



Top REIT Investment Corporation

11th Business Report

(Semi-Annual Report 11th)

May 1, 2011 – October 31, 2011

## **I. Letter from the Executive Officer of the Investment Corporation**

Dear Investors,

I, Jumpei Norimatsu, took office as Executive Officer of Top REIT, Inc. (Top REIT) as of August 1, 2011, after being appointed to the post at the Fourth General Meeting of Unitholders of Top REIT held on July 26, 2011. I intend to do my utmost to meet your expectations and look forward to serving you.

Concerning the recent economic situation in Japan and overseas, while the worsening European debt problem and concerns of slowdown in the U.S. economy, stagnating growth of emerging countries and other factors are causing increasingly greater instability, the Japanese economy showed signs of a gradual rebound from the Great East Japan Earthquake that hit in March 2011. However, persistent concerns over the appreciation of the yen and it hovering at a high level due to fiscal and monetary uncertainty in Europe and the U.S., as well as flooding in Thailand forcing the shutdown of factories of local Japanese firms, raised a sense of uncertainty over corporate earnings in Japan. These, among other factors, suggest that the situation is still unpredictable. Under such circumstances, it is not expected to be easy to steer Top REIT through this difficult phase, but we will strive to overcome such difficulties together with the asset manager.

As for performance in the fiscal period ended October 31, 2011 (eleventh fiscal period) of Top REIT, decrease in rent revenue owing to agreement being reached in April on reduction of rent amount in major rent revisions, and termination of the lease contract with a major tenant of Akasaka Oji Building in September resulted in operating revenue of 5,812 million yen (period-on-period decrease of 2.6%), ordinary income of 1,986 million yen (period-on-period decrease of 9.5%) and net income of 1,985 million yen (period-on-period decrease of 8.0%). In addition, Top REIT declared a dividend per unit of 12,809 yen.

Top REIT will remain committed to prudent management of portfolio assets even under the forecasted prolonged severe environment, along with the quest to achieve the NEXT STAGE that has been pursued from before by steadily expanding asset size. We thank you and ask for your continued support and understanding.



**Jumpei Norimatsu**  
Executive Officer  
Top REIT, Inc.

## II. Special Feature – On to the NEXT STAGE –

### Implement Strategy for Recovering Dividend Level

The following is an overview of the performance of Top REIT, Inc. (Top REIT) in its eleventh fiscal period (May 1, 2011 – October 31, 2011) and future management strategy from the perspective of the asset manager. The overview is presented by Nobuhito Endo, President and Representative Director of Top REIT Asset Management Co., Ltd. (TRAM).

The recent office leasing market conditions in central Tokyo are seeing an improvement in the vacancy rate at relatively-new large buildings equipped with high earthquake resistance performance and in-house power generation equipment as tenants' awareness of disaster prevention rose due to the Great East Japan Earthquake and rent level decreased. On the other hand, the situation at existing small- and medium-sized buildings and aged buildings remains severe and the vacancy rate also remains at a high level.

Furthermore, amid the uncertain economic situation in Japan and overseas, further rising of the vacancy rate and dropping of rent level, etc. has been a concern with the worsening of the supply-demand balance by the upcoming scheduled large supply of newly-built office buildings in central Tokyo. Recovery of vacancy rate and rent level is thus thought to require a substantial amount of time.

Moreover, in the J-REIT market, backed by steady investment unit price movements from the Bank of Japan's purchase of J-REIT investment units in the fall of 2010, some J-REITs resumed capital increases through public offering from the beginning of 2011 and properties were newly acquired using the funds procured from such. Although suspended temporarily due to the Earthquake and its effects, it resumed gradually in and after May when the confusion in the aftermath of the Earthquake began to settle down. Recently, however, future uncertainty and other factors have caused weak J-REIT investment unit market conditions.



**Nobuhito Endo**

President and Representative Director

## **1. Severe Leasing Market Conditions Necessitate Decrease in Dividends and Fall in Period-End Occupancy Rate in Eleventh Fiscal Period**

Until the fiscal period ended April 30, 2011 (tenth fiscal period), relatively stable management was achieved amid severe leasing market conditions. In the eleventh fiscal period (current fiscal period), however, the biennial major rent revisions with a total of 16 tenants in April 2011 – including rent revision negotiations with six tenants of Harumi Island Triton Square Office Tower Y, and one tenant of Kanda Nishiki-cho 3-chome Building, as well as review of leasing terms and conditions upon contract renewal with the subleasing company of Harumi Island Triton Square Office Tower Z due to maturity of the fixed-term lease contract – resulted in agreements being reached within the assumed range, but the revisions generally ended up being reductions in amount.

Furthermore, the termination of the lease contract with a major tenant of Akasaka Oji Building, in September 2011, also caused a decrease of about 1.5-months' worth of rent revenue, unfortunately necessitating a decrease in dividends in the eleventh fiscal period.

In addition, the period-end occupancy rate, which has been constantly maintained at 99% or higher since listing, fell to the 97% level at the end of the eleventh fiscal period due to the abovementioned moving out of a major tenant of Akasaka Oji Building.

As the asset manager, TRAM continues to focus on lease-up activities in recognition of the lease-up of Akasaka Oji Building as an urgent task, but weakness of leasing market conditions makes the situation a difficult one for lease-up. Please refer to page 5 ( (3) Lease-Up Activities for Akasaka Oji Building) for details.

## **2. Progress of Recovery Plan during Eleventh Fiscal Period**

### **(1) Overview of Recovery Plan that Foresees the Twelfth Fiscal Period Dividend Level as the Bottom**

In the forecast of performance for the eleventh and twelfth fiscal periods of Top REIT, announced with the earnings results for the tenth fiscal period, a decrease in revenues and dividends were forecasted with the abovementioned major rent revisions resulting in reductions in amount, and moving out of a major tenant of Akasaka Oji Building. A recovery plan was created at that time for ensuring by any means that the dividend level of the twelfth fiscal period is the bottom and will be on track for recovery in the thirteenth fiscal period and after based on implementation of the following measures.

- ① TRAM will proactively work to lease up Akasaka Oji Building so that the vacancy period can be minimized and work to lease up tenants that will pay a certain level of rent.
- ② TRAM will continue to prudently manage the other portfolio properties and further strengthen tenant relations as a means to defend against further tenant relocations and to maintain the occupancy rate.
- ③ TRAM will diligently negotiate with tenants on rent revisions that Top REIT faces in the eleventh and twelfth fiscal periods.
- ④ TRAM and Top REIT will strive to acquire new properties by broadly examining not only office buildings in central Tokyo but also competitive rental apartments with strong location and access.

## (2) Steadily Expanding Asset Size and First Replacement of Assets

In the current real estate market, it is difficult to close contracts as the volume of information on disposing office buildings in central Tokyo is extremely low and the gap in the price perspective (level) of properties between sellers and buyers has been expanding. Furthermore, even properties held by private placement funds expected to maintain high occupancy rate and cash flows are not put up for disposition because financial institutions, etc. are accepting refinancing requests.

Although these factors formed a difficult environment for acquisition of office buildings in central Tokyo that meet Top REIT's investment targets, Top REIT obtained preferential negotiating rights from the seller of one office building in central Tokyo, and entrusted detailed investigation of the property to third parties. As a result of the investigations, it was found that much more time and costs would be required to make the acquisition and the decision was made to forgo acquisition of said property. Ongoing efforts will be made to source information for acquisition of office buildings.

Residential properties, on the other hand, are reflect economic fluctuations on a relatively smaller scale and the gap of price perspective between sellers and buyers is even because of stable occupancy rate and rent level resulting in transactions being consistently made. In an effort to recover the level of dividends for the twelfth fiscal period and after, and in view of acquisition of residential properties of which acquisition is absolutely feasible, Top REIT also focused on sourcing information on residential properties comprised mainly of studio units in central Tokyo which offer convenient location and access with secure stable occupancy rates and are expected to greatly contribute to earnings over the medium- to long- term. As a result, two residential properties – Impress Musashi-Koganei located in Koganei City, Tokyo (acquisition price: approximately 1.2 billion yen) and TOP Residence Yoga located in Setagaya Ward, Tokyo (acquisition price: approximately 1.1 billion yen) – were acquired in the eleventh fiscal period.

Furthermore, the decision was made to implement asset replacement in the eleventh fiscal period for the first time at Top REIT. The decision was made concerning the office building Nittetsu Honmachi Building, which was the only portfolio asset held in the Osaka area, to recover the occupancy rate to 100% during the tenth fiscal period and then sell the property to a third party on November 25, 2011. At the same time, a decision was made to acquire Premier Stage Nihonbashi Kayabacho, which is comprised primarily of studio units, on February 1, 2012. Taking into consideration the possibility of the supply-demand balance deteriorating due to a large supply of office buildings resulting from the upcoming scheduled completion of redevelopment plans near the Osaka Station area, and the risks of corresponding rent drops, etc., asset replacement is being implemented for a residential property in central Tokyo from which a more stable occupancy rate and earnings can be expected.

Moreover, there were capital gains on the disposition of Nittetsu Honmachi Building of approximately 250 million yen. For the purpose of enhancing Top REIT's financial strategy, plans are to implement a reduction entry of part of the capital gains on sale by applying special provisions for taxation and set aside approximately 80 million yen as internal reserves in the fiscal period ending April 30, 2012 (twelfth fiscal period).

### (3) Lease-Up Activities for Akasaka Oji Building

Concerning lease-up activities for Akasaka Oji Building, along with the lease-up activities that have been proactively underway since the beginning of 2011, construction work to renew the entrance hall, elevator hall, restrooms and other common areas was conducted after the previous tenant moved out in order to enhance the building's tenant competitiveness.

However, amid weakening real estate leasing market conditions and coupled with the impact of the Earthquake, there were tenants temporarily suspending or postponing relocation plans, etc., while tenants proceeding with relocation plans seem to be adopting a cautious stance with increasingly heightened consciousness for rent level, building earthquake resistance performance, installment of in-house power generators and stable ground, etc.

Under such an environment, the number of previews by subsequent tenant candidates for the property had been increasing gradually from the summer of 2011 upon the end of general shareholders meetings of companies. However, tenant candidates are also simultaneously considering several properties as potential relocation destinations and, not only that, the rent level presented by candidates is lower than our estimated level in certain cases, causing a situation in which more time will be required to make the final decision. As of December 14, 2011, the lease-up status is that lease contracts (including pre-contracts) have been executed with two tenants for a portion of the 8F (about 110 tsubos) and about

400 tsubos of the 1F and 2F. Accordingly, the rentable floor space for which contracts are yet to be closed is about 1,500 tsubos (3F to 7F and 9F).

### 3. Top REIT's Management Policy Going Forward

Concerning the twelfth fiscal period, a portion of the capital gains on the sale of Nittetsu Honmachi Building, Top REIT's only office building located in Osaka, will be set aside as internal reserves and almost the entire amount after deduction of such is scheduled to be distributed, thus the forecast for performance in the twelfth fiscal period announced at the time of release of the earnings results for the tenth fiscal period was revised upward. As the asset manager, TRAM has been implementing a recovery plan to ensure the dividend level bottoms out in the twelfth fiscal period and is on track for recovery from the thirteenth fiscal period. However, as time is required for lease-up of Akasaka Oji Building, we regret to announce that the forecast has been revised as follows and apologize for the concern this may cause you. TRAM will continue to implement the management strategy (recovery plan) to ensure the dividend level bottoms out in the thirteenth fiscal period and is on track for recovery from the fourteenth fiscal period.

#### (1) Projected Performance for the Twelfth and Thirteenth Fiscal Periods

The following are assumptions on which the projections of performance for the twelfth and thirteenth fiscal periods are based. Please see below table for the forecast operating revenue, etc.

CATEGORY	11TH FISCAL PERIOD PERFORMANCE	12TH FISCAL PERIOD FORECAST (ANNOUNCED ON December 14, 2011)	13TH FISCAL PERIOD FORECAST (ANNOUNCED ON December 14, 2011)
PERIOD OF ASSET MANAGEMENT	184days	182days	184days
OPERATING REVENUE	¥ 5,812 million	¥ 5,641million	¥ 5,379 million
OPERATING INCOME	¥ 2,779 million	¥ 2,738 million	¥ 2,476 million
ORDINARY INCOME	¥ 1,986 million	¥ 1,998 million	¥ 1,783 million
NET INCOME	¥ 1,985 million	¥ 1,967 million	¥ 1,782 million
DIVIDEND PER UNIT	¥ 12,809	¥ 12,400	¥ 11,500
NUMBER OF INVESTMENT UNITS	155,000 units	155,000 units	155,000 units
PORTFOLIO SIZE	17 properties	17 properties	17 properties

#### ① Portfolio Assets

The forecast is based on the 16 properties owned by Top REIT as of December 14, 2011 (Nittetsu Honmachi Building, sold), plus Premier Stage Nihonbashi Kayabacho scheduled to be acquired on February 1, 2012, totaling 17 properties.

## ② Operating Revenue

For real estate 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. Concerning the tenants of Akasaka Oji Building, the forecast factors in the about 650 tsubos of the 1F, 2F and 8F. In addition, the forecast projects approximately 250 million yen in the twelfth fiscal period as capital gains on the sale from Nittetsu Honmachi Building on November 25, 2011.

