

December 14, 2011

## Summary of Earnings Results for the Eleventh Fiscal Period (From May 1, 2011 to October 31, 2011)

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, 2011 (eleventh fiscal period).

### 1. Earnings Results for the Eleventh Fiscal Period

Eleventh Fiscal Period: From May 1, 2011 to October 31, 2011

Tenth Fiscal Period: From November 1, 2010 to April 30, 2011

#### (1) Business Results

	Operating Revenue	Period-on-Period Change	Operating Income	Period-on-Period Change	Ordinary Income	Period-on-Period Change
Eleventh Fiscal Period	¥5,812mn	(2.6%)	¥2,779mn	(6.5%)	¥1,986mn	(9.5%)
Tenth Fiscal Period	¥5,967mn	(1.5%)	¥2,971mn	(1.6%)	¥2,194mn	(0.5%)

	Net Income	Period-on-Period Change	Net Income per Unit	Ratio of Net Income to Unitholders' Equity	Ratio of Ordinary Income to Total Assets	Ratio of Ordinary Income to Operating Revenue
Eleventh Fiscal Period	¥1,985mn	(8.0%)	¥12,809	2.4%	1.1%	34.2%
Tenth Fiscal Period	¥2,157mn	(2.1%)	¥13,922	2.6%	1.2%	36.8%

(Note) Net income per unit is rounded to the nearest yen.

#### (2) Dividends

	Dividend per Unit (excluding dividend in excess of earnings)	Total Amount of Dividends	Dividend in Excess of Earnings per Unit	Total Amount of Dividends in Excess of Earnings	Dividend Payout Ratio	Ratio of Dividends to Net Assets
Eleventh Fiscal Period	¥12,809	¥1,985mn	¥0	¥-mn	100.0%	2.4%
Tenth Fiscal Period	¥13,922	¥2,157mn	¥0	¥-mn	100.0%	2.6%

#### (3) Financial Position

	Total Assets	Net Assets	Ratio of Unitholders' Equity to Total Assets	Net Assets per Unit
Eleventh Fiscal Period	¥185,459mn	¥84,245mn	45.4%	¥543,520
Tenth Fiscal Period	¥186,336mn	¥84,418mn	45.3%	¥544,632

(Note) Net assets per unit is rounded to the nearest yen.

#### (4) Cash Flows

	Net Cash Provided by (Used in) Operating Activities	Net Cash Provided by (Used in) Investing Activities	Net Cash Provided by (Used in) Financing Activities	Cash and Cash Equivalents at End of Period
Eleventh Fiscal Period	¥3,066mn	(¥3,372mn)	(¥2,225mn)	¥9,917mn
Tenth Fiscal Period	¥3,026mn	(¥318mn)	(¥2,271mn)	¥12,448mn

## 2. Forecast of Earnings Results for the Twelfth Fiscal Period

Twelfth Fiscal Period: From November 1, 2011 to April 30, 2012

	Operating Revenue	Period-on-Period Change	Operating Income	Period-on-Period Change	Ordinary Income	Period-on-Period Change
Twelfth Fiscal Period	¥5,641mn	(2.9%)	¥2,738mn	(1.5%)	¥1,998mn	0.6%

	Net Income	Period-on-Period Change	Dividend per Unit (Note) (excluding dividend in excess of earnings)	Dividend in Excess of Earnings per Unit
Twelfth Fiscal Period	¥1,967mn	(0.9%)	¥12,400	¥0

(Reference) Estimated net income per unit for the twelfth fiscal period: ¥12,690

(Note) The Dividend per Unit is calculated based on the assumption that the distribution will be the amount remaining after deducting the reduction reserves of expected capital gains of the disposition of real estate in the twelfth fiscal period from net income.

#### \*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 results may differ materially due to a variety of factors. Moreover, the forecasts should not be construed as a guarantee of the dividend amount.

## 3. Others

### (1) Changes in Accounting Policies, Changes in Accounting Estimates and Restatements of Revisions

- a. Changes in accounting policies due to amended accounting standards: No
- b. Changes in accounting policies due to other factors from a. above: No
- c. Changes in accounting estimates: No
- d. Restatements of revisions: No

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

- a. Number of investment units (including own investment units) issued and outstanding at end of fiscal period
  - Eleventh Fiscal Period: 155,000 units
  - Tenth Fiscal Period: 155,000 units
- b. Number of own investment units issued and outstanding at end of fiscal period
  - Eleventh Fiscal Period: 0 units
  - Tenth Fiscal Period: 0 units

This summary of earnings results is translated from the Japanese “Kessan Tanshin” report, dated December 14, 2011, 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.

