

真面目に、地道に、堅実に  
**Serious Steady Solid**



From July 1 to December 31, 2016

# Semiannual Report for the Ninth Fiscal Period



真面目に、地道に、堅実に

**Serious, Steady, Solid**

Distributions per unit  
in the ninth fiscal period

**¥7,800**

Total acquisition price

**¥204.8** billion

Total number of properties

**65** properties

Occupancy rate

**98.8** %

LTV<sup>(Note)</sup>

**45.7** %

(Note) "LTV" is defined as total interest-bearing debt divided by total assets. The same applies hereafter.

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# To Our Unitholders

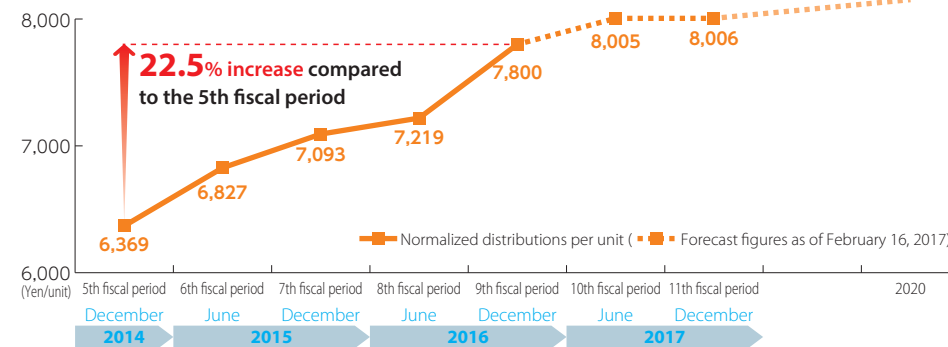
We would like to begin by thanking our unitholders for their continued support of NIPPON REIT (“NRT”). We closed the ninth fiscal period (ended December 31, 2016) on a successful note. This is in part attributable to the ongoing support from our stakeholders, including our unitholders. We offer you our heartfelt thanks.

I would like to report on our operations and financial performance for the ninth fiscal period.

During the fiscal period under review, we focused in particular on the internal growth of the portfolio, as a result, we recorded the highest occupancy rate of 98.8% ever. Moreover, we succeeded in increasing rents for 31 tenants (equivalent to 30.9% of floor space) out of the 98 tenants that were subject to rent renewals during this fiscal period. The resulting improvement in our profitability significantly exceeded targets, leading to record levels of profit.

As a result, distributions per unit reached ¥7,800, an increase of ¥415 (5.6%) over the ¥7,385 figure that was forecast at the end of the previous fiscal period. This continues the trend of steady growth in normalized distributions per unit that has been in place since the listing.

## Steady growth in normalized distributions per unit



In addition, through the use of engineering management initiatives, the NRT continues to work on improving the portfolio's earnings capability by improving tenant satisfaction, reducing costs and creating new sources of profit. The record-high occupancy rate and our achievements in increasing rents during the fiscal period under review, as described above, are evidence that tenant satisfaction has been enhanced as a result of our engineering management approach, furthermore, the improved earnings capability for properties owned has also become noticeable. Going forward, we will continue to apply these initiatives to deliver and maintain lasting improvements in asset value.

In terms of external growth, we have rights of first negotiation on a pipeline of 10 properties with a value of ¥22.5 billion. Without veering from the investment policies to which we have held fast since the listing, we will use a disciplined external growth strategy to drive the maximization of unitholder value.

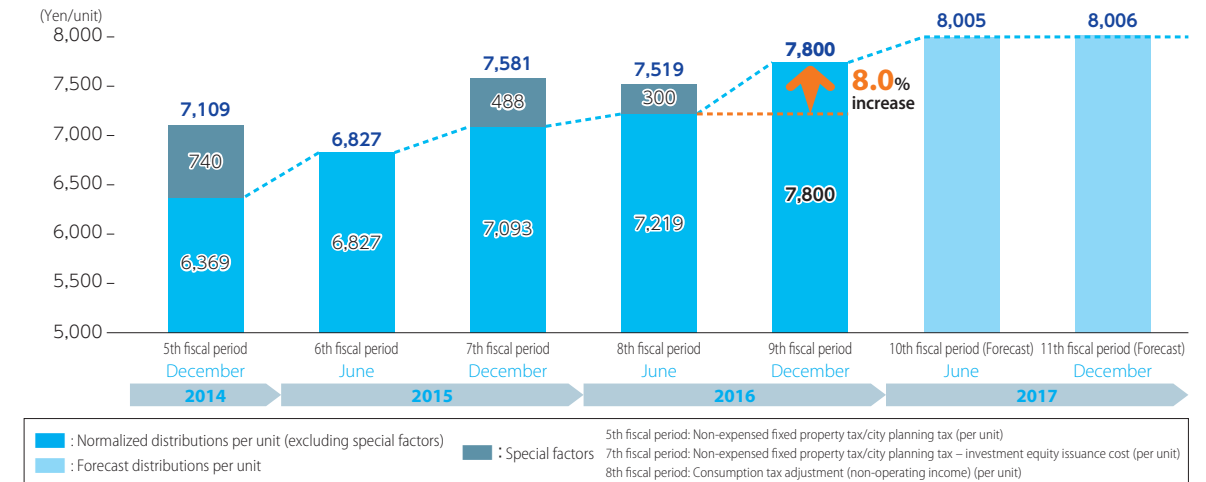
We will continue to work hand in hand with asset management company Sojitz REIT Advisors K.K. and sponsor companies to improve unitholder value.

We ask for the continued support and guidance of our stakeholders.

**Hisao Ishikawa**  
Executive Officer  
NIPPON REIT Investment Corporation

## Track Record and Forecast of Distributions per unit

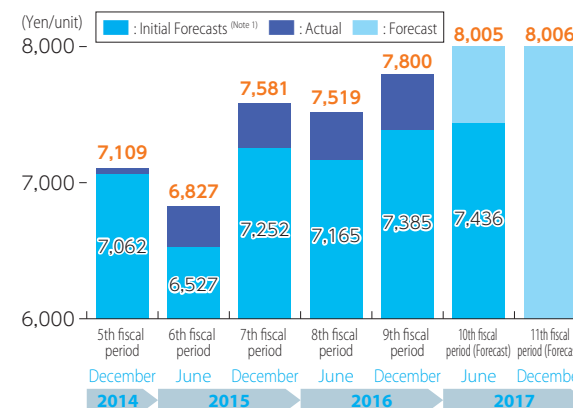
Distributions per unit for the fiscal year under review reached ¥7,800, significantly exceeding the forecast as of the end of the previous fiscal period.



## Financial Results

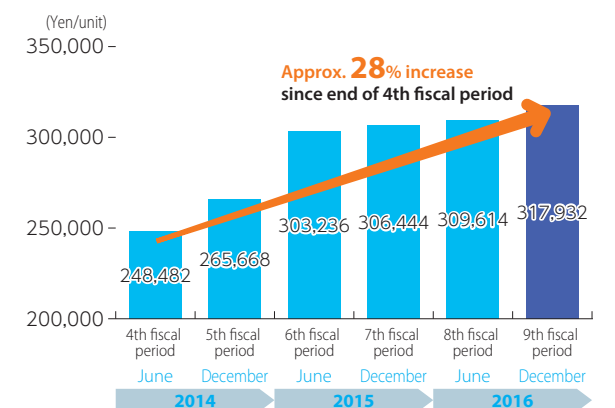
	5th fiscal period (ended Dec. 31, 2014) Results	6th fiscal period (ended Jun. 30, 2015) Results	7th fiscal period (ended Dec. 31, 2015) Results	8th fiscal period (ended Jun. 30, 2016) Results	9th fiscal period (ended Dec. 31, 2016) Results	10th fiscal period (ending Jun. 30, 2017) Forecast	11th fiscal period (ending Dec. 31, 2017) Forecast
Operating revenues (yen in millions)	2,408	4,596	6,682	6,607	6,836	6,915	6,965
Operating income (yen in millions)	1,245	2,556	3,706	3,287	3,527	3,618	3,660
Ordinary income (yen in millions)	1,078	2,077	2,969	2,944	3,055	3,136	3,137
Net income (yen in millions)	1,077	2,075	2,968	2,944	3,054	3,136	3,136
Distributions per unit (yen)	7,109	6,827	7,581	7,519	7,800	8,005	8,006

## Actual/forecast distributions per unit transition



(Note 1) "Initial forecasts" describes the publicly announced forecast figures at each point in time, as follows. 5th fiscal period: August 14, 2014, 6th fiscal period: February 19, 2015, 7th fiscal period: August 20, 2015, 8th fiscal period: February 18, 2016, 9th/10th fiscal period: August 16, 2016

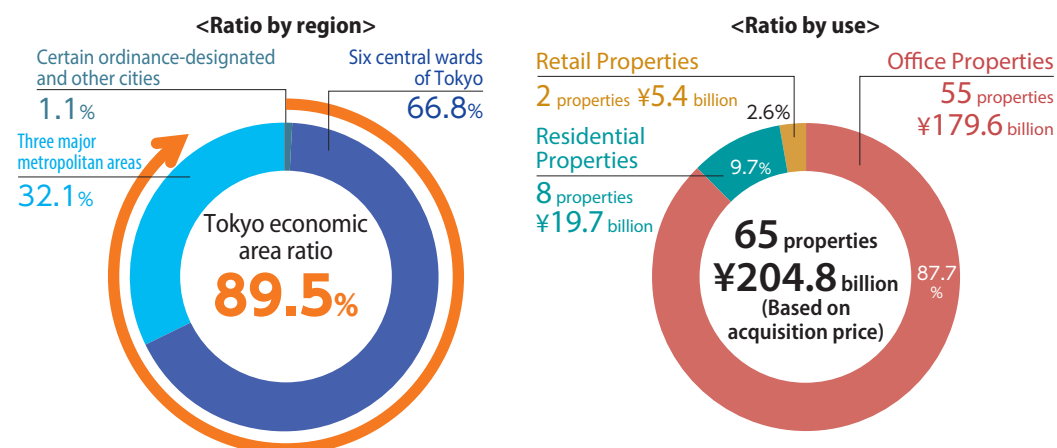
## Growth in NAV per unit (Note 2)



(Note 2) NAV per unit is calculated as (net assets + total appraisal value - total book value) / issued investment units as of the end of each fiscal period. The same applies hereafter.

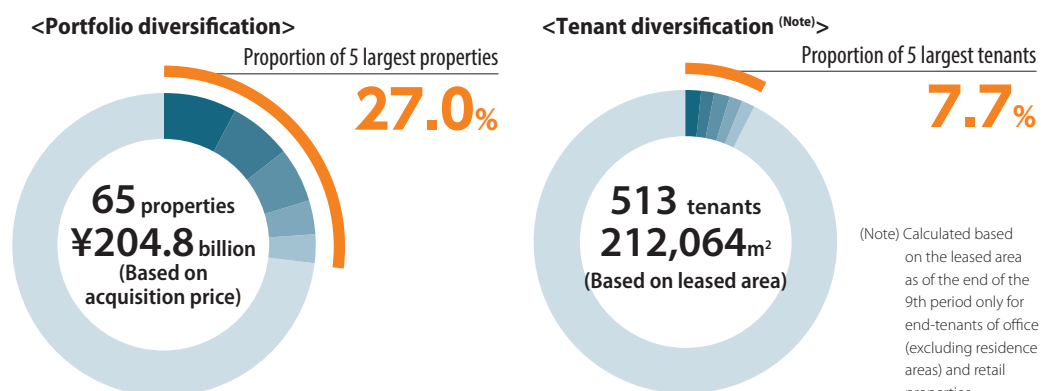
## ➔ Portfolio focused on the Tokyo economic area

We construct our portfolio with a focus on offices in the center of Tokyo, where rents are on a rising trend and where we can expect growth in rental revenue going forward.



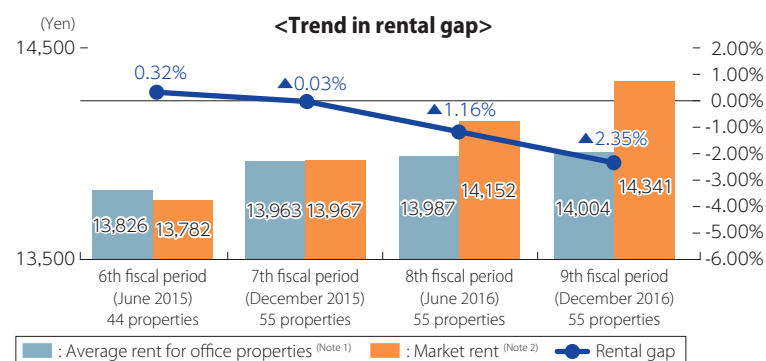
## ➔ The highest leveled risk diversification among listed J-REITs

By maintaining the highest leveled property and tenant diversification among listed J-REITs, we have achieved a portfolio that has high risk tolerance.



## ➔ High Growth Potential

We consider growth potential (the growth potential of each property and rent gap) as one of our acquisition target. As a result of making investments with an eye on future internal growth, the rent gap at the end of the fiscal period under review (the discrepancy between the market rent and our average rent) was -2.35%, which provides support for future rent increases.



(Note 1) Average rent is the contract-based rent, which is a weighted average of each office property based on the occupied standard floor area. Each weighted average excludes tenants that have submitted a notice of cancellation and occupy the retail section between the second floor and the basement floor of buildings.

(Note 2) Market rent is an average of the maximum and minimum rents of respective properties, as described in market reports prepared by Sanko Estate and CBRE Inc. The average is a weighted average of each office property based on the occupied standard floor area.

## ➔ NRT aims to maximize unitholder value through its characteristic management system "trinity management."



### Drawing up and executing medium- to long-term management strategy

The Investment Management Division, Asset Management Division and Engineering Management Office work together to analyze each property from the perspectives of **profitability**, **liquidity** and **property characteristics**. The property is classified into one of Tiers 1 to 3, a medium- to long-term portfolio management plan is formed, and a timely investment is then targeted.

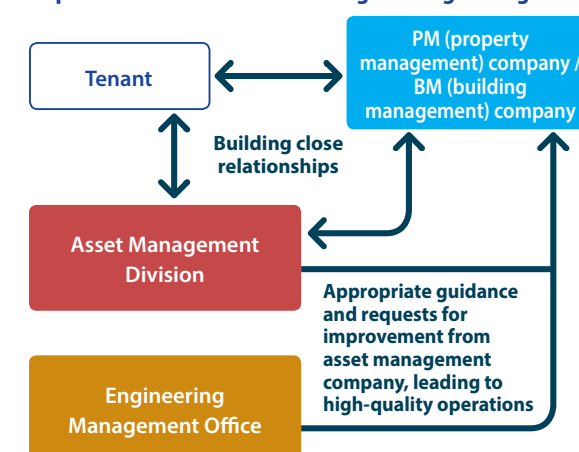
<b>Profitability</b> Verifies potential for medium- to long-term maintenance of and improvements to earnings capability	<b>Liquidity</b> Verifies liquidity in the real estate transaction market from a medium- to long-term perspective (Area, location, form of ownership, age of building, scale, demand trends etc.)	<b>Property Characteristics</b> Analysis of track record (downtime, ease of leasing, etc.) Verifies operational risk points and area potential
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- Tier 1:** continue to hold for medium to long term in principle
- Tier 2:** continue to review investment approach, including the possibility of rebuilding / redevelopment
- Tier 3:** draw up replacement scenario predicated on improving the 3 axes of evaluation

### Effective engineering management

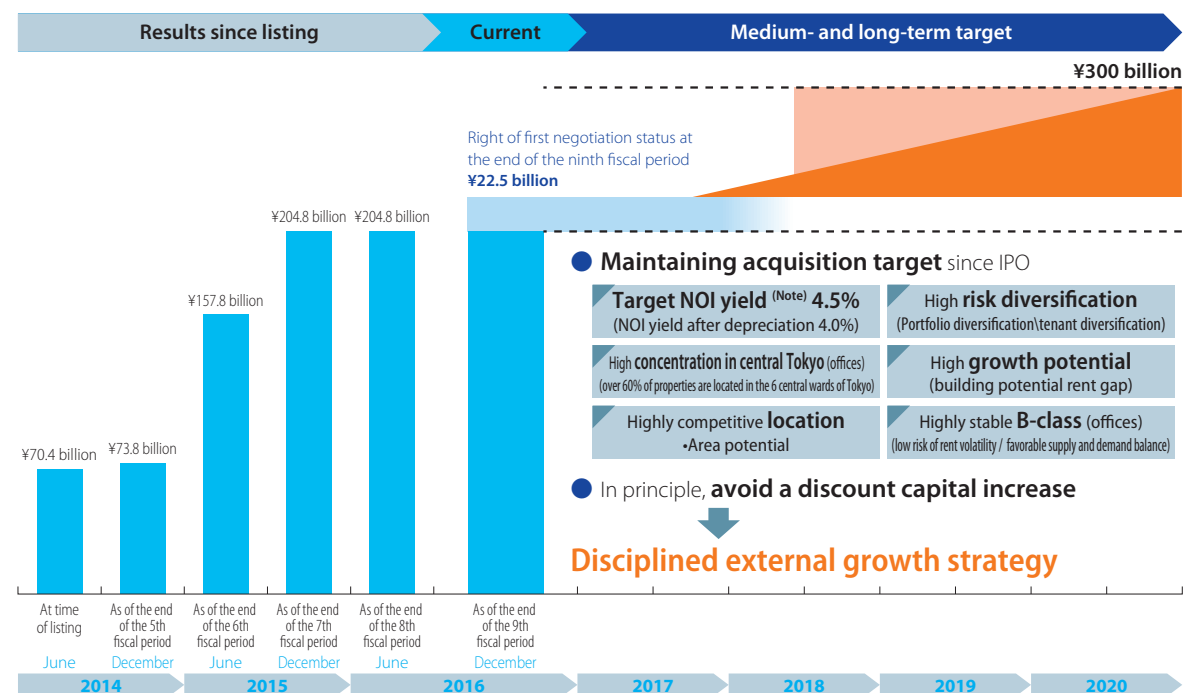
The plan set out by the Asset Management Division, which is intimately familiar with the characteristics of the property, is scrutinized by the Engineering Management Office and its specialists in buildings and facilities. The efficiency of capital investment is improved dramatically.

