

October 13, 2017

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, 2018 (7th Period) and Forecasts for Operating Results and Cash Distribution for the Fiscal Period Ending October 31, 2018(8th Period)

Tosei Reit Investment Corporation (“Tosei Reit”) announces that it has revised the operating results and cash distribution per unit forecasts for the fiscal period ending April 30, 2018 (7th Period: November 1, 2017 to April 30, 2018) announced on June 15, 2017 in “(REIT) Financial Report for the Fiscal Period Ended April 30, 2017,” as described in 1. below. Tosei Reit also announces forecasts for the operating results and cash distribution per unit forecasts for the fiscal period ending October 31, 2018 (8th Period: May 1, 2018 to October 31, 2018), as described in 2. below.

There is no change to the operating results and cash distribution per unit forecasts for the fiscal period ending October 31, 2017 (6th Period: May 1, 2017 to October 31, 2017) announced on June 15, 2017.

1. Revisions to operating results and cash distribution per unit forecasts for the fiscal period ending April 30, 2018 (7th 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)	Cash distribution per unit (including cash distribution in excess of earnings) (JPY)
Previous forecast (A)	1,560	722	587	586	3,202	0	3,202
Revised forecast (B)	1,944	970	802	801	3,419	0	3,419
Variation (B-A)	384	248	214	214	217	0	217
Rate of variation	24.6%	34.4%	36.5%	36.6%	6.8%	—	6.8%

Disclaimer: This document is an English translation of a press release for public announcement concerning revision to forecasts for operating results and cash distribution per unit for the fiscal period ending April 30, 2018 (7th Period) and forecasts for operating results and cash distribution per unit for the fiscal period ending October 31, 2018 (8th Period) by Tosei Reit Investment Corporation, and has not been prepared for the purpose of solicitation of investment. We caution investors to refer to Tosei Reit’s prospectus and notice of amendments thereto, if any, without fail and to undertake investment at their own decision and responsibility.

(Reference) Actual of previous fiscal period (5th Period)	1,616	791	658	657	3,592	0	3,592
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Number of investment units issued and outstanding at the end of the fiscal period in the previous forecast: 183,200 units

Number of investment units issued and outstanding at the end of the fiscal period in the revised forecast: 234,400 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, 2018 (7th Period) and October 31, 2018 (8th 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, 2018 (7th Period) and October 31, 2018 (8th 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) 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, 2018 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, 2018 (7th Period) and October 31, 2018 (8th Period).”

2. Operating results and cash distribution per unit forecasts for the fiscal period ending October 31, 2018 (8th 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)	Cash distribution per unit (including cash distribution in excess of earnings) (JPY)

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Current forecast	1,945	934	763	762	3,252	0	3,252
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Fiscal period ending October 31, 2018 (8th Period):

Forecast number of investment units issued and outstanding at the end of the fiscal period: 234,400 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, 2018 (7th Period) and October 31, 2018 (8th 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) 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, 2018 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 that “Assumptions for Forecasts for the Fiscal Periods Ending April 30, 2018 (7th Period) and October 31, 2018 (8th Period)

3. Reason for revisions and announcement

Concerning the operating results and cash distribution per unit forecasts for the fiscal period ending April 30, 2018(7th Period) described in “(REIT) Financial Report for the Fiscal Period Ended April 30, 2017” announced on June 15, 2017, assumptions for calculation have been changed due to the resolution of issuance of new investment units and acquisition of assets, etc. 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 8 Properties).” Thus revisions to the operating results and cash distribution per unit forecasts and announcement of operating results and cash distribution per unit forecasts for the fiscal period ending October 31, 2018 (8th 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, 2018 (7th Period)
and October 31, 2018 (8th Period)

