

**June 16, 2014**

## Summary of Earnings Results for the Sixteenth Fiscal Period (From November 1, 2013 to April 30, 2014)

Top REIT, Inc. (listed on the Tokyo Stock Exchange with securities code 8982) hereby announces its earnings results for the fiscal period ended April 30, 2014 (sixteenth fiscal period).

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

Sixteenth Fiscal Period: From November 1, 2013 to April 30, 2014

Fifteenth Fiscal Period: From May 1, 2013 to October 31, 2013

#### (1) Business Results

	Operating Revenue	Period-on-Period Change	Operating Income	Period-on-Period Change	Ordinary Income	Period-on-Period Change
Period ended	Millions of yen		Millions of yen		Millions of yen	
April 30, 2014	¥5,637	9.4%	¥2,528	16.4%	¥1,913	21.0%
October 31, 2013	¥5,154	(11.8%)	¥2,172	(11.2%)	¥1,580	(13.3%)

	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
Period ended	Millions of yen		Yen			
April 30, 2014	¥1,913	21.2%	¥11,056	2.2%	1.0%	33.9%
October 31, 2013	¥1,579	(13.3%)	¥10,191	1.9%	0.8%	30.7%

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

#### (2) Dividends

	Dividend per Unit (excluding dividend in excess of earnings)	Total Amount of Dividends (excluding dividend in excess of earnings)	Dividend in Excess of Earnings per Unit	Total Amount of Dividends in Excess of Earnings	Dividend Payout Ratio	Ratio of Dividends to Net Assets
Period ended	Yen	Millions of yen	Yen	Millions of yen		
April 30, 2014	¥10,864	¥1,912	¥0	¥-	99.9%	2.0%
October 31, 2013	¥10,191	¥1,579	¥0	¥-	100.0%	1.9%

(Note 1) Since fund procurement through public offering was conducted during the period and the number of investment units has changed accordingly, Dividend Payout Ratio for the fiscal period ended April 30, 2014 is calculated as below

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

(Note 2) The reason for the difference in Net Income and Total Amount of Dividends for the Period ended April 30 is due to the correction amount (1 million yen) of deferred tax liability from the change in corporate tax rate following the tax system revisions in the fiscal year 2014 was included in the reserve for reduction

(Note 3) The reason for the difference in Dividend per Unit and Net Income per Unit is due to the impact from the change in corporate tax rate following the tax system revisions in the fiscal year 2014 as mentioned in (Note 2), and that the Net Income per Unit is calculated based on the average number of investment units issued and outstanding during the fiscal period.

#### (3) Financial Position

	Total Assets	Net Assets	Ratio of Unitholders' Equity to Total Assets	Net Assets per Unit
Period ended	Millions of yen	Millions of yen		Yen
April 30, 2014	¥200,802	¥93,081	46.4%	¥528,873
October 31, 2013	¥186,169	¥83,871	45.1%	¥541,105

(Note) Net assets per unit is rounded down 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
Period ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 30, 2014	¥2,976	(¥12,195)	¥11,700	¥7,323
October 31, 2013	¥2,735	(¥703)	(¥1,890)	¥4,842

## 2. Earnings Forecast Results for the Seventeenth Fiscal Period

Seventeenth Fiscal Period : From May 1, 2014 to October 31, 2014

	Operating Revenue	Period-on-Period Change	Operating Income	Period-on-Period Change	Ordinary Income	Period-on-Period Change
Period ending	Millions of yen		Millions of yen		Millions of yen	
October 31, 2014	¥5,758	2.2%	¥2,483	(1.8%)	¥1,866	(2.4%)

	Net Income	Period-on-Period Change	Dividend per Unit (excluding dividend in excess of earnings)	Dividend in Excess of Earnings per Unit
Period ending	Millions of yen		Yen	Yen
October 31, 2014	¥1,865	(2.5%)	¥10,600	¥0

(Reference) Estimated net income per unit for the seventeenth fiscal period: ¥10,600

## 3. Others

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

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

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

- Number of investment units (including own investment units) issued and outstanding at end of fiscal period
  - As of April 30, 2014: 176,000 units
  - As of October 31, 2013: 155,000 units
- Number of own investment units issued and outstanding at end of fiscal period
  - As of April 30, 2014: 0 units
  - As of October 31, 2013: 0 units

#### \* Statement on Implementation Status of Audit Procedure

This Summary of Earnings Results (“Kessan Tanshin” in Japanese) report is outside the scope of the auditing procedure under the Financial Instruments and Exchange Act. As of the publication of this report, no auditing procedure under the Financial Instruments and Exchange Act has been completed for the earnings results.

