

Translation of Japanese Original

March 26, 2015

To All Concerned Parties

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Notice concerning Acquisition of Real Estate Property in Japan
(Additional Acquisition of Shiba-Koen Building)

Top REIT Asset Management Co., Ltd. (“TRAM”), which is the asset management company of Top REIT, Inc. (“Top REIT”), hereby announces that it has decided today to additionally acquire a real estate property in Japan (Shiba-Koen Building), as described below.

1. Overview of Acquisition

(1) Asset to be Acquired	Real estate property in Japan
(2) Property Name	Shiba-Koen Building (Note1)
(3) Anticipated Acquisition Price	375 million yen (Note2)
(4) Date of Sales Agreement	March 26, 2015
(5) Anticipated Acquisition date	March 30, 2015
(6) Seller	Toei Reefer Line Ltd.
(7) Source of Funding	Cash on hand
(8) Method of settlement	Lump-sum payment on the acquisition date

(Note 1) Hereinafter, Shiba-Koen Building as a whole is referred to as “the Property” and the portion to be acquired this time is referred to as “the Additional Acquired Portion of the Property.”

(Note 2) “Anticipated Acquisition Price” of the Additional Acquired Portion of the Property is the price for sale planned to be specified in the sales agreement (excluding consumption tax and equivalents) which does not include acquisition expenses, real property tax, city planning tax, etc.

2. Reason for the Additional Acquisition

Additional acquisition of the Property is being conducted in accordance with the investment policy of Top REIT, as stipulated in its Articles of Incorporation. In making the decision of current acquisition, Top REIT recognized that Top REIT will own the entire Property with the additional acquisition of the Additional Acquired Portion of the Property (compartmentalized ownership (ownership ratio: 12.821%)) together with the existing interests (compartmentalized ownership (ownership ratio: 87.179%)), expecting the enhancement of asset value and the efficiency of the property management.

3. Details of the Asset to be acquired

Property Name	Shiba-Koen Building	
Asset to be Acquired	Real estate property in Japan	
Address	(Registered Address) 3-31-8, 29 and 35, Shiba, Minato-ku, Tokyo (Note 1) (Residential Building Address) 3-5-5, Shiba, Minato-ku, Tokyo	
Access	Approx. 1-min. walk from “Shiba-Koen” Sta. on the Toei Subway Mita Line Approx. 5-min. walk from “Mita” Sta. on the Toei Subway Mita Line and the Toei Subway Asakusa Line Approx. 7-min. walk from “Akabanebashi” Sta. on the Toei Subway Oedo Line Approx. 10-min. walk from “Tamachi” Sta. on the JR Yamanote Line and the JR Keihin-Tohoku Line	
Usage	Office (Note 2)	
Structure/Floors	Steel and reinforced concrete structure with a flat roof, 1 basement floors and 8 floors above ground (Note 1)	
Area	Land	2 parcels total: 653.77m ² (Co-ownership interest: 17,436/100,000) (Note 2) (Note 3)
	Building	454.53m ² (Note 2) (Note 3)
Type of Title	Land	Ownership (Co-ownership of 2 parcels (3-31-8 and 35))
	Building	Sectional ownership (3-31-35-801, Shiba)
Completion Date	May 1991 (Note 1)	
Architect	Taisei Corporation	
Constructor	Taisei Corporation	
Construction Confirmation	Construction inspector (Minato-ku)	
Total Leasable Area	463.74m ² (Note 4)	
Total Leased Area	463.74m ² (Note 4)	
Occupancy Rate	100% (Note 5)	
Number of Tenants	1 (Note 6)	
Major Tenants	Nippon Steel Kowa Real Estate Co., Ltd. (Note 6)	
Monthly Rent	Undisclosed as no consent has been obtained from the tenant	
Deposits and Guarantees	Undisclosed as no consent has been obtained from the tenant	
Anticipated Acquisition Price	375 million yen	
Appraisal Value (Appraisal Institution/ Date of Appraisal)	400 million yen (Daiwa Real Estate Appraisal Co., Ltd. : as of February 28, 2015) (Please refer to “9. Overview of the Appraisal Report (Additional Acquired Portion of the Property)” for an overview of the appraisal)	
PML Value (Earthquake)	9.7%	
Collateral (Y/N)	None	
Property Manager	Nippon Steel Kowa Real Estate Co., Ltd.	
Remarks	As of the date of this document, the section owners of the Property jointly organize the management association. Since Top REIT will own 100% interests of the Property through the additional acquisition, the management association is planned to be liquidated.	

