

October 11, 2018

For Translation Purpose Only

Real Estate Investment Trust Securities Issuer
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Notice Concerning Revisions to Forecasts for Operating Results and Cash Distribution for the Fiscal Period Ending April 30, 2019 (9th Period) and Forecasts for Operating Results and Cash Distribution for the Fiscal Period Ending October 31, 2019(10th Period)

Tosei Reit Investment Corporation (“Tosei Reit”) announces that it has revised the operating results and cash distribution forecasts for the fiscal period ending April 30, 2019 (9th Period: November 1, 2018 to April 30, 2019) announced on June 15, 2018 in “(REIT) Financial Report for the Fiscal Period Ended April 30, 2018,” as described in 1. below. Tosei Reit also announces forecasts for the operating results and cash distribution forecasts for the fiscal period ending October 31, 2019 (10th Period: May 1, 2019 to October 31, 2019), as described in 2. below.

There is no change to the operating results and cash distribution forecasts for the fiscal period ending October 31, 2018 (8th Period: May 1, 2018 to October 31, 2018) announced on June 15, 2018.

1. Revisions to operating results and cash distribution forecasts for the fiscal period ending April 30, 2019 (9th 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) (Note 4)	Cash distribution in excess of earnings per unit (JPY) (Note 5)	Cash distribution per unit (including cash distribution in excess of earnings) (JPY)
Previous forecast (A)	1,983	943	765	764	3,263	0	3,263
Revised forecast (B)	2,656	1,437	1,213	1,170	3,850	0	3,850
Variation (B-A)	673	494	448	406	587	0	587
Rate of variation	33.9%	52.4%	58.6%	53.1%	18.0%	—	18.0%

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(Reference) Actual of previous fiscal period (7th Period)	2,002	1,001	828	828	3,532	0	3,532
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Number of investment units issued and outstanding at the end of the fiscal period in the previous forecast: 234,400 units

Number of investment units issued and outstanding at the end of the fiscal period in the revised forecast: 283,015 units

For further details, please refer to the “Number of investment units issued and outstanding” column in the attachment “Assumptions for Forecasts for the Fiscal Period Ending April 30, 2019 (9th Period) and October 31, 2019 (10th Period).”

(Note 1) The forecasts indicated above are the current figures calculated under the assumptions described in the Attachment “Assumptions for Forecasts for the Fiscal Periods Ending April 30, 2019 (9th Period) and October 31, 2019 (10th Period).” The actual operating revenue, operating income, ordinary income, net income, cash distribution per unit (not including cash distribution in excess of earnings) and cash distribution in excess of earnings per unit may be subject to change due to variances in the assumptions arising from changes in operational environment such as additional acquisition/disposition of real estate, etc., changes in rental income associated with changes in tenants or other causes and unexpected occurrences of repair, etc., fluctuations in interest rates and changes in other conditions surrounding Tosei Reit, etc. in the future. In addition, Tosei Reit does not guarantee any actual cash distribution amount by announcing the forecast figures.

(Note 2) The forecasts may be subject to revision when a disparity beyond a certain degree is expected between the above forecasts and actual figures.

(Note 3) Unless otherwise specified, amounts are rounded down to the nearest specified unit and ratios are rounded to the first decimal place.

(Note 4) With the transfer of MarLand Five (hereinafter the “Asset to be transferred”) announced in the press release “Notice Concerning Asset Transfer” dated September 28, 2018, accrual of capital gain in the fiscal period ending April 30, 2019 (9th Period) is expected. The capital gain is scheduled to be utilized for implementing return to unitholders by using it for cash distribution from the fiscal period ending April 30, 2019 (November 1, 2018 to April 30, 2019) onward.

Based on the above, JPY 79 million out of JPY 1,170 million of net income is expected to be internally reserved in the fiscal period ending April 30, 2019 (9th Period) on the premise of fulfilling conduit requirements in taxation laws. In addition, accrual of JPY 41 million of taxation expenses for income taxes due to the concerned internal reserve is expected. Furthermore, the actual amount of internal reserve and taxation expenses for income taxes due to the concerned internal reserve may be subject to change.

(Note 5) Cash distribution in excess of earnings per unit is divided into distribution of reserve for temporary difference adjustments and distribution other than reserve for temporary difference adjustments (“return of contribution”). No cash distribution in excess of earnings per unit (reserve for temporary difference adjustments) is expected for the fiscal period ending April 30, 2019 as the calculation is made under assumption that there is no fluctuation to the fair value of interest rate swaps as indicated in “cash distribution in excess of earnings (reserve for temporary difference adjustments)” in the attachment that “Assumptions for Forecasts for the Fiscal Periods Ending April 30, 2019 (9th Period) and October 31, 2019 (10th Period).”

