

# (REIT) Financial Report for the Fiscal Period Ended April 30, 2019

June 14, 2019

REIT Securities Issuer: Tosei Reit Investment Corporation Stock Exchange Listing: Tokyo Stock Exchange  
 Securities Code: 3451 URL: <http://www.tosei-reit.co.jp/en/>  
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Scheduled date of submission of securities report: July 30, 2019

Scheduled date of commencement of cash distribution payment: July 8, 2019

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 April 30, 2019 (November 1, 2018 – April 30, 2019)

### (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 Apr. 30, 2019	2,748	33.9	1,490	51.9	1,273	58.1	1,229	52.7
Ended Oct. 31, 2018	2,051	2.5	981	(2.0)	805	(2.8)	805	(2.8)

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 Apr. 30, 2019	4,349	4.5	2.2	46.4
Ended Oct. 31, 2018	3,434	3.3	1.6	39.3

### (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 Apr. 30, 2019	4,052	1,146	—	—	4,052	1,146	93.2	3.8
Ended Oct. 31, 2018	3,435	805	—	—	3,435	805	100.0	3.2

(Note 1) 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 × 100

(Note 2) 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} × 100

(Note 3) The difference between net income per unit and cash distribution per unit for the fiscal period ended April 30, 2019 is attributable to recording of capital gain on transfer of MarLand Five, internal reserve of a portion of such, recording of income tax due to the concerned internal reserve, etc.

### (3) Financial Position

Fiscal period	Total assets	Net assets	Equity ratio	Net assets per unit
	JPY million	JPY million	%	JPY
Ended Apr. 30, 2019	62,514	30,237	48.4	106,840
Ended Oct. 31, 2018	51,537	24,710	47.9	105,421

### (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 Apr. 30, 2019	2,220	(10,706)	9,307	6,552
Ended Oct. 31, 2018	1,505	16	(857)	5,732

2. Forecast for Management Status for Fiscal Period Ending October 31, 2019 (May 1, 2019 – October 31, 2019) and  
Forecast for Management Status for Fiscal Period Ending April 30, 2020 (November 1, 2019 – April 30, 2020)  
(% 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 Oct. 31, 2019	2,475	(9.9)	1,187	(20.4)	960	(24.6)	959	(21.9)	3,480	0
Ending Apr. 30, 2020	2,440	(1.4)	1,181	(0.4)	960	0.0	959	0.0	3,480	0

(Reference) Forecast net income per unit for the fiscal period ending October 31, 2019 is JPY3,391 and the fiscal period ending April 30, 2020 is JPY3,391 (assuming total number of investment units issued and outstanding at end of period of 283,015 units). There is a difference between forecast net income per unit and forecast cash distribution per unit since reversal of internal reserve is scheduled in the fiscal period ending October 31, 2019 and the fiscal period ending April 30, 2020.

\* 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 April 30, 2019	283,015 units
Fiscal period ended October 31, 2018	234,400 units
Fiscal period ended April 30, 2019	0 units
Fiscal period ended October 31, 2018	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 27.

\* Financial reports are exempt from the audit by a certified public accountant or an auditing firm.

\* 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 October 31, 2019 and Fiscal Period Ending April 30, 2020” on page 8.

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## 1. Management Status

### (1) 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”) 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. The total number of investment units issued and outstanding at the end of the fiscal period stands at 283,015 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 (9th Period: fiscal period ended April 30, 2019), the Japanese economy continued to expand gradually against the backdrop of a highly accommodative financial environment and underpinnings through government spending, among other factors, despite being affected by the slowdown of overseas economies.

As to the real estate investment market, although the market has turned around to shrink due to a decrease in large transactions and transactions by overseas companies, investment funds, etc. and other factors, J-REITs and institutional investors proceeded to make selective investment in prime properties in central Tokyo that have the potential to maintain stable cash flows even in times of deteriorating market conditions amid prices continuing to be in the high range. As a result, the ratio of investment in the Tokyo metropolitan area (Note 1), particularly the Tokyo 5 central wards (Note 2), has been stable. In addition, the appraisal value of assets owned by J-REITs is still on the rise, although the increase margin has been shrinking.

In the real estate leasing market, for offices in the Tokyo 5 central wards, vacancy rates continued to be on a decreasing trend and average rent continued to be on a slightly increasing trend (according to research by Miki Shoji Co., Ltd.). For rental housing in the Tokyo metropolitan area, vacancy rates hovered at a low level and rent unit prices also maintained a high level.

###### Management Performance:

Under such environment, as of the end of the fiscal period under review, Tosei Reit owns 36 properties with the total acquisition price (Note 3) of JPY55,858 million and the occupancy rate of the assets under management is 98.0%.

(Note 1) “Tokyo metropolitan area” collectively refers to Tokyo, Kanagawa, Saitama, and Chiba prefectures. The same applies hereinafter.

(Note 2) “Tokyo 5 central wards” collectively refers to Chiyoda, Chuo, Minato, Shinjuku and Shibuya wards. 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, Tosei Reit conducted the following procurement of funds.

Tosei Reit conducted issuance of new investment units through public offering (46,300 units) with November 1, 2018 as the payment date and issuance of new investment units through third-party allotment (2,315 units) with November 28, 2018 as the payment date; and procured JPY5,101 million.

In addition, funds were procured through interest-bearing debt (long-term loans of JPY6,000 million on November 2, 2018) to allocate for part of the acquisition of real estate trust beneficiary rights (six properties) and for the related expenses. Furthermore, long-term loans of JPY2,000 million were refinanced on November 30, 2018.

As of April 30, 2019, unitholders' capital was JPY29,009 million and interest-bearing debt outstanding was the amount of JPY29,200 million. At the end of the fiscal period under review, the ratio of interest-bearing debt to total assets (LTV) was 46.7%.

(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 JPY2,748 million (up 33.9% period-on-period) and operating income of JPY1,490 million (up 51.9% period-on-period), and that after deducting interest expenses on loans and other expenses was ordinary income of JPY1,273 million (up 58.1% period-on-period) and net income of JPY1,229 million (up 52.7% 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 1957; as amended) (the "Special Taxation Measures Act")), Tosei Reit decided to distribute 90% or more of the amount remained 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 JPY4,052.

② Outlook for the Next Fiscal Period

Against the backdrop of a highly accommodative financial environment and underpinnings through government spending, among other factors, not only Japanese corporate bodies, including J-REITs, and 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.

Furthermore, with regard to the real estate leasing market, the gradual expansion trend in economy is continuing. Amid such, the Tokyo metropolitan area office, retail facility and residential property leasing market is believed to continue showing a trend of improvement, albeit moderate, 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 (Note 2) (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.

By leveraging one of the Sponsor's core competencies of good judgement, Tosei Reit acquires those real estate that can call for relatively high cap rate (Note 3) in terms of the area of location and building age of which are properties that can be expected to have high ability to attract tenants, strong rental demand, etc. over the medium to long term. 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 36 properties and amounting to JPY55,858 million as of the end of the fiscal period under review, but early expansion in size is thought to be necessary 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 sale and purchase contracts for T's garden Ojima (the "Asset Acquired in the 10th Period") on May 22, 2019 and acquired the asset on May 24, 2019.

#### (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. 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 under the current negative interest rate policy as interest rate swap accounting and other associated risks cannot be sufficiently excluded.

## (d) Outlook for Management Status for Fiscal Period Ending October 31, 2019 and Fiscal Period Ending April 30, 2020

Fiscal period	Operating revenue (JPY million)	Operating income (JPY million)	Ordinary income (JPY million)	Net income (JPY million)	Cash distribution per unit (not including cash distribution in excess of earnings) (JPY)	Cash distribution in excess of earnings per unit (JPY)
Ending Oct. 31, 2019	2,475	1,187	960	959	3,480	0
Ending Apr. 30, 2020	2,440	1,181	960	959	3,480	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 October 31, 2019 and Fiscal Period Ending April 30, 2020” on page 8.

## ③ Significant Subsequent Events

## (a) Acquisition of Assets

Tosei Reit concluded sale and purchase contracts concerning the acquisition of real estate trust beneficiary rights of the following property on May 22, 2019 and acquired the assets on May 24, 2019.

Type	Property no.	Property name	Location	Acquisition price (JPY million) (Note)
Residential property	Rd-22	T's garden Ojima	Koto-ku, Tokyo	1,020

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

## (b) Debt Financing

Tosei Reit executed the following debt financing to repay JPY1,200 million that matured on May 31, 2019.

Lender	Loan amount (JPY million)	Interest rate	Drawdown date	Maturity date	Repayment method	Security
MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Resona Bank, Limited Shinsei Bank, Limited Aozora Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited	1,200	0.83106% (fixed rate)	May 31, 2019	May 31, 2024	Lump-sum repayment on maturity date	Unsecured

(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 October 31, 2019 and Fiscal Period Ending April 30, 2020

Item	Assumptions																														
Calculation period	<ul style="list-style-type: none"><li>• Fiscal period ending October 31, 2019 (10th Period): May 1, 2019 – October 31, 2019 (184 days)</li><li>• Fiscal period ending April 30, 2020 (11th Period): November 1, 2019 – April 30, 2020 (182 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 April 30, 2020 (11th Period) to the real estate trust beneficiary rights owned by Tosei Reit as of the date of this document (37 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.</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.<table><tr><td></td><td>Fiscal period ending October 31, 2019</td><td>Fiscal period ending April 30, 2020</td></tr><tr><td>Expenses related to rent business</td><td>JPY1,070 million</td><td>JPY1,042 million</td></tr><tr><td><i>Of which:</i> Management fee</td><td>JPY227 million</td><td>JPY228 million</td></tr><tr><td>    <i>[Of which:</i> Operational management costs</td><td>JPY170 million</td><td>JPY170 million]</td></tr><tr><td>    <i>[Of which:</i> Property management costs</td><td>JPY56 million</td><td>JPY57 million]</td></tr><tr><td>Repair expenses</td><td>JPY92 million</td><td>JPY62 million</td></tr><tr><td>Property taxes</td><td>JPY176 million</td><td>JPY191 million</td></tr><tr><td>Depreciation</td><td>JPY287 million</td><td>JPY283 million</td></tr><tr><td>Expenses other than expenses related to rent business</td><td>JPY217 million</td><td>JPY215 million</td></tr><tr><td><i>Of which:</i> Asset management fee</td><td>JPY145 million</td><td>JPY143 million</td></tr></table></li><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, 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 previous 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 the Assets Acquired in the 10th Period totaling 1 property that were acquired on May 24, 2019, fixed asset taxes, city planning taxes and other public charges in fiscal 2019 will not be recorded as expenses in the fiscal period ending October 31, 2019. The total of fixed asset taxes, city planning taxes and other public charges for the Asset Acquired in the 10th Period to be included in the acquisition cost is assumed to be JPY1 million (equivalent to that for 222 days).</li></ul>		Fiscal period ending October 31, 2019	Fiscal period ending April 30, 2020	Expenses related to rent business	JPY1,070 million	JPY1,042 million	<i>Of which:</i> Management fee	JPY227 million	JPY228 million	<i>[Of which:</i> Operational management costs	JPY170 million	JPY170 million]	<i>[Of which:</i> Property management costs	JPY56 million	JPY57 million]	Repair expenses	JPY92 million	JPY62 million	Property taxes	JPY176 million	JPY191 million	Depreciation	JPY287 million	JPY283 million	Expenses other than expenses related to rent business	JPY217 million	JPY215 million	<i>Of which:</i> Asset management fee	JPY145 million	JPY143 million
	Fiscal period ending October 31, 2019	Fiscal period ending April 30, 2020																													
Expenses related to rent business	JPY1,070 million	JPY1,042 million																													
<i>Of which:</i> Management fee	JPY227 million	JPY228 million																													
<i>[Of which:</i> Operational management costs	JPY170 million	JPY170 million]																													
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Repair expenses	JPY92 million	JPY62 million																													
Property taxes	JPY176 million	JPY191 million																													
Depreciation	JPY287 million	JPY283 million																													
Expenses other than expenses related to rent business	JPY217 million	JPY215 million																													
<i>Of which:</i> Asset management fee	JPY145 million	JPY143 million																													
NOI	<ul style="list-style-type: none"><li>• NOI for the entire portfolio is assumed to be JPY1,692 million for the fiscal period ending October 31, 2019 (10th Period) and JPY1,681 million for the fiscal period ending April 30, 2020 (11th Period).</li><li>• NOI is calculated by using the following calculation method. NOI = Property-related operating revenue—Property-related operating expenses + Depreciation</li></ul>																														
Non-operating expenses	<ul style="list-style-type: none"><li>• Amortization of expenses for the issuance of investment units is assumed to be JPY11 million for the fiscal period ending October 31, 2019 and JPY7 million for the fiscal period ending April 30, 2020.</li><li>• Interest expenses and borrowing related expenses are assumed to be JPY214 million for the fiscal period ending October 31, 2019 and JPY212 million for the fiscal period ending April 30, 2020. Among the borrowing related expenses, JPY67 million for the fiscal period ending October 31, 2019 and JPY65 million for the fiscal period ending April 30, 2020 are assumed to be the amounts to be amortized in accordance with the borrowing periods.</li></ul>																														



Item	Assumptions
Debt financing	<ul style="list-style-type: none"> <li>Debt outstanding as of the date of this document is JPY29,200 million. It is assumed that there will be no changes in the debt outstanding through the end of the fiscal period ending April 30, 2020 (11th Period).</li> <li>LTV is assumed to be 46.7% as of the end of the fiscal period ending October 31, 2019 (10th Period) and 46.7% as of the end of the fiscal period ending April 30, 2020 (11th 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 283,015 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 April 30, 2020.</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 October 31, 2019 and the fiscal period ending April 30, 2020 (283,015 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 almost the entire amount of net income is distributed excluding the portion where cash distribution per unit would be less than JPY1.</li> <li>It is assumed that internal reserve of JPY25 million will be reversed in each of the fiscal period ending October 31, 2019 and the fiscal period ending April 30, 2020.</li> <li>Cash distribution per unit for the fiscal period ending October 31, 2019 and the fiscal period ending April 30, 2020 are calculated with the assumption that 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 October 31, 2019 and April 30, 2020 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 ("The Investment Trusts Association") 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>

## (2) Investment Risk

Disclosure is omitted because there is no significant change from "Investment Risks" in the securities report (submitted on January 30, 2019).

