Distribution in Excess of Earnings of JPY31 million of deferred losses on hedges will be conducted. Out of such, Tosei Reit</p>	<p>Cash distribution per investment unit for the fiscal period under review is JPY3,371 as stated above. Concerning cash distribution of earnings (not including cash distribution in excess of earnings), in order to ensure that the maximum amount of cash distribution of earnings would be included in deductible expenses based on application of special provisions for taxation on investment corporations (Article 67-15 Paragraph 1 the Special Taxation Measures Act), Tosei Reit decided to distribute almost the entire amount remained after subtracting reversal amount of reserve for temporary difference adjustments from earnings defined in Article 136 Paragraph 1 of the Investment Trusts Act, excluding the portion where cash distribution per investment unit would be less than JPY1. As a result, Tosei Reit declared a cash distribution per investment unit (not including cash distribution in excess of earnings) of JPY3,371.</p>



	decided to distribute reserve for temporary difference adjustments of JPY31 million, making the distribution of reserve for temporary difference adjustments per investment unit JPY194.	
--	--	--

## (5) Statement of Cash Flows

(Unit: JPY thousand)

	3rd Period (From: Nov. 1, 2015 To: Apr. 30, 2016)	4th Period (From: May 1, 2016 To: Oct. 31, 2016)
Cash flows from operating activities		
Income before income taxes	517,578	543,671
Depreciation	159,257	168,433
Borrowing related expenses	40,447	44,327
Interest income	(295)	(18)
Interest expenses	51,548	51,331
Decrease (increase) in operating accounts receivable	(345)	(1,289)
Decrease (increase) in consumption taxes refund receivable	(251,596)	251,596
Increase (decrease) in accrued consumption taxes	(22,887)	11,785
Decrease (increase) in prepaid expenses	(29,841)	10,476
Decrease (increase) in long-term prepaid expenses	16,610	-
Increase (decrease) in operating accounts payable	15,543	(11,582)
Increase (decrease) in accounts payable – other	10,415	7,082
Increase (decrease) in advances received	92,565	15,168
Other, net	2,318	472
Subtotal	601,320	1,091,455
Interest income received	295	18
Interest expenses paid	(50,870)	(51,889)
Income taxes paid	(898)	(918)
Net cash provided by (used in) operating activities	549,846	1,038,665
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(12,095,553)	(1,544,830)
Proceeds from tenant leasehold and security deposits in trust	882,477	123,240
Repayments of tenant leasehold and security deposits in trust	(191,933)	(43,192)
Net cash provided by (used in) investing activities	(11,405,009)	(1,464,782)
Cash flows from financing activities		
Proceeds from short-term loans payable	200,000	796,875
Decrease in short-term loans payable	-	(200,000)
Proceeds from long-term loans payable	5,370,696	-
Proceeds from issuance of investment units	6,970,362	-
Dividends paid	(286,656)	(516,488)
Net cash provided by (used in) financing activities	12,254,403	80,387
Net increase (decrease) in cash and cash equivalents	1,399,240	(345,729)
Cash and cash equivalents at beginning of period	2,366,519	3,765,759
Cash and cash equivalents at end of period	*1 3,765,759	*1 3,420,030

## (6) Notes on Going Concern Assumption

Not applicable.

## (7) Notes on Matters Concerning Significant Accounting Policies

1. Method of depreciation of non-current assets	<p>(1) Property, plant and equipment (including assets in trust) The straight-line method is adopted. The useful life of principal property, plant and equipment is as follows:</p> <table> <tr> <td>Buildings</td><td>2-62 years</td></tr> <tr> <td>Structures</td><td>2-60 years</td></tr> <tr> <td>Machinery and equipment</td><td>4-35 years</td></tr> <tr> <td>Tools, furniture and fixtures</td><td>2-27 years</td></tr> </table> <p>(2) Long-term prepaid expenses The straight-line method is adopted.</p>	Buildings	2-62 years	Structures	2-60 years	Machinery and equipment	4-35 years	Tools, furniture and fixtures	2-27 years
Buildings	2-62 years								
Structures	2-60 years								
Machinery and equipment	4-35 years								
Tools, furniture and fixtures	2-27 years								
2. Treatment of deferred assets	<p>Investment unit issuance expenses Equally amortized over a period of 3 years.</p>								
3. Standards for revenue and expense recognition	<p>Accounting for fixed asset tax, etc. Accounting for fixed asset tax, city planning tax, depreciable asset tax, etc. on real estate, etc. held is that, of the tax amount assessed and determined, the amount corresponding to the concerned calculation period is expensed as real estate rent expenses. Reimbursement of fixed asset tax, etc. in the fiscal year that includes the acquisition date paid to the seller upon acquisition of real estate, etc. is not recognized as expenses but included in the cost of acquisition of the concerned real estate, etc.</p>								
4. Hedge accounting	<p>(1) Hedge accounting approach for deferred hedges, etc. Deferral hedge accounting is adopted. (2) Hedging instruments and hedged items Hedging instruments: Interest rate swap transactions Hedged items: Interest on loans (3) Hedging policy Tosei Reit conducts derivative transactions for the purpose of hedging the risks provided in the Articles of Incorporation pursuant to the financial policy. (4) Method for assessing the effectiveness of hedging The effectiveness of hedging is assessed by comparing the cumulative change in cash flows of the hedging instruments with the cumulative change in cash flows of the hedged items and verifying the ratio of the amount of change in the two.</p>								
5. Scope of funds in the statement of cash flows (cash and cash equivalents)	<p>The funds in the statement of cash flows (cash and cash equivalents) consist of cash on hand and cash in trust; deposits that can be withdrawn at any time and deposits in trust; and short-term investments with a maturity of 3 months or less from the date of acquisition, which are readily convertible to cash and bear only an insignificant risk of price fluctuation.</p>								
6. Other significant matters serving as basis for preparation of financial statements	<p>(1) Accounting for trust beneficiary rights that have real estate, etc. as assets in trust Concerning trust beneficiary rights that have real estate, etc. as assets in trust held, all accounts of assets and liabilities within assets in trust as well as all accounts of revenue and expenses from the assets in trust are recognized in the relevant account item of the balance sheet and the statement of income. The following material items of the assets in trust recognized in the relevant account item are separately listed on the balance sheet. ① Cash and deposits in trust ② Buildings in trust; structures in trust; machinery and equipment in trust; tools, furniture and fixtures in trust; and land in trust ③ Tenant leasehold and security deposits in trust (2) Accounting method for consumption tax, etc. Consumption tax and local consumption tax are accounted for by excluding from transaction amounts. However, non-deductible consumption tax on non-current assets, etc. is included in the cost of acquisition of the respective non-current assets, etc.</p>								

## (8) Notes to Financial Statements

## [Notes to Balance Sheet]

## \*1. Assets pledged as collateral and secured liabilities

The following are the assets pledged as collateral.

(Unit: JPY thousand)

	3rd Period (As of Apr. 30, 2016)	4th Period (As of Oct. 31, 2016)
Cash and deposits in trust	2,338,098	2,498,345
Buildings in trust	8,910,465	9,269,689
Structures in trust	106,497	101,939
Machinery and equipment in trust	222,641	219,920
Tools, furniture and fixtures in trust	82,926	79,872
Land in trust	20,092,132	21,124,106
Total	31,752,762	33,293,874

The following are the secured liabilities.

(Unit: JPY thousand)

	3rd Period (As of Apr. 30, 2016)	4th Period (As of Oct. 31, 2016)
Short-term loans payable	200,000	800,000
Current portion of long-term loans payable	3,169,000	3,169,000
Long-term loans payable	11,500,000	11,500,000
Total	14,869,000	15,469,000

## \*2. Minimum net assets as provided in Article 67, Paragraph 4 of the Investment Trusts Act

(Unit: JPY thousand)

	3rd Period (As of Apr. 30, 2016)	4th Period (As of Oct. 31, 2016)
	50,000	50,000

## \*3 Reserve for temporary difference adjustments

3rd Period (from November 1, 2015 to April 30, 2016)

Not applicable.

4th Period (from May 1, 2016 to October 31, 2016)

## 1. Reasons, related assets and amounts

(Unit: JPY thousand)

Related assets, etc.	Reason	Initial amount	Balance at beginning of 4th Period	Reserve set aside during period	Reversal during period	Balance at end of 4th Period	Reason for reversal
Deferred gains or losses on hedges	Loss on interest- rate swaps	31,234	-	31,234	-	31,234	—

## 2. Method of reversal

## (1) Deferred gains or losses on hedges

Based on changes in the fair value of derivatives used as hedging instruments, the corresponding amount is scheduled to be reversed.

## [Notes to Statement of Income]

## \*1. Breakdown of property-related operating income (loss)

	(Unit: JPY thousand)	
	3rd Period (From: Nov. 1, 2015 To: Apr. 30, 2016)	4th Period (From: May 1, 2016 To: Oct. 31, 2016)
A. Property-related operating revenue		
Rent revenue – real estate		
Rental income	984,597	1,035,729
Common area maintenance income	98,664	113,139
Parking income	40,432	43,568
Other rental income	16,151	16,399
Total	1,139,845	1,208,837
Other lease business revenue		
Utilities reimbursement	93,554	113,657
Other income	12,218	15,267
Total	105,772	128,925
Total property-related operating revenue	1,245,618	1,337,762
B. Property-related operating expenses		
Expenses related to rent business		
Management fee	111,229	118,498
Trust fee	4,974	5,201
Utilities expenses	105,138	118,903
Insurance premium	2,883	3,082
Repair expenses	31,054	25,887
Property taxes	81,277	93,254
Depreciation	159,257	168,433
Other expenses	26,377	30,000
Total property-related operating expenses	522,192	563,262
C. Property-related operating income (loss) (A – B)	723,426	774,500

## \*2. Transactions with major unitholders

	(Unit: JPY thousand)	
	3rd Period (From: Nov. 1, 2015 To: Apr. 30, 2016)	4th Period (From: May 1, 2016 To: Oct. 31, 2016)
From operating transactions		
Rent revenue – real estate	14,593	-
Other lease business revenue	1,614	-

\*With the issuance of new investment units, a person or an entity that falls under the category of major unitholders became none on November 16, 2015. Thus the amounts for the period during which major shareholders existed are indicated.

## [Notes to Statement of Unitholders' Equity]

\*1 Total number of investment units authorized and total number of investment units issued and outstanding

	3rd Period (From: Nov. 1, 2015 To: Apr. 30, 2016)	4th Period (From: May 1, 2016 To: Oct. 31, 2016)
Total number of investment units authorized	10,000,000 units	10,000,000 units
Total number of investment units issued and outstanding	161,000 units	161,000 units

## [Notes to Statement of Cash Flows]

\*1. Reconciliation of cash and cash equivalents at end of period to the amount of balance sheet items

(Unit: JPY thousand)

	3rd Period (From: Nov. 1, 2015 To: Apr. 30, 2016)	4th Period (From: May 1, 2016 To: Oct. 31, 2016)
Cash and deposits	1,427,661	921,684
Cash and deposits in trust	2,338,098	2,498,345
Cash and cash equivalents	3,765,759	3,420,030

## [Notes on Lease Transactions]

Operating lease transactions (as lessor)

Future minimum lease payments under non-cancellable operating leases

(Unit: JPY thousand)

	3rd Period (As of Apr. 30, 2016)	4th Period (As of Oct. 31, 2016)
Due within 1 year	351,342	487,342
Due after 1 year	537,830	1,495,105
Total	889,173	1,982,447

## [Notes on Financial Instruments]

## 1. Matters concerning status of financial instruments

## (1) Policy for handling financial instruments

Tosei Reit shall procure funds through borrowing from financial institutions, issuance of investment corporation bonds or issuance of new investment units, etc. in a diversified and well-balanced manner based on a basic policy of establishing stable and sound financial standing over the medium to long term. Issuance of new investment units shall be implemented in a timely manner by taking into consideration such factors as revenue-generating potential of the properties to be acquired upon the issuance, acquisition timing, LTV level and timing of repayment of interest-bearing debt in a comprehensive manner, and also considering for dilution due to the issuance of new investment units. The funds procured through debt financing and issuance of investment corporation bonds shall be used for acquisition of assets, repairs and maintenance, repayment of security and guarantee deposits, payment of cash distribution, payment of expenses of Tosei Reit or repayment of obligations, etc.

