



Top REIT Investment Corporation

13th Business Report

(Semi-Annual Report 13th)

May 1, 2012 – October 31, 2012

Letter from the Executive Officer of the Investment Corporation

Dear Investors,

Thank you for your continued loyal patronage to Top REIT, Inc. (Top REIT).

The Japanese economy, which was anticipated to see recovery backed by robust domestic demand arising from restoration/reconstruction from the Great East Japan Earthquake, is in a seesaw state due to the still simmering European debt problem, exports-related stagnation owing to the U.S., Chinese and other economic slowdown, sense of personal consumption settling down and other factors. The outlook is that recovery is expected in the U.S., China, etc. and so gradual recovery is anticipated even in the domestic economy, but the situation remains unpredictable since it is largely dependent on overseas circumstances.

On the other hand, concerning J-REITs, the Bank of Japan maintaining/expanding its monetary easing policy led to an ongoing stable financing environment, along with it continuing to also purchase investment units. Furthermore, discussion of system reform for revitalization of the J-REIT market is also underway. These developments resulted in strong J-REIT market conditions, with the Tokyo Stock Exchange REIT Index recovering to 1,000 points in September 2012 and on an upward trend.

Under such circumstances, the financial results of Top REIT in the thirteenth fiscal period were operating revenue of 5,636 million yen (period-on-period decrease of 1.0%), ordinary income of 2,002 million yen (period-on-period decrease of 1.3%), net income of 2,001 million yen (period-on-period increase of 0.1%) and dividend per unit of 12,912 yen. Moreover, Top REIT completed the task of soliciting successor tenants to Akasaka Oji Building and achieved enhancement of occupancy rates. As a result, Top REIT managed to increase dividends by 512 yen compared to the forecast.

However, having received lease agreement termination notices from a major tenant, Top REIT faces major issues that must be addressed in the immediate future, including solicitation of successor tenants and large rent revisions.

With real estate market conditions still in a state of uncertainty and full-fledged recovery forecast to require a substantial amount of time yet, it will be the start of a difficult phase for Top REIT, too. Nevertheless, Top REIT will remain committed to prudent management of portfolio assets and will also steadily address these issues through collaboration with the asset manager and sponsor companies.

Please note that Nippon Steel City Produce, Inc. (currently Nippon Steel Kowa Real Estate Co., Ltd.), which was a shareholder of the asset manager with which ties have been pursued as a pipeline support company of Top REIT since listing, has withdrawn, but there is no change from the existing investment policy and management structure, etc.

We thank you and ask for your continued support and understanding.



Executive Officer
Top REIT, Inc.
Jumpei Norimatsu

Letter from the President of the Asset Management Company

Dear Investors,

Thank you very much for your strong support for Top REIT, Inc. (Top REIT) and our activities. We also sincerely appreciate the great response to the questionnaire of investors that we conducted last time. Representing the asset manager Top REIT Asset Management Co., Ltd. (TRAM), I would like to explain the overview of the performance of Top REIT and its management strategy for the future in light of also the comments, inquiries, etc. received from investors.

In the thirteenth fiscal period (May 1, 2012 – October 31, 2012), brisk domestic demand stemming from post-quake reconstruction demand supported the economy, but the prolonged European debt problem, the slowdown in the U.S. and Chinese economy and other impact caused the Japanese economy to be on a weak note. In the situation described above, the Bank of Japan continued its monetary easing policy in an aim to pull out of the deflationary economy early and for sustainable economic growth under price stability, but the future is still forecast to remain uncertain. However, with the “Comprehensive Strategy for the Rebirth of Japan” being approved by the Cabinet in July 2012, system improvements, etc. are underway for revitalization of the J-REIT market and expansion of real estate securitization methods in view of pulling out of the asset deflation through revitalization of the real estate investment market, which are anticipated to largely boost the J-REIT industry in the future.

Meanwhile, the domestic corporate earnings environment is still severe. Concerning the real estate leasing market in central Tokyo, the vacancy rate continued to rise until around the summer of 2012 when there was a large supply of newly-built office buildings and then showed signs of gradual improvement trends thereafter, but the market is in a seesaw state. In addition, although the range of decrease in the rent level is narrowing, it is yet to show signs of bottoming out and recovery is thought to require some time yet.

Under such circumstances, Top REIT steadily implemented the “Strategy for Recovery of Dividend Level,” such as completing the immediate task of soliciting successor tenants to Akasaka Oji Building, enabling it to present a June 2012 forecast on business results for the fiscal period ending April 2013 (fourteenth fiscal period) that forecasts dividend to be 13,000 yen. However, as lease agreement termination notices with the end of January, end of February and end of March of 2013 as termination dates were received from a major tenant of Harumi Island Triton Square Office Tower Y, Sumitomo Metal Industries, Ltd. (currently Nippon Steel & Sumitomo Metal Corporation), in July and September 2012, the forecast on business results for the fourteenth fiscal period has been revised downward.

In addition, a Top REIT sponsor Nippon Steel City Produce, Inc. (currently Nippon Steel Kowa Real Estate Co., Ltd.) withdrew as sponsor in September 2012, but we will strive to overcome the challenges facing Top REIT and seek further growth by pursuing greater collaboration with the ongoing sponsors Sumitomo Mitsui Trust Bank, Limited and Oji Real Estate Co., Ltd.



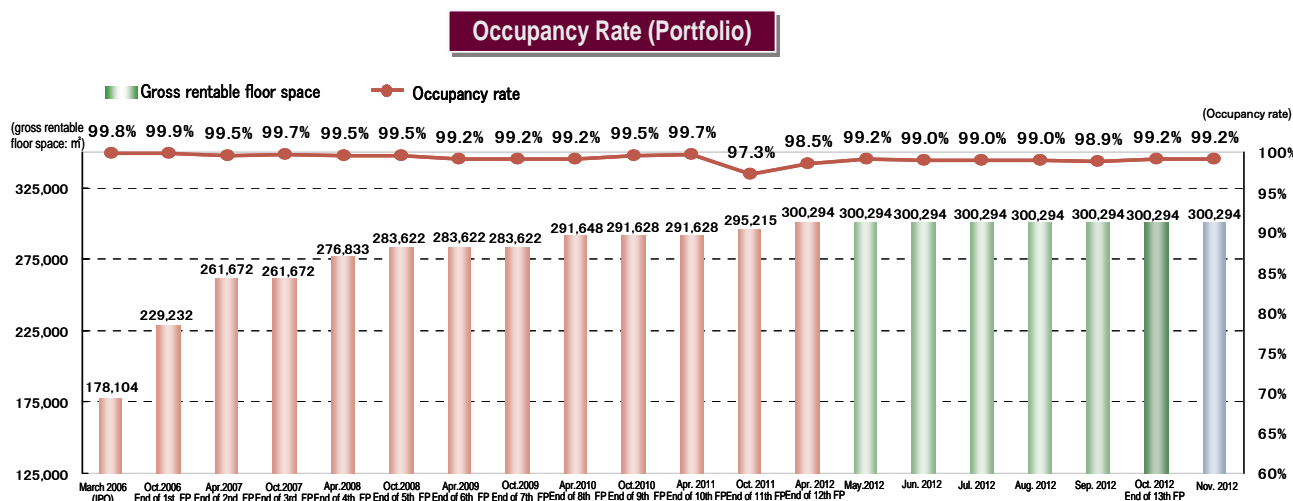
Nobuhito Endo

President and Representative Director

Q1. Please describe recent results.

Since receiving a lease agreement termination notice from a major tenant of Akasaka Oji Building, Top REIT has been focusing on activities to solicit successor tenants through collaboration with sponsors and in partnership with property managers. While there was one floor remaining vacant at the time of announcement of the financial results for the previous fiscal period (twelfth fiscal period), the office portion became fully occupied in the current fiscal period (thirteenth fiscal period). A high occupancy rate managed to be maintained throughout the entire fiscal period for the residential portion, too, resulting in stable management at a period-average occupancy rate of 95.6%. The period-average occupancy rate for the entire portfolio also improved from the twelfth fiscal period's 97.7% to 99.1% in the thirteenth fiscal period. In addition, eight office building tenants were due for rent revisions in the thirteenth fiscal period, of which the rent amount remained unchanged for six tenants and the rent amount was revised downward for two tenants, thereby managing to minimize the range of decrease in the rent amount.

On the other hand, as lease agreement termination notices were received from a major tenant of Harumi Island Triton Square Office Tower Y in the thirteenth fiscal period, the occupancy rate is expected to fall in the future. Accordingly, along with focusing on tenant solicitation activities for vacant spaces as an immediate top priority issue, efforts will be made to keep tenants from moving out of properties based on the spirit of "Tenants First" (maintaining and improving tenant satisfaction) that has been adopted since listing.



Q2. Please provide a detailed description of the sponsor change in concrete terms.

For REITs, a “sponsor” is a shareholder of the asset manager. Top REIT has been conducting management with Sumitomo Mitsui Trust Bank, Limited (formerly The Sumitomo Trust and Banking Co., Ltd.), Oji Real Estate Co., Ltd. and Nippon Steel City Produce, Inc. (currently Nippon Steel Kowa Real Estate Co., Ltd.) as sponsors and optimal application of the sponsors’ strengths as a pillar of the growth strategy. During the thirteenth fiscal period (on September 28, 2012), Nippon Steel City Produce withdrew from the position of sponsor with the transfer of its entire stake in the asset manager to Sumitomo Mitsui Trust Bank. After the transfer, the sponsor composition will be Sumitomo Mitsui Trust Bank with a 69% stake and Oji Real Estate with a 31% stake. In conjunction, the “agreement on information provision on real estate, etc.” (Note 1) and “agreement on provision of warehousing functions, etc.” (Note 2), which were concluded with Nippon Steel City Produce for the purpose of provision of property acquisition opportunities to Top REIT, have been cancelled by consent. Going forward, based on the structure of Sumitomo Mitsui Trust Bank and Oji Real Estate as sponsors, we will strive for steady and stable growth of the portfolio through optimal application of the functions and networks of sponsor companies and sponsor companies’ Group companies. Please note that there is no change from the existing investment policy and management structure, etc.

(Note 1) An agreement for the purpose of prompt provision of information, if any, on the sale of real estate, etc. held by sponsors and its Group companies of which are real estate that are likely to meet Top REIT’s investment criteria

(Note 2) An agreement for the purpose of sponsor companies providing a function to temporarily hold, etc. real estate, etc. that Top REIT cannot immediately acquire

Q3. Please describe the status of solicitation of successor tenants to Harumi Island Triton Square Office Tower Y.

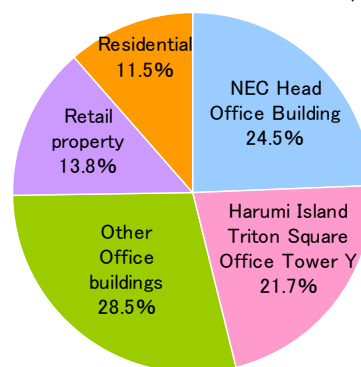
Lease agreement termination notices with the end of January, end of February and end of March of 2013 as termination dates were received from a major tenant of Harumi Island Triton Square Office Tower Y, Sumitomo Metal Industries, Ltd. (currently Nippon Steel & Sumitomo Metal Corporation (NSSMC)), in July and September 2012. Details of the lease agreement termination are as follows.

| | | |
|-------------------|-------------------------------|------------------------|
| January 31, 2013 | : Vacate approx. 2,340 tsubos | } Approx. 3,600 tsubos |
| February 28, 2013 | : Vacate approx. 1,175 tsubos | |
| March 31, 2013 | : Vacate approx. 85 tsubos | |

This termination by NSSMC is extremely unfortunate, but NSSMC is relocating its office for greater operational efficiency and consolidation due to its merger. With NSSMC’s leased floor area equivalent to about half of Harumi Island Triton Square Office Tower Y held by Top REIT, this relocation will have an extremely large impact on Top REIT’s earnings and early solicitation of successor tenants is recognized as a top priority issue for early recovery from the decrease in earnings caused by this impact.

In view of early prospects of such solicitation of successor tenants, a “Leasing Project Team (PT)” has been formed of human resources appointed from the asset manager and sponsors to focus on exploring relocation needs, making individual approaches and other solicitation activities while sharing information.

● Ratio of Revenue related to rent business (13th FP)



In the solicitation of successor tenants, Harumi Island Triton Square Office Tower Y has been highly rated for its competitive advantages and a series of property viewings, etc. have been held for potential successor tenants, but there are limitations to property viewing before the current tenant’s relocation and during the period of work for restoring the property to the original condition.

Until January 2013 when work for restoring the property to the original condition is completed for some floors, approaches are being made to tenants requiring relatively large floor area and it is being considered by potential tenants looking for about 1,000 to 3,000 tsubos in leased floor area. Once work for restoring the property to the original condition is completed, property viewing for potential successor tenants will become smooth and, as layout proposals will also be able to be proactively made to potential tenants, solicitation activities will be implemented with an eye on also floor partitioning. The status of tenant solicitation activities are as follow. While continuing to approach currently-considering potential tenants, focus will continue to be placed on activities to solicit successor tenants based on collaboration with sponsors and in partnership with property managers.

Leasing Status as of Nov. 30, 2012

- Number of inquiries: 66 cases
- Property viewings for brokers: Held for 2 days
- Number of property viewings for potential candidates: 14 cases
- Candidate tenants currently considering: 6 cases

【Superior Point of Harumi Island Triton Square Office Tower Y】

1. A large-scale multi-use complex completed in 2001 through coordinated redevelopment led by Sumitomo Corporation and The Dai-ichi Life Insurance Co., Ltd., etc. in the Harumi district of the Tokyo Bay area, it has three landmark office skyscrapers, as well as a concert hall, over 60 shops and restaurants and other commercial facilities, and a group of high-rise condominiums.



2. The office building is an approximately four-minute walk from Kachidoki Station on the Toei Subway Oedo Line and approximately nine-minute walk from Tsukishima Station on the Tokyo Metro Yurakucho Line and Toei Subway Oedo Line, and is additionally accessible by many bus routes. Furthermore, October 2012 saw the start of “Harumi Liner,” which connects Harumi Triton Square with Tokyo Station and Yurakucho Station, meaning even greater convenience.

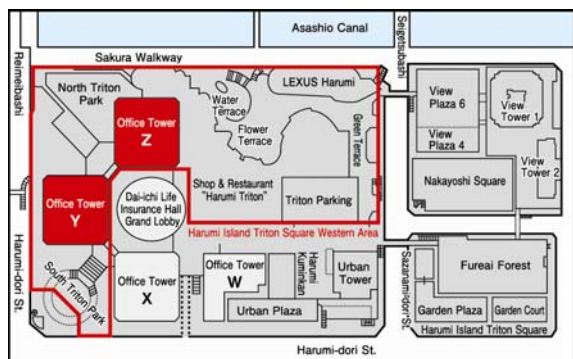
3. Features include symmetrical column-free space with standard floor area of approximately 565 tsubos, 2.7m ceiling height, 100mm raised flooring, individually-controllable air-conditioning systems dividing the office portion into 12 zones, power outlet capacity that can be increased to 40VA/m2 and other high specifications in no way inferior to the latest office buildings.

4. Even in terms of business continuity planning (BCP) measures, which are initiatives that companies have been strengthening in the wake of the Great East Japan Earthquake, it is equipped with an emergency power generator and heat storage tank, etc., securing power supply and water supply and drainage to cover a certain period in the event of an emergency. In addition, environmental and energy conservation measures are also taken by recycling water and setting up lush greenery spaces.

● Map



● Locator diagram: Harumi Island Triton Square



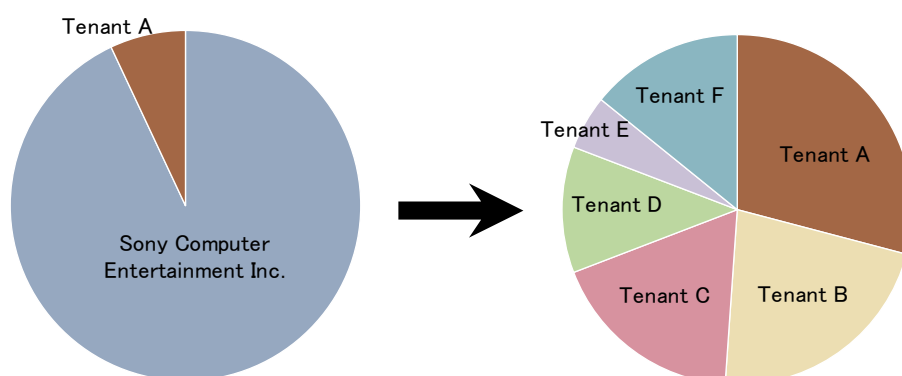
Q4. Please describe measures against tenant and property concentration risks.

Top REIT builds a portfolio of primarily large-scale office buildings in central Tokyo. Many of the tenants are companies listed on the first section or related companies of such, etc. leasing space as headquarters or main bases. These are the characteristics of Top REIT's portfolio and the stable earnings to date are largely attributable to these. However, even the real estate leasing market has been hard hit by operating companies' recent cost reduction efforts through business integration, large-scale downsizing, consolidation of offices, etc. for improvement of the earnings base, resulting in tenants terminating their leasing of space as headquarters or main bases at Akasaka Oji Building and recently Harumi Island Triton Square Office Tower Y in the case of Top REIT, too.

In the solicitation of tenants to Akasaka Oji Building, diversification of tenants has been achieved as illustrated in the graph below. In the solicitation of successor tenants to Harumi Island Triton Square Office Tower Y, too, while first prioritizing early tenant solicitation, efforts will be made to diversify tenants as well.

In addition, concerning property concentration risks, the investment ratio (based on acquisition price) of Top REIT's flagship property NEC Head Office Building was high at about 40% at the time of listing in 2006, but has been lowered to about 23% as of the end of the thirteenth fiscal period by steadily expanding asset size thereafter. An asset size (210 billion yen) that would lower the investment ratio of NEC Head Office Building to 20% or less will be aimed by continuing to steadily expand asset size.

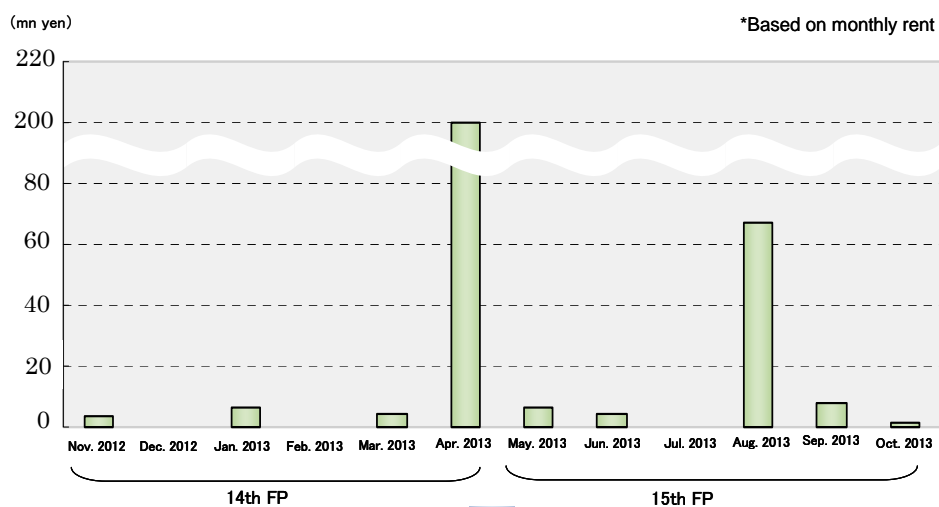
● Diversification of tenants in Akasaka Oji Building



Q5. Please describe future rent revisions.