## 4. Asset Management Performance

### A. Brief Background of Top REIT

Top REIT, Inc. (Top REIT) was founded on November 2, 2005 based on the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended) with Top REIT Asset Management Co., Ltd. (Asset Manager) as the incorporator, and listed on the Real Estate Investment Trust Section of the Tokyo Stock Exchange (TSE) (Securities Code: 8982) on March 1, 2006 with the number of investment units issued and outstanding totaling 145,500 units. Later, Top REIT issued additional investment units (9,500 units) through a third-party allotment on March 23, 2006. As of the end of the eleventh fiscal period (October 31, 2011), the total number of investment units issued and outstanding stands at 155,000 units.

Top REIT works to conduct management with the aim of maximizing the investment value for its unitholders by securing stable revenues over the medium to long term and achieving steady growth of its portfolio. To do so, Top REIT focuses on the two strategies of “skilled management of a diversified portfolio” and “optimal application of the sponsors’ strengths.” As of the end of the eleventh fiscal period, its portfolio consists of 17 properties with a total acquisition value of ¥177,435 million.

### B. Investment Environment and Management Performance

#### <Investment Environment>

##### (a) Economy in General

Although the Japanese economy continued to be in severe circumstances due to the Great East Japan Earthquake in March 2011, there were signs of economic activities in Japan recovering from the shock of the Earthquake and restoring calm. This was evident by, for example, the disrupted automotive, semiconductor and other industry supply chains (supply system of parts, etc.) and production facilities returning to normal at a rapid pace as well as individual consumption showing gradual recovery trends with easing of the mood of voluntary restraint. However, in addition to ongoing response to power shortages over the long term and rising costs due in part to raw material prices hovering at a high level, there are concerns over rapid progress in the appreciation of the yen and it hovering at a high level for an extended period, leading to mounting concerns over decreases in corporate earnings among export firms in particular. Moreover, the increasingly severe European debt problem and concerns of slowdown in the U.S. economy, stagnating growth of emerging countries and other factors are causing greater instability in the economic climate worldwide. The situation ahead is thus estimated to be unpredictable.

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

###### [Office Buildings]

Reflecting the economic opacity, the vacancy rate in the office building leasing market for the five central wards of Tokyo still hovers at a high level. There appeared to be no major impact on tenant evacuations such as from the Earthquake. However, movements to temporarily suspend or postpone relocation plans were seen after the Earthquake among tenants that had been planning office relocations as a means of reducing costs, increasing operational efficiency or other reasons. In addition, changes were found in the selection of office buildings, such as movements to give preference to such buildings as those boasting high earthquake resistance performance or those equipped with an in-house power generator. Signs of reversal in rent levels appeared for certain Class S and A buildings in central Tokyo, but there were still no signs of bottoming out overall. Under the circumstances of no economic recovery being foreseen, with the large volume of supply of office buildings scheduled in and after 2012, there are such risks as the supply-demand balance further worsening. Recovery in the leasing market is thus thought to require a substantial amount of time.

#### [Retail Properties]

According to the analysis of commerce trends in the July to September 2011 period compiled by the Ministry of Economy, Trade and Industry, large-scale retail store (department stores, supermarkets) sales value has gradually recovered from the impact of the mood of voluntary restraint adopted immediately after the Earthquake and sales of certain luxury goods at department stores were seen. However, bad weather, heavy typhoons and other factors caused stagnant growth overall, centering on apparel and other seasonal commercial goods. The result was ongoing severe circumstances of decrease for about three years since April, 2008. Under such circumstances, major retailers held back from opening new stores and promoted restructuring through the closing of unprofitable stores and such, as well as targeted improvement of earnings through such means as reviewing business organizations. Therefore, as a business operator engaged in the leasing of facilities, future trends of major retailers need to be closely monitored.

#### [Residential Properties]

The volume of new supply of rental residential properties in Tokyo and the Tokyo metropolitan area remains at a low level due to developers holding back on development plans. On the other hand, there was ongoing population influx and stable demand from single-person and small households resulting in the supply-demand moving towards a good balance. Rental condominiums boasting excellent location (area) and transportation access and that are competitive in terms of also the rent level continue to maintain a stable occupancy rate. While the rent level continues to hover on a weak note for luxury rental condominiums, a ceasing of the fall in the rent level for rental condominiums comprised primarily of studio units targeting single-person and small households was seen.

#### (c) Real Estate Transaction Market

Although transactions were stagnant at temporary due to the Earthquake, there were no obvious signs of the feared impact on price. With limited market players, the transaction market was led by consistent real estate transactions by REITs using funds procured from utilizing through public offerings. There were also movements to arrange new funds, centering on foreign capital companies. However, with uncertainty in the future Japanese and overseas economies and corporate earnings causing prolonged stagnation in real estate leasing market conditions and ongoing relatively favorable financing environment, the number of office building transactions was at a low level as the gap in the price perspective between sellers and buyers did not narrow and the transaction market is thus yet to recover. Despite relatively strong movements with regard to rental residential properties, declining trends in cap rates began to emerge for certain blue-chip properties and future increase in transaction prices is thus forecast.

