

Earnings Digest for the Fifth Fiscal Period (From May 1, 2008 to October 31, 2008)

Top REIT, Inc. (listed on the Tokyo Stock Exchange with securities code 8982) hereby announces its earnings results for the fiscal period ended October 31, 2008 (fifth fiscal period).

This earnings digest is a summary of earnings results translated from the Japanese “Kessan Tanshin” report, dated December 15, 2008, which is prepared in accordance with generally accepted accounting principles in Japan and Japanese law.

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.

A. Profile of Top REIT

Top REIT invests in office, retail and residential properties in Japan. The assets are managed with a strategic focus on (1) the “skilled management of a diversified portfolio” and (2) the “optimal application of sponsor strengths,” in order to maximize unitholder value with stable growth in both revenue and portfolio assets over the medium to long term.

B. Financial Highlights

	Fifth Fiscal Period	Fourth Fiscal Period	Period-on-Period Change
Period of asset management	184 days	182 days	
Operating revenue	¥5,584 million	¥4,817 million	+15.9%
Operating income	¥2,651 million	¥2,353 million	+12.7%
Ordinary income	¥1,994 million	¥1,842 million	+8.2%
Net income	¥1,993 million	¥1,841 million	+8.2%
Dividend per unit (excluding dividend in excess of earnings)	¥12,863	¥11,884	+8.2%
Dividend in excess of earnings per unit	¥0	¥0	-%

(a) Business Results

Top REIT posted operating revenue of ¥5,584 million, operating income of ¥2,651 million, ordinary income of ¥1,994 million and net income of ¥1,993 million.

(b) Dividends

To ensure an amount equivalent to profit dividends would be tax deductible by applying a special corporation tax treatment (stipulated in Article 67, Paragraph 15 of the Special Taxation Measures Law), Top REIT decided to pay out the entire amount of unappropriated retained earnings, excluding fractions of the dividend per unit that are less than ¥1. Accordingly, Top REIT declared a dividend per unit of ¥12,863.

(c) Financial Position

Total assets amounted to ¥173,241 million and net assets amounted to ¥84,141 million.

(d) Debt Financing

Of Top REIT's loans payable, short-term loans payable accounted for ¥9,300 million, current portion of long-term loans payable accounted for ¥16,700 million and long-term loans payable accounted for ¥56,000 million. Top REIT has not issued investment corporation bonds.

C. Asset Management Performance

(a) Acquisition and Selling of Assets

Top REIT began the fifth fiscal period with 13 properties (total acquisition value: ¥157,187 million). Based on widely sourcing information on new properties through the "optimal application of sponsor strengths," Top REIT acquired Ecology Toyosu Procentury (acquisition value: ¥5,160 million) on May 30, 2008. This property was acquired by utilizing pipeline support functions that Top REIT has with its sponsors.

As a result, the total acquisition value of Top REIT's assets under management at the end of the fifth fiscal period stands at ¥162,347 million.

(b) Management and Maintenance of Portfolio Assets

The basic asset management strategy of Top REIT centers on sustaining and increasing revenue over the medium to long term by maintaining and improving tenant satisfaction (the "Tenant First" policy) and keeping operational management costs at an appropriate level.

Top REIT strives to sustain relationships of trust with tenants and discern tenant needs via property management companies, and thereby maintain high occupancy rates. Moreover, floor space expansion targeting existing tenants, solicitation of new tenants and other efforts were appropriately taken. As a result of such undertakings, the occupancy rate of Top REIT's entire portfolio at the end of the fifth fiscal period was 99.5%. In addition, based on the annual asset management plans prepared for each property, Top REIT was committed to implementing measures to improve revenue such as by upward revising the amount of rent with existing tenants after grasping the review of renewal and new advertised rents, discrepancies with current market rent levels and other current conditions. Furthermore, a reduction of about ¥75 million, or the total amount of interest (2% per annum) that would have been payable for the next 6 years on the security deposit for the Ito-Yokado Higashi-Narashino Store, was achieved based on negotiations with tenant Ito-Yokado Co., Ltd. that resulted in an agreement to refund the security deposit in lump-sum.