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2. Operating results and cash distribution forecasts for the fiscal period ending October 31, 2019 (10th 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) (Note 3)	Cash distribution in excess of earnings per unit (JPY) (Note 4)	Cash distribution per unit (including cash distribution in excess of earnings) (JPY)
Current forecast	2,383	1,173	947	946	3,430	0	3,430

Fiscal period ending October 31, 2019 (10th Period)

Forecast number of investment units issued and outstanding at the end of the fiscal period: 283,015 units

(Note 1) The forecasts indicated above are the current figures calculated under the assumptions described in the Attachment “Assumptions for Forecasts for the Fiscal Periods Ending April 30, 2019 (9th Period) and October 31, 2019 (10th Period).” The actual operating revenue, operating income, ordinary income, net income, cash distribution per unit (not including cash distribution in excess of earnings) and cash distribution in excess of earnings per unit may be subject to change due to variances in the assumptions arising from changes in operational environment such as additional acquisition/disposition of real estate, etc., changes in rental income associated with changes in tenants or other causes and unexpected occurrences of repair, etc., fluctuations in interest rates and changes in other conditions surrounding Tosei Reit, etc. in the future. In addition, Tosei Reit does not guarantee any actual cash distribution amount by announcing the forecast figures.

(Note 2) The forecasts may be subject to revision when a disparity beyond a certain degree is expected between the above forecasts and actual figures.

(Note 3) Tosei Reit plans reversal of JPY 26 million from JPY 79 million of internal reserve indicated above to pay cash distribution for the fiscal period ending October 31, 2019 (10th Period), and the forecast based on this assumption is indicated.

(Note 4) Cash distribution in excess of earnings per unit is divided into distribution of reserve for temporary difference adjustments and distribution other than reserve for temporary difference adjustments (“return of contribution”). No cash distribution in excess of earnings per unit (reserve for temporary difference adjustments) is expected for the fiscal period ending October 31, 2019 as the calculation is made under assumption that there is no fluctuation to the fair value of interest rate swaps as indicated in in “cash distribution in excess of earnings (reserve for temporary difference adjustments)” in the attachment “Assumptions for Forecasts for the Fiscal Periods Ending April 30, 2019 (9th Period) and October 31, 2019 (10th Period)

3. Reason for revisions and announcement

Concerning the operating results and cash distribution forecasts for the fiscal period ending April 30, 2019 (9th Period) described in “(REIT) Financial Report for the Fiscal Period Ended April 30, 2018” announced on June 15, 2018, assumptions for calculation have been changed due to the resolution of issuance of new investment units and acquisition of assets, etc. announced on September 28, 2018 in “Notice Concerning Asset Transfer” and announced today in “Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units” and “Notice Concerning Acquisition of Real Estate Trust Beneficiary Rights and Leases (Total of 6 Properties).” As a result, increase of 10% or more in operating revenue, 30% or more in ordinary income, 30% or more in net income, and

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5% or more in cash distribution per unit is expected, and thus revisions to the operating results and cash distribution forecasts and announcement of operating results and cash distribution forecasts for the fiscal period ending October 31, 2019 (10th Period) were made.

- * This material is distributed to the press club of the Tokyo Stock Exchange (Kabuto Club), the press club of the Ministry of Land, Infrastructure, Transport and Tourism, and the press club for construction trade publications of the Ministry of Land, Infrastructure, Transport and Tourism.
- * Tosei Reit Investment Corporation website: <http://www.tosei-reit.co.jp/en/>

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【Attachment】

Assumptions for Forecasts for the Fiscal Periods Ending April 30, 2019 (9th Period)
and October 31, 2019 (10th Period)

