



TOP REIT, Inc.

TSE Code 8982



Supplemental Materials

# Initiatives of TOP REIT

November 12, 2014



TOP REIT, Inc.

トッリート・アセットマネジメント株式会社  
TOP REIT ASSET MANAGEMENT Co., Ltd.



## Conditions of the Real Estate Market (External Environment)

### Office Leasing Market

- Active relocations and floor expansion by companies (decrease in vacancy rate)
- Decrease in office rents has been easing (even turnaround at some properties)
- Shortening of free-rent periods

### Real Estate Transaction Market

- Increase in the number of buyers including overseas investors
- Surge in prices in line with intensified competition (overheating in a part)

## Implement Growth Strategy Focused on “Internal Growth”

### Initiatives of Top REIT

- Leasing activities for early leasing-up (p. 3)
- Consider value enhancement measures for existing portfolio (p. 4)

- Selective investment by securing investment opportunities in flexible manner while primarily focusing on office buildings (p. 7)
- Consider property replacements that contribute to the improvement of portfolio quality (p. 5)
  - Temporary repayment of borrowings depending on the timing of property replacement, considering the market environment (p. 6)

## Kanda Nishiki-cho 3-chome Building



Smooth progress in leasing through collaboration with sponsor  
Shifted leasing policy to accept multi-tenants and enhanced leasing activities

### Utilizing superiority of property and location, implemented leasing activities for succeeding tenants

- Superiority of the Property -

- ✓ High transportation convenience with 8 stations of 8 lines including JR available within walking distance
- ✓ Area with high anticipation for further convenience due to ongoing large-scale redevelopment projects
- ✓ Standard floor area of approx. 300 tsubos and regular rectangle shaped column-free space allowing flexible layouts
- ✓ Possible to secure parking (about 30 vehicles)

Lease contract  
with  
existing tenant

Termination of lease contract (entire building) : **January 8, 2015**

Attraction  
of  
succeeding  
tenants

### By “Utilizing sponsors’ strength”

Attracted succeeding tenants including sponsor-related companies, for almost half of the rentable space

→ Total rentable space: approx. 2,341 tsubos

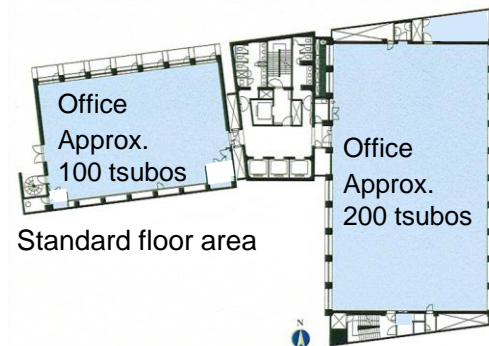
o/w approx. 365 tsubos: concluded (starting on January 9, 2015)

o/w approx. 800 tsubos: plan to be concluded

Future leasing  
activities

Continue negotiations with multiple candidates

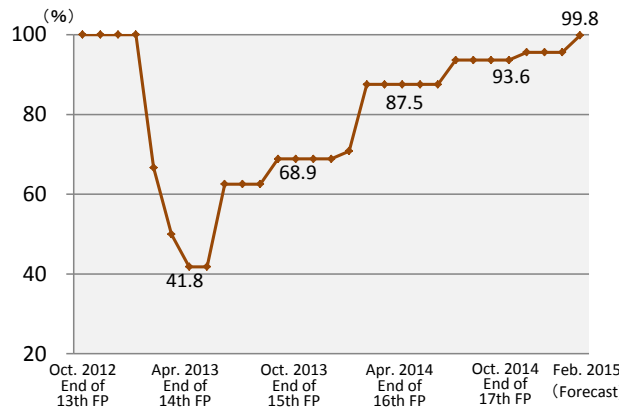
Focusing on leasing activities for remaining spaces in collaboration with sponsors



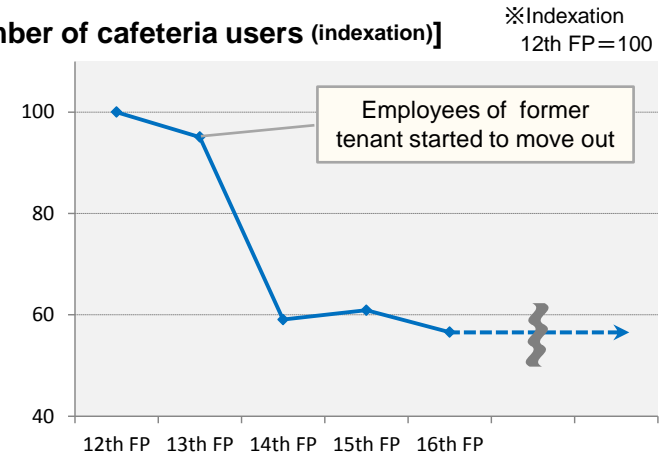
## Value enhancement of existing portfolio ~considering conversion of the cafeteria