## ③ Interest-Bearing Liabilities

The assumption is that the balance of interest-bearing liabilities will be 94,037 million yen, and that the 19,040 million yen in loans payable due for repayment during the twelfth fiscal period (November 30, 2011) has been fully refinanced and the 17,500 million yen in loans payable due for repayment during the thirteenth fiscal period (June 29, 2012) will be fully refinanced. Moreover, it is assumed that 67 million yen of long-term loans payable will be paid in each of the twelfth and thirteenth fiscal periods as agreed upon.

## ④ Dividends per Unit

It is assumed that concerning the approximately 250 million yen in capital gains on the sale of Nittetsu Honmachi Building accrued in the twelfth fiscal period, internal reserves (approximately 80 million yen) will be set aside by utilizing the system of “Special Provisions for Taxation in the Event of Advance Acquisition of Land, etc. in 2009 and 2010” and that almost the entire amount after deduction of such will be distributed.

Based on the assumptions above, the forecast dividend per unit for the twelfth and thirteenth fiscal periods are as the above table described in Page 6. While the forecast is a reduction in dividends per unit, as the asset manager, TRAM will work to recover the dividend level by focusing on (2) through (4) below.

### (2) Placing Top Priority on Solicitation of Subsequent Tenants to Realize Early Lease-Up of Akasaka Oji Building

The greatest issue facing Top REIT is to ensure there are prospects for the lease-up of Akasaka Oji Building. Presently, lease agreements have been concluded with subsequent tenants for two and a half floors. For the remaining six floors, several tenant candidates are currently taking the property into consideration, but final responses are yet to be received. Furthermore, the rent level presented by



candidates is lower than the level estimated by Top REIT in many cases. In addition, requests for so-called “free rent,” meaning no rent will be payable for a period of at least approximately six months from the time tenants move into the property, is becoming stronger even for office buildings in central Tokyo and Akasaka Oji Building is no exception. Consequently, the rent corresponding to the period of free rent will not be earned and this will cause delay in recovery of the dividend level.

Therefore, Top REIT intends to improve revenues and recover the dividend level by soliciting subsequent tenants immediately, and continue to approach tenant candidates, as well as contacting a wide range of brokers and corporate groups of sponsors.

### (3) Focus on New Acquisitions of Office Buildings in Central Tokyo

As explained heretofore, amid stagnation in office building transaction market conditions, Top REIT implemented investment in residential properties comprised primarily of studio units that are expected to maintain a stable occupancy rate and earnings before acquisition of office buildings by drawing on the advantages of skilled management of a diversified portfolio and effectively utilizing cash on hand during the eleventh fiscal period. The transaction market conditions for superior residential properties have been solid, but presently market conditions seem to be overheating. So transaction prices are forecasted to rise. On the other hand, the acquisition environment for excellent office buildings continues to be severe, but the transaction price level of superior office buildings is estimated to be at the bottom level. Going forward, Top REIT aims to improve revenues and recover the dividend level through the acquisition of new properties by utilizing the approximately 3 billion yen currently remaining in cash on hand, and applying Top REIT’s forte of “sponsors’ strengths,” as well as drawing on the information network channel that TRAM has established on its own, in view of acquisition of competitive office buildings in central Tokyo.

### (4) Defend Against Tenant Relocations by Further Strengthening Tenant Relations

Amid concerns over a prolonged recovery for domestic corporate earnings due to future uncertainty of the economic situation in Japan and overseas, there is heightening consciousness among firms for further cost reductions and this is increasing the risk of tenant relocations and tenant requests for rent reduction. As the asset manager, TRAM will continue to further strengthen tenant relations as a means to defend against tenant relocations and prudently manage portfolio properties to maintain and recover the occupancy rate based on the spirit of “Tenants First (maintaining and improving tenant satisfaction)” that has been adopted since listing.

Concerning Sagamihara Shopping Center that was due for rent revisions in August 2011, continuing to diligently negotiate with tenant Ito-Yokado Co., Ltd. resulted in agreement to keep the rent unchanged under severe consumption market conditions. Rent revisions scheduled for April 2012 in relation to one tenant at Harumi Island Triton Square Office Tower Y has almost been finalized.

#### **4. Strategy for the NEXT STAGE**

As explained heretofore, Top REIT and TRAM intend to recover the dividend level by continuing to implement the recovery plan that has been underway since the eleventh fiscal period.

Top REIT has set 210 billion yen as the immediate target for asset size, accomplishment of which would require additional acquisitions in the amount of approximately 33 billion yen. Through full utilization of the networks of sponsors – Sumitomo Trust and Banking, Nippon Steel City Produce (Nippon Steel Group) and Oji Real Estate (Oji Paper Group) – as well as drawing on the information network that TRAM has built on its own, focus will be placed on acquiring blue-chip properties that have been “carefully selected based on a comprehensive view of area, size, cap rate and other factors” to steadily expand asset size to 210 billion yen and maintain a stable dividend level in an ongoing quest to achieve the NEXT STAGE.

In closing, TRAM’s stance as the asset manager is to keep striving for prudent management and growth of Top REIT’s portfolio by continuing to adapt rapidly to changes in the market and environment. Your continued understanding and support greatly appreciated.

## I. ASSET MANAGEMENT REPORT

### [1] Overview of Asset Management Operation

#### 1. Operating Results and Financial Position

Fiscal period		7th	8th	9th	10th	11th
As of/for six months ended		October 31, 2009	April 30, 2010	October 31, 2010	April 30, 2011	October 31, 2011
<b>(1) Operating results</b>						
Operating revenue	mn yen	5,608	5,814	6,060	5,967	5,812
(Of which, rental revenue)	mn yen	5,608	5,814	6,060	5,967	5,812
Operating expenses	mn yen	2,978	2,964	3,041	2,995	3,033
(Of which, expenses related to rental business)	mn yen	2,429	2,405	2,451	2,414	2,479
Operating income	mn yen	2,630	2,849	3,019	2,971	2,779
Ordinary income	mn yen	1,960	2,091	2,204	2,194	1,986
Net income	mn yen	1,961	2,090	2,204	2,157	1,985
<b>(2) Assets, etc. (end of period)</b>						
Total assets	mn yen	172,884	186,296	186,459	186,336	185,459
(Period-on-period variation)	%	(0.0)	(7.8)	(0.1)	(-0.1)	(-0.5)
Interest-bearing liabilities	mn yen	81,740	94,240	94,172	94,105	94,037
Net assets	mn yen	84,140	84,289	84,438	84,418	84,245
(Period-on-period variation)	%	(-0.1)	(0.2)	(0.2)	(-0.0)	(-0.2)
Unitholders' capital	mn yen	82,260	82,260	82,260	82,260	82,260
<b>(3) Cash distributions</b>						
Total cash distributions	mn yen	1,961	2,090	2,204	2,157	1,985
Dividend payout ratio	%	100.0	100.0	100.0	100.0	100.0
<b>(4) Per unit information</b>						
Number of units Outstanding	units	155,000	155,000	155,000	155,000	155,000
Net assets per unit (Note 2)	yen	542,842	543,805	544,768	544,632	543,520
Dividend per unit	yen	12,654	13,484	14,220	13,922	12,809
(Earnings distribution per unit)	yen	12,654	13,484	14,220	13,922	12,809
(Distribution in excess of earnings per unit)	yen	—	—	—	—	—
<b>(5) Financial indices</b>						
Ratio of ordinary income to total assets (Note 3)	%	1.1(2.2)	1.2(2.3)	1.2 (2.3)	1.2 (2.4)	1.1 (2.1)
Ratio of net income to unitholders' equity (Note 3)	%	2.3(4.6)	2.5(5.0)	2.6 (5.2)	2.6 (5.2)	2.4 (4.7)
Ratio of unitholders' equity to total assets (Period-on-period variation)	%	48.7 (-0.0)	45.2 (-3.5)	45.3 (0.1)	45.3 (0.0)	45.4 (0.0)
LTV	%	47.3	50.6	50.5	50.5	50.7
Rental NOI (Note 4)	mn yen	4,284	4,535	4,691	4,639	4,393
<b>(6) Other referential information</b>						
Number of properties at end of period	cases	14	15	15	15	17
Number of tenants at end of period (Note 5)	cases	42	44	46	46	48
Total rentable area at end of period	m <sup>2</sup>	283,622.23	291,647.88	291,627.72	291,627.72	295,215.03
Occupancy rate at end of period (Note 6)	%	99.2	99.2	99.5	99.7	97.3
Depreciation and amortization at end of period	mn yen	1,105	1,127	1,081	1,086	1,060
Capital expenditure at end of period	mn yen	97	544	83	464	234

Note 1: Operating revenue, etc. do not include consumption taxes.

Note 2: Net assets per unit have been rounded to the nearest yen.

Note 3: The indices above are calculated using the following formulas. In addition, annualized figures derived from the management period are indicated in brackets.

Ratio of ordinary income to total assets = Ordinary income / ((Total assets at beginning of period + Total assets at end of period) / 2) × 100

Ratio of net income to unitholders' equity = Net income / ((Net assets at beginning of period + Net assets at end of period) / 2) × 100

Note 4: Rental NOI (Net Operating Income) = Rental revenue - Expenses related to rental business + Depreciation and amortization.

Note 5: Number of tenants at end of period indicates total number of tenants of each property as of the end of period. In the case a master lease agreement is concluded, it is counted as 1 tenant. In the case 1 tenant rents multiple units, it is counted as 1 tenant if the units are in the same property and as multiple tenants if the units are in multiple properties.

Note 6: Occupancy rate at end of period = Total leased floor areas at end of period / Total leasable floor areas at end of period

When a pass-through type master lease agreement has been concluded, the area subleased to the end tenants have been used as the leased floor area.

Note 7: Unless otherwise mentioned in the report, fractions of figures not indicated are rounded off for monetary amounts and rounded for ratios.

## **2. Overview of Asset Management Operation for the Eleventh Fiscal Period**

### **A. Brief Background of Top REIT**

Top REIT, Inc. (Top REIT) was founded on November 2, 2005 based on the Investment Trusts and Investment Corporations Law (Act No. 198 of 1951, as amended) with Top REIT Asset Management Co., Ltd. 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 value for its unitholders by securing stable revenues and achieving steady growth of its portfolio over a medium to long term. 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 total acquisition value of ¥177,435 million.

### **B. Investment Environment and Management Performance**

#### **(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 the 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 the rapid 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 opaqueness, 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 means of reducing costs, increasing operational efficiency or other reasons. In addition, changes were found 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 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 which are also competitive in terms of rent level continue to maintain stable occupancy rate. While the rent level continues to hover on a weak note for luxury rental condominiums, a ceasing in the fall of 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 temporarily stagnant due to the Earthquake, there were no obvious signs of a feared impact on price. With limited market players, the transaction market was led by consistent real estate transactions by REITs using funds procured 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 increases in transaction prices are 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 average 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. Overview of Business Results and Dividends

As a result of the asset management and operations described above, Top REIT recorded 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.

### 3. Balance of Paid-in Capital

There was no change in paid-in capital for the 11th fiscal period. The outline of changes in paid-in capital from the establishment of Top REIT to the end of the current fiscal period is as follows:

Issue date	Remarks	Total number of units issued and outstanding (units)		Total paid-in capital (million yen)		Note
		Increase	Balance	Increase	Balance	
November 2, 2005	Incorporation (private)	200	200	100	100	Note 1
February 28, 2006	Public offering	145,300	145,500	77,117	77,217	Note 2
March 23, 2006	Third party allotment	9,500	155,000	5,042	82,260	Note 3

Note 1: Top REIT was established with initial capital of ¥500,000 per unit.

Note 2: New investment units were issued at a price of ¥550,000 per unit (issue value of ¥530,750 per unit) through a public offering in order to raise funds for acquiring new properties.

Note 3: New investment units were issued at a value of ¥530,750 per unit through a third party allocation to raise funds for acquired properties.

#### Market Price of Investment Units

The market price of the investment units on Tokyo Stock Exchange REIT Market during respective fiscal periods is as follows:

Fiscal period As of the end of fiscal period	7th October, 2009	8th April, 2010	9th October, 2010	10th April, 2011	11th October, 2011
Highest price	436,000yen	494,500yen	489,000yen	567,000yen	490,000yen
Lowest price	326,000yen	358,000yen	388,000yen	410,000yen	384,000yen

#### 4. Cash Distribution

The dividend per unit for the current period was 12,809yen. Top REIT expects to distribute almost all unappropriated retained earnings at the current period end to be eligible for special tax treatments (Special Taxation Measures Law Article 67-15) that allows Top REIT to deduct an amount equivalent to distributions of retained earnings as expenses from taxable income.