Regarding maintenance, while following up on ensuring an appropriate perception of the operational management conditions and steady implementation of asset management plans for each property, Top REIT embarked on efforts to reduce administrative expenses for certain assets under management. Also, while carrying out repair work and other measures that contributed to enhancing the competitiveness of properties and maintaining and improving the functionality of properties based on asset management plans, Top REIT took such steps as to keep the costs of the construction work under the asset management plans at an appropriate level and reviewing the timing of conducting the construction work as it thought proper.

D. Procurement of Funds

Top REIT procures funds by adopting a financial policy that is based on stable financial management. During the fifth fiscal period, Top REIT acquired a new property and repaid a portion of loans payable as follows, each of which were funded by cash reserves obtained through the release of some tenant leasehold deposits (*) and other means. Consequently, Top REIT did not procure funds from external sources during the fifth fiscal period.

Top REIT acquired Ecology Toyosu Procentury on May 30, 2008 for ¥5,160 million using cash reserves. Furthermore, of its short-term loans payable, Top REIT repaid ¥1,000 million on July 31, 2008 prior to the repayment date as cash reserves became available that allowed for such prepayment.

(*) Release of some tenant leasehold deposits

Concerning tenant leasehold deposits made by tenants of real estate in trust with The Sumitomo Trust & Banking Co., Ltd. as the trustee, the trustee deposited some of these tenant leasehold deposits with Top REIT under the objective of effective utilization of funds.

As a result, as at the end of the fifth fiscal period, total loans payable outstanding was ¥82,000 million and the ratio of loans payable to total assets (LTV) was 47.3%. Of total loans payable, long-term loans payable (including the current portion of long-term loans payable) accounted for 88.7% and loans payable with fixed interest rates accounted for 76.0%.

The credit ratings of Top REIT as of the date of this report are as follows:

Rating Agency	Issuer Rating [Outlook]
Moody's Investors Service, Inc. (Moody's)	A2 [Stable]
Rating and Investment Information, Inc. (R&I)	AA- [Stable]

E. Outlook for the Sixth and Seventh Fiscal Periods

The earnings results forecasts for the sixth fiscal period (from November 1, 2008 to April 30, 2009) and the seventh fiscal period (from May 1, 2009 to October 31, 2009) are as follows:

	Sixth Fiscal Period	Seventh Fiscal Period
Period of asset management	181 days	184 days
Operating revenue	¥5,620 million	¥5,638 million
Ordinary income	¥2,001 million	¥1,939 million
Net income	¥2,000 million	¥1,938 million
Dividend per unit (excluding dividend in excess of earnings)	¥12,900	¥12,500
Dividend in excess of earnings per unit	¥0	¥0

*Explanation on the Appropriate Use of Earnings Results Forecasts, and Other Matters of Special Note

The earnings results forecasts and other forward-looking statements contained in this document are based on information currently available to and certain assumptions deemed reasonable by Top REIT. Accordingly, the actual operating revenue, ordinary income, net income, dividend per unit and dividend in excess of earnings per unit may differ materially due to a variety of factors. Moreover, the forecasts should not be construed as a guarantee of the dividend amount.

F. Notes

(a) Changes in Accounting Policies

- a. Changes accompanying revisions in accounting standards, etc.: Yes
- b. Changes aside from a. above: No

(b) Number of Investment Units Outstanding

- a. Number of investment units (including treasury investment units) outstanding at the end of the fiscal period:

Fifth Fiscal Period: 155,000 units Fourth Fiscal Period: 155,000 units

- b. Number of treasury investment units outstanding at the end of the fiscal period:

