



Top REIT, Inc.

Business Report

The 19th Fiscal Period

From May 1, 2015 to October 31, 2015

## Financial Highlights

	19TH FISCAL PERIOD PERFORMANCE	20TH FISCAL PERIOD FORECAST	21ST FISCAL PERIOD FORECAST
PERIOD OF ASSET MANAGEMENT	184 days	182 days	184 days
OPERATING REVENUE	5,368 million	5,419 million	5,390 million
OPERATING INCOME	2,210 million	2,264 million	2,230 million
ORDINARY INCOME	1,654 million	1,743 million	1,743 million
NET INCOME	1,674 million	1,742 million	1,742 million
DIVIDEND PER UNIT	¥9,761	¥9,900	¥9,900
NUMBER OF INVESTMENT UNITS	176,000 units	176,000 units	176,000 units
PORTFOLIO SIZE	20 properties	20 properties	20 properties

The forward-looking statements above contain assumptions and actual results may differ due to change in events, conditions or circumstances. These statements should not be considered to guarantee any dividend amounts to be paid. Assumptions of forecasts for the 20th and 21st fiscal periods are as follows:

### (1) Portfolio Assets

The forward-looking statements are based on the assumption that portfolio assets will be the 20 properties Top REIT Inc. (“Top REIT”) owns as of the date of this document (December 16, 2015).

### (2) Number of Investment Units Outstanding

The forward-looking statements are based on the assumption that the number of investment units issued and outstanding will be 176,000 units, which is the number as of the date of this document, and that no issuance of new investment units will be made through October 31, 2016.

### (3) Interest-Bearing Liabilities

The forward-looking statements are based on the assumption that the balance of interest-bearing liabilities is ¥90,279 million, which is the amount as of October 31, 2015.

For the 20th fiscal period, it is assumed that regarding the ¥19,527 million in loans due for repayment on February 29, 2016, ¥27 million will be repaid using cash on hand and the remaining ¥19,500 million will be refinanced. It is also assumed that, of long-term loans, ¥67 million will be repaid on December 30, 2015 as agreed upon.

For the 21st fiscal period, it is assumed that the ¥3,000 million in loans due for repayment on October 31, 2016 will be fully refinanced. It is also assumed that, of long-term loans, ¥67 million will be repaid on June 30, 2016 as agreed upon.

#### **(4) Operating Revenue**

For rental revenue from existing properties, Top REIT takes into account the execution of new lease agreements and cancellation of lease agreements that have been finalized and scheduled as of the date of this document, as well as such factors that may cause fluctuations as risks associated with rent revision with tenants due for rent revision or contract renewal, in light of recent real estate leasing market conditions.

For Harumi Island Triton Square Office Tower Y, the second phase of the construction work to convert one floor that had been used as a cafeteria for the employees of tenants into office leasing space is scheduled to be completed during the 20th fiscal period. It is assumed that the occupancy rate of the section converted into office leasing space after the work has been completed will stand at 100% after the end of April 2016 onward.

#### **(5) Dividend per Unit**

Dividends (dividend per unit) are calculated based on the dividend policy stipulated in Top REIT's Articles of Incorporation.

For the 20th and the 21st fiscal periods, it is assumed that net income will be fully distributed as dividends (excluding fractions).

For the 20th and the 21st fiscal periods, it is assumed that ¥201 million of internal reserve will not be reversed.

## Greeting

Thank you for your continued loyal patronage to Top REIT, Inc. (Top REIT).

The Japanese economy was impacted in terms of exports and production by the deceleration of emerging countries during the fiscal period under review (19th fiscal period), but ongoing government economic policies and Bank of Japan monetary easing measures led to strong corporate performance and corresponding improvement in the employment and income environment to continue. The Japanese economy thus maintained a moderate recovery trend. While there are worrisome elements in the global economy that still require close monitoring such as trends in the Chinese economy, the impact of low crude oil prices and geopolitical risks, the moderate recovery is thought to continue going forward. The domestic stock market also experienced continued unstable status with rough movements in prices such as with the simultaneous global decline in stock prices given the plunge of the Chinese stock market. In addition, the Tokyo Stock Exchange REIT Index, which had risen from the end of last year (2014) and was stable at the 1,800 points level, softened in and after July with the impact of the situations in China and Greece as well as other factors, and fell to the 1,500 points level in September. It then turned to an upward trend again in October and is recently regaining calmness.

In recent times when both the domestic economy and stock markets, including J-REITs, are being significantly swayed by the global economy and world affairs, the real estate transaction market is also being impacted by foreign forces. Real estate cap rates are decreasing (real estate prices are surging) with the synergism of the inflow of capital from active investors abroad and the domestic appetite for investment. Under such circumstances, Top REIT firmly maintained its selective investment approach in terms of cap rate, location, size, occupancy rate and other conditions without lowering its perception of acquisitions while continuing its strategy of Implementation of Growth Strategy Focusing on “Internal Growth” and focusing on the management of its properties under ownership. As a result, lease contracts with new tenants were concluded at Faret East Building (located in Tachikawa-shi, Tokyo) and MEL Building (located in Sendai-shi, Miyagi), and the properties reached full occupancy. Efforts to attract new tenants are steadily progressing for the new office floor of Harumi Island Triton Square Office Tower Y where conversion from cafeteria to tenant office space began. However, leasing up of evacuated spaces has already progressed to 94%, Top REIT recorded a period-on-period decrease in the financial results for the 19th fiscal period (fiscal period ended October 31, 2015) due to such factors as the decrease in revenue at Kanda Nishiki-cho 3-chome Building where the contribution to profit is limited and the disappearance of the previous fiscal period’s gains on sale of two properties, with operating revenue of 5,368 million yen (down 4.4%), ordinary income of 1,654 million yen (down 12.6%) and net income of 1,674 million yen (down 8.6%). For dividends, 365 yen per unit of internal reserves (reserve for reduction entry, etc.) were reversed, resulting in dividend per unit of 9,761 yen, 0.8% more than the previous fiscal period.

Top REIT has realized the accumulation of profit through steadily advancing the current strategies, making it possible to raise the dividend level. We intend to continue our endeavors to maximize the investment value of our unitholders through collaboration with the Asset Manager and the sponsors. We appreciate your continued support and understanding.

December 16, 2015

**Junichi Sahara**

Executive Officer  
Top REIT, Inc.



**Tatsuya Chiba**

President and Representative Director  
Top REIT Asset Management Co., Ltd.

## Initiatives of Top REIT and Dividends for the 19th Fiscal Period

Top REIT announced its measures as Implementation of Growth Strategy Focusing on “Internal Growth” at the time of the release of our financial results for the 17th fiscal period in December 2014. During the past year we focused on implementing measures for the early recovery of the dividend level which dipped below 10,000 yen in the 18th fiscal period.

There is a more detailed explanation on the following pages with regard to the progress of the various measures, but as a result of the fruits of these endeavors appearing in revenues, dividend per unit for the 19th fiscal period, which was forecasted to be ¥9,700, was actually ¥9,761. Regarding the reversal of internal reserves, the amount was reduced from the initial forecast of ¥82 million to ¥64 million, equivalent to a loss on retirement of kitchen instruments associated with the conversion from a cafeteria to office space at Harumi Island Triton Square Office Tower Y.

Current Strategies	<p><b><u>Continue growth strategy focusing on “Internal Growth,” aiming to raise dividends level</u></b></p> <ul style="list-style-type: none"> <li>● Steadily implement <u>measures for value enhancement</u> of existing portfolio</li> <li>● Pursue <u>leasing activities</u> to achieve full occupancy of office building and conduct appropriate <u>rent revision</u></li> <li>● Firmly maintain policy of selective investment that contribute to the improvement of portfolio quality as well as investors’ value</li> <li>● Manage ratio of fixed rate loans with careful monitoring of interest rate trend, spread maturities and equalize refinance amount</li> </ul>		
Achievement in 19th FP	<p style="text-align: center;"><b>Management of Existing Portfolio</b></p> <ul style="list-style-type: none"> <li>● Harumi Triton Y: Begun conversion work of cafeteria “Completed 1st phase work” and “Executed lease contract”</li> <li>● Akasaka Oji, Faret East, MEL Bldg. Attracted successor tenants</li> <li>● Rent revision → Up 1.7% on average (with 8 tenants)</li> </ul>	<p style="text-align: center;"><b>Financial Management</b></p> <ul style="list-style-type: none"> <li>● Refinanced on Jun. and Sep. 2015 → Total 12.5bn               <ul style="list-style-type: none"> <li>• Fixed rate (Full amount) : 0.68% on average</li> <li>• 7 years: ¥8.5bn , 5years: ¥4.0bn</li> </ul> </li> </ul>	<p style="text-align: center;"><b>External Growth</b></p> <ul style="list-style-type: none"> <li>● No acquisition during 19th FP</li> <li>● Continued sourcing activities to secure investment opportunities in cooperation with sponsors</li> </ul>

## Dividend of 19th FP (Breakdown of differences: Actual vs Forecast)

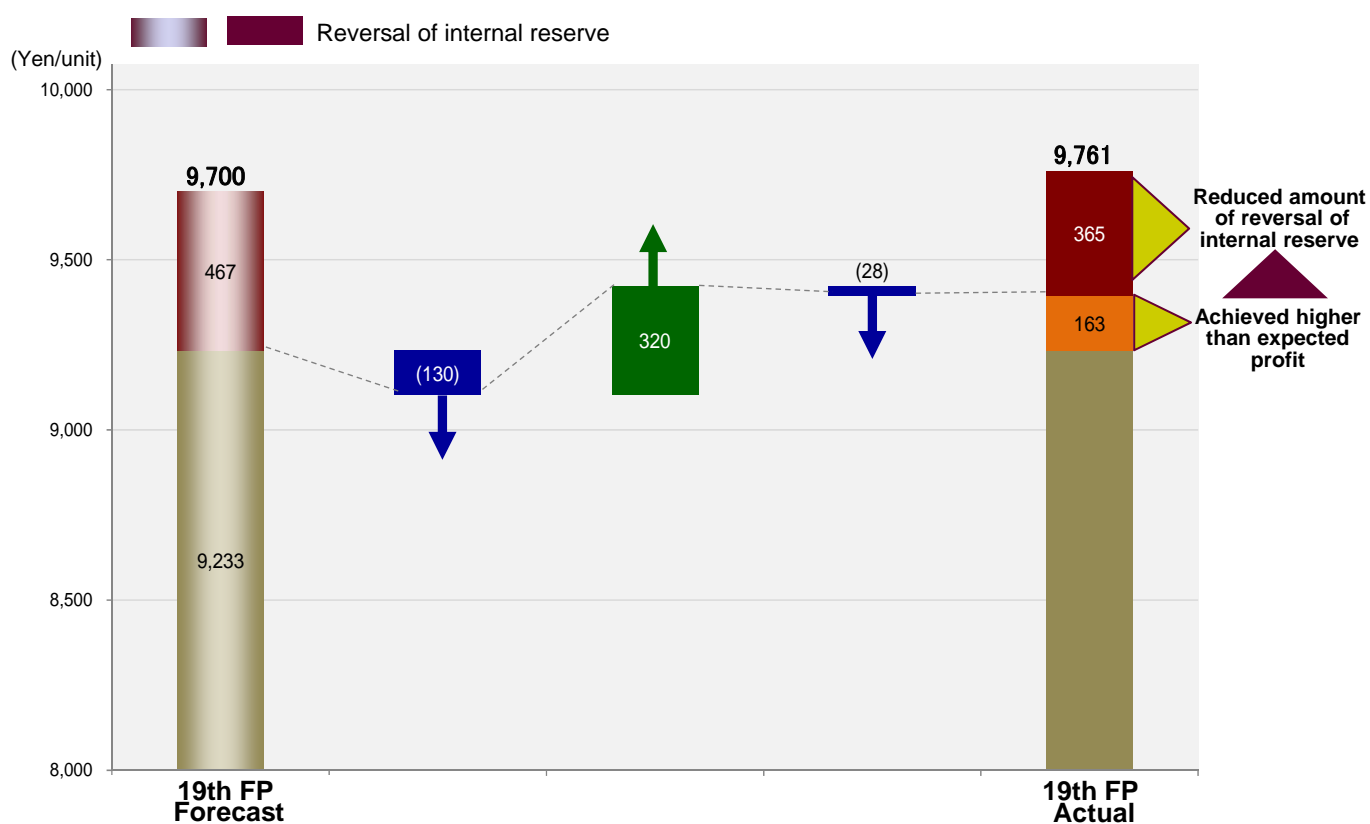
### <Internal Reserve>

Balance at beginning of 19th FP : ¥266 million

Reversal in 19th FP : ¥64 million (\*)  
 (Equivalent to loss on retirement of kitchen instruments of Harumi Y)  
 (\*) Deferred tax liability: ¥20mn + Reserve for reduction entry: ¥43mn

Balance after reversal : ¥201 million

Reduced amount of reversal of internal reserve due to the increased profit

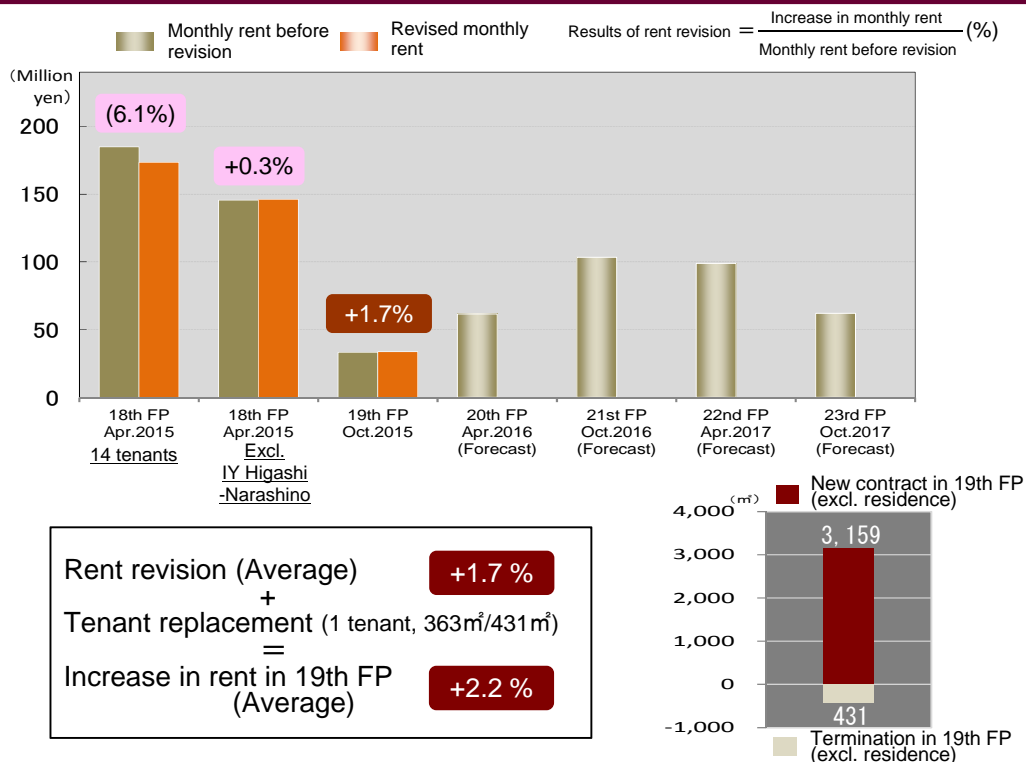


(Note) Figures for impact on dividend per unit are rounded down to the nearest yen.

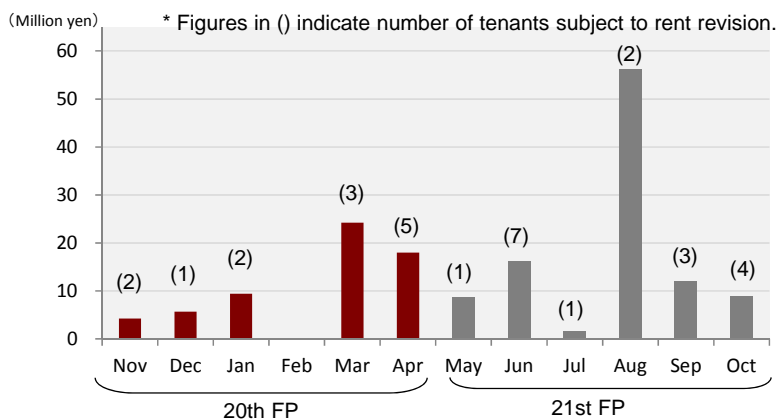
## Management of Properties

Regarding rent revisions (including contract renewal) during the 19th fiscal period for office buildings and retail properties, we undertook rent revisions with eight tenants (seven at office buildings and one at a retail property) who accounted for approximately 4% of the total monthly rent of our portfolio. Backed by the office leasing market, for which the rent level is on a recovering trend, and as a result of continued negotiations to increase rent upon sufficient consideration of competitiveness of target properties in the surrounding markets and the disparity between current rent and the market standard, rents were increased for three tenants and the revenue from all target tenants increased by 2.2% on average, including the increase of rent through tenant replacement. We will continue to conduct negotiations for appropriate rent revisions in light of the market standard while grasping movements of respective tenants.