In addition, an amount deemed appropriate to meet various capital needs and by taking into account also the status of establishment of lines of credit, etc. shall be held as cash and deposits.

Derivative transactions may be conducted for the purpose of hedging the risk of fluctuations in interest rates on loans, etc. and other risks, but no speculative transactions shall be conducted.

## (2) Description of financial instruments and associated risks, and risk management system

Loans and investment corporation bonds shall be for the purpose of primarily procuring funds for acquisition of assets and funds for repayment/redemption of obligations. Loans and investment corporation bonds are exposed to the risk of inability to refinance upon becoming due for repayment, but efforts are made to minimize the risk by considering and executing proposals for well-balanced fund procurement by diversifying fund procurement sources and including fund procurement through issuance of investment units and other means.

In addition, loans with floating interest rates are exposed to the risk of the interest rate payable rising, but a maximum limit is set for LTV in order to limit the impact of interest rate rises on Tosei Reit's operations. In addition, derivative transactions to convert interest expenses to fixed rates (interest rate swap transactions, etc.) are made available as a hedging instrument, taking into account the balance between the concerned risk and the costs involved in converting interest rates to fixed rates.

However, in circumstances where risks of impacts on interest rate swap agreements stemming from current negative interest rate policy cannot be excluded, interest rate swap agreements shall not be conducted.

Deposits, which are those for investing Tosei Reit's surplus funds, are exposed to credit risk, such as failure of the depository financial institutions, but are managed by limiting the deposit period to short term, taking into consideration security and liquidity.

## (3) Supplementary explanation of matters concerning fair value, etc. of financial instruments

Not applicable.

## 2. Matters concerning fair value, etc. of financial instruments

The following is the carrying amount and fair value, and the amount of difference between these.

3rd Period (as of April 30, 2016)

(Unit: JPY thousand)

	Carrying amount	Fair value	Amount of difference
(1) Cash and deposits	1,427,661	1,427,661	—
(2) Cash and deposits in trust	2,338,098	2,338,098	—
Total assets	3,765,759	3,765,759	—
(3) Short-term loans payable	200,000	200,000	—
(4) Current portion of long-term loans payable	3,169,000	3,169,000	—
(5) Long-term loans payable	11,500,000	11,500,000	—
Total liabilities	14,869,000	14,869,000	—
(6) Derivative transactions	(31,306)	(31,306)	—

4th Period (as of October 31, 2016)

(Unit: JPY thousand)

	Carrying amount	Fair value	Amount of difference
(1) Cash and deposits	921,684	921,684	—
(2) Cash and deposits in trust	2,498,345	2,498,345	—
Total assets	3,420,030	3,420,030	—
(3) Short-term loans payable	800,000	800,000	—
(4) Current portion of long-term loans payable	3,169,000	3,169,000	—
(5) Long-term loans payable	11,500,000	11,505,101	5,101
Total liabilities	15,469,000	15,474,101	5,101
(6) Derivative transactions	(20,715)	(20,715)	—

(\*) Assets and liabilities arising from derivative transactions are offset and presented in the net amount, with the balance shown in parentheses ( ) when in a net liability position.

(Note 1) Method of calculating the fair value of financial instruments, and notes on derivative transactions

(1) Cash and deposits; (2) Cash and deposits in trust

As these are settled within a short period of time, the fair value is approximately the same as the book value and is thus stated at that book value.

(3) Short-term loans payable

As this is settled within a short period of time, the fair value is approximately the same as the book value and is thus stated at that book value.

(4) Current portion of long-term loans payable, (5) Long-term loans payable

As those long-term loans payable with floating interest rates reflect market interest rates within a short period of time, the fair value is thought to be almost equal to the book value and is thus stated at that book value. In addition, the fair value of long-term debt with fixed interest rates is calculated based on the method of calculating by discounting the sum total amount of principal and interest by the interest rate that is reasonably estimated as being applicable in the event of drawdown of a similar debt financing.

(6) Derivative transactions

Please refer to “Notes on Derivative Transactions” later in this document.

(Note 2) Carrying amount of financial instruments for which fair value is recognized to be extremely difficult to calculate

Tenant leasehold and security deposits in trust that have been deposited from lessees of rental properties are not subject to disclosure of fair value because a reasonable estimation of cash flows is recognized to be extremely difficult due to there being no market price and difficulty of calculating the actual deposit period from when lessees move in to when they move out.



(Unit: JPY thousand)

	3rd Period (As of Apr. 30, 2016) *1	4th Period (As of Oct. 31, 2016) *2
Tenant leasehold and security deposits in trust	1,459,311	1,539,241

\*1 The amount includes JPY38,661 thousand of current portion of tenant leasehold and security deposits in trust.

\*2 The amount includes JPY31,123 thousand of current portion of tenant leasehold and security deposits in trust.

(Note 3) Amount of redemption of monetary claims scheduled to be due after the date of settlement of accounts

3rd Period (as of April 30, 2016)

(Unit: JPY thousand)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Cash and deposits	1,427,661	—	—	—	—	—
Cash and deposits in trust	2,338,098	—	—	—	—	—
Total	3,765,759	—	—	—	—	—

4th Period (as of October 31, 2016)

(Unit: JPY thousand)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Cash and deposits	921,684	—	—	—	—	—
Cash and deposits in trust	2,498,345	—	—	—	—	—
Total	3,420,030	—	—	—	—	—

(Note 4) Amount of repayment of loans scheduled to be due after the date of settlement of accounts

3rd Period (as of April 30, 2016)

(Unit: JPY thousand)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Short-term loans payable	200,000	—	—	—	—	—
Long-term loans payable	3,169,000	2,000,000	2,000,000	4,000,000	1,500,000	2,000,000
Total	3,369,000	2,000,000	2,000,000	4,000,000	1,500,000	2,000,000

4th Period (as of October 31, 2016)

(Unit: JPY thousand)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Short-term loans payable	800,000	—	—	—	—	—
Long-term loans payable	3,169,000	2,000,000	4,000,000	2,000,000	1,500,000	2,000,000
Total	3,969,000	2,000,000	4,000,000	2,000,000	1,500,000	2,000,000

[Notes on Securities]

3rd Period (as of April 30, 2016)

Not applicable.

4th Period (as of October 31, 2016)

Not applicable.

## [Notes on Derivative Transactions]

## 1. Derivative transactions to which hedge accounting is not applied

3rd Period (as of April 30, 2016)

Not applicable.

4th Period (as of October 31, 2016)

Not applicable.

## 2. Derivative transactions to which hedge accounting is applied

3rd Period (as of April 30, 2016)

The following is the contract amount or amount equivalent to the principal provided in the contract as of the date of settlement of accounts for each hedge accounting approach.

(Unit: JPY thousand)

Hedge accounting approach	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc. (Note 1)		Fair value (Note 2)
				Of which, due after 1 year	
Principle accounting	Interest rate swap transaction Pay fixed Receive floating	Interest on long-term loans	6,000,000	6,000,000	(31,306)

(Note 1) Contract amount, etc. is based on notional principal.

(Note 2) Fair value is calculated based on the price quoted by lending financial institutions, etc.

4th Period (as of October 31, 2016)

The following is the contract amount or amount equivalent to the principal provided in the contract as of the date of settlement of accounts for each hedge accounting approach.

(Unit: JPY thousand)

Hedge accounting approach	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc. (Note 1)		Fair value (Note 2)
				Of which, due after 1 year	
Principle accounting	Interest rate swap transaction Pay fixed Receive floating	Interest on long-term loans	6,000,000	6,000,000	(20,715)

(Note 1) Contract amount, etc. is based on notional principal.

(Note 2) Fair value is calculated based on the price quoted by lending financial institutions, etc.

## [Notes on Related-Party Transactions]

## 1. Parent company, major corporate unitholder, etc.

## 3rd Period (from November 1, 2015 to April 30, 2016)

Attribute	Name of company or person	Address	Capital stock or investments in capital (JPY thousand)	Description of business or occupation	Percentage of voting rights, etc. held by (in) Tosei Reit	Description of relationship		Description of transaction	Transaction amount (JPY thousand)	Account item	Balance at end of period (JPY thousand)
						Concurrent holding of positions, etc. by directors	Business relationship				
Major unitholder	Tosei Corporation	4-2-3 Toranomom, Minato-ku, Tokyo	6,421,392	Real estate business	5.96% directly held in Tosei Reit	None	Purchase and leasing of real estate	Leasing, etc. of real estate, etc. (Note 3) (Note 4)	16,208	Tenant leasehold and security deposits in trust (Note 4)	167,499

(Note 1) Of the amounts above, the transaction amount does not include consumption tax, etc., while the balance at the end of the period includes consumption tax.

(Note 2) Transaction terms and conditions are decided based on the current market price.

(Note 3) The entries above include not only rent and common area maintenance charges, but also parking fee, utilities expenses, etc.

(Note 4) As a result of issuance of new investment units through public offering conducted on November 16, 2015, Tosei Corporation no longer falls under the category of related parties. Therefore, the transaction amount indicates the amount during the period when Tosei Corporation was a related party, and the balance at the end of period indicates the balance as of the time when it became no longer a related party.

## 4th Period (from May 1, 2016 to October 31, 2016)

Not applicable.

## 2. Affiliated company, etc.

## 3rd Period (from November 1, 2015 to April 30, 2016)

Not applicable.

## 4th Period (from May 1, 2016 to October 31, 2016)

Not applicable.

## 3. Fellow subsidiary, etc.

## 3rd Period (from November 1, 2015 to April 30, 2016)

Attribute	Name of company or person	Address	Capital stock or investments in capital (JPY thousand)	Description of business or occupation	Percentage of voting rights, etc. held by (in) Tosei Reit	Description of relationship		Description of transaction	Transaction amount (JPY thousand)	Account item	Balance at end of period (JPY thousand)
						Concurrent holding of positions, etc. by directors	Business relationship				
Subsidiary of major unitholder	Tosei Asset Advisors, Inc.	4-2-3 Toranomon, Minato-ku, Tokyo	100,000	Investment management business	—	None	Entrustment of asset management	Payment of asset management fee (Note 4)	4,712	Accounts payable – other (Note 4)	19,378
Subsidiary of major unitholder	Tosei Community Co., Ltd.	3-19-13 Toranomon, Minato-ku, Tokyo	99,500	Property management business	—	None	Leasing and management of real estate	Property management fee, etc. (Note 3) (Note 4)	7,567	Operating accounts payable (Note 4)	57,534

(Note 1) Of the amounts above, the transaction amount does not include consumption tax, etc., while the balance at the end of the period includes consumption tax.

(Note 2) Transaction terms and conditions are decided based on the current market price.

(Note 3) The entries above include not only management fee, but also repair expenses, advertising expenses, etc.

(Note 4) As a result of issuance of new investment units through public offering conducted on November 16, 2015, Tosei Corporation no longer falls under the category of related parties. Therefore, the transaction amount indicates the amount during the period when Tosei Corporation was a related party, and the balance at the end of period indicates the balance as of the time when it became no longer a related party.

## 4th Period (from May 1, 2016 to October 31, 2016)

Not applicable.

## 4. Director, major individual unitholder, etc.

## 3rd Period (from November 1, 2015 to April 30, 2016)

Not applicable.

## 4th Period (from May 1, 2016 to October 31, 2016)

Not applicable.

