



**TOP REIT, Inc.**

(TSE Code: 8982)



Presentation on Business Results for the First Fiscal Period

(November 2, 2005 – October 31, 2006)

December 19, 2006

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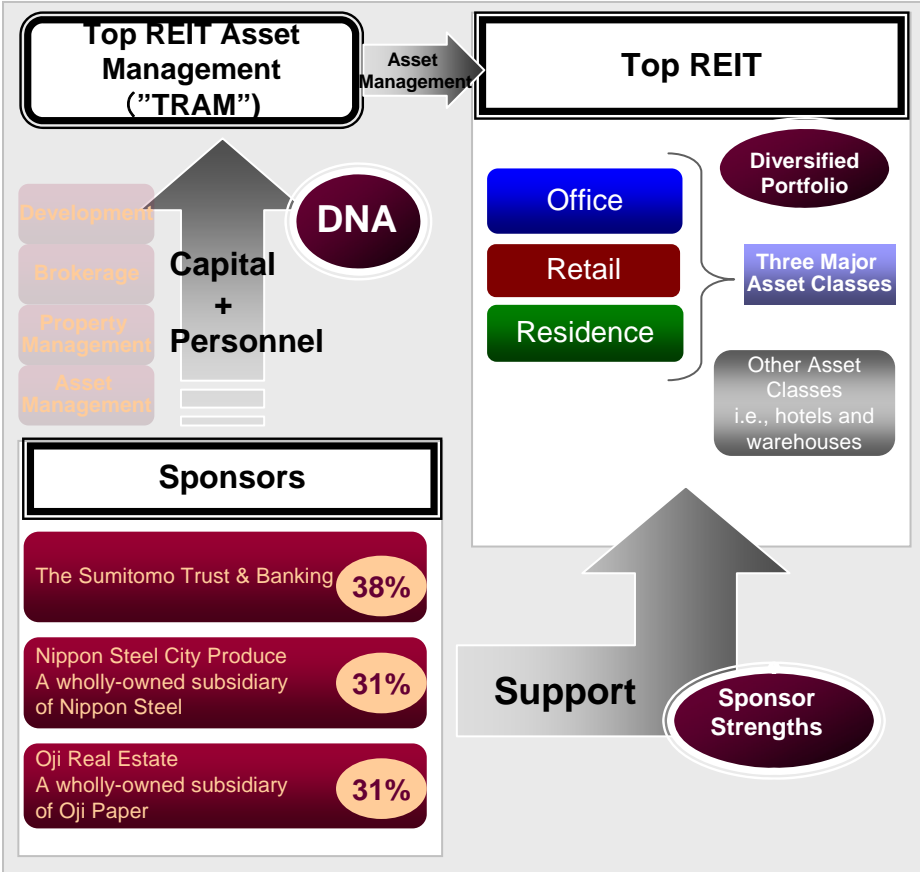
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## I About Top REIT

# I-1 Characteristics and Investment Strategies of Top REIT



## 1. Skilled Management of a Diversified Portfolio

Pursuing both steady growth and quality through a blue-chip portfolio of excellent properties and prudent management measures firmly founded in real estate expertise

Strategic application of commissioned reports from a think tank

## 2. Optimal Application of Sponsor Strengths

Ensuring steady growth through the pipeline and warehousing functions of sponsors

Applying unique sponsor strengths to secure growth in asset value

Ensuring Steady Income

Steady Growth of Portfolio

**Maximizing Investor Value**

## Utilizing Sponsor Strengths

- Sponsor skills shall be utilized to achieve steady growth by applying their real estate development abilities, brokerage networks and management skills, including leasing activities that utilize the leasing demand of our sponsor groups.
- Number of group companies
 

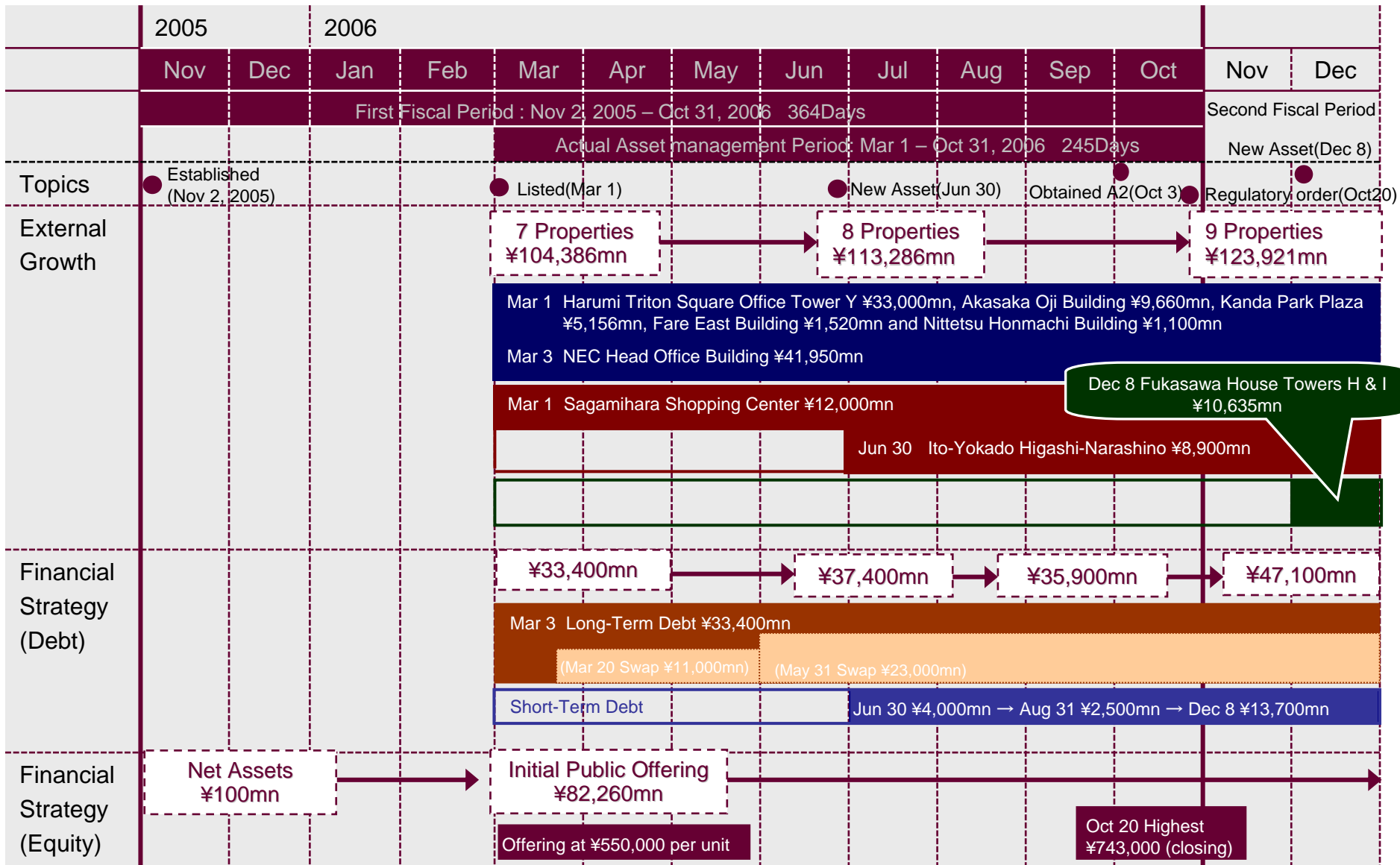
Sumitomo Trust Group	34
Nippon Steel Group	321
Oji Paper Group	307

## Inheriting Sponsors' DNA

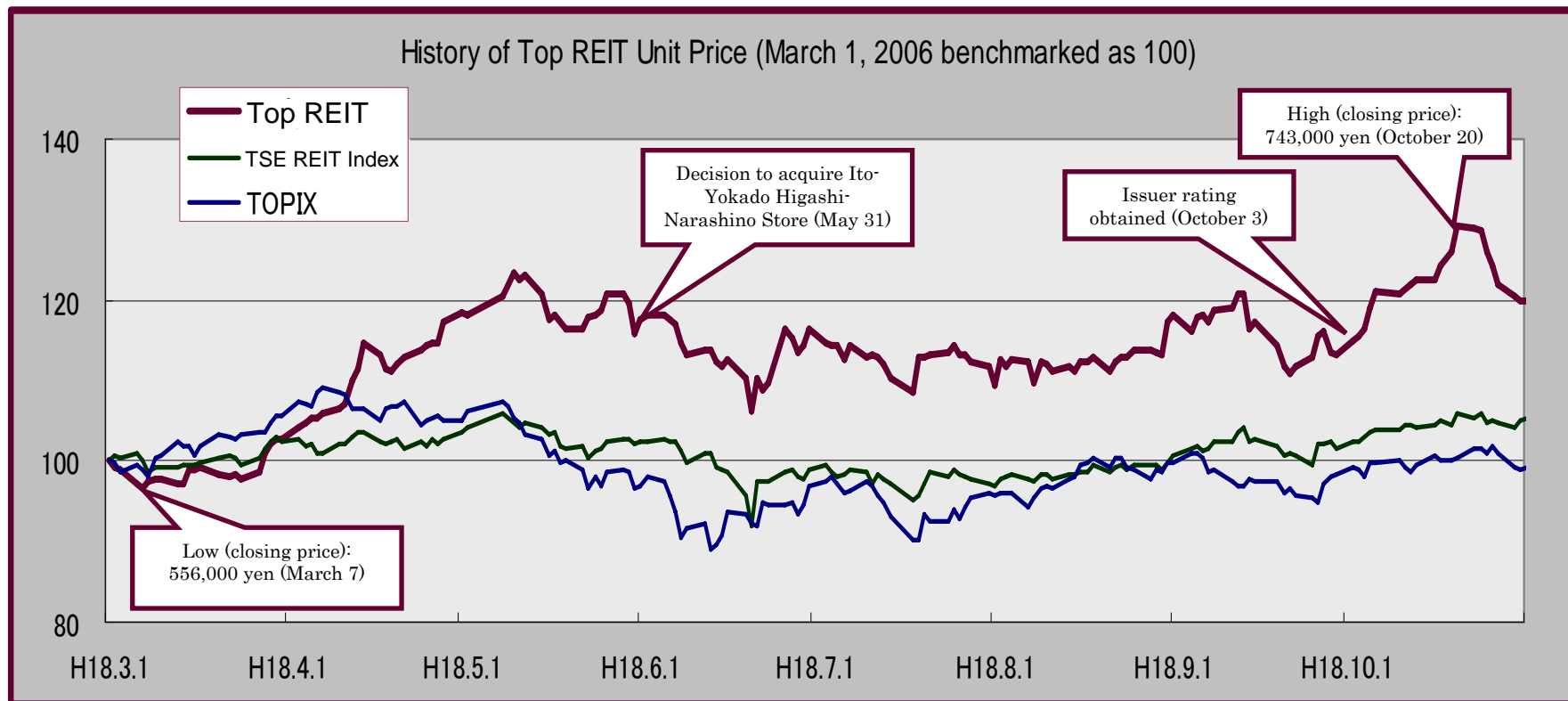
- Top REIT Asset Management ("TRAM") was established in collaboration with three firms – The Sumitomo Trust & Banking, Nippon Steel City Produce and Oji Real Estate.
- Excellent personnel have been dispatched to TRAM from the three sponsors to ensure real estate investment expertise as well as inheritance of their corporate groups' assets, that is, a long-term strategic view and diversified know-how acquired through each of the sponsor's businesses.