Fifth Fiscal Period: 0 units Fourth Fiscal Period: 0 units

G. Financial Statements

(a) Balance Sheets

	(Unit: thousand yen)		
	Fourth Fiscal Period (As of April 30, 2008)	Fifth Fiscal Period (As of October 31, 2008)	Period-on-Period Change
Assets			
Current assets			
Cash and deposits	6,054,171	3,054,980	(2,999,191)
Cash and deposits in trust	8,850,048	5,814,175	(3,035,872)
Accounts receivable – trade	41,961	44,267	2,306
Prepaid expenses	63,880	61,621	(2,259)
Deferred tax assets	2,962	1,839	(1,122)
Income taxes receivable	3,336	1,863	(1,473)
Consumption taxes receivable	398,573	–	(398,573)
Other	395	25,043	24,647
Total current assets	15,415,329	9,003,791	(6,411,538)
Noncurrent assets			
Property, plant and equipment			
Buildings	1,104,579	1,111,657	7,078
Accumulated depreciation	(6,855)	(27,517)	(20,662)
Buildings, net	1,097,723	1,084,139	(13,584)
Structures	3,630	3,630	–
Accumulated depreciation	(144)	(579)	(434)
Structures, net	3,485	3,051	(434)
Machinery and equipment	11,436	11,436	–
Accumulated depreciation	(507)	(2,029)	(1,521)
Machinery and equipment, net	10,929	9,407	(1,521)
Tools, furniture and fixtures	506	506	–
Accumulated depreciation	(21)	(84)	(63)
Tools, furniture and fixtures, net	484	421	(63)
Land	4,885,146	4,888,525	3,379
Buildings in trust	52,920,348	55,414,168	2,493,820
Accumulated depreciation	(3,653,406)	(4,735,387)	(1,081,981)
Buildings in trust, net	49,266,942	50,678,781	1,411,839
Structures in trust	629,045	654,166	25,120
Accumulated depreciation	(76,375)	(98,398)	(22,022)
Structures in trust, net	552,670	555,768	3,097
Machinery and equipment in trust	190,814	194,250	3,435
Accumulated depreciation	(20,580)	(30,332)	9,751
Machinery and equipment in trust, net	170,234	163,918	(6,316)
Tools, furniture and fixtures in trust	35,965	98,979	63,014
Accumulated depreciation	(10,449)	(21,093)	(10,644)
Tools, furniture and fixtures in trust, net	25,516	77,886	52,370
Land in trust	103,572,802	106,523,104	2,950,301
Construction in progress in trust	–	147	147
Total property, plant and equipment	159,585,937	163,985,153	4,399,216
Intangible assets			
Other	318	297	(21)
Total intangible assets	318	297	(21)
Investments and other assets			
Lease and guarantee deposits	10,000	10,000	–
Long-term prepaid expenses	79,918	63,503	(16,414)
Deferred tax assets	39,328	71,325	31,996
Other	67,588	85,042	17,453
Total investments and other assets	196,835	229,871	33,036
Total noncurrent assets	159,783,091	164,215,322	4,432,231
Deferred assets			
Deferred organization expenses	28,350	22,680	(5,670)
Total deferred assets	28,350	22,680	(5,670)
Total assets	175,226,770	173,241,793	(1,984,976)

(Unit: thousand yen)

