

**Top REIT, Inc.**

**17th Business Report  
(Semi-Annual Report 17th)**

**May 1, 2014 – October 31, 2014**

## Letter from the Executive Officer of the Investment Corporation and the President of the Asset Management Company

Dear Investors,

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

The Japanese economy showed a gradual recovery trend during the fiscal period under review (seventeenth fiscal period), as illustrated by a significant rebound in the performance of some companies. The trend was bolstered by the improving employment and income environments, although negatively impacted by the consumption tax rate hike in April 2014. Meanwhile, personal consumption and production activities remained weak due to the impact of the decrease in demand in reaction to the hurried purchases ahead of the consumption tax increase and unseasonable weather. In addition, housing investment dropped steeply and companies kept a cautious attitude toward capital investment. These and other factors led to unexpected negative growth in the real GDP for the July – September period, indicating that a full-on recovery is yet to take place.

In the domestic stock market, strong corporate performance centering on export-oriented companies had brought the Nikkei Stock Average upward. However, the stock prices showed high volatility and continued to remain unstable, as they were prone to be affected by such external factors as movements in the foreign exchange market and overseas stock prices, on top of the termination of the quantitative easing policy in the U.S. Subsequently, given the surprising announcement of additional monetary easing by the Bank of Japan and the disclosure of the new asset mix policy by the Government Pension Investment Fund (GPIF), the Nikkei Stock Average renewed its yearly high, while the yen weakened acceleratedly in the foreign exchange market. In the J-REIT market, The Tokyo Stock Exchange REIT Index continued to climb, backed by the capital inflow from individual investors utilizing the NISA (the Japanese version Individual Savings Account) system, in addition to the expectations for better performances due to the improving vacancy rates of office buildings and rising land prices, among other factors.

Looking at the real estate leasing market, tenants noticeably started relocating to blue-chip office buildings in preparation for the anticipated increase in office rents going forward, and expansion of leased floors in the same buildings in association with the recovery of corporate performance and an increase in new hiring also became evident. Under these circumstances, Top REIT focused on attracting successor tenants into its office buildings and residential properties from which tenants had moved out. Consequently, contracts with successor tenants were concluded for all floors Top REIT owns in Harumi Island Triton Square Office Tower Y, excluding some warehousing areas. Moreover, as an issue for us to tackle, we worked to invite successor tenants as soon as possible to Kanda Nishiki-cho 3-chome Building. As a result of these activities, Top REIT achieved a period-on-period increase in the financial results in the seventeenth fiscal period (fiscal period ended October 31, 2014), posting operating revenue of 5,792 million yen (up 2.8%), ordinary income of 1,955 million yen (up 2.2%) and net income of 1,954 million yen (up 2.1%). Dividend per unit stood at 11,107 yen, successfully surpassing the forecast by 4.8%.

In the current real estate transaction market, real estate prices are soaring partly due to the inflow of foreign capital with a strong appetite to invest, while information of excellent properties for sale is limited in volume. Under such a tough environment, Top REIT will implement its strategy of focusing on internal growth of properties it owns. At the same time, considering that the current market provides good opportunities for portfolio replacement, we aim to achieve growth based on the twin pillars of external growth and internal growth through collaboration with the asset manager and the sponsor. By doing so, we will continue our endeavors to maximize the investment value of our unitholders. We appreciate your continued support and understanding.

December 15, 2014

**Junichi Sahara**

Executive Officer  
Top REIT, Inc.



**Nobuhito Endo**

President and Representative Director  
Top REIT Asset Management Co., Ltd.

## Financial Highlights

CATEGORY	17TH FISCAL PERIOD PERFORMANCE	18TH FISCAL PERIOD FORECAST (ANNOUNCED ON December 15, 2014)	19TH FISCAL PERIOD FORECAST (ANNOUNCED ON December 15, 2014)
PERIOD OF ASSETMANAGEMENT	184 days	181 days	184 days
OPERATING REVENUE	¥5,792 million	¥5,600 million	¥5,164 million
OPERATING INCOME	¥2,563 million	¥2,424 million	¥2,051 million
ORDINARY INCOME	¥1,955 million	¥1,840 million	¥1,482 million
NET INCOME	¥1,954 million	¥1,839 million	¥1,481 million
DIVIDEND PER UNIT	¥11,107	¥9,300	¥9,000
NUMBER OF INVESTMENT UNITS	176,000 units	176,000 units	176,000 units
PORTFOLIO SIZE	22 properties	Until Nov. 12: 22 properties Nov. 13 onward: 20properties	20 properties

### Assumptions of forecasts for 18th and 19th Fiscal Period

#### (1) Portfolio Assets

The forecast is based on 20 properties comprising the 22 properties Top REIT owns as of the end of the seventeenth fiscal period (October 31, 2014) minus the 2 properties disposed as of November 13, 2014. The actual circumstances may change depending on the acquisition or disposal of other properties.

#### (2) Number of Investment Units Outstanding

The number of investment units issued and outstanding is based on the number as of December 15, 2014, which is 176,000 units, and assumes that no issuance of new investment units will be made through October 31, 2015.

#### (3) Operating Revenue

For rent revenue from existing properties, Top REIT takes into account the execution of new lease agreements and cancellation of lease agreements that have been finalized and scheduled as of December 15, 2014, as well as such factors that may cause fluctuations as risks associated with rent revision with tenants due for rent revision or contract renewal, in light of recent real estate leasing market conditions.

For Kanda Nishiki-cho 3-chome Building, the forecast assumes revenue for the spaces to be leased for which lease agreements have been executed or planned to be executed as of December 15, 2014. Furthermore, it is assumed that the occupancy rate of the property stands at 49.7% as of April 30, 2015 and 49.7% as of October 31, 2015.

For the eighteenth fiscal period, the forecast assumes approximately ¥300 million in gains on disposal of properties associated with the disposition of two properties (Kanda Park Plaza and OAK PLAZA).

#### (4) Interest-Bearing Liabilities

It is assumed that the balance of interest-bearing liabilities is ¥100,362 million, which is the amount as of October 31, 2014.

The balance of interest-bearing liabilities as of December 15, 2014 stands at ¥90,665 million, as a result of making early repayment of borrowing for ¥9,697 million on November 28, 2014.

For the eighteenth fiscal period, it is assumed that the ¥67 million in long-term loans payable will be repaid on December 30, 2014 as agreed upon.

For the nineteenth fiscal period, it is assumed that the ¥8,500 million in investment corporation bonds due for redemption on June 4, 2015 and the ¥4,251 million in borrowings due for repayment on September 30, 2015 will be fully refinanced through borrowings or issuance of investment corporation bonds. It is also assumed that the ¥67 million in long-term loans payable will be repaid on June 30, 2015 as agreed upon.

**(5) Dividend per Unit**

Dividends (dividend per unit) are calculated based on the dividend policy stipulated in Top REIT's Articles of Incorporation.

For the eighteenth fiscal period, approximately ¥300 million in gains on disposal of properties is forecasted to accrue in association with the disposition of Kanda Park Plaza and OAK PLAZA. Top REIT intends to reserve the gains on disposal of land as internal reserve, etc. (approx. ¥200 million) by applying "The Special Measures on Taxation in Case Land or Other Property is Acquired in Advance in 2009 or 2010" as stipulated in Article 66-2 of the Act on Special Measures Concerning Taxation, for the purpose of strengthening its financial standing. The actual amount of the internal reserve may vary, though.

For the nineteenth fiscal period, it is assumed that part (approximately ¥100 million) of the reserve for reduction entry totaling approximately ¥280 million (estimated balance as of April 30, 2015) will be reversed and added to net income for dividend. The reserve for reduction entry has accrued as a result of applying to the above-mentioned Special Measures on Taxation with regard to the gains on disposal of the land of Nittetsu Honmachi Building disposed as of November 25, 2011 as well as Kanda Park Plaza and OAK PLAZA that were disposed as of November 13, 2014.

## I. ASSET MANAGEMENT REPORT

### [1] Overview of Asset Management Operation

#### 1. Operating Results and Financial Position

Fiscal period		13th	14th	15th	16th	17th
As of/for six months ended		October 31, 2012	April 30, 2013	October 31, 2013	April 30, 2014.	October 31, 2014.
<b>(1) Operating results</b>						
Operating revenue	mil yen	5,636	5,844	5,154	5,637	5,792
(Of which, rental revenue)	mil yen	5,636	5,844	5,154	5,637	5,792
Operating expenses	mil yen	2,939	3,397	2,981	3,108	3,229
(Of which, expenses related to rental business)	mil yen	2,384	2,848	2,438	2,622	2,721
Operating income	mil yen	2,697	2,447	2,172	2,528	2,563
Ordinary income	mil yen	2,002	1,823	1,580	1,913	1,955
Net income	mil yen	2,001	1,822	1,579	1,913	1,954
<b>(2) Assets, etc. (end of period)</b>						
Total assets (Period-on-period variation)	mil yen %	188,440 0.0	187,003 (0.8)	186,169 (0.4)	200,802 7.9	200,551 (0.1)
Interest-bearing liabilities	mil yen	96,902	96,065	95,997	100,430	100,362
Net assets (Period-on-period variation)	mil yen %	84,304 0.1	84,127 (0.2)	83,871 (0.3)	93,081 11.0	93,120 0.0
Unitholders' capital	mil yen	82,260	82,260	82,260	91,143	91,143
<b>(3) Cash distributions</b>						
Total cash distributions	mil yen	2,001	1,822	1,579	1,912	1,954
Dividend payout ratio (Note2)	%	100.0	100.0	100.0	99.9	100.0
<b>(4) Per unit information</b>						
Number of units Outstanding	units	155,000	155,000	155,000	176,000	176,000
Net assets per unit (Note 3)	yen	543,900	542,758	541,105	528,873	529,095
Dividend per unit	yen	12,912	11,759	10,191	10,864	11,107
(Earnings distribution per unit)	yen	12,912	11,759	10,191	10,864	11,107
(Distribution in excess of earnings per unit)	yen	—	—	—	—	—
<b>(5) Financial indices</b>						
Ratio of ordinary income to total assets (Note 4)	%	1.1<2.1>	1.0<2.0>	0.8<1.7>	1.0<2.0>	1.0<1.9>
Ratio of net income to unitholders' equity (Note 4)	%	2.4<4.7>	2.2<4.4>	1.9<3.7>	2.2<4.4>	2.1<4.2>
Ratio of unitholders' equity to total assets (Period-on-period variation)	%	44.7 0.0	45.0 0.3	45.1 0.1	46.4 1.3	46.4 0.0
LTV	%	51.4	51.4	51.6	50.0	50.0
Rental NOI (Note 5)	mil yen	4,368	4,117	3,831	4,207	4,274
<b>(6) Other referential information</b>						
Number of properties at end of period	cases	18	19	19	22	22
Number of tenants at end of period (Note 6)	cases	42	39	40	49	50
Total rentable area at end of period	m <sup>2</sup>	300,294.23	301,825.87	301,825.87	331,677.14	331,709.64
Occupancy rate at end of period (Note 7)	%	99.2	94.5	96.7	98.1	98.9
Depreciation and amortization at end of period	mil yen	1,116	1,121	1,115	1,193	1,202
Capital expenditure at end of period	mil yen	108	443	176	511	143

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

Note 2: Since fund procurement through public offering was conducted during the 16th fiscal period and the number of investment units has changed accordingly, dividend payout ratio for the 16th fiscal period is calculated as below

Dividend Payout Ratio= Total Amount of Dividends (excluding dividend in excess of earnings) / Net Income × 100

- Note 3: Net assets per unit for the 15th fiscal period and before have been rounded to the nearest yen and net assets per unit for the 16th fiscal period onward have been rounded down to the nearest yen.
- Note 4: 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 =  $\text{Ordinary income} / ((\text{Total assets at beginning of period} + \text{Total assets at end of period}) / 2) \times 100$
- Ratio of net income to unitholders' equity =  $\text{Net income} / ((\text{Net assets at beginning of period} + \text{Net assets at end of period}) / 2) \times 100$
- Note 5: Rental NOI (Net Operating Income) = Rental revenue - Expenses related to rental business + Depreciation and amortization.
- Note 6: 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 7: Occupancy rate at end of period =  $\text{Total leased floor areas at end of period} / \text{Total rentable floor areas at end of period}$   
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 8: 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 Sixteenth Fiscal Period

### A. Brief Background of Top REIT

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. As of the end of the seventeenth fiscal period (October 31, 2014), the total number of investment units issued and outstanding stands at 176,000 units as a result of the issuance of additional investment units through the public offering (20,000 units) on November 25, 2013 and the third-party allotment (1,000 units) on December 13, 2013.