(Note 1) It is based on the descriptions in the real estate registry of the building of the Property as a whole.

(Note 2) It is based on the descriptions in the real estate registry of the Property.

(Note 3) The total area of land and building of the Property after the acquisition of the Additional Acquired Portion of the Property based on the descriptions in the real estate registry are 940.92m² and 4,958.29m², respectively.

- (Note 4) It denotes the area of the Additional Acquired Portion of the Property. “Total Leasable Area” and “Total Leased Area” of the Property after the acquisition of the Additional Acquired Portion of the Property are both 3,524.17m². (Expected figure as of March 30, 2015 (anticipated acquisition date))
- (Note 5) It denotes the expected occupancy rate of the Additional Acquired Portion of the Property as of March 30, 2015 (anticipated acquisition date). Furthermore, expected occupancy rate of the Property after the acquisition of the Additional Acquired Portion of the Property as of the same date is 100%.
- (Note 6) Number of tenants of the Property will be 2 after the acquisition of the Additional Acquired Portion of the Property. As for the portion Top REIT already owned as of the date of this document, Top REIT has directly leased the portion it has already owned to a tenant, and Nippon Steel Kowa Real Estate Co., Ltd. (“master lease company”) has concluded a master lease contract with Top REIT and leased the remaining portion in its entirety, and has subleased it to end tenants. As for the Additional Acquired Portion of the Property, the master lease company plans to conclude a master lease contract with Top REIT and lease it in its entirety and sublease it to end tenants. Furthermore, the master lease contract is a so-called pass-through type master lease contract where the rent the master lease company pays is linked to the rents of the end tenants based on the sublease contracts.

4. Overview of the Seller

(1) Corporate Name	Toei Reefer Line Ltd.
(2) Address	3-5-5, Shiba, Minato-ku, Tokyo
(3) Representative	Hirofumi Kawai, President and Representative Director
(4) Principal Business	<ul style="list-style-type: none"> • Shipping and shipping agency business • Import/ export and/ or buying/ selling of fishery products, agricultural products, processed sea food, fishery materials, marine supplies and related equipment • Ship owner • Sales of processed sea food
(5) Paid-in Capital	890 million yen (as of March 31, 2014)
(6) Establishment Date	December 16, 1959
(7) Net assets	3,629 million yen (as of March 31, 2014)
(8) Total assets	10,844 million yen (as of March 31, 2014)
(9) Major Shareholders and Shareholding Ratios	Toei Kaihatsu Co., Ltd.: 7.1% Jet8 Cargo Co., Ltd.: 5.1% And Others (as of March 31, 2014) (Note)
(10) Relationship with Top REIT and/or TRAM	
Capital Relationship	There is no capital relationship between the seller and Top REIT and/or TRAM that must be disclosed. In addition, there is no special capital relationship between the related parties or affiliates of the seller and related parties or affiliates of Top REIT and/or TRAM.
Personnel Relationship	There is no personnel relationship between the seller and Top REIT and/or TRAM that should be disclosed. In addition, there is no special personnel relationship between the related parties or affiliates of the seller and related parties or affiliates of Top REIT and/or TRAM.
Business Relationship	There is no business relationship between the seller and Top REIT and/or TRAM that should be disclosed. In addition, there is no special business relationship between the related parties or affiliates of the seller and related parties or affiliates of Top REIT and/or TRAM.
Status as Related Parties	The seller does not fall under the definition of related parties of Top REIT and/or TRAM. The related parties of the seller and its affiliates also do not fall under the definition of related parties of Top REIT and/or TRAM.