Fiscal period As the end of fiscal period	Units	7th October, 2009	8th April, 2010	9th October, 2010	10th April, 2011	11th October, 2011
Unappropriated retained earnings	thousand yen	1,961,454	2,090,112	2,204,126	2,157,918	1,985,468
Internal reserves	thousand yen	84	92	26	8	73
Total dividends (Dividend per unit)	thousand yen (yen)	1,961,370 (12,654)	2,090,020 (13,484)	2,204,100 (14,220)	2,157,910 (13,922)	1,985,395 (12,809)
Of which, dividend of accumulated earnings (Per unit)	thousand yen (yen)	1,961,370 (12,654)	2,090,020 (13,484)	2,204,100 (14,220)	2,157,910 (13,922)	1,985,395 (12,809)
Of which, repayment of paid-in capital (Per unit)	thousand yen (yen)	— —	— —	— —	— —	— —

#### 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, 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 select 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 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>

Type of Title	Ownership of trust beneficiary interest in real estate in Japan	
Name of Property	Premier Stage Nihonbashi Kayabacho	
Trustee	The Chuo Mitsui Trust and Banking Company, Limited (Note 1)	
Term of Trust Agreement	March 26, 2004 to March 31, 2014 (Note 1)	
Anticipated Acquisition Price	2,400 million yen (Note 2)	
Date of Sales Agreement	October 26, 2011	
Anticipated Acquisition Date	February 1, 2012	
Seller	Premier Investment Corporation	
Source of Funding	Cash on hand (To be scheduled)	
Method of Settlement	Lump-sum payment on the acquisition date	
Address	(Registered Address) 3-12-6, Nihonbashi Kayabacho, Chuo Ward, Tokyo (Residential Building Address) 3-4-1, Nihonbashi Kayabacho, Chuo Ward, Tokyo	
Access	About a 3 minute walk from Kayabacho Station on the Tokyo Metro Hibiya Line, about a 4 minute walk from Kayabacho Station on the Tokyo Metro Tozai Line and about a 7 minute walk from Nihonbashi Station on the Toei Subway Asakusa Line.	
Usage	Apartment building	
Structure/Floors	Steel and reinforced concrete structure with a flat roof; 14 floors above ground	
Area	Land	479.93m <sup>2</sup>
	Building	4,540.70m <sup>2</sup> (total floor area)
Type of Title	Land	Ownership
	Building	Ownership
Completion Date	February 2004	

(Note 1) The information on the Trustee and the Term of Trust Agreement are based on the real estate trust agreement that was executed between Premier Investment Corporation, the seller, and The Chuo Mitsui Trust and Banking Company, Limited, the trustee as of October 26, 2011.

(Note 2) The anticipated acquisition price is the price for sale specified in the sales agreement for trust beneficiary interest in real estate (excluding consumption tax and equivalents) which does not include acquisition expenses, real property tax, city planning tax, etc.

## 【2】 Outline of Top REIT

### 1. Status of Unitholders' Capital

Fiscal period As of the end of fiscal period	7th October, 2009	8th April, 2010	9th October, 2010	10th April, 2011	11th October, 2011
Number of issuable investment units (units)	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Number of units issued and outstanding (units)	155,000	155,000	155,000	155,000	155,000
Unitholders' capital (million yen)	82,260	82,260	82,260	82,260	82,260
Number of unitholders	6,733	6,879	6,830	7,090	7,031

### 2. Matters Concerning the Investment Units

Major unitholders as of October 31, 2011 were as follows:

Name	Number of units held (units)	Share of total (%) (Note 1)
Japan Trustee Services Bank (trust account)	27,536	17.77
Nomura Trust and Banking (investment trust account)	11,907	7.68
Trust & Custody Services Bank (securities investment trust account)	7,038	4.54
North Pacific Bank, LTD.	6,139	3.96
The Master Trust Bank of Japan (trust account)	5,916	3.82
The Senshu Ikeda Bank, Ltd.	4,540	2.93
American Life Insurance Company GA Company JPY	4,000	2.58
The Fuji Fire and Marine Insurance Company, Limited	3,465	2.24
The Sumitomo Trust and Banking Co., Ltd.	3,176	2.05
Nippon Steel City Produce, Inc.	3,162	2.04
Oji Real Estate Co., Ltd.	3,162	2.04
Trust and Custody Services Bank (money trust tax account)	2,850	1.84
NOMURA BANK (LUXEMBOURG) S.A.	2,701	1.74
Mizuho Trust & Banking Co., Ltd	2,062	1.33
The Minami Nippon Bank, Ltd.	1,550	1.00
Total	89,204	57.55

Note 1: The share of total is calculated by rounding to the second decimal place.

### 3. Officer and Auditor

A: Name of directors and auditor as of October 31, 2011 were as follows:

Post	Name	Major additional post	Total amount of fee paid during the current period (thousand yen)
Executive Officer	Jumpei Norimatsu (Note 1) (Note 2)	Auditor, The Sumishin Shinko Company Limited	1,350
Supervisory Director	Yasuyuki Kuribayashi (Note 1)	Partner Attorney, City-Yuwa Partners (Note 3)	1,800
Supervisory Director	Kunio Tsuneyama (Note 1)	Managing Partner, Tsuneyama Certified Public Accountants Office Managing Partner, Kunio Tsuneyama Licensed Tax Accountants Office (Note 3)	1,800
Accounting Auditor	KPMG AZSA & Co.	—	10,000

Note 1: There are no investment units of Top REIT held by the Executive Officer or Supervisory Directors in their own name or others' names.

Note 2: Jumpei Norimatsu, Executive officer, was elected executive officer in the fourth Unitholders' General Meeting held on July 26, 2011, and served in the post since August 1, 2011. Further, Hiroaki Amano resigned from executive officer on July 31, 2011.

Note 3: Although Supervisory Directors may have additional posts in entities other than those listed above, there is no conflict of interest between those companies including those listed above and Top REIT.

B: Policy on determination of dismissal and denial of reappointment of accounting auditor  
The Board of Directors shall decide after taking various factors into consideration.

### 4. Asset Manager, Asset Custodian and Administrative Agents

Asset manager, etc. as of October 31, 2011 were as follows:

Business	Company name
Asset manager	Top REIT Asset Management Co., Ltd.
Assets custodian services	The Sumitomo Trust and Banking Co., Ltd.
Administrative agent services (running of the organization, accounting matters, etc.)	The Sumitomo Trust and Banking Co., Ltd.
Administrative agent services (unitholders' register, special accounts)	The Sumitomo Trust and Banking Co., Ltd.
Administrative agent services (investment corporation bonds)	The Sumitomo Trust and Banking Co., Ltd.

### 【3】 Status of Investment Assets

#### 1. Composition of Assets

Type of assets	Asset class	Area	10th As of April 30, 2011		11th As of October 31, 2011		
			Total amount owned (million yen) (Note 1)	As a percentage of total assets (%) (Note 2)	Total amount owned (million yen) (Note 1)	As a percentage of total assets (%) (Note 2)	
Real estate	Office buildings	Central Tokyo	5,880	3.2	5,890	3.2	
		Subtotal	5,880	3.2	5,890	3.2	
Real estate in trust	Office buildings	Central Tokyo	122,314	65.6	121,804	65.7	
		Tokyo Metropolitan Area	1,746	0.9	1,746	0.9	
		Kansai	1,014	0.6	1,003	0.5	
		Subtotal	125,076	67.1	124,554	67.1	
	Retail facilities	Tokyo Metropolitan Area	23,728	12.7	23,540	12.7	
		Subtotal	23,728	12.7	23,540	12.7	
	Residential	Tokyo Metropolitan Area	15,602	8.4	18,057	9.7	
		Subtotal	15,602	8.4	18,057	9.7	
	Others	Central Tokyo	2,706	1.4	2,701	1.5	
		Subtotal	2,706	1.4	2,701	1.5	
	Subtotal of real estate and real estate in trust			172,994	92.8	174,745	94.2
	Cash, deposits and other assets			13,342	7.2	10,714	5.8
Total assets (Note 3)			186,336	100.0	185,459	100.0	
			(172,994)	(92.8)	(174,745)	(94.2)	

Note 1: Total amount owned is based on the amounts appropriated on the Balance Sheet at the end of each period. (Real estate and real estate in trust represent the book values after deducting depreciation). Total Amount figures were rounded down to the nearest million yen.

Note 2: (Total amount owned) As a percentage of total assets is rounded to first decimal place.

Note 3: Figures in parenthesis of total assets represent the portions of actually owned properties in the object assets.

< Geographical Classification >

Area	Region	Supplementary note
Central Tokyo	Chiyoda, Chuo, Minato, Shibuya, Shinjuku and Shinagawa Wards	—
Tokyo Metropolitan Area	Tokyo (excluding central Tokyo), Kanagawa, Saitama and Chiba Prefectures	—
Kansai	Regional economic zone centering on Osaka	Osaka, Kyoto, Hyogo, Shiga, Nara and Wakayama Prefectures
Chukyo	Regional economic zone centering on Nagoya	Aichi, Gifu and Mie Prefectures
Major cities Across the country	Cities designated by government ordinance and other major cities (excluding cities belonging to the above classifications)	—

## 2. Major Properties Owned

The principal properties (top ten properties by book value) that Top REIT owns as of October 31, 2011 were as follows:

Property name		Book value (million yen)	Leasable floor space (Note 1) (m <sup>2</sup> )	Leased floor space (Note 2) (m <sup>2</sup> )	Occupancy rate (Note 3) (%)	Portion of rental revenue (%)	Primary use
NEC Head Office Building	(Trust beneficiary interest)	42,857	72,238.03	72,238.03	100.0	23.6	Office
Harumi Island Triton Square Office Tower Y	(Trust beneficiary interest)	31,233	23,219.46	23,219.46	100.0	22.3	Office
Harumi Island Triton Square Office Tower Z	(Trust beneficiary interest)	19,920	10,914.20	10,914.20	100.0	7.0	Office
Kanda Nishiki-cho 3-chome Building	(Trust beneficiary interest)	12,820	8,025.65	8,025.65	100.0	7.7	Office
Sagamihara Shopping Center	(Trust beneficiary interest)	11,435	61,763.28	61,763.28	100.0	7.0	Retail property
Fukasawa House Towers H&I	(Trust beneficiary interest)	10,372	11,357.44	10,714.89	94.3	4.1	Residential
Akasaka Oji Building	(Trust beneficiary interest)	9,867	7,300.35	865.55	11.9	7.9	Office
Ito-Yokado Higashi-Narashino Store	(Trust beneficiary interest)	8,055	51,098.42	51,098.42	100.0	4.1	Retail property
Shiba-Koen Building	(Real estate)	5,890	3,060.43	2,836.19	92.7	1.8	Office
Ecology Toyosu Procentury	(Trust beneficiary interest)	5,120	6,789.03	6,627.57	97.6	2.8	Residential
Total		157,572	255,766.29	248,303.24	97.1	88.3	

Note 1: Leasable floor space is total leasable space for each asset as of the end of the current period. Furthermore, in the case of co-ownership (including quasi-co-ownership), the stated figure is given by multiplying the leasable floor space of the whole building by the ratio of co-ownership, and rounded to the second decimal place.

Note 2: Leased floor space is floor space based on lease agreements effective as of the end of the current fiscal period. Furthermore, in the case of co-ownership (including quasi-co-ownership), the stated figure is given by multiplying the leased floor space of the whole building by the ratio of co-ownership, and rounded to the second decimal place. In the case of contracting the master-lease agreements as pass-through type, the floor space subleased to end-tenants is calculated as the leased area.

Note 3: Occupancy rate is the figure given by dividing leased floor space as of the end of the current fiscal period by leasable floor space, and rounded to the first decimal place.