## [Notes on Tax-Effect Accounting]

## 1. Breakdown of main causes for occurrence of deferred tax assets and deferred tax liabilities

(Unit: JPY thousand)

	3rd Period (As of Apr. 30, 2016)	4th Period (As of Oct. 31, 2016)
[Deferred tax assets – current]		
Non-deductible accrued enterprise tax	16	14
Total deferred tax assets – current	16	14
Net deferred tax assets – current	16	14
[Deferred tax assets – non-current]		
Deferred losses on hedges	9,936	6,575
Subtotal	9,936	6,575
Valuation allowance	(9,936)	(6,575)
Total deferred tax assets – non-current	—	—
Net deferred tax assets – non-current	—	—

## 2. Breakdown of major items that caused significant differences between the statutory tax rate and the effective income tax rate after application of tax-effect accounting

(Unit: %)

	3rd Period (As of Apr. 30, 2016)	4th Period (As of Oct. 31, 2016)
Statutory tax rate	32.31	31.74
[Adjustments]		
Deductible cash distribution payable	(32.24)	(31.68)
Other	0.11	0.11
Effective income tax rate after application of tax-effect accounting	0.18	0.17

## [Notes on Retirement Benefits]

3rd Period (as of April 30, 2016)

Not applicable.

4th Period (as of October 31, 2016)

Not applicable.

## [Notes on Asset Retirement Obligations]

3rd Period (as of April 30, 2016)

Not applicable.

4th Period (as of October 31, 2016)

Not applicable.

## [Notes on Investment and Rental Properties]

Tosei Reit owns rental office buildings, rental retail facilities, rental residential properties, etc. in the Tokyo metropolitan area for the purpose of earning revenue from leasing. The following is the carrying amount, amount of increase (decrease) during the period and fair value of these investment and rental properties.

(Unit: JPY thousand)

	3rd Period (From: Nov. 1, 2015 To: Apr. 30, 2016)	4th Period (From: May 1, 2016 To: Oct. 31, 2016)
Carrying amount (Note 1)		
Balance at beginning of period	17,495,938	29,414,663
Amount of increase (decrease) during period (Note 2)	11,918,724	1,380,865
Balance at end of period	29,414,663	30,795,528
Fair value at end of period (Note 3)	32,218,000	33,989,000

(Note 1) Carrying amount is the amount of acquisition price less accumulated depreciation.

(Note 2) For the 3rd Period, the amount of increase is mainly attributable to acquisition of “Kannai Tosei Building II” and other properties totaling 5 properties (JPY12,045,810 thousand), while the amount of decrease is mainly attributable to depreciation (JPY159,257 thousand). For the 4th Period, the amount of increase is mainly attributable to acquisition of “Nishidai NC Building” (JPY1,498,862 thousand), while the amount of decrease is mainly attributable to depreciation (JPY168,433 thousand).

(Note 3) Fair value at the end of the period is the appraisal value or investigated value by an outside real estate appraiser.

The income (loss) for investment and rental properties is as presented in “Notes to Statement of Income” earlier in this document.

## [Notes on Segment Information]

## Segment Information

Segment information is omitted because Tosei Reit has a single segment, namely the real estate leasing business.

## (Related Information)

3rd Period (From November 1, 2015 to April 30, 2016)

## 1. Information on products and services

Information on product and service is omitted because operating revenue to external customers of a single product/service category are more than 90% of the operating revenue on the statement of income.

## 2. Information on regions

## (1) Operating revenue

Information on regions is omitted because operating revenue to external customers in Japan are more than 90% of the operating revenue on the statement of income.

## (2) Property, plant and equipment

Information regions is omitted because the amount of property, plant and equipment located in Japan is more than 90% of the amount of property, plant and equipment on the balance sheet.

## 3. Information on major customers

(Unit: JPY thousand)

Name of customer	Operating revenue	Name of related segment
Tosei Corporation	264,116	Real estate lease business

4th Period (From May 1, 2016 to October 31, 2016)

## 1. Information on products and services

Information on product and service is omitted because operating revenue to external customers of a single product/service category are more than 90% of the operating revenue on the statement of income.

## 2. Information on regions

## (1) Operating revenue

Information on regions is omitted because operating revenue to external customers in Japan are more than 90% of the operating revenue on the statement of income.

## (2) Property, plant and equipment

Information regions is omitted because the amount of property, plant and equipment located in Japan is more than 90% of the amount of property, plant and equipment on the balance sheet.

## 3. Information on major customers

(Unit: JPY thousand)

Name of customer	Operating revenue	Name of related segment
Tosei Corporation	275,270	Real estate lease business

## [Notes on Per Unit Information]

	3rd Period (From: Nov. 1, 2015 To: Apr. 30, 2016)	4th Period (From: May 1, 2016 To: Oct. 31, 2016)
Net assets per unit	JPY105,631	JPY105,860
Net income per unit	JPY3,330	JPY3,371

(Note 1) Net income per unit is calculated by dividing net income by the daily weighted average number of investment units.

In addition, diluted net income per unit is not stated because there are no diluted investment units.

(Note 2) The following is the basis for calculating net income per unit.

	3rd Period (From: Nov. 1, 2015 To: Apr. 30, 2016)	4th Period (From: May 1, 2016 To: Oct. 31, 2016)
Net income (JPY thousand)	516,621	542,755
Amount not attributable to common unitholders (JPY thousand)	—	—
Net income attributable to common investment units (JPY thousand)	516,621	542,755
Average number of investment units during period (units)	155,132	161,000

## [Notes on Significant Subsequent Events]

## 1. Acquisition of Assets

Tosei Reit concluded on October 11, 2016 sale and purchase agreements for the following 5 properties and acquired the assets on November 2, 2016.

Property name	JPT Motomachi Building
Type of asset	Trust beneficiary right
Acquisition price (Note)	JPY2,377 million
Seller	Tosei Corporation
Acquisition date	November 2, 2016

Property name	Hakusan Asanomi Building
Type of asset	Trust beneficiary right
Acquisition price (Note)	JPY1,380 million
Seller	Tosei Corporation
Acquisition date	November 2, 2016

Property name	Selection Hatsutomi
Type of asset	Trust beneficiary right
Acquisition price (Note)	JPY310 million
Seller	Tosei Corporation
Acquisition date	November 2, 2016

Property name	Prime Garden
Type of asset	Trust beneficiary right
Acquisition price (Note)	JPY600 million
Seller	Tosei Corporation
Acquisition date	November 2, 2016



Property name	T's garden Shinkoiwa
Type of asset	Trust beneficiary right
Acquisition price (Note)	JPY670 million
Seller	Tosei Corporation
Acquisition date	November 2, 2016

(Note) The sale and purchase price excluding real estate or trust beneficiary right transaction brokerage fees, property taxes, etc.

## 2. Issuance of New Investment Units

Tosei Reit resolved at the Board of Directors meetings held on October 11, 2016 and October 19, 2016 on the following issuance of new investment units, payment was completed on November 1, 2016 for the issuance of new investment units through public offering. As a result, as of the date of this document, unitholders' capital is JPY18,745 million and the total number of investment units issued and outstanding is 183,200 units.

(Issuance of new investment units through primary offering (public offering))

Number of new investment units issued	: 22,200 units
Issue price (offer price)	: JPY103,938 per unit
Total issue price (total offer price)	: JPY2,307,423,600
Issue amount (paid-in amount)	: JPY100,206 per unit
Total issue amount (total paid-in amount)	: JPY2,224,573,200
Payment date	: November 1, 2016

(Use of funds)

The funds procured from the above issuance of new investment units through public offering were allocated to part of funds for new acquisition of specified assets by Tosei Reit (including acquisition-related expenses, etc.).

## 3. Debt Financing

Tosei Reit executed the following debt financing to procure part of funds for acquiring real estate trust beneficiary rights described in “(a) Acquisition of Assets” above and for the related expenses.

Lender	Loan amount (million yen)	Interest rate	Drawdown date	Maturity date	Repayment method	Security
The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Resona Bank, Limited Shinsei Bank, Limited Aozora Bank, Ltd. The Chiba Bank, Ltd. The Bank of Fukuoka, Ltd.	1,600	Base rate (JBA 1 month JPY TIBOR) (Note 2) + 0.50%	November 2, 2016	May 29, 2020	Lump-sum repayment on maturity date	Secured
The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Resona Bank, Limited Shinsei Bank, Limited Aozora Bank, Ltd. The Chiba Bank, Ltd. The Bank of Fukuoka, Ltd.	1,700	0.87445% (Fixed rate)	November 2, 2016	October 29, 2021	Lump-sum repayment on maturity date	Secured
Total	3,300	—	—	—	—	—

(Note 1) Figures indicated do not include borrowing related expenses, etc. to be paid to the lenders.

(Note 2) The base rate applicable to the interest rate calculation period for each interest payment date will be determined on the date two business days prior to the interest payment date immediately before each interest payment date (the drawdown date for the first interest payment date). For JBA's JPY TIBOR, please check with the JBA TIBOR Administration's website (<http://www.jbatibor.or.jp/english/rate/>).

Tosei Reit executed the following debt financing to repay JPY3,969 million matured on November 30, 2016.

Lender	Loan amount (million yen)	Interest rate	Drawdown date	Maturity date	Repayment method	Security
The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Resona Bank, Limited Shinsei Bank, Limited Aozora Bank, Ltd.	500	0.84075% (Fixed rate)	November 30, 2016	November 30, 2020	Lump-sum repayment on maturity date	Secured
The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Resona Bank, Limited Shinsei Bank, Limited Aozora Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited.	1,200	0.95441% (Fixed rate)	November 30, 2016	November 30, 2021	Lump-sum repayment on maturity date	Secured
The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd.	800	1.17068% (Fixed rate)	November 30, 2016	November 30, 2022	Lump-sum repayment on maturity date	Secured
The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation	1,400	1.39061% (Fixed rate)	November 30, 2016	November 30, 2023	Lump-sum repayment on maturity date	Secured
Total	3,900	—	—	—	—	—

(Note 1) Figures indicated do not include borrowing related expenses, etc. to be paid to the lenders.

(9) Increase (Decrease) in Total Number of Investment Units Issued and Outstanding

The following is the increase (decrease) in unitholders' capital and the total number of investment units issued and outstanding from the incorporation of Tosei Reit to the end of the fiscal period under review.

Date	Type of issue	Total number of investment units issued and outstanding (units)		Unitholders' capital (JPY million) (Note 6)		Notes
		Increase (Decrease)	Balance	Increase (Decrease)	Balance	
September 4, 2014	Private placement for incorporation	9,600	9,600	960	960	(Note 1)
November 26, 2014	Public offering	86,400	96,000	8,565	9,525	(Note 2)
November 16, 2015	Public offering	61,900	157,900	6,662	16,187	(Note 3)
December 16, 2015	Third-party allotment	3,100	161,000	333	16,521	(Note 4)

(Note 1) Upon the incorporation of Tosei Reit, investment units were issued at an issue amount of JPY100,000 per unit.

(Note 2) Investment units were issued through public offering at an issue price of JPY103,000 (issue amount of JPY99,137) per unit for the purpose of procuring funds for acquisition of new properties, etc.

(Note 3) Investment units were issued through public offering at an issue price of JPY111,637 (issue amount of JPY107,629) per unit for the purpose of procuring funds for acquisition of new properties, etc.

- (Note 4) Investment units were issued through third-party allotment at an issue price of JPY107,629 per unit for the purpose of procuring funds for future acquisition of new properties, etc.
- (Note 5) There exist no investment units without voting rights provided in Article 308 Paragraph 2 of the Companies Act which will be applied mutatis mutandis pursuant to Article 94 of the Investment Trusts Act (treasury investment units) or investment units without voting rights provided in Article 160 of the Ordinance for Enforcement of Investment Trusts Act (mutual-holding investment units).
- (Note 6) Fluctuation of unitholders' capital in line with implementation of distribution in excess of earnings with reserve for temporary difference adjustments is not considered.

#### 4. Changes in Directors

##### (1) Directors of the Investment Corporation

No changes in directors of Tosei Reit took place during the fiscal period under review.

The following is the status of directors of Tosei Reit as of the date of this document.