#### <Asset Management Performance >

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

Top REIT began the eleventh fiscal period with 15 properties (total acquisition value: ¥175,047 million), and investigated possible acquisition of properties based on information collected and carefully selected with a focus on office buildings located in central Tokyo and residential properties located in central Tokyo and Tokyo metropolitan areas through not only the “optimal application of sponsors’ strengths,” but also established information channels. As a result, Top REIT acquired two residential properties using cash on hand, Impress Musashi-Koganei on August 12, 2011 (acquisition value: ¥1,223 million) and TOP Residence Yoga on October 14, 2011 (acquisition value: ¥1,165 million).

Thus, the number of properties owned by Top REIT expanded to 17 properties (total acquisition value: ¥177,435 million) as of the end of the eleventh fiscal period.

Furthermore, on October 26, 2011, Top REIT decided to acquire Premier Stage Nihonbashi Kayabacho (anticipated acquisition date: February 1, 2012) and dispose the Nittetsu Honmachi Building (disposition date: November 25, 2011). The disposition of Nittetsu Honmachi Building has been completed as planned.

## (b) Management and Maintenance of Portfolio Assets

The basic asset management strategy of Top REIT centers on sustaining and increasing revenue over the medium to long term by maintaining and improving tenant satisfaction (the “Tenants First” policy) and keeping operational management costs at an appropriate level. Top REIT strived to improve tenant satisfaction by sustaining relationships of trust with tenants and discerning tenant needs via property management companies in order to maintain and improve high occupancy rates. The lease contract with Sony Computer Entertainment Inc., the major tenant at Akasaka Oji Building, was terminated as of September 18, 2011 and Top REIT has strived to solicit successor tenants, but these leasing activities have not provided results due to the delay in the recovery in corporate earnings and opaqueness of the economic situation. As a result of such undertakings, the occupancy rate of Top REIT’s entire portfolio at the end of the eleventh fiscal period was 97.3%.

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

Furthermore, there was minor damage to owned properties due to the impact of earthquake, but repair of such damage is almost complete as of the end eleventh fiscal period.

## C. Procurement of Funds

Top REIT procures funds by adopting a financial policy that is based on stable financial management. In the eleventh fiscal period, Top REIT repaid ¥67 million in the long-term loans payable as agreed upon using cash on hand. Furthermore, Top REIT did not newly procure funds as there were no borrowings which became due for repayment, and new property acquisitions during the eleventh fiscal period were conducted using cash on hand.

As a result, at the end of the eleventh fiscal period, the total amount of interest-bearing liabilities stands at ¥94,037 million and the ratio of interest-bearing liabilities to total assets at 50.7%. Of the total amount of interest-bearing liabilities, 52.6% are interest-bearing liabilities with fixed interest rates and 100.0% are long-term interest-bearing liabilities (including the current portion).

Moreover, the ¥19,040 million in long-term loans payable due for repayment on November 30, 2011 was refinanced by long-term loans with 5 year periods on the same date to extend the remaining period of interest-bearing liabilities.

The credit ratings of Top REIT as of October 31, 2011 are as follows:

Credit rating agency	Issuer rating [Outlook]
Moody’s Japan K.K. (Moody’s)	A3 [Negative]
Rating and Investment Information, Inc. (R&I)	AA– [Stable]

## D. Business Results and Dividends

As a result of the asset management and operations described above, Top REIT recorded the asset management performance during the eleventh fiscal period of ¥5,812 million in operating revenue, ¥2,779 million in operating income and ¥1,986 million in ordinary income after deducting expenses concerning borrowings, etc. and net income was ¥1,985 million.

As for dividends, with the aim of having an amount equivalent to profit dividends deducted as expenses based on application of the special provision on taxation of investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation [Act No. 26 of 1957, as amended; hereinafter, the “Special Taxation Measures Act”]), Top REIT decided that the entire amount of unappropriated retained earnings of the eleventh fiscal period, excluding fractions of the dividend per investment unit that are less than ¥1, would be paid out. Consequently, Top REIT declared a dividend per investment unit of ¥12,809.

## **5. Management Policy and Future Issues**

### **(a) Management Strategy for Existing Properties**

Top REIT will continue to follow its basic asset management strategy that centers on sustaining and increasing revenue over the medium to long term by maintaining and improving tenant satisfaction (the “Tenants First” policy) and keeping operational management costs at an appropriate level. Under this strategy, Top REIT will focus on sustaining relationships of trust with tenants and leasing vacant spaces, etc. and striving to maintain stable occupancy rates over the medium to long term. Furthermore, Top REIT positions the leasing activities to attract subsequent tenants for Akasaka Oji Building as a top priority and will focus on leasing activities to attract subsequent tenants as early as possible and selecting candidates with high potential from a wide range of sources while continuously approaching candidates currently considering .

