

Top REIT Investment Corporation  
14th Business Report  
(Semi-Annual Report 14th)

November 1, 2012 – April 30, 2013

## Letter from the Executive Officer of the Investment Corporation

Dear Investors,

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

In the Japanese economy, there is a recent trend of improvement firstly in sentiment with expectations for the government's economic policies and the Bank of Japan's bold monetary easing. However, the effect of such on the real economy is limited as the recovery of individual consumption and the export environment are only gradual. As for the outlook, due to further improvement of the export environment through the steady growth of the U.S. economy and yen depreciation, increase in public investment alongside the full-fledged implementation of the Emergency Economic Measures for the Revitalization of the Japanese Economy, asset effect from the increase of stock prices and improvement of consumer confidence is expected, as well as a moderate economic recovery due to the last-minute surge in demand for housing and other durable consumer goods prior to the consumption tax hike.

On the other hand, concerning the J-REIT market, the TSE REIT Index has been on an upward trend since exceeding 1,000 points in late September last year starting with the Bank of Japan's purchase of J-REIT investment units along with the backdrop of the decrease of risk premium of J-REITs and expected increase of asset prices, etc. due to the improvement of the credit market from the upturn of the external environment. In late March of this year, the index rose to 1,700 points for the first time in about five years, but in the future, the J-REIT market is also approaching an adjustment stage as there are unstable aspects such as the wide fluctuation of long-term interest rates due to the Bank of Japan's bold monetary easing policy. Going forward, the partial amendment to the Act on Investment Trusts and Investment Corporations was passed and established at the 183rd ordinary session of the Diet in this year which will lift restrictions on J-REITs acquiring their own investment units and rights issues, and this will diversify J-REITs' means for funding and capital policies. In addition, the Bank of Japan will increase and continue its J-REIT purchases, and this, along with long-term interest rates remaining at a low level despite being on an upward trend, will contribute to a generally stable financing environment expected to continue for J-REITs.

Under such circumstances, the financial results of Top REIT in the fourteenth fiscal period were operating revenue of 5,844 million yen (period-on-period increase of 3.7%), ordinary income of 1,823 million yen (period-on-period decrease of 8.9%), net income of 1,822 million yen (period-on-period decrease of 8.9%) and dividend per unit of 11,759 yen. As for the business results in the fourteenth fiscal period, certain progress was made such as with the conclusion of a lease agreement with a new tenant at Harumi Island Triton Square Office Tower Y utilizing the management skills of the asset manager and collaboration with sponsor companies, as finding successor tenants for this property was a priority issue, as well as acquiring a new urban retail property in Sendai City, Miyagi Prefecture.

While signs of recovery are gradually emerging in the real estate market, a full-fledged recovery is expected to require a little more time. Top REIT will continue to collaborate with the asset manager and the sponsor companies to steadily address the issues at hand while aiming to maximize unitholder value through external growth that seizes the best opportunities. We thank you and ask for your continued support and understanding.



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

## Letter from the President of the Asset Management Company

Dear Investors,

Thank you very much for your strong support for Top REIT, Inc. (Top REIT) and our activities.

In the fourteenth fiscal period (November 1, 2012 to April 30, 2013), there was a bottoming out of the recession phase that had been caused by factors such as the decrease of exports due to the strong yen and sluggish overseas economies. After the inauguration of the new administration at the end of 2012, the exchange market responded quickly to the enhanced emergency economic measures resulting in the yen depreciating. Furthermore, aided by the recovery of overseas economies centering on the U.S., stock prices increased in anticipation of the policies crafted by the new administration. In addition, the Bank of Japan's quantitative and qualitative monetary easing policies set forth to overcome deflation were hammered out after the appointment of a new governor who enhanced collaboration with the new administration which produced better results than the market had expected and favorably impressed not only domestic investors, but also foreign investors, and accelerated the depreciation of the yen and the increase in stock prices. An increase of J-REIT purchases has been incorporated into this easing "of a different dimension" by the Bank of Japan and has become a factor for the favorable fund procurement environment for J-REITs as it also underpinned the market.

However, such responses in the market are primarily in expectations and while in part there are signs of a recover in manufacturing which is experiencing strong demand in Japan and abroad, as well as for export companies due to the yen depreciation, the impact on the real economy is still weak and the investment unit prices of J-REITs and stocks prices that had increased sharply are in an adjustment phase. Going forward, while developments such as the lessening of monetary easing in the U.S. need to be watched, it is thought that the Japanese economy will proceed at a moderate pace against the backdrop of a recovery of overseas economies, upturn of individual consumption due to improved sentiment and increase of public investment related to emergency economic measures among other factors. Regarding the real estate leasing market, the recovery is becoming clearer in newly built high-grade office buildings in central Tokyo, but overall there is no sense of a bottoming out and it is believed that a full-fledged recovery of the rent level will require more time.

Under such circumstances, Top REIT positioned leasing activities for successor tenants at Harumi Island Triton Square Office Tower Y as a priority issue and, as a result of our focus under collaboration with the sponsors, was able to conclude a lease agreement with new a tenant as of April 24, 2013, and the property's occupancy rate increased from 41.8% at the end of the fourteenth fiscal period to 62.5% as of June 2013. Furthermore, a lease application was received in the fifteenth fiscal period from another tenant and the occupancy rate is expected to increase to 68.9% in September the same year. Also, an urban retail property in Sendai City, Miyagi Prefecture was acquired during the fourteenth fiscal period, Top REIT's first acquisition in about a year.

As for dividend per unit in the fifteenth fiscal period (ending October 2013), the forecast dividend per unit as of December last year was 9,500 yen assuming a reversal of internal reserves of 78 million yen (49 million yen in reserve for reduction entry and 28 million yen in deferred income taxes, equivalent to 500 yen dividend per unit), but as a result of the steady addressing various issues it raised at the beginning of the period, forecast dividends have been adjusted to 9,700 yen after the reversal of internal reserves was not implemented. The details of business results for this period and future strategies are as described hereafter.



**Nobuhito Endo**  
President and Representative Director

## Financial Highlights

CATEGORY	14TH FISCAL PERIOD PERFORMANCE	15TH FISCAL PERIOD FORECAST (ANNOUNCED ON June 13, 2013)	16TH FISCAL PERIOD FORECAST (ANNOUNCED ON June 13, 2013)
PERIOD OF ASSETMANAGEMENT	181days	184 days	181 days
OPERATING REVENUE	¥5,844 million (Note1)	¥5,125 million	¥5,088 million
OPERATING INCOME	¥2,447 million	¥2,112 million	¥2,105million
ORDINARY INCOME	¥1,823 million	¥1,504 million	¥1,504 million
NET INCOME	¥1,822 million	¥1,503 million	¥1,503 million
DIVIDEND PER UNIT	¥11,759	¥9,700	¥9,700
NUMBER OF INVESTMENT UNITS	155,000 units	155,000 units	155,000 units
PORTFOLIO SIZE	19 properties	19 properties	19 properties

### Preconditions for 15th Fiscal Period and 16th Fiscal Period Forecasts

#### (1) Portfolio Assets

The forecast is based on 19 properties Top REIT owns as of June 13, 2013.

#### (2) Operating Revenue

For real estate rent revenue related to existing properties, Top REIT takes into consideration execution of new lease agreements and cancellation of lease agreements that have been finalized or are scheduled as of June 13, 2013, along with current real estate leasing market conditions, as well as factors that may cause fluctuations in such aspects as risks associated with rent revision due to fluctuations in rent of tenants reaching their rent revision period or contract renewal period. For Harumi Island Triton Square Office Tower Y, revenue is expected for leased space as described in the press release “Notice Concerning Conclusion of Lease Agreement with New Tenant” dated April 24, 2013, as well as for leasable spaces for which execution of new lease agreements are scheduled as of June 13, 2013. Furthermore, it is assumed the occupancy rate of the property on the last day of May 2013 is 41.8%, from June 1 to the last day of August 2013 is 62.5% and from September 2013 is 68.9%.

#### (3) Interest-Bearing Liabilities

It is assumed that the total amount of interest-bearing liabilities is ¥96,065 million, which is the amount as of April 30, 2013. For the fifteenth and sixteenth fiscal period, it is assumed that the ¥67 million in long-term loans payable will be repaid as agreed upon.

#### (4) Dividend per Unit

With regard to the internal reserves of 78 million yen (49 million yen in reserve for reduction entry and 28 million yen in deferred income taxes), Top REIT will not reverse the amount of internal reserves for the fifteenth and sixteenth fiscal period.

(Note 1) It is assumed that the ¥451 million as income equivalent to expenses for restoring the property to its original state in accordance with the relocation of a major tenant from Harumi Island Triton Square Office Tower Y is recorded as operating income, and the same amount is recorded as operating expenses

(Note 2) The above forecast figures are calculated under certain preconditions as of June 13, 2013 and are subject to change. Moreover the forecasts should not be construed as a guarantee of the dividend amount.

## Footholds for the Next Stage ~ Step to Growth ~

### 1. Accumulate greater revenues by addressing various issues steadily

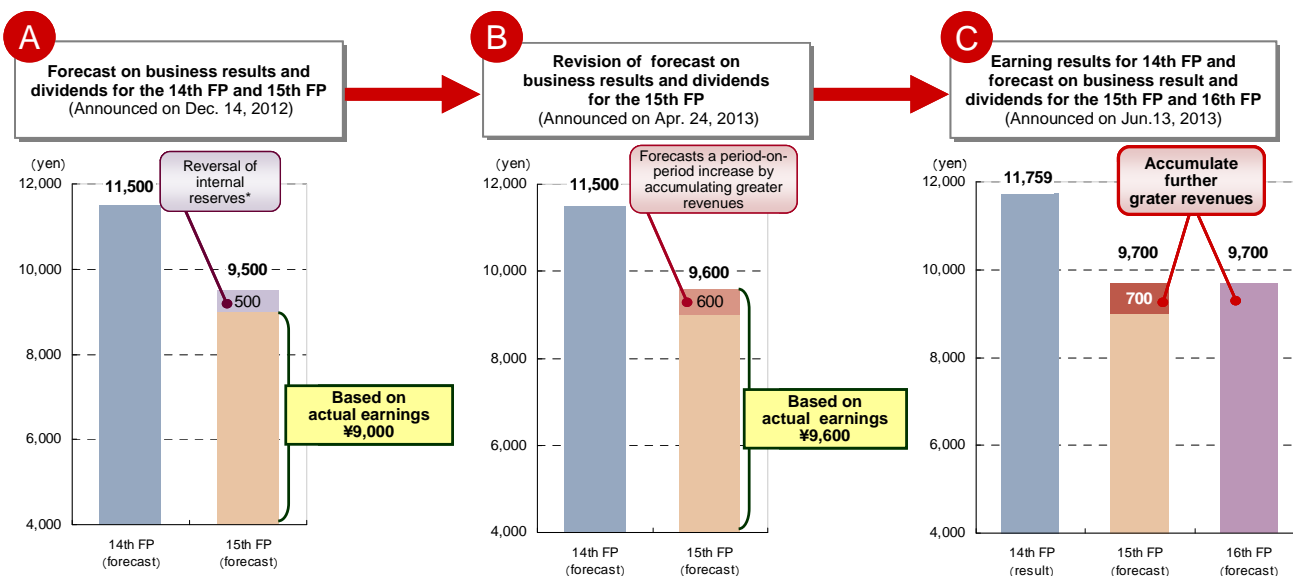
#### (1) Overview and Achievement of Priority Issues

Top REIT was forced to post a decrease of forecast dividends in its business results forecasts for the fourteenth fiscal period and in particular the fifteenth fiscal period (ending October 2013) as a decrease in Harumi Island Triton Square Office Tower Y's occupancy rate was inevitable due to the lease agreement termination notice received from a major tenant, etc., and the termination date having arrived during the fourteenth fiscal period. With this, Top REIT conducted management with a recognition of the below four items as priority issues. The status of progress on these matters is also stated below. Top REIT believes that in the fourteenth fiscal period it was able to steadily address various issues it raised at the beginning of the period to secure revenues, while laying the foundation for recovering revenues with the dividend level for the fifteenth fiscal period set as the bottom (for details see pages 5 through 14).

	Priority Issues	Achievement of Priority Issues (as of June 13, 2013)
①	Solicitation of successor tenants to Harumi Island Triton Square Office Tower Y	<ul style="list-style-type: none"> <li>Contracts concluded with 3 tenants for approx. 1,534 tsubos (including expansion of existing 2 tenants' for approx.80 tsubos) in 14th FP</li> <li>Received a lease application for approx. 443 tsubos in 15th FP from one tenant</li> <li>occupancy rates: 41.8% (after the move-out of the major tenant) → 62.5% (Jun. 2013) → 68.9% (Sep. 2013)</li> </ul>
②	Minimize range of decrease in large scale rent revision	Agreed within estimated ranges of rent reduction in large scale rent revision (approx.25% of total rents in portfolio) by conducting persistent negotiations
③	Accumulate greater revenues by acquisition of new properties	Acquired an urban retail property located in Sendai City, Miyagi Prefecture by utilizing brokerage networks of Sumitomo Mitsui Trust Bank, Limited (main sponsor)
④	Well-balanced refinancing while reducing costs	Conducted borrowings steadily through syndicated loans formed primarily by three major megabanks and leading trust banks, and continued stable transactions with such financial institutions.

#### (2) Outlook on Business Results for the Fifteenth and Sixteenth Fiscal Periods

Forecast dividends for the fifteenth fiscal period (ending October 2013) (A) announced at the announcement of the thirteenth fiscal period's financial results were 9,500 yen per unit and assumed a reversal of internal reserves of 78 million yen (49 million yen in reserve for reduction entry and 28 million yen in deferred income taxes, equivalent to 500 yen dividend per unit). However, as a result of steadily addressing priority issues as stated above, Top REIT was able to present forecast dividends with an increase to 9,600 yen per unit (B) without implementing the reversal of internal reserves in the fourteenth fiscal period, and subsequently forecast dividends were increased to 9,700 yen per unit (C) due to further accumulation of revenues. The same amount of 9,700 yen dividends per unit is forecast for the sixteenth fiscal period (ending April 2014) (C) as of now, but Top REIT will continue to maintain a position of thoroughly prioritizing the dividend level while focusing on the issues at hand such as solicitation of tenants for Harumi Island Triton Square Office Tower Y, and will seek to recover the dividend level such as through the acquisition of new properties in order to further increase dividends. For the preconditions for business results forecasts and forecast figures such as operating revenue for the fifteenth and sixteenth fiscal periods, please see page 4.



Note1: Internal reserves : reserve for reduction entry and accompanying income taxes deferred

Note2: The above forecast figures announced on June13, 2013 are calculated under certain preconditions and are subject to change.

### (3) Efforts in Priority Issues ①

~ Status of Soliciting New Tenants to Harumi Island Triton Square Office Tower Y ~

Since receiving the termination notice from Nippon Steel & Sumitomo Metal Corporation, formerly a major tenant at Harumi Island Triton Square Office Tower Y, Top REIT has worked to find successor tenants for the property as a priority issue in collaboration with sponsors and the property management company. As already explained, during the fourteenth fiscal period, while some light could be seen with regard to the future of the economy, ripple effects such as for promoting employment and business expansion has not yet materialized in the real economy, and as such companies are still maintaining their careful stances. Also, with a standard floor space of about 565 tsubos, relocation to Harumi Island Triton Square Office Tower Y is a relatively major undertaking for potential tenants and therefore much time is required for consideration.

As for achievements during the fourteenth fiscal period, against this backdrop, floor area was increased for two existing tenants (approx. 80 tsubos) and one tenant companies concluded lease contracts (approx. 1,454 tsubos). Therefore, Top REIT's activities resulted in concluding lease agreements with three tenants for a total of approx. 1,534 tsubos (36.9% of the area for which new tenants are being sought). The property's occupancy rate which was 41.8% after the move-out of the major tenant, etc. increased to 62.5% as of June 1, 2013. Furthermore, as a lease application for approx. 443 tsubos was received in the fifteenth fiscal period from one tenant, the occupancy rate is expected to increase to 68.9% in September 1 2013. Of these, rent-free periods have been established that exempt payment of rent, etc. for a certain period of time for the lease agreements with two new tenants to which a total of approx. 1,897 tsubos will be leased reflecting the recent real estate leasing market conditions. However, since the contract form is such that the total rent for the contract period will be averaged out in the contract period and recorded as revenue, the rents will be contributing to dividends from the start of the lease agreement.

As the tenants who have concluded (or are scheduled to conclude) lease agreements and other potential tenants who are currently considering moving in have highly evaluated the property for its high specifications, earthquake resistance, etc. that compare favorably with the latest office buildings, Top REIT was reaffirmed of the property's strengths through leasing activities of succeeding tenants. Also, as renewal work is being conducted for the common areas such as elevator halls, hallways, restrooms and such on floors that have been vacated, this is believed to be further boosting future leasing activities.



