



**TOP REIT, Inc.**

Translation of Japanese Original

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To All Concerned Parties

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**Notice Concerning Differences Between Forecasted Results and Actual Results,  
Recording of Extraordinary Loss, and Deduction of Partial Loss from Unitholders'  
Capital, Etc.**

Top REIT, Inc. (“Top REIT”) announces as follows differences that have arisen between the earnings forecasts disclosed in the “Summary of Earnings Results for the Nineteenth Fiscal Period (From May 1, 2015 to October 31, 2015)” dated December 16, 2015 and the business results for the 20th fiscal period disclosed in the “Summary of Earnings Results for the Twentieth Fiscal Period (From November 1, 2015 to April 30, 2016)” separately released today.

In addition, Top REIT also announces that it was decided today that based on the provisions of Article 136(2) of the Act on Investment Trusts and Investment Corporations (the “Investment Trusts Act”), part of the loss for the 20th fiscal period is to be treated by deduction from the unitholders’ capital, etc. (the “Capital Reduction Without Compensation”).



# TOP REIT, Inc.

## 1. Corrected Business Results for 20th Fiscal Period (from November 1, 2015 to April 30, 2016)

(Millions of yen)

	Operating Revenue	Operating Income	Ordinary Income	Net Income
Previous Forecast (A)	5,419	2,264	1,743	1,742
Fixed amount (B)	5,414	2,317	1,815	(3,576)
Net Change (C) = (B - A)	(5)	52	72	(5,318)
Percentage Change (C/A x 100)	(0.1)	2.3	4.2	-
(Reference) Business Results for the Nineteenth Fiscal Period	5,368	2,210	1,654	1,674

(Yen)

	Per Unit (Number of Investment Units Issued and Outstanding : 176,000 units)		
	Dividend (excluding dividend in excess of earnings and reversal of internal reserves (Note 1))	Dividend in Excess of earnings	Dividend (including dividend in excess of earnings)
Previous Forecast (A)	9,900	0	9,900
Fixed amount (B)	0	(Note 2) 11,460	11,460
Net Change (C) = (B - A)	(9,900)	11,460	1,560
Percentage Change (C/A x 100)	-	-	15.8
(Reference) Business Results for the Nineteenth Fiscal Period	9,761	0	9,761



## TOP REIT, Inc.

- Note 1: Top REIT applies the “Special Provisions for Taxation in the Event of Advance Acquisition of Land, etc. in 2009 and 2010” (Article 66-2 of the Act on Special Measures Concerning Taxation) and internally reserves part of the gains from transfer of its properties as reserve for reduction entry, etc. The total amount of internal reserves at the beginning of the 20th fiscal period, ¥201 million, is to be all reversed in the full amount. Of those internal reserves, the reversed amount of reserve for reduction entry will be applied to cover part of the undisposed loss for the 20th fiscal period.
- Note 2: The amount is equivalent to the reserve for temporary difference adjustments, etc. that reconciles the inconsistency between the income for tax purposes and the profits for accounting purposes.

### 2. Reasons for Differences Between Earnings Forecasts and Business Results

- (1) As separately disclosed in the “Notice concerning Disposition of Trust Beneficiary Interest in Real Estate in Japan (Kojima×Bic Camera Kashiwa Store)” dated May 26, 2016, an expected loss from disposition of ¥181 million was recorded as an impairment loss (extraordinary loss) after the disposition of the trust beneficiary interests in the Kojima×Bic Camera Kashiwa Store was decided.
- (2) As separately disclosed in the “Notice Concerning Tenant Withdrawal of Owned Property (Lease Termination)” dated June 3, 2016 and the “Notice Concerning the Impact of Tenant Withdrawal of Owned Property on Forecast of Financial Results and the Merger” dated June 6, 2016, a difference of ¥5,274 million between the reappraisal value (the date of value: June 3, 2016) obtained after the receipt of a notice of cancellation on a lease agreement from Ito-Yokado Co., Ltd., a tenant at Ito-Yokado Higashi-Narashino Store, and the book value was recorded as an impairment loss (extraordinary loss).
- (3) The operating expenses, including repair expenses, and the non-operating expenses, including costs for interest rates, decreased for the subject fiscal period.
- (4) Distribution in excess of earnings will be made with the aim of making the reserve for temporary difference adjustments, etc. that reconciles the inconsistency between the income for tax purposes and the profits for accounting purposes related to (1) and (2) above (which is an amount in consideration of the internal reserves) subject to the special provisions for deduction as expenses for tax purposes.

Dividend per unit in the earnings forecasts for the 21st fiscal period (from May 1, 2016 to October 31, 2016) have not changed. Please see the details of the earnings forecasts for the 21st fiscal period in the “Summary of Earnings Results for the Twentieth Fiscal Period (From November 1, 2015 to April 30, 2016)” separately released today.

### 3. Purpose of Capital Reduction Without Compensation

The purpose is to make distributions possible for and after the 21st fiscal period by offsetting the undisposed loss for the 20th fiscal period, ¥3,575 million, recorded as a result of the loss, etc. of 2(1) and (2) above against the reversal of voluntary retained earnings (reserve for reduction entry) and the Capital Reduction Without Compensation in the statements of cash distributions for the 20th fiscal period.



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### 4. Amount of Capital Reduction Without Compensation

The amount of unitholders' capital, etc. will be deducted by 3,439,403,018 yen from 91,143,100,000 yen to 87,703,696,982 yen.

### 5. Method of Capital Reduction Without Compensation

No refund will be made for the Capital Reduction Without Compensation, and the number of issued and outstanding investment units will not change. The amount of reduction mentioned in 4 above will be deducted from the amount of the unitholders' capital, etc.

The Capital Reduction Without Compensation has taken effect with the approval of financial statements, etc. by the board of directors of Top REIT in accordance with Article 136 and Article 131(2) of the Investment Trusts Act.

### DISCLAIMER:

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\*URL of Top REIT's Internet website: <http://www.top-reit.co.jp/english>