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 seventeenth fiscal period, its portfolio consists of 22 properties with a total acquisition value of ¥197,855 million.

### B. Investment Environment and Management Performance

#### <Investment Environment>

##### (a)Economy in General

The Japanese economy for the moment shows weakness, primarily in personal consumption and production, as illustrated by the real GDP for the July – September period unexpectedly marking negative growth under the impact of a decrease in demand in reaction to the hurried purchases ahead of the consumption tax hike in April this year, on top of unseasonable weather and other factors. Nevertheless, the economy has stayed on a modest recovery trend, amid ongoing improvements in corporate earnings as well as in the employment and income environments.

While close attention must continuously be paid to the risk factors that may impact the Japanese business climate, such as downside swings in overseas economies, mainly in the U.S., and the trends of the emerging and resource-rich economies, the Japanese economy is likely to continue to show a mild recovery going forward, partly due to the effects of the additional monetary easing by the Bank of Japan (BOJ) and the government’s various policies proving effective, along with the anticipated pickups in personal consumption and capital investment associated with the postponement of the second consumption tax hike.

##### (b)Real Estate Leasing Market

###### [Office Buildings]

The vacancy rate has remained on a downward trend, given that the new supply of office buildings has been kept a low level in recent years, in addition to a notable increase in demand for relocations to expand spaces, etc. associated with a recovery in corporate performance. Rents have also shown a trend of stopping to drop, with even a reversal being seen in some areas. As such, the market is gradually signaling a recovery, including a reduction in rent-free periods, primarily for blue-chip office buildings in central Tokyo.

###### [Retail Properties]

Despite a temporary drop due to repercussions from the rush demand prior to the consumption tax hike and other factors being observed, personal consumption is anticipated to recover gradually and remain solid going forward, backed by improvements in the employment and income environments. Meanwhile, delays in the recovery of demand are observed in some industries, business types and locations, and retailers continue to face harsh business conditions including the increased competition against online shopping operators. Accordingly, disparities may arise in performance and the ability to bear rent burdens, depending on the economic trends and the characteristics of individual retail properties.

#### [Residential Properties]

Demand for well-located and quality rental residential properties has remained solid, given the ongoing population inflow into the Tokyo metropolitan area and other major urban areas around Japan. With the construction starts of new residential properties also been kept at a low level, the supply-demand conditions continue to be favorable. Going forward, the rental residential property market is anticipated to see both the occupancy rate and rent levels remain in good shape, primarily for single-person households and small households.

#### (c) Real Estate Transaction Market

In the current real estate transaction market, not only J-REITs but also private placement funds, industrial corporations and overseas investors who anticipate a full-on recovery of the Japanese economy continue to have a proactive investment attitude, against the backdrop of a favorable fund procurement environment including low interest rates as a result of the monetary easing. This, along with the activities of such core investors as pension funds, has led to ongoing capital inflow into the market. On the other hand, competition over property acquisitions in the real estate transaction market has been increasingly intensified, as information on properties for sale (especially those in central Tokyo and in other good locations) is limited. Since rents as income sources have not yet shown any full-on increase while sales prices of properties are soaring, it is expected that investment returns will continue to stay on a downward trend for some time.

#### (d) Financial Market

During the fiscal period under review, the financial market saw the BOJ continue its “quantitative and qualitative monetary easing,” which kept both short-term and long-term interest rates at a low level. In addition, the BOJ decided on additional monetary easing measures at its Monetary Policy Meeting held on October 31, 2014. Due to this development, it is anticipated that interest rates will remain low in a stable manner for a certain period of time, and that financial institutions will continue to maintain their proactive lending attitude.

#### <Asset Management Performance >

##### (a) Acquisition and Disposition of Assets

Top REIT began the seventeenth fiscal period with 22 properties (total acquisition value: ¥197, 855 million). With an aim to acquire highly-competitive and highly-profitable properties, Top REIT considered possible acquisition of properties through not only the “optimal application of the sponsors’ strengths” but also by utilizing established information channels to collect and carefully select from property sale information, with excellent office buildings located in central Tokyo at the core, as well as other asset classes, by drawing on the characteristics of being a diversified REIT. The number of properties owned by Top REIT remained unchanged from the sixteenth fiscal period since Top REIT did not make a decision to acquire properties in the seventeenth fiscal period.

After closing the seventeenth fiscal period, Top REIT executed sales agreements for Kanda Park Plaza and OAK PLAZA as of November 12, 2014, with their disposition being completed on November 13, 2014. Top REIT used part of the proceeds from the disposition of these properties to repay existing borrowings, making early repayment of certain borrowings on November 28, 2014.

##### (b) Management and Maintenance of Portfolio Assets

The basic asset management strategy of Top REIT is 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 and maintain and improve high occupancy rates while sustaining trusted relationships with tenants and discerning tenant needs via property management companies. During the seventeenth fiscal period, Top REIT continued to focus on tenant solicitation activities for successor tenants of Harumi Island Triton Square Office Tower Y. As a result, the occupancy rate reached 93.6% at the end of the seventeenth fiscal period (October 31, 2014), and is expected to further improve to 99.8% in February 2015. On the other hand, a tenant to whom the entire building of Kanda Nishiki-cho 3-chome Building has been leased notified its intention to terminate the lease agreement as of January 2015. Of the spaces to be vacated, new lease agreements covering 965 tsubos have already been executed as of December 15, 2014, and Top REIT continues its effort to solicit successor tenants for the remaining spaces.

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. Based on asset management plans, Top REIT also carried out renewal construction and repair work that contributed to enhancing the competitiveness of properties, maintaining and improving the functionality of properties, and construction that contributed to improving tenant satisfaction. It also took steps to keep relevant costs at an appropriate level and conducted efficient management of resources. Furthermore, with regard to Harumi Island Triton Square Office Tower Y, Top REIT is investigating implementation of construction works to convert an entire floor, which has been used as cafeteria for the employees of tenants, to office spaces for lease in order to increase the rent revenue.

### C. Funding

Top REIT procures funds under a financial policy based on stable financial management. During the seventeenth fiscal period, Top REIT refinanced the ¥4,000 million in long-term loans due for repayment on June 30, 2014 by borrowing ¥4,000 million in long-term loans (repayment date: March 29, 2019) as of the same date. Top REIT also repaid ¥67.5 million in long-term loans as agreed upon on June 30, 2014 by using cash on hand.

As a result, at the end of the seventeenth fiscal period, the balance of interest-bearing liabilities amounts to 100,362 million (¥91,862 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 50.0%. 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 46.5%.

Furthermore, after closing the seventeenth fiscal period, Top REIT disposed Kanda Park Plaza and OAK PLAZA as of November 13, 2014. Top REIT used the proceeds from the disposition and cash on hand to make early repayments totaling ¥9,697 million for certain existing borrowings on November 28, 2014. This resulted in the balance of interest-bearing liabilities amounting to ¥90,665 million (¥82,165 million in long-term loans (including the current portion) and ¥8,500 million in investment corporation bonds) as of the date of the early repayment.

The credit rating of Top REIT as of October 31, 2014 is as follows:

Credit Rating Agency	Rating [Outlook]
Rating and Investment Information, Inc. (R&I)	Issuer rating: A+ [Negative] Unsecured investment corporation bond rating (No. 1 Unsecured Investment Corporation Bonds): A+

(Note) R&I changed the rating outlook of Top REIT's issuer rating on August 8, 2014 as described above.

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, 2014 to May 19, 2016

### D. Earnings Results and Dividends

As a result of the asset management and operations described above, Top REIT recorded asset management performance during the seventeenth fiscal period of ¥5,792 million in operating revenue, ¥2,563 million in operating income and ¥1,955 million in ordinary income after deducting expenses concerning borrowings, etc., and net income was ¥1,954 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 maximum value arrived at when the number of units issued and outstanding (176,000 units) is multiplied by an integer, within the limit of the balance of unappropriated retained earnings of the seventeenth fiscal period and after deducting the amount of deferred tax liabilities being corrected due to the change in tax rate which would be transferred to the reserve for reduction entry, would be paid out. Consequently, Top REIT declared a dividend per investment unit of ¥11,107.

### 3. Balance of Paid-in Capital

The outline of changes in paid-in capital of Top REIT during the past five years 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 25, 2013	Public offering	20,000	175,000	8,460	90,720	Note 1
December 13, 2013	Third party allotment	1,000	176,000	423	91,143	Note 2

Note 1: New investment units were issued at a price of ¥438,750 per unit (issue value of ¥423,000 per unit) through a public offering in order to raise funds for the acquisition of specified assets.

Note 2: New investment units were issued at a value of ¥423,000 per unit through a third party allocation to raise funds for the acquisition of specified assets, etc.