## II First Fiscal Period Results (Period Ended October 2006)

# II-1 Highlights of the First Fiscal Period Activities



## II-2 Unit Price Performance During the First Fiscal Period



Term-end Unit Price (closing)	¥689,000 Oct 31, 2006	IPO Price	¥550,000	—
		Highest since IPO (Closing)	¥743,000	Oct 20, 2006
		Lowest since IPO (Closing)	¥556,000	Mar 7, 2006

## II-3 Results of the First Fiscal Period (Summary)

Item	Actual Period of Asset Management From Mar 1 to Oct 31, 2006	Forecast based on Mar 1, 2006	Changes
Length of Actual Asset Management (days)	245	245	0
Operating Revenue	¥5,420mn	¥5,190mn	+ ¥230mn
Operating Income	¥3,258mn	–	–
Ordinary Income	¥2,731mn	¥2,487mn	+ ¥243mn
Net Income	¥2,729mn	¥2,487mn	+ ¥241mn
Total Assets	¥128,340mn	–	–
Interest-bearing Debt	¥37,355mn	–	–
Total Debt	¥35,900mn	¥33,400mn	+ ¥2,500mn
Net Assets	¥84,903mn	–	–
Total Paid-in Capital	¥82,260mn	¥82,260mn	¥0mn
Total Dividend Amount	¥2,729mn	¥2,487mn	+ ¥241mn
Outstanding Investment Units	155,000	155,000	0
Dividend per Unit	¥17,609	¥16,050	+ ¥1,559
Number of Properties	8	7	+1
Appraisal Value as of Oct 31, 2006	¥127,442mn	–	–

### Difference between Forecast and Actual Results

#### Operating Revenue: + ¥230mn

➢ Acquisition of Ito-Yokado Higashi-Narashino: + ¥242mn

#### Ordinary Income: + ¥243mn

➢ Acquisition of Ito-Yokado Higashi-Narashino: + ¥107mn  
 ➢ Reduction of Repairing Costs: + ¥49mn  
 ➢ Reduction of New Investment Unit Issuance Costs: + ¥78mn

### Other Reference

Number of Tenants	34
Total Rentable Area	229,231.70 sq m
Occupancy Rate	99.9%
Current Depreciation	¥980mn
Current Capital Expenditures	¥241mn
Term-end Unit Price	¥689,000
Term-end Market Capitalization	¥106,795mn



## II-4 Income Statements (Summary) / Dividend Statement

Accounting Item	1 <sup>st</sup> Period Nov 2, 2005 – Oct 31, 2006	
	Value (million yen)	Percentage (%)
Ordinary Income and Expenses		
I Operating Income and Expenses		
1. Operating Income	5,420	100.0
Rental Income	5,420	
2. Operating Expenses	2,161	39.9
Rental expenses	1,632	
Asset management fees	414	
Other operating expenses	114	
<b>Operating Income</b>	<b>3,258</b>	<b>60.1</b>
II Non-Operating Income and Expenses		
1. Non-Operating Income	4	0.1
Interest received	2	
Other non-operating income	2	
2. Non-Operating Expenses	532	9.8
Interest paid	273	
Amortization of funding costs	11	
New investment unit issue costs	190	
Other non-operating expenses	57	
<b>Ordinary Income</b>	<b>2,731</b>	<b>50.4</b>
Net income before income taxes	2,731	
Corporate residents and business taxes	1	
Corporate tax adjustment	(0)	
<b>Net Income</b>	<b>2,729</b>	<b>50.4</b>
<b>Retained Earnings at the End of Period</b>	<b>2,729</b>	

### ■ Dividend Statement

Accounting Item	1 <sup>st</sup> Period Nov 2, 2005 – Oct 31, 2006	
	Value (million yen)	
Retained earnings at end of period		2,729
Total Dividend Amount		2,729
(Dividend per Unit)		(17,609 yen)
Retained earnings carried forward		0

#### 【External Growth】

- Acquisition of Ito-Yokado Higashi-Narashino Store

#### 【Internal Growth】

- Portfolio occupancy rate at period end: 99.9%

#### 【Rental expenses】

- Depreciation: 980 million yen
- Management expenses: 367 million yen
- Repair and maintenance: 66 million yen
- Others

#### 【New investment unit issue costs】

- Expenses related to listing on the Tokyo Stock Exchange, etc.

## II-5 Balance Sheets (Summary)

Accounting Item	1 <sup>st</sup> Fiscal Period (As of Oct 31, 2006)	
	Value (million yen)	Percentage (%)
<b>Assets</b>		
I Total Current Assets	11,979	9.4
Cash and deposits	2,453	
Cash and deposits held in trust	7,622	
Tenants receivables	29	
Consumption tax refund receivable (refundable)	1,846	
Other current assets	26	
II Total Fixed Assets	116,315	90.6
1. Total Investment Properties, net	116,187	90.5
Building, etc.	38,102	
Land	78,084	
2. Total Intangible Assets	0	0.0
Other intangible assets	0	0.0
3. Total Investment and Other Assets	128	0.1
Leasehold and security deposits	10	
Long-term prepaid expenses	41	
Deferred tax assets	55	
Other investments	20	
III Total Deferred Assets	45	0.0
Organization expenses (initial expense)	45	
<b>Total Assets</b>	<b>128,340</b>	<b>100.0</b>

Tenant leasehold and security deposits, etc.

Total debts:  
¥35,900mn (1)

Of which, interest-bearing debt:  
¥1,455mn (2)

(1) + (2)  
Total interest-bearing debt: ¥37,355mn

Accounting Item	1 <sup>st</sup> Fiscal Period (As of Oct 31, 2006)	
	Value (million yen)	Percentage (%)
<b>Liabilities</b>		
I Total Current Liabilities	4,088	3.1
Accounts payable	43	
Short-term debt	2,500	
Other account payable	819	
Expenses payable	49	
Rents received in advance	670	
Other current liabilities	5	
II Total Fixed Liabilities	39,347	30.7
Long-term debt	33,400	
Tenant Lease and security deposits in trust	5,774	
Derivative debt	173	
<b>Total Liabilities</b>	<b>43,436</b>	<b>33.8</b>
<b>Net Assets</b>		
I Total Unitholders' Equity	84,989	66.2
1. Unitholders' equity	82,260	64.1
2. Reserves		
Retained earnings at period end	2,729	
Total reserves	2,729	2.1
II Adjustments for valuation, conversion, etc.	(-86)	(0.0)
Deferred hedge losses	(-86)	
<b>Total Net Assets</b>	<b>84,903</b>	<b>66.2</b>
<b>Total Liabilities and Net Assets</b>	<b>128,340</b>	<b>100.0</b>

## II-6 Major Financial Indicators

Term	1 <sup>st</sup> Fiscal Period Results Nov 2, 2005 – Oct 31, 2006	Remarks
Actual Period of Asset Management	245 days	March 1, 2006 – October 31, 2006
Ratio of interest-bearing debt to total assets at period end	29.1%	Interest-bearing debt at period end/total assets at period end
Ratio of debt to total assets at period end (“LTV”)	28.0%	Total debt at period end/total assets at period end
Rental NOI (Net Operating Income)	¥4,768mn	Rental income – rental expenses + depreciation for the period
Semi-annualized	(¥3,551mn)	Rental NOI/245 days x 365 days/2
Rental NOI yield	6.3%	Rental NOI (semi-annualized) x 2/ total acquisition price of portfolio at period end
Funds from Operation (FFO)	¥3,709mn	Net income + depreciation
FFO per unit	¥23,932	FFO/number of outstanding units issued at period end
Return on Assets (ROA)	2.6%	Ordinary income/(total assets as of March 1, 2006 + average total assets at period end)/2
(Annualized)	(3.9%)	Converted to annual return based on real management period
Return on Equity (ROE)	3.4%	Net income/(net assets as of March 1, 2006 + average net assets at period end)/2
(Annualized)	(5.0%)	Converted to annual return based on real management period
Unitholders’ ratio at period end	66.2%	Unitholders’ equity at period end/total assets at period end

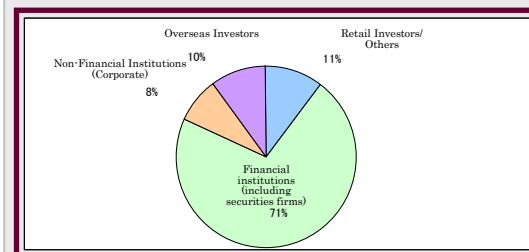
## II-7 Unitholders

Investor Criteria	Number of Unitholders	Share of Unitholders (%)	Number of Units Held	Share of Units Held (%)
Retail Investors/Others	5,769	94.1	16,470	10.6
Financial Institutions	171	2.8	110,045	71.0
Non-Financial Institutions (Corporate)	146	2.4	13,105	8.5
Overseas Investors	45	0.7	15,380	9.9
<b>Total</b>	<b>6,131</b>	<b>100.0</b>	<b>155,000</b>	<b>100.0</b>

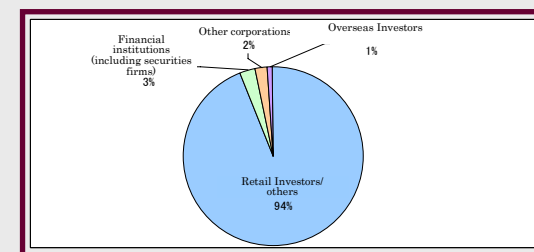
### ■ Top 15 Unitholders as of Oct 31, 2006