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

### **(b) Investment Strategy for New Properties**

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

Furthermore, Top REIT makes it a management policy to keep the ratio of the investment amount per property at less than 20% of the entire portfolio as a target over the medium to long term. For reference, the acquisition value of the NEC Head Office Building accounts for 23.6% of the total acquisition value of Top REIT’s properties as of the end of the eleventh fiscal period. Going forward, Top REIT will work to reduce the risk of concentration on specific properties by steadily advancing further external growth.

### **(c) Financial Strategy**

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

(d) Compliance and Risk Management, etc.

In addition to the supervision of the Executive Officer by Supervisory Directors at the Board of Directors meetings and other occasions, Top REIT will continue its direction and supervision on the Asset Manager so 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

Regarding the Disposition of Assets

Top REIT has disposed the owned property described below on November 25, 2011, after the end of the eleventh fiscal period (October 31, 2011). The overview of the disposition of the property is as follows:

<Overview of Disposition>

- (i) Disposed Assets: Trust beneficiary interest in real estate in Japan
- (ii) Name of Property: Nittetsu Honmachi Building
- (iii) Address: 1-10-24, Utsubohonmachi, Nishi Ward, Osaka City, Osaka (residential building address)
- (iv) Disposition Price: ¥1,300 million
- (v) Book Value: ¥1,003 million (as of October 31, 2011)
- (vi) Capital Gains: Approximately ¥250 million
- (vii) Sales Agreement Date: October 28, 2011
- (viii) Disposition Date: November 25, 2011
- (ix) Purchaser: SK Housing Corporation

### [Reference Information]

Top REIT decided to acquire assets on October 26, 2011 as follows:

<Overview of Acquisition>

- (i) Type of Title: Ownership of trust beneficiary interest in real estate in Japan
- (ii) Name of Property: Premier Stage Nihonbashi Kayabacho
- (iii) Anticipated Acquisition Price: ¥2,400 million
- (iv) Date of Sales Agreement: October 26, 2011
- (v) Anticipated Acquisition Date: February 1, 2012

Furthermore, for details, please refer to the press release "Notice of Acquisition of Trust Beneficiary Interest in Real Estate in Japan (Premier Stage Nihonbashi Kayabacho)" dated October 26, 2011.

## 7. Outlook for the Twelfth and Thirteenth Fiscal Periods

The earnings results forecasts for the twelfth fiscal period (from November 1, 2011 to April 30, 2012) and the thirteenth fiscal period (from May 1, 2012 to October 31, 2012) are as follows:

Fiscal Period [period of asset management]	Twelfth Fiscal Period [182 days]	Thirteenth Fiscal Period [184 days]
Operating Revenue	¥5,641mn	¥5,379mn

Ordinary Income	¥1,998mn	¥1,783mn
Net Income	¥1,967mn	¥1,782mn
Dividend per Unit (excluding dividend in excess of earnings)	¥12,400	¥11,500
Dividend in Excess of Earnings per Unit	¥0	¥0

(Note) The earnings results forecasts presented above are the current estimated figures calculated based on certain assumptions. Accordingly, the actual operating revenue, ordinary income, net income, dividend per unit and dividend in excess of earnings per unit may vary due to changes in the circumstances. Moreover, the forecasts should not be construed as a guarantee of the dividend amount.



**Preconditions for Forecast of Earnings Results for the Twelfth Fiscal Period (from November 1, 2011 to April 30, 2012) and the Thirteenth Fiscal Period (from May 1, 2012 to October 31, 2012)**

