

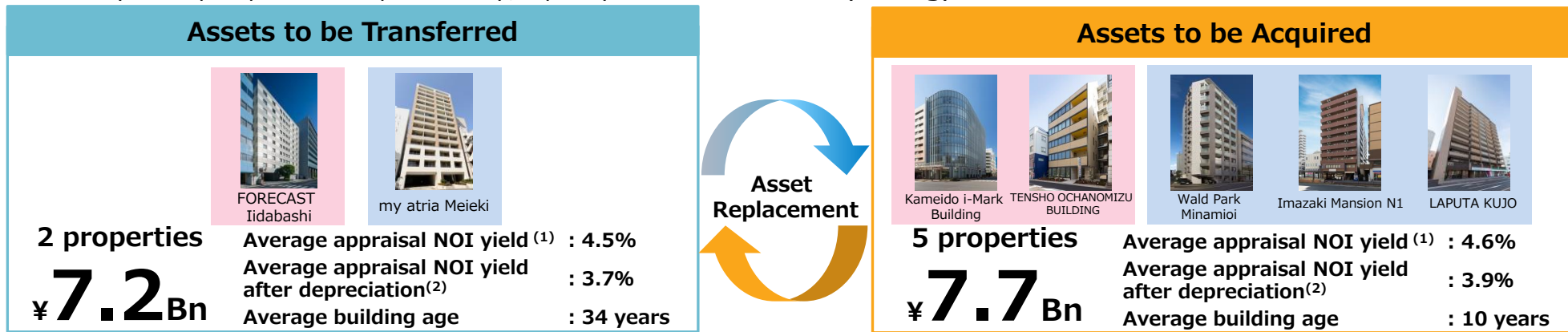


NIPPON REIT Investment Corporation
**Supplementary Material Regarding
“Transfer and Acquisition of Assets”**

February 18, 2019

Overview of Asset Replacement

• NIPPON REIT replaces some assets after analyzing all the properties in the portfolio annually from perspectives of profitability, liquidity and characteristics (**Tiering**)



Improvement in portfolio quality

- ✓ **Younger building age (enhanced liquidity)**
 - Make the portfolio younger with enhanced liquidity, by acquiring 5 properties (average age: 10years) including 2 office properties located in Tokyo (average age: 5 years)

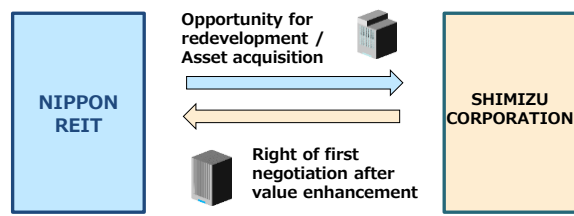
Improvement in profitability

- ✓ **Improvement in profitability**
 - Improve the profitability of the portfolio with the assets to be acquired, an average appraisal NOI yield after depreciation of which is 3.9% (+0.2% vs. assets to be transferred)

- ✓ **Stabilized cash flow**
 - Stabilize the cash flow of the portfolio by selling my atria Meieki, the property which will be expropriated

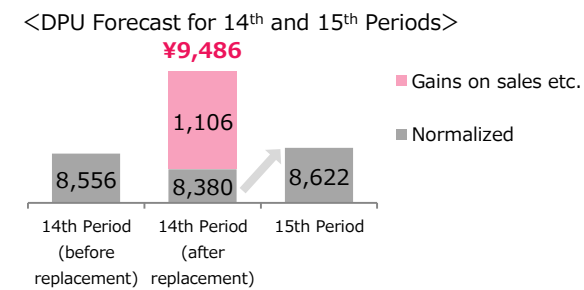
Value-enhancing Strategy / Ensuring growth potential

- ✓ **Stock-based redevelopment scheme**
 - Sell the office property located in one of the 6 central wards of Tokyo (FORECAST Iidabashi) in order to enhance its value in collaboration with a general constructor, and be positioned to take advantage of its potential for external growth by securing the right of first negotiation thereof



Return to unitiholders

- ✓ **Return based on realized gains**
 - Achieve unitholder returns funded from unrealized gains that come from sales of the 2 properties of ¥492mm: DPU of ¥1,106
 - Plan to review repair expenses for the 14th period, along with the gains on sales