(Note) This is based on the information from the seller.

5. Status of the Seller, etc.

The Additional Acquired Portion of the Property has not been acquired from any party that has a special interest relationship with Top REIT and/or TRAM.

6. Transactions with Interested Parties

Not applicable

7. Overview of Brokerage

Not applicable

8. Future Outlook

Since the effects of the acquisition of the Additional Acquired Portion of the Property on disclosed earnings forecasts for the fiscal period ending April 30, 2015 (18th fiscal period) and October 31, 2015 (19th fiscal period) are minimal, the earnings forecasts for the 18th and 19th fiscal periods disclosed on December 15, 2014 remain unchanged.

9. Overview of the Appraisal Report (Additional Acquired Portion of the Property)

Appraisal Value	400,000,000 yen
Appraisal Institution	Daiwa Real Estate Appraisal Co., Ltd.
Date of Appraisal	February 28, 2015

(Unit: Thousands of yen)

Item	Amount	Summary, etc.
Value of earnings	400,000	Assessed by applying the Direct Capitalization Method and the Discount Cash Flow Method
Valuation by the Direct Capitalization Method	412,000	
Operating revenues	33,678	
Potential gross revenue	35,419	Assessed standardized expected rent income and common area maintenance charge income taking into account the mid to long-term competitiveness, etc. Assessed incomes from utilities, parking, etc. based on actual cases and figures in the surrounding area.
Vacancy loss, etc.	1,741	Assessed vacancy rate for rent income, etc. which are considered stable over mid to long-term.
Operating expenses	8,303	
Maintenance expenses	1,683	Assessed by verifying with the level of maintenance expenses at similar properties while using actual record as standards.
Utilities expenses	2,440	Assessed by verifying with the level of utilities expenses at similar properties while using actual record as standards.

	Repair expenses	391	Posted the annual average of repair expenses in the engineering report after judging it to be reasonable.
	Property management fees	943	Assessed based on the contract with consideration to base fees.
	Tenant soliciting fees, etc.	191	Posted, based on the level of tenant soliciting fees at similar properties, by applying expected replacement rates.
	Property-related taxes and dues	2,597	Assessed based on the actual figures for the fiscal year 2014.
	Property insurance fees	55	Assessed with consideration to the level of insurance premium at similar properties.
	Other expenses	0	—
	Net operating income	25,374	
	Earnings from security deposits	449	Assessed investment yield by comprehensively considering both aspects of operation and procurement.
	Capital expenditure	1,912	Posted after judging the annual average renewal cost in the engineering report to be reasonable, and estimating construction management fees.
	Net cash flow	23,911	
	Cap rate	5.8%	Assessed using a calculation method of comparing with actual transaction cases, etc. of similar properties as standard, as well as referring to opinions of investors.
	Valuation by the Discount Cash Flow Method	395,000	
	Discount rate	5.3%	Assessed based on discount rate for transactions of similar properties, comparison with the yield for other financial instruments, etc.
	Terminal cap rate	5.7%	Assessed based on the market value of the property at the end of the analysis period for cap rate, etc.
	Cost method value	226,000	—
	Ratio of land	81.0%	—
	Ratio of building	19.0%	—

Other items considered by the appraisal institution in making the appraisal	Not applicable
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(Referential information)

1) Assumed income and expenditure of the Additional Acquired Portion of the Property

Assumed Rental Revenue (per annum)	33 million yen
Assumed rental Expenditure (per annum)	8 million yen
Assumed Net Operating Income (per annum)	25 million yen

*Assumption of the assumed revenue and expenditure

The operating income and the operating expenses of the Additional Acquired Portion of the Property for one year under the direct capitalization method described in the real estate appraisal report prepared upon the acquisition are set as the “Assumed Rental Revenue” and the “Assumed Rental Expenditure,” respectively, and the difference between the two is shown as the “Assumed Net Operating Income (annual).” (These are not forecast figures for the next fiscal period.)