For Top REIT, the fourteenth fiscal period is the time for biennial major rent revisions, at which time about 25% of the portfolio will be due for rent revisions on April 1, 2013. The main rent revisions will be Harumi Island Triton Square Office Tower Y in part and Office Tower Z as well as Kanda Nishiki-cho 3-chome Building, and the results of these rent revisions are thought to largely impact dividends. The central Tokyo office building leasing market shows signs of supply of newly-built buildings settling down and the vacancy rate recovering in advance of the rent level. However, in a situation where domestic companies' earnings concerns are yet to clear, tenant requests for decrease in the rent amount are still strong and rent is generally on a weak note despite the range of decrease in the rent level narrowing. Under such circumstances, severe conditions are forecast for also the rent revisions this time, but negotiations will be diligently conducted by taking advantage of the tenant relations fostered through daily operations, so as to minimize the range of decrease in the rent amount.

Monthly Schedule of Rent Revisions (excluding residential)



| | | |
|--|---|---|
| 14th FP | Harumi Island Triton Y (parts of tenants) | 12 Tenants 24.2% of total rents (as of end of 13th FP) |
| | Harumi Island Triton Z | |
| | Kanda Nishiki-cho 3-chome Building | |
| | Akasaka Oji Building (parts of tenants) | |
| | Shiba-Koen Building (parts of tenants) | |
| | Kanda Park Plaza (parts of tenants) | |
| Faret East Building (parts of tenants) | | |
| 15th FP | Shinkawa Chuo Building (parts of tenants) | 7 Tenants 9.7% of total rents (as of end of 13th FP) |
| | Shiba-Koen Building (parts of tenants) | |
| | Kanda Park Plaza (parts of tenants) | |
| | Faret East Building (parts of tenants) | |
| | Sagamihara Shopping Center (IY) | |

Q6. Please provide a more detailed description of the forecast on business results for the fourteenth and fifteenth fiscal periods.

The following are assumptions on which the projections of performance for the fourteenth and fifteenth fiscal periods are based.

① Portfolio assets

The forecast is based on 18 properties Top REIT owns as of December 14, 2012.

② Operating revenue

For real estate rent revenue related to existing properties, Top REIT takes into consideration execution of new agreements, early termination of agreements, etc. that have been finalized as of December 14, 2012, along with current real estate leasing market conditions, and also takes into account factors that may cause fluctuations in such aspects as risks of reductions in revenue due to decreased amounts of rent of tenants when they reach their rent revision period hereafter.

For Harumi Island Triton Square Office Tower Y, it is assumed that the spaces subject to lease agreement termination and not executed newly lease agreement with successor tenants finalized as of December 14, 2012 will be vacant.

③ Interest-bearing liabilities

It is assumed that the total amount of interest-bearing liabilities is 94,835 million yen at the end of the fourteenth fiscal period and 94,767 million yen at the end of the fifteenth fiscal period. Of the 12,100 million yen in loans payable due for repayment during the fourteenth fiscal period (March 27, 2013), it is assumed that a part of the principal (2,000 million yen) will be repaid and then the remaining 10,100 million yen will be refinanced. Moreover, it is assumed that 67 million yen of long-term loans payable will be paid in each of the fourteenth and fifteenth fiscal periods as agreed upon. Furthermore, the long-term loan payable (9,800 million yen) due for repayment on November 30, 2012 (fourteenth fiscal period) has been refinanced.

④ Dividend per unit

For the dividend per unit of the fifteenth fiscal period, it is assumed that Top REIT will reverse the all of the reserve for reduction entry of 49 million yen. In addition, the deferred tax liability will decrease in tandem with the amount allocated for dividends from the reversal of the reserve for reduction entry; the applicable amount of decrease will be a contributing factor to a rise in net income (deferred income taxes of 28 million yen).

As explained earlier, the recent withdrawal of NSSMC, major rent revisions and other impact have made presentation of a current forecast on business results of decreased dividends over the fourteenth and fifteenth fiscal periods unavoidable. This forecast on business results assumes that the spaces terminated by a tenant of Harumi Island Triton Square Office Tower Y (about 4,100 tsubos) will be vacant and, after bottoming out in this forecast on business results, earnings will be accumulated through early solicitation of successor tenants.

Top REIT adopts a growth policy of “implementing a growth strategy with extensive focus on the dividend level,” based on which management has been conducted with a focus on a dividend level of between 13,000 yen and 14,000 yen. Even when earnings fell due to a major tenant moving out of Akasaka Oji Building, earnings were accumulated through early solicitation of successor tenants and new property acquisitions by adopting the “Strategy for Recovery of Dividend Level.”

This time, too, focus will be placed not only on solicitation of successor tenants to Harumi Island Triton Square Office Tower Y, but also on minimizing the range of decrease in rent revisions and new property acquisitions. However, reflecting the earnings environment of operating companies that will become tenants and stagnation of real estate leasing market conditions, the rent level is envisioned to become lower than the current level in the solicitation of successor tenants to Harumi Island Triton Square Office Tower Y. Furthermore, combined with downward rent revisions at the time of rent revisions with existing tenants, the state is one in which it would be difficult to secure earnings like that to date. Nevertheless, the stance of extensive focus on the dividend level will continue in an aim for early recovery of the dividend level. This may cause concerns and inconveniences to investors, but your continued understanding and support is greatly appreciated.

| CATEGORY | 13TH FISCAL PERIOD PERFORMANCE | 14TH FISCAL PERIOD FORECAST (ANNOUNCED ON December 14, 2012) | 15TH FISCAL PERIOD FORECAST (ANNOUNCED ON December 14, 2012) |
|----------------------------|--------------------------------|--|--|
| PERIOD OF ASSETMANAGEMENT | 184days | 181days | 184days |
| OPERATING REVENUE | ¥5,636 million | ¥5,828 million | ¥4,935 million |
| OPERATING INCOME | ¥2,697 million | ¥2,407 million | ¥1,990 million |
| ORDINARY INCOME | ¥2,002 million | ¥1,783 million | ¥1,394 million |
| NET INCOME | ¥2,001 million | ¥1,782 million | ¥1,422 million |
| DIVIDEND PER UNIT | ¥ 12,912 | ¥ 11,500 | ¥ 9,500 |
| NUMBER OF INVESTMENT UNITS | 155,000 units | 155,000 units | 155,000 units |
| PORTFOLIO SIZE | 18 properties | 18 properties | 18 properties |

Q7. Please describe the external growth (new property acquisition) strategy.

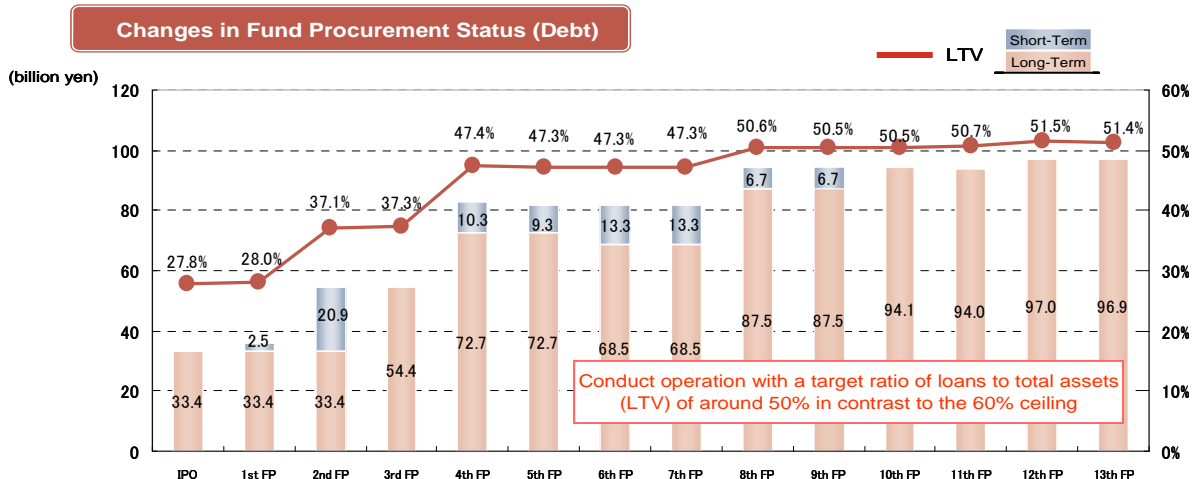
With the financing environment being relatively favorable, J-REITs and other buyers show strong willingness to acquire. On the other hand, the volume of information on sale of properties that could possibly become Top REIT's investment target is extremely limited and the central Tokyo office building acquisition environment particularly continues to be in a severe state. In addition, there continues to be a gap in the price perspective (level) between sellers and buyers and office building transaction market conditions are sluggish. Rental housing is strong, but slightly overheating and prices are rising (cap rates are falling).

Under such circumstances, Top REIT investigated possible acquisition of properties based on property sale information collected with an aim to acquire highly competitive and highly profitable properties, but none led to the decision to acquire properties in the thirteenth fiscal period. Acquisition of excellent properties will continue to be difficult, but with the forecast on business results for the fourteenth and fifteenth fiscal period being severe as explained earlier, new earnings must be accumulated through new property acquisitions for recovery in the dividend level. By utilizing not only sponsor networks, but also the diverse information channels established by the asset manager, Top REIT will focus on acquiring competitive properties, primarily office buildings located in central Tokyo and major urban areas as to date, as well as aim to steadily expand asset size.

Financial Standing

Adopting a financial policy that is based on stable financial management, Top REIT has continued to implement prudent and solid financial operations.

In the current fiscal period (thirteenth fiscal period), the debt financing (fund procurement through borrowing funds from banks, issuing bonds and other liabilities) environment can be described to have been good, considering that the market interest rate remained stable at a low level due to the Bank of Japan continuing and expanding its monetary easing policy and that financial institutions also kept positive lending attitudes. During the period, a total of 17.5 billion yen in loans payable became due for repayment on June 29, which Top REIT refinanced as described in (1) below in an effort to reduce interest costs and extend the average remaining period of interest-bearing liabilities as well as maintain the ratio of fixed-rate interest-bearing liabilities. As a result, at the end of the thirteenth fiscal period, the balance of interest-bearing liabilities stands at 96.9 billion yen and the ratio of interest-bearing liabilities to total assets (LTV) is 51.4%.



Moreover, after the end of the thirteenth fiscal period (October 31, 2012), 9.8 billion yen in loan payable became due for repayment on November 30, which Top REIT completed the refinancing of as described in (2) below. In this manner, Top REIT continues to transact based on the stable bank formation with three major megabanks and leading trust banks that has been formed since listing.

(1) Refinanced total amount of 17.5 billion yen in long-term loans payable due for repayment

- Repayment date: June 29, 2012
- Fully refinanced with 5-year long-term loans payable
 - 8.5 billion yen: Fixed interest rate through execution of interest rate swap agreement
 - 9.0 billion yen: Borrowed with floating interest rate

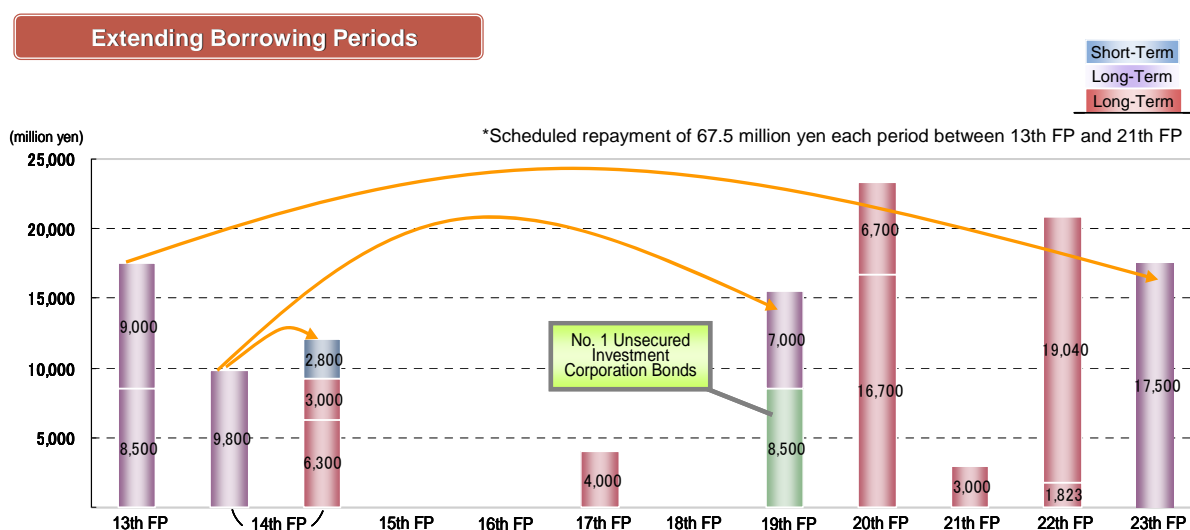
(2) Refinanced 9.8 billion yen in long-term loans payable due for repayment

- Repayment date: November 30, 2012
- Fully refinanced with floating-rate loans payable as follows
 - 7.0 billion yen: Refinanced with 2-year-10-month long-term loan payable
 - 2.8 billion yen: Refinanced with 4-month short-term loan payable

● Well-Balanced Refinancing While Considering Cost Reduction

In the recent refinancing, while placing emphasis on “cost reduction,” efforts were also made to “extend the average remaining period of interest-bearing liabilities,” “maintain the ratio of fixed-rate interest-bearing liabilities” and “spread out repayment dates” on the other hand, to implement refinancing that takes balance into consideration. The average remaining period, which was 2 years and 7 months at the end of the twelfth fiscal period, was extended further to

3 years at the end of the thirteenth fiscal period. In addition, Top REIT worked to reduce financing costs by taking advantage of the current status of the market interest rate remaining stable at a low level while maintaining the ratio of fixed interest rates at around 50%. Going forward, Top REIT will investigate raising the ratio of fixed-rate interest-bearing liabilities while considering factors such as the future trends of the Bank of Japan's monetary policy and the lending attitude of financial institutions as well as paying attention to the timing of interest rates starting to rise.



● **Future Financial Strategy**

In the fourteenth fiscal period, aside from the 9.8 billion yen that has been refinanced as explained already, a total of 12.1 billion yen in loans payable will also become due for repayment in March 2013. Top REIT will conduct well-balanced refinancing for this, too. As immediate issues, top priority is to firstly complete tenant solicitation for vacant spaces and recover the dividend level. Subsequent financing means for expansion of asset size will be selected after fully considering the market conditions, cap rates of properties to be newly acquired and other factors. In its financial policy, Top REIT has placed the ceiling of the ratio of interest-bearing liabilities to total assets (LTV) at 60%, and targets to set the figure at around 50% in ordinary management. The LTV was 51.4% at the end of the thirteenth fiscal period, reaching a relatively high level. Among means to lower the LTV level, capital increase generally comes first. However, the basic stance of Top REIT in planning and implementing capital increase through public offering of investment units is to make investigations after fully considering the market conditions, cap rates of properties to be newly acquired and other factors, in order to minimize the impact of dilution in its commitment to be considerate of existing investors. As such, the decision is heavily dependent on the market conditions.

However, with real estate leasing market conditions still on a weak note, it is essential for Top REIT to accumulate earnings by acquiring new properties in order to recover its dividends. Therefore, in acquiring new properties in the future, Top REIT will consider the possibility of temporarily raising LTV slightly by borrowing funds from banks while attaching importance to discussions with the market, so that Top REIT can keep up its prudent and solid financial management.

I. ASSET MANAGEMENT REPORT

[1] Overview of Asset Management Operation

1. Operating Results and Financial Position

| Fiscal period | | 9th | 10th | 11th | 12th | 13th |
|---|----------------|---------------------|-------------------|---------------------|-------------------|---------------------|
| As of/for six months ended | | October 31, 2010 | April 30, 2011 | October 31, 2011 | April 30, 2012 | October 31, 2012 |
| (1) Operating results | | | | | | |
| Operating revenue | mn yen | 6,060 | 5,967 | 5,812 | 5,693 | 5,636 |
| (Of which, rental revenue) | mn yen | 6,060 | 5,967 | 5,812 | 5,437 | 5,636 |
| Operating expenses | mn yen | 3,041 | 2,995 | 3,033 | 2,921 | 2,939 |
| (Of which, expenses related to rental business) | mn yen | 2,451 | 2,414 | 2,479 | 2,383 | 2,384 |
| Operating income | mn yen | 3,019 | 2,971 | 2,779 | 2,772 | 2,697 |
| Ordinary income | mn yen | 2,204 | 2,194 | 1,986 | 2,029 | 2,002 |
| Net income | mn yen | 2,204 | 2,157 | 1,985 | 1,999 | 2,001 |
| (2) Assets, etc. (end of period) | | | | | | |
| Total assets | mn yen | 186,459 | 186,336 | 185,459 | 188,407 | 188,440 |
| (Period-on-period variation) | % | (0.1) | (-0.1) | (-0.5) | (1.6) | (0.0) |
| Interest-bearing liabilities | mn yen | 94,172 | 94,105 | 94,037 | 96,970 | 96,902 |
| Net assets | mn yen | 84,438 | 84,418 | 84,245 | 84,259 | 84,304 |
| (Period-on-period variation) | % | (0.2) | (-0.0) | (-0.2) | (0.0) | (0.1) |
| Unitholders' capital | mn yen | 82,260 | 82,260 | 82,260 | 82,260 | 82,260 |
| (3) Cash distributions | | | | | | |
| Total cash distributions | mn yen | 2,204 | 2,157 | 1,985 | 1,949 | 2,001 |
| Dividend payout ratio | % | 100.0 | 100.0 | 100.0 | 97.5 | 100.0 |
| (4) Per unit information | | | | | | |
| Number of units Outstanding | units | 155,000 | 155,000 | 155,000 | 155,000 | 155,000 |
| Net assets per unit (Note 2) | yen | 544,768 | 544,632 | 543,520 | 543,610 | 543,900 |
| Dividend per unit | yen | 14,220 | 13,922 | 12,809 | 12,577 | 12,912 |
| (Earnings distribution per unit) | yen | 14,220 | 13,922 | 12,809 | 12,577 | 12,912 |
| (Distribution in excess of earnings per unit) | yen | — | — | — | — | — |
| (5) Financial indices | | | | | | |
| Ratio of ordinary income to total assets (Note 3) | % | 1.2 (2.3) | 1.2 (2.4) | 1.1 (2.1) | 1.1 (2.2) | 1.1 (2.1) |
| Ratio of net income to unitholders' equity (Note 3) | % | 2.6 (5.2) | 2.6 (5.2) | 2.4 (4.7) | 2.4 (4.8) | 2.4 (4.7) |
| Ratio of unitholders' equity to total assets (Period-on-period variation) | % | 45.3 (0.1) | 45.3 (0.0) | 45.4 (0.1) | 44.7 (-0.7) | 44.7 (0.0) |
| LTV | % | 50.5 | 50.5 | 50.7 | 51.5 | 51.4 |
| Rental NOI (Note 4) | mn yen | 4,691 | 4,639 | 4,393 | 4,126 | 4,368 |
| (6) Other referential information | | | | | | |
| Number of properties at end of period | cases | 15 | 15 | 17 | 18 | 18 |
| Number of tenants at end of period (Note 5) | cases | 46 | 46 | 48 | 40 | 42 |
| Total rentable area at end of period | m ² | 291,627.72 | 291,627.72 | 295,215.03 | 300,294.23 | 300,294.23 |
| Occupancy rate at end of period (Note 6) | % | 99.5 | 99.7 | 97.3 | 98.5 | 99.2 |
| Depreciation and amortization at end of period | mn yen | 1,081 | 1,086 | 1,060 | 1,072 | 1,116 |
| Capital expenditure at end of period | mn yen | 83 | 464 | 234 | 442 | 108 |

Note 1: Operating revenue, etc. do not include consumption taxes.