Rank	Name	Units	Share (%)
1	NikkoCiti Trust and Banking Corporation, trust account	11,880	7.66
2	The Master Trust Bank of Japan, trust account	10,868	7.01
3	Japan Trustee Service Bank, trust account	9,109	5.88
4	Trust and Custody Services Bank, trust account	8,241	5.32
5	The Bank of Ikeda	4,250	2.74
6	Resona Bank	4,159	2.68
7	The Jyo Bank	4,157	2.68
8	North Pacific Bank	4,130	2.66
9	American Life Insurance Company GAL	3,576	2.31
10	The Sumitomo Trust & Banking	3,176	2.05
11	Nippon Steel City Produce	3,162	2.04
11	Oji Real Estate	3,162	2.04
13	The Hiroshima Bank	3,060	1.97
14	The Fuji Fire and Marine Insurance	2,980	1.92
15	Trust and Custody Services Bank , money trust account	2,395	1.55
	<b>Total</b>	<b>78,305</b>	<b>50.52</b>

### ■ Number of units held



### ■ Number of unitholders



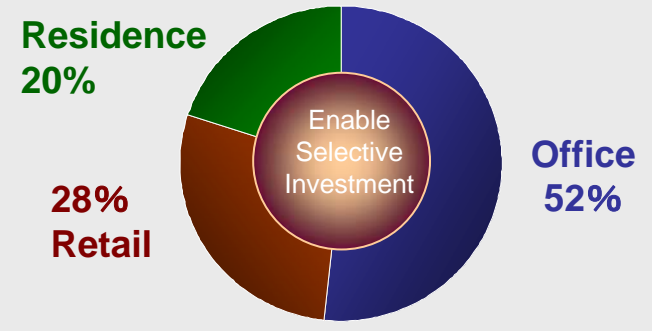
### III First Fiscal Period Operations (Period Ended October 2006)

# III-1 External Growth: Investment Policies

## Diversified Portfolio

Asset Class	Investment Focus	Allocation
Office	<u>Mainly in Central Tokyo</u> Three major metropolitan areas and core regional cities	Less Than 80%
Retail	Three major metropolitan areas and core regional cities	Less Than 50%
Residence	<u>Mainly in Tokyo Metropolitan Area</u> Plus three major metropolitan areas and core regional cities	Less Than 50%
Others	Investment focus will be determined based on characteristics of each asset	Less Than 10%

Estimated Candidate Real Estate Market Nationally :  
 Approx. JPY 54.5 Trillion  
 (Aggregation of three types of properties)



Source: STB Research Institute  
 "Estimated Investment Market Size by Property Type" dated Oct 31, 2005

Effectively Apply the Characteristics of Each Asset Class

Avoid a Bias with Certain Asset Classes

Pursuing External Growth

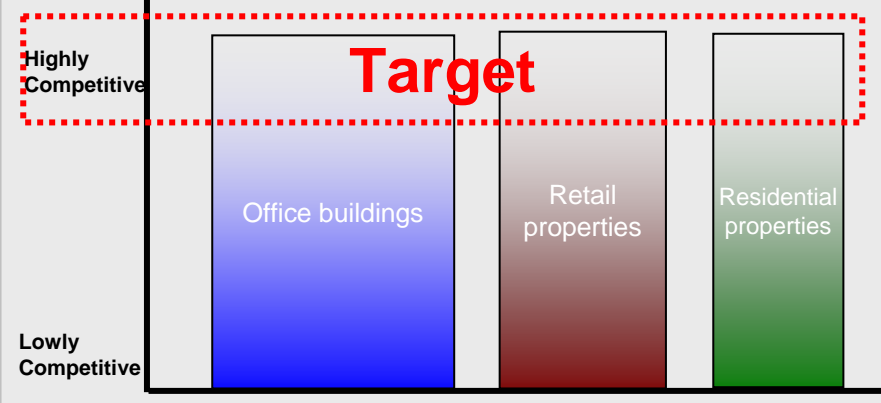
Focusing on Blue-Chip Properties

Pursuing Both Steady Growth and Quality

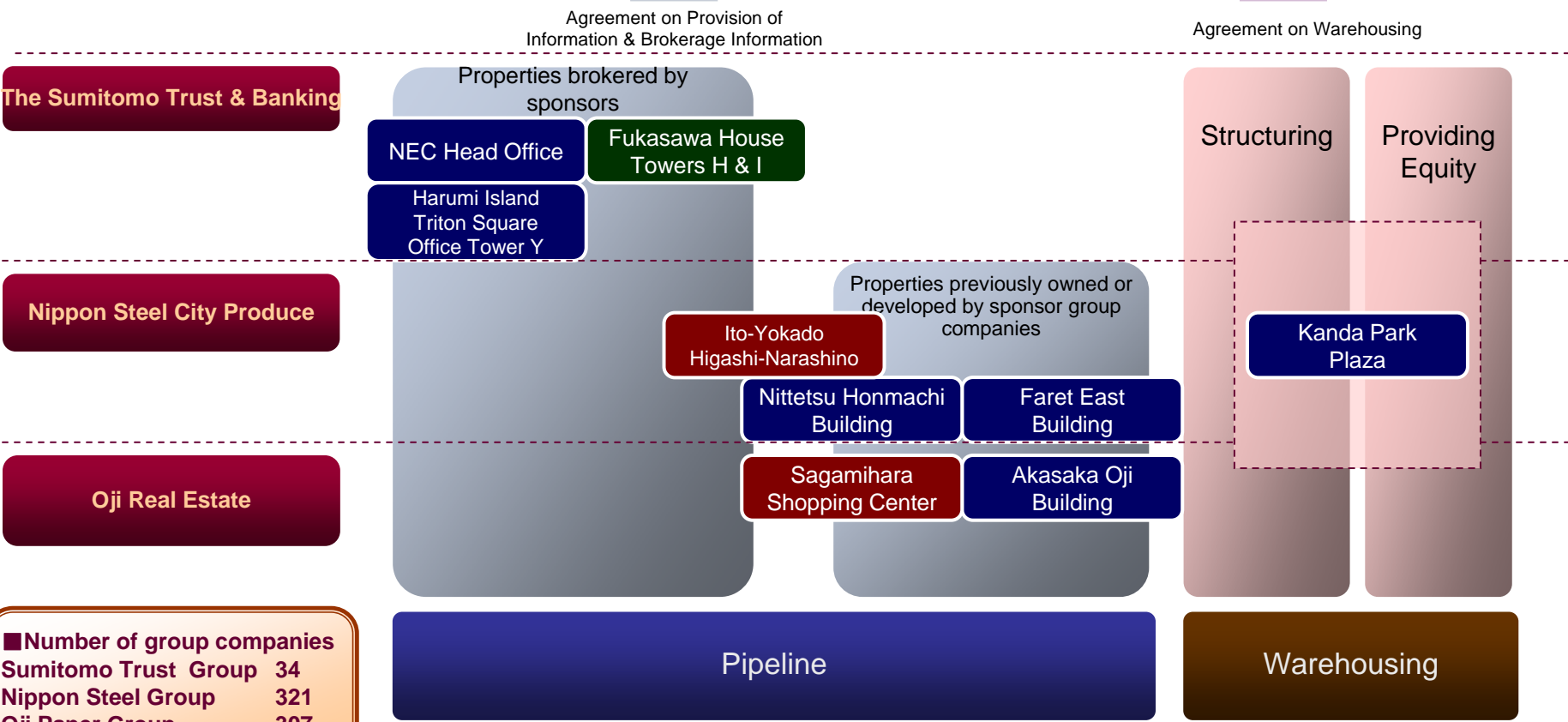
An array of Choices from Three Asset Class

Enable to Screen Competitive Properties

Pursuing steady external growth through a blue-chip portfolio of diverse asset types



# III-2 External Growth: Sponsors' Strengths



■ Number of group companies	
Sumitomo Trust Group	34
Nippon Steel Group	321
Oji Paper Group	307

### III-3 External Growth: Ito-Yokado Higashi-Narashino



Address	7-3-1 Higashi Narashino, Narashino City, Chiba
Acquisition Price	8.9 billion yen
Area of Land/Floor Space	29,854.57 m <sup>2</sup> / 45,338.37 m <sup>2</sup>
Structure/Floors	RC with a flat roof, etc./B1 4F, etc.
Completion	October 1994
Type of Title	Ownership

- Large scale Ito-Yokado oriented shopping center located in the suburbs of the Tokyo metropolitan area
- Acquired from Nippon Steel Welding Products & Engineering Co., Ltd., a Nippon Steel group firm, through the brokerage of Nippon Steel City Produce (use of the pipeline function (sponsor strength))



### III-4 External Growth: Fukasawa-House Tower H&I



Address	2-1-2 Fukasawa, Setagaya Ward, Tokyo
Acquisition Price	10.635 billion yen
Area of land/Floor Space	39,840.90m <sup>2</sup> /12,135.36m <sup>2</sup>
Structure/Floors	RC with concrete and flat rooves/14F above ground
Completion	June 2004
Type of Title	Compartmentalized ownership interest (Fukasawa House Tower H&I)

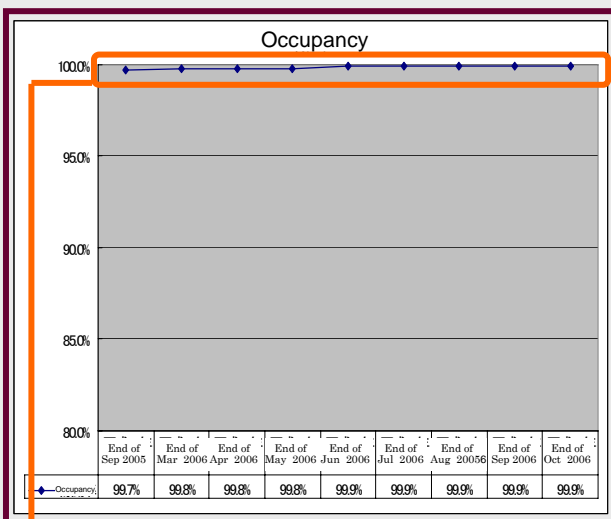
- First residential property acquired by Top REIT
- Rental housing block (Tower H&I) of Fukasawa House Project, a project rich in greenery developed as an essential element of a large-scale housing project
- **Acquired through brokerage of Sumitomo Trust & Banking (use of the pipeline function (sponsor strength))**

## III-5 Internal Growth: Maintaining High Occupancy Rate

### “Tenants First” = Maintaining and Enhancing Customer Satisfaction

- Reflecting demand from tenants for facility management plan, thus improving assets quality and value
- Deepening relationship with major tenants will support long-term stable cash flows

#### History of Occupancy



Maintaining High and Stable Occupancy  
Term End Occupancy Rate: 99.9%

#### Major Five Tenants

Name of Tenants	Type of Industry	Name of Properties	Rented Area	Share (%)
Ito-Yokado Co., Ltd.	Wholesale/Retail	Sagamihara Shopping Center/Ito-Yokado Higashi-Narashino	112,089.54m <sup>2</sup>	49.0
NEC	Manufacture	NEC Head Office Building	72,238.03m <sup>2</sup>	31.6
Sumitomo Metal Industries	Manufacture	Harumi Island Triton Square Office Tower Y	11,905.47m <sup>2</sup>	5.2
Japan Trustee Services Bank	Financial/Insurance	Harumi Island Triton Square Office Tower Y	7,753.13m <sup>2</sup>	3.4
Sony Computer Entertainment	Wholesale/Retail	Akasaka Oji Building	5,080.98m <sup>2</sup>	2.2

#### Leasing Agreement with Major Tenants

##### Leasing agreement with NEC

- 20-years fixed term leasing agreement that runs till December 28, 2025 has been signed, a rent for first eight years has been fixed Dec 28, 2013 (Cancellation option by tenants thereafter a certain conditions)

##### Leasing agreement with Ito-Yokado

- Long-term leasing agreement for Sagamihara is valid till Aug 10, 2013, and for Higashi-Narashino is valid till Nov 30, 2014.