Elevator hall



Women's restroom

Top REIT will continuously focus on leasing activities toward succeeding tenants for Harumi Island Triton Square Office Tower Y and complete entire lease up of the building as soon as possible with an aim for early recovery of dividend level.

#### < Leasing Situation >

	Jan. 2013	Feb. 2013	Mar. 2013	Apr. 2013	May. 2013	Jun. 2013	Jul. 2013	Aug. 2013	Sep. 2013
Occupancy rate (%)	100.0	66.7	49.9	41.8	41.8	62.5	62.5	62.5	68.9
Vacancy space (tsubos)	0	2,340	3,515	4,079	4,079	2,625	2,625	2,625	2,182
Number of total tenants	7	7	6	3	3	4	4	4	5

Note: Figurers are actual until the end of May 2013, and are as of June 13, 2013 from the end of June 2013.  
Vacancy space (tsubos) : Rounded down to the nearest decimal

#### (4) Efforts in Priority Issues ②

~ Result of Large-Scale Rent Revision ~

While the financial results of Japanese companies in the fourth quarter of fiscal 2012 showed clear recovery in some export industries such as the automobile industry, an overall recovery is yet to be achieved. Companies are emphasizing focus on further cost reductions and tenants continue to request reduced rents upon rent revisions. The real estate leasing market with its delayed recovery compared to the recovery of the economy continues to be in a state of stagnation.

Under such circumstances, and as the fourteenth fiscal period qualifies as one in which biennial large-scale revisions of rents are made, rent revisions took place mainly at part of Harumi Island Triton Square Office Tower Y, Office Tower Z and Kanda Nishiki-cho 3-chome Building along with other properties which in total account for about 25% of the portfolio. As a result of persistent negotiations, rent remained unchanged in five cases and decreased in seven cases, with an average decrease of 7.5%, within the range of what was expected.

## (5) Efforts in Priority Issues ③

~ Accumulation of Revenues through the Acquisition of New Properties ~

In the fourteenth fiscal period, while focusing on leasing activities for vacant spaces as well as on the large-scale rent revision, Top REIT worked toward recovering the dividend level through the acquisition of new properties to compensate for the deterioration of revenues.

There is very little information on sales of office buildings in the current real estate transaction market and for a long time there has been a gap between the price perspectives (level) of buyers and sellers. Also, while transactions of rental residential properties are strong, it is somewhat overheated and prices are rising (yields are decreasing).

In order to acquire competitive prime properties in this environment, Top REIT has been gathering information on sales of a wide variety of asset classes, not only office buildings of central Tokyo and other major cities, based upon sophisticated analysis of the markets of each asset class and by utilizing the sponsors' brokerage function and Top REIT's unique and diverse information channels that it has fostered throughout the years. As a result, Top REIT acquired the urban retail property MEL Building located in Sendai City, Miyagi Prefecture through the brokerage function of one of its sponsors, Sumitomo Mitsui Trust Bank, Limited.

Among retail properties, MEL Building is classified as an urban retail property. This is Top REIT's first time to acquire such a property. MEL Building is located in a lively commercial area in central Sendai where there is a concentration of leading-edge fashion brands and reconstruction has made steady progress. MEL Building is a major retail property in this area and tenants include Quil Fait Bon, a sweets cafe popular with a wide range of ages which also has shops in the Aoyama, Daikanyama, Ginza areas of Tokyo among other places, as well as WEGO which is very popular especially among young people, and the property hosts a lineup of tenants that are appropriate for this area who are able to attract a corresponding amount of customers.

While the property is rather old, it underwent seismic retrofitting and full-scale renewal in 2005 and has the level of facilities that should satisfy requirements from tenants. Moreover, since the time from around eight years ago when it was converted from an office property to a retail property, five out of six of the current tenants have been occupying the property, hence, the stability of the trade area is verified and it is thought that stable occupancy can be expected going forward.

### < MEL Building (urban retail property) >



<b>Address</b>	2-7-28 Chuo, Aoba Ward, Sendai City, Miyagi Prefecture
<b>Acquisition Price</b>	¥1,210 million (April 30, 2013)
<b>Area ( Land / Building )</b>	895.66㎡ / 1,756.32㎡ (RC with a flat roof, 3 floors above ground)
<b>Completion</b>	Jan 1980 (extended in July 2005) *May 2005: earthquake-proof reinforcement construction work July 2005: remodeling construction work change of intended purpose of a building.
<b>Appraisal Value</b>	¥1,260 million (as of April 1, 2013) Daiwa Real Estate Appraisal Co., Ltd.
<b>NOI yield / Cap Rate</b>	Assumed NOI yield : 7.6 % (note) / Cap Rate (through Direct Capitalization Method) : 6.2%

Note: The assumed NOI is the difference between the assumed rental revenue and the assumed rental expenses, which respectively represent the operating revenues and the operating expenses of the property for the initial year, calculated by the DCF method described in the real estate appraisal report prepared upon the acquisition. The assumed NOI yield is obtained by dividing the difference by the acquisition price.

### ~ Key Points of the Acquisition ~

1	Though small in size, produces <b>high yield to contribute to dividends</b>
2	Located in <b>central Sendai City that has energy</b> with reconstruction from the earthquake proceeding in good order
3	Located in an area having a concentration of leading-edge fashion brands to enjoy <b>high potential as a commercial district</b>
4	Has tenants comprising popular sweets and cafe shops, select second-hand clothing shops and casual brand shops, etc., which is <b>expected to attract many customers</b>
5	Although rather old, the building has the level of facilities that should satisfy requirements from tenants as <b>it underwent seismic retrofitting and full-scale remodeling of facilities</b>



## 2. Future Management Policy and Strategy

As explained, Top REIT steadily addressed issues at hand and adjusted dividend forecasts upward during the fourteenth fiscal period. However, as the recovery of dividends is still in progress, Top REIT will continue to focus on the issues and secure revenues while at the same time lay the groundwork for growth.

### (1) Current Facing Issues

Approx. 2,182 tsubos is still vacant at Harumi Island Triton Square Office Tower Y as of June 13, 2013 (approx. 31% of the property's total leasable floor area). Top REIT will focus on leasing activities to find successor tenants for the vacant space in collaboration with sponsors such as by continuing to communicate with potential tenants that are considering moving in and will work to bring the property to full occupancy as soon as possible to secure revenues.

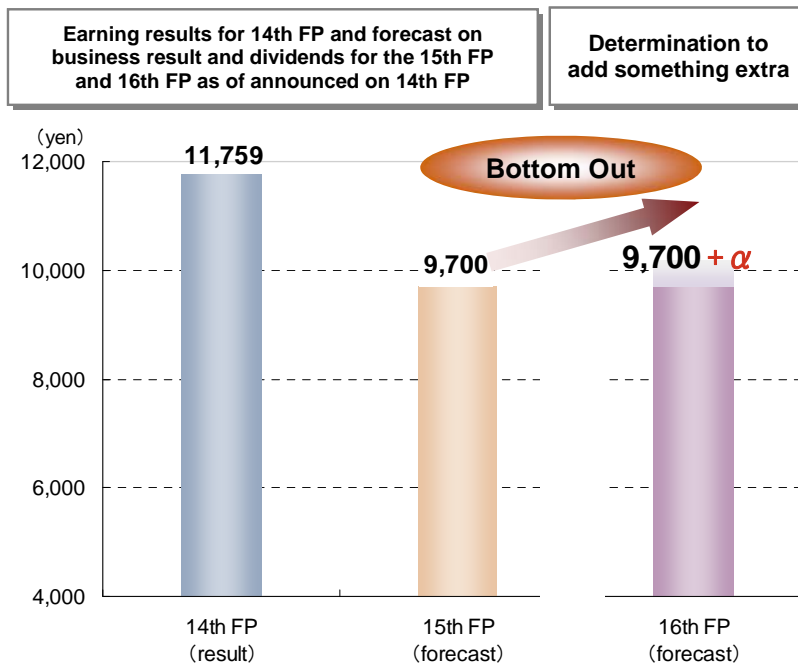
In addition, at Sagami-hara Shopping Center, the lease agreement with tenant Ito-Yokado will reach maturity during the fifteenth fiscal period (ending October 2013). In negotiating the next contract period and lease terms and conditions such as rent, Top REIT will use its excellent relationship it has cultivated with tenants and negotiate persistently. Furthermore, rent revision for NEC Corporation, the tenant of NEC Head Office Building, will take place in the sixteenth fiscal period (ending April 2014). The lease agreement with NEC Corporation is a fixed-term lease agreement which lasts until December 2025 and termination before maturity is prohibited until December 2017. Additionally, the first rent revision since acquisition will take place in January 2014 and the rent will be fixed from then to December 2017. Provisions that reduce the risk of rent volatility have already been incorporated in the rent revision and it is believed that the revision will go smoothly.

### (2) Step to Growth

Against the backdrop of a favorable fund procurement environment, the real estate transaction market has since the beginning of the year shown signs of recovery such as with the transactions of large-scale properties owned by general companies, but the gap between price perspectives (level) of sellers and buyers is ongoing as is the limited information on sales of properties. Under these circumstances which make property acquisitions difficult, Top REIT has positioned the fifteenth and sixteenth fiscal periods as periods for the "Step to Growth" where it will focus on the acquisition of prime properties with office buildings as the core but also with sophisticated analysis of the markets for each asset class. Also, Top REIT will continue deliberating on the reconstruction of a sponsor structure that will contribute to its growth under collaboration with the sponsors. Furthermore, the current investment stance for each asset class is as below. Top REIT will conduct management with the aim of maximizing unitholder value through the proactive acquisition of prime properties that will contribute to the stability and growth of the portfolio.

Major three asset classes		Target	Investment attitude	Investment ratio
Other than office	Office	Construct a portfolio primarily focused on office buildings with excellent locations in Central Tokyo and other major cities	◎	Approx. 75%
	Retail	Narrow down acquisition targets to urban retail properties and food supermarket in the three major metropolitan areas and other major cities	○	Approx. 25%
	Residential	Carefully investigate acquisitions as transactions tend to get overheated although rents and occupancy rates are expected to remain stable going forward	△	

Top REIT has completed the large-scale rent revision in the fourteenth fiscal period, and the risks of rent revisions for the fifteenth and sixteenth fiscal periods are also reflected in the forecasts on business results. Going forward, Top REIT will secure revenues by soliciting successor tenants for vacant spaces which is a priority issue, as well as lay the groundwork to accomplish the NEXT STAGE (asset size of 210 billion yen) in order to add to the forecast dividends for the sixteenth fiscal period as of June 13, 2013. To our unitholders, we ask for your continued support and understanding.



Note: The above forecast figures are calculated under certain preconditions and are subject to change.

## Property Highlight

**Acquired an urban retail property  
~ the first such property for Top REIT**

### Utilizing Sponsor Strengths

Acquisition by utilizing brokerage networks of Sumitomo Mitsui Trust Bank, Limited.

A representative property in an area that has a concentration of tenants as seen in Harajuku or Daikanyama in Tokyo, such as street casual fashion and select shops, and foreign high-grade brands as seen in Ginza and Aoyama, etc



Five out of the six existing tenants have been housed since the use was changed to retail facility.

**With the tenants housed for approximately 8 years,  
the property is expected to continue stable occupancy.**

(Full occupancy as of June 13, 2013)



Quil Fait Bon



HARE



RAYVIS



45R



Xanadu



WEGO

## Financial Standing

The introduction of the new monetary easing policy, both in terms of quantity and quality, by the Bank of Japan (BOJ) targeting to achieve a 2% increase in consumer prices led to rising stock prices. However, against the backdrop of the massive purchase of government bonds by the BOJ and removal of its restriction on their issue year and maturity, there have been repeated violent fluctuations in the credit market and the long-term interest rates, eventually leading stock prices into an adjustment phase. As such, the financial market has shown somewhat unstable movement. However, the long-term interest rates still remain at a low level and the short-term interest rates continue to be low in a stable manner, while the financial institutions Top REIT does business with maintain a positive lending attitude. These factors continue to provide a generally favorable financing environment.

During the fourteenth fiscal period, Top REIT had 9.8 billion yen and 12.1 billion yen in loans payable due for repayment in November 2012 and March 2013, respectively, and refinanced them smoothly. In addition, Top REIT newly borrowed 1.23 billion yen to fund the new property acquisition conducted in April 2013. As a result of these financing activities aimed at reducing interest costs and extending the average remaining period of borrowings, the balance of interest-bearing liabilities totaled 96.07 billion yen and the ratio of interest-bearing liabilities to total assets (LTV) was 51.4% at the end of the fiscal period.

### **(1) ¥9.8 billion Repayment date in November 30, 2012**

Refinanced ¥9.8 billion (2-year-10-month floating-rate)

⇒ Refinanced ¥7 billion into 2-year-10-month long-term loan payable and ¥2.8 billion into 4-month short-term loan payable (both floating-rate)

### **(2) ¥12.1 billion Repayment date in March 27, 2013**

Repaid ¥2 billion using cash on hand and refinanced ¥10.1 billion (5-year fixed-rate and 4-month floating-rate)

⇒ Refinanced ¥4.67 billion into 5-year long-term loan payable (floating-rate), ¥2.355 billion into 5-year long-term loan payable (fixed-rate) and ¥3.075 billion into 2-year-6-month long-term loan payable (floating-rate)

### **(3) ¥1.23 billion New borrowing upon new property acquisition (April 30, 2013)**

Borrowed 5-year floating-rate loan payable

## **Extending Average Remaining Period of Interest-bearing Liabilities**

Adopting a financial policy that is based on stable financial management, Top REIT has continued to implement prudent and solid financial operations. In doing so, it has endeavored to extend the average remaining period of interest-bearing liabilities, which stood at 3 years and 3 months as of the end of the fourteenth fiscal period (April 30, 2013). As shown below, Top REIT has extended the period in a steady manner since the end of the eleventh fiscal period. Although the average remaining period is expected to be reduced temporarily because there are no borrowings that will be due for repayment in the fifteenth and sixteenth fiscal period, Top REIT will remain committed to implementing stable financial operations.

## **Maintaining Stable Bank Formation**

Since listing, Top REIT has conducted borrowings through syndicated loans formed primarily by three major megabanks and leading trust banks, and continued stable transactions with such financial institutions.

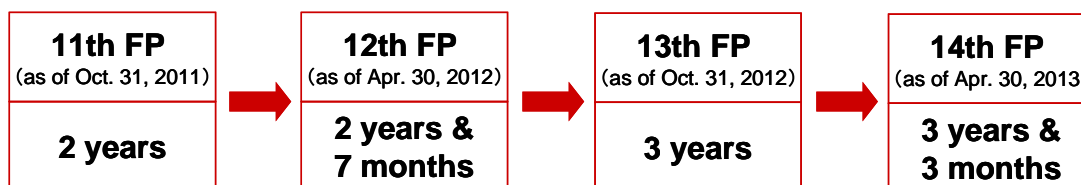
### Reducing the Ratio of Fixed-Rate Interest Borrowings

As of the end of the fourteenth fiscal period, the ratio of fixed-rate interest borrowings fell below 50% to 44.1%. The decrease resulted from working to reduce interest costs by taking advantage of the interest rates of short-term loans payable, which serve as the base of borrowing interest rates, remaining stable at a low level, in an effort to cope with the decrease in earnings due to move-outs of large tenants and other factors. Nevertheless, a certain degree of risk was mitigated by extending the remaining period of interest-bearing liabilities. Going forward, Top REIT will continue close monitoring of the trends in the market interest rates and, taking into account the future risk of interest rate fluctuations, work to raise the ratio of fixed-rate borrowings interest rates are set to rise.