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

The earnings 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.

This summary of earnings results is translated from the Japanese “Kessan Tanshin” report, dated June 16, 2014, 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. As of the end of the sixteenth fiscal period (April 30, 2014), the total number of investment units issued and outstanding stands at 176,000 units due to Top REIT issuing additional investment units through public offering (21,000 units; including a third-party allotment during the sixteenth fiscal period).

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 sixteenth 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 has continued on a mild recovery affected by the government’s dynamic public spending package and continuous monetary easing by the Bank of Japan. Capital investment by companies is beginning to become active with improved corporate earnings and an increase in government investments. Personal consumption and housing investment have maintained underlying strength with expectations for an improvement in the employment and income environments despite the impact from the consumption tax hike in April this year. Some companies are showing significant recovery in performance due to the depreciating yen and high stock prices. Although caution remains, the business sentiment of companies continues to recover. Going forward, the economy is expected to sustainably improve due to the economic ripple effect from infrastructure construction in line with the hosting of the 2020 Olympic Games in Tokyo among other factors.

#### (b) Real Estate Leasing Market

[Office Buildings]

A recovery in corporate performance has generated tenant movement for leasing more floor area within the same property and relocating for expanded spaces. In addition, the supply-demand balance has been improving due to factors such as relocations to blue-chip office buildings seeking business continuity plans (BCP) and energy saving measures, thus the vacancy rate of office buildings in central Tokyo shows a downward trend. As for rent levels, some regions or properties are seeing rises in new asking rents and the decrease in rents has been easing recently.

[Retail Properties]

In line with the recovery in business sentiment and wage increases centering on major companies, consumer sentiment continues to improve and personal consumption is going strong. Even the decrease due to the temporary backlash from the consumption tax hike in April 2014 was relatively small and the recovery in personal consumption is expected to continue going forward. However, with the anticipated decrease in population on the macro level and the ongoing expansion of the E-commerce market size due to factors such as the increased internet penetration rate on the micro level, the demand for retail properties, which are physical stores, will become more selective regardless of business type in the face of competition with online businesses.

#### [Residential Properties]

The residential properties leasing market is experiencing an increase in the number of single-person households and small households in the Tokyo metropolitan area and other core cities due to population inflow from other regions. Therefore, the residential properties leasing market has been retaining a stable occupancy rate. As for the rent levels, rents are stable and generally flat for properties with actual consumer demand, while the unit rent for high-rent properties is also bottoming out. As such, supply-demand conditions of the residential property leasing market are believed to be favorable.

#### (c) Real Estate Transaction Market

Against the backdrop of a favorable environment for fund procurement, the real estate transaction market has become active propelled by the huge appetite for property acquisitions from private funds such as private placement investment corporations in addition to J-REITs, and also by the appetite for real estate investments by overseas investors who anticipate Japanese economic recovery. The favorable equity financing environment and debt financing environment are expected to continue for the time being, thus it is thought that the real estate transaction market will remain strong. Since market prices appear to be somewhat overheated for all property types while investments in regional properties are also expanding, further selection of properties is believed to be essential.

#### (d) Financial Market

Long-term interest rates are expected to remain at a low level for some time as the financial environment in Japan is under a situation whereby the monetary easing policies of the Bank of Japan such as the massive purchase of government bonds, increased amount for the Asset Purchase Program and extension of the remaining period to maturity of government bonds eligible for purchase are being implemented on an ongoing basis.

Although the stock market requires ongoing attention due to uncertain factors such as the impact of another phase of the consumption tax hike, a reduction in corporate taxes and other policies, as well as overseas economic trends, interest rate trends and exchange rate trends, it is believed to be strong while a recovery in companies' performance is expected to become gradually clear from now on.

### <Asset Management Performance >

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

Top REIT began the sixteenth fiscal period with 19 properties (total acquisition value: ¥185,555 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.