[Market Price of Investment Unit]

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

Fiscal period As of the end of fiscal period	13th October, 2012	14th April, 2013	15th October, 2013	16th April, 2014	17th October, 2014
Highest price	459,000yen	576,000yen	519,000yen	494,000yen	483,000yen
Lowest price	358,500yen	351,000yen	411,000yen	437,500yen	444,000yen

### 4. Cash Distribution

The dividend per unit for the 17th fiscal period is 11,107 yen. Top REIT expects to distribute almost all the balance of unappropriated retained earnings of the 17th fiscal period after deducting the amount of deferred tax liabilities being corrected due to the change in tax rate along with the tax system revision in fiscal 2014 which would be transferred to the reserve for reduction entry to be eligible for special tax treatments (Article 67-15 of the Act on Special Measures Concerning Taxation) 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	13th October,2012	14th April,2013	15th October,2013	16th April, 2014	17th October,2014
Unappropriated retained earnings	thousand yen	2,001,377	1,822,649	1,579,617	1,913,997	1,954,943
Internal reserves	thousand yen	17	4	12	1,933	111
Total dividends	thousand yen	2,001,360	1,822,645	1,579,605	1,912,064	1,954,832
<Dividend per unit>	<yen>	<12,912>	<11,759>	<10,191>	<10,864>	<11,107>
Of which, dividend of accumulated earnings	thousand yen	2,001,360	1,822,645	1,579,605	1,912,064	1,954,832
<Per unit>	<yen>	<12,912>	<11,759>	<10,191>	<10,864>	<11,107>
Of which, repayment of paid-in capital	thousand yen	—	—	—	—	—
<Per unit>	<yen>	<—>	<—>	<—>	<—>	<—>

## 5. Management Policy and Issues to be addressed

### (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.

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 acquisition of new properties. Top REIT will continue to not only further utilize pipeline support functions from sponsor companies, but also utilize various established information channels to collect information on new properties based on detailed analysis of market environment of each asset classes, while placing emphasis on primarily highly competitive office buildings. 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. 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

### <Disposition of Properties>

Top REIT disposed of two properties on November 13, 2014 as described below.

(1) Property Type	Trust beneficiary interest in real estate in Japan
(2) Name of Property	Kanda Park Plaza
(3) Address (Residential building address)	2-2-2 Kajicho, Chiyoda-ku, Tokyo
(4) Disposition Price	¥5,350 million
(5) Book Value	¥5,052 million (as of October 31, 2014)
(6) Gains on disposal	Approx. ¥109 million
(7) Sales Agreement date	November 12, 2014
(8) Disposition Date	November 13, 2014
(9) Purchaser	Undisclosed

(1) Property Type	Trust beneficiary interest in real estate in Japan
(2) Name of Property	OAK PLAZA
(3) Address (Residential building address)	2-10-6 Kanda Awajicho, Chiyoda-ku, Tokyo
(4) Disposition Price	¥2,900 million
(5) Book Value	¥2,686 million (as of October 31, 2014)
(6) Gains on disposal	Approx. ¥191 million
(7) Sales Agreement date	November 12, 2014
(8) Disposition Date	November 13, 2014
(9) Purchaser	NIPPON STEEL KOWA REAL ESTATE CO., LTD.

(Note) Disposition Price is the price for sale to be specified in the sales agreement for trust beneficiary interest in real estate (excluding consumption tax and equivalents) which does not include disposition expenses, money adjustment such as taxes, etc.

### [Reference Information]

#### <Partial Early Repayment of Borrowings>

Top REIT made the partial early repayment of borrowings on November 28, 2014 with the proceeds from the disposition of Kanda Park Plaza and OAK PLAZA, etc. Outline of the partial early repayment of borrowings is described below.

#### Long-term loan (Term Loan No. 15)

(1) Lender	Sumitomo Mitsui Trust Bank, Limited. The Bank of Fukuoka, Ltd. The Hiroshima Bank, Ltd. The Yamaguchi Bank, Ltd.
(2) Balance of loans before repayment (A)	¥6,700 million
(3) Amount of repayment (B)	¥3,873 million
(4) Balance of loans after repayment (A-B)	¥2,827 million
(5) Date of early repayment	November 28, 2014
(6) Execution date	March 31, 2011
(7) Principal repayment date	February 29, 2016

#### Long-term loan (Term Loan No. 19-(1))

(1) Lender	Sumitomo Mitsui Trust Bank, Limited. Sumitomo Mitsui Banking Corporation The Bank of Tokyo Mitsubishi UFJ, Ltd. Resona Bank, Limited
(2) Balance of loans before repayment (A)	¥7,000 million
(3) Amount of repayment (B)	¥4,046 million
(4) Balance of loans after repayment (A-B)	¥2,954 million
(5) Date of early repayment	November 28, 2014

(6) Execution date	November 30, 2012
(7) Principal repayment date	September 30, 2015

Long-term loan (Term Loan No. 20-(3))

(1) Lender	Mizuho Bank, Ltd. Mitsubishi UFJ Trust and Banking Corporation
(2) Balance of loans before repayment (A)	¥3,075 million
(3) Amount of repayment (B)	¥1,778 million
(4) Balance of loans after repayment (A-B)	¥1,297 million
(5) Date of early repayment	November 28, 2014
(6) Execution date	March 27, 2013
(7) Principal repayment date	September 30, 2015

## [2] Outline of Top REIT

### 1. Status of Unitholders Capital

Fiscal period As of the end of fiscal period	13th October,2012	14th April,2013	15th October,2013	16th April,2014	17th October,2014
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	176,000	176,000
Unitholders' capital (million yen)	82,260	82,260	82,260	91,143	91,143
Number of unitholders	7,823	7,872	7,590	9,163	9,846

### 2. Matters Concerning the Investment Units

Major unitholders as of October 31, 2014 are as follows:

Name	Number of units held (units)	Share of total (%) (Note)
Japan Trustee Service Bank (trust account)	41,092	23.35
The Master Trust Bank of Japan (trust account)	11,989	6.81
Trust and Custody Services Bank (securities investment trust account)	8,518	4.84
Nomura Trust and Banking (investment trust account)	6,147	3.49
Nomura Securities Co., Ltd.	3,507	1.99
THE FUJI FIRE AND MARINE INSURANCE COMPANY,LIMITED	3,465	1.97
Sumitomo Mitsui Trust Bank, Limited.	3,176	1.80
NIPPON STEEL KOWA REAL ESTATE CO.,LTD.	3,162	1.80
Oji Real Estate Co., Ltd.	3,162	1.80
MetLife Insurance K.K.	2,025	1.15
The Asahi Fire & Marine Insurance Co., Ltd.	2,010	1.14
STATE STREET BANK-WEST PENSION FUND CLIENTS-EXEMPT	1,686	0.96
The Iyo Bank, Ltd.	1,500	0.85
STATE STREET BANK AND TRUST COMPANY 505223	1,477	0.84
CHASE NOMINEES RE JASDEC TREATY Y CLIENT A/C (GENERAL)	1,451	0.82
Total	94,367	53.62

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, 2014 are as follows:

Post	Name	Major additional post	Total amount of fee paid during the current period (thousand yen)
Executive Officer	Junichi Sahara (Note1)	Adviser, Sumitomo Mitsui Trust Guarantee Co., Ltd.	2,700
Supervisory Director	Yasuyuki Kuribayashi (Note1)	Partner Attorney, City-Yuwa Partners (Note2)	1,800
Supervisory Director	Kunio Tsuneyama (Note1)	Managing Partner, Tsuneyama Certified Public Accountants Office Managing Partner, Tsuneyama Sogo Accountants Office Non Executive Director in Kuroda Electric Co., Ltd. (Note2)	1,800
Accounting Auditor	KPMG AZSA LLC	—	10,000

Note1: There are no investment units of Top REIT held by the Executive Officer or Supervisory Directors in their own name or others' names.

Note2: Although Executive Officer and 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.

Note3: There was no resignation or dismissal of the Officer, Director 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, 2014 are as follows:

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

### [3] Status of Investment Assets

#### 1. Composition of Assets

Type of assets	Asset class	Area	16th As of April 30, 2014		17th As of October 31, 2014	
			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 building	Central Tokyo	5,830	2.9	5,818	2.9
		Subtotal	5,830	2.9	5,818	2.9
Real estate in trust	Office building	Central Tokyo	133,429	66.4	132,744	66.2
		Tokyo Metropolitan Area	1,635	0.8	1,618	0.8
		Subtotal	135,064	67.3	134,362	67.0
	Retail property	Tokyo Metropolitan Area	27,445	13.7	27,275	13.6
		Other Major Cities	1,219	0.6	1,211	0.6
		Subtotal	28,664	14.3	28,487	14.2
	Residential	Central Tokyo	2,376	1.2	2,348	1.2
		Tokyo Metropolitan Area	17,386	8.7	17,250	8.6
		Subtotal	19,763	9.8	19,599	9.8
	Other	Central Tokyo	2,692	1.3	2,686	1.3
		Subtotal	2,692	1.3	2,686	1.3
	Subtotal of real estate and real estate in trust			192,014	95.6	190,955
Cash, deposits and other assets			8,787	4.4	9,596	4.8
Total assets (Note 3)			200,802	100.0	200,551	100.0
			<192,014>	<95.6>	<190,955>	<95.2>

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: As a percentage of total assets show the ratio of respective assets to total assets and is rounded to first decimal place.

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

#### < Geographical Classification >

Area	Region	Supplementary note
Central Tokyo	Chiyoda-ku, Chuo-ku, Minato-ku, Shibuya-ku, Shinjuku-ku and Shinagawa-ku	—
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 major properties (top ten properties by book value) that Top REIT owns as of October 31, 2014 are as follows:

Property name		Book value (million yen)	Rentable floor space (Note 1) (m <sup>2</sup> )	Leased floor space (Note 2) (m <sup>2</sup> )	Occupancy rate (Note 3) (%)	Portion of rental revenue (Note 4) (%)	Primary use
NEC Head Office Building	Trust beneficiary interest	42,586	72,238.03	72,238.03	100.0	24.8	Office
Harumi Island Triton Square Office Tower Y	Trust beneficiary interest	29,926	23,170.40	21,696.08	93.6	13.8	Office
Harumi Island Triton Square Office Tower Z	Trust beneficiary interest	19,229	10,914.20	10,914.20	100.0		Office
Kanda Nishiki-cho 3-chome Building	Trust beneficiary interest	12,621	8,025.65	8,025.65	100.0		Office
Sagamihara Shopping Center	Trust beneficiary interest	11,178	61,763.28	61,763.28	100.0	5.7	Retail property
Fukasawa House Towers H&I	Trust beneficiary interest	9,996	11,357.44	10,821.58	95.3	4.2	Residential
Akasaka Oji Building	Trust beneficiary interest	9,736	7,301.15	7,301.15	100.0	4.7	Office
Ito-Yokado Higashi-Narashino Store	Trust beneficiary interest	7,697	51,098.42	51,098.42	100.0	4.1	Retail property
Shiba-Koen Building	Real estate	5,818	3,060.43	2,596.69	84.8	1.3	Office
Shinjuku EAST Building	Trust beneficiary interest	5,779	7,523.04	7,479.09	99.4	4.2	Office
Total		154,570	256,452.04	253,934.17	99.0	76.0	

Note 1: Rentable floor space is total rentable space for each asset as of the end of the 17th fiscal period. Furthermore, in the case of co-ownership (including quasi-co-ownership), the stated figure is given by multiplying the rentable 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 17th 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 17th fiscal period by rentable floor space, and rounded to the first decimal place.

Note 4: Portion of rental revenue is rounded to first decimal place. Portion of rental revenue for Harumi Island Triton Square Office Tower Z and Kanda Nishiki-cho 3-chome Building is not disclosed due to being unable to obtain the consent of the tenants.

