

Real Estate Investment Trust Securities Issuer
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Asset Management Company
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Notice Concerning Partial Amendments to Asset Management Guidelines
at Asset Management Company

Tosei Reit Investment Corporation (“Tosei Reit”) announces that, at the meeting of the Investment Management Committee of Tosei Asset Advisors, Inc. (the “Asset Management Company”) held today and the meeting of the Board of Directors of Tosei Reit held today, a resolution was made to amend the Asset Management Guidelines regarding Tosei Reit, as described below.

1. Background of the amendments to the Asset Management Guidelines

As announced in “Notice Concerning Amendments to the Articles of Incorporation and Appointment of Directors” dated June 15, 2018 and “Notice Concerning Resolutions of the General Meeting of Unitholders” dated today, Tosei Reit submitted proposals concerning partial amendments to the Articles of Incorporation to its 3rd general meeting of unitholders held today (the “General Meeting of Unitholders”) and the proposals were approved as drafted. In line with such, amendments to the Asset Management Guidelines pertaining to Tosei Reit will be made, including addition of logistics facilities to the investment target, partial review of investment criteria, and explicit notification of basic policy and due diligence criteria for investing in silent partnership equity interest or real estate-backed securities.

2. Essentials of the amendments to investment policy in line with the amendments to the Asset Management Guidelines (Underlined parts indicate change.)

(1) Portfolio Construction Policy - Diversified J-REIT focused primarily on the Tokyo metropolitan area

① Basic policy for portfolio construction

(Omitted)

- b. Property type - Diversified investment based on offices, retail facilities, residential properties, hotels and logistic facilities

Tosei Reit is a diversified J-REIT mainly setting office, retail facilities, residential properties, hotels and logistic facilities as basic investment targets. The maximum ratio

(based on the acquisition price) of each property type in the entire portfolio is set as 80% for offices and retail facilities combined, 50% for residential properties and 20% (Note 1) for hotels and logistics facilities combined, allowing investment up to the said percentages (Note 2). Tosei Reit has not set expected ratios, etc. among those property types. The reasons for Tosei Reit to enable flexible management by refraining from any restrictions other than the maximum ratio of each property type are that a) since ample opportunities to consider investments exist for any type of major marketable real estate properties, we believe there is little need for setting guidelines such as expected ratios, etc. among those property types considering real estate market volume for each type or difference of stock and such, b) while some real estate has a single use, others have multiple uses (many properties even have one floor used as office, shop, residence, etc.) and Tosei Reit has set a policy to proactively invest in such mixed-use real estate as well, and c) since Tosei Corporation, as a comprehensive real estate company, has been proactively engaged in all of these property types in the real estate revitalization business, real estate rental business, real estate development business, etc., Tosei Reit seeks to fully benefit from receiving sourcing support from Tosei Corporation.

Furthermore, from the standpoint of risk diversification, Tosei Reit will not, except for hotel and logistic facilities, make property acquisition that would result in excessive dependence on a specified tenant, in principle. Particularly with a property with a single tenant leasing the entire building (“Single Tenant Property” while the tenant in the Single Tenant Property is referred to as “Single Tenant”), Tosei Reit will carefully decide whether to invest, assessing factors such as the risk of departure and tenant’s credit worthiness.

(Note 1) Maximum of 10% for hotels alone.

(Note 2) In the case of mixed-use properties that combine two or more different property types, the type of use that accounts for the largest proportion of dedicated floor space shall be deemed to be the property type.

c. Size – Investment in major marketable real estate properties

Tosei Reit has set a basic policy of securing ample opportunities to consider investments by focusing on investing in major marketable real estate, and will make investments targeting properties priced up to 5 billion yen (based on acquisition price) (investment amount per property) in principle. Specifically, Tosei Reit has set a policy to invest primarily in offices, retail facilities, residential properties, hotels and logistics facilities such as below (Note). Tosei Reit believes that setting investment amount per property as above and making investments in a number of properties will lead to diversification of risks of the entire portfolio, including rapid decline in occupancy rates, and contribute to curb income fluctuation risk, and thus are significant from the standpoint of stabilizing Tosei Reit’s cash flows as well.

