

Real Estate Investment Trust Securities Issuer
Tosei Reit Investment Corporation
4-2-3 Toranomon, Minato-ku, Tokyo
Representative: Takayoshi Kitajima, Executive Director
(Securities Code: 3451)

Asset Management Company
Tosei Asset Advisors, Inc.
Representative: Akihiko Fujinaga, President & Representative
Director Inquiries: Keiji Miyaishi
General Manager, Treasury & Planning Department, REIT Division
(TEL: +81-3-3433-6320)

Notice Concerning Asset Transfer

Tosei Asset Advisors, Inc. (hereinafter “Tosei Asset Advisors”), to which Tosei Reit Investment Corporation (hereinafter “Tosei Reit”) entrusts its asset management operations, announces that it decided today on the transfer of asset of a residential property (hereinafter the “Asset to be transferred”) as described below.

1. Overview of the Transfer

Type	Property no.	Name of property	Location	Planned transfer price (JPY million) (Note 1)	Book Value (JPY million) (Note 2)	Difference between planned transfer price and book value (JPY million) (Note 3)
Residential property	Rd-06	MarLand Five	Fujimi-shi, Saitama	1,150	813	336

- (1) Conclusion date of transfer agreement : September 28, 2018
(2) Planned transfer date : November 15, 2018
(3) Buyer : A domestic corporation (Note 4)
(4) Settlement method : Scheduled to receive 117,336 thousand yen as deposit upon conclusion of sale and purchase contract and 1,056,024 thousand yen as the remaining amount upon delivery.
(5) Use of Proceeds from Transfer : Part of the proceeds from the Transfer will be used for repayment of existing loans.

(Note 1) “Planned transfer price” represents the transaction price before taxes, not deducting various expenses (such as real estate taxes) required for the transfer of the asset.

(Note 2) “Book Value” is the assumed book value on the planned delivery date after deducting the capital expenditure and depreciation (expected amount) until the planned delivery date from the book value as of April 30, 2018. The same applies hereinafter.

(Note 3) “Difference between planned transfer price and book value” is the reference value calculated by deducting the assumed book value from the planned transfer price, and differs from the actual gain or loss on transfer. The same applies hereinafter.

(Note 4) The name of the domestic corporation is not disclosed as no consent to disclosure of its name, etc. has been obtained from the said corporation.

2. Reason for the Transfer

Tosei Reit is making efforts to enhance the value of its assets through management, and as a result has seen a certain increase in the unrealized gain of its assets. Tosei Reit decided to sell the property at a price higher than the appraisal value in order to achieve part of such unrealized gain and return it to unitholders as well as for unitholders to recognize the value of its assets again. MarLandFive, the asset to be transferred, is a residential property that was acquired in November 2014 when Tosei Reit was listed. Tosei Reit decided to transfer MarLandFive as the current performance is considered to be roughly at the highest level based on the stability of property revenue and the property management costs assumed in the future and a price exceeding the appraisal value by 30% or more and the book value by 40% or more as of the end of the 7th Period (April 30, 2018) was offered by the buyer.

3. Details of the Asset to be Transferred

Asset Name		MarLandFive
Type of specified asset		Trust beneficiary right
Trustee		Mitsubishi UFJ Trust and Banking Corporation
Agreement Term		From July 31, 2014 to end of November 30, 2024
Location	Location (Note 1)	1-20-1 Nishimizuhodai, Fujimi-shi, Saitama
	Domicile	1-20-1 Nishimizuhodai, Fujimi-shi, Saitama
Area (Note 1)	Land	779.00 m ²
	Building	3,688.54 m ²
Type of Ownership		Property ownership for both land and building
Use of Building (Note 1)		Residential, Offices, Shops
Structure of Building (Note 1)		Steel framed reinforced concrete structure 1 floor below ground / 9 floors above ground
Construction Completion (Note 1)		April, 1990
Acquisition price		JPY 830 million
Planned transfer price		JPY 1,150 million
Book Value		JPY 813 million
Difference between planned transfer price and book value		JPY 336 million
Appraisal		
Appraiser		Japan Real Estate Institute
Appraisal Value		JPY 867 million
Survey Date		April 30, 2018
Lease status (as of August 31, 2018)		
Total number of tenants		36
Rent revenue (Note 2)		JPY 78 million
Lease and guarantee deposits		JPY 85 million
Total leased space		2,573.77 m ²
Total leasable space		2,722.13 m ²
Occupancy Rate		94.5%

(Note 1) Each piece of information in “Location,” “Area,” “Use of Building,” “Structure of Building” and “Construction Completion” is described based on the information indicated in the certificate of registered matters.