### Rent revision in 19th FP (excl. residential properties)



### Rent revision in 20th and 21st FP (excl. residential properties)

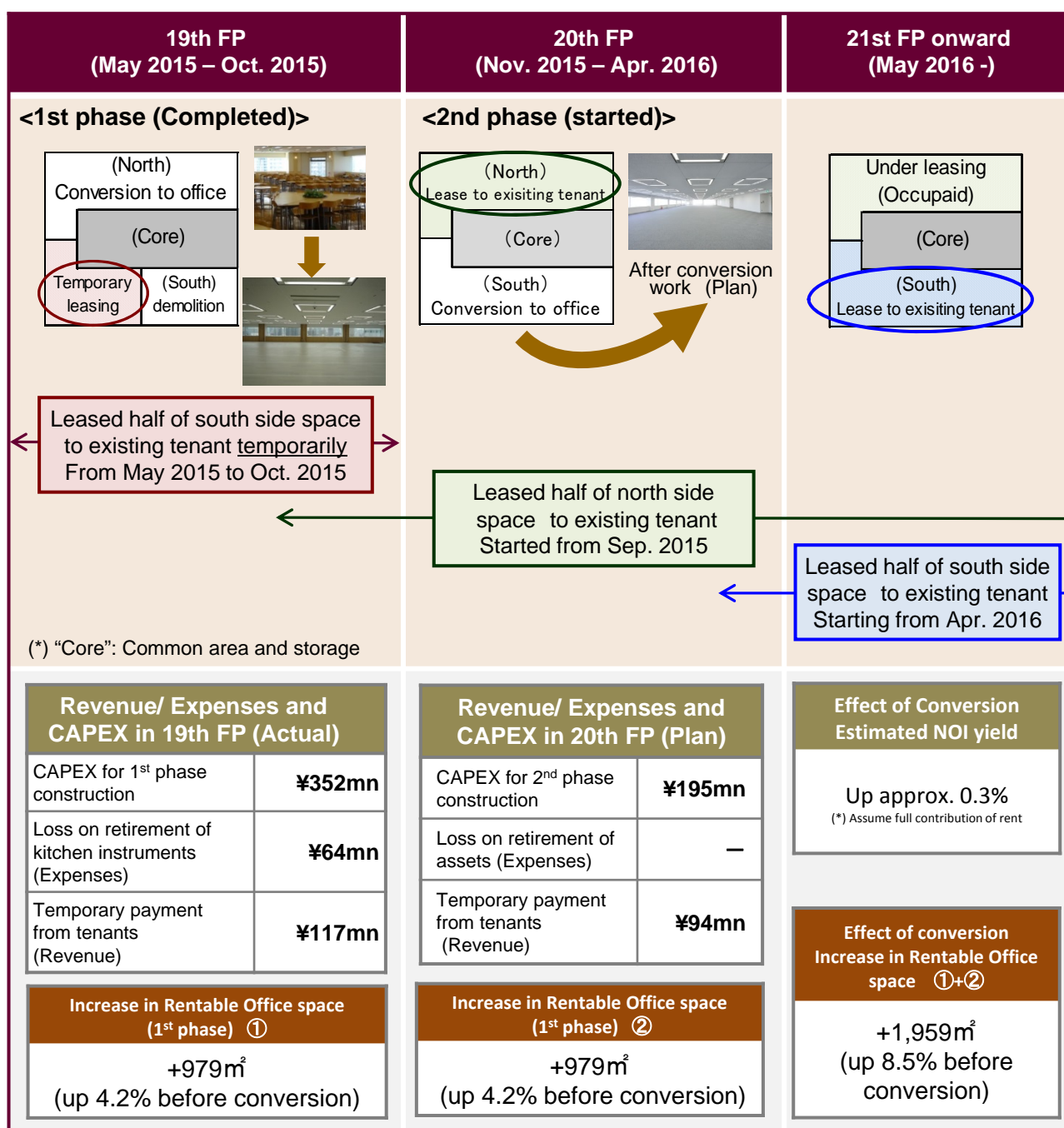


20th FP	
Akasaka Oji Bldg. (3)	<b>13 tenants</b> <b>7.3% of total rents</b> <b>(Note)</b>
Shiba-Koen Bldg. (1)	
Shinjuku EAST Bldg. (2)	
Shinkawa Chuo Bldg. (3)	
Ginza Oji Bldg. (1)	
Faret East Bldg. (3)	

21st FP	
Akasaka Oji Bldg. (2)	<b>18 tenants</b> <b>12.2% of total rents</b> <b>(Note)</b>
Shiba-Koen Bldg. (2)	
Shinkawa Chuo Bldg. (3)	
Ginza Oji Bldg. (6)	
Faret East Bldg. (3)	
Sagamihara SC (IY)	
MEL Bldg. (1)	

(Note) Ratio indicates the total monthly rent to be revised in 20th or 21st FP against the total monthly rent (including common service fees) of all properties owned at Oct. 2015.

Regarding the conversion from a cafeteria to tenant office space at Harumi Island Triton Square Office Tower Y which we are engaged in as part of the enhancement of asset value for our properties, the cafeteria was closed in May 2015 and the conversion work has commenced. The first phase construction was completed in October 2015. In the northern half of the floor, leasing with tenants has already begun and the rental revenue for this section is expected to be recorded starting from the 20th fiscal period. The second phase construction began in November 2015, converting the southern half of the floor. The construction is steadily making progress and the section is scheduled to be converted to offices by March 2016. Regarding attracting tenants, a contract for lease starting in April 2016 has already been concluded and, as with the northern half of the floor, revenue is expected to be recorded as soon as the section is converted into offices. This conversion expands the property's total rentable office space by approximately 8.5% and so an increase in profitability is anticipated.





Top REIT has positioned its basic asset management strategy as sustaining and increasing revenue over the medium- to long-term through the “Tenants First” policy and “keeping operational management costs at an appropriate level.” We will endeavor to communicate with our tenants while steadily implementing initiatives to strengthen the competitiveness of properties and increase profitability in the medium to long term through the improvement of tenant satisfaction.

**“Tenant First” policy = Maintain and improve tenant satisfaction**

Sustain stable revenue over medium to long term by maintaining good relationship with tenants

**Attracted Convenience store on 1st floor**

Kanda Nishiki-cho 3-chome Bldg.



Directly connected to the store from inside of the building



Wide selection of lunch bags and office supplies in the store



Set up “Eat-In” space

**Installation of smoking room**

Kanda Nishiki-cho 3-chome Bldg.

Improve tenant satisfaction by discerning tenant needs



**Introducing of car-sharing system**

Ecology Toyosu Procentury

Akasaka Oji Bldg.



Convenience for tenants

## Initiatives of “Facility Management”

Maintain and improve property value  
through appropriate management, discerning tenant needs

### Set up water-saving device in lavatory



Shinjuku EAST Bldg.  
Shinkawa Chuo Bldg.

### Install LED・Set up automatic water faucet

#### Change electric supplier

Kanda Nishiki-cho 3-chome Bldg.
Akasaka Oji Bldg.
Shiba-koen Bldg.
Shinjuku EAST Bldg.
Shinkawa Chuo Bldg.
Ginza Oji Bldg.
Faret EAST Bldg.
Office Bldgs. 7 of 10 Properties (*)

(\*) excl. NEC Head Office, and Harumi Triton Y and Z



Shiba-koen Bldg.

#### ◆ Benefits for Owner ◆

Maintain and improve  
profitability and  
functionality  
of properties

#### ◆ Benefits for Tenants ◆

Enhance convenience  
Cost reduction

#### ◆ Eco-Friendly ◆

Water-saving  
Saving electricity

## External Growth

The appetite of overseas and other investors to purchase properties continues to be strong in the real estate transaction market. Competition for acquisitions is further intensifying as information on excellent properties is limited and in some parts there is even a sense of overheating in transaction prices.

Backed by the favorable fund procurement environment, investors' appetite for purchases is expected to continue on a strong note and the environment for Top REIT's external growth is expected to continue to be severe.

In such an environment, Top REIT will continue to have office buildings as its main target and will endeavor to improve its existing portfolio as well as unitholder value by firmly maintaining its selective investment in excellent properties in light of the situation of the real estate transaction market.

### Current Acquisition Strategy

### Selective Investment

	Portfolio Share		Asset Type	Current Investment Policy	Target
	Now	Target			
3 Major Asset Types	72.9%	Around 75%	<b>Office</b>	Main target	<ul style="list-style-type: none"> <li>• Tokyo Met. area and other major cities, mainly on central Tokyo</li> <li>• Put importance on high level traffic convenience</li> </ul>
	27.1%	Around 25%	<b>Retail</b>	Verify characteristics of individual assets	<ul style="list-style-type: none"> <li>• Put importance on stability and growth potential of trade zone</li> <li>• Located in areas where ample demand is anticipated</li> </ul>
			<b>Residence</b>	Maintain cautious stance	<ul style="list-style-type: none"> <li>• Tokyo, Tokyo Met. area and other major cities, located close to train station</li> <li>• Put importance on cap rate and age of bldg. at the time of acquisition</li> </ul>
Other			<b>Other</b>	Verify characteristics of individual assets	<ul style="list-style-type: none"> <li>• Verify substitutability of assets sufficiently</li> <li>• Put importance on cap rate at the time of acquisition</li> </ul>

## Financial Management

During the 19th fiscal period, to finance ¥8.5 billion Investment Corporation Bonds due on June 2015, Top REIT took out long-term loans in the same amount. Furthermore, regarding the long-term loans of ¥4.2 billion that was due on September 2015, ¥4 billion was refinanced as of the same date with a long-term loan and the remaining ¥0.2 billion was repaid using cash on hand. All refinancing was with 5 or 7 year long-term loans and interest rates were fixed through interest-rate swap agreements. Going forward, while closely watching market interest rates, we will proceed with refinancing at fixed interest rates, and by increasing the fixed interest rate on interest-bearing liabilities, we will prepare for potential future interest rate hikes.

### Refinancing activities in 19th FP

#### June, 2015

	Before refinancing	After refinancing	
Type	Investment corp. bond	Bank loans	
Amount	¥8.500bn	¥4.500bn	¥4.000bn
Term	5Y	7Y	5Y
Interest rate	1.000% (fixed)	0.825% (fixed)	0.430% (fixed)
		(weighted average) 0.639% (*)	

#### September, 2015

	Before refinancing		After refinancing
Type	Bank loans		Bank loans
Amount	¥2.954bn	¥1.297bn	¥4.000bn
Term	2Y 10M	2Y 6M	7Y
Interest rate	0.610% (floating) (Interest rate as of Sep. 30, 2015)		0.763% (fixed) (*)

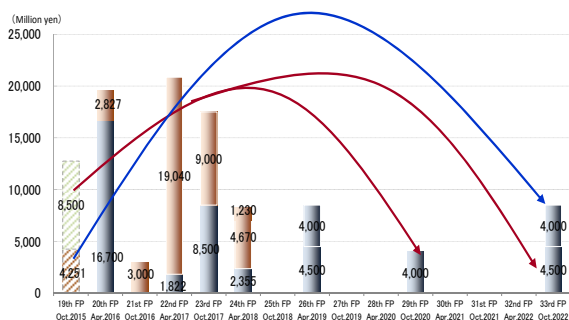


(\*) Figures are rounded to three decimal places.

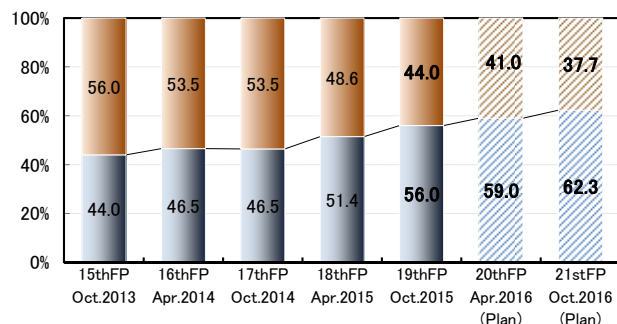


“Reduce interest expenses” “Raise ratio of loans with fixed interest rates”  
“Spread maturities” “Equalize refinance amounts”

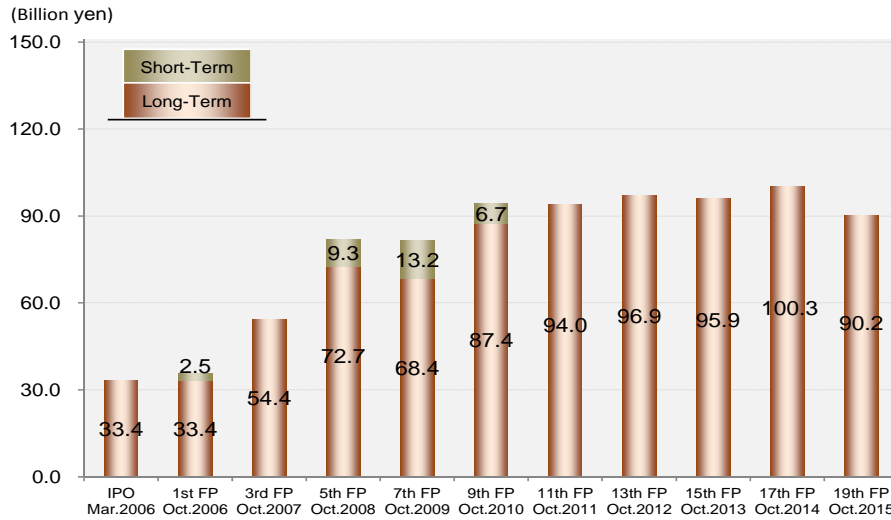
#### Spread maturities and equalize refinance amounts



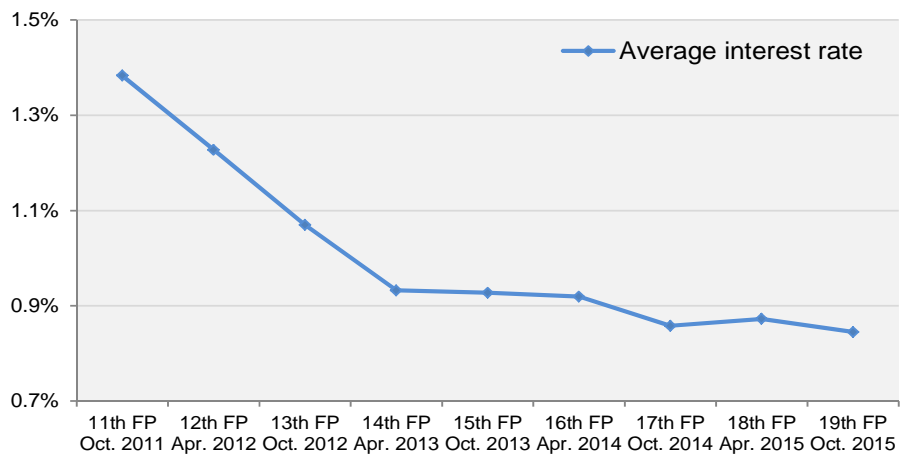
#### Raise ratio of loans with fixed interest rates