As a result, Top REIT acquired a total of three properties (total acquisition value: ¥12,300 million) as of November 28, 2013 during the sixteenth fiscal period. The three properties are Shinjuku EAST Building and Ginza Oji Building, two office buildings located in central Tokyo, and Kojima×Bic Camera Kashiwa Store, a retail property located in Kashiwa-shi, Chiba. With these acquisitions, the number of properties owned by Top REIT expanded to 22 properties (total acquisition value: ¥197,855 million) as of the end of the sixteenth fiscal period.

Furthermore, with the main objective to partly fund the acquisition of these three properties, Top REIT conducted fund procurement of ¥8,883 million through issuance of new investment units and ¥4,500 million through borrowings from financial institutions during the sixteenth fiscal period.

#### (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 sixteenth 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 87.5% at the end of the sixteenth fiscal period (April 30, 2014), and is expected to further improve to 93.6% in July 2014, thus likely settling the successor tenant issue. However, since a tenant who is leasing the entire building of Kanda Nishiki-cho 3-chome Building has notified its intention to terminate the leasing agreement as of January 2015, solicitation for successor tenants is underway.

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.

### C. Procurement of Funds

Top REIT procures funds under a financial policy based on stable financial management. Top REIT resolved on the issuance of 20,000 new investment units through public offering and 1,000 new investment units through third-party allotment. With these issuances of new investment units, Top REIT procured funds of ¥8,460 million on November 25, 2013 and ¥423 million on December 13, 2013 respectively. In addition, a short-term loan of ¥4,500 million was made on November 28, 2013, and, together with funds procured through the issuance of new investment units, was used for the acquisition of the specified assets as of the same day.

Furthermore, Top REIT conducted new borrowings of a long-term loan of ¥4,500 million (repayment date: March 29, 2019) on March 31, 2014 and the short-term loan of ¥4,500 million which partly funded the specified assets was repaid ahead of schedule as of the same day while fixing interest rates for the entire amount of the concerned long-term loan through an interest-rate swap transaction. In addition, ¥67.5 million in long-term loans payable was repaid on December 30, 2013 as agreed upon using cash on hand.

As a result, at the end of the sixteenth fiscal period, the total amount of interest-bearing liabilities stands at 100,430 million (¥91,930 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%.

The credit rating of Top REIT as of April 30, 2014 was as follows:

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

(Note) Top REIT requested Moody's Japan, K.K. ("Moody's") withdrawal of issuer rating and senior unsecured long-term debt rating and withdrawal was made April 10, 2014.

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. Business Results and Dividends**

As a result of the asset management and operations described above, Top REIT recorded asset management performance during the sixteenth fiscal period of ¥5,637 million in operating revenue, ¥2,528 million in operating income and ¥1,913 million in ordinary income after deducting expenses concerning borrowings, etc., and net income was ¥1,913 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 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, would be paid out. Consequently, Top REIT declared a dividend per investment unit of ¥10,864.

## **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, 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. For reference, the acquisition value of the NEC Head Office Building accounts for 21.2% of the total acquisition value of Top REIT’s properties as of the end of the sixteenth 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 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

There are none applicable.

[Reference Information]

New borrowings

Top REIT entered into a loan agreement as described below on March 27, 2014 for the repayment of long-term loan of ¥4,000 million (Lender: Sumitomo Mitsui Trust Bank, Limited., Development Bank of Japan Inc., The Dai-ichi Life Insurance Company, Limited) due for repayment on June 30, 2014. Funds from Term Loan No. 23-(1) were allocated for the early repayment of a short-term loan of ¥4,500 million on March 31, 2014.

### Long-term loan (Term Loan No. 23-(1))

Lender	Sumitomo Mitsui Trust Bank, Limited. Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Fukuoka, Ltd. Aozora Bank, Ltd.
Amount of loan	JPY 4,500 million
Interest rate	0.81625% (Interest rate to be actually paid up to March 29, 2019 fixed by an interest-rate swap transaction)
Execution date	March 31, 2014
Borrowing method	Borrowing based on the loan agreement concluded on March 27, 2014
Principal repayment date	March 29, 2019
Principal repayment method	Bullet repayment on the principal repayment date
Collateral, etc.	Unsecured and unguaranteed