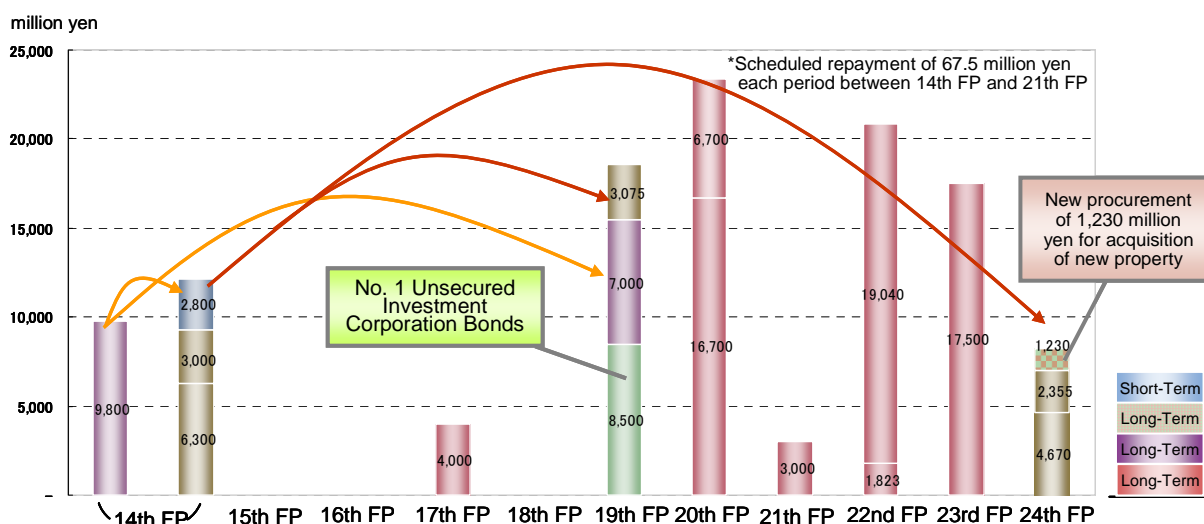
### Future Financial Operations

In its financial policy, Top REIT has placed the ceiling of the ratio of interest-bearing liabilities to total assets (LTV) at 60%, and targets to set the figure at around 50% in ordinary management. The LTV was 51.4% at the end of the fourteenth fiscal period, reaching a relatively high level. However, it is essential for Top REIT to acquire new properties in order to accumulate greater earnings and recover its dividends. To do so, Top REIT will consider the possibility of temporarily raising LTV by borrowing new funds from banks. The investment unit prices of J-REITs have remained strong since early autumn last year, leading to new listings and new issuance of investment units being conducted actively by J-REITs. Given this situation, Top REIT will take into account a possible capital increase through public offering of investment units to solidify its foundations for growth, as explained above. However, the basic stance of Top REIT in implementing public offerings is to make investigations after fully considering the market conditions, cap rates of properties to be newly acquired and other factors, in order to minimize the impact of dilution in its commitment to be considerate of existing investors. While it is essential for Top REIT to conduct public offerings to achieve the NEXT STAGE (with the target asset size of 210 billion yen) it pursues, Top REIT will maintain its solid financial operations placing weight on the dialogue with the market.

### < Average Remaining Period of Interest-bearing Liabilities >

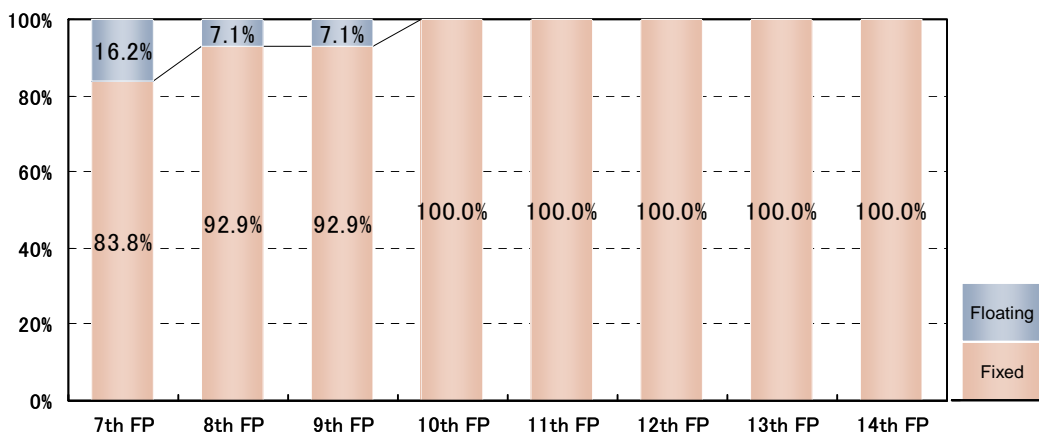


### < Spread Out Repayment Dates >

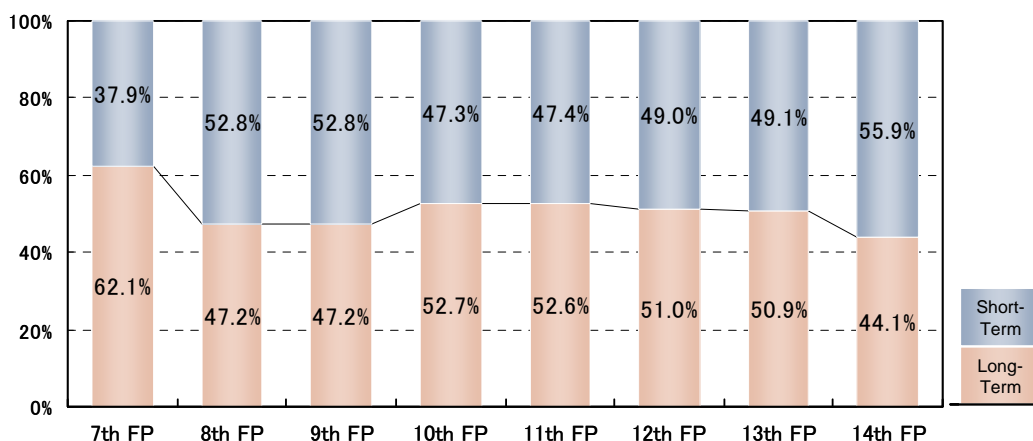


## < Manage Risk of Fluctuating Interest Rates >

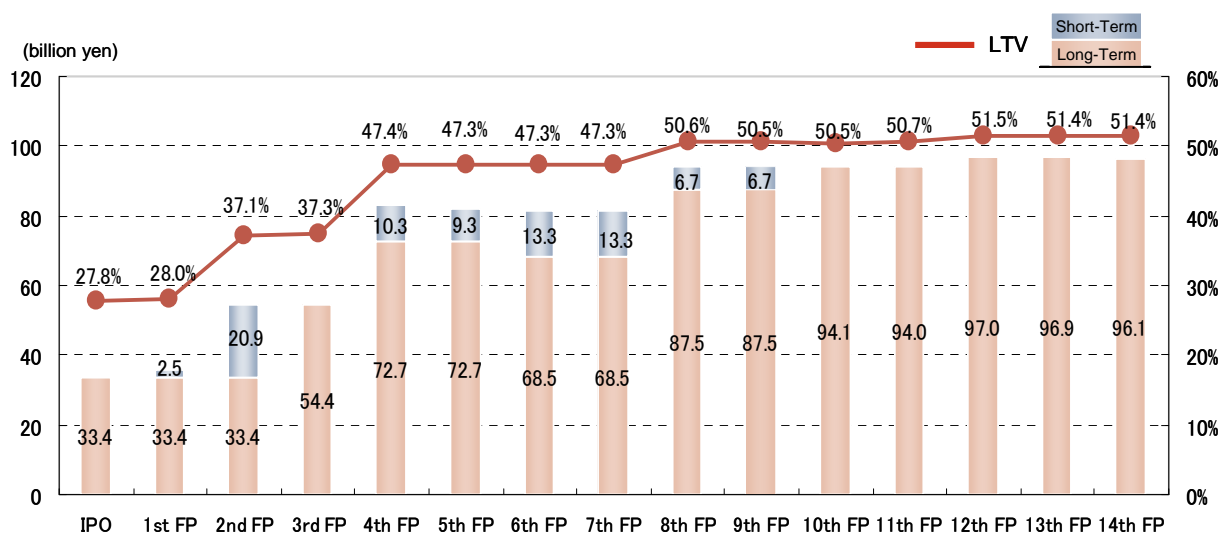
### • Ratio of Long – Term Loans



### • Ratio of Loans with Fixed Interest Rates



## < Changes in Fund Procurement Status (Debt) >



## I. ASSET MANAGEMENT REPORT

### [1] Overview of Asset Management Operation

#### 1. Operating Results and Financial Position

Fiscal period		10th	11th	12th	13th	14th
As of/for six months ended		April 30, 2011	October 31, 2011	April 30, 2012	October 31, 2012	April 30, 2013
<b>(1) Operating results</b>						
Operating revenue	mn yen	5,967	5,812	5,693	5,636	5,844
(Of which, rental revenue)	mn yen	5,967	5,812	5,437	5,636	5,844
Operating expenses	mn yen	2,995	3,033	2,921	2,939	3,397
(Of which, expenses related to rental business)	mn yen	2,414	2,479	2,383	2,384	2,848
Operating income	mn yen	2,971	2,779	2,772	2,697	2,447
Ordinary income	mn yen	2,194	1,986	2,029	2,002	1,823
Net income	mn yen	2,157	1,985	1,999	2,001	1,822
<b>(2) Assets, etc. (end of period)</b>						
Total assets	mn yen	186,336	185,459	188,407	188,440	187,003
(Period-on-period variation)	%	(-0.1)	(-0.5)	(1.6)	(0.0)	(-0.8)
Interest-bearing liabilities	mn yen	94,105	94,037	96,970	96,902	96,065
Net assets	mn yen	84,418	84,245	84,259	84,304	84,127
(Period-on-period variation)	%	(-0.0)	(-0.2)	(0.0)	(0.1)	(-0.2)
Unitholders' capital	mn yen	82,260	82,260	82,260	82,260	82,260
<b>(3) Cash distributions</b>						
Total cash distributions	mn yen	2,157	1,985	1,949	2,001	1,822
Dividend payout ratio	%	100.0	100.0	97.5	100.0	100.0
<b>(4) Per unit information</b>						
Number of units Outstanding	units	155,000	155,000	155,000	155,000	155,000
Net assets per unit (Note 2)	yen	544,632	543,520	543,610	543,900	542,758
Dividend per unit	yen	13,922	12,809	12,577	12,912	11,759
(Earnings distribution per unit)	yen	13,922	12,809	12,577	12,912	11,759
(Distribution in excess of earnings per unit)	yen	—	—	—	—	—
<b>(5) Financial indices</b>						
Ratio of ordinary income to total assets (Note 3)	%	1.2 (2.4)	1.1 (2.1)	1.1 (2.2)	1.1(2.1)	1.0(2.0)
Ratio of net income to unitholders' equity (Note 3)	%	2.6 (5.2)	2.4 (4.7)	2.4(4.8)	2.4(4.7)	2.2(4.4)
Ratio of unitholders' equity to total assets (Period-on-period variation)	%	45.3 (0.0)	45.4 (0.1)	44.7 (-0.7)	44.7 (0.0)	45.0 (0.3)
LTV	%	50.5	50.7	51.5	51.4	51.4
Rental NOI (Note 4)	mn yen	4,639	4,393	4,126	4,368	4,117
<b>(6) Other referential information</b>						
Number of properties at end of period	cases	15	17	18	18	19
Number of tenants at end of period (Note 5)	cases	46	48	40	42	39
Total rentable area at end of period	m <sup>2</sup>	291,627.72	295,215.03	300,294.23	300,294.23	301,825.87
Occupancy rate at end of period (Note 6)	%	99.7	97.3	98.5	99.2	94.5
Depreciation and amortization at end of period	mn yen	1,086	1,060	1,072	1,116	1,121
Capital expenditure at end of period	mn yen	464	234	442	108	443

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

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

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

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

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

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

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

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

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

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

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

### A. Brief Background of Top REIT

Top REIT, Inc. (Top REIT) was founded on November 2, 2005 based on the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended) with Top REIT Asset Management Co., Ltd. (Asset Manager) as the incorporator, and listed on the Real Estate Investment Trust Section of the Tokyo Stock Exchange (TSE) (Securities Code: 8982) on March 1, 2006 with the number of investment units issued and outstanding totaling 145,500 units. Later, Top REIT issued additional investment units (9,500 units) through a third-party allotment on March 23, 2006. As of the end of the fourteenth fiscal period (April 30, 2013), the total number of investment units issued and outstanding stands at 155,000 units.

Top REIT works to conduct management with the aim of maximizing the investment value for its unitholders by securing stable revenues over the medium to long term and achieving steady growth of its portfolio. To do so, Top REIT focuses on the two strategies of “skilled management of a diversified portfolio” and “optimal application of the sponsors’ strengths.” As of the end of the fourteenth fiscal period, its portfolio consists of 19 properties with a total acquisition value of ¥185,555 million.

### B. Investment Environment and Management Performance

<Investment Environment>

#### (a)Economy in General

The Japanese economy turned to positive growth from the third quarter of fiscal 2012 due in part to the export industry improving as a result of correction of the appreciation of the yen and rise in stock prices since inauguration of a new administration at the end of 2012, and such has heightened expectations for economic recovery. However, with a strong aspect of expectations preceding progress, the correction of the appreciation of the yen and high stock prices have yet to lead to increase in new capital investment and employment, increase in wages or other definite corporate movements, but rather have had limited impact on the real economy. Furthermore, the financial market is showing signs of instability, such as wild fluctuations in long-term interest rates due to the Bank of Japan’s massive purchases of Japanese government bonds and abolition of maturity limits for purchases and the market entering a correction phase of rapid movements toward depreciation of the yen and high stock prices. Consequently, the Japanese government’s implementation of a growth strategy for stimulation of the economy and promotion of financial soundness and the movements toward withdrawal from monetary easing in the U.S. are being watched. While facing the risk of fluctuations in long-term interest rates, the prospects are further improvement in the export environment through pickup in the overseas economy and depreciation of the yen, as well as increase in public investment with the full-scale implementation of emergency economic measures. In addition, last-minute surge in demand for housing and other consumer durables prior to the consumption tax hike is also likely to generate through the second half of the fiscal year. These lead to expectations for moderate economic recovery.

#### (b)Real Estate Leasing Market

[Office Buildings]

With expectations for economic growth increasing, some companies showed movement to lease more floor area within the same property upon a review of the offices that were strongly undersized from having largely reduced space in the wake of the Lehman Shock. In addition, relocations from old buildings and loss of old buildings since the Great East Japan Earthquake kept supply down. The vacancy rate of office buildings in central Tokyo thus trends toward moderate improvement. On the other hand, the rent level in central Tokyo showed signs of bottoming or having bottomed out for some large-scale office buildings that are relatively new and have high specifications. However, with many office buildings forced to continue rent adjustment owing to tenant relocations causing increase in vacancies and other reasons, an overall sense of bottoming out is yet to be seen. Only slowly after full-fledged recovery of corporate earnings is it reflected in office building rent as hitting bottom or recovering further and so is thought to take some time yet.



#### [Retail Properties]

Fiscal 2012 retail store sales value increased year-on-year for the first time in two years. This was mainly attributable to increase in motor vehicles retail sales and increase in food and beverages retail sales due in part to brisk convenience store sales, which were from the effects of the eco-car subsidy program, on the rebound of the impact of the Great East Japan Earthquake, etc. Currently, too, the asset effect, such as high stock prices, have led to consumer confidence being on a trend of improvement and strong movement being found in high-price goods and consumer durables mainly among the wealthy. In the medium to long term, however, large growth of the domestic retail market is thought to be unlikely in light of decrease in the population and other factors. Under such circumstances, major retailers are forecast to accelerate mergers and business alliances in view of strengthening the management base to survive the competition that is intensifying not only with other companies within the same industry but also online operators that are leading the ever-growing e-commerce market. This calls for a close watch of future trends.

#### [Residential Properties]

New supply in 2013 will be slightly more than 2012 when there was the impact of the Great East Japan Earthquake, but will be limited to supply in highly convenient locations and thus is expected to remain at a low level. On the other hand, while decrease in the young, a high proportion of which reside in rental properties, will serve as a downward pressure, demand is forecast to gradually increase due to such factors as population influx to large cities, division of households and decrease in the capacity to acquire for-sale housing. Therefore, supply-demand balance in major cities is generally forecast to continue to remain unchanged and rent is forecast to also remain stable.

#### (c) Real Estate Transaction Market

The number of transactions overall is on the rise because, while information on transaction properties available for sale are in short supply, there was a series of cases of acquisition of a large number of properties resulting from new listing or capital increase through public offering by J-REITs backed by a favorable financing environment, as well as high-price sales transactions of large-scale office buildings owned by major manufacturers. Acquisition of real estate by J-REITs is forecast to continue to increase, but there will be no large increase in sale properties distributed to the real estate market because buyers are assumed to remain selective and movement to sell quickly will become limited with easing of the financial environment. As a result, the supply-demand situation is forecast to still remain tight.

#### <Asset Management Performance >

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

Top REIT began the fourteenth fiscal period with 18 properties (total acquisition value: ¥184,345 million). With an aim to acquire highly-competitive and highly-profitable properties, Top REIT considered possible acquisition of properties through not only the “optimal application of the sponsors’ strengths” but also by utilizing established information channels to collect and carefully select from property sale information, with excellent office buildings located in central Tokyo at the core, as well as other asset classes, by drawing on the characteristics of being a diversified REIT. By doing so, Top REIT acquired MEL Building, an urban retail property located in Sendai City, Miyagi Prefecture for ¥1,210 million. Thus, the number of properties owned by Top REIT expanded to 19 properties (total acquisition value: ¥185,555 million) as of the end of the fourteenth fiscal period.

##### (b) Management and Maintenance of Portfolio Assets

The basic asset management strategy of Top REIT centers on sustaining and increasing revenue over the medium to long term by maintaining and improving tenant satisfaction (the “Tenants First” policy) and keeping operational management costs at an appropriate level. Top REIT strived to improve tenant satisfaction by sustaining relationships of trust with tenants and discerning tenant needs via property management companies in order to maintain and improve high occupancy rates.