# III-6 Internal Growth: Highlights of the First Fiscal Period

## Internal Growth Measures for Oji Akasaka Building



### 1. Termination of Master Lease and Replacement of Property Manager

Master lease contract with the former property manager was terminated and Oji Real Estate was hired as the new property manager. Termination of the master lease improve income.

### 2. Enhancing Parking Lot Revenue

Discussions were held with several parking lot managers to improve usage of the parking lot. Master leasing was arranged with PARK24 Co. Ltd. for the entire parking lot in December 2006.

## Internal Growth Measures for Kanda Park Plaza



### 1. Enhancement of building management specifications

Management specifications including cleaning and facility checking have been enhanced to improve tenant satisfaction. The enhancement will help Top REIT in future negotiations to revise rents upwards.

### 2. Changing the building maintenance company

In correlation with changes to the management specifications, the building maintenance company was selected through a bid. The work has been assigned to Nippon Steel Community Service Co., Ltd., as its proposal was most cost-efficient.

# III-7 Financial Strategies: Obtaining Credit Rating / Outstanding Debt as of end of First Fiscal Period



## Issuer Rating

A2 Stable

Assigned by Moody's Investors Service.

Top REIT has obtained an issuer rating of A2 (outlook: stable) on October 3, 2006 from Moody's Investors Service.

	Lender	Execution Date	Term-end Balance	Interest Rate	Date of Maturity	Remaining Period	Payment Method	Note
Short Term Debt	Sumitomo Trust Mizuho CB	June 30, 2006	2,500mn	0.74% (Floater)	June 29, 2007	8 Months	Bullet	Unsecured
	Sub-Total		2,500mn	0.74% (Avg.)	—	—		
Long Term Debt	Sumitomo Trust Mizuho CB SMBC Bank of Tokyo Mitsubishi UFJ Chuo Mitsui Trust Mitsubishi UFJ Trust	March 3, 2006	5,200mn	0.79% (Floater)	Mar 3, 2009	2Year & 4Months	Bullet	Unsecured
			5,500mn	1.39% (Fixed)				
			6,000mn	*Weighted average after interest rate swaps				
	3Years	Sub-Total		16,700mn	1.20% (Avg.)	—	—	
	Term Loan 1	Sumitomo Trust Mizuho CB SMBC Bank of Tokyo Mitsubishi UFJ Chuo Mitsui Trust Mitsubishi UFJ Trust	March 3, 2006	5,200mn	0.89% (Floater)	Mar 3, 2011	4Year & 4Months	Bullet
5,500mn				1.92% (Fixed)				
6,000mn				*Weighted average after interest rate swaps				
5 Years	Sub-Total		16,700mn	1.60% (Avg.)	—	—		
Sub-Total			33,400mn	1.40% (Avg.)	—	3Year & 4Months		
TOTAL			35,900mn	1.35% (Avg.)	—	3Years & 2Months(Avg.)		

Note: Interest rates are rounded to the second decimal point, and the remaining periods are rounded to a whole number. The averages for interest rates and remaining periods are weighted average figures using period-end balance.

# III-8 Financial Strategies: Countermeasure against Change in Interest Rate



Leverage Ratio: LTV (as of Oct 31, 2006) 28.0%

Total Debt ¥35.9bn (¥47.1bn, as of Dec 18, 2006)

As of Mar 3, 2006

Long-Term Debt: ¥33.4bn

Long-Term Debt to Total Debt: 100%

Fixed Debt: 0.0%

Total Debt: ¥33.4bn

As of Oct 31, 2006

Long-Term Debt: ¥33.4bn

(Fixed by Swap ¥23bn)

Short-Term Debt: ¥2.5bn

Long-Term Debt to Total Debt: 93.0%

Fixed Debt: 64.1%

Total Debt: ¥35.9bn

As of Dec 18, 2006

Long-Term Debt: ¥33.4bn

(Fixed by Swap ¥23bn)

Short-Term Debt:  
¥13.7bn

Fukasawa House  
¥11.2bn

Long-Term Debt to Total Debt: 70.9%

Fixed Debt: 48.8%

Total Debt: ¥47.1bn

## IV Portfolio Overview and Forecast for Second and Third Fiscal Periods

# IV-1 Appraisal Values as of end of First Fiscal Period

## ■ As of October 31, 2006

Unit: Million Yen

Asset Class	Area	Property	Date of Acquisition	Book Value	Acquisition Price (A)	Appraisal Value (B)	(B)-(A)	Acquisition CAP	Appraisal CAP
Office	Central Tokyo	NEC Head Office Building	Mar 3, 2006	43,475	41,950	47,050	5,100	4.5%	4.1%
		Harumi Island Triton Square Office Tower Y	Mar 1, 2006	33,670	33,000	39,100	6,100	5.3%	4.6%
		Akasaka Oji Building	Mar 1, 2006	9,964	9,660	11,700	2,040	4.8%	4.4%
		Kanda Park Plaza	Mar 1, 2006	5,191	5,156	5,202	46	5.2%	5.2%
	Tokyo Metropolitan	Faret East Building	Mar 1, 2006	1,512	1,520	2,140	620	6.3%	5.9%
	Kansai	Nittetsu Honmachi Building	Mar 1, 2006	1,118	1,110	1,140	40	6.5%	6.3%
Sub-Total (6 Properties)				94,932	92,386	106,332	13,946	4.9%	4.4%
Retail	Tokyo Metropolitan	Sagamihara Shopping Center	Mar 1, 2006	12,081	12,000	12,100	100	5.3%	5.3%
		Ito-Yokado Higashi-Narashino	June 30, 2006	9,173	8,900	9,010	110	6.3%	6.3%
	Sub-Total (2 Properties)				21,254	20,900	21,110	210	5.7%
Total (8 Properties)				116,187	113,286	127,442	14,156	5.1%	4.6%

## ■ Newly Acquired Property in the Second Fiscal Period

Asset Class	Area	Name of Property	Date of Acquisition	Book Value	Acquisition Price (A)	Appraisal Value (B)	(B)-(A)	Acquisition CAP	Appraisal CAP
Residential	Tokyo Metropolitan	Fukasawa House Towers H&I	Dec 8, 2006	—	10,635	10,500	-135	4.3%	—
Sub-Total (1 Property)				—	10,635	10,500	-135	4.3%	—
Total (9 Properties)				—	123,921	137,942	14,021	5.0%	—

Note: Appraisal CAPs are the cap rates used when calculating the capitalized value using the direct capitalization method.

CAPs indicated in the subtotal and total columns are average cap rates weighted by the acquisition price (at acquisition) or value calculated at period end (at period end).

# IV-2 Portfolio Data (Summary)

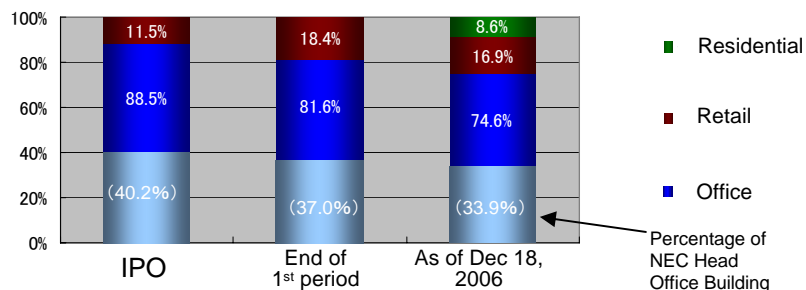
Acquisition Price ¥113.2bn (123.9bn (as of Dec. 18, 2006))

Rentable Area 229,231.70m<sup>2</sup> (240,589.14m<sup>2</sup> (as of Dec. 18, 2006))

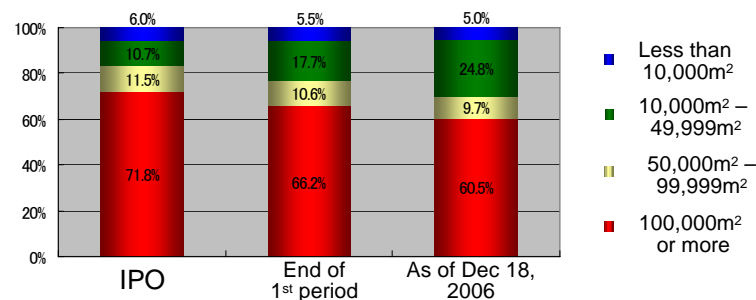
Number of Properties: 8 (9 (as of Dec. 18, 2006))

PML 2.1% (2.1% (as of Dec. 18, 2006))

## Usage

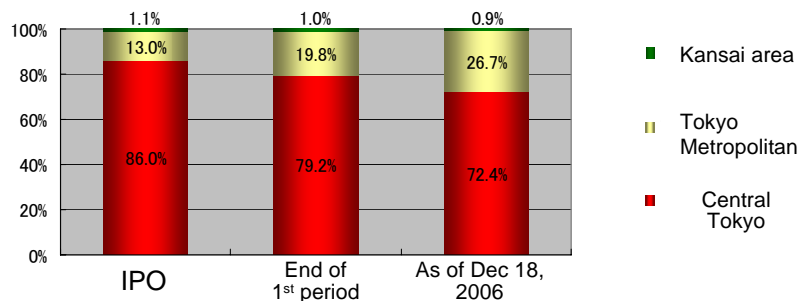


## Scale

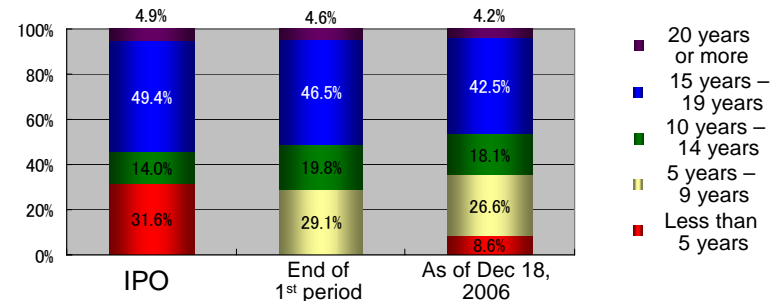


Note: This is based on floor area of whole one building.