Note 2: Net assets per unit have been rounded to the nearest yen.

Note 3: The indices above are calculated using the following formulas. In addition, annualized figures derived from the management period are indicated in brackets.

Ratio of ordinary income to total assets = Ordinary income / ((Total assets at beginning of period + Total assets at end of period) / 2) × 100

Ratio of net income to unitholders' equity = Net income / ((Net assets at beginning of period + Net assets at end of period) / 2) × 100

Note 4: Rental NOI (Net Operating Income) = Rental revenue - Expenses related to rental business + Depreciation and amortization.

Note 5: Number of tenants at end of period indicates total number of tenants of each property as of the end of period. In the case a master lease agreement is concluded, it is counted as 1 tenant. In the case 1 tenant rents multiple units, it is counted as 1 tenant if the units are in the same property and as multiple tenants if the units are in multiple properties.

Note 6: Occupancy rate at end of period = Total leased floor areas at end of period / Total leasable floor areas at end of period

When a pass-through type master lease agreement has been concluded, the area subleased to the end tenants have been used as the leased floor area.

Note 7: Unless otherwise mentioned in the report, fractions of figures not indicated are rounded off for monetary amounts and rounded for ratios.

2. Overview of Asset Management Operation for the Thirteenth Fiscal Period

A. Brief Background of Top REIT

Top REIT, Inc. (Top REIT) was founded on November 2, 2005 based on the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended) with Top REIT Asset Management Co., Ltd. (Asset Manager) as the incorporator, and listed on the Real Estate Investment Trust Section of the Tokyo Stock Exchange (TSE) (Securities Code: 8982) on March 1, 2006 with the number of investment units issued and outstanding totaling 145,500 units. Later, Top REIT issued additional investment units (9,500 units) through a third-party allotment on March 23, 2006. As of the end of the thirteenth fiscal period (October 31, 2012), the total number of investment units issued and outstanding stands at 155,000 units.

Top REIT works to conduct management with the aim of maximizing the investment value for its unitholders by securing stable revenues over the medium to long term and achieving steady growth of its portfolio. To do so, Top REIT focuses on the two strategies of “skilled management of a diversified portfolio” and “optimal application of the sponsors’ strengths.” As of the end of the thirteenth fiscal period, its portfolio consists of 18 properties with a total acquisition value of ¥184,345 million.

B. Investment Environment and Management Performance

<Investment Environment>

(a) Economy in General

The Japanese economy generally continued to be weak during the fiscal period due to the following factors. Domestic demand maintained underlying strength with public investment and housing investment on a recovery trend due to expansion of post-quake reconstruction demand. Meanwhile, steady personal consumption was settling down because of the end of eco-car subsidies and other factors, and exports and production moved downward due to concerns over the European debt problem and slowdown in the U.S. and Chinese economies, as well as the prolonged appreciation of the yen associated with these, and other factors.

The prospects of the Japanese economy are expected to gradually recover with the continued steady domestic reconstruction demand, as well as overseas economic recovery and easing of the pressures on the appreciation of the yen. However, recovery of the Japanese economy is likely to remain unpredictable with downward swing risks due to the still high uncertainty over the European debt problem, further downward swings in the global economy, fluctuations in the financial and capital markets, as well as future trends in Japan-China relations.

(b) Real Estate Leasing Market

[Office Buildings]

With respect to the office building leasing market in central Tokyo, the vacancy rate was hovering at a high level with the demand for quality large-scale newly built buildings expanding due to undervalued rent levels, and their being equipped with high earthquake resistance performance, emergency power systems and such, as well as relocation movements of tenants was appearing among office buildings due to cost reductions at tenant firms and consolidation as a result of corporate reorganization, etc. However, the large volume supply of newly built office buildings in the first half of this year caused an imbalance in the supply-demand and an after-relocation vacancy problem. Going forward, the vacancy rate has been showing signs of gradual improvement due to the decrease in the supply of new office buildings in the year from the second half of this year, but full-fledged recovery is expected to require a little more time. Recovery in the rent level, which is said to recover as the vacancy rate improves, will likely require a substantial amount of time due in part to the uncertainty in the outlook of corporate earnings, as the bottoming out of rent levels will not be confirmed until recovery of corporate earnings.

[Retail Properties]

According to the Ministry of Economy, Trade and Industry's Current Survey of Commerce, despite a temporary drop immediately after the earthquake in 2011, overall retail store sales headed for a gradual recovery. Personal consumption remained steady, backed not only by the recovery in sales of necessities due to post-earthquake demand, but also the steady consumption of elderly households. However, heightened economic uncertainty caused the current state to show a downturn in consumer confidence. On the other hand, major retailers also focused on selling private brands, along with striving to improve business profitability by pursuing the closure of unprofitable stores and cost reductions.

[Residential Properties]

With respect to the residential property leasing market in central Tokyo and Tokyo Metropolitan Area, the number of households continued to increase due to the population influx from other areas and increase of one-person and married-couple households, demand for rental residential properties is expected to remain stable for the time being. Meanwhile, on the supply side, since the number of housing starts has remained at a low level, the supply-demand conditions are expected to continue to be relatively favorable. In addition, while residential properties such as those primarily comprised of highly-convenient studio units maintain a relatively steady occupancy rate and stable rent level, rent level adjustment continues to be underway in residential properties for foreigners and other high-rent properties.

(c) Real Estate Transaction Market

Backed by the stable lending attitude of financial institutions, along with fund inflow to the J-REIT market continuing with the recovery of the TSE REIT Index, the favorable financing environment continues. Under such circumstances, the capital increase through public offering and new listings of J-REITs are on the rise, resulting in an increase in the real estate transaction amount. However, buyers continue to maintain harsh price perspectives reflecting the current status of the real estate leasing market, while sellers continue to hold a bullish position in light of expectations of an economic and real estate market conditions recovery as well as the favorable financing environment. As a result, with the gap in the price perspective between sellers and buyers not narrowing, the supply-demand situation of blue-chip properties, etc. remains tight and the number of transactions continues to be limited.

<Asset Management Performance >

(a) Acquisition and Disposition of Assets

Top REIT began the thirteenth fiscal period with 18 properties (total acquisition value: ¥184,345 million) and, with an aim to acquire highly competitive and highly profitable properties, investigated possible acquisition of properties based on property sale information collected and carefully selected with a focus on excellent office buildings located in central Tokyo and residential properties located in central Tokyo and Tokyo metropolitan area through not only the "optimal application of sponsors' strengths," but also utilizing established information channels, but none led to a decision to acquire properties. Thus, the number of properties owned by Top REIT remained unchanged from the twelfth fiscal period at 18 properties (total acquisition value: ¥184,345 million) as of the end of the thirteenth fiscal period.

(b) Management and Maintenance of Portfolio Assets

The basic asset management strategy of Top REIT centers on sustaining and increasing revenue over the medium to long term by maintaining and improving tenant satisfaction (the "Tenants First" policy) and keeping operational management costs at an appropriate level. Top REIT strived to improve tenant satisfaction by sustaining relationships of trust with tenants and discerning tenant needs via property management companies in order to maintain and improve high occupancy rates.

In the thirteenth fiscal period, successful solicitation of successor tenants to Akasaka Oji Building has solidified the prospects of its leasable office space being fully occupied, except for a part of the underground storage. In addition, Top REIT managed to maintain a high occupancy rate

throughout the period for residential properties, with the average occupancy rate during the thirteenth fiscal period at 95.6%. As a result of such undertakings, the occupancy rate of Top REIT's entire portfolio recovered from the 98.5% at the end of the twelfth fiscal period to 99.2%. Furthermore, as lease agreement termination notices with termination dates of January 31, February 28 and March 31 of 2013 were received from Sumitomo Metal Industries, Ltd. (currently Nippon Steel & Sumitomo Metal Corporation), a tenant of Harumi Island Triton Square Office Tower Y, on July 23 and September 28, 2012, Top REIT is currently focusing on successor tenant solicitation and leasing activities.

Regarding maintenance, Top REIT followed up on ensuring that it had an appropriate grasp of the operational management conditions and steady implementation of asset management plans for each property. Top REIT also carried out renewal construction and repair work that contribute to enhancing the competitiveness of properties and maintaining and improving the functionality of properties based on asset management plans, took steps to keep relevant costs at an appropriate level, and conducted efficient management of resources.

C. Procurement of Funds

Top REIT procures funds by adopting a financial policy that is based on stable financial management. In the thirteenth fiscal period, ¥17,500 million in borrowings was due for repayment on June 29, 2012, and Top REIT refinanced with long-term loans (repayment date: June 30, 2017) on the same date in order to extend the remaining period of interest-bearing liabilities, and fixed the interest rate for ¥8,500 million of the ¥17,500 million through an interest rate swap transaction. Top REIT also repaid ¥67 million of the long-term loans payable as agreed using cash on hand on June 29, 2012.

As a result, at the end of the thirteenth fiscal period, the total amount of interest-bearing liabilities stands at ¥96,902 million (¥88,402 million in long-term loans (including the current portion) and ¥8,500 million in investment corporation bonds), and the ratio of interest-bearing liabilities to total assets is 51.4%. Moreover, the ratio of long-term interest-bearing liabilities (including the current portion) is 100%, while interest-bearing liabilities with fixed interest rates account for 50.9%.

Furthermore, ¥9,800 million in long-term loans payable due for repayment on November 30, 2012 was refinanced with ¥7,000 million in long-term loans payable (loan period: 2 years and 10 months, repayment date: September 30, 2015) and ¥2,800 million in short-term loans payable (loan period: 4 months, repayment date: March 27, 2013) on the same date. This changed the ratio of long-term interest-bearing liabilities to 97.1%.

The credit ratings of Top REIT as of October 31, 2012 are as follows:

| Credit Rating Agency | Rating [Outlook] |
|--|---|
| Moody's Japan K.K. (Moody's) | Issuer rating: Baa1 [Negative] Senior unsecured long-term rating (No. 1 Unsecured Investment Corporation Bonds): Baa1 [Negative] |
| Rating and Investment Information, Inc. (R&I) | Issuer rating: A+ [Stable] Unsecured investment corporation bond rating (No. 1 Unsecured Investment Corporation Bonds): A+ |

Note: Rating and Investment Information, Inc. downgraded the issuer rating and the Unsecured investment corporation bond rating (No 1 Unsecured Investment Corporation Bonds) of Top REIT to A+ [rating outlook: Stable] as of October 10, 2012.

Moreover, Top REIT conducted shelf registration for investment corporation bonds, as indicated below, in order to secure flexible procurement of long-term funds.

[Overview of Shelf Registration]

| Object of Shelf Registration | Amount to be Issued | Scheduled Period of Issue |
|--|---------------------|-----------------------------------|
| Investment corporation bonds (excluding short-term corporation bonds) | ¥100,000 million | From May 20, 2012 to May 19, 2014 |

D. Business Results and Dividends

As a result of the asset management and operations described above, Top REIT recorded asset management performance during the thirteenth fiscal period of ¥5,636 million in operating revenue, ¥2,697 million in operating income and ¥2,002 million in ordinary income after deducting expenses concerning borrowings, etc., and net income was ¥2,001 million.

As for dividends, with the aim of having an amount equivalent to profit dividends deducted as expenses based on the application of the special provision on taxation of investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation [Act No. 26 of 1957, as amended; hereinafter, the “Special Taxation Measures Act”]), Top REIT decided that the entire amount of unappropriated retained earnings of the thirteenth fiscal period, excluding fractions of the dividend per investment unit that are less than ¥1, would be paid out. Consequently, Top REIT declared a dividend per investment unit of ¥12,912.

3. Balance of Paid-in Capital

There was no change in paid-in capital for the 13th fiscal period. The outline of changes in paid-in capital from the establishment of Top REIT to the end of the current fiscal period is as follows:

| Issue date | Remarks | Total number of units issued and outstanding (units) | | Total paid-in capital (million yen) | | Note |
|-------------------|-------------------------|--|---------|-------------------------------------|---------|--------|
| | | Increase | Balance | Increase | Balance | |
| November 2, 2005 | Incorporation (private) | 200 | 200 | 100 | 100 | Note 1 |
| February 28, 2006 | Public offering | 145,300 | 145,500 | 77,117 | 77,217 | Note 2 |
| March 23, 2006 | Third party allotment | 9,500 | 155,000 | 5,042 | 82,260 | Note 3 |

Note 1: Top REIT was established with initial capital of ¥500,000 per unit.

Note 2: New investment units were issued at a price of ¥550,000 per unit (issue value of ¥530,750 per unit) through a public offering in order to raise funds for acquiring new properties.

Note 3: New investment units were issued at a value of ¥530,750 per unit through a third party allocation to raise funds for acquired properties.

Market Price of Investment Units

The market price of the investment units on Tokyo Stock Exchange REIT Market during respective fiscal periods is as follows:

| Fiscal period As of the end of fiscal period | 9th October, 2010 | 10th April, 2011 | 11th October, 2011 | 12th April, 2012 | 13th October, 2012 |
|---|----------------------|---------------------|-----------------------|---------------------|-----------------------|
| Highest price | 489,000yen | 567,000yen | 490,000yen | 484,000yen | 459,000yen |
| Lowest price | 388,000yen | 410,000yen | 384,000yen | 333,000yen | 358,500yen |

4. Cash Distribution

The dividend per unit for the current period was 12,912yen. Top REIT expects to distribute almost all unappropriated retained earnings at the current period end to be eligible for special tax treatments (Special Taxation Measures Law Article 67-15) that allows Top REIT to deduct an amount equivalent to distributions of retained earnings as expenses from taxable income.

| Fiscal period As the end of fiscal period | Units | 9th October, 2010 | 10th April, 2011 | 11th October, 2011 | 12th April, 2012 | 13th October, 2012 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Unappropriated retained earnings | thousand yen | 2,204,126 | 2,157,918 | 1,985,468 | 1,999,419 | 2,001,377 |
| Internal reserves | thousand yen | 26 | 8 | 73 | 49,984 | 17 |
| Total dividends (Dividend per unit) | thousand yen (yen) | 2,204,100 (14,220) | 2,157,910 (13,922) | 1,985,395 (12,809) | 1,949,435 (12,577) | 2,001,360 (12,912) |

| | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Of which, dividend of accumulated earnings (Per unit) | thousand yen (yen) | 2,204,100 (14,220) | 2,157,910 (13,922) | 1,985,395 (12,809) | 1,949,435 (12,577) | 2,001,360 (12,912) |
| Of which, repayment of paid-in capital (Per unit) | thousand yen (yen) | — — | — — | — — | — — | — — |

5. Management Policy and Future Issues

(a) Management Strategy for Existing Properties

Top REIT will continue to follow its basic asset management strategy that centers on sustaining and increasing revenue over the medium to long term by maintaining and improving tenant satisfaction (the “Tenants First” policy) and keeping operational management costs at an appropriate level. Under this strategy, Top REIT will focus on sustaining relationships of trust with tenants, leasing vacant spaces and such, as well as striving to maintain stable occupancy rates over the medium to long term.

Positioning the successor tenant solicitation activities associated with the tenant exit at Harumi Island Triton Square Office Tower Y as a top priority issue, Top REIT will focus on solicitation activities in order to solidify the prospects of a successor tenant as early as possible by selecting from broad-ranging and highly-potential candidates while continuing to approach candidates that are currently considering tenancy.

Furthermore, Top REIT will also work to ensure an appropriate perception of the operational management conditions for each property while steadily implementing such measures as to sustain and improve revenues and keep operational management costs at an appropriate level. In addition, Top REIT will carry out systematic repair work and such to enhance the competitiveness of properties and to maintain and improve the functionality of properties, in an aim to secure stable revenues over the medium to long term.

(b) Investment Strategy for New Properties

Top REIT aims to increase its dividends over the medium to long term by realizing external growth through acquisitions of new properties. Along with continuing to further utilize pipeline support functions from sponsor companies and utilizing various cultivated information channels, Top REIT will collect information on new properties from a wide range of sources. Based on this information, Top REIT will consider investment targets centering on highly competitive office buildings in central Tokyo including residential properties that are expected to have stable occupancy. By doing so, Top REIT aims to expand the portfolio size while improving its quality.

Furthermore, Top REIT makes it a management policy to keep the ratio of the investment amount per property at less than 20% of the entire portfolio as a target over the medium to long term. For reference, the acquisition value of the NEC Head Office Building accounts for 22.8% of the total acquisition value of Top REIT’s properties as of the end of the thirteenth fiscal period. Going forward, Top REIT will work to reduce the risk of concentration on specific properties by steadily advancing further external growth.

(c) Financial Strategy

Top REIT will continue to implement diversified and flexible fund procurement operations in preparation for acquisition of new properties and refinancing of existing loans, etc. While securing mobility and flexibility in fund procurement, Top REIT will work to reduce the risk involved in fund procurement by extending borrowing periods and spreading out the repayment dates. At the same time, Top REIT will manage the risk of interest rate fluctuations by taking into account the balance of borrowings at floating and fixed interest rates, as it discerns the interest rate trends. Moreover, financial soundness will be maintained by keeping the leverage at an appropriate level.

(d) Compliance and Risk Management, etc.

In addition to the supervision of the Executive Officer by Supervisory Directors at the Board of Directors meetings and other occasions, Top REIT will continue its direction and supervision on the Asset Manager that it can conduct management operations with full care given to market risks, including rent decreases, and credit risks as well as with a focus on the protection of unitholders' interests in conducting transactions with interested parties and on other compliance issues.

6. Significant Subsequent Events

There are none applicable.

[2] Outline of Top REIT

1. Status of Unitholders' Capital

| Fiscal period As of the end of fiscal period | 9th October, 2010 | 10th April, 2011 | 11th October, 2011 | 12th April, 2012 | 13th October, 2012 |
|---|-------------------------|------------------------|--------------------------|------------------------|--------------------------|
| Number of issuable investment units (units) | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |
| Number of units issued and outstanding (units) | 155,000 | 155,000 | 155,000 | 155,000 | 155,000 |
| Unitholders' capital (million yen) | 82,260 | 82,260 | 82,260 | 82,260 | 82,260 |
| Number of unitholders | 6,830 | 7,090 | 7,031 | 6,912 | 7,823 |

2. Matters Concerning the Investment Units

Major unitholders as of October 31, 2012 were as follows:

| Name | Number of units held (units) | Share of total (%) (Note) |
|--|------------------------------|---------------------------|
| Japan Trustee Services Bank (trust account) | 28,658 | 18.49 |
| Nomura Trust and Banking (investment trust account) | 8,155 | 5.26 |
| Trust & Custody Services Bank (securities investment trust account) | 6,402 | 4.13 |
| North Pacific Bank, LTD. | 6,139 | 3.96 |
| The Master Trust Bank of Japan (trust account) | 4,829 | 3.12 |
| The Senshu Ikeda Bank, Ltd. | 4,540 | 2.93 |
| THE BANK OF NEW YORK, NON-TREATY JASDEC ACCOUNT | 3,848 | 2.48 |
| Metlife Alico Life Insurance K.K GA Company JPY | 3,757 | 2.42 |
| Sumitomo Mitsui Trust Bank, Limited. | 3,176 | 2.05 |
| Oji Real Estate Co., Ltd. | 3,162 | 2.04 |
| NIPPON STEEL KOWA REAL ESTATE CO.,LTD. | 3,162 | 2.04 |
| NOMURA BANK (LUXEMBOURG) S.A. | 2,464 | 1.59 |
| Trust and Custody Services Bank (money trust tax account) | 2,389 | 1.54 |
| The Gibraltar Life Insurance Co., Ltd. (general accounts J-REIT account) | 1,750 | 1.13 |
| The Minami Nippon Bank, Ltd. | 1,550 | 1.00 |
| Total | 83,981 | 54.18 |

Note: The share of total is calculated by rounding to the second decimal place.

