

For the Fiscal Period Ended October 31, 2015 (2nd Fiscal Period)

# Earnings Announcement

Securities Code: 3451



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# Overview of Tosei Reit

## Utilization and revitalization of “the vast existing building stock”<sup>1</sup> in Japan’s real estate market

### ■ Investment Targets

- ① Highly advantageous real estate properties located in areas where acquisition competition is relatively low and where high yields can be expected
- ② Properties with strong potential regardless of the properties’ age

### ■ Investment Criteria

**Area** Mainly the **Tokyo metropolitan area**

Tokyo metropolitan area	<b>Main target</b>
Major regional cities <sup>2</sup>	<b>20%</b> or less <sup>3</sup>

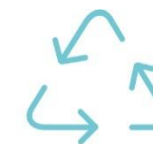
### ■ Tosei’s Core Competencies



Good Judgment



Leasing Capability



Revitalization Capability

**Property type** Comprehensive investment in **offices, retail facilities and residential properties**

Offices/Retail facilities	Collectively <b>80%</b> or less <sup>3</sup>
Residential properties	<b>50%</b> or less <sup>3</sup>

**Size** Investments targeting properties priced up to **JPY 5 billion**<sup>4</sup> in principle

1. “Existing building stock” collectively refers to building assets which were constructed in the past and still exist at present. The same applies hereafter.

2. “Major regional cities” collectively refers to cities designated by ordinance and prefectural capitals or equivalent cities located outside the Tokyo metropolitan area.

3. Ratio on an acquisition price basis. In the case of mixed-use properties that combine two or more different property types, the type of use that accounts for the largest proportion of dedicated floor space shall be deemed to be the property type.

4. Acquisition price basis

**1. Increased Cash Distribution per Unit through Steady Operations**

**2. Concluded an Interest Rate Swap Agreement for a More Stable Financial Base**

**3. Capital Increase and Acquisition of Five New Properties to Expand Asset Scale**

# Financial Results for the 2nd Fiscal Period

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# 2nd Fiscal Period Highlights

**Increased cash distribution per unit 4.6% over initial forecast through steady operations**

## ■ Results for the 2nd Fiscal Period

(JPY MM)

	Period Ended April 30, 2015 (1st Fiscal Period)	Initial Forecast (Announced June 19, 2015)	Period Ended October 31, 2015 (2nd Fiscal Period)	Difference from Forecast
Days in operation	154 days	184 days	184 days	—
Operating revenue	662	788	798	10
Operating income	344	335	342	6
Ordinary income	187	274	287	13
Net income	186	274	286	12
Cash distribution per unit (JPY)	1,938	2,855	2,986	131
Total assets	19,887	—	19,996	—
LTV	46.1 %	—	45.9 %	—

**Operating Revenue +JPY 10 MM**

Main factors (impact on income)

- Increase in profits from rent revenue – real estate, etc. due to greater-than-expected increase in occupancy rate (+ JPY 14 MM)
- Decrease in income from utilities expenses (- JPY 4 MM)

**Operating Income +JPY 6 MM**

Main factors (impact on income)

- Decrease in utilities expenses (+ JPY 4 MM)
- Increase in advertising expenses (- JPY 1 MM)
- Increase in property taxes (- JPY 2 MM)
- Increase in SG&A expenses (- JPY 4 MM)  
Administrative service fees, specialist fees

**Net Income + JPY 12 MM**

Main factor (impact on income)

- Decrease in interest expenses (+ JPY 7 MM)

# Appraisal Value at the End of the 2nd Fiscal Period

**Increases of JPY 53 MM in total appraisal value and JPY 113 MM in unrealized gains**

(JPY MM)

## Status at the End of 2nd Fiscal Period

Appraisal value: JPY 18,773 MM  
Total book value: JPY 17,495 MM  
Unrealized gains: JPY 1,277 MM

	Appraisal Value at End of 1st Fiscal Period (A)	Appraisal Value at End of 2nd Fiscal Period (B)	Difference (B)-(A)
Appraisal value	18,720	18,773	53
Offices	7,580	7,670	90
Retail facilities	2,540	2,490	-50
Residential properties	8,600	8,613	13

## Appraisal Value by Property

Property Name	Acquisition Price	Period Ended April 30, 2015 (1st Fiscal Period) (A)		Period Ended October 31, 2015 (2nd Fiscal Period) (B)		Difference (B)-(A)	
		Appraisal Value at End of Period	Unrealized Gains (Book Value Basis)	Appraisal Value at End of Period	Unrealized Gains (Book Value Basis)	Appraisal Value at End of Period	Unrealized Gains (Book Value Basis)
O-01 Tama Center Tosei Building	3,370	3,390	11	3,410	48	20	36
O-02 KM Shinjuku Building	2,057	2,240	176	2,270	214	30	38
O-03 Nihonbashi-Hamacho Building	1,830	1,950	114	1,990	156	40	42
Offices subtotal	7,257	7,580	302	7,670	419	90	116
Rt-01 Inage Kaigan Building	2,380	2,540	160	2,490	112	-50	-48
Retail facilities subtotal	2,380	2,540	160	2,490	112	-50	-48
Rd-01 T's garden Koenji	1,544	1,810	248	1,820	264	10	15
Rd-02 Live Akabane	1,227	1,380	140	1,380	145	0	4
Rd-03 Gekkocho Apartment	1,000	1,090	76	1,090	80	0	3
Rd-04 T's garden Kawasakidaishi	980	1,050	56	1,050	61	0	5
Rd-05 Abitato Kamata	836	898	52	898	51	0	-2
Rd-06 MarLandFive	830	864	21	864	25	0	3
Rd-07 Avenir Shirotae	780	862	68	864	76	2	8
Rd-08 Dormitory Haramachida	600	646	36	647	41	1	4
Residential properties subtotal	7,797	8,600	700	8,613	744	13	43
Total	17,434	18,720	1,164	18,773	1,277	53	113

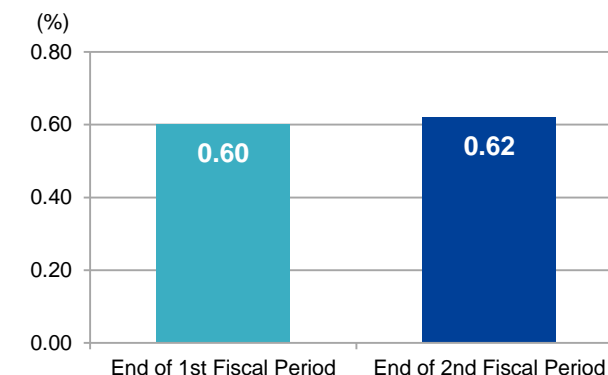
# Concluded an Interest Rate Swap Agreement for a More Stable Financial Base

## Fixed interest rates on term loans (3, 4 and 5 years) that commenced on August 31, 2015

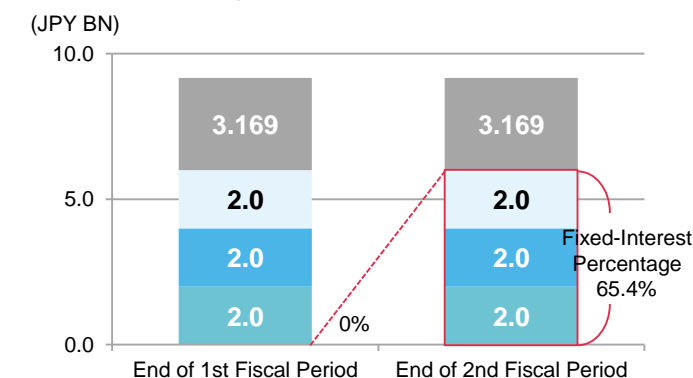
### Details of Interest Rate Swap Agreement

Counterparty	Term Loan	Notional Principal (JPY MM)	Interest Rates		Commencement Date	Termination Date
			Floating Interest Rate Receivable	Fixed Interest Rate Payable		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3 years	2,000	JBA 1 month JPY TIBOR (0.130%) + 0.400%	0.5260%	August 31, 2015	November 30, 2017
	4 years	2,000	JBA 1 month JPY TIBOR (0.130%) + 0.600%	0.7435%	August 31, 2015	November 30, 2018
	5 years	2,000	JBA 1 month JPY TIBOR (0.130%) + 0.700%	0.8860%	August 31, 2015	November 29, 2019

### Average Interest on Borrowings



### Percentage of Fixed-Interest Loans



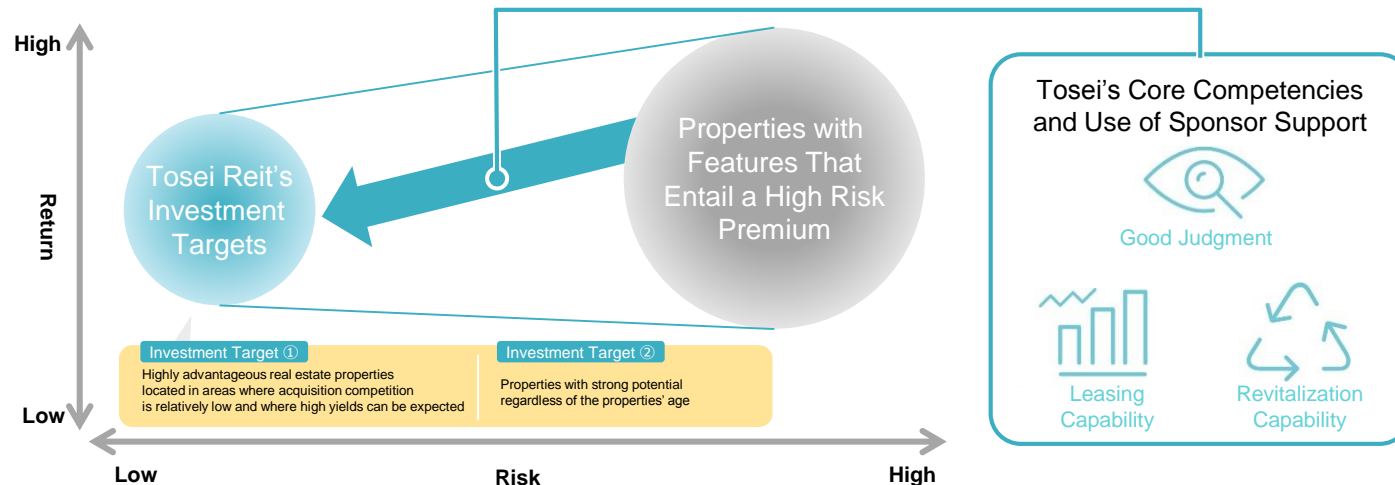


# Growth Strategies

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## Emphasis on cash distributions Increase assets to stabilize earnings and raise value for unitholders

External Growth Strategy: Increase assets through selective acquisition of assets with relatively high expected returns