(Note 2) “Rent revenue” is the total actual value for the fiscal periods ended October 31, 2017 and April 30, 2018, rounded down to the nearest JPY million.

4. Overview of the Buyer

The buyer of the asset to be transferred is a domestic corporation, but its details are not disclosed as no consent for disclosure has been obtained from the buyer. As of today, the concerned buyer has no capital, personal or business relationship with Tosei Reit or Tosei Asset Advisors. The concerned buyer is not a related party of Tosei Reit or Tosei Asset Advisors, either.

5. Overview of Brokerage

(1) Overview of Brokerage

Broker ①

One of the brokers is a domestic financial institution, but its details including its name are not disclosed as no consent for disclosure has been obtained from the broker.

Broker ②

Name	Tosei Corporation
Location	4-2-3 Toranomom, Minato-ku, Tokyo
Name and title of representative	Seiichiro Yamaguchi President and CEO
Capital	JPY 6.5 billion
Established	February 2, 1950
Business description	Revitalization business, development business, rental business, fund and consulting business and property management business of real estate
Relationship with investment corporation or asset management company	
Capital relationship	As of today, Tosei Reit does not hold any shares in the concerned company. The concerned company holds 5.04% (Note) of the number of Tosei Reit investment units issued and outstanding as of today. In addition, being the parent company (100% stake) of the Asset Management Company, the concerned company falls under the category of interested person, etc. as provided in the Investment Trusts Act.
Personnel relationship	As of today, the concerned company is a company from which officers and employees other than the representative director and the auditor of the Asset Management Company are seconded.
Business relationship	The concerned company has executed a sponsor support memorandum with Tosei Reit and the Asset Management Company. In addition, the concerned company leases Tama Center and Musashi Fujisawa Tosei Building and a part of JPT Motomachi Building based on a fixed-rent master lease agreement.
Related-party status	The concerned company falls under the category of related party of Tosei Reit. In addition, as stated above, the concerned company falls under the category of interested person, etc. of the Asset Management Company as provided in the Investment Trusts Act.

(Note) The ratio of the number of owned investment units to the total number of issued investment units is rounded down to two decimal places.

(2) Breakdown and Amount of Brokerage Fee, etc.

The brokerage fee for Broker ① is not disclosed as consent for disclosure has not been obtained. 5.75 million yen (equivalent to 0.5% of planned transfer price) (excluding consumption tax and local consumption tax) will be paid to Broker ② as brokerage fee.

6. Transaction with Interested Persons, etc.

The said asset transfer does not fall under the category of a transaction with a related party under the Investment Trusts Act and a related-party transaction as provided in the Asset Management Company's related-party transaction rules.

The entrustment of brokerage services related to asset transfer to Tosei Corporation falls under the category of a transaction with a related party under the Investment Trusts Act and a related-party transaction as provided in the Asset Management Company's related-party transaction rules. Therefore, decision-making is implemented after going through the prescribed procedures in accordance with the internal rules of Tosei Reit and the Asset Management Company.

7. Schedule of the Transfer

Conclusion Date	September 28, 2018
Planned Delivery Date	November 15, 2018

8. Impact on Tosei Reit's Financial Standing in the event of a Failure of the Fulfillment of Forward Commitment, etc.

The sale and purchase contract falls under the category of forward commitment, etc. (referring to a postdated sales contract under which payment and delivery shall be made at least one month after the conclusion of the contract, or any other contract similar thereto) stipulated in "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators" of the Financial Services Agency.

In the sale and purchase contract, it is stipulated that, in case either party violates the contract, the contract can be cancelled only when the goal cannot be achieved upon making a demand to the breaching party to rectify the situation, and in case the sale and purchase contract is cancelled, payment of a penalty equivalent to 20% of the sale and purchase price can be requested to the breaching party (the said penalty will be paid as compensation and the opposite party cannot claim damages exceeding the amount of penalty).

Moreover, it is considered that the forward commitment is unlikely to have any direct significant negative impact on Tosei Reit's financial standing as the purpose of the forward commitment is to sell an asset held by Tosei Reit and no fund procurement will be required at Tosei Reit.

9. Future Outlook

As the asset is planned to be delivered on November 15, 2018, the Transfer will have no impact on the management status for the fiscal period ending October 2018 (May1, 2018 to October 31, 2018).