	Fourth Fiscal Period (As of April 30, 2008)	Fifth Fiscal Period (As of October 31, 2008)	Period-on-Period Change
Liabilities			
Current liabilities			
Accounts payable	158,370	82,900	(75,470)
Short-term loans payable	10,300,000	9,300,000	(1,000,000)
Current portion of long-term loans payable	16,700,000	16,700,000	–
Accounts payable – other	308,917	256,456	(52,461)
Accrued expenses	181,845	211,782	29,936
Income taxes payable	42	57	14
Accrued consumption taxes	–	197,557	197,557
Advances received	718,375	742,514	24,139
Derivatives liabilities	11,048	8,307	(2,740)
Other	3,326	2,240	(1,086)
Total current liabilities	28,381,926	27,501,815	(880,111)
Noncurrent liabilities			
Long-term loans payable	56,000,000	56,000,000	–
Tenant leasehold and security deposits	169,769	169,769	–
Tenant leasehold and security deposits in trust	6,526,349	5,235,545	(1,290,803)
Derivatives liabilities	111,639	193,533	81,893
Total noncurrent liabilities	62,807,759	61,598,849	(1,208,910)
Total liabilities	91,189,685	89,100,664	(2,089,021)
Net Assets			
Unitholders' equity			
Unitholders' capital	82,260,100	82,260,100	–
Surplus			
Unappropriated retained earnings (undisposed loss)	1,842,032	1,993,858	151,825
Total surplus	1,842,032	1,993,858	151,825
Total unitholders' equity	84,102,132	84,253,958	151,825
Valuation and translation adjustments			
Deferred gains or losses on hedges	(65,047)	(112,828)	(47,781)
Total valuation and translation adjustments	(65,047)	(112,828)	(47,781)
Total net assets	84,037,085	84,141,129	104,044
Total liabilities and net assets	175,226,770	173,241,793	(1,984,976)

(b) Statements of Income

(Unit: thousand yen)

	Fourth Fiscal Period (November 1, 2007 – April 30, 2008)	Fifth Fiscal Period (May 1, 2008 – October 31, 2008)	Period-on-Period Change
Operating revenue			
Rent revenue – real estate	4,802,941	5,572,195	769,254
Other lease business revenue	14,425	12,545	(1,880)
Total operating revenue	4,817,366	5,584,740	767,374
Operating expenses			
Expenses related to rent business	1,974,314	2,370,668	396,353
Loss on retirement of real estate properties	–	897	897
Asset management fee	367,640	434,587	66,946
Asset custody fee	6,993	7,811	817
Administrative service fees	55,964	58,852	2,888
Directors' compensations	3,600	3,600	–
Audit fee	10,000	10,000	–
Other operating expenses	45,806	46,806	1,000
Total operating expenses	2,464,319	2,933,224	468,904
Operating income	2,353,047	2,651,516	298,469
Non-operating income			
Interest income	23,123	16,078	(7,044)
Other	1,169	6,868	5,698
Total non-operating income	24,292	22,947	(1,345)
Non-operating expenses			
Interest expenses	499,672	642,118	142,446
Amortization of deferred organization expenses	5,670	5,670	–
Other	29,046	31,779	2,732
Total non-operating expenses	534,389	679,568	145,179
Ordinary income	1,842,951	1,994,895	151,944
Income before income taxes	1,842,951	1,994,895	151,944
Income taxes – current	1,003	1,055	52
Income taxes – deferred	4	(5)	(10)
Total income taxes	1,008	1,050	41
Net income	1,841,942	1,993,845	151,902
Retained earnings brought forward	90	12	(77)
Unappropriated retained earnings (undisposed loss)	1,842,032	1,993,858	151,825

(c) Statements of Cash Flows

(Unit: thousand yen)