### Long-term loan (Term Loan No. 23-(2))

Lender	Sumitomo Mitsui Trust Bank, Limited. Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation The Dai-ichi Life Insurance Company, Limited The Bank of Fukuoka, Ltd. Aozora Bank, Ltd.
Amount of loan	JPY 4,000 million
Interest rate	To be determined
Execution date	June 30, 2014 (scheduled)
Borrowing method	Borrowing based on the loan agreement concluded on March 27, 2014
Principal repayment date	March 29, 2019
Principal repayment method	Bullet repayment on the principal repayment date
Collateral, etc.	Unsecured and unguaranteed

## 7. Outlook for the Seventeenth and Eighteenth Fiscal Periods

The earnings forecasts for the seventeenth fiscal period (from May 1, 2014 to October 31, 2014) and the eighteenth fiscal period (from November 1, 2014 to April 30, 2015) are as follows:

Please refer to the page 9 for the preconditions of earnings forecasts.

Fiscal Period [period of asset management]	Seventeenth Fiscal Period [ 184days]	Eighteenth Fiscal Period [ 181days]
Operating Revenue	¥5,758million	¥5,454million
Operating Income	¥2,483million	¥2,253million
Ordinary Income	¥1,866million	¥1,637million
Net Income	¥1,865million	¥1,636million
Dividend per Unit (excluding dividend in excess of earnings)	¥10,600 (Note 2)	¥9,300 (Note 2)
Dividend in Excess of Earnings per Unit	¥0	¥0

(Note 1) The earnings forecasts represented above are the current estimated figures calculated based on certain assumptions. Accordingly, the actual operating revenue, operating income, 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.

(Note 2) With regard to the ¥78 million of internal reserves, Top REIT will not reverse all or part of the internal reserves for dividend of the seventeenth and eighteenth fiscal period.



**Preconditions for Forecast of Earnings Results for the Seventeenth Fiscal Period (from May 1, 2014 to October 31, 2014) and the Eighteenth Fiscal Period (from November 1, 2014 to April 30, 2015)**

Item	Preconditions and Assumptions
Management Period	<ul style="list-style-type: none"> <li>• Seventeenth fiscal period: May 1, 2014 - October 31, 2014 (184 days)</li> <li>• Eighteenth fiscal period: November 1, 2014 - April 30, 2015 (181 days)</li> </ul>
Portfolio Assets	<ul style="list-style-type: none"> <li>• The forecast is based on 22 properties Top REIT owns as of June 16, 2014. The actual circumstances may change depending on 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 June 16, 2014, which is 176,000 units, and assumes that no issuance of new investment units will be made through April 30, 2015.</li> </ul>
Interest-Bearing Liabilities	<ul style="list-style-type: none"> <li>• It is assumed that the total amount of interest-bearing liabilities is ¥100,430 million, which is the amount as of April 30, 2014.</li> <li>• The ¥4,000 million loan payable due for repayment on June 30, 2014 will be fully refinanced and a loan agreement has already been concluded.</li> <li>• For the seventeenth fiscal period, it is assumed that the ¥67 million in long-term loans payable will be repaid on June 30, 2014 as agreed upon.</li> <li>• 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.</li> </ul>
Operating Revenue	<ul style="list-style-type: none"> <li>• For real estate rent revenue related to existing properties, Top REIT takes into consideration execution of new lease agreements and cancellation of lease agreements that have been finalized and scheduled, along with current real estate leasing market conditions, as well as factors that may cause fluctuations in such aspects as risks associated with rent revision due to fluctuations in rent of tenants reaching their rent revision period or contract renewal period.</li> <li>• For Kanda Nishiki-cho 3-chome Building, it is assumed it will remain vacant after the termination date, since the termination of lease agreement by its major tenant has been confirmed and a new lease agreement has not been concluded.</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 ¥638 million for the seventeenth fiscal period and ¥638 million for the eighteenth fiscal period.</li> <li>• It is assumed that the depreciation and amortization will be ¥1,203 million for the seventeenth fiscal period and ¥1,216 million for the eighteenth 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 are not accrued periodically and, rather, the variation in the amount largely depends on the fiscal period.</li> <li>• Management operation fees are assumed by considering historical data and the detail of management contracts.</li> </ul>
Non-Operating Expenses	<ul style="list-style-type: none"> <li>• It is assumed that non-operating expenses for the seventeenth fiscal period will be ¥621 million, of which interest on loans and interest expenses on investment corporation bonds (including related expenses) will be ¥610 million. Amortization of investment unit issuance expenses will be ¥6 million.</li> <li>• It is assumed that non-operating expenses for the eighteenth fiscal period will be ¥617 million, of which interest on loans and interest expenses on investment corporation bonds (including related expenses) will be ¥607 million. Amortization of investment unit</li> </ul>

	issuance expenses will be ¥6 million.
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 net income will be fully distributed as dividend (excluding fractions) in the seventeenth Fiscal Period and the eighteenth fiscal Period.</li> <li>• Top REIT will not reverse the amount of internal reserves for the seventeenth and eighteenth fiscal period.</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)