- Offices: Small- and medium-sized offices
- Retail facilities: Small commercial area urban-type retail facilities comprised of small- and medium-sized shops providing consumers with day-to-day services
- Residential properties: Small- and medium-sized rental residential properties targeting middle-income group
- Hotels: Small- and medium-sized hotels mainly for single-person use
- Logistics facilities: Small- and medium-sized logistics facilities

(Note) Of buildings with mixed use of offices, retail facilities, residential properties, hotels and logistics facilities, those categorized as major marketable real estate properties are included. The same applies hereinafter.

② Investment in silent partnership equity interest or real estate-backed securities

Tosei Reit is to consider primarily the following criteria when investing in real estate silent partnership equity interest or real estate-backed securities.

- The total investment amount in real estate silent partnership equity interest or real estate-backed securities (Note 1) after the investment shall be 10% or less of the total amount of assets (Note 2) of Tosei Reit.
- Real estate, etc. that are subject to management for real estate silent partnership equity interest or real estate-backed securities shall be in line with Tosei Reit’s investment policy and matches the investment target in essential points.

(Note 1) “Investment amount in real estate silent partnership equity interest or real estate-backed securities” refers to the acquisition price of real estate silent partnership equity interest or real estate-backed securities. However, it refers to the investment amount when investment is made by Tosei Reit itself.

(Note 2) “Total amount of assets” refers to the total amount of assets owned by Tosei Reit as of the relevant time, which is the period-end total assets amount for the immediately preceding calculation period plus/minus amounts of asset acquisition/transfer taking place during the calculation period thereafter. The same applies hereinafter.

(2) Investment criteria

① Property selection criteria

Upon acquiring assets for management, Tosei Reit will consider the following criteria, in principle. That said, however, it may acquire a property which does not partially meet the criteria, based on comprehensive judgment taking into account the property’s competitiveness, profitability, etc. Hotels will be selected based on individual assessment regarding the size, facilities/specifications, occupancy rate, ADR and RevPAR as well as tenant, in addition to the following criteria.

Location	Investment decision will be made after making regional analysis and individual analysis in accordance with specific features of each location, property type and
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	size, and then comprehensively considering the results.	
Building size	Properties that satisfy the following criteria, in principle, will be eligible.	
	Offices	Total floor area 1,000 m ² or more
	Retail facilities	Total floor area 1,000 m ² or more
	Residential properties	Exclusive area Mostly over 20 m ² exclusive area per unit
	<u>Hotels</u>	<u>Total floor area</u> <u>1,000 m² or more</u>
	<u>Logistics facilities</u>	<u>Total floor area</u> <u>1,000 m² or more</u>
Facilities/ specifications	Concerning the following items, etc., properties with a regional standard level or a higher level, or properties that can be improved to the standard or higher-than-standard level are eligible.	
	Offices	<ul style="list-style-type: none"> i. Floor height, ceiling height ii. Rental room specifications, floor division iii. Floor specifications, floor load iv. OA compatibility v. Air-conditioning system vi. Electric capacity, power source vii. Security measures viii. Disaster-prevention measures ix. Common facilities (kitchenette, toilet, elevator, parking, etc.)
	Retail facilities	<ul style="list-style-type: none"> i. Floor height, ceiling height ii. Floor plan iii. Versatility/ convertibility with regard to change in use of each rental room iv. Infrastructure (electricity, gas, water) v. Air-conditioning system vi. Security measures vii. Disaster-prevention measures viii. Common facilities (kitchenette, toilet, elevator, parking, etc.)
	Residential properties	<ul style="list-style-type: none"> i. Floor plan ii. Ceiling height iii. Bathroom, toilet iv. Kitchen v. Air-conditioning equipment vi. Broadcast reception equipment vii. Security measures viii. Common facilities (elevator, hallway, parking, bicycle parking, garbage collection space, etc.)
	Hotels	<ul style="list-style-type: none"> i. Floor plan ii. Ceiling height iii. Bathroom, toilet iv. Kitchen v. Air-conditioning equipment vi. Broadcast reception equipment vii. Security measures viii. Common facilities (elevator, hallway, parking, bicycle parking, garbage collection space, etc.) ix. Front desk
	<u>Logistics</u>	i. <u>Storage by type (dry, freezer/refrigerator, constant</u>