Internal Growth Strategy: Maintain/increase the occupancy rate

- Finely tuned tenant sourcing activities
- Increase customer (tenant) satisfaction
- Maintain and improve property competitiveness through renovations with excellent cost performance
- Pursue the upside at time of rent revisions

Financial Strategy: Stable financial management

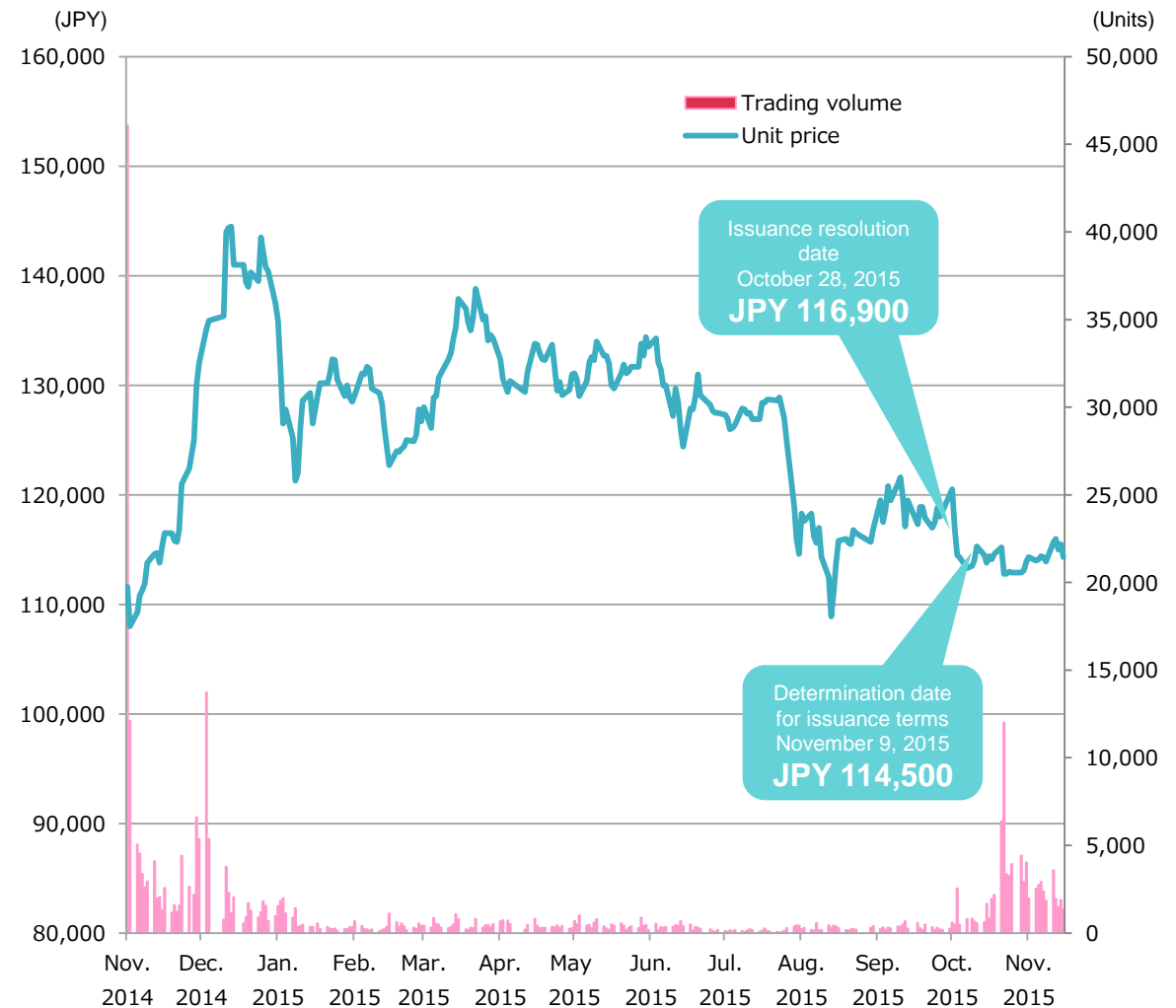
- Switch to fixed interest rates when expanding portfolio in advance of future rate hikes
- Increase capacity to acquire assets by lowering LTV
- Reinforce banking partnerships

# External Growth Strategy 1: Capital Increase

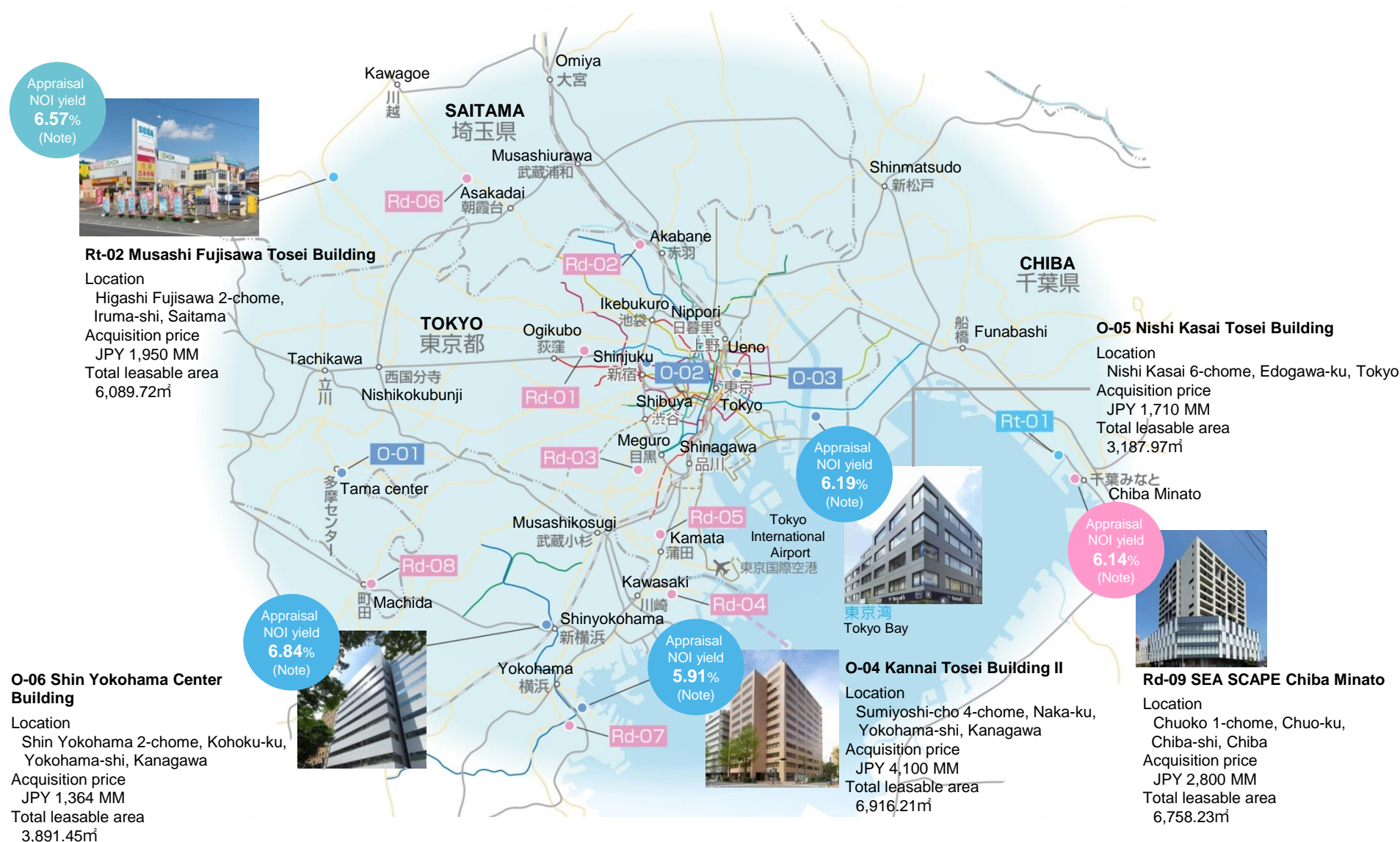
## ■ Overview of Offering

Method of issuance	Domestic offering
Number of new units issued	65,000 units Primary offering: 61,900 units Third-party allotment: 3,100 units
Total issue amount	JPY 6,995 MM
Issue price	JPY 111,637 per unit
Issuance resolution date	October 28, 2015
Determination date for issuance terms	November 9, 2015
Payment date	Primary offering: November 16, 2015 Third-party allotment: December 16, 2015

## ■ Unit Price



# External Growth Strategy 2: Portfolio Map after Capital Increase



Note: "Average appraisal NOI yield" is the NOI of each operating asset or acquired asset divided by the acquisition price, rounded to two decimal places.  
The figures are calculated by Tosei Asset Advisors, Inc. and are not published in a real estate appraisal report.

# External Growth Strategy 3: Portfolio List after Capital Increase

Property No.	New Acquisition	Property Name	Age of Building (Years)	Address	Acquisition Price (JPY MM)	Investment Ratio (%)	Appraisal Value (JPY MM)	Appraisal NOI Yield (%)	Total Leasable Area (㎡)	Occupancy Rate (%)	PML (%)
O-01		Tama Center Tosei Building	26.3	Tama-shi, Tokyo	3,370	11.5	3,410	6.90	9,737.49	100.0 (56.2)	4.36
O-02		KM Shinjuku Building	24.1	Shinjuku-ku, Tokyo	2,057	7.0	2,270	5.65	3,403.95	96.6	5.52
O-03		Nihonbashi-Hamacho Building	25.0	Chuo-ku, Tokyo	1,830	6.2	1,990	6.08	3,334.40	100.0	6.11
O-04	●	Kannai Tosei Building II	31.7	Yokohama-shi, Kanagawa	4,100	14.0	4,380	5.91	6,915.73	98.7	11.54
O-05	●	Nishi Kasai Tosei Building	21.8	Edogawa-ku, Tokyo	1,710	5.8	1,860	6.19	3,187.97	100.0	3.84
O-06	●	Shin Yokohama Center Building	24.9	Yokohama-shi, Kanagawa	1,364	4.6	1,550	6.84	3,891.45	92.3	6.47
Offices subtotal			—	—	14,431	49.2	15,460	6.25	30,470.99	98.3	—
Rt-01		Inage Kaigan Building	22.9	Chiba-shi, Chiba	2,380	8.1	2,490	6.38	5,890.92	100.0	6.49
Rt-02	●	Musashi Fujisawa Tosei Building	18.2	Iruma-shi, Saitama	1,950	6.6	2,060	6.57	6,089.72	100.0 (100.0)	5.85
Retail facilities subtotal			—	—	4,330	14.7	4,550	6.47	11,980.64	100.0	—
Offices/Retail facilities subtotal			—	—	18,761	63.9	20,010	6.30	42,451.63	98.8	—
Rd-01		T's garden Koenji	4.8	Suginami-ku, Tokyo	1,544	5.3	1,820	5.37	2,169.38	98.6	7.91
Rd-02		Live Akabane	26.6	Kita-ku, Tokyo	1,227	4.2	1,380	6.23	3,876.33	95.8	7.45
Rd-03		Gekkocho Apartment	7.6	Meguro-ku, Tokyo	1,000	3.4	1,090	5.18	1,392.13	87.7	8.98
Rd-04		T's garden Kawasakidaishi	6.8	Kawasaki-shi, Kanagawa	980	3.3	1,050	5.81	2,067.77	95.9	7.38
Rd-05		Abitato Kamata	24.4	Ota-ku, Tokyo	836	2.8	898	5.71	1,768.23	92.6	7.82
Rd-06		MarLandFive	25.5	Fujimi-shi, Saitama	830	2.8	864	7.01	2,727.50	92.3	4.00
Rd-07		Avenir Shirotae	20.7	Yokohama-shi, Kanagawa	780	2.7	864	6.69	2,499.93	97.9	7.57
Rd-08		Dormitory Haramachida	23.3	Machida-shi, Tokyo	600	2.0	647	6.72	1,865.99	96.7	5.29
Rd-09	●	SEA SCAPE Chiba Minato	7.6	Chiba-shi, Chiba	2,800	9.5	3,010	6.14	6,758.23	86.8	7.30
Residential properties subtotal			—	—	10,597	36.1	11,623	6.02	25,125.49	92.8	—
Total/Average			21.2	—	29,358	100.0	31,633	6.20	67,577.12	96.6	3.71