	Fifteenth Fiscal Period (as of October 31, 2013)	Sixteenth Fiscal Period (as of April 30, 2014)
Assets		
Current assets		
Cash and deposits	903,314	3,049,986
Cash and deposits in trust	3,939,421	4,273,472
Operating accounts receivable	103,255	193,414
Prepaid expenses	329,136	353,139
Deferred tax assets	17	16
Consumption taxes receivable	—	137,402
Other	6,586	1,830
Total current assets	5,281,731	8,009,261
Noncurrent assets		
Property, plant and equipment		
Buildings	1,150,996	1,153,573
Accumulated depreciation	(210,309)	(225,614)
Buildings, net	940,687	927,958
Structures	5,559	5,559
Accumulated depreciation	(3,280)	(3,388)
Structures, net	2,278	2,170
Machinery and equipment	20,309	20,309
Accumulated depreciation	(11,393)	(11,988)
Machinery and equipment, net	8,915	8,320
Tools, furniture and fixtures	5,717	5,717
Accumulated depreciation	(1,724)	(2,137)
Tools, furniture and fixtures, net	3,992	3,579
Land	4,888,525	4,888,525
Buildings in trust	62,810,594	66,712,538
Accumulated depreciation	(14,921,677)	(16,038,443)
Buildings in trust, net	47,888,916	50,674,094
Structures in trust	697,890	801,903
Accumulated depreciation	(298,860)	(317,387)
Structures in trust, net	399,030	484,516
Machinery and equipment in trust	256,518	307,426
Accumulated depreciation	(131,514)	(156,723)
Machinery and equipment in trust, net	125,003	150,702
Tools, furniture and fixtures in trust	260,147	273,432
Accumulated depreciation	(141,218)	(156,700)
Tools, furniture and fixtures in trust, net	118,928	116,731
Land in trust	125,686,918	134,748,836
Total property, plant and equipment	180,063,196	192,005,437
Intangible assets		
Leasehold right in trust	—	7,348
Other intangible assets in trust	1,356	2,198
Other	85	63
Total intangible assets	1,441	9,610
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	562,703	492,375
Other	231,780	229,164
Total investments and other assets	804,484	731,540
Total noncurrent assets	180,869,122	192,746,588
Deferred assets		
Investment corporation bond issuance costs	18,372	12,861
Investment unit issuance expenses	—	33,393
Total deferred assets	18,372	46,254
Total assets	186,169,227	200,802,104

(Unit: thousand yen)

	Fifteenth Fiscal Period (as of October 31, 2013)	Sixteenth Fiscal Period (as of April 30, 2014)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Operating accounts payable	136,532	296,523
Current portion of long-term loans payable	4,135,000	4,135,000
Accounts payable – other	239,584	252,726
Accrued expenses	131,320	131,332
Income taxes payable	859	853
Accrued consumption taxes	61,670	—
Advances received	705,842	795,670
Other	2,821	9,937
<b>Total current liabilities</b>	<b>5,413,630</b>	<b>5,622,044</b>
<b>Noncurrent liabilities</b>		
Investment corporation bond	8,500,000	8,500,000
Long-term loans payable	83,362,500	87,795,000
Tenant leasehold and security deposits	101,016	101,016
Tenant leasehold and security deposits in trust	4,873,415	5,649,955
Deferred tax liabilities	19,293	13,799
Long-term advances received	122	79
Derivatives liabilities	27,949	38,429
<b>Total noncurrent liabilities</b>	<b>96,884,297</b>	<b>102,098,279</b>
<b>Total liabilities</b>	<b>102,297,927</b>	<b>107,720,324</b>
<b>Net Assets</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	82,260,100	91,143,100
<b>Surplus</b>		
Voluntary retained earnings		
Reserve for reduction entry	49,958	49,958
<b>Total Voluntary retained earnings</b>	<b>49,958</b>	<b>49,958</b>
Unappropriated retained earnings (undisposed loss)	1,579,617	1,913,997
<b>Total surplus</b>	<b>1,629,576</b>	<b>1,963,956</b>
<b>Total unitholders' equity</b>	<b>83,889,676</b>	<b>93,107,056</b>
<b>Valuation and translation adjustments</b>		
Deferred gains or losses on hedges	(18,376)	(25,275)
<b>Total valuation and translation adjustments</b>	<b>(18,376)</b>	<b>(25,275)</b>
<b>Total net assets</b>	<b>83,871,299</b>	<b>93,081,780</b>
<b>Total liabilities and net assets</b>	<b>186,169,227</b>	<b>200,802,104</b>