Particularly in the fourteenth fiscal period, positioning solicitation of successor tenants to Harumi Island Triton Square Office Tower Y as a top priority issue, Top REIT focused on tenant solicitation activities. Despite conducting solicitation activities under still harsh real estate leasing market conditions, certain results managed to be achieved, such as executing lease agreements for about 1,534 tsubos with three tenants, including those contracting to lease more floor area within the same property, and the occupancy rate, which was 41.8% after the exit of the major tenant, also improved to 62.5% at the end of June 2013. In addition, at Faret East Building, execution of a lease agreement for the about 180

tsubos that had been vacant resulted in full occupancy from May 1, 2013. Top REIT is continuously focusing on successor tenant solicitation and leasing activities.

Regarding maintenance, Top REIT followed up on ensuring that it had an appropriate grasp of the operational management conditions and steady implementation of asset management plans for each property. Top REIT also carried out renewal construction and repair work that contribute to enhancing the competitiveness of properties and maintaining and improving the functionality of properties based on asset management plans, took steps to keep relevant costs at an appropriate level, and conducted efficient management of resources.

### C. Procurement of Funds

Top REIT procures funds by adopting a financial policy that is based on stable financial management. In the fourteenth fiscal period, ¥9,800 million in long-term loans payable due for repayment on November 30, 2012 was refinanced with ¥7,000 million in long-term loans payable (loan period: 2 years and 10 months, repayment date: September 30, 2015) and ¥2,800 million in short-term loans payable (loan period: 4 months, repayment date: March 27, 2013) on the same date.

Of the ¥9,300 million long-term loan payable due for repayment on March 27, 2013, and the ¥2,800 million short-term loan payable, totaling ¥12,100 million, a part of principal (¥2,000 million) was repaid using cash on hand and ¥10,100 million was refinanced with ¥4,670 million in long-term loans payable (loan period: 5 years, repayment date: March 27, 2018), ¥2,355 million in long-term loans payable (loan period: 5 years, repayment date: March 27, 2018), and the ¥3,075 million in long-term loans payable (loan period: 2 years and 6 months, repayment date: September 30, 2015) on the same date in order to extend the remaining period of interest-bearing liabilities, and to spread out repayment dates. Moreover, on April 30, 2013, Top REIT newly procured ¥1,230 million through long-term loans payable (loan period: 5 years, repayment date: April 30, 2018) in order to fund the acquisition of MEL Building. Top REIT also repaid ¥67 million of the long-term loans payable as agreed using cash on hand on December 28, 2012.

As a result, at the end of the fourteenth fiscal period, the total amount of interest-bearing liabilities stands at 96,065 million (¥87,565 million in long-term loans (including the current portion) and ¥8,500 million in investment corporation bonds), and the ratio of interest-bearing liabilities to total assets is 51.4%. Moreover, the ratio of long-term interest-bearing liabilities (including the current portion) is 100%, while interest-bearing liabilities with fixed interest rates account for 44.1%.

The credit ratings of Top REIT as of April 30, 2013 are as follows:

Credit Rating Agency	Rating [Outlook]
Moody's Japan K.K. (Moody's)	Issuer rating: Baa1 [Negative] Senior unsecured long-term rating (No. 1 Unsecured Investment Corporation Bonds): Baa1 [Negative]
Rating and Investment Information, Inc. (R&I)	Issuer rating: A+ [Stable] Unsecured investment corporation bond rating (No. 1 Unsecured Investment Corporation Bonds): A+

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

#### [Overview of Shelf Registration]

Object of Shelf Registration	Amount to be Issued	Scheduled Period of Issue
Investment corporation bonds (excluding short-term corporation bonds)	¥100,000 million	From May 20, 2012 to May 19, 2014

### D. Business Results and Dividends

As a result of the asset management and operations described above, Top REIT recorded asset management performance during the fourteenth fiscal period of ¥5,844 million in operating revenue, ¥2,447 million in operating income and ¥1,823 million in ordinary income after deducting expenses concerning borrowings, etc., and net income was ¥1,822 million.

As for dividends, with the aim of having an amount equivalent to profit dividends deducted as expenses

based on the application of the special provision on taxation of investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation [Act No. 26 of 1957, as amended; hereinafter, the “Special Taxation Measures Act”]), Top REIT decided that the entire amount of unappropriated retained earnings of the fourteenth fiscal period, excluding fractions of the dividend per investment unit that are less than ¥1, would be paid out. Consequently, Top REIT declared a dividend per investment unit of ¥11,759.

### 3. Balance of Paid-in Capital

There was no change in paid-in capital for the 14th fiscal period. The outline of changes in paid-in capital from the establishment of Top REIT to the end of the current fiscal period is as follows:

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

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

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

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

#### [Market Price of Investment Units]

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

Fiscal period As of the end of fiscal period	10th April, 2011	11th October, 2011	12th April, 2012	13th October, 2012	14th April, 2013
Highest price	567,000yen	490,000yen	484,000yen	459,000yen	576,000yen
Lowest price	410,000yen	384,000yen	333,000yen	358,500yen	351,000yen

### 4. Cash Distribution

The dividend per unit for the current period was 11,759 yen. Top REIT expects to distribute almost all unappropriated retained earnings at the current period end to be eligible for special tax treatments (Special Taxation Measures Law Article 67-15) that allows Top REIT to deduct an amount equivalent to distributions of retained earnings as expenses from taxable income.

Fiscal period As the end of fiscal period	Units	10th April, 2011	11th October, 2011	12th April, 2012	13th October, 2012	14th April, 2013
Unappropriated retained earnings	thousand yen	2,157,918	1,985,468	1,999,419	2,001,377	1,822,649
Internal reserves	thousand yen	8	73	49,984	17	4
Total dividends (Dividend per unit)	thousand yen (yen)	2,157,910 (13,922)	1,985,395 (12,809)	1,949,435 (12,577)	2,001,360 (12,912)	1,822,645 (11,759)
Of which, dividend of accumulated earnings (Per unit)	thousand yen (yen)	2,157,910 (13,922)	1,985,395 (12,809)	1,949,435 (12,577)	2,001,360 (12,912)	1,822,645 (11,759)
Of which, repayment of paid-in capital (Per unit)	thousand yen (yen)	— —	— —	— —	— —	— —

## **5. Management Policy and Future Issues**

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

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

Continuously positioning the successor tenant solicitation activities at Harumi Island Triton Square Office Tower Y as a top priority issue, Top REIT will focus on solicitation activities in order to solidify the prospects of a successor tenant as early as possible by selecting from broad-ranging and highly-potential candidates while continuing to approach candidates that are currently considering tenancy.

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

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

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

Furthermore, Top REIT makes it a management policy to keep the ratio of the investment amount per property at less than 20% of the entire portfolio as a target over the medium to long term. For reference, the acquisition value of the NEC Head Office Building accounts for 22.6% of the total acquisition value of Top REIT’s properties as of the end of the fourteenth fiscal period. Going forward, Top REIT will work to reduce the risk of concentration on specific properties by steadily advancing further external growth.

### **(c) Financial Strategy**

Top REIT will continue to implement diversified and flexible fund procurement operations in preparation for acquisition of new properties and refinancing of existing loans, etc. While securing mobility and flexibility in fund procurement, Top REIT will work to reduce the risk involved in fund procurement by extending borrowing periods and spreading out the repayment dates. At the same time, Top REIT will manage the risk of interest rate fluctuations by taking into account the balance of borrowings at floating and fixed interest rates, as it discerns the interest rate trends. Moreover, financial soundness will be maintained by keeping the leverage at an appropriate level.

### **(d) Compliance and Risk Management, etc.**

In addition to the supervision of the Executive Officer by Supervisory Directors at the Board of Directors meetings and other occasions, Top REIT will continue its direction and supervision on the Asset Manager that it can conduct management operations with full care given to market risks, including rent decreases, and credit risks as well as with a focus on the protection of unitholders’ interests in conducting transactions with interested parties and on other compliance issues.

## **6. Significant Subsequent Events**

There are none applicable.

### **[Reference Information]**

Top REIT decided at its Board of Directors meeting held on May 23, 2013 to convene the fifth General Meeting of Unitholders, scheduled for July 25, 2013.

## [2] Outline of Top REIT

### 1. Status of Unitholders' Capital

Fiscal period As of the end of fiscal period	10th April, 2011	11th October, 2011	12th April, 2012	13th October, 2012	14th April, 2013
Number of issuable investment units (units)	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Number of units issued and outstanding (units)	155,000	155,000	155,000	155,000	155,000
Unitholders' capital (million yen)	82,260	82,260	82,260	82,260	82,260
Number of unitholders	7,090	7,031	6,912	7,823	7,872

### 2. Matters Concerning the Investment Units

Major unitholders as of April 30, 2013 were as follows:

Name	Number of units held (units)	Share of total (%) (Note)
Japan Trustee Service Bank (trust account)	38,988	25.15
Trust and Custody Services Bank (securities investment trust account)	8,798	5.67
The Master Trust Bank of Japan (trust account)	6,782	4.37
North Pacific Bank, LTD.	6,139	3.96
Nomura Trust and Banking (investment trust account)	4,689	3.02
Sumitomo Mitsui Trust Bank, Limited.	3,176	2.04
Oji Real Estate Co., Ltd.	3,162	2.04
NIPPON STEEL KOWA REAL ESTATE CO.,LTD.	3,162	2.04
MetLife Alico Life Insurance K.K GA Company JPY	3,066	1.97
The Senshu Ikeda Bank, Ltd.	3,040	1.96
The Asahi Fire & Marine Insurance Co., Ltd.	2,927	1.88
NOMURA BANK (LUXEMBOURG) S.A.	2,691	1.73
The Minami Nippon Bank, Ltd.	1,550	1.00
The Iyo Bank, Ltd.	1,500	0.96
The Gibraltar Life insurance Co., Ltd (general accounts J-REIT account)	1,465	0.94
Total	91,135	58.79

Note: The share of total is rounded down to the second decimal place.

### 3. Officer and Auditor

A: Name of directors and auditor as of April 30, 2013 were as follows:

Post	Name	Major additional post	Total amount of fee paid during the current period (thousand yen)
Executive Officer	Jumpei Norimatsu (Note 1)	—	2,700
Supervisory Director	Yasuyuki Kuribayashi (Note 1)	Partner Attorney, City-Yuwa Partners (Note 2)	1,800
Supervisory Director	Kunio Tsuneyama (Note 1)	Managing Partner, Tsuneyama Certified Public Accountants Office Managing Partner, Tsuneyama Sogo Accountants Office Non Executive Director in Kuroda Electric Co., Ltd. (Note 2)	1,800
Accounting Auditor	KPMG AZSA LLC	—	10,000

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

Note 2: Although Supervisory Directors may have additional posts in entities other than those listed above, there is no conflict of interest between those companies including those listed above and Top REIT.

Note 3: There was no resignation or dismissal of the Officer and 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. Asset Manager, Asset Custodian and Administrative Agents

Asset manager, etc. as of April 30, 2013 were as follows:

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

### [3] Status of Investment Assets

#### 1. Composition of Assets

Type of assets	Asset class	Area	13th As of October 31, 2012		14th As of April 30, 2013	
			Total amount owned (million yen) (Note 1)	As a percentage of total assets (%) (Note 2)	Total amount owned (million yen) (Note 1)	As a percentage of total assets (%) (Note 2)
Real estate	Office buildings	Central Tokyo	5,870	3.1	5,857	3.1
		Subtotal	5,870	3.1	5,857	3.1
Real estate in trust	Office buildings	Central Tokyo	126,718	67.3	126,390	67.6
		Tokyo Metropolitan Area	1,678	0.9	1,647	0.9
		Subtotal	128,397	68.2	128,037	68.5
	Retail facilities	Tokyo Metropolitan Area	23,238	12.3	23,075	12.3
		Other Major Cities	—	—	1,234	0.7
		Subtotal	23,238	12.3	24,309	13.0
	Residential	Central Tokyo	2,459	1.3	2,431	1.3
		Tokyo Metropolitan Area	17,795	9.5	17,654	9.4
		Subtotal	20,254	10.8	20,086	10.7
	Others	Central Tokyo	2,684	1.4	2,712	1.5
		Subtotal	2,684	1.4	2,712	1.5
	Subtotal of real estate and real estate in trust			180,446	95.8	181,003
Cash, deposits and other assets			7,994	4.2	6,000	3.2
Total assets (Note 3)			188,440	100.0	187,003	100.0
			(180,446)	(95.8)	(181,003)	(96.8)

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

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

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

< Geographical Classification >

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

## 2. Major Properties Owned

The principal properties (top ten properties by book value) that Top REIT owns as of April 30, 2013 were as follows:

Property name		Book value (million yen)	Leasable floor space (Note 1) (m <sup>2</sup> )	Leased floor space (Note 2) (m <sup>2</sup> )	Occupancy rate (Note 3) (%)	Portion of rental revenue (%)	Primary use
NEC Head Office Building	(Trust beneficiary interest)	42,895	72,238.03	72,238.03	100.0	23.5	Office
Harumi Island Triton Square Office Tower Y	(Trust beneficiary interest)	30,540	23,170.40	9,682.86	41.8	23.5	Office
Harumi Island Triton Square Office Tower Z	(Trust beneficiary interest)	19,576	10,914.20	10,914.20	100.0	6.6	Office
Kanda Nishiki-cho 3-chome Building	(Trust beneficiary interest)	12,722	8,025.65	8,025.65	100.0	7.3	Office
Sagamihara Shopping Center	(Trust beneficiary interest)	11,306	61,763.28	61,763.28	100.0	7.0	Retail property
Fukasawa House Towers H&I	(Trust beneficiary interest)	10,177	11,357.44	11,055.83	97.3	4.1	Residential
Akasaka Oji Building	(Trust beneficiary interest)	9,779	7,301.15	7,213.41	98.8	4.1	Office
Ito-Yokado Higashi-Narashino Store	(Trust beneficiary interest)	7,866	51,098.42	51,098.42	100.0	4.0	Retail property
Shiba-Koen Building	(Real estate)	5,857	3,060.43	1,908.99	62.4	1.5	Office
Shinkawa Chuo Building	(Trust beneficiary interest)	5,804	6,032.24	6,032.24	100.0	3.4	Office
Total		156,527	254,961.24	239,932.91	94.1	85.0	

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

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

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



### 3. Details of Portfolio Properties

#### ① Details of Properties

A. The details of properties owned by Top REIT as of April 30, 2013 were as follows

Asset class	Area	Property name	Address	Type of title	Appraisal value at end of 14th period (million yen) (Note)	Book value at end of 14th period (million yen)
Office building	Central Tokyo	NEC Head Office Building	5-7-1 Shiba, Minato Ward, Tokyo	Trust beneficiary interest	49,500	42,895
		Harumi Island Triton Square Office Tower Y	1-8-11 Harumi, Chuo Ward, Tokyo	Trust beneficiary interest	30,800	30,540
		Akasaka Oji Building	8-1-22 Akasaka, Minato Ward, Tokyo	Trust beneficiary interest	8,060	9,779
		Kanda Park Plaza	2-2-2 Kajicho, Chiyoda Ward, Tokyo	Trust beneficiary interest	4,910	5,070
		Shiba-Koen Building	3-5-5 Shiba, Minato Ward, Tokyo	Real estate	3,470	5,857
		Harumi Island Triton Square Office Tower Z	1-8-12 Harumi, Chuo Ward, Tokyo	Trust beneficiary interest	12,600	19,576
		Kanda Nishiki-cho 3-chome Building	3-11-1 Kanda Nishiki-cho, Chiyoda Ward, Tokyo	Trust beneficiary interest	14,100	12,722
		Shinkawa Chuo Building	1-17-24, Shinkawa, Chuo Ward, Tokyo	Trust beneficiary interest	5,780	5,804
	Tokyo Metropolitan Area	Faret East Building	2-34-7 Akebonocho, Tachikawa City, Tokyo	Trust beneficiary interest	2,410	1,647
Subtotal (9 Properties)					131,630	133,895
Retail property	Tokyo Metropolitan Area	Sagamihara Shopping Center	3-13-33 Kobuchi, Minami Ward, Sagamihara City, Kanagawa	Trust beneficiary interest	10,500	11,306
		Ito-Yokado Higashi-Narashino Store	7-3-1 Higashi Narashino, Narashino City, Chiba	Trust beneficiary interest	5,620	7,866
		Musashiurawa Shopping Square	7-3-1 Bessho, Minami Ward, Saitama City, Saitama	Trust beneficiary interest	3,880	3,902
	Other Major Cities	MEL Building	2-7-28 Chuo, Aoba Ward, Sendai City, Miyagi	Trust beneficiary interest	1,260	1,234
Subtotal (4 Properties)					21,260	24,309
Residential	Central Tokyo	Top Residence Nihonbashi Kayabacho	3-4-1 Nihonbashi Kayabacho, Chuo Ward, Tokyo	Trust beneficiary interest	2,580	2,431
	Tokyo Metropolitan Area	Fukasawa House Towers H&I	2-1-2 Fukasawa, Setagaya Ward, Tokyo	Trust beneficiary interest	7,030	10,177
		Ecology Toyosu Procentury	4-8-8 Toyosu, Koto Ward, Tokyo	Trust beneficiary interest	4,980	4,984
		Impress Musashi-Koganei	4-14-18 Nakamachi, Koganei City, Tokyo	Trust beneficiary interest	1,260	1,272
		Top Residence Yoga	1-14-12 Tamagawadai, Setagaya Ward, Tokyo	Trust beneficiary interest	1,170	1,220
Subtotal (5 Properties)					17,020	20,086
Other	Central Tokyo	OAK PLAZA	2-10-6 Kanda Awajicho, Chiyoda Ward, Tokyo	Trust beneficiary interest	2,450	2,712
	Subtotal (1 Property)					2,450
Total (19 Properties)					172,360	181,003

Note: For "Appraisal value at end of period," Top REIT indicates the assessed value based on the appraisal by real estate appraisers following the asset evaluation method and standards stipulated in Top REIT's Articles of Incorporation and rules of The Investment Trusts Association, Japan (based on real estate appraisal reports prepared by Tanizawa Sogo Appraisal Co, Ltd; Japan Real Estate Institute and Daiwa Real Estate Appraisal Co, Ltd) as of April 30, 2013 as the points of evaluation.