### Enhancement of profitability (=asset value)

[Occupancy Rate for Harumi Triton Square Y]



[Number of cafeteria users (indexation)]



1. Office spaces are fully occupied due to new tenant attraction
2. But no new tenants use cafeteria and number of users (income) hit ceiling
3. Consider conversion of the cafeteria into an office

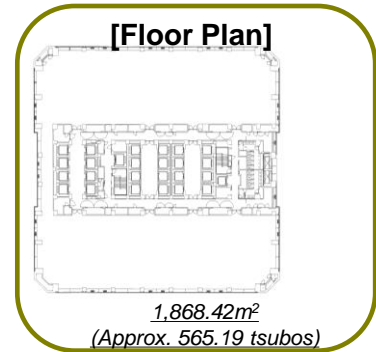
#### Enhancing profitability due to the increase in rentable office space

|           |                                 |   |                             |
|-----------|---------------------------------|---|-----------------------------|
| Advantage | As of the date of this document | ➔ | After conversion (forecast) |
|           | 23,170.40 m <sup>2</sup>        |   | 25,038.82 m <sup>2</sup>    |

**8. 1%UP**

- Issue
- Build consensus with tenants using the cafeteria
  - Secure funds for the conversion costs

## Harumi Island Triton Square Office Tower Y



# Asset Disposition Seizing Prime Opportunities

**Disposal of two properties** Strive to improve portfolio quality  
Create gains on disposition for enhancement of portfolio value

## Kanda Park Plaza



|                 |   |
|-----------------|---|
| Address         | Kajicho, Chiyoda-ku, Tokyo  |
| Completion Date | November 1959<br>(Repair work to enhance earthquake resistance in 2003) |

### Reason for disposition

- Repair expenses are expected to increase as it being a 55-year old office building
- Occupancy rate is expected to decrease with planned move-out of a tenant



## OAK PLAZA

|                 |  |
|-----------------|--|
| Address         | Kanda Awajicho, Chiyoda-ku, Tokyo                    |
| Completion Date | April 1985<br>(Completion of the conversion in 2007) |

### Reason for disposition

- Repair expenses are expected to increase as it being a nearly 30-year old economy hotel
- Competitiveness as an operational asset declines over time

|   | Kanda Park Plaza             | OAK PLAZA         | TOTAL             |
|---|------------------------------|-------------------|-------------------|
| Acquisition Price   | 5,156 million yen            | 2,590 million yen | 7,746 million yen |
| Appraisal Value (Note1)                                       | 5,080 million yen            | 2,660 million yen | 7,740 million yen |
| Disposition Price (A)   | 5,350 million yen            | 2,900 million yen | 8,250 million yen |
| Book Value (B)<br>(Proceeds from disposition)<br>(Note2)      | 5,052 million yen            | 2,686 million yen | 7,739 million yen |
| Difference between disposition price and book value (A) - (B) | 297 million yen              | 213 million yen   | 510 million yen   |
| Expenses related to disposition (C)<br>(Note3)                | Around 220 - 230 million yen |                   |                   |
| Gains on disposal (A)-(B)-(C) (Note4)                         | Around 280 - 290 million yen |                   |                   |

**Utilization policy for proceeds from disposition and gains on disposition**

**Temporary repayment of borrowings (expansion of acquisition capacity)**

**Cost for enhancement of portfolio value (internal reserve, etc) (Conversion of cafeteria at Harumi Island Triton Square Office Tower Y)**

**Dividends to unitholders**

(Note1) Appraisal values are as of October 31, 2014.

(Note2) Book values are provisional figures as of October 31, 2014.

(Note3) Expenses related to disposition are provisional figure taking into account the money of adjustments, etc.

(Note4) As mentioned in (Note2) and (Note3), it may differ from the actual amounts.