### 3. Details of Portfolio Properties

#### ① Details of Properties

A. The details of properties owned by Top REIT as of October 31, 2014 are as follows

Asset class	Area	Property name	Address	Type of title	Appraisal value at end of 17th period (million yen) (Note 1)	Book value at end of 17th period (million yen)
Office building	Central Tokyo	NEC Head Office Building	5-7-1 Shiba, Minato-ku, Tokyo	Trust beneficiary interest	53,150	42,586
		Harumi Island Triton Square Office Tower Y	1-8-11 Harumi, Chuo-ku, Tokyo	Trust beneficiary interest	27,100	29,926
		Akasaka Oji Building	8-1-22 Akasaka, Minato-ku, Tokyo	Trust beneficiary interest	9,420	9,736
		Kanda Park Plaza (Note 2)	2-2-2 Kajicho, Chiyoda-ku, Tokyo	Trust beneficiary interest	5,080	5,052
		Shiba-Koen Building	3-5-5 Shiba, Minato-ku, Tokyo	Real estate	3,460	5,818
		Harumi Island Triton Square Office Tower Z	1-8-12 Harumi, Chuo-ku, Tokyo	Trust beneficiary interest	12,300	19,229
		Kanda Nishiki-cho 3-chome Building	3-11-1 Kanda Nishiki-cho, Chiyoda-ku, Tokyo	Trust beneficiary interest	9,610	12,621
		Shinkawa Chuo Building	1-17-24, Shinkawa, Chuo-ku, Tokyo	Trust beneficiary interest	6,010	5,737
		Shinjuku EAST Building	10-5, Tomihisa-cho, Shinjuku-ku, Tokyo	Trust beneficiary interest	6,450	5,779
		Ginza Oji Building	4-9-8, Ginza, Chuo-ku, Tokyo	Trust beneficiary interest	2,100	2,074
	Tokyo Metropolitan Area	Faret East Building	2-34-7 Akebonocho, Tachikawa-shi, Tokyo	Trust beneficiary interest	2,570	1,618
Subtotal (11 Properties)					137,250	140,181
Retail property	Tokyo Metropolitan Area	Sagamihara Shopping Center	3-13-33 Kobuchi, Minami-ku, Sagamihara-shi, Kanagawa	Trust beneficiary interest	8,820	11,178
		Ito-Yokado Higashi-Narashino Store	7-3-1 Higashi Narashino, Narashino-shi, Chiba	Trust beneficiary interest	3,990	7,697
		Musashiurawa Shopping Square	7-3-1 Bessho, Minami-ku, Saitama-shi, Saitama	Trust beneficiary interest	4,010	3,774
		Kojima × Bic Camera Kashiwa Store	Building A: 1-10, Oyamadai, Kashiwa-shi, Chiba Building B: 1-29, Oyamadai, Kashiwa-shi, Chiba	Trust beneficiary interest	4,890	4,625
	Other Major Cities	MEL Building	2-7-28 Chuo, Aoba-ku, Sendai-shi, Miyagi	Trust beneficiary interest	1,300	1,211
Subtotal (5 Properties)					23,010	28,487
Residential	Central Tokyo	Top Residence Nihonbashi Kayabacho	3-4-1 Nihonbashi Kayabacho, Chuo-ku, Tokyo	Trust beneficiary interest	2,750	2,348
	Tokyo Metropolitan Area	Fukasawa House Towers H&I	2-1-2 Fukasawa, Setagaya-ku, Tokyo	Trust beneficiary interest	7,410	9,996
		Ecology Toyosu Procentury	4-8-8 Toyosu, Koto-ku, Tokyo	Trust beneficiary interest	5,340	4,853
		Impress Musashi-Koganei	4-14-18 Nakamachi, Koganei-shi, Tokyo	Trust beneficiary interest	1,320	1,219
		Top Residence Yoga	1-14-12 Tamagawadai, Setagaya-ku, Tokyo	Trust beneficiary interest	1,250	1,180
Subtotal (5 Properties)					18,070	19,599
Other	Central Tokyo	OAK PLAZA (Note 2)	2-10-6 Kanda Awajicho, Chiyoda-ku, Tokyo	Trust beneficiary interest	2,660	2,686
Subtotal (1 Property)					2,660	2,686
Total (22 Properties)					180,990	190,955

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, 2014 as the points of evaluation.

Note 2: Kanda Park Plaza and OAK PLAZA were disposed on November 13, 2014.

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

Asset class	Area	Property name	16th Fiscal Period From November 1, 2013 to April 30, 2014				17th Fiscal Period From May 1, 2014 to October 31, 2014			
			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 (%)(Note 3)	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 (%)(Note 3)
Office building	Central Tokyo	NEC Head Office Building	1	100.0	1,416	25.1	1	100.0	1,439	24.8
		Harumi Island Triton Square Office Tower Y	7	87.5	769	13.6	8	93.6	801	13.8
		Akasaka Oji Building	6	100.0	266	4.7	6	100.0	271	4.7
		Kanda Park Plaza (Note 4)	9	90.2	151	2.7	9	90.2	154	2.7
		Shiba-Koen Building	2	62.4	70	1.3	2	84.8	74	1.3
		Harumi Island Triton Square Office Tower Z	1	100.0			1	100.0		
		Kanda Nishiki-cho 3-chome Building	1	100.0			1	100.0		
		Shinkawa Chuo Building	1	100.0	212	3.8	1	97.6	213	3.7
		Shinjuku EAST Building	4	99.4	197	3.5	4	99.4	242	4.2
	Ginza Oji Building	2	83.8	82	1.5	2	100.0	89	1.5	
Tokyo Metropolitan Area		Faret East Building	1	100.0	150	2.7	1	96.2	152	2.6
Subtotal (11 properties)			35	96.8	4,080	72.4	36	98.1	4,203	72.6
Retail property	Tokyo Metropolitan Area	Sagamihara Shopping Center	2	100.0	332	5.9	2	100.0	332	5.7
		Ito-Yokado Higashi-Narashino Store	1	100.0	236	4.2	1	100.0	236	4.1
		Musashiurawa Shopping Square	3	100.0	129	2.3	3	100.0	126	2.2
		Kojima × Bic Camera Kashiwa Store	1	100.0			1	100.0		
	Other Major Cities		MEL Building	1	100.0	58	1.0	1	100.0	58
Subtotal (5 properties)			8	100.0	891	15.8	8	100.0	912	15.8
Residential	Central Tokyo	Top Residence Nihonbashi Kayabacho	1	96.2	89	1.6	1	99.4	92	1.6
	Tokyo Metropolitan Area	Fukasawa House Towers H&I	1	92.9	231	4.1	1	95.3	241	4.2
		Ecology Toyosu Procentury	1	96.2	168	3.0	1	96.6	166	2.9
		Impress Musashi-Koganei	1	94.9	44	0.8	1	94.9	44	0.8
		Top Residence Yoga	1	95.5	37	0.7	1	94.2	38	0.7
Subtotal (5 properties)			5	94.6	571	10.1	5	96.1	582	10.1
Other	Central Tokyo	OAK PLAZA (Note 4)	1	100.0	94	1.7	1	100.0	94	1.6
Subtotal (1 property)			1	100.0	94	1.7	1	100.0	94	1.6
Total (22 properties)			49	98.1	5,637	100.0	50	98.9	5,792	100.0

Note1: 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 is rounded down to the nearest million yen. Rent revenue for Harumi Island Triton Square Office Tower Z,

Kanda Nishiki-cho 3-chome Building and Kojima × Bic Camera Kashiwa Store is not disclosed due to being unable to obtain the consent of the tenants.

Note 3: Ratio of rental revenue to total rental revenues is rounded to first decimal place. Ratio of rental revenue to total rental revenues for Harumi Island Triton Square Office Tower Z, Kanda Nishiki-cho 3-chome Building and Kojima × Bic Camera Kashiwa Store is not disclosed due to being unable to obtain the consent of the tenants.

Note 4: Kanda Park Plaza and OAK PLAZA were disposed on November 13, 2014.

## 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, 2014 are 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)	29,700	29,700	(174)
	Total	29,700	29,700	(174)

Note1: The above figures are rounded down to the nearest million yen.

Note2: Contract amounts of interest-rate swap transactions represent figures based on the estimated principal.

Note3: 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, 2014.

## 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, 2014. The estimated construction costs shown in the table below include those classified to expenses in accounting.

Property name	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-ku, Tokyo	Renewal of air conditioning facility	May 2014 to November 2014	26	—	—
		Waterproofing work for heat storage tank	May 2014 to January 2015	14	—	—
		Renewal of gondola	May 2014 to January 2015	26	—	—
		Renewal of parts for electrical substation equipment	May 2014 to January 2015	20	—	—
		Renewal of emergency broadcasting equipment	May 2014 to March 2015	34	—	—
		Renewal of monitoring device and wiring	May 2014 to March 2015	48	—	—
		Renewal of ventilating duct	May 2014 to March 2015	20	—	—
		Renewal of cooling machine	May 2014 to March 2015	44	—	—
		Renewal of drainpipe for air conditioning facility	May 2014 to March 2015	14	—	—
Sagamihara Shopping Center	Sagamihara-shi, Kanagawa	Renewal of fire-prevention monitoring equipment, etc.	January 2015 to March 2015	40	—	—

### 2. Capital Expenditures Made During the 17th Fiscal Period

The following table is an overview of construction work conducted during the seventeenth fiscal period that fall under the category of capital expenditures for properties held. Capital expenditures during the seventeenth fiscal period amounted to ¥143 million and combined with ¥94 million in repairs and maintenance costs that fall under expenses for the seventeenth fiscal period, a total of ¥237 million of construction work was implemented.

Name of property	Location	Purpose	Scheduled term for construction or maintenance	Capital expenditures (million yen)
NEC Head Office Building	Minato-ku, Tokyo	Renewal of parts for fire shutter	May 2014 to September 2014	41
Others		Renewal of function	May 2014 to October 2014	102
Total				143

### 3. Funds Reserved for the Long-term Repair and Maintenance Plan

(Million yen)

Fiscal period	13th	14th	15th	16th	17th
	From May 1, 2012 to October 31, 2012	From November 1, 2012 to April 30, 2013	From May 1, 2013 to October 31, 2013	From November 1, 2013 to April 30, 2014	From May 1, 2014 to October 31, 2014
Balance of reserved funds at beginning of the period	347	410	375	414	385
Amount reserved during the period	197	197	197	197	282
Amount used from reserved funds during the period	133	232	158	225	181
Balance carried forward to the next period	410	375	414	385	486

## 【5】 Expenses and Liabilities

### 1. Details of Expenses Related to Asset Management

(Million yen)

Fiscal Period	16th	17th
Item	From November 1, 2013 to April 30, 2014	From May 1, 2014 to October 31, 2014
(a) Asset management fees (Note)	354	369
(b) Asset custodian fees and administrative service fees	75	78
(c) Directors' compensation	6	6
(d) Audit fees	10	10
(e) Other expenses	38	44
Total	485	508

Note: In addition to the amounts described above, asset management fees consisted of ¥45 million in 16th fiscal period in association with the acquisition of new properties recorded as book value of the respective properties.