### 3. Details of Portfolio Properties

#### ① Details of Properties

A. The details of properties owned by Top REIT as of October 31, 2011 were as follows:

Asset class	Area	Property name	Address	Type of title	Appraisal value at end of 11th period (million yen) (Note 1)	Book value at end of 11th period (million yen)
Office building	Central Tokyo	NEC Head Office Building	5-7-1 Shiba, Minato Ward, Tokyo	Trust beneficiary interest	47,750	42,857
		Harumi Island Triton Square Office Tower Y	1-8-11 Harumi, Chuo Ward, Tokyo	Trust beneficiary interest	38,500	31,233
		Akasaka Oji Building	8-1-22 Akasaka, Minato Ward, Tokyo	Trust beneficiary interest	9,560	9,867
		Kanda Park Plaza	2-2-2 Kajicho, Chiyoda Ward, Tokyo	Trust beneficiary interest	4,930	5,105
		Shiba-Koen Building	3-5-5 Shiba, Minato Ward, Tokyo	Real estate	3,410	5,890
		Harumi Island Triton Square Office Tower Z	1-8-12 Harumi, Chuo Ward, Tokyo	Trust beneficiary interest	14,200	19,920
		Kanda Nishiki-cho 3-chome Building	3-11-1, Kanda Nishiki-cho, Chiyoda Ward, Tokyo	Trust beneficiary interest	14,000	12,820
	Tokyo Metropolitan Area	Faret East Building	2-34-7 Akebonocho, Tachikawa City, Tokyo	Trust beneficiary interest	2,390	1,746
	Kansai	Nittetsu Honmachi Building (Note 2)	1-10-24 Utsubohonmachi, Nishi Ward, Osaka City, Osaka	Trust beneficiary interest	1,430	1,003
Subtotal (9 Properties)					135,920	130,445
Retail property	Tokyo Metropolitan Area	Sagamihara Shopping Center	3-13-33 Kobuchi, Minami Ward, Sagamihara City, Kanagawa	Trust beneficiary interest	10,300	11,435
		Ito-Yokado Higashi-Narashino Store	7-3-1 Higashi Narashino, Narashino City, Chiba	Trust beneficiary interest	5,560	8,055
		Musashiurawa Shopping Square	7-3-1, Bessho, Minami Ward, Saitama City, Saitama	Trust beneficiary interest	3,810	4,047
Subtotal (3 Properties)					19,670	23,538
Residential	Tokyo Metropolitan Area	Fukasawa House Towers H&I	2-1-2 Fukasawa, Setagaya Ward, Tokyo	Trust beneficiary interest	6,960	10,372
		Ecology Toyosu Procentury	4-8-8 Toyosu, Koto Ward, Tokyo	Trust beneficiary interest	4,780	5,120
		Impress Musashi-Koganei	4-14-18 Nakamachi Koganei City Tokyo,	Trust beneficiary interest	1,270	1,315
		Top Residence Yoga	1-14-12 Tamagawadai, Setagaya Ward, Tokyo	Trust beneficiary interest	1,170	1,249
Subtotal (4 Properties)					14,180	18,057
Other	Central Tokyo	OAK PLAZA	2-10-6 Kanda Awajicho, Chiyoda Ward, Tokyo	Trust beneficiary interest	2,670	2,701
		Subtotal (1 Property)				
Total (17 Properties)					172,440	174,742

Note 1: For “Appraisal value at end of period,” Top REIT indicates the assessed value based on the appraisal by real estate appraisers following the asset evaluation method and standards stipulated in Top REIT’s Articles of Incorporation and rules of The Investment Trusts Association, Japan (based on real estate appraisal reports prepared by Tanizawa Sogo Appraisal Co, Ltd; Japan Real Estate Institute and Daiwa Real Estate Appraisal Co, Ltd) as of October 31, 2011 as the points of evaluation.

Note 2: The property was disposed to the third party on November 25, 2011.



B. Operating results for each fiscal period of each property owned were as follows:

			Tenth Fiscal Period From November 1, 2010 to April 30, 2011				Eleventh Fiscal Period From May 1, 2011 to October 31, 2011			
Asset class	Area	Name of property	Number of tenants (end of period)	Occupancy rate (end of period)	Rent revenue - real estate (for period)	Ratio of rental revenue to total rental revenues	Number of tenants (end of period)	Occupancy rate (end of period)	Rent revenue - real estate (for period)	Ratio of rental revenue to total rental revenues
			(Note1) (case)	(%)	(Note 2) (million yen)	(%)	(Note1) (case)	(%)	(Note 2) (million yen)	(%)
Office building	Central Tokyo	NEC Head Office Building	1	100.0	1,370	23.0	1	100.0	1,370	23.6
		Harumi Island Triton Square Office Tower Y	7	100.0	1,309	21.9	7	100.0	1,296	22.3
		Akasaka Oji Building	2	100.0	431	7.2	2	11.9	460	7.9
		Kanda Park Plaza	10	100.0	169	2.8	10	100.0	179	3.1
		Shiba-Koen Building	2	92.7	110	1.9	2	92.7	108	1.8
		Harumi Island Triton Square Office Tower Z	1	100.0	582	9.8	1	100.0		7.0
		Kanda Nishiki-cho 3-chome Building	1	100.0		7.7	1	100.0		7.7
	Tokyo Metropolitan Area	Faret East Building	1	100.0	160	2.7	1	95.0	159	2.8
	Kansai	Nittetsu Honmachi Building (Note 3)	12	100.0	92	1.5	12	100.0	98	1.7
Subtotal (9 properties)			37	99.8	4,687	78.5	37	95.0	4,526	77.9
Retail property	Tokyo Metropolitan Area	Sagamihara Shopping Center	2	100.0	407	6.8	2	100.0	407	7.0
		Ito-Yokado Higashi-Narashino Store	1	100.0	236	4.0	1	100.0	236	4.1
		Musashiurawa Shopping Square	3	100.0	129	2.2	3	100.0	129	2.2
	Subtotal (3 properties)			6	100.0	772	13.0	6	100.0	772
Residential	Tokyo Metropolitan Area	Fukasawa House Towers H&I	1	94.6	239	4.0	1	94.3	236	4.1
		Ecology Toyosu Procentury	1	97.7	173	2.9	1	97.6	161	2.8
		Impress Musashi-Koganei	—	—	—	—	1	91.8	17	0.3
		Top Residence Yoga	—	—	—	—	1	92.0	3	0.0
Subtotal (4 properties)			2	95.7	412	6.9	4	95.0	418	7.2
Other	Central Tokyo	OAK PLAZA	1	100.0	94	1.6	1	100.0	94	1.6
		Subtotal (1 property)			1	100.0	94	1.6	1	100.0
Total (17 properties)			46	99.7	5,967	100.0	48	97.3	5,812	100.0

Note 1: Number of tenants indicates total number of tenants of each property as of the end of period. In the case a master lease agreement is concluded, it is counted as 1 tenant. In the case 1 tenant rents multiple units, it is counted as 1 tenant if the units are in the same property and as multiple tenants if the units are in multiple properties.

Note 2: Rent revenue for Harumi Island Triton Square Office Tower Z and Kanda Nishiki-cho 3-chome is not disclosed due to being unable to obtain the consent of the tenants.

Note 3: This property was disposed to the third party on October 25, 2011.

## ② Details of Investment Securities

There are none applicable.

## 4. Contracted Amount and Market Price of Specified Transactions

The contracted amount and market price of the specified transactions of Top REIT as of October 31, 2011 were as follows:

(Million yen)

Segment	Type of transaction	Contract amount (Note 1) (Note 2)		Market price (Note 1) (Note 3)
			Longer than a year	
Transaction other Than market transaction	Interest-rate swap (receiving floating-rate, Paying fixed-rate)	33,500	25,000	(353)
	Total	33,500	25,000	(353)

Note 1: The above figures are rounded down to the nearest million yen.

Note 2: Contract amounts of interest-rate swap transactions represent figures based on the estimated principal.

Note 3: Market price is evaluated at the price calculated by the counterparty of the concerned transaction contract based on the prevailing market rate.

## 5. Status of Other Assets

All real estate and trust beneficiary interests in real estate are listed in the table under the “3-① Details of Portfolio Properties.” There were no significant specified assets that are main investment targets of Top REIT other than those listed above as of October 31, 2011.

## 6. Status of Assets by Country and Region

There are none applicable.

## 【4】 Capital Expenditures for Properties Owned

### (1) Schedule of Capital Expenditures

The table below lists the estimated amounts of significant capital expenditures for repair and maintenance work of properties held by Top REIT, planned as of October 31, 2011.

The estimated construction costs shown in the table below include those charged to expenses in accounting.

Name of property	Location	Purpose	Scheduled term for construction or maintenance	Estimated construction cost (million yen)		
				Total	Payment for the period	Total of advance payment
NEC Head Office Building	Minato Ward, Tokyo	Construction of snow melting snow device	May 2011 to March 2012	33	—	—
		Renewal of Gondola	May 2011 to March 2012	49	—	—
		Renewal of lighting system	May 2011 to March 2012	24	—	—
		Renewal of high pressure electric equipment	May 2011 to March 2012	13	—	—
		Establishment of power board electricity meter	May 2011 to March 2012	14		
		Renewal of feed pump	May 2011 to January 2012	11		
		Renewal of cooling tower	May 2011 to March 2012	27		
		Renewal of heat source pump	May 2011 to January 2012	20		
		Renewal air Condition facility	May 2011 to January 2012	43		
		Renewal of refrigerator	May 2011 to March 2012	46		
		Renewal of central monitor system	May 2011 to March 2012	42		
		Renewal of ITV equipment	May 2011 to March 2012	10		
		Sagamihara Shopping Center	Minami Ward, Sagamihara City, Kanagawa	Repair and painting of external wall	January 2012 to February 2012	110
Renewal of restroom equipment	January 2012 to February 2012			31		

## (2) Capital Expenditures Made During the Period

The following table is an overview of construction work conducted during the fiscal period that fall under the category of capital expenditures for properties held.

Capital expenditures during the fiscal period amounted to ¥234 million and combined with ¥175 million in repairs and maintenance costs (including expenses equivalent of the restoration relocated tenant at Akasaka Oji building) that fall under expenses for the fiscal period, a total of ¥410 million of construction work was implemented.

Name of property	Location	Purpose	Term for construction or maintenance	Capital expenditures (million yen)
Akasaka Oji Building	Minato Ward, Tokyo	Renewal of rental spaces	July 2011 to September 2011	57
		Renewal of common spaces	July 2011 to October 2011	78
	Subtotal			135
Faret East Building	Tachikawa City, Tokyo	Renewal of central monitor board	December 2010 to May 2011	36
Shiba-Koen Building	Minato Ward, Tokyo	Renewal of external wall and ceiling	April 2011 to August 2011	20
Others		Renewal of function	May 2011 to October 2011	41
Total				234

### (3) Funds Reserved for the Long-term Repair and Maintenance Plan

(Million yen)

Fiscal period	7th	8th	9th	10th	11th
	From May 1, 2009 to October 31, 2009	From November 1, 2009 to April 30, 2010	From May 1, 2010 to October 31, 2010	From November 1, 2010 to April 30, 2011	From May 1, 2011 to October 31, 2011
Balance of reserved funds at beginning of current period	461	647	346	530	330
Amount reserved during the current period	188	195	197	197	197
Amount used from reserved funds during the current period	2	496	13	396	84
Balance carried forward to the next period	647	346	530	330	443

### 【5】 Condition of Expenses and Liabilities

#### (1) Details of Expenses Related to Management

(Million yen)

Fiscal period Item	10th From November 1, 2010 to April 30, 2011	11th From May 1, 2011 to October 31, 2011
(a) Asset management fees (Note)	450	424
(b) Asset custodian fees and administrative service fees	71	72
(c) Directors' compensation	6	6
(d) Audit fees	10	10
(e) Other expenses	42	40
Total	581	553

Note: Asset management fees in the 11th fiscal period consisted of ¥11 million in association with the acquisition of new properties recorded as book value of the respective properties in addition to the amounts described above.

## (2) Status of Borrowings

Status of borrowings from respective financial institutions as of October 31, 2011 is as follows.

	Category		Date borrowed	Balance at the beginning of the current period (million yen)	Balance at the end of the current period (million yen)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use of proceeds	Remarks
		Lender								
Current Portion of Long-Term Loans Payable	Term Loan No. 4	The Sumitomo Trust and Banking, Co., Ltd. Mizuho Corporate Bank, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. The Chuo Mitsui Trust and Banking, Co., Ltd. Mitsubishi UFJ Trust and Banking Corporation	June 29, 2007	—	8,500	1.95	June 29, 2012	Bullet repayment on repayment date	(Note 2)	Unsecured and without guarantee
	Term Loan No. 8	The Sumitomo Trust and Banking, Co., Ltd. Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation	March 3, 2009	11,189	11,189	1.24	November 30, 2011	Bullet repayment on repayment date	(Note 3)	Unsecured and without guarantee
	Term Loan No. 9	The Sumitomo Trust and Banking, Co., Ltd. Sumitomo Mitsui Banking Corporation Mitsubishi UFJ Trust and Banking Corporation	March 27, 2009	1,273	1,273	1.24	November 30, 2011	Bullet repayment on repayment date	(Note 2)	Unsecured and without guarantee
	Term Loan No. 10	Mizuho Corporate Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd.	November 30, 2009	4,908	4,908	1.24	November 30, 2011	Bullet repayment on repayment date	(Note 2)	Unsecured and without guarantee
	Term Loan No. 11	Development Bank of Japan, Inc.	January 13, 2010	135	135	2.42	November 30, 2016	(Note 4)	(Note 5)	Unsecured and without guarantee
	Term Loan No. 12	The Chuo Mitsui Trust and Banking, Co., Ltd.	February 26, 2010	1,670	1,670	1.24	November 30, 2011	Bullet repayment on repayment date	(Note 2)	Unsecured and without guarantee
	Term Loan No. 13	The Sumitomo Trust and Banking, Co., Ltd. Mizuho Corporate Bank, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation	March 26, 2010	—	9,000	1.24	June 29, 2012	Bullet repayment on repayment date	(Note 3)	Unsecured and without guarantee
	Subtotal			19,175	36,675					
Long-Term Loans Payable	Term Loan No. 4	The Sumitomo Trust and Banking, Co., Ltd. Mizuho Corporate Bank, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. The Chuo Mitsui Trust and Banking, Co., Ltd. Mitsubishi UFJ Trust and Banking Corporation	June 29, 2007	8,500	—	1.95	June 29, 2012	Bullet repayment on repayment date	(Note 2)	Unsecured and without guarantee
	Term Loan No. 5	The Sumitomo Trust and Banking, Co., Ltd.	June 29, 2007	2,000	2,000	2.27	June 30, 2014	Bullet repayment on repayment date	(Note 2)	Unsecured and without guarantee
		Development Bank of Japan, Inc.		1,000	1,000	2.40				
	The Dai-ichi Life Insurance Co., Ltd.		1,000	1,000	2.40					
	Subtotal			4,000	4,000					