### Implementation structure for Engineering Management



## Vision for Future External Growth

In terms of our pipeline, we have rights of first negotiation on 10 properties with a value of ¥22.5 billion. Without veering from the investment policies to which we have held fast since the listing, we will use a disciplined external growth strategy to drive the maximization of unitholder value.



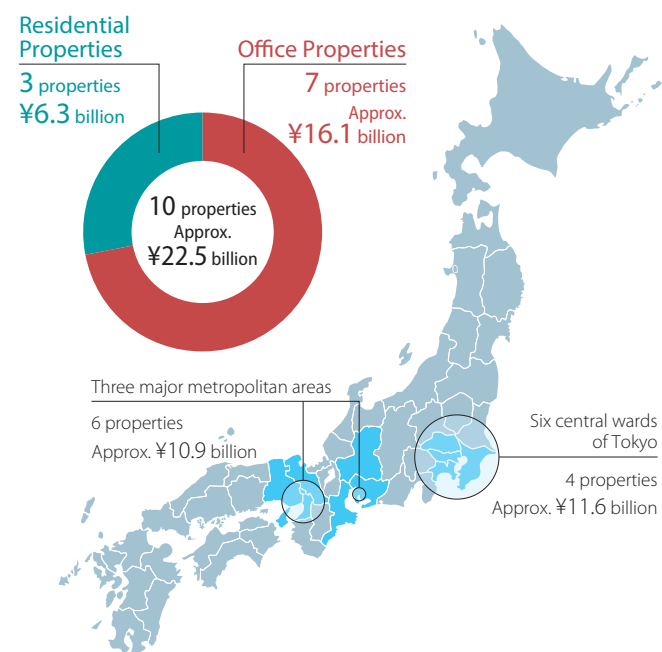
(Note) NOI yield refers to the NOI yield based on NIPPON REIT's cash flow projection at the time of acquisition against the acquisition price. The same applies hereafter.

## Summary of the New Bridge Fund

Number of real-estate backed properties	10 properties
Aggregate appraisal value	¥22,740 million
Appraisal NOI yield (Note 1)	4.9%
Rental Gap (Note 2) (Office only)	-4.5%
Equity investment amount	¥820 million

(Note 1) The "appraisal NOI yield" for bridge fund properties is calculated as the NOI written on the appraisal value form during due diligence at the time each property was acquired (the appraisal NOI) divided by the first negotiation price (for Godo Kaisha Nicolas Capital 6 & 8) or by the appraisal value (for Godo Kaisha Nicolas Capital 9).

(Note 2) The "rental gap" for bridge fund properties is calculated using the average market rent, which is based on the market report obtained during due diligence at the time each property was acquired, as follows: Average rent for all offices / Average market rent - 1.



## Summary of the real-estate backed properties

(1) Location (2) Total floor space (3) Completion (4) Appraisal value (Appraisal NOI yield) (5) First negotiation price conditions

### Godo Kaisha Nicolas Capital 6

Agreement conclusion date: December 16, 2015   Equity investment amount: ¥220 million  
Total appraisal value of the real-estate backed properties (Appraisal NOI yield): ¥11,700 million (4.8%)  
First negotiation price: ¥11,597 million (Deadline: February 28, 2018)



#### Homat Horizon Building

- 6-2 Gobancho, Chiyoda-ku, Tokyo
- 8,143.02 m<sup>2</sup>
- September 1987
- 6,710 million (4.3%)
- ¥6,705 million



#### Splendid Namba

- 2-1-23 Inari, Naniwa-ku, Osaka, Osaka
- 8,031.78 m<sup>2</sup>
- January 2015
- 3,520 million (5.3%)
- ¥3,502 million



#### Sannomiya First Building

- 3-2-11, Isobedori, Chuo-ku, Kobe, Hyogo
- 5,019.79 m<sup>2</sup>
- November 1993
- ¥1,470 million (6.2%)
- ¥1,390 million

### Godo Kaisha Nicolas Capital 9

Agreement conclusion date: March 29, 2016   Equity investment amount: ¥100 million  
Total appraisal value of the real-estate backed properties (Appraisal NOI yield): ¥4,090 million (4.6%)  
Deadline of the right of first negotiation: February 28, 2018



#### Yusen Higashi-Nihombashi Ekimae building

- 7-19 Higashi Nihonbashi 3-chome, Chuo-ku, Tokyo
- 1,879.72 m<sup>2</sup>
- February 2001
- ¥1,200 million (4.7%)
- 



#### Residence Edogawabashi

- 4-22 Suidocho Shinjuku-ku, Tokyo
- 1,323.15 m<sup>2</sup>
- March 2000
- ¥1,250 million (4.4%)
- 

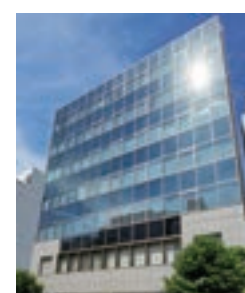


#### Zephyros Minami-horie

- 16-16 Minami Horie 1-chome, Nishi-ku Osaka Prefecture, Osaka
- 3,114.33 m<sup>2</sup>
- March 2002
- ¥1,640 million (4.7%)
- 

### Godo Kaisha Nicolas Capital 8

Agreement conclusion date: June 27, 2016   Equity investment amount: ¥500 million  
Total appraisal value of the real-estate backed properties (Appraisal NOI yield): ¥6,950 million (5.2%)  
Deadline of the right of first negotiation: December 31, 2017   First negotiation price: ¥6,835 million



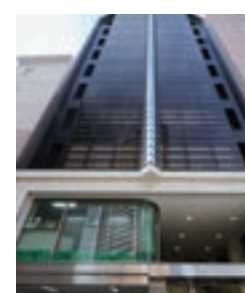
#### SC Sakaisujihonmachi Building

- 4-15 Kita-Kyuhojimachi 1-chome, Chuo-ku, Osaka, Osaka Prefecture
- 6,075.86 m<sup>2</sup>
- March 1998
- ¥1,790 million (5.6%)
- ¥1,723 million



#### DIA Building Meieki

- 8-7 Mei-Eki 3-chome, Nakamura-ku, Nagoya, Aichi Prefecture
- 2,909.28 m<sup>2</sup>
- December 1991
- 1,190 million (5.5%)
- ¥1,186 million



#### Alte Building Higobashi

- 15-27 Edobori, Nishi-ku, Osaka, Osaka Prefecture
- 4,503.74 m<sup>2</sup>
- June 1993
- ¥1,480 million (5.7%)
- ¥1,476 million



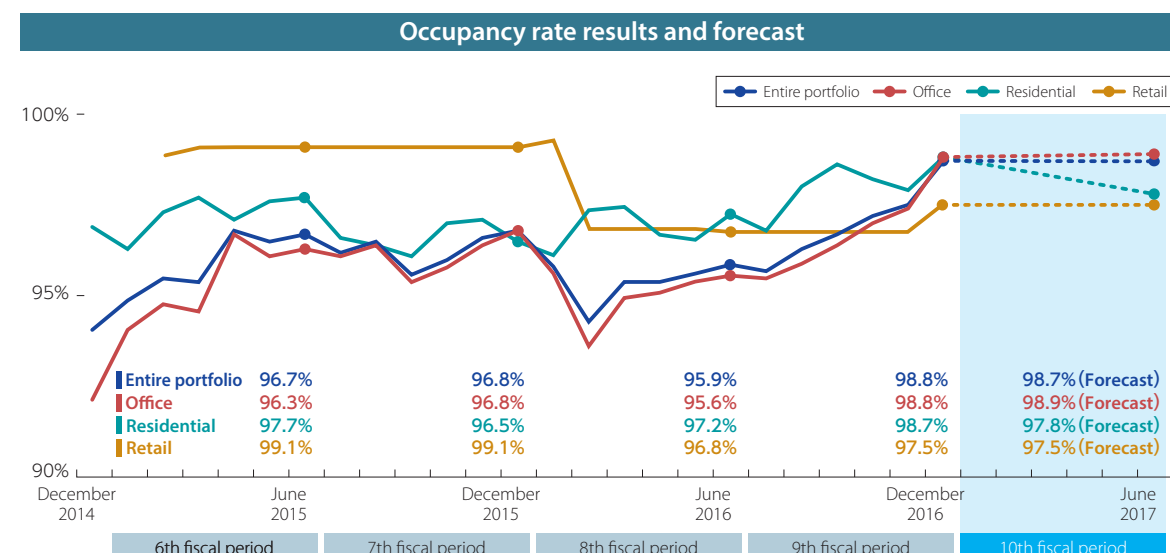
#### Hiroo ON Building

- 19-9 Hiroo 5-chome, Shibuya-ku, Tokyo
- 2,707.95 m<sup>2</sup>
- March 1995
- ¥2,490 million (4.6%)
- ¥2,450 million



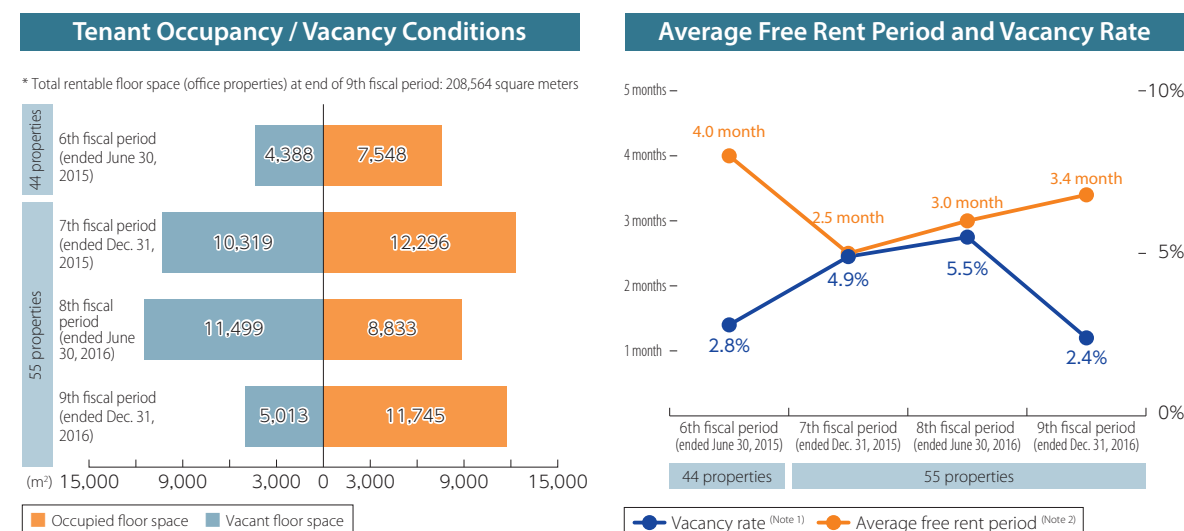
## Occupancy Rate Trends

As a result of our flexible and proactive leasing activities, as well as the enhanced tenant satisfaction and building competitiveness stemming from our engineering management, the occupancy rate reached the highest ever.



## Tenant Occupancy / Vacancy Conditions, Average Free Rent Period, Vacancy Rate

Leasing activity is proceeding satisfactorily, and at the end of the fiscal period under review, the vacancy rate<sup>(Note 1)</sup> was 2.4%. The average free rent period<sup>(Note 2)</sup> has contracted to around three months.



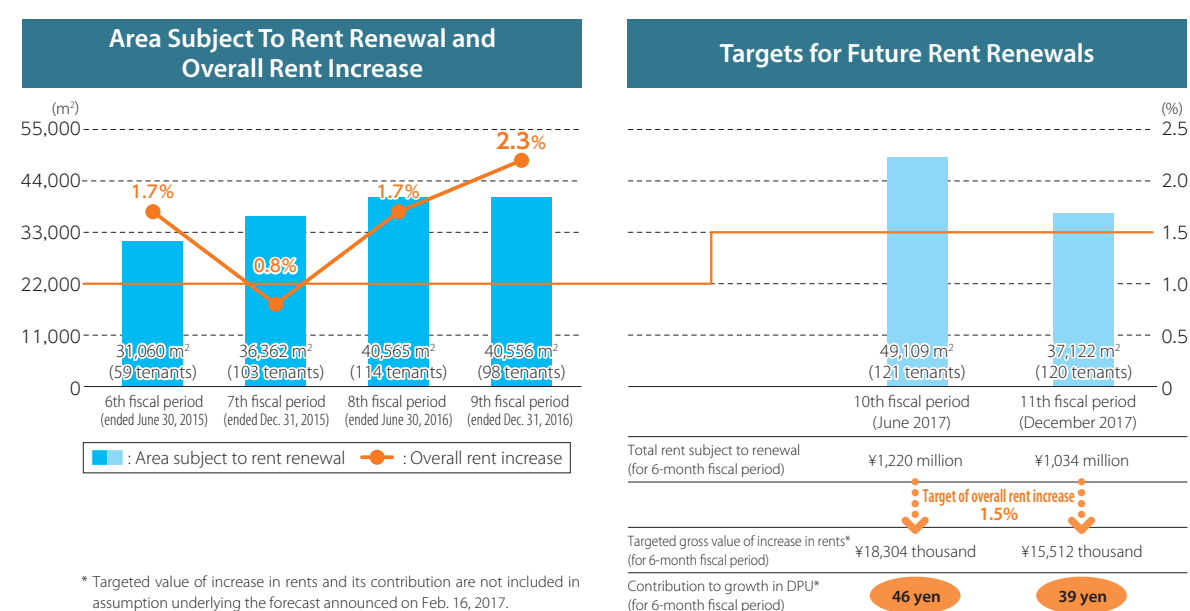
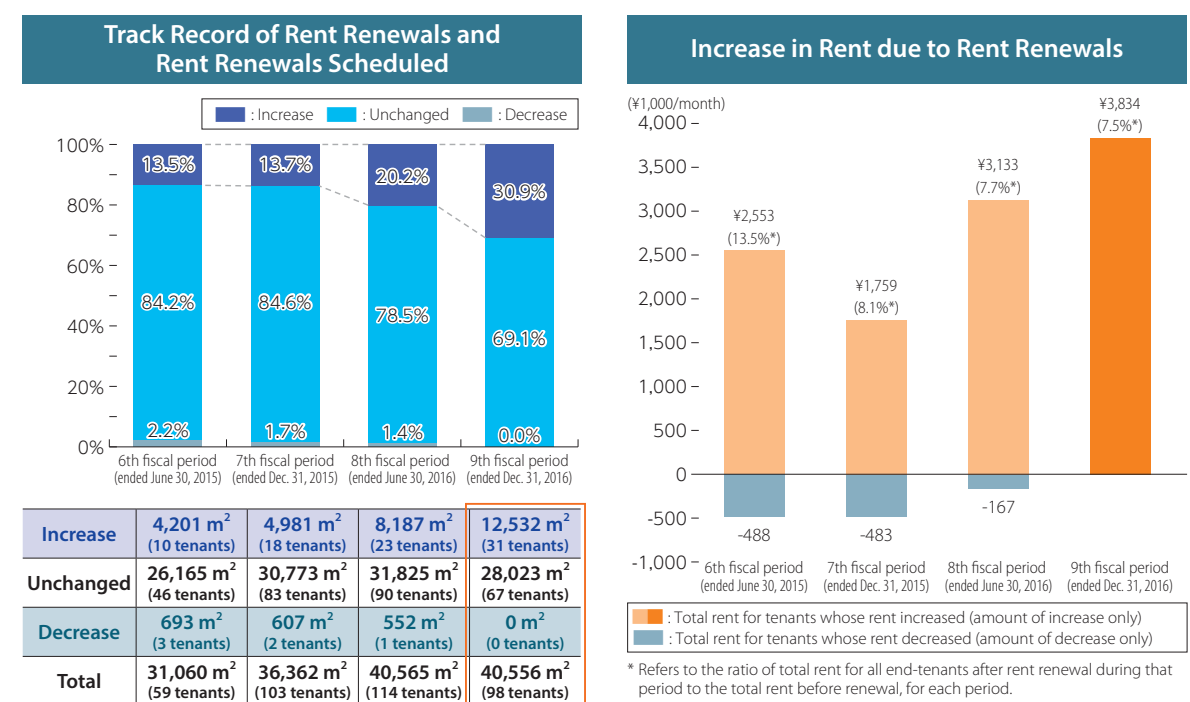
(Note 1) The "vacancy rate" is the floor area vacated during the fiscal period divided by the total rentable floor space on the last day of the fiscal period under review.

(Note 2) The "average free rent period" is calculated as the gross loss caused by free rent periods and the like for end-tenants who have concluded a new contract within the fiscal period, divided by the gross value of contracted rent when there are no free rent periods and the like.

## Current Situation and Targets for Rent Increases

In the fiscal period under review, out of floor space of 40,556 square meters (representing 98 tenants), we managed to increase rents for an area of 12,532 square meters (representing 31 tenants), or 30.9% of the total. In addition, the overall rent increase<sup>(Note)</sup> of 2.3% was significantly greater than the target of 1%, and reached the highest level ever. Moreover, for the 10th and 11th fiscal periods, we have upwardly revised our target from the previous 1% to 1.5%, and will seek to further raise the floor for distributions per unit going forward.

(Note) Overall rent increase refers to the ratio of total rent for all end-tenants after rent renewal, to the total rent before renewal, for office properties. The same applies hereafter.



## Case studies of effective engineering management

We are working to improve tenant satisfaction as well as to maintain and enhance profitability and competitiveness of the portfolio. Through the Engineering Management, we aim to further increase asset value by pursuing economic efficiencies such as reducing costs of works.



### A-5 FORECAST Ichigaya

#### Effective use of dead space by taking advantage of the law amendment

By taking advantage of the relaxing of restrictions on the floor-area ratio resulting from the revision of the Building Standards Act, we were able to open storage rooms, for the exclusive use of residents, in the dead space located in the upper residential floors (a space on top of the elevator shaft). As the residential units of this property are primarily occupied by single-person households, many of which actively pursue hobbies, we anticipate significant demand for storage space. The storage rooms will contribute to an improvement in tenant satisfaction and enhance the competitiveness of the property in future leasing activities. We expect annual revenues to be boosted by approximately 1 million yen due to the establishment of the storage rooms.