## Area



## Age





## IV-3 Forecast for Second and Third Fiscal Periods

Item	Second Fiscal Period Nov 1, 2006 – Apr 30, 2007	Third Fiscal Period May 1, 2007 – Oct 31, 2007	First Fiscal Period Results Nov 2, 2005 – Oct 31, 2006	Reference only (First Fiscal Period Results) ÷ 245 Days × 365 Days ÷ 2
Length of Asset Management (days)	181	184	245 (Actual days of management)	182.5
Operating Revenue	¥4,437mn	¥4,498mn	¥5,420mn	¥4,037mn
Operating Expenses	¥1,994mn	¥2,433mn	¥2,161mn	¥1,610mn
Property expenses	¥616mn	¥1,050mn	¥652mn	¥485mn
Depreciation	¥858mn	¥872mn	¥980mn	¥730mn
Operating Income	¥2,443mn	¥2,064mn	¥3,258mn	¥2,427mn
Ordinary Income	¥2,093mn	¥1,628mn	¥2,731mn	¥2,034mn
Net Income	¥2,092mn	¥1,627mn	¥2,729mn	¥2,033mn
Number of Units Issued	155,000	155,000	155,000	155,000
Dividend per Unit	¥13,500	¥10,500	¥17,609	¥13,117
NOI (Rental)	¥3,820mn	¥3,447mn	¥4,768mn	¥3,551mn
FFO	¥2,951mn	¥2,500mn	¥3,709mn	¥2,763mn
Number of Properties Assumed	9 (including Fukasawa House)	9 (including Fukasawa House)	8	8

## V Growth Strategies

# V-1 External Growth Strategies

## External Growth Policy

Steps to Ensure Stable Dividend Growth in the Medium to Long Term

Intense Competition for Acquiring New Property

Utilizing Sponsor Strength

Pipeline & Warehousing Functions

Achieving External Growth

Pursuing Blue-Chip Properties

## Maximizing Investor Value through Stable Growth in Income and Portfolio Size

### Example of Property Acquisition Impact

#### Assumptions

NOI: 4.3% p.a.

Number of Units: 155,000

Cost of Debt: 1.4% p.a.

Acquisition Price: ¥10bn

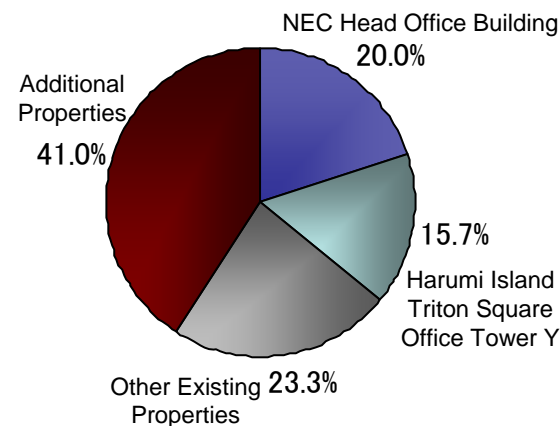
	Depreciation and Administrative Expenses Approx. ¥1.6mn p.a.
NOI 4.3% p.a. ¥4.3mn p.a.	Non-Operating Expenses Approx. ¥1.45mn p.a.
	Total Dividend Approx. ¥1.25mn p.a.

#### Effect on Dividend

Approx. ¥400 per Unit

### Ideal Portfolio Allocation in Medium Term

To lower concentration on NEC Head Office Building to 20%



Additional properties needing to be acquired: ¥86bn

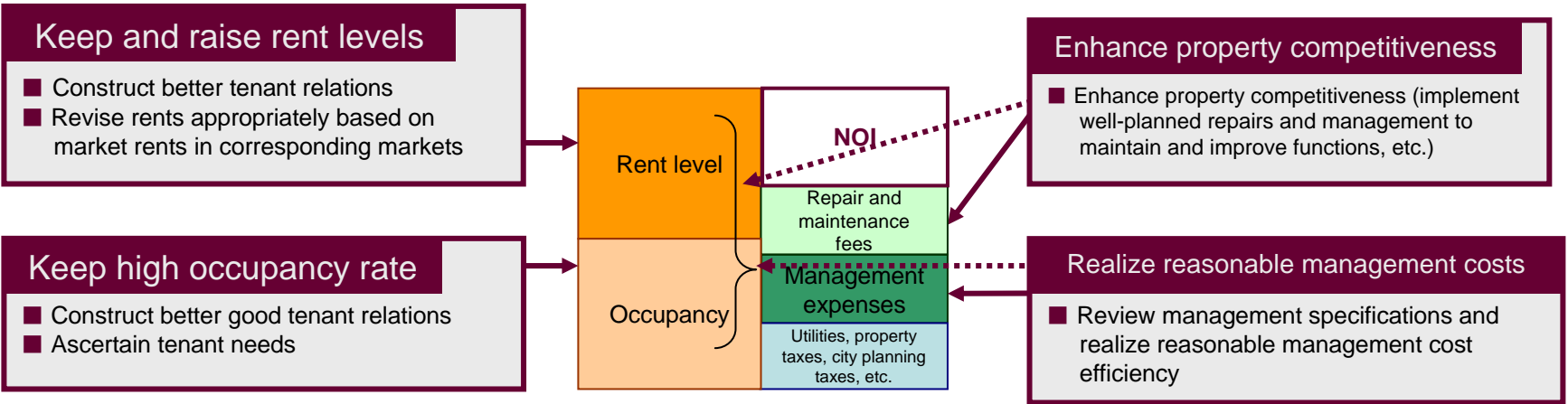
# V-2 Internal Growth Strategies

## Policy of Internal Growth

Endeavor to maintain and improve tenant satisfaction (“tenant first”) and aim to enhance medium- to long-term earnings

- (1) Construct better relations with tenants to maintain high occupancy.
- (2) Study and implement fine-tuned measures to increase earnings by sharing issues with property managers and taking advantage of characteristics of each property (semi-annual consultation to establish annual management plan, monthly meetings, etc.).
- (3) Secure and maintain property manage quality and promote cost management efficiency.

## Maintain and Enhance Medium- to Long-term Earnings



# V-3 Financial Strategies

## Conservative Financial Policy

- Conservative Financial Policy
- Diversifying Debt Maturities
- Countering Future Interest Rate Fluctuation

- Maintaining Multiple Financing Channels
- Maintaining Good Relationships with Prominent Lenders to Secure Stable Debt and Additional Borrowing Capability

## Maintaining a Conservative Leverage Ratio

<b>New Properties</b>	<b>Additional Borrowing Capability</b>	②
Total Acquisition Value ¥128.3bn	Debt ¥35.9bn	
	Deposit, etc. ¥7.5bn	
	Net Assets ¥84.9bn	

**Period-end LTV: 28%**

- Administering a financial strategy based on a very conservative LTV rate

**LTV Ceiling: 60%**

- Consistently maintain LTV at a conservative 40-50% to ensure financing capabilities for acquisitions

## VI Asset Management

## Summary of Business Improvement Plan

- (1) Reconfirm responsibilities of respective directors and receive pledges on compliance
- (2) Reinforce supervising functions by supervising directors
- (3) Prepare annual schedule for the meeting of the board of directors
- (4) Review operational rules for the meeting of the board of directors and clarify administrative procedures for operating such meetings

We sincerely apologize for any troubles and concerns to the investors and other related parties caused by this matter. We seriously take the administrative order imposed to us and honestly make every effort to carry out the business improvement plan and to achieve thorough compliance to prevent recurrence of such event.

## Overview of facts (reason for penalty)

- The first and fourth meetings of the board of directors held before listing (two meetings out of ten supposed to have been held between November 2005 and June 2006) (Agenda of the 1<sup>st</sup> meeting: Preparation of regulations and conclusion of agreements with service providers, Agenda of the 4<sup>th</sup> meeting: confirmation of general meeting of unitholders)
- The asset manager and executive director sent minute drafts and explained the content in advance to members of the board of directors' meeting.
- The members signed the minutes that were written as if the members had met and decided the listed content on a later date. (so-called "Circular resolutions")

## History

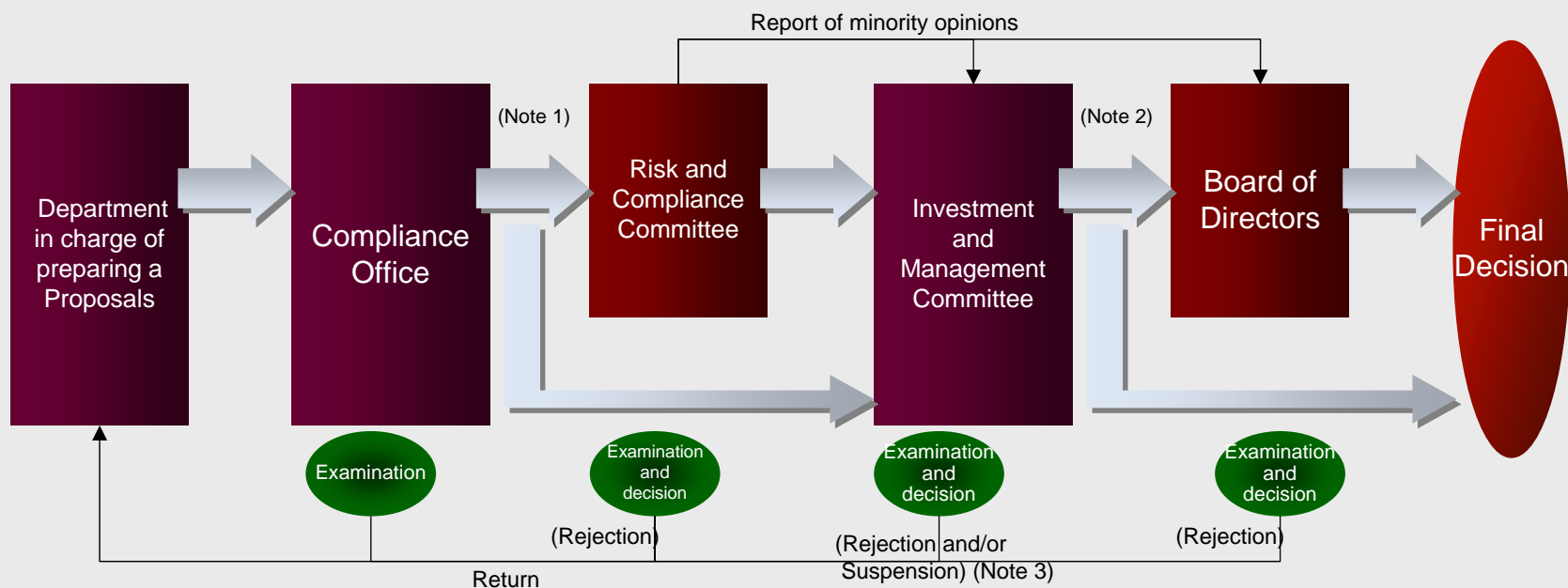
- (1) "Internal investigation"
- (2) July 7, 2006: Submitted "Internal Investigation Report" ( to the Commissioner of Financial Services Agency)
- (3) October 20, 2006: **Received "Business Improvement Order"** (from the Director of the Kanto Local Finance Bureau)
- (4) November 13, 2006: **Submitted "Business Improvement Report"** ( to the Director of Kanto Finance Bureau)