Term Loan No. 7	The Sumitomo Trust and Banking, Co., Ltd. Mizuho Corporate Bank, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation	March 27, 2008	6,300	6,300	1.48	March 27, 2013	Bullet repayment on repayment date	(Note 4)	Unsecured and without guarantee
	Development Bank of Japan, Inc.		3,000	3,000	1.53				
Subtotal			9,300	9,300					
Term Loan No. 11	The Sumitomo Trust and Banking, Co., Ltd. Mizuho Corporate Bank, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Resona Bank, Limited	January 13, 2010	9,800	9,800	1.24	November 30, 2012	Bullet repayment on repayment date	(Note 5)	Unsecured and without guarantee
	Development Bank of Japan, Inc.	January 13, 2010	2,430	2,362	2.42	November 30, 2016	(Note 4)	(Note 5)	Unsecured and without guarantee
Subtotal			12,230	12,162					
Term Loan No. 13	The Sumitomo Trust and Banking, Co., Ltd. Mizuho Corporate Bank, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation	March 26, 2010	9,000	—	1.24	June 29, 2012	Bullet repayment on repayment date	(Note 3)	Unsecured and without guarantee
Term Loan No. 14	The Sumitomo Trust and Banking, Co., Ltd. Mizuho Corporate Bank, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. The Chuo Mitsui Trust and Banking, Co., Ltd. Mitsubishi UFJ Trust and Banking Corporation	March 3, 2011	16,700	16,700	1.39	February 29, 2016	Bullet repayment on repayment date	(Note 3)	Unsecured and without guarantee
Term Loan No. 15	The Sumitomo Trust and Banking, Co., Ltd. The Bank of Fukuoka, Ltd. The Hiroshima Bank, Ltd. The Yamaguchi Bank, Ltd.	March 31, 2011	6,700	6,700	0.83	February 29, 2016	Bullet repayment on repayment date	(Note 2)	Unsecured and without guarantee
Subtotal			66,430	48,862					
Total			85,605	85,537					

Note 1: The average interest rate is the interest rate of borrowings for the respective loan contracts (weighted by the balance during the period) and rounded to the second decimal place. Furthermore, the average interest rate related to the borrowing hedged by an interest rate swap transaction for the purpose of reducing interest rate fluctuation risk is weighted by considering the effect of the relevant interest rate swap.

Note 2: The use of borrowings is for repayment of short-term loans payable.

Note 3: The use of borrowings is for repayment of long-term loans payable.

Note 4: Repayment of ¥67.5 million will be made at the end of June and December each year starting on June 30, 2010, with the remaining payment of ¥1,822.5 million to be repaid on November 30, 2016, the final repayment date.

Note 5: The use of borrowings is for acquisition of trust beneficiary interest in real estate.

### (3) Status of Investment Corporation Bonds

Investment corporation bonds issued and outstanding as of October 31, 2011 are as follows.

Name of Bonds	Issue Date	Balance as of the beginning of the current period (million yen)	Balance as of the end of the current period (million yen)	Interest Rate (%)	Maturity Date	Redemption method	Use of proceeds	Remark
No.1 Unsecured Investment Corporation Bonds (Note)	June 4, 2010	8,500	8,500	1.00	June 4, 2015	Bullet payment	Repayment of borrowing	Unsecured and without guarantee
Total		8,500	8,500					

Note: This bond is equipped with special pari passu conditions among the specified investment corporation bonds.

### (4) Status of Short-Term Investment Corporation Bonds

There are none applicable.



## **【6】 Status of Acquisitions and Dispositions During the Period**

### **(1) Acquisitions and Dispositions of Real Estate, etc. and Asset Backed Securities**

Type of Assets	Name of Property	Acquisition		Disposition			
		Acquisition Date	Acquisition Price (million yen) (Note 1)	Disposition Date	Disposition Price (million yen)	Book Value (million yen)	Capital Gain and Loss (million yen)
Trust Beneficiary Interest in Real Estate (Note 2)	Impress Musashi-Koganei	August 12,2011	1,223	—	—	—	—
Trust Beneficiary Interest in Real Estate (Note 2)	Top Residence Yoga	October 14,2011	1,165	—	—	—	—

(Note 1) Acquisition Price is the amount (acquisition price indicated in the sales agreement) excluding expenses (such as real estate transaction brokerage fees, real estate tax, etc.) required for transaction of the relevant property.

(Note 2) The two properties described above were trusted beneficiary interest in real estate at the same acquisition date.

### **(2) Acquisitions and Dispositions of Others Assets**

Other major assets besides real estate and asset backed securities stated above consist mostly of bank deposits or bank deposits within assets held in trust.

### **(3) Research on Prices of Specified Assets**

Transactions during the current period that require research on prices of specified assets stipulated by Article 201 of the Investment Trusts and Investment Corporations Law are as follows.

#### **① Real estate, etc**

Acquisition or Disposition	Name of Properties	Transaction Date	Acquisition Price (million) (Note 1)	Research on Price of Specified Assets (million) (Note 2)
Acquisition	Impress Musashi-Koganei	August 12,2011	1,223	1,270
Acquisition	TOP Residence Yoga	October 14,2011	1,165	1,170

(Note 1) Acquisition Price is the amount (acquisition price indicated in the sales agreement) excluding expenses (such as real estate transaction brokerage fees, real estate tax, etc.) required for transaction of the relevant property.

(Note 2) The research on prices of specified assets described above table was conducted by KPMG AZUSA LLC., at times of transaction of properties based on the Report No. 23,“Research on price of specified assets of Investment Trust and Investment corporation” issued by the Industry Audit Committee of the Japanese Institution of Certified Public Accountants. Furthermore, aside from the research on price described above, the investigation reports had been received on locations, addresses and other items needed for specifying the properties, etc.

#### **② Others**

There are none applicable

#### (4) Transaction with Interested Parties, etc. and Major Unitholders

##### ① Status of Transaction

There are none applicable.

##### ② Amounts of Fees Paid, etc.

Fees paid to interested parties, etc. and major unitholders during the current period are as follows.

Item	Total amount of fees paid (A) (thousand yen)	Transactions with interested parties, etc. and major unitholders		Ratio against total amount B/A (%)
		Paid to	Amount of payment (B) (thousand yen)	
Property management fees	389,317	Nippon Steel City Produce, Inc.	48,292	12.4
		Oji Real Estate Co., Ltd.	27,668	7.1
		Nippon Steel Community Service Co., Ltd.	14,094	3.6
		The Sumitomo Trust and Banking, Co., Ltd.	1,250	0.3
Trust compensation	20,748	The Sumitomo Trust and Banking, Co., Ltd.	17,750	85.5
Asset custodian fees	8,358	The Sumitomo Trust and Banking, Co., Ltd.	8,358	100.0
Administrative service fees	63,912	The Sumitomo Trust and Banking, Co., Ltd.	63,912	100.0
Other fees paid	15,007	The Sumitomo Trust and Banking, Co., Ltd.	1,369	9.1
		Nippon Steel City Produce, Inc.	41	0.3
		Oji Real Estate Co., Ltd.	5	0.0
Borrowing related expenses	136,618	The Sumitomo Trust and Banking, Co., Ltd.	51,145	37.4
Investment corporation bond related expenses	5,576	The Sumitomo Trust and Banking, Co., Ltd.	624	11.2
Other operating expenses	3,138	The Sumitomo Trust and Banking, Co., Ltd.	729	23.3
Other non-operating expenses	3,105	The Sumitomo Trust and Banking, Co., Ltd.	342	11.0
Other expenses related to rent business	5,860	Oji Real Estate Co., Ltd.	488	8.3

Note 1: Interested parties, etc. and major unitholders means interested parties, etc. of the asset manager which concluded asset management entrustment contract with Top REIT as prescribed in Article 123 of the Enforcement Order of the Investment Trust and Investment Corporations Law and major unitholders of the asset manager as defined in Article 29-4, Paragraph 2 of the Financial Instruments and Exchange Law (Law No. 25, 1948. including the amendments thereafter). However, the table above also includes transactions with interested parties as provided in the internal rules of the asset manager (including special purpose companies, etc. to which interested parties, etc. have been entrusted with asset management). Please note that the parties to which payments were made during the current period were The Sumitomo Trust and Banking Co., Ltd., Nippon Steel City Produce, Inc., Nippon Steel Community Service Co., Ltd. and Oji Real Estate Co., Ltd.

Note 2: In addition to the fees paid described above, the amounts paid for repair and maintenance work placed with interested parties, etc. during the current period are as follows. Furthermore, the concerned payments include construction management fees.

Oji Real Estate Co., Ltd.: ¥21,779 thousand  
Nippon Steel City Produce, Inc.: ¥86,945 thousand

#### (5) Status of Transactions with the Asset Manager Regarding Additional Work Conducted

Top REIT Asset Management Co., Ltd. the asset management company of Top REIT, does not concurrently conduct any type 1 financial instruments transaction business, type 2 financial instruments transaction business, land and building transaction business, or real estate syndication business, and has no such transactions with Top REIT.

## 【7】 Overview of Accounting

### (1) Assets, Liabilities, Principal and Profit / Loss

Please refer to accompanying Balance Sheets, Statements of Income and Retained Earnings, Statements of Unitholders' Equity, Notes to Financial Statements and Statements of Cash Dividends.

### (2) Change in Depreciation Method

There are none applicable.

### **(3) Change in Valuation Methods of Real Estate, etc.**

There are none applicable.

### **(4) Status of Investment Trust Beneficiary Certificates of Top REIT, etc.**

There are none applicable.

## **【8】 Others**

### **(1) Notice**

#### ① Hold of the General Meeting of Unitholders

The Fourth General Meeting of Unitholders of Top REIT was held on July 26, 2011. These agenda items were approved by general meeting of unitholders are as follows:

Agenda item		Summary
First Item	Partial amendments to the Articles of Incorporation	This item was approved per the original proposal.
Second Item	Appointment of 1 Executive Officer	This item was approved per the original proposal and Jumpei Norimatsu was appointed executive officer.
Third Item	Appointment of 2 substitute Executive Officers	This item was approved per the original proposal, Nobuhito Endo and Koji Murata were appointed substitute executive officers.
Fourth Item	Appointment of 2 Supervisory Directors	This item was approved per the original proposal, Yasuyuki Kuribayashi and Kunio Tsuneyama were appointed supervisory directors.

#### ② Board of Directors

There was no execution or modification of significant agreements approved by the Board of Directors of the Top REIT during the fiscal period.

### **(2) Others**

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.

## II. 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

### III. 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	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

#### IV. 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

## V. Notes to Financial Statements

### Note 1. Premise of the Going Concern

Tenth Fiscal Period (Reference) For the period from November 1, 2010 to April 30, 2011	Eleventh Fiscal Period For the period from May 1, 2011 to October 31, 2011
There are none applicable	There are none applicable

### Note 2. Significant Accounting Policies

Classification	Tenth Fiscal Period (Reference) For the period from November 1, 2010 to April 30, 2011	Eleventh Fiscal Period For the period from November 1, 2010 to April 30, 2011																
1. Method of Depreciation and amortization of property, etc.	<p>(1) Property, Plant and Equipment (including trust assets) Adopts the straight-line method. Further, the estimated useful lives of the major property, plant and equipment are as follows.</p> <table style="width: 100%; border: none;"> <tr> <td style="padding-left: 20px;">Building</td> <td style="text-align: right;">2~59 years</td> </tr> <tr> <td style="padding-left: 20px;">Structures</td> <td style="text-align: right;">2~54 years</td> </tr> <tr> <td style="padding-left: 20px;">Machinery and equipment</td> <td style="text-align: right;">2~15 years</td> </tr> <tr> <td style="padding-left: 20px;">Tools, furniture and fixtures</td> <td style="text-align: right;">2~12 years</td> </tr> </table> <p>(2) Intangible Assets Adopts the straight-line method.</p> <p>(3) Long-Term Prepaid Expenses Adopts the straight-line method.</p>	Building	2~59 years	Structures	2~54 years	Machinery and equipment	2~15 years	Tools, furniture and fixtures	2~12 years	<p>(1) Property, Plant and Equipment (including trust assets) Adopts the straight-line method. Further, the estimated useful lives of the major property, plant and equipment are as follows.</p> <table style="width: 100%; border: none;"> <tr> <td style="padding-left: 20px;">Building</td> <td style="text-align: right;">2~59 years</td> </tr> <tr> <td style="padding-left: 20px;">Structures</td> <td style="text-align: right;">2~54 years</td> </tr> <tr> <td style="padding-left: 20px;">Machinery and equipment</td> <td style="text-align: right;">2~15 years</td> </tr> <tr> <td style="padding-left: 20px;">Tools, furniture and fixtures</td> <td style="text-align: right;">2~12 years</td> </tr> </table> <p>(2) Intangible Assets Adopts the straight-line method.</p> <p>(3) Long-Term Prepaid Expenses Adopts the straight-line method.</p>	Building	2~59 years	Structures	2~54 years	Machinery and equipment	2~15 years	Tools, furniture and fixtures	2~12 years
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Building	2~59 years																	
Structures	2~54 years																	
Machinery and equipment	2~15 years																	
Tools, furniture and fixtures	2~12 years																	
2. Treatment Method of Differed Assets	Investment Corporation Bonds Issuance Costs Amortized on the straight-line method over the maturity period of the bonds	Investment Corporation Bonds Issuance Costs Amortized on the straight-line method over the maturity period of the bonds																
3. Standard for Posting of Provision	Provision for Loss on Disaster  In order to prepare for payments for restoration expenses for property, plant and equipment damaged in the Great East Japan Earthquake, the amount that is reasonably estimated at the end of the current period is posted.	Provision for Loss on Disaster  In order to prepare for payments for restoration expenses for property, plant and equipment damaged in the Great East Japan Earthquake, the amount that is reasonably estimated at the end of the current period is posted.																