**EM point** Revisions to legislation lead to repurposing of dead space

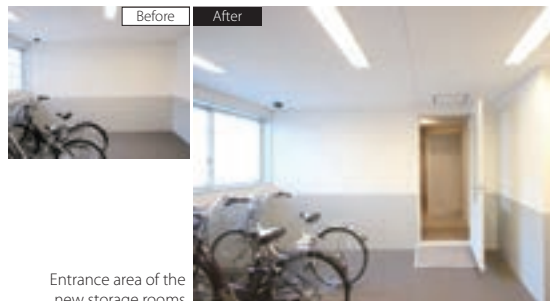
We deliberately restricted the number of storage rooms in order to optimize the convenience of residents, and out of consideration for the grade of building. Moreover, we succeeded in reducing construction costs significantly by devising more efficient approaches to extending and partitioning the space.

Received "CASBEE Rank S Certification" (the highest rank).



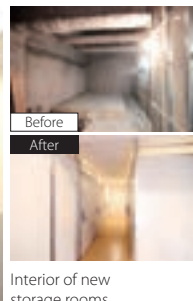
Assessment rank: Rank S (Superior)

Before After




Entrance area of the new storage rooms

Before After



Interior of new storage rooms



### B-1 Tower Court Kitashinagawa

#### Raising the specification of upper-floor units through renovation work

Residential units on the upper floors of this property have larger floor areas than those on lower and middle floors, and vacant periods tended to be longer. Through market research activities, it was found that tenants in the units with relatively high rent on the upper floors tended to have an interest in sophisticated design. In order to improve the competitiveness of the property, we carried out a renovation program, including turning the living room walls into "design walls" and upgrading the front entrance using glass blockwork, with the aim of enhancing the overall design appeal. The units that underwent this renovation received applications at the same time as the work was completed and are leased. The above measures were successful, and at the end of December 2016 the occupancy rate was maintaining a level of 98.0%.

**EM point** Sunlit upper floors

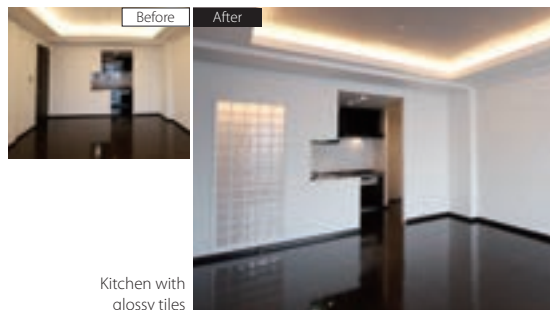
Precisely because it is on the upper floors, a greater sense of light is needed. At the entrance, which can easily suffer from a closed-in feeling, glass blocks are used to allow the sunlight to penetrate, while the design wall constructed of white bricks lightens the living room where the family gathers.

Received "DBJ Green Building Certification: 4-star"



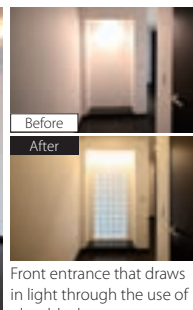
Properties with exceptionally high environmental & social awareness

Before After




Kitchen with glossy tiles

Before After



Front entrance that draws in light through the use of glass blocks

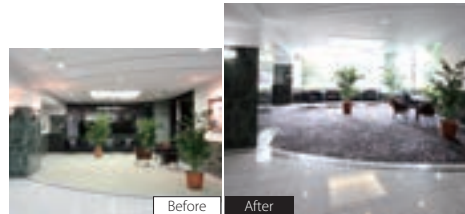


### A-15 JS Progres Building

#### Enhancing building image by renewing the entrance

In the tenant questionnaire, some respondents had commented that the entrance was dark. In order to refresh the image of the entrance hall, we implemented a renovation that included revising the lighting plan, redecorating the walls and ceiling, and replacing the carpet in the waiting area.

Before After



#### Increase in parking lots (requests from tenants), improved profitability

A potential tenant had a need for more than 10 spaces in the parking lot, and by levelling some unused ground and rearranging part of the parking lot layout, we were able to add an additional 10 parking spaces. As a result of fulfilling this precondition, a leasing contract was successfully concluded with the potential tenant. In addition to the rise in the occupancy rate, the increase in the number of parking spaces led to incremental annual income of ¥2.4 million. During the worst period, five floors (a total of 4,714 square meters) of the JS Progres Building were vacant, with the vacancy rate slumping to 60.7% at one point, but the measures taken above bore fruit, and at the end of December 2016, the occupancy rate had recovered to 100%.



### A-30 FORECAST Shinagawa


#### Refurbishing restrooms

We carried out a renovation of the male and female restrooms, including constructing additional stalls, aiming to improve competitiveness by raising tenant satisfaction through enhancing the work environment.



#### Establishment of new smoking area

A new smoking area was established on the rooftop. During the course of establishing this area, we took advice from Japan Tobacco Inc., in order to create a pleasant space and routes of movement for both smokers and non-smokers. During the worst period, two floors (a total of 720 square meters) of FORECAST Shinagawa were vacant, with the vacancy rate falling to 66.7% at one point, but the measures taken above bore fruit, and at the end of December 2016, the occupancy rate had recovered to 100%.



### A-45 Toranomon Sakura Building


#### Enhancing competitiveness through renewal of elevator hall and by partitioning floors

By using leasing managers to conduct market research to uncover the needs of tenants in this area, we found that there were many foreign-affiliated companies wanting to move into high-spec buildings with an area of about 100 square meters. We moved to respond to these needs and to improve the competitiveness of the property. After acquiring the property, at its lowest point the occupancy rate fell to 48.5%, equivalent to three empty floors, but having precisely understood the needs of the market, by implementing the above measures the occupancy rate had improved to 89.5% by the end of December 2016. At the end of February 2017, we expect the occupancy rate to have reached 100%.

**EM point** Partitioning floors to avoid the sense of being closed in

Using glass in the partition walls creates offices with a sense of airiness. By using wood-grain blinds and lighting that mimics the color of incandescent bulbs to create accents on walls and ceilings, corridors that can easily become monotonous are given a sense of changing space.

Before After



## Track record in raising NOI through Engineering Management (Note)

As a result of the effective implementation of Engineering Management, we expect to attribute to approximately ¥150 million per year increase in NOI over the four periods starting from the seventh fiscal period.

### Track record and results related to Engineering Management used to improve earnings capability and reduce costs

10th fiscal period (forecast)	5 properties	Installment of antennas for mobile on rooftop	Approx. ¥1.39 million increase in annual income	Total amount (annual) Approx. ¥33.46 million improvement in NOI	CAPEX Approx. ¥39.55 million
	13 properties	Energy cost reduction through replacing energy (electricity) provider	Approx. ¥29.67 million reduction in annual costs		
	Tower Court Kitashinagawa	Building management cost reduction through revision of specification	Approx. ¥2.40 million reduction in annual costs	CAPEX ¥0	
9th fiscal period (actual results)	20 properties	Replacement of sublessee parking operator	Approx. ¥27.19 million increase in annual income	Total amount (annual) Approx. ¥46.88 million improvement in NOI	CAPEX Approx. ¥18.95 million
	JS Progres Building	Parking lot expansion	Approx. ¥2.40 million increase in annual income		
	FORECAST Shin-Tokiwabashi	Installment of antennas for mobile on rooftop	Approx. ¥0.90 million increase in annual income		
	8 properties	Installment of water saving device	Approx. ¥3.70 million reduction in annual costs		
	14 properties	Building management cost reduction	Approx. ¥9.46 million reduction in annual costs		
	my atria Meieki Komyoike Act	Installment of LED light in common area	Approx. ¥3.23 million reduction in annual costs		
8th fiscal period (actual results)	La Verite Akasaka	Increase in contracted rental price due to renovation of pantry and restrooms	Approx. ¥0.83 million increase in annual income	Total amount (annual) Approx. ¥63.8 million improvement in NOI	CAPEX Approx. ¥6.60 million
	Mitsui Woody Building	Parking lot expansion (by using part of bicycle parking)	Approx. ¥0.36 million increase in annual income		
	Omiya Center Building	Used spare space to establish stalls for lunch-time catering service providers	Approx. ¥0.48 million increase in annual income		
	La Verite AKASAKA Shinto GINZA EAST	Leasable area expansion (inclusion of common area)	Approx. ¥1.18 million increase in annual income		
	Toshin Higashi-Ikebukuro Building	Installation of LED lights in common area	Approx. ¥0.14 million reduction in annual costs		
	40 properties	Energy cost reduction through replacing energy (electricity) provider	Approx. ¥60.83 million reduction in annual costs		
7th fiscal period (actual results)	Mejiro NT Building	Parking lot expansion	Approx. ¥2.50 million increase in annual income	Total amount (annual) Approx. ¥8.9 million improvement in NOI	CAPEX ¥14.0 million
	GreenOak Okachimachi / Hiroo Replex B's	Installment of signboard	Approx. ¥4.40 million increase in annual income		
	FORECAST Nishishinjuku	Setting up new leasable area	Approx. ¥2.0 million increase in annual income		

Total for 4 fiscal periods  
Annual increase in NOI of approx. ¥150 million expected

CAPEX Approx. ¥39.55 million

Approx. ¥33.46 million (Forecast)

Approx. ¥46.88 million (Already implemented)

Approx. ¥63.8 million (Already implemented)

Approx. ¥8.9 million (Already implemented)

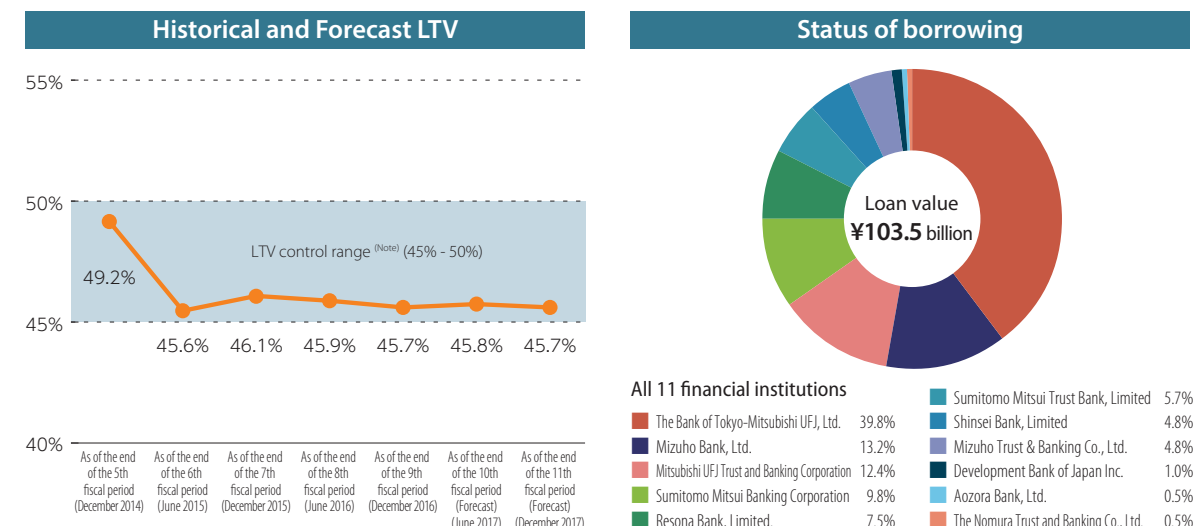
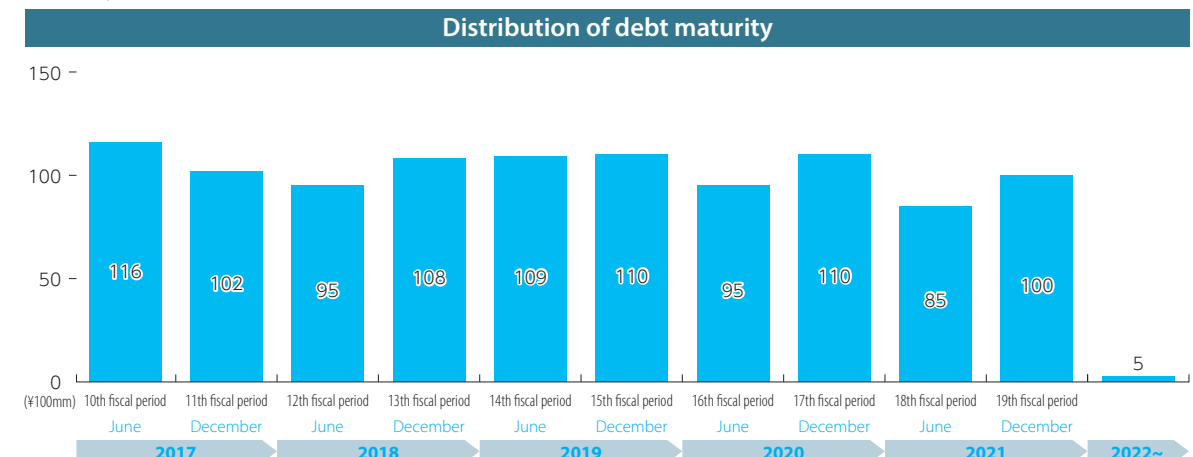
(Note) Actual results and forecast values for improvements to NOI are calculated by the asset management corporation based on the contracts, quotes and proposals, and do not constitute any kind of warranty with regard to the operations results of the Investment Corporation.

In order to build a stable financial base over the medium- to long-term, the basic policy of our financial strategy is one of distributed fund procurement that strikes a balance between borrowing costs and financial stability. In the ninth fiscal period, we worked to further reduce borrowing costs and fix interest rates using interest-rate swaps executed in the eighth fiscal period. As a result, the fixed-interest rate ratio reached 100% as of the end of the ninth fiscal period, while the average borrowing cost, including loan commissions, stabilized at low levels.

Going forward, we will continue to promote the stability of our financial base in a way that takes into account the balance with interest costs.

Financial Highlights		As of the end of the ninth period	
Total interest-bearing debt	¥103.5 billion	Loan-to-value ratio	45.7%
Average remaining borrowing period	2.40 years	Fixed-interest rate ratio	100.0%
Long-term debt ratio	100.0%	Japan Credit Agency, Ltd. (JCR) Long-term issuer rating <sup>(Note)</sup> A- (Positive)	

(Note) These ratings do not apply to the units of the Investment Corporation. Moreover, with regard to said units, no credit ratings have been provided or submitted for inspection by credit rating agencies, nor are any credit ratings scheduled to be provided or submitted for inspection as a result of requests from the Investment Corporation.



(Note) The "LTV control range" refers to the LTV level that the Investment Corporation is scheduled to maintain going forward and that is within the range of the LTV level under current policy (45%-55%), as described in item 18 of this document.



## Asset Management Report

### 1 Summary of Asset Management

#### (1) Historical Operating Results

Period	5th fiscal period	6th fiscal period	7th fiscal period	8th fiscal period	9th fiscal period
	From July 1, 2014 to December 31, 2014	From January 1, 2015 to June 30, 2015	From July 1, 2015 to December 31, 2015	From January 1, 2016 to June 30, 2016	From July 1, 2016 to December 31, 2016
Operating revenues (Yen in millions)	2,408	4,596	6,682	6,607	6,836
Of which, rental revenues and other revenues related to property leasing (Yen in millions)	(2,407)	(4,577)	(6,672)	(6,600)	(6,804)
Operating expenses (Yen in millions)	1,163	2,040	2,975	3,319	3,309
Of which, property-related expenses (Yen in millions)	(907)	(1,690)	(2,343)	(2,631)	(2,606)
Operating income (Yen in millions)	1,245	2,556	3,706	3,287	3,527
Ordinary income (Yen in millions)	1,078	2,077	2,969	2,944	3,055
Net income (Yen in millions)	1,077	2,075	2,968	2,944	3,054
Total assets (a) (Yen in millions)	81,353	174,642	226,633	225,842	226,398
Period-on-period changes (%)	(5.1)	(114.7)	(29.8)	(Δ0.3)	(0.2)
Net assets (b) (Yen in millions)	38,027	87,468	112,282	112,263	112,389
Period-on-period changes (%)	(2.4)	(130.0)	(28.4)	(Δ0.0)	(0.1)
Unitholders' equity (Yen in millions)	36,919	85,364	109,285	109,285	109,285
Number of investment units Issued and outstanding (c) (Unit)	151,810	304,060	391,760	391,760	391,760
Net assets per unit (b) / (c) (yen)	250,491	287,667	286,609	286,562	286,883
Total distributions (d) (Yen in millions)	1,079	2,075	2,969	2,945	3,055
Distributions per unit (d) / (c) (yen)	7,109	6,827	7,581	7,519	7,800
Of which, earnings distributions per unit (yen)	(7,109)	(6,827)	(7,581)	(7,519)	(7,800)
Of which, distributions per unit in excess of earnings per unit (yen)	(—)	(—)	(—)	(—)	(—)
Ordinary income to total assets ratio (Note 3) (%)	1.4	1.6	1.5	1.3	1.4
Annualized (Note 3) (%)	(2.7)	(3.3)	(2.9)	(2.6)	(2.7)
Return on equity (Note 3) (%)	2.9	3.3	3.0	2.6	2.7
Annualized (Note 3) (%)	(5.7)	(6.7)	(5.9)	(5.3)	(5.4)
Equity ratio (b) / (a) (%)	46.7	50.1	49.5	49.7	49.6
Period-on-period changes (%)	(Δ1.2)	(3.3)	(Δ0.5)	(0.2)	(Δ0.1)
Payout ratio (Note 3) (%)	100.1	100.0	100.0	100.1	100.0

Period	5th fiscal period	6th fiscal period	7th fiscal period	8th fiscal period	9th fiscal period
	From July 1, 2014 to December 31, 2014	From January 1, 2015 to June 30, 2015	From July 1, 2015 to December 31, 2015	From January 1, 2016 to June 30, 2016	From July 1, 2016 to December 31, 2016
(Reference Information)					
Number of investment properties	21	54	65	65	65
Total leasable area (㎡)	91,840.93	203,359.35	255,560.43	255,396.84	255,393.62
Number of tenants (Note 5)	501	798	938	946	966
Occupancy rate at the end of the period (%)	94.1	96.7	96.8	95.9	98.8
Depreciation during the period (Yen in millions)	348	549	730	743	753
Capital expenditures during the period (Yen in millions)	33	93	395	326	466
Rental NOI (net operating income) (Note 4) (Yen in millions)	1,849	3,436	5,059	4,713	4,952
FFO (funds from operations) per unit (Note 3) (Note 4) (Yen)	9,396	8,633	9,442	9,414	9,726
Interest-bearing debt (e) (Yen in millions)	40,020	79,670	104,470	103,570	103,570
Interest-bearing debt to total assets ratio (e) / (a) (%)	49.2	45.6	46.1	45.9	45.7
Number of operating days (Days)	184	181	184	182	184

(Note 1) NIPPON REIT's fiscal periods cover every six months from January 1 to June 30 and from July 1 to December 31 of each year.  
 (Note 2) Operating revenues, etc., do not include consumption taxes.  
 (Note 3) The following denotes the calculation methods for the indicators employed by NIPPON REIT. It should be noted that calculations on an annual basis are calculated using the number of business days for each period.