## Content of the Business Improvement Order

Taking into consideration that the legal requirements for the meeting of the board of directors have taken place, the following measures shall be implemented and the progress of implementation of such measures must be reported in writing to the Tokyo Local Finance Office by November 20, 2006.

- **Improve and reinforce the legal compliance system**
- **Prepare and implement measures to prevent reoccurrence, and clarify the responsibilities.**

## VI-2 Decision Making Process for Acquisition and Disposition of Properties



(Note 1) Proposals will be passed to the Risk and Compliance Committee if they fall on either of the followings:

- **Material transactions with interested parties** defined in the rules on transactions with interested parties (**unanimous vote** is required in this case)
- The head of the Compliance Office **recognizes** the discussion of the issues in the Risk and Compliance Committee to be necessary.

(Note 2) Proposals will be passed to the Board of Directors if they fall under any of the followings:

- The price of proposed acquisition or sale is **over 10 billion yen and over 10%** of Top REIT's total assets.
- Capital raising plans (Final decisions on raising capital shall be made by the Board of Directors of Top REIT.)
- **Material transactions with interested parties** defined in the rules on transactions with interested parties

(Note 3) **The head of the Compliance Office** can **suspend discussions and decisions** and return the item to the Department in charge of if he or she judges that the item has legal problems in the process of discussions or decision making at the Investment and Management Committee.



## VI-3 Overview of Asset Manager

**Name** Top REIT Asset Management Co., Ltd.

**Address** Nittetsu Nihonbashi Building  
1-13-1 Nihonbashi, Chuo Ward, Tokyo

**Established** Oct 22, 2004

**Paid-in Capital** ¥300mn  
**Shareholders** The Sumitomo Trust & Banking Co., Ltd. 38%  
Nippon Steel City Produce, Inc. 31%  
Oji Real Estate Co., Ltd. 31%

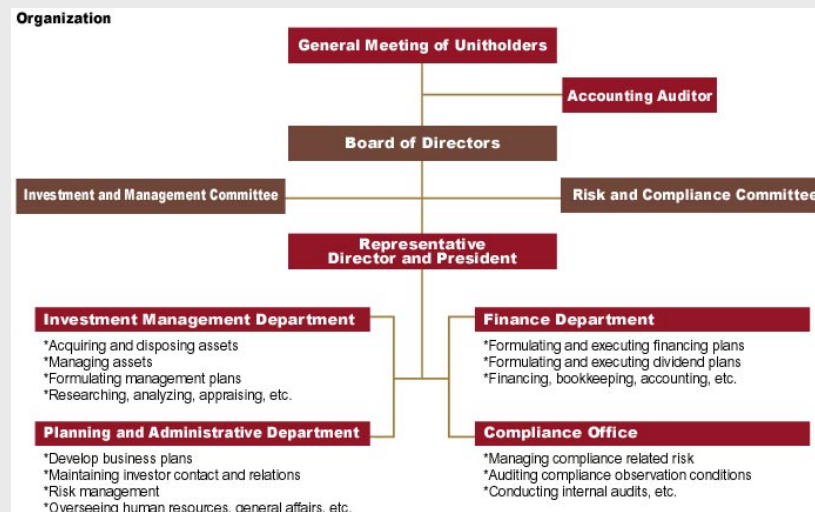
**Business Description** Investment trust manager and asset manager of J-REIT

**Directors**

President and Representative Director	: Kyoichi TSUCHIDA	
Director (External)	: Tsutomu MUKAIDA	(Oji Real Estate)
Director (External)	: Toshio KITA	(Nippon Steel City Produce)
Director (External)	: Hiroyuki OHTA	(Sumitomo Trust & Banking)
Auditor (External)	: Kazuharu KOTANI	(Oji Real Estate)

**Milestone**

Oct 22, 2004	: Top REIT Asset Management (“TRAM”) established
Dec 10, 2004	: TRAM obtained a license for real estate agent (The Governor’s of Tokyo No. (1) 83904)
May 10, 2005	: TRAM obtained an approval for discretionary agent license for real estate transaction (The Minister of Land, Infrastructure and Transport No. 35)
Jun 28, 2005	: TRAM obtained an approval for asset manager for investment corporation (The Prime Minister No. 47)
Nov 2, 2005	: TRAM entered into the Asset Management Agreement with Top REIT, Inc.



## VII Appendix

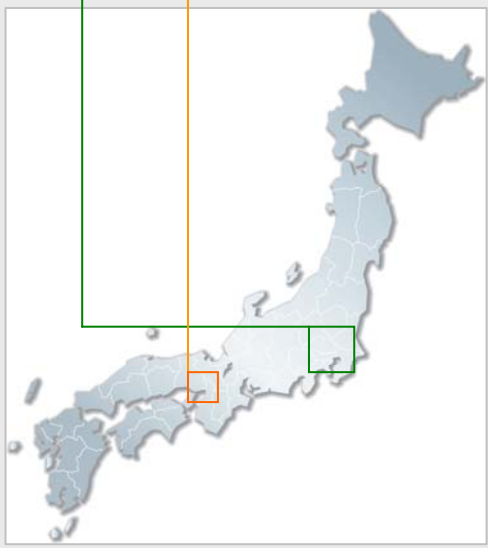
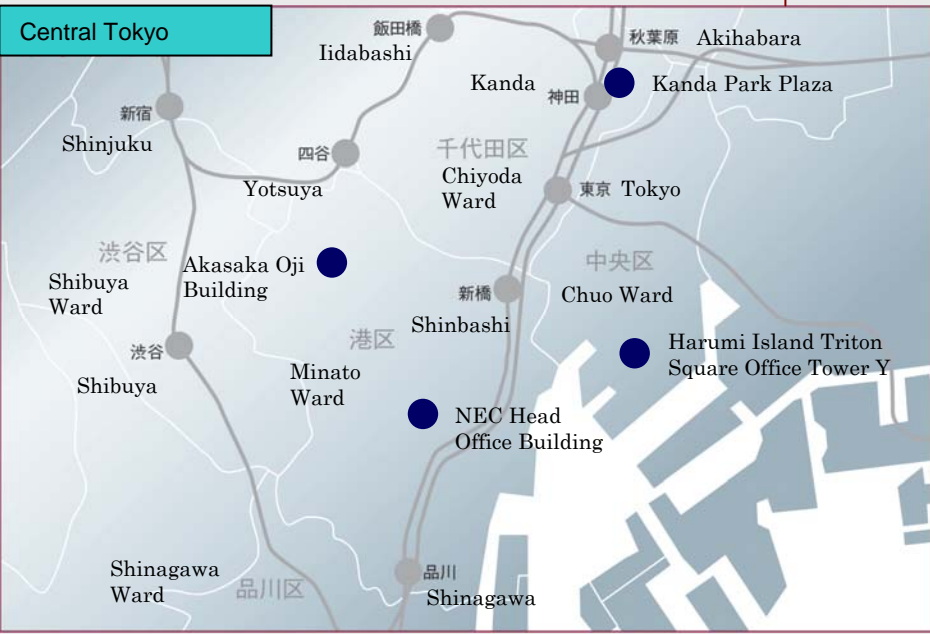
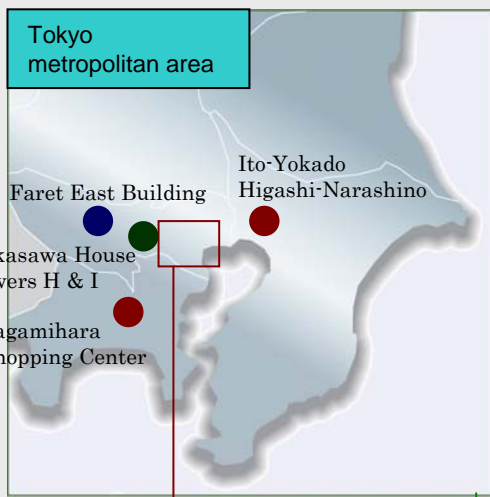
# VII-1 Portfolio Map