3. Officer and Auditor

A: Name of directors and auditor as of October 31, 2012 were as follows:

| Post | Name | Major additional post | Total amount of fee paid during the current period (thousand yen) |
|----------------------|-------------------------------|---|---|
| Executive Officer | Jumpei Norimatsu (Note 1) | — | 2,700 |
| Supervisory Director | Yasuyuki Kuribayashi (Note 1) | Partner Attorney, City-Yuwa Partners (Note 2) | 1,800 |
| Supervisory Director | Kunio Tsuneyama (Note 1) | Managing Partner, Tsuneyama Certified Public Accountants Office Managing Partner, Tsuneyama Sogo Accountants Office Non Executive Director in Kuroda Electric Co., Ltd (Note 2) | 1,800 |
| Accounting Auditor | KPMG AZSA LLC | — | 10,000 |

Note 1: There are no investment units of Top REIT held by the Executive Officer or Supervisory Directors in their own name or others' names.

Note 2: Although Supervisory Directors may have additional posts in entities other than those listed above, there is no conflict of interest between those companies including those listed above and Top REIT.

Note 3: There was no resignation or dismissal of the Officer and Auditor during the current period.

B: Policy on determination of dismissal and denial of reappointment of accounting auditor
The Board of Directors shall decide after taking various factors into consideration.

4. Asset Manager, Asset Custodian and Administrative Agents

Asset manager, etc. as of October 31, 2012 were as follows:

| Business | Company name |
|---|--|
| Asset manager | Top REIT Asset Management Co., Ltd. (Note) |
| Assets custodian services | Sumitomo Mitsui Trust Bank Limited. |
| Administrative agent services (running of the organization, accounting matters, etc.) | Sumitomo Mitsui Trust Bank Limited. |
| Administrative agent services (unitholders' register, special accounts) | Sumitomo Mitsui Trust Bank Limited. |
| Administrative agent services (investment corporation bonds) | Sumitomo Mitsui Trust Bank Limited. |

Note: All shares of the Asset Manager held by Nippon Steel City Produce, Inc. (currently Nippon Steel Kowa Real Estate Co., Ltd.) were transferred to Sumitomo Mitsui Trust Bank, Limited as of September 28, 2012. As a result, the composition ratio of shareholders changed to 69% for Sumitomo Mitsui Trust Bank, Limited and 31% for Oji Real Estate Co., Ltd.

[3] Status of Investment Assets

1. Composition of Assets

| Type of assets | Asset class | Area | 12th As of April 30, 2012 | | 13th As of October 31, 2012 | |
|--|-------------------|-------------------------|---|--|---|---|
| | | | Total amount owned (million yen) (Note 1) | As a percentage of total assets (Note 2) | Total amount owned (million yen) (Note 1) | As a percentage of total assets (%) (Note 2) |
| Real estate | Office buildings | Central Tokyo | 5,882 | 3.1 | 5,870 | 3.1 |
| | | Subtotal | 5,882 | 3.1 | 5,870 | 3.1 |
| Real estate in trust | Office buildings | Central Tokyo | 127,291 | 67.6 | 126,718 | 67.3 |
| | | Tokyo Metropolitan Area | 1,712 | 0.9 | 1,678 | 0.9 |
| | | Subtotal | 129,004 | 68.5 | 128,397 | 68.2 |
| | Retail facilities | Tokyo Metropolitan Area | 23,406 | 12.4 | 23,238 | 12.3 |
| | | Subtotal | 23,406 | 12.4 | 23,238 | 12.3 |
| | Residential | Central Tokyo | 2,478 | 1.3 | 2,459 | 1.3 |
| | | Tokyo Metropolitan Area | 17,937 | 9.6 | 17,795 | 9.5 |
| | | Subtotal | 20,415 | 10.9 | 20,254 | 10.8 |
| | Others | Central Tokyo | 2,695 | 1.4 | 2,684 | 1.4 |
| | | Subtotal | 2,695 | 1.4 | 2,684 | 1.4 |
| Subtotal of real estate and real estate in trust | | | 181,405 | 96.3 | 180,446 | 95.8 |
| Cash, deposits and other assets | | | 7,001 | 3.7 | 7,994 | 4.2 |
| Total assets (Note 3) | | | 188,407 | 100.0 | 188,440 | 100.0 |
| | | | (181,405) | (96.3) | (180,446) | (95.8) |

Note 1: Total amount owned is based on the amounts appropriated on the Balance Sheet at the end of each period. (Real estate and real estate in trust represent the book values after deducting depreciation). Total Amount figures were rounded down to the nearest million yen.

Note 2: (Total amount owned) As a percentage of total assets is rounded to first decimal place.

Note 3: Figures in parenthesis of total assets represent the portions of actually owned properties in the object assets.

< Geographical Classification >

| Area | Region | Supplementary note |
|---------------------------------|--|---|
| Central Tokyo | Chiyoda, Chuo, Minato, Shibuya, Shinjuku and Shinagawa Wards | — |
| Tokyo Metropolitan Area | Tokyo (excluding central Tokyo), Kanagawa, Saitama and Chiba Prefectures | — |
| Kansai | Regional economic zone centering on Osaka | Osaka, Kyoto, Hyogo, Shiga, Nara and Wakayama Prefectures |
| Chukyo | Regional economic zone centering on Nagoya | Aichi, Gifu and Mie Prefectures |
| Major cities Across the country | Cities designated by government ordinance and other major cities (excluding cities belonging to the above classifications) | — |

2. Major Properties Owned

The principal properties (top ten properties by book value) that Top REIT owns as of October 31, 2012 were as follows:

| Property name | | Book value (million yen) | Leasable floor space (Note 1) (m ²) | Leased floor space (Note 2) (m ²) | Occupancy rate (Note 3) (%) | Portion of rental revenue (%) | Primary use |
|---|------------------------------|-----------------------------|--|--|--------------------------------------|--|-----------------|
| NEC Head Office Building | (Trust beneficiary interest) | 42,794 | 72,238.03 | 72,238.03 | 100.0 | 24.3 | Office |
| Harumi Island Triton Square Office Tower Y (Note 4) | (Trust beneficiary interest) | 30,769 | 23,219.46 | 23,219.46 | 100.0 | 21.6 | Office |
| Harumi Island Triton Square Office Tower Z | (Trust beneficiary interest) | 19,690 | 10,914.20 | 10,914.20 | 100.0 | 7.3 | Office |
| Kanda Nishiki-cho 3-chome Building | (Trust beneficiary interest) | 12,755 | 8,025.65 | 8,025.65 | 100.0 | 7.6 | Office |
| Sagamihara Shopping Center | (Trust beneficiary interest) | 11,360 | 61,763.28 | 61,763.28 | 100.0 | 7.2 | Retail property |
| Fukasawa House Towers H&I | (Trust beneficiary interest) | 10,242 | 11,357.44 | 11,107.05 | 97.8 | 4.2 | Residential |
| Akasaka Oji Building | (Trust beneficiary interest) | 9,807 | 7,301.15 | 7,213.41 | 98.8 | 2.4 | Office |
| Ito-Yokado Higashi-Narashino Store | (Trust beneficiary interest) | 7,926 | 51,098.42 | 51,098.42 | 100.0 | 4.2 | Retail property |
| Shiba-Koen Building | (Real estate) | 5,870 | 3,060.43 | 2,372.45 | 77.5 | 1.8 | Office |
| Shinkawa Chuo Building | (Trust beneficiary interest) | 5,817 | 6,032.24 | 6,032.24 | 100.0 | 3.6 | Office |
| Total | | 157,034 | 255,010.30 | 253,984.19 | 99.6 | 84.2 | |

Note 1: Leasable floor space is total leasable space for each asset as of the end of the current period. Furthermore, in the case of co-ownership (including quasi-co-ownership), the stated figure is given by multiplying the leasable floor space of the whole building by the ratio of co-ownership, and rounded to the second decimal place.

Note 2: Leased floor space is floor space based on lease agreements effective as of the end of the current fiscal period. Furthermore, in the case of co-ownership (including quasi-co-ownership), the stated figure is given by multiplying the leased floor space of the whole building by the ratio of co-ownership, and rounded to the second decimal place. In the case of contracting the master-lease agreements as pass-through type, the floor space subleased to end-tenants is calculated as the leased area.

Note 3: Occupancy rate is the figure given by dividing leased floor space as of the end of the current fiscal period by leasable floor space, and rounded to the first decimal place.

Note 4: Lease agreement termination notices with termination dates of January 31, February 28 and March 31 of 2013 were received from Sumitomo Metal Industries, Ltd. (currently Nippon Steel & Sumitomo Metal Corporation) on July 23 and September 28, 2012.

3. Details of Portfolio Properties

① Details of Properties

A. The details of properties owned by Top REIT as of October 31, 2012 were as follows:

| Asset class | Area | Property name | Address | Type of title | Appraisal value at end of 13th period (million yen) (Note 1) | Book value at end of 13th period (million yen) |
|-------------------------|-------------------------|--|--|----------------------------|--|--|
| Office building | Central Tokyo | NEC Head Office Building | 5-7-1 Shiba, Minato Ward, Tokyo | Trust beneficiary interest | 49,450 | 42,794 |
| | | Harumi Island Triton Square Office Tower Y | 1-8-11 Harumi, Chuo Ward, Tokyo | Trust beneficiary interest | 32,100 | 30,769 |
| | | Akasaka Oji Building | 8-1-22 Akasaka, Minato Ward, Tokyo | Trust beneficiary interest | 7,990 | 9,807 |
| | | Kanda Park Plaza | 2-2-2 Kajicho, Chiyoda Ward, Tokyo | Trust beneficiary interest | 4,900 | 5,084 |
| | | Shiba-Koen Building | 3-5-5 Shiba, Minato Ward, Tokyo | Real estate | 3,420 | 5,870 |
| | | Harumi Island Triton Square Office Tower Z | 1-8-12 Harumi, Chuo Ward, Tokyo | Trust beneficiary interest | 14,300 | 19,690 |
| | | Kanda Nishiki-cho 3-chome Building | 3-11-1 Kanda Nishiki-cho, Chiyoda Ward, Tokyo | Trust beneficiary interest | 14,100 | 12,755 |
| | | Shinkawa Chuo Building | 1-17-24, Shinkawa, Chuo Ward, Tokyo | Trust beneficiary interest | 5,790 | 5,817 |
| | Tokyo Metropolitan Area | Faret East Building | 2-34-7 Akebonocho, Tachikawa City, Tokyo | Trust beneficiary interest | 2,390 | 1,678 |
| Subtotal (9 Properties) | | | | | 134,440 | 134,268 |
| Retail property | Tokyo Metropolitan Area | Sagamihara Shopping Center | 3-13-33 Kobuchi, Minami Ward, Sagami-hara City, Kanagawa | Trust beneficiary interest | 10,400 | 11,360 |
| | | Ito-Yokado Higashi-Narashino Store | 7-3-1 Higashi Narashino, Narashino City, Chiba | Trust beneficiary interest | 5,610 | 7,926 |
| | | Musashiurawa Shopping Square | 7-3-1 Bessho, Minami Ward, Saitama City, Saitama | Trust beneficiary interest | 3,860 | 3,951 |
| Subtotal (3 Properties) | | | | | 19,870 | 23,238 |
| Residential | Central Tokyo | Top Residence Nihonbashi Kayabacho | 3-4-1 Nihonbashi Kayabacho, Chuo Ward, Tokyo | Trust beneficiary interest | 2,580 | 2,459 |
| | Tokyo Metropolitan Area | Fukasawa House Towers H&I | 2-1-2 Fukasawa, Setagaya Ward, Tokyo | Trust beneficiary interest | 7,060 | 10,242 |
| | | Ecology Toyosu Procentury | 4-8-8 Toyosu, Koto Ward, Tokyo | Trust beneficiary interest | 4,970 | 5,030 |
| | | Impress Musashi-Koganei | 4-14-18 Nakamachi Koganei City, Tokyo | Trust beneficiary interest | 1,270 | 1,289 |
| | | Top Residence Yoga | 1-14-12 Tamagawadai, Setagaya Ward, Tokyo | Trust beneficiary interest | 1,160 | 1,233 |
| Subtotal (5 Properties) | | | | | 17,040 | 20,254 |
| Other | Central Tokyo | OAK PLAZA | 2-10-6 Kanda Awajicho, Chiyoda Ward, Tokyo | Trust beneficiary interest | 2,450 | 2,684 |
| Subtotal (1 Property) | | | | | 2,450 | 2,684 |
| Total (18 Properties) | | | | | 173,800 | 180,446 |

Note 1: For “Appraisal value at end of period,” Top REIT indicates the assessed value based on the appraisal by real estate appraisers following the asset evaluation method and standards stipulated in Top REIT’s Articles of Incorporation and rules of The Investment Trusts Association, Japan (based on real estate appraisal reports prepared by Tanizawa Sogo Appraisal Co, Ltd; Japan Real Estate Institute and Daiwa Real Estate Appraisal Co, Ltd) as of October 31, 2012 as the points of evaluation.

B. Operating results for each fiscal period of each property owned were as follows:

| Asset class | Area | Name of property | Twelfth Fiscal Period From November 1, 2011 to April 30, 2012 | | | | Thirteenth Fiscal Period From May 1, 2012 to October 31, 2012 | | | |
|--------------------------|-------------------------|---|---|--|--|--|---|--|--|--|
| | | | Number of tenants (end of period) (case) (Note1) | Occupancy rate (end of period) (%) | Rent revenue - real estate (for period) (million yen) (Note 2) | Ratio of rental revenue to total rental revenues (%) | Number of tenants (end of period) (case) (Note1) | Occupancy rate (end of period) (%) | Rent revenue - real estate (for period) (million yen) (Note 2) | Ratio of rental revenue to total rental revenues (%) |
| Office building | Central Tokyo | NEC Head Office Building | 1 | 100.0 | 1,370 | 25.2 | 1 | 100.0 | 1,370 | 24.3 |
| | | Harumi Island Triton Square Office Tower Y (Note 3) | 7 | 100.0 | 1,294 | 23.8 | 7 | 100.0 | 1,217 | 21.6 |
| | | Akasaka Oji Building | 4 | 63.6 | 54 | 1.0 | 6 | 98.8 | 135 | 2.4 |
| | | Kanda Park Plaza | 10 | 100.0 | 174 | 3.2 | 10 | 100.0 | 176 | 3.1 |
| | | Shiba-Koen Building | 2 | 92.7 | 107 | 2.0 | 2 | 77.5 | 98 | 1.8 |
| | | Harumi Island Triton Square Office Tower Z | 1 | 100.0 | / | 7.4 | 1 | 100.0 | / | 7.3 |
| | | Kanda Nishiki-cho 3-chome Building | 1 | 100.0 | / | 8.1 | 1 | 100.0 | / | 7.6 |
| | | Shinkawa Chuo Building | 1 | 100.0 | 34 | 0.7 | 1 | 100.0 | 204 | 3.6 |
| | Tokyo Metropolitan Area | Faret East Building | 1 | 100.0 | 153 | 2.8 | 1 | 89.6 | 151 | 2.7 |
| | Kansai | Nittetsu Honmachi Building (Note 4) | — | — | 13 | 0.3 | — | — | — | — |
| Subtotal (10 properties) | | | 28 | 98.0 | 4,050 | 74.5 | 30 | 99.0 | 4,191 | 74.4 |
| Retail property | Tokyo Metropolitan Area | Sagamihara Shopping Center | 2 | 100.0 | 407 | 7.5 | 2 | 100.0 | 407 | 7.2 |
| | | Ito-Yokado Higashi-Narashino Store | 1 | 100.0 | 236 | 4.3 | 1 | 100.0 | 236 | 4.2 |
| | | Musashiurawa Shopping Square | 3 | 100.0 | 129 | 2.4 | 3 | 100.0 | 129 | 2.3 |
| | Subtotal (3 properties) | | | 6 | 100.0 | 772 | 14.2 | 6 | 100.0 | 772 |
| Residential | Central Tokyo | Top Residence Nihonbashi Kayabacho | 1 | 96.8 | 42 | 0.8 | 1 | 96.9 | 90 | 1.6 |
| | Tokyo Metropolitan Area | Fukasawa House Towers H&I | 1 | 93.0 | 235 | 4.3 | 1 | 97.8 | 240 | 4.2 |
| | | Ecology Toyosu Procentury | 1 | 94.4 | 159 | 3.0 | 1 | 95.7 | 164 | 2.9 |
| | | Impress Musashi-Koganei | 1 | 94.5 | 44 | 0.8 | 1 | 93.4 | 44 | 0.8 |
| | | Top Residence Yoga | 1 | 89.2 | 36 | 0.7 | 1 | 92.7 | 37 | 0.7 |
| Subtotal (5 properties) | | | 5 | 93.8 | 519 | 9.6 | 5 | 96.4 | 576 | 10.2 |

| | | | | | | | | | | |
|-----------------------|-----------------------|-----------|----|-------|-------|-------|----|-------|-------|-------|
| Other | Central Tokyo | OAK PLAZA | 1 | 100.0 | 94 | 1.7 | 1 | 100.0 | 94 | 1.7 |
| | Subtotal (1 property) | | 1 | 100.0 | 94 | 1.7 | 1 | 100.0 | 94 | 1.7 |
| Total (19 properties) | | | 40 | 98.5 | 5,437 | 100.0 | 42 | 99.2 | 5,636 | 100.0 |

Note 1: Number of tenants indicates total number of tenants of each property as of the end of period. In the case a master lease agreement is concluded, it is counted as 1 tenant. In the case 1 tenant rents multiple units, it is counted as 1 tenant if the units are in the same property and as multiple tenants if the units are in multiple properties.

Note 2: Rent revenue for Harumi Island Triton Square Office Tower Z and Kanda Nishiki-cho 3-chome is not disclosed due to being unable to obtain the consent of the tenants.

Note 3: Lease agreement termination notices with termination date on January 31, February 28 and March 31 of 2013 were received from Sumitomo Metal Industries, Ltd. (currently Nippon Steel & Sumitomo Metal Corporation) on July 23 and September 28, 2012.

Note 4: This property was disposed to the third party on November 25, 2011. Moreover, rental revenue of Nittetsu Honmachi Building during 12th FP did not include capital gains on disposition.

② Details of Investment Securities

There are none applicable.

4. Contracted Amount and Market Price of Specified Transactions

The contracted amount and market price of the specified transactions of Top REIT as of October 31, 2012 were as follows:

(Million yen)

| Segment | Type of transaction | Contract amount (Note 1) (Note 2) | | Market price (Note 1) (Note 3) |
|---|--|-----------------------------------|--------------------|--------------------------------------|
| | | | Longer than a year | |
| Transaction other than market transaction | Interest-rate swap (receiving floating-rate, Paying fixed-rate) | 33,500 | 27,200 | (298) |
| | Total | 33,500 | 27,200 | (298) |

Note 1: The above figures are rounded down to the nearest million yen.