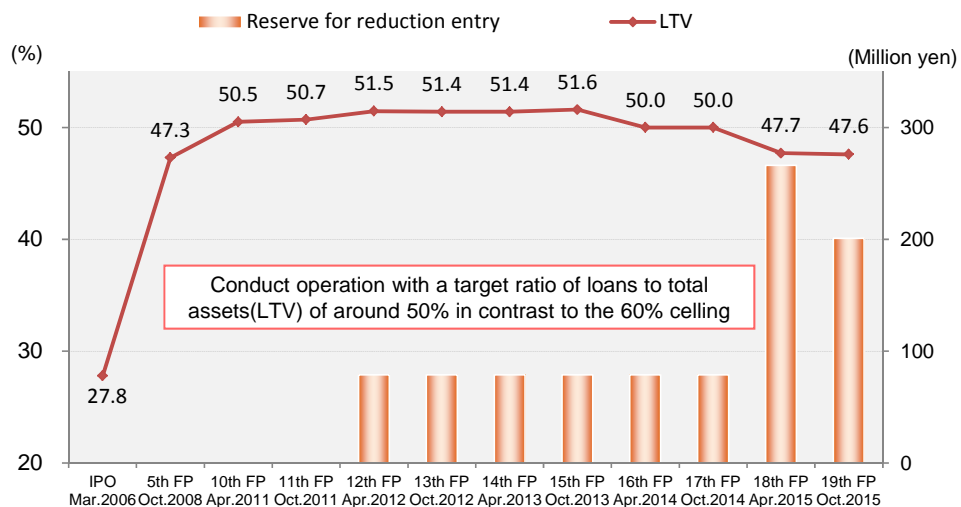
## Interest-bearing Liabilities



## Average Interest rate of Interest-bearing Liabilities



## Strengthening of Financial Standing



## Outlook of Performance

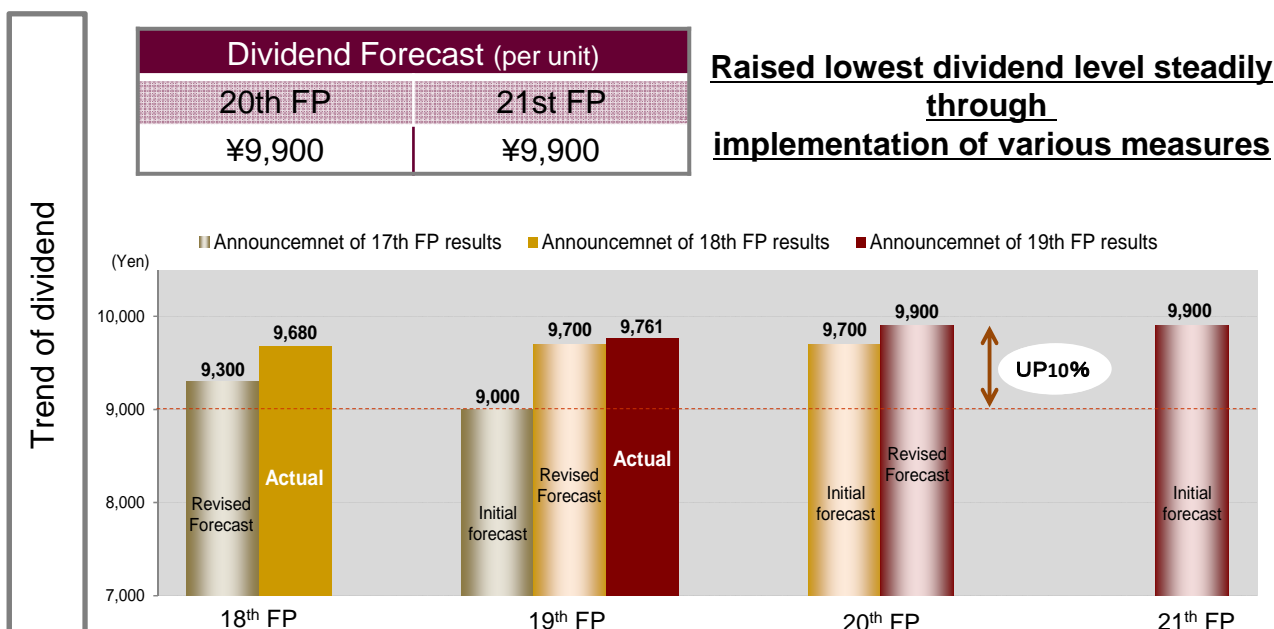
As a result of implementing measures based on the Implementation of Growth Strategy Focusing on “Internal Growth,” Top REIT is realizing effects such as the elimination vacancies and enhancement of asset value to its properties, increase of revenues through appropriate rent revisions and reduction of borrowing costs.

In the 20th fiscal period, we will also make the early recovery of the dividend level more certain by continuing the Implementation of Growth Strategy Focusing on “Internal Growth” in light of current trends in the real estate transaction market and status of the portfolio.

As such, we forecast a dividend per unit of ¥9,900 for the 20th fiscal period, an increase of ¥200 from the previous forecast, and a dividend per unit of ¥9,900 for the 21st fiscal period.

Going forward, we will endeavor to stabilize and improve the dividend level through the steady implementation of various measures.

Future Initiatives	Continue growth strategy focusing on “Internal Growth”		
	Management of Existing Portfolio	Financial Management	External Growth
	<ul style="list-style-type: none"> <li>➢ Harumi Triton Y: Finalize conversion work</li> <li>➢ Persistent negotiation with tenants to increase rent level</li> <li>➢ Maintain good relation with tenants</li> </ul>	<ul style="list-style-type: none"> <li>➢ Reduce costs related to financial activities</li> <li>➢ Raise ratio of loans with fixed interest rate and spread maturities</li> </ul>	<ul style="list-style-type: none"> <li>➢ Seek investment opportunities considering trend of real estate market</li> <li>➢ Rebuild sponsor structure</li> </ul>



# [1] Overview of Asset Management Operation

## 1. Operating Results and Financial Position

(In millions of yen, except per unit data or where otherwise indicated)

	15th fiscal period From May 1, 2013 to Oct. 31, 2013	16th fiscal period From Nov. 1, 2013 to Apr. 30, 2014	17th fiscal period From May 1, 2014 to Oct. 31, 2014	18th fiscal period From Nov. 1, 2014 to Apr. 30, 2015	19th fiscal period From May 1, 2015 to Oct. 31, 2015
<b>(1) Operating results</b>					
Operating revenue	¥ 5,154	¥ 5,637	¥ 5,792	¥ 5,612	¥5,368
(Revenue related to rental business)	5,154	5,637	5,792	5,315	5,368
Operating expenses	2,981	3,108	3,229	3,140	3,157
(Expenses related to rental business)	2,438	2,622	2,721	2,630	2,673
Operating income	2,172	2,528	2,563	2,472	2,210
Ordinary income	1,580	1,913	1,955	1,891	1,654
Net income	1,579	1,913	1,954	1,831	1,674
<b>(2) Assets, etc. (as of the end of the period)</b>					
Total assets (Period-on-period variation)	186,169 (0.4)%	200,802 7.9%	200,551 (0.1)%	189,737 (5.4)%	189,568 (0.1)%
Interest-bearing liabilities	95,997	100,430	100,362	90,598	90,279
Net assets (Period-on-period variation)	83,871 (0.3)%	93,081 11.0%	93,120 0.0%	92,998 (0.1)%	92,976 (0.0)%
Unitholders' capital	82,260	91,143	91,143	91,143	91,143
<b>(3) Cash distributions</b>					
Total cash distributions	1,579	1,912	1,954	1,703	1,717
Payout ratio (Note 2)	100.0%	99.9%	100.0%	93.0%	102.6%
<b>(4) Per unit information</b>					
Number of units outstanding	155,000	176,000	176,000	176,000	176,000
Net assets per unit (Note 3)	541,105	528,873	529,095	528,400	528,278
Dividend per unit	10,191	10,864	11,107	9,680	9,761
(Distribution of earnings per unit)	10,191	10,864	11,107	9,680	9,761
(Distribution in excess of earnings per unit)	—	—	—	—	—
<b>(5) Financial indices</b>					
ROA (Note 4)	0.8% <1.7%>	1.0% <2.0%>	1.0% <1.9%>	1.0% <2.0%>	0.9% <1.7%>
ROE (Note 4)	1.9% <3.7%>	2.2% <4.4%>	2.1% <4.2%>	2.0% <4.0%>	1.8% <3.6%>
Ratio of unitholders' equity to total assets (Period-on-period variation)	45.1% 0.1%	46.4% 1.3%	46.4% 0.0%	49.0% 2.6%	49.0% 0.0%
LTV (Note 4)	51.6%	50.0%	50.0%	47.7%	47.6%
Rental NOI (Note 5)	3,831	4,207	4,274	3,871	3,879
<b>(6) Supplemental information</b>					
Number of properties at the end of the period	19	22	22	20	20
Number of tenants at the end of the period (Note 6)	40	49	50	45	47
Total rentable area at the end of the period	301,825.87 m <sup>2</sup>	331,677.14 m <sup>2</sup>	331,709.64 m <sup>2</sup>	321,207.26 m <sup>2</sup>	322,185.64
Occupancy rate at the end of the period (Note 7)	96.7%	98.1%	98.9%	98.9%	99.4%
Depreciation and amortization	1,115	1,193	1,202	1,186	1,185
Capital expenditures	176	511	143	442	578

Notes:

- Accounting data does not include consumption taxes.

2. Since fund procurement through public offering was conducted during the 16th fiscal period and the number of investment units had changed accordingly, the payout ratio for the 16th fiscal period is calculated as follows:  

$$\text{Payout ratio} = \frac{\text{Total cash distribution (excluding distribution in excess of earnings)}}{\text{Net income}} \times 100$$
3. Net assets per unit for the 15th fiscal period has been rounded to the nearest yen and net assets per unit for the 16th fiscal period and onward have been rounded down to the nearest yen.
4. The indices above are calculated using the following formulas. Annualized figures indicated in angle brackets are based on the number of days in the relevant period.  

$$\text{ROA} = \frac{\text{Ordinary income}}{((\text{Total assets at beginning of period} + \text{Total assets at end of period})/2)} \times 100$$

$$\text{ROE} = \frac{\text{Net income}}{((\text{Net assets at beginning of period} + \text{Net assets at end of period})/2)} \times 100$$

$$\text{LTV} = \frac{\text{Interest bearing liabilities}}{\text{Total assets}}$$
5. Rental NOI (Net operating income) = Rental revenue - Expenses related to rental business + Depreciation and amortization
6. Number of tenants at the end of the period indicates total number of tenants of each property as of the end of the period. In case a master lease agreement is concluded, it is counted as one tenant. In case one tenant rents multiple units, it is counted as one tenant if the units are in the same property and as multiple tenants if the units are in different properties.
7. Occupancy rate at the end of the period = Total leased areas at the end of the period / Total rentable areas at the end of the period  
 When a pass-through type master lease agreement has been concluded, the area subleased to the end tenants is considered to be the leased area.
8. Unless otherwise mentioned, fractions are rounded off for monetary amounts and rounded for ratios throughout the report.



## 2. Overview of Asset Management Operation for the 19th Fiscal Period

### A. Overview of Top REIT

Top REIT was founded on November 2, 2005 based on the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended) with Top REIT Asset Management Co., Ltd. (the “Asset Manager”) as the incorporator. On March 1, 2006, Top REIT was listed on the Real Estate Investment Trust Section of the Tokyo Stock Exchange (TSE) (Securities Code: 8982) with the number of investment units issued and outstanding totaling 145,500 units. As of the end of the 19th fiscal period (October 31, 2015), the total number of investment units issued and outstanding stood at 176,000 units as a result of the issuance of additional investment units through the third-party allotment (9,500 units) on March 23, 2006, the public offering (20,000 units) on November 25, 2013, and the third-party allotment (1,000 units) on December 13, 2013.

Top REIT manages its portfolio with the aim of maximizing the investment value for its unitholders by securing stable revenues over the medium- to long-term and achieving steady growth of its portfolio. To do so, Top REIT focuses on the two strategies, “Skilled management of a diversified portfolio” and “Optimal application of the sponsors’ strengths.” As of the end of the 19th fiscal period, its portfolio consisted of 20 properties with a total acquisition value of ¥190,484 million.

### B. Investment Environment and Management Performance

<Investment Environment>

#### (a) Economy in General

In the 19th fiscal period, the Japanese economy was impacted in terms of exports and production by the deceleration of the economies in emerging countries, but ongoing government economic policies and Bank of Japan’s monetary easing measures led to strong corporate performance and corresponding improvement in the employment and income environment to continue. The Japanese economy thus maintained a moderate recovery trend.

While U.S. interest rate trends, resurgence of the European debt problem, China’s growth stagnation, resource-rich countries’ economic trends and other risk factors that may impact the Japanese economy require close monitoring, such factors as anticipated improvement in consumer sentiment associated with the increase in companies’ capital investment and households’ income against the backdrop of depreciation of the yen and high stock prices suggest that the moderate recovery will continue.

#### (b) Real Estate Leasing Market

##### [Office Buildings]

The office leasing market remained steady, as evident by such factors as the vacancy rate continuing to improve in not only Tokyo but also Osaka, Fukuoka and other major office districts, as well as the ongoing increase trend in rent, centering on excellent office buildings in central Tokyo. Based on the continued assumption of robust office demand buoyed by such factors as improvement in the employment environment and corporate performance, the market as a whole is expected to continue to be on a moderate recovery trend.

##### [Retail Properties]

Personal consumption is gradually recovering and is thought to remain steady going forward, backed by improvement in the employment and income environment. On an analysis by business category, strong showings are expected to continue for department stores in Tokyo, which are expected to benefit from growth in consumption driven by inbound tourism, and for food supermarkets and other business categories that target a small trade area, which are showing consecutive year-on-year increases in business performance. Among large-scale general supermarkets, on the other hand, there are stores struggling with continuing year-on-year decreases in business performance. In this manner, the state of disparities arising in business performance depending on the characteristics of individual retail properties is thought to continue.

##### [Residential Properties]

Rental residential property construction starts in the Tokyo metropolitan area are forecast to remain at a low level due in part to soaring land acquisition costs and construction costs. With improvement in the employment and income environment and other factors, the trend of population in-migration exceeding out-migration continues in the Tokyo metropolitan area and major urban areas of Japan. As such, the favorable supply-demand environment is expected to continue for highly-competitive rental residential properties that are excellent in terms of location and quality. The rental residential property market is thus thought to see strong showings in both occupancy rate and rent.

#### (c) Real Estate Transaction Market

In the current real estate transaction market, a positive investment stance is maintained overall, centering on not only J-REITs but also private placement funds, business corporations, overseas investors who anticipate a full-fledged recovery of the Japanese economy and other investors. This has led to ongoing capital inflow into the market continuing. On the other hand, with information on the sale of excellent properties being limited, competition over property acquisition is increasingly intensifying and transaction prices are on an upward trend. While the expected cap rate of excellent office buildings in the “Marunouchi/Otemachi District” have ceased falling in the 3.5% to 4.0% range, there are also survey results that have shown that in other districts the expected cap rates have decreased slightly as before. With investors’ appetite for real estate investment remaining strong against the backdrop of a favorable financing environment, the downward trend of investment returns is seen to continue for the time being.

(d) Financial Market

The financial market in the 19th fiscal period saw both short-term and long-term interest rates remain at a low level against the backdrop of ongoing monetary easing measures by the Bank of Japan. The purchase of Japanese government bonds by the Bank of Japan in an aim to achieve an inflation rate of 2% based on “quantitative and qualitative monetary easing” is expected to continue. Therefore, the view is that interest rate levels will remain low in a stable manner for the time being and a financing environment that is also favorable for J-REITs will continue.

<Asset Management Performance>

(a) Acquisition and Sale of Assets

Top REIT began the 19th fiscal period with 20 properties (total acquisition value: ¥190,484 million). With an aim to newly acquire highly-competitive and highly-profitable properties, Top REIT considered the acquisition of properties through not only the “optimal application of the sponsors’ strengths” but also by utilizing established information channels and its characteristics as a diversified REIT to collect and carefully select from property sale information, with a focus on excellent office buildings located in central Tokyo at the core. There were no acquisitions or dispositions during the 19th fiscal period, thus Top REIT’s portfolio remains unchanged from the end of the previous fiscal year.

(b) Management and Maintenance of Portfolio Assets

The basic asset management strategy of Top REIT is sustaining and increasing revenue over the medium to long term by maintaining and improving tenant satisfaction (the “Tenants First” policy) and keeping operational management costs at an appropriate level. Top REIT strived to improve tenant satisfaction and maintain and improve occupancy rates while sustaining trusted relationships with tenants and discerning tenant needs via property management companies. During the 19th fiscal period, Top REIT continued to focus on tenant solicitation activities for successor tenants of Kanda Nishiki-cho 3-chome Building, which has been a pending issue. As a result, the occupancy rate improved to 94.3% at the end of the 19th fiscal period.

Regarding maintenance, Top REIT followed up on ensuring that it had an appropriate grasp of the operational management conditions and steady implementation of asset management plans for each property. Based on asset management plans, Top REIT also carried out renovation and repairs that contributed to enhancing the competitiveness of properties and maintaining and improving the functionality of properties, and construction that contributed to improving tenant satisfaction. Top REIT also took steps to keep relevant costs at an appropriate level and conducted efficient management. Furthermore, during the 19th fiscal period, with regard to one floor of Harumi Island Triton Square Office Tower Y that had been used as a cafeteria for the employees of tenants, Top REIT commenced construction to convert the floor into office leasing space and the first phase construction was completed. As of the date of this document the second phase construction has also begun. The concerned construction is scheduled to be completed during the fiscal period ending April 2016. In addition, the lease agreement has already been concluded for the leasing space after the completion of the concerned construction.

## C. Funding

Top REIT procures funds under a financial policy based on stable financial management. During the 19th fiscal period, to finance ¥8,500 million for the redemption No. 1 Unsecured Investment Corporation Bonds due on June 4, 2015, Top REIT took out long-term loans in the same amount. Top REIT worked on spreading out the repayment dates by splitting the concerned long-term loans into ¥4,000 million (repayment date: May 29, 2020) and ¥4,500 million (repayment date: May 31, 2022). Furthermore, regarding the long-term loans of ¥4,251 million that was due on September 30, 2015, ¥4,000 million was refinanced as of the same date with a long-term loan (repayment date: September 30, 2022) and the remaining ¥251 million was repaid using cash on hand. Regarding all of the long-term loans borrowed during the 19th fiscal period, Top REIT fixed interest rates to be paid for the entire amount of the respective loans through interest-rate swap transactions, thereby hedging against the risk of interest rate fluctuations. Using cash on hand, Top REIT also repaid ¥67.5 million in long-term loans on June 30, 2015 as agreed upon.