	<u>facilities</u>	<u>temperature, etc.)</u> ii. <u>Floor load</u> iii. <u>Ceiling height, interval between pillars</u> iv. <u>Truck berth type (High-floor type/low-floor type, etc.)</u> v. <u>Specifications of elevators, vertical conveyors</u> vi. <u>Common facilities (elevator, hallway, parking, bicycle parking, etc.)</u>
	Others	To have facilities/specifications suitable for carrying out respective operations
(Omitted)		
Tenant	Investment decisions are made after comprehensively <u>taking into account</u> such factors as tenant's attribute (including investigation to confirm that it does not fall under anti-social forces), creditworthiness, business type, purpose of use and terms of lease agreement as well as possibility of tenant replacement. Furthermore, <u>except for hotel and logistic facilities</u> , Tosei Reit will invest in buildings having lease agreements concluded with multiple tenants (the "Multiple Tenant Property"), in principle. However, Tosei Reit may invest in the Single Tenant Property after assessing the risk of departure and tenant's credit worthiness. As to hotels, when entirely leasing a portion used as a hotel to an operator, decisions will be made after analyzing the operator's credit worthiness and ability to operate a hotel. <u>As to logistics facilities, decisions will be made after fully considering lessee's business category, trends of the business category, etc.</u>	

② Investment amount

Upon considering assets for management, Tosei Reit will make diversified investment based on the investment amount for each property type described below, while paying attention to a. and d. described below.

(Omitted)

d. Quality of tenant, content of each lease agreement

Minimum investment amount	
Property type	Investment amount
Offices	800 million yen or more per property
Retail facilities	500 million yen or more per property
Residential properties	300 million yen or more per property
Hotels	1 billion yen or more per property
<u>Logistics facilities</u>	<u>1 billion yen or more per property</u>

However, even if the price of an asset for management does not reach the above minimum investment amount criteria, real estate, etc. with a lower acquisition price than the minimum investment amount criteria may be included when several properties are acquired in a lump sum. Alternatively, if the real estate, etc. are highly related to properties Tosei Reit has invested in, investment in such properties will be allowed.

Maximum investment amount	
Property type	Investment amount
Offices	5 billion yen or less per property of any type, in principle
Retail facilities	
Residential properties	
Hotels	
<u>Logistics facilities</u>	

Regardless of the aforementioned maximum/minimum investment amount criteria, Tosei Reit will make investments after judging the property to be desirable from the standpoint of securing stable revenue over the medium to long term and discussing its impact on the entire portfolio (the impact of incorporation of the property on the composition of investment ratios of each property type and on cash flows of the entire investment corporation).

(3) Due diligence criteria

Upon acquiring assets for management, Tosei Reit will discuss the appropriateness of the asset as an investment target focusing on existence of factors, etc. that may hinder stability/growth potential of cash flows, by sufficiently carrying out economic investigation, physical investigation, legal investigation and investment scheme investigation based on the assessment items and matters of investigation listed in the table below. However, importance of each of the matters of investigation in the table below may vary according to type/individual features of real estate, etc. backing the investment target real estate and other assets for investment, and thus items judged to be unimportant may be excluded from investigation.

When the asset for management to be acquired falls under (a) Real estate, etc. f. Silent partnership equity interest or (b) Real estate-backed securities described in “(2) Investment Target ① Asset types to be invested,” Tosei Reit will discuss the appropriateness of the asset as an investment target after having a statutory certified public accountant or auditing firm carry out investigations on the price of the asset based on the assessment items and matters of investigation listed in the table below and verifying the qualification and adequacy, as well as taking into account documents, etc. submitted by the operator pertaining to the silent partnership agreement for the silent partnership equity interest or by the asset manager, etc.