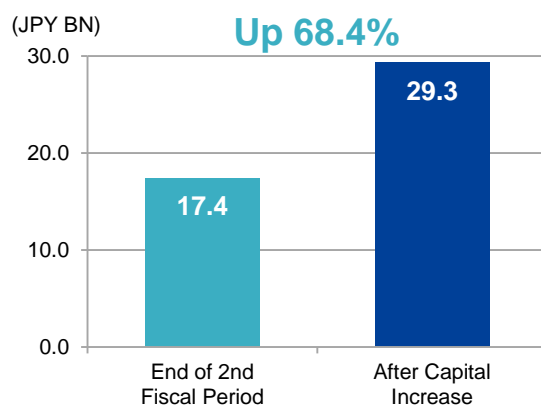
Note: Figures are as of October 31, 2015, except for the "Appraisal Value" and "Appraisal NOI Yield" of the five newly acquired properties as of August 31, 2015 and "PML" as of September 2015.

"Occupancy Rate" figures in parentheses are the percentage of total area for which leases have been concluded between the master lease company and the end tenants, and are actually being rented.

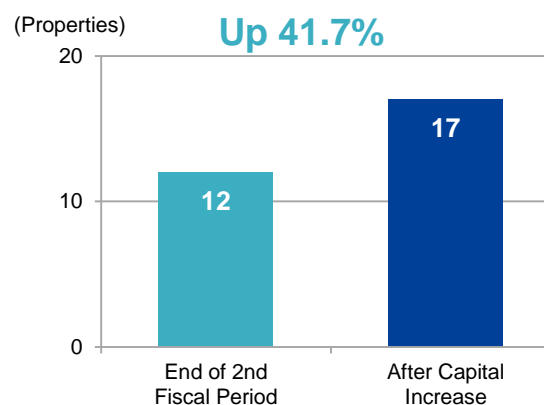
# External Growth Strategy 4: Dispersing Risk through External Growth

## Dispersing risk by expanding asset scale and increasing the number of properties and tenants

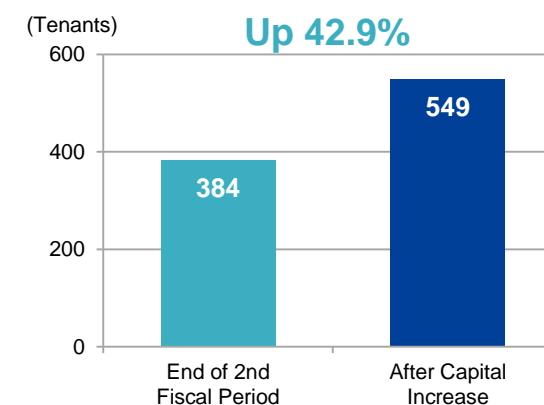
### ■ Total Acquisition Price



### ■ Number of Properties



### ■ Number of Tenants



### ■ Change in Portfolio due to Capital Increase

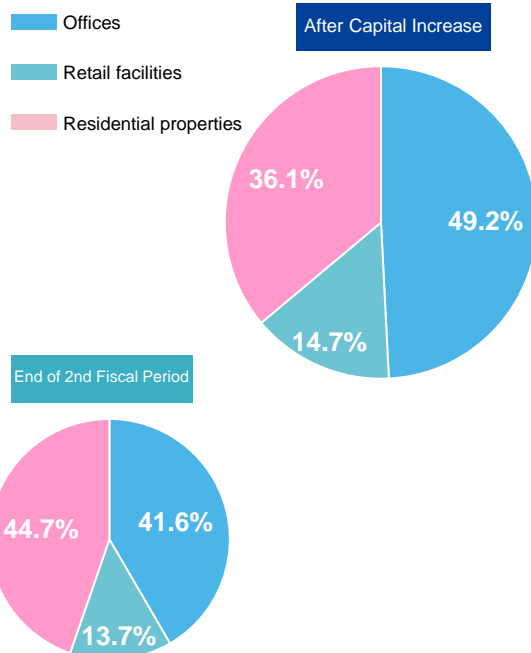
	End of 2nd Fiscal Period	Newly Acquired Assets	After Capital Increase
Number of properties	12	5	17
Acquisition price	JPY 17,434 MM	JPY 11,924 MM	JPY 29,358 MM
Appraisal value	JPY 18,773 MM	JPY 12,860 MM	JPY 31,633 MM
Average appraisal NOI yield	6.19%	6.22%	6.20%
Occupancy rate	97.5%	95.2%	96.6%
Number of tenants	384	165	549
Portfolio PML	4.01%		3.71%

Note: Figures are as of October 31, 2015, except for the appraisal value and average appraisal NOI yield of the five newly acquired properties under “Newly Acquired Assets” and “After Capital Increase” as of August 31, 2015, and portfolio PML under “End of 2nd Fiscal Period” as of March 2015 and under “After Capital Increase” as of September 2015.

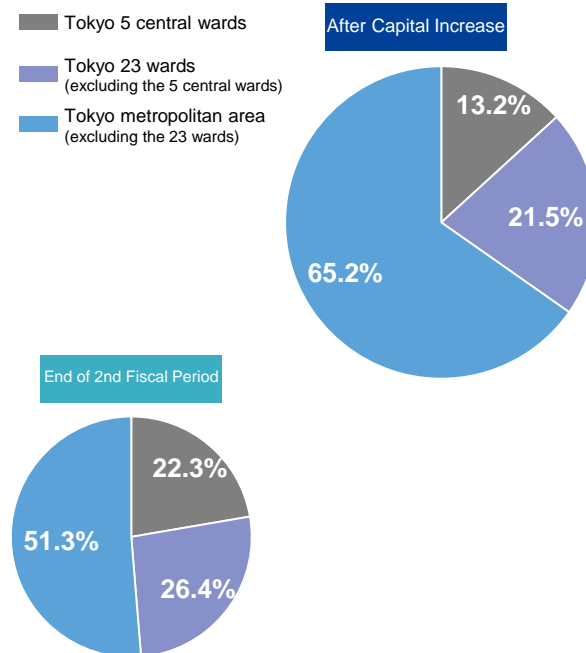
# External Growth Strategy 5: Main Portfolio Indicators after Capital Increase

## Increases in the ratio of offices and ratio of properties in the Tokyo metropolitan area (excluding the 23 wards)

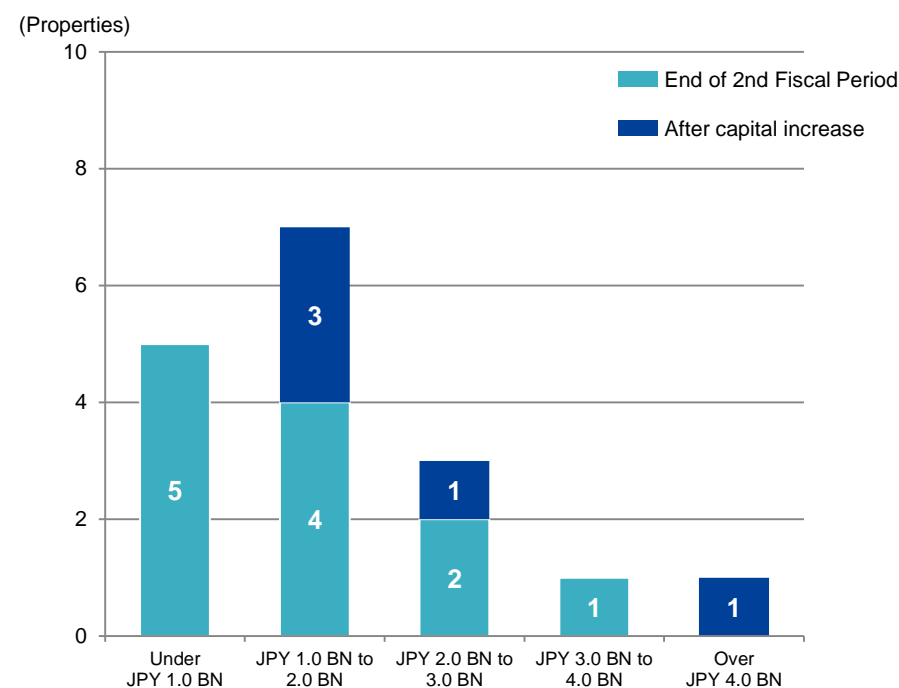
■ **Portfolio Composition by Property Type (Acquisition price basis)**



■ **Portfolio Composition by Area (Acquisition price basis)**



■ **Number of Investments by Acquisition Price**



■ **Average Appraisal NOI Yield by Property Type**

	End of 2nd Fiscal Period	After Capital Increase
Offices	6.34%	6.25%
Retail facilities	6.38%	6.47%
Residential properties	5.98%	6.02%

■ **Average Appraisal NOI Yield by Area**

	End of 2nd Fiscal Period	After Capital Increase
Tokyo 5 central wards	5.85%	5.85%
Tokyo 23 wards	5.62%	5.77%
Tokyo metropolitan area	6.62%	6.41%

# External Growth Strategy 6: Future Strategy

**Carefully select properties with expected high returns as competition for acquisitions intensifies;  
Strengthen our own sourcing in addition to acquisitions through the sponsor's pipeline**