Item	Assumptions																														
Calculation Period	<ul style="list-style-type: none"> • Fiscal period ending April 30, 2018 (7th Period): November 1, 2017 – April 30, 2018 (181 days) • Fiscal period ending October 31, 2018 (8th Period): May 1, 2018 – October 31, 2018 (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 (8 properties in total; the “Properties to be Acquired”) after the issuance of new investment units, which was resolved at the Board of Directors meetings held on October 13, 2017, are acquired in addition to the trust beneficiary interests in real estate owned by Tosei Reit as of today (23 properties in total; the “Assets under Management”) as well as that there will be no change (new property acquisitions, sales of existing properties, etc.) through the end of the fiscal period ending October 31, 2018 (8th Period) except for the acquisition of the Properties to be Acquired. • In practice, they may vary due to acquisition of new properties other than the Properties to be Acquired or sales of properties held, etc. 																														
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. 																														
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: right; width: 20%;">For the fiscal period Ending Apr.30 2018</th> <th style="text-align: right; width: 20%;">For the fiscal period Ending Oct.31 2018</th> </tr> </thead> <tbody> <tr> <td>Expenses related to rent business (Including Depreciation)</td> <td style="text-align: right;">811 million yen</td> <td style="text-align: right;">828 million yen</td> </tr> <tr> <td>Management fee</td> <td style="text-align: right;">179 million yen</td> <td style="text-align: right;">176 million yen</td> </tr> <tr> <td>(Operational management costs</td> <td style="text-align: right;">133 million yen</td> <td style="text-align: right;">134 million yen)</td> </tr> <tr> <td>(Property management costs</td> <td style="text-align: right;">45 million yen</td> <td style="text-align: right;">42 million yen)</td> </tr> <tr> <td>Repair expenses</td> <td style="text-align: right;">44 million yen</td> <td style="text-align: right;">41 million yen</td> </tr> <tr> <td>Property taxes</td> <td style="text-align: right;">141 million yen</td> <td style="text-align: right;">154 million yen</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">240 million yen</td> <td style="text-align: right;">240 million yen</td> </tr> <tr> <td>Expenses other than expenses related to rent business</td> <td style="text-align: right;">163 million yen</td> <td style="text-align: right;">183 million yen</td> </tr> <tr> <td>Asset management fee</td> <td style="text-align: right;">108 million yen</td> <td style="text-align: right;">117 million yen</td> </tr> </tbody> </table> • 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 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 		For the fiscal period Ending Apr.30 2018	For the fiscal period Ending Oct.31 2018	Expenses related to rent business (Including Depreciation)	811 million yen	828 million yen	Management fee	179 million yen	176 million yen	(Operational management costs	133 million yen	134 million yen)	(Property management costs	45 million yen	42 million yen)	Repair expenses	44 million yen	41 million yen	Property taxes	141 million yen	154 million yen	Depreciation	240 million yen	240 million yen	Expenses other than expenses related to rent business	163 million yen	183 million yen	Asset management fee	108 million yen	117 million yen
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	<p>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 2018 are assumed to be JPY7 million (equivalent to that for 60 days).</p>
NOI	<ul style="list-style-type: none"> • NOI for the entire portfolio is assumed to be JPY1,373 million and JPY1,358 million at the end of the fiscal period ending April 30, 2018 and at the end of the fiscal period ending October 31, 2018, respectively. • Out of the above, NOI for the Assets under Management is assumed to be JPY1,082 million and JPY1,077 million for the fiscal period ending April 30, 2018 and for the fiscal period ending October 31, 2018, respectively. • Out of the above, NOI for the Properties to be Acquired is assumed to be JPY291 million and JPY280 million for the fiscal period ending April 30, 2018 and for the fiscal period ending October 31, 2018, 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 13, 2017, 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 JPY12 million for the fiscal period ending April 2018 and JPY12 million for the fiscal period ending October 2018. • Interest expenses and borrowing related expenses are assumed to be JPY155 million and JPY158 million for the fiscal period ending April 30, 2018 and for the fiscal period ending October 31 2018, respectively. JPY 55 million among the borrowing-related expenses for the fiscal period ending April 2018 and JPY 55 million among the borrowing-related expenses for the fiscal period ending October 2018 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 JPY18,700 million, and additional new borrowings of JPY5,300 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. • Refinancing is assumed as the payment of JPY2,000 million, part of borrowings as of November 28, 2014 will become due in the fiscal period ending April 30, 2018 (7th Period). 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, 2018 (8th Period). • LTV as of the end of the fiscal period ending April 30, 2018 (7th Period) is assumed to be 47.1% and as of the end of fiscal period ending October 31, 2018(8th Period) 47.1%. • LTV is calculated by using the following calculation method. $LTV = \text{Total interest-bearing debt} / \text{Total assets} \times 100$
Number of Investment Units Issued and Outstanding	<ul style="list-style-type: none"> • It is assumed that, in addition to 183,200 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 (51,200 units to be purchased by underwriters) as was resolved at the Board of Directors meeting held on October 13, 2017. • 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, 2018(8th Period). • Cash distribution per unit is calculated using the forecast number of investment units issued and outstanding at the end of the fiscal period ending April 30, 2018 and the end of the fiscal period ending October 31, 2018 (234,400 units) including 51,200 units scheduled to be newly issued as stated above.

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<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. • It is assumed that the entire amount of unappropriated retained earnings is distributed excluding the portion where cash distribution per unit would be less than JPY1. • Deferred losses on hedges of interest rate swaps as a difference of evaluation/conversion, etc. is expected to be JPY14 million for the fiscal periods ending April 30, 2018 and October 31, 2018, which is the same amount for the fiscal period ended April 30, 2017, and cash distribution per unit is calculated with an 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 Investment Trusts and Investment Corporations 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, 2018 and October 31, 2018 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 and Investment Corporations 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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