<p>4. Standard for Posting of Income and Expenses</p>	<p>Method of treatment concerning Taxes on Property and Equipment</p> <p>Top REIT adopts the method of treating property taxes, city planning taxes and depreciable asset taxes, etc. on owned real estate, etc, as expenses related to the rent business in the amount corresponding to the management period out of the assessed and determined taxation amount.</p>	<p>Method of treatment concerning Taxes on Property and Equipment</p> <p>Top REIT adopts the method of treating property taxes, city planning taxes and depreciable asset taxes, etc. on owned real estate, etc, 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. Furthermore, during the 11th fiscal period, the amount equivalent to the property taxes included as the acquisition costs of real estate totaled 2,226 thousand yen.</p>
<p>5. Treatment Method for Lease Transaction</p>	<p>(lessee)</p> <p>Among finance lease transactions other than those recognized as being a transfer of ownership of the leased property to the lessee, equipment lease transactions with a commencement date which falls under the fiscal period that starts before April 1, 2008 are treated by accounting methods in accordance with ordinary rent transactions.</p>	<p>(lessee)</p> <p>Among finance lease transactions other than those recognized as being a transfer of ownership of the leased property to the lessee, equipment lease transactions with a commencement date which falls under the fiscal period that starts before April 1, 2008 are treated by accounting methods in accordance with ordinary rent transactions.</p>
<p>6. Method of Hedge Accounting</p>	<p>(1) Method of Hedge Accounting on Deferred Hedge, etc. Deferred hedge accounting is adopted. However, special treatment is adopted for those that meet the requirements for special treatment of interest rate swaps.</p> <p>(2) Hedging Instruments and Hedged Items Hedging instruments: Interest rate swap transactions Hedged items: Borrowing interest rates</p> <p>(3) Hedging Policy Top REIT enters into derivative transactions to hedge against risks stipulated in the Articles of Incorporation in accordance with the financial policy.</p> <p>(4) Method for Assessing the Effectiveness of Hedging The effectiveness of hedging is assessed by comparing the cumulative change in hedged items and the cumulative change in hedging instruments and then examining the ratio of the amount of change in both.</p>	<p>(1) Method of Hedge Accounting on Deferred Hedge, etc. Deferred hedge accounting is adopted. However, special treatment is adopted for those that meet the requirements for special treatment of interest rate swaps.</p> <p>(2) Hedging Instruments and Hedged Items Hedging instruments: Interest rate swap transactions Hedged items: Borrowing interest rates</p> <p>(3) Hedging Policy Top REIT enters into derivative transactions to hedge against risks stipulated in the Articles of Incorporation in accordance with the financial policy.</p> <p>(4) Method for Assessing the Effectiveness of Hedging The effectiveness of hedging is assessed by comparing the cumulative change in hedged items and the cumulative change in hedging instruments and then examining the ratio of the amount of change in both.</p>

<p>7. Other Significant Items Fundamental to Preparing the Financial Statements</p>	<p>(1) Accounting Treatment Method on Trust Beneficiary Interest in Real Estate as Property in Trust</p> <p>For the trust beneficiary interest in owned real estate, all accounts of assets and liabilities held in trust as well as all income generated and expenses incurred from the trust are recorded in the concerned items accounts on the balance sheet and statements of income and retained earnings, respectively.</p> <p>Furthermore, the following significant accounts are separately stated in the balance sheet for properties in trust recorded in relevant accounts.</p> <ol style="list-style-type: none"> <li>1.Cash and Deposits in trust</li> <li>2.Building in trust, Structures in trust, machinery and equipment in trust, Tools, furniture and fixtures in trust, other properties in trust, land in trust</li> <li>3.Land leasehold right in trust</li> <li>4.Lease and guarantee deposits in trust</li> <li>5.Tenant leasehold and security deposits in trust</li> </ol>	<p>(1) Accounting Treatment Method on Trust Beneficiary Interest in Real Estate as Property in Trust</p> <p>For the trust beneficiary interest in owned real estate, all accounts of assets and liabilities held in trust as well as all income generated and expenses incurred from the trust are recorded in the concerned items accounts on the balance sheet and statements of income and retained earnings, respectively.</p> <p>Furthermore, the following significant accounts are separately stated in the balance sheet for properties in trust recorded in relevant accounts.</p> <ol style="list-style-type: none"> <li>1.Cash and Deposits in trust</li> <li>2.Building in trust, Structures in trust, machinery and equipment in trust, Tools, furniture and fixtures in trust, other properties in trust, land in trust, other intangible assets in trust</li> <li>3.Land leasehold right in trust</li> <li>4.Lease and guarantee deposits in trust</li> <li>5.Tenant leasehold and security deposits in trust</li> </ol>
	<p>(2) Accounting Treatment Method of Consumption Taxes</p> <p>National and local consumption taxes are accounted with the consumption taxes excluded. Furthermore, consumption taxes related to acquisition of properties, which has not been deducted, is included in the acquisition costs of the respective properties.</p>	<p>(2) Accounting Treatment Method of Consumption Taxes</p> <p>National and local consumption taxes are accounted with the consumption taxes excluded. Furthermore, consumption taxes related to acquisition of properties, which has not been deducted, is included in the acquisition costs of the respective properties.</p>

**Note 3. Additional Information**

Tenth Fiscal Period (Reference) For the period from November 1, 2010 to April 30, 2011	Eleventh Fiscal Period For the period from May 1, 2011 to October 31, 2011
—	Effective from the changes in accounting and revisions of past errors to be conducted after the beginning of the fiscal period ended October 31, 2011, Top REIT applied the "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan (ASBJ) Statement No. 24 issued on December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24 issued on December 4, 2009).

#### Note 4. Changes in Presentation Method

Tenth Fiscal Period (Reference) For the period from November 1, 2010 to April 30, 2011	Eleventh Fiscal Period For the period from May 1, 2011 to October 31, 2011
Statements of Income and Retained Earnings Income from insurance (273 thousand yen in the previous period), which has been presented within “other” non-operating income until the previous period, is separately stated as “insurance income” as of the current period because it exceeds ten-hundredths of non-operating income.	There is none applicable

#### Note 5. Balance Sheet

Tenth Fiscal Period (Reference) As of April 30, 2011	Eleventh Fiscal Period As of October 31, 2011																								
<p>1. Asset Pledged as Collateral and Secured Liabilities</p> <p>Assets pledged as collateral are as follows.</p> <p>(Thousand yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Building in trust</td> <td style="text-align: right;">2,499,645</td> </tr> <tr> <td>Structures in trust</td> <td style="text-align: right;">89,101</td> </tr> <tr> <td>Land in trust</td> <td style="text-align: right; border-top: 1px solid black;">8,892,092</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">11,480,839</td> </tr> </table> <p>Secured liabilities are as follows.</p> <p>(Thousand yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Tenant leasehold and security deposits in trust</td> <td style="text-align: right;">719,800</td> </tr> <tr> <td>Total</td> <td style="text-align: right; border-top: 1px solid black;">719,800</td> </tr> </table> <p>2. Minimum Total Net Asset Designated in Article 67-4 in the Investment Trust Law</p> <p style="text-align: right;">50,000 thousand yen</p>	Building in trust	2,499,645	Structures in trust	89,101	Land in trust	8,892,092	Total	11,480,839	Tenant leasehold and security deposits in trust	719,800	Total	719,800	<p>1. Asset Pledged as Collateral and Secured Liabilities</p> <p>Assets pledged as collateral are as follows.</p> <p>(Thousand yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Building in trust</td> <td style="text-align: right;">2,456,506</td> </tr> <tr> <td>Structures in trust</td> <td style="text-align: right;">86,428</td> </tr> <tr> <td>Land in trust</td> <td style="text-align: right; border-top: 1px solid black;">8,892,092</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">11,435,026</td> </tr> </table> <p>Secured liabilities are as follows.</p> <p>(Thousand yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Tenant leasehold and security deposits in trust</td> <td style="text-align: right;">719,800</td> </tr> <tr> <td>Total</td> <td style="text-align: right; border-top: 1px solid black;">719,800</td> </tr> </table> <p>2. Minimum Total Net Asset Designated in Article 67-4 in the Investment Trust Law</p> <p style="text-align: right;">50,000 thousand yen</p>	Building in trust	2,456,506	Structures in trust	86,428	Land in trust	8,892,092	Total	11,435,026	Tenant leasehold and security deposits in trust	719,800	Total	719,800
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## Note 6. Statement of Income and Retained Earnings

### 1. Breakdown of Property Rental Business Revenues and Expenses

(Thousand yen)

	Tenth Fiscal Period (Reference) For the period from November 1, 2010 to April 30, 2011	Eleventh Fiscal Period For the period from May 1, 2011 to October 31, 2011
A. Revenue related to rent business		
Rental and parking revenue	5,573,158	5,304,873
Other lease revenue	374,112	357,003
Other lease business revenue	19,150	149,523
Cancellation penalty received	1,015	1,079
Total revenue related to rent business	5,967,436	5,812,479
B. Expenses related to rent business:		
Property management costs and fees	389,591	389,317
Utilities expenses	202,422	208,408
Property-related taxes and dues	586,678	609,130
Non-life insurance expenses	8,839	9,090
Repair expenses	110,594	175,945
Depreciation and amortization	1,086,104	1,060,958
Other	30,072	26,906
Total expenses related to rent business	2,414,304	2,479,757
C. Revenue and expenses of real estate rent business (A – B)	3,553,132	3,332,721

### 2. Breakdown of extraordinary loss

	Tenth Fiscal Period (Reference) For the period from November 1, 2010 to April 30, 2011	Eleventh Fiscal Period For the period from May 1, 2011 to October 31, 2011
Breakdown of extraordinary loss	These are restoration expenses, etc. for property, plant and equipment in accordance with the Great East Japan Earthquake.	—

**Note 7. Unitholders' Equity**

(1) Number of units

	Tenth Fiscal Period (Reference) For the period from November 1, 2010 to April 30, 2011	Eleventh Fiscal Period For the period from May 1, 2011 to October 31, 2011
Number of issuable investment units	2,000,000 units	2,000,000 units
Number of investment units issued and outstanding	155,000 units	155,000 units

**Note 8. Tax Effect Accounting**

1. Breakdown of deferred gains or losses by cause  
(Deferred Tax Assets)

(Thousand yen)

	Tenth Fiscal Period (Reference) For the period from November 1, 2010 to April 30, 2011	Eleventh Fiscal Period For the period from May 1, 2011 to October 31, 2011
Income taxes – current payable	18	21
Deferred gains or losses on hedges	—	—
Total deferred tax assets	18	21
(Net deferred tax assets)	18	21

2. Breakdown by main items that caused differences between the effective statutory tax rate and the effective tax rate after applying tax effect accounting.

	Tenth Fiscal Period (Reference) For the period from November 1, 2010 to April 30, 2011	Eleventh Fiscal Period For the period from May 1, 2011 to October 31, 2011
Effective statutory tax rate	39.33%	39.33%
(Adjustment)		
Deductible cash distributions	(39.31%)	(39.31%)
Other	0.03%	0.03%
Effective tax rate after applying tax effect accounting	0.05%	0.05%

### 3. Content and Impact of Changes in Income Tax, Etc. if Such Changes Were Made after the Settlement Dates

	Tenth Fiscal Period (Reference)	Eleventh Fiscal Period
	For the period from November 1, 2010 to April 30, 2011	For the period from May 1, 2011 to October 31, 2011
Content and Impact of Changes in Income Tax, Etc. if Such Changes Were Made after the Settlement Dates	—	The Act to Partially Revise the Income Tax Act, etc., in Order to Construct a Tax System Addressing Changes in the Socio-Economic Structure (Act No. 114 of 2011) and the Act on Special Measures for Securing Necessary Financial Resources to Implement Measures to Rebuild Areas Devastated by the Great East Japan Earthquake (Act No. 117 of 2011) were promulgated on December 2, 2011. In accordance with the promulgation, the effective statutory tax rate used to calculate the deferred tax assets and deferred tax liabilities concerning the temporary differences, etc. expected to be reversed in the accounting periods starting on May 1, 2012 and after will be changed. The change will have no impact on the deferred tax assets and the deferred tax liabilities of Top REIT.