## ■ Investment Targets

Property Type	Size	Target	Yield
Offices	Floor area of over 1,000m <sup>2</sup>	Small-and medium-sized office buildings not exposed to excessive buying competition, located as focal points of the neighborhood, instead of in limited, high-demand commercial areas	NOI after depreciation from the mid to latter half of 4%
Retail facilities	Floor area of over 1,000m <sup>2</sup>	Urban retail facilities located in smaller commercial districts that are highly visible and attract traffic because of their location close to a major station and busy entertainment districts.	
Residential properties	Over 20m <sup>2</sup> floor area per unit	Small-and medium-sized residential properties in heavily populated suburbs and marginal areas with comparatively easy access to downtown Tokyo	

## ■ Information Obtained on Properties

	1st Fiscal Period	2nd Fiscal Period
Obtained information (number of properties)	115	63
(Obtained from Tosei)	87	27
(Obtained from own source)	28	36
Number of properties considering purchasing	9	1

## ■ Purchases and Sales of Tosei Properties

(3rd Quarter Ended November 2015)

	Purchases	Value (Anticipated Sales)	Sales	Value (Excluding Sale in Lots)
Offices	12	JPY 31,416 MM	18	JPY 13,330 MM
Residential properties	6		2	

## ■ Tosei's Balance of Inventories (Book Value)

(3rd Quarter Ended November 2015)

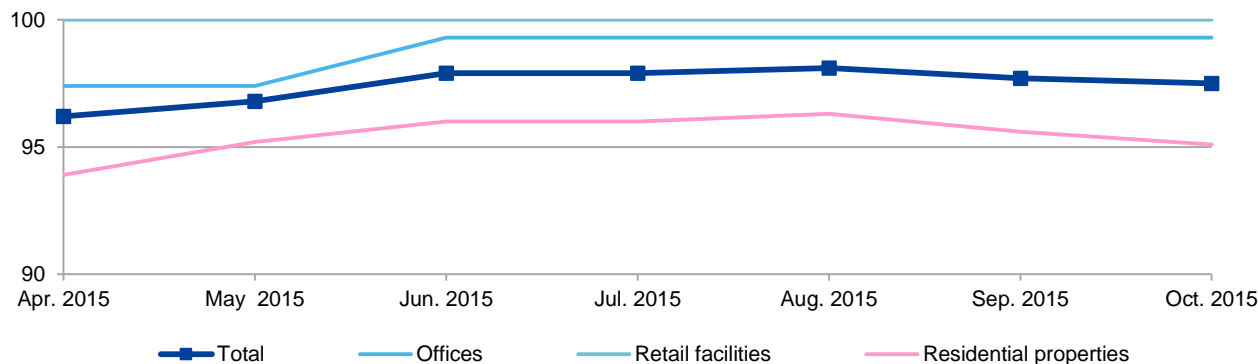
Balance of Inventories (Revitalization Business)
JPY 44.9 BN (45 properties)



# Internal Growth Strategy 1: Leasing Results and Strategy

## Maintaining a high occupancy rate with property management focused on flexible leasing and customer satisfaction

### Occupancy Rates (12 Properties)



Note: Occupancy rate is the ratio of leased area to leasable area.

12 Existing Properties:  
**97.5%** (As of Oct. 31, 2015)

5 New Properties:  
**95.2%** (As of Oct. 31, 2015)

Further internal growth expected from increasing the occupancy rates of newly acquired properties

#### Main Leasing Results

- KM Shinjuku Building:  
Upturn over 3 months following drop in occupancy rate to 87.5% due to 2nd floor tenant departure
- Inage Kaigan Building:  
Although the 1st floor store's lease ended in May, we were successful in finding a new tenant without a vacancy period.
- Dormitory Haramachida:  
Success in finding new tenants for the office portion of the building raised the average occupancy rate by 4.61 points compared with the previous fiscal period.

### 2nd Fiscal Period Contract Trends

#### Offices

New	1
Cancellations	0
Renewals	2

#### Retail Facilities

New	2
Cancellations	2
Renewals	3

#### Residential Properties

New	37
Cancellations	33
Renewals	62

#### Total

New	40
Cancellations	35
Renewals	67

### 2nd Fiscal Period Rent Revision Trends

	Properties	Leased Area
Increased	14	542.19m <sup>2</sup>
Unchanged	53	3,210.33m <sup>2</sup>
Reduced	0	0.00m <sup>2</sup>
Total	67	3,752.52m <sup>2</sup>

# Internal Growth Strategy 2: Overview of Individual Properties and Top 10 Tenants

## ■ Overview of Individual Properties

Property Name	Occupancy Rate (As of October 31)	Current Situation
Tama Center Tosei Building	100.0%	Has stable operations/income from a rent-guaranteed sub-master lease agreement concluded with its sponsor, Tosei Corporation.
KM Shinjuku Building	96.6%	Strengthened relations with property management company and conducted flexible, strategic leasing activities to raise the occupancy rate back up from 87.5% in the 1st fiscal period to 100% in the 2nd (contract basis). Also successful in raising rents through timing of tenant replacement.
Nihonbashi-Hamacho Building	100.0%	This building has maintained a 100% occupancy rate since it was acquired, providing stable operations/income.
Inage Kaigan Building	100.0%	Although the 1st floor store's lease ended at the end of May, we were successful in finding a new tenant without a vacancy period. Conducted stable operations, maintaining a 100% occupancy rate in the 2nd fiscal period.
T's garden Koenji	98.6%	Rent revenues exceeded expectations as the average occupancy remained high at 97.8% during the 2nd fiscal period. Raised rents for 4 out of the 5 tenants that renewed their leases.
Live Akabane	95.8%	Rent revenues exceeded expectations as the average occupancy remained high at 96.7% during the 2nd fiscal period. Achieved high renewal rate of 100% (9 out of 9 tenants).
Gekkocho Apartment	87.7%	Average occupancy rate during the 2nd fiscal period was 93.4%, a substantial 7.2 point increase from the previous period. Worked to promote new contracts through various advertising media. Two lease cancellations in late October caused a temporary drop in the occupancy rate to 87.7% as of the end of the 2nd fiscal period.
T's garden Kawasakidaishi	95.9%	Rent revenues exceeded expectations as the average occupancy remained high at 94.0% during the 2nd fiscal period. Achieved high renewal rate of 100% (2 out of 2 tenants).
Abitato Kamata	92.6%	Average occupancy rate during the 2nd fiscal period was 96.9%, a 4.3 point increase from the previous period. With the high occupancy rate, rent revenues exceeded expectations. Achieved high renewal rate of 100% (7 out of 7 tenants).
MarLandFive	92.3%	Average occupancy rate during the 2nd fiscal period was 90.2%, a 4.1 point increase from the previous period. Found new tenants for the stores on lower floors and the office portion. Achieved high renewal rate of 100% (9 out of 9 tenants).
Avenir Shirotae	97.9%	Average occupancy rate during the 2nd fiscal period was 99.3%, a 0.7 point increase from the previous period. With the high occupancy rate, rent revenues substantially exceeded expectations. Achieved high renewal rate of 100% (14 out of 14 tenants).
Dormitory Haramachida	96.7%	Average occupancy rate during the 2nd fiscal period was 97.0%, a 4.6 point increase from the previous period, due to success in finding a new tenant for the office portion and steady leasing of the residential portion. With the high occupancy rate, rent revenues substantially exceeded expectations.

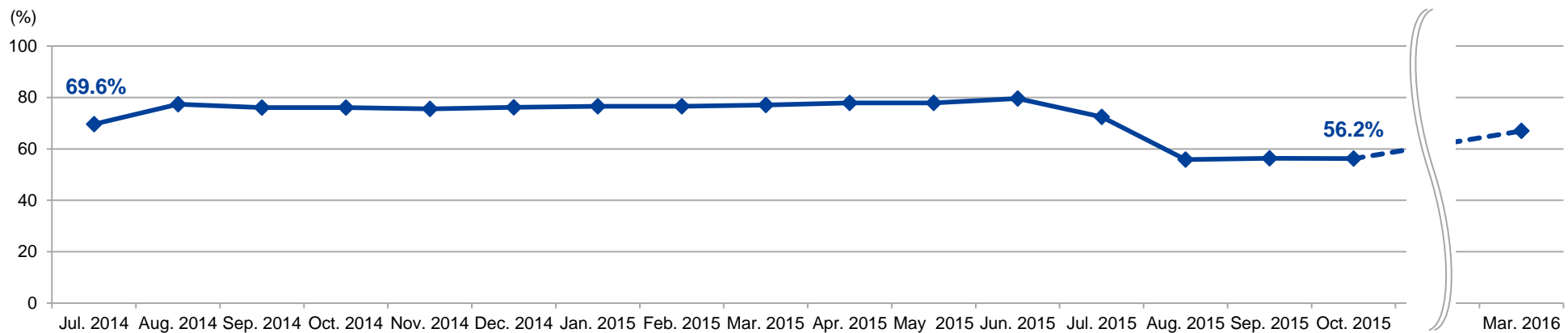
## ■ Top 10 Tenants (leased floor area)

	Name	Leased Area (㎡)	Tenanted Property	%
1	Tosei Corporation	9,737.49	Tama Center Tosei Building	24.5%
2	Undisclosed	2,989.01	Inage Kaigan Building	7.5%
3	Heatwave Co., Ltd.	1,032.11	KM Shinjuku Building	2.6%
4	Tokyo Gas Co., Ltd.	756.21	Nihonbashi-Hamacho Building	1.9%
5	YORKS Co., Ltd.	755.29	Nihonbashi-Hamacho Building	1.9%
6	Nissen Co., Ltd.	575.78	Inage Kaigan Building	1.5%
7	Individual	504.66	KM Shinjuku Building	1.3%
8	Chugai Technos Corporation	502.55	Nihonbashi-Hamacho Building	1.3%
9	TOWA PHARMACEUTICAL CO., LTD.	483.87	Nihonbashi-Hamacho Building	1.2%
10	IPPUUKISHI Co., Ltd.	447.41	KM Shinjuku Building	1.1%
	Telecom Group Inc.	447.41	KM Shinjuku Building	1.1%
	HIKARI TSUSHIN, INC.	447.41	KM Shinjuku Building	1.1%

# Leasing Status of Tama Center Tosei Building

## Conducting strategic end-tenant leasing with sponsor support

### ■ Occupancy Rate of Tama Center Tosei Building



### ■ Leasing Measures



- ① Strengthen sales force, conduct advertising
- ② Expand sales area
- ③ Effectively use dead space
- ④ Enhance common facilities (4F)
- ⑤ Layout plans tailored to tenant needs (5F)
- ⑥ Attract tenants with entrance partitions (1F-5F)
- ⑦ Entrance remodeling (1F)

- ④ Enhance common facilities (4F)

Before



After



- ⑦ Entrance remodeling (1F)