Furthermore, Tosei Reit will request a third-party specialized institution to conduct an additional investigation with regard to structural calculation sheets in addition to the following due diligence process, and will review architectural drawings, structural drawings, structural calculation sheets, etc. of all of assets for management for which such investigation is required by law to verify whether they comply with the Building Standards Act.

	Assessment items	Matters of investigation
Economic investigation	Appropriateness of the acquisition price	Verification of qualification/adequacy of real estate appraisal (Note) Comparative verification of valuation by the Asset Management Company and real estate appraisal report
	Tenant investigation	Tenant's credibility status (including investigation to confirm that it does not fall under anti-social forces), rent payment status, etc. Circumstances regarding risk of departure, etc. Verification of appropriateness of the lease agreement with the tenant In case of hotels, when entirely leasing a portion used as a hotel to an operator, verification of the operator's credit worthiness and ability to operate a hotel
(Omitted)		
<u>Investment scheme investigation</u>	<u>Management ability</u>	<u>Ability to carry out responsibilities as an asset manager</u> <u>Ability to carry out other responsibilities as a scheme player</u>
	<u>Stability</u>	<u>Stability of the investment scheme (bankruptcy remoteness, financial and accounting aspects)</u> <u>Terms and conditions of loans, leverage level, and other fund procurement conditions</u>
	<u>Rights/obligations</u>	<u>Existence/content of preferential negotiating rights for backing real estate, etc.</u> <u>Existence/content of obligations of investors</u>

(Note) "Real estate appraisal" refers to act of assessing the economic value of land or a building, or rights other than ownership rights pertaining to these based on particulars to be heeded upon real estate appraisal set forth in the Investment Trusts Act, the Act on Real Estate Appraisal (Act No. 152 of 1963; as amended) and real estate appraisal standards, and indicating the results in monetary value. The same applies hereinafter.

Upon transferring assets under management, Tosei Reit will have a real estate appraiser carry out real estate appraisal (including real estate appraisal of the asset under management prior to the transfer, if such is conducted) of the asset under management pursuant to laws and regulations, and after verifying the qualification and adequacy of the appraisal, will discuss the appropriateness, etc. of the transfer price of the asset under management taking into account the contents of the real estate appraisal report. In case the asset under management to be transferred falls under (a) Real estate, etc. f. Silent partnership equity interest or (b) Real estate-backed securities described in "(2) Investment Target ①Asset types to be invested," Tosei Reit will have a statutory certified public accountant or auditing firm carry out investigation on the price, etc. (including real estate appraisal of the asset under management prior to the transfer, if such is conducted) of the asset under management pursuant to laws and regulations, and after verifying the qualification and adequacy of the investigation, will discuss the appropriateness, etc. of the transfer price of the asset under management, also taking into account documents, etc. submitted by the

operator pertaining to the silent partnership agreement for the silent partnership equity interest or by the investment management operator (asset manager, etc.), etc.

(Omitted)

(4) Basic policy for financial management

(Omitted)

① Equity financing

(Omitted)

b. Tosei Reit may discuss, from a viewpoint of enhancing unitholder value over the medium to long term, acquisition and cancellation of treasury investment units if necessary, taking into account the level of investment unit price, status of cash on hand, trends of financial markets, financial conditions, etc. When conducting equity financing, Tosei Reit shall also give sufficient consideration to the scale, impact on the market trends, etc.

3. Effective date of the amendments

July 20, 2018

4. Other

An extraordinary securities report has been submitted today to the Director-General of the Kanto Local Finance Bureau in accordance with the Financial Instruments and Exchange Act, etc.

* This material has been distributed separately to the Kabuto Club (the press club of the Tokyo Stock Exchange); the Ministry of Land, Infrastructure, Transport and Tourism Press Club; and the Ministry of Land, Infrastructure, Transport and Tourism Press Club for construction publications.

* Tosei Reit Investment Corporation website: <http://www.tosei-reit.co.jp/en/>