#### Note 9. Leases

1. Finance lease transactions other than those recognized as being a transfer of ownership of the leased property to the lessee

*As lessee:*

- (1) Amount equivalent to acquisition value, amount equivalent to accumulated depreciation and amortization, and amount equivalent to the balance at the end of the fiscal period for leased properties

(Thousand yen)

	Tenth Fiscal Period (Reference)			Eleventh Fiscal Period		
	For the period from November 1, 2010 to April 30, 2011			For the period from May 1, 2011 to October 31, 2011		
	Amount equivalent to acquisition value	Amount equivalent to accumulated depreciation and amortization	Amount equivalent to balance at end of period	Amount equivalent to acquisition value	Amount equivalent to accumulated depreciation and amortization	Amount equivalent to balance at end of period
Machinery and equipment	4,950	3,948	1,001	4,950	4,301	648
Total	4,950	3,948	1,001	4,950	4,301	648

(Note) The amounts are shown for Top REIT's portion. The amounts are rounded down to the nearest thousand yen.

(2) Amount equivalent to the balance of future lease payments at the end of the fiscal period

(Thousand yen)

	Tenth Fiscal Period (Reference) For the period from November 1, 2010 to April 30, 2011	Eleventh Fiscal Period For the period from May 1, 2011 to October 31, 2011
Due within 1 year	766	713
Due over 1 year	326	—
Total	1,093	713

(Note) The amounts are shown for Top REIT's portion. The amounts are rounded down to the nearest thousand yen.

(3) Lease fees payable, amount equivalent to depreciation and amortization and amount equivalent to interest expenses

(Thousand yen)

	Tenth Fiscal Period (Reference) For the period from November 1, 2010 to April 30, 2011	Eleventh Fiscal Period For the period from May 1, 2011 to October 31, 2011
Lease fees payable	395	395
Amount equivalent to depreciation and amortization	353	353
Amount equivalent to interest expenses	21	15

(Note) The amounts are shown for Top REIT's portion. The amounts are rounded down to the nearest thousand yen.

(4) Method for calculating amount equivalent to depreciation and amortization and amount equivalent to interest expenses

- The amounts are calculated by the straight-line method, with the lease period as the useful life and zero as the residual value.
- The amount equivalent to interest expenses is calculated as the amount of difference in the total amount of lease fees and amount posted as lease assets, with the method for allocation to the respective fiscal periods based on the interest method.

## Note 10. Financial Instruments

Effective from the fiscal period ended October 31, 2010, Top REIT adopted the revised Accounting Standard, "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No.10 revised on March 10, 2010) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19 revised on March 10, 2010).

Information on financial instruments for the periods ended April 30, 2011 and October 31, 2011 required pursuant to the revised accounting standards are as follows:

### 1. Matters Concerning Status of Financial Instruments

#### (1) Policy for financial instruments

Top REIT procures necessary funds through bank loans, issuance of investment corporation bonds and issuance of investment units, with the aim of contributing to steady growth of assets managed and stable earnings from a mid-and long-term view in accordance with the financial policy stated by the asset manager. Although management of surplus funds by using financial instruments targeting securities, monetary claims, etc. in accordance with the investment limitations stipulated in the Articles of Incorporation, as a general rule, the surplus funds are managed by placing them in deposit.

Furthermore, derivative transactions shall be limited to those for the purpose of hedging interest rate fluctuation risk and other risks in accordance with the investment limitations.



(2) Financial Instruments, Their Risks and Risk Management System

Top REIT and Top REIT Asset Management, Co., Ltd. (TRAM), the asset management company of Top REIT, strive for advancing risk management through regular inspection of the adequacy and effectiveness of risk management systems. Top REIT and TRAM adopt the structure that inspects various risks regularly and reflects the results of inspection on the risk management plan and the management plans. In addition, Top REIT and TRAM inspect risks and reflect the results of inspection in the decision-making in a timely manner through various transactions.

Top REIT and TRAM strive for risk management based on the incorporation rules of the asset manager concerning individual financial instruments and their risks, and risk management system.

① Credit risk concerning deposit and derivative transaction

Deposits, especially time deposits of large amounts, are used for investment of Top REIT's surplus funds, these deposits are exposed to credit risk of bankruptcy of the depository financial institutions and others. Top REIT minimizes the risk through such measures as limiting them to short term deposits and setting the standard of credit rating for depository financial institutions and establishing rules for the ceiling amounts of deposit. Derivative transactions are exposed to credit risks of transaction parties, Top REIT limits credit risks by setting the standard of credit rating in transaction financial institutions and putting in place a structure to monitor deals, the amount of estimated values and credit status of transaction partners.

② Market risk concerning loans

Proceeds from loans and investment corporation bonds are used mainly to acquire real estate properties and refinance existing loans and bonds.

Loans, especially floating-rate borrowings, are exposed to market risks, Top REIT manages to hedge against interest-raising risk by fixed-rate interests entered into interest swap transactions and setting the target of fixed- rate interest ratios. In addition, when procuring new loans and refinancing, Top REIT inspects interest-raising risks and studies borrowing methods that minimize risks. For the hedging instruments and hedged items, hedging policy, method for assessing the effectiveness of hedging, etc. in hedge accounting, please refer to "6. Methods of Hedge Accounting" under "Note 2. Significant Accounting Policies" above.

③ Liquidity risk concerning borrowings and tenant leasehold used in cash flow, etc

Borrowings, investment corporation bonds and tenant leasehold are exposed to liquidity risk at the time of repayment of borrowing, redemption of investment corporation bonds and return of tenant leaseholds, but Top REIT manages these risks by preparing monthly fund management plans. In addition, Top REIT has established a management system for identifying liquidity risks regularly and at the time of various transactions by calculating the total amount of payments assumed, which is arrived at by taking the total amount of borrowings and tenant leaseholds, etc. that are to become due for repayment in the fiscal period and adding forecast dividends, and conducting a comparative inspection with liquidity on hand that factors in the liquidity of portfolio real estate properties and other assets under management.

(3) Supplemental Explanation About the Fair Value of Financial Instruments

The fair value of financial instruments is based on the quoted market price, if applicable. When there is no quoted market price available, fair value is reasonably estimated. Certain assumptions are used for the estimation of fair value. Accordingly, the result of such estimation may change if different assumptions are used. Furthermore, the contractual amounts of derivative transactions stated in "2. Matters Concerning Estimated Fair Value, etc. of Financial Instruments" below do not represent the market risk involved in these derivative transactions.

## 2. Matters Concerning Estimated Fair Value, etc. of Financial Instruments

### For the period from November 1, 2010 to April 30, 2011 (10th fiscal period) (Reference)

The following table includes the book value, fair value and valuation difference of financial instruments as of April 30, 2011. The financial instruments that are recognized to be extremely difficult to estimate the fair value for are not included in the table. (Please refer to Note 2).

(Thousand yen)

	As of April 30, 2011		
	Book value	Fair value	Difference
(1) Cash and deposits	8,244,212	8,244,212	—
(2) Cash and deposits in trust	4,204,759	4,204,759	—
Total assets	12,448,972	12,448,972	—
(3) Current portion of long-term loans payable	19,175,000	19,176,306	1,306
(4) Investment corporation bond	8,500,000	8,500,850	850
(5) Long-term loans payable	66,430,000	66,978,398	548,398
Total liabilities	94,105,000	94,655,554	550,554
Derivative transactions			
Applied hedge accounting	—	—	—
Total derivative transactions	—	—	—

(Note 1) Methods for calculating the fair value of financial instruments and matters related to derivative transactions

#### Assets

- (1) Cash and deposits, and  
(2) Cash and deposits in trust

As these are settled within a short period of time, the fair value is approximately the same as the book value and is thus stated at that book value.

#### Liabilities

- (3) Current portion of long-term loans payable, and  
(5) Long-term loans payable

For long-term loans payable with floating interest rates, the fair value would be almost equal to the book value because such loans reflect the market interest rate in a short-term period and thus are based on the concerned book value.

For fixed-rate long-term loans payable, the fair value is the present value calculated by discounting the sum total amount of its principal and interest payment on a rate reasonably estimated to be applicable to similar long-term loans.

Furthermore, the fair value of long-term loans payable that qualifies for the special treatment of interest-rate swap (refer to Derivative Transactions below) is the present value calculated by the discounted sum total of its principal and interest payments net calculated from the interest-rate swap on a rate reasonably estimated to be applicable to similar fixed-rate long-term loans.

- (4) Investment corporation bonds

The fair value of investment corporation bonds issued by Top REIT is based on reference trading statistics of the Japan Securities Dealers Association.

Derivative Transactions  
Hedge accounting applied

The following are the contract values or values corresponding to the principal amounts as stipulated by contracts for derivative transactions as of date of settlement for each hedge accounting method applied.

(Thousand yen)

Hedge accounting method	Type of derivative transactions	Hedge item	Contract amount		Fair value	Method of calculating the fair value
				More than one year		
Special treatment of interest-rate swaps	Interest rate swap Pay fixed / receive floating	Long-term loans payable	33,500,000	33,500,000	(*1)	

(\*1) Since the derivative transactions accounted by special treatment of interest-rate swaps are treated as one transaction together with long-term loans payable which is the hedged item, the fair value is included in the fair value of the long-term loans payable (refer to Note 1(5)).

(Note 2) Financial instruments which are recognized to be extremely difficult to estimate the fair value of are as follows

(Thousand yen)

Item	Carrying value
Tenant leasehold and security deposits in trust (*2)	5,993,537
Total	5,993,537

(\*2) Tenant leasehold and security deposits in trust are not subject to fair value disclosure because arriving at the fair value is extremely difficult due to the fact that the contract termination period, which is the repayment date, is difficult to reasonably estimate as leases may be cancelled, renewed or re-signed even if a lease term is set in the lease contract, making a reasonable estimate of future cash flows difficult.

(Note 3) Redemption Schedule amount for Monetary Claims after the end of the period

(Thousand yen)

	Due within one year
Cash and deposits	8,244,212
Cash and deposits in trust	4,204,759
Total	12,448,972

(Note 4) Repayment Schedule amount for Investment Corporation Bonds and Long-Term Loans Payable after the end of the period

(Thousand yen)

	Due within one year	Due after one to two years	Due after two to three years	Due after three to four	Due after four to five years	Due after five years
Investment corporation bonds	—	—	—	—	8,500,000	—
Long-term loans payable	19,175,000	36,735,000	135,000	4,135,000	23,535,000	1,890,000
Total	19,175,000	36,735,000	135,000	4,135,000	32,035,000	1,890,000

**For the period from May 1, 2011 to October 31, 2011 (11th fiscal period)**

The following table includes the book value, fair value and valuation difference of financial instruments as of April 30, 2011. The financial instruments that are recognized to be extremely difficult to estimate the fair value for are not included in the table. (Please refer to Note 2).

(Thousand yen)

	As of October 31, 2011		
	Book value	Fair value	Difference
(1) Cash and deposits	5,405,178	5,405,178	—
(2) Cash and deposits in trust	4,512,649	4,512,649	—
Total assets	9,917,828	9,917,828	—
(3) Current portion of long-term loans payable	36,675,000	36,676,430	1,430
(4) Investment corporation bond	8,500,000	8,543,350	43,350
(5) Long-term loans payable	48,862,500	49,431,547	569,047
(6) Tenant leasehold and security deposits in trust	99,799	99,799	—
Total liabilities	94,137,299	94,751,127	613,828
Derivative transactions			
Applied hedge accounting	—	—	—
Total derivative transactions	—	—	—

(Note 1) Methods for calculating the fair value of financial instruments and matters related to derivative transactions

Assets

- (1) Cash and deposits, and  
(2) Cash and deposits in trust

As these are settled within a short period of time, the fair value is approximately the same as the book value and is thus stated at that book value.

Liabilities

- (3) Current portion of long-term loans payable, and  
(5) Long-term loans payable

For long-term loans payable with floating interest rates, the fair value would be almost equal to the book value because such loans reflect the market interest rate in a short-term period and thus are based on the concerned book value.

For fixed-rate long-term loans payable, the fair value is the present value calculated by discounting the sum total amount of its principal and interest payment on a rate reasonably estimated to be applicable to similar long-term loans.

Furthermore, the fair value of long-term loans payable that qualifies for the special treatment of interest-rate swap (refer to Derivative Transactions below) is the present value calculated by the discounted sum total of its principal and interest payments net calculated from the interest-rate swap on a rate reasonably estimated to be applicable to similar fixed-rate long-term loans.

- (4) Investment corporation bonds

The fair value of investment corporation bonds issued by Top REIT is based on reference trading statistics of the Japan Securities Dealers Association.

- (6) Tenant leasehold and security deposits in trust

As these are settled within a short period of time, the fair value is approximately the same as the book value and is thus stated at that book value.

Derivative Transactions  
Hedge accounting applied

The following are the contract values or values corresponding to the principal amounts as stipulated by contracts for derivative transactions as of date of settlement for each hedge accounting method applied.  
(Thousand yen)

Hedge accounting method	Type of derivative transactions	Hedge item	Contract amount		Fair value	Method of calculating the fair value
				More than one year		
Special treatment of interest-rate swaps	Interest rate swap Pay fixed / receive floating	Long-term loans payable	33,500,000	25,000,000	(*1)	

(\*1) Since the derivative transactions accounted by special treatment of interest-rate swaps are treated as one transaction together with long-term loans payable which is the hedged item, the fair value is included in the fair value of the long-term loans payable (refer to Note 1(5)).