## 2. Financial Statements

## (1) Balance Sheet

(Unit: JPY thousand)

	8th Period (As of Oct. 31, 2018)	9th Period (As of Apr. 30, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	1,902,037	2,241,792
Cash and deposits in trust	3,830,246	4,310,993
Operating accounts receivable	3,555	13,187
Prepaid expenses	103,579	166,330
Consumption taxes receivable	—	119,462
Other	—	1
Total current assets	5,839,418	6,851,768
Non-current assets		
Property, plant and equipment		
Buildings in trust	13,515,395	15,958,022
Accumulated depreciation	(1,244,757)	(1,467,073)
Buildings in trust, net	12,270,638	14,490,949
Structures in trust	143,424	167,801
Accumulated depreciation	(34,091)	(38,985)
Structures in trust, net	109,332	128,815
Machinery and equipment in trust	303,516	306,542
Accumulated depreciation	(84,627)	(98,036)
Machinery and equipment in trust, net	218,889	208,505
Tools, furniture and fixtures in trust	123,707	172,411
Accumulated depreciation	(36,345)	(43,741)
Tools, furniture and fixtures in trust, net	87,362	128,669
Land in trust	32,774,913	40,378,496
Total property, plant and equipment	45,461,135	55,335,436
Investments and other assets		
Long-term prepaid expenses	204,811	278,476
Deferred tax assets	10	4,377
Lease and guarantee deposits	10,000	10,000
Total investments and other assets	214,821	292,853
Total non-current assets	45,675,957	55,628,290
Deferred assets		
Investment unit issuance expenses	22,284	34,755
Total deferred assets	22,284	34,755
Total assets	51,537,660	62,514,815

(Unit: JPY thousand)

	8th Period (As of Oct. 31, 2018)	9th Period (As of Apr. 30, 2019)
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	83,719	87,630
Current portion of long-term loans payable	4,000,000	3,200,000
Accounts payable – other	101,450	131,943
Income taxes payable	814	48,843
Accrued consumption taxes	69,257	11,542
Advances received	451,002	394,839
Other	63,798	72,195
Total current liabilities	4,770,042	3,946,996
Non-current liabilities		
Long-term loans payable	20,000,000	26,000,000
Tenant leasehold and security deposits in trust	2,054,450	2,330,353
Other	2,424	—
Total non-current liabilities	22,056,875	28,330,353
Total liabilities	26,826,918	32,277,349
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	23,907,827	29,009,048
Deduction from unitholders' capital		
Reserve for temporary difference adjustments	* <sub>2</sub> (4,219)	* <sub>2</sub> (2,344)
Total deduction from unitholders' capital	(4,219)	(2,344)
Unitholders' capital, net	23,903,608	29,006,704
Surplus		
Unappropriated retained earnings (undisposed loss)	809,558	1,231,936
Total surplus	809,558	1,231,936
Total unitholders' equity	24,713,166	30,238,640
Valuation and translation adjustments		
Deferred gains or losses on hedges	(2,424)	(1,175)
Total valuation and translation adjustments	(2,424)	(1,175)
Total net assets	* <sub>1</sub> 24,710,742	* <sub>1</sub> 30,237,465
Total liabilities and net assets	51,537,660	62,514,815

## (2) Statement of Income

(Unit: JPY thousand)

	8th Period (From: May 1, 2018 To: Oct. 31, 2018)	9th Period (From: Nov. 1, 2018 To: Apr. 30, 2019)
Operating revenue		
Rent revenue – real estate	* <sub>1</sub> 1,852,313	* <sub>1</sub> 2,218,912
Other lease business revenue	* <sub>1</sub> 199,586	* <sub>1</sub> 237,348
Gain on sales of real estate properties	—	* <sub>2</sub> 292,018
Total operating revenue	2,051,900	2,748,279
Operating expenses		
Expenses related to rent business	* <sub>1</sub> 880,247	* <sub>1</sub> 1,030,586
Asset management fee	120,005	151,068
Asset custody fee	2,447	2,457
Administrative service fees	14,206	15,757
Directors' compensations	3,180	2,460
Other operating expenses	50,206	55,026
Total operating expenses	1,070,294	1,257,356
Operating income	981,605	1,490,922
Non-operating income		
Interest income	24	29
Insurance claim income	—	3,766
Interest on refund	418	—
Miscellaneous income	91	64
Total non-operating income	534	3,859
Non-operating expenses		
Interest expenses	102,076	133,628
Borrowing related expenses	62,578	76,016
Other	11,622	11,239
Total non-operating expenses	176,277	220,884
Ordinary income	805,861	1,273,897
Income before income taxes	805,861	1,273,897
Income taxes – current	818	48,848
Income taxes – deferred	5	(4,367)
Total income taxes	824	44,480
Net income	805,037	1,229,416
Retained earnings brought forward	4,520	2,519
Unappropriated retained earnings (undisposed loss)	809,558	1,231,936

## (3) Statement of Unitholders' Equity

8th Period (from May 1, 2018 to October 31, 2018)

(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	23,907,827	(7,694)	(7,694)	23,900,133	835,896
Changes of items during period					
Dividends of surplus					(827,900)
Reversal of reserve for temporary difference adjustments		3,475	3,475	3,475	(3,475)
Net income					805,037
Net changes of items other than unitholders' equity					
Total changes of items during period	—	3,475	3,475	3,475	(26,338)
Balance at end of current period	*1 23,907,827	(4,219)	(4,219)	23,903,608	809,558

(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	835,896	24,736,030	(4,395)	(4,395)	24,731,635
Changes of items during period					
Dividends of surplus	(827,900)	(827,900)			(827,900)
Reversal of reserve for temporary difference adjustments	(3,475)	—			—
Net income	805,037	805,037			805,037
Net changes of items other than unitholders' equity			1,970	1,970	1,970
Total changes of items during period	(26,338)	(22,863)	1,970	1,970	(20,893)
Balance at end of current period	809,558	24,713,166	(2,424)	(2,424)	24,710,742

9th Period (from November 1, 2018 to April 30, 2019)

(Unit: JPY thousand)

	Unitholders' equity				
	Unitholders' capital				Surplus
	Unitholders' capital	Deduction from unitholders' capital	Total deduction from unitholders' capital	Unitholders' capital, net	Unappropriated retained earnings (undisposed loss)
		Reserve for temporary difference adjustments			
Balance at beginning of current period	23,907,827	(4,219)	(4,219)	23,903,608	809,558
Changes of items during period					
Issuance of new investment units	5,101,220			5,101,220	
Dividends of surplus					(805,164)
Reversal of reserve for temporary difference adjustments		1,875	1,875	1,875	(1,875)
Net income					1,229,416
Net changes of items other than unitholders' equity					
Total changes of items during period	5,101,220	1,875	1,875	5,103,095	422,377
Balance at end of current period	*1 29,009,048	(2,344)	(2,344)	29,006,704	1,231,936

(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	809,558	24,713,166	(2,424)	(2,424)	24,710,742
Changes of items during period					
Issuance of new investment units		5,101,220			5,101,220
Dividends of surplus	(805,164)	(805,164)			(805,164)
Reversal of reserve for temporary difference adjustments	(1,875)	—			—
Net income	1,229,416	1,229,416			1,229,416
Net changes of items other than unitholders' equity			1,249	1,249	1,249
Total changes of items during period	422,377	5,525,473	1,249	1,249	5,526,723
Balance at end of current period	1,231,936	30,238,640	(1,175)	(1,175)	30,237,465

## (4) Statement of Cash Distributions

(Unit: JPY)

Item	8th Period (From: May 1, 2018 To: Oct. 31, 2018)	9th Period (From: Nov. 1, 2018 To: Apr. 30, 2019)
I. Unappropriated retained earnings	809,558,396	1,231,936,108
II. Incorporation into unitholders' capital	1,875,200	1,211,940
Out of which, reversal of reserve for temporary difference adjustments	1,875,200	1,211,940
III. Amount of cash distribution	805,164,000	1,146,776,780
[Amount of cash distribution per investment unit]	(3,435)	(4,052)
IV. Retained earnings carried forward	2,519,196	83,947,388
Method of calculating the amount of cash distribution	Cash distribution per investment unit for the fiscal period under review is JPY3,435 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 JPY3,435.	Cash distribution per investment unit for the fiscal period under review is JPY4,052 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 90% or more of the 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 JPY4,052.

## (5) Statement of Cash Flows

(Unit: JPY thousand)

	8th Period (From: May 1, 2018 To: Oct. 31, 2018)	9th Period (From: Nov. 1, 2018 To: Apr. 30, 2019)
Cash flows from operating activities		
Income before income taxes	805,861	1,273,897
Depreciation	246,476	287,588
Borrowing related expenses	62,578	76,016
Interest income	(24)	(29)
Interest expenses	102,076	133,628
Decrease (increase) in operating accounts receivable	1,178	(9,631)
Decrease (increase) in consumption taxes refund receivable	145,316	(119,462)
Increase (decrease) in accrued consumption taxes	59,281	(57,714)
Decrease (increase) in prepaid expenses	32,992	(39,345)
Increase (decrease) in operating accounts payable	5,281	14,145
Increase (decrease) in accounts payable – other	11,458	30,492
Increase (decrease) in advances received	124,141	(56,162)
Decrease in property, plant and equipment in trust due to sale	—	811,843
Other, net	13,986	6,506
Subtotal	1,610,605	2,351,773
Interest income received	24	29
Interest expenses paid	(103,738)	(130,682)
Income taxes paid	(937)	(819)
Net cash provided by (used in) operating activities	1,505,954	2,220,301
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(53,390)	(10,984,515)
Proceeds from tenant leasehold and security deposits in trust	98,257	412,139
Repayments of tenant leasehold and security deposits in trust	(28,646)	(134,496)
Net cash provided by (used in) investing activities	16,220	(10,706,873)
Cash flows from financing activities		
Decrease in short-term loans payable	(1,600,000)	—
Proceeds from long-term loans payable	1,570,261	7,834,728
Repayments of long-term loans payable	—	(2,800,000)
Proceeds from issuance of investment units	—	5,077,510
Dividends paid	(827,900)	(805,164)
Net cash provided by (used in) financing activities	(857,638)	9,307,074
Net increase (decrease) in cash and cash equivalents	664,535	820,502
Cash and cash equivalents at beginning of period	5,067,747	5,732,283
Cash and cash equivalents at end of period	5,732,283	6,552,786



## (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>2-64 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	2-64 years	Structures	2-60 years	Machinery and equipment	4-35 years	Tools, furniture and fixtures	2-27 years
Buildings	2-64 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. Minimum net assets as provided in Article 67, Paragraph 4 of the Investment Trusts Act

(Unit: JPY thousand)

	8th Period (As of Oct. 31, 2018)	9th Period (As of Apr. 30, 2019)
	50,000	50,000

## \*2 Reserve for temporary difference adjustments

8th Period (from May 1, 2018 to October 31, 2018)

## 1. Reasons, related assets and amounts

(Unit: JPY thousand)

Related assets, etc.	Reason	Initial amount	Balance at beginning of 8th Period	Reserve set aside during period	Reversal during period	Balance at end of 8th Period	Reason for reversal
Deferred gains or losses on hedges	Loss on interest-rate swaps	31,234	7,694	—	(3,475)	4,219	Change in fair value of derivative transactions