Title	Name	Brief career history		Number of investment units owned (units)
Executive Director	Hisaaki Kuroyama	Apr. 1966	Joined The Mitsubishi Bank, Ltd. (currently, The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	0
		Oct. 1990	Seconded to Diamond System Development, Inc. (currently, Mitsubishi UFJ Information Technology, Ltd.)	
		Apr. 1994	Joined Diamond Computer Service Co., Ltd. (currently, Mitsubishi Research Institute DCS Co., Ltd.)	
		June 1997	Appointed Director	
		June 1999	Appointed President and Director of Touhoku Diamond Computer Service Co., Ltd.	
		June 2003	Appointed Auditor of Diamond Computer Service Co., Ltd.	
		July 2005	Appointed Adviser of DIGITAL Hearts Co., Ltd.	
		Mar. 2006	Appointed Auditor of Tosei REIT Advisors, Inc. (currently, Tosei Asset Advisors, Inc.)	
		Sept. 2014	Appointed Executive Director of Tosei Reit Investment Corporation (current position)	
Supervisory Director	Takako Sugaya	Oct. 2002	Joined Yamada Hideo Law Office (currently, Yamada Ozaki Law Office) (current position)	0
		Apr. 2004	Appointed Working Group Member of The Center for Financial Industry Information Systems, an incorporated foundation (currently incorporated as public interest incorporated foundation under the same name) (current position)	
		May 2006	Appointed Executive Auditor of Keywalker, Inc. (current position)	
		June 2006	Appointed Director of Private Placement Services Association of Japan, an incorporated association (currently incorporated as public interest incorporated association under the same name) (current position)	
		Apr. 2007	Appointed Visiting Professor at Toin University of Yokohama, Toin Law School, Toin Gakuen Educational Association	
		Apr. 2007	Appointed Director of Kusuda Scholarship Foundation, an incorporated foundation (currently incorporated as general incorporated foundation under the same name)	
		June 2007	Appointed Audit & Supervisory Board Member of Faith, Inc. (current position)	
		Aug. 2007	Appointed Company Auditor of MEDIASTICK, INC.	
		Mar. 2010	Appointed Managing Director of Kusuda Scholarship Foundation, an incorporated foundation (currently incorporated as general incorporated foundation under the same name) (current position)	
		Apr. 2010	Appointed Associate Professor at Toin University of Yokohama, Toin Law School, Toin Gakuen Educational Association (current position)	
		June 2010	Appointed Audit & Supervisory Board Member of Columbia Music Entertainment Co., Ltd. (currently, Nippon Columbia Co., Ltd.) (current position)	
		Apr. 2014	Appointed Domestic Relations Conciliation Commissioner of the Tokyo Family Court (current position)	
		Sept. 2014	Appointed Supervisory Director of Tosei Reit Investment Corporation (current position)	
		Jan. 2015	Appointed Executive Committee Chairman of Harassment-free Certification Committee of Cuore C3 Co., Ltd.	
		Apr. 2015	Appointed Councilor of Seisen University, an incorporated educational institution (current position)	
		Aug. 2015	Appointed Executive Committee Chairman of Harassment Countermeasures Committee of Cuore C3 Co., Ltd. (current position)	
		June 2016	Appointed Auditor of Nittsu Shoji Co., Ltd. (current position)	

Title	Name	Brief career history		Number of investment units owned (units)
Supervisory Director	Teruhisa Tajima	Oct. 1995 Apr. 2004 June 2004 Sept. 2006 Nov. 2007 Feb. 2008 Feb. 2010 Oct. 2010 Apr. 2013 June 2013 Nov. 2013 Jan. 2014 Jan. 2014 Feb. 2014 Sept. 2014 Sept. 2014 Sept. 2014 Jan. 2015 Aug. 2015 Dec. 2015 Jan. 2016 Mar. 2016 Mar. 2016 Mar. 2016 June 2016 June 2016 July 2016 Oct. 2016	Joined Chuo Audit Corporation Joined SHIMIZU PATENT ATTORNEYS OFFICE Appointed Corporate Auditor of The Longreach Group Inc. (current position) Appointed Outside Auditor of OCC Corporation Appointed Outside Auditor of NIWS Co. HQ Ltd. Appointed Outside Corporate Auditor of CYBIRD Holdings Co., Ltd. (currently, CYBIRD Co., Ltd.) (current position) Opened Tajima Certified Public Accountant Office (current position) Appointed External Auditor of SANYO Electric Logistics Co., Ltd. (currently, MITSUI-SOKO LOGISTICS Co., Ltd.) Appointed External Auditor of Quantum Biosystems Inc. (current position) Appointed Auditor of Eiken Foundation of Japan, a public interest incorporated foundation (current position) Appointed Corporate Auditor of Via Mechanics, Ltd. (current position) Appointed Corporate Auditor of SOL-PLUS CO., LTD. (current position) Appointed Outside Company Auditor of Yasuda Inc. Appointed Outside Company Auditor of SY HOLDINGS, Inc. (current position) Appointed Audit & Supervisory Board Member of PRISM Pharma Co., Ltd. (current position) Appointed Supervisory Director of Tosei Reit Investment Corporation (current position) Appointed External Auditor of OncoTherapy Science, Inc. (current position) Appointed Corporate Auditor of Primo Japan Inc. (current position) Appointed Auditor of Iida Foundation, a general incorporated foundation (current position) Incorporated Tajima Accounting Office, Inc. Appointed Representative Director (current position) Appointed Outside Corporate Auditor of EDIGENE CORPORATION (current position) Appointed Outside Corporate Auditor of Chiome Bioscience Inc. (current position) Appointed Outside Corporate Auditor of Rena Therapeutic Inc. (current position) Appointed Accounting Advisor of OiDE CapiSEA Co., Ltd. (current position) Appointed Outside Corporate Auditor of Wendy's Japan K. K. (current position) Appointed Outside Corporate Auditor of First Kitchen Ltd. (current position) Appointed Outside Corporate Auditor of Curadim Pharma Co., Ltd. (current position) Appointed Outside Corporate Auditor of Nippon Outsourcing Corporation (current position)	0

(Note) Shoji Inoue was elected substitute executive director at the unitholders' meeting held on July 21, 2016 to prepare for cases where there is a shortfall in the number of executive directors provided by laws and regulations.

## (2) Directors of the Asset Management Company

No changes in directors of the Asset Management Company took place during the fiscal period under review.

## 5. Reference Information

### (1) Investment Status

The following is an overview of the investment status as of the date of Tosei Reit's settlement of accounts (October 31, 2016). Real estate that are the assets in trust of the real estate trust beneficiary rights ("real estate trust beneficiary rights") that are the portfolio assets of Tosei Reit are each the building and its site for leasing to tenants.

Remarks.				
Type of asset	Geographical area, etc. (Note 1)	Main use	4th Period (As of Oct. 31, 2016)	
			Total amount held (Note 2) (JPY million)	As a percentage of total assets (Note 3) (%)
Real estate trust beneficiary rights	Tokyo metropolitan area	Offices	15,894	46.2
		Retail facilities	4,285	12.4
		Residential properties	10,617	30.8
	Major regional cities	—	—	—
	Total		30,797	89.5
Deposits and other assets			3,630	10.5
Total assets (Note 4)			34,428	100.0
Total liabilities (Note 4)			17,384	50.5
Total net assets (Note 4)			17,043	49.5

(Note 1) Under "Geographical area, etc.," "Major regional cities" collectively refers to cities that are cities designated by cabinet order and prefectural capitals located outside the Tokyo metropolitan area, or their equivalent.

(Note 2) "Total amount held" is the amount based on the carrying amount (depreciated book value in the case of real estate trust beneficiary rights) as of October 31, 2016 in accordance with the asset valuation method provided in the Articles of Incorporation.

(Note 3) "As a percentage of total assets" is the carrying amount of the concerned assets expressed as a percentage of total assets.

(Note 4) "Total assets," "Total liabilities" and "Total net assets" is the amount based on the carrying amount (depreciated book value in the case of real estate trust beneficiary rights) as of October 31, 2016 in accordance with the asset valuation method provided in the Articles of Incorporation.

## (2) Investment Assets

## (a) Overview of Assets under Management

The following is the type, property name, location, acquisition price, investment ratio, real estate appraisal value, etc. and acquisition date of assets under management as of the date of Tosei Reit's settlement of accounts (October 31, 2016). Property numbers start with the code "O" in the case of offices, "Rt" in the case of retail facilities and "Rd" in the case of residential properties as assigned according to the asset under management's property use type.

Property use type.							
Type	Property no.	Property name	Location	Acquisition price (JPY million) (Note 1)	Investment ratio (%) (Note 2)	Real estate appraisal value, etc. (JPY million) (Note 3)	Acquisition date (Note 4)
Offices	O-01	Tama Center Tosei Building	Tama-shi, Tokyo	3,370	10.9	3,450	November 28, 2014
	O-02	KM Shinjuku Building	Shinjuku-ku, Tokyo	2,057	6.7	2,400	November 28, 2014
	O-03	Nihonbashi-Hamacho Building	Chuo-ku, Tokyo	1,830	5.9	2,060	November 28, 2014
	O-04	Kannai Tosei Building II	Yokohama-shi, Kanagawa	4,100	13.3	4,540	November 17, 2015
	O-05	Nishi Kasai Tosei Building	Edogawa-ku, Tokyo	1,710	5.5	1,880	November 17, 2015
	O-06	Shin Yokohama Center Building	Yokohama-shi, Kanagawa	1,364	4.4	1,590	November 17, 2015
	O-07	Nishidai NC Building	Itabashi-ku, Tokyo	1,481	4.8	1,590	August 31, 2016
	Subtotal			—	15,912	51.6	17,510
Retail facilities	Rt-01	Inage Kaigan Building	Chiba-shi, Chiba	2,380	7.7	2,520	November 28, 2014
	Rt-02	Musashi Fujisawa Tosei Building	Iruma-shi, Saitama	1,950	6.3	2,110	November 17, 2015
	Subtotal			—	4,330	14.0	4,630
Offices and retail facilities combined subtotal			—	20,242	65.6	22,140	—
Residential properties	Rd-01	T's garden Koenji	Suginami-ku, Tokyo	1,544	5.0	1,890	November 28, 2014
	Rd-02	Live Akabane	Kita-ku, Tokyo	1,227	4.0	1,430	November 28, 2014
	Rd-03	Gekkocho Apartment	Meguro-ku, Tokyo	1,000	3.2	1,110	November 28, 2014
	Rd-04	T's garden Kawasakidaishi	Kawasaki-shi, Kanagawa	980	3.2	1,080	November 28, 2014
	Rd-05	Abitato Kamata	Ota-ku, Tokyo	836	2.7	900	November 28, 2014
	Rd-06	MarLandFive	Fujimi-shi, Saitama	830	2.7	867	November 28, 2014
	Rd-07	Avenir Shirotae	Yokohama-shi, Kanagawa	780	2.5	881	November 28, 2014
	Rd-08	Dormitory Haramachida	Machida-shi, Tokyo	600	1.9	661	November 28, 2014
	Rd-09	SEA SCAPE Chiba Minato	Chiba-shi, Chiba	2,800	9.1	3,030	November 17, 2015
	Subtotal			—	10,597	34.4	11,849
Total			—	30,839	100.0	33,989	—

(Note 1) "Acquisition price" is the sale and purchase price stated in the real estate trust beneficiary right sale and purchase contract for the asset under management. The sale and purchase price is excluding consumption tax, local consumption tax and various expenses required for the acquisition.

(Note 2) "Investment ratio" is the ratio of acquisition price for the assets under management to the sum total amount of acquisition price.

(Note 3) Appraisal of the property is entrusted to Japan Real Estate Institute, Japan Valuers Co., Ltd. and Morii Appraisal & Investment Consulting, Inc. "Real estate appraisal value, etc." is the appraisal value stated in the real estate appraisal report or investigation report ("real estate appraisal report, etc.") with October 31, 2016 as the effective date of the appraisal



(date of value).