As a result, at the end of the 19th fiscal period, the balance of interest-bearing liabilities amounted to ¥90,279.5 million and the ratio of interest-bearing liabilities to total assets was 47.6%. Moreover, the ratio of long-term interest-bearing liabilities (including the current portion) was 100.0%, while interest-bearing liabilities with fixed interest rates accounted for 56.0%.

Top REIT conducted shelf registration for investment corporation bonds, as indicated below, in order to secure flexible procurement of long-term funds.

[Overview of Shelf Registration]

Object of Shelf Registration	Amount to be Issued	Scheduled Period of Issue
Investment corporation bonds (excluding short-term corporation bonds)	¥100,000 million	From May 20, 2014 to May 19, 2016

The credit rating of Top REIT as of October 31, 2015 is as follows:

Credit Rating Agency	Rating [Outlook]
Rating and Investment Information, Inc. (R&I)	Issuer rating: A+ Rating outlook: [Negative]

## D. Earnings Results and Dividends

As a result of the asset management and operations described above, Top REIT recorded asset management performance during the 19th fiscal period of ¥5,368 million in operating revenue, ¥2,210 million in operating income and ¥1,654 million in ordinary income after deducting expenses concerning borrowings, etc., and net income was ¥1,674 million.

As for dividends, investment corporations may deduct the dividend distributions for the tax purpose under the conditions set forth in Article 67-15 of the “Special Taxation Measures Act of Japan” (Act No.26 of 1957, as amended). Based on this treatment, Top REIT declared a dividend per investment unit of ¥9,761. This is the maximum value arrived at when the number of units issued and outstanding (176,000 units) is multiplied by an integer, which does not exceed the unappropriated retained earnings for the 19th fiscal period after adding ¥43 million, the reversed amount of internal reserve. The reversed amount of internal reserve was a portion of the reserve for reduction entry by applying the “Special Provisions for Taxation in the Event of Advance Acquisition of Land, etc. in 2009 and 2010” (Article 66-2 of the Special Taxation Measures Act).

## 3. Balance of Paid-in Capital

Change in paid-in capital of Top REIT during the past five years is as follows:

Issue date	Remarks	Units issued and outstanding (units)		Paid-in capital (In millions of yen)		Note
		Increase	Balance	Increase	Balance	
November 25, 2013	Public offering	20,000	175,000	¥ 8,460	¥ 90,720	Note 1
December 13, 2013	Third party allotment	1,000	176,000	423	91,143	Note 2

Notes:

1. New investment units were issued at a price of ¥ 438,750 per unit (issue value of ¥423,000 per unit) through a public offering in order to raise funds for the acquisition of assets.
2. New investment units were issued at a value of ¥ 423,000 per unit through a third party allocation to raise funds for the acquisition of assets, etc.

[Market Price of Investment Units]

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

	15th fiscal period From May 1, 2013 to Oct. 31, 2013	16th fiscal period From Nov. 1, 2013 to Apr. 30, 2014	17th fiscal period From May 1, 2014 to Oct. 31, 2014	18th fiscal period From Nov. 1, 2014 to Apr. 30, 2015	19th fiscal period From May 1, 2015 to Oct. 31, 2015
High	¥ 519,000	¥ 494,000	¥ 483,000	¥ 539,000	¥ 531,000
Low	411,000	437,500	444,000	439,000	445,000

#### 4. Cash Distribution

The dividend per unit for the 19th fiscal period is ¥9,761. Top REIT expects to distribute almost all the amount of unappropriated retained earnings after the amount of reversal of reserve for reduction entry combined to be eligible for special tax treatments (Article 67-15 of the Act on Special Measures Concerning Taxation) that allows Top REIT to deduct an amount equivalent to distributions of retained earnings as expenses from taxable income.

(In thousands of yen except per unit data)

	15th fiscal period From May 1, 2013 to Oct. 31, 2013	16th fiscal period From Nov. 1, 2013 to Apr. 30, 2014	17th fiscal period From May 1, 2014 to Oct. 31, 2014	18th fiscal period From Nov. 1, 2014 to Apr. 30, 2015	19th fiscal period From May 1, 2015 to Oct. 31, 2015
Unappropriated retained earnings	¥1,579,617	¥1,913,997	¥1,954,943	¥1,832,069	¥1,674,520
Retained earnings brought forward	12	1,933	111	128,389	101
Total cash distributions	1,579,605	1,912,064	1,954,832	1,703,680	1,717,936
<Per unit> (yen)	(10,191)	(10,864)	(11,107)	(9,680)	(9,761)
Distribution of earnings	1,579,605	1,912,064	1,954,832	1,703,680	1,717,936
<Per unit> (yen)	(10,191)	(10,864)	(11,107)	(9,680)	(9,761)
Repayment of paid-in capital	—	—	—	—	—
<Per unit> (yen)	<—>	<—>	<—>	<—>	<—>

#### 5. Management Policy and Issues to be Addressed

##### (a) Management Strategy for Existing Properties

Top REIT will continue to follow its basic asset management strategy that centers on sustaining and increasing revenue over the medium- to long-term by maintaining and improving tenant satisfaction (the “Tenants First” policy) and keeping operational management costs at an appropriate level. Under this strategy, Top REIT will focus on sustaining relationships of trust with tenants, leasing vacant spaces and such, as well as striving to maintain stable occupancy rates over the medium- to long-term.

Furthermore, Top REIT will also work to ensure an appropriate perception of the operational management conditions for each property while steadily implementing such measures as to sustain and improve revenues and keep operational management costs at an appropriate level. In addition, Top REIT will carry out systematic repair work and such to enhance the competitiveness of properties and to maintain and improve the functionality of properties, in an aim to secure stable revenues over the medium- to long-term.

##### (b) Investment Strategy for New Properties

Top REIT aims to maintain or increase its dividends over the medium- to long-term by realizing external growth through the acquisition of new properties. Top REIT will continue to not only further utilize the pipeline support functions from sponsor companies, but also utilize various information channels it established to collect information on new properties based on detailed analysis of the market conditions of each asset class, while primarily placing emphasis on highly-competitive office buildings. By doing so, Top REIT aims to expand the portfolio size while improving its quality.

Furthermore, Top REIT makes it a management policy to keep the ratio of the investment amount per property at less than 20% of the entire portfolio as a target over the medium- to long-term. Going forward, Top REIT will continuously work to reduce the risk of concentration of investments 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 the 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 of fund procurement by extending borrowing periods and dispersing 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

There are none applicable.

## 【2】 Outline of Top REIT

### 1. Status of Unitholders Capital

	15th fiscal period As of Oct. 31, 2013	16th fiscal period As of Apr. 30, 2014	17th fiscal period As of Oct. 31, 2014	18th fiscal period As of Apr. 30, 2015	19th fiscal period As of Oct. 31, 2015
Number of units authorized (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	176,000	176,000	176,000	176,000
Unitholders' capital (In millions of yen)	¥ 82,260	¥ 91,143	¥ 91,143	¥ 91,143	¥ 91,143
Number of unitholders	7,590	9,163	9,846	8,770	8,423

### 2. Major Unitholders

Major unitholders as of October 31, 2015 are as follows:

Name	Number of units held (units)	Share of units held (%) (Note)
Japan Trustee Services Bank, Ltd. (trust account)	44,898	25.51
The Master Trust Bank of Japan, Ltd. (trust account)	19,505	11.08
Trust & Custody Services Bank, Ltd. (securities investment trust account)	9,660	5.49
The Nomura Trust and Banking Co., Ltd. (investment trust account)	5,658	3.21
Sumitomo Mitsui Trust Bank, Limited	3,176	1.80
NIPPON STEEL KOWA REAL ESTATE CO., LTD.	3,162	1.80
OJI REAL ESTATE CO., LTD.	3,162	1.80
STATE STREET BANK AND TRUST COMPANY 505223	2,609	1.48
The Asahi Fire & Marine Insurance Company, Limited	2,010	1.14
Mizuho Securities Co., Ltd.	1,972	1.12
STATE STREET BANK-WEST PENSION FUND CLIENTS-EXEMPT 505233	1,962	1.11
CBNY DFA INTERNATIONAL REAL ESTATE SECURITIES PORTFOLIO	1,738	0.99
Japan Trustee Services Bank, Ltd. (trust account 9)	1,699	0.97
The Minami-Nippon Bank, Ltd.	1,270	0.72
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT	1,222	0.69
Total	103,703	58.92

Note: The share of units held is the ratio to the total number of units issued and outstanding. They are each rounded to the second decimal place.

### 3. Information on Officers and Auditor

A: Names of officers and an auditor as of October 31, 2015 are as follows:

Post	Name	Major additional post	Total amount of fee paid during the current period (In thousands of yen)
Executive Officer	Junichi Sahara (Note1)	—	¥ 2,700
Supervisory Director	Yasuyuki Kuribayashi (Note1)	Partner Attorney, City-Yuwa Partners (Note2)	1,800
Supervisory Director	Kunio Tsuneyama (Note1)	Managing Partner, Tsuneyama Certified Public Accountants Office Managing Partner, Tsuneyama Sogo Accountants Office Director in Kuroda Electric Co., Ltd. (Note2)	1,800
Accounting Auditor	KPMG AZSA LLC	—	12,600(Note 3)

Notes:

1. There are no investment units of Top REIT held by the Executive Officer or Supervisory Directors in their own name or others' names.
2. Although Supervisory Directors may have additional posts in entities other than those listed above, there is no interest between those companies including those listed above and Top REIT.
3. The fee paid for the English financial statement audit is included in the total amount of audit fee paid to the Accounting Auditor.
4. There was no resignation or dismissal of the Officer, Director or Auditor during the current period.

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. Information on Asset Manager, Asset Custodian and Administrative Agents

The asset manager, asset custodian and administrative agents of Top REIT as of October 31, 2015 are as follows:

Business	Company name
Asset manager	Top REIT Asset Management Co., Ltd.
Assets custodian	Sumitomo Mitsui Trust Bank, Limited
Administrative agent (running of the organization, accounting matters, etc.)	Sumitomo Mitsui Trust Bank, Limited
Administrative agent (unitholders' register, special accounts)	Sumitomo Mitsui Trust Bank, Limited

## 【3】 Portfolio Overview

### 1. Portfolio Summary

Type of asset	Asset class	Area	18th fiscal period As of April 30, 2015		19th fiscal period As of October 31, 2015	
			Amount (In millions of yen) (Note 1)	Percentage of total assets (%) (Note 2)	Amount (In millions of yen) (Note 1)	Percentage of total assets (%) (Note 2)
Real estate	Office building	Central Tokyo	¥ 6,186	3.3	—	—
		Subtotal	6,186	3.3	—	—
Real estate in trust	Office building	Central Tokyo	127,266	67.1	133,000	70.2
		Tokyo Metropolitan Area	1,596	0.8	1,575	0.8
		Subtotal	128,863	67.9	134,576	71.0
	Retail property	Tokyo Metropolitan Area	27,167	14.3	27,131	14.3
		Other Major Cities	1,203	0.6	1,198	0.6
		Subtotal	28,370	15.0	28,330	14.9
	Residential property	Central Tokyo	2,322	1.2	2,296	1.2
		Tokyo Metropolitan Area	17,115	9.0	16,987	9.0
		Subtotal	19,438	10.2	19,284	10.2
	Subtotal of real estate and real estate in trust			182,859	96.4	182,190
Cash, deposits and other assets			6,877	3.6	7,377	3.9
Total assets (Note 3)			¥ 189,737	100.0	¥ 189,568	100.0
			<182,859>	<96.4>	<182,190>	<96.1>

Notes:

1. Amounts are the book value as of each period end. Real estate and real estate in trust represent the book values after deducting accumulated depreciation. Amounts are rounded down to the nearest million yen.
2. Percentage of total assets shows the ratio of respective assets to total assets and is rounded to the first decimal place.
3. Figures in angle brackets represent the portions of actually owned properties in the object assets.

#### < Geographical Classification >

Area	Region	Supplementary note
Central Tokyo	Chiyoda-ku, Chuo-ku, Minato-ku, Shibuya-ku, Shinjuku-ku and Shinagawa-ku	—
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
Other Major cities	Cities designated by government ordinance and other major cities (excluding cities belonging to the above classifications)	—

## 2. Major Properties Owned

The major properties (top ten properties by book value) that Top REIT owns as of October 31, 2015 are as follows:

Property name		Book value (In millions of yen)	Rentable area (Note 1) (m <sup>2</sup> )	Leased area (Note 2) (m <sup>2</sup> )	Occupancy rate (Note 3) (%)	Share in rental revenue (Note 4) (%)	Primary use
NEC Head Office Building	Trust beneficiary interest	¥ 42,380	72,238.03	72,238.03	100.0	26.8	Office building
Harumi Island Triton Square Office Tower Y	Trust beneficiary interest	29,747	24,150.01	24,150.01	100.0	17.0	Office building
Harumi Island Triton Square Office Tower Z	Trust beneficiary interest	18,994	10,914.20	10,914.20	100.0		Office building
Kanda Nishiki-cho 3-chome Building	Trust beneficiary interest	12,615	7,719.04	7,278.15	94.3	3.6	Office building
Sagamihara Shopping Center	Trust beneficiary interest	11,247	61,763.28	61,763.28	100.0	6.2	Retail property
Fukasawa House Towers H&I	Trust beneficiary interest	9,878	11,357.44	10,456.00	92.1	4.3	Residential property
Akasaka Oji Building	Trust beneficiary interest	9,682	7,301.15	7,233.62	99.1	5.1	Office building
Ito-Yokado Higashi-Narashino Store	Trust beneficiary interest	7,598	51,098.42	51,098.42	100.0	3.1	Retail property
Shiba-Koen Building	Trust beneficiary interest	6,173	3,524.17	3,524.17	100.0	2.1	Office building
Shinkawa Chuo Building	Trust beneficiary interest	5,674	6,032.24	6,032.24	100.0	3.9	Office building
Total		¥ 153,993	256,097.98	254,688.12	99.4	78.4	

Notes:

1. Rentable area is total rentable area for each asset as of the end of the 19th fiscal period. Furthermore, in the case of co-ownership (including quasi-co-ownership), the stated figure is given by multiplying the rentable area of the whole building by the ratio of co-ownership, and rounded to the second decimal place.
2. Leased area is the area based on lease agreements effective as of the end of the 19th fiscal period. Furthermore, in the case of co-ownership (including quasi-co-ownership), the stated figure is given by multiplying the leased area of the whole building by the ratio of co-ownership, and rounded to the second decimal place. In the case of pass-through type master-lease agreements, the area subleased to end-tenants is calculated as the leased area.
3. Occupancy rate is the figure given by dividing the leased area as of the end of the 19th fiscal period by rentable area, and rounded to the first decimal place.
4. Share in rental revenue is rounded to first decimal place. Share in rental revenue for Harumi Island Triton Square Office Tower Z is not disclosed as the consent of the tenants has not been obtained.



### 3. Details of Assets

#### (a) Details of Properties

A. The details of properties owned by Top REIT as of October 31, 2015 are as follows

(In millions of yen)

Asset class	Area	Property name	Address	Type of title	Appraisal value (Note)	Book value
Office building	Central Tokyo	NEC Head Office Building	5-7-1 Shiba, Minato-ku, Tokyo	Trust beneficiary interest	¥ 54,500	¥ 42,380
		Harumi Island Triton Square Office Tower Y	1-8-11 Harumi, Chuo-ku, Tokyo	Trust beneficiary interest	27,200	29,747
		Akasaka Oji Building	8-1-22 Akasaka, Minato-ku, Tokyo	Trust beneficiary interest	9,610	9,682
		Shiba-Koen Building	3-5-5 Shiba, Minato-ku, Tokyo	Trust beneficiary interest	4,260	6,173
		Harumi Island Triton Square Office Tower Z	1-8-12 Harumi, Chuo-ku, Tokyo	Trust beneficiary interest	12,300	18,994
		Kanda Nishiki-cho 3-chome Building	3-11-1 Kanda Nishiki-cho, Chiyoda-ku, Tokyo	Trust beneficiary interest	8,430	12,615
		Shinkawa Chuo Building	1-17-24, Shinkawa, Chuo-ku, Tokyo	Trust beneficiary interest	6,310	5,674
		Shinjuku EAST Building	10-5, Tomihisa-cho, Shinjuku-ku, Tokyo	Trust beneficiary interest	6,690	5,664
		Ginza Oji Building	4-9-8, Ginza, Chuo-ku, Tokyo	Trust beneficiary interest	2,160	2,067
	Tokyo Metropolitan Area	Faret East Building	2-34-7 Akebonocho, Tachikawa-shi, Tokyo	Trust beneficiary interest	2,720	1,575
Subtotal (10 properties)					134,180	134,576
Retail property	Tokyo Metropolitan Area	Sagamihara Shopping Center	3-13-33 Kobuchi, Minami-ku, Sagamihara-shi, Kanagawa	Trust beneficiary interest	9,070	11,247
		Ito-Yokado Higashi-Narashino Store	7-3-1 Higashi Narashino, Narashino-shi, Chiba	Trust beneficiary interest	3,990	7,598
		Musashiurawa Shopping Square	7-3-1 Bessho, Minami-ku, Saitama-shi, Saitama	Trust beneficiary interest	4,140	3,691
		Kojima × Bic Camera Kashiwa Store	Building A: 1-10, Oyamadai, Kashiwa-shi, Chiba Building B: 1-29, Oyamadai, Kashiwa-shi, Chiba	Trust beneficiary interest	4,930	4,594
	Other Major Cities	MEL Building	2-7-28 Chuo, Aoba-ku, Sendai-shi, Miyagi	Trust beneficiary interest	1,340	1,198
Subtotal (5 properties)					23,470	28,330
Residential property	Central Tokyo	Top Residence Nihonbashi Kayabacho	3-4-1 Nihonbashi Kayabacho, Chuo-ku, Tokyo	Trust beneficiary interest	2,860	2,296
	Tokyo Metropolitan Area	Fukasawa House Towers H&I	2-1-2 Fukasawa, Setagaya-ku, Tokyo	Trust beneficiary interest	7,810	9,878
		Ecology Toyosu Procentury	4-8-8 Toyosu, Koto-ku, Tokyo	Trust beneficiary interest	5,500	4,765
		Impress Musashi-Koganei	4-14-18 Nakamachi, Koganei-shi, Tokyo	Trust beneficiary interest	1,370	1,184
		Top Residence Yoga	1-14-12 Tamagawadai, Setagaya-ku, Tokyo	Trust beneficiary interest	1,300	1,158
Subtotal (5 properties)					18,840	19,284
Total (20 properties)					¥ 176,490	¥ 182,190

Note: Appraisal values are the assessed values based on appraisal reports by real estate appraisers in accordance with the asset evaluation method and standards stipulated in Top REIT's Articles of Incorporation and rules set forth by The Investment Trusts Association, Japan (real estate appraisal reports were prepared by The Tanizawa Sogo Appraisal Co., Ltd.; Japan Real Estate Institute and Daiwa Real Estate Appraisal Co., Ltd.) with October 31, 2015 as the points of evaluation.