Ordinary income to total assets ratio	Ordinary income ÷ average total assets × 100 Average total assets = (Total assets at beginning of period + total assets at end of period) ÷ 2
Return on equity	Net income ÷ average net assets × 100 Average net assets = (Net assets at beginning of period + net assets at end of period) ÷ 2
Payout ratio	Distribution per investment unit (excluding cash distributions in excess of earnings per unit) ÷ net income per investment unit × 100 Note that NIPPON REIT issued new investment units in the sixth period and the seventh period. Hence, the following calculation is used: Total distribution (excluding cash distributions in excess of earnings per unit) ÷ net income × 100
Leasing NOI (net operating income)	Income from property leasing for the fiscal period under review (rental revenues – rental expenses) + depreciation + loss on retirement of non-current assets
FFO (funds from operations) per unit	(Net income + depreciation + loss on retirement of non-current assets + deferred asset amortization – gain / loss on real estate sales) ÷ total investment units issued and outstanding

(Note 4) This denotes the total number of tenants (excluding those for warehouses, billboards, and parking lots) in leasing contracts for each building acquired at the end of the period. It should be noted that in the event a pass-through master lease contract is entered into for said assets, the total number of end-tenants is used in the calculation (excluding those for warehouses, billboards, and parking lots).  
 (Note 5) Monetary figures are truncated, while percentages are rounded.

## (2) Overview of the Fiscal Period under Review

### A Brief History of NIPPON REIT

NIPPON REIT was established on September 8, 2010 by Polaris Investment Advisers K.K. (now Sojitz REIT Advisors K.K. (hereafter referred to as the "Asset Management Company")) as the founder under the Act on Investment Trusts and Investment Corporations (the "Investment Trusts Act"). Registration with the Kanto Local Finance Bureau was completed on October 26, 2010 (registration number 72, filed with the Director of the Kanto Local Finance Bureau).

NIPPON REIT issued new investment units through a public offering (144,200 units) on April 23, 2014 as the payment date and listed on the J-REIT section of the Tokyo Stock Exchange (securities code: 3296) on April 24.

Furthermore, NIPPON REIT issued investment units through public offerings in February and July 2015 and third-party allotments in March and July 2015, and the total number of investment units issued and outstanding as of the end of the fiscal period under review (December 31, 2016) is 391,760 units.

### B Investment Environment and Management Performance

#### I Investment Environment

The Japanese economy during the fiscal period under review (fiscal period ended December 2016) saw a increase of 0.3% (an annual increase by 1.3%) in the real GDP growth rate (second preliminary figures) for the third quarter compared to the same period of the previous year, and the gradual recovery trend is ongoing while delayed improvement in part can be seen. Private consumption, production and exports show movements toward picking up, while business investment appears to be pausing. Corporate profits remain at a high level, although improvement appears to be on hold, and firms' judgment on current business conditions is improving slowly. The employment situation is improving, and consumer prices are flat. With regard to future prospects, a gradual recovery is expected, supported by the effects of the policies, while the employment and income environments are improving. However, attention should be paid to the uncertainty in overseas economies and the effects of fluctuations in the financial and capital markets.

In the office properties leasing market, the vacancy rate in Tokyo's five central wards (Chiyoda, Chuo, Minato, Shinjuku and Shibuya wards) as of the end of December 2016 as announced by Miki Shoji Co., Ltd., was 3.61%, down 0.42% from the same month last year. Moreover, the average rent in the same area as of the end of December 2016 was 18,540 yen per tsubo, up 4.79% from the same month last year. Such small-scale upward trends are ongoing.

In terms of the residential properties leasing market, the situation remains generally stable for both the occupancy rate and rent level, and the trend of populations concentrating in Japan's three major metropolitan areas is expected to continue.

The retail properties leasing market saw a 1.7% year-on-year increase in retail sales according to figures announced by the Ministry of Economy, Trade and Industry in November 2016, showing gradual recovery trend mainly in the motor vehicles-retailing sector and retail trade (woven fabrics, apparel, accessories and notions) sector. Sales at large retail stores decreased by 0.3% year on year. As for short-term prospects, private consumption is expected to move toward recovery, supported by the improvement in the employment and income environments.

Recently, since properties managed by short-term trading oriented private funds have continued to be acquired by long-term holding oriented J-REITs, superior investment-grade properties for sale are decreasing. Therefore, transaction yield is declining for not only S grade and A grade building in central Tokyo and excellent properties at major regional cities, but for aged buildings in major regional cities provided that location of such properties are excellent, and decline in transaction yields is spreading over a wide range of properties.

Because of the judgment that office rent is approaching the upper limit due to the increase in office building supply and macroeconomic uncertainty, more investors are beginning to think that the level of transaction yields is reaching its limit.

On the other hand, since there is no definite cause of concern that may reverse the market, and the satisfactory finance environment has continued, the fact that buyers concentrate on a small amount of superior investment-grade properties for sale is expected to keep transaction yields at the current low level.

### II Management Performance

#### a. External Growth

No property was acquired during the period. As a result, the portfolio as of the end of the fiscal period under review consisted of 55 office properties (with a total acquisition price of 179,666 million yen), eight residential properties (with a total acquisition price of 19,773 million yen) and two retail properties (with a total acquisition price of 5,413 million yen), totaling 65 properties (with a total acquisition price of 204,852 million yen; not including equity interests in a silent partnership) with a total leased area of 252,220.72㎡ and a 98.8% average occupancy rate, and 3 equity interests in a silent partnership (investment amount 820 million yen, 10 real estate-backed properties).

#### b. Internal Growth

NIPPON REIT emphasizes management that maintains and increases the portfolio's asset value and actively reaches out to new and existing tenants with business activities, while strengthening relations with existing tenants, implementing measures that boost the competitiveness of properties in light of tenant needs and the features of each property. Through such efforts, the portfolio occupancy rate was maintained at a high level of 98.8%, as of the end of the fiscal period under review.

### C Procurement of Funds

#### I Borrowings and Repayments

In order to use the funds for repayment of a loan due on August 22, 2016 (loan amount 10,000 million yen), borrowings of a total 10,000 million yen were implemented on the same day the loan was due.

As a result, the balance of borrowings as of December 31, 2016 was 103,570 million yen and the ratio of interest-bearing debt to total assets (LTV) was 45.7%.

### II Credit Rating

NIPPON REIT's credit rating as of December 31, 2016 is as follows.

Credit Rating Agency	Rating type	Rating outlook
Japan Credit Rating Agency, Ltd.	Long-term issuer rating: A-	Positive

### D Overview of Business Performance and Distributions

As a result of the operations described above, business performance in the fiscal period under review generated operating revenues of 6,836 million yen, operating income of 3,527 million yen, ordinary income of 3,055 million yen, and net income of 3,054 million yen.

Concerning distributions, in order to be eligible for application of the special provisions for taxation on investment corporations (Article 67-15 of the Special Taxation Measure Act of Japan) and ensure a scope that does not exceed unappropriated retained earnings and that can minimize unitholder burdens of income tax, etc., NIPPON REIT decided to distribute 3,055,728,000 yen, which is the amount equivalent to the maximum integral multiple of the total number of investment units issued and outstanding, or 391,760 units. As such, cash distributions per unit were 7,800 yen.



### (3) Changes in Number of Total of Investment Units Issued and Outstanding

Changes in number of investment units issued and outstanding and total unitholders' equity for recent 5 years to the end of current period are as follows:

Date	Type of issue	Number of investment units issued and outstanding (Unit)		Total unitholders' equity (Yen in millions) (Note 1)		Note
		Increase (decrease)	Total	Increase (decrease)	Total	
January 17, 2014	Unit split	200	400	-	100	(Note 2)
April 23, 2014	Public offering	144,200	144,600	35,066	35,166	(Note 3)
May 23, 2014	Issuance of new investment units through third-party allotment	7,210	151,810	1,753	36,919	(Note 4)
February 10, 2015	Public offering	145,000	296,810	46,137	83,057	(Note 5)
March 10, 2015	Issuance of new investment units through third-party allotment	7,250	304,060	2,306	85,364	(Note 6)
July 1, 2015	Public offering	84,000	388,060	22,911	108,276	(Note 7)
July 28, 2015	Issuance of new investment units through third-party allotment	3,700	391,760	1,009	109,285	(Note 8)

(Note 1) Total unitholders' equity is truncated to the nearest million yen.

(Note 2) NIPPON REIT implemented a two-for-one split of investment units with an effective date of January 17, 2014.

(Note 3) In order to obtain funds to acquire new properties, NIPPON REIT issued new investment units through a public offering at the offer price of 252,000 yen (issue price of 243,180 yen) per unit.

(Note 4) In connection with the public offering, NIPPON REIT issued new investment units through a third-party allotment at the issue price of 243,180 yen per unit.

(Note 5) In order to obtain funds to acquire new properties, NIPPON REIT issued new investment units through a public offering at the offer price of 330,037 yen (issue price of 318,189 yen) per unit.

(Note 6) In connection with the public offering, NIPPON REIT issued new investment units through a third-party allotment at the issue price of 318,189 yen per unit.

(Note 7) In order to obtain funds to acquire new properties, NIPPON REIT issued new investment units through a public offering at the offer price of 282,918 yen (issue price of 272,761 yen) per unit.

(Note 8) In connection with the public offering, NIPPON REIT issued new investment units through a third-party allotment at the issue price of 272,761 yen per unit.

### (Changes in market price of investment securities)

The highest and lowest (closing) prices in the J-REIT section of the Tokyo Stock Exchange, upon which NIPPON REIT's investment securities are listed, are as follows for the period indicated:

Period	5th fiscal period	6th fiscal period	7th fiscal period	8th fiscal period	9th fiscal period
	From July 1, 2014 to December 31, 2014	From January 1, 2015 to June 30, 2015	From July 1, 2015 to December 31, 2015	From January 1, 2016 to June 30, 2016	From July 1, 2016 to December 31, 2016
Highest (yen)	376,500	400,000	300,000	295,500	285,000
Lowest (yen)	254,900	288,900	233,800	246,000	250,500

### (4) Distributions

Concerning distributions for the period under review, in order to be eligible for application of the special provisions for taxation on investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation) and ensure a scope that does not exceed unappropriated retained earnings and that can minimize unitholder burdens of income tax, etc., NIPPON REIT decided to distribute ¥3,055,728,000, which is the amount equivalent to the maximum integral multiple of the total number of investment units issued and outstanding, or 391,760 units. As such, cash distributions per unit were ¥7,800.

Period	5th fiscal period	6th fiscal period	7th fiscal period	8th fiscal period	9th fiscal period
	From July 1, 2014 to December 31, 2014	From January 1, 2015 to June 30, 2015	From July 1, 2015 to December 31, 2015	From January 1, 2016 to June 30, 2016	From July 1, 2016 to December 31, 2016
Unappropriated retained earnings (Yen in thousands)	1,107,258	2,103,897	2,996,813	2,971,047	3,080,273
Retained earnings (Retained earnings brought forward) (Yen in thousands)	28,041	28,079	26,880	25,404	24,545
Cash distributions declared (Yen in thousands)	1,079,217	2,075,817	2,969,932	2,945,643	3,055,728
Distributions per unit (Yen)	(7,109)	(6,827)	(7,581)	(7,519)	(7,800)
Of the above, total earnings distributions (Yen in thousands)	1,079,217	2,075,817	2,969,932	2,945,643	3,055,728
Earnings distributions per unit (Yen)	(7,109)	(6,827)	(7,581)	(7,519)	(7,800)
Of the above, total capital refunds (Yen in thousands)	—	—	—	—	—
Capital refunds per unit (Yen)	—	—	—	—	—
Of total capital refunds, total distributions from allowance for temporary difference (Yen in thousands)	—	—	—	—	—
Distributions from allowance for temporary difference per unit (Yen)	—	—	—	—	—
Of total capital refunds, total distributions from reduced capital distributions (Yen in thousands)	—	—	—	—	—
Distributions from reduced capital distributions per unit (Yen)	—	—	—	—	—

(Note) Amounts are truncated to the relevant digit.

## (5) Future Operating Policies and Issues to Be Addressed

### A Management Policy

With the basic policy of “Thoroughly pursuing the best interests of NIPPON REIT’s unitholders,” NIPPON REIT plans to engage in the following measures to maximize unitholder value through flexible and timely investment, seek the best interests of unitholders by utilizing the features of a diversified REIT, and focus on the growth potential and stability of revenues.

### B External Growth Strategy

In order to diversify risk by combining assets with different revenue features while considering the future trends of the Japanese economy and real estate market as well as securing more appropriate investment opportunities, NIPPON REIT will set office properties as its main target of investment and construct a diversified portfolio by also investing in residential properties and retail properties.

Furthermore, with the asset management company’s own property acquisition network as the base and also utilizing the real estate investment networks of sponsors such as Sojitz Corporation, the main sponsor and sub-sponsor, companies such as Cushman & Wakefield Asset Management K.K. (hereafter referred to as “Cushman”), and Agility Asset Advisers Inc., NIPPON REIT will increase its asset size through property acquisitions centered on negotiation transactions with third parties and promote external growth.

Concerning property acquisitions from third parties, NIPPON REIT will consider temporary ownership and recovery functions provided through the warehousing function of Sojitz Corporation, the main sponsor, and temporary ownership functions provided by bridge funds in which sponsor companies are involved in the formations, in order to avoid the loss of opportunities for property acquisitions and to maximize growth opportunities.

### C Internal Growth Strategy

NIPPON REIT will manage assets to maintain and increase the competitiveness of the portfolio and of individual properties according to their features based on the unique networks and expertise that the officers and employees of the asset management company have nurtured at sponsor companies. Moreover, by entrusting property and building management operations mainly to Sojitz General Property Management Corporation, a subsidiary of main sponsor Sojitz Corporation, we will promote the maintenance of the occupancy rate and an increase in profitability through the utilization of Sojitz General Property Management Corporation’s knowledge based on experience and cost reduction effects via economies of scale. Furthermore, with appropriate processes as a given, Sojitz General Property Management Corporation will be used as the main consignee for renovations and planned repairs in addition to the daily management operations. Along with the company’s consistent support ranging from building diagnostics to repair designs, selection of construction companies and construction management based on its knowledge nurtured through large-scale repair consulting and such, NIPPON REIT will aim to maintain and increase the value of assets under management through effective and conscientious repairs that consider the priority of construction work and optimization of costs, following sufficient consideration of cost-effectiveness.

Regarding leasing plans for offices, new asking rent and renewed rent for existing tenants will be set with reference to various data, etc., provided by Cushman, a sub-sponsor, and flexible leasing activities will be implemented by stipulating the operational policy for new potential tenants.

### D Financial Strategy

NIPPON REIT’s basic policy for its financial strategy is to conduct fund procurement in a diversified and well-balanced manner in order to construct a stable financial foundation over the medium to long term.

Regarding interest-bearing debt, the targeted ceiling of LTV is set at 60%. NIPPON REIT’s LTV as of the end of the fiscal period under review is 45.7% and the current policy is to maintain the LTV level between 45% and 55%.

With regard to lenders, NIPPON REIT will maintain a strong bank formation centered on the syndicate group as of the end of the fiscal period under review.

## (6) Significant Subsequent Events

Not applicable.



## 2 Overview of the Investment Corporation

### (1) Status of Investment Units

Period	5th fiscal period December 31, 2014	6th fiscal period June 30, 2015	7th fiscal period December 31, 2015	8th fiscal period June 30, 2016	9th fiscal period December 31, 2016
Total number of investment units authorized (Unit)	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Total number of investment units issued and outstanding (Unit)	151,810	304,060	391,760	391,760	391,760
Total unitholders' equity (Note) (Yen in millions)	36,919	85,364	109,285	109,285	109,285
Number of unitholders	9,816	21,096	24,862	25,570	24,814

(Note) Total unitholders' equity is truncated to the nearest million yen.

### (2) Matters Concerning Investment Units

The top 10 unitholders in terms of the percentage of investment units held as of December 31, 2016, are as follows:

Name	Number of investment units held (Unit)	Percentage of units held to the total number of units issued and outstanding (%) (Note)
Japan Trustee Services Bank, Ltd. (Trust Account)	70,635	18.03
Trust & Custody Service Bank, Ltd. (Securities Investment Trust Account)	28,449	7.26
The Master Trust Bank of Japan, Ltd. (Trust Account)	20,452	5.22
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	15,503	3.96
Sojitz Corporation	15,500	3.96
STATE STREET BANK AND TRUST COMPANY 505001	4,362	1.11
BARCLAYS CAPITAL SECURITIES LIMITED	3,700	0.94
Shikoku Railway Company	3,342	0.85
NOMURA BANK (LUXEMBOURG) S.A.	2,520	0.64
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,507	0.64
Total	166,970	42.62

(Note) Percentage of units held to the total number of units issued and outstanding is rounded to the second decimal place and may not add up to the total.

### (3) Officers

The following table provides information about our executive and supervising officers, and independent auditor during the fiscal period under review.

Position	Name	Major concurrent position	Total compensation per title during the 8th fiscal period (Yen in thousands) (Note 1)
Executive Officer	Hisao Ishikawa	Adviser for Asset Management Department, Sojitz Corporation	1,800
Supervising Officer	Yasuhiro Shimada	Partner, Atsumi & Sakai	1,200
	Hisashi Yahagi	Representative council, Toranomon Partners	1,200
Independent Auditor	KPMG AZSA LLC	—	13,000

(Note 1) Total compensation for each position in the applicable business period has been truncated to the nearest thousand yen.

(Note 2) Termination of the independent auditor is carried out in accordance with the Investment Trust Act. The Board of Officers of NIPPON REIT determines the refusal of reappointment of an independent auditor factoring in various circumstances including the quality of the audits performed and compensation for said audits.