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

Asset class	Area	Name of property	Thirteenth Fiscal Period From May 1, 2012 to October 31, 2012				Fourteenth Fiscal Period From November 1, 2012 to April 30, 2013			
			Number of tenants (end of period) (case) (Note1)	Occupancy rate (end of period) (%)	Rent revenue - real estate (for period) (million yen) (Note 2)	Ratio of rental revenue to total rental revenues (%)	Number of tenants (end of period) (case) (Note1)	Occupancy rate (end of period) (%)	Rent revenue - real estate (for period) (million yen) (Note 2)	Ratio of rental revenue to total rental revenues (%)
Office building	Central Tokyo	NEC Head Office Building	1	100.0	1,370	24.3	1	100.0	1,370	23.5
		Harumi Island Triton Square Office Tower Y	7	100.0	1,217	21.6	3	41.8	1,372	23.5
		Akasaka Oji Building	6	98.8	135	2.4	6	98.8	239	4.1
		Kanda Park Plaza	10	100.0	176	3.1	10	100.0	173	3.0
		Shiba-Koen Building	2	77.5	98	1.8	2	62.4	87	1.5
		Harumi Island Triton Square Office Tower Z	1	100.0	/	7.3	1	100.0	/	6.6
		Kanda Nishiki-cho 3-chome Building	1	100.0	/	7.6	1	100.0	/	7.3
		Shinkawa Chuo Building	1	100.0	204	3.6	1	100.0	199	3.4
	Tokyo Metropolitan Area	Faret East Building	1	89.6	151	2.7	1	89.6	139	2.4
Subtotal (9 properties)			30	99.0	4,191	74.4	26	89.1	4,400	75.3
Retail property	Tokyo Metropolitan Area	Sagamihara Shopping Center	2	100.0	407	7.2	2	100.0	407	7.0
		Ito-Yokado Higashi-Narashino Store	1	100.0	236	4.2	1	100.0	236	4.0
		Musashiurawa Shopping Square	3	100.0	129	2.3	3	100.0	129	2.2
	Other Major Cities	MEL Building	—	—	—	—	1	100.0	0	0.0
Subtotal (4 properties)			6	100.0	772	13.7	7	100.0	773	13.2
Residential	Central Tokyo	Top Residence Nihonbashi Kayabacho	1	96.9	90	1.6	1	95.2	88	1.5
	Tokyo Metropolitan Area	Fukasawa House Towers H&I	1	97.8	240	4.2	1	97.3	238	4.1
		Ecology Toyosu Procentury	1	95.7	164	2.9	1	92.5	167	2.9
		Impress Musashi-Koganei	1	93.4	44	0.8	1	90.5	44	0.8
		Top Residence Yoga	1	92.7	37	0.7	1	94.7	37	0.6
Subtotal (5 properties)			5	96.4	576	10.2	5	95.0	576	9.9
Other	Central Tokyo	OAK PLAZA	1	100.0	94	1.7	1	100.0	94	1.6
	Subtotal (1 property)			1	100.0	94	1.7	1	100.0	94
Total (19 properties)			42	99.2	5,636	100.0	39	94.5	5,844	100.0

Note1: Number of tenants indicates total number of tenants of each property as of the end of period. In the case a master lease agreement is concluded, it is counted as 1 tenant. In the case 1 tenant rents multiple units, it is counted as 1 tenant if the units are in the same property and as multiple tenants if the units are in multiple properties.

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

## ② Details of Investment Securities

There are none applicable.

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

The contracted amount and market price of the specified transactions of Top REIT as of April 30, 2013 were as follows:

(Million yen)

Segment	Type of transaction	Contract amount (Note 1) (Note 2)		Market price (Note 1) (Note 3)
			Longer than a year	
Transaction other than market transaction	Interest-rate swap (receiving floating-rate, Paying fixed-rate)	27,200	27,200	(214)
	Total	27,200	27,200	(214)

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

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

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

## 5. Status of Other Assets

All real estate and trust beneficiary interests in real estate are listed in the table under the “3-① Details of Portfolio Properties.” There were no significant specified assets that are main investment targets of Top REIT other than those listed above as of April 30, 2013.

## 6. Status of Assets by Country and Region

There are none applicable.

## 【4】 Capital Expenditures for Properties Owned

### (1) Schedule of Capital Expenditures

The table below lists the estimated amounts of significant capital expenditures for repair and maintenance work of properties held by Top REIT, planned as of April 30, 2013. The estimated construction costs shown in the table below include those charged to expenses in accounting.

Name of property	Location	Purpose	Scheduled term for construction or maintenance	Estimated construction cost (million yen)		
				Total	Payment for the period	Total of advance payment
NEC Head Office Building	Minato Ward, Tokyo	Renewal of automatic fire alarm system	May 2013 to September 2013	12	—	—
Harumi Island Triton Square Office Tower Y	Chuo Ward, Tokyo	Renewal of common spaces	April 2013 to May 2013	51	—	—
Akasaka Oji Building	Minato Ward, Tokyo	Renewal of ventilation equipment and air blowers	October 2013 to October 2013	14	—	—
Shinkawa Chuo Building	Chuo Ward, Tokyo	Renewal of common restrooms	June 2013 to August 2013	20	—	—

### (2) Capital Expenditures Made During the Period

The following table is an overview of construction work conducted during the fiscal period that fall under the category of capital expenditures for properties held. Capital expenditures during the fiscal period amounted to ¥443 million and combined with ¥522 million in repairs and maintenance costs that fall under expenses for the fiscal period, a total of ¥966 million of construction work was implemented.

Name of property	Location	Purpose	Scheduled term for construction or maintenance	Capital expenditures (million yen)
NEC Head Office Building	Minato Ward, Tokyo	Renewal of external wall and ceiling	May 2012 to November 2012	26
		Renewal of gondola	May 2012 to January 2013	23
		Renewal of waterproof equipment	May 2012 to March 2013	12
		Renewal of lighting System	May 2012 to January 2013	10
		Renewal of automatic fire alarm system	May 2012 to March 2013	50
		Renewal of cooling tower	May 2012 to March 2013	23
		Renewal of Refrigerator	May 2012 to March 2013	45
		Renewal of heat source pump	May 2012 to January 2013	10
		Renewal of air Condition facility	May 2012 to January 2013	42
		Construction works of air condition pipe units	May 2012 to March 2013	15
		Renewal of central monitor system	May 2012 to March 2013	44
Shinkawa Chuo Building	Chuo Ward, Tokyo	Renewal of common restrooms	January 2013 to March 2013	16
OAK PLAZA	Chiyoda Ward, Tokyo	Renewal of external wall and ceiling	May 2012 to November 2012	35
Others		Renewal of function	November 2012 to April 2013	84
Total				443

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

(Million yen)

Fiscal period	10th	11th	12th	13th	14th
	From November 1, 2010 to April 30, 2011	From May 1, 2011 to October 31, 2011	From November 1, 2011 to April 30, 2012	From May 1, 2012 to October 31, 2012	From November 1, 2012 to April 30, 2013
Balance of reserved funds at beginning of current period	530	330	443	347	410
Amount reserved during the current period	197	197	197	197	197
Amount used from reserved funds during the current period	396	84	292	133	232
Balance carried forward to the next period	330	443	347	410	375

### 【5】 Condition of Expenses and Liabilities

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

(Million yen)

Fiscal Period	13th	14th
Item	From May 1, 2012 to October 31, 2012	From November 1, 2012 to April 30, 2013
(a) Asset management fees (Note)	430	416
(b) Asset custodian fees and administrative service fees	72	72
(c) Directors' compensation	6	6
(d) Audit fees	10	10
(e) Other expenses	36	42
Total	554	548

Note: In addition to the amounts described above, asset management fees consisted of ¥6 million in 14th fiscal period in association with the acquisition of new properties recorded as book value of the respective properties.

## (2) Status of Borrowings

Status of borrowings from respective financial institutions as of April 30, 2013 is as follows.

	Category		Date borrowed	Balance at the beginning of the current period (million yen)	Balance at the end of the current period (million yen)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use of proceeds	Remarks
	Term Loan No.	Lender								
Short-Term Loan Payable	Term Loan No. 19-②	Mizuho Corporate Bank, Ltd. Mitsubishi UFJ Trust and Banking Corporation	November 30, 2012	—	— (Note 2)	0.58	March 27, 2013	Bullet repayment on repayment date	(Note 3)	Unsecured and without guarantee
	Subtotal			—	—					
Current Portion of Long-Term Loans Payable	Term Loan No. 7	Sumitomo Mitsui Trust Bank, Limited. Mizuho Corporate Bank, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation	March 27, 2008	6,300	—	1.48	March 27, 2013	Bullet repayment on repayment date	(Note 4)	Unsecured and without guarantee
		Development Bank of Japan, Inc.		3,000	—	1.53				
	Subtotal			9,300	—					
	Term Loan No. 11	Sumitomo Mitsui Trust Bank, Limited. Mizuho Corporate Bank, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Resona Bank, Limited	January 13, 2010	9,800	—	1.23	November 30, 2012	Bullet repayment on repayment date	(Note 4)	Unsecured and without guarantee
		Development Bank of Japan, Inc.	January 13, 2010	135	135	2.42	November 30, 2016	(Note 5)	(Note 4)	Unsecured and without guarantee
	Subtotal			9,935	135					
Total			19,235	135						
Long-Term Loans Payable	Term Loan No. 5	Sumitomo Mitsui Trust Bank, Limited.	June 29, 2007	2,000	2,000	2.27	June 30, 2014	Bullet repayment on repayment date	(Note 6)	Unsecured and without guarantee
		Development Bank of Japan, Inc.		1,000	1,000	2.40				
		The Dai-ichi Life Insurance Co., Ltd.		1,000	1,000	2.40				
	Subtotal			4,000	4,000					
	Term Loan No. 11	Development Bank of Japan, Inc.	January 13, 2010	2,227	2,160	2.42	November 30, 2016	(Note 5)	(Note 4)	Unsecured and without guarantee
	Term Loan No. 14	Sumitomo Mitsui Trust Bank, Limited. Mizuho Corporate Bank, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation	March 3, 2011	16,700	16,700	1.39	February 29, 2016	Bullet repayment on repayment date	(Note 3)	Unsecured and without guarantee
	Term Loan No. 15	Sumitomo Mitsui Trust Bank, Limited. The Bank of Fukuoka, Ltd. The Hiroshima Bank, Ltd. The Yamaguchi Bank, Ltd.	March 31, 2011	6,700	6,700	0.80	February 29, 2016	Bullet repayment on repayment date	(Note 6)	Unsecured and without guarantee
	Term Loan No. 16	Sumitomo Mitsui Trust Bank, Limited. Mizuho Corporate Bank, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation	November 30, 2011	19,040	19,040	0.55	November 30, 2016	Bullet repayment on repayment date	(Note 3)	Unsecured and without guarantee

Term Loan No. 17	Sumitomo Mitsui Trust Bank, Limited. Mizuho Corporate Bank, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation	March 30, 2012	3,000	3,000	0.65	October 31, 2016	Bullet repayment on repayment date	(Note 4)	Unsecured and without guarantee
Term Loan No. 18	Sumitomo Mitsui Trust Bank, Limited. Mizuho Corporate Bank, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation	June 29, 2012	9,000	9,000	0.65	June 30, 2017	Bullet repayment on repayment date	(Note 3)	Unsecured and without guarantee
			8,500	8,500	0.79				
Term Loan No. 19-①	Sumitomo Mitsui Trust Bank, Limited. Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Resona Bank, Limited	November 30, 2012	—	7,000	0.65	September 30, 2015	Bullet repayment on repayment date	(Note 3)	Unsecured and without guarantee
Term Loan No. 20	Sumitomo Mitsui Trust Bank, Limited. Mizuho Corporate Bank, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Development Bank of Japan, Inc. Mizuho Corporate Bank, Ltd. Mitsubishi UFJ Trust and Banking Corporation	May 27, 2013	—	4,670	0.76	March 27, 2018	Bullet repayment on repayment date	(Note 7)	Unsecured and without guarantee
			—	2,355	1.08				
			—	3,075	0.64	September 30, 2015			
Term Loan No. 21	Sumitomo Mitsui Trust Bank, Limited. Resona Bank, Limited	April 30, 2013	—	1,230	0.75	April 30, 2018	Bullet repayment on repayment date	(Note 4)	Unsecured and without guarantee
Subtotal			69,167	87,430					
Total			88,402	87,565					

Note1: The average interest rate is the interest rate of borrowings for the respective loan contracts (weighted by the balance during the period) and rounded to the second decimal place. Furthermore, the average interest rate related to the borrowing hedged by an interest rate swap transaction for the purpose of reducing interest rate fluctuation risk is weighted by considering the effect of the relevant interest rate swap.

Note2: Fully repaid on March 27, 2013.

Note3: The use of borrowings is for repayment of long-term loans payable.

Note4: The use of borrowings is for acquisition of trust beneficiary interest in real estate.

Note5: Repayment of ¥67.5 million will be made at the end of June and December each year starting on June 30, 2010, with the remaining payment of ¥1,822.5 million to be repaid on November 30, 2016, the final repayment date.

Note6: The use of borrowings is for repayment of short-term loans payable.

Note7: The use of borrowings is for repayment of short-term and long-term loans payable.

### (3) Status of Investment Corporation Bonds

Investment corporation bonds issued and outstanding as of April 30, 2013 are as follows.

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

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

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

There are none applicable.

## [6] Status of Acquisitions and Dispositions During the Period

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

Type of Assets	Name of Property	Acquisition		Disposition			
		Acquisition Date	Acquisition Price (million yen) (Note)	Disposition Date	Disposition Price (million yen)	Book Value (million yen)	Capital Gain and Loss (million yen)
Trust Beneficiary Interest in Real Estate	MEL Building	April 30, 2013	1,210	—	—	—	—

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

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

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

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

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

#### ① Real estate, etc

Acquisition or Disposition	Name of Properties	Transaction Date	Acquisition Price (million) (Note 1)	Research on Price of Specified Assets (million) (Note 2)	Appraisal Institution	Appraised Date
Acquisition	MEL Building	April 30, 2013	1,210	1,260	Daiwa Real Estate Appraisal Co, Ltd.	April 1, 2013

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

Note 2: The real estate appraisal is conducted by applying "Real Estate Appraisal Standard Section 3: appraisals concerning prices of real estate subject to securitization."

#### ② Others

There are none applicable

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

#### ① Status of Transaction

There are none applicable.

#### ② Amounts of Fees Paid, etc.

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

Item	Total amount of fees paid (A) (thousand yen)	Transactions with interested parties, etc. and major unitholders		Ratio against total amount B/A (%)
		Paid to	Amount of payment (B) (thousand yen)	
Property management fees	400,198	Oji Real Estate Co., Ltd.	23,759	5.9
		Sumitomo Mitsui Trust Bank, Limited.	1,250	0.3
Brokerage fees	10,000	Sumitomo Mitsui Trust Bank, Limited.	10,000	100.0
Trust compensation	17,276	Sumitomo Mitsui Trust Bank, Limited.	15,125	87.5
Asset custodian fees	8,443	Sumitomo Mitsui Trust Bank, Limited.	8,443	100.0
Administrative service fees	64,413	Sumitomo Mitsui Trust Bank, Limited.	64,413	100.0
		Sumitomo Mitsui Trust Bank, Limited.	1,429	10.1
Other fees paid	14,165	Oji Real Estate Co., Ltd.	6	0.0
		Sumitomo Mitsui Trust Bank, Limited.	56,662	41.6
Borrowing related expenses	136,221	Sumitomo Mitsui Trust Bank, Limited.	56,662	41.6
Investment corporation bond related expenses	5,574	Sumitomo Mitsui Trust Bank, Limited.	623	11.2
Other non-operating expenses	5,314	Sumitomo Mitsui Trust Bank, Limited.	342	6.5
Other expenses related to rent business	5,288	Oji Real Estate Co., Ltd.	488	9.2



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

Note 2: In addition to the fees paid described above, the amounts paid for repair and maintenance work placed with interested parties, etc. during the current period are Oji Real Estate Co., Ltd. of ¥12,772 thousand. Furthermore, the concerned payments include construction management fees.