Note 2: Contract amounts of interest-rate swap transactions represent figures based on the estimated principal.

Note 3: Market price is evaluated at the price calculated by the counterparty of the concerned transaction contract based on the prevailing market rate.

5. Status of Other Assets

All real estate and trust beneficiary interests in real estate are listed in the table under the “3-① Details of Portfolio Properties.” There were no significant specified assets that are main investment targets of Top REIT other than those listed above as of October 31, 2012.

6. Status of Assets by Country and Region

There are none applicable.

【4】 Capital Expenditures for Properties Owned

(1) Schedule of Capital Expenditures

The table below lists the estimated amounts of significant capital expenditures for repair and maintenance work of properties held by Top REIT, planned as of October 31, 2012.

The estimated construction costs shown in the table below include those charged to expenses in accounting.

| Name of property | Location | Purpose | Scheduled term for construction or maintenance | Estimated construction cost (million yen) | | |
|--|---------------------|--|--|---|------------------------|--------------------------|
| | | | | Total | Payment for the period | Total of advance payment |
| NEC Head Office Building | Minato Ward, Tokyo | Renewal of external wall and ceiling | May 2012 to November 2012 | 26 | — | — |
| | | Renewal of gondola | May 2012 to January 2013 | 23 | — | — |
| | | Renewal of waterproof equipment | May 2012 to March 2013 | 12 | — | — |
| | | Renewal of lighting System | May 2012 to January 2013 | 10 | — | — |
| | | Renewal of automatic fire alarm system | May 2012 to March 2013 | 33 | — | — |
| | | Renewal of cooling tower | May 2012 to March 2013 | 23 | — | — |
| | | Renewal of Refrigerator | May 2012 to March 2013 | 45 | — | — |
| | | Renewal of heat source pump | May 2012 to January 2013 | 10 | — | — |
| | | Renewal of air Condition facility | May 2012 to January 2013 | 42 | — | — |
| | | Construction works of air condition pipe units | May 2012 to March 2013 | 15 | — | — |
| | | Renewal of central monitor system | May 2012 to March 2013 | 44 | — | — |
| Harumi Island Triton Square Office Tower Y | Chuo Ward, Tokyo | Renewal of common spaces | November 2012 to February 2013 | 51 | — | — |
| Shinkawa Chuo Building | Chuo Ward, Tokyo | Renewal of common restrooms | November 2012 to January 2013 | 18 | — | — |
| OAK PLAZA | Chiyoda Ward, Tokyo | Renewal of external wall and ceiling | June 2012 to November 2012 | 37 | — | — |

(2) Capital Expenditures Made During the Period

The following table is an overview of construction work conducted during the fiscal period that fall under the category of capital expenditures for properties held.

Capital expenditures during the fiscal period amounted to ¥108 million and combined with ¥46 million in repairs and maintenance costs that fall under expenses for the fiscal period, a total of ¥155 million of construction work was implemented.

| Name of property | Location | Purpose | Scheduled term for construction or maintenance | Capital expenditures (million yen) |
|------------------------|------------------|--------------------------|--|------------------------------------|
| Shinkawa Chuo Building | Chuo Ward, Tokyo | Renewal of common spaces | April 2012 to June 2012 | 27 |
| Others | | Renewal of function | May 2012 to October 2012 | 81 |
| Total | | | | 108 |

(3) Funds Reserved for the Long-term Repair and Maintenance Plan

(Million yen)

| Fiscal period | 9th | 10th | 11th | 12th | 13th |
|---|--------------------------------------|---|--------------------------------------|---|--------------------------------------|
| | From May 1, 2010 to October 31, 2010 | From November 1, 2010 to April 30, 2011 | From May 1, 2011 to October 31, 2011 | From November 1, 2011 to April 30, 2012 | From May 1, 2012 to October 31, 2012 |
| Balance of reserved funds at beginning of current period | 346 | 530 | 330 | 443 | 347 |
| Amount reserved during the current period | 197 | 197 | 197 | 197 | 197 |
| Amount used from reserved funds during the current period | 13 | 396 | 84 | 292 | 133 |
| Balance carried forward to the next period | 530 | 330 | 443 | 347 | 410 |

[5] Condition of Expenses and Liabilities

(1) Details of Expenses Related to Management

(Million yen)

| Fiscal period Item | 12th From November 1, 2011 to April 30, 2012 | 13th From May 1, 2012 to October 31, 2012 |
|--|--|---|
| (a) Asset management fees (Note) | 409 | 430 |
| (b) Asset custodian fees and administrative service fees | 71 | 72 |
| (c) Directors' compensation | 6 | 6 |
| (d) Audit fees | 10 | 10 |
| (e) Other expenses | 41 | 36 |
| Total | 538 | 554 |

Note: In addition to the amounts described above, asset management fees consisted of ¥40 million in 12th fiscal period in association with the acquisition of new properties recorded as book value of the respective properties. Moreover, asset management fees consisted of ¥3 million in 12th fiscal period in association with the disposition of property recorded as capital gains on disposition.

(2) Status of Borrowings

Status of borrowings from respective financial institutions as of October 31, 2012 is as follows.

| | Category | | Date borrowed | Balance at the beginning of the current period (million yen) | Balance at the end of the current period (million yen) | Average interest rate (%) (Note 1) | Repayment date | Repayment method | Use of proceeds | Remarks |
|--|---|---|-------------------------------------|--|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|---------------------------------|
| | Term Loan No. | Lender | | | | | | | | |
| Current Portion of Long-Term Loans Payable | Term Loan No. 4 | Sumitomo Mitsui Trust Bank Limited. Mizuho Corporate Bank, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation | June 29, 2007 | 8,500 | — | 1.95 | June 29, 2012 | Bullet repayment on repayment date | (Note 2) | Unsecured and without guarantee |
| | Term Loan No. 7 | Sumitomo Mitsui Trust Bank Limited. Mizuho Corporate Bank, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation | March 27, 2008 | 6,300 | 6,300 | 1.48 | March 27, 2013 | Bullet repayment on repayment date | (Note 3) | Unsecured and without guarantee |
| | | Development Bank of Japan, Inc. | | 3,000 | 3,000 | 1.53 | | | | |
| | | Subtotal | | 9,300 | 9,300 | | | | | |
| | Term Loan No. 11 | Sumitomo Mitsui Trust Bank Limited. Mizuho Corporate Bank, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Resona Bank, Limited | January 13, 2010 | 9,800 | 9,800 | 1.23 | November 30, 2012 | Bullet repayment on repayment date | (Note 3) | Unsecured and without guarantee |
| | | Development Bank of Japan, Inc. | January 13, 2010 | 135 | 135 | 2.42 | November 30, 2016 | (Note 5) | (Note 3) | Unsecured and without guarantee |
| | | Subtotal | | 9,935 | 9,935 | | | | | |
| | Term Loan No. 13 | Sumitomo Mitsui Trust Bank Limited. Mizuho Corporate Bank, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation | March 26, 2010 | 9,000 | — | 1.16 | June 29, 2012 | Bullet repayment on repayment date | (Note 4) | Unsecured and without guarantee |
| | Total | | | 36,735 | 19,235 | | | | | |
| | Long Term Loans Payable | Term Loan No. 5 | Sumitomo Mitsui Trust Bank Limited. | June 29, 2007 | 2,000 | 2,000 | 2.27 | June 30, 2014 | Bullet repayment on repayment date | (Note 2) |
| Development Bank of Japan, Inc. | | | 1,000 | | 1,000 | 2.40 | | | | |
| The Dai-ichi Life Insurance Co., Ltd. | | | 1,000 | | 1,000 | 2.40 | | | | |
| Subtotal | | | 4,000 | 4,000 | | | | | | |
| Term Loan No. 11 | Development Bank of Japan, Inc. | January 13, 2010 | 2,295 | 2,227 | 2.42 | November 30, 2016 | (Note 5) | (Note 3) | Unsecured and without guarantee | |
| Term Loan No. 14 | Sumitomo Mitsui Trust Bank Limited. Mizuho Corporate Bank, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation | March 3, 2011 | 16,700 | 16,700 | 1.39 | February 29, 2016 | Bullet repayment on repayment date | (Note 4) | Unsecured and without guarantee | |

| | | | | | | | | | |
|------------------|---|-------------------|--------|--------|------|-------------------|------------------------------------|----------|---------------------------------|
| Term Loan No. 15 | Sumitomo Mitsui Trust Bank Limited The Bank of Fukuoka, Ltd. The Hiroshima Bank, Ltd. The Yamaguchi Bank, Ltd. | March 31, 2011 | 6,700 | 6,700 | 0.83 | February 29, 2016 | Bullet repayment on repayment date | (Note 2) | Unsecured and without guarantee |
| Term Loan No. 16 | Sumitomo Mitsui Trust Bank Limited. Mizuho Corporate Bank, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation | November 30, 2011 | 19,040 | 19,040 | 0.56 | November 30, 2016 | Bullet repayment on repayment date | (Note 4) | Unsecured and without guarantee |
| Term Loan No. 17 | Sumitomo Mitsui Trust Bank Limited. Mizuho Corporate Bank, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation | March 30, 2012 | 3,000 | 3,000 | 0.66 | October 31, 2016 | Bullet repayment on repayment date | (Note 3) | Unsecured and without guarantee |
| Term Loan No. 18 | Sumitomo Mitsui Trust Bank Limited. Mizuho Corporate Bank, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation | June 29, 2012 | — | 9,000 | 0.66 | June 30, 2017 | Bullet repayment on repayment date | (Note 4) | Unsecured and without guarantee |
| | | | — | 8,500 | 0.79 | | | | |
| Subtotal | | | 51,735 | 69,167 | | | | | |
| Total | | | 88,470 | 88,402 | | | | | |

Note 1: The average interest rate is the interest rate of borrowings for the respective loan contracts (weighted by the balance during the period) and rounded to the second decimal place. Furthermore, the average interest rate related to the borrowing hedged by an interest rate swap transaction for the purpose of reducing interest rate fluctuation risk is weighted by considering the effect of the relevant interest rate swap.

Note 2: The use of borrowings is for repayment of short-term loans payable.

Note 3: The use of borrowings is for acquisition of trust beneficiary interest in real estate.

Note 4: The use of borrowings is for repayment of long-term loans payable.

Note 5: Repayment of ¥67.5 million will be made at the end of June and December each year starting on June 30, 2010, with the remaining payment of ¥1,822.5 million to be repaid on November 30, 2016, the final repayment date.

(3) Status of Investment Corporation Bonds

Investment corporation bonds issued and outstanding as of October 31, 2012 are as follows.

| Name of Bonds | Issue Date | Balance as of the beginning of the current period (million yen) | Balance as of the end of the current period (million yen) | Interest Rate (%) | Maturity Date | Redemption method | Use of proceeds | Remark |
|--|--------------|---|---|-------------------|---------------|-------------------|------------------------|---------------------------------|
| No.1 Unsecured Investment Corporation Bonds (Note) | June 4, 2010 | 8,500 | 8,500 | 1.00 | June 4, 2015 | Bullet payment | Repayment of borrowing | Unsecured and without guarantee |
| Total | | 8,500 | 8,500 | | | | | |

Note: This bond is equipped with special pari passu conditions among the specified investment corporation bonds.

(4) Status of Short-Term Investment Corporation Bonds

There are none applicable.

[6] Status of Acquisitions and Dispositions During the Period

(1) Acquisitions and Dispositions of Real Estate, etc. and Asset Backed Securities

There are none applicable.

(2) Acquisitions and Dispositions of Others Assets

Other major assets besides real estate and asset backed securities stated above consist mostly of bank deposits or bank deposits within assets held in trust.

(3) Research on Prices of Specified Assets

Transactions during the current period that require research on prices of specified assets stipulated by Article 201 of the Investment Trusts and Investment Corporations Law are as follows.

① Real estate, etc

There are none applicable

② Others

One interest rate swap deal was subjected to the research during the current period and research of the said deal was entrusted to KPMG AZUSA LLC. We have received the related research report from KPMG AZUSA LLC. In the research, KPMG AZUSA LLC is supposed to report on the name of counterparty, currency, contractual interest rate, transaction term and other matters pertaining to the subject interest rate swap deal.

(4) Transaction with Interested Parties, etc. and Major Unitholders

① Status of Transaction

There are none applicable.

② Amounts of Fees Paid, etc.

Fees paid to interested parties, etc. and major unitholders during the current period are as follows.

| Item | Total amount of fees paid (A) (thousand yen) | Transactions with interested parties, etc. and major unitholders | | Ratio against total amount B/A (%) |
|--|---|--|---|------------------------------------|
| | | Paid to | Amount of payment (B) (thousand yen) | |
| Property management fees | 392,283 | Oji Real Estate Co., Ltd. | 25,008 | 6.4 |
| | | Sumitomo Mitsui Trust Bank Limited. | 1,250 | 0.3 |
| Trust compensation | 17,288 | Sumitomo Mitsui Trust Bank Limited. | 15,138 | 87.6 |
| Asset custodian fees | 8,464 | Sumitomo Mitsui Trust Bank Limited. | 8,464 | 100.0 |
| Administrative service fees | 63,979 | Sumitomo Mitsui Trust Bank Limited. | 63,979 | 100.0 |
| Other fees paid | 12,227 | Sumitomo Mitsui Trust Bank Limited. | 1,303 | 10.7 |
| | | Oji Real Estate Co., Ltd. | 6 | 0.0 |
| Borrowing related expenses | 141,551 | Sumitomo Mitsui Trust Bank Limited. | 57,544 | 40.7 |
| Investment corporation bond related expenses | 5,576 | Sumitomo Mitsui Trust Bank Limited. | 624 | 11.2 |
| Other non-operating expenses | 4,106 | Sumitomo Mitsui Trust Bank Limited. | 342 | 8.3 |
| Other expenses related to rent business | 5,707 | Oji Real Estate Co., Ltd. | 498 | 8.7 |

Note 1: Interested parties, etc. and major unitholders means interested parties, etc. of the asset manager which concluded asset management entrustment contract with Top REIT as prescribed in Article 123 of the Enforcement Order of the Investment Trust and Investment Corporations Law and major unitholders of the asset manager as defined in Article 29-4, Paragraph 2 of the Financial Instruments and Exchange Law (Law No. 25, 1948. including the amendments thereafter). However, the table above also includes transactions with interested parties as provided in the internal rules of the asset manager (including special purpose companies, etc. to which interested parties, etc. have been entrusted with asset management). Please note that the parties to which payments were made during the current period were The Sumitomo Trust and Banking Co., Ltd. and Oji Real Estate Co., Ltd.

Note 2: In addition to the fees paid described above, the amounts paid for repair and maintenance work placed with interested parties, etc. during the current period are Oji Real Estate Co., Ltd. of ¥16,324 thousand. Furthermore, the concerned payments include construction management fees.

Note 3: Although Nippon Steel City Produce, Inc. (currently Nippon Steel Kowa Real Estate Co., Ltd.) and Nippon Steel

Community Service Co., Ltd. were subjected to the interested parties as provided in the internal rules of the asset manager, entire shares of the asset manager held by Nippon Steel City Produce, Inc. (currently Nippon Steel Kowa Real Estate Co., Ltd.) were transferred to Sumitomo Mitsui Trust Bank, Limited as of September 28, 2012 and the said company was not subjected to the interested parties. Furthermore, Top REIT paid to the said two companies' property management fees, other fees, expenses of repair and maintenance work placed with interested parties during the current period. Moreover, the concerned payments include construction management fees.

Nippon Steel City Produce, Inc. (currently Nippon Steel Kowa Real Estate Co., Ltd.)

Property management fees: 34,297thousand yen

Other fees paid: 21thousand yen

Repair work, etc.: 14,947thousand yen

Nippon Steel Community Service Co., Ltd.

Property management fees: 3,981thousand yen

(5) Status of Transactions with the Asset Manager Regarding Additional Work Conducted

Top REIT Asset Management Co., Ltd. the asset management company of Top REIT, does not concurrently conduct any type 1 financial instruments transaction business, type 2 financial instruments transaction business, land and building transaction business, or real estate syndication business, and has no such transactions with Top REIT.

[7] Overview of Accounting

(1) Assets, Liabilities, Principal and Profit / Loss

Please refer to accompanying Balance Sheets, Statements of Income and Retained Earnings, Statements of Unitholders' Equity, Notes to Financial Statements and Statements of Cash Dividends.

(2) Change in Depreciation Method

There are none applicable.

(3) Change in Valuation Methods of Real Estate, etc.

There are none applicable.

(4) Status of Investment Trust Beneficiary Certificates of Top REIT, etc.

There are none applicable.

[8] Others

(1) Notice

① Board of Directors

Execution or modification of significant agreements approved by the Board of Directors of the Top REIT during the fiscal period were as followings.

| Approval date | Approval agenda | Description |
|--------------------|---|---|
| September 28, 2012 | Item of conclusion regarding cancellation by consent of the "agreement on information provision on real estate, etc." and the "agreement on provision of warehousing functions, etc." | Nippon Steel City Produce, Inc. (currently Nippon Steel Kowa Real Estate Co., Ltd.) withdrew from the position as Top REIT's sponsors due to all held shares of the asset manager being transferred to Sumitomo Mitsui Trust Bank, Limited. Regarding the respective agreements described on the left concluded among Top REIT, Asset Manager and Sponsors dated December 28, 2005, the said companies concluded memorandums of understanding concerning withdrawing from being a contract party. |

② Notice Concerning Relocation of Top REIT Head Office

Top REIT Head Office relocated to new address (1-3-7 Yaesu Chuo Ward, Tokyo) on August 11, 2012.

(2) Others

Unless otherwise stated, fractions less than the specified unit are rounded down to the nearest specified unit for monetary amounts and rounded to the nearest specified unit for percentage figures.