(Note 4) “Acquisition date” is the acquisition date stated in the real estate trust beneficiary right sale and purchase contract for the asset under management. The same applies hereinafter.

## (b) Portfolio Composition

The following presents the portfolio composition as of the date of Tosei Reit's settlement of accounts (October 31, 2016) of assets under management. Real estate that are the assets in trust of the real estate trust beneficiary rights that are the portfolio assets of Tosei Reit are each the building and its site for leasing to tenants.

## a. By property type

Property type	Number of properties	Acquisition price (JPY million)	Investment ratio by property type (%) (Note)
Offices	7	15,912	51.6
Retail facilities	2	4,330	14.0
Residential properties	9	10,597	34.4
Total	18	30,839	100.0

(Note) "Investment ratio by property type" is the ratio of the sum total of acquisition price for the concerned property type to the sum total of acquisition price for the asset under management. The same applies hereinafter.

## b. By geographical area

Geographical area	Number of properties	Acquisition price (JPY million)	Investment ratio by geographical area (%) (Note)
Tokyo metropolitan area	18	30,839	100.0
Tokyo 5 central wards	2	3,887	12.6
Tokyo 23 wards (excluding Tokyo 5 central wards)	6	7,798	25.3
Tokyo metropolitan area (excluding Tokyo 23 wards)	10	19,154	62.1
Major regional cities	—	—	—
Total	18	30,839	100.0

(Note) "Investment ratio by geographical area" is the ratio of the sum total of acquisition price for the concerned geographical area to the sum total of acquisition price for the asset under management. The same applies hereinafter.

## c. Number of investments by acquisition price

Acquisition price	Number of properties
Less than JPY1.0 billion	5
JPY1.0 billion or more, but less than JPY2.0 billion	8
JPY2.0 billion or more, but less than JPY3.0 billion	3
JPY3.0 billion or more	2
Total	18

## (c) Overview of Buildings, Etc.

The following is the construction completion, building age, annual rent, security and guarantee deposits, total leased area, total leasable area, occupancy rate and number of tenants of assets under management.

The form of lease agreement for Tama Center Tosei Building (Note 1) and Musashi Fujisawa Tosei Building (Note 2) are pass-through type master lease agreement (the “ML agreement”) and fixed-rent master lease agreement, while it is pass-through type master lease agreement for each property other than said properties.

Type	Property no.	Property name	Construction completion (Note 3)	Building age (years) (Note 4)	Annual rent (JPY million) (Note 5)	Security and guarantee deposits (JPY million) (Note 6)	Total leased area (m <sup>2</sup> ) (Note 7)	Total leasable area (m <sup>2</sup> ) (Note 8)	Occupancy rate (%) (Note 9)	Number of tenants (Note 10)
Offices	O-01	Tama Center Tosei Building (Note 1)	July 1989	27.3	346	183	9,737.49	9,737.49	100.0 (69.6)	1 (34)
	O-02	KM Shinjuku Building	September 1991	25.1	156	81	3,403.95	3,403.95	100.0	8
	O-03	Nihonbashi-Hamacho Building	October 1990	26.0	134	80	3,334.40	3,334.40	100.0	7
	O-04	Kannai Tosei Building II	February 1984 (Note 11)	32.7 (Note 11)	286	350	6,687.90	6,917.02	96.7	28
	O-05	Nishi Kasai Tosei Building	January 1994	22.8	125	76	3,187.97	3,187.97	100.0	9
	O-06	Shin Yokohama Center Building	December 1990	25.9	132	95	3,888.28	3,888.28	100.0	12
	O-07	Nishidai NC Building	March 1992	24.6	138	85	3,798.48	3,798.48	100.0	6
	Subtotal		—	—	1,320	954	34,038.47	34,267.59	99.3	71
Retail facilities	Rt-01	Inage Kaigan Building	November 1992	23.9	193	288	5,890.92	5,890.92	100.0	15
	Rt-02	Musashi Fujisawa Tosei Building (Note 2)	August 1997	19.2	144	72	6,089.72	6,089.72	100.0 (100.0)	1 (1)
	Subtotal		—	—	337	360	11,980.64	11,980.64	100.0	16
Offices and retail facilities combined subtotal			—	—	1,657	1,314	46,019.11	46,248.23	99.5	87
Residential properties	Rd-01	T's garden Koenji	January 2011	5.8	101	17	2,123.19	2,169.38	97.9	54
	Rd-02	Live Akabane	March 1989	27.6	94	11	3,787.04	3,876.35	97.7	70
	Rd-03	Gekkocho Apartment	March 2008	8.6	56	13	1,222.52	1,392.13	87.8	15
	Rd-04	T's garden Kawasakidaishi	January 2009	7.8	66	8	1,989.27	2,067.77	96.2	51
	Rd-05	Abitato Kamata	June 1991	25.4	51	7	1,768.23	1,768.23	100.0	27
	Rd-06	MarLandFive	April 1990	26.5	74	84	2,661.67	2,723.68	97.7	34
	Rd-07	Avenir Shirotae	February 1995	21.7	66	9	2,393.55	2,499.93	95.7	39
	Rd-08	Dormitory Haramachida	July 1992	24.3	52	5	1,748.84	1,865.47	93.7	67
	Rd-09	SEA SCAPE Chiba Minato	March 2008	8.6	207	66	6,298.88	6,758.52	93.2	128
	Subtotal		—	—	771	225	23,993.19	25,121.46	95.5	485
Total/Average			—	22.3	2,428	1,539	70,012.30	71,369.69	98.1	572

(Note 1) For the property, a pass-through type master lease agreement was concluded between the trustee and Tosei Community on July 31, 2014 and, furthermore, a pass-through type master lease agreement was concluded between the company and Tosei on the same date. The pass-through type master lease agreement between the company and Tosei was changed to a fixed-rent master lease agreement upon acquisition of the property by Tosei Reit and ended on November 27, 2016. As Tosei Community and Tosei concluded on November 22, 2016 a new fixed-rent master lease agreement which begins on November 28, 2016 and ends on November 30, 2020, the annual rent of Tama Center Tosei Building was changed to JPY329 million from November 28, 2016.

- (Note 2) For the property, a pass-through type master lease agreement was concluded between the trustee and Tosei Community on September 30, 2015. In addition, a fixed-rent master lease agreement was concluded between Tosei Community and Tosei at the time of acquisition by Tosei Reit.
- (Note 3) “Construction completion” is the date of new construction in the real estate registry.
- (Note 4) “Building age” is the number of years that has elapsed from the date of new construction in the real estate registry to October 31, 2016. In addition, that in the total/average column is the figure that is the weighted average based on acquisition price.
- (Note 5) “Annual rent” is the amount annualized by multiplying by 12 the monthly rent (limited to the rent of rental units, including common area maintenance charges, but excluding warehouse, signboard, parking lot, etc. usage fees; the same applies hereinafter) for the building indicated in the lease agreement for the asset under management as of October 31, 2016 (limited to those occupied as of the same date) (the sum total amount thereof if the asset under management is under several lease agreements, and excluding consumption tax, etc.; the same applies hereinafter). For the concerned asset under management, it is the amount annualized by multiplying by 12 the monthly rent based on lease agreements concluded with end-tenants in cases where a pass-through type master lease agreement has been concluded (if the lessee of the pass-through type master lease agreement has concluded a fixed-rent master lease agreement, the lessee of the concerned fixed-rent master lease agreement is counted as end-tenants; the same applies hereinafter), and it is the amount annualized by multiplying by 12 the monthly rent based on the master lease agreement in cases where a fixed-rent master lease agreement has been concluded. The same applies hereinafter.
- (Note 6) “Security and guarantee deposits” is the sum total amount of tenant security and guarantee deposits required based on the lease agreement for the asset under management as of October 31, 2016 (limited to those occupied as of the same date). For the concerned asset under management, it is the tenant security and guarantee deposits based on lease agreements concluded with end-tenants in cases where a pass-through type master lease agreement has been concluded, and it is the tenant security and guarantee deposits based on the master lease agreement in cases where a fixed-rent master lease agreement has been concluded. The same applies hereinafter.
- (Note 7) “Total leased area” is the sum total of the leased floor area indicated in the lease agreement for the asset under management as of October 31, 2016. The leased floor area indicated in the lease agreement may differ from the actual measurement value. For the concerned asset under management, it is the sum total of the floor area actually leased under lease agreements concluded with end-tenants in cases where a pass-through type master lease agreement has been concluded, and it is the leased floor area based on the master lease agreement in cases where a fixed-rent master lease agreement has been concluded. The same applies hereinafter.
- (Note 8) “Total leasable area” is the sum total of the floor area of the portion regarded as being available for leasing based on the lease agreement or building drawing, etc. of the building for the asset under management as of October 31, 2016. The same applies hereinafter.
- (Note 9) “Occupancy rate” is the ratio of the total leased area to total leasable area for the asset under management as of October 31, 2016. However, in cases where a master lease agreement has been concluded for the concerned asset under management, the occupancy rate in the case of a property under a pass-through type master lease agreement is the ratio of the sum total of the floor area actually leased under lease agreements concluded with end-tenants, and the occupancy rate in the case of a property under a fixed-rent master lease agreement is the ratio of the leased floor area based on the master lease agreement and the occupancy rate that is the ratio of the sum total of the floor area actually leased under lease agreements concluded between the master lease company and end-tenants is shown in parentheses. In addition, that in the subtotal columns, offices and retail facilities combined subtotal column and total/average column is each the ratio of the sum total of total leased area to the sum total of total leasable area for each asset under management in the respective item. The same applies hereinafter.
- (Note 10) “Number of tenants” is the number of tenants for the asset under management based on the lease agreement for the asset under management as of October 31, 2016. However, in cases where a master lease agreement has been concluded for the concerned asset under management, the number of tenants in the case of a property under a pass-through type master lease agreement is the total number of end-tenants, and the number of tenants in the case of a property under a fixed-rent master lease agreement is the master lease company alone as tenant and the number of tenants from counting the number of tenants based on lease agreements between the master lease company and end-tenants is shown in parentheses.
- (Note 11) As to Kannai Tosei Building II, the parking building was constructed in May 1980 and the office building was added at a later date. The construction completion is the date of new construction of the office building, which is the main part of the building, in the real estate registry, and the building age and the average building age of Kannai Tosei Building II are the number of years calculated based on the said date of new construction.
- (Note 12) Even if there is a notice of cancellation or termination of lease agreements with end-tenants or unpaid rent or other non-performance of obligations, in the case of agreements that are ongoing as of October 31, 2016, “Annual rent,” “Security and guarantee deposits,” “Total leased area” and “Occupancy rate” is on the basis that the concerned lease agreements with end-tenants are existing and thus based on the concerned lease agreements. The same applies hereinafter.

## (d) Changes in Occupancy Rate

a. The following are the changes in the occupancy rate of assets under management at the end of the fiscal period.

	Number of properties	Total leased area (m <sup>2</sup> )	Total leasable area (m <sup>2</sup> )	Occupancy rate (%)
1st Period (As of April 30, 2015)	12	39,194.32	40,732.76	96.2
2nd Period (As of October 31, 2015)	12	39,713.19	40,734.02	97.5
3rd Period (As of April 30, 2016)	17	65,187.06	67,576.59	96.5
4th Period (As of October 31, 2016)	18	70,012.30	71,369.69	98.1

b. The following are the changes in the occupancy rate of each asset under management at the end of the fiscal period.