## 2. Method of reversal

Deferred gains or losses on hedges

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

9th Period (from November 1, 2018 to April 30, 2019)

## 1. Reasons, related assets and amounts

(Unit: JPY thousand)

Related assets, etc.	Reason	Initial amount	Balance at beginning of 9th Period	Reserve set aside during period	Reversal during period	Balance at end of 9th Period	Reason for reversal
Deferred gains or losses on hedges	Loss on interest-rate swaps	31,234	4,219	—	(1,875)	2,344	Change in fair value of derivative transactions

## 2. Method of reversal

Deferred gains or losses on hedges

Based on changes in the fair value of derivative transactions 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)

	8th Period (From: May 1, 2018 To: Oct. 31, 2018)	9th Period (From: Nov. 1, 2018 To: Apr. 30, 2019)
A. Property-related operating revenue		
Rent revenue – real estate		
Rental income	1,590,525	1,902,779
Common area maintenance income	173,781	212,083
Parking income	65,985	79,896
Other rental income	22,021	24,153
Total	1,852,313	2,218,912
Other lease business revenue		
Utilities reimbursement	172,755	182,658
Other income	26,830	54,689
Total	199,586	237,348
Total property-related operating revenue	2,051,900	2,456,261
B. Property-related operating expenses		
Expenses related to rent business		
Management fee	187,518	231,506
Trust fee	9,300	10,822
Utilities expenses	172,964	194,342
Insurance premium	3,765	4,394
Repair expenses	68,834	82,163
Property taxes	154,589	175,178
Depreciation	246,476	287,588
Other expenses	36,800	44,591
Total property-related operating expenses	880,247	1,030,586
C. Property-related operating income (loss) (A–B)	1,171,652	1,425,675

## \*2. Breakdown of gain on sales of real estate properties

8th Period (from May 1, 2018 to October 31, 2018)

Not applicable.

9th Period (from November 1, 2018 to April 30, 2019)

MarLandFive (Unit: JPY thousand)

Revenue from sale of real estate, etc.	1,150,661
Cost of real estate, etc. sold	811,843
Other sales expenses	46,800
Gain on sales of real estate properties	292,018

## [Notes to Statement of Unitholders' Equity]

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

	8th Period (From: May 1, 2018 To: Oct. 31, 2018)	9th Period (From: Nov. 1, 2018 To: Apr. 30, 2019)
Total number of investment units authorized	10,000,000 units	10,000,000 units
Total number of investment units issued and outstanding	234,400 units	283,015 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)

	8th Period (From: May 1, 2018 To: Oct. 31, 2018)	9th Period (From: Nov. 1, 2018 To: Apr. 30, 2019)
Cash and deposits	1,902,037	2,241,792
Cash and deposits in trust	3,830,246	4,310,993
Cash and cash equivalents	5,732,283	6,552,786

## [Notes on Lease Transactions]

## Operating lease transactions (as lessor)

## Future minimum lease payments under non-cancellable operating leases

(Unit: JPY thousand)

	8th Period (As of Oct. 31, 2018)	9th Period (As of Apr. 30, 2019)
Due within 1 year	528,500	549,323
Due after 1 year	558,061	308,463
Total	1,086,562	857,787

[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.

8th Period (as of October 31, 2018)

(Unit: JPY thousand)

	Carrying amount	Fair value	Amount of difference
(1) Cash and deposits	1,902,037	1,902,037	—
(2) Cash and deposits in trust	3,830,246	3,830,246	—
Total assets	5,732,283	5,732,283	—
(3) Current portion of long-term loans payable	4,000,000	4,000,000	—
(4) Long-term loans payable	20,000,000	20,003,453	3,453
Total liabilities	24,000,000	24,003,453	3,453
(5) Derivative transactions*	(2,424)	(2,424)	—

9th Period (as of April 30, 2019)

(Unit: JPY thousand)

	Carrying amount	Fair value	Amount of difference
(1) Cash and deposits	2,241,792	2,241,792	—
(2) Cash and deposits in trust	4,310,993	4,310,993	—
Total assets	6,552,786	6,552,786	—
(3) Current portion of long-term loans payable	3,200,000	3,200,000	—
(4) Long-term loans payable	26,000,000	26,068,217	68,217
Total liabilities	29,200,000	29,268,217	68,217
(5) Derivative transactions*	(1,175)	(1,175)	—

(\*) 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) Current portion of long-term loans payable; (4) 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.

(5) 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)

	8th Period (As of Oct. 31, 2018)	9th Period (As of Apr. 30, 2019)
Tenant leasehold and security deposits in trust	2,107,565	2,385,116

(\*) The amount includes current portion of tenant leasehold and security deposits in trust (JPY53,114 thousand for the 8th Period; JPY54,763 thousand for the 9th Period).

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

8th Period (as of October 31, 2018)

(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	1,902,037	—	—	—	—	—
Cash and deposits in trust	3,830,246	—	—	—	—	—
Total	5,732,283	—	—	—	—	—

9th Period (as of April 30, 2019)

(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	2,241,792	—	—	—	—	—
Cash and deposits in trust	4,310,993	—	—	—	—	—
Total	6,552,786	—	—	—	—	—

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

8th Period (as of October 31, 2018)

(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
Long-term loans payable	4,000,000	4,400,000	4,800,000	4,200,000	5,200,000	1,400,000
Total	4,000,000	4,400,000	4,800,000	4,200,000	5,200,000	1,400,000

9th Period (as of April 30, 2019)

(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
Long-term loans payable	3,200,000	4,800,000	5,600,000	6,400,000	5,200,000	4,000,000
Total	3,200,000	4,800,000	5,600,000	6,400,000	5,200,000	4,000,000

[Notes on Securities]

8th Period (as of October 31, 2018)

Not applicable.

9th Period (as of April 30, 2019)

Not applicable.

## [Notes on Derivative Transactions]

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

8th Period (as of October 31, 2018)

Not applicable.

9th Period (as of April 30, 2019)

Not applicable.

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

8th Period (as of October 31, 2018)

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	4,000,000	2,000,000	(2,424)

(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.

9th Period (as of April 30, 2019)

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	2,000,000	—	(1,175)

(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 and major corporate unitholder, etc.

8th Period (from May 1, 2018 to October 31, 2018)

Not applicable.

9th Period (from November 1, 2019 to April 30, 2019)

Not applicable.

## 2. Affiliated company, etc.

8th Period (from May 1, 2018 to October 31, 2018)

Not applicable.

9th Period (from November 1, 2019 to April 30, 2019)

Not applicable.



## 3. Fellow subsidiary, etc.

8th Period (from May 1, 2018 to October 31, 2018)

Not applicable.

9th Period (from November 1, 2019 to April 30, 2019)

Not applicable.

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

8th Period (from May 1, 2018 to October 31, 2018)

Not applicable.

9th Period (from November 1, 2019 to April 30, 2019)

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)

	8th Period (As of Oct. 31, 2018)	9th Period (As of Apr. 30, 2019)
[Deferred tax assets]		
Non-deductible accrued enterprise tax	10	4,377
Deferred losses on hedges	764	406
Subtotal	774	4,784
Valuation allowance	(764)	(406)
Total deferred tax assets	10	4,377
Net deferred tax assets	10	4,377

## 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: %)

	8th Period (As of Oct. 31, 2018)	9th Period (As of Apr. 30, 2019)
Statutory tax rate	31.51	34.59
[Adjustments]		
Deductible cash distribution payable	(31.48)	(31.14)
Other	0.07	0.04
Effective income tax rate after application of tax-effect accounting	0.10	3.49

## [Notes on Retirement Benefits]

8th Period (as of October 31, 2018)

Not applicable.

9th Period (as of April 30, 2019)

Not applicable.

## [Notes on Asset Retirement Obligations]

8th Period (from May 1, 2018 to October 31, 2018)

Not applicable.

9th Period (from November 1, 2019 to April 30, 2019)

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)

	8th Period (From: May 1, 2018 To: Oct. 31, 2018)	9th Period (From: Nov. 1, 2018 To: Apr. 30, 2019)
Carrying amount (Note 1)		
Balance at beginning of period	45,643,098	45,461,135
Amount of increase (decrease) during period (Note 2)	(181,962)	9,874,301
Balance at end of period	45,461,135	55,335,436
Fair value at end of period (Note 3)	51,869,000	63,181,000

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

(Note 2) For the 8th Period, the amount of increase is mainly attributable to acquisition of construction work to update the emergency power generation facilities at JPT Motomachi Building (JPY9,154 thousand), etc., while the amount of decrease is mainly attributable to depreciation (JPY246,476 thousand). For the 9th Period, the amount of increase is mainly attributable to acquisition of 6 properties (JPY10,903,482 thousand) including NU Kannai Building, while the amount of decrease is mainly attributable to transfer of 1 property, MarLandFive (JPY811,843 thousand), and depreciation (JPY287,588 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)

8th Period (from May 1, 2018 to October 31, 2018)

## 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 is 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 is 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	296,595	Real estate lease business

9th Period (from November 1, 2018 to April 30, 2019)

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 is 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 is 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	295,356	Real estate lease business

[Notes on Per Unit Information]

	8th Period (From: May 1, 2018 To: Oct. 31, 2018)	9th Period (From: Nov. 1, 2018 To: Apr. 30, 2019)
Net assets per unit	JPY105,421	JPY106,840
Net income per unit	JPY3,434	JPY4,349

(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.

	8th Period (From: May 1, 2018 To: Oct. 31, 2018)	9th Period (From: Nov. 1, 2018 To: Apr. 30, 2019)
Net income (JPY thousand)	805,037	1,229,416
Amount not attributable to common unitholders (JPY thousand)	—	—
Net income attributable to common investment units (JPY thousand)	805,037	1,229,416
Average number of investment units during period (units)	234,400	282,670

[Notes on Significant Subsequent Events]

1. Acquisition of Assets

Tosei Reit concluded sale and purchase contracts concerning the acquisition of real estate trust beneficiary rights of the following property on May 22, 2019 and acquired the assets on May 24, 2019.

Property name	T's garden Ojima
Type of asset	Trust beneficiary right
Acquisition price (Note)	JPY1,020 million
Seller	Tosei Corporation
Acquisition date	May 24, 2019

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

## 2. Debt Financing

Tosei Reit executed the following debt financing to repay JPY1,200 million that matured on May 31, 2019.

Lender	Loan amount (JPY million)	Interest rate	Drawdown date	Maturity date	Repayment method	Security
MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Resona Bank, Limited Shinsei Bank, Limited Aozora Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited	1,200	0.83106% (fixed rate)	May 31, 2019	May 31, 2024	Lump-sum repayment on maturity date	Unsecured

(Note) 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) (Note 9)		Unitholders' capital (JPY million) (Note 10)		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)
November 1, 2016	Public offering	22,200	183,200	2,224	18,745	(Note 5)
November 1, 2017	Public offering	51,200	234,400	5,161	23,907	(Note 6)
November 1, 2018	Public offering	46,300	280,700	4,858	28,766	(Note 7)
November 28, 2018	Third-party allotment	2,315	283,015	242	29,009	(Note 8)

(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 amount of JPY107,629 per unit for the purpose of procuring funds for future acquisition of new properties, etc.

(Note 5) Investment units were issued through public offering at an issue price of JPY103,938 (issue amount of JPY100,206) per unit for the purpose of procuring funds for acquisition of new properties, etc.

(Note 6) Investment units were issued through public offering at an issue price of JPY104,462 (issue amount of JPY100,819) per unit for the purpose of procuring funds for acquisition of new properties, etc.

(Note 7) Investment units were issued through public offering at an issue price of JPY 108,723 (issue amount of JPY104,931) per unit for the purpose of procuring funds for acquisition of new properties, etc.

(Note 8) Investment units were issued through third-party allotment at an issue amount of JPY104,931 per unit for the purpose of procuring funds for future acquisition of new properties, etc.

(Note 9) 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 10) Fluctuation of unitholders' capital in line with implementation of distribution in excess of earnings with reserve for temporary difference adjustments is not considered.

### 3. Reference Information

#### (1) Information on Price of Assets under Management, etc.

##### (a) Investment Status

The following is an overview of the investment status as of the date of Tosei Reit's settlement of accounts (April 30, 2019). 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.

Type of asset	Geographical area, etc.	Main use	9th Period (As of Apr. 30, 2019)	
			Total amount held (JPY million) (Note 2)	As a percentage of total assets (%) (Note 3)
Real estate trust beneficiary rights	Tokyo metropolitan area	Offices	27,081	43.3
		Retail facilities	5,873	9.4
		Residential properties	22,380	35.8
	Major regional cities (Note 1)	—	—	—
	Total		55,335	88.5
Deposits and other assets			7,179	11.5
Total assets (Note 2)			62,514	100.0
Total liabilities (Note 2)			32,277	51.6
Total net assets (Note 2)			30,237	48.4

(Note 1) "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. The same applies hereinafter.