B. Operating results by property are as follows:

Asset class	Area	Property name	18th fiscal period From November 1, 2014 to April 30, 2015				19th fiscal period From May 1, 2015 to October 31, 2015			
			Number of tenants (Note1)	Occupancy rate (at end of period) (%)	Rental revenue (In millions of yen) (Note 2)	Share in total rental revenues (%)(Note 3)	Number of tenants (Note1)	Occupancy rate (at end of period) (%)	Rental revenue (In millions of yen) (Note 2)	Share in total rental revenues (%)(Note 3)
Office building	Central Tokyo	NEC Head Office Building	1	100.0	¥ 1,439	27.1	1	100.0	¥ 1,439	26.8
		Harumi Island Triton Square Office Tower Y	9	99.8	830	15.6	9	100.0	911	17.0
		Akasaka Oji Building	6	100.0	270	5.1	5	99.1	273	5.1
		Kanda Park Plaza (Note 4)	-	-	10	0.2	-	-	-	-
		Shiba-Koen Building	2	100.0	88	1.7	2	100.0	111	2.1
		Harumi Island Triton Square Office Tower Z	1	100.0	/	/	1	100.0	/	/
		Kanda Nishiki-cho 3-chome Building	5	76.1	/	/	8	94.3	191	3.6
		Shinkawa Chuo Building	1	100.0	204	3.8	1	100.0	207	3.9
		Shinjuku EAST Building	4	99.4	240	4.5	4	99.4	240	4.5
	Ginza Oji Building	2	100.0	92	1.7	2	100.0	92	1.7	
Tokyo Metropolitan Area	Faret East Building	1	96.2	147	2.8	1	100.0	147	2.8	
Subtotal (11 properties)			32	98.5	3,880	73.0	34	99.6	3,960	73.8
Retail property	Tokyo Metropolitan Area	Sagamihara Shopping Center	2	100.0	332	6.3	2	100.0	332	6.2
		Ito-Yokado Higashi-Narashino Store	1	100.0	177	3.3	1	100.0	165	3.1
		Musashirawa Shopping Square	3	100.0	126	2.4	3	100.0	126	2.4
		Kojima × Bic Camera Kashiwa Store	1	100.0	/	/	1	100.0	/	/
	Other Major Cities	MEL Building	1	90.9	56	1.1	1	100.0	52	1.0
Subtotal (5 properties)			8	99.9	851	16.0	8	100.0	835	15.6
Residential property	Central Tokyo	Top Residence Nihonbashi Kayabacho	1	97.2	89	1.7	1	96.9	90	1.7
		Tokyo Metropolitan Area	Fukasawa House Towers H&I	1	92.8	238	4.5	1	92.1	231
	Ecology Toyosu Procentury		1	96.0	166	3.1	1	98.4	170	3.2
	Impress Musashi-Koganei		1	95.3	44	0.8	1	95.8	42	0.8
	Top Residence Yoga	1	95.4	38	0.7	1	98.3	37	0.7	
Subtotal (5 properties)			5	94.7	577	10.9	5	95.1	572	10.7
Other	Central Tokyo	OAK PLAZA (Note 4)	-	-	6	0.1	-	-	-	-
		Subtotal (1 property)			-	-	6	0.1	-	-
Total (22 properties)			45	98.9	¥ 5,315	100.0	47	99.4	¥ 5,368	100.0

Notes:

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

2. Rental revenue is rounded down to the nearest million yen. Rental revenue for Harumi Island Triton Square Office Tower Z, Kanda Nishiki-cho 3-chome Building and Kojima × Bic Camera Kashiwa Store in the 18th fiscal period and for Harumi Island Triton Square Office Tower Z and Kojima × Bic Camera Kashiwa Store in the 19th fiscal period is not disclosed as the consent of the tenants has not been obtained.
3. Share in total rental revenues is rounded to the first decimal place. Share in total rental revenues for Harumi Island Triton Square Office Tower Z, Kanda Nishiki-cho 3-chome Building and Kojima × Bic Camera Kashiwa Store in the 18th fiscal period and for Harumi Island Triton Square Office Tower Z and Kojima × Bic Camera Kashiwa Store in the 19th fiscal period is not disclosed as the consent of the tenants has not been obtained.
4. Kanda Park Plaza and OAK PLAZA were sold to third parties on November 13, 2014.

② Details of Renewable Energy Power Generation Facility

There are none applicable.

③ Details of Right to Operate Public Facility, etc.

There are none applicable.

④ Details of Investment Securities

There are none applicable.

#### 4. Contracted Amount and Fair Value of Specified Transactions

The contracted amount and fair value of the specified transactions of Top REIT as of October 31, 2015 are as follows:

(In millions of yen)

Segment	Type of transaction	Contract amount (Notes 1, 2)		Fair value (Notes 1, 3)
			Exceeding one year	
Transaction other than market transaction	Interest-rate swap (Fixed-rate payable and floating-rate receivable)	¥ 42,200	¥25,500	¥ (160)
Total		¥ 42,200	¥25,500	¥ (160)

Notes:

1. The above figures are rounded down to the nearest million yen.
2. Contract amounts of interest-rate swap transactions represent figures based on the notional principal.
3. Fair value is evaluated at the price calculated by the counterparty of the concerned transaction, based on the prevailing market rate.

#### 5. Other Assets

All real estate and trust beneficiary interests in real estate are listed in the table under “3-(a) Details of Properties”. There were no significant specified assets that are main investment targets of Top REIT other than those listed in the table mentioned above as of October 31, 2015.

#### 6. Assets by Country and Region

There are none applicable.

## 【4】 Capital Expenditures

### 1. Scheduled Capital Expenditures

The table below shows the estimated amounts of significant capital expenditures for repair and maintenance of its properties, planned as of October 31, 2015. The estimated amounts shown in the table below include costs that may be recognized as expenses.

Property name	Location	Purpose	Scheduled term for construction or maintenance	Estimated amounts (In millions of yen)		
				Total	Payment during the current period	Total of advance payment
NEC Head Office Building	Minato-ku, Tokyo	Renewal of parts for fire shutter	From May 2015 to Nov. 2015	¥32	¥—	¥—
		Renewal of gondola	From May 2015 to Jan. 2016	27	—	—
		Renewal of parts for electrical substation equipment	From May 2015 to Jan. 2016	20	—	—
		Renewal of emergency broadcasting equipment	From May 2015 to Mar. 2016	17	—	—
		Renewal of parts for smoke ventilation window	From May 2015 to Mar. 2016	17	—	—
		Renewal of light equipment	From May 2015 to Mar. 2016	23	—	—
		Renewal of ventilating duct	From May 2015 to Mar. 2016	24	—	—
		Renewal of cooling tower	From May 2015 to Mar. 2016	33	—	—
		Renewal of drainpipe for air conditioning facility	From May 2015 to Mar. 2016	25	—	—
		Renewal of monitoring equipment	From May 2015 to Mar. 2016	47	—	—
Harumi Island Triton Square Office Tower Y	Chuo-ku, Tokyo	Renewal of control panel for lighting	From Feb. 2016 to Feb. 2016	21	—	—
		Renewal of interaction control system	From Mar. 2015 to Apr. 2016	12	0	0
		14F restoration work (2nd construction period)	From Nov. 2015 to Mar. 2016	198	—	—
Shiba-Koen Building	Minato-ku, Tokyo	Renewal of water tank, etc.	From Nov. 2015 to Dec. 2015	13	—	—
Kanda Nishiki-cho 3-chome Building	Chiyoda-ku, Tokyo	Renewal of control panel for lighting	From Jan. 2016 to Feb. 2016	15	—	—
Sagamihara Shopping Center	Sagamihara-shi, Kanagawa	Replacement of electric lock	From Jan. 2016 to Mar. 2016	15	—	—

Property name	Location	Purpose	Scheduled term for construction or maintenance	Estimated amounts (In millions of yen)		
				Total	Payment during the current period	Total of advance payment
Kojima×Bic Camera Kashiwa Store	Kashiwa-shi, Chiba	Renovation of exterior walls	From Nov. 2015 to Feb. 2016	27	—	—

## 2. Capital Expenditures Made During the 19th Fiscal Period

The following table is an overview of capital expenditures made during the 19th fiscal period. Capital expenditures during the 19th fiscal period amounted to ¥578 million and combined with ¥102 million in repairs and maintenance costs that are recognized as expenses for the 19th fiscal period, a total of ¥681 million of construction work was implemented.

Property name	Location	Purpose	Term for construction or maintenance	Capital expenditures (In millions of yen)
Harumi Island Triton Square Office Tower Y	Chuo-ku, Tokyo	14F restoration work (1st construction period)	From Apr. 2015 to Oct. 2015	¥357
Kanda Nishiki-cho 3-chome Building	Chiyoda-ku, Tokyo	Joinery work of entrance	From Jul. 2015 to Aug. 2015	15
		Partition installation (B1F, 6F)	From Aug. 2015 to Oct. 2015	17
Sagamihara Shopping Center	Sagamihara-shi, Kanagawa	Exterior wall coating	From Dec. 2014 to Aug. 2015	130
Other		Renewal of function	From May 2015 to Oct. 2015	58
Total				578

## 3. Funds Reserved for Long-term Repair and Maintenance Plan

(In millions of yen)

	15th fiscal period From May 1, 2013 to October 31, 2013	16th fiscal period From November 1, 2013 to April 30, 2014	17th fiscal period From May 1, 2014 to October 31, 2014	18th fiscal period From November 1, 2014 to April 30, 2015	19th fiscal period From May 1, 2015 to October 31, 2015
Balance of reserved funds at beginning of the period	¥ 375	¥ 414	¥ 385	¥ 486	¥ 395
Amount reserved during the period	197	197	282	111	197
Amount withdrawn from reserved funds during the period	158	225	181	202	171
Amount carried forward	¥ 414	¥ 385	¥ 486	¥ 395	¥ 421

## 【5】 Expenses and Liabilities

### 1. Details of Expenses Related to Asset Management

(In millions of yen)

	18th fiscal period From November 1, 2014 to April 30, 2015	19th fiscal period From May 1, 2015 to October 31, 2015
(a) Asset management fee (Note)	¥ 341	¥ 341
(b) Asset custody fee and administrative service fees	76	75
(c) Directors' compensations	6	6
(d) Audit fee	10	12
(e) Other expenses	75	48
Total	¥ 509	¥ 484

Note: With regard to the asset management fee in the 18th fiscal period, there were ¥41 million of fees related to the sale of properties (included in the costs of sale) and ¥1 million of fees related to the acquisition of a new property (included in the book value) in addition to the amounts described above.

## 2. Borrowings

Borrowings from financial institutions as of October 31, 2015 are as follows:

(In millions of yen, unless otherwise stated)

	Lender		Date borrowed	Balance at the beginning of the period	Increase	Decrease	Balance at the end of the period	Average interest rate (%) (Note 1)	Due on	Repayment method	Use of funds	Remarks
	Current Portion of Long-term Loans	Term Loan No. 11	Development Bank of Japan Inc.	January 13, 2010	¥ 135	¥ 67	¥ 67	¥ 135	2.42	November 30, 2016	(Note 2)	(Note 3)
Term Loan No. 14		Sumitomo Mitsui Trust Bank, Limited	March 3, 2011	6,012	—	—	6,012	1.39 (Note 4)	February 29, 2016	Bullet repayment on repayment date	(Note 5)	Unsecured and unguaranteed
		Mizuho Bank, Ltd.		3,841	—	—	3,841					
		Sumitomo Mitsui Banking Corporation		3,006	—	—	3,006					
		The Bank of Tokyo-Mitsubishi UFJ, Ltd.		3,006	—	—	3,006					
		Mitsubishi UFJ Trust and Banking Corporation		835	—	—	835					
Term Loan No. 15		Sumitomo Mitsui Trust Bank, Limited	March 31, 2011	717	—	—	717	0.67	February 29, 2016	Bullet repayment on repayment date	(Note 6)	Unsecured and unguaranteed
		The Bank of Fukuoka, Ltd.		1,266	—	—	1,266					
		The Hiroshima Bank, Ltd.		422	—	—	422					
		The Yamaguchi Bank, Ltd.		422	—	—	422					
Term Loan No. 17		Sumitomo Mitsui Trust Bank, Limited	March 30, 2012	—	1,008	—	1,008	0.61	October 31, 2016	Bullet repayment on repayment date	(Note 3)	Unsecured and unguaranteed
		Mizuho Bank, Ltd.		—	644	—	644					
		Sumitomo Mitsui Banking Corporation		—	504	—	504					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	—		504	—	504						
	Mitsubishi UFJ Trust and Banking Corporation	—		340	—	340						
Term Loan No.19-①	Sumitomo Mitsui Trust Bank, Limited	November 30, 2012	1,266	—	1,266	—	0.61	September 30, 2015	Bullet repayment on repayment date	(Note 5)	Unsecured and unguaranteed	
	Sumitomo Mitsui Banking Corporation		633	—	633	—						
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		633	—	633	—						
	Resona Bank, Ltd.		422	—	422	—						
Term Loan No. 20	Mizuho Bank, Ltd.	March 27, 2013	759	—	759	—	0.61	September 30, 2015	Bullet repayment on repayment date	(Note 7)	Unsecured and unguaranteed	
	Mitsubishi UFJ Trust and Banking Corporation		538	—	538	—						
Subtotal				23,913	3,067	4,318	22,662					
Long-term Loans	Term Loan No.11	Development Bank of Japan Inc.	January 13, 2010	1,890	—	67	1,822	2.42	November 30, 2016	(Note 2)	(Note 3)	Unsecured and unguaranteed
	Term Loan No. 16	Sumitomo Mitsui Trust Bank, Limited	November 30, 2011	6,687	—	—	6,687	0.51	November 30, 2016	Bullet repayment on repayment date	(Note 5)	Unsecured and unguaranteed
		Mizuho Bank, Ltd.		4,440	—	—	4,440					
		Sumitomo Mitsui Banking Corporation		3,474	—	—	3,474					
		The Bank of Tokyo-Mitsubishi UFJ, Ltd.		3,474	—	—	3,474					
	Mitsubishi UFJ Trust and Banking Corporation		965	—	—	965						