(Unit: %)

Property no.	Property name	1st Period (As of Apr. 30, 2015)	2nd Period (As of Oct. 31, 2015)	3rd Period (As of Apr. 30, 2016)	4th Period (As of Oct. 31, 2016)
O-01	Tama Center Tosei Building	100.0 (77.9)	100.0 (56.2)	100.0 (66.9)	100.0 (69.6)
O-02	KM Shinjuku Building	87.5	96.6	100.0	100.0
O-03	Nihonbashi-Hamacho Building	100.0	100.0	100.0	100.0
O-04	Kannai Tosei Building II	—	—	97.4	96.7
O-05	Nishi Kasai Tosei Building	—	—	100.0	100.0
O-06	Shin Yokohama Center Building	—	—	92.3	100.0
O-07	Nishidai NC Building	—	—	—	100.0
Rt-01	Inage Kaigan Building	100.0	100.0	100.0	100.0
Rt-02	Musashi Fujisawa Tosei Building	—	—	100.0 (100.0)	100.0 (100.0)
Rd-01	T's garden Koenji	96.5	98.6	95.6	97.9
Rd-02	Live Akabane	95.8	95.8	100.0	97.7
Rd-03	Gekkocho Apartment	86.1	87.7	82.4	87.8
Rd-04	T's garden Kawasakidaishi	95.2	95.9	98.6	96.2
Rd-05	Abitato Kamata	92.6	92.6	96.3	100.0
Rd-06	MarLandFive	89.4	92.3	90.5	97.7
Rd-07	Avenir Shirotae	100.0	97.9	91.5	95.7
Rd-08	Dormitory Haramachida	91.2	96.7	95.5	93.7
Rd-09	SEA SPACE Chiba Minato	—	—	86.4	93.2

## (e) Summary of Real Estate Appraisal Reports, Etc.

Tosei Reit and the Asset Management Company have obtained a real estate appraisal report, etc. for each asset under management from Japan Real Estate Institute, Japan Valuers Co., Ltd. and Morii Appraisal & Investment Consulting, Inc.

The following is a summary of each asset under management's real estate appraisal report, etc. obtained by Tosei Reit and the Asset Management Company with October 31, 2016 as the effective date of the appraisal (date of value). Each real estate appraisal or investigation of the respective real estate appraisal report, etc. is no more than the appraiser's judgment and opinion at a certain point in time, and is not a guarantee of the validity or accuracy of the content, possibility of transaction at the concerned appraisal value, etc. and such. In addition, there is no special vested interest between Japan Real Estate Institute, Japan Valuers Co., Ltd. and Morii Appraisal & Investment Consulting, Inc., which performed the real estate appraisal, etc., and Tosei Reit or the Asset Management Company.

Type	Property no.	Name of real estate, etc.	Appraisal firm	Acquisition price (JPY million) (Note 1)	Book value at end of period (JPY million) (Note 2)	Estimated value at end of period (Note 2)					
						Appraisal value, etc. (JPY million)	Indicated value by direct capitalization method (JPY million)	Capitalization rate (%)	Indicated value by DCF method (JPY million)	Discount rate (%)	Terminal capitalization rate (%)
Offices	O-01	Tama Center Tosei Building	Japan Real Estate Institute	3,370	3,347	3,450	3,460	5.8	3,440	5.4	5.8
	O-02	KM Shinjuku Building	Japan Real Estate Institute	2,057	2,038	2,400	2,410	4.2	2,390	3.9	4.3
	O-03	Nihonbashi-Hamacho Building	Japan Real Estate Institute	1,830	1,829	2,060	2,090	4.5	2,020	4.3	4.7
	O-04	Kannai Tosei Building II	Japan Valuers Co., Ltd.	4,100	4,089	4,540	4,650	5.0	4,430	4.8	5.2
	O-05	Nishi Kasai Tosei Building	Japan Valuers Co., Ltd.	1,710	1,707	1,880	1,910	5.1	1,840	4.9	5.3
	O-06	Shin Yokohama Center Building	Morii Appraisal & Investment Consulting, Inc.	1,364	1,386	1,590	1,600	5.0	1,570	4.8	5.2
	O-07	Nishidai NC Building	Japan Real Estate Institute	1,481	1,495	1,590	1,600	4.9	1,570	4.7	5.1
	Subtotal			15,912	15,894	17,510	17,720	—	17,260	—	—
Retail facilities	Rt-01	Inage Kaigan Building	Japan Real Estate Institute	2,380	2,337	2,520	2,530	5.4	2,500	5.2	5.6
	Rt-02	Musashi Fujisawa Tosei Building	Japan Real Estate Institute	1,950	1,947	2,110	2,110	5.8	2,100	5.4	6.0
	Subtotal			4,330	4,285	4,630	4,640	—	4,600	—	—
Offices and retail facilities combined subtotal				20,242	20,180	22,140	22,360	—	21,860	—	—
Residential properties	Rd-01	T's garden Koenji	Japan Real Estate Institute	1,544	1,544	1,890	1,920	4.2	1,860	4.0	4.4
	Rd-02	Live Akabane	Japan Real Estate Institute	1,227	1,226	1,430	1,450	4.9	1,410	4.7	5.1
	Rd-03	Gekkocho Apartment	Japan Real Estate Institute	1,000	1,005	1,110	1,130	4.3	1,090	4.1	4.5
	Rd-04	T's garden Kawasakidaishi	Japan Real Estate Institute	980	978	1,080	1,090	5.0	1,070	4.8	5.2
	Rd-05	Abitato Kamata	Japan Real Estate Institute	836	844	900	914	4.8	886	4.6	5.0
	Rd-06	MarLandFive	Japan Real Estate Institute	830	829	867	875	6.0	858	5.8	6.2
	Rd-07	Avenir Shirotae	Japan Real Estate Institute	780	776	881	889	5.2	873	5.0	5.4
	Rd-08	Dormitory Haramachida	Japan Real Estate Institute	600	603	661	666	5.1	655	4.9	5.3
	Rd-09	SEA SPACE Chiba Minato	Morii Appraisal & Investment Consulting, Inc.	2,800	2,807	3,030	3,060	5.2	3,000	5.0	5.4
	Subtotal			10,597	10,617	11,849	11,994	—	11,702	—	—
Total				30,839	30,797	33,989	34,354	—	33,562	—	—

(Note 1) "Book value at end of period" is the depreciated book value as of October 31, 2016, rounded down to the nearest JPY million.

(Note 2) "Estimated value at end of period" is the value stated in the real estate appraisal report, etc. prepared by Japan Real Estate Institute, Japan Valuers Co., Ltd. and Morii Appraisal & Investment Consulting, Inc. with October 31, 2016 as the effective date of the appraisal (date of value) pursuant to the Articles of Incorporation of Tosei Reit and the rules of The Investment Trusts Association, Japan.

## (f) Summary of Engineering Reports and Seismic Risk Analyses, Etc.

Tosei Reit has obtained an engineering report concerning building inspection, compliance with applicable laws and regulations, repair expenses valuation, environmental assessment, etc. for each asset under management from Deloitte Tohmatsu Property Risk Solution Co., Ltd., HI International Consultant Co., Ltd. and Sompo Risk Management & Health Care Inc. The statements in the engineering report are no more than an indication of the opinion of the reporting party, and Tosei Reit does not guarantee the accuracy of the content thereof. There is no special vested interest between Deloitte Tohmatsu Property Risk Solution Co., Ltd. or HI International Consultant Co., Ltd. or SOMPO Risk Care Management Inc.(Note 1) and Tosei Reit or the Asset Management Company.

In addition, Tosei Reit has an evaluation of seismic risk analysis conducted by Sompo Risk Management & Health Care Inc. at its request as part of due diligence upon acquisition of each asset under management. The analysis evaluates a building's seismic performance by an independent structural evaluation method based on structural drawings and structural calculation documents, which is then weighed against the content of structural calculation documents to arrive at the building's final seismic performance evaluation. The building's specific seismic vulnerability based on such evaluation is considered and seismic hazards and ground conditions are factored into for a comprehensive evaluation, based on the results of which a building's seismic probable maximum loss (PML) value is calculated. Each asset under management's building PML value stated in the "seismic PML (re)evaluation report" prepared by said company is presented in the table below. The statements in the seismic PML (re)evaluation report are no more than an indication of the opinion of the reporting party, and Tosei Reit does not guarantee the accuracy of the content thereof. There is no special vested interest between Sompo Risk Management & Health Care Inc. and Tosei Reit or the Asset Management Company.

Property no.	Name of real estate, etc.	Engineering report prepared by	Engineering report date	Emergency and short-term repair expenses (JPY thousand) (Note 2)	Long-term repair expenses (JPY thousand) (Note 3)	Seismic PML reevaluation report prepared by	Seismic PML reevaluation report date	PML value (%)
O-01	Tama Center Tosei Building	Deloitte Tohmatsu Property Risk Solution Co., Ltd.	June 2014	—	48,865	Sompo Risk Management & Health Care Inc..	March 2015	4.36
O-02	KM Shinjuku Building	Deloitte Tohmatsu Property Risk Solution Co., Ltd.	June 2014	—	24,322	Sompo Risk Management & Health Care Inc.	March 2015	5.52
O-03	Nihonbashi-Hamacho Building	Deloitte Tohmatsu Property Risk Solution Co., Ltd.	June 2014	—	24,930	Sompo Risk Management & Health Care Inc.	March 2015	6.11
O-04	Kannai Tosei Building II	HI International Consultant Co., Ltd.	July 2015	170	27,239	Sompo Risk Management & Health Care Inc.	July 2015	11.54
O-05	Nishi Kasai Tosei Building	HI International Consultant Co., Ltd.	July 2015	—	17,387 (Note 4)	Sompo Risk Management & Health Care Inc.	July 2015	3.84
O-06	Shin Yokohama Center Building	Sompo Risk Management & Health Care Inc.	August 2015	—	19,378	Sompo Risk Management & Health Care Inc.	July 2015	6.47
O-07	Nishidai NC Building	Sompo Risk Management & Health Care Inc.	May 2016	—	15,826	Sompo Risk Management & Health Care Inc.	May 2016	5.25
Rt-01	Inage Kaigan Building	Deloitte Tohmatsu Property Risk Solution Co., Ltd.	June 2014	—	24,129	Sompo Risk Management & Health Care Inc.	March 2015	6.49
Rt-02	Musashi Fujisawa Tosei Building	Sompo Japan Nipponkoa Risk Management Inc.	September 2015	120	8,605	Sompo Risk Management & Health Care Inc.	September 2015	5.85
Rd-01	T's garden Koenji	HI International Consultant Co., Ltd.	February 2014	670	2,936	Sompo Risk Management & Health Care Inc.	March 2015	7.91
Rd-02	Live Akabane	HI International Consultant Co., Ltd.	February 2014	7,370	8,355	Sompo Risk Management & Health Care Inc.	March 2015	7.45
Rd-03	Gekkocho Apartment	HI International Consultant Co., Ltd.	April 2014	350	3,833	Sompo Risk Management & Health Care Inc.	March 2015	8.98
Rd-04	T's garden Kawasakidaishi	HI International Consultant Co., Ltd.	February 2014	685	2,475	Sompo Risk Management & Health Care Inc.	March 2015	7.38
Rd-05	Abitato Kamata	HI International Consultant Co., Ltd.	February 2014	1,890	3,365	Sompo Risk Management & Health Care Inc.	March 2015	7.82
Rd-06	MarLandFive	HI International Consultant Co., Ltd.	February 2014	3,570	8,500	Sompo Risk Management & Health Care Inc.	March 2015	4.00
Rd-07	Avenir Shirotae	HI International Consultant Co., Ltd.	March 2014	1,210	7,827	Sompo Risk Management & Health Care Inc.	March 2015	7.57
Rd-08	Dormitory Haramachida	HI International Consultant Co., Ltd.	February 2014	4,540	9,477	Sompo Risk Management & Health Care Inc.	March 2015	5.29
Rd-09	SEA SPACE Chiba Minato	Sompo Japan Nipponkoa Risk Management Inc.	July 2015	—	13,280	Sompo Risk Management & Health Care Inc.	July 2015	7.30
Entire portfolio (Note 5)								3.71

(Note 1) Sompo Japan Nipponkoa Risk Management Inc. changed its business name to Sompo Risk Management & Health Care Inc. on April 1, 2016. Even if the name of the company was Sompo Japan Nipponkoa Risk Management Inc. at the time of acquiring "portfolio seismic PML evaluation report," etc., the current name is indicated. The same applies hereinafter.