Item	Assumptions																																
Calculation Period	<ul style="list-style-type: none"> • Fiscal period ending April 30, 2019 (9th Period): November 1, 2018 – April 30, 2019 (181 days) • Fiscal period ending October 31, 2019 (10th Period): May 1, 2019 – October 31, 2019 (184 days) 																																
Assets under Management	<ul style="list-style-type: none"> • It is assumed that trust beneficiary interests in real estate to be newly acquired (6 properties in total; the “Properties to be Acquired”) after the issuance of new investment units, which was resolved at the Board of Directors meeting held on October 11, 2018, are acquired on November 2, 2018, and trust beneficiary interests in real estate to be transferred (1 residential property) is transferred on November 15, 2018. It is also assumed that, except for the above property acquisition and transfer of a property, there will be no change (new property acquisitions, sales of existing properties, etc.) to the trust beneficiary interests in real estate owned by Tosei Reit (36 properties in total; the “Assets under Management”) through the end of the fiscal period ending October 31, 2019 (10th Period). • In practice, this may vary due to acquisition of new properties or transfer of properties held, etc. other than the above property acquisition and transfer of a property. 																																
Operating Revenue	<ul style="list-style-type: none"> • Rental revenues from the Assets under Management are calculated taking into account lease agreements that are effective as of today, the tenant trends, market trends, etc. Rental revenues from the Properties to be Acquired are calculated taking into account the information obtained from the present owners and such of the Properties to be Acquired. • For rental revenues, it is assumed that no rent payments will be behind or declined by tenants. • The transfer of the Asset to be transferred is expected to be completed on November 15, 2018 and JPY 284 million of capital gain from transfer of real estate, etc. due to the concerned transfer will be recorded in the fiscal period ending April 30, 2019 (9th Period). 																																
Operating Expenses	<ul style="list-style-type: none"> • The following are the major items of operating expenses. <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: center; width: 20%;">For the fiscal period Ending Apr,30 2019</th> <th style="text-align: center; width: 20%;">For the fiscal period Ending Oct,31 2019</th> </tr> </thead> <tbody> <tr> <td>Expenses related to rent business (Including Depreciation)</td> <td style="text-align: right;">997 million yen</td> <td style="text-align: right;">995 million yen</td> </tr> <tr> <td>Management fee</td> <td style="text-align: right;">225 million yen</td> <td style="text-align: right;">220 million yen</td> </tr> <tr> <td>(Operational management costs</td> <td style="text-align: right;">168 million yen</td> <td style="text-align: right;">168 million yen)</td> </tr> <tr> <td>(Property management costs</td> <td style="text-align: right;">57 million yen</td> <td style="text-align: right;">52 million yen)</td> </tr> <tr> <td>Repair expenses</td> <td style="text-align: right;">61 million yen</td> <td style="text-align: right;">53 million yen</td> </tr> <tr> <td>Property taxes</td> <td style="text-align: right;">173 million yen</td> <td style="text-align: right;">177 million yen</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">280 million yen</td> <td style="text-align: right;">279 million yen</td> </tr> <tr> <td>Expenses other than expenses related to rent business</td> <td style="text-align: right;">220 million yen</td> <td style="text-align: right;">214 million yen</td> </tr> <tr> <td>Asset management fee</td> <td style="text-align: right;">146 million yen</td> <td style="text-align: right;">145 million yen</td> </tr> </tbody> </table> <ul style="list-style-type: none"> • For the expenditure for repair and maintenance of buildings, the amount expected to be required in the fiscal period has been assumed as costs based on the amount planned by Tosei Asset Advisors Inc. (the “Asset Management Company”), the asset management company of Tosei Reit, after considering the amount stated in the engineering report. However, the expenditure for repair and maintenance for the fiscal period could differ significantly from the estimated amount, as expenditures may arise urgently due to damages to buildings and such caused by unexpected factors, and because the variance in amounts generally tends to be significant from year to year and repair maintenance expenses do not arise regularly. 				For the fiscal period Ending Apr,30 2019	For the fiscal period Ending Oct,31 2019	Expenses related to rent business (Including Depreciation)	997 million yen	995 million yen	Management fee	225 million yen	220 million yen	(Operational management costs	168 million yen	168 million yen)	(Property management costs	57 million yen	52 million yen)	Repair expenses	61 million yen	53 million yen	Property taxes	173 million yen	177 million yen	Depreciation	280 million yen	279 million yen	Expenses other than expenses related to rent business	220 million yen	214 million yen	Asset management fee	146 million yen	145 million yen
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	<ul style="list-style-type: none"> 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 property taxes, city planning taxes and other public charges based on the number of days of ownership to the current owner and settle them at the time of acquisition. However, the settled amount is included in the acquisition cost and is not recorded as expenses. The total amount of fixed property taxes, city planning taxes and other public charges to be included in the acquisition cost of the to-be-acquired assets which will be recorded in the fiscal period ending April 30, 2019 are assumed to be JPY 10 million (equivalent to that for 60 days).
NOI	<ul style="list-style-type: none"> NOI for the entire portfolio is assumed to be JPY 1,938 million and JPY 1,666 million at the end of the fiscal period ending April 30, 2019 and at the end of the fiscal period ending October 31, 2019, respectively. Out of the above, NOI for the Properties to be Acquired is assumed to be JPY304 million and JPY 306 million for the fiscal period ending April 30, 2019 and for the fiscal period ending October 31, 2019, respectively. NOI is calculated by using the following calculation method. NOI= Property-related operating revenue – Property-related operating expenses+ Depreciation
Non-operating Expenses	<ul style="list-style-type: none"> The expenses for the issuance of new investment units related to the issuance of new investment units resolved at the Board of Directors meetings held on October 11, 2018, are scheduled to be amortized over 36 months using the straight-line method. The expenses for the issuance of new investment units are assumed to be JPY 11 million for the fiscal period ending April 30, 2019 and JPY 11 million for the fiscal period ending October 31, 2019. Interest expenses and borrowing related expenses are assumed to be JPY 212 million and JPY 214 million for the fiscal period ending April 30, 2019 and for the fiscal period ending October 31 2019, respectively. JPY 67 million among the borrowing-related expenses for the fiscal period ending April 30,2019 and JPY 66 million among the borrowing-related expenses for the fiscal period ending October 31, 2019 are assumed to be the amounts to be amortized in accordance with the borrowing period.
Debt Financing	<ul style="list-style-type: none"> Debt outstanding as of today is JPY 24,000 million, and additional new borrowings of JPY 6,000 million is assumed. The actual loan amount of the new borrowings will be finalized through the loan agreement which is scheduled to be concluded after the paid-in amount of the public offering (the public offering indicated in the press release “Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units” separately announced today) is determined. The loan amount may be changed depending on the amount of proceeds from the public offering. A portion of the proceeds from the transfer of the Asset to be transferred, JPY 800 million, will be used for repayment of an existing loan. It is also assumed that there will be no changes, other than the above, in debt outstanding through the end of the fiscal period ending October 31, 2019 (10th Period). LTV as of the end of the fiscal period ending April 30, 2019 (9th Period) is assumed to be 46.9% and as of the end of fiscal period ending October 31, 2019 (10th Period) 46.9%. LTV is calculated by using the following calculation method. LTV = Total interest-bearing debt/Total assets x 100
Number of Investment Units Issued and Outstanding	<ul style="list-style-type: none"> It is assumed that, in addition to 234,400 investment units issued and outstanding as of today, all of the investment units scheduled to be newly issued will be issued through the issuance of new investment units (46,300 units to be purchased by underwriters) and the issuance of new investment units through the third-party allotment by way of over-allotment (maximum of 2,315 units) as was resolved at the Board of Directors meeting held on October 11, 2018. It is assumed that, except for the above, there will be no changes in the number of investment units due to additional issuance of new investment units and such through the end of the fiscal period ending October 31, 2019 (10th Period). Cash distribution per unit is calculated using the forecast number of investment units