Item	Preconditions and Assumptions
Management Period	<ul style="list-style-type: none"> <li>• Twelfth fiscal period: November 1, 2011 – April 30, 2012 (182 days)</li> <li>• Thirteenth fiscal period: May 1, 2012 – October 31, 2012 (184 days)</li> </ul>
Portfolio Assets	<ul style="list-style-type: none"> <li>• The forecast is based on 17 properties, adding trust beneficiary interest in real estate in Premier Stage Nihonbashi Kayabacho planned for acquisition on February 1, 2012, to the 16 properties Top REIT owns as of December 14, 2011. Meanwhile, the actual circumstances may change when the acquisition of the new property becomes difficult, the timing of the acquisition is delayed, or the acquisition or disposal of other properties.</li> </ul>
Number of Investment Units Issued and Outstanding	<ul style="list-style-type: none"> <li>• The number of investment units issued and outstanding is based on the number as of October 31, 2011, which is 155,000 units, and assumes that no issuance of new investment units will be made through to October 31, 2012.</li> </ul>
Interest-Bearing Liabilities	<ul style="list-style-type: none"> <li>• It is assumed that the total amount of interest-bearing liabilities were ¥94,037 million, which is the amount as of October 31, 2011.</li> <li>• For the twelfth fiscal period, the ¥19,040 million loans payable due for repayment on November 30, 2011 were fully refinanced. Moreover, it is assumed that the ¥67 million in long-term loans payable will be repaid on December 30, 2011 as agreed upon.</li> <li>• For the thirteenth fiscal period, it is assumed that the ¥17,500 million loans payable due for repayment on June 29, 2012 will be fully refinanced and the ¥67 million in long-term loans payable will be repaid on June 29, 2012 as agreed upon.</li> </ul>
Operating Revenue	<ul style="list-style-type: none"> <li>• For real estate rent revenue for existing properties, Top REIT takes into consideration execution of new agreements, early termination of agreements, etc. that have been finalized as of December 14, 2011, along with current real estate leasing market conditions, and also takes into account factors that may cause fluctuations in such aspects as risks of reductions in revenue due to decreased amounts of rent of tenants when they reach their rent revision period hereafter. Furthermore, as for Akasaka Oji Building, it is assumed only that the rent revenues will be received from subsequent tenants based on the terms of concluded lease contracts (including lease reservation contracts) as of December 14, 2011.</li> <li>• It is assumed that approximately ¥250 million of capital gains will be accrued in the twelfth fiscal period from the disposition of Nittetsu Honmachi Building on November 25, 2011.</li> </ul>
Operating Expenses	<ul style="list-style-type: none"> <li>• Top REIT adopts a method of treating property, city planning and depreciable asset taxes, etc. on real estate, etc. it owns, as expenses related to the rent business in the amount corresponding to the management period out of the assessed and determined taxation amount. In addition, as for the acquisition of real estate or beneficiary interests in trust in real estate, the adjustments equivalent to property tax for the acquired fiscal year paid to the transferor will be included in acquisition costs, and thus will not be recorded as expenses in the corresponding period.</li> <li>• It is assumed that the amount of property tax, etc. will be ¥609 million for the twelfth fiscal period and ¥ 598 million for the thirteenth fiscal period.</li> <li>• It is assumed that the depreciation and amortization will be ¥1,061 million for the twelfth fiscal period and ¥1,087 million for the thirteenth fiscal period.</li> <li>• Repair expenses for buildings, etc. may vary greatly from the forecasted amount due to various reasons. For example, emergency repair expenses may possibly arise due to unexpected factors causing building damage, etc. Another reason is that repair expenses are expenses that do not accrue periodically and, rather, the variation in the amount is large depending on the fiscal period.</li> <li>• Management operation fees are assumed by reflecting historical data, among other factors.</li> </ul>

Non-Operating Expenses	<ul style="list-style-type: none"> <li>• It is assumed that non-operating expenses for the twelfth fiscal period will be ¥741 million, of which interest on loans and interest expenses on investment corporation bonds (including related expenses) will be ¥737 million.</li> <li>• It is assumed that non-operating expenses for the thirteenth fiscal period will be ¥694 million, of which interest on loans and interest expenses on investment corporation bonds (including related expenses) will be ¥ 689 million.</li> </ul>
Dividend per Unit	<ul style="list-style-type: none"> <li>• Dividends (dividend per unit) are calculated based on the dividend policy stipulated in Top REIT's Articles of Incorporation.</li> <li>• It is assumed that capital gains of approximately ¥250 million from the disposition of Nittetsu Honmachi Building will be accrued in the twelfth fiscal period. Of the capital gains, those from land are assumed to be internally reserved (approximately ¥80 million) by applying the "Special Provisions for Taxation in the Event of Advance Acquisition of Land, etc. in 2009 and 2010" stipulated in Article 66-2 of the Special Taxation Measures Act in order to reinforce financial standing. It is assumed that the remaining amount will be transferred into reduction reserves after income taxes - deferred.</li> <li>• For the thirteenth fiscal period, it is assumed that the internal reserve will not be reversed.</li> </ul>
Dividend in Excess of Earnings per Unit	<ul style="list-style-type: none"> <li>• Top REIT does not currently anticipate dividends in excess of earnings (dividend in excess of earnings per unit).</li> </ul>
Other	<ul style="list-style-type: none"> <li>• It is assumed that there will be no changes in legislation, taxation, accounting standards, Tokyo Stock Exchange's listing regulations, rules and requirements imposed by The Investment Trusts Association, Japan that would impact the aforementioned forecasts.</li> <li>• It is assumed that there will be no unpredictable material changes in general economic trends and real estate market conditions, etc.</li> </ul>

## 8. Financial Statements

### (1) Balance Sheets

(Unit: thousand yen)