(Note 2) Financial instruments which are recognized to be extremely difficult to estimate the fair value of are as follows  
(Thousand yen)

Item	Carrying value
Tenant leasehold and security deposits in trust (*2)	5,242,841
Total	5,242,841

(\*2) Tenant leasehold and security deposits in trust which excluded the above (6) are not subject to fair value disclosure because arriving at the fair value is extremely difficult due to the fact that the contract termination period, which is the repayment date, is difficult to reasonably estimate as leases may be cancelled, renewed or re-signed even if a lease term is set in the lease contract, making a reasonable estimate of future cash flows difficult.

(Note 3) Redemption Schedule amount for Monetary Claims after the end of the period

	Due within one year
Cash and deposits	5,405,178
Cash and deposits in trust	4,512,649
Total	9,917,828

(Note 4) Repayment Schedule amount for Investment Corporation Bonds and Long-Term Loans Payable after the end of the period

	(Thousand yen)					
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four	Due after four to five years	Due after five years
Investment corporation bonds	—	—	—	8,500,000	—	—
Long-term loans payable	36,675,000	19,235,000	4,135,000	135,000	23,535,000	1,822,500
Total	36,675,000	19,235,000	4,135,000	8,635,000	23,535,000	1,822,500

## Note 11. Investment and Rental Properties

Top REIT owns in the portfolio certain office buildings (including land), etc. located in Tokyo and other areas which are for lease.

The following table is the amount posted on the balance sheet, amounts of increase (decrease) during the previous period and fair value of these investment and rental properties as of the settlement date.

**For the period from November 1, 2010 to April 30, 2011 (10th fiscal period) (Reference)**

(Thousand yen)

Book value			Fair value at end of the period
Balance at the beginning of the period	Change during the period	Balance at the end of the period	
173,618,539	(624,137)	172,994,401	170,670,000

(Note 1) Summary of corresponding investment and rental properties are presented in "3-Status of Investment Assets."

(Note 2) Book value represents the acquisition cost less accumulated depreciation and amortization.

(Note 3) Of the amounts of increase (decrease) during the current period for investment and rental properties, the amount of decrease is mainly due to the depreciation and amortization.

(Note 4) Fair value at the end of the period is the appraisal value as appraised by an outside real estate appraiser.

Furthermore, loss and profit concerning investment and rental properties for fiscal period ended April 30, 2011 is presented in "Note 6. Statement of Income and Retained Earnings."

**For the period from May 1, 2011 to October 31, 2011 (11th fiscal period)**

(Thousand yen)

Book value			Fair value at end of the period
Balance at the beginning of the period	Change during the period	Balance at the end of the period	
172,994,401	1,750,753	174,745,154	172,310,000

(Note 1) Summary of corresponding investment and rental properties are presented in "3-Status of Investment Assets."

(Note 2) Book value represents the acquisition cost less accumulated depreciation and amortization.

(Note 3) Of the amounts of increase (decrease) during the current period for investment and rental properties, the amount of increase is primarily attributable acquisition of Impress Musashi-Koganei (1,323,817 thousand yen) and TOP Residence Yoga (1,251,527 thousand yen), and decrease is mainly due to the depreciation and amortization.

(Note 4) Fair value at the end of the period is the appraisal value as appraised by an outside real estate appraiser. Furthermore, fair value at the end of the period of Nittetsu Honmachi Building is calculated based on the disposal price (1,300,000 thousand yen) in sales agreement on October 28, 2011.

Furthermore, loss and profit concerning investment and rental properties for fiscal period ended October 31, 2011 is presented in "Note 6. Statement of Income and Retained Earnings."

**Note 12. Transactions with Interested Parties**

**For the period from November 1, 2010 to April 30, 2011 (10th fiscal period) (Reference)**

Attribution	Company name	Business description or occupation	Ratio of investment units held among total number of investment units	Type of transaction	Amount of transaction (thousand yen) (Note)	Item in balance sheets	Balance at period end (thousand yen) (Note)	
Assets custodian	The Sumitomo Trust and Banking Co., Ltd.	Banking	2.05%	Administrative service fee	63,117	Accounts payable-other	57,441	
				Trust fees	17,737	Operating accounts payable	—	
				Other fees paid	1,373			
				Property management expenses	1,250	Long-term prepaid expenses	2,580	
				Other non-operating expenses	342		Prepaid expenses	720
				Borrowing related expenses	39,913		Long-term prepaid expenses	129,372
				Investment corporation bond related expenses	623	Accounts payable-other	53	
						Investment corporation bond issuance expenses	4,672	

(Note) Consumption tax, etc. are excluded from the amounts of transactions. Consumption tax, etc. are included in the balances at end period, but excluded only for investment corporation bond issuance costs.

Furthermore, transaction terms are determined based on prevailing market conditions.

**For the period from May 1, 2011 to October 31, 2011 (11th fiscal period)**

Attribution	Company name	Business description or occupation	Ratio of investment units held among total number of investment units	Type of transaction	Amount of transaction (thousand yen) (Note)	Item in balance sheets	Balance at period end (thousand yen) (Note)
Assets custodian	The Sumitomo Trust and Banking Co., Ltd.	Banking	2.05%	Administrative service fee	63,912	Accounts payable-other	57,382
				Trust fees	17,750	Operating accounts payable	—
				Other fees paid	1,369		
				Property management expenses	1,250		
				Other operating expenses	729	Accounts payable-other	—
				Other non-operating expenses	342	Long-term prepaid expenses	2,220
						Prepaid expenses	720
				Borrowing related expenses	51,145	Long-term prepaid expenses	103,233
						Prepaid expenses	58,601
				Investment corporation bond related expenses	624	Accounts payable-other	54
Investment corporation bond issuance expenses	4,111						

(Note) Consumption tax, etc. are excluded from the amounts of transactions. Consumption tax, etc. are included in the balances at end period, but excluded only for investment corporation bond issuance costs. Furthermore, transaction terms are determined based on prevailing market conditions.

**Note 13. Per Unit Information**

Tenth Fiscal Period (Reference) For the period from November 1, 2010 to April 30, 2011		Eleventh Fiscal Period For the period from May 1, 2011 to October 31, 2011	
Net Assets per Unit	544,632 yen	Net Assets per Unit	543,520 yen
Net Income per Unit	13,922 yen	Net Income per Unit	12,809 yen
Diluted net income per unit has not been presented since there are no outstanding warrants or convertible bonds.		Diluted net income per unit has not been presented since there are no outstanding warrants or convertible bonds.	

(Note) The per unit amounts are rounded to the nearest yen.

(Note) Base of calculation of net income per unit is as follows:

	Tenth Fiscal Period (Reference) For the period from November 1, 2010 to April 30, 2011	Eleventh Fiscal Period For the period from May 1, 2011 to October 31, 2011
Net Income (thousand yen)	2,157,891	1,985,460
Amounts not attributable to ordinary unitholders (thousand yen)	—	—
Net income attributable to ordinary investment unit (thousand yen)	2,157,891	1,985,460
Weighted-average number of units during the period (unit)	155,000	155,000

#### Note 14. Significant Subsequent Events

Tenth Fiscal Period (Reference) For the period from November 1, 2010 to April 30, 2011	Eleventh Fiscal Period For the period from May 1, 2011 to October 31, 2011
There is none applicable	<p>Regarding the Disposition of Assets</p> <p>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.</p> <p>&lt;Overview of Disposition&gt;</p> <ul style="list-style-type: none"> <li>(x) Disposed Assets: Trust beneficiary interest in real estate in Japan</li> <li>(xi) Name of Property: Nittetsu Honmachi Building</li> <li>(xii) Address: 1-10-24, Utsubohonmachi, Nishi Ward, Osaka City, Osaka (residential building address)</li> <li>(xiii) Disposition Price: ¥1,300 million</li> <li>(xiv) Book Value: ¥1,003 million (as of October 31, 2011)</li> <li>(xv) Capital Gains: Approximately ¥250 million</li> <li>(xvi) Sales Agreement Date: October 28, 2011</li> <li>(xvii) Disposition Date: November 25, 2011</li> <li>(vix) Purchaser: SK Housing Corporation</li> </ul>



## VI. Statements of Cash Dividend Distributions

Classification	Tenth Fiscal Period (Reference) For the period from November 1, 2010 to April 30, 2011	Eleventh Fiscal Period 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	<u>8,140</u>	<u>73,894</u>

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 Law.” 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 Law.” 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.

### Disclaimer:

The accompanying English financial information, comprising of balance sheets, statements of retained earnings, statements of changes in unitholders’ capital, notes to financial information and statements of cash dividends, have been translated from the Japanese financial statements of Top REIT prepared in accordance with the Law Concerning Investment Trusts and Investment Corporations of Japan.

Under Article 130 of the Law Concerning Investment Trusts and Investment Corporations of Japan, the Japanese financial statements for the fiscal period ended October 31, 2011 have been audited by KPMG AZUSA, in accordance with auditing standards generally accepted in Japan. However, this English translation of the Japanese language report of independent auditors is not attached herein because the accompanying English translation of balance sheets, statements of retained earnings, statements of changes in unitholders’ capital, notes to financial information and statements of cash dividends are unaudited.

## VII. Statements of Cash Flows (Reference Information)

(Unit: thousand yen)

	Tenth Fiscal Period (Reference) (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

**Note Concerning Significant Accounting Policy [Reference Information]**

Classification	Tenth Fiscal Period (Reference) For the period from November 1, 2010 to April 30, 2011	Eleventh Fiscal Period For the period from May 1, 2011 to October 31, 2011
Scope of funds in statements of cash flows	Funds (cash and cash equivalents) in statements of cash flows consist of cash on hand and cash in trust, deposits placed with banks and deposits in trust that can be withdrawn at any time, and short-term investments that are highly liquid and easily convertible to cash, have a low risk of price fluctuation and mature within three months from the date of purchase.	Funds (cash and cash equivalents) in statements of cash flows consist of cash on hand and cash in trust, deposits placed with banks and deposits in trust that can be withdrawn at any time, and short-term investments that are highly liquid and easily convertible to cash, have a low risk of price fluctuation and mature within three months from the date of purchase.

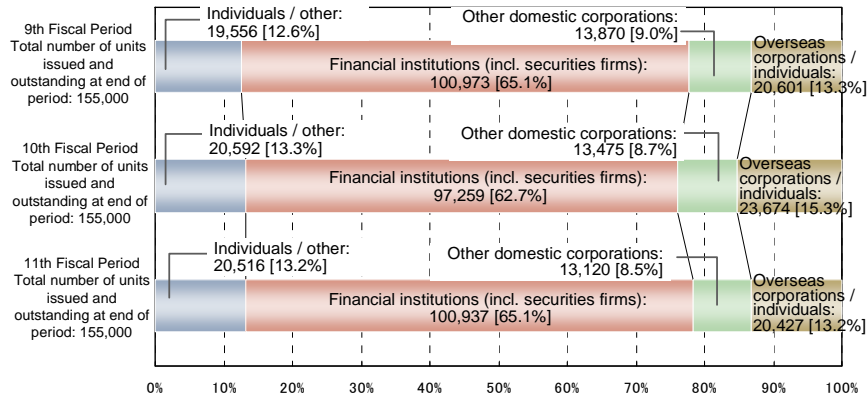
**Note Concerning Statements of Cash Flows [Reference Information]**

Tenth Fiscal Period (Reference) For the period from November 1, 2010 to April 30, 2011	Eleventh Fiscal Period For the period from May 1, 2011 to October 31, 2011												
<p>*1. Reconciliation of cash and cash equivalents at end of period and amount of items presented in balance sheets</p> <p style="text-align: right;">(as of April 30, 2011) (Unit: thousand yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash and deposits</td> <td style="text-align: right;">8,244,212</td> </tr> <tr> <td>Cash and deposits in trust</td> <td style="text-align: right;"><u>4,204,759</u></td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;"><u><u>12,448,972</u></u></td> </tr> </table>	Cash and deposits	8,244,212	Cash and deposits in trust	<u>4,204,759</u>	Cash and cash equivalents	<u><u>12,448,972</u></u>	<p>*1. Reconciliation of cash and cash equivalents at end of period and amount of items presented in balance sheets</p> <p style="text-align: right;">(as of October 31, 2011) (Unit: thousand yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash and deposits</td> <td style="text-align: right;">5,405,178</td> </tr> <tr> <td>Cash and deposits in trust</td> <td style="text-align: right;"><u>4,512,649</u></td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;"><u><u>9,917,828</u></u></td> </tr> </table>	Cash and deposits	5,405,178	Cash and deposits in trust	<u>4,512,649</u>	Cash and cash equivalents	<u><u>9,917,828</u></u>
Cash and deposits	8,244,212												
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Cash and deposits in trust	<u>4,512,649</u>												
Cash and cash equivalents	<u><u>9,917,828</u></u>												

## VIII. Stock and Unitholders Information



### No. of Units Held



### No. of Unitholders