### (4) Asset Manager, Asset Custodian, and General Administrative Agent

NIPPON REIT's asset manager, asset custodian, and general administrative agent as of December 31, 2016 are as follows:

Business	Name
Asset Manager	Sojitz REIT Advisors K.K.
Asset Custodian	Mitsubishi UFJ Trust and Banking Corporation
General Administrative Agent (Transfer agent)	Mitsubishi UFJ Trust and Banking Corporation
General Administrative Agent (Administrative work for organizational operation)	Mitsubishi UFJ Trust and Banking Corporation
General Administrative Agent (Accounting administration)	Mitsubishi UFJ Trust and Banking Corporation

### 3 Portfolio of the Investment Corporation

#### (1) Composition of Assets

1) Composition of Assets

Type of assets	Property type	Area	8th fiscal period (June 30, 2016)		9th fiscal period (December 31, 2016)	
			Total amount held (Yen in millions) (Note 1)	Percentage to total assets (%) (Note 2)	Total amount held (Yen in millions) (Note 1)	Percentage to total assets (%) (Note 2)
Real estate in trust (Note 3)	Office properties	Six central wards of Tokyo (Note 4)	122,397	54.2	122,349	54.0
		Three major metropolitan areas (Note 5) (excluding six central wards of Tokyo)	61,059	27.0	60,991	26.9
		Subtotal	183,457	81.2	183,340	81.0
	Residential properties	Three major metropolitan areas (Note 5) (including six central wards of Tokyo)	16,959	7.5	16,814	7.4
		Certain ordinance-designated and other cities (Note 6)	2,255	1.0	2,233	1.0
		Subtotal	19,215	8.5	19,048	8.4
	Retail properties	-	5,539	2.5	5,533	2.4
	Total		208,212	92.2	207,922	91.8
	Investment securities (Note 7)		835	0.4	848	0.4
	Deposits and other assets		16,795	7.4	17,626	7.8
Total assets (Note 8)		225,842 (208,212)	100.0 (92.2)	226,398 (207,922)	100.0 (91.8)	

(Note 1) Total amount held represents the amount recorded on the balance sheets as of the end of the respective period (for real estate in trust, book value less depreciation) and truncated to the nearest million yen.

(Note 2) Percentage to total assets represents the percentage of the amount of respective assets recorded on the balance sheets to total assets. Figures are rounded to one decimal place and may not add up to subtotals or the total.

(Note 3) "Real estate in trust" excludes "Construction in progress in trust".

(Note 4) "Six central wards of Tokyo" refers to Chiyoda, Chuo, Minato, Shinjuku, Shibuya, and Shinagawa wards.

(Note 5) "Three major metropolitan areas" refers to the Tokyo, Osaka, and Nagoya economic areas. "Tokyo economic area" refers to the Tokyo metropolitan area, Kanagawa Prefecture, Chiba Prefecture, and Saitama Prefecture. "Osaka economic area" refers to Osaka Prefecture, Kyoto Prefecture, and Hyogo Prefecture. "Nagoya economic area" refers to Aichi Prefecture, Gifu Prefecture, and Mie Prefecture.

(Note 6) "Certain ordinance-designated and other cities" refers to Japanese cities that have been designated as ordinance-designated cities by order of the Cabinet under the Local Autonomy Law of Japan and that are located outside of the three major metropolitan areas (i.e., Sapporo, Sendai, Niigata, Shizuoka, Hamamatsu, Okayama, Hiroshima, Fukuoka, Kitakyushu, and Kumamoto) and to prefectural capitals that are located outside of the three major metropolitan areas.

(Note 7) "Investment securities" represents the equity interest in silent partnerships of Godo Kaisha Nicolas Capital 6 as operator, as of the end of the 7th period, and the equity interests in silent partnerships of Godo Kaisha Nicolas Capital 6, Godo Kaisha Nicolas Capital 9, and Godo Kaisha Nicolas Capital 8 as operators as of the end of the 8th period.

(Note 8) Figures in total assets shown in parentheses represent the portion corresponding to a substantive holding of real estate, etc., in total assets.

#### (2) Principal Assets Held

The overview of principal assets held by NIPPON REIT as of December 31, 2016 (top 10 properties in terms of book value at the end of the period) is as follows:

Property name	Book value (Yen in millions) (Note 1)	Total leasable area (m <sup>2</sup> ) (Note 2)	Total leased area (m <sup>2</sup> ) (Note 3)	Occupancy rate (%) (Note 4)	Rate to total revenues from property leasing (%) (Note 5)	Primary use
Omiya Center Building	15,670	14,311.77	14,311.77	100.0	7.0	Office
FORECAST Shinjuku SOUTH	14,519	13,875.04	13,875.04	100.0	8.5	Office
Tower Court Kitashinagawa	11,134	16,913.29	16,573.63	98.0	5.8	Residence
Shibakoen Sanchome Building	7,450	7,882.60	7,882.60	100.0	3.2	Office
FORECAST Gotanda WEST (Note 6)	6,782	8,981.55	8,981.55	100.0	3.4	Office
FORECAST Shinjuku AVENUE	6,371	4,337.15	4,337.15	100.0	3.0	Office
FORECAST Sakurabashi	6,031	6,566.76	6,566.76	100.0	3.0	Office
FORECAST Takadanobaba (Note 6)	5,803	5,614.35	5,614.35	100.0	2.5	Office
FORECAST Iidabashi (Note 6)	5,423	4,066.50	4,066.50	100.0	1.9	Office
JS Progres Building	5,408	11,988.14	11,988.14	100.0	2.4	Office
Total	84,596	94,537.15	94,197.49	99.6	40.7	

(Note 1) "Book value" is truncated to the nearest million yen.

(Note 2) "Total leasable area" is the total area of the relevant building that NIPPON REIT considers leasable based on relevant lease agreements or floor plans. The same shall apply hereafter.

(Note 3) "Total leased area" is the aggregate leased area described in the relevant lease agreements as of December 31, 2016. For properties subject to pass-through master leases, total leased area is the aggregate of the leased areas indicated in the relevant sublease agreements with end-tenants as of December 31, 2016.

(Note 4) "Occupancy rate" is calculated by dividing total leased area by total leasable area as of December 31, 2016, and rounded to the first decimal place.

(Note 5) "Rate to total revenues from property leasing" is rounded to the first decimal place and may not add up to the total.



(3) Description of Portfolio

The overview of portfolio assets held by NIPPON REIT as of December 31, 2016, is as follows:

Property name	Location (Indication of residential address)	Form of ownership	Total leasable area (m <sup>2</sup> )	Appraisal value (Yen in millions) (Note 1)	Book value (Yen in million) (Note 2)
FORECAST Nishishinjuku	7-16-11 Nishi-Shinjuku, Shinjuku-ku, Tokyo	Trust beneficiary estate	1,945.68	2,830	2,200
Nihombashi Playa Building	1-9-12 Nihonbashi Hamacho, Chuo-ku, Tokyo	Trust beneficiary estate	2,490.08	2,330	2,075
FORECAST Yotsuya	2-11-6 Yotsuya, Shinjuku-ku, Tokyo	Trust beneficiary estate	1,678.15	1,770	1,400
FORECAST Shinjuku AVENUE	2-5-12 Shinjuku, Shinjuku-ku, Tokyo	Trust beneficiary estate	4,337.15	7,150	6,371
FORECAST Ichigaya (Note 3)	3-29 Ichigaya Honmuracho, Shinjuku-ku, Tokyo	Trust beneficiary estate	3,844.66	5,550	4,701
FORECAST Mita	1-3-31 Mita, Minato-ku, Tokyo	Trust beneficiary estate	1,786.18	2,090	1,772
FORECAST Shinjuku SOUTH	4-3-17 Shinjuku, Shinjuku-ku, Tokyo	Trust beneficiary estate	13,875.04	15,900	14,519
FORECAST Sakurabashi	4-5-4 Hatchobori, Chuo-ku, Tokyo	Trust beneficiary estate	6,566.76	6,160	6,031
GreenOak Kayabacho	1-3-3 Shinkawa, Chuo-ku, Tokyo	Trust beneficiary estate	2,984.94	3,110	2,972
GreenOak Kudan	1-11-5 Kudankita, Chiyoda-ku, Tokyo	Trust beneficiary estate	2,594.46	3,100	2,879
GreenOak Takanawadai	2-26-10 Shirokanedai, Minato-ku, Tokyo	Trust beneficiary estate	2,621.74	2,430	2,266
GreenOak Okachimachi	5-23-14 Ueno, Taito-ku, Tokyo	Trust beneficiary estate	3,497.09	3,000	3,458
Higashi Ikebukuro Center Building	4-41-24 Higashi-Ikebukuro, Toshima-ku, Tokyo	Trust beneficiary estate	4,219.65	2,730	2,685
Central Daikanyama	14-23 Daikanyamacho, Shibuya-ku, Tokyo	Trust beneficiary estate	1,898.83	3,490	3,655
JS Progres Building	4-1-23 Heiwajima, Ota-ku, Tokyo	Trust beneficiary estate	11,988.14	5,240	5,408
Hiroo Reeplex B's	5-15-27 Minamiazabu, Minato-ku, Tokyo	Trust beneficiary estate	1,500.85	2,990	2,864
Shibakoen Sanchome Building	3-1-38 Shibakoen, Minato-ku, Tokyo	Trust beneficiary estate	7,882.60	9,400	7,450
FORECAST Iidabashi	3-11-13 Iidabashi, Chiyoda-ku, Tokyo	Trust beneficiary estate	4,066.50	5,440	5,423
Kudankita 325 Building	3-2-5 Kudankita, Chiyoda-ku, Tokyo	Trust beneficiary estate	2,007.07	1,950	1,936
FORECAST Uchikanda	1-3-3 Uchikanda, Chiyoda-ku, Tokyo	Trust beneficiary estate	1,230.44	1,260	1,300
Itohpa Iwamotocho 2-chome Building	2-11-2 Iwamotocho, Chiyoda-ku, Tokyo	Trust beneficiary estate	3,447.16	2,960	2,836
Itohpa Iwamotocho 1-chome Building	1-8-15 Iwamotocho, Chiyoda-ku, Tokyo	Trust beneficiary estate	3,056.56	2,690	2,686
Itohpa Iwamotocho ANNEX Building	2-14-2 Iwamotocho, Chiyoda-ku, Tokyo	Trust beneficiary estate	3,064.20	2,320	2,121
Hisamatsucho Reeplex B's	4-4 Hisamatsucho, Nihonbashi, Chuo-ku, Tokyo	Trust beneficiary estate	3,022.25	2,890	2,864
FORECAST Ningyocho (Note 4)	2-13-9 Ningyocho, Nihonbashi, Chuo-ku, Tokyo	Trust beneficiary estate	2,277.61	2,070	2,154
FORECAST Ningyocho PLACE (Note 4)	3-4-14 Ningyocho, Nihonbashi, Chuo-ku, Tokyo	Trust beneficiary estate	1,867.95	1,760	1,665

Property name	Location (Indication of residential address)	Form of ownership	Total leasable area (m <sup>2</sup> )	Appraisal value (Yen in millions) (Note 1)	Book value (Yen in million) (Note 2)
FORECAST Shin-Tokiwabashi	3-1-2 Nihonbashi Hongokucho Chuo-ku, Tokyo	Trust beneficiary estate	1,794.97	2,030	2,115
Nishi-Shinjuku Sanko Building	7-22-35 Nishi-Shinjuku, Shinjuku-ku, Tokyo	Trust beneficiary estate	2,479.80	2,270	2,240
Iidabashi Reeplex B's	1-14 Shin-Ogawamachi, Shinjuku-ku, Tokyo	Trust beneficiary estate	1,401.68	1,360	1,290
FORECAST Shinagawa	1-20-9 Kita-Shinagawa, Shinagawa-ku, Tokyo	Trust beneficiary estate	2,385.47	2,300	2,400
Nishi-Gotanda 8-chome Building	8-3-16 Nishi-Gotanda, Shinagawa-ku, Tokyo	Trust beneficiary estate	2,999.68	2,240	2,300
Towa Higashi-Gotanda Building	1-7-6 Higashi-Gotanda, Shinagawa-ku, Tokyo	Trust beneficiary estate	2,939.16	2,120	2,044
FORECAST Takadanobaba	3-28-2 Takada, Toshima-ku, Tokyo	Trust beneficiary estate	5,614.35	5,570	5,803
Mejiro NT Building	2-1-1 Mejiro, Toshima-ku, Tokyo	Trust beneficiary estate	4,497.27	3,240	3,109
Toshin Higashi-Ikebukuro Building	5-44-15 Higashi-Ikebukuro, Toshima-ku, Tokyo	Trust beneficiary estate	1,645.19	1,030	994
Mitsui Woody Building	2-4-14 Toyo, Koto-ku, Tokyo	Trust beneficiary estate	4,006.20	2,640	2,544
Iidabashi Honcho Building	36-1 Shimizucho, Itabashi-ku, Tokyo	Trust beneficiary estate	6,356.89	3,220	3,168
ANTEX24 Building	1-1-14 Taito, Taito-ku, Tokyo	Trust beneficiary estate	2,267.59	1,730	1,786
Itohpa Kiyosubashidori Building	1-38-9 Taito, Taito-ku, Tokyo	Trust beneficiary estate	2,659.67	1,720	1,580
East Side Building	1-1-11 Yanagibashi, Taito-ku, Tokyo	Trust beneficiary estate	2,096.92	1,470	1,384
Minamimorimachi Building	2-6-5 Higashi-Temma, Kita-ku, Osaka, Osaka	Trust beneficiary estate	4,164.82	2,410	2,276
Sunworld Building	1-6-2 Kita-Horie, Nishi-ku, Osaka, Osaka	Trust beneficiary estate	3,314.58	1,230	1,257
Marunouchi Sanchome Building	3-14-32 Marunouchi, Naka-ku, Nagoya, Aichi	Trust beneficiary estate	4,219.19	1,790	1,633
MK Kojimachi Building	4-2-1 Kojimachi, Chiyoda-ku, Tokyo	Trust beneficiary estate	1,748.92	1,960	1,813
Toranomon Sakura Building	3-22-1 Toranomon, Minato-ku, Tokyo	Trust beneficiary estate	3,049.80	4,270	4,304
La Verite Akasaka	1-5-7 Motoakasaka, Minato-ku, Tokyo	Trust beneficiary estate	1,707.18	2,080	2,102
Kanda Ocean Building	1-15-2 Uchikanda, Chiyoda-ku, Tokyo	Trust beneficiary estate	1,484.74	1,520	1,460
Shinto GINZA EAST	3-1-10 Tsukiji, Chuo-ku, Tokyo	Trust beneficiary estate	1,206.28	1,400	1,366
New River Building	1-10-14 Shinkawa, Chuo-ku, Tokyo	Trust beneficiary estate	3,882.61	2,960	3,163
FORECAST Waseda FIRST	1-1 Babashitacho, Shinjuku-ku, Tokyo	Trust beneficiary estate	4,340.66	4,900	4,812
FORECAST Gotanda WEST	8-9-5 Nishi-Gotanda, Shinagawa-ku, Tokyo	Trust beneficiary estate	8,981.55	6,790	6,782
Omiya Center Building	1-9-6 Sakuragicho, Omiya-ku, Saitama, Saitama	Trust beneficiary estate	14,311.77	17,100	15,670
Sumitomo Mitsui Bank Koraibashi Building	2-1-1 Fushimicho, Chuo-ku, Osaka, Osaka	Trust beneficiary estate	5,102.55	2,900	2,900

Property name	Location (Indication of residential address)	Form of ownership	Total leasable area (m <sup>2</sup> )	Appraisal value (Yen in millions) (Note 1)	Book value (Yen in million) (Note 2)
NORE Fushimi	1-16-7 Nishiki, Naka-ku, Nagoya, Aichi	Trust beneficiary estate	3,857.58	3,020	2,821
NORE Meieki	1-3-18 Meiekininami, Nakamura-ku, Nagoya, Aichi	Trust beneficiary estate	4,296.12	2,830	2,506
Tower Court Kitashinagawa	3-11-13 Kita-Shinagawa, Shinagawa-ku, Tokyo	Trust beneficiary estate	16,913.29	13,200	11,134
Sky Hills N11	2-4-10 Kita-Juichijo-Nishi, Kita-ku, Sapporo, Hokkaido	Trust beneficiary estate	8,567.50	1,700	1,584
my ateria Meieki	3-9-6 Meieki, Nakamura-ku, Nagoya, Aichi	Trust beneficiary estate	2,890.78	1,450	1,286
my ateria Sakae	1-29-26 Sakae, Naka-ku, Nagoya, Aichi	Trust beneficiary estate	3,121.60	1,190	1,105
Mac Village Heian	2-24-88 Heian, Kita-ku, Nagoya, Aichi	Trust beneficiary estate	2,250.00	849	786
Seam Dwell Tsutsui	3-28-25 Tsutsui, Higashi-ku, Nagoya, Aichi	Trust beneficiary estate	1,800.00	768	714
Ciel Yakuin	2-7-35 Watanabe-Dori, Chuoku, Fukuoka, Fukuoka	Trust beneficiary estate	1,544.87	690	649
Kanda Reeplex R's	2-5-1 Kandatacho, Chiyoda-ku, Tokyo	Trust beneficiary estate	2,183.93	1,890	1,786
Otakibashi Pacifica Building	7-10-18 Nishi-Shinjuku, Shinjuku-ku, Tokyo	Trust beneficiary estate	1,383.31	3,470	3,464
Komyoike Act	2-1-3 Kamotanidai, Minami-ku, Sakai, Osaka	Trust beneficiary estate	6,173.41	2,170	2,069
Total			255,393.62	220,087	207,922

- (Note 1) "Appraisal value" represents the appraisal value as set forth on the relevant appraisal reports as of December 31, 2016 and truncated to the nearest million yen.
- (Note 2) "Book value" is the value recorded on the balance sheets as of December 31, 2016 (for real estate and real estate in trust, acquisition price (including acquisition-related expenses) less depreciation expenses) and truncated to the nearest million yen.
- (Note 3) For the concerned property, the name "FORECAST Ichigaya" is used for the first through seventh floors as a property for office use, and the name of "Eponoqu Ichigaya" is used for the eighth and ninth floors as a property for residential use. However, the entire property including the residential portion is named "FORECAST Ichigaya."
- (Note 4) NIPPON REIT executed the following name change of properties. The same applies hereinafter.