With the Transfer, accrual of capital gain and fluctuation of periodic income are assumed. The capital gain is scheduled to be used for raising the level of distribution per unit from the fiscal period ending April 30, 2019 (November 1, 2018 to April 30, 2019) onwards based on the policy of return to unitholders, and it is expected that there will be a proportionate impact on Tosei Reit's management status for the fiscal period ending April 30, 2019 (November 1, 2018 to April 30, 2019) onwards. We will promptly make an announcement as soon as the specific policies on the use of capital gain are determined and forecasts of management status for the fiscal period ending April 30, 2019 (November 1, 2018 to April 30, 2019) onwards are ready to be announced.

10. Overview of Appraisal Report

Item	Details	Description, etc.
Indicated value by income approach	867,000,000	Estimated by correlation of the indicated value by direct capitalization method with the indicated value by DCF method as both values are deemed to be of comparable standards.
Indicated value by direct capitalization method	874,000,000	Appraised as the net cash flow regarded as being stable in the medium to long term, discounted by the capitalization rate.
(1) Operating revenue ((a)-(b))	76,409,000	
(a) Gross potential income	81,084,000	Appraised based on the unit level of rent, etc. receivable in a stable manner over the medium to long term.
(b) Vacancy loss, etc.	4,675,000	Appraised based on stable occupancy rate level over the medium to long term.
(2) Operating expenses	19,802,000	
Maintenance and management fee	4,923,000	Appraised based on the scheduled maintenance and management fee and the level of maintenance and management fee of similar real estate.
Utilities expenses	1,440,000	Appraised based on the level of utilities expenses of similar real estate and actual income.
Repair expenses	3,217,000	Appraised by taking into consideration such factors as the annual average amount of medium- to long-term repair and renewal expenses in the engineering report.
Property management fee	2,225,000	Appraised based on the scheduled fee rate for property management services, and by verifying with the property management fee rate of similar real estate.
Tenant leasing cost, etc.	2,633,000	Appraised by taking into consideration the regional practices and the factors specific to the subject real estate.
Property taxes	5,142,000	Recorded based on such factors as the fiscal 2018 taxation statement.
Insurance premium	148,000	Appraised based on such factors as the estimate amount of insurance premium and the insurance premium rate of similar real estate.
Other expenses	74,000	There are no expenses otherwise to record as other expenses.
(3) Net operating income (NOI=(1)-(2))	56,607,000	
(4) Financial interests on deposits	809,000	Appraised financial interests at investment return of 2.0%.
(5) Capital expenditures	5,830,000	Appraised by taking into consideration such factors as the annual average amount of medium- to long-term repair and renewal expenses in the engineering report.
(6) Net cash flow (NCF=(3)+(4)-(5))	51,586,000	
(7) Capitalization rate	5.9%	Appraised by adding/subtracting the spread attributable to the location conditions, building conditions and other conditions of the subject real estate, and taking into account such factors as future uncertainties and the market capitalization rate for similar real estate.
Indicated value by DCF method	860,000,000	
Discount rate	5.7%	Appraised by reference to such factors as the investment capitalization rate of similar real estate, and comprehensively taking into account such factors as the factors specific to the subject real estate.
Terminal capitalization rate	6.1%	Appraised by reference to such factors as the market capitalization rate of similar real estate, and comprehensively taking into account such factors as future trends in the investment capitalization rate, risks of the subject real estate as an investment target, general projection of the future economic growth rate and trends in real estate prices and rent.
Indicated value by cost approach	559,000,000	
Ratio of land	74.7%	
Ratio of building	25.3%	
Matters considered in reconciliation of indicated values and determination of appraisal value		Deeming that the indicated value by income approach derived from the pricing process from earnings aspects is a credible value that more truly reflects the actual market state, the indicated value by income approach was employed with the indicated value by cost approach as reference.