II. Balance Sheets

(Unit: thousand yen)

| | Twelfth Fiscal Period (as of April 30, 2012) | Thirteenth Fiscal Period (as of October 31, 2012) |
|---|---|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 1,669,299 | 2,306,624 |
| Cash and deposits in trust | 4,299,045 | 4,538,595 |
| Operating accounts receivable | 30,250 | 35,841 |
| Prepaid expenses | 234,094 | 261,404 |
| Deferred tax assets | 16 | 16 |
| Income taxes receivable | 150 | — |
| Consumption taxes receivable | 608 | — |
| Other | 1,845 | 1,830 |
| Total current assets | 6,235,311 | 7,144,313 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings | 1,145,185 | 1,148,529 |
| Accumulated depreciation | (161,620) | (177,991) |
| Buildings, net | 983,564 | 970,537 |
| Structures | 4,452 | 4,760 |
| Accumulated depreciation | (2,867) | (3,012) |
| Structures, net | 1,584 | 1,748 |
| Machinery and equipment | 17,235 | 17,235 |
| Accumulated depreciation | (9,825) | (10,398) |
| Machinery and equipment, net | 7,410 | 6,837 |
| Tools, furniture and fixtures | 2,522 | 4,058 |
| Accumulated depreciation | (846) | (1,028) |
| Tools, furniture and fixtures, net | 1,676 | 3,029 |
| Land | 4,888,525 | 4,888,525 |
| Buildings in trust | 61,867,568 | 61,987,617 |
| Accumulated depreciation | (11,762,594) | (12,813,533) |
| Buildings in trust, net | 50,104,973 | 49,174,083 |
| Structures in trust | 696,187 | 697,367 |
| Accumulated depreciation | (238,906) | (259,630) |
| Structures in trust, net | 457,281 | 437,737 |
| Machinery and equipment in trust | 232,455 | 237,480 |
| Accumulated depreciation | (92,043) | (105,241) |
| Machinery and equipment in trust, net | 140,412 | 132,238 |
| Tools, furniture and fixtures in trust | 237,583 | 246,048 |
| Accumulated depreciation | (98,037) | (111,964) |
| Tools, furniture and fixtures in trust, net | 139,546 | 134,083 |
| Land in trust | 124,678,411 | 124,695,656 |
| Total property, plant and equipment | 181,403,387 | 180,444,479 |
| Intangible assets | | |
| Other intangible assets in trust | 2,096 | 1,850 |
| Other | 148 | 127 |
| Total intangible assets | 2,245 | 1,977 |
| Investments and other assets | | |
| Lease and guarantee deposits | 10,000 | 10,000 |
| Long-term prepaid expenses | 537,134 | 613,286 |
| Other | 184,406 | 197,185 |
| Total investments and other assets | 731,541 | 820,471 |
| Total noncurrent assets | 182,137,174 | 181,266,928 |
| Deferred assets | | |
| Investment corporation bond issuance costs | 34,908 | 29,396 |
| Total deferred assets | 34,908 | 29,396 |
| Total assets | 188,407,394 | 188,440,638 |

(Unit: thousand yen)

| | Twelfth Fiscal Period (as of April 30, 2012) | Thirteenth Fiscal Period (as of October 31, 2012) |
|--|---|--|
| Liabilities | | |
| Current liabilities | | |
| Operating accounts payable | 225,911 | 80,127 |
| Current portion of long-term loans payable | 36,735,000 | 19,235,000 |
| Accounts payable – other | 233,949 | 252,992 |
| Accrued expenses | 221,849 | 174,072 |
| Income taxes payable | 566 | 688 |
| Accrued consumption taxes | — | 102,725 |
| Advances received | 804,500 | 945,950 |
| Other | 3,877 | 2,785 |
| Total current liabilities | 38,225,655 | 20,794,342 |
| Noncurrent liabilities | | |
| Investment corporation bond | 8,500,000 | 8,500,000 |
| Long-term loans payable | 51,735,000 | 69,167,500 |
| Tenant leasehold and security deposits | 144,487 | 125,901 |
| Tenant leasehold and security deposits in trust | 5,513,903 | 5,512,599 |
| Deferred tax liabilities | 28,827 | 25,243 |
| Derivatives liabilities | — | 10,525 |
| Total noncurrent liabilities | 65,922,219 | 83,341,769 |
| Total liabilities | 104,147,874 | 104,136,112 |
| Net Assets | | |
| Unitholders' equity | | |
| Unitholders' capital | 82,260,100 | 82,260,100 |
| Surplus | | |
| Voluntary retained earnings | | |
| Reserve for reduction entry | — | 49,958 |
| Total Voluntary retained earnings | — | 49,958 |
| Unappropriated retained earnings (undisposed loss) | 1,999,419 | 2,001,377 |
| Total surplus | 1,999,419 | 2,051,336 |
| Total unitholders' equity | 84,259,519 | 84,311,436 |
| Valuation and translation adjustments | | |
| Deferred gains or losses on hedges | — | (6,909) |
| Total valuation and translation adjustments | — | (6,909) |
| Total net assets | 84,259,519 | 84,304,526 |
| Total liabilities and net assets | 188,407,394 | 188,440,638 |

III. Statements of Income

(Unit: thousand yen)

| | Twelfth Fiscal Period (November 1, 2011 – April 30, 2012) | Thirteenth Fiscal Period (May 1, 2012 – October 31, 2012) |
|--|---|---|
| Operating revenue | | |
| Rent revenue – real estate | 5,420,035 | 5,605,257 |
| Other lease business revenue | 17,265 | 30,966 |
| Gain on sales of real estate properties | 256,002 | – |
| Total operating revenue | <u>5,693,303</u> | <u>5,636,223</u> |
| Operating expenses | | |
| Expenses related to rent business | 2,383,013 | 2,384,258 |
| Asset management fee | 409,169 | 430,000 |
| Asset custody fee | 8,348 | 8,464 |
| Administrative service fees | 63,199 | 63,979 |
| Directors' compensations | 6,300 | 6,300 |
| Audit fee | 10,000 | 10,000 |
| Other operating expenses | 41,222 | 36,195 |
| Total operating expenses | <u>2,921,252</u> | <u>2,939,198</u> |
| Operating income | <u>2,772,050</u> | <u>2,697,025</u> |
| Non-operating income | | |
| Interest income | 2,880 | 1,448 |
| Reversal of dividends payable | 800 | 606 |
| Insurance income | – | 774 |
| Reversal of provision for loss on disaster | 391 | – |
| Other | 119 | 198 |
| Total non-operating income | <u>4,192</u> | <u>3,027</u> |
| Non-operating expenses | | |
| Interest expenses | 553,431 | 503,691 |
| Interest expense on investment corporation bonds | 42,267 | 42,827 |
| Amortization of investment corporation bond issuance costs | 5,511 | 5,511 |
| Borrowing related expenses | 140,627 | 141,551 |
| Other | 5,262 | 4,171 |
| Total non-operating expenses | <u>747,101</u> | <u>697,753</u> |
| Ordinary income | <u>2,029,141</u> | <u>2,002,299</u> |
| Income before income taxes | <u>2,029,141</u> | <u>2,002,299</u> |
| Income taxes – current | 962 | 949 |
| Income taxes – deferred | 28,833 | (0) |
| Total income taxes | <u>29,795</u> | <u>948</u> |
| Net income | <u>1,999,346</u> | <u>2,001,351</u> |
| Retained earnings brought forward | 73 | 26 |
| Unappropriated retained earnings (undisposed loss) | 1,999,419 | 2,001,377 |

IV. Statements of Changes in Net Assets (Unitholders' Equity)

(Unit: thousand yen)

| | Twelfth Fiscal Period (November 1, 2011 – April 30, 2012) | Thirteenth Fiscal Period (May 1, 2012 – October 31, 2012) |
|--|---|---|
| Unitholders' equity | | |
| Unitholders' capital | | |
| Balance at the beginning of the period | 82,260,100 | 82,260,100 |
| Changes of items during the period | | |
| Total changes of items during the period | — | — |
| Balance at the end of current period | 82,260,100 | 82,260,100 |
| Surplus | | |
| Voluntary retained earnings | | |
| Reserve for reduction entry | | |
| Balance at the beginning of the period | — | — |
| Changes of items during the period | | |
| Provision of reserve for reduction entry | — | 49,958 |
| Total changes of items during the period | — | 49,958 |
| Balance at the end of current period | — | 49,958 |
| Total Voluntary retained earnings | | |
| Balance at the beginning of the period | — | — |
| Changes of items during the period | | |
| Provision of reserve for reduction entry | — | 49,958 |
| Total changes of items during the period | — | 49,958 |
| Balance at the end of current period | — | 49,958 |
| Unappropriated retained earnings (undisposed loss) | | |
| Balance at the beginning of the period | 1,985,468 | 1,999,419 |
| Changes of items during the period | | |
| Provision of reserve for reduction entry | — | (49,958) |
| Dividends from surplus | (1,985,395) | (1,949,435) |
| Net income | 1,999,346 | 2,001,351 |
| Total changes of items during the period | 13,951 | 1,957 |
| Balance at the end of current period | 1,999,419 | 2,001,377 |
| Total surplus | | |
| Balance at the beginning of the period | 1,985,468 | 1,999,419 |
| Changes of items during the period | | |
| Provision of reserve for reduction entry | — | — |
| Dividends from surplus | (1,985,395) | (1,949,435) |
| Net income | 1,999,346 | 2,001,351 |
| Total changes of items during the period | 13,951 | 51,916 |
| Balance at the end of current period | 1,999,419 | 2,051,336 |
| Total unitholders' equity | | |
| Balance at the beginning of the period | 84,245,568 | 84,259,519 |
| Changes of items during the period | | |
| Dividends from surplus | (1,985,395) | (1,949,435) |
| Net income | 1,999,346 | 2,001,351 |
| Total changes of items during the period | 13,951 | 51,916 |
| Balance at the end of current period | 84,259,519 | 84,311,436 |
| Valuation and translation adjustments | | |
| Deferred gains or losses on hedges | | |
| Balance at the beginning of the period | — | — |
| Changes of items during the period | | |
| Changes of items other than unitholders' equity (net) | — | (6,909) |
| Total changes of items during the period | — | (6,909) |
| Balance at the end of current period | — | (6,909) |
| Total valuation and translation adjustments | | |
| Balance at the beginning of the period | — | — |

| | | |
|---|-------------|-------------|
| Changes of items during the period | | |
| Changes of items other than unitholders' equity (net) | — | (6,909) |
| Total changes of items during the period | — | (6,909) |
| Balance at the end of current period | — | (6,909) |
| Total net assets | | |
| Balance at the beginning of the period | 84,245,568 | 84,259,519 |
| Changes of items during the period | | |
| Dividends from surplus | (1,985,395) | (1,949,435) |
| Net income | 1,999,346 | 2,001,351 |
| Changes of items other than unitholders' equity (net) | — | (6,909) |
| Total changes of items during the period | 13,951 | 45,006 |
| Balance at the end of current period | 84,259,519 | 84,304,526 |

V. Notes to Financial Statements

Note 1. Premise of the Going Concern

| | |
|---|---|
| Twelfth Fiscal Period (Reference) For the period from November 1, 2011 to April 30, 2012 | Thirteenth Fiscal Period For the period from May 1, 2012 to October 31, 2012 |
| There are none applicable | There are none applicable |

Note 2. Significant Accounting Policies

| Classification | Twelfth Fiscal Period (Reference) For the period from November 1, 2011 to April 30, 2012 | Thirteenth Fiscal Period For the period from May 1, 2012 to October 31, 2012 | | | | | | | | | | | | | | | | |
|--|--|--|------------|------------|------------|-------------------------|------------|-------------------------------|------------|--|----------|------------|------------|------------|-------------------------|------------|-------------------------------|------------|
| 1. Method of Depreciation and Amortization of Property, etc. | <p>(1) Property, Plant and Equipment (including trust assets) Adopts the straight-line method. Further, the estimated useful lives of the major property, plant and equipment are as follows.</p> <table style="margin-left: 40px;"> <tr> <td>Building</td> <td>2~59 years</td> </tr> <tr> <td>Structures</td> <td>2~54 years</td> </tr> <tr> <td>Machinery and equipment</td> <td>2~15 years</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td>2~12 years</td> </tr> </table> <p>(2) Intangible Assets Adopts the straight-line method.</p> <p>(3) Long-Term Prepaid Expenses Adopts the straight-line method.</p> | Building | 2~59 years | Structures | 2~54 years | Machinery and equipment | 2~15 years | Tools, furniture and fixtures | 2~12 years | <p>(1) Property, Plant and Equipment (including trust assets) Adopts the straight-line method. Further, the estimated useful lives of the major property, plant and equipment are as follows.</p> <table style="margin-left: 40px;"> <tr> <td>Building</td> <td>2~59 years</td> </tr> <tr> <td>Structures</td> <td>2~54 years</td> </tr> <tr> <td>Machinery and equipment</td> <td>3~15 years</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td>2~12 years</td> </tr> </table> <p>(2) Intangible Assets Adopts the straight-line method.</p> <p>(3) Long-Term Prepaid Expenses Adopts the straight-line method.</p> | Building | 2~59 years | Structures | 2~54 years | Machinery and equipment | 3~15 years | Tools, furniture and fixtures | 2~12 years |
| Building | 2~59 years | | | | | | | | | | | | | | | | | |
| Structures | 2~54 years | | | | | | | | | | | | | | | | | |
| Machinery and equipment | 2~15 years | | | | | | | | | | | | | | | | | |
| Tools, furniture and fixtures | 2~12 years | | | | | | | | | | | | | | | | | |
| Building | 2~59 years | | | | | | | | | | | | | | | | | |
| Structures | 2~54 years | | | | | | | | | | | | | | | | | |
| Machinery and equipment | 3~15 years | | | | | | | | | | | | | | | | | |
| Tools, furniture and fixtures | 2~12 years | | | | | | | | | | | | | | | | | |
| 2. Treatment Method of Differed Assets | Investment Corporation Bonds Issuance Costs Amortized on the straight-line method over the maturity period of the bonds | Investment Corporation Bonds Issuance Costs Amortized on the straight-line method over the maturity period of the bonds | | | | | | | | | | | | | | | | |

| | | |
|---|---|---|
| <p>3. Standard for Posting of Income and Expenses</p> | <p>Method of treatment concerning Taxes on Property and Equipment</p> <p>Top REIT adopts the method of treating property taxes, city planning taxes and depreciable asset taxes, etc. on owned real estate, etc, as expenses related to the rent business in the amount corresponding to the management period out of the assessed and determined taxation amount. In addition, as for the acquisition of real estate or beneficiary interests in trust in real estate, the adjustments equivalent to property tax for the acquired fiscal year paid to the transferor will be included in acquisition costs, and thus will not be recorded as expenses in the corresponding period. Furthermore, during the 12th fiscal period, there was no amount equivalent to the property taxes included as the acquisition costs of real estate that was applicable.</p> | <p>Method of treatment concerning Taxes on Property and Equipment</p> <p>Top REIT adopts the method of treating property taxes, city planning taxes and depreciable asset taxes, etc. on owned real estate, etc, as expenses related to the rent business in the amount corresponding to the management period out of the assessed and determined taxation amount. In addition, as for the acquisition of real estate or beneficiary interests in trust in real estate, the adjustments equivalent to property tax for the acquired fiscal year paid to the transferor will be included in acquisition costs, and thus will not be recorded as expenses in the corresponding period. Furthermore, during the 13th fiscal period, the amount equivalent to the property taxes included as the acquisition costs of real estate totaled 28,530 thousand yen for Top Residence Nihonbashi Kayabacyo and Shinkawa Chuo Building that were acquired in 12th fiscal period.</p> |
| <p>4. Treatment Method for Lease Transaction</p> | <p>(lessee)</p> <p>Among finance lease transactions other than those recognized as being a transfer of ownership of the leased property to the lessee, equipment lease transactions with a commencement date which falls under the fiscal period that starts before April 1, 2008 are treated by accounting methods in accordance with ordinary rent transactions.</p> | <p>(lessee)</p> <p>Among finance lease transactions other than those recognized as being a transfer of ownership of the leased property to the lessee, equipment lease transactions with a commencement date which falls under the fiscal period that starts before April 1, 2008 are treated by accounting methods in accordance with ordinary rent transactions.</p> |
| <p>5. Method of Hedge Accounting</p> | <p>(1) Method of Hedge Accounting on Deferred Hedge, etc. Deferred hedge accounting is adopted. However, special treatment is adopted for those that meet the requirements for special treatment of interest rate swaps.</p> <p>(2) Hedging Instruments and Hedged Items Hedging instruments: Interest rate swap transactions Hedged items: Borrowing interest rates</p> <p>(3) Hedging Policy Top REIT enters into derivative transactions to hedge against risks stipulated in the Articles of Incorporation in accordance with the financial policy.</p> <p>(4) Method for Assessing the Effectiveness of Hedging The effectiveness of hedging is assessed by comparing the cumulative change in hedged items and the cumulative change in hedging instruments and then examining the ratio of the amount of change in both.</p> | <p>(1) Method of Hedge Accounting on Deferred Hedge, etc. Deferred hedge accounting is adopted. However, special treatment is adopted for those that meet the requirements for special treatment of interest rate swaps.</p> <p>(2) Hedging Instruments and Hedged Items Hedging instruments: Interest rate swap transactions Hedged items: Borrowing interest rates</p> <p>(3) Hedging Policy Top REIT enters into derivative transactions to hedge against risks stipulated in the Articles of Incorporation in accordance with the financial policy.</p> <p>(4) Method for Assessing the Effectiveness of Hedging The effectiveness of hedging is assessed by comparing the cumulative change in hedged items and the cumulative change in hedging instruments and then examining the ratio of the amount of change in both.</p> |

| | | |
|--|---|---|
| 6. Other Significant Items Fundamental to Preparing the Financial Statements | <p>(1) Accounting Treatment Method on Trust Beneficiary Interest in Real Estate as Property in Trust</p> <p>For the trust beneficiary interest in owned real estate, all accounts of assets and liabilities held in trust as well as all income generated and expenses incurred from the trust are recorded in the concerned items accounts on the balance sheet and statements of income and retained earnings, respectively.</p> <p>Furthermore, the following significant accounts are separately stated in the balance sheet for properties in trust recorded in relevant accounts.</p> <ol style="list-style-type: none"> 1.Cash and Deposits in trust 2.Building in trust, Structures in trust, machinery and equipment in trust, Tools, furniture and fixtures in trust, other properties in trust, land in trust, other intangible assets in trust 3.Land leasehold right in trust 4.Lease and guarantee deposits in trust 5.Tenant leasehold and security deposits in trust | <p>(1) Accounting Treatment Method on Trust Beneficiary Interest in Real Estate as Property in Trust</p> <p>For the trust beneficiary interest in owned real estate, all accounts of assets and liabilities held in trust as well as all income generated and expenses incurred from the trust are recorded in the concerned items accounts on the balance sheet and statements of income and retained earnings, respectively.</p> <p>Furthermore, the following significant accounts are separately stated in the balance sheet for properties in trust recorded in relevant accounts.</p> <ol style="list-style-type: none"> 1.Cash and Deposits in trust 2.Building in trust, Structures in trust, machinery and equipment in trust, Tools, furniture and fixtures in trust, other properties in trust, land in trust, other intangible assets in trust 3.Land leasehold right in trust 4.Lease and guarantee deposits in trust 5.Tenant leasehold and security deposits in trust |
| | <p>(2) Accounting Treatment Method of Consumption Taxes</p> <p>National and local consumption taxes are accounted with the consumption taxes excluded. Furthermore, consumption taxes related to acquisition of properties, which has not been deducted, is included in the acquisition costs of the respective properties.</p> | <p>(2) Accounting Treatment Method of Consumption Taxes</p> <p>National and local consumption taxes are accounted with the consumption taxes excluded. Furthermore, consumption taxes related to acquisition of properties, which has not been deducted, is included in the acquisition costs of the respective properties.</p> |