Date of Change	Old Name	New Name
September 1, 2016	Da Vinci Ningyocho	FORECAST Ningyocho
December 1, 2016	KDX Ningyocho Building	FORECAST Ningyocho PLACE

The status of rental business related to properties held by NIPPON REIT is as follows:

Property name	8th fiscal period (From January 1, 2016 to June 30, 2016)				9th fiscal period (From July 1, 2016 to December 31, 2016)			
	Number of tenants (as of the end of period) (Note 1)	Occupancy rate (as of the end of period) (%) (Note 2)	Revenues related to property leasing (during the period) (Yen in millions) (Note 3)	Rate to total revenues related to property leasing (%) (Note 4)	Number of tenants (as of the end of period) (Note 1)	Occupancy rate (as of the end of period) (%) (Note 2)	Revenues related to property leasing (during the period) (Yen in millions) (Note 3)	Rate to total revenues related to property leasing (%) (Note 4)
FORECAST Nishishinjuku	16	89.0	84	1.3	17	100.0	82	1.2
Nihombashi Playa Building	2	100.0	80	1.2	2	100.0	79	1.2
FORECAST Yotsuya	13	100.0	51	0.8	13	100.0	52	0.8
FORECAST Shinjuku AVENUE	6	100.0	197	3.0	6	100.0	204	3.0
FORECAST Ichigaya	23	100.0	123	1.9	21	97.5	138	2.0
FORECAST Mita	5	100.0	54	0.8	5	100.0	60	0.9
FORECAST Shinjuku SOUTH	19	100.0	575	8.7	18	100.0	575	8.5
FORECAST Sakurabashi	6	100.0	196	3.0	6	100.0	203	3.0
GreenOak Kayabacho	5	86.4	98	1.5	5	86.4	89	1.3
GreenOak Kudan	4	100.0	97	1.5	4	100.0	98	1.4
GreenOak Takanawadai	11	100.0	78	1.2	11	100.0	80	1.2
GreenOak Okachimachi	5	100.0	92	1.4	5	100.0	97	1.4
Higashi Ikebukuro Center Building	5	100.0	90	1.4	5	100.0	110	1.6
Central Daikanyama	4	100.0	86	1.3	4	100.0	86	1.3
JS Progres Building	6	70.4	149	2.3	9	100.0	165	2.4
Hiroo Reeplex B's	8	100.0	78	1.2	8	100.0	79	1.2
Shibakoen Sanchome Building	4	100.0	215	3.3	4	100.0	219	3.2
FORECAST Iidabashi	24	100.0	129	2.0	23	100.0	128	1.9
Kudankita 325 Building	8	100.0	56	0.9	8	100.0	57	0.8
FORECAST Uchikanda	5	100.0	40	0.6	5	100.0	41	0.6
Itohpia Iwamotocho 2-chome Building	8	79.2	80	1.2	10	100.0	79	1.2
Itohpia Iwamotocho 1-chome Building	9	100.0	87	1.3	9	100.0	87	1.3
Itohpia Iwamotocho ANNEX Building	6	100.0	64	1.0	6	100.0	71	1.1
Hisamatsucho Reeplex B's	1	100.0	Not disclosed (Note 5)	Not disclosed (Note 5)	1	100.0	Not disclosed (Note 5)	Not disclosed (Note 5)
(Tentative) FORECAST Ningyocho	7	100.0	59	0.9	7	100.0	60	0.9
KDX Ningyocho Building	6	100.0	54	0.8	6	100.0	55	0.8
FORECAST Shin-Tokiwabashi	10	85.3	46	0.7	10	85.3	46	0.7
Nishi-Shinjuku Sanko Building	8	100.0	67	1.0	8	100.0	69	1.0
Iidabashi Reeplex B's	6	100.0	44	0.7	6	100.0	49	0.7
FORECAST Shinagawa	5	69.8	46	0.7	6	100.0	48	0.7
Nishi-Gotanda 8-chome Building	8	100.0	72	1.1	8	100.0	76	1.1
Towa Higashi-Gotanda Building	8	100.0	73	1.1	8	100.0	76	1.1
FORECAST Takadanobaba	7	100.0	162	2.5	7	100.0	172	2.5
Mejiro NT Building	5	100.0	115	1.7	5	100.0	114	1.7
Toshin Higashi-Ikebukuro Building	4	100.0	40	0.6	4	100.0	40	0.6
Mitsui Woody Building	6	100.0	77	1.2	6	100.0	94	1.4



Property name	8th fiscal period (From January 1, 2016 to June 30, 2016)				9th fiscal period (From July 1, 2016 to December 31, 2016)			
	Number of tenants (as of the end of period) (Note 1)	Occupancy rate (as of the end of period) (%) (Note 2)	Revenues related to property leasing (during the period) (Yen in millions) (Note 3)	Rate to total revenues related to property leasing (%) (Note 4)	Number of tenants (as of the end of period) (Note 1)	Occupancy rate (as of the end of period) (%) (Note 2)	Revenues related to property leasing (during the period) (Yen in millions) (Note 3)	Rate to total revenues related to property leasing (%) (Note 4)
Tabashi Honcho Building	4	100.0	139	2.1	4	100.0	146	2.2
ANTEX24 Building	5	73.5	43	0.7	7	100.0	45	0.7
Ittohia Kiyosubashidori Building	7	100.0	63	1.0	7	86.0	64	0.9
East Side Building	4	100.0	50	0.8	4	100.0	52	0.8
•S Minamimorimachi Building	16	100.0	92	1.4	16	100.0	96	1.4
Sunworld Building	1	100.0	Not disclosed (Note 6)	Not disclosed (Note 6)	1	100.0	Not disclosed (Note 6)	Not disclosed (Note 6)
Marunouchi Sanchoe Building	22	100.0	72	1.1	22	100.0	73	1.1
MK Kojimachi Building	8	74.0	47	0.7	9	100.0	61	0.9
Toranomon Sakura Building	7	72.5	52	0.8	9	89.5	67	1.0
La Verite Akasaka	6	100.0	41	0.6	6	100.0	56	0.8
Kanda Ocean Building	24	100.0	47	0.7	24	100.0	48	0.7
Shinto GINZA EAST	6	100.0	32	0.5	6	100.0	36	0.5
New River Building	12	69.5	68	1.0	13	90.1	65	1.0
FORECAST Waseda FIRST	8	100.0	141	2.1	6	85.2	116	1.7
FORECAST Gotanda WEST	13	100.0	215	3.3	13	100.0	228	3.4
Omiya Center Building	26	98.6	477	7.2	27	100.0	479	7.0
Sumitomo Mitsui Bank Koraibashi Building	22	98.6	108	1.6	23	100.0	121	1.8
NORE Fushimi	7	100.0	104	1.6	7	100.0	106	1.6
NORE Meieki	20	100.0	92	1.4	20	100.0	97	1.4
Tower Court Kitashinagawa	263	94.4	392	5.9	273	98.0	393	5.8
Sky Hills N11	1	100.0	61	0.9	1	100.0	61	0.9
my atria Meieki	67	99.1	49	0.7	66	96.9	50	0.7
my atria Sakae	1	100.0	38	0.6	1	100.0	38	0.6
Mac Village Heian	1	100.0	27	0.4	1	100.0	27	0.4
Seam Dwell Tsutsui	1	100.0	24	0.4	1	100.0	24	0.4
Ciel Yakuin	40	95.8	23	0.4	40	95.5	24	0.4
Kanda Reeplex R's	40	97.9	55	0.8	41	100.0	53	0.8
Otakibashi Pacifica Building	8	100.0	93	1.4	8	100.0	93	1.4
Komyoike Act	23	96.1	140	2.1	24	97.0	140	2.1
Total	946	95.9	6,600	100.0	966	98.8	6,804	100.0

(Note 1) "Number of tenants" is the aggregate number of tenants as described in the relevant lease agreements for respective properties as of the end of respective periods, excluding warehouses, signboards, and parking lots. For properties subject to a pass-through master lease, the number of tenants is the total number of end-tenants, except for certain pass-through master leases under which properties are leased en bloc to a sublessee who pays a fixed amount of rent to the master lessee, for which we consider number of the tenants to be one.

(Note 2) "Occupancy rate" is rounded to the first decimal place.

(Note 3) "Revenues related to property leasing" is truncated to the nearest million yen.

(Note 4) "Rate to total revenues related to property leasing" is rounded to the first decimal place, and may not add up to 100%.

(Note 5) This information is not disclosed as tenants' consent to disclosure has not been obtained.

(Note 6) This information is not disclosed as sublessees' consent to disclosure has not been obtained.

#### (4) Description of Investment Securities

The overview of investment securities held by NIPPON REIT as of December 31, 2016, is as follows:

Name	Type	Quantity (Unit)	Book value (Note 1)		Fair value (Note 1) (Note 2)		Valuation gain or loss (Yen in millions)	Notes
			Unit price (Yen in thousands)	Amount (Yen in millions)	Unit price (Yen in thousands)	Amount (Yen in millions)		
Godo Kaisha Nicolas Capital 6 equity interest in silent partnership	Equity interest in a silent partnership	—	—	227	—	227	—	(Note 3)
Godo Kaisha Nicolas Capital 9 equity interest in silent partnership	Equity interest in a silent partnership	—	—	99	—	99	—	(Note 4)
Godo Kaisha Nicolas Capital 8 equity interest in silent partnership	Equity interest in a silent partnership	—	—	521	—	521	—	(Note 5)
Total		—	—	848	—	848	—	

(Note 1) Amounts are truncated to the relevant digit.

(Note 2) Book value is used as the fair value equivalent.

(Note 3) The asset under management is trust beneficiary interests in real estate of Homat Horizon Building, Splendid Namba and Sannomiya First Building.

(Note 4) The asset under management is trust beneficiary interests in real estate of Yusen Higashi-Nihombashi Ekimae Building, Residence Edogawabashi and ZEPHYROS Minami-horie.

(Note 5) The asset under management is trust beneficiary interests in real estate of SC Sakaisujihonmachi Building, Alte Building Higobashi, DIA Building Meieki and Hiroo ON Building.

#### (5) Contract Amount and Market Value for Specific Transactions

Category	Type	Contract amount (Yen in thousands) (Note 1)		Market value (Yen in thousands) (Note 2)
			Due after 1 year	
Off-market transactions	Interest rate swap Receive floating / Pay fix	85,500,000	63,700,000	(70,204) (Note 3)
Total		85,500,000	63,700,000	(70,204)

(Note 1) The contract amount is based on the notional principal. Also, figures are truncated to the nearest thousand yen.

(Note 2) Market value is based on the price indicated by the financial institution managing the transaction. Also, figures are truncated to the nearest thousand yen.

(Note 3) With regard to the Interest rate swap Receive floating / Pay fix transaction for which special treatment is applied in accordance with the "Accounting Standards for Financial Instruments," such market value is not included in the balance sheet.

#### (6) Other Assets

Beneficiary interests in trust assets comprised mainly of real estate are presented earlier in this report under "(3) Description of Portfolio." Aside from the column for assets as of December 31, 2016, and the assets in "(4) Description of Investment Securities," NIPPON REIT has not included major investment assets in its portfolio.

#### (7) Holding of Assets by Country and Region

NIPPON REIT does not own assets outside of Japan.

#### 4 Capital Expenditure for Properties Held

##### (1) Schedule of Capital Expenditures

The following are the main capital expenditures NIPPON REIT plans to implement during the 10th fiscal period accompanying planned renovations and repairs for those properties held as of December 31, 2016.

The following scheduled construction amount includes the portion charged to expenses in accounting.

Property name	Location	Purpose	Schedule	Scheduled construction amount (Yen in millions) (Note)		
				Total	Amount to be paid in the current fiscal period	Amount already paid
GreenOak Kayabacho	Chuo Ward, Tokyo	Multistory parking lot maintenance	From January 2017 to June 2017	10	—	—
Higashi Ikebukuro Center Building	Toshima Ward Tokyo	Exterior wall repair	From January 2017 to June 2017	29	—	—
JS Progres Building	Ota Ward, Tokyo	Central surveillance system renewal (phase 3)	From December 2016 to June 2017	16	—	—
		Central surveillance system renewal (phase 4)	From December 2016 to June 2017	17	—	—
Nishi-Gotanda 8-chome Building	Shinagawa Ward Tokyo	Multistory parking lot maintenance	From January 2017 to June 2017	10	—	—
Towa Higashi-Gotanda Building	Shinagawa Ward, Tokyo	Roof and balcony waterproofing	From January 2017 to June 2017	10	—	—
		Elevator renewal	From January 2017 to June 2017	20	—	—
FORECAST Takadanobaba	Toshima Ward Tokyo	Substation renovation	From January 2017 to June 2017	16	—	—
Mitsui Woody Building	Koto Ward, Tokyo	Central surveillance system renewal	From January 2017 to June 2017	10	—	—
		Ventilation system renewal (4 <sup>th</sup> Floor)	From January 2017 to June 2017	44	—	—
		Roof and balcony waterproofing	From January 2017 to June 2017	58	—	—
ANTEX24 Building	Taito Ward, Tokyo	Multistory parking lot renewal	From January 2017 to June 2017	11	—	—
Itohpia Kiyosubashidori Building	Taito Ward, Tokyo	Installation rental office space at 5 <sup>th</sup> floor	From December 2016 to June 2017	27	—	—
I+S Minamimorimachi Building	Osaka, Osaka Prefecture	Multistory parking lot renewal	From January 2017 to June 2017	19	—	—
Tower Court Kitashinagawa	Shinagawa Ward Tokyo	Installation of LED lighting	From January 2017 to June 2017	14	—	—
Komyoike Act	Sakai, Osaka Prefecture	Elevator (No.2) renewal	From January 2017 to June 2017	14	—	—
		Exterior wall repair	From January 2017 to June 2017	49	—	—
		Fire suppression control panel and emergency broadcasting equipment renewal	From January 2017 to June 2017	17	—	—

(Note) The scheduled construction amount is truncated to the nearest million yen.

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

The following are the main capital expenditures NIPPON REIT implemented to carry out construction in the fiscal period under review for properties held as of December 31, 2016. In the fiscal period ended June 30, 2016 (8th period), capital expenditures totaled ¥466 million. With the addition of ¥86 million posted as expense for renovations and repairs, total capital expenditures for construction came to ¥552 million.

Property name	Location	Purpose	Period	Capital expenditures (Yen in millions) (Note 1)
FORECAST Shinjuku SOUTH	Shinjuku Ward, Tokyo	Multistory parking lot renewal	From December 2016 to December 2016	42
Iidabashi Reeplex B's	Shinjuku Ward, Tokyo	Ventilation system renewal	From September 2016 to October 2016	21
ANTEX24 Building	Taito Ward, Tokyo	Exterior wall repair	From November 2016 to December 2016	17
New River Building	Chuo Ward, Tokyo	Ventilation system renewal	From October 2016 to December 2016	71
		Installation of LED lighting	From October 2016 to December 2016	26
Omiya Center Building	Saitama, Saitama Prefecture	Fire suppression control panel and emergency broadcasting equipment renewal	From June 2016 to July 2016	29
Sumitomo Mitsui Bank Korabashi Building	Osaka, Osaka Prefecture	B1 entrance renewal	From November 2016 to December 2016	12
		Central surveillance system renewal	From July 2016 to November 2016	11
Komyoike Act	Sakai, Osaka Prefecture	Elevator (No.1) renewal	From December 2016 to December 2016	13
		Installation of LED lighting	From December 2016 to December 2016	12
Other capital expenditures				206
Total				466

(Note) Capital expenditures are truncated to the nearest million yen.

##### (3) Cash Reserves for Long-Term Repairs and Maintenance Plans

Based on a long-term repair and maintenance plan compiled for each property, NIPPON REIT sets aside the following cash reserves from cash flows during the fiscal period in order to provide the payment of funds for major repairs and maintenance, etc. over the medium to long term.

(Yen in millions)

Operating period	5th fiscal period From July 1, 2014 to December 31, 2014	6th fiscal period From January 1, 2015 to June 30, 2015	7th fiscal period From July 1, 2015 to December 31, 2015	8th fiscal period From January 1, 2016 to June 30, 2016	9th fiscal period From July 1, 2016 to December 31, 2016
Balance of reserves at beginning of period	45	174	480	553	694
Amount of reserves during period	161	400	468	466	458
Amount of reversal of reserves during period	33	93	395	326	466
Reserves carried forward	174	480	553	694	687

(Note) Figures in the above table are truncated to the nearest million yen.

## 5 Expenses and Liabilities

### (1) Expenses in Connection with Management of Assets

(Yen in thousands)

Item	8th fiscal period From January 1, 2016 to June 30, 2016	9th fiscal period From July 1, 2016 to December 30, 2016
(a) Asset management fees (Note 1)	511,448	527,285
(b) Asset custody fees	12,887	12,995
(c) Administrative service fees	49,751	50,230
(d) Directors' compensation	2,160	4,200
(e) Independent auditors' fees	13,000	13,000
(f) Other operating expenses	98,266	94,725
Total	687,514	702,436

(Note 1) In addition to the amount shown above for asset management fees, there were management fees (8th period, ¥7,175 thousand) for property acquisition included in the cost of acquisition of respective investment securities.

(Note 2) Figures in the table above are truncated to the nearest thousand yen.