	Fourth Fiscal Period (November 1, 2007 – April 30, 2008)	Fifth Fiscal Period (May 1, 2008 – October 31, 2008)	Period-on-Period Change
Cash Flows from Operating Activities			
Income before income taxes	1,842,951	1,994,895	151,944
Depreciation and amortization	987,715	1,147,426	159,710
Loss on retirement of real estate properties	–	897	897
Amortization of deferred organization expenses	5,670	5,670	–
Amortization of trademark	21	21	–
Interest income and interest income on securities	(23,123)	(16,078)	7,044
Interest expenses	499,672	642,118	142,446
Decrease (increase) in accounts receivable – trade	(9,114)	(2,306)	6,807
Decrease (increase) in consumption taxes refund receivable	(390,616)	390,782	781,398
Decrease (increase) in income taxes receivable	(1,473)	1,473	2,946
Decrease (increase) in prepaid expenses	(25,576)	2,259	27,835
Decrease (increase) in other current assets	38	254	215
Increase (decrease) in accounts payable	(7,563)	10,769	18,333
Increase (decrease) in accounts payable – other	(7,002)	16,020	23,023
Increase (decrease) in accrued consumption taxes	(171,248)	198,814	370,063
Increase (decrease) in advances received	8,206	24,139	15,932
Decrease (increase) in long-term prepaid expenses	(19,818)	16,414	36,232
Other, net	(17,598)	(20,342)	(2,744)
Subtotal	2,671,138	4,413,227	1,742,089
Interest income received	23,104	16,097	(7,007)
Interest expenses paid	(461,826)	(611,678)	(149,851)
Income taxes paid	(1,016)	(1,041)	(25)
Net cash provided by (used in) operating activities	2,231,400	3,816,605	1,585,205
Cash Flows from Investment Activities			
Purchase of property, plant and equipment	(6,003,688)	(8,847)	5,994,841
Purchase of property, plant and equipment in trust	(21,697,104)	(5,708,454)	15,988,650
Proceeds from tenant leasehold and security deposits	171,314	–	(171,314)
Payments of tenant leasehold and security deposits	–	(1,544)	(1,544)
Proceeds from tenant leasehold and security deposits in trust	575,926	239,345	(336,581)
Payments of tenant leasehold and security deposits in trust	(115,009)	(1,530,149)	(1,415,140)
Net cash provided by (used in) investment activities	(27,068,561)	(7,009,649)	20,058,912
Cash Flows from Financing Activities			
Increase in short-term loans payable	10,300,00	–	(10,300,000)
Decrease in short-term loans payable	–	(1,000,000)	(1,000,000)
Proceeds from long-term loans payable	18,300,000	–	(18,300,000)
Dividends paid	(1,847,755)	(1,842,020)	5,735
Net cash provided by (used in) financing activities	26,752,245	(2,842,020)	(29,594,265)
Net increase (decrease) in cash and cash equivalents	1,915,083	(6,035,063)	(7,950,147)
Cash and cash equivalents at beginning of period	12,989,136	14,904,219	1,915,083
Cash and cash equivalents at end of period	14,904,219	8,869,155	(6,035,063)

H. Portfolio Data

Asset Class	Area	Property Name	Acquisition Value (million yen)	Appraised Value at End of Period (million yen)	Investment Breakdown (%)
Office Building	Central Tokyo	NEC Head Office Building	41,950	55,000	29.0
		Harumi Island Triton Square Office Tower Y	33,000	44,300	23.4
		Akasaka Oji Building	9,660	15,800	8.3
		Kanda Park Plaza	5,156	5,651	3.0
		Shiba-Koen Building	5,770	5,270	2.8
		Harumi Island Triton Square Office Tower Z	20,000	19,600	10.3
	Tokyo Metropolitan Area	Faret East Building	2,091	3,300	1.7
	Kansai	Nittetsu Honmachi Building	1,100	1,800	1.0
Subtotal (8 properties)			118,727	150,721	79.6
Retail Property	Tokyo Metropolitan Area	Sagamihara Shopping Center	12,000	11,900	6.3
		Ito-Yokado Higashi-Narashino Store	8,900	5,542	2.9
		Musashiurawa Shopping Square	4,335	4,190	2.2
	Subtotal (3 properties)			25,235	21,632
Residential Property	Tokyo Metropolitan Area	Fukusawa House Towers H&I	10,635	9,410	5.0
		Ecology Toyosu Procentury	5,160	5,070	2.7
	Subtotal (2 properties)			15,795	14,480
Other Property	Central Tokyo	OAK PLAZA	2,590	2,608	1.4
	Subtotal (1 property)			2,590	2,608
Total			162,347	189,441	100.0

For more information, please visit our website <http://www.top-reit.co.jp/english/>

Contact for inquiries in Japanese;
Top REIT Asset Management Co., Ltd. (Asset Manager)
Koji Murata, Director, General Manager, Finance Department
+81-3-3243-2181

Contact for inquiries in English:
Top REIT Asset Management Co., Ltd. (Asset Manager)
E-mail address: info-top@top-reit-am.co.jp

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