*This material has been distributed 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/>
[Attachment]

Reference: Table of Portfolio Following the Transfer of MarLandFive

Property no.	Property name	Building age (years) (Note 1)	Location	Acquisition price (JPY million) (Note 2)	Investment ratio (%) (Note 3)	Acquisition date (Note 4)
O-01	Tama Center Tosei Building	29.1	Tama-shi, Tokyo	3,370	7.5	November 28, 2014
O-02	KM Shinjuku Building	27.0	Shinjuku-ku, Tokyo	2,057	4.6	November 28, 2014
O-03	Nihonbashi-Hamacho Building	27.8	Chuo-ku, Tokyo	1,830	4.1	November 28, 2014
O-04	Kannai Tosei Building II	34.5 (Note 5)	Yokohama-shi, Kanagawa	4,100	9.1	November 17, 2015
O-05	Nishi Kasai Tosei Building	24.6	Edogawa-ku, Tokyo	1,710	3.8	November 17, 2015
O-06	Shin Yokohama Center Building	27.7	Yokohama-shi, Kanagawa	1,364	3.0	November 17, 2015
O-07	Nishidai NC Building	26.4	Itabashi-ku, Tokyo	1,481	3.3	August 31, 2016
O-08	JPT Motomachi Building	26.8	Yokohama-shi, Kanagawa	2,377	5.3	November 2, 2016
O-09	Hakusan Asanomi Building	25.1	Bunkyo-ku, Tokyo	1,380	3.1	November 2, 2016
O-10	Chojamachi Duo Building	25.2	Yokohama-shi, Kanagawa	1,300	2.9	November 2, 2017
Subtotal				20,969	46.4	-
Rt-01	Inage Kaigan Building	25.8	Chiba-shi, Chiba	2,380	5.3	November 28, 2014
Rt-02	Musashi Fujisawa Tosei Building	21.1	Iruma-shi, Saitama	1,950	4.3	November 17, 2015
Rt-03	Selection Hatsutomi	15.2	Kamagaya-shi, Chiba	310	0.7	November 2, 2016
Rt-04	Wako Building	32.3	Chiba-shi, Chiba	1,400	3.1	November 2, 2017
Subtotal				6,040	13.4	-
Offices and retail facilities combined subtotal				27,009	59.8	-
Rd-01	T's garden Koenji	7.6	Suginami-ku, Tokyo	1,544	3.4	November 28, 2014
Rd-02	Live Akabane	29.5	Kita-ku, Tokyo	1,227	2.7	November 28, 2014
Rd-03	Gekkocho Apartment	10.4	Meguro-ku, Tokyo	1,000	2.2	November 28, 2014

Rd-04	T's garden Kawasakidaishi	9.6	Kawasaki-shi, Kanagawa	980	2.2	November 28, 2014
Rd-05	Abitato Kamata	27.2	Ota-ku, Tokyo	836	1.9	November 28, 2014
Rd-07	Avenir Shirotae	23.5	Yokohama-shi, Kanagawa	780	1.7	November 28, 2014
Rd-08	Dormitory Haramachida	26.1	Machida-shi, Tokyo	600	1.3	November 28, 2014
Rd-09	SEA SCAPE Chiba Minato	10.5	Chiba-shi, Chiba	2,800	6.2	November 17, 2015
Rd-10	Prime Garden	23.5	Kamagaya-shi, Chiba	600	1.3	November 2, 2016
Rd-11	T's garden Shinkoiwa	20.5	Katsushika-ku, Tokyo	670	1.5	November 2, 2016
Rd-12	Twin Avenue	26.5	Nerima-ku, Tokyo	1,880	4.2	November 2, 2017
Rd-13	Milestone Higashikurume	28.9	Higashikurume- shi, Tokyo	1,650	3.7	November 2, 2017
Rd-14	Lumiere No. 3	23.9	Kawaguchi-shi, Saitama	1,420	3.1	November 2, 2017
Rd-15	T's garden Nishifunabashi	27.5	Funabashi-shi, Chiba	860	1.9	November 2, 2017
Rd-16	Quest Yamatedai	29.5	Yokohama-shi, Kanagawa	710	1.6	November 2, 2017
Rd-17	Sancerre Yonohonmachi	27.8	Saitama-shi, Saitama	600	1.3	November 2, 2017
Subtotal				18,157	40.2	-
Total/average		24.9 (Note 5)	-	45,166	100.0	-

(Note 1) "Building age" is the number of years that has elapsed from the date of new construction in the real estate registry to August 31, 2018. In addition, that in the total/average column is the figure that is the weighted average based on acquisition price.

(Note 2) "Acquisition price" is the sale and purchase price stated in the real estate trust beneficiary right sale and purchase contract for the acquired asset. The sale and purchase price does not include consumption tax, local consumption tax and various expenses required for the acquisition.

(Note 3) "Investment ratio" is the ratio of acquisition price for the assets under management to the sum total amount of acquisition price.

(Note 4) "Acquisition date" is the acquisition date stated in the real estate trust beneficiary right sale and purchase contract for the asset under management.

(Note 5) 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.