(Note 2) "Total amount held," "Total assets," "Total liabilities" and "Total net assets" are the amounts based on the carrying amounts (depreciated book value in the case of real estate trust beneficiary rights) as of April 30, 2019 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.

## (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 (April 30, 2019). 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.

Type	Property no.	Property name	Location	Acquisition price (JPY million)	Investment ratio (%) (Note 1)	Real estate appraisal value, etc. (JPY million) (Note 2)	Acquisition date (Note 3)
Offices	O-01	Tama Center Tosei Building	Tama-shi, Tokyo	3,370	6.0	3,730	November 28, 2014
	O-02	KM Shinjuku Building	Shinjuku-ku, Tokyo	2,057	3.7	2,590	November 28, 2014
	O-03	Nihonbashi-Hamacho Building	Chuo-ku, Tokyo	1,830	3.3	2,560	November 28, 2014
	O-04	Kannai Tosei Building II	Yokohama-shi, Kanagawa	4,100	7.3	4,640	November 17, 2015
	O-05	Nishi Kasai Tosei Building	Edogawa-ku, Tokyo	1,710	3.1	2,010	November 17, 2015
	O-06	Shin Yokohama Center Building	Yokohama-shi, Kanagawa	1,364	2.4	1,750	November 17, 2015
	O-07	Nishidai NC Building	Itabashi-ku, Tokyo	1,481	2.7	1,780	August 31, 2016
	O-08	JPT Motomachi Building	Yokohama-shi, Kanagawa	2,377	4.3	2,850	November 2, 2016
	O-09	Hakusan Asanomi Building	Bunkyo-ku, Tokyo	1,380	2.5	1,640	November 2, 2016
	O-10	Chojamachi Duo Building	Yokohama-shi, Kanagawa	1,300	2.3	1,410	November 2, 2017
	O-11	NU Kannai Building	Yokohama-shi, Kanagawa	3,800	6.8	4,000	November 2, 2018
	O-12	Higashitotsuka West Building	Yokohama-shi, Kanagawa	2,650	4.7	2,720	November 2, 2018
	Subtotal		—	27,419	49.1	31,680	—
Retail facilities	Rt-01	Inage Kaigan Building	Chiba-shi, Chiba	2,380	4.3	2,710	November 28, 2014
	Rt-02	Musashi Fujisawa Tosei Building	Iruma-shi, Saitama	1,950	3.5	2,180	November 17, 2015
	Rt-03	Selection Hatsutomi	Kamagaya-shi, Chiba	310	0.6	356	November 2, 2016
	Rt-04	Wako Building	Chiba-shi, Chiba	1,400	2.5	1,410	November 2, 2017
	Subtotal		—	6,040	10.8	6,656	—
Offices and retail facilities combined subtotal			—	33,459	59.9	38,336	—
Residential properties	Rd-01	T's garden Koenji	Suginami-ku, Tokyo	1,544	2.8	2,040	November 28, 2014
	Rd-02	Live Akabane	Kita-ku, Tokyo	1,227	2.2	1,530	November 28, 2014
	Rd-03	Gekkocho Apartment	Meguro-ku, Tokyo	1,000	1.8	1,200	November 28, 2014
	Rd-04	T's garden Kawasakidaishi	Kawasaki-shi, Kanagawa	980	1.8	1,140	November 28, 2014
	Rd-05	Abitato Kamata	Ota-ku, Tokyo	836	1.5	929	November 28, 2014
	Rd-07	Avenir Shirotae	Yokohama-shi, Kanagawa	780	1.4	945	November 28, 2014
	Rd-08	Dormitory Haramachida	Machida-shi, Tokyo	600	1.1	741	November 28, 2014
	Rd-09	SEA SCAPE Chiba Minato	Chiba-shi, Chiba	2,800	5.0	3,100	November 17, 2015
	Rd-10	Prime Garden	Kamagaya-shi, Chiba	600	1.1	625	November 2, 2016
	Rd-11	T's garden Shinkoiwa	Katsushika-ku, Tokyo	670	1.2	729	November 2, 2016
	Rd-12	Twin Avenue	Nerima-ku, Tokyo	1,880	3.4	1,970	November 2, 2017
	Rd-13	Milestone Higashikurume	Higashikurume-shi, Tokyo	1,650	3.0	1,700	November 2, 2017
	Rd-14	Lumiere No. 3	Kawaguchi-shi, Saitama	1,420	2.5	1,550	November 2, 2017
	Rd-15	T's garden Nishifunabashi	Funabashi-shi, Chiba	860	1.5	878	November 2, 2017
	Rd-16	Quest Yamatedai	Yokohama-shi, Kanagawa	710	1.3	746	November 2, 2017
	Rd-17	Sancerre Yonohonmachi	Saitama-shi, Saitama	600	1.1	622	November 2, 2017

Type	Property no.	Property name	Location	Acquisition price (JPY million)	Investment ratio (%) (Note 1)	Real estate appraisal value, etc. (JPY million) (Note 2)	Acquisition date (Note 3)
Residential properties	Rd-18	Rising Place Kawasaki No.2	Kawasaki-shi, Kanagawa	1,812	3.2	1,850	November 2, 2018
	Rd-19	J Palace Sakuradai	Nerima-ku, Tokyo	1,090	2.0	1,130	November 2, 2018
	Rd-20	Personnage Yokohama	Yokohama-shi, Kanagawa	740	1.3	794	November 2, 2018
	Rd-21	T's garden Nishihachioji West	Hachioji-shi, Tokyo	600	1.1	626	November 2, 2018
	Subtotal		—	22,399	40.1	24,845	—
Total			—	55,858	100.0	63,181	—

(Note 1) "Investment ratio" is the ratio of acquisition price for the asset under management to the sum total amount of acquisition price, rounded to one decimal place.

(Note 2) Appraisal of the property is entrusted to Japan Real Estate Institute, Japan Valuers Co., Ltd. and JLL Morii Valuation & Advisory K.K. "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 April 30, 2019 as the effective date of the appraisal (date of value). The same applies hereinafter.

(Note 3) "Acquisition date" is the acquisition date stated in the real estate trust beneficiary right sale and purchase contract for the asset under management.

#### (b) Portfolio Composition

The following presents the portfolio composition as of the date of Tosei Reit's settlement of accounts (April 30, 2019) 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	12	27,419	49.1
Retail facilities	4	6,040	10.8
Residential properties	20	22,399	40.1
Total	36	55,858	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	36	55,858	100.0
Tokyo 5 central wards	2	3,887	7.0
Tokyo 23 wards (excluding Tokyo 5 central wards)	10	12,818	22.9
Tokyo metropolitan area (excluding Tokyo 23 wards)	24	39,153	70.1
Major regional cities	—	—	—
Total	36	55,858	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	12
JPY1.0 billion or more, but less than JPY2.0 billion	16
JPY2.0 billion or more, but less than JPY3.0 billion	5
JPY3.0 billion or more	3
Total	36



## (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 each asset under management.

The form of lease agreement for Tama Center Tosei Building (Note 1), some sections of JPT Motomachi Building (Note 2) and Musashi Fujisawa Tosei Building (Note 3) is pass-through type master lease agreement (the “ML agreement”) and fixed-rent ML agreement, while a pass-through type ML agreement for each property other than said properties (including sections of JPT Motomachi Building which are not under fixed-rent ML agreement).

Type	Property no.	Property name	Construction completion (Note 4)	Building age (years) (Note 5)	Annual rent (JPY million) (Note 6)	Security and guarantee deposits (JPY million) (Note 7)	Total leased area (m <sup>2</sup> ) (Note 8)	Total leasable area (m <sup>2</sup> ) (Note 9)	Occupancy rate (%) (Note 10)	Number of tenants (Note 11)
Offices	O-01	Tama Center Tosei Building (Note 1)	July 1989	29.8	328	264	9,737.49	9,737.49	100.0 (98.4)	1 (45)
	O-02	KM Shinjuku Building	September 1991	27.6	157	97	3,403.95	3,403.95	100.0	8
	O-03	Nihonbashi-Hamacho Building	October 1990	28.5	151	145	3,334.40	3,334.40	100.0	8
	O-04	Kannai Tosei Building II	February 1984 (Note 12)	35.2 (Note 12)	285	325	6,919.80	6,919.80	100.0	33
	O-05	Nishi Kasai Tosei Building	January 1994	25.2	126	77	3,187.97	3,187.97	100.0	9
	O-06	Shin Yokohama Center Building	December 1990	28.4	132	99	3,888.28	3,888.28	100.0	12
	O-07	Nishidai NC Building	March 1992	27.1	140	90	3,798.48	3,798.48	100.0	7
	O-08	JPT Motomachi Building (Note 2)	October 1991	27.5	190	147	5,453.13	5,453.13	100.0 (100.0)	7 (8)
	O-09	Hakusan Asanomi Building	July 1993	25.8	99	72	1,860.51	1,860.51	100.0	11
	O-10	Chojamachi Duo Building	July 1993	25.8	83	61	1,970.91	2,204.74	89.4	10
	O-11	NU Kannai Building	February 1987	32.2	288	134	7,943.92	8,025.76	99.0	24
	O-12	Higashitotsuka West Building	February 1993	26.2	196	131	5,667.32	5,667.32	100.0	14
	Subtotal		—	—	2,180	1,646	57,166.16	57,481.83	99.5	144
Retail facilities	Rt-01	Inage Kaigan Building	November 1992	26.4	187	286	5,677.45	5,890.92	96.4	13
	Rt-02	Musashi Fujisawa Tosei Building (Note 3)	August 1997	21.7	144	72	6,089.72	6,089.72	100.0 (94.0)	1 (5)
	Rt-03	Selection Hatsutomi	June 2003	15.9	28	14	1,839.45	1,839.45	100.0	1
	Rt-04	Wako Building	May 1986	32.9	111	73	2,603.55	2,827.26	92.1	24
	Subtotal		—	—	471	445	16,210.17	16,647.35	97.4	39
Offices and retail facilities combined subtotal			—	—	2,652	2,092	73,376.33	74,129.18	99.0	183
Residential properties	Rd-01	T's garden Koenji	January 2011	8.3	100	17	2,088.54	2,169.38	96.3	52
	Rd-02	Live Akabane	March 1989	30.1	96	10	3,770.87	3,876.41	97.3	70
	Rd-03	Gekkocho Apartment	March 2008	11.1	68	14	1,392.13	1,392.13	100.0	17
	Rd-04	T's garden Kawasaki-kidaishi	January 2009	10.2	68	8	2,039.85	2,067.85	98.6	52
	Rd-05	Abitato Kamata	June 1991	27.9	50	7	1,702.74	1,768.23	96.3	26
	Rd-07	Avenir Shirotae	February 1995	24.2	65	8	2,287.17	2,499.93	91.5	37
	Rd-08	Dormitory Haramachida	July 1992	26.8	55	4	1,818.69	1,866.93	97.4	63
	Rd-09	SEA SCAPE Chiba Minato	March 2008	11.1	210	71	6,386.48	6,758.52	94.5	125
	Rd-10	Prime Garden	February 1995	24.2	57	6	3,626.89	3,687.98	98.3	59
	Rd-11	T's garden Shinkoiwa	March 1998	21.1	46	6	1,597.70	1,652.93	96.7	24
	Rd-12	Twin Avenue	March 1992	27.2	126	28	4,493.86	4,558.96	98.6	49
	Rd-13	Milestone Higashikurume	September 1989	29.6	123	15	3,422.69	3,546.61	96.5	180
	Rd-14	Lumiere No. 3	September 1994	24.6	110	15	5,581.76	5,644.16	98.9	79
	Rd-15	T's garden Nishifunabashi	February 1991	28.2	60	6	2,570.40	2,643.84	97.2	22
	Rd-16	Quest Yamatedai	February 1989	30.2	55	33	2,723.59	2,802.74	97.2	30

Type	Property no.	Property name	Construction completion (Note 4)	Building age (years) (Note 5)	Annual rent (JPY million) (Note 6)	Security and guarantee deposits (JPY million) (Note 7)	Total leased area (m <sup>2</sup> ) (Note 8)	Total leasable area (m <sup>2</sup> ) (Note 9)	Occupancy rate (%) (Note 10)	Number of tenants (Note 11)
	Rd-17	Sancerre Yonohonmachi	November 1990	28.5	48	4	1,399.77	1,419.39	98.6	48
	Rd-18	Rising Place Kawasaki No.2	February 2017	2.2	117	12	2,897.66	2,962.48	97.8	59
	Rd-19	J Palace Sakuradai	February 1944	25.2	68	9	2,395.40	2,395.40	100.0	27
	Rd-20	Personnage Yokohama	December 1990	28.4	51	5	1,774.04	1,989.89	89.2	59
	Rd-21	T's garden Nishihachioji West	January 1997	22.3	46	4	2,158.41	2,315.99	93.2	46
	Subtotal		—	—	1,630	292	56,128.64	58,019.75	96.7	1,124
	Total/Average		—	25.2 (Note 12)	4,282	2,385	129,504.97	132,148.93	98.0	1,307

(Note 1) For the property, a pass-through type ML agreement was concluded between the trustee and Tosei Community Co., Ltd (“Tosei Community”) on July 31, 2014 and, furthermore, a pass-through type ML agreement was concluded between the company and Tosei on the same date. The pass-through type ML agreement between the company and Tosei was changed to a fixed-rent ML agreement upon acquisition of the property by Tosei Reit and ended on November 27, 2016. Afterward, a new fixed-rent ML agreement which begins on November 28, 2016 and ends on November 30, 2020 was concluded. The same applies hereinafter.