**(2) Statements of Income**

(Unit: thousand yen)

	Fifteenth Fiscal Period (May 1, 2013 – October 31, 2013)	Sixteenth Fiscal Period (November 1, 2013 – April 30, 2014)
Operating revenue		
Rent revenue – real estate	5,125,553	5,590,221
Other lease business revenue	28,748	47,135
Total operating revenue	5,154,302	5,637,356
Operating expenses		
Expenses related to rent business	2,438,852	2,622,805
Asset management fee	406,366	354,776
Asset custody fee	8,385	8,898
Administrative service fees	64,806	66,861
Directors' compensations	6,300	6,300
Audit fee	10,000	10,000
Other operating expenses	46,940	38,929
Total operating expenses	2,981,651	3,108,571
Operating income	2,172,650	2,528,785
Non-operating income		
Interest income	641	675
Reversal of dividends payable	825	1,023
Insurance income	10,304	191
Other	71	–
Total non-operating income	11,842	1,891
Non-operating expenses		
Interest expenses	406,843	408,933
Interest expense on investment corporation bonds	42,965	42,034
Amortization of investment corporation bond issuance costs	5,511	5,511
Borrowing related expenses	143,961	150,072
Amortization of investment unit issuance expenses	–	6,678
Other	4,639	4,415
Total non-operating expenses	603,922	617,646
Ordinary income	1,580,570	1,913,029
Income before income taxes	1,580,570	1,913,029
Income taxes – current	958	957
Income taxes – deferred	(0)	(1,913)
Total income taxes	957	(955)
Net income	1,579,612	1,913,985
Retained earnings brought forward	4	12
Unappropriated retained earnings (undisposed loss)	1,579,617	1,913,997

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

**For the period from May 1, 2013 to October 31, 2013 (15th 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	1,822,649	1,872,608	84,132,708
Changes of items during the period						
Dividends from surplus				(1,822,645)	(1,822,645)	(1,822,645)
Net income				1,579,612	1,579,612	1,579,612
Net changes of items other than unitholders' equity (net)						
Total changes of items during the period	—	—	—	(243,032)	(243,032)	(243,032)
Balance at the end of current period	82,260,100	49,958	49,958	1,579,617	1,629,576	83,889,676

	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	(5,177)	(5,177)	84,127,531
Changes of items during the period			
Dividends from surplus			(1,822,645)
Net income			1,579,612
Net changes of items other than unitholders' equity (net)	(13,199)	(13,199)	(13,199)
Total changes of items during the period	(13,199)	(13,199)	(256,231)
Balance at the end of current period	(18,376)	(18,376)	83,871,299

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

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

	For the period from May 1, 2013 to October 31, 2013	For the period from November 1, 2013 to April 30, 2014
	Amount(yen) (Note 1)	Amount(yen) (Note 2)
I. Unappropriated retained earnings	1,579,617,747	1,913,997,778
II. Total Amount of Dividends	1,579,605,000	1,912,064,000
(Dividend per unit)	(10,191)	(10,864)
III. Voluntary retained earnings		
Reserve for reduction entry	—	1,914,510
IV. Retained earnings brought forward	12,747	19,268

(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 1,579,605,000 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.

(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 1,912,064,000 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.