	Lender		Date borrowed	Balance at the beginning of the period	Increase	Decrease	Balance at the end of the period	Average interest rate (%) (Note 1)	Due on	Repayment method	Use of funds	Remarks	
	Long-term Loans	Term Loan No. 17	Sumitomo Mitsui Trust Bank, Limited	March 30, 2012	1,008	—	1,008	—	0.61	October 31, 2016	Bullet repayment on repayment date	(Note 3)	Unsecured and unguaranteed
Mizuho Bank, Ltd.			644		—	644	—						
Sumitomo Mitsui Banking Corporation			504		—	504	—						
The Bank of Tokyo-Mitsubishi UFJ, Ltd.			504		—	504	—						
		Mitsubishi UFJ Trust and Banking Corporation.		340	—	340	—						
Term Loan No. 18		Sumitomo Mitsui Trust Bank, Limited	June 29, 2012	5,660	—	—	5,660	0.70 (Note 8)	June 30, 2017	Bullet repayment on repayment date	(Note 5)	Unsecured and unguaranteed	
		Mizuho Bank, Ltd.		4,255	—	—	4,255						
		Sumitomo Mitsui Banking Corporation		3,330	—	—	3,330						
		The Bank of Tokyo-Mitsubishi UFJ, Ltd.		3,330	—	—	3,330						
		Mitsubishi UFJ Trust and Banking Corporation		925	—	—	925						
Term Loan No. 20		Sumitomo Mitsui Trust Bank, Limited	March 27, 2013	1,428	—	—	1,428	0.73	March 27, 2018	Bullet repayment on repayment date	(Note 7)	Unsecured and unguaranteed	
		Mizuho Bank, Ltd.		1,264	—	—	1,264						
		Sumitomo Mitsui Banking Corporation		989	—	—	989						
		The Bank of Tokyo-Mitsubishi UFJ, Ltd.		989	—	—	989						
		Development Bank of Japan Inc.		2,355	—	—	2,355	1.08					
Term Loan No. 21		Sumitomo Mitsui Trust Bank, Limited	April 30, 2013	730	—	—	730	0.73	April 30, 2018	Bullet repayment on repayment date	(Note 3)	Unsecured and unguaranteed	
		Resona Bank, Ltd.		500	—	—	500						
Term Loan No.23-①		Sumitomo Mitsui Trust Bank, Limited	March 31, 2014	1,400	—	—	1,400	0.82 (Note 4)	March 29, 2019	Bullet repayment on repayment date	(Note 6)	Unsecured and unguaranteed	
		Sumitomo Mitsui Banking Corporation		1,400	—	—	1,400						
		Mizuho Bank, Ltd.		1,000	—	—	1,000						
	Aozora Bank, Ltd.	500		—	—	500							
	The Bank of Fukuoka, Ltd.		200	—	—	200							
Term Loan No.23-②	Sumitomo Mitsui Trust Bank, Limited	June 30, 2014	1,000	—	—	1,000	0.90	March 29, 2019	Bullet repayment on repayment date	(Note 5)	Unsecured and unguaranteed		
	Aozora Bank, Ltd.		1,000	—	—	1,000							
	The Dai-ichi Life Insurance Company, Limited		1,000	—	—	1,000							
	Sumitomo Mitsui Banking Corporation		400	—	—	400							
	Mizuho Bank, Ltd.		300	—	—	300							
	The Bank of Fukuoka, Ltd.		300	—	—	300							
Term Loan No.24-①	Sumitomo Mitsui Trust Bank, Limited	June 3, 2015	—	1,500	—	1,500	0.43 (Note 4)	May 29, 2020	Bullet repayment on repayment date	(Note 9)	Unsecured and unguaranteed		
	Mitsubishi UFJ Trust and Banking Corporation		—	1,000	—	1,000							
	The Bank of Fukuoka, Ltd.		—	1,000	—	1,000							
	Resona Bank, Ltd.		—	500	—	500							
Term Loan No.24-②	Sumitomo Mitsui Trust Bank, Limited	June 3, 2015	—	1,000	—	1,000	0.82 (Note 4)	May 31 2022	Bullet repayment on repayment date	(Note 9)	Unsecured and unguaranteed		
	Sumitomo Mitsui Banking Corporation		—	1,000	—	1,000							
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		—	1,000	—	1,000							
	The Bank of Fukuoka, Ltd.		—	1,000	—	1,000							
	Resona Bank, Ltd.		—	500	—	500							



	Lender		Date borrowed	Balance at the beginning of the period	Increase	Decrease	Balance at the end of the period	Average interest rate (%) (Note 1)	Due on	Repayment method	Use of funds	Remarks
Long-term Loans	Term Loan No.25	Sumitomo Mitsui Trust Bank, Limited	September 30, 2015	—	1,180	—	1,180	0.76 (Note 4)	September 30, 2022	Bullet repayment on repayment date	(Note 5)	Unsecured and unguaranteed
		Mizuho Bank, Ltd.		—	710	—	710					
		Sumitomo Mitsui Banking Corporation		—	600	—	600					
		The Bank of Tokyo-Mitsubishi UFJ, Ltd.		—	600	—	600					
		Mitsubishi UFJ Trust and Banking Corporation		—	510	—	510					
		Resona Bank, Ltd.		—	400	—	400					
Subtotal				58,185	12,500	3,067	67,617					
Total				¥82,098	¥ 15,567	¥7,386	¥ 90,279					

Notes:

1. 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.
2. Repayment of ¥67.5 million has been and 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 made on November 30, 2016, the final repayment date.
3. The borrowings have been used for the acquisition of trust beneficiary interest in real estate.
4. To avoid interest rate volatility risk, the interest rates are hedged by interest rate swap transactions and the average interest rates show the weighted-average interest rates reflecting the effect of the relevant interest rate swap transactions.
5. The borrowings have been used for the repayment of long-term loans.
6. The borrowings have been used for the repayment of short-term loans.
7. The borrowings have been used for the repayment of short-term and long-term loans.
8. To avoid interest rate volatility risk, a portion of the borrowing amounting to ¥8,500 million is hedged by an interest rate swap transaction and the average interest rate shows the weighted-average interest rate reflecting the effect of the relevant interest rate swap transaction.
9. The borrowings have been used for the redemption of No. 1 Unsecured Investment Corporation Bonds.

### 3. Investment Corporation Bonds

There are none applicable.

### 4. Short-Term Investment Corporation Bonds

There are none applicable.

### 5. Subscription Rights

There are none applicable.

## Balance Sheets

(In thousands of yen)

	As of April 30, 2015	As of October 31, 2015
<b>Assets</b>		
Current assets		
Cash and deposits (Notes 3 and 11)	¥ 2,046,803	¥ 2,638,085
Cash and deposits in trust (Notes 3 and 11)	3,796,885	3,582,056
Operating accounts receivable	218,025	301,141
Prepaid expenses	298,137	296,248
Deferred tax assets (Note 9)	15	12
Other	13	—
Total current assets	6,359,881	6,817,545
Non-current assets		
Property and equipment (Note 12)		
Buildings	1,222,605	—
Structures	5,559	—
Machinery and equipment	20,309	—
Tools, furniture and fixtures	6,609	—
Land	5,209,643	—
Buildings in trust (Note 4)	66,198,127	67,891,811
Structures in trust (Note 4)	801,461	807,020
Machinery and equipment in trust	310,592	316,304
Tools, furniture and fixtures in trust	303,189	280,255
Land in trust (Note 4)	127,651,793	132,862,108
Construction in progress in trust	—	101
Less: accumulated depreciation	(18,879,396)	(19,975,370)
Total property and equipment	182,850,494	182,182,231
Intangible assets		
Leasehold right in trust	7,348	7,348
Other intangible assets in trust	1,650	1,376
Other	21	—
Total intangible assets	9,019	8,724
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	244,946	282,502
Other	241,210	254,532
Total investments and other assets	496,157	547,034
Total non-current assets	183,355,671	182,737,990
Deferred assets		
Investment corporation bond issuance costs	1,837	—
Investment unit issuance expenses	20,035	13,357
Total deferred assets	21,873	13,357
Total assets	¥ 189,737,426	¥ 189,568,893

The accompanying notes to financial statements are an integral part of these statements.

## Balance Sheets, continued

(In thousands of yen)

	As of April 30, 2015	As of October 31, 2015
Liabilities		
Current liabilities		
Operating accounts payable	¥ 352,904	¥ 530,455
Current portion of investment corporation bonds (Note 11)	8,500,000	—
Current portion of long-term loans (Notes 8 and 11)	23,913,000	22,662,000
Accounts payable	231,359	236,463
Accrued expenses	103,139	69,315
Income taxes payable	764	716
Accrued consumption taxes	85,700	26,918
Advances received	704,242	729,644
Other	3,711	1,591
Total current liabilities	33,894,820	24,257,106
Non-current liabilities		
Long-term loans (Notes 8 and 11)	58,185,000	67,617,500
Tenant leasehold and security deposits (Note 11)	170,568	—
Tenant leasehold and security deposits in trust (Notes 4 and 11)	4,373,971	4,631,266
Deferred tax liabilities (Note 9)	72,345	55,287
Derivative liabilities (Note 11)	42,216	30,766
Total non-current liabilities	62,844,102	72,334,820
Total liabilities	96,738,923	96,591,926
Net Assets (Notes 7 and 14)		
Unitholders' equity		
Unitholders' capital	91,143,100	91,143,100
Units authorized: 2,000,000 units		
Units issued and outstanding: 176,000 units		
Retained earnings	1,883,949	1,854,633
Total unitholders' equity	93,027,049	92,997,733
Deferred gains or losses on hedges	(28,546)	(20,767)
Total net assets	92,998,503	92,976,966
Total liabilities and net assets	¥ 189,737,426	¥ 189,568,893

The accompanying notes to financial statements are an integral part of these statements.

## Statements of Income

(In thousands of yen)

	For the six-month period ended April 30, 2015	For the six-month period ended October 31, 2015
Operating revenue		
Rental revenue (Note 5)	¥ 5,283,814	¥ 5,220,477
Other rental business revenue (Note 5)	31,369	147,738
Gain on sales of real estate properties (Note 6)	297,259	—
Total operating revenue	5,612,443	5,368,215
Operating expenses		
Expenses related to rental business (Note 5)	2,630,481	2,673,458
Asset management fee	341,711	341,201
Asset custody fee	8,622	8,515
Administrative service fees	67,447	66,764
Directors' compensations	6,300	6,300
Audit fee	10,000	12,600
Other operating expenses	75,828	48,665
Total operating expenses	3,140,392	3,157,505
Operating income	2,472,051	2,210,709
Non-operating income		
Interest income	1,025	844
Gains on forfeiture of unclaimed dividends	611	452
Insurance income	424	—
Total non-operating income	2,061	1,297
Non-operating expenses		
Interest expenses	355,378	377,898
Interest expense on investment corporation bonds	42,034	8,267
Amortization of investment corporation bond issuance costs	5,511	1,837
Borrowing related expenses	170,089	151,582
Amortization of investment unit issuance expenses	6,678	6,678
Other	2,440	11,283
Total non-operating expenses	582,133	557,548
Ordinary income	1,891,979	1,654,459
Income before income taxes	1,891,979	1,654,459
Income taxes – current (Note 9)	944	864
Income taxes – deferred (Note 9)	59,068	(20,768)
Total income taxes	60,013	(19,904)
Net income	¥ 1,831,965	¥ 1,674,363

The accompanying notes to financial statements are an integral part of these statements.

## Statements of Changes in Net Assets

(In thousands of yen)

	Number of units	Unitholders' capital	Retained earnings	Total unitholders' equity	Deferred gains or losses on hedge	Total net assets
Balance as of October 31, 2014	176,000	¥ 91,143,100	¥ 2,006,816	¥ 93,149,916	¥ (29,195)	¥ 93,120,720
Dividends from surplus			(1,954,832)	(1,954,832)		(1,954,832)
Net income			1,831,965	1,831,965		1,831,965
Net changes of items other than unitholders' equity (net)					649	649
Balance as of April 30, 2015	176,000	¥ 91,143,100	¥ 1,883,949	¥ 93,027,049	¥ (28,546)	¥ 92,998,503
Dividends from surplus			(1,703,680)	(1,703,680)		(1,703,680)
Net income			1,674,363	1,674,363		1,674,363
Net changes of items other than unitholders' equity (net)					7,778	7,778
Balance as of October 31, 2015	176,000	¥ 91,143,100	¥ 1,854,633	¥ 92,997,733	¥ (20,767)	¥ 92,976,966

The accompanying notes to financial statements are an integral part of these statements.

## Statements of Cash Distributions

Classification	For the six-month period ended April 30, 2015	For the six-month period ended October 31, 2015
	Amount (yen) (Note 1)	Amount (yen) (Note 2)
I. Unappropriated retained earnings	¥1,832,069,089	¥1,674,520,004
II. Voluntary retained earnings		
Reversal of reserve for reduction entry	—	43,517,328
III. Total Amount of Dividends	1,703,680,000	1,717,936,000
(Dividend per unit)	[9,680]	[9,761]
IV. Voluntary retained earnings		
Reserve for reduction entry	128,233,041	—
V. Retained earnings brought forward	¥156,048	¥101,332

The accompanying notes to financial statements are an integral part of these statements.

### Notes:

- In accordance with the “cash distribution policy” stipulated in Article 34 of the Articles of Incorporation, the total amount of dividends is limited to the amount of income. The article also stipulates the policy that “Top REIT shall distribute an amount in excess of 90% of its distributable profits as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation.” Based on these policies, Top REIT decided on a total distribution of ¥1,703,680,000 as distribution of income for the period. This is the maximum value arrived at when the number of units issued and outstanding (176,000 units) is multiplied by an integer, which does not exceed the unappropriated retained earnings of the 18th fiscal period after deducting both (1) the amount of deferred tax liabilities adjusted to reflect the change in tax rate, and (2) the amount of retained earnings brought forward pursuant to Article 66-2 of the “Special Taxation Measures Act of Japan ” which would be transferred to the reserve for reduction entry. Furthermore, Top REIT does not make cash distributions in excess of the profit as stipulated in Article 34-2 of the Articles of Incorporation.
- In accordance with the “cash distribution policy” stipulated in Article 34 of the Articles of Incorporation, the policy of “Top REIT shall distribute an amount in excess of 90% of its distributable profits as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation” shall be pursued. Accordingly, Top REIT decided on a total distribution of ¥1,717,936,000 as distribution of income for the period. This is the maximum value arrived at when the number of units issued and outstanding (176,000 units) is multiplied by an integer, which does not exceed the sum of unappropriated retained earnings of the 19th fiscal period after adding the amount of reversal of reserve for reduction entry. Furthermore, Top REIT does not make cash distributions in excess of the profit as stipulated in Article 34-2 of the Articles of Incorporation.

## Statements of Cash Flows

(In thousands of yen)

	For the six-month period ended April 30, 2015	For the six-month period ended October 31, 2015
Cash flows from operating activities		
Income before income taxes	¥ 1,891,979	¥ 1,654,459
Depreciation and amortization	1,186,513	1,185,199
Amortization of trademark	21	21
Amortization of investment corporation bond issuance costs	5,511	1,837
Amortization of investment unit issuance expenses	6,678	6,678
Interest income and interest on securities	(1,025)	(844)
Interest expenses	397,412	386,165
Decrease (increase) in operating accounts receivable	1,382	(83,116)
Decrease (increase) in prepaid expenses	62,617	1,888
Decrease in property and equipment in trust due to sale	7,734,728	—
Increase (decrease) in operating accounts payable	(5,696)	12,349
Increase (decrease) in accounts payable	(25,453)	5,104
Increase (decrease) in accrued consumption taxes	(138,262)	(58,781)
Increase (decrease) in advances received	(97,646)	25,402
Decrease (increase) in long-term prepaid expenses	127,083	(37,556)
Other, net	(16,236)	37,045
Subtotal	11,129,607	3,135,853
Interest income received	1,025	844
Interest expenses paid	(404,780)	(419,945)
Income taxes paid	(851)	(911)
Net cash provided by operating activities	10,725,000	2,715,840
Cash flows from investing activities		
Purchase of property and equipment	(388,632)	(4,739)
Purchase of property and equipment in trust	(245,384)	(399,193)
Proceeds from tenant leasehold and security deposits	43,239	965
Repayments of tenant leasehold and security deposits	(100)	—
Proceeds from tenant leasehold and security deposits in trust	285,796	125,720
Repayments of tenant leasehold and security deposits in trust	(1,210,483)	(39,959)
Net cash used in investing activities	(1,515,565)	(317,207)
Cash flows from financing activities		
Proceeds from long-term loans	—	12,500,000
Repayment of long-term loans	(9,764,500)	(4,318,500)
Redemption of investment corporation bonds	—	(8,500,000)
Payment of dividends	(1,954,832)	(1,703,680)
Net cash used in financing activities	(11,719,332)	(2,022,180)
Net increase (decrease) in cash and cash equivalents	(2,509,897)	376,452
Cash and cash equivalents at the beginning of the period	8,353,586	5,843,689
Cash and cash equivalents at the end of the period (Note 3)	¥ 5,843,689	¥ 6,220,142

The accompanying notes to financial statements are an integral part of these statements.

## Notes to Financial Statements

For the six-month periods ended April 30, 2015 and October 31, 2015

### Note 1. Organization and Basis of Presentation

#### a) Organization

Top REIT, Inc. (“Top REIT”) was founded on November 2, 2005 based on the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended) with Top REIT Asset Management Co., Ltd. (the “Asset Manager”) as the incorporator. On March 1, 2006, Top REIT was listed on the Real Estate Investment Trust Section of the Tokyo Stock Exchange (TSE) (Securities Code: 8982) with the number of investment units issued and outstanding totaling 145,500 units. As of the end of the 19th fiscal period (October 31, 2015), the total number of investment units issued and outstanding stood at 176,000 units as a result of the issuance of additional investment units through the third-party allotment (9,500 units) on March 23, 2006, the public offering (20,000 units) on November 25, 2013, and the third-party allotment (1,000 units) on December 13, 2013.