(Note 2) For the property, a pass-through type ML agreement was concluded on February 29, 2016 between the trustee and Tosei Community. Of which, however, a fixed-rent ML agreement was concluded between the company and Tosei on September 9, 2016 for the second floor (leased area: 919.15 m<sup>2</sup>) and on September 28, 2016 for some sections on the seventh floor (leased area: 316.04 m<sup>2</sup>). The same applies hereinafter.

(Note 3) For the property, a pass-through type ML agreement was concluded between the trustee and Tosei Community on September 30, 2015. In addition, a fixed-rent ML agreement was concluded between Tosei Community and Tosei at the time of acquisition by Tosei Reit. The same applies hereinafter.

(Note 4) “Construction completion” is the date of new construction in the real estate registry.

(Note 5) “Building age” is the number of years that has elapsed from the date of new construction in the real estate registry to April 30, 2019. In addition, that in the total/average column is the figure that is the weighted average based on acquisition price.

(Note 6) “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 April 30, 2019 (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 ML agreement has been concluded (if the lessee of the pass-through type ML agreement has concluded a fixed-rent ML agreement, the lessee of the concerned fixed-rent ML 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 ML agreement in cases where a fixed-rent ML agreement has been concluded. The same applies hereinafter.

(Note 7) “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 April 30, 2019 (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 ML agreement has been concluded, and it is the tenant security and guarantee deposits based on the ML agreement in cases where a fixed-rent ML agreement has been concluded. The same applies hereinafter.

(Note 8) “Total leased area” is the sum total of the leased floor area indicated in the lease agreement for the asset under management as of April 30, 2019. 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 ML agreement has been concluded, and it is the leased floor area based on the ML agreement in cases where a fixed-rent ML agreement has been concluded. The same applies hereinafter.

(Note 9) “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 April 30, 2019. The same applies hereinafter.

(Note 10) "Occupancy rate" is the ratio of the total leased area to total leasable area for the asset under management as of April 30, 2019. However, in cases where an ML agreement has been concluded for the concerned asset under management, the occupancy rate in the case of a property under a pass-through type ML 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 or a section under a fixed-rent ML agreement is the ratio of the leased floor area based on the ML 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 11) "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 April 30, 2019 (in cases where a tenant has concluded more than one lease agreement, the tenant is counted as one). However, in cases where an ML 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 ML agreement is the total number of end-tenants, and the number of tenants in the case of a property or a section under a fixed-rent ML 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. The same applies hereinafter.

(Note 12) 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 13) 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 April 30, 2019, "Annual rent," "Security and guarantee deposits," "Total leased area," "Occupancy rate" and "Number of tenants" are indicated 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
5th Period (As of April 30, 2017)	23	84,453.10	85,865.29	98.4
6th Period (As of October 31, 2017)	23	84,502.45	85,865.01	98.4
7th Period (As of April 30, 2018)	31	109,532.58	111,513.63	98.2
8th Period (As of October 31, 2018)	31	109,498.02	111,513.20	98.2
9th Period (As of April 30, 2019)	36	129,504.97	132,148.93	98.0

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)	5th Period (As of Apr. 30, 2017)
O-01	Tama Center Tosei Building	100.0 (77.9)	100.0 (56.2)	100.0 (66.9)	100.0 (69.6)	100.0 (73.5)
O-02	KM Shinjuku Building	87.5	96.6	100.0	100.0	100.0
O-03	Nihonbashi-Hamacho Building	100.0	100.0	100.0	100.0	100.0
O-04	Kannai Tosei Building II	—	—	97.4	96.7	100.0
O-05	Nishi Kasai Tosei Building	—	—	100.0	100.0	100.0
O-06	Shin Yokohama Center Building	—	—	92.3	100.0	100.0
O-07	Nishidai NC Building	—	—	—	100.0	90.8
O-08	JPT Motomachi Building	—	—	—	—	100.0 (100.0)
O-09	Hakusan Asanomi Building	—	—	—	—	91.7
O-10	Chojamachi Duo Building	—	—	—	—	—

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)	5th Period (As of Apr. 30, 2017)
O-11	NU Kannai Building	—	—	—	—	—
O-12	Higashitotsuka West Building	—	—	—	—	—
Rt-01	Inage Kaigan Building	100.0	100.0	100.0	100.0	100.0
Rt-02	Musashi Fujisawa Tosei Building	—	—	100.0 (100.0)	100.0 (100.0)	100.0 (100.0)
Rt-03	Selection Hatsutomi	—	—	—	—	100.0
Rt-04	Wako Building	—	—	—	—	—
Rd-01	T's garden Koenji	96.5	98.6	95.6	97.9	98.8
Rd-02	Live Akabane	95.8	95.8	100.0	97.7	97.2
Rd-03	Gekkocho Apartment	86.1	87.7	82.4	87.8	93.1
Rd-04	T's garden Kawasakidaishi	95.2	95.9	98.6	96.2	100.0
Rd-05	Abitato Kamata	92.6	92.6	96.3	100.0	100.0
Rd-06	MarLandFive (Note)	89.4	92.3	90.5	97.7	93.0
Rd-07	Avenir Shirotae	100.0	97.9	91.5	95.7	100.0
Rd-08	Dormitory Haramachida	91.2	96.7	95.5	93.7	94.7
Rd-09	SEA SPACE Chiba Minato	—	—	86.4	93.2	95.2
Rd-10	Prime Garden	—	—	—	—	98.3
Rd-11	T's garden Shinkoiwa	—	—	—	—	100.0
Rd-12	Twin Avenue	—	—	—	—	—
Rd-13	Milestone Higashikurume	—	—	—	—	—
Rd-14	Lumiere No. 3	—	—	—	—	—
Rd-15	T's garden Nishifunabashi	—	—	—	—	—
Rd-16	Quest Yamatedai	—	—	—	—	—
Rd-17	Sancerre Yonohonmachi	—	—	—	—	—
Rd-18	Rising Place Kawasaki No.2	—	—	—	—	—
Rd-19	J Palace Sakuradai	—	—	—	—	—
Rd-20	Personnage Yokohama	—	—	—	—	—
Rd-21	T's garden Nishihachioji West	—	—	—	—	—

(Unit: %)

Property no.	Property name	6th Period (As of Oct. 31, 2017)	7th Period (As of Apr. 30, 2018)	8th Period (As of Oct. 31, 2018)	9th Period (As of Apr. 30, 2019)
O-01	Tama Center Tosei Building	100.0 (80.6)	100.0 (87.2)	100.0 (89.9)	100.0 (98.4)
O-02	KM Shinjuku Building	100.0	100.0	100.0	100.0
O-03	Nihonbashi-Hamacho Building	100.0	100.0	100.0	100.0
O-04	Kannai Tosei Building II	100.0	100.0	100.0	100.0
O-05	Nishi Kasai Tosei Building	100.0	100.0	100.0	100.0
O-06	Shin Yokohama Center Building	100.0	100.0	100.0	100.0
O-07	Nishidai NC Building	94.4	100.0	100.0	100.0
O-08	JPT Motomachi Building	100.0 (100.0)	100.0 (100.0)	100.0 (100.0)	100.0 (100.0)
O-09	Hakusan Asanomi Building	91.7	91.7	100.0	100.0
O-10	Chojamachi Duo Building	—	89.4	89.4	89.4
O-11	NU Kannai Building	—	—	—	99.0
O-12	Higashitotsuka West Building	—	—	—	100.0
Rt-01	Inage Kaigan Building	100.0	100.0	98.6	96.4
Rt-02	Musashi Fujisawa Tosei Building	100.0 (87.3)	100.0 (94.0)	100.0 (94.0)	100.0 (94.0)
Rt-03	Selection Hatsutomi	100.0	100.0	100.0	100.0
Rt-04	Wako Building	—	98.1	92.1	92.1
Rd-01	T's garden Koenji	100.0	100.0	97.9	96.3
Rd-02	Live Akabane	100.0	95.0	100.0	97.3
Rd-03	Gekkocho Apartment	100.0	85.2	94.7	100.0
Rd-04	T's garden Kawasakidaishi	97.6	98.6	96.2	98.6
Rd-05	Abitato Kamata	100.0	100.0	96.3	96.3
Rd-06	MarLandFive (Note)	95.4	100.0	93.0	—
Rd-07	Avenir Shirotae	93.6	97.9	95.7	91.5
Rd-08	Dormitory Haramachida	94.3	100.0	96.8	97.4
Rd-09	SEA SPACE Chiba Minato	92.6	97.2	94.8	94.5
Rd-10	Prime Garden	100.0	98.3	100.0	98.3
Rd-11	T's garden Shinkoiwa	96.7	96.7	100.0	96.7
Rd-12	Twin Avenue	—	94.3	97.1	98.6
Rd-13	Milestone Higashikurume	—	98.3	96.9	96.5
Rd-14	Lumiere No. 3	—	95.6	96.7	98.9
Rd-15	T's garden Nishifunabashi	—	94.4	100.0	97.2
Rd-16	Quest Yamatedai	—	100.0	100.0	97.2
Rd-17	Sancerre Yonohonmachi	—	97.2	94.5	98.6
Rd-18	Rising Place Kawasaki No.2	—	—	—	97.8
Rd-19	J Palace Sakuradai	—	—	—	100.0
Rd-20	Personnage Yokohama	—	—	—	89.2
Rd-21	T's garden Nishihachioji West	—	—	—	93.2

(Note) Tosei Reit transferred the property on November 15, 2018 and has not owned it since the transfer.

(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 JLL Morii Valuation & Advisory K.K. 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 April 30, 2019 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 JLL Morii Valuation & Advisory K.K., which performed the real estate appraisal, etc., and Tosei Reit or the Asset Management Company.

Tosei Reit Investment Corporation (3451) Financial Report for the Fiscal Period Ended April 30, 2019