Fukasawa House Towers H & I



Harumi Island Triton Square Office Tower Y



Ito-Yokado Higashi-Narashino



NEC Head Office Building

## VII-2 Portfolio Overview

### ■ At End of First Fiscal Period

Asset Class	Area	Property	Address	Floor Area (m <sup>2</sup> )	Rentable Area (m <sup>2</sup> )	Completion	Acquisition Price	Share (%)	Occupancy (%)	No. of Tenants	PML (%)
Office	Central Tokyo	NEC Head Office Building	Minato Ward, Tokyo	144,476.05	72,238.03	Jan 1990	¥41,950mn	37.0 (33.9)	100.0	1	1.6
		Harumi Island Triton Square Office Tower Y	Chuo Ward, Tokyo	267,132.67	23,239.62	Oct 2001	¥33,000mn	29.1 (26.6)	98.8	7	1.4
		Akasaka Oji Building	Minato Ward, Tokyo	10,063.05	7,281.83	Apr 1989	¥9,660mn	8.5 (7.8)	100.0	3	6.3
		Kanda Park Plaza	Chiyoda Ward, Tokyo	5,511.83	4,537.66	Nov 1959	¥5,156mn	4.6 (4.2)	100.0	10	14.1
	Tokyo Metropolitan	Faret East Building	Tachikawa, Tokyo	16,206.34	4,663.33	Dec 1994	¥1,520mn	1.3 (1.2)	100.0	1	2.9
	Kansai	Nittetsu Honmachi Building	Osaka, Osaka	6,714.09	4,409.53	Jun 1991	¥1,100mn	1.0 (0.9)	100.0	9	8.0
Sub-Total (6 Properties)				—	116,370.00	—	¥92,386mn	81.6 (74.6)	—	31	—
Retail	Tokyo Metropolitan	Sagamihara Shopping Center	Sagamihara, Kanagawa	56,351.42	61,763.28	Aug 1993	¥12,000mn	10.6 (9.7)	100.0	2	3.8
		Ito-Yokado Higashi-Narashino	Narashino, Chiba	45,338.37	51,098.42	Oct 1994	¥8,900mn	7.9 (7.2)	100.0	1	7.7
	Sub-Total (2 Properties)				—	112,861.17	—	¥20,900mn	18.4 (16.9)	—	3
Total (8 Properties)				—	229,231.70	—	¥113,286mn	100.0 ( — )	99.9	34	2.1

### ■ New Property Acquired in Second Fiscal Period

Asset Class	Area	Property	Address	Floor Area (m <sup>2</sup> )	Rentable Area (m <sup>2</sup> )	Completion	Acquisition Price	Share (%)	Occupancy (%)	No. of Tenants	PML (%)	
Residential	Tokyo Metropolitan	Fukasawa House Towers H & I	Setagaya Ward, Tokyo	12,135.36	11,357.44	Jun 2004	¥10,635mn	— (8.6)	96.6	1	1.6	
	Sub-Total (1 Property)				—	11,357.44	—	¥10,635mn	— (8.6)	—	1	—
	Total (9 Properties)				—	240,589.14	—	¥123,921mn	— (100.0)	—	35	2.1

Note: The figures in parentheses in the investment ratio is the ratio after acquiring Fukasawa House Towers H & I.

## VII-3 Performance on Property basis

Unit: Million Yen

	NEC Head Office Building	Harumi Island Triton Square Office Tower Y	Akasaka Oji Building	Kanda Park Plaza	Faret East Building	Nittetsu Honmachi Building	Sagamihara Shopping Center	Ito-Yokado Higashi-Narashino
Length of Management (days)	243	245	245	245	245	245	245	124
Total Revenue	1,805	1,770	511	239	163	143	544	242
Rental Revenue	1,805	1,770	511	239	163	143	544	242
Property Related Expenses Total	5	361	123	33	62	44	15	5
Property Management Fees	-	248	52	11	31	20	2	0
Taxes and Public Charges	0	0	0	0	0	0	-	-
Utility Costs	-	105	22	15	27	12	-	-
Insurance Fees	2	3	0	0	0	0	2	0
Repair Expenses	-	1	44	2	-	7	9	1
Others	2	3	3	3	2	3	2	1
Net Operating Income	1,800	1,408	387	205	101	99	528	236
Depreciation & Amortization	302	348	37	16	39	30	103	102
Operating Income	1,498	1,060	350	189	61	68	424	134
Capital Expenditures	-	1	229	-	-	9	0	-

Plan to appropriate property taxes and city planning taxes in and after the 3<sup>rd</sup> fiscal period

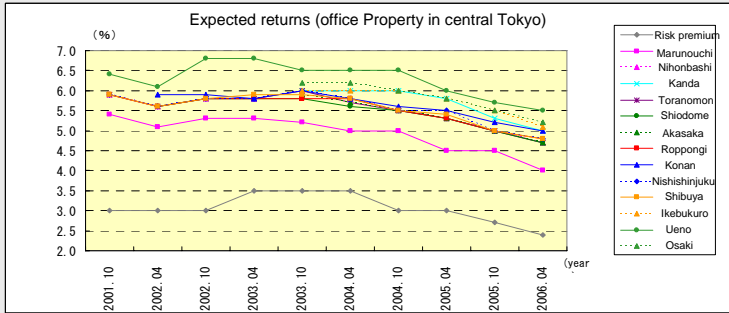
Construction to renew air-conditioning equipment, etc.

Construction to renew air-conditioning equipment:219 million yen, etc.

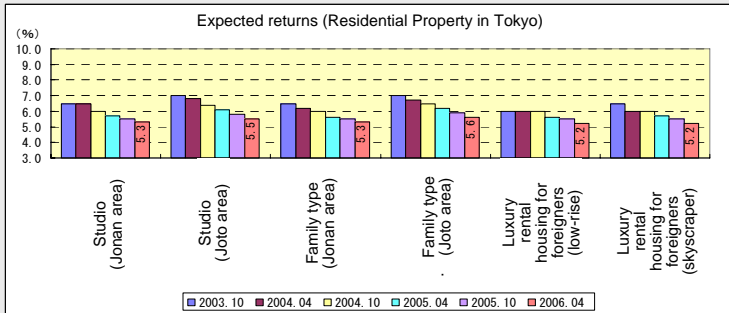
# VII-4 General Real Estate Market Conditions



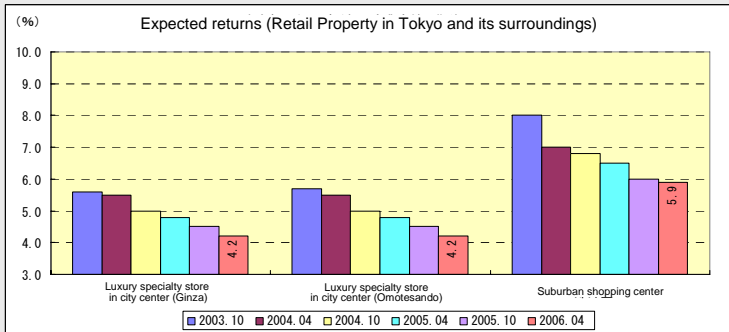
## Trends in Real Estate Sales Market



Source: "The Japanese Real Estate Investor Survey" by Japan Real Estate Institute

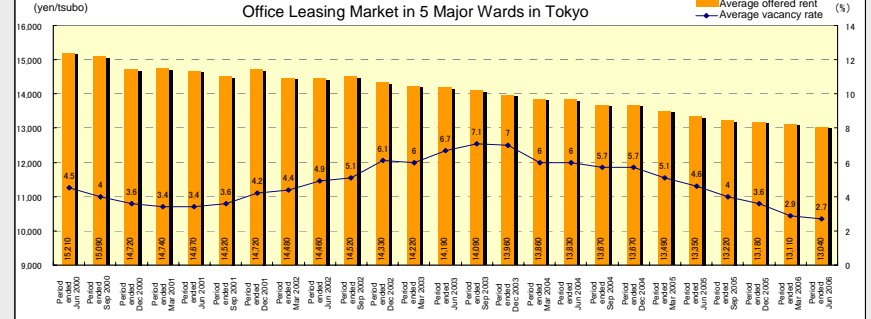


Source: "The Japanese Real Estate Investor Survey" by Japan Real Estate Institute

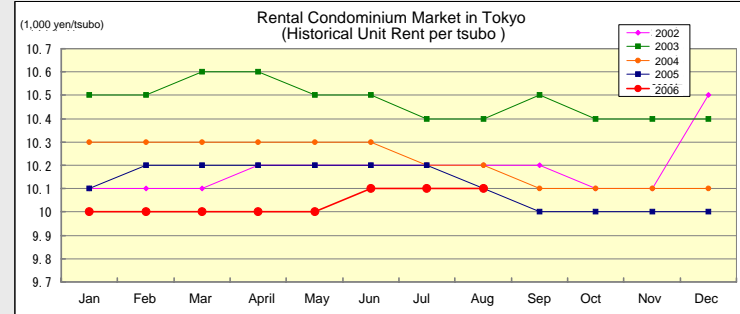


Source: "The Japanese Real Estate Investor Survey" by Japan Real Estate Institute

## Trends in Real Estate Leasing Market

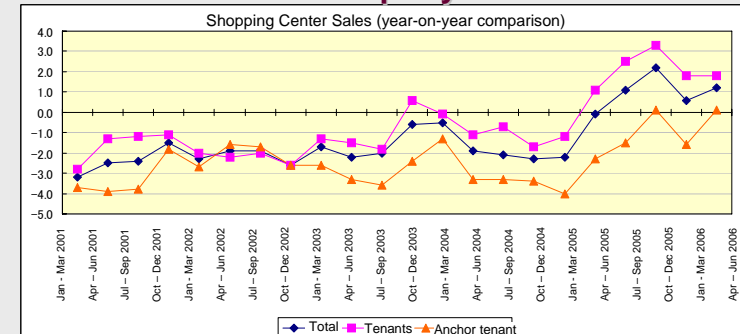


Source: "Office Market Report" by CB Richard Ellis



Source: "Rental Information For Rent Edition: Monthly Report" by Recruit

## Trends in Retail Property Market



Source: "Annual Sales Statistics of Shopping Centers" by the Japan Council of Shopping Centers

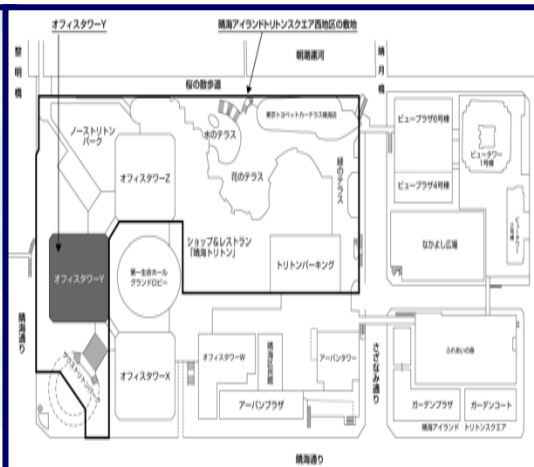
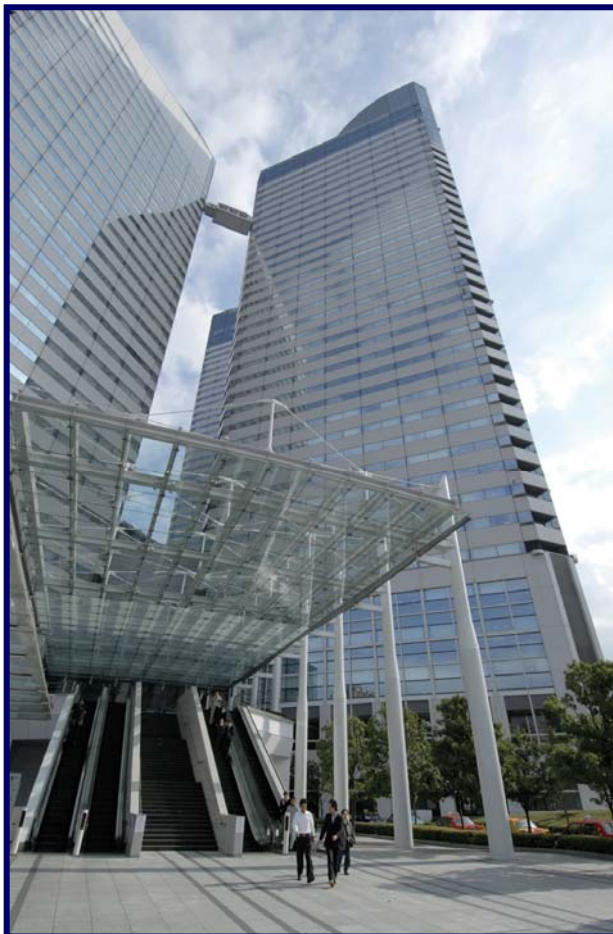
## VII-5-1 NEC Head Office Building