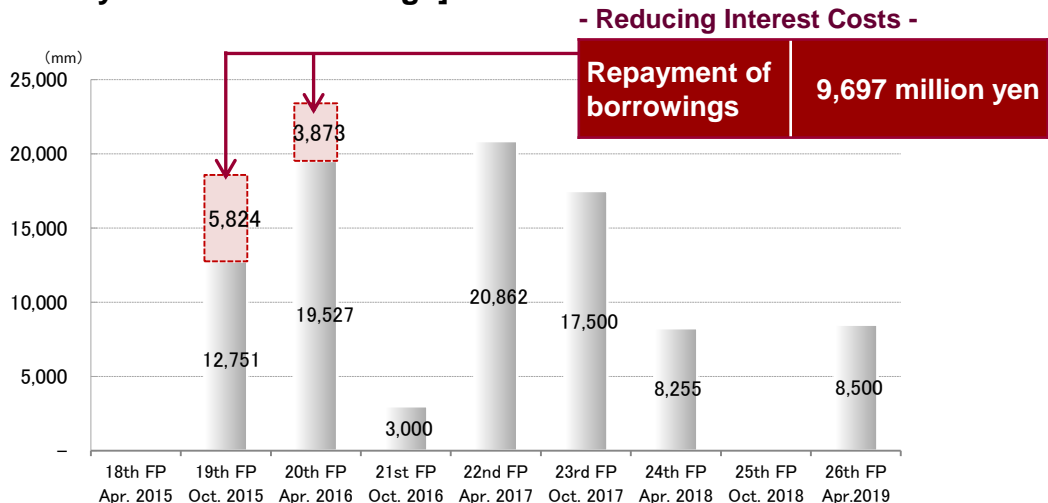
(Note5) By utilizing special taxation measure "Special Provisions for Taxation in the Event of Advance Acquisition of Land, etc. in 2009 and 2010," a maximum of 60% of the gains on disposition of the land is planned to be reserved.

# Reinforcement of Financial Standing

Early repayment of part of borrowings with proceeds from disposition of two properties and cash on hand

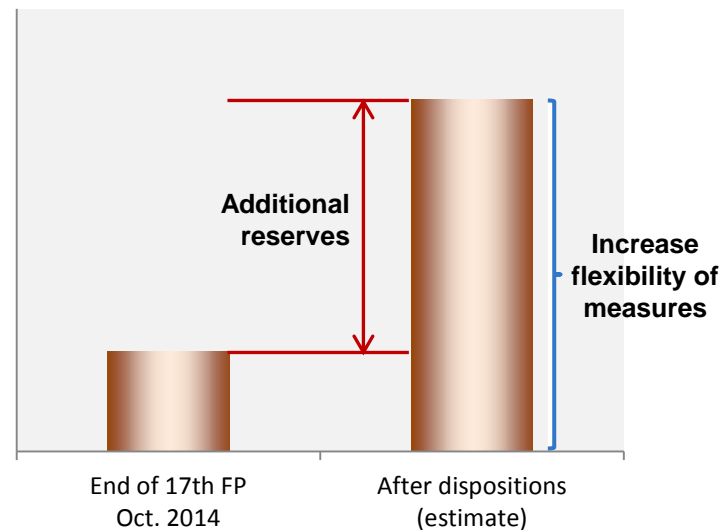
**“Expansion of acquisition capacity”**

[Maturity Dates of Borrowings]

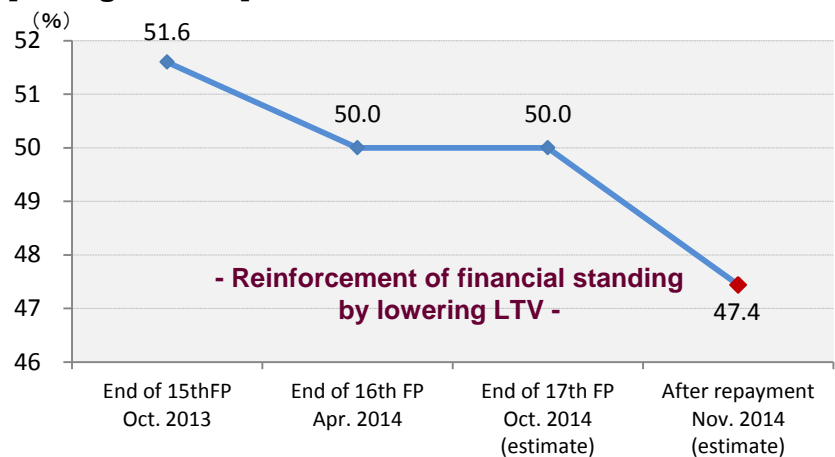


Creation of gains on disposition by seizing prime opportunities

**“Securement of internal reserves”**



[Change in LTV]