Type	Property no.	Name of property	Appraisal firm	Acquisition price (JPY million)	Book value at end of period (JPY million) (Note 1)	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	3,304	3,730	3,720	5.6	3,730	5.2	5.6
	O-02	KM Shinjuku Building	Japan Real Estate Institute	2,057	1,995	2,590	2,600	3.9	2,580	3.6	4.0
	O-03	Nihonbashi-Hamacho Building	Japan Real Estate Institute	1,830	1,791	2,560	2,590	4.3	2,520	4.1	4.5
	O-04	Kannai Tosei Building II	Japan Valuers Co., Ltd.	4,100	3,991	4,640	4,850	4.8	4,570	4.6	5.0
	O-05	Nishi Kasai Tosei Building	Japan Valuers Co., Ltd.	1,710	1,667	2,010	2,050	4.8	1,970	4.6	5.0
	O-06	Shin Yokohama Center Building	JLL Morii Valuation & Advisory K.K.	1,364	1,350	1,750	1,770	4.6	1,720	4.4	4.8
	O-07	Nishidai NC Building	Japan Real Estate Institute	1,481	1,474	1,780	1,790	4.6	1,760	4.4	4.8
	O-08	JPT Motomachi Building	JLL Morii Valuation & Advisory K.K.	2,377	2,351	2,850	2,890	4.5	2,810	4.3	4.7
	O-09	Hakusan Asanomi Building	Japan Real Estate Institute	1,380	1,375	1,640	1,650	4.1	1,620	3.9	4.3
	O-10	Chojamachi Duo Building	JLL Morii Valuation & Advisory K.K.	1,300	1,300	1,410	1,440	4.5	1,380	4.3	4.7
	O-11	NU Kannai Building	Japan Valuers Co., Ltd.	3,800	3,817	4,000	4,080	4.8	3,920	4.6	5.0
	O-12	Higashitotsuka West Building	Japan Valuers Co., Ltd.	2,650	2,661	2,720	2,730	4.6	2,700	4.4	4.8
	Subtotal				27,419	27,081	31,680	32,160	—	31,280	—
Retail facilities	Rt-01	Inage Kaigan Building	Japan Real Estate Institute	2,380	2,251	2,710	2,730	5.0	2,680	4.8	5.2
	Rt-02	Musashi Fujisawa Tosei Building	Japan Real Estate Institute	1,950	1,918	2,180	2,190	5.6	2,170	5.2	5.8
	Rt-03	Selection Hatsutomi	Japan Real Estate Institute	310	314	356	361	5.1	350	4.9	5.4
	Rt-04	Wako Building	Japan Real Estate Institute	1,400	1,388	1,410	1,420	5.1	1,400	4.9	5.3
	Subtotal				6,040	5,873	6,656	6,701	—	6,600	—
Offices and retail facilities combined subtotal				33,459	32,954	38,336	38,861	—	37,880	—	—
Residential properties	Rd-01	T's garden Koenji	Japan Real Estate Institute	1,544	1,515	2,040	2,070	3.9	2,000	3.7	4.1
	Rd-02	Live Akabane	Japan Real Estate Institute	1,227	1,206	1,530	1,540	4.7	1,510	4.5	4.9
	Rd-03	Gekkocho Apartment	Japan Real Estate Institute	1,000	990	1,200	1,220	4.1	1,180	3.9	4.3
	Rd-04	T's garden Kawasakidaishi	Japan Real Estate Institute	980	952	1,140	1,150	4.8	1,120	4.6	5.0
	Rd-05	Abitato Kamata	Japan Real Estate Institute	836	832	929	946	4.6	912	4.4	4.8
	Rd-07	Avenir Shirotae	Japan Real Estate Institute	780	746	945	955	5.0	935	4.8	5.2
	Rd-08	Dormitory Haramachida	Japan Real Estate Institute	600	620	741	749	4.8	733	4.6	5.0
	Rd-09	SEA SPACE Chiba Minato	JLL Morii Valuation & Advisory K.K.	2,800	2,700	3,100	3,130	5.0	3,060	4.8	5.2
	Rd-10	Prime Garden	Japan Valuers Co., Ltd.	600	614	625	624	5.5	626	5.3	5.7
	Rd-11	T's garden Shinkoiwa	Japan Valuers Co., Ltd.	670	671	729	737	4.4	721	4.2	4.6
	Rd-12	Twin Avenue	Japan Real Estate Institute	1,880	1,891	1,970	1,990	4.7	1,940	4.5	4.9
	Rd-13	Milestone Higashikurume	Japan Real Estate Institute	1,650	1,647	1,700	1,710	5.0	1,680	4.8	5.2
	Rd-14	Lumiere No. 3	Japan Valuers Co., Ltd.	1,420	1,425	1,550	1,560	5.1	1,530	4.9	5.3
	Rd-15	T's garden Nishifunabashi	Japan Valuers Co., Ltd.	860	865	878	891	4.9	864	4.7	5.1
	Rd-16	Quest Yamatedai	Japan Valuers Co., Ltd.	710	713	746	752	5.0	739	4.8	5.2
	Rd-17	Sancerre Yonohonmachi	Japan Valuers Co., Ltd.	600	604	622	627	4.9	616	4.7	5.1
	Rd-18	Rising Place Kawasaki No.2	Japan Valuers Co., Ltd.	1,812	1,917	1,850	1,860	4.8	1,840	4.6	5.0
	Rd-19	J Palace Sakuradai	JLL Morii Valuation & Advisory K.K.	1,090	1,102	1,130	1,150	4.2	1,110	4.0	4.4
	Rd-20	Personnage Yokohama	Japan Valuers Co., Ltd.	740	749	794	794	5.1	794	4.8	5.2
	Rd-21	T's garden Nishihachioji West	Japan Real Estate Institute	600	611	626	633	4.9	619	4.7	5.1
	Subtotal				22,399	22,380	24,845	25,088	—	24,529	—
Total				55,858	55,335	63,181	63,949	—	62,409	—	—

(Note 1) "Book value at end of period" is the depreciated book value as of April 30, 2019, 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 JLL Morii Valuation & Advisory K.K. with April 30, 2019 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.

(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., Sompo Risk Management Inc. (Note 1) and Tokio Marine & Nichido Risk Consulting Co., Ltd. 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., HI International Consultant Co., Ltd., Sompo Risk Management Inc. or Tokio Marine & Nichido Risk Consulting Co., Ltd. and Tosei Reit or the Asset Management Company. In addition, Tosei Reit has an evaluation of seismic risk analysis conducted by Sompo Risk Management 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 Inc. and Tosei Reit or the Asset Management Company.

Property no.	Name of property	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 Inc.	March 2015	4.36
O-02	KM Shinjuku Building	Deloitte Tohmatsu Property Risk Solution Co., Ltd.	June 2014	—	24,322	Sompo Risk Management Inc.	March 2015	5.52
O-03	Nihonbashi-Hamacho Building	Deloitte Tohmatsu Property Risk Solution Co., Ltd.	June 2014	—	24,930	Sompo Risk Management Inc.	March 2015	6.11
O-04	Kannai Tosei Building II	HI International Consultant Co., Ltd.	July 2015	170	27,239	Sompo Risk Management 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 Inc.	July 2015	3.84
O-06	Shin Yokohama Center Building	Sompo Risk Management Inc.	August 2015	—	19,378	Sompo Risk Management Inc.	July 2015	6.47
O-07	Nishidai NC Building	Sompo Risk Management Inc.	May 2016	—	15,826	Sompo Risk Management Inc.	May 2016	5.25
O-08	JPT Motomachi Building	Deloitte Tohmatsu Property Risk Solution Co., Ltd.	July 2016	—	25,150	Sompo Risk Management Inc.	July 2016	6.06
O-09	Hakusan Asanomi Building	Tokio Marine & Nichido Risk Consulting Co., Ltd.	July 2016	—	10,433	Sompo Risk Management Inc.	July 2016	7.31
O-10	Chojamachi Duo Building	Sompo Risk Management Inc.	August 2017	—	7,768	Sompo Risk Management Inc.	August 2017	3.56
O-11	NU Kannai Building	Sompo Risk Management Inc.	August 2018	—	32,518	Sompo Risk Management Inc.	August 2018	4.56
O-12	Higashitotsuka West Building	HI International Consultant Co., Ltd.	June 2018	12,810	24,404	Sompo Risk Management Inc.	July 2018	5.22
Rt-01	Inage Kaigan Building	Deloitte Tohmatsu Property Risk Solution Co., Ltd.	June 2014	—	24,129	Sompo Risk Management Inc.	March 2015	6.49
Rt-02	Musashi Fujisawa Tosei Building	Sompo Risk Management Inc.	September 2015	120	8,605	Sompo Risk Management Inc.	September 2015	5.85
Rt-03	Selection Hatsutomi	Sompo Risk Management Inc.	July 2016	—	3,103	Sompo Risk Management Inc.	July 2016	7.98
Rt-04	Wako Building	Deloitte Tohmatsu Property Risk Solution Co., Ltd.	August 2017	—	12,963	Sompo Risk Management Inc.	March 2017	9.32
Rd-01	T's garden Koenji	HI International Consultant Co., Ltd.	February 2014	670	2,936	Sompo Risk Management Inc.	March 2015	7.91
Rd-02	Live Akabane	HI International Consultant Co., Ltd.	February 2014	7,370	8,355	Sompo Risk Management Inc.	March 2015	7.45
Rd-03	Gekkocho Apartment	HI International Consultant Co., Ltd.	April 2014	350	3,833	Sompo Risk Management Inc.	March 2015	8.98
Rd-04	T's garden Kawasakidaishi	HI International Consultant Co., Ltd.	February 2014	685	2,475	Sompo Risk Management Inc.	March 2015	7.38
Rd-05	Abitato Kamata	HI International Consultant Co., Ltd.	February 2014	1,890	3,365	Sompo Risk Management Inc.	March 2015	7.82

Property no.	Name of property	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 (%)
Rd-07	Avenir Shirotae	HI International Consultant Co., Ltd.	March 2014	1,210	7,827	Sompo Risk Management Inc.	March 2015	7.57
Rd-08	Dormitory Haramachida	HI International Consultant Co., Ltd.	February 2014	4,540	9,477	Sompo Risk Management Inc.	March 2015	5.29
Rd-09	SEA SPACE Chiba Minato	Sompo Risk Management Inc.	July 2015	—	13,280	Sompo Risk Management Inc.	July 2015	7.30
Rd-10	Prime Garden	Sompo Risk Management Inc.	July 2016	—	4,954	Sompo Risk Management Inc.	July 2016	9.42
Rd-11	T's garden Shinkoiwa	HI International Consultant Co., Ltd.	August 2016	3,420	5,041	Sompo Risk Management Inc.	July 2016	4.41
Rd-12	Twin Avenue	HI International Consultant Co., Ltd.	March 2017	400	12,449	Sompo Risk Management Inc.	March 2017	5.70
Rd-13	Milestone Higashikurume	Deloitte Tohmatsu Property Risk Solution Co., Ltd.	August 2017	—	12,633	Sompo Risk Management Inc.	August 2017	4.34
Rd-14	Lumiere No. 3	Sompo Risk Management Inc.	August 2017	—	8,157	Sompo Risk Management Inc.	March 2017	2.58
Rd-15	T's garden Nishifunabashi	HI International Consultant Co., Ltd.	July 2017	7,620	7,994	Sompo Risk Management Inc.	August 2017	7.50
Rd-16	Quest Yamatedai	HI International Consultant Co., Ltd.	July 2017	3,780	6,625	Sompo Risk Management Inc.	August 2017	9.66
Rd-17	Sancerre Yonohomachi	Tokio Marine & Nichido Risk Consulting Co., Ltd.	August 2017	—	4,336	Sompo Risk Management Inc.	July 2017	4.13
Rd-18	Rising Place Kawasaki No.2	Sompo Risk Management Inc.	August 2018	—	1,857	Sompo Risk Management Inc.	August 2018	3.94
Rd-19	J Palace Sakuradai	Sompo Risk Management Inc.	August 2018	—	6,462	Sompo Risk Management Inc.	August 2018	5.38
Rd-20	Personnage Yokohama	Sompo Risk Management Inc.	August 2018	—	6,288	Sompo Risk Management Inc.	July 2018	4.65
Rd-21	T's garden Nishihachioji West	HI International Consultant Co., Ltd.	June 2018	1,410	8,951	Sompo Risk Management Inc.	July 2018	7.44
Entire portfolio (Note 5)								3.31

(Note 1) Sompo Japan Nipponkoa Risk Management Inc. changed its business name to Sompo Risk Management & Health Care Inc. on April 1, 2016. In addition, Sompo Risk Management & Health Care Inc. changed its business name to Sompo Risk Management Inc. on October 1, 2018. Even if the name of the company was Sompo Japan Nipponkoa Risk Management Inc. or Sompo Risk Management & Health Care Inc. at the time of obtaining the “portfolio seismic PML evaluation report,” etc., the current business 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.

- ① It is the amount stated as the average amount per year of the repair and renewal expenses projected for the second to 12th year (11 years) in the engineering report in the case of the properties investigated by HI International Consultant Co., Ltd.
- ② It 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 Inc.
- ③ Of properties researched by Deloitte Tohmatsu Property Risk Solution Co., Ltd, it is the amount stated as the total repair and renewal expenses excluding consumption tax projected for the next 12 years in the engineering report for Tama Center Tosei Building, KM Shinjuku Building, Nihonbashi-Hamacho Building and Inage Kaigan Building, and it is the amount stated as the total repair and renewal expenses excluding consumption tax projected for the second to 12th year (11 years) in the engineering report for the other properties, converted into the average amount per year by Tosei Asset Advisors, Inc.
- ④ It is the amount converted into the average amount per year by Tosei Asset Advisors, Inc. of the amount stated as the total of medium- to long-term repair and renewal expenses projected for the next 12 years in the engineering report in the case of the properties investigated by Tokio Marine & Nichido Risk Consulting Co., Ltd.