(Note 2) "Emergency and short-term repair expenses" is the sum total of the expenses stated in the engineering report as expenses in urgent need and repair and renewal expenses required within roughly one year.

(Note 3) "Long-term expenses" is indicated as follows.

①It is the amount stated as the average amount per year of the repair and renewal expenses projected for the next 12 years in the engineering report in the case of the properties investigated by HI International Consultant Co., Ltd.

②It is the amount stated as the average amount per year of the long-term repair and renewal expenses projected for the next 12 years in the engineering report in the case of the properties investigated by Sompo Risk Management & Health Care Inc.

③It is the amount converted into the average amount per year by Tosei Reit of the amount stated as the total repair and renewal

expenses excluding consumption tax projected for the next 11 years in the engineering report in the case of the properties invested by Deloitte Tohmatsu Property Risk Solution Co., Ltd. Furthermore, the amount converted into the average per year is indicated, rounding to the nearest hundred yen.

(Note 4) For the property, construction work to upgrade the air-conditioning was implemented at the expense and under the responsibility of Tosei. Long-term repair expenses after completion of the concerned construction work is JPY11,954 thousand (average amount per year) according to the “follow-up report to the building survey and diagnosis report” prepared by HI International Consultant Co., Ltd.

(Note 5) The value stated in “Entire portfolio” is the PML value concerning the entire portfolio based on the “seismic PML evaluation report” dated May 2016 by Sompo Risk Management & Health Care Inc.



## (g) Designer, Structural Designer, Contractor, Confirmation and Inspection Body and Structural Calculation Confirmation Body for Each Asset under Management

The following is the designer, structural designer, contractor, confirmation and inspection body and structural calculation confirmation body (Note 1) for each asset under management. Tosei Reit has entrusted a third-party expert body HI International Consultant Co., Ltd. or SOMPO Risk Care Management Inc. with confirmation and verification of structural calculation documents and structural drawings for the 17 properties excluding Avenir Shirotae, and has obtained from HI International Consultant Co., Ltd. or SOMPO Risk Care Management Inc. overall findings that no intentional falsification has been found in any part of the structural calculation documents and that the structural calculation documents and structural drawings are in alignment and that, accordingly, the buildings are deemed to meet the requirements for seismic safety under the standards act at the time of design with the content stated in the structural calculation documents, subject to the condition that they were appropriately constructed according to the structural drawings at the time of construction of the building of the asset under management. On the other hand, concerning Avenir Shirotae, the report on verification of whether or not there was falsification of structural calculation documents has pointed out inconsistencies between the calculation documents after change in the plan and the structural drawings at the time of application for confirmation, but the matter has already been rectified.

Property no.	Property name	Designer	Structural designer	Contractor	Confirmation and inspection body	Structural calculation confirmation body
O-01	Tama Center Tosei Building	Ishimoto Architectural & Engineering Firm, Inc.	Ishimoto Architectural & Engineering Firm, Inc.	Taisei Corporation	Tokyo Metropolitan Government, building official	HI International Consultant Co., Ltd.
O-02	KM Shinjuku Building	Mitsubishi Jisho Sekkei Inc., first-class architect office	Mitsubishi Jisho Sekkei Inc., first-class architect office	Taisei Corporation, Tokyo Branch	Tokyo Metropolitan Government, building official	HI International Consultant Co., Ltd.
O-03	Nihonbashi-Hamacho Building	Ishimoto Architectural & Engineering Firm, Inc.	Ishimoto Architectural & Engineering Firm, Inc.	Toda Corporation	Tokyo Metropolitan Government, building official	HI International Consultant Co., Ltd.
O-04	Kannai Tosei Building II (Note 2)	Takenaka Corporation First Class Licensed Architect Office	Takenaka Corporation First Class Licensed Architect Office	Takenaka Corporation Tokyo Head Office, Mitsui Construction Co., Ltd., Yokohama Branch	City of Yokohama, building official	Sompo Risk Management & Health Care Inc.
O-05	Nishi Kasai Tosei Building	Kitayama Architectural Engineering Office, Inc.	Kitayama Architectural Engineering Office, Inc.	Tobishima Corporation Tokyo Branch	Edogawa City building official	HI International Consultant Co., Ltd.
O-06	Shin Yokohama Center Building	Nikken Sekkei first-class architect office	Nikken Sekkei first-class architect office	Maeda Corporation	City of Yokohama, building official	Sompo Risk Management & Health Care Inc.
O-07	Nishidai NC Building	Nishimatsu Construction Co., Ltd., first-class architect office	Nishimatsu Construction Co., Ltd., first-class architect office	Nishimatsu Construction Co., Ltd., first-class architect office, Tokyo Construction Branch	Tokyo Metropolitan Government, building official	Sompo Risk Management & Health Care Inc.
Rt-01	Inage Kaigan Building	Nikken Sekkei Ltd.	Nikken Sekkei Ltd.	Haseko Corporation	City of Chiba, building official	HI International Consultant Co., Ltd.
Rt-02	Musashi Fujisawa Tosei Building	Matsumura-Gumi Corporation, Tokyo Head Office, first-class architect office	Matsumura-Gumi Corporation, Tokyo Head Office, first-class architect office	Matsumura-Gumi Corporation, Tokyo Head Office	Saitama Prefectural Government, building official	Sompo Risk Management & Health Care Inc.
Rd-01	T's garden Koenji	YOKOHOUSE, Inc., first-class architect office	Yabuki Architecture Office	Maeda Corporation, Tokyo Branch	Houseplus Architectural Inspection, Inc.	HI International Consultant Co., Ltd.
Rd-02	Live Akabane	KK Arte Kenchiku Sekkei Jimusho	(Note 3)	Toda Corporation	Kita City, building official	HI International Consultant Co., Ltd.
Rd-03	Gekkocho Apartment	Urban Design System Ltd., first-class architect office	Ove Arup & Partners Japan Limited	Kajima Corporation, Tokyo Architectural Construction Branch	Bureau Veritas Japan Co., Ltd.	HI International Consultant Co., Ltd.
Rd-04	T's garden Kawasakidaishi	Sekisui House, Ltd., Yokohama Kita Sha Maison Branch, first-class architect office	(Note 4)	Sekisui House, Ltd., Yokohama Kita Sha Maison Branch	East Japan House Evaluation Center	HI International Consultant Co., Ltd.
Rd-05	Abitato Kamata	Tokyo Keizairen and KK Zenkoku Nokyo Sekkei	KK Zenkoku Nokyo Sekkei	Tanaka Doken Kogyo Co., Ltd.	Tokyo Metropolitan Government, building official	HI International Consultant Co., Ltd.
Rd-06	MarLandFive	Institute of New Architecture Inc.	Institute of New Architecture Inc.	Tobu Fudosan KK	Saitama Prefectural Government, building official	HI International Consultant Co., Ltd.
Rd-07	Avenir Shirotae	KK San-a Sekkei	Party that prepared the structural calculation document not stated therein.	Toa Corporation, Yokohama Branch Office	City of Yokohama, building official	HI International Consultant Co., Ltd.
Rd-08	Dormitory Haramachida	Mitsui Fudosan Kensetsu KK, first-class architect office	Mitsui Fudosan Kensetsu KK	Mitsui Fudosan Kensetsu KK	City of Machida, building official	HI International Consultant Co., Ltd.
Rd-09	SEA SPACE Chiba Minato	Kume Sekkei Co., Ltd.	Kume Sekkei Co., Ltd.	Taisei Corporation, Chiba Branch	UHEC	HI International Consultant Co., Ltd.

(Note 1) The name stated above is the name, etc. at the time for the designer, etc. of the property.

(Note 2) As to this building, information on the office building, which is the main part of the building, is provided. The designer and structural designer of the parking building is Ishimoto Architectural & Engineering Firm, Inc., the constructors are Yokohama Elevator Co., Ltd. and the consortium of Obayashi Corporation and Takenaka Corporation for new construction of Bashamichi Building, and the confirmation and inspection body is City of Yokohama, building official. The structural calculation confirmation body is Sompo Risk Management and Health Care Inc., the same as that for the office building.

(Note 3) The structural designer is unknown because the structural calculation document for the building is missing. A structural calculation document has been reproduced by HI International Consultant Co., Ltd.

(Note 4) Verification results have been obtained from HI International Consultant Co., Ltd. that the building is judged to have strength compliant with the current Building Standards Act as building materials, structural members, construction techniques and foundations certified with type approval by the Minister of Land, Infrastructure, Transport and Tourism have been employed and have been manufactured and newly constructed by certified type, parts, etc. manufacturers.

(h) Status of Collateral

A revolving pledge with Tosei Reit as the pledger has been established in relation to debt financing upon acquisition of assets under management by Tosei Reit on the trust beneficiary rights of each asset under management. In addition, an agreement on establishment of a revolving mortgage with a condition precedent and an agreement on establishment of a revolving pledge on insurance claims with a condition precedent, where the condition precedent includes the end of the trust agreement, have been concluded for each asset under management. There are no other security rights that Tosei Reit has agreed or committed to establishing for any asset under management as of the date of this document.

(i) Information about Major Real Estate

Of Tosei Reit's assets under management, the following is an overview of those real estate of which annual rent accounts for 10% or more of the entire portfolio's annual rent as of October 31, 2016.

Property name	Total number of tenants	Annual rent (JPY million)	Total leased area (m <sup>2</sup> )	Total leasable area (m <sup>2</sup> )	Occupancy rate (Note 1) (%)
Tama Center Tosei Building (Note 2) (Note 3)	1 (34)	346 (Note 4)	9,737.49	9,737.49	100.0 (69.6)
Kannai Tosei Building II	28	286	6,687.90	6,917.02	96.7

(Note 1) For occupancy rates for each fiscal period in and after the 1st fiscal period, please refer to "(d) Changes in Occupancy Rate b." above.

(Note 2) A fixed-rent master lease agreement has been concluded for the property. Therefore, the number of tenants is the master lease company alone as tenant and the number of tenants from counting the number of tenants based on the lease agreement between the master lease company and end-tenants (as of October 31, 2016) is shown in parentheses.

(Note 3) A fixed-rent master lease agreement has been concluded for the property. Therefore, occupancy rate is calculated based on the floor area leased to the master lease company. In addition, the occupancy rate based on the floor area leased to end-tenants (as of October 31, 2016) is shown in parentheses.

(Note 4) As Tosei Community and Tosei concluded on November 22, 2016 a new fixed-rent master lease agreement which begins on November 28, 2016 and ends on November 30, 2020, the annual rent of Tama Center Tosei Building was changed to JPY329 million from November 28, 2016.

## (j) Information About Major Tenants (those tenants of which the area leased to the concerned tenant accounts for 10% or more of the sum total of total leased area)

The following table lists those tenants of Tosei Reit's assets under management that account for 10% or more of the entire portfolio's total leased area as of October 31, 2016. In the case of a property under a pass-through type master lease agreement, not only the master lease company but also end-tenants are counted as tenants. In addition, in the case of a property under a fixed-rent master lease agreement, the master lease company alone is counted as tenants and end-tenants are not counted. For Tama Center Tosei Building and Musashi Fujisawa Tosei Building, as a pass-through type master lease agreement has been concluded between the trustee and the master lease company Tosei Community and, furthermore, a fixed-rent master lease agreement has been concluded between the company and the sub master lease company Tosei, both the master lease company and the sub master lease company are shown.