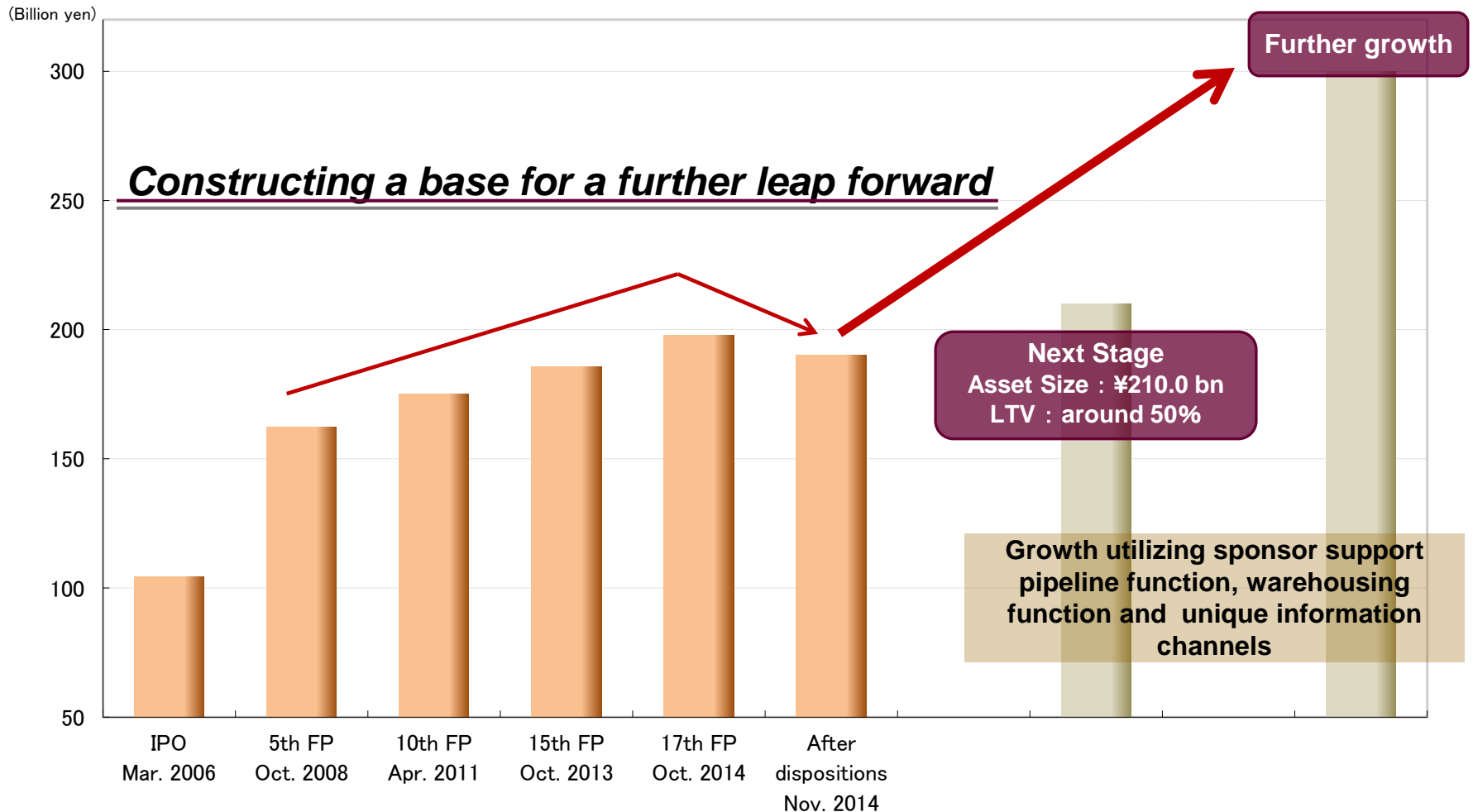


\*By utilizing special taxation measure “Special Provisions for Taxation in the Event of Advance Acquisition of Land, etc. in 2009 and 2010,” a maximum of 60% of the gains on disposition of the land is planned to be reserved.

**Secure funds to contribute to the enhancement of quality of the portfolio going forward**  
**(Acquisition of new properties, enhancement of existing portfolio value)**

# Quality enhancement and growth of the portfolio

## [History of Asset Growth]





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