(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 August 2018 by Sompo Risk Management 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 for each asset under management. Tosei Reit has entrusted a third-party expert body HI International Consultant Co., Ltd., Sampo Risk Management Inc., Deloitte Tohmatsu Property Risk Solution Co., Ltd. or Tokio Marine & Nichido Risk Consulting Co., Ltd. with confirmation and verification of structural calculation documents and structural drawings for the 35 properties excluding Avenir Shirotae, and has obtained from HI International Consultant Co., Ltd., Sampo Risk Management Inc., Deloitte Tohmatsu Property Risk Solution Co., Ltd. or Tokio Marine & Nichido Risk Consulting Co., Ltd. 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 each 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	Sampo Risk Management Inc.
O-05	Nishi Kasai Tosei Building	Kitayama Architectural Engineering Office, Inc.	Kitayama Architectural Engineering Office, Inc.	Tobishima Corporation Tokyo Branch	Edogawa Ward 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	Sampo Risk Management 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	Sampo Risk Management Inc.
O-08	JPT Motomachi Building	Environment Designing Shimizu Research Laboratory	Structure Design Company Toshio Fujinuma	Kokune Corporation	City of Yokohama, building official	Deloitte Tohmatsu Property Risk Solution Co., Ltd.
O-09	Hakusan Asanomi Building	Takeo Igarashi Architectural Design Office Inc.	Globo First Class Architect Office Inc. (Note 3)	Fujita Corporation, Tokyo Branch	Bunkyo Ward, building official	Tokio Marine & Nichido Risk Consulting Co., Ltd.
O-10	Chojamachi Duo Building	Azusa Sekkei Co., Ltd.	Azusa Sekkei Co., Ltd.	Kumagai Gumi Co., Ltd., Yokohama Branch	City of Yokohama, building official	Sampo Risk Management Inc.
O-11	NU Kannai Building	NISSOKEN Architects/Engineers	NISSOKEN Architects/Engineers	Kyoritsu Construction Co., Ltd.	City of Yokohama, building official	Sampo Risk Management Inc.
O-12	Higashitsutsuka West Building	Institute of New Architecture Inc.	HI International Consultant Co., Ltd. (Note 3)	The Zenitaka Corporation	City of Yokohama, building official	HI International Consultant Co., Ltd.
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	Sampo Risk Management Inc.
Rt-03	Selection Hatsutomi	Sugioka Design Office Inc.	JTM 1st Class Qualified Architect. Office	SK Build Co., Ltd.	Japan ERI Co., Ltd.	Sampo Risk Management Inc.
Rt-04	Wako Building	LAND Architect Office	Globo First Class Architect Office Inc. (Note 3)	Nara Construction Co., Ltd.	City of Chiba, building official	Deloitte Tohmatsu Property Risk Solution Co., Ltd.
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	HI International Consultant Co., Ltd. (Note 3)	Toda Corporation	Kita Ward, 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-07	Avenir Shirotae	KK San-a Sekkei	Party that prepared the structural calculation document not stated	Toa Corporation, Yokohama Branch Office	City of Yokohama, building official	HI International Consultant Co., Ltd.

Property no.	Property name	Designer	Structural designer	Contractor	Confirmation and inspection body	Structural calculation confirmation body
			therein.			
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.
Rd-10	Prime Garden	Re-LAND Corporation Co., Ltd.	Kanai Design Inc.	Re-LAND Corporation Co., Ltd.	Chiba Prefectural government, building official	Sompo Risk Management Inc.
Rd-11	T's garden Shinkoiwa	Fumikazu Nakano Design Office Inc.	Kyoei Corporation (Note 3)	Penta-Ocean Corporation Co., Ltd. Tokyo Branch	Katsushika City building official	HI International Consultant Co., Ltd.
Rd-12	Twin Avenue	Uchino Komuten K.K., first-class architect office	Uchino Komuten K.K., first-class architect office	Uchino Komuten K.K.	Nerima Ward, building official	HI International Consultant Co., Ltd.
Rd-13	Milestone Higashikurume	Honma Architectural Design Office, K.K.	HI International Consultant Co., Ltd. (Note 3)	Okumura Corporation	Tokyo Metropolitan Government, building official	Deloitte Tohmatsu Property Risk Solution Co., Ltd.
Rd-14	Lumiere No. 3	Kawaguchi Construction Co., Ltd., first-class architect office	Kawaguchi Construction Co., Ltd., first-class architect office	Kawaguchi Construction Co., Ltd.	City of Kawaguchi, building official	Sompo Risk Management Inc.
Rd-15	T's garden Nishifunabashi	Kumagai Gumi Co., Ltd., Yokohama first-class architect office	HI International Consultant Co., Ltd. (Note 3)	Kumagai Gumi Co., Ltd., Yokohama Branch	City of Funabashi, building official	HI International Consultant Co., Ltd.
Rd-16	Quest Yamatedai	Mitsui Kensetsu Kabushiki Kaisha, first-class architect office	Mitsui Kensetsu Kabushiki Kaisha, first-class architect office	Mitsui Construction Co., Ltd., Yokohama Branch	City of Yokohama, building official	HI International Consultant Co., Ltd.
Rd-17	Sancerre Yonohonmachi	Haseko Corporation	Haseko Corporation	Haseko Corporation	Saitama Prefectural Government, building official	Tokio Marine & Nichido Risk Consulting Co., Ltd.
Rd-18	Rising Place Kawasaki No.2	Atelier T-Plus Co., Ltd.	Leaf Design Studio Co., Ltd.	Mutsumi Construction Co., Ltd.	J Architecture Inspection Center	—
Rd-19	J Palace Sakuradai	Mitsui Kensetsu Kabushiki Kaisha, first-class architect office	Mitsui Kensetsu Kabushiki Kaisha, first-class architect office	Mitsui Construction Co., Ltd., Yokohama Branch	Nerima Ward, building official	Sompo Risk Management Inc.
Rd-20	Personnage Yokohama	Do Architect Planners Co., Ltd.	HI International Consultant Co., Ltd. (Note 3)	Tokyu Construction Co., Ltd.	City of Yokohama, building official	Sompo Risk Management Inc.
Rd-21	T's garden Nishihachioji West	Sekkei Kobo Sosakusha Ltd.	HI International Consultant Co., Ltd. (Note 3)	Tokyo Branch of Sumitomo Construction, Co., Ltd.	City of Hachioji, building official	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 Inc., the same as that for the office building.

(Note 3) The name of the party that reproduced the structural calculation document is stated because the structural calculation document, in whole or in part, is missing or contents thereof cannot be confirmed.

(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

There are no 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, there are no real estate of which annual rent accounts for 10% or more of the entire portfolio's annual rent as of April 30, 2019.

#### (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 the date of settlement of accounts of Tosei Reit (April 30, 2019). In the case of a property under a pass-through type ML 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 ML agreement, the master lease company alone is counted as tenants and end-tenants are not counted. For the entirety of Tama Center Tosei Building and Musashi Fujisawa Tosei Building as well as the second floor (leased area: 919.15 m<sup>2</sup>) and some sections on the seventh floor (leased area: 316.04 m<sup>2</sup>) of JPT Motomachi Building, as a pass-through type ML agreement has been concluded between the trustee and the master lease company, Tosei Community, and furthermore a fixed-rent ML 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 (Note 2)	Contract form (Note 3)	Security and guarantee deposits (JPY million)
Tosei Community Co., Ltd. (Note 4)	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 JPT Motomachi Building Chojamachi Duo Building NU Kannai Building Higashitotsuka West Building Inage Kaigan Building Musashi Fujisawa Tosei Building Selection Hatsutomi Wako Building T's garden Koenji Live Akabane Gekkocho Apartment T's garden Kawasakidaishi Abitato Kamata Avenir Shirotae Dormitory Haramachida SEA SPACE Chiba Minato Prime Garden T's Garden Shinkoiwa Milestone Higashikurume T's garden Nishifunabashi Quest Yamatedai Sancerre Yonohonmachi J Palace Sakuradai Personnage Yokohama T's garden Nishihachioji West	3,689	110,872.70	85.6	November 30, 2019	Ordinary building lease agreement	2,166
		Nishidai NC Building	140	3,798.48	2.9	August 31, 2019	Ordinary building lease agreement	90
		Tama Center Tosei Building JPT Motomachi Building	360	10,972.68	8.5	November 30, 2020	Fixed-term building lease agreement	280
Tosei Corporation	Real estate business	Musashi Fujisawa Tosei Building	144	6,089.72	4.7	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 expiration date" is the contract expiration date indicated in the lease agreement with the concerned tenant as of April 30, 2019. The same applies hereinafter.

(Note 3) "Contract form" is the contract form indicated in the lease agreement with the concerned tenant as of April 30, 2019. The same applies hereinafter.

(Note 4) A pass-through type ML agreement has been concluded between the trustee and Tosei Community as of April 30, 2019 for assets under management excluding Hakusan Asanomi Building, Twin Avenue, Lumiere No.3 and Rising Place Kawasaki No.2. Thus, the total leased area indicates the sum total of the floor areas actually leased under lease agreements concluded with end-tenants (Tosei is regarded as the end-tenant when Tosei Community has concluded a fixed-rent ML agreement with Tosei). If both parties of the lease agreement do not express their intent otherwise to each other by one month prior to the expiration date, the agreement shall be renewed for another year under the same terms and conditions, and the same shall apply upon expiration thereafter.

In addition, Tosei Community is a property management company of assets under management excluding Hakusan Asanomi Building, Twin Avenue, Lumiere No.3 and Rising Place Kawasaki No.2, and has concluded a PM agreement with the trustee. If both parties of the PM agreement do not express their intent otherwise to each other by one month prior to the expiration date, the agreement shall be renewed for another year under the same terms and conditions, and the same shall apply upon expiration thereafter.

## (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 the date of settlement of accounts (April 30, 2019). In the case of a property under a fixed-rent ML 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 ML 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	7.5	November 30, 2020	Fixed-term building lease agreement
Tosei Corporation	Musashi Fujisawa Tosei Building	6,089.72	4.7	November 30, 2025	Ordinary building lease agreement
Not disclosed (Note)	Inage Kaigan Building	2,989.01	2.3	November 23, 2021	Ordinary building lease agreement
Not disclosed (Note)	JPT Motomachi Building	1,558.28 293.74 Total: 1,852.02	1.4	January 4, 2021 September 30, 2020	Ordinary building lease agreement
Not disclosed (Note)	Selection Hatsutomi	1,839.45	1.4	June 3, 2023	Ordinary building lease agreement
FUJITSU CoWorCo Limited	Shin Yokohama Center Building	1,822.20	1.4	December 31, 2019	Ordinary building lease agreement
Not disclosed (Note)	Not disclosed (Note)	1,549.35	1.2	August 31, 2020	Ordinary building lease agreement
Misawa Homes Co., Ltd.	Higashitotsuka West Building	285.69	1.2	January 15, 2021	Ordinary building lease agreement
		360.31		May 31, 2020	Ordinary building lease agreement
		178.52		March 31, 2021	Ordinary building lease agreement
		181.82		April 30, 2019	Ordinary building lease agreement
		538.58 Total: 1,544.92		April 24, 2021	Ordinary building lease agreement
Not disclosed (Note)	Not disclosed (Note)	1,420.46	1.1	April 16, 2020	Ordinary building lease agreement
Not disclosed (Note)	Not disclosed (Note)	1,286.19	1.0	March 31, 2020	Ordinary building lease agreement

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

## (l) Overview of Leasing to Related Parties

The following is an overview of leasing of each asset 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 ML agreement, the concerned master lease company is counted as end-tenants).

Name of end-tenant	Property name	Total leased area (m <sup>2</sup> )	Annual rent (JPY million)	Security and guarantee deposits (JPY million)	Contract expiration date	Contract form
Tosei Corporation	Tama Center Tosei Building	9,737.49	328	264	November 30, 2020	Fixed-term building lease agreement
Tosei Corporation	JPT Motomachi Building (Note)	1,235.19	31	15	November 30, 2020	Fixed-term building lease agreement
Tosei Corporation	Musashi Fujisawa Tosei Building	6,089.72	144	72	November 30, 2025	Ordinary building lease agreement

(Note) For JPT Motomachi Building, the figures are the sum total of those under the fixed-rent ML agreement concluded on September 9, 2016 for the second floor (leased area: 919.15 m<sup>2</sup>) and of those under the fixed-rent ML agreement concluded on September 28, 2016 for some sections on the seventh floor (leased area: 316.04 m<sup>2</sup>).