Address	5-7-1 Shiba, Minato-ku, Tokyo
Acquisition Price	41.95 billion yen
Site Area	21,190.14m <sup>2</sup>
Floor Space	144,476.05m <sup>2</sup>
Floors	3 Basement Floors 39 Floors Above Ground
Completion	January 1990
Title	Land, Building: Co-Ownership (50%)

- The building enjoys great transportation convenience with four railway lines usable (JR Yamanote Line, Keihin-Tohoku Line, Toei Subway Mita Line and Toei Asakusa Line) providing good access to Haneda Airport and various places in central Tokyo.
- This property is widely referred to as the NEC Super Tower and is a landmark in Tokyo.
- NEC Corporation has its head office in this building. The area forms a base of the NEC group with affiliates concentrating nearby.

# VII-5-2 Harumi Island Triton Square Office Tower Y



Address	1-8-11 Harumi, Chuo-ku, Tokyo
Acquisition Price	33 billion yen
Site Area	39,569.53m <sup>2</sup>
Floor Space	267,132.67m <sup>2</sup>
Floors	4 Basement Floors , 40 Floors Above Ground
Completion	October 2001
Title	Land: Co-ownership (16,884,921/100,000,000) Building: Compartmentalized ownership (3 <sup>rd</sup> – 15 <sup>th</sup> Floor )

- Harumi Island Triton Square is a large multi-use complex completed in 2001 through coordinated redevelopment of the Harumi district of Tokyo, a bayside area. The Square has three skyscraper office buildings as its landmark, retail facilities and a high-rise condominium.
- The property is a 40-story skyscraper that is an intelligent office building built in 2001 and equipped with state-of-the-art specifications.
- The Tokyo head office of Sumitomo Metal Industries and the head office of Japan Trustee Services Bank are the main tenants.



# VII-5-3 Akasaka Oji Building



Address	8-1-22 Akasaka, Minato-ku, Tokyo
Acquisition Price	9.66 billion yen
Site Area and Floor Space	2,023.72m <sup>2</sup> / 10,063.05m <sup>2</sup>
Floors	1 Basement floor, 9 Floors Above Ground
Completion	April 1989
Title	Ownership



- This building is in an area extending from the Akasaka district of Tokyo, an area home to many hotels and embassies that is also popular among foreign firms, to the Aoyama district, home to fashion, culture and music with many luxury brand shops.
- The building faces Aoyama Dori (avenue) and enjoys great transit convenience as the closest station (Aoyama-itchome Station) has tracks for the Tokyo Metro Subway Ginza and Hanzomon Lines, and for the Toei Subway Oedo Line. Although located in the center of Tokyo, the area is rich in greenery with the Akasaka Imperial Grounds extending along the opposing side of Aoyama Dori.
- The anchor tenant is Sony Computer Entertainment.

# VII-5-4 Kanda Park Plaza



Address	2-2-2 Kajimachi, Chiyoda-ku, Tokyo
Acquisition Price	5.156 billion yen
Site Area and Floor Space	632.98m <sup>2</sup> / 5,511.83m <sup>2</sup>
Floors	1 Basement floor, 9 Floors Above Ground
Completion	November 1959
Title	Ownership



- This building faces Chuo-Dori, which leads to Nihonbashi and Ginza, and is located a stone's throw from Kanda Station with tracks for JR Lines and the Tokyo Metro Ginza Line. This building enjoys great transit convenience and is located in a popular commercial district.
- The building was originally built in 1959 but then completely renovated and reinforced to meet anti-seismic specifications in 2003. The building is comparatively large within the area and highly competitive with its excellent location.
- The building houses a retail tenant ideal for the location on the first floor, and houses multiple tenants that value transit convenience.

# VII-5-5 Faret East Building



Address	2-34-7 Akebonocho, Tachikawa, Tokyo
Acquisition Price	1.52 billion yen
Site Area and Floor Space	2,350.84m <sup>2</sup> / 16,206.34m <sup>2</sup>
Floors	1 Basement Floor, 12 Floors Above Ground
Completion	December 1994
Title	Land: Co-ownership (44,544,000/100,000,000) Building: Compartmentalized Ownership (2 <sup>nd</sup> – 5 <sup>th</sup> and a part of 6 <sup>th</sup> Floor)



- Tachikawa is a traditional railway hub with JR Tachikawa Station serving as a major terminal station for the Ome, Nambu and Chuo (connects to downtown Tokyo) Lines. The convenience has heightened with the establishment of the Tama Toshi Monorail that runs through the Tama district.
- The area is thriving with energy with a variety of stores centering on department stores and other large-scale commercial facilities concentrated in front of the station.
- The Faret Tachikawa area, where the property is located, is a business zone completed through the redevelopment of the former Tachikawa Air Force Base, and is a concentration of large, high-grade office buildings, hotel, etc.

## VII-5-6 Nittetsu Honmachi Building



Address	1-10-24 Utsubohonmachi, Nishi-ku, Osaka
Acquisition Price	1.1 billion yen
Site Area and Floor Space	852.55m <sup>2</sup> / 6,714.09m <sup>2</sup>
Floors	2 Basement Floor, 12 Floors Above Ground
Completion	June 1991
Title	Ownership



- This building is located close to Yotsubashi Avenue, one of the major streets connecting the renowned Umeda and Shinsaibashi/Nanba districts of Osaka (Umeda district is a business base and Shinsaibashi/Nanba district is a commercial base in Osaka). It is also within walking distance of the thriving Yodoyabashi business district, and close to the Honmachi Station on the Yotsubashi and Chuo Lines. Located near to green-rich Utsubo Park, the property enjoys a good environment though it stands in a city center.
- This office building was designed using Design Comprehensive System Design with particular attention to harmony with its surroundings and features significant open public space.

## VII-5-7 Sagamihara Shopping Center



Address	3-13-33 Kobuchi, Sagamihara, Kanagawa
Acquisition Price	12 billion yen
Site Area and Floor Space	30,949.80m <sup>2</sup> / 56,351.42m <sup>2</sup>
Floors	1 Basement Floor, 4 Floors Above Ground
Completion	August 1993
Title	Ownership

- Located along national highway 16, a lengthy central thoroughfare in the Tokyo metropolitan area, the large shopping center is also near Kobuchi Station on the JR Yokohama Line, enjoying excellent access by road or rail. This commercial area has a population of some 620,000 within a 5km radius and about 1.86 million within a 10km radius. Many shopping centers, home centers and specialty stores are found along national highway 16, including the neighboring Jusco Sagamihara Shopping Center.
- This property has approximately 19,000m<sup>2</sup> in sales space comprised of the directly operated Ito-Yokado and specialty shops, and provides parking for over 1,300 vehicles. The site also features a family restaurant and gardening specialty store.

## VII-5-8 Ito-Yokado Higashi-Narashino Store



Address	7-3-1 Higashi Narashino, Narashino, Chiba
Acquisition Price	8.9 billion yen
Site Area and Floor Space	29,854. <sup>57</sup> m <sup>2</sup> / 45,338. <sup>37</sup> m <sup>2</sup>
Floors	1 Basement Floor, 4 Floors Above Ground
Completion	October 1994
Title	Ownership

- Located approximately 30km east of central Tokyo, Higashi-Narashino is a typical suburban bed town neighboring Funabashi City (west), Yachiyo City (north) and the Hanamigawa Ward of Chiba City (east).
- Having a total sales floor area of about 17,000m<sup>2</sup> comprised of the directly operated Ito-Yokado store and specialty shops, the property has a size typical for Ito-Yokado's suburban stores and serves the community market. The property has parking for over 1,100 vehicles, and boasts sufficient competitiveness as a suburban store. Anchored by the Ito-Yokado store, the shopping center also secures such specialty stores as UNIQLO, Daiso and Shinseido as a convenient lifestyle facility.

# VII-5-9 Fukasawa House Towers H & I (Newly Acquired Asset in the Second Fiscal Period)



Address	2-1-2 Fukasawa, Setagaya Ward, Tokyo
Acquisition Price	10.6 billion yen
Site Area and Floor Space	39,840.90m <sup>2</sup> / 12,135.36m <sup>2</sup>
Floors	14 Floors Above Ground
Completion	June 2004
Title	Land: Co-ownership (1,584,269/10,000,000) Building: Compartmentalized ownership

- The surrounding area has a luxurious and expansive streetscape and is one of the most prestigious housing areas in Tokyo. The property is adjacent to Komazawa Park and the site itself has rich greenery providing an excellent residential environment.
- Fukasawa House is a large housing project that consists of 13 residential towers with 772 units and a retail building within an expansive site. All residences house underground parking. The subject property is the rental housing buildings in the project and has 124 units ranging in size from 2-4 bedroom units with areas of some 75m<sup>2</sup> to 120m<sup>2</sup>. It comes with excellent disaster facilities including an anti-earthquake structure and potable water generation system for emergencies.

## IR Contact

Hiromichi IWASAKI, Katsuhiko FUJIMOTO Investor Relations  
Top REIT Asset Management Co., Ltd. (Asset Manager)

Phone: +81-3-3243-2181

Fax: +81-3-3243-2182

E-mail: [info-top@top-reit-am.co.jp](mailto:info-top@top-reit-am.co.jp)

HP: <http://www.top-reit.co.jp/english/>

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