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

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

### **【7】 Overview of Accounting**

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

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

#### **(2) Change in Depreciation Method**

There are none applicable.

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

There are none applicable.

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

There are none applicable.

### **【8】 Others**

#### **(1) Notice**

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

The Fifth General Meeting of Unitholders of Top REIT is scheduled to be held on July 25, 2013.

##### **② Board of Directors**

Executions or modifications of significant agreements approved by the Board of Directors of Top REIT during the fiscal period were as follows.

Approval date	Approval agenda	Description
June 13, 2013	Determination of agendas and other matters to be submitted for approval at the Fifth General Meeting of Unitholders	The Board of Directors determined the agendas and other matters to be submitted for approval at the Fifth General Meeting of Unitholders to be held on July 25, 2013, as follows. First Item : Partial amendments to the Articles of Incorporation Second Item : Appointment of 1 Executive Officer Third Item : Appointment of 2 substitute Executive Officers Fourth Item : Appointment of 2 Supervisory Directors

#### **(2) Others**

Unless otherwise stated, fractions less than the specified unit are rounded down to the nearest specified unit for monetary amounts and rounded to the nearest specified unit for percentage figures.

## II. Balance Sheets

	(Unit: thousand yen)	
	Thirteenth Fiscal Period (as of October 31, 2012)	Fourteenth Fiscal Period (as of April 30, 2013)
<b>Assets</b>		
Current assets		
Cash and deposits	2,306,624	520,404
Cash and deposits in trust	4,538,595	4,180,585
Operating accounts receivable	35,841	27,442
Prepaid expenses	261,404	317,249
Deferred tax assets	16	16
Other	1,830	1,830
Total current assets	7,144,313	5,047,529
Noncurrent assets		
Property, plant and equipment		
Buildings	1,148,529	1,150,996
Accumulated depreciation	(177,991)	(194,278)
Buildings, net	970,537	956,718
Structures	4,760	5,559
Accumulated depreciation	(3,012)	(3,153)
Structures, net	1,748	2,406
Machinery and equipment	17,235	17,235
Accumulated depreciation	(10,398)	(10,927)
Machinery and equipment, net	6,837	6,308
Tools, furniture and fixtures	4,058	5,013
Accumulated depreciation	(1,028)	(1,341)
Tools, furniture and fixtures, net	3,029	3,671
Land	4,888,525	4,888,525
Buildings in trust	61,987,617	62,648,114
Accumulated depreciation	(12,813,533)	(13,869,346)
Buildings in trust, net	49,174,083	48,778,767
Structures in trust	697,367	697,808
Accumulated depreciation	(259,630)	(280,312)
Structures in trust, net	437,737	417,496
Machinery and equipment in trust	237,480	255,258
Accumulated depreciation	(105,241)	(118,488)
Machinery and equipment in trust, net	132,238	136,770
Tools, furniture and fixtures in trust	246,048	250,945
Accumulated depreciation	(111,964)	(126,500)
Tools, furniture and fixtures in trust, net	134,083	124,444
Land in trust	124,695,656	125,686,918
Total property, plant and equipment	180,444,479	181,002,027
Intangible assets		
Other intangible assets in trust	1,850	1,603
Other	127	106
Total intangible assets	1,977	1,709
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	613,286	706,676
Other	197,185	211,855
Total investments and other assets	820,471	928,531
Total noncurrent assets	181,266,928	181,932,269
Deferred assets		
Investment corporation bond issuance costs	29,396	23,884
Total deferred assets	29,396	23,884
Total assets	188,440,638	187,003,684

	(Unit: thousand yen)	
	Thirteenth Fiscal Period (as of October 31, 2012)	Fourteenth Fiscal Period (as of April 30, 2013)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Operating accounts payable	80,127	259,047
Current portion of long-term loans payable	19,235,000	135,000
Accounts payable – other	252,992	247,216
Accrued expenses	174,072	130,623
Income taxes payable	688	702
Accrued consumption taxes	102,725	20,742
Advances received	945,950	726,380
Other	2,785	4,693
Total current liabilities	20,794,342	1,524,405
<b>Noncurrent liabilities</b>		
Investment corporation bond	8,500,000	8,500,000
Long-term loans payable	69,167,500	87,430,000
Tenant leasehold and security deposits	125,901	101,016
Tenant leasehold and security deposits in trust	5,512,599	5,286,521
Deferred tax liabilities	25,243	26,141
Long-term advances received	–	166
Derivatives liabilities	10,525	7,901
Total noncurrent liabilities	83,341,769	101,351,746
Total liabilities	104,136,112	102,876,152
<b>Net Assets</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	82,260,100	82,260,100
<b>Surplus</b>		
<b>Voluntary retained earnings</b>		
Reserve for reduction entry	49,958	49,958
Total Voluntary retained earnings	49,958	49,958
Unappropriated retained earnings (undisposed loss)	2,001,377	1,822,649
Total surplus	2,051,336	1,872,608
Total unitholders' equity	84,311,436	84,132,708
<b>Valuation and translation adjustments</b>		
Deferred gains or losses on hedges	(6,909)	(5,177)
Total valuation and translation adjustments	(6,909)	(5,177)
Total net assets	84,304,526	84,127,531
Total liabilities and net assets	188,440,638	187,003,684

### III. Statements of Income

(Unit: thousand yen)

	Thirteenth Fiscal Period (May 1, 2012 – October 31, 2012)	Fourteenth Fiscal Period (November 1, 2012 – April 30, 2013)
Operating revenue		
Rent revenue – real estate	5,605,257	5,370,000
Other lease business revenue	30,966	474,649
Total operating revenue	5,636,223	5,844,649
Operating expenses		
Expenses related to rent business	2,384,258	2,848,597
Asset management fee	430,000	416,586
Asset custody fee	8,464	8,443
Administrative service fees	63,979	64,413
Directors' compensations	6,300	6,300
Audit fee	10,000	10,000
Other operating expenses	36,195	42,779
Total operating expenses	2,939,198	3,397,120
Operating income	2,697,025	2,447,529
Non-operating income		
Interest income	1,448	1,346
Reversal of dividends payable	606	1,093
Insurance income	774	234
Other	198	798
Total non-operating income	3,027	3,472
Non-operating expenses		
Interest expenses	503,691	438,278
Interest expense on investment corporation bonds	42,827	42,034
Amortization of investment corporation bond issuance costs	5,511	5,511
Borrowing related expenses	141,551	136,221
Other	4,171	5,377
Total non-operating expenses	697,753	627,423
Ordinary income	2,002,299	1,823,578
Income before income taxes	2,002,299	1,823,578
Income taxes – current	949	945
Income taxes – deferred	(0)	0
Total income taxes	948	946
Net income	2,001,351	1,822,632
Retained earnings brought forward	26	17
Unappropriated retained earnings (undisposed loss)	2,001,377	1,822,649

#### IV. Statements of Changes in Net Assets (Unitholders' Equity)

	(Unit: thousand yen)	
	Thirteenth Fiscal Period (May 1, 2012 – October 31, 2012)	Fourteenth Fiscal Period (November 1, 2012 – April 30, 2013)
Unitholders' equity		
Unitholders' capital		
Balance at the beginning of the period	82,260,100	82,260,100
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	82,260,100	82,260,100
Surplus		
Voluntary retained earnings		
Reserve for reduction entry		
Balance at the beginning of the period	—	49,958
Changes of items during the period		
Provision of reserve for reduction entry	49,958	—
Total changes of items during the period	49,958	—
Balance at the end of current period	49,958	49,958
Total Voluntary retained earnings		
Balance at the beginning of the period	—	49,958
Changes of items during the period		
Provision of reserve for reduction entry	49,958	—
Total changes of items during the period	49,958	—
Balance at the end of current period	49,958	49,958
Unappropriated retained earnings (undisposed loss)		
Balance at the beginning of the period	1,999,419	2,001,377
Changes of items during the period		
Provision of reserve for reduction entry	(49,958)	—
Dividends from surplus	(1,949,435)	(2,001,360)
Net income	2,001,351	1,822,632
Total changes of items during the period	1,957	(178,727)
Balance at the end of current period	2,001,377	1,822,649
Total surplus		
Balance at the beginning of the period	1,999,419	2,051,336
Changes of items during the period		
Provision of reserve for reduction entry	—	—
Dividends from surplus	(1,949,435)	(2,001,360)
Net income	2,001,351	1,822,632
Total changes of items during the period	51,916	(178,727)
Balance at the end of current period	2,051,336	1,872,608
Total unitholders' equity		
Balance at the beginning of the period	84,259,519	84,311,436
Changes of items during the period		
Dividends from surplus	(1,949,435)	(2,001,360)
Net income	2,001,351	1,822,632
Total changes of items during the period	51,916	(178,727)
Balance at the end of current period	84,311,436	84,132,708
Valuation and translation adjustments		
Deferred gains or losses on hedges		
Balance at the beginning of the period	—	(6,909)
Changes of items during the period		
Net changes of items other than owners' equity (net)	(6,909)	1,732
Total changes of items during the period	(6,909)	1,732
Balance at the end of current period	(6,909)	(5,177)
Total valuation and translation adjustments		
Balance at the beginning of current period	—	(6,909)
Changes of items during the period		

Net changes of items other than owners' equity (net)	(6,909)	1,732
Total changes of items during the period	(6,909)	1,732
Balance at the end of current period	(6,909)	(5,177)
<b>Total net assets</b>		
Balance at the beginning of the period	84,259,519	84,304,526
Changes of items during the period		
Dividends from surplus	(1,949,435)	(2,001,360)
Net income	2,001,351	1,822,632
Net changes of items other than owners' equity (net)	(6,909)	1,732
Total changes of items during the period	45,006	(176,995)
Balance at the end of current period	84,304,526	84,127,531

## V. Notes to Financial Statements

### Note 1. Premise of the Going Concern

Thirteenth Fiscal Period (Reference) For the period from May 1, 2012 to October 31, 2012	Fourteenth Fiscal Period For the period from November 1, 2012 to April 30, 2013
There are none applicable	There are none applicable

### Note 2. Significant Accounting Policies

Classification	Thirteenth Fiscal Period (Reference) For the period from May 1, 2012 to October 31, 2012	Fourteenth Fiscal Period For the period from November 1, 2012 to April 30, 2013																
1. Method of Depreciation and Amortization of Property, etc.	<p>(1) Property, Plant and Equipment (including trust assets) Adopts the straight-line method. Further, the estimated useful lives of the major property, plant and equipment are as follows.</p> <table border="0"> <tr> <td>Building</td> <td>2~59 years</td> </tr> <tr> <td>Structures</td> <td>2~54 years</td> </tr> <tr> <td>Machinery and equipment</td> <td>3~15 years</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td>2~12 years</td> </tr> </table> <p>(2) Intangible Assets Adopts the straight-line method.</p> <p>(3) Long-Term Prepaid Expenses Adopts the straight-line method.</p>	Building	2~59 years	Structures	2~54 years	Machinery and equipment	3~15 years	Tools, furniture and fixtures	2~12 years	<p>(1) Property, Plant and Equipment (including trust assets) Adopts the straight-line method. Further, the estimated useful lives of the major property, plant and equipment are as follows.</p> <table border="0"> <tr> <td>Building</td> <td>2~59 years</td> </tr> <tr> <td>Structures</td> <td>2~54 years</td> </tr> <tr> <td>Machinery and equipment</td> <td>3~15 years</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td>2~12 years</td> </tr> </table> <p>(2) Intangible Assets Adopts the straight-line method.</p> <p>(3) Long-Term Prepaid Expenses Adopts the straight-line method.</p>	Building	2~59 years	Structures	2~54 years	Machinery and equipment	3~15 years	Tools, furniture and fixtures	2~12 years
Building	2~59 years																	
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Building	2~59 years																	
Structures	2~54 years																	
Machinery and equipment	3~15 years																	
Tools, furniture and fixtures	2~12 years																	
2. Treatment Method of Differed Assets	Investment Corporation Bonds Issuance Costs Amortized on the straight-line method over the maturity period of the bonds	Investment Corporation Bonds Issuance Costs Amortized on the straight-line method over the maturity period of the bonds																

<p>3. Standard for Posting of Income and Expenses</p>	<p>Method of treatment concerning Taxes on Property and Equipment</p> <p>Top REIT adopts the method of treating property taxes, city planning taxes and depreciable asset taxes, etc. on owned real estate, etc, as expenses related to the rent business in the amount corresponding to the management period out of the assessed and determined taxation amount.</p> <p>In addition, as for the acquisition of real estate or beneficiary interests in trust in real estate, the adjustments equivalent to property tax for the acquired fiscal year paid to the transferor will be included in acquisition costs, and thus will not be recorded as expenses in the corresponding period.</p> <p>Furthermore, during the 13th fiscal period, the amount equivalent to the property taxes included as the acquisition costs of real estate totaled 28,530 thousand yen for Top Residence Nihonbashi Kayabacyo and Shinkawa Chuo Building that were acquired in 12th fiscal period.</p>	<p>Method of treatment concerning Taxes on Property and Equipment</p> <p>Top REIT adopts the method of treating property taxes, city planning taxes and depreciable asset taxes, etc. on owned real estate, etc, as expenses related to the rent business in the amount corresponding to the management period out of the assessed and determined taxation amount.</p> <p>In addition, as for the acquisition of real estate or beneficiary interests in trust in real estate, the adjustments equivalent to property tax for the acquired fiscal year paid to the transferor will be included in acquisition costs, and thus will not be recorded as expenses in the corresponding period.</p> <p>Furthermore, during the 14th fiscal period, the amount equivalent to the property taxes included as the acquisition costs of real estate totaled 4,143 thousand yen</p>
<p>4. Treatment Method for Lease Transaction</p>	<p>(lessee)</p> <p>Among finance lease transactions other than those recognized as being a transfer of ownership of the leased property to the lessee, equipment lease transactions with a commencement date which falls under the fiscal period that starts before April 1, 2008 are treated by accounting methods in accordance with ordinary rent transactions.</p>	<p>—</p>
<p>5. Method of Hedge Accounting</p>	<p>(1) Method of Hedge Accounting on Deferred Hedge, etc. Deferred hedge accounting is adopted. However, special treatment is adopted for those that meet the requirements for special treatment of interest rate swaps.</p> <p>(2) Hedging Instruments and Hedged Items Hedging instruments: Interest rate swap transactions Hedged items: Borrowing interest rates</p> <p>(3) Hedging Policy Top REIT enters into derivative transactions to hedge against risks stipulated in the Articles of Incorporation in accordance with the financial policy.</p> <p>(4) Method for Assessing the Effectiveness of Hedging The effectiveness of hedging is assessed by comparing the cumulative change in hedged items and the cumulative change in hedging instruments and then examining the ratio of the amount of change in both.</p>	<p>(1) Method of Hedge Accounting on Deferred Hedge, etc. Deferred hedge accounting is adopted. However, special treatment is adopted for those that meet the requirements for special treatment of interest rate swaps.</p> <p>(2) Hedging Instruments and Hedged Items Hedging instruments: Interest rate swap transactions Hedged items: Borrowing interest rates</p> <p>(3) Hedging Policy Top REIT enters into derivative transactions to hedge against risks stipulated in the Articles of Incorporation in accordance with the financial policy.</p> <p>(4) Method for Assessing the Effectiveness of Hedging The effectiveness of hedging is assessed by comparing the cumulative change in hedged items and the cumulative change in hedging instruments and then examining the ratio of the amount of change in both.</p>

<p>6. Other Significant Items Fundamental to Preparing the Financial Statements</p>	<p>(1) Accounting Treatment Method on Trust Beneficiary Interest in Real Estate as Property in Trust</p> <p>For the trust beneficiary interest in owned real estate, all accounts of assets and liabilities held in trust as well as all income generated and expenses incurred from the trust are recorded in the concerned items accounts on the balance sheet and statements of income and retained earnings, respectively.</p> <p>Furthermore, the following significant accounts are separately stated in the balance sheet for properties in trust recorded in relevant accounts.</p> <ol style="list-style-type: none"> <li>1.Cash and Deposits in trust</li> <li>2.Building in trust, Structures in trust, machinery and equipment in trust, Tools, furniture and fixtures in trust, other properties in trust, land in trust, other intangible assets in trust</li> <li>3.Land leasehold right in trust</li> <li>4.Lease and guarantee deposits in trust</li> <li>5.Tenant leasehold and security deposits in trust</li> </ol> <p>(2) Accounting Treatment Method of Consumption Taxes</p> <p>National and local consumption taxes are accounted with the consumption taxes excluded. Furthermore, consumption taxes related to acquisition of properties, which has not been deducted, is included in the acquisition costs of the respective properties.</p>	<p>(1) Accounting Treatment Method on Trust Beneficiary Interest in Real Estate as Property in Trust</p> <p>For the trust beneficiary interest in owned real estate, all accounts of assets and liabilities held in trust as well as all income generated and expenses incurred from the trust are recorded in the concerned items accounts on the balance sheet and statements of income and retained earnings, respectively.</p> <p>Furthermore, the following significant accounts are separately stated in the balance sheet for properties in trust recorded in relevant accounts.</p> <ol style="list-style-type: none"> <li>1.Cash and Deposits in trust</li> <li>2.Building in trust, Structures in trust, machinery and equipment in trust, Tools, furniture and fixtures in trust, other properties in trust, land in trust, other intangible assets in trust</li> <li>3.Land leasehold right in trust</li> <li>4.Lease and guarantee deposits in trust</li> <li>5.Tenant leasehold and security deposits in trust</li> </ol> <p>(2) Accounting Treatment Method of Consumption Taxes</p> <p>National and local consumption taxes are accounted with the consumption taxes excluded. Furthermore, consumption taxes related to acquisition of properties, which has not been deducted, is included in the acquisition costs of the respective properties.</p>
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### Note 3. Balance Sheet