Before



After



# Financial Strategy 1

## Measures to fix interest rates/maintaining LTV level

### ■ Financing Data

	Period Ended April 30, 2015 (1st Fiscal Period) (A)	Period Ended October 31, 2015 (2nd Fiscal Period) (B)	Rate of Increase/Decrease or Difference (B)-(A)	After Capital Increase (C)	Rate of Increase/Decrease or Difference (C)-(B)
Interest-bearing debt	JPY 9,169 MM	JPY 9,169 MM	JPY 0 MM	JPY 14,869 MM	JPY 5,700 MM
Average loan interest rate	0.60 %	0.62 %	0.02 %	0.73 %	0.11 %
Ratio of fixed rates	0.0 %	65.4 %	65.4 %	47.1 %	-18.3 %
Ratio of long-term borrowings	100.0 %	100.0 %	0.0 %	98.7 %	-1.3 %
Average remaining maturity	2.8 years	2.4 years	-0.4 years	3.3 years	0.9 years
LTV	46.1 %	45.9 %	-0.2 %	45.5 %	-0.4 %

### ■ Interest-bearing Debt after Capital Increase

Total interest-bearing debt	Average loan interest rate	Ratio of fixed rates
JPY 14,869 MM	0.73%	47.1%
Ratio of long-term borrowings	Average remaining maturity	LTV
98.7%	3.3 years	45.5%

# Financial Strategy 2

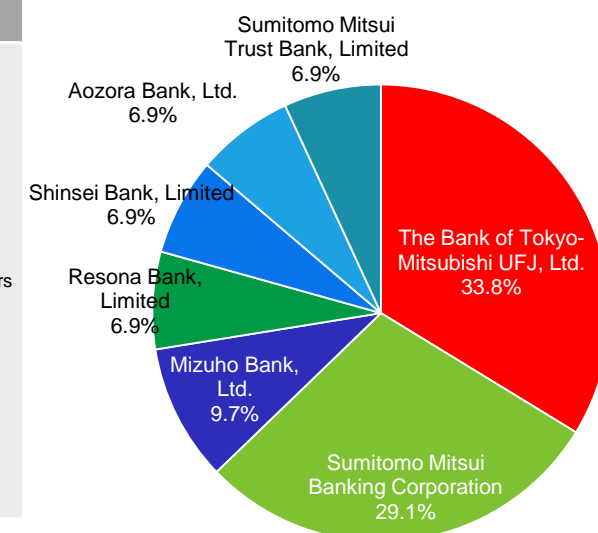
## Extend average remaining maturity and diversify drawdown dates

As of November 17, 2015

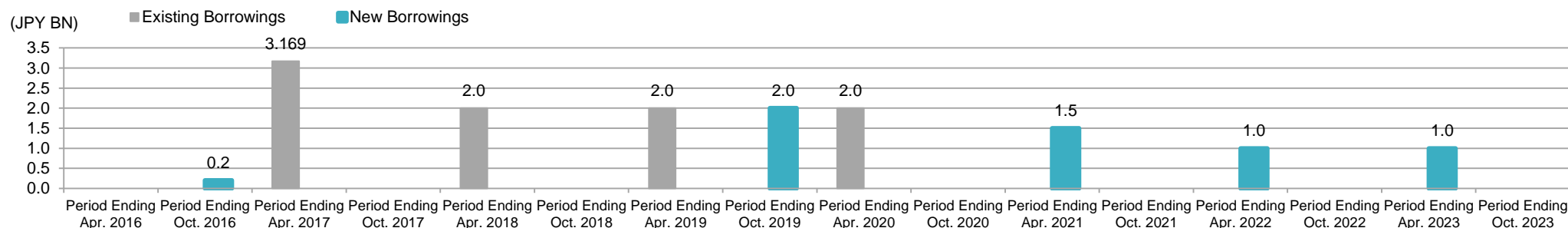
### List of Borrowings

Classification	Lender	Fixed/Floating	Interest Rate	Balance (JPY MM)	Drawdown Date	Average Remaining Maturity		
Long-term	Syndicate of lenders with The Bank of Tokyo-Mitsubishi UFJ, Ltd. as arranger	Floating	Base rate (JBA 1 month JPY TIBOR) +0.300%	3,169	Nov. 30, 2016	Existing portion	2.3 years	3.3 years
		Fixed	0.5260%	2,000	Nov. 30, 2017			
		Fixed	0.7435%	2,000	Nov. 30, 2018			
		Fixed	0.8860%	2,000	Nov. 29, 2019			
		Floating	Base rate (JBA 1 month JPY TIBOR) +0.500%	2,000	May 31, 2019	New portion	4.8 years	
		Floating	Base rate (JBA 1 month JPY TIBOR) +0.700%	1,500	Nov. 30, 2020			
		Floating	Base rate (JBA 1 month JPY TIBOR) +0.900%	1,000	Nov. 30, 2021			
		Fixed	1.58567%	1,000	Nov. 30, 2022			
Short-term		Floating	Base rate (JBA 1 month JPY TIBOR) +0.300%	200	Oct. 31, 2016			

### Banking Partners



### Diversified Repayment Date



# Earnings Forecast

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# Earnings Forecast

## Earnings Forecast for the 3rd and 4th Fiscal Periods

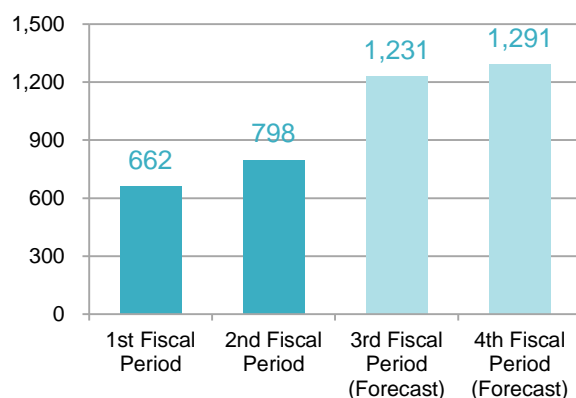
(JPY MM)

	Results for the Period Ended October 31, 2015 (2nd Fiscal Period)	Forecast for the Period Ending April 30, 2016 (3rd Fiscal Period)	Change (YoY)		Forecast for the Period Ending October 31, 2016 (4th Fiscal Period)	Change (YoY)	
Operating revenue	798	1,231	433	+54.3%	1,291	59	+4.8%
Operating income	342	589	246	+72.1%	597	8	+1.4%
Net income	286	488	202	+70.5%	493	4	+0.9%
Cash distribution per unit (JPY)	2,986	3,035	49	+1.6%	3,064	29	+1.0%

Note: Forecasts of cash distributions for the fiscal periods ending April 30, 2016 and October 31, 2016 are based on Tosei Reit's financial report published on December 17, 2015, and are subject to change due to acquisition or sale of real estate, the real estate environment or other circumstances relevant to Tosei Reit. The forecast above does not guarantee the amount of distributions.

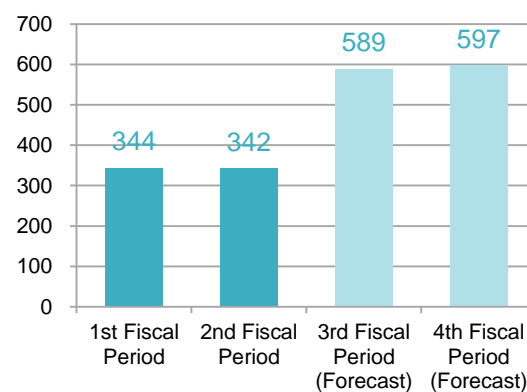
## Operating Revenue

(JPY MM)



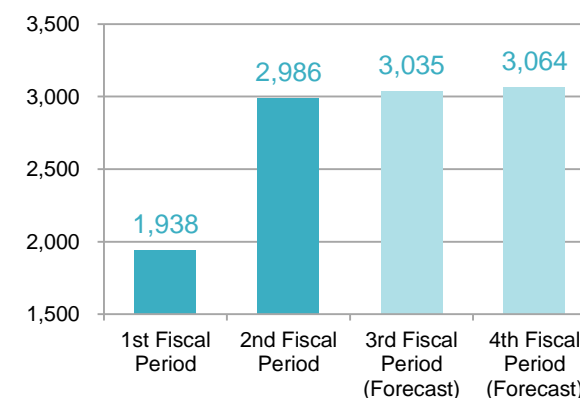
## Operating Income

(JPY MM)



## Cash Distribution per Unit

(JPY)



# APPENDIX

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# Income Statements

(JPY K)

	Period Ended April 30, 2015 (1st Fiscal Period)	Period Ended October 31, 2015 (2nd Fiscal Period)
Operating revenue		
Rent revenue – real estate	601,908	716,173
Other lease business revenue	60,858	82,316
Total operating revenue	662,767	798,490
Operating expenses		
Expenses related to rent business	252,615	355,355
Asset management fee	31,932	45,230
Asset custody fee	623	1,044
Administrative service fees	7,035	6,170
Directors' compensations	5,200	3,900
Other operating expenses	20,597	44,454
Total operating expenses	318,005	456,155
Operating income	344,761	342,334
Non-operating income		
Interest income	175	176
Miscellaneous income	-	554
Total non-operating income	175	730
Non-operating expenses		
Interest expenses	23,422	28,159
Deferred organization expenses	45,581	-
Investment unit issuance expenses	53,860	-
Borrowing related expenses	34,894	27,353
Total non-operating expenses	157,758	55,513
Ordinary income	187,178	287,552
Income before income taxes	187,178	287,552
Income taxes - current	1,111	889
Income taxes - deferred	(18)	4
Total income taxes	1,092	894
Net income	186,085	286,657
Retained earnings at the beginning of period	-	37
Unappropriated retained earnings (undisposed loss)	186,085	286,695

# Balance Sheet

(JPY K)

	As of Apr. 30, 2015 (1st Fiscal Period)	As of Oct. 31, 2015 (2nd Fiscal Period)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	399,012	1,084,031
Cash and deposits in trust	1,385,076	1,282,488
Operating accounts receivable	2,708	2,989
Prepaid expenses	52,837	51,453
Deferred tax assets	18	13
Consumption taxes receivable	387,669	-
Total current assets	2,227,323	2,420,976
<b>Non-current assets</b>		
Property, plant and equipment	17,555,943	17,495,938
Buildings in trust	5,427,321	5,455,102
Accumulated depreciation	(80,019)	(161,002)
Buildings in trust, net	5,347,302	5,294,099
Structures in trust	84,104	84,104
Accumulated depreciation	(2,482)	(4,968)
Structures in trust, net	81,621	79,135
Machinery and equipment in trust	151,049	151,049
Accumulated depreciation	(5,858)	(11,720)
Machinery and equipment in trust, net	145,191	139,328
Tools, furniture and fixtures in trust	56,152	60,006
Accumulated depreciation	(2,167)	(4,473)
Tools, furniture and fixtures in trust, net	53,985	55,532
Land in trust	11,927,842	11,927,842
Investments and other assets	104,162	79,120
Long-term prepaid expenses	94,162	69,120
Lease and guarantee deposits	10,000	10,000
Total non-current assets	17,660,105	17,575,059
<b>Total Assets</b>	<b>19,887,429</b>	<b>19,996,035</b>