## 2. Status of Borrowings

Status of borrowings from respective financial institutions as of October 31, 2014 is as follows.

	Lender		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
	Current Portion of Long-Term Loans Payable	Term Loan No. 5	Sumitomo Mitsui Trust Bank	June 29, 2007	2,000	-	2.27 (Note 2)	June 30, 2014	Bullet repayment on repayment date	(Note 3)
Development Bank of Japan			1,000		-	2.40				
The Dai-ichi Life Insurance			1,000		-	2.40				
Term Loan No. 11		Development Bank of Japan	January 13, 2010	135	135	2.42	November 30, 2016	(Note 4)	(Note 5)	Unsecured and unguaranteed
Term Loan No.19-①		Sumitomo Mitsui Trust Bank	November 30, 2012	-	3,000	0.63	September 30, 2015	Bullet repayment on repayment date	(Note 6)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	-		1,500						
	The Bank of Tokyo-Mitsubishi UFJ	-		1,500						
	Resona Bank	-		1,000						
Term Loan No. 20	Mizuho Bank	March 27, 2013	-	1,800	0.63	September 30, 2015	Bullet repayment on repayment date	(Note 7)	Unsecured and unguaranteed	
	Mitsubishi UFJ Trust and Banking Corporation		-	1,275						
Subtotal				4,135	10,210					
Long Term Loans Payable	Term Loan No.11	Development Bank of Japan	January 13, 2010	2,025	1,957	2.42	November 30, 2016	(Note 4)	(Note 5)	Unsecured and unguaranteed
	Term Loan No. 14	Sumitomo Mitsui Trust Bank	March 3, 2011	6,012	6,012	1.39 (Note 2)	February 29, 2016	Bullet repayment on repayment date	(Note 6)	Unsecured and unguaranteed
		Mizuho Bank		3,841	3,841					
		Sumitomo Mitsui Banking Corporation		3,006	3,006					
		The Bank of Tokyo-Mitsubishi UFJ. Mitsubishi UFJ Trust and Banking Corporation		835	835					
	Term Loan No. 15	Sumitomo Mitsui Trust Bank	March 31, 2011	1,700	1,700	0.71	February 29, 2016	Bullet repayment on repayment date	(Note 3)	Unsecured and unguaranteed
		The Bank of Fukuoka		3,000	3,000					
The Hiroshima Bank The Yamaguchi Bank		1,000		1,000						
Term Loan No. 16	Sumitomo Mitsui Trust Bank.	November 30, 2011	6,687	6,687	0.53	November 30, 2016	Bullet repayment on repayment date	(Note 6)	Unsecured and unguaranteed	
	Mizuho Bank.		4,440	4,440						
	Sumitomo Mitsui Banking Corporation		3,474	3,474						
	The Bank of Tokyo-Mitsubishi UFJ Mitsubishi UFJ Trust and Banking Corporation		965	965						
Term Loan No. 17	Sumitomo Mitsui Trust Bank	March 30, 2012	1,008	1,008	0.63	October 31, 2016	Bullet repayment on repayment date	(Note 5)	Unsecured and unguaranteed	
	Mizuho Bank		644	644						
	Sumitomo Mitsui Banking Corporation		504	504						
	The Bank of Tokyo-Mitsubishi UFJ. Mitsubishi UFJ Trust and Banking Corporation		340	340						
Term Loan No. 18	Sumitomo Mitsui Trust Bank.	June 29, 2012	5,660	5,660	0.71 (Note 8)	June 30, 2017	Bullet repayment on repayment	(Note 6)	Unsecured and unguaranteed	
	Mizuho Bank.		4,255	4,255						

Long Term Loans Payable	Term Loan No.	Lender	Maturity Date	Balance		Interest Rate (%)	Maturity Date	Repayment Method	Notes	Collateral
				As of 10/31/14	As of 10/31/13					
		Sumitomo Mitsui Banking Corporation		3,330	3,330			date		
		The Bank of Tokyo-Mitsubishi UFJ		3,330	3,330					
		Mitsubishi UFJ Trust and Banking Corporation		925	925					
	Term Loan No.19-①	Sumitomo Mitsui Trust Bank	November 30, 2012	3,000	-	0.63	September 30, 2015	Bullet repayment on repayment date	(Note 6)	Unsecured and unguaranteed
		Sumitomo Mitsui Banking Corporation		1,500	-					
		The Bank of Tokyo-Mitsubishi UFJ		1,500	-					
		Resona Bank		1,000	-					
	Term Loan No. 20	Sumitomo Mitsui Trust Bank	March 27, 2013	1,428	1,428	0.75	March 27, 2018	Bullet repayment on repayment date	(Note 7)	Unsecured and unguaranteed
		Mizuho Bank		1,264	1,264					
		Sumitomo Mitsui Banking Corporation		989	989					
		The Bank of Tokyo-Mitsubishi UFJ		989	989					
		Development Bank of Japan		2,355	2,355	1.08				
		Mizuho Bank		1,800	-	0.63	September 30, 2015			
		Mitsubishi UFJ Trust and Banking Corporation		1,275	-					
	Term Loan No. 21	Sumitomo Mitsui Trust Bank	April 30, 2013	730	730	0.75	April 30, 2018	Bullet repayment on repayment date	(Note 5)	Unsecured and unguaranteed
		Resona Bank		500	500					
	Term Loan No.23-①	Sumitomo Mitsui Trust Bank	March 31, 2014	1,400	1,400	0.82 (Note 2)	March 29, 2019	Bullet repayment on repayment date	(Note 3)	Unsecured and unguaranteed
		Sumitomo Mitsui Banking Corporation		1,400	1,400					
		Mizuho Bank		1,000	1,000					
		Aozora Bank		500	500					
		The Bank of Fukuoka		200	200					
	Term Loan No.23-②	Sumitomo Mitsui Trust Bank	June 30, 2014	-	1,000	0.90	March 29, 2019	Bullet repayment on repayment date	(Note 6)	Unsecured and unguaranteed
		Aozora Bank		-	1,000					
		The Dai-ichi Life Insurance		-	1,000					
		Sumitomo Mitsui Banking Corporation		-	400					
		The Bank of Fukuoka		-	300					
		Mizuho Bank		-	300					
	Subtotal			87,795	81,652					
	Total			91,930	91,862					

Note1: 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.

Note2: The borrowings are hedged by interest rate swap transactions and the average interest rates show the weighted-average interest rates adjusting the effect of interest rate swap transactions.

Note3: The use of borrowings is for repayment of short-term loans payable.

Note4: 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.

Note5: The use of borrowings is for acquisition of trust beneficiary interest in real estate.

Note6: The use of borrowings is for repayment of long-term loans payable.

Note7: The use of borrowings is for repayment of short-term and long-term loans payable.

Note8: A portion of borrowing amounting to ¥8,500 million is hedged by interest rate swap transaction and the average interest rate shows the weighted-average interest rate adjusting the effect of interest rate swap transaction.

### 3. Status of Investment Corporation Bonds

Investment corporation bond issued and outstanding as of October 31, 2014 is as follows.

Name of Bonds	Issue Date	Balance as of the beginning of the 17th fiscal period (million yen)	Balance as of the end of the 17th fiscal period (million yen)	Interest Rate (%)	Maturity Date	Redemption method	Use of proceeds	Remark
No.1 Unsecured Investment Corporation Bond (Note)	June 4, 2010	8,500	8,500	1.00	June 4, 2015	Bullet payment	Repayment of borrowing	Unsecured and unguaranteed
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**

#### **(1) Real estate, etc.**

There are none applicable.

#### **(2) Others**

There are none applicable.

#### 4. Transaction with Interested Parties, etc.

##### (1) Status of Transaction

There are none applicable during the 17th fiscal period.

##### (2) Amounts of Fees Paid, etc.

Fees paid to interested parties, etc. during the 17th Fiscal 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	436,231	Oji Real Estate	32,971	7.6
		Sumitomo Mitsui Trust Bank	1,250	0.3
Trust compensation	19,875	Sumitomo Mitsui Trust Bank	17,375	87.4
Asset custodian fees	9,009	Sumitomo Mitsui Trust Bank	9,009	100.0
Administrative service fees	69,085	Sumitomo Mitsui Trust Bank	69,085	100.0
Other fees paid	12,743	Sumitomo Mitsui Trust Bank	962	7.6
		Oji Real Estate	9	0.1
Borrowing related expenses	154,614	Sumitomo Mitsui Trust Bank	65,180	42.2
Investment unit issuance related expenses	6,678	Sumitomo Mitsui Trust Bank	100	1.5
Investment corporation bond related expenses	5,576	Sumitomo Mitsui Trust Bank	625	11.2
Other non-operating expenses	2,073	Sumitomo Mitsui Trust Bank	342	16.5
Other expenses related to rent business	5,700	Oji Real Estate	488	8.6

Note 1: Interested parties, etc. 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. 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 Oji Real Estate and Sumitomo Mitsui Trust Bank.

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 17th fiscal period are Oji Real Estate of ¥28,357 thousand. Furthermore, the concerned payments include construction management fees.

#### 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 business, type 2 financial instruments business, building lots and buildings transaction business, or real estate specified joint enterprise business, and has no such transactions with Top REIT.

### [7] Overview of Accounting

#### 1. Assets, Liabilities, Principal and Profit / Loss

Please refer to accompanying “II.Balance Sheets”, “III.Statements of Income”, “IV.Statements of Changes in Net assets (Unitholders’ Equity)”, “V.Notes to Financial Statements” and “VI.Statements of Cash Dividend Distributions”.

#### 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**

#### **Board of Directors**

There is no execution or modification of major contracts approved by the board of directors of Top REIT during the 17th Fiscal Period.