Thirteenth Fiscal Period (Reference) As of October 31, 2012	Fourteenth Fiscal Period As of April 30, 2013																																
<p>1. Asset Pledged as Collateral and Secured Liabilities</p> <p>Assets pledged as collateral are as follows.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">(Thousand yen)</td> </tr> <tr> <td>Building in trust</td> <td style="text-align: right;">2,387,558</td> </tr> <tr> <td>Structures in trust</td> <td style="text-align: right;">81,083</td> </tr> <tr> <td>Land in trust</td> <td style="text-align: right;">8,892,092</td> </tr> <tr> <td><u>Total</u></td> <td style="text-align: right;"><u>11,360,733</u></td> </tr> </table> <p>Secured liabilities are as follows.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">(Thousand yen)</td> </tr> <tr> <td>Tenant leasehold and security deposits in trust</td> <td style="text-align: right;">719,800</td> </tr> <tr> <td><u>Total</u></td> <td style="text-align: right;"><u>719,800</u></td> </tr> </table>		(Thousand yen)	Building in trust	2,387,558	Structures in trust	81,083	Land in trust	8,892,092	<u>Total</u>	<u>11,360,733</u>		(Thousand yen)	Tenant leasehold and security deposits in trust	719,800	<u>Total</u>	<u>719,800</u>	<p>1. Asset Pledged as Collateral and Secured Liabilities</p> <p>Assets pledged as collateral are as follows.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">(Thousand yen)</td> </tr> <tr> <td>Building in trust</td> <td style="text-align: right;">2,335,576</td> </tr> <tr> <td>Structures in trust</td> <td style="text-align: right;">78,410</td> </tr> <tr> <td>Land in trust</td> <td style="text-align: right;">8,892,092</td> </tr> <tr> <td><u>Total</u></td> <td style="text-align: right;"><u>11,306,078</u></td> </tr> </table> <p>Secured liabilities are as follows.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">(Thousand yen)</td> </tr> <tr> <td>Tenant leasehold and security deposits in trust</td> <td style="text-align: right;">719,800</td> </tr> <tr> <td><u>Total</u></td> <td style="text-align: right;"><u>719,800</u></td> </tr> </table>		(Thousand yen)	Building in trust	2,335,576	Structures in trust	78,410	Land in trust	8,892,092	<u>Total</u>	<u>11,306,078</u>		(Thousand yen)	Tenant leasehold and security deposits in trust	719,800	<u>Total</u>	<u>719,800</u>
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<p>2. Minimum Total Net Asset Designated in Article 67-4 in the Investment Trust and Investment Corporations Law</p> <p style="text-align: right;">50,000 thousand yen</p>	<p>2. Minimum Total Net Asset Designated in Article 67-4 in the Investment Trust and Investment Corporations Law</p> <p style="text-align: right;">50,000 thousand yen</p>																																

### Note 4. Statement of Income and Retained Earnings

	Thirteenth Fiscal Period (Reference) For the period From May 1, 2012 to October 31, 2012	Fourteenth Fiscal Period For the period From November 1, 2012 to April 30, 2013
		(Thousand yen)
A. Revenue related to rent business		
Rental and parking revenue	5,268,670	5,107,387
Other lease revenue	336,587	262,613
Other lease business revenue	23,645	472,947
Cancellation penalty received	7,321	1,701
Total revenue related to rent business	5,636,223	5,844,649
B. Expenses related to rent business:		
Property management costs and fees	392,283	400,198
Utilities expenses	230,976	207,102
Property-related taxes and dues	565,466	564,682
Non-life insurance expenses	9,369	9,446
Repair expenses	46,720	522,669
Depreciation and amortization	1,116,306	1,121,794
Other	23,135	22,704
Total expenses related to rent business	2,384,258	2,848,597
C. Revenue and expenses of real estate rent business (A – B)	3,251,965	2,996,051

## Note 5. Unitholders' Equity

	Thirteenth Fiscal Period (Reference) For the period From May 1, 2012 to October 31, 2012	Fourteenth Fiscal Period For the period From November 1, 2012 to April 30, 2013
Number of issuable investment units	2,000,000 units	2,000,000 units
Number of investment units issued and outstanding	155,000 units	155,000 units

## Note 6. Tax Effect Accounting

### 1. Breakdown of deferred gains or losses by cause

(Deferred Tax Assets)

(Thousand yen)

	Thirteenth Fiscal Period (Reference) For the period From May 1, 2012 to October 31, 2012	Fourteenth Fiscal Period For the period From November 1, 2012 to April 30, 2013
Current assets		
Income taxes – current payable	16	16
Noncurrent assets		
Deferred gains or losses on hedges	3,584	2,686
Total deferred tax assets	3,601	2,702

(Deferred Tax Liabilities)

(Thousand yen)

	Thirteenth Fiscal Period (Reference) For the period From May 1, 2012 to October 31, 2012	Fourteenth Fiscal Period For the period From November 1, 2012 to April 30, 2013
Noncurrent liabilities		
Reduction reserves	28,827	28,827
Total deferred tax liabilities	28,827	28,827
(Net deferred tax liabilities)	25,226	26,125

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

	Thirteenth Fiscal Period (Reference) For the period From May 1, 2012 to October 31, 2012	Fourteenth Fiscal Period For the period From November 1, 2012 to April 30, 2013
Effective statutory tax rate	36.59%	36.59%
(Adjustment)		
Deductible cash distributions	(36.57%)	(36.57%)
Other	0.03%	0.03%
Effective tax rate after applying tax effect accounting	0.05%	0.05%

## Note 7. Leases

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

As lessee:

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

(Thousand yen)

	Thirteenth Fiscal Period (Reference) For the period From May 1, 2012 to October 31, 2012			Fourteenth Fiscal Period For the period From November 1, 2012 to April 30, 2013		
	Amount equivalent to acquisition value	Amount equivalent to accumulated depreciation and amortization	Amount equivalent to balance at end of period	Amount equivalent to acquisition value	Amount equivalent to accumulated depreciation and amortization	Amount equivalent to balance at end of period
Machinery and equipment	—	—	—	—	—	—
Total	—	—	—	—	—	—

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

(Thousand yen)

	Thirteenth Fiscal Period (Reference) For the period From May 1, 2012 to October 31, 2012	Fourteenth Fiscal Period For the period From November 1, 2012 to April 30, 2013
Due within 1 year	—	—
Due over 1 year	—	—
Total	—	—

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

(Thousand yen)

	Thirteenth Fiscal Period (Reference) For the period From May 1, 2012 to October 31, 2012	Fourteenth Fiscal Period For the period From November 1, 2012 to April 30, 2013
Lease fees payable	329	—
Amount equivalent to depreciation and amortization	294	—
Amount equivalent to interest expenses	2	—

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

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

Thirteenth Fiscal Period (Reference) For the period From May 1, 2012 to October 31, 2012	Fourteenth Fiscal Period For the period From November 1, 2012 to April 30, 2013
<ul style="list-style-type: none"> <li>The amounts are calculated by the straight-line method, with the lease period as the useful life and zero as the residual value.</li> <li>The amount equivalent to interest expenses is calculated as the amount of difference in the total amount of lease fees and amount posted as lease assets, with the method for allocation to the respective fiscal periods based on the interest method.</li> </ul>	—

## Note 8. Financial Instruments

Effective from the fiscal period ended October 31, 2010, Top REIT adopted the revised Accounting Standard, “Accounting Standard for Financial Instruments” (Accounting Standards Board of Japan (“ASBJ”) Statement No.10 revised on March 10, 2080) and the “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No.19 revised on March 10, 2080).

Information on financial instruments for the periods ended October 31, 2012 and April 30, 2013 required pursuant to the revised accounting standards are as follows:

### 1. Matters Concerning Status of Financial Instruments

#### (1) Policy for financial instruments

Top REIT procures necessary funds through bank loans, issuance of investment corporation bonds and issuance of investment units, with the aim of contributing to steady growth of assets managed and stable earnings from a mid-and long-term view in accordance with the financial policy stated by the asset manager.

Although management of surplus funds by using financial instruments targeting securities, monetary claims, etc. in accordance with the investment limitations stipulated in the Articles of Incorporation, as a general rule, the surplus funds are managed by placing them in deposit.

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

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

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

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

##### ① Credit risk concerning deposit and derivative transaction

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

##### ② Market risk concerning loans

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

Loans, especially floating-rate borrowings, are exposed to market risks, Top REIT manages to hedge against interest-raising risk by fixed-rate interests entered into interest swap transactions and setting the target of fixed- rate interest ratios. In addition, when procuring new loans and refinancing, Top REIT inspects interest-raising risks and studies borrowing methods that minimize risks. For the hedging instruments and hedged items, hedging policy, method for assessing the effectiveness of hedging, etc. in hedge accounting, please refer to “5. Methods of Hedge Accounting” under “Note 2. Significant Accounting Policies” above.

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

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

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

The fair value of financial instruments is based on the quoted market price, if applicable. When there is no quoted market price available, fair value is reasonably estimated. Certain assumptions are used for the

estimation of fair value. Accordingly, the result of such estimation may change if different assumptions are used. Furthermore, the contractual amounts of derivative transactions stated in “2. Matters Concerning Estimated Fair Value, etc. of Financial Instruments” below do not represent the market risk involved in these derivative transactions.

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

### For the period from May 1, 2012 to October 31, 2012 (13th fiscal period) (Reference)

The following table includes the book value, fair value and valuation difference of financial instruments as of October 31, 2012. The financial instruments that are recognized to be extremely difficult to estimate the fair value are not included in the table. (Please refer to Note 2).

(Thousand yen)

	As of October 31, 2012		
	Book value	Fair value	Difference
(1) Cash and deposits	2,306,624	2,306,624	—
(2) Cash and deposits in trust	4,538,595	4,538,595	—
Total assets	6,845,219	6,845,219	—
(3) Current portion of long-term loans payable	19,235,000	19,255,366	20,366
(4) Investment corporation bond	8,500,000	8,563,750	63,750
(5) Long-term loans payable	69,167,500	69,609,387	441,887
(6) Tenant leasehold and security deposits in trust	415,658	415,658	—
Total liabilities	97,318,158	97,844,162	526,004
Derivative transactions (*1)			
Applied hedge accounting	(10,525)	(10,525)	—
Total derivative transactions	(10,525)	(10,525)	—

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

(Note1) Methods for calculating the fair value of financial instruments and matters related to derivative transactions

#### Assets

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

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

#### Liabilities

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

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

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

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

- (4) Investment corporation bonds

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

(6) Tenant leasehold and security deposits in trust

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

Derivative Transactions

Hedge accounting applied

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

(Thousand yen)

Hedge accounting method	Type of derivative transactions	Hedge item	Contract amount		Fair value	Method of calculating the fair value
				More than one year		
Principal treatment method	Interest rate swap Pay fixed / receive floating	Long-term loans payable	8,500,000	8,500,000	(10,525)	Calculated on value provided by counterparty financial institution
Special treatment of interest-rate swaps	Interest rate swap Pay fixed / receive floating	Long-term loans payable	25,000,000	18,700,000	(*2)	—

(\*2) Since the derivative transactions accounted by special treatment of interest-rate swaps are treated as one transaction together with long-term loans payable which is the hedged item, the fair value is included in the fair value of the said long-term loans payable (refer to Note 1(5)).

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

(Thousand yen)

Item	Carrying value
Tenant leasehold and security deposits in trust (*3)	5,096,941
Total	5,096,941

(\*3) Tenant leasehold and security deposits in trust which excluded the above (6) are not subject to fair value disclosure because arriving at the fair value is extremely difficult due to the fact that the contract termination period, which is the repayment date, is difficult to reasonably estimate as leases may be cancelled, renewed or re-signed even if a lease term is set in the lease contract, making a reasonable estimate of future cash flows difficult.

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

(Thousand yen)

	Due within one year
Cash and deposits	2,306,624
Cash and deposits in trust	4,538,595
Total	6,845,219

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

(Thousand yen)

	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Investment corporation bonds	—	—	8,500,000	—	—	—
Long-term loans payable	19,235,000	4,135,000	135,000	26,535,000	38,362,500	—
Total	19,235,000	4,135,000	8,635,000	26,535,000	38,362,500	—

**For the period from November 1, 2012 to April 30, 2013 (14th fiscal period)**

The following table includes the book value, fair value and valuation difference of financial instruments as of April 30, 2013. The financial instruments that are recognized to be extremely difficult to estimate the fair value are not included in the table. (Please refer to Note 2).

(Thousand yen)

	As of April 30, 2013		
	Book value	Fair value	Difference
(1) Cash and deposits	520,404	520,404	—
(2) Cash and deposits in trust	4,180,585	4,180,585	—
Total assets	4,700,990	4,700,990	—
(3) Current portion of long-term loans payable	135,000	136,524	1,524
(4) Investment corporation bond	8,500,000	8,562,050	62,050
(5) Long-term loans payable	87,430,000	87,925,986	495,986
(6) Tenant leasehold and security deposits in trust	75,870	75,870	—
Total liabilities	96,140,870	96,700,431	559,560
Derivative transactions (*1)			
Applied hedge accounting	(7,901)	(7,901)	—
Total derivative transactions	(7,901)	(7,901)	—

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

(Note1) Methods for calculating the fair value of financial instruments and matters related to derivative transactions

Assets

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

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

Liabilities

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

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

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

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

- (4) Investment corporation bonds

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

- (6) Tenant leasehold and security deposits in trust

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

## Derivative Transactions

Hedge accounting applied

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

(Thousand yen)

Hedge accounting method	Type of derivative transactions	Hedge item	Contract amount		Fair value	Method of calculating the fair value
				More than one year		
Principal treatment method	Interest rate swap Pay fixed / receive floating	Long-term loans payable	8,500,000	8,500,000	(7,901)	Calculated on value provided by counterparty financial institution
Special treatment of interest-rate swaps	Interest rate swap Pay fixed / receive floating	Long-term loans payable	18,700,000	18,700,000	(*2)	—

(\*2) Since the derivative transactions accounted by special treatment of interest-rate swaps are treated as one transaction together with long-term loans payable which is the hedged item, the fair value is included in the fair value of the said long-term loans payable (refer to Note 1(5)).

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

(Thousand yen)

Item	Carrying value
Tenant leasehold and security deposits in trust (*3)	5,210,650
Total	5,210,650

(\*3) Tenant leasehold and security deposits in trust which excluded the above (6) are not subject to fair value disclosure because arriving at the fair value is extremely difficult due to the fact that the contract termination period, which is the repayment date, is difficult to reasonably estimate as leases may be cancelled, renewed or re-signed even if a lease term is set in the lease contract, making a reasonable estimate of future cash flows difficult.

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

(Thousand yen)

	Due within one year
Cash and deposits	520,404
Cash and deposits in trust	4,180,585
Total	4,700,990

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

(Thousand yen)

	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Investment corporation bonds	—	—	8,500,000	—	—	—
Long-term loans payable	135,000	4,135,000	33,610,000	23,930,000	25,755,000	—
Total	135,000	4,135,000	42,110,000	23,930,000	25,755,000	—



## Note 9. Investment and Rental Properties

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

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

### For the period from May 1, 2012 to October 31, 2012 (13th fiscal period) (Reference)

(Thousand yen)

Book value			Fair value at end of the period
Balance at the beginning of the period	Change during the period	Balance at the end of the period	
181,405,484	(959,154)	180,446,329	173,800,000

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

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

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

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

Furthermore, loss and profit concerning investment and rental properties for fiscal period ended October 31, 2012 is presented in "Note 4. Statement of Income and Retained Earnings."

### For the period from November 1, 2012 to April 30, 2013 (14th fiscal period)

(Thousand yen)

Book value			Fair value at end of the period
Balance at the beginning of the period	Change during the period	Balance at the end of the period	
180,446,329	557,301	181,003,631	172,360,000

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

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

(Note 3) Of the amounts of increase (decrease) during the current period for investment and rental properties, the amount of increase is primarily attributable acquisition of MEL Building (1,235,619 thousand yen), and decrease is mainly due to the depreciation and amortization.