Note 3. Balance Sheet

| Twelfth Fiscal Period (Reference) As of April 30, 2012 | Thirteenth Fiscal Period As of October 31, 2012 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|----------------|-------------------|-----------|---------------------|--------|----------------------|------------------|-------|------------|--|----------------|---|---------|--------------|----------------|--|--|----------------|-------------------|-----------|---------------------|--------|----------------------|------------------|-------|------------|--|----------------|---|---------|--------------|----------------|
| <p>1. Asset Pledged as Collateral and Secured Liabilities</p> <p>Assets pledged as collateral are as follows.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">(Thousand yen)</td> </tr> <tr> <td>Building in trust</td> <td style="text-align: right;">2,435,871</td> </tr> <tr> <td>Structures in trust</td> <td style="text-align: right;">83,755</td> </tr> <tr> <td><u>Land in trust</u></td> <td style="text-align: right;"><u>8,892,092</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">11,411,719</td> </tr> </table> <p>Secured liabilities are as follows.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">(Thousand yen)</td> </tr> <tr> <td>Tenant leasehold and security deposits in trust</td> <td style="text-align: right;">719,800</td> </tr> <tr> <td><u>Total</u></td> <td style="text-align: right;"><u>719,800</u></td> </tr> </table> | | (Thousand yen) | Building in trust | 2,435,871 | Structures in trust | 83,755 | <u>Land in trust</u> | <u>8,892,092</u> | Total | 11,411,719 | | (Thousand yen) | Tenant leasehold and security deposits in trust | 719,800 | <u>Total</u> | <u>719,800</u> | <p>1. Asset Pledged as Collateral and Secured Liabilities</p> <p>Assets pledged as collateral are as follows.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">(Thousand yen)</td> </tr> <tr> <td>Building in trust</td> <td style="text-align: right;">2,387,558</td> </tr> <tr> <td>Structures in trust</td> <td style="text-align: right;">81,083</td> </tr> <tr> <td><u>Land in trust</u></td> <td style="text-align: right;"><u>8,892,092</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">11,360,733</td> </tr> </table> <p>Secured liabilities are as follows.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">(Thousand yen)</td> </tr> <tr> <td>Tenant leasehold and security deposits in trust</td> <td style="text-align: right;">719,800</td> </tr> <tr> <td><u>Total</u></td> <td style="text-align: right;"><u>719,800</u></td> </tr> </table> | | (Thousand yen) | Building in trust | 2,387,558 | Structures in trust | 81,083 | <u>Land in trust</u> | <u>8,892,092</u> | Total | 11,360,733 | | (Thousand yen) | Tenant leasehold and security deposits in trust | 719,800 | <u>Total</u> | <u>719,800</u> |
| | (Thousand yen) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Building in trust | 2,435,871 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Structures in trust | 83,755 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>Land in trust</u> | <u>8,892,092</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 11,411,719 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | (Thousand yen) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Tenant leasehold and security deposits in trust | 719,800 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>Total</u> | <u>719,800</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | (Thousand yen) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Building in trust | 2,387,558 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Structures in trust | 81,083 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>Land in trust</u> | <u>8,892,092</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 11,360,733 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | (Thousand yen) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Tenant leasehold and security deposits in trust | 719,800 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>Total</u> | <u>719,800</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>2. Minimum Total Net Asset Designated in Article 67-4 in the Investment Trust and Investment Corporations Law</p> <p style="text-align: right;">50,000 thousand yen</p> | <p>2. Minimum Total Net Asset Designated in Article 67-4 in the Investment Trust and Investment Corporations Law</p> <p style="text-align: right;">50,000 thousand yen</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Note 4. Statement of Income and Retained Earnings

1. Breakdown of Property Rental Business Revenues and Expenses

(Thousand yen)

| | Twelfth Fiscal Period(Reference) For the period From November 1, 2011 to April 30, 2012 | Thirteenth Fiscal Period For the period From May 1, 2012 to October 31, 2012 |
|---|--|---|
| A. Revenue related to rent business | | |
| Rental and parking revenue | 5,097,051 | 5,268,670 |
| Other lease revenue | 322,984 | 336,587 |
| Other lease business revenue | 15,986 | 23,645 |
| Cancellation penalty received | 1,279 | 7,321 |
| Total revenue related to rent business | 5,437,301 | 5,636,223 |
| B. Expenses related to rent business: | | |
| Property management costs and fees | 398,124 | 392,283 |
| Utilities expenses | 189,024 | 230,976 |
| Property-related taxes and dues | 608,042 | 565,466 |
| Non-life insurance expenses | 9,094 | 9,369 |
| Repair expenses | 80,887 | 46,720 |
| Depreciation and amortization | 1,072,349 | 1,116,306 |
| Other | 25,491 | 23,135 |
| Total expenses related to rent business | 2,383,013 | 2,384,258 |
| C. Revenue and expenses of real estate rent business (A – B) | 3,054,287 | 3,251,965 |

2. Breakdown of capital gains of the disposition of real estate

| | Twelfth Fiscal Period (Reference) For the period from November 1, 2011 to April 30, 2012 | Thirteenth Fiscal Period For the period from May 1, 2012 to October 31, 2012 |
|--|--|---|
| Breakdown of capital gains of the disposition of real estate | Capital gains of disposition of Nitetsu Honmachi Building (Thousand yen) Revenue of disposition: 1,300,000 Disposition costs: 1,001,145 Other expenses for disposition: 42,852 Capital Gains 256,002 | — |

Note 5. Unitholders' Equity

(1) Number of units

| | Twelfth Fiscal Period (Reference) For the period from November 1, 2011 to April 30, 2012 | Thirteenth Fiscal Period For the period from May 1, 2012 to October 31, 2012 |
|---|--|---|
| Number of issuable investment units | 2,000,000 units | 2,000,000 units |
| Number of investment units issued and outstanding | 155,000 units | 155,000 units |

Note 6. Tax Effect Accounting

1. Breakdown of deferred gains or losses by cause
(Deferred Tax Assets)

(Thousand yen)

| | Twelfth Fiscal Period (Reference) For the period from November 1, 2011 to April 30, 2012 | Thirteenth Fiscal Period For the period from May 1, 2012 to October 31, 2012 |
|------------------------------------|--|---|
| Current assets | | |
| Income taxes – current payable | 16 | 16 |
| Noncurrent assets | | |
| Deferred gains or losses on hedges | | 3,584 |
| Total deferred tax assets | 16 | 3,601 |

(Deferred Tax Liabilities)

(Thousand yen)

| | Twelfth Fiscal Period (Reference) For the period from November 1, 2011 to April 30, 2012 | Thirteenth Fiscal Period For the period from May 1, 2012 to October 31, 2012 |
|--------------------------------|--|---|
| Noncurrent liabilities | | |
| Reduction reserves | 28,827 | 28,827 |
| Total deferred tax liabilities | 28,827 | 28,827 |
| (Net deferred tax liabilities) | 28,811 | 25,226 |

2. Breakdown by main items that caused differences between the effective statutory tax rate and the effective tax rate after applying tax effect accounting.

| | Twelfth Fiscal Period (Reference) For the period from November 1, 2011 to April 30, 2012 | Thirteenth Fiscal Period For the period from May 1, 2012 to October 31, 2012 |
|---|--|---|
| Effective statutory tax rate | 39.33% | 36.59% |
| (Adjustment) | | |
| Deductible cash distributions | (37.79%) | (36.57%) |
| Other | (0.08%) | 0.03% |
| Effective tax rate after applying tax effect accounting | 1.47% | 0.05% |

3. Content and Impact of Changes in Income Tax, Etc. if Such Changes Were Made after the Settlement Dates

| | Twelfth Fiscal Period (Reference) | Thirteenth Fiscal Period |
|--|--|---|
| | For the period from November 1, 2011 to April 30, 2012 | For the period from May 1, 2012 to October 31, 2012 |
| Content and Impact of Changes in Income Tax, Etc. if Such Changes Were Made after the Settlement Dates | The Act to Partially Revise the Income Tax Act, etc., in Order to Construct a Tax System Addressing Changes in the Socio-Economic Structure (Act No. 114 of 2011) and the Act on Special Measures for Securing Necessary Financial Resources to Implement Measures to Rebuild Areas Devastated by the Great East Japan Earthquake (Act No. 117 of 2011) were promulgated on December 2, 2011. In accordance with the promulgation, the effective statutory tax rate used to calculate the deferred tax assets and deferred tax liabilities concerning the temporary differences, etc. expected to be reversed in the accounting periods ending October, 2012 (13 th fiscal period) to April, 2015 (18 th fiscal period) will be changed to 36.59%, and temporary differences expected to be reserved in the accounting periods ending October, 2015 (19 th fiscal period) and after will be changed to 34.16% from the historic 39.33%. Furthermore, the amount of impact from the changed tax rate may be minimal. | — |

Note 7. Leases

1. Finance lease transactions other than those recognized as being a transfer of ownership of the leased property to the lessee

As lessee:

- (1) Amount equivalent to acquisition value, amount equivalent to accumulated depreciation and amortization, and amount equivalent to the balance at the end of the fiscal period for leased properties

(Thousand yen)

| | Twelfth Fiscal Period (Reference) | | | Thirteenth Fiscal Period | | |
|-------------------------|--|---|--|---|---|--|
| | For the period From November 1, 2011 to April 30, 2012 | | | For the period From May 1, 2012 to October 31, 2012 | | |
| | Amount equivalent to acquisition value | Amount equivalent to accumulated depreciation and amortization | Amount equivalent to balance at end of period | Amount equivalent to acquisition value | Amount equivalent to accumulated depreciation and amortization | Amount equivalent to balance at end of period |
| Machinery and equipment | 4,950 | 4,655 | 294 | — | — | — |
| Total | 4,950 | 4,655 | 294 | — | — | — |

(Note) The amounts are shown for Top REIT's portion. The amounts are rounded down to the nearest thousand yen.

- (2) Amount equivalent to the balance of future lease payments at the end of the fiscal period

(Thousand yen)

| | Twelfth Fiscal Period (Reference) | Thirteenth Fiscal Period |
|-------------------|--|---|
| | For the period from November 1, 2011 to April 30, 2012 | For the period from May 1, 2012 to October 31, 2012 |
| Due within 1 year | 326 | — |
| Due over 1 year | — | — |
| Total | 326 | — |

(Note) The amounts are shown for Top REIT's portion. The amounts are rounded down to the nearest thousand yen.

- (3) Lease fees payable, amount equivalent to depreciation and amortization and amount equivalent to interest expenses

(Thousand yen)

| | Twelfth Fiscal Period (Reference) For the period from November 1, 2011 to April 30, 2012 | Thirteenth Fiscal Period For the period from May 1, 2012 to October 31, 2012 |
|--|--|---|
| Lease fees payable | 395 | 329 |
| Amount equivalent to depreciation and amortization | 353 | 294 |
| Amount equivalent to interest expenses | 8 | 2 |

(Note) The amounts are shown for Top REIT's portion. The amounts are rounded down to the nearest thousand yen.

- (4) Method for calculating amount equivalent to depreciation and amortization and amount equivalent to interest expenses
- The amounts are calculated by the straight-line method, with the lease period as the useful life and zero as the residual value.
 - The amount equivalent to interest expenses is calculated as the amount of difference in the total amount of lease fees and amount posted as lease assets, with the method for allocation to the respective fiscal periods based on the interest method.

Note 8. Financial Instruments

Effective from the fiscal period ended October 31, 2010, Top REIT adopted the revised Accounting Standard, "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No.10 revised on March 10, 2010) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19 revised on March 10, 2010).

Information on financial instruments for the periods ended April 30, 2012 and October 31, 2012 required pursuant to the revised accounting standards are as follows:

1. Matters Concerning Status of Financial Instruments

(1) Policy for financial instruments

Top REIT procures necessary funds through bank loans, issuance of investment corporation bonds and issuance of investment units, with the aim of contributing to steady growth of assets managed and stable earnings from a mid-and long-term view in accordance with the financial policy stated by the asset manager. Although management of surplus funds by using financial instruments targeting securities, monetary claims, etc. in accordance with the investment limitations stipulated in the Articles of Incorporation, as a general rule, the surplus funds are managed by placing them in deposit.

Furthermore, derivative transactions shall be limited to those for the purpose of hedging interest rate fluctuation risk and other risks in accordance with the investment limitations.

(2) Financial Instruments, Their Risks and Risk Management System

Top REIT and Top REIT Asset Management, Co., Ltd. (TRAM), the asset management company of Top REIT, strive for advancing risk management through regular inspection of the adequacy and effectiveness of risk management systems. Top REIT and TRAM adopt the structure that inspects various risks regularly and reflects the results of inspection on the risk management plan and the management plans. In addition, Top REIT and TRAM inspect risks and reflect the results of inspection in the decision-making in a timely manner through various transactions.

Top REIT and TRAM strive for risk management based on the incorporation rules of the asset manager concerning individual financial instruments and their risks, and risk management system.

① Credit risk concerning deposit and derivative transaction

Deposits, especially time deposits of large amounts, are used for investment of Top REIT's surplus funds, these deposits are exposed to credit risk of bankruptcy of the depository financial institutions and others. Top REIT minimizes the risk through such measures as limiting them to short term deposits and setting the standard of credit rating for depository financial institutions and establishing rules for the ceiling amounts of deposit. Derivative transactions are exposed to credit risks of transaction parties, Top REIT limits credit risks by setting the standard of credit rating in transaction financial institutions and putting in place a structure to monitor deals, the amount of estimated values and credit status of transaction partners.

② Market risk concerning loans
Proceeds from loans and investment corporation bonds are used mainly to acquire real estate properties and refinance existing loans and bonds.
Loans, especially floating-rate borrowings, are exposed to market risks, Top REIT manages to hedge against interest-raising risk by fixed-rate interests entered into interest swap transactions and setting the target of fixed- rate interest ratios. In addition, when procuring new loans and refinancing, Top REIT inspects interest-raising risks and studies borrowing methods that minimize risks. For the hedging instruments and hedged items, hedging policy, method for assessing the effectiveness of hedging, etc. in hedge accounting, please refer to “5. Methods of Hedge Accounting” under “Note 2. Significant Accounting Policies” above.

③ Liquidity risk concerning borrowings and tenant leasehold used in cash flow, etc
Borrowings, investment corporation bonds and tenant leasehold are exposed to liquidity risk at the time of repayment of borrowing, redemption of investment corporation bonds and return of tenant leaseholds, but Top REIT manages these risks by preparing monthly fund management plans. In addition, Top REIT has established a management system for identifying liquidity risks regularly and at the time of various transactions by calculating the total amount of payments assumed, which is arrived at by taking the total amount of borrowings and tenant leaseholds, etc. that are to become due for repayment in the fiscal period and adding forecast dividends, and conducting a comparative inspection with liquidity on hand that factors in the liquidity of portfolio real estate properties and other assets under management.

(3) Supplemental Explanation About the Fair Value of Financial Instruments

The fair value of financial instruments is based on the quoted market price, if applicable. When there is no quoted market price available, fair value is reasonably estimated. Certain assumptions are used for the estimation of fair value. Accordingly, the result of such estimation may change if different assumptions are used. Furthermore, the contractual amounts of derivative transactions stated in “2. Matters Concerning Estimated Fair Value, etc. of Financial Instruments” below do not represent the market risk involved in these derivative transactions.

2. Matters Concerning Estimated Fair Value, etc. of Financial Instruments

For the period from November 1, 2011 to April 30, 2012 (12th fiscal period) (Reference)

The following table includes the book value, fair value and valuation difference of financial instruments as of April 30, 2012. The financial instruments that are recognized to be extremely difficult to estimate the fair value are not included in the table. (Please refer to Note 2).

(Thousand yen)

| | As of April 30, 2012 | | |
|---|----------------------|------------|------------|
| | Book value | Fair value | Difference |
| (1) Cash and deposits | 1,669,299 | 1,669,299 | — |
| (2) Cash and deposits in trust | 4,299,045 | 4,299,045 | — |
| Total assets | 5,968,345 | 5,968,345 | — |
| (3) Current portion of long-term loans payable | 36,735,000 | 36,763,620 | 28,620 |
| (4) Investment corporation bond | 8,500,000 | 8,550,150 | 50,150 |
| (5) Long-term loans payable | 51,735,000 | 52,210,908 | 475,908 |
| (6) Tenant leasehold and security deposits in trust | 37,002 | 37,002 | — |
| Total liabilities | 97,007,002 | 97,561,681 | 554,679 |
| Derivative transactions | | | |
| Applied hedge accounting | — | — | — |
| Total derivative transactions | — | — | — |

(Note 1) Methods for calculating the fair value of financial instruments and matters related to derivative transactions

Assets

- (1) Cash and deposits, and
(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.

Liabilities

- (3) Current portion of long-term loans payable, and
(5) Long-term loans payable

For long-term loans payable with floating interest rates, the fair value would be almost equal to the book value because such loans reflect the market interest rate in a short-term period and thus are based on the concerned book value.

For fixed-rate long-term loans payable, the fair value is the present value calculated by discounting the sum total amount of its principal and interest payment on a rate reasonably estimated to be applicable to similar long-term loans.

Furthermore, the fair value of long-term loans payable that qualifies for the special treatment of interest-rate swap (refer to Derivative Transactions below) is the present value calculated by the discounted sum total of its principal and interest payments net calculated from the interest-rate swap on a rate reasonably estimated to be applicable to similar fixed-rate long-term loans.

- (4) Investment corporation bonds

The fair value of investment corporation bonds issued by Top REIT is based on reference trading statistics of the Japan Securities Dealers Association.

- (6) Tenant leasehold and security 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.

Derivative Transactions
Hedge accounting applied

The following are the contract values or values corresponding to the principal amounts as stipulated by contracts for derivative transactions as of date of settlement for each hedge accounting method applied.

(Thousand yen)

| Hedge accounting method | Type of derivative transactions | Hedge item | Contract amount | | Fair value | Method of calculating the fair value |
|--|--|-------------------------|-----------------|--------------------|------------|--------------------------------------|
| | | | | More than one year | | |
| Special treatment of interest-rate swaps | Interest rate swap Pay fixed / receive floating | Long-term loans payable | 33,500,000 | 18,700,000 | (*1) | / |

(*1) Since the derivative transactions accounted by special treatment of interest-rate swaps are treated as one transaction together with long-term loans payable which is the hedged item, the fair value is included in the fair value of the said long-term loans payable (refer to Note 1(5)).

(Note 2) Financial instruments which are recognized to be extremely difficult to estimate the fair value of are as follows

(Thousand yen)

| Item | Carrying value |
|--|----------------|
| Tenant leasehold and security deposits in trust (*2) | 5,476,901 |
| Total | 5,476,901 |

(*2) Tenant leasehold and security deposits in trust which excluded the above (6) are not subject to fair value disclosure because arriving at the fair value is extremely difficult due to the fact that the contract termination period, which is the repayment date, is difficult to reasonably estimate as leases may be cancelled, renewed or re-signed even if a lease term is set in the lease contract, making a reasonable estimate of future cash flows difficult.

(Note 3) Redemption Schedule amount for Monetary Claims after the end of the period

(Thousand yen)

| | Due within one year |
|----------------------------|---------------------|
| Cash and deposits | 1,669,299 |
| Cash and deposits in trust | 4,299,045 |
| Total | 5,968,345 |

(Note 4) Repayment Schedule amount for Investment Corporation Bonds and Long-Term Loans Payable after the end of the period

(Thousand yen)

| | Due within one year | Due after one to two years | Due after two to three years | Due after three to four | Due after four to five years | Due after five years |
|------------------------------|---------------------|----------------------------|------------------------------|-------------------------|------------------------------|----------------------|
| Investment corporation bonds | — | — | — | 8,500,000 | — | — |
| Long-term loans payable | 36,735,000 | 135,000 | 4,135,000 | 23,535,000 | 23,930,000 | — |
| Total | 36,735,000 | 135,000 | 4,135,000 | 32,035,000 | 23,930,000 | — |

For the period from May 1, 2012 to October 31, 2012 (13th fiscal period)

The following table includes the book value, fair value and valuation difference of financial instruments as of October 31, 2012. The financial instruments that are recognized to be extremely difficult to estimate the fair value are not included in the table. (Please refer to Note 2).