### **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)	
	Sixteenth Fiscal Period (Reference) (as of April 30, 2014)	Seventeenth Fiscal Period (as of October 31, 2014)
Assets		
Current assets		
Cash and deposits	3,049,986	4,427,277
Cash and deposits in trust	4,273,472	3,926,308
Operating accounts receivable	193,414	219,407
Prepaid expenses	353,139	360,754
Deferred tax assets	16	17
Consumption taxes receivable	137,402	—
Other	1,830	0
Total current assets	8,009,261	8,933,766
Noncurrent assets		
Property, plant and equipment		
Buildings	1,153,573	1,158,083
Accumulated depreciation	(225,614)	(241,752)
Buildings, net	927,958	916,330
Structures	5,559	5,559
Accumulated depreciation	(3,388)	(3,469)
Structures, net	2,170	2,089
Machinery and equipment	20,309	20,309
Accumulated depreciation	(11,988)	(12,582)
Machinery and equipment, net	8,320	7,726
Tools, furniture and fixtures	5,717	6,609
Accumulated depreciation	(2,137)	(2,562)
Tools, furniture and fixtures, net	3,579	4,047
Land	4,888,525	4,888,525
Buildings in trust	66,712,538	66,838,553
Accumulated depreciation	(16,038,443)	(17,163,781)
Buildings in trust, net	50,674,094	49,674,771
Structures in trust	801,903	802,038
Accumulated depreciation	(317,387)	(335,874)
Structures in trust, net	484,516	466,164
Machinery and equipment in trust	307,426	312,926
Accumulated depreciation	(156,723)	(182,083)
Machinery and equipment in trust, net	150,702	130,843
Tools, furniture and fixtures in trust	273,432	279,398
Accumulated depreciation	(156,700)	(172,805)
Tools, furniture and fixtures in trust, net	116,731	106,593
Land in trust	134,748,836	134,748,836
Total property, plant and equipment	192,005,437	190,945,929
Intangible assets		
Leasehold right in trust	7,348	7,348
Other intangible assets in trust	2,198	1,924
Other	63	42
Total intangible assets	9,610	9,315
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	492,375	372,029
Other	229,164	246,400
Total investments and other assets	731,540	628,429
Total noncurrent assets	192,746,588	191,583,674
Deferred assets		
Investment corporation bond issuance costs	12,861	7,349
Investment unit issuance expenses	33,393	26,714
Total deferred assets	46,254	34,063
Total assets	200,802,104	200,551,504

	(Unit: thousand yen)	
	Sixteenth Fiscal Period (Reference) (as of April 30, 2014)	Seventeenth Fiscal Period (as of October 31, 2014)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Operating accounts payable	296,523	186,273
Current portion of investment corporation bond	—	8,500,000
Current portion of long-term loans payable	4,135,000	10,210,000
Accounts payable – other	252,726	256,812
Accrued expenses	131,332	110,509
Income taxes payable	853	670
Accrued consumption taxes	—	223,962
Advances received	795,670	801,889
Other	9,937	5,899
Total current liabilities	5,622,044	20,296,018
<b>Noncurrent liabilities</b>		
Investment corporation bond	8,500,000	—
Long-term loans payable	87,795,000	81,652,500
Tenant leasehold and security deposits	101,016	127,429
Tenant leasehold and security deposits in trust	5,649,955	5,298,658
Deferred tax liabilities	13,799	11,764
Long-term advances received	79	35
Derivatives liabilities	38,429	44,377
Total noncurrent liabilities	102,098,279	87,134,766
Total liabilities	107,720,324	107,430,784
<b>Net Assets</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	91,143,100	91,143,100
<b>Surplus</b>		
<b>Voluntary retained earnings</b>		
Reserve for reduction entry	49,958	51,873
Total Voluntary retained earnings	49,958	51,873
Unappropriated retained earnings (undisposed loss)	1,913,997	1,954,943
Total surplus	1,963,956	2,006,816
Total unitholders' equity	93,107,056	93,149,916
<b>Valuation and translation adjustments</b>		
Deferred gains or losses on hedges	(25,275)	(29,195)
Total valuation and translation adjustments	(25,275)	(29,195)
Total net assets	93,081,780	93,120,720
Total liabilities and net assets	200,802,104	200,551,504

### III. Statements of Income

(Unit: thousand yen)

	Sixteenth Fiscal Period (Reference) (From November 1, 2013 to April 30, 2014)	Seventeenth Fiscal Period (From May 1, 2014 to October 31, 2014)
Operating revenue		
Rent revenue – real estate	5,590,221	5,762,641
Other lease business revenue	47,135	29,981
Total operating revenue	<u>5,637,356</u>	<u>5,792,623</u>
Operating expenses		
Expenses related to rent business	2,622,805	2,721,218
Asset management fee	354,776	369,341
Asset custody fee	8,898	9,009
Administrative service fees	66,861	69,085
Directors' compensations	6,300	6,300
Audit fee	10,000	10,000
Other operating expenses	38,929	44,460
Total operating expenses	<u>3,108,571</u>	<u>3,229,416</u>
Operating income	<u>2,528,785</u>	<u>2,563,206</u>
Non-operating income		
Interest income	675	1,579
Reversal of dividends payable	1,023	563
Insurance income	191	3,979
Other	—	820
Total non-operating income	<u>1,891</u>	<u>6,942</u>
Non-operating expenses		
Interest expenses	408,933	402,362
Interest expense on investment corporation bonds	42,034	42,965
Amortization of investment corporation bond issuance costs	5,511	5,511
Borrowing related expenses	150,072	154,614
Amortization of investment unit issuance expenses	6,678	6,678
Other	4,415	2,137
Total non-operating expenses	<u>617,646</u>	<u>614,271</u>
Ordinary income	<u>1,913,029</u>	<u>1,955,878</u>
Income before income taxes	<u>1,913,029</u>	<u>1,955,878</u>
Income taxes – current	957	963
Income taxes – deferred	(1,913)	(9)
Total income taxes	<u>(955)</u>	<u>954</u>
Net income	<u>1,913,985</u>	<u>1,954,924</u>
Retained earnings brought forward	12	19
Unappropriated retained earnings (undisposed loss)	1,913,997	1,954,943

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

For the period from November 1, 2013 to April 30, 2014 (16th fiscal period)

(Unit: thousand yen)

	Unitholders' equity					
	Unitholders' capital	Surplus				Total unitholders' equity
		Voluntary retained earnings		Unappropriated retained earnings (undisposed loss)	Total surplus	
		Reserve for reduction entry	Total Voluntary retained earnings			
Balance at the beginning of the period	82,260,100	49,958	49,958	1,579,617	1,629,576	83,889,676
Changes of items during the period						
Issuance of new investment units	8,883,000					8,883,000
Dividends from surplus				(1,579,605)	(1,579,605)	(1,579,605)
Net income				1,913,985	1,913,985	1,913,985
Net changes of items other than unitholders' equity (net)						
Total changes of items during the period	8,883,000	—	—	334,380	334,380	9,217,380
Balance at the end of current period	91,143,100	49,958	49,958	1,913,997	1,963,956	93,107,056

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of the period	(18,376)	(18,376)	83,871,299
Changes of items during the period			
Issuance of new investment units			8,883,000
Dividends from surplus			(1,579,605)
Net income			1,913,985
Net changes of items other than unitholders' equity (net)	(6,899)	(6,899)	(6,899)
Total changes of items during the period	(6,899)	(6,899)	9,210,480
Balance at the end of current period	(25,275)	(25,275)	93,081,780

For the period from May 1, 2014 to October 31, 2014 (17th fiscal period)

(Unit: thousand yen)

	Unitholders' equity					
	Unitholders' capital	Surplus				Total unitholders' equity
		Reserve for reduction entry	Total Voluntary retained earnings	Unappropriated retained earnings (undisposed loss)	Total surplus	
Balance at the beginning of the period	91,143,100	49,958	49,958	1,913,997	1,963,956	93,107,056
Changes of items during the period						
Reserve for reduction entry		1,914	1,914	(1,914)	—	—
Dividends from surplus				(1,912,064)	(1,912,064)	(1,912,064)
Net income				1,954,924	1,954,924	1,954,924
Net changes of items other than unitholders' equity (net)						
Total changes of items during the period	—	1,914	1,914	40,945	42,860	42,860
Balance at the end of current period	91,143,100	51,873	51,873	1,954,943	2,006,816	93,149,916

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of the period	(25,275)	(25,275)	93,081,780
Changes of items during the period			
Reserve for reduction entry			—
Dividends from surplus			(1,912,064)
Net income			1,954,924
Net changes of items other than unitholders' equity (net)	(3,920)	(3,920)	(3,920)
Total changes of items during the period	(3,920)	(3,920)	38,940
Balance at the end of current period	(29,195)	(29,195)	93,120,720

## V. Notes to Financial Statements

### Note 1. Premise of the Going Concern

Sixteenth Fiscal Period (Reference) For the period from November 1, 2013 to April 30, 2014	Seventeenth Fiscal Period For the period from May 1, 2014 to October 31, 2014
There are none applicable.	There are none applicable.

### Note 2. Significant Accounting Policies

Classification	Sixteenth Fiscal Period (Reference) For the period from November 1, 2013 to April 30, 2014	Seventeenth Fiscal Period For the period from May 1, 2014 to October 31, 2014																
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> <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> <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
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	2~15 years																	
Tools, furniture and fixtures	2~12 years																	
2. Treatment Method of Differed Assets	<p>(1) Investment Corporation Bonds Issuance Costs Amortized on the straight-line method over the maturity period of the bonds.</p> <p>(2) Investment Unit Issuance Expenses Amortized on the straight-line method over three years.</p>	<p>(1) Investment Corporation Bonds Issuance Costs Amortized on the straight-line method over the maturity period of the bonds.</p> <p>(2) Investment Unit Issuance Expenses Amortized on the straight-line method over three years.</p>																
3. Standard for Posting of Income and Expenses	<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.</p> <p>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.</p> <p>Furthermore, during the 16th fiscal period, the amount equivalent to the property taxes included in the acquisition costs of real estate totaled 9,946 thousand yen for Shinjuku EAST Building, Ginza Oji Building and Kojima × Bic Camera Kashiwa Store.</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.</p> <p>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.</p> <p>Furthermore, during the 17th fiscal period, there was no amount equivalent to the property taxes included in the acquisition costs of real estate.</p>																

<p>4. 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>
<p>5. Other Significant Items Fundamental to Preparing the Financial Statements</p>	<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"> <li>1.Cash and Deposits in trust</li> <li>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</li> <li>3.Land leasehold right in trust</li> <li>4.Lease and guarantee deposits in trust</li> <li>5.Tenant leasehold and security deposits in trust</li> </ol> <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>(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"> <li>1.Cash and Deposits in trust</li> <li>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</li> <li>3.Land leasehold right in trust</li> <li>4.Lease and guarantee deposits in trust</li> <li>5.Tenant leasehold and security deposits in trust</li> </ol> <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

Sixteenth Fiscal Period (Reference) As of April 30, 2014	Seventeenth Fiscal Period As of October 31, 2014																																
<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;">2,266,146</td> </tr> <tr> <td>Structures in trust</td> <td style="text-align: right;">73,090</td> </tr> <tr> <td>Land in trust</td> <td style="text-align: right;">8,892,092</td> </tr> <tr> <td><u>Total</u></td> <td style="text-align: right;"><u>11,231,329</u></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;">326,648</td> </tr> <tr> <td><u>Total</u></td> <td style="text-align: right;"><u>326,648</u></td> </tr> </table>		(Thousand yen)	Building in trust	2,266,146	Structures in trust	73,090	Land in trust	8,892,092	<u>Total</u>	<u>11,231,329</u>		(Thousand yen)	Tenant leasehold and security deposits in trust	326,648	<u>Total</u>	<u>326,648</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;">2,215,760</td> </tr> <tr> <td>Structures in trust</td> <td style="text-align: right;">70,431</td> </tr> <tr> <td>Land in trust</td> <td style="text-align: right;">8,892,092</td> </tr> <tr> <td><u>Total</u></td> <td style="text-align: right;"><u>11,178,283</u></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;">326,648</td> </tr> <tr> <td><u>Total</u></td> <td style="text-align: right;"><u>326,648</u></td> </tr> </table>		(Thousand yen)	Building in trust	2,215,760	Structures in trust	70,431	Land in trust	8,892,092	<u>Total</u>	<u>11,178,283</u>		(Thousand yen)	Tenant leasehold and security deposits in trust	326,648	<u>Total</u>	<u>326,648</u>
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<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