## (m) Earnings Performance of the Properties

9th Period (from November 1, 2018 to April 30, 2019)

(Unit: JPY thousand)

Property no.	(O-01)	(O-02)	(O-03)	(O-04)	(O-05)	(O-06)
Property name	Tama Center Tosei Building	KM Shinjuku Building	Nihonbashi-Hamacho Building	Kannai Tosei Building II	Nishi Kasai Tosei Building	Shin Yokohama Center Building
Total property-related operating revenue ①	207,131	96,382	94,775	171,467	73,875	75,000
Rent revenue – real estate	168,148	83,504	79,222	153,262	65,333	70,660
Other lease business revenue	38,983	12,878	15,553	18,205	8,542	4,339
Total property-related operating expenses ②	77,823	33,082	39,061	55,171	22,967	23,003
Management fee	24,251	8,163	7,737	17,937	6,623	8,439
Trust fee	300	300	300	300	300	300
Utilities expenses	32,062	8,500	11,691	16,790	7,128	6,040
Insurance premium	423	138	136	252	109	156
Repair expenses	2,225	4,915	4,861	3,403	668	335
Property taxes	17,492	10,064	8,174	13,468	6,501	7,161
Other expenses	1,067	1,000	6,161	3,018	1,635	569
NOI ③ (①–②)	129,308	63,300	55,714	116,296	50,907	51,997
Depreciation ④	18,102	8,905	10,738	20,973	9,081	8,204
Property-related operating income (loss) ⑤ (③–④)	111,205	54,394	44,975	95,322	41,826	43,792
Capital expenditures ⑥	27,461	343	—	490	—	—
NCF ⑦ (③–⑥)	101,846	62,957	55,714	115,806	50,907	51,997

(Unit: JPY thousand)

Property no.	(O-07)	(O-08)	(O-09)	(O-10)	(O-11)	(O-12)
Property name	Nishidai NC Building	JPT Motomachi Building	Hakusan Asanomi Building	Chojamachi Duo Building	NU Kannai Building	Higashitotsuka West Building
Total property-related operating revenue ①	80,501	113,999	62,228	48,308	164,564	100,558
Rent revenue – real estate	74,349	100,931	47,626	43,094	154,094	89,829
Other lease business revenue	6,152	13,067	14,601	5,214	10,469	10,729
Total property-related operating expenses ②	28,753	33,302	22,017	14,449	44,465	33,051
Management fee	8,979	10,611	4,086	5,161	21,708	13,054
Trust fee	300	300	300	300	299	299
Utilities expenses	9,682	11,629	3,031	4,958	13,777	11,386
Insurance premium	154	191	73	83	354	237
Repair expenses	421	370	10,472	402	476	1,132
Property taxes	8,305	9,533	4,020	3,193	6,745	5,180
Other expenses	911	666	32	350	1,103	1,759
NOI ③ (①–②)	51,748	80,696	40,211	33,859	120,098	67,507
Depreciation ④	10,300	12,806	6,410	9,786	11,418	9,417
Property-related operating income (loss) ⑤ (③–④)	41,447	67,890	33,801	24,072	108,680	58,090
Capital expenditures ⑥	16,749	11,776	100	1,472	338	—
NCF ⑦ (③–⑥)	34,999	68,920	40,111	32,386	119,760	67,507

(Unit: JPY thousand)

Property no.	(Rt-01)	(Rt-02)	(Rt-03)	(Rt-04)	(Rd-01)	(Rd-02)
Property name	Inage Kaigan Building	Musashi Fujisawa Tosei Building	Selection Hatsutomi	Wako Building	T's garden Koenji	Live Akabane
Total property-related operating revenue ①	126,324	72,186	14,250	64,896	54,714	54,737
Rent revenue – real estate	102,024	72,186	14,250	56,947	51,074	52,450
Other lease business revenue	24,299	—	—	7,949	3,640	2,286
Total property-related operating expenses ②	47,932	7,545	3,943	21,824	10,651	14,770
Management fee	7,569	1,080	1,104	9,336	4,547	5,298
Trust fee	300	300	300	300	300	300
Utilities expenses	24,457	—	—	8,135	420	744
Insurance premium	218	87	29	109	57	105
Repair expenses	3,001	283	132	500	1,320	3,979
Property taxes	11,478	5,775	2,249	3,121	2,986	3,354
Other expenses	906	20	129	320	1,018	988
NOI ③ (①–②)	78,391	64,640	10,306	43,072	44,063	39,966
Depreciation ④	20,338	7,933	1,288	10,099	5,796	4,275
Property-related operating income (loss) ⑤ (③–④)	58,053	56,706	9,017	32,972	38,266	35,691
Capital expenditures ⑥	2,590	1,476	—	710	—	157
NCF ⑦ (③–⑥)	75,801	63,164	10,306	42,362	44,063	39,809

(Unit: JPY thousand)

Property no.	(Rd-03)	(Rd-04)	(Rd-05)	(Rd-06)	(Rd-07)	(Rd-08)
Property name	Gekkocho Apartment	T's garden Kawasakidaishi	Abitato Kamata	MarLand Five (Note)	Avenir Shirotae	Dormitory Haramachida
Total property-related operating revenue ①	35,973	36,762	29,148	3,709	37,270	30,288
Rent revenue – real estate	35,029	34,895	27,195	2,863	35,483	28,922
Other lease business revenue	944	1,867	1,953	846	1,786	1,366
Total property-related operating expenses ②	8,089	8,283	11,619	3,784	10,830	10,428
Management fee	2,894	2,865	2,537	289	2,782	2,730
Trust fee	300	300	300	24	300	300
Utilities expenses	443	236	576	739	765	695
Insurance premium	44	51	47	6	65	62
Repair expenses	802	1,293	5,099	222	3,953	2,936
Property taxes	2,099	1,981	1,541	2,570	2,050	2,398
Other expenses	1,506	1,554	1,516	(67)	912	1,304
NOI ③ (①–②)	27,883	28,478	17,529	(75)	26,440	19,860
Depreciation ④	3,430	5,204	3,293	812	6,422	5,158
Property-related operating income (loss) ⑤ (③–④)	24,452	23,274	14,236	(888)	20,017	14,701
Capital expenditures ⑥	441	—	2,243	—	924	100
NCF ⑦ (③–⑥)	27,441	28,478	15,285	(75)	25,515	19,760

(Note) Tosei Reit transferred the property on November 15, 2018 and has not owned it since the transfer.

(Unit: JPY thousand)

Property no.	(Rd-09)	(Rd-10)	(Rd-11)	(Rd-12)	(Rd-13)	(Rd-14)
Property name	SEA SCAPE Chiba Minato	Prime Garden	T's Garden Shinkoiwa	Twin Avenue	Milestone Higashikurume	Lumiere No. 3
Total property-related operating revenue ①	119,639	31,855	25,981	64,296	67,966	59,317
Rent revenue – real estate	109,842	31,499	24,634	62,806	61,460	57,113
Other lease business revenue	9,796	356	1,347	1,489	6,506	2,204
Total property-related operating expenses ②	34,503	9,759	5,847	12,622	19,938	12,111
Management fee	9,933	3,763	2,624	3,486	5,645	4,224
Trust fee	300	300	300	300	300	300
Utilities expenses	9,334	408	576	821	4,054	550
Insurance premium	223	92	48	112	108	136
Repair expenses	3,436	2,450	703	2,692	5,260	2,068
Property taxes	9,209	2,436	1,449	4,538	2,692	4,087
Other expenses	2,064	308	145	670	1,876	743
NOI ③ ((①–②))	85,136	22,095	20,134	51,674	48,028	47,205
Depreciation ④	23,811	3,540	2,535	3,775	7,949	6,030
Property-related operating income (loss) ⑤ ((③–④))	61,325	18,555	17,599	47,898	40,078	41,175
Capital expenditures ⑥	657	520	698	714	–	148
NCF ⑦ ((③–⑥))	84,478	21,575	19,436	50,959	48,028	47,057

(Unit: JPY thousand)

Property no.	(Rd-15)	(Rd-16)	(Rd-17)	(Rd-18)	(Rd-19)	(Rd-20)
Property name	T's garden Nishifunabashi	Quest Yamatedai	Sancerre Yonohonmachi	Rising Place Kawasaki No.2	J Palace Sakuradai	Personnage Yokohama
Total property-related operating revenue ①	33,726	29,721	24,553	60,444	35,983	27,773
Rent revenue – real estate	30,675	29,434	23,207	58,827	34,678	25,764
Other lease business revenue	3,050	287	1,346	1,616	1,305	2,008
Total property-related operating expenses ②	11,538	7,569	7,547	13,349	6,899	10,098
Management fee	3,025	2,865	2,684	5,340	3,271	2,580
Trust fee	300	300	300	299	299	299
Utilities expenses	594	433	518	492	522	1,543
Insurance premium	65	65	45	101	63	62
Repair expenses	3,143	1,790	942	680	1,424	3,350
Property taxes	2,381	1,904	1,653	2,565	–	809
Other expenses	2,029	209	1,402	3,868	1,318	1,452
NOI ③ ((①–②))	22,187	22,152	17,006	47,094	29,083	17,674
Depreciation ④	2,298	2,824	1,934	13,956	2,042	3,214
Property-related operating income (loss) ⑤ ((③–④))	19,888	19,327	15,071	33,138	27,041	14,459
Capital expenditures ⑥	200	166	–	–	–	320
NCF ⑦ ((③–⑥))	21,987	21,985	17,006	47,094	29,083	17,354

(Unit: JPY thousand)

Property no.	(Rd-21)	Offices total	Retail facilities total	Residential properties total	Entire portfolio
Property name	T's garden Nishihachioji West				
Total property-related operating revenue ①	25,943	1,288,795	277,657	889,808	2,456,261
Rent revenue – real estate	25,587	1,130,057	245,408	843,446	2,218,912
Other lease business revenue	356	158,737	32,248	46,362	237,348
Total property-related operating expenses ②	4,358	427,149	81,246	234,602	742,998
Management fee	2,269	136,755	19,089	75,660	231,506
Trust fee	299	3,599	1,200	6,023	10,822
Utilities expenses	595	136,680	32,592	25,069	194,342
Insurance premium	69	2,311	445	1,637	4,394
Repair expenses	1,008	29,683	3,917	48,562	82,163
Property taxes	—	99,841	22,625	52,711	175,178
Other expenses	116	18,276	1,376	24,939	44,591
NOI ③ (①–②)	21,585	861,646	196,411	655,205	1,713,263
Depreciation ④	3,471	136,146	39,660	111,780	287,588
Property-related operating income (loss) ⑤ (③–④)	18,114	725,499	156,750	543,425	1,425,675
Capital expenditures ⑥	—	58,730	4,776	7,291	70,798
NCF ⑦ (③–⑥)	21,585	802,915	191,634	647,914	1,642,464



## (2) Status of Capital Expenditures

## (a) Schedule of Capital Expenditures

The following are the major capital expenditures arising from renovation work, etc. currently planned/undertaken for the assets held by Tosei Reit as of April 30, 2019. Some of the expected cost of work below may be categorized under expenses in accounting in accordance with the content of the work.

Name of real estate, etc.	Location	Purpose	Scheduled period	Expected cost of work (JPY thousand)		
				Total amount	Amount of payment during period	Amount already paid
Nishidai NC Building	Itabashi-ku, Tokyo	Update of air-conditioning equipment	From: April 2019 To: May 2019	10,500	—	—
Nishi Kasai Tosei Building	Edogawa-ku, Tokyo	Replacement of inert gas fire suppression equipment	From: September 2019 To: September 2019	6,500	—	—
Tama Center Tosei Building	Tama-shi, Tokyo	Replacement of private power generators, emergency lighting equipment and storage batteries	From: August 2019 To: August 2019	5,139	—	—

## (b) Capital Expenditures during the Period

The following summarizes the major work that constitutes capital expenditures implemented during the fiscal period under review for the assets held by Tosei Reit as of April 30, 2019. Capital expenditures for the fiscal period under review amounted to JPY70,798 thousand and, when combined with the JPY82,163 thousand of repair expenses categorized under expenses for the fiscal period under review, the total amount of work implemented comes to JPY152,961 thousand.

Name of real estate, etc.	Location	Purpose	Period	Cost of work (JPY thousand)
Tama Center Tosei Building	Tama-shi, Tokyo	Update of PAC201・202 (air-conditioning equipment)	From: September 2018 To: November 2018	24,860
Nishidai NC Building	Itabashi-ku, Tokyo	Update of air-conditioning equipment on the 2nd and 5th floors	From: October 2018 To: November 2018	14,760
JPT Motomachi Building	Yokohama-shi, Kanagawa	Update of air-conditioning system	From: December 2018 To: December 2018	11,376
Others				19,802
Total				70,798

## (c) Cash Reserves for Long-Term Repair Plans

Based on long-term repair plans compiled for each property, Tosei Reit has set aside the following cash reserves for repairs from cash flows during each fiscal period in order to provide funds for future large-scale repairs, etc. over the medium to long term.

Fiscal Period	5th Period (From: Nov. 1, 2016 To: Apr. 30, 2017) (JPY thousand)	6th Period (From: May 1, 2017 To: Oct. 31, 2017) (JPY thousand)	7th Period (From: Nov. 1, 2017 To: Apr. 30, 2018) (JPY thousand)	8th Period (From: May 1, 2018 To: Oct. 31, 2018) (JPY thousand)	9th Period (From: Nov. 1, 2018 To: Apr. 30, 2019) (JPY thousand)
Balance of reserves at beginning of 9th Period	173,233	316,961	367,922	437,021	542,681
Reserves during 9th Period	178,919	113,251	136,221	162,047	166,692
Reversal of reserves during 9th Period	35,191	62,290	67,122	56,387	104,791
Amount carried forward	316,961	367,922	437,021	542,681	604,582