	Tenth Fiscal Period (as of April 30, 2011)	Eleventh Fiscal Period (as of October 31, 2011)
<b>Assets</b>		
Current assets		
Cash and deposits	8,244,212	5,405,178
Cash and deposits in trust	4,204,759	4,512,649
Operating accounts receivable	28,260	27,275
Prepaid expenses	259,065	236,504
Deferred tax assets	18	21
Income taxes receivable	267	319
Other	2,333	1,845
Total current assets	12,738,917	10,183,794
Noncurrent assets		
Property, plant and equipment		
Buildings	1,116,573	1,143,383
Accumulated depreciation	(129,310)	(145,279)
Buildings, net	987,262	998,103
Structures	4,452	4,452
Accumulated depreciation	(2,596)	(2,732)
Structures, net	1,855	1,719
Machinery and equipment	11,436	11,436
Accumulated depreciation	(9,210)	(9,493)
Machinery and equipment, net	2,226	1,943
Tools, furniture and fixtures	1,370	1,370
Accumulated depreciation	(560)	(683)
Tools, furniture and fixtures, net	810	686
Land	4,888,525	4,888,525
Buildings in trust	58,107,314	59,611,048
Accumulated depreciation	(9,962,605)	(10,964,364)
Buildings in trust, net	48,144,709	48,646,683
Structures in trust	680,914	699,737
Accumulated depreciation	(199,312)	(219,949)
Structures in trust, net	481,601	479,788
Machinery and equipment in trust	212,861	242,090
Accumulated depreciation	(81,959)	(92,931)
Machinery and equipment in trust, net	130,902	149,159
Tools, furniture and fixtures in trust	204,392	227,793
Accumulated depreciation	(81,894)	(92,531)
Tools, furniture and fixtures in trust, net	122,498	135,261
Land in trust	118,234,009	119,440,939
Total property, plant and equipment	172,994,401	174,742,811
Intangible assets		
Assets in trust and other intangible assets	—	2,343
Other	191	170
Total intangible assets	191	2,513
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	389,548	304,061
Other	157,734	176,125
Total investments and other assets	557,282	490,187
Total noncurrent assets	173,551,875	175,235,512
Deferred assets		
Investment corporation bond issuance costs	45,932	40,420
Total deferred assets	45,932	40,420
Total assets	186,336,725	185,459,727

(Unit: thousand yen)

	Tenth Fiscal Period (as of April 30, 2011)	Eleventh Fiscal Period (as of October 31, 2011)
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	210,849	163,924
Short-term loans payable	—	—
Current portion of long-term loans payable	19,175,000	36,675,000
Accounts payable – other	262,699	254,070
Accrued expenses	254,237	261,532
Income taxes payable	528	512
Accrued consumption taxes	49,858	63,072
Advances received	868,261	941,986
Derivatives liabilities	—	—
Provision for loss on disaster	26,742	747
Other	2,425	3,647
Total current liabilities	20,850,602	38,364,493
Noncurrent liabilities		
Investment corporation bond	8,500,000	8,500,000
Long-term loans payable	66,430,000	48,862,500
Tenant leasehold and security deposits	144,487	144,487
Tenant leasehold and security deposits in trust	5,993,537	5,342,641
Long-term advances received	79	35
Total noncurrent liabilities	81,068,104	62,849,665
Total liabilities	101,918,707	101,214,158
<b>Net Assets</b>		
Unitholders' equity		
Unitholders' capital	82,260,100	82,260,100
Surplus		
Unappropriated retained earnings (undisposed loss)	2,157,918	1,985,468
Total surplus	2,157,918	1,985,468
Total unitholders' equity	84,418,018	84,245,568
Valuation and translation adjustments		
Deferred gains or losses on hedges	—	—
Total valuation and translation adjustments	—	—
Total net assets	84,418,018	84,245,568
Total liabilities and net assets	186,336,725	185,459,727

**(2) Statements of Income**

(Unit: thousand yen)

	Tenth Fiscal Period (November 1, 2010 – April 30, 2011)	Eleventh Fiscal Period (May 1, 2011 – October 31, 2011)
Operating revenue		
Rent revenue – real estate	5,947,270	5,661,876
Other lease business revenue	20,165	150,602
Total operating revenue	5,967,436	5,812,479
Operating expenses		
Expenses related to rent business	2,414,304	2,479,757
Asset management fee	450,347	424,168
Asset custody fee	8,367	8,358
Administrative service fees	63,117	63,912
Directors' compensations	6,900	6,600
Audit fee	10,000	10,000
Other operating expenses	42,808	40,204
Total operating expenses	2,995,845	3,033,001
Operating income	2,971,591	2,779,477
Non-operating income		
Interest income	3,373	3,894
Reversal of dividends payable	795	686
Insurance income	2,235	2,195
Reversal of provision for loss on disaster	—	1,672
Other	144	—
Total non-operating income	6,549	8,448
Non-operating expenses		
Interest expenses	615,788	613,254
Interest expense on investment corporation bonds	42,034	42,870
Amortization of investment corporation bond issuance costs	5,511	5,511
Borrowing related expenses	115,568	136,618
Other	4,702	3,170
Total non-operating expenses	783,605	801,426
Ordinary income	2,194,535	1,986,499
Extraordinary income		
Refunded Property taxes	1,361	—
Total extraordinary income	1,361	—
Extraordinary loss		
Loss on disaster	10,277	—
Provision for loss on disaster	26,742	—
Total extraordinary loss	37,019	—
Income before income taxes	2,158,876	1,986,499
Income taxes – current	986	1,041
Income taxes – deferred	(1)	(2)
Total income taxes	985	1,039
Net income	2,157,891	1,985,460
Retained earnings brought forward	26	8
Unappropriated retained earnings (undisposed loss)	2,157,918	1,985,468