	As of Apr. 30, 2015 (1st Fiscal Period)	As of Oct. 31, 2015 (2nd Fiscal Period)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Operating accounts payable	28,358	48,726
Accounts payable - other	37,000	47,596
Income taxes payable	1,075	853
Consumption taxes payable	-	22,887
Advances received	118,807	124,954
Other	776	1,117
Total current liabilities	186,017	246,135
<b>Non-current liabilities</b>		
Long-term loans payable	9,169,000	9,169,000
Tenant leasehold and security deposits in trust	820,888	768,767
Other	-	10,172
Total non-current liabilities	9,989,888	9,947,940
<b>Total liabilities</b>	<b>10,175,906</b>	<b>10,194,075</b>

	As of Apr. 30, 2015 (1st Fiscal Period)	As of Oct. 31, 2015 (2nd Fiscal Period)
<b>Net assets</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	9,525,436	9,525,436
Surplus	186,085	286,695
Unappropriated retained earnings (undisposed loss)	186,085	286,695
Total unitholders' equity	9,711,522	9,812,132
<b>Valuation and translation adjustments</b>		
Deferred gains (losses) on hedges	-	(10,172)
Total valuation and translation adjustments	-	(10,172)
<b>Total net assets</b>	<b>9,711,522</b>	<b>9,801,960</b>
<b>Total liabilities and net assets</b>	<b>19,887,429</b>	<b>19,996,035</b>

# Portfolio Data 1: Appraisal Value by Property

(JPY MM)

Property Name	Acquisition Price	Appraisal Value at End of Period	
		As of April 30, 2015 (1st Fiscal Period)	As of October 31, 2015 (2nd Fiscal Period)
O-01 Tama Center Tosei Building	3,370	3,390	3,410
O-02 KM Shinjuku Building	2,057	2,240	2,270
O-03 Nihonbashi-Hamacho Building	1,830	1,950	1,990
Rt-01 Inage Kaigan Building	2,380	2,540	2,490
Rd-01 T's garden Koenji	1,544	1,810	1,820
Rd-02 Live Akabane	1,227	1,380	1,380
Rd-03 Gekkocho Apartment	1,000	1,090	1,090
Rd-04 T's garden Kawasakidaishi	980	1,050	1,050
Rd-05 Abitato Kamata	836	898	898
Rd-06 MarLandFive	830	864	864
Rd-07 Avenir Shirotae	780	862	864
Rd-08 Dormitory Haramachida	600	646	647





# Portfolio Data 2: Earnings Performance of Properties (1)

	O-01 Tama Center Tosei Building	O-02 KM Shinjuku Building	O-03 Nihonbashi-Hamacho Building	Rt-01 Inage Kaigan Building	Rd-01 T's garden Koenji	Rd-02 Live Akabane
Rental and other operating revenue ①	202,519	73,849	85,747	135,261	51,150	50,206
Rent revenue	176,848	64,305	75,645	109,044	50,135	48,664
Other operating revenue	25,671	9,544	10,101	26,217	1,014	1,541
Property-related expenses ②	76,939	30,658	30,172	45,700	8,565	14,396
Property management fees	24,280	6,359	7,678	8,475	3,926	4,816
Trust fees	300	300	300	300	300	300
Utilities expenses	31,732	10,373	10,629	27,335	394	749
Insurance premiums	537	172	169	275	70	128
Repair and maintenance expenses	939	326	2,245	2,714	479	3,288
Property taxes	18,151	9,900	7,890	5,876	2,611	3,337
Other expenses	998	3,225	1,259	723	782	1,775
NOI ③ (①-②)	125,579	43,190	55,574	89,561	42,584	35,810
Depreciation ④	17,075	9,041	9,034	19,541	5,753	4,179
Rental operating income ⑤ (③-④)	108,504	34,149	46,540	70,020	36,830	31,631
Capital expenditures ⑥	710	869	6,704	17,335	0	0
NCF ⑦ (③-⑥)	124,869	42,321	48,870	72,226	42,584	35,810





# Portfolio Data 2: Earnings Performance of Properties (2)

	Rd-03 Gekkocho Apartment	Rd-04 T's garden Kawasakidaishi	Rd-05 Abitato Kamata	Rd-06 MarLandFive	Rd-07 Avenir Shirotae	Rd-08 Dormitory Haramachida
Rental and other operating revenue ①	34,434	34,369	28,788	37,174	36,463	28,524
Rent revenue	32,757	33,373	27,740	34,722	35,256	27,679
Other operating revenue	1,676	996	1,048	2,452	1,206	845
Property-related expenses ②	9,234	6,480	9,121	13,371	6,472	12,605
Property management fees	3,291	2,093	2,527	3,740	2,824	2,708
Trust fees	300	300	300	300	300	300
Utilities expenses	386	169	613	2,683	763	757
Insurance premiums	53	62	58	94	80	76
Repair and maintenance expenses	643	1,873	3,468	2,370	1,444	5,377
Property taxes	2,123	1,035	1,545	2,592	1,033	2,458
Other expenses	2,436	946	607	1,592	25	926
NOI ③ (①-②)	25,200	27,889	19,667	23,803	29,991	15,919
Depreciation ④	3,275	5,218	2,919	4,781	6,423	4,394
Rental operating income ⑤ (③-④)	21,924	22,671	16,748	19,021	23,567	11,525
Capital expenditures ⑥	0	0	4,126	872	247	770
NCF ⑦ (③-⑥)	25,200	27,889	15,541	22,930	29,744	15,148

# Portfolio Data 3: List of Properties (1)


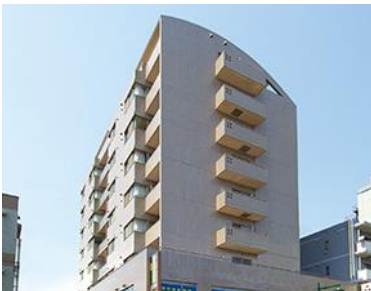


	O-01 Tama Center Tosei Building	O-02 KM Shinjuku Building	O-03 Nihonbashi-Hamacho Building	RT-01 Inage Kaigan Building
				
Address	Ochiai, Tama-shi, Tokyo	Kabuki-cho, Shinjuku-ku, Tokyo	Nihonbashihama-cho, Chuo-ku, Tokyo	Takasu, Mihama-ku, Chiba-shi, Chiba-ken
Access	Approx. 4-min. walk from Odakyu Tama Center Sta., Odakyu Tama Line	Approx. 1-min. walk from Seibu-Shinjuku Sta., Seibu Shinjuku Line	Approx. 3-min. walk from Hamacho Sta., Toei Subway Shinjuku Line	Approx. 1-min. walk from Inagekaigan Sta., JR Keiyo Line
Acquisition price	JPY 3,370 MM	JPY 2,057 MM	JPY 1,830 MM	JPY 2,380 MM
Construction	S, SRC, B1/7F	SRC, B1/9F	SRC, S, 9F	SRC, 7F
Building	16,212.96㎡	5,240.41㎡	4,583.48㎡	7,175.12㎡
Property features	<ul style="list-style-type: none"> <li>● Tama Center Tosei Building is a high-rise office building located on a corner lot approximately 4-minute walk from each of the following train stations: the Keio Tama-Center Station on the Keio Sagami-hara Line; the Odakyu Tama Center Station on the Odakyu Tama Line; and the Tama Center Station on the Tama Monorail Line.</li> <li>● The area at the south entrance of the above 3 stations was developed as part of a new housing and urban development project, and features retail facilities with strong name recognition, including MITSUKOSHI, Ito-Yokado, and AEON CINEMA, and the townscape is arranged in an orderly fashion. It is also a good location as a residential area due to the fact that it is near retail facilities.</li> <li>● This property was completed in 1989. Despite experiencing some wear and tear and aging over the years, it has been kept in good condition thanks to regular rounds of inspection by the property management company.</li> </ul>	<ul style="list-style-type: none"> <li>● The KM Shinjuku Building is a high-rise office building with retail stores located approximately 1-minute walk from the Seibu-Shinjuku Station on the Seibu Shinjuku Line, and approximately 9-minute walk from the Shinjuku Station on the JR Chuo Line.</li> <li>● This property was completed in 1991. Despite experiencing some wear and tear and aging over the years, it has been kept in good condition thanks to regular rounds of inspection by the property management company.</li> <li>● The front exterior wall is aluminum paneled, while the rest of the exterior walls are finished with sprayed tile. This was a standard design for office buildings built in the early 1990s.</li> </ul>	<ul style="list-style-type: none"> <li>● The Nihonbashi-Hamacho Building is a high-rise office building located approximately 3-minute walk from Hamacho Station on the Toei Subway Shinjuku Line, and approximately 6-minute walk from the Higashi-Nihonbashi Station on the Toei Subway Asakusa Line. It is also located within walking distance of both Ningyocho Station on the Tokyo Metro Hibiya Line/Toei Subway Asakusa Line and the Bakurocho Station on the JR Sobu Line. In particular, Bakurocho Station is approximately 5 minutes from Tokyo Station, making this location very convenient.</li> <li>● In addition to the relatively low rent level considering the property's location in the central Tokyo area, we expect that solid demand from tenants looking for office space just outside of the Nihonbashi area and from tenants seeking relatively low rent levels will remain. We therefore believe that demand for office space in this property will remain solid going forward.</li> </ul>	<ul style="list-style-type: none"> <li>● The Inage Kaigan Building is a high-rise office building with retail space located on a corner lot approximately 1-minute walk from the Inagekaigan Station on the JR Keiyo Line.</li> <li>● This property's neighboring area and its surrounding areas comprise the nearest retail district to the Inagekaigan Station on the JR Keiyo Line. A residential area extends behind this retail district, and it contains many amenities such as daily goods stores, banks, and eating/drinking establishments that people living in the area make use of. It is a mature area as a commercial district and attracts a large number of customers.</li> <li>● This property was completed in 1992. Despite experiencing some wear and tear and aging as would be expected for a building its age, the property has been kept in good condition thanks to regular rounds of inspection by the property management company.</li> <li>● The leasable space of each floor area is irregularly shaped, but the building's core (common elements such as the elevator shaft, etc.) is located on one side, which allows offices to be divided into small spaces, giving the property a design that, we believe, promotes efficient use.</li> </ul>

# Portfolio Data 3: List of Properties (2)

	Rd-01 T's garden Koenji	Rd-02 Live Akabane	Rd-03 Gekkocho Apartment	Rd-04 T's garden Kawasakiidaishi
				