**(5) Statements of Cash Flows**

(Unit: thousand yen)

	Fifteenth Fiscal Period (May 1, 2013 – October 31, 2013)	Sixteenth Fiscal Period (November 1, 2013 – April 30, 2014)
Net cash provided by (used in) operating activities		
Income before income taxes	1,580,570	1,913,029
Depreciation and amortization	1,115,879	1,193,406
Amortization of trademark	21	21
Amortization of investment corporation bond issuance costs	5,511	5,511
Amortization of investment unit issuance expenses	—	6,678
Interest income and interest on securities	(641)	(675)
Interest expenses	449,809	450,967
Decrease (increase) in operating accounts receivable	(75,812)	(90,159)
Decrease (increase) of consumption taxes receivable	—	(137,402)
Decrease (increase) in prepaid expenses	(11,887)	(24,002)
Increase (decrease) in operating accounts payable	(9,835)	15,641
Increase (decrease) in accounts payable – other	(1,280)	13,142
Increase (decrease) in accrued consumption taxes	40,927	(61,670)
Increase (decrease) in advances received	(20,537)	89,828
Decrease (increase) in long-term prepaid expenses	143,973	70,327
Other, net	(31,711)	(17,394)
Subtotal	3,184,987	3,427,250
Interest income received	641	675
Interest expenses paid	(449,111)	(450,954)
Income taxes paid	(801)	(963)
Net cash provided by (used in) operating activities	2,735,714	2,976,008
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(549)	(2,951)
Purchase of property, plant and equipment in trust	(290,168)	(12,961,001)
Purchase of property, intangible assets in trust	—	(8,450)
Proceeds from tenant leasehold and security deposits in trust	95,109	1,098,156
Repayments of tenant leasehold and security deposits in trust	(508,214)	(321,616)
Net cash provided by (used in) investing activities	(703,823)	(12,195,863)
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
Repayment of long-term loans payable	(67,500)	(67,500)
Proceeds from issuance of investment units	—	8,883,000
Payments for investment unit issuance expenses	—	(35,317)
Dividends paid	(1,822,645)	(1,579,605)
Net cash provided by (used in) financing activities	(1,890,145)	11,700,577
Net increase (decrease) in cash and cash equivalents	141,745	2,480,722
Cash and cash equivalents at beginning of period	4,700,990	4,842,736
Cash and cash equivalents at end of period	4,842,736	7,323,458

## 9. Portfolio Data

As of April, 2014

Asset Class	Area	Property Name	Acquisition Price (million yen)	Appraisal Value at End of Period (million yen)	Investment Breakdown (Note) (%)
Office Building	Central Tokyo	NEC Head Office Building	41,950	51,900	28.9
		Harumi Island Triton Square Office Tower Y	33,000	27,200	15.1
		Akasaka Oji Building	9,660	8,850	4.9
		Kanda Park Plaza	5,156	5,000	2.8
		Shiba-Koen Building	5,770	3,410	1.9
		Harumi Island Triton Square Office Tower Z	20,000	12,300	6.8
		Kanda Nishiki-cho 3-chome Building	12,700	10,500	5.8
		Shinkawa Chuo Building	5,610	5,990	3.3
		Shinjuku EAST Building	5,800	6,250	3.5
		Ginza Oji Building	2,000	2,050	1.1
	Tokyo Metropolitan Area	Faret East Building	2,091	2,530	1.4
	Subtotal (11 properties)			143,737	135,980
Retail Property	Tokyo Metropolitan Area	Sagamihara Shopping Center	12,000	8,480	4.7
		Ito-Yokado Higashi-Narashino Store	8,900	5,400	3.0
		Musashiurawa Shopping Square	4,335	3,870	2.2
		Kojima × Bic Camera Kashiwa Store	4,500	4,730	2.6
	Other Major Cities	MEL Building	1,210	1,280	0.7
Subtotal (5 properties)			30,945	23,760	13.2
Residential Property	Central Tokyo	Top Residence Nihonbashi Kayabacho	2,400	2,640	1.5
	Tokyo Metropolitan Area	Fukasawa House Towers H&I	10,635	7,230	4.0
		Ecology Toyosu Procentury	5,160	5,100	2.8
		Impress Musashi-Koganei	1,223	1,280	0.7
		Top Residence Yoga	1,165	1,200	0.7
Subtotal (5 properties)			20,583	17,450	9.7
Other Property	Central Tokyo	OAK PLAZA	2,590	2,610	1.5
	Subtotal (1 property)			2,590	2,610
Total (22 properties)			197,855	179,800	100.0

(Note) 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.

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

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