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

Furthermore, loss and profit concerning investment and rental properties for fiscal period ended April 30, 2013 is presented in "Note 4. Statement of Income and Retained Earnings."

## Note 10. Transactions with Interested Parties

For the period from May 1, 2012 to October 31, 2012 (13th fiscal period) (Reference)

Attribution	Company name	Business description or occupation	Ratio of investment units held among total number of investment units	Type of transaction	Amount of transaction (thousand yen) (Note 1)	Item in balance sheets	Balance at period end (thousand yen) (Note 1)
Interested Party	Japan Trustee Services Bank, Ltd.	Banking	18.49% (Note 2)	Rent revenue, etc (Note 3)	96,622	Operating accounts receivable	7,615
						Advances received	72,160
Interested Party and Assets custodian	Sumitomo Mitsui Trust Bank, Limited.	Banking	2.05%	Administrative service fee	63,979	Accounts payable-other	58,048
				Trust fee	15,138	Operating accounts payable	—
				Other fees paid	1,303		
				Property management expenses	1,250		
				Other non-operating expenses	342	Long-term prepaid expenses	1,500
						Prepaid expenses	720
				Borrowing related expenses	57,544	Long-term prepaid expenses	220,700
						Prepaid expenses	80,053
Investment corporation bond related expenses	624	Accounts payable-other	54				
		Investment corporation bond issuance expenses	2,990				

(Note 1) Consumption tax, etc. are excluded from the amounts of transactions. Consumption tax, etc. are included in the balances at end period, but excluded only for investment corporation bond issuance costs. Furthermore, transaction terms are determined based on prevailing market conditions.

(Note 2) The described above ratio was held to trust accounts.

(Note 3) The described above rent revenues, etc. include rents and common service revenue as well as related utilities revenue, additional facilities use revenue and parking revenue.

**For the period from November 1, 2012 to April 30, 2013 (14th fiscal period)**

Attribution	Company name	Business description or occupation	Ratio of investment units held among total number of investment units	Type of transaction	Amount of transaction (thousand yen) (Note 1)	Item in balance sheets	Balance at period end (thousand yen) (Note 1)
Interested Party	Japan Trustee Services Bank, Ltd.	Banking	25.15% (Note 2)	Rent revenue, etc (Note 3)	531,391	Operating accounts receivable	6,936
						Advances received	68,255
Interested Party and Assets custodian	Sumitomo Mitsui Trust Bank, Limited.	Banking	2.04%	Administrative service fee	64,413	Accounts payable-other	57,921
				Brokerage fee	10,000	Operating accounts payable	—
				Trust fee	15,125		
				Other fees paid	1,429		
				Property management expenses	1,250		
				Other non-operating expenses	342	Long-term prepaid expenses	1,140
						Prepaid expenses	720
				Borrowing related expenses	56,662	Long-term prepaid expenses	227,315
						Prepaid expenses	96,251
				Investment corporation bond related expenses	623	Accounts payable-other	53
Investment corporation bond issuance expenses	2,429						

(Note 1): Consumption tax, etc. are excluded from the amounts of transactions. Consumption tax, etc. are included in the balances at end period, but excluded only for investment corporation bond issuance costs.

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

(Note 2): The described above ratio was held to trust accounts.

(Note 3): The described above rent revenues, etc. include rents and common service revenue as well as related utilities revenue, additional facilities use revenue and parking revenue.

**Note 11. Per Unit Information**

Thirteenth Fiscal Period For the period from May 1, 2012 to October 31, 2012		Fourteenth Fiscal Period For the period from November 1, 2012 to April 30, 2013	
Net Assets per Unit	543,900 yen	Net Assets per Unit	542,758 yen
Net Income per Unit	12,912 yen	Net Income per Unit	11,759 yen
Diluted net income per unit has not been presented since there are no outstanding warrants or convertible bonds.		Diluted net income per unit has not been presented since there are no outstanding warrants or convertible bonds.	

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

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

	Thirteenth Fiscal Period For the period from May 1, 2012 to October 31, 2012	Fourteenth Fiscal Period For the period from November 1, 2012 to April 30, 2013
Net Income (thousand yen)	2,001,351	1,822,632
Amounts not attributable to ordinary unitholders (thousand yen)	—	—
Net income attributable to ordinary investment unit (thousand yen)	2,001,351	1,822,632
Weighted-average number of units during the period (unit)	155,000	155,000

#### Note 12. Significant Subsequent Events

Thirteenth Fiscal Period For the period from May 1, 2012 to October 31, 2012	Fourteenth Fiscal Period For the period from November 1, 2012 to April 30, 2013
There are none applicable.	There are none applicable.

## VI. Statements of Cash Dividend Distributions

Classification	Thirteenth Fiscal Period For the period from May 1, 2012 to October 31, 2012	Fourteenth Fiscal Period For the period from November 1, 2012 to April 30, 2013
	Amount (yen) (Note 1)	Amount (yen) (Note 2)
I. Unappropriated retained earnings	2,001,377,610	1,822,649,910
II. Total Amount of Dividends (Dividend per unit)	2,001,360,000 (12,912)	1,822,645,000 (11,759)
III. Retained earnings brought forward	17,610	4,910

Note 1: In accordance with the “cash distribution policy” stipulated in Article 34 of the Articles of Incorporation, the amounts of dividends are limited to the amounts of income. The article also stipulates the policy that “Top REIT shall distribute amount in excess of the amount equivalent to 90% of its distributable profits as stipulated in Article 67-15 of the Special Taxation Measures Law.” Based on these policies, Top REIT decided on a total distribution of 2,001,360,000 yen as distribution of income for the period. This is the maximum value arrived at when the number of units issued and outstanding (155,000 units) is multiplied by an integer, within the limit of the balance of unappropriated retained earnings for the fiscal period. Furthermore, Top REIT does not make cash distributions in excess of the profit as stipulated in Article 34-2 of the Articles of Incorporation.

Note2: In accordance with the “cash distribution policy” stipulated in Article 34 of the Articles of Incorporation, the amounts of dividends are limited to the amounts of income. The article also stipulates the policy that “Top REIT shall distribute amount in excess of the amount equivalent to 90% of its distributable profits as stipulated in Article 67-15 of the Special Taxation Measures Law.” Based on these policies, Top REIT decided on a total distribution of 1,822,645,000 yen as distribution of income for the period. This is the maximum value arrived at when the number of units issued and outstanding (155,000 units) is multiplied by an integer, within the limit of the balance of unappropriated retained earnings for the fiscal period. Furthermore, Top REIT does not make cash distributions in excess of the profit as stipulated in Article 34-2 of the Articles of Incorporation.

### Disclaimer:

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

Under Article 130 of the Law Concerning Investment Trusts and Investment Corporations of Japan, the Japanese financial statements for the fiscal period ended April 30, 2013 have been audited by KPMG AZUSA, in accordance with auditing standards generally accepted in Japan. However, this English translation of the Japanese language report of independent auditors is not attached herein because the accompanying English translation of balance sheets, statements of retained earnings, statements of changes in unitholders’ capital, notes to financial information and statements of cash dividends are unaudited.

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

(Unit: thousand yen)

	Thirteenth Fiscal Period (May 1, 2012 – October 31, 2012)	Fourteenth Fiscal Period (November 1, 2012 – April 30, 2013)
Net cash provided by (used in) operating activities		
Income before income taxes	2,002,299	1,823,578
Depreciation and amortization	1,116,306	1,121,794
Amortization of trademark	21	21
Amortization of investment corporation bond issuance costs	5,511	5,511
Interest income and interest on securities	(1,448)	(1,346)
Interest expenses	546,518	480,312
Decrease (increase) in operating accounts receivable	(5,590)	8,398
Decrease (increase) in consumption taxes refund receivable	608	–
Decrease (increase) in income taxes receivable	150	–
Decrease (increase) in prepaid expenses	(27,309)	(55,845)
Increase (decrease) in operating accounts payable	(14,939)	32,816
Increase (decrease) in accounts payable – other	14,526	(7,612)
Increase (decrease) in accrued consumption taxes	102,725	(81,983)
Increase (decrease) in advances received	141,449	(219,570)
Decrease (increase) in long-term prepaid expenses	(76,152)	(93,389)
Other, net	(23,270)	(19,154)
Subtotal	3,781,407	2,993,532
Interest income received	1,448	1,346
Interest expenses paid	(594,264)	(523,755)
Income taxes paid	(826)	(931)
Net cash provided by (used in) operating activities	3,187,764	2,470,191
Net cash provided by (used in) investing activities		
Payments into time deposits	(70,500)	(192,000)
Proceeds from withdrawal of time deposits	70,500	192,000
Purchase of property, plant and equipment	(10,058)	(4,642)
Purchase of property, plant and equipment in trust	(264,006)	(1,519,956)
Repayments of tenant leasehold and security deposits	(18,586)	(24,885)
Proceeds from tenant leasehold and security deposits in trust	66,667	251,829
Repayments of tenant leasehold and security deposits in trust	(67,971)	(477,907)
Net cash provided by (used in) investing activities	(293,955)	(1,775,561)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	–	2,800,000
Decrease in short-term loans payable	–	(2,800,000)
Proceeds from long-term loans payable	17,500,000	18,330,000
Repayment of long-term loans payable	(17,567,500)	(19,167,500)
Dividends paid	(1,949,435)	(2,001,360)
Net cash provided by (used in) financing activities	(2,016,935)	(2,838,860)
Net increase (decrease) in cash and cash equivalents	876,874	(2,144,229)
Cash and cash equivalents at beginning of period	5,968,345	6,845,219
Cash and cash equivalents at end of period	6,845,219	4,700,990

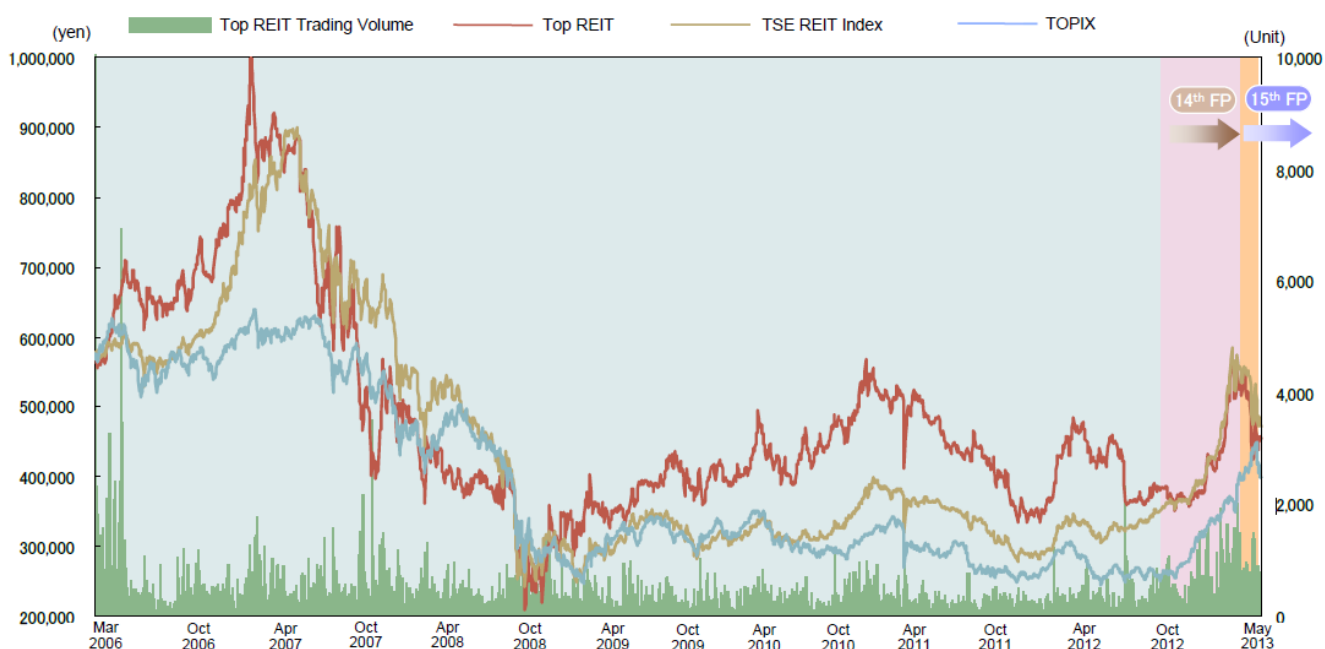
**Note Concerning Significant Accounting Policy [Reference Information]**

Classification	Thirteenth Fiscal Period For the period from May 1, 2012 to October 31, 2012	Fourteenth Fiscal Period For the period from November 1, 2012 to April 30, 2013
Scope of funds in statements of cash flows	Funds (cash and cash equivalents) in statements of cash flows consist of cash on hand and cash in trust, deposits placed with banks and deposits in trust that can be withdrawn at any time, and short-term investments that are highly liquid and easily convertible to cash, have a low risk of price fluctuation and mature within three months from the date of purchase.	Funds (cash and cash equivalents) in statements of cash flows consist of cash on hand and cash in trust, deposits placed with banks and deposits in trust that can be withdrawn at any time, and short-term investments that are highly liquid and easily convertible to cash, have a low risk of price fluctuation and mature within three months from the date of purchase.

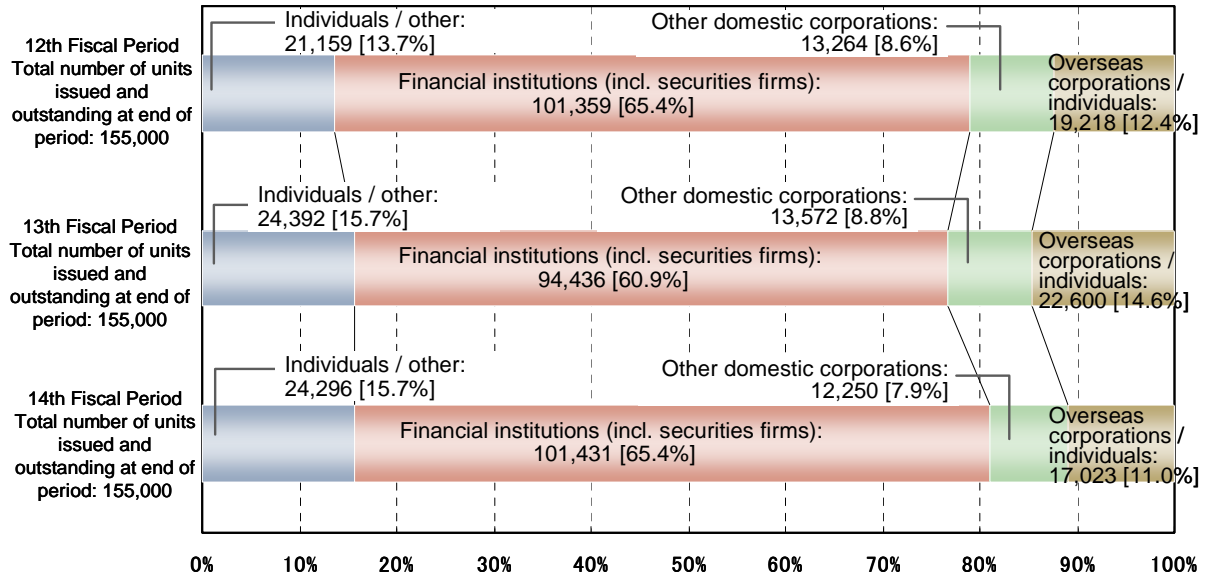
**Note Concerning Statements of Cash Flows [Reference Information]**

Thirteenth Fiscal Period For the period from May 1, 2012 to October 31, 2012	Fourteenth Fiscal Period For the period from November 1, 2012 to April 30, 2013												
*1. Reconciliation of cash and cash equivalents at end of period and amount of items presented in balance sheets   <p style="text-align: right;">(as of October 31, 2012) (Unit: thousand yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Cash and deposits</td> <td style="text-align: right;">2,306,624</td> </tr> <tr> <td>Cash and deposits in trust</td> <td style="text-align: right; border-bottom: 1px solid black;">4,538,595</td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right; border-bottom: 3px double black;">6,845,219</td> </tr> </table>	Cash and deposits	2,306,624	Cash and deposits in trust	4,538,595	Cash and cash equivalents	6,845,219	*1. Reconciliation of cash and cash equivalents at end of period and amount of items presented in balance sheets   <p style="text-align: right;">(as of April 30, 2013) (Unit: thousand yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Cash and deposits</td> <td style="text-align: right;">520,404</td> </tr> <tr> <td>Cash and deposits in trust</td> <td style="text-align: right; border-bottom: 1px solid black;">4,180,585</td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right; border-bottom: 3px double black;">4,700,990</td> </tr> </table>	Cash and deposits	520,404	Cash and deposits in trust	4,180,585	Cash and cash equivalents	4,700,990
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**Stock and Unitholders Information**



## No. of Units Held



## No. of Unitholders