Address	Koenjikita, Suginami-ku, Tokyo	Ukima, Kita-ku, Tokyo	Shimomeguro, Meguro-ku, Tokyo	Ise-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa
Access	Approx. 5-min. walk from Koenji Sta., JR Chuo Line	Approx. 4-min. walk from Kita-Akabane Sta., JR Saikyo Line	Approx. 13-min. walk from Musashi-Koyama Sta., Tokyu Meguro Line	Approx. 8-min. walk from Suzukicho Sta., Keikyu Daishi Line
Acquisition price	JPY 1,544 MM	JPY 1,227 MM	JPY 1,000 MM	JPY 980 MM
Construction	RC, 6F	SRC, 12F	RC, 6F	S, 3F
Building	2,445.31㎡	4,484.24㎡	1,547.03㎡	2,105.59㎡
Property features	<ul style="list-style-type: none"> <li>● T's garden Koenji is a mid-rise apartment building with retail space located approximately 5-minute walk from Koenji Station on the JR Chuo Line.</li> <li>● The neighboring retail district along Koushindoori (Koushin street), located in the property's surrounding area, is an old-fashioned shopping street that comprises small lots along the street. The property's size stands out as there are very few large lots along this street.</li> <li>● This property offers better accessibility to transportation than such alternative properties, and provides amenities such as daily goods stores, elementary schools, post offices, and hospitals in the surrounding area, as well as a good living environment. We therefore believe that this property is highly advantageous in the marketplace.</li> </ul>	<ul style="list-style-type: none"> <li>● Live Akabane is a high-rise apartment building located on a corner lot approximately 4-minute walk from Kita-Akabane Station on the JR Saikyo Line.</li> <li>● This property site is larger than standard-size lots in the neighboring area, can be used wholly as a condominium site and offers a large plot of land with a convenient and good environment to live in. High-end condominiums should be able to be developed here, judging from the grade of the area and the current situation in the new condominium marketplace.</li> <li>● Alternative properties in the same category are rental apartments for families. The property's surrounding area provides more amenities such as parks and supermarkets than such alternative properties, and this property offers a convenient and good living environment. We therefore believe that this property is highly advantageous in the marketplace.</li> </ul>	<ul style="list-style-type: none"> <li>● Gekkocho Apartment is a mid-rise apartment building with retail space located approximately 13-minute walk from Musashi-Koyama Station on the Tokyu Meguro Line.</li> <li>● This property was built as an all-electric residential complex, and comprises a total of 16 rental housing units and 2 retail lots. Each rental housing unit has its own theme, such as "cars," "light," and "SOHO," catering to various lifestyles. Retail stores are designed to be closely linked with the local communities. Featuring open ceilings and high windows, the units were designed to provide a more open feel than most rental apartments. These designs helped this property win the Good Design Award in 2008.</li> </ul>	<ul style="list-style-type: none"> <li>● T's garden Kawasakiidaishi is a mid-rise apartment building located approximately 8-minute walk from Suzukicho Station on the Keikyu Daishi Line.</li> <li>● This property was completed in 2009. Despite experiencing some wear and tear and aging as would be expected for a building its age, the property has been kept in good condition thanks to regular rounds of inspection by the property management company.</li> <li>● This property has good accessibility to transportation and is within walking distance of many amenities such as parks, an elementary school, post offices, daily goods stores, a kindergarten, and hospitals, and offers a comparatively convenient environment to live in. Although the property is steel-framed, and the grade of the building is slightly inferior to some other buildings, its equipment and specifications are standard compared to other apartment buildings in the surrounding area. We therefore believe that this property is fairly competitive in the marketplace compared to such alternative properties.</li> </ul>



# Portfolio Data 3: List of Properties (3)

	Rd-05 Abitato Kamata	Rd-06 MarLandFive	Rd-07 Avenir Shirotae	Rd-08 Dormitory Haramachida
				
Address	Chuo, Ota-ku, Tokyo	Nishimizuhodai, Fujimi-shi, Saitama	Shirotae-cho, Minami-ku, Yokohama-shi, Kanagawa	Haramachida, Machida-shi, Tokyo
Access	Approx. 18-min. walk from Kamata Sta., JR Keihin-Tohoku Line	Approx. 2-min. walk from Mizuhodai Sta., Tobu Tojo Line	Approx. 4-min. walk from Bandobashi Sta., Yokohama Municipal Subway Blue Line	Approx. 6-min. walk from Machida Sta., JR Yokohama Line
Acquisition price	JPY 836 MM	JPY 830 MM	JPY 780 MM	JPY 600 MM
Construction	RC, 6F	SRC, B1/9F	SRC, 11F	SRC, S, B1/12F
Building	2,062.09㎡	3,688.54㎡	3,001.81㎡	2,239.50㎡
Property features	<ul style="list-style-type: none"> <li>● Abitato Kamata is a mid-rise apartment building located approximately 18-minute walk from both Kamata Station on the JR Keihin-Tohoku Line and Ikegami Station on the Tokyulkegami Line.</li> <li>● This property was completed in 1991. Despite experiencing some wear and tear and aging as would be expected for a building its age, the property has been kept in generally good condition thanks to regular rounds of inspection by the property management company.</li> <li>● Alternative properties in the same category are rental apartments mainly for families. Although this property is located slightly further from the nearest station than such alternative properties, the surrounding area provides post offices, parks, a kindergarten, elementary schools, hospitals, daily goods stores, city hall, etc., making the location very convenient to live in. Consequently, we expect that this property will remain fairly competitive.</li> </ul>	<ul style="list-style-type: none"> <li>● MarLandFive is a high-rise apartment building with retail and office space located approximately 2-minute walk from Mizuhodai Station on the Tobu Tojo Line.</li> <li>● This property's neighboring area has great accessibility to the train station, and contains a mixture of residential and commercial districts. This is a very convenient area, as it is within 30 minutes of Ikebukuro Station from the closest station where commuter express and semi-express trains stop, and amenities used on a daily basis are located nearby.</li> <li>● This property has excellent accessibility to transportation, and offers a good living environment, as there are amenities such as daily goods stores, hospitals, nurseries, post offices, and an elementary school. We therefore believe that this property is highly advantageous as an apartment building in the marketplace.</li> </ul>	<ul style="list-style-type: none"> <li>● Avenir Shirotae is a high-rise apartment building located approximately 4-minute walk from Bandobashi Station on the Yokohama Municipal Subway Blue Line.</li> <li>● Alternative properties in the same category are highly-convenient rental apartments mainly for families. The property's location offers generally good accessibility to downtown Yokohama City as well as amenities such as an elementary school, a post office, parks, daily goods stores, hospitals, and a kindergarten. We believe that this property is relatively competitive compared to such alternative properties.</li> </ul>	<ul style="list-style-type: none"> <li>● Dormitory Haramachida is a high-rise apartment building with retail space located approximately 6-minute walk from Machida Station on the JR Yokohama Line, and approximately 12-minute walk from Machida Station on the Odakyu Odawara Line.</li> <li>● The area lies along the Old Machida Highway, which has a mixture of mid-rise and high-rise apartment buildings with retail space, as well as low-rise retail stores. This area is within walking distance of the closest train station, but the slight distance to the station results in weaker than average commercial activity. However, it is a very convenient area to live in, and the government regulations and other conditions enabling a high degree of land usage has led to the construction of many mid-rise and high-rise apartments in the area.</li> <li>● Transportation accessibility is comparatively good. This property offers a good living environment, as there are amenities such as daily goods stores, an elementary school, a post office, and city hall within walking distance. We therefore believe that this property is fairly competitive in the marketplace.</li> </ul>