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	<p>issued and outstanding at the end of the fiscal period ending April 30, 2019 and the end of the fiscal period ending October 31, 2019 (283,015 units) including 48,615 units scheduled to be newly issued as stated above.</p>
<p>Cash Distribution per Unit (not including cash distribution in excess of earnings)</p>	<ul style="list-style-type: none"> • Cash distribution per unit (not including cash distribution in excess of earnings) is calculated on the assumption described in the monetary cash distribution policy stipulated in Tosei Reit's Articles of Incorporation. • Based on the forecast that capital gain from transfer of real estate, etc. will be recorded due to the transfer of Asset to be transferred as indicated in the Operating Revenue column above, JPY 79 million out of JPY 1,170 million of net income is expected to be internally reserved in the fiscal period ending April 30, 2019 (9th Period) on the premise of fulfilling conduit requirements in taxation laws. In addition, accrual of JPY 41 million of taxation expenses for income taxes due to the concerned internal reserve is expected. Furthermore, the actual amount of internal reserve and taxation expenses for income taxes due to the concerned internal reserve may be subject to change. • As for the JPY 79 million yen of internal reserve indicated above, Tosei Reit plans its reversal and utilization for cash distribution from the fiscal period ending October 31, 2019 (10th Period) onwards and assume the reversal of JPY 26 million to pay cash distribution for the fiscal period ending October 31, 2019 (10th Period). • For the fiscal periods ending April 30, 2019 and October 31, 2019, the calculation is made under assumption that there is no fluctuation to the fair value of interest rate swaps. • It is possible that the cash distribution per unit 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.
<p>Cash Distribution in Excess of Earnings per Unit (out of which, reserve for temporary adjustments)</p>	<ul style="list-style-type: none"> • It is assumed that, out of cash distribution in excess of earnings defined in Article 136, Paragraph 1 of the Act on Investment Trusts and Investment Corporations (Act No.198 of 1951, as amended, hereinafter referred to as 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. • No cash distribution in excess of earnings (reserve for temporary difference adjustments) is expected for the fiscal periods ending April 30, 2019 and October 31, 2019 as the calculation is made under assumption that there is no fluctuation to the fair value of interest rate swaps.
<p>Cash Distribution in Excess of Earnings per Unit (out of which, distribution reducing unitholders' capital for tax purpose)</p>	<ul style="list-style-type: none"> • 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.
<p>Other</p>	<ul style="list-style-type: none"> • Forecasts are based on the assumption that revisions will not be made to laws and regulations, tax systems, accounting standards, listing rules, rules of the Investment Trusts Association, Japan that impact forecast figures. • 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.

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