### (2) Debt Financing

The status of borrowing per financial institution as of December 31, 2016, is as follows:

Classification	Lender	Borrowing date	Balance at the beginning of the period (Yen in millions) (Note 1)	Balance at the end of the period (Yen in millions) (Note 1)	Average interest rate (%) (Note 2)	Repayment due date	Method of repayment	Use	Note
Current portion of long-term debt	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 12, 2015	2,000	-	0.31	August 22, 2016	Lump-sum repayment at maturity	(Note 3)	Unsecured Unguaranteed
	Mizuho Bank, Ltd.		2,000	-					
	Mitsubishi UFJ Trust and Banking Corporation		2,000	-					
	Sumitomo Mitsui Banking Corporation		2,000	-					
	Resona Bank, Limited		1,000	-					
	Shinsei Bank, Limited		500	-					
	Mizuho Trust & Banking Co., Ltd.	April 24, 2014	500	-	0.25 (Note4)	April 24, 2017	Lump-sum repayment at maturity	(Note 3)	Unsecured Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		6,500	6,500					
	Mizuho Bank, Ltd.		2,100	2,100					
	Mitsubishi UFJ Trust and Banking Corporation		1,400	1,400					
	Sumitomo Mitsui Banking Corporation		800	800					
	Resona Bank, Limited		800	800					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	December 19, 2014	3,700	3,700	0.24 (Note4)	August 21, 2017	Lump-sum repayment at maturity	(Note 3)	Unsecured Unguaranteed
	Mizuho Bank, Ltd.	February 12, 2015	1,500	1,500	0.24 (Note4)	August 21, 2017	Lump-sum repayment at maturity	(Note 3)	Unsecured Unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,500	1,500					
	Sumitomo Mitsui Banking Corporation		1,500	1,500					
	Resona Bank, Limited		1,000	1,000					
	Sumitomo Mitsui Trust Bank, Limited		1,000	1,000					
	Subtotal		31,800	21,800					

Classification	Lender	Borrowing date	Balance at the beginning of the period (Yen in millions) (Note 1)	Balance at the end of the period (Yen in millions) (Note 1)	Average interest rate (%) (Note 2)	Repayment due date	Method of repayment	Use	Note
Long-term debt	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	April 24, 2014	4,600	4,600	0.80	April 24, 2018	Lump-sum repayment at maturity	(Note 3)	Unsecured Unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		900	900					
	Sumitomo Mitsui Banking Corporation		750	750					
	Resona Bank, Limited		750	750					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	July 2, 2015	400	400	0.44 (Note4)	April 24, 2018	Lump-sum repayment at maturity	(Note 3)	Unsecured Unguaranteed
	Sumitomo Mitsui Banking Corporation		700	700					
	Resona Bank, Limited		700	700					
	Sumitomo Mitsui Trust Bank, Limited		700	700					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	January 8, 2015	5,700	5,700	0.22 (Note4)	August 20, 2018	Lump-sum repayment at maturity	(Note 3)	Unsecured Unguaranteed
	Mizuho Bank, Ltd.	February 12, 2015	500	500	0.22 (Note4)	August 20, 2018	Lump-sum repayment at maturity	(Note 3)	Unsecured Unguaranteed
	Sumitomo Mitsui Banking Corporation		600	600					
	Resona Bank, Limited		1,000	1,000					
	Sumitomo Mitsui Trust Bank, Limited		1,000	1,000					
	Shinsei Bank, Limited		1,000	1,000					
	Mizuho Trust & Banking Co., Ltd.		1,000	1,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	April 24, 2014	1,070	1,070	0.91	April 24, 2019	Lump-sum repayment at maturity	(Note 3)	Unsecured Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	April 24, 2014	2,300	2,300	0.51 (Note4)	April 24, 2019	Lump-sum repayment at maturity	(Note 3)	Unsecured Unguaranteed
	Mizuho Bank, Ltd.		1,100	1,100					
	Mitsubishi UFJ Trust and Banking Corporation		1,500	1,500					
	Sumitomo Mitsui Banking Corporation		1,250	1,250					
	Resona Bank, Limited		500	500					
	Sumitomo Mitsui Trust Bank, Limited		1,250	1,250					
	Shinsei Bank, Limited		500	500					
	Mizuho Trust & Banking Co., Ltd.		500	500					
	Aozora Bank, Ltd.		500	500					
	The Nomura Trust and Banking Co., Ltd.		500	500					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	July 2, 2015	2,500	2,500	0.54 (Note4)	July 22, 2019	Lump-sum repayment at maturity	(Note 3)	Unsecured Unguaranteed
	Mizuho Bank, Ltd.		2,000	2,000					
	Mitsubishi UFJ Trust and Banking Corporation		2,000	2,000					
	Sumitomo Mitsui Banking Corporation		1,500	1,500					
	Resona Bank, Limited		1,000	1,000					
	Sumitomo Mitsui Trust Bank, Limited		500	500					
	Shinsei Bank, Limited		750	750					
	Mizuho Trust & Banking Co., Ltd.		750	750					



Classification	Lender	Borrowing date	Balance at the beginning of the period (Yen in millions) (Note 1)	Balance at the end of the period (Yen in millions) (Note 1)	Average interest rate (%) (Note 2)	Repayment due date	Method of repayment	Use	Note
Long-term debt	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 12, 2015	2,500	2,500	0.85	February 20, 2020	Lump-sum repayment at maturity	(Note 3)	Unsecured Unguaranteed
	Mizuho Bank, Ltd.		500	500					
	Mitsubishi UFJ Trust and Banking Corporation		1,000	1,000					
	Resona Bank, Limited		500	500					
	Sumitomo Mitsui Trust Bank, Limited		500	500					
	Shinsei Bank, Limited		500	500					
	Mizuho Trust & Banking Co., Ltd.		500	500					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 12, 2015	3,500	3,500	0.84	February 20, 2020	Lump-sum repayment at maturity	(Note 3)	Unsecured Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	July 2, 2015	2,000	2,000	0.65 (Note4)	July 21, 2020	Lump-sum repayment at maturity	(Note 3)	Unsecured Unguaranteed
	Mizuho Bank, Ltd.		2,000	2,000					
	Mitsubishi UFJ Trust and Banking Corporation		2,000	2,000					
	Sumitomo Mitsui Banking Corporation		500	500					
	Resona Bank, Limited		500	500					
	Sumitomo Mitsui Trust Bank, Limited		500	500					
	Shinsei Bank, Limited		1,750	1,750					
	Mizuho Trust & Banking Co., Ltd.		1,750	1,750					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	April 25, 2016	2,000	2,000	0.36 (Note4)	April 20, 2021	Lump-sum repayment at maturity	(Note 3)	Unsecured Unguaranteed
	Mizuho Bank, Ltd.		2,000	2,000					
	Mitsubishi UFJ Trust and Banking Corporation		500	500					
	Sumitomo Mitsui Banking Corporation		2,500	2,500					
	Sumitomo Mitsui Trust Bank, Limited		500	500					
	Development Bank of Japan Inc.		1,000	1,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	August 22, 2016	-	4,000	0.38 (Note4)	August 20, 2021	Lump-sum repayment at maturity	(Note 3)	Unsecured Unguaranteed
	Mizuho Bank, Ltd.		-	2,000					
	Mitsubishi UFJ Trust and Banking Corporation		-	2,000					
	Resona Bank, Limited		-	1,000					
	Shinsei Bank, Limited		-	500					
	Mizuho Trust & Banking Co., Ltd.		-	500					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 12, 2015	500	500	1.24	February 20, 2023	Lump-sum repayment at maturity	(Note 3)	Unsecured Unguaranteed
	Subtotal		71,770	81,770					
	Total		103,570	103,570					

(Note 1) "Balance at the beginning of the period" and "Balance at the end of the period" are truncated to the nearest million yen.  
 (Note 2) "Average interest rate" is the weighted-average interest rate during the period, rounded to the second decimal place.  
 (Note 3) Used for acquisition of assets, repayment of loans, and related expenses deemed reasonable.  
 (Note 4) Interest rate swap agreement is concluded and the interest rate is substantively fixed. Therefore, the effect of interest rate swap is factored into the interest rate provided.

(3) Investment Corporation Bonds

Not applicable.

(4) Status of Short-Term Investment Corporation Bonds

Not applicable.

(5) Status of Unit Acquisition Rights

Not applicable.

6 Status of Purchases and Sales during the 9th fiscal Period

(1) Status of Purchases and Sales of Real Estate, Asset-Backed Securities, Infrastructure Assets and Infrastructure-Related Assets

Not applicable.

(2) Transaction of Other Assets

Other assets, aside from previously mentioned real estate, asset-backed securities, infrastructure assets, and infrastructure-related assets consist mainly of bank deposits and bank deposits included in the trust asset deposits.

(3) Review on Value of Specified Assets

A. Real estate  
Not applicable.

B. Others

KPMG AZSA LLC is entrusted with the investigation of prices of transactions that are carried out by NIPPON REIT and deemed necessary based on Article 201 of the Investment Trust Act .  
 Transactions that have been investigated during the applicable period from July 1, 2016, to December 31, 2016, consisted of 1 interest rate swap transaction, and an investigation report on such transactions was received from KPMG AZSA LLC.  
 Furthermore, in carrying out the investigation, NIPPON REIT entrusted the investigation of the name of the counterparty, the agreed figures, the transaction period, and other details regarding the relevant interest rate swap transactions.

#### (4) Related Party Transactions

##### A. Status of Transactions

Not applicable.

##### B. Amount of Fees Paid

Classification	Total amount paid (A) (Yen in thousands) (Note 3)	Breakdown of transactions with related parties (Note 1)		Rate to total amount paid (B/A) (Note 4)
		Payment recipient	Amount paid (B) (Yen in thousands)	
Insurance premiums (Note 5)	9,176	Sojitz Insurance Agency Corporation	9,176	100.0%
Property management fees	505,020	Sojitz General Property Management Corporation	266,889	52.8%
Other property-related expenses	248,155	Sojitz General Property Management Corporation	19,897	8.0%

(Note 1) In accordance with the Order for Enforcement of the Investment Trusts Act and Articles 26 and 27 of the Investment Trust Association of Japan's rules related to management reports for investment trusts and investment corporations, related parties are defined as the related parties of the asset management company that has entered into an asset management contract with NIPPON REIT.

(Note 2) The table above outlines the transactions in the fiscal period under review that NIPPON REIT concluded with related parties.

(Note 3) "Total amount paid" and "Amount paid" have been truncated to the nearest thousand yen.

(Note 4) "Rate to total amount paid" has been rounded to the first decimal place.

(Note 5) Insurance premiums include those for real estate in trust as well as for director liability insurance.

(Note 6) The following are fees paid to the related parties in the fiscal period under review other than those listed above and commission fees.  
Note that the amount is truncated to the nearest thousand yen.

Sojitz General Property Management Corporation	Repair work (in addition to repair expenses, this also includes capital expenditures)	¥229,196 thousand
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##### (5) Status of Transactions with Asset Management Company Pertaining to Business Operated by the Asset Management Company as Subsidiary Business

Not applicable because the asset management company does not engage in any business as a subsidiary business that is a type I financial instruments business, type II financial instruments business, real estate brokerage, or real estate specified joint enterprise.

#### 7 Accounting

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

Please refer to "Balance Sheets," "Statements of Income and Retained Earnings," "Statements of Change in Net Assets," "Notes to Financial Statements," and "Note 15. Distribution Information."

##### (2) Changes in Method to Calculate Depreciation Expenses

Not applicable.

##### (3) Changes in Method to Evaluate Properties and Infrastructure Assets

Not applicable.

##### (4) Status of Beneficiary Certificates of Investment Trust Established by NIPPON REIT

Not applicable.

##### (5) Disclosures as a Corporation Holding Real Estate Overseas and relating to Real Estate Held by a Corporation Holding Real Estate Overseas

Not applicable

## 8 Other

### (1) Notice

There are no conclusions and changes, etc. of major contracts approved by the meeting of the Board of Officers of NIPPON REIT during the fiscal period under review.

### (2) Other

Unless otherwise stated, monetary amounts are truncated and percentages are rounded off to the nearest specified unit here in this report.

## 9 Risk

An investment in NIPPON REIT's units involves significant risks. The principal risks with respect to investment in NIPPON REIT are as follows

### Property and Business Risks

- Any adverse conditions in the Japanese economy could adversely affect NIPPON REIT.
- NIPPON REIT may not be able to acquire properties to execute its growth and investment strategy in a manner that is accretive to earnings.
- The geographic concentration of NIPPON REIT's portfolio in the six central wards of Tokyo could have a material adverse effect on its business.
- The high proportion of office properties in NIPPON REIT's portfolio could have a material adverse effect on its business.
- Competition for tenants may adversely affect NIPPON REIT's ability to retain its current tenants, find new tenants, and achieve favorable rents.
- Increases in prevailing market interest rates may increase NIPPON REIT's interest expense and may result in a decline in the market price of its units.
- NIPPON REIT may suffer large losses if any of its properties incur damage from a natural or man-made disaster.
- NIPPON REIT's reliance on its sponsors could have a material adverse effect on its business.
- NIPPON REIT may incur unexpected expenses, expenditures or other losses for repair or maintenance of its properties.
- NIPPON REIT may be strictly liable for any unforeseen loss, damage, or injury suffered by a third party at its properties and disputes with neighbors may expose it to unexpected liabilities.
- NIPPON REIT may suffer adverse consequences if its rental revenues decline because a substantial part of its operating expenses are fixed.
- Illiquidity in the real estate market may limit NIPPON REIT's ability to grow or adjust its portfolio.
- Entering into forward commitment contracts may expose NIPPON REIT to contractual penalties and market risks.
- Defects relating to NIPPON REIT's properties may adversely affect its financial condition and results of operations.
- NIPPON REIT relies on experts for appraisals and engineering, environmental, seismic, and other reports, which are subject to significant uncertainties.
- NIPPON REIT relies on industry and market data that is subject to significant uncertainties.
- The environmental assessments of NIPPON REIT's properties made prior to its acquisition may not have uncovered all environmental liabilities, and Japanese laws subject property owners to strict environmental liability.
- NIPPON REIT may lose rental revenues in the event of lease terminations, decreased lease renewals, default by tenants on their obligation to pay rent, or rent reductions.
- Any of the buildings NIPPON REIT owns may violate earthquake resistance or other building codes.
- Master lease agreements expose NIPPON REIT to the risk of becoming an unsecured creditor of its master lessees in the event of their insolvency and certain other risks.
- Any restrictions on NIPPON REIT's activities under its financing arrangements could adversely affect us.
- A high LTV ratio may increase NIPPON REIT's exposure to changes in interest rates and have a material adverse effect on the results of its operations.
- NIPPON REIT may suffer impairment losses relating to its properties and may also suffer adverse tax effects upon recognizing impairments.
- A downgrading of NIPPON REIT's credit ratings may negatively affect the price of its units.
- NIPPON REIT's investments in Japanese anonymous associations carry potential risks.
- NIPPON REIT may hold interests in properties through investing in preferred securities of specific-purpose



- companies and such investments are subject to certain risks.
- NIPPON REIT's financial statements are prepared in accordance with Japanese GAAP, which differs in certain material respects from IFRS, U.S. GAAP, and generally accepted accounting principles and financial reporting standards in other jurisdictions.
- Decreases in tenant security deposits in trust may increase NIPPON REIT's funding costs.

#### Management and Governance Risks

- NIPPON REIT's success depends on the performances of service providers to which it is required to assign various key functions.
- There are potential conflicts of interest between NIPPON REIT and certain group companies of the sponsors including the Asset Manager.
- NIPPON REIT's performance depends on the efforts of key personnel of the Asset Manager.
- Unitholders have limited control over NIPPON REIT's investment policies.
- J-REITs and their asset managers are subject to strict supervision by the regulatory authorities.
- There are important differences regarding the rights of unitholders in a J-REIT compared to those of shareholders in a corporation.

#### Taxation Risks

- NIPPON REIT's failure to satisfy a complex series of requirements pursuant to Japanese tax regulations would disqualify NIPPON REIT from certain taxation benefits and significantly reduce its cash distributions to its unitholders.
- If the Japanese tax authorities disagree with the interpretations of the Japanese tax laws and regulations NIPPON REIT used for prior periods, NIPPON REIT may be forced to pay additional taxes for those periods.
- NIPPON REIT may not be able to benefit from reductions in certain real estate taxes enjoyed by qualified J-REITs.
- Changes in Japanese tax laws may significantly increase NIPPON REIT's tax burden.
- NIPPON REIT expects to be treated as a "passive foreign investment company" for U.S. federal income tax purposes.
- Unitholders may be subject to U.S. Foreign Account Tax Compliance Act (FATCA) withholding tax after 2018.

#### Legal and Regulatory Risks

- NIPPON REIT's ownership rights in some of its properties may be declared invalid or limited.
- NIPPON REIT may lose its rights in a property it owns if the purchase of the property is recharacterized as a secured financing.
- NIPPON REIT's leasehold or subleasehold rights in underlying land may be terminated or may not be asserted against a third party in some cases.
- Properties for which third parties hold leasehold interests in the land and own the buildings on such land may subject NIPPON REIT to various risks.
- Some of NIPPON REIT's properties are in the form of stratified ownership interests (kubun shoyu-ken) and its rights relating to such properties may be affected by the intentions of other owners.
- Some of NIPPON REIT's properties are in the form of property co-ownership (kyoyu) and quasi co-ownership (jun kyoyu) interests and its rights relating to such properties may be affected by the intentions of other owners.
- NIPPON REIT's properties may be subject to preferential purchase rights, rights of first refusal, or other similar rights held by third parties.
- Tax increases or adverse changes in applicable laws may affect NIPPON REIT's potential liabilities relating to its properties and operations.

- The cost of complying with regulations applicable to the properties in NIPPON REIT's portfolio could adversely affect the results of its operations.
- NIPPON REIT owns all of the properties in its portfolio through trust beneficiary interests and may suffer losses as a trust beneficiary.
- The Alternative Investment Fund Managers Directive (AIFMD) may negatively affect NIPPON REIT's ability to market its units in the EEA and increase its compliance costs associated with the marketing of its units in the EEA.
- NIPPON REIT's units may be deemed to constitute "plan assets" for ERISA purposes, which may lead to the rescission of certain transactions, tax or fiduciary liability, and NIPPON REIT being held in violation of ERISA requirements.