Name of tenant	Type of business	Property name	Annual rent (JPY million)	Total leased area (m <sup>2</sup> )	Leased area ratio (%) (Note 1)	Contract expiration date	Contract form (Note 2)	Security and guarantee deposits (JPY million)
Tosei Community Co., Ltd. (Note 3)	Property management business	Tama Center Tosei Building KM Shinjuku Building Nihonbashi-Hamacho Building Kannai Tosei Building II Nishi Kasai Tosei Building Shin Yokohama Center Building Inage Kaigan Building Musashi Fujisawa Tosei Building T's garden Koenji Live Akabane Gekkocho Apartment T's garden Kawasakidaishi Abitato Kamata MarLandFive Avenir Shirotae Dormitory Haramachida SEA SPACE Chiba Minato	2,290	66,213.82	94.6	November 30, 2016	Ordinary building lease agreement	1,453
		Nishidai NC Building	138	3,798.48	5.4	August 31, 2017	Ordinary building lease agreement	85
Tosei Corporation	Real estate business	Tama Center Tosei Building	346 (Note 4)	9,737.49	13.9	November 27, 2016 (Note 4)	Fixed-term building lease agreement	183
		Musashi Fujisawa Tosei Building	144	6,089.72	8.7	November 30, 2025	Ordinary building lease agreement	72

(Note 1) "Leased area ratio" is the ratio of the leased area indicated in the lease agreement with the concerned tenant to total leased area for the entire portfolio. The same applies hereinafter.

(Note 2) "Contract form" is the contract form indicated in the lease agreement with the concerned tenant as of October 31, 2016. The same applies hereinafter.

(Note 3) A pass-through type master lease agreement was concluded between the trustee and Tosei Community Co., Ltd. on October 31, 2016 for all assets under management. Therefore, total leased area is the sum total of the floor area actually leased under lease agreements concluded with end-tenants (however, for Tama Center Tosei Building, the floor area leased under the fixed-rent master lease agreement concluded between Tosei Community Co., Ltd. and Tosei Corporation). If both parties of the lease agreement do not express their intent otherwise to each other by one month prior to the contract expiration date, the agreement shall be renewed for another year under the same terms and conditions, and the same shall apply upon contract expiration thereafter.

(Note 4) As Tosei Community and Tosei concluded on November 22, 2016 a new fixed-rent master lease agreement which begins on November 28, 2016 and ends on November 30, 2020, the annual rent of Tama Center Tosei Building was changed to JPY329 million from November 28, 2016.

## (k) Top End-Tenants by Leased Area

The following are the end-tenants of Tosei Reit's assets under management ranking in the top ten in terms of leased area of the entire portfolio as of October 31, 2016. In the case of a property under a fixed-rent master lease agreement, the entries are not concerning end-tenants but the master lease company and based on the lease agreement with the master lease company. In the case of a property under a pass-through type master lease agreement, the entries are not concerning the master lease company but end-tenants and based on the lease agreement with end-tenants.

Name of end-tenant	Property name	Total leased area (m <sup>2</sup> )	Leased area ratio (%)	Contract expiration date	Contract form
Tosei Corporation	Tama Center Tosei Building	9,737.49	13.9	November 27, 2016 (Note 2)	Fixed-term building lease agreement
Tosei Corporation	Musashi Fujisawa Tosei Building	6,089.72	8.7	November 30, 2025	Ordinary building lease agreement
Not disclosed (Note)	Inage Kaigan Building	2,989.01	4.3	November 23, 2018	Ordinary building lease agreement
FUJITSU CoWorCo Limited	Shin Yokohama Center Building	1,822.20	2.6	December 31, 2017	Ordinary building lease agreement
Not disclosed (Note 1)	Not disclosed (Note 1)	1,762.57	2.5	August 31, 2018	Ordinary building lease agreement
Not disclosed (Note 1)	Not disclosed (Note 1)	1,420.46	2.0	April 16, 2017	Ordinary building lease agreement
HEATWAVE Co., Ltd.	KM Shinjuku Building	447.41 447.41 137.29 Total: 1,032.11	1.5	March 31, 2017 October 31, 2016 June 30, 2018	Ordinary building lease agreement
Not disclosed (Note 1)	Nishi Kasai Tosei Building	926.41	1.3	January 31, 2018	Ordinary building lease agreement
Tokyo Gas Energy Co., Ltd.	Nihonbashi-Hamacho Building	756.21	1.1	March 31, 2018	Ordinary building lease agreement
YORKS Co., Ltd.	Nihonbashi-Hamacho Building	755.29	1.1	January 14, 2017	Ordinary building lease agreement

(Note 1) The name of the end-tenant is not disclosed because consent for disclosure has not been obtained from the end-tenant.

(Note 2) As Tosei Community and Tosei concluded on November 22, 2016 a new fixed-rent master lease agreement which begins on November 28, 2016 and ends on November 30, 2020, the annual rent of Tama Center Tosei Building was changed to JPY329 million from November 28, 2016.

## (l) Overview of Leasing to Related Parties

The following is an overview of leasing of assets under management where a related party as defined under "related-party transaction rules," which are internal rules of the Asset Management Company, is the end-tenant (however, in the case of a property under a fixed-rent master lease agreement, the concerned master lease company is counted as end-tenants).

Name of end-tenant	Property name	Total leased area	Annual rent	Security and guarantee deposits	Contract expiration date	Contract form
Tosei Corporation	Tama Center Tosei Building	9,737.49m <sup>2</sup>	JPY346 million (Note)	JPY183 million	November 27, 2016	Fixed-term building lease agreement
Tosei Corporation	Musashi Fujisawa Tosei Building	6,089.72 m <sup>2</sup>	JPY144 million	JPY72 million	November 30, 2025	Ordinary building lease agreement

(Note) As Tosei Community and Tosei concluded on November 22, 2016 a new fixed-rent master lease agreement which begins on November 28, 2016 and ends on November 30, 2020, the annual rent of Tama Center Tosei Building was changed to JPY329 million from November 28, 2016.

## (m) Earnings Performance of the Properties

## (Reference Information) Earnings Performance of the Properties

4th Period (from May 1, 2016 to October 31, 2016)

(Unit: JPY thousand)

Property no.	(O-01)	(O-02)	(O-03)	(O-04)
Property name	Tama Center Tosei Building	KM Shinjuku Building	Nihonbashi- Hamacho Building	Kannai Tosei Building II
Total property-related operating revenue ①	205,358	92,151	87,503	174,160
Rent revenue – real estate	176,781	83,189	76,833	154,321
Other lease business revenue	28,577	8,961	10,669	19,838
Total property-related operating expenses ②	71,671	28,033	27,805	48,459
Management fee	24,337	6,663	7,646	18,002
Trust fee	300	300	300	300
Utilities expenses	26,964	9,114	9,605	15,976
Insurance premium	572	186	181	338
Repair expenses	344	884	824	3,600
Property taxes	18,058	9,852	7,919	6,508
Other expenses	1,093	1,031	1,328	3,732
NOI ③ (①－②)	133,687	64,117	59,698	125,700
Depreciation ④	16,549	8,983	10,108	20,762
Property-related operating income (loss) ⑤ (③－④)	117,137	55,134	49,589	104,937
Capital expenditures ⑥	18,093	815	11,648	2,969
NCF ⑦ (③－⑥)	115,594	63,302	48,049	122,730

Property no.	(O-05)	(O-06)	(O-07)	(Rt-01)
Property name	Nishi Kasai Tosei Building	Shin Yokohama Center Building	Nishidai NC Building	Inage Kaigan Building
Total property-related operating revenue ①	73,491	69,240	24,553	126,647
Rent revenue – real estate	64,428	64,397	24,293	102,450
Other lease business revenue	9,062	4,843	260	24,196
Total property-related operating expenses ②	23,936	21,234	5,887	49,428
Management fee	6,714	7,959	3,022	8,088
Trust fee	300	300	101	300
Utilities expenses	8,288	6,000	2,401	27,854
Insurance premium	147	210	68	295
Repair expenses	779	387	18	430
Property taxes	6,366	3,522	-	11,636
Other expenses	1,339	2,853	274	822
NOI ③ (①－②)	49,555	48,006	18,666	77,218
Depreciation ④	8,867	7,855	4,622	19,988
Property-related operating income (loss) ⑤ (③－④)	40,688	40,150	14,043	57,229
Capital expenditures ⑥	650	4,174	1,592	-
NCF ⑦ (③－⑥)	48,905	43,831	17,074	77,218

Property no.	(Rt-02)	(Rd-01)	(Rd-02)	(Rd-03)
Property name	Musashi Fujisawa Tosei Building	T's garden Koenji	Live Akabane	Gekkocho Apartment
Total property-related operating revenue ①	72,182	52,052	51,627	30,960
Rent revenue – real estate	72,182	51,334	50,665	28,995
Other lease business revenue	-	717	962	1,964
Total property-related operating expenses ②	7,496	8,087	11,957	11,343
Management fee	1,080	3,888	4,569	2,860
Trust fee	300	300	300	300
Utilities expenses	-	363	656	405
Insurance premium	109	75	139	57
Repair expenses	-	406	1,802	2,300
Property taxes	5,985	2,576	3,327	2,108
Other expenses	22	476	1,162	3,311
NOI ③ (①－②)	64,685	43,964	39,669	19,616
Depreciation ④	9,167	5,778	4,252	3,344
Property-related operating income (loss) ⑤ (③－④)	55,517	38,186	35,417	16,271
Capital expenditures ⑥	-	-	284	2,305
NCF ⑦ (③－⑥)	64,685	43,964	39,385	17,310

Property no.	(Rd-04)	(Rd-05)	(Rd-06)	(Rd-07)
Property name	T's garden Kawasakidaishi	Abitato Kamata	MarLandFive	Avenir Shirotae
Total property-related operating revenue ①	35,591	28,401	38,343	34,821
Rent revenue – real estate	34,304	27,464	35,638	33,378
Other lease business revenue	1,286	937	2,704	1,443
Total property-related operating expenses ②	7,986	7,832	12,634	9,937
Management fee	2,459	2,353	3,622	3,002
Trust fee	300	300	300	300
Utilities expenses	175	538	2,453	688
Insurance premium	67	62	101	86
Repair expenses	1,336	1,744	2,694	2,275
Property taxes	2,035	1,536	2,580	2,060
Other expenses	1,612	1,296	882	1,524
NOI ③ (①－②)	27,604	20,568	25,708	24,884
Depreciation ④	5,218	3,297	4,829	6,362
Property-related operating income (loss) ⑤ (③－④)	22,386	17,271	20,879	18,521
Capital expenditures ⑥	-	2,438	456	1,150
NCF ⑦ (③－⑥)	27,604	18,130	25,252	23,733

Property no.	(Rd-08)	(Rd-09)
Property name	Dormitory Haramachida	SEA SCAPE Chiba Minato
Total property-related operating revenue ①	29,174	111,503
Rent revenue – real estate	28,172	100,005
Other lease business revenue	1,001	11,497
Total property-related operating expenses ②	9,282	31,814
Management fee	2,515	9,713
Trust fee	300	300
Utilities expenses	731	6,684
Insurance premium	82	296
Repair expenses	2,280	3,777
Property taxes	2,437	4,741
Other expenses	936	6,300
NOI ③ (①–②)	19,891	79,689
Depreciation ④	4,855	23,589
Property-related operating income (loss) ⑤ (③–④)	15,035	56,100
Capital expenditures ⑥	1,547	2,311
NCF ⑦ (③–⑥)	18,344	77,378

	Offices total	Retail facilities total	Residential properties total	Entire portfolio
Total property-related operating revenue ①	726,459	198,829	412,474	1,337,762
Rent revenue – real estate	644,245	174,632	389,959	1,208,837
Other lease business revenue	82,213	24,196	22,515	128,925
Total property-related operating expenses ②	227,027	56,924	110,876	394,829
Management fee	74,346	9,168	34,983	118,498
Trust fee	1,901	600	2,700	5,201
Utilities expenses	78,351	27,854	12,697	118,903
Insurance premium	1,706	404	971	3,082
Repair expenses	6,838	430	18,618	25,887
Property taxes	52,228	17,621	23,404	93,254
Other expenses	11,654	844	17,501	30,000
NOI ③ (①–②)	499,431	141,904	301,597	942,933
Depreciation ④	77,748	29,156	61,527	168,433
Property-related operating income (loss) ⑤ (③–④)	421,682	112,747	240,070	774,500
Capital expenditures ⑥	39,942	-	10,493	50,436
NCF ⑦ (③–⑥)	459,488	141,904	291,104	892,497