	Sixteenth Fiscal Period (Reference) For the period From November 1, 2013 to April 30, 2014	Seventeenth Fiscal Period For the period From May 1, 2014 to October 31, 2014
		(Thousand yen)
<b>A. Revenue related to rent business</b>		
Rental and parking revenue	5,255,447	5,407,387
Other lease revenue	334,773	355,253
Other lease business revenue	43,291	23,242
Cancellation penalty received	3,843	6,739
Total revenue related to rent business	5,637,356	5,792,623
<b>B. Expenses related to rent business</b>		
Property management costs and fees	452,977	436,231
Utilities expenses	248,305	297,115
Property-related taxes and dues	580,275	638,223
Non-life insurance expenses	10,751	11,115
Repair expenses	99,545	94,085
Depreciation and amortization	1,193,406	1,202,801
Other	37,542	41,645
Total expenses related to rent business	2,622,805	2,721,218
<b>C. Revenue and expenses of real estate rent business (A – B)</b>	3,014,550	3,071,404

## Note 5. Unitholders' Equity

	Sixteenth Fiscal Period (Reference) For the period From November 1, 2013 to April 30, 2014	Seventeenth Fiscal Period For the period From May 1, 2014 to October 31, 2014
Number of issuable investment units	2,000,000 units	2,000,000 units
Number of investment units issued and outstanding	176,000 units	176,000 units

## Note 6. Tax Effect Accounting

### 1. Breakdown of deferred gains or losses by cause

(Deferred Tax Assets)

(Thousand yen)

	Sixteenth Fiscal Period (Reference) For the period From November 1, 2013 to April 30, 2014	Seventeenth Fiscal Period For the period From May 1, 2014 to October 31, 2014
Current assets		
Income taxes – current payable	16	17
Noncurrent assets		
Deferred gains or losses on hedges	13,114	15,140
Total deferred tax assets	13,130	15,158

(Deferred Tax Liabilities)

(Thousand yen)

	Sixteenth Fiscal Period (Reference) For the period From November 1, 2013 to April 30, 2014	Seventeenth Fiscal Period For the period From May 1, 2014 to October 31, 2014
Noncurrent liabilities		
Reserve for reduction entry	26,913	26,905
Total deferred tax liabilities	26,913	26,905
(Net deferred tax liabilities)	13,783	11,747

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

	Sixteenth Fiscal Period (Reference) For the period From November 1, 2013 to April 30, 2014	Seventeenth Fiscal Period For the period From May 1, 2014 to October 31, 2014
Effective statutory tax rate	36.59%	34.16%
(Adjustment)		
Deductible cash distributions	(36.57%)	(34.14%)
Other	(0.07%)	0.03%
Effective tax rate after applying tax effect accounting	(0.05%)	0.05%

3. Correction of amount of deferred tax assets and deferred tax liabilities due to the change in tax rate of corporate tax, etc.

With the Local Corporation Tax Act (Act No. 11 of 2014) and the Act on Partial Amendment of the Local Tax Law, etc. (Act No. 4 of 2014) being promulgated on March 31, 2014, the local corporation tax has been established and the rate of corporate inhabitant tax, corporate enterprise tax and special local corporation tax have been changed from operating periods that start on October 1, 2014 or after. As a result, the effective statutory tax rate used to calculate the deferred tax assets and deferred tax liabilities for the 17th fiscal period have been changed from 34.16% for the 16th fiscal period to 34.15% concerning temporary differences expected to be reversed during the operating periods which start on November 1, 2014. Furthermore, the impact from the changed tax rate is minimal.

#### **Note 7. Leases**

There are none applicable.

#### **Note 8. Financial Instruments**

Information on financial instruments for the periods ended April 30, 2014 and October 31, 2014 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 "4. 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, 2013 to April 30, 2014 (16th Fiscal Period) (Reference)**

The following table includes the book value, fair value and valuation difference of financial instruments as of April 30, 2014. 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, 2014		
	Book value	Fair value	Difference
(1) Cash and deposits	3,049,986	3,049,986	—
(2) Cash and deposits in trust	4,273,472	4,273,472	—
Total assets	7,323,458	7,323,458	—
(3) Current portion of long-term loans payable	4,135,000	4,171,218	36,218
(4) Investment corporation bond	8,500,000	8,555,165	55,165
(5) Long-term loans payable	87,795,000	88,004,624	209,624
(6) Tenant leasehold and security deposits in trust	1,118,943	1,118,943	—
Total liabilities	101,548,943	101,849,951	301,007
Derivative transactions (*1)			
Applied hedge accounting	(38,429)	(38,429)	—
Total derivative transactions	(38,429)	(38,429)	—

(\*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.

(Note1) 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 referential figure disclosed by the financial data provider.

(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	(38,429)	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	23,200,000	21,200,000	(*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)	4,531,011
Total	4,531,011

(\*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	3,049,986
Cash and deposits in trust	4,273,472
Total	7,323,458

(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 years	Due after four to five years	Due after five years
Investment corporation bonds	—	8,500,000	—	—	—	—
Long-term loans payable	4,135,000	33,610,000	23,930,000	25,755,000	4,500,000	—
Total	4,135,000	42,110,000	23,930,000	25,755,000	4,500,000	—

**For the period from May 1, 2014 to October 31, 2014 (17th Fiscal Period)**

The following table includes the book value, fair value and valuation difference of financial instruments as of October 31, 2014. 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, 2014		
	Book value	Fair value	Difference
(1) Cash and deposits	4,427,277	4,427,277	—
(2) Cash and deposits in trust	3,926,308	3,926,308	—
Total assets	8,353,586	8,353,586	—
(3) Current portion of investment corporation bond	8,500,000	8,531,025	31,025
(4) Current portion of long-term loans payable	10,210,000	10,211,606	1,606
(5) Long-term loans payable	81,652,500	81,874,568	222,068
(6) Tenant leasehold and security deposits in trust	1,198,333	1,198,333	—
Total liabilities	101,560,833	101,815,533	254,700
Derivative transactions (*1)			
Applied hedge accounting	(44,377)	(44,377)	—
Total derivative transactions	(44,377)	(44,377)	—

(\*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.

(Note1) 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 referential figure disclosed by the financial data provider.

(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	(44,377)	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	21,200,000	21,200,000	(*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)	4,100,325
Total	4,100,325

(\*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	4,427,277
Cash and deposits in trust	3,926,308
Total	8,353,586

(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 years	Due after four to five years	Due after five years
Investment corporation bonds	8,500,000	—	—	—	—	—
Long-term loans payable	10,210,000	26,535,000	38,362,500	8,255,000	8,500,000	—
Total	18,710,000	26,535,000	38,362,500	8,255,000	8,500,000	—

## 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 period and fair value of these investment and rental properties as of the balance sheet date.

### For the period from November 1, 2013 to April 30, 2014 (16th 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	
180,064,553	11,950,431	192,014,984	179,800,000

(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 acquisition of Shinjuku EAST Building(5,889,285 thousand yen), Ginza Oji Building (2,085,743 thousand yen), and Kojima × Bic Camera Kashiwa Store(4,657,682 thousand yen), 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 April 30, 2014 is presented in “Note 4. Statement of Income and Retained Earnings.”

### For the period from May 1, 2014 to October 31, 2014 (17th 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	
192,014,984	(1,059,782)	190,955,201	181,500,000

(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. Meanwhile, fair value of Kanda Park Plaza and OAK PLAZA are calculated based on the disposition prices dated November 13, 2014. (Kanda Park Plaza: 5,350,000 thousand yen, OAK PLAZA: 2,900,000 thousand yen)

Furthermore, loss and profit concerning investment and rental properties for fiscal period ended October 31, 2014 is presented in “Note 4. Statement of Income and Retained Earnings.”

## Note 10. Transactions with Interested Parties

For the period from November 1, 2013 to April 30, 2014 (16th Fiscal Period) (Reference)

Attribution	Company name	Business description or occupation	Ratio of investment units held among total number of investment units (Note 1)	Type of transaction	Amount of transaction (thousand yen) (Note 2)	Item in balance sheets	Balance at period end (thousand yen) (Note 2)
Interested Party	Japan Trustee Services Bank Ltd.	Banking	27.33% (Note3)	Rent revenue, etc (Note4)	532,353	Operating accounts receivable	6,239
						Advances received	70,205
Interested Party and Assets custodian	Sumitomo Mitsui Trust Bank, Limited.	Banking	1.80%	Administrative service fee	66,861	Accounts payable-other	61,068
				Brokerage fee	185,000	Operating accounts payable	—
				Trust fee	17,267		
				Other fees paid	1,024		
				Property management expenses	1,250		
				Other non-operating expenses	342	Long-term prepaid expenses	420
				Borrowing related expenses	64,928	Prepaid expenses	720
						Long-term prepaid expenses	178,475
				Investment unit issuance related expenses	100	Prepaid expenses	106,908
						Investment unit issuance expenses	500
Investment corporation bond related expenses	623	Accounts payable-other	55				
		Investment corporation bond issuance expenses	1,308				

(Note 1) Ratio of investment units held is rounded down to the second decimal place.

(Note 2) 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 3) The described above ratio was held to trust accounts. The ratio is rounded down to the second decimal place.

(Note 4) 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.

**For the period from May 1, 2014 to October 31, 2014 (17th Fiscal Period)**

Attribution	Company name	Business description or occupation	Ratio of investment units held among total number of investment units (Note 1)	Type of transaction	Amount of transaction (thousand yen) (Note 2)	Item in balance sheets	Balance at period end (thousand yen) (Note 2)
Interested Party	Japan Trustee Services Bank Ltd.	Banking	23.35% (Note 3)	Rent revenue, etc (Note 4)	503,416	Operating accounts receivable	6,454
						Advances received	70,205
Interested Party and Assets custodian	Sumitomo Mitsui Trust Bank, Limited.	Banking	1.80%	Administrative service fee	69,085	Accounts payable-other	63,223
				Trust fee	17,375	Operating accounts payable	—
				Other fees paid	962		
				Property management expenses	1,250		
				Other non-operating expenses	342	Long-term prepaid expenses	60
				Borrowing related expenses	65,180	Prepaid expenses	720
						Long-term prepaid expenses	133,377
				Investment unit issuance related expenses	100	Prepaid expenses	108,516
						Investment unit issuance expenses	400
Investment corporation bond related expenses	625	Accounts payable-other	56				
		Investment corporation bond issuance expenses	747				

(Note 1) Ratio of investment units held is rounded down to the second decimal place.

(Note 2) 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 3) The described above ratio was held to trust accounts. The ratio is rounded down to the second decimal place.

(Note 4) 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

Sixteenth Fiscal Period (Reference) For the period from November 1, 2013 to April 30, 2014		Seventeenth Fiscal Period For the period from May 1, 2014 to October 31, 2014	
Net Assets per Unit	528,873yen	Net Assets per Unit	529,095yen
Net Income per Unit	11,056yen	Net Income per Unit	11,107yen
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 1) The per unit amounts are rounded down to the nearest yen.