# Portfolio Data 4: Portfolio Map

## Offices



O-01 Tama Center Tosei Building



O-02 KM Shinjuku Building



O-03 Nihonbashi-Hamacho Building

## Retail Facilities



Rt-01 Inage Kaigan Building

## Residential Properties



Rd-01 T's garden Koenji



Rd-05 Abitato Kamata



Rd-02 Live Akabane



Rd-06 MarLandFive



Rd-03 Gekkocho Apartment



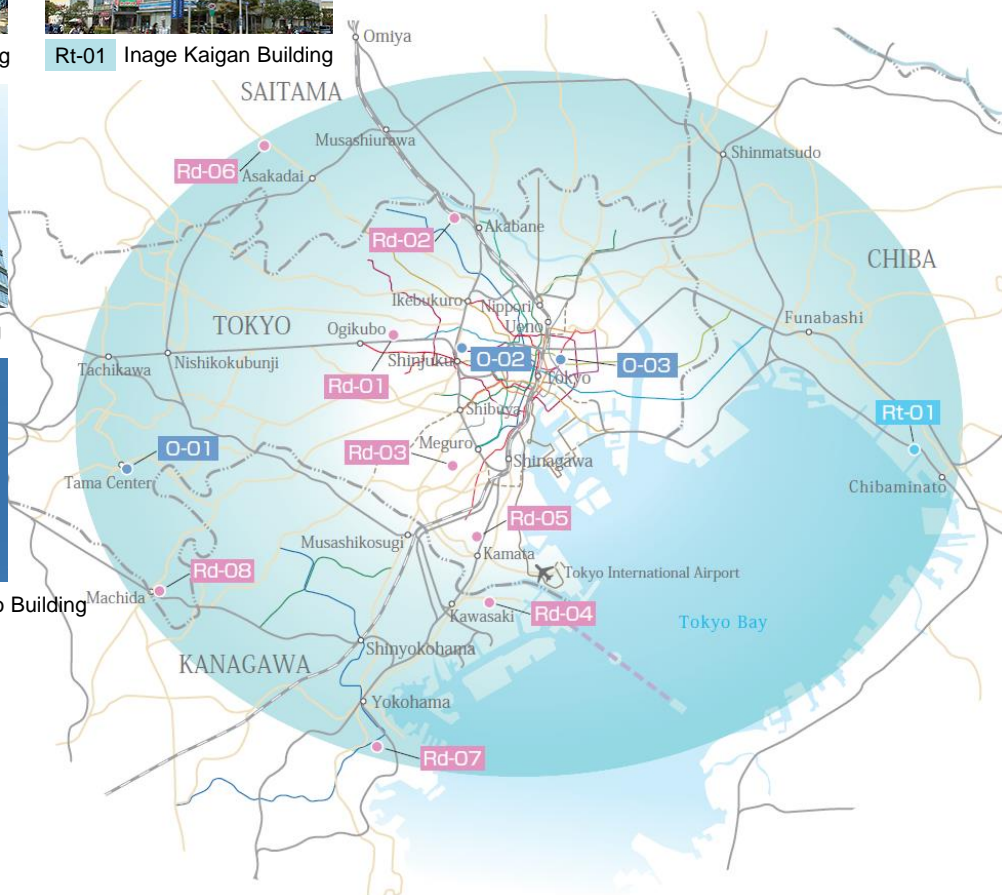
Rd-07 Avenir Shirotai



Rd-04 T's garden  
Kawasakidaishi

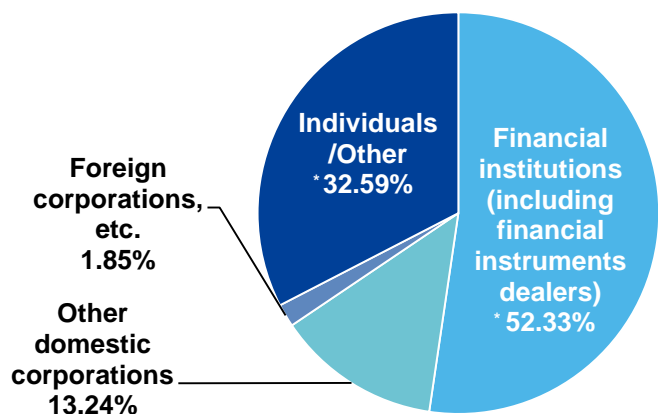


Rd-08 Dormitory Haramachida



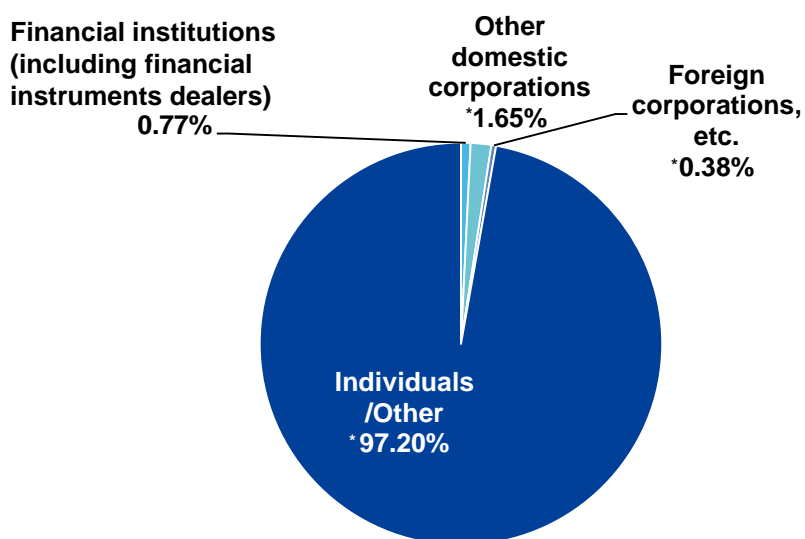
# Unitholder Information

## ■ Number of Units by Unitholder Type



Note: An asterisk denotes where a third decimal place has been rounded off.

## ■ Number of Unitholders by Unitholder Type



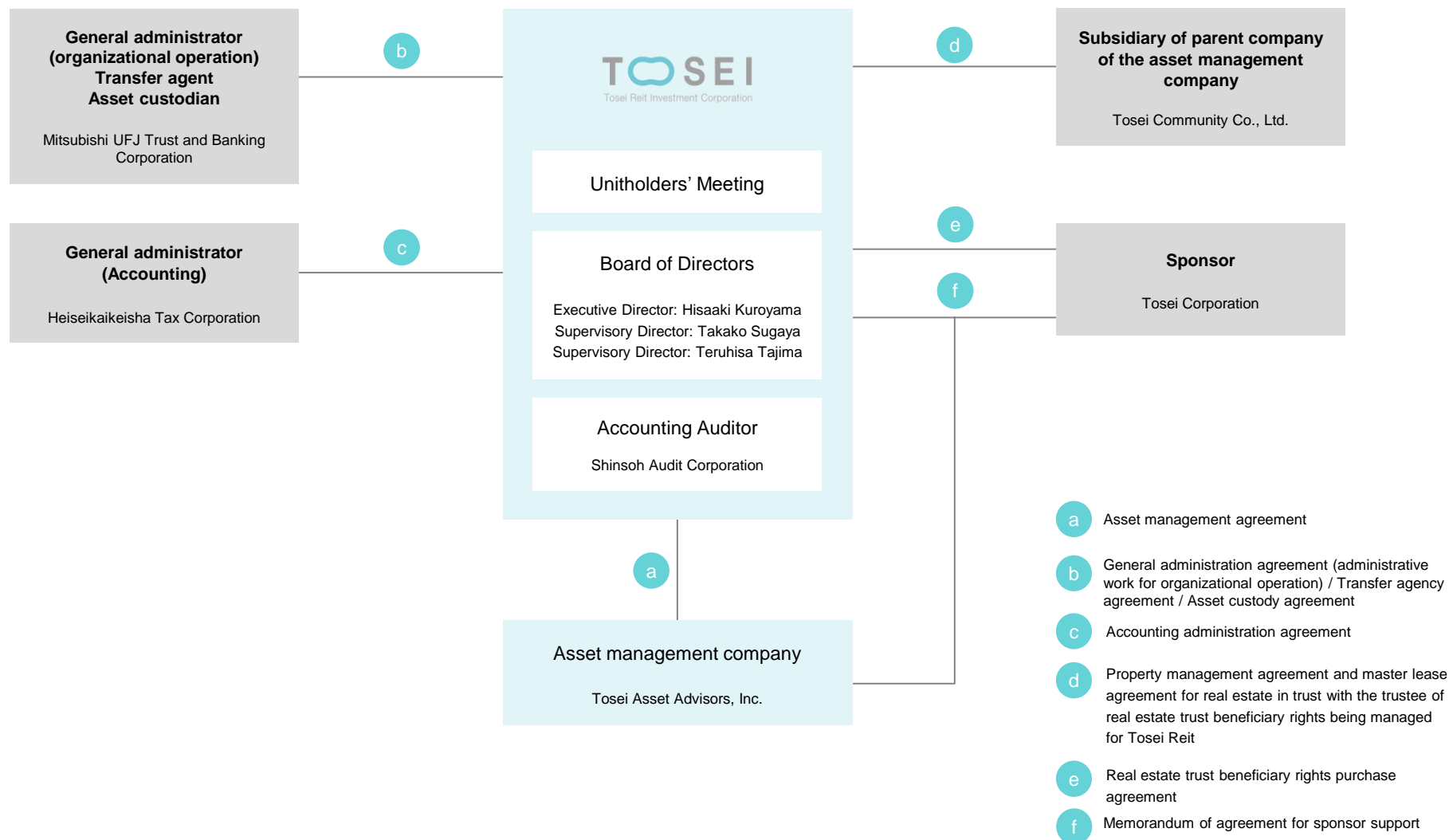
Note: An asterisk denotes where a third decimal place has been rounded off.

## ■ Top 10 Unitholders

	Name	Number of Investment Units Owned (Units)	Number of Investment Units Owned as a Percentage of Total Number of Investment Units Issued and Outstanding (%)
1	Japan Trustee Services Bank, Ltd. (Trust Account)	23,514	24.49
2	The Master Trust Bank of Japan, Ltd. (Trust Account)	9,656	10.05
3	Tosei Corporation	9,600	10.00
4	Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	5,454	5.68
5	The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	4,512	4.70
6	Trust & Custody Services Bank, Ltd. (Money Trust Tax Account)	2,397	2.49
7	Aozora Bank, Ltd.	1,068	1.11
8	Individual	1,036	1.07
9	Individual	978	1.01
10	SBI SECURITIES Co., Ltd.	941	0.98

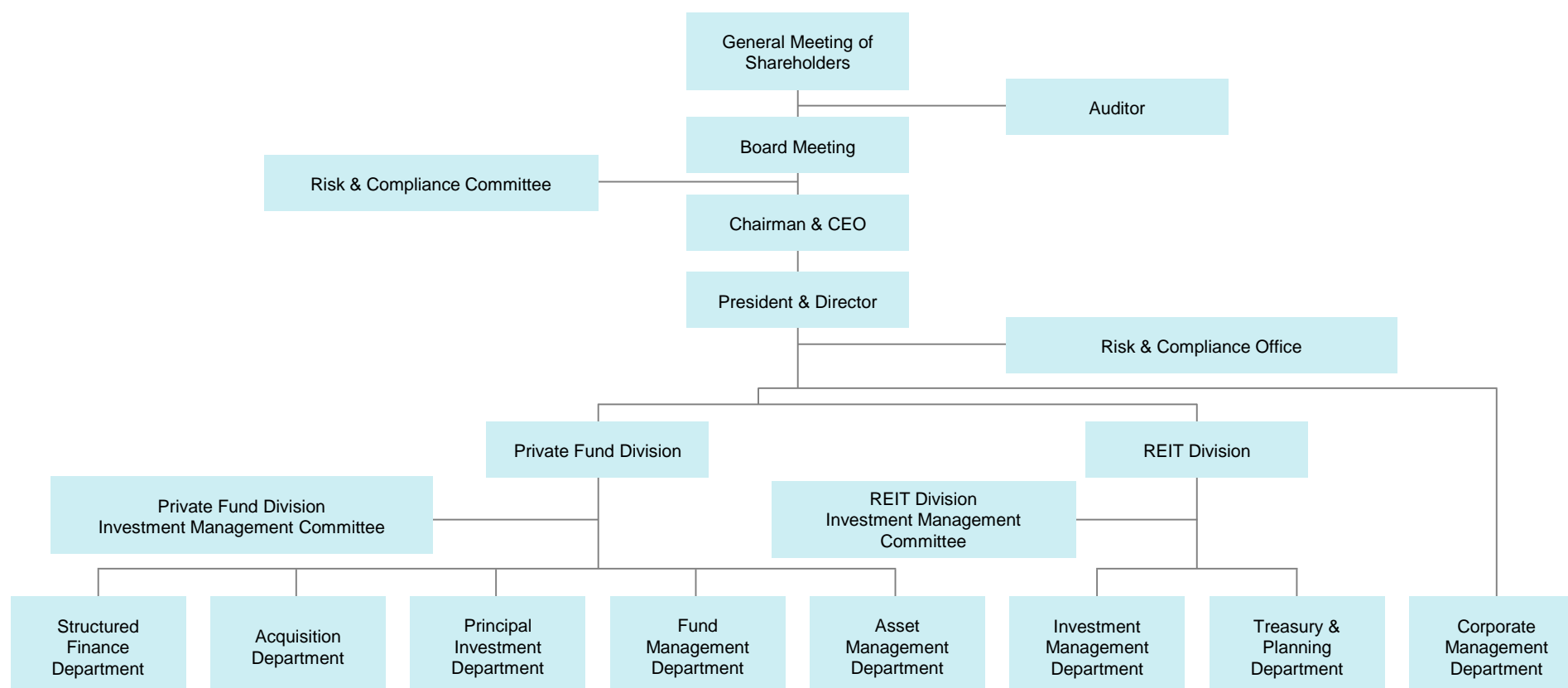
Note: Based on the unitholder registry as of October 31, 2015.

# Profile of Tosei Reit



# Profile of Tosei Asset Advisors, Inc.

Company Name	Tosei Asset Advisors, Inc.
Date of Establishment	September 28, 2005
Capital	JPY 100 MM
Chairman & CEO	Hiroshi Nakamura
Licenses/Registrations	Type II Financial Instruments Business, Investment Advisory and Agency Business Investment Management Business: Director-General of Kanto Local Finance Bureau (Financial Instruments) Registration No. 363 Entrustment-Based Agency Services For Transactions: Minister of Land, Infrastructure, Transport and Tourism, License No. 52 Real Estate Brokerage Business: Governor of Tokyo (2) Registration No. 85736



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