**(3) Statements of Changes in Net Assets (Unitholders' Equity)**

(Unit: Thousand yen)

	Tenth Fiscal Period (November 1, 2010 – April 30, 2011)	Eleventh Fiscal Period (May 1, 2011 – October 31, 2011)
Unitholders' equity		
Unitholders' capital		
Balance at the beginning of the period	82,260,100	82,260,100
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	82,260,100	82,260,100
Surplus		
Unappropriated retained earnings (undisposed loss)		
Balance at the beginning of the period	2,204,126	2,157,918
Changes of items during the period		
Dividends from surplus	(2,204,100)	(2,157,910)
Net income	2,157,891	1,985,460
Total changes of items during the period	(46,208)	(172,449)
Balance at the end of current period	2,157,918	1,985,468
Total surplus		
Balance at the beginning of the period	2,204,126	2,157,918
Changes of items during the period		
Dividends from surplus	(2,204,100)	(2,157,910)
Net income	2,157,891	1,985,460
Total changes of items during the period	(46,208)	(172,449)
Balance at the end of current period	2,157,918	1,985,468
Total unitholders' equity		
Balance at the beginning of the period	84,464,226	84,418,018
Changes of items during the period		
Dividends from surplus	(2,204,100)	(2,157,910)
Net income	2,157,891	1,985,460
Total changes of items during the period	(46,208)	(172,449)
Balance at the end of current period	84,418,018	84,245,568
Valuation and translation adjustments		
Deferred gains or losses on hedges		
Balance at the beginning of the period	(25,241)	—
Changes of items during the period		
Changes of items other than unitholders' equity (net)	25,241	—
Total changes of items during the period	25,241	—
Balance at the end of current period	—	—
Total valuation and translation adjustments		
Balance at the beginning of the period	(25,241)	—
Changes of items during the period		
Changes of items other than unitholders' equity (net)	25,241	—
Total changes of items during the period	25,241	—
Balance at the end of current period	—	—
Total net assets		
Balance at the beginning of the period	84,438,984	84,418,018
Changes of items during the period		
Dividends from surplus	(2,204,100)	(2,157,910)
Net income	2,157,891	1,985,460
Changes of items other than unitholders' equity (net)	25,241	—
Total changes of items during the period	(20,966)	(172,449)
Balance at the end of current period	84,418,018	84,245,568

#### (4) Statements of Cash Dividend Distributions

	For the period from November 1, 2010 to April 30, 2011	For the period from May 1, 2011 to October 31, 2011
	Amount (yen) (Note 1)	Amount (yen) (Note 2)
I. Unappropriated retained earnings	2,157,918,140	1,985,468,894
II. Total Amount of Dividends (Dividend per unit)	2,157,910,000 (13,922)	1,985,395,000 (12,809)
III. Retained earnings brought forward	8,140	73,894

Note 1: In accordance with the “cash distribution policy” stipulated in Article 34 of the Articles of Incorporation, the amounts of dividends are limited to the amounts of income. The article also stipulates the policy that “Top REIT shall distribute amount in excess of the amount equivalent to 90% of its distributable profits as stipulated in Article 67-15 of the Special Taxation Measures Act.” Based on these policies, Top REIT decided on a total distribution of 2,157,910,000 yen as distribution of income for the period. This is the maximum value arrived at when the number of units issued and outstanding (155,000 units) is multiplied by an integer, within the limit of unappropriated retained earnings for the fiscal period. Furthermore, Top REIT does not make cash distributions in excess of the profit as stipulated in Article 34-2 of the Articles of Incorporation.

Note 2: In accordance with the “cash distribution policy” stipulated in Article 34 of the Articles of Incorporation, the amounts of dividends are limited to the amounts of income. The article also stipulates the policy that “Top REIT shall distribute amount in excess of the amount equivalent to 90% of its distributable profits as stipulated in Article 67-15 of the Special Taxation Measures Act.” Based on these policies, Top REIT decided on a total distribution of 1,985,395,000 yen as distribution of income for the period. This is the maximum value arrived at when the number of units issued and outstanding (155,000 units) is multiplied by an integer, within the limit of unappropriated retained earnings for the fiscal period. Furthermore, Top REIT does not make cash distributions in excess of the profit as stipulated in Article 34-2 of the Articles of Incorporation.