Note
 1. "Average appraisal NOI yield" is calculated as below, rounded to the first decimal place. Average appraisal NOI yield = total of appraisal NOI of each property (based on the latest appraisal) ÷ total acquisition price of assets to be transferred
 2. "Average appraisal NOI yield (after depreciation)" is calculated as below, rounded to the first decimal place. Average appraisal NOI yield (after depreciation) = ((total of appraisal NOI of each property (based on the latest appraisal)) - (total of depreciation costs of each property)) ÷ total acquisition price of assets to be transferred
 3. "Average appraisal NOI yield" is calculated as below, rounded to the first decimal place. Average appraisal NOI yield = total of appraisal NOI of each property (based on the latest appraisal) ÷ total (anticipated) acquisition price
 4. "Average appraisal NOI yield (after depreciation)" is calculated as below, rounded to the first decimal place. Average appraisal NOI yield (after depreciation) = ((total of appraisal NOI of each property (based on the latest appraisal)) - (total of depreciation costs of each property)) ÷ total (anticipated) acquisition price

Effect on Portfolio and Overview of Assets To Be Transferred / Acquired

《Effect on portfolio》

	Portfolio as of the end of the 13th Period	Assets to be Transferred	Assets to be Acquired	Portfolio after asset replacement ⁽¹⁾
Number of properties	87properties	2properties	5properties	90properties
Acquisition price	¥247.9bn	¥6.5bn	¥7.7bn	¥249.2bn
Amount of appraisal	¥279.3bn	¥7.0bn	¥7.9bn	¥280.2bn
Appraisal NOI yield	4.9%	4.5%	4.6%	4.9%
building age (as of the end of Dec. 2018)	24.7years	34.8years	10.6years	24.0years
Ratio of 6 central wards of Tokyo	66.1%			64.4%

《assets to be transferred / acquired》

Assets to be Transferred			Assets to be Acquired					
								
Name	FORECAST Iidabashi	my atria Meieki	Name	Kameido i-Mark Building	TENSHO OCHANOMIZU BUILDING	Wald Park Minamioi	Imazaki Mansion N1	LAPUTA KUJO
Place	Chiyoda ward, Tokyo	Nagoya, Aichi	Place	Koto ward, Tokyo	Chiyoda ward, Tokyo	Shinagawa ward, Tokyo	Higashiosaka, Osaka	Osaka, Osaka
Type	Office	Residence	Type	Office	Office	Residence	Residence	Residence
Completion (Building age)	Nov.1978 (40years)	Mar.2006 (12years)	Completion (Building age)	Sep.2010 (8years)	Nov.2018 (0years)	Feb.2005 (13years)	Mar.1999 (19years)	Mar.1998 (20years)
Price to be transferred	¥5,490mn	¥1,782mn	Price to be acquired	¥2,580mn	¥1,800mn	¥715mn	¥1,180mn	¥1,480mn
Book value (as of the end of Feb. 2019)	¥5,392mn	¥1,226mn	Appraisal value	¥2,650mn	¥1,820mn	¥735mn	¥1,210mn	¥1,501mn
Appraisal NOI yield (after depreciation)	4.2% (3.8%)	5.7% (3.4%)	Appraisal NOI yield (after depreciation)	4.7% (3.6%)	3.9% (3.3%)	4.2% (3.8%)	5.3% (4.7%)	4.8% (4.3%)

Note
1. "After asset replacement" is as of the end of Feb, 2019.

This presentation material may include forward-looking statements on the financial standing and operating results of NIPPON REIT. These forward-looking statements include portions that assume certain risks and uncertainty. As such, please note that actual results may differ due to changes in the business environment in the future and other factors.

The purpose of this presentation material is to provide information of NIPPON REIT, and not to solicit investments in or recommend trading of specific products.

NIPPON REIT assumes no responsibility for any problems, losses or damage resulting from any activity related to decisions based on the information on this presentation material. In addition, please note that NIPPON REIT cannot take any responsibility for any damage occurring from any falsification of texts, leakage of texts and content, unauthorized use by third parties or any other accidents that are not attributable to NIPPON REIT.

The content may be changed without notice, and NIPPON REIT does not bear any responsibility for any problems, losses or damage caused by the action.

Contact for inquiries

 **Sojitz REIT Advisors K.K.**

TEL: +81-3-5501-0080

<http://www.sojitz-sra.com/en>