(Thousand yen)

| | As of October 31, 2012 | | |
|---|------------------------|------------|------------|
| | Book value | Fair value | Difference |
| (1) Cash and deposits | 2,306,624 | 2,306,624 | — |
| (2) Cash and deposits in trust | 4,538,595 | 4,538,595 | — |
| Total assets | 6,845,219 | 6,845,219 | — |
| (3) Current portion of long-term loans payable | 19,235,000 | 19,255,366 | 20,366 |
| (4) Investment corporation bond | 8,500,000 | 8,563,750 | 63,750 |
| (5) Long-term loans payable | 69,167,500 | 69,609,387 | 441,887 |
| (6) Tenant leasehold and security deposits in trust | 415,658 | 415,658 | — |
| Total liabilities | 97,318,158 | 97,844,162 | 526,004 |
| Derivative transactions (*1) | | | |
| Applied hedge accounting | (10,525) | (10,525) | — |
| Total derivative transactions | (10,525) | (10,525) | — |

(*1): The value of assets and liabilities arising from derivative transactions is shown in net value, with amount in parentheses representing the net liability position.

(Note 1) Methods for calculating the fair value of financial instruments and matters related to derivative transactions

Assets

- (1) Cash and deposits, and
(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.

Liabilities

- (3) Current portion of long-term loans payable, and
(5) Long-term loans payable

For long-term loans payable with floating interest rates, the fair value would be almost equal to the book value because such loans reflect the market interest rate in a short-term period and thus are based on the concerned book value.

For fixed-rate long-term loans payable, the fair value is the present value calculated by discounting the sum total amount of its principal and interest payment on a rate reasonably estimated to be applicable to similar long-term loans.

Furthermore, the fair value of long-term loans payable that qualifies for the special treatment of interest-rate swap (refer to Derivative Transactions below) is the present value calculated by the discounted sum total of its principal and interest payments net calculated from the interest-rate swap on a rate reasonably estimated to be applicable to similar fixed-rate long-term loans.

- (4) Investment corporation bonds

The fair value of investment corporation bonds issued by Top REIT is based on reference trading statistics of the Japan Securities Dealers Association.

- (6) Tenant leasehold and security 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.

Derivative Transactions
Hedge accounting applied

The following are the contract values or values corresponding to the principal amounts as stipulated by contracts for derivative transactions as of date of settlement for each hedge accounting method applied.

(Thousand yen)

| Hedge accounting method | Type of derivative transactions | Hedge item | Contract amount | | Fair value | Method of calculating the fair value |
|--|--|-------------------------|-----------------|--------------------|------------|--|
| | | | | More than one year | | |
| Principal treatment method | Interest rate swap Pay fixed / receive floating | Long-term loans payable | 8,500,000 | 8,500,000 | (10,525) | Calculated on value provided by counterparty financial institution |
| Special treatment of interest-rate swaps | Interest rate swap Pay fixed / receive floating | Long-term loans payable | 25,000,000 | 18,700,000 | (*2) | — |

(*2) Since the derivative transactions accounted by special treatment of interest-rate swaps are treated as one transaction together with long-term loans payable which is the hedged item, the fair value is included in the fair value of the said long-term loans payable (refer to Note 1(5)).

(Note 2) Financial instruments which are recognized to be extremely difficult to estimate the fair value of are as follows

(Thousand yen)

| Item | Carrying value |
|--|----------------|
| Tenant leasehold and security deposits in trust (*3) | 5,096,941 |
| Total | 5,096,941 |

(*3) Tenant leasehold and security deposits in trust which excluded the above (6) are not subject to fair value disclosure because arriving at the fair value is extremely difficult due to the fact that the contract termination period, which is the repayment date, is difficult to reasonably estimate as leases may be cancelled, renewed or re-signed even if a lease term is set in the lease contract, making a reasonable estimate of future cash flows difficult.

(Note 3) Redemption Schedule amount for Monetary Claims after the end of the period

(Thousand yen)

| | Due within one year |
|----------------------------|---------------------|
| Cash and deposits | 2,306,624 |
| Cash and deposits in trust | 4,538,595 |
| Total | 6,845,219 |

(Note 4) Repayment Schedule amount for Investment Corporation Bonds and Long-Term Loans Payable after the end of the period

(Thousand yen)

| | Due within one year | Due after one to two years | Due after two to three years | Due after three to four | Due after four to five years | Due after five years |
|------------------------------|---------------------|----------------------------|------------------------------|-------------------------|------------------------------|----------------------|
| Investment corporation bonds | — | — | 8,500,000 | — | — | — |
| Long-term loans payable | 19,235,000 | 4,135,000 | 135,000 | 26,535,000 | 38,362,500 | — |
| Total | 19,235,000 | 4,135,000 | 8,635,000 | 26,535,000 | 38,362,500 | — |

Note 9. Investment and Rental Properties

Top REIT owns in the portfolio certain office buildings (including land), etc. located in Tokyo and other areas which are for lease.

The following table is the amount posted on the balance sheet, amounts of increase (decrease) during the previous period and fair value of these investment and rental properties as of the settlement date.

For the period from November 1, 2011 to April 30, 2012 (12th fiscal period) (Reference)

(Thousand yen)

| Book value | | | Fair value at end of the period |
|--|--------------------------|----------------------------------|---------------------------------|
| Balance at the beginning of the period | Change during the period | Balance at the end of the period | |
| 174,745,154 | 6,660,329 | 181,405,484 | 179,000,000 |

(Note 1) Summary of corresponding investment and rental properties are presented in “3-Status of Investment Assets.”

(Note 2) Book value represents the acquisition cost less accumulated depreciation and amortization.

(Note 3) Of the amounts of increase (decrease) during the current period for investment and rental properties, the amount of increase is primarily attributable acquisition of Top Residence Nihonbashi Kayabacho (2,491,698 thousand yen) and Shinkawa Chuo Building (5,779,255 thousand yen), and decrease is mainly due to the disposition of Nitetsu Honmachi Building (1,001,145 thousand yen) , and the depreciation and amortization.

(Note 4) Fair value at the end of the period is the appraisal value as appraised by an outside real estate appraiser.

Furthermore, loss and profit concerning investment and rental properties for fiscal period ended April 30, 2012 is presented in “Note 5. Statement of Income and Retained Earnings.”

For the period from May 1, 2012 to October 31, 2012 (13th fiscal period)

(Thousand yen)

| Book value | | | Fair value at end of the period |
|--|--------------------------|----------------------------------|---------------------------------|
| Balance at the beginning of the period | Change during the period | Balance at the end of the period | |
| 181,405,484 | (959,154) | 180,446,329 | 173,800,000 |

(Note 1) Summary of corresponding investment and rental properties are presented in “3-Status of Investment Assets.”

(Note 2) Book value represents the acquisition cost less accumulated depreciation and amortization.

(Note 3) Of the amounts of increase (decrease) during the current period for investment and rental properties, the amount of increase is primarily attributable to capital expenditures, and decrease is mainly due to the depreciation and amortization.

(Note 4) Fair value at the end of the period is the appraisal value as appraised by an outside real estate appraiser.

Furthermore, loss and profit concerning investment and rental properties for fiscal period ended October 31, 2012 is presented in “Note 4. Statement of Income and Retained Earnings.”

Note 10. Transactions with Interested Parties

For the period from November 1, 2011 to April 30, 2012 (12th fiscal period) (Reference)

| Attribution | Company name | Business description or occupation | Ratio of investment units held among total number of investment units | Type of transaction | Amount of transaction (thousand yen) (Note) | Item in balance sheets | Balance at period end (thousand yen) (Note) |
|---|-------------------------------------|------------------------------------|---|--|---|----------------------------|---|
| Assets custodian | Sumitomo Mitsui Trust Bank Limited. | Banking | 2.05% | Administrative service fee | 63,199 | Accounts payable-other | 57,318 |
| | | | | Brokerage fee | 39,060 | Operating accounts payable | — |
| | | | | Trust fees (disposition) | 300 | | |
| | | | | Trust fee | 16,524 | | |
| | | | | Other fees paid | 1,374 | | |
| | | | | Property management expenses | 1,250 | | |
| | | | | Other non-operating expenses | 342 | Long-term prepaid expenses | 1,860 |
| | | | | | | Prepaid expenses | 720 |
| | | | | Borrowing related expenses | 48,850 | Long-term prepaid expenses | 201,363 |
| | | | | | | Prepaid expenses | 76,730 |
| | | | | Investment corporation bond related expenses | 624 | Accounts payable-other | 54 |
| Investment corporation bond issuance expenses | 3,550 | | | | | | |

(Note) Consumption tax, etc. are excluded from the amounts of transactions. Consumption tax, etc. are included in the balances at end period, but excluded only for investment corporation bond issuance costs. Furthermore, transaction terms are determined based on prevailing market conditions.

For the period from May 1, 2012 to October 31, 2012 (13th fiscal period)

| Attribution | Company name | Business description or occupation | Ratio of investment units held among total number of investment units | Type of transaction | Amount of transaction (thousand yen) (Note 1) | Item in balance sheets | Balance at period end (thousand yen) (Note 1) |
|---------------------------------------|-------------------------------------|------------------------------------|---|--|---|---|---|
| Interested party | Japan Trustee Services Bank, Ltd. | Banking | 18.49% (Note 2) | Rent revenue, etc (Note 3) | 96,622 | Operating accounts receivable | 7,615 |
| | | | | | | Advances received | 72,160 |
| Interested Party and Assets custodian | Sumitomo Mitsui Trust Bank Limited. | Banking | 2.05% | Administrative service fee | 63,979 | Accounts payable-other | 58,048 |
| | | | | Trust fee | 15,138 | Operating accounts payable | — |
| | | | | Other fees paid | 1,303 | | |
| | | | | Property management expenses | 1,250 | | |
| | | | | Other non-operating expenses | 342 | Long-term prepaid expenses | 1,500 |
| | | | | | | Prepaid expenses | 720 |
| | | | | Borrowing related expenses | 57,544 | Long-term prepaid expenses | 220,700 |
| | | | | | | Prepaid expenses | 80,053 |
| | | | | Investment corporation bond related expenses | 624 | Accounts payable-other | 54 |
| | | | | | | Investment corporation bond issuance expenses | 2,990 |

(Note 1): Consumption tax, etc. are excluded from the amounts of transactions. Consumption tax, etc. are included in the balances at end period, but excluded only for investment corporation bond issuance costs.

Furthermore, transaction terms are determined based on prevailing market conditions.

(Note 2): The described above ratio was held to trust accounts.

(Note 3): The described above rent revenues, etc. include rents and common service revenue as well as related utilities revenue, additional facilities use revenue and parking revenue.

Note 11. Per Unit Information

| Twelfth Fiscal Period (Reference) or the period from November 1, 2011 to April 30, 2012 | | Thirteenth Fiscal Period For the period from May 1, 2012 to October 31, 2012 | |
|--|-------------|--|-------------|
| Net Assets per Unit | 543,610 yen | Net Assets per Unit | 543,900 yen |
| Net Income per Unit | 12,899 yen | Net Income per Unit | 12,912 yen |
| Diluted net income per unit has not been presented since there are no outstanding warrants or convertible bonds. | | Diluted net income per unit has not been presented since there are no outstanding warrants or convertible bonds. | |

(Note) The per unit amounts are rounded to the nearest yen.

(Note) Base of calculation of net income per unit is as follows:

| | Twelfth Fiscal Period (Reference) For the period from November 1, 2011 to April 30, 2012 | Thirteenth Fiscal Period For the period from May 1, 2012 to October 31, 2012 |
|---|---|---|
| Net Income (thousand yen) | 1,999,346 | 2,001,351 |
| Amounts not attributable to ordinary unitholders (thousand yen) | — | — |
| Net income attributable to ordinary investment unit (thousand yen) | 1,999,346 | 2,001,351 |
| Weighted-average number of units during the period (unit) | 155,000 | 155,000 |

Note 12. Significant Subsequent Events

| Twelfth Fiscal Period (Reference) For the period from November 1, 2011 to April 30, 2012 | Thirteenth Fiscal Period For the period from May 1, 2012 to October 31, 2012 |
|---|---|
| There are none applicable. | There are none applicable. |

VI. Statements of Cash Dividend Distributions

| Classification | Twelfth Fiscal Period (Reference) For the period from November 1, 2011 to April 30, 2012 | Thirteenth Fiscal Period For the period from May 1, 2012 to October 31, 2012 |
|---|--|---|
| | Amount (yen) (Note 1) | Amount (yen) (Note 2) |
| I. Unappropriated retained earnings | 1,999,419,960 | 2,001,377,610 |
| II. Total Amount of Dividends (Dividend per unit) | 1,949,435,000 (12,577) | 2,001,360,000 (12,912) |
| III. Voluntary retained earnings Provision of reserve for reduction entry | 49,958,494 | — |
| IV. Retained earnings brought forward | 26,466 | 17,610 |

Note 1: In accordance with the “cash distribution policy” stipulated in Article 34 of the Articles of Incorporation, the amounts of dividends are limited to the amounts of income. The article also stipulates the policy that “Top REIT shall distribute amount in excess of the amount equivalent to 90% of its distributable profits as stipulated in Article 67-15 of the Special Taxation Measures Law.” Based on these policies, Top REIT decided on a total distribution of 1,949,435,000 yen as distribution of income for the period. This is the maximum value arrived at when the number of units issued and outstanding (155,000 units) is multiplied by an integer, within the limit of the balance of unappropriated retained earnings after deducting the reserve for reduction entry, which was reserved pursuant to Article 66-2 of the Special Taxation Measures Act, for the fiscal period.

Furthermore, Top REIT does not make cash distributions in excess of the profit as stipulated in Article 34-2 of the Articles of Incorporation.

Note 2: In accordance with the “cash distribution policy” stipulated in Article 34 of the Articles of Incorporation, the amounts of dividends are limited to the amounts of income. The article also stipulates the policy that “Top REIT shall distribute amount in excess of the amount equivalent to 90% of its distributable profits as stipulated in Article 67-15 of the Special Taxation Measures Law.” Based on these policies, Top REIT decided on a total distribution of 2,001,360,000 yen as distribution of income for the period. This is the maximum value arrived at when the number of units issued and outstanding (155,000 units) is multiplied by an integer, within the limit of the balance of unappropriated retained earnings for the fiscal period. Furthermore, Top REIT does not make cash distributions in excess of the profit as stipulated in Article 34-2 of the Articles of Incorporation.

Disclaimer:

The accompanying English financial information, comprising of balance sheets, statements of retained earnings, statements of changes in unitholders’ capital, notes to financial information and statements of cash dividends, have been translated from the Japanese financial statements of Top REIT prepared in accordance with the Law Concerning Investment Trusts and Investment Corporations of Japan.

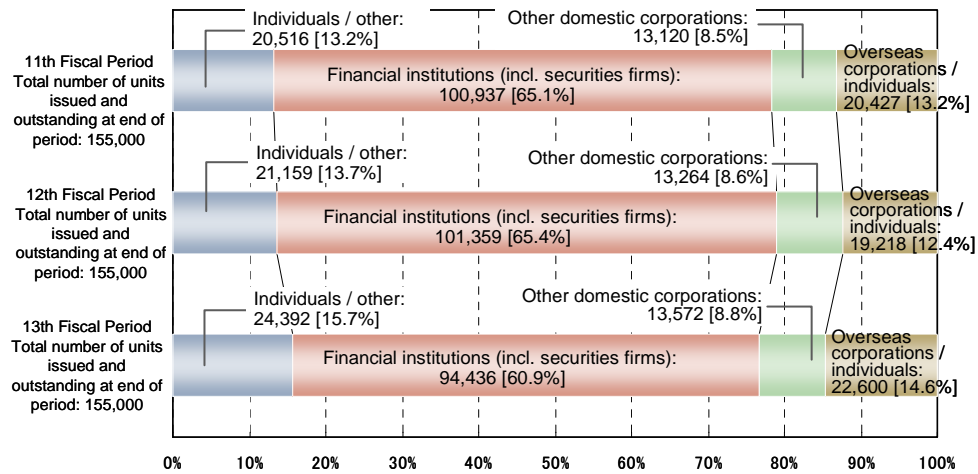
Under Article 130 of the Law Concerning Investment Trusts and Investment Corporations of Japan, the Japanese financial statements for the fiscal period ended October 31, 2011 have been audited by KPMG AZUSA, in accordance with auditing standards generally accepted in Japan. However, this English translation of the Japanese language report of independent auditors is not attached herein because the accompanying English translation of balance sheets, statements of retained earnings, statements of changes in unitholders’ capital, notes to financial information and statements of cash dividends are unaudited.

VII. Statements of Cash Flows (Reference Information)

(Unit: thousand yen)

| | Twelfth Fiscal Period (November 1, 2011 – April 30, 2012) | Thirteenth Fiscal Period (May 1, 2012 – October 31, 2012) |
|---|---|---|
| Net cash provided by (used in) operating activities | | |
| Income before income taxes | 2,029,141 | 2,002,299 |
| Depreciation and amortization | 1,072,349 | 1,116,306 |
| Amortization of right of trademark | 21 | 21 |
| Amortization of investment corporation bond issuance costs | 5,511 | 5,511 |
| Interest income and interest on securities | (2,880) | (1,448) |
| Interest expenses | 595,699 | 546,518 |
| Reversal of provision for loss on disaster | (391) | — |
| Decrease (increase) in operating accounts receivable | (2,975) | (5,590) |
| Decrease (increase) in consumption taxes receivable | (608) | 608 |
| Decrease (increase) in income taxes receivable | 168 | 150 |
| Decrease (increase) in prepaid expenses | 2,410 | (27,309) |
| Decrease due to sale of property plant and equipment in trust | 1,001,145 | — |
| Increase (decrease) in operating accounts payable | 7,256 | (14,939) |
| Increase (decrease) in accounts payable – other | (11,901) | 14,526 |
| Increase (decrease) in accrued consumption taxes | (63,072) | 102,725 |
| Increase (decrease) in advances received | (137,486) | 141,449 |
| Decrease (increase) in long-term prepaid expenses | (233,072) | (76,152) |
| Other, net | (106,072) | (23,270) |
| Subtotal | 4,155,244 | 3,781,407 |
| Interest income received | 2,880 | 1,448 |
| Interest expenses paid | (635,382) | (594,264) |
| Payment for Loss on disaster | (355) | — |
| Income taxes paid | (908) | (826) |
| Net cash provided by (used in) operating activities | 3,521,477 | 3,187,764 |
| Net cash provided by (used in) investing activities | | |
| Payments into time deposits | — | (70,500) |
| Proceeds from withdrawal of time deposits | — | 70,500 |
| Purchase of property, plant and equipment | (3,190) | (10,058) |
| Purchase of property, plant and equipment in trust | (8,586,136) | (264,006) |
| Repayments of tenant leasehold and security deposits | — | (18,586) |
| Proceeds from tenant leasehold and security deposits in trust | 468,502 | 66,667 |
| Repayments of tenant leasehold and security deposits in trust | (297,240) | (67,971) |
| Net cash provided by (used in) investing activities | (8,418,065) | (293,955) |
| Net cash provided by (used in) financing activities | | |
| Proceeds from long-term loans payable | 22,040,000 | 17,500,000 |
| Repayment of long-term loans payable | (19,107,500) | (17,567,500) |
| Dividends paid | (1,985,395) | (1,949,435) |
| Net cash provided by (used in) financing activities | 97,105 | (2,016,935) |
| Net increase (decrease) in cash and cash equivalents | (3,949,482) | 876,874 |
| Cash and cash equivalents at beginning of period | 9,917,828 | 5,968,345 |
| Cash and cash equivalents at end of period | 5,968,345 | 6,845,219 |

No. of Units Held



No. of Unitholders