Top REIT manages its portfolio with the aim of maximizing the investment value for its unitholders by securing stable revenues over the medium- to long-term and achieving steady growth of its portfolio. To do so, Top REIT focuses on the two strategies, “Skilled management of a diversified portfolio” and “Optimal application of the sponsors’ strengths.” As of the end of the 19th fiscal period, its portfolio consisted of 20 properties with a total acquisition value of ¥190,484 million.

#### b) Basis of Presentation

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Investment Trust Law and the Japanese Financial Instruments and Exchange Act and their related accounting regulations, and in conformity with accounting principles generally accepted in Japan (hereinafter the “Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards. The accompanying financial statements have been reformatted and translated into English from the financial statements of Top REIT prepared in accordance with Japanese GAAP, and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. In preparing these financial statements, certain reclassifications and modifications have been made to the financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan. As permitted by the regulations under the Financial Instruments and Exchange Act of Japan, amounts of less than one thousand yen have been omitted. As a result, the totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts. The fiscal period of Top REIT represents two six-month accounting periods: each period is from May 1 to October 31 or, from November 1 to April 30 of the following year.

### Note 2. Summary of Significant Accounting Policies

#### a) Property and Equipment (including assets in trust)

Property and Equipment are stated at cost. Depreciation of property and equipment is calculated on a straight-line basis over the estimated useful lives of the assets ranging as stated below:

Buildings	2~59 years
Structures	2~54 years
Machinery and equipment	2~15 years
Tools, furniture and fixtures	2~12 years

#### b) Investment Corporation Bond Issuance Costs

Investment corporation bond issuance costs are amortized using the straight-line method over the maturity period of the bonds.

#### c) Investment Unit Issuance Expenses

Investment unit issuance expenses are amortized using the straight-line method over three years.

#### d) Taxes on Property and Equipment

With respect to property taxes, city planning taxes and depreciable asset taxes, of the taxation amount assessed and determined, the amount corresponding to the relevant period is accounted for as expenses related to rental business.

Of the amounts paid for the acquisitions of real estate or trust beneficiary interests in real estate, the amounts equivalent to property taxes is capitalized as part of the acquisition costs of the relevant property instead of being charged as expenses.

Capitalized property taxes amounted to ¥1,733 thousand for the six-month period ended April 30, 2015, and there were no property tax capitalized for the six-month period ended October 31, 2015.

#### e) Hedge Accounting Approach

##### (1) Hedge Accounting Approach

Deferred hedge accounting is applied for interest rate swap transactions. However, special treatment is applied for interest rate swaps when the requirements for special treatment are fulfilled.

##### (2) Hedging Instruments and Hedged Items

Hedging instruments:

Interest rate swap transactions

Hedged items:

Borrowing interest rates

##### (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.



(4) Hedge Effectiveness Assessment

Hedge effectiveness 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.

f) Trust Beneficiary Interests in Real Estate

For trust beneficiary interests in 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 statement of income.

g) Consumption Taxes

Consumption taxes are excluded from transaction amounts. Furthermore, non-deductible consumption taxes related to acquisition of properties are included in the acquisition costs of the respective properties.

h) Cash and Cash Equivalents

Cash and cash equivalents 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 easily convertible to cash, have a low risk of price fluctuation and mature within three months from the date of purchase.

i) Reclassification

Certain prior period amounts have been reclassified to conform to the current period's presentation.

**Note 3. Cash and Cash Equivalents**

The relationship between cash and cash equivalents in the accompanying statements of cash flows and accounts and amounts in the accompanying balance sheets is as follows:

(In thousands of yen)

	As of April 30, 2015	As of October 31, 2015
Cash and deposits	¥ 2,046,803	¥ 2,638,085
Cash and deposits in trust	3,796,885	3,582,056
Cash and cash equivalents	¥ 5,843,689	¥ 6,220,142

**Note 4. Asset Pledged as Collateral and Secured Liabilities**

The Assets pledged as collateral are as follows:

(In thousands of yen)

	As of April 30, 2015	As of October 31, 2015
Buildings in trust	¥ 2,203,777	¥ 2,289,630
Structures in trust	67,771	65,403
Land in trust	8,892,092	8,892,092
Total	¥ 11,163,640	¥ 11,247,126

The secured liabilities are as follows:

(In thousands of yen)

	As of April 30, 2015	As of October 31, 2015
Tenant leasehold and security deposits in trust	¥ 326,648	¥ 326,648
Total	¥ 326,648	¥ 326,648

**Note 5. Breakdown of Property-Related Revenue and Expenses**

Property-related revenue and expenses for the six month periods ended April 30, 2015 and October 31, 2015 were as follows:

(In thousands of yen)

	For the six-month period ended April 30, 2015	For the six-month period ended October 31, 2015
A. Revenue related to rental business		
Rental and parking lots revenue	¥ 4,975,223	¥ 4,972,503
Other rental revenue	308,591	247,973
Other rental business revenue	21,349	143,790
Cancellation penalty received	10,020	3,948
Total revenue related to rental business	5,315,184	5,368,215
B. Expenses related to rental business		
Property management fees	432,436	405,783
Utilities expenses	247,539	255,263
Property and other taxes	630,540	612,070
Non-life insurance expenses	10,546	10,634
Repair and maintenance	84,300	102,144
Depreciation and amortization	1,186,513	1,185,199
Other	38,604	102,363
Total expenses related to rental business	2,630,481	2,673,458
C. Operating income from real estate rental business (A – B)	¥ 2,684,702	¥ 2,694,757

**Note 6. Gain on sales of real estate properties**

There were no sales of real estate properties during the period ended October 31, 2015.

Gain on sales of real estate properties during the period ended April 30, 2015 was as follows:

(In thousands of yen)

For the six-month period ended April 30, 2015			
Kanda Park Plaza		OAK PLAZA	
Proceeds from sales of real estate properties	¥ 5,350,000	Proceeds from sales of real estate properties	¥ 2,900,000
Cost of sale of real estate properties	5,050,382	Cost of sale of real estate properties	2,684,345
Other sales related expenses	192,487	Other sales related expenses	25,524
Gain on sales of real estate properties	¥ 107,129	Gain on sales of real estate properties	¥ 190,129

**Note 7. Net Assets**

Top REIT issues only non-per value units in accordance with the Act on Investment Trusts and Investment Corporations of Japan, and all issue amounts of new units are designated as stated capital. Top REIT maintains at least 50million yen as the minimum net assets required by Article 67, Paragraph 4 of the Act on Investment Trust and Investment Corporation.

### Note 8. Long-term Loans

Long-term loans consisted of bank borrowings under loan agreements. The following table summarizes the long-term loans outstanding as of April 30, 2015 and October 31, 2015.

(In thousands of yen)

	As of April 30, 2015	As of October 31, 2015
0.61% unsecured long-term loans due in 2015	¥ 2,954,000	—
0.61% unsecured long-term loans due in 2015	1,297,000	—
2.42% unsecured long-term loans due in 2016	135,000	¥ 135,000
2.42% unsecured long-term loans due in 2016	1,890,000	1,822,500
1.39% unsecured long-term loans due in 2016	16,700,000	16,700,000
0.67% unsecured long-term loans due in 2016	—	2,827,000
0.69% unsecured long-term loans due in 2016	2,827,000	—
0.51% unsecured long-term loans due in 2016	19,040,000	19,040,000
0.61% unsecured long-term loans due in 2016	3,000,000	3,000,000
0.70% unsecured long-term loans due in 2017	17,500,000	17,500,000
0.73% unsecured long-term loans due in 2018	4,670,000	4,670,000
1.08% unsecured long-term loans due in 2018	2,355,000	2,355,000
0.73% unsecured long-term loans due in 2018	1,230,000	1,230,000
0.82% unsecured long-term loans due in 2019	4,500,000	4,500,000
0.90% unsecured long-term loans due in 2019	4,000,000	4,000,000
0.43% unsecured long-term loans due in 2020	—	4,000,000
0.82% unsecured long-term loans due in 2022	—	4,500,000
0.76% unsecured long-term loans due in 2022	—	4,000,000
Less: Current Portion	(23,913,000)	(22,662,000)
Total long-term loans, less current portion	¥ 58,185,000	¥ 67,617,500

The stated interest rate is the weighted average interest rate during the period ended October 31, 2015.

The redemption schedules for long-term loans subsequent to April 30, 2015 and October 31, 2015 are disclosed in “Note 11, Financial Instruments”.

## Note 9. Income Taxes

Top REIT is subject to Japanese corporate income taxes. The tax effect of temporary differences that give rise to a significant portion of the deferred tax assets and liabilities as of April 30, 2015 and October 31, 2015 were as follows:

	(In thousands of yen)	
	As of April 30, 2015	As of October 31, 2015
Current assets		
Enterprise tax payable	¥ 15	¥ 12
Non-current assets		
Deferred gains or losses on hedges	13,627	9,913
Total deferred tax assets	¥ 13,642	¥ 9,926
Non-current liabilities		
Reserve for reduction entry	¥ 85,972	¥ 65,200
Total deferred tax liabilities	85,972	65,200
(Net deferred tax liabilities)	¥ 72,329	¥ 55,274

Reconciliation of major items for differences between the statutory tax rate and effective tax rate with respect to pre-tax income reflected in the accompanying statements of income for the six-month periods ended April 30, 2015 and October 31, 2015 are as follows:

	As of April 30, 2015	As of October 31, 2015
Effective statutory tax rate	34.15%	32.31%
(Adjustment)		
Deductible cash distributions	(30.75%)	(33.55%)
Other	(0.23%)	0.04%
Effective tax rate after applying tax effect accounting	3.17%	(1.20%)

Top REIT has a policy of making cash distributions of earnings in excess of 90% of distributable income for the fiscal period to qualify for conditions, as set forth in the Special Taxation Measures Act, to achieve a deduction of cash distributions for income tax purposes. Based on this policy, Top REIT treated the cash distributions of earnings as a tax deductible distribution as defined in the Special Taxation Measures Act.

The Act on Partial Amendment of the Income Tax Act, etc. (Act No. 9 of 2015) was promulgated on March 31, 2015, and the corporate tax rate was changed from fiscal periods starting on or after April 1, 2015. Accordingly, the effective statutory tax rate used to calculate the deferred tax assets and liabilities for temporary differences expected to be settled or realized during fiscal periods which start on or after May 1, 2015 has been changed to 32.31% from 34.15%. This change had little impact on the deferred tax assets and the income taxes-deferred.

## Note 10. Leases

### 1. Finance lease transactions

There are none applicable.

### 2. Operating lease transactions (as lessor)

Future minimum rental revenues under existing non-cancelable lease agreements are as follows:

	(In thousands of yen)	
	As of April 30, 2015	As of October 31, 2015
Due within one year	¥ 4,046,703	¥ 3,925,537
Due after one year	9,173,902	7,256,547
Total	¥ 13,220,605	¥ 11,182,085

## Note 11. Financial Instruments

### 1. Status of Financial Instruments

#### (1) Policies 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 and stable and efficient performance in accordance with the financial policy stated by the Asset Manager.

For management of surplus funds through financial instruments, investment targets include securities and monetary claims in accordance with the investment limitations stipulated in the Articles of Incorporation. However, as a general rule, the surplus funds are held as bank deposits.

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 to improve risk management through regular monitoring of the adequacy and effectiveness of risk management systems. Top REIT and TRAM have a structure that monitors various risks regularly and reflects the results of monitoring on the risk management plan and the asset management plans. In addition, Top REIT and TRAM monitor risks through various transactions and reflect the results of monitoring in the decision-making in a timely manner.

For individual financial instruments, their risks and risk management system, Top REIT and TRAM strive for risk management based on the Articles of Incorporation set by the Asset Manager.

##### ① Credit risk concerning deposits and derivative transactions

Deposits, especially time deposits of large amounts used for investment of Top REIT’s surplus funds are exposed to credit risks such as bankruptcy of the depository financial institutions. Top REIT minimizes the risk through such measures as limiting them to short term deposits, setting a standard of credit rating for depository financial institutions to be used and establishing rules for the ceiling amounts of deposit. For derivative transactions, Top REIT limits credit risks by setting a standard of credit rating for financial institutions used in the transaction and putting in place a structure to monitor deals, the fair value of each transaction and credit status of counter parties.

##### ② Market risks concerning loans

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

Floating-rate loans are exposed to market risks. Top REIT manages interest-raising risks by fixing interest rates through interest swap transactions and setting a target for fixed-rate interest ratios. In addition, when procuring new loans or refinancing existing loans, Top REIT considers interest-raising risks and the following ways such as diversifying the financial methods and lenders, and dispersing repayment dates to minimize risks. For hedging instruments and hedged items, hedging policy, and hedge effectiveness assessment in hedge accounting, please refer to “e) Hedge Accounting Approach” under “Note 2. Summary of Significant Accounting Policies.”

##### ③ Liquidity risks concerning loans and tenant leasehold and security deposits

Loans, investment corporation bonds and tenant leasehold and security deposits are exposed to liquidity risk at the time of repayment of loans, redemption of investment corporation bonds and return of tenant leaseholds and security deposits. Top REIT manages these risks by preparing monthly fund management plans. In addition, Top REIT monitors liquidity risks regularly and at the time of various transactions by preparing cash flow schedules which include projections of repayment of loans and tenant leaseholds and security deposits, distribution of dividends, taking into account a comparative monitoring with liquidity on hand that factors in the liquidity of portfolio properties.

#### (3) Supplemental Explanation regarding the Fair Value of Financial Instruments

The fair value of financial instruments is based on the observed market price, if available. When there is no observed market price available, fair value is reasonably estimated. Certain assumptions are used for the estimation of fair value. Since various factors are reflected in estimating the fair value, different assumptions and factors could result in a different value. Furthermore, the contractual amounts of derivative transactions stated in “2. Fair Values of Financial Instruments” below do not represent the market risk involved in these derivative transactions.

## 2. Fair Values of Financial Instruments

Book value, fair value and differences between the values as of April 30, 2015 are shown in the table below. Financial instruments for which fair value is difficult to estimate are not included in the table (Please refer to Note 2).

(In thousands of yen)

	As of April 30, 2015		
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 2,046,803	¥ 2,046,803	¥ —
(2) Cash and deposits in trust	3,796,885	3,796,885	—
Total assets	¥ 5,843,689	¥ 5,843,689	¥ —
(3) Current portion of investment corporation bonds	¥ 8,500,000	¥ 8,504,675	¥ 4,675
(4) Current portion of long-term loans	23,913,000	23,991,626	78,626
(5) Long-term loans	58,185,000	58,306,844	121,844
(6) Tenant leasehold and security deposits in trust	23,443	23,443	—
Total liabilities	¥ 90,621,443	¥ 90,826,589	¥ 205,145
Derivative transactions (*1)			
Derivatives designated as hedging instruments	¥ (42,216)	¥ (42,216)	¥ —
Total derivative transactions	¥ (42,216)	¥ (42,216)	¥ —

(\*1) The value of derivative transactions is the net of derivative assets and derivative liabilities, with amounts in parentheses representing the net liability position.

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

### Assets

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

Due to the short maturities, the book value of these assets is deemed a reasonable approximation of the fair value. Therefore, the book value is used as the fair value.

### Liabilities

- (3) Current portion of investment corporation bonds
- (4) Current portion of long-term loans, and
- (5) Long-term loans

Since floating rate long-term loans reflect market interest rates within a short period of time, the book value is determined to be a reasonable estimate of the fair value. In the case of fixed interest rate loans, the fair value is estimated by discounting the principal and the interest cash flows of the debt at the current rate that is reasonably estimated to be applicable if Top REIT enters into new similar loans.

Furthermore, the fair value of long-term loans that qualify for the special treatment of interest-rate swaps is calculated by discounting the sum of the interest after reflecting the effect of the relevant interest rate swap, and the principal, using reasonable estimates of the rate that would be applicable to similar fixed-rate long-term loans (Please refer to “Derivative Transactions” below).

- (6) Tenant leasehold and security deposits in trust

Due to the short maturities, the book value of these liabilities is deemed a reasonable approximation of the fair value. Therefore, the book value is used as the fair value.

## Derivative Transactions

### Derivatives designated as hedging instruments

The contract amount or the equivalent principal amount set out in the contract as of the closing date for each derivative designated as a hedging instrument is as follows:

(In thousands of yen)

Hedge accounting method	Type of derivative transactions	Hedged item	Contract amount		Fair value	Method of calculating the fair value
				More than one year		
Principal treatment method	Interest rate swap Fixed rate payable and floating rate receivable	Long-term loans	¥ 8,500,000	¥ 8,500,000	¥ (42,216)	Based on value provided by counterparty financial institution
Special treatment of interest rate swaps	Interest rate swap Fixed rate payable and floating rate receivable	Long-term loans	¥ 21,200,000	¥ 4,500,000	(*2)	—

(\*2) Because the transactions based on the special treatment of interest rate swaps and the hedged long-term loans are treated as one item, the fair value is included under the fair value of long-term loans (refer to Note 1(4), (5)).