**(5) Statements of Cash Flows**

(Unit: thousand yen)

	Tenth Fiscal Period (November 1, 2010 – April 30, 2011)	Eleventh Fiscal Period (May 1, 2011 – October 31, 2011)
Net cash provided by (used in) operating activities		
Income before income taxes	2,158,876	1,986,499
Depreciation and amortization	1,086,104	1,060,958
Amortization of deferred organization expenses	—	—
Amortization of right of trademark	21	21
Amortization of investment corporation bond issuance costs	5,511	5,511
Interest income and interest on securities	(3,373)	(3,894)
Interest expenses	657,823	656,125
Reversal of provision for loss on disaster	—	(1,672)
Provision for loss on disaster	26,742	—
Decrease (increase) in operating accounts receivable	14,206	831
Decrease (increase) in income taxes receivable	243	(51)
Decrease (increase) in consumption taxes receivable	—	—
Decrease (increase) in prepaid expenses	(8,494)	22,560
Decrease (increase) in other current assets	—	—
Increase (decrease) in operating accounts payable	(5,169)	(60,823)
Increase (decrease) in accounts payable – other	(8,528)	(16,847)
Increase (decrease) in accrued consumption taxes	(84,285)	13,214
Increase (decrease) in advances received	57,546	73,725
Decrease (increase) in long-term prepaid expenses	(190,999)	85,486
Other, net	(17,961)	(85,204)
Subtotal	3,688,263	3,736,441
Interest income received	3,757	4,396
Interest expenses paid	(664,738)	(648,830)
Payment for Loss on disaster	—	(24,323)
Income taxes paid	(904)	(1,057)
Net cash provided by (used in) operating activities	3,026,378	3,066,626
Net cash provided by (used in) investing activities		
Payments into time deposits	(300,000)	—
Proceeds from withdrawal of time deposits	400,000	—
Purchase of property, plant and equipment	(366)	(26,283)
Purchase of property, plant and equipment in trust	(417,894)	(2,692,868)
Purchase of intangible assets in trust	—	(2,466)
Repayments of tenant leasehold and security deposits	(2,105)	—
Proceeds from tenant leasehold and security deposits in trust	646,653	70,026
Repayments of tenant leasehold and security deposits in trust	(645,250)	(720,768)
Net cash provided by (used in) investing activities	(318,962)	(3,372,360)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	6,700,000	—
Decrease in short-term loans payable	(13,400,000)	—
Proceeds from long-term loans payable	23,400,000	—
Repayment of long-term loans payable	(16,767,500)	(67,500)
Dividends paid	(2,204,100)	(2,157,910)
Net cash provided by (used in) financing activities	(2,271,600)	(2,225,410)
Net increase (decrease) in cash and cash equivalents	435,816	(2,531,143)
Cash and cash equivalents at beginning of period	12,013,156	12,448,972
Cash and cash equivalents at end of period	12,448,972	9,917,828



## 9. Portfolio Data

As of October 31, 2011

Asset Class	Area	Property Name	Acquisition Price (million yen)	Appraisal Value at End of Period (million yen)	Investment Breakdown (Note 1) (%)
Office Building	Central Tokyo	NEC Head Office Building	41,950	47,500	27.5
		Harumi Island Triton Square Office Tower Y	33,000	38,500	22.3
		Akasaka Oji Building	9,660	9,560	5.5
		Kanda Park Plaza	5,156	4,930	2.9
		Shiba-Koen Building	5,770	3,410	2.0
		Harumi Island Triton Square Office Tower Z	20,000	14,200	8.2
		Kanda Nishiki-cho 3-chome Building	12,700	14,000	8.1
	Tokyo Metropolitan Area	Faret East Building	2,091	2,390	1.4
	Kansai	Nittetsu Honmachi Building (Note 2)	1,100	1,430	0.8
Subtotal (9 properties)			131,427	135,920	78.8
Retail Property	Tokyo Metropolitan Area	Sagamihara Shopping Center	12,000	10,300	6.0
		Ito-Yokado Higashi-Narashino Store	8,900	5,560	3.2
		Musashiurawa Shopping Square	4,335	3,810	2.2
	Subtotal (3 properties)			25,235	19,670
Residential Property	Tokyo Metropolitan Area	Fukasawa House Towers H&I	10,635	6,960	4.0
		Ecology Toyosu Procentury	5,160	4,780	2.8
		Impress Musashi-Koganei	1,223	1,270	0.7
		Top Residence Yoga	1,165	1,170	0.7
	Subtotal (4 properties)			18,183	14,180
Other Property	Central Tokyo	OAK PLAZA	2,590	2,670	1.5
	Subtotal (1 property)			2,590	2,670
Total (17 properties)			177,435	172,440	100.0

(Note 1) The investment breakdown is the ratio of the appraisal value at end of period for the applicable property or the applicable asset class to the sum total of the appraisal value at end of period for all properties in the portfolio and is rounded to the first decimal place.

(Note 2) Disposition of Nittetsu Honmachi Building has been completed on November 25, 2011.

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

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