(Note 2) Net income per unit is calculated by dividing the net income by the weighted average number of investment units over the number of days in the period.

(Note 3) The basis for the calculation of net income per unit is as follows:

	sixteenth Fiscal Period (Reference) For the period from November 1, 2013 to April 30, 2014	Seventeenth Fiscal Period For the period from May 1, 2014 to October 31, 2014
Net Income (thousand yen)	1,913,985	1,954,924
Amounts not attributable to ordinary unitholders (thousand yen)	—	—
Net income attributable to ordinary investment unit (thousand yen)	1,913,985	1,954,924
Weighted-average number of units during the period (unit)	173,116	176,000

## Note 12. Significant Subsequent Events

<p>Sixteenth Fiscal Period (Reference)</p> <p>For the period from November 1, 2013 to April 30, 2014</p>	<p>Seventeenth Fiscal Period</p> <p>For the period from May 1, 2014 to October 31, 2014</p>
<p>There are none applicable.</p>	<p>&lt;Disposition of Properties&gt; Top REIT disposed of two properties on November 13, 2014 as described below.</p> <p><b>Kanda Park Plaza</b> (1) Property Type: Trust beneficiary interest in real estate in Japan (2) Name of Property: Kanda Park Plaza (3) Address (Residential building address): 2-2-2 Kajicho, Chiyoda-ku, Tokyo (4) Disposition Price: 5,350 million yen (5) Book Value: 5,052 million yen (as of October 31, 2014) (6) Gains on disposal: Approx. 109 million yen (7) Sales Agreement date: November 12, 2014 (8) Disposition Date: November 13, 2014 (9) Purchaser: Undisclosed</p> <p><b>OAK PLAZA</b> (1) Property Type: Trust beneficiary interest in real estate in Japan (2) Name of Property: OAK PLAZA (3) Address (Residential building address): 2-10-6 Kanda Awajicho, Chiyoda-ku, Tokyo (4) Disposition Price: 2,900 million yen (5) Book Value: 2,686 million yen (as of October 31, 2014) (6) Gains on disposal: Approx. 191 million yen (7) Sales Agreement date: November 12, 2014 (8) Disposition Date: November 13, 2014 (9) Purchaser: NIPPON STEEL KOWA REAL ESTATE CO., LTD.</p>

## VI. Statements of Cash Dividend Distributions

Classification	Sixteenth Fiscal Period (Reference) For the period from November 1, 2013 to April 30, 2014	Seventeenth Fiscal Period For the period from May 1, 2014 to October 31, 2014
	Amount (yen) (Note 1)	Amount (yen) (Note 2)
I. Unappropriated retained earnings	1,913,997,778	1,954,943,312
II. Total Amount of Dividends (Dividend per unit)	1,912,064,000 [10,864]	1,954,832,000 [11,107]
III. Voluntary retained earnings Reserve for reduction entry	1,914,510	7,879
IV. Retained earnings brought forward	19,268	103,433

Note1: 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 Act on Special Measures Concerning Taxation.” Based on these policies, Top REIT decided on a total distribution of 1,912,064,000 yen as distribution of income for the period. This is the maximum value arrived at when the number of units issued and outstanding (176,000 units) is multiplied by an integer, within the limit of the balance of unappropriated retained earnings of the sixteenth fiscal period and after deducting the amount of deferred tax liabilities being corrected due to the change in tax rate which would be transferred to the reserve for reduction entry.  
Furthermore, Top REIT does not make cash distributions in excess of the profit as stipulated in Article 34-2 of the Articles of Incorporation.

Note2: 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 Act on Special Measures Concerning Taxation.” Based on these policies, Top REIT decided on a total distribution of 1,954,832,000 yen as distribution of income for the period. This is the maximum value arrived at when the number of units issued and outstanding (176,000 units) is multiplied by an integer, within the limit of the balance of unappropriated retained earnings of the sixteenth fiscal period and after deducting the amount of deferred tax liabilities being corrected due to the change in tax rate which would be transferred to the reserve for reduction entry.  
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 Act on Investment Trusts and Investment Corporations.

Under Article 130 of the Act on Investment Trusts and Investment Corporations, the Japanese financial statements for the fiscal period ended October 31, 2014 have been audited by KPMG AZSA LLC, 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)

	Sixteenth Fiscal Period (From November 1, 2013 – to April 30, 2014)	Seventeenth Fiscal Period (From May 1, 2014 – to October 31, 2014)
Net cash provided by (used in) operating activities		
Income before income taxes	1,913,029	1,955,878
Depreciation and amortization	1,193,406	1,202,801
Amortization of trademark	21	21
Amortization of investment corporation bond issuance costs	5,511	5,511
Amortization of investment unit issuance expenses	6,678	6,678
Interest income and interest on securities	(675)	(1,579)
Interest expenses	450,967	445,328
Decrease (increase) in operating accounts receivable	(90,159)	(25,992)
Decrease (increase) of consumption taxes receivable	(137,402)	137,402
Decrease (increase) in prepaid expenses	(24,002)	(7,615)
Increase (decrease) in operating accounts payable	15,641	15,974
Increase (decrease) in accounts payable – other	13,142	4,086
Increase (decrease) in accrued consumption taxes	(61,670)	223,962
Increase (decrease) in advances received	89,828	6,218
Decrease (increase) in long-term prepaid expenses	70,327	120,345
Other, net	(17,394)	(29,376)
Subtotal	3,427,250	4,059,646
Interest income received	675	1,579
Interest expenses paid	(450,954)	(466,150)
Income taxes paid	(963)	(1,145)
Net cash provided by (used in) operating activities	2,976,008	3,593,929
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(2,951)	(3,587)
Purchase of property, plant and equipment in trust	(12,961,001)	(255,766)
Purchase of property, intangible assets in trust	(8,450)	–
Proceeds from tenant leasehold and security deposits	–	26,413
Proceeds from tenant leasehold and security deposits in trust	1,098,156	160,435
Repayments of tenant leasehold and security deposits in trust	(321,616)	(511,732)
Net cash provided by (used in) investing activities	(12,195,863)	(584,237)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	4,500,000	–
Decrease in short-term loans payable	(4,500,000)	–
Proceeds from long-term loans payable	4,500,000	4,000,000
Repayment of long-term loans payable	(67,500)	(4,067,500)
Proceeds from issuance of investment units	8,883,000	–
Payments for investment unit issuance expenses	(35,317)	–
Dividends paid	(1,579,605)	(1,912,064)
Net cash provided by (used in) financing activities	11,700,577	(1,979,564)
Net increase (decrease) in cash and cash equivalents	2,480,722	1,030,128
Cash and cash equivalents at beginning of period	4,842,736	7,323,458
Cash and cash equivalents at end of period	7,323,458	8,353,586

## Note Concerning Significant Accounting Policy [Reference Information]

Classification	Sixteenth Fiscal Period For the period from November 1, 2013 to April 30, 2014	Seventeenth Fiscal Period For the period from May 1, 2014 to October 31, 2014
Scope of funds in statements of cash flows	Funds (cash and cash equivalents) in statements of cash flows consist of cash on hand and cash in trust, deposits placed with banks and deposits in trust that can be withdrawn at any time, and short-term investments that are highly liquid and easily convertible to cash, have a low risk of price fluctuation and mature within three months from the date of purchase.	Funds (cash and cash equivalents) in statements of cash flows consist of cash on hand and cash in trust, deposits placed with banks and deposits in trust that can be withdrawn at any time, and short-term investments that are highly liquid and easily convertible to cash, have a low risk of price fluctuation and mature within three months from the date of purchase.

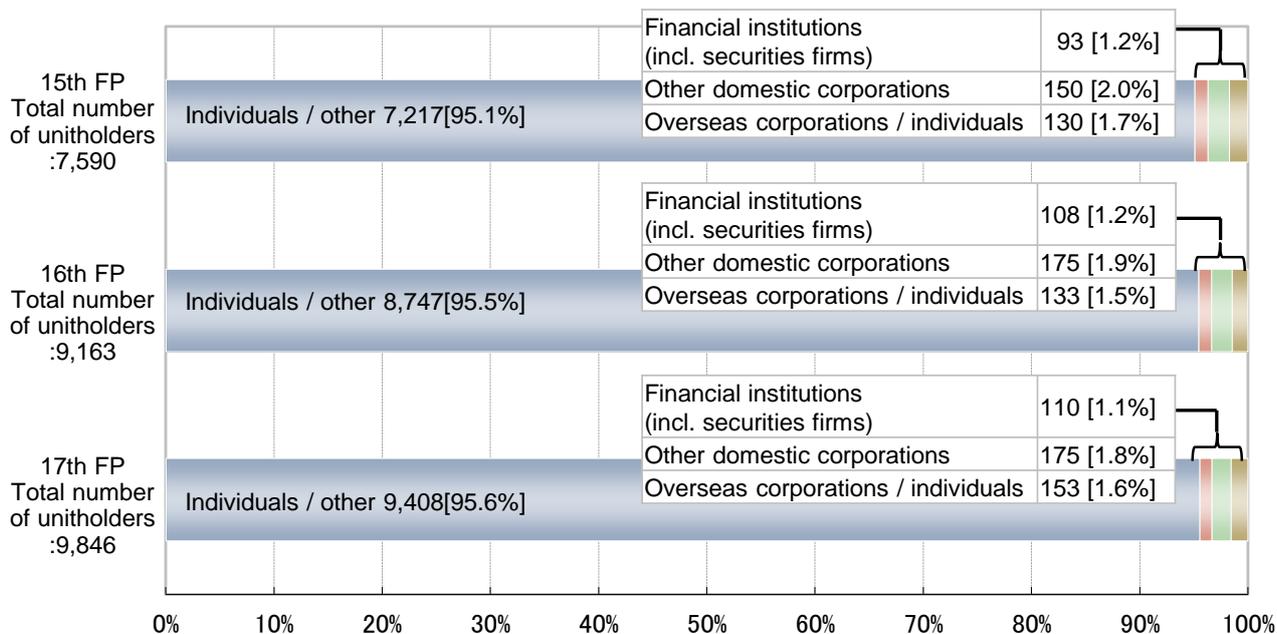
## Note Concerning Statements of Cash Flows [Reference Information]

Sixteenth Fiscal Period For the period from November 1, 2013 to April 30, 2014	Seventeenth Fiscal Period For the period from May 1, 2014 to October 31, 2014
*1. Reconciliation of cash and cash equivalents at end of period and amount of items presented in balance sheets	*1. Reconciliation of cash and cash equivalents at end of period and amount of items presented in balance sheets
(as of April 30, 2014) (Unit: thousand yen)	(as of October 31, 2014) (Unit: thousand yen)
Cash and deposits	Cash and deposits
3,049,986	4,427,277
Cash and deposits in trust	Cash and deposits in trust
<u>4,273,472</u>	<u>3,926,308</u>
Cash and cash equivalents	Cash and cash equivalents
<u><u>7,323,458</u></u>	<u><u>8,353,586</u></u>

## Stock and Unitholders Information



### No. of Unitholders



### No. of Units Held