(Note 2) Financial instruments of which the fair value is difficult to estimate are as follows:

(In thousands of yen)

Item	Book value
Tenant leasehold and security deposits in trust (*3)	¥ 4,350,528
Total	¥ 4,350,528

(\*3) Tenant leasehold and security deposits in trust (excluding (6) above) are not subject to fair value disclosure because they are not marketable, and the actual deposit period is not estimable as leases may be cancelled, renewed or re-signed even if a lease term is set in the lease contract, which makes a reasonable estimate of future cash flows difficult.

(Note 3) Redemption schedule for monetary claims after the end of the period

(In thousands of yen)

	Due within one year
Cash and deposits	¥ 2,046,803
Cash and deposits in trust	3,796,885
Total	¥ 5,843,689

(Note 4) Repayment schedule for investment corporation bonds and long-term loans after the end of the period

(In thousands of yen)

	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Investment corporation bonds	¥ 8,500,000	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans	23,913,000	23,930,000	25,755,000	8,500,000	—	—
Total	¥ 32,413,000	¥ 23,930,000	¥ 25,755,000	¥ 8,500,000	¥ —	¥ —



Book value, fair value and differences between the values as of October 31, 2015 are shown in the table below. Financial instruments for which fair value is difficult to estimate are not included in the table (Please refer to Note 2).

(In thousands of yen)

	As of October 31, 2015		
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 2,638,085	¥ 2,638,085	¥ —
(2) Cash and deposits in trust	3,582,056	3,582,056	—
Total assets	¥ 6,220,142	¥ 6,220,142	¥ —
(3) Current portion of long-term loans	¥ 22,662,000	¥ 22,703,581	¥ 41,581
(4) Long-term loans	67,617,500	67,802,834	185,334
(5) Tenant leasehold and security deposits in trust	8,190	8,190	—
Total liabilities	¥ 90,287,690	¥ 90,514,605	¥ 226,915
Derivative transactions (*1)			
Derivatives designated as hedging instruments	¥ (30,766)	¥ (30,766)	¥ —
Total derivative transactions	¥ (30,766)	¥ (30,766)	¥ —

(\*1) The value of derivative transactions is the net of derivative assets and derivative liabilities, with amounts in parentheses representing the net liability position.

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

Assets

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

Due to the short maturities, the book value of these assets is deemed a reasonable approximation of the fair value. Therefore, the book value is used as the fair value.

Liabilities

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

Since floating rate long-term loans reflect market interest rates within a short period of time, the book value is determined to be a reasonable estimate of the fair value. In the case of fixed interest rate loans, the fair value is estimated by discounting the principal and the interest cash flows of the debt at the current rate that is reasonably estimated to be applicable if Top REIT enters into new similar loans.

Furthermore, the fair value of long-term loans that qualify for the special treatment of interest-rate swaps is calculated by discounting the sum of the interest after reflecting the effect of the relevant interest rate swap, and the principal, using reasonable estimates of the rate that would be applicable to similar fixed-rate long-term loans (Please refer to “Derivative Transactions” below).

- (5) Tenant leasehold and security deposits in trust

Due to the short maturities, the book value of these assets is deemed a reasonable approximation of the fair value. Therefore, the book value is used as the fair value.

### Derivative Transactions

#### Derivatives designated as hedging instruments

The contract amount or the equivalent principal amount set out in the contract as of the closing date for each derivative designated as a hedging instrument is as follows:

(In thousands of yen)

Hedge accounting method	Type of derivative transactions	Hedged item	Contract amount		Fair value	Method of calculating the fair value
				More than one year		
Principal treatment method	Interest rate swap Fixed rate payable and floating rate receivable	Long-term loans	¥ 8,500,000	¥ 8,500,000	¥ (30,766)	Based on value provided by counterparty financial institution
Special treatment of interest-rate swaps	Interest rate swap Fixed rate payable and floating rate receivable	Long-term loans	¥ 33,700,000	¥ 17,000,000	(*2)	—

(\*2) Because the transactions based on the special treatment of interest-rate swaps and the hedged long-term loans are treated as one item, the fair value is included under the fair value of long-term loans (refer to Note 1(3), (4)).

(Note 2) Financial instruments of which the fair value is difficult to estimate are as follows:

(In thousands of yen)

Item	Book value
Tenant leasehold and security deposits in trust (*3)	¥ 4,623,076
Total	¥ 4,623,076

(\*3) Tenant leasehold and security deposits in trust (excluding (5) above) are not subject to fair value disclosure because they are not marketable, and the actual deposit period is not estimable as leases may be cancelled, renewed or re-signed even if a lease term is set in the lease contract, which makes a reasonable estimate of future cash flows difficult.

(Note 3) Redemption schedule for monetary claims after the end of the period

(In thousands of yen)

	Due within one year
Cash and deposits	¥ 2,638,085
Cash and deposits in trust	3,582,056
Total	¥ 6,220,142

(Note 4) Repayment schedule for investment corporation bonds and long-term loans after the end of the period

(In thousands of yen)

	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Long-term loans	¥ 22,662,000	¥ 38,362,500	¥ 8,255,000	¥ 8,500,000	¥ 4,000,000	¥ 8,500,000
Total	¥ 22,662,000	¥ 38,362,500	¥ 8,255,000	¥ 8,500,000	¥ 4,000,000	¥ 8,500,000

## Note 12. Investment and Rental Properties

Top REIT owns office buildings and other properties for lease in Tokyo and other areas.

The following tables show book values, net change in book values during the period and fair values of these investment and rental properties as of the balance sheet dates and the method of calculation of the fair values.

### (For the period from November 1, 2014 to April 30, 2015)

(In thousands of yen)

Book value			Fair value at the end of the period
Balance at the beginning of the period	Change during the period	Balance at the end of the period	
¥ 190,955,201	¥ (8,095,709)	¥ 182,859,492	¥ 175,720,000

Notes:

1. Summary of corresponding investment and rental properties are presented in “【3】 Portfolio Overview.”
2. Book value represents the acquisition cost less accumulated depreciation and amortization.
3. The increase during the period is primarily attributable to the additional acquisition of Shiba-Koen Building (8th floor, ¥384,036 thousand) and capital expenditures, and the decrease during the period is mainly due to the sales of Kanda Park Plaza (¥5,050,382 thousand) and OAK PLAZA (¥2,684,345 thousand), as well as the depreciation and amortization.
4. Fair value at the end of the period is the appraisal value as appraised by outside real estate appraisers.

Furthermore, profit and loss from investment and rental properties for the fiscal period ended April 30, 2015 is presented in “Note 5. Breakdown of Property-Related Revenue and Expenses”

### (For the period from May1, 2015 to October 31, 2015)

(In thousands of yen)

Book value			Fair value at the end of the period
Balance at the beginning of the period	Change during the period	Balance at the end of the period	
¥ 182,859,492	¥ (668,536)	¥ 182,190,955	¥ 176,490,000

Notes:

1. Summary of corresponding investment and rental properties are presented in “【3】 Portfolio Overview.”
2. Book value represents the acquisition cost less accumulated depreciation and amortization.
3. The increase during the period is primarily attributable to capital expenditures, and decrease during the period is mainly due to the depreciation and amortization.
4. Fair value at the end of the period is the appraisal value as appraised by outside real estate appraisers.

Furthermore, profit and loss from investment and rental properties for the fiscal period ended October 31, 2015 is presented in “Note 5. Breakdown of Property-Related Revenue and Expenses”

## Note 13. Related-party Transactions

### 1. Transactions and Account Balances with the Parent Company and Major Unit Holders

(For the six-month periods ended April 30, 2015 and October 31, 2015)

There are none applicable.

### 2. Transactions and Account Balances with Affiliates

(For the six-month periods ended April 30, 2015 and October 31, 2015)

There are none applicable.

### 3. Transactions and Account Balances with Companies under Common Control

(For the six-month periods ended April 30, 2015 and October 31, 2015)

There are none applicable.

### 4. Transactions and Account Balances with the Board of Directors and Individual Unit Holders

(For the six-month periods ended April 30, 2015 and October 31, 2015)

There are none applicable.

**Note 14. Per Unit Information**

The following table summarizes per unit information for the six-month periods ended April 30, 2015 and October 31, 2015.

(Yen)

	As of April 30, 2015	As of October 31, 2015
Net assets per unit	¥ 528,400	¥ 528,278

(Yen)

	For the six-month period ended April 30, 2015	For the six-month period ended October 31, 2015
Net income per unit	¥ 10,408	¥ 9,513

Notes:

1. The per unit amounts are rounded down to the nearest yen.
2. Net income per unit is calculated by dividing the net income by the weighted average number of investment units over the number of days in the period.
3. Diluted net income per unit has not been presented since there are no outstanding warrants or convertible bonds.
4. The basis for the calculation of net income per unit is as follows:

(In thousands of yen unless otherwise stated)

	For the six-month period ended April 30, 2015	For the six-month period ended October 31, 2015
Net Income	¥ 1,831,965	¥ 1,674,363
Amounts not attributable to ordinary unitholders	—	—
Net income attributable to ordinary investment units	¥ 1,831,965	¥ 1,674,363
Weighted-average number of units during the period	176,000 units	176,000 units

## Note 15. Segment Information

(For the period from November 1, 2014 to April 30, 2015)

### 1. Segment Information

Segment information has been omitted as Top REIT has only one segment, which is the real estate leasing business.

### 2. Related Information

#### (1) Information by Products and Services

Disclosure of this information has been omitted as Top REIT has a single product/service line that accounts for more than 90% of total operating revenues.

#### (2) Information by Geographic Areas

##### (a) Operating revenues

Disclosure of this information has been omitted as total domestic revenues account for more than 90% of total operating revenues.

##### (b) Investment property

Disclosure of this information has been omitted as total domestic investment properties account for more than 90% of the book value of total investment properties.

#### (3) Information by Major Tenants

(In thousands of yen)

Tenant	Operating revenues	Related segment
NEC Corporation	¥1,439,441	Real estate leasing business

(For the period from May 1, 2015 to October 31, 2015)

### 1. Segment Information

Segment information has been omitted as Top REIT has only one segment, which is the real estate leasing business.

### 2. Related Information

#### (1) Information by Products and Services

Disclosure of this information has been omitted as Top REIT has a single product/service line that accounts for more than 90% of total operating revenues.

#### (2) Information by Geographic Areas

##### (a) Operating revenues

Disclosure of this information has been omitted as total domestic revenues account for more than 90% of total operating revenues.

##### (b) Investment property

Disclosure of this information has been omitted as total domestic investment properties account for more than 90% of the book value of total investment properties.

#### (3) Information by Major Tenants

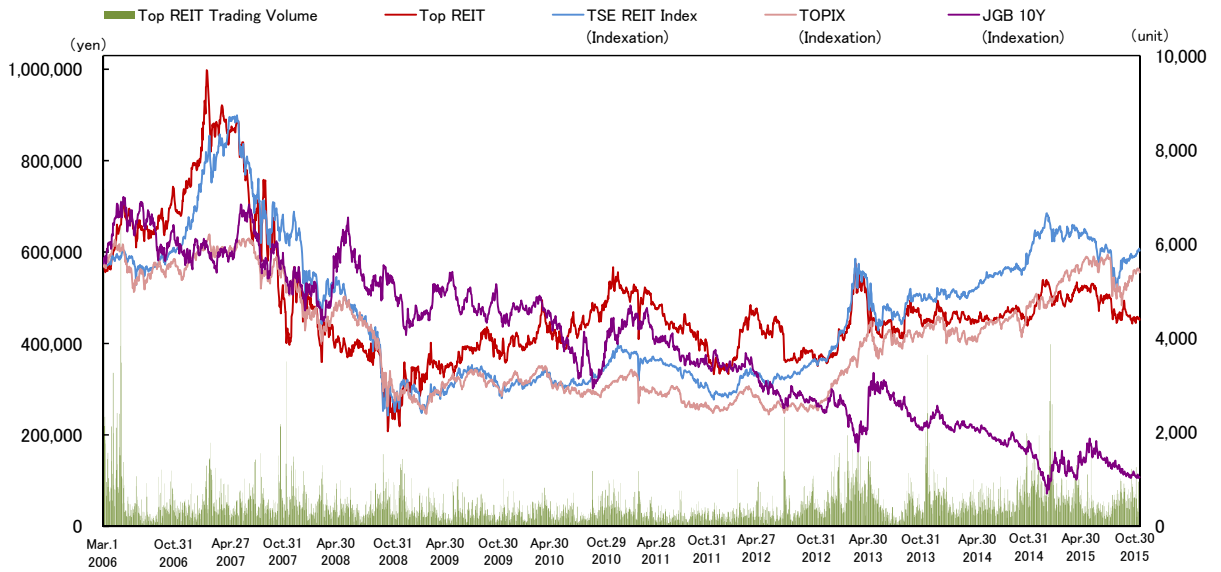
(In thousands of yen)

Tenant	Operating revenues	Related segment
NEC Corporation	¥1,439,441	Real estate leasing business
Japan Trustee Services Bank, Ltd.	¥553,559	Real estate leasing business

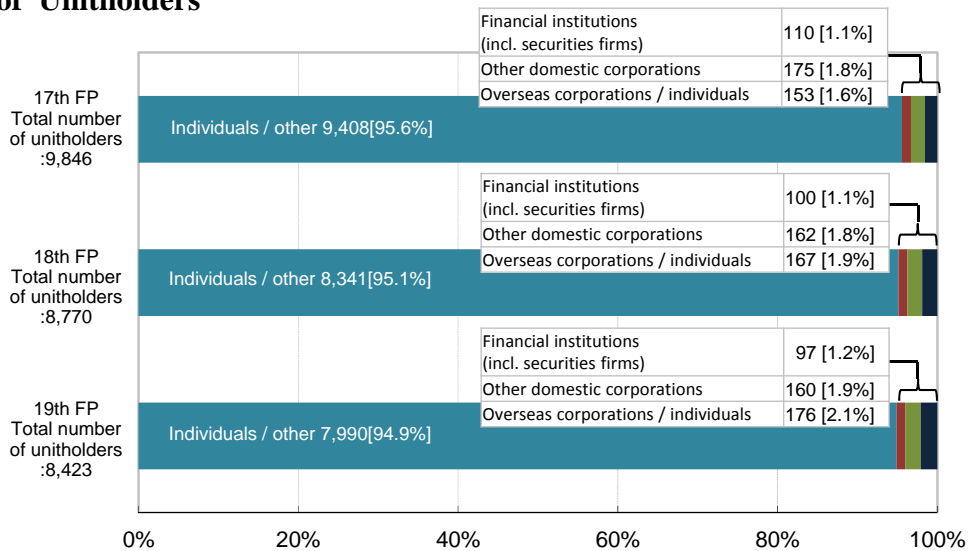
## Note 16. Significant Subsequent Events

There are none applicable.

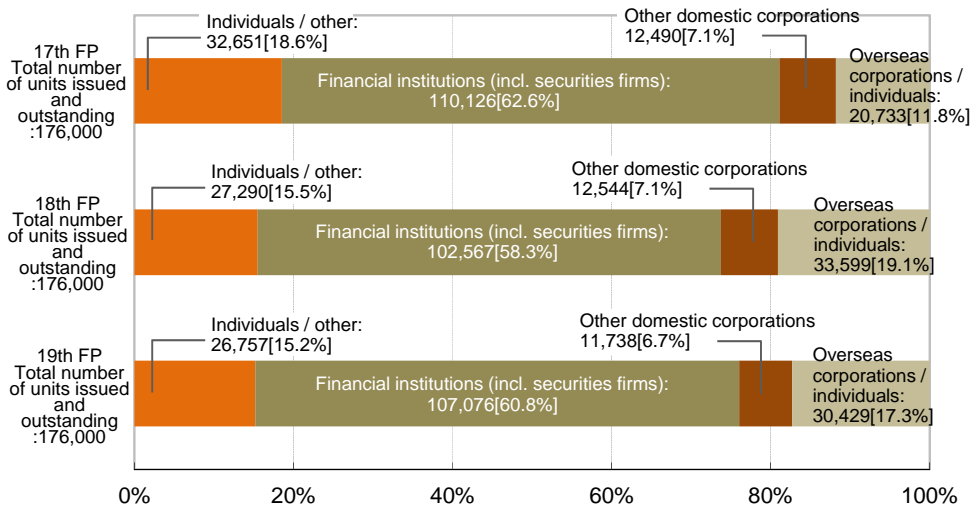
## Unit and Unitholders Information



## Number of Unitholders



## Number of Units Held



(Note) Ratios on this page are rounded to the first decimal place.



## Independent Auditor's Report

To the Board of Directors of TOP REIT, Inc.:

We have audited the accompanying financial statements of TOP REIT, Inc. (a Japanese Real Estate Investment Trust), which comprise the balance sheets as at April 30, 2015 and October 31, 2015, and the statements of income, statements of changes in net assets, statements of cash distributions and statements of cash flows for the six-month periods ended April 30, 2015 and October 31, 2015, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of TOP REIT, Inc. as at April 30, 2015 and October 31, 2015, and their financial performance and cash flows for the six-month periods ended April 30, 2015 and October 31, 2015, in accordance with accounting principles generally accepted in Japan.

*KPMG AZSA LLC*

March 31, 2016  
Tokyo, Japan