2) Appraisal Value of the Property

(a) Existing interest of the Property (as of October 31, 2014)	3,460 million yen
(b) Additional Acquired Portion of the Property (as of February 28, 2015)	400 million yen
(c) The Property (after the acquisition of (b)) (as of February 28, 2015) (Note)	4,020 million yen

(Note) This is reference value assessed by Daiwa Real Estate Appraisal Co., Ltd.

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<Attachments>

Appendix 1 Overview of the Engineering Report

Appendix 2 Portfolio of Top REIT after Acquisition of the Additional Acquired Portion of the Property

* Top REIT’s internet website address is <http://www.top-reit.co.jp/english/>

DISCLAIMER:

Top REIT, Inc. makes no assurance or warranty with respect to the completeness or accuracy of this English translation. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail. For complete and accurate information, please refer to the Japanese original.

Appendix 1: Overview of the Engineering Report

Building Condition Investigation	
Investigator	Tokio Marine & Nichido Risk Consulting Co., Ltd.
Date of Investigation	February 2015
Short-term Repair Expenses	—
Medium to Long-term Repair Expenses	3,043 thousand yen
Investigation of Building Earthquake Risk	
Investigator	Engineering & Risk Service Corporation Oyo RMS Corporation
Date of Investigation	February 2015
PML	9.7%
Reproduction Cost	170,570 thousand yen
Remarks	
•Not applicable	

*"Short-term Repair Expenses" indicates the sum of emergency repair expenses and expenses for repairs carried out within one year based on the Engineering Report.

*"Medium to Long-term Repair Expenses" indicates the yearly average amount of the forecasted medium to long-term repair expenses for the 12 years hereafter based on the Engineering Report, with the figure rounded to the nearest one thousand yen.

Appendix 2: Portfolio of Top REIT after Acquisition of the Additional Acquired Portion of the Property

Asset Class	Area	Property Name	(Anticipated) Acquisition Price (million yen) (Note 1)	Investment Breakdown (%) (Note 2)
Office Buildings	Central Tokyo	NEC Head Office Building	41,950	22.0
		Harumi Island Triton Square Office Tower Y	33,000	17.3
		Harumi Island Triton Square Office Tower Z	20,000	10.5
		Kanda Nishiki-cho 3-chome Building	12,700	6.7
		Akasaka Oji Building	9,660	5.1
		Shiba-Koen Building (Note 3)	6,145	3.2
		Shinjuku EAST Building	5,800	3.0
		Shinkawa Chuo Building	5,610	2.9
		Ginza Oji Building	2,000	1.0
	Tokyo Metropolitan Area	Faret East Building	2,091	1.1
Subtotal (10 properties)			138,956	72.9
Retail Properties	Tokyo Metropolitan Area	Sagamihara Shopping Center	12,000	6.3
		Ito-Yokado Higashi-Narashino Store	8,900	4.7
		Kojima × Bic Camera Kashiwa Store	4,500	2.4
		Musashiurawa Shopping Square	4,335	2.3
	Other Major Cities	MEL Building	1,210	0.6
Subtotal (5 properties)			30,945	16.2
Residential Properties	Central Tokyo	TOP Residence Nihonbashi Kayabacho	2,400	1.3
	Tokyo Metropolitan Area	Fukasawa House Tower H&I	10,635	5.6
		Ecology Toyosu Procentury	5,160	2.7
		Impress Musashi-Koganei	1,223	0.6
		TOP Residence Yoga	1,165	0.6
Subtotal (5 properties)			20,583	10.8
Total (20 properties)			190,484	100.0

(Note 1) The (anticipated) acquisition price indicates the transaction price (excluding consumption tax and equivalents) described in the real estate sales agreement or the trust beneficiary interest transfer agreement concluded upon acquiring each of the properties, including the Additional Acquired Portion of the Property.

(Note 2) The investment breakdown indicates the ratio of each property and each asset class to the total (anticipated) acquisition price, and is rounded to the first decimal place.

(Note 3) The (anticipated) acquisition price of Shiba-Koen Building includes a 375 million yen of anticipated acquisition price of the Additional Acquired Portion of the Property.