## NIPPON REIT Investment Corporation BALANCE SHEETS

As of June 30, 2016 and December 31, 2016

	As of	
	June 30, 2016	December 31, 2016
	(Yen in thousands)	
<b>Assets</b>		
Current Assets:		
Cash and deposits (Notes 3 and 4)	¥ 3,735,973	¥ 4,269,839
Cash and deposits in trust (Notes 3 and 4)	11,906,745	12,204,569
Tenant receivables	128,226	100,762
Prepaid expenses	356,318	351,021
Income taxes refundable	—	2,597
Other current assets	3,479	12,520
Less: allowance for doubtful accounts	(0)	(0)
Total Current Assets	16,130,743	16,941,311
Investment Properties (Notes 5 and 6):		
Land in trust	147,626,696	147,626,696
Buildings in trust (Note 9)	47,963,163	48,349,873
Structures in trust	148,697	155,644
Machinery and equipment in trust	20,277	74,342
Tools, furniture and fixtures in trust	33,979	50,572
Construction in progress in trust	—	3,146
Less: accumulated depreciation	(3,387,183)	(4,140,616)
Leasehold rights in trust	15,806,402	15,806,402
Total Investment Properties, net	208,212,032	207,926,062
Other Assets:		
Investment securities (Note 4)	835,615	848,175
Lease and guarantee deposits	10,110	10,110
Long-term prepaid expenses	613,474	614,313
Others	40,786	58,074
Total Other Assets	1,499,986	1,530,672
<b>Total Assets</b>	<b>¥ 225,842,763</b>	<b>¥ 226,398,047</b>

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

## NIPPON REIT Investment Corporation BALANCE SHEETS

As of June 30, 2016 and December 31, 2016

	As of	
	June 30, 2016	December 31, 2016
	(Yen in thousands)	
<b>Liabilities</b>		
Current Liabilities:		
Long-term debt due within one year (Notes 4 and 11)	¥ 21,600,000	¥ 21,800,000
Accounts payable	608,203	809,189
Accrued expenses	203,011	218,573
Income taxes payable	399	—
Accrued consumption taxes	173,668	176,742
Deferred tax liabilities (Note 13)	669	3,160
Advances received	1,095,942	1,091,790
Other current liabilities	443,197	251,084
Total Current Liabilities	24,125,092	24,350,541
Long-Term Liabilities:		
Long-term debt (Notes 4 and 11)	81,970,000	81,770,000
Tenant security deposits in trust (Note 4)	7,481,160	7,880,370
Deferred tax liabilities (Note 13)	2,767	7,802
Total Long-Term Liabilities	89,453,927	89,658,172
<b>Total Liabilities</b>	<b>113,579,020</b>	<b>114,008,714</b>
<b>Net Assets</b> (Notes 10 and 14)		
Unitholders' Equity:		
Unitholders' capital	109,285,298	109,285,298
Units authorized: 4,000,000 units		
Units issued and outstanding: 391,760 units		
Retained earnings	2,971,047	3,080,273
Total Unitholders' Equity	112,256,346	112,365,572
Valuation and Translation Adjustments:		
Deferred gains on hedges (Note 4)	7,395	23,761
Total Valuation and Translation Adjustments	7,395	23,761
<b>Total Net Assets</b>	<b>112,263,742</b>	<b>112,389,333</b>
<b>Total Liabilities and Net Assets</b>	<b>¥ 225,842,763</b>	<b>¥ 226,398,047</b>

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

## NIPPON REIT Investment Corporation STATEMENTS OF INCOME AND RETAINED EARNINGS

For the six-month periods ended June 30, 2016 and December 31, 2016

	For the six-month periods ended			
	June 30, 2016		December 31, 2016	
	(Yen in thousands)			
<b>Operating Revenues:</b>				
Rental revenues (Note 7)	¥	5,978,263	¥	6,110,177
Other revenues related to property leasing (Note 7)		622,699		693,951
Dividend income		6,283		32,307
Total Operating Revenues		6,607,246		6,836,436
<b>Operating Expenses:</b>				
Property-related expenses (Note 7)		2,631,928		2,606,741
Asset management fees		511,448		527,285
Asset custody fees		12,887		12,995
Administrative service fees		49,751		50,230
Directors' compensation		2,160		4,200
Independent auditors' fees		13,000		13,000
Other operating expenses		98,266		94,725
Total Operating Expenses		3,319,442		3,309,177
<b>Operating Income</b>		3,287,804		3,527,258
<b>Non-Operating Revenues:</b>				
Interest income		1,576		76
Refunded consumption taxes		117,700		—
Interest on refund		1,527		—
Total Non-Operating Revenues		120,805		76
<b>Non-Operating Expenses:</b>				
Interest expense		256,152		247,058
Borrowing related expenses		207,946		224,763
Total Non-Operating Expenses		464,099		471,822
<b>Ordinary Income</b>		2,944,509		3,055,512
<b>Extraordinary Income:</b>				
Subsidy income (Note 8)		53,077		—
Total Extraordinary Income		53,077		—
<b>Extraordinary Losses:</b>				
Loss on reduction of investment properties (Note 9)		52,776		—
Total Extraordinary Losses		52,776		—
<b>Income Before Income Taxes</b>		2,944,810		3,055,512
Income taxes – current		641		643
Income taxes – deferred		2		(0)
Total Income Taxes (Note 13)		643		643
<b>Net Income</b>		2,944,167		3,054,868
<b>Retained Earnings at Beginning of Period</b>		26,880		25,404
<b>Retained Earnings at End of Period</b>	¥	2,971,047	¥	3,080,273

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

## NIPPON REIT Investment Corporation STATEMENTS OF CHANGES IN NET ASSETS

For the six-month periods ended June 30, 2016 and December 31, 2016

	Unitholders' Equity				Valuation and Translation Adjustments		Total Net Assets
	Number of Units	Unitholders' Capital	Retained Earnings	Total Unitholders' Equity	Deferred Gains on Hedges	Total Valuation and Translation Adjustments	
	(Units)	(Yen in thousands)					
Balance as of December 31, 2015	391,760	¥ 109,285,298	¥ 2,996,813	¥ 112,282,111	¥ —	¥ —	¥ 112,282,111
Cash distributions declared	—	—	(2,969,932)	(2,969,932)	—	—	(2,969,932)
Net income	—	—	2,944,167	2,944,167	—	—	2,944,167
Net changes of items other than unitholders' equity	—	—	—	—	7,395	7,395	7,395
Balance as of June 30, 2016	391,760	¥ 109,285,298	¥ 2,971,047	¥ 112,256,346	¥ 7,395	¥ 7,395	¥ 112,263,742
Cash distributions declared	—	—	(2,945,643)	(2,945,643)	—	—	(2,945,643)
Net income	—	—	3,054,868	3,054,868	—	—	3,054,868
Net changes of items other than unitholders' equity	—	—	—	—	16,365	16,365	16,365
Balance as of December 31, 2016	391,760	¥ 109,285,298	¥ 3,080,273	¥ 112,365,572	¥ 23,761	¥ 23,761	¥ 112,389,333

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



## NIPPON REIT Investment Corporation STATEMENTS OF CASH FLOWS

For the six-month periods ended June 30, 2016 and December 31, 2016

	For the six-month periods ended	
	June 30, 2016	December 31, 2016
	(Yen in thousands)	
<b>Cash Flows from Operating Activities:</b>		
Income before income taxes	¥ 2,944,810	¥ 3,055,512
Depreciation and amortization	743,048	753,613
Loss on retirement of investment properties	938	1,849
Loss on reduction of investment properties	52,776	—
Interest income	(1,576)	(76)
Interest expense	256,152	247,058
(Increase) decrease in tenant receivables	(2,597)	27,093
(Increase) decrease in prepaid expenses	(16,019)	5,296
Increase in long-term prepaid expenses	(2,662)	(839)
Decrease in consumption taxes refundable	606,571	—
Increase in accrued consumption taxes	173,668	3,074
Increase (decrease) in accounts payable	8,160	(6,439)
Increase (decrease) in accrued expenses	(23,808)	13,872
Increase (decrease) in advances received	59,315	(4,151)
Interest income received	1,576	76
Interest expense paid	(258,924)	(245,369)
Income taxes refunded (paid)	1,344	(3,640)
Others, net	(25,302)	(20,327)
<b>Net Cash Provided by Operating Activities</b>	<b>4,517,472</b>	<b>3,826,602</b>
<b>Cash Flows from Investing Activities:</b>		
Payments for purchases of investment properties in trust other than leasehold rights in trust	(547,295)	(255,360)
Payments for purchases of leasehold rights in trust	(377)	—
Proceeds from tenant security deposits in trust	448,548	431,227
Payments of tenant security deposits in trust	(310,869)	(232,627)
Proceeds from withdrawal of investment securities	—	3,935
Payments for purchases of investment securities	(721,241)	(5,579)
Other payments	(1,244)	(1,244)
<b>Net Cash Used in Investing Activities</b>	<b>(1,132,479)</b>	<b>(59,648)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from long-term debt	8,500,000	10,000,000
Repayments of long-term debt	(9,400,000)	(10,000,000)
Distributions paid	(2,963,452)	(2,935,264)
<b>Net Cash Used in Financing Activities</b>	<b>(3,863,452)</b>	<b>(2,935,264)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(478,459)</b>	<b>831,690</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>16,121,179</b>	<b>15,642,719</b>
<b>Cash and Cash Equivalents at End of Period (Note 3)</b>	<b>¥ 15,642,719</b>	<b>¥ 16,474,409</b>

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

## NIPPON REIT Investment Corporation NOTES TO FINANCIAL STATEMENTS

As of and for the six-month periods ended June 30, 2016 and December 31, 2016

### Note 1 – Organization and Basis of Presentation

#### Organization

NIPPON REIT Investment Corporation (hereinafter referred to as “NIPPON REIT”) was established on September 8, 2010 with ¥100 million in capital (200 units) as an investment corporation under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, including subsequent revisions, hereinafter referred to as the “Investment Trust Act”) by the founder (the former Polaris Investment Advisors K.K.; now, Sojitz REIT Advisors K.K.).

Commencing on July 1, 2014, the fiscal period has been amended from an annual period to a semi-annual period ending on June 30 and December 31. Prior to this amendment, the annual fiscal period was a 12-month period from July 1 to June 30. NIPPON REIT made this amendment in order to increase the frequency of distributions to its unitholders.

NIPPON REIT is an externally managed real estate fund, established as an investment corporation. Sojitz REIT Advisors K.K., as NIPPON REIT’s asset management company, is engaged in acquiring, managing, leasing, and renovating office properties, residential properties and commercial properties. Sojitz Corporation, Cushman & Wakefield Asset Management K.K. and Agility Asset Advisers Inc. currently own 67%, 18% and 15%, respectively, of Sojitz REIT Advisors K.K.

NIPPON REIT implemented a two-for-one split of investment units on January 17, 2014, issued new investment units through a public offering (144,200 units) on April 23, 2014 and then was listed on the J-REIT section of the Tokyo Stock Exchange on April 24, 2014. Furthermore, NIPPON REIT issued new investment units through a third-party allotment (7,210 units) on May 23, 2014, a public offering (145,000 units) on February 10, 2015, a third-party allotment (7,250 units) on March 10, 2015, a public offering (84,000 units) on July 1, 2015 and a third-party allotment (3,700 units) on July 28, 2015. As of December 31, 2016, the total number of investment units outstanding was 391,760 units.

As of December 31, 2016, NIPPON REIT had ownership or trust beneficiary interests in 65 properties with approximately 252,220.72 square meters of rentable space and had leased space to 966 tenants. The occupancy rate for the properties was approximately 98.8%.

#### Basis of Presentation

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Investment Trust Act, the Financial Instruments and Exchange Act and their related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards or accounting principles generally accepted in the United States of America.

The accompanying financial statements have been reformatted and translated into English from the financial statements of NIPPON REIT prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. In preparing the accompanying financial statements, relevant notes have been expanded and certain reclassifications have been made from the Japanese GAAP financial statements. Certain supplementary information included in the statutory Japanese GAAP financial statements, but not required for fair presentation, is not presented in the accompanying financial statements.

As permitted by Japanese GAAP, amounts of less than one thousand yen or one million yen have been omitted. Consequently, the totals shown in the accompanying financial statements do not necessarily agree with sums of the individual amounts.

## Note 2 – Summary of Significant Accounting Policies

### (a) Cash and Cash Equivalents

Cash and cash equivalents consist of cash, demand deposits, and short-term investments which are highly liquid, readily convertible to cash and with insignificant risk of market value fluctuation, with maturities of three months or less from the date of acquisition.

### (b) Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided at the amount considered sufficient to cover probable losses on collection. The amount is determined by estimating an uncollectible amount based on the analysis of certain individual accounts that may not be uncollectable.

### (c) Investment Properties

Investment properties are recorded at cost, which includes the allocated purchase price and, related costs and expenses for acquisition of the trust beneficiary interests in real estate. Investment property balances are depreciated using the straight-line method over the estimated useful lives as follows:

Buildings in trust .....	2-63 years
Structures in trust .....	2-45 years
Machinery and equipment in trust .....	10 years
Tools, furniture and fixtures in trust .....	3-15 years

Costs related to the renovation, addition and improvement of properties are capitalized. Expenditures for repairs and maintenance which do not add to the value or prolong the useful life of a property are expensed as incurred.

### (d) Long-Term Prepaid Expenses

Long-term prepaid expenses are amortized using the straight-line method.

### (e) Investment Securities

Available-for-sale securities without market prices are stated at cost determined by the moving average method. Equity interest in a silent partnership is stated at net amount equivalent to the interest in the relevant partnership.

### (f) Income Taxes

Deferred tax assets and liabilities are computed based on the difference between the financial statements and income tax bases of assets and liabilities using the statutory tax rate.

### (g) Real Estate Taxes

Investment properties are subject to various taxes, such as property taxes and city planning taxes. Owners of the properties are registered by records maintained in each jurisdiction by the local government. The taxes are imposed on the registered record owner as of January 1 of each year, based on an assessment made by the local government.

When a property is purchased within the calendar year, the taxes for the corresponding calendar year are imposed on the seller. NIPPON REIT pays the seller the corresponding amount of taxes for the period from the property acquisition date to December 31 of the calendar year and capitalizes these amounts as acquisition costs of the property, rather than expensing them. In subsequent calendar years, such taxes on investment properties are charged as operating expenses in each fiscal period.

No real estate taxes were capitalized for the six-month periods ended June 30, 2016 and December 31, 2016.

### (h) Consumption Taxes

Consumption taxes are excluded from transaction amounts. Generally, consumption taxes paid are offset against the balance of consumption taxes withheld. As such, the excess of payments over amounts withheld is included in the current assets while the excess of amounts withheld over payments is included in the current liabilities. Non-deductible consumption taxes related to the acquisition of properties are treated as the cost of the applicable properties.

### (i) Hedge Accounting

NIPPON REIT enters into derivative transactions for the purpose of hedging risks defined in the Articles of Incorporation of NIPPON REIT in accordance with its financial policy. NIPPON REIT uses interest rate swaps as hedging instruments in order to hedge the risk of interest rate fluctuations related to borrowings. The deferral method is applied for hedge transactions. For interest rate swaps which qualify for hedge accounting and meet specific criteria, the special treatment is applied. Under the special treatment, the related differentials paid or received under such swap contracts can be recognized and included in interest expense or income of the hedged assets or liabilities, and the interest rate swaps are not required to be measured at fair value separately. NIPPON REIT evaluates hedge effectiveness by comparing the cumulative changes in cash flows of hedging instruments and the hedged items and assessing the ratio between the changes. However, the assessment of hedge effectiveness for interest rate swaps which meet the special criteria is omitted.

### (j) Revenue Recognition

Revenues from property leasing consist of rental revenues including base rents, common area charges and parking space rental revenues, and other revenues related to property leasing such as utilities charge reimbursements and others. Rental revenues are generally recognized when earned and considered realizable over the life of each lease. Utilities charge reimbursements are recognized when earned and their amounts can be reasonably estimated.

### (k) Accounting for Trust Beneficiary Interests in Real Estate

For trust beneficiary interests in real estate owned by NIPPON REIT, all accounts of assets and liabilities within the assets in trust as well as all accounts of revenue generated and expenses incurred from the assets in trust are recognized in the relevant accounts of the balance sheets and, statements of income and retained earnings.

The following assets in trust are recognized and presented separately on the balance sheets.

- (i) Cash and deposits in trust
- (ii) Land in trust, buildings in trust, structures in trust, machinery and equipment in trust, tools, furniture and fixtures in trust, construction in progress in trust and leasehold rights in trust
- (iii) Tenant security deposits in trust

### Note 3 – Cash and Cash Equivalents

Reconciliation between cash and deposits and cash and deposits in trust in the balance sheets and cash and cash equivalents in the statements of cash flows is as follows:

	As of	
	June 30, 2016	December 31, 2016
	(Yen in thousands)	
Cash and deposits	¥ 3,735,973	¥ 4,269,839
Cash and deposits in trust	11,906,745	12,204,569
Cash and cash equivalents	¥ 15,642,719	¥ 16,474,409

### Note 4 – Financial Instruments

#### (a) Qualitative Information for Financial Instruments

##### Policy for Financial Instrument Transactions

NIPPON REIT raises funds mainly through borrowings, issuance of investment corporation bonds and investment units for acquisition of investment properties, capital expenditures, renovations or repayment of bank borrowings. In financing through interest-bearing debt, NIPPON REIT raises funds with longer term, fixed-rate and well-diversified maturities to secure stable and liquid financing capacity.

NIPPON REIT enters into derivative transactions solely for the purpose of hedging interest rate fluctuation risks arising from borrowings and does not use derivative transactions for speculative purposes.

##### Nature and Extent of Risks arising from Financial Instruments

Proceeds from borrowings are used mainly for acquisition of investment properties, capital expenditures, renovations, operations or repayment of outstanding borrowings. These borrowings are exposed to liquidity risks upon refinance. The floating-rate borrowings are exposed to potential risks of rising interest rates.

Bank deposits are used for investing NIPPON REIT's surplus funds. These bank deposits are exposed to credit risks such as bankruptcy of the depository financial institutions.

##### Risk Management of Financial Instruments

Liquidity risk is managed by diversifying lending financial institutions and planning and executing diversified financing methods including financing through capital markets, such as issuance of investment corporation bonds and issuance of investment units.

Interest rate volatility risk is managed primarily by increasing the proportion of borrowings under long-term fixed rates. Derivative transactions may be entered into in order to hedge interest rate fluctuation risk. As of December 31, 2016, NIPPON REIT uses derivative transactions (interest rate swaps) as hedging instruments in order to avoid the risk of interest rate fluctuations and to fix the amount of interest payments for borrowings with floating rates. NIPPON REIT evaluates hedge effectiveness by comparing the cumulative changes in cash flows of hedging instruments and the hedged items and assessing the ratio between the changes. However, the assessment of hedge effectiveness for interest rate swaps which meet the special criteria is omitted.

Credit risk is managed by diversifying the depository financial institutions.

##### Supplemental Explanation regarding Fair Value of Financial Instruments

The fair value of financial instruments is based on their quoted market price. When there is no observable market price available, fair value is based on a price that may be reasonably estimated. Since certain assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different value.

### (b) Fair Value of Financial Instruments

The book values, fair values and differences between them were as follows:

	As of June 30, 2016			As of December 31, 2016		
	(Yen in thousands)			(Yen in thousands)		
Assets	Book value	Fair value	Difference	Book value	Fair value	Difference
Cash and deposits	¥ 3,735,973	¥ 3,735,973	¥ –	¥ 4,269,839	¥ 4,269,839	¥ –
Cash and deposits in trust	11,906,745	11,906,745	–	12,204,569	12,204,569	–
<b>Total</b>	¥ 15,642,719	¥ 15,642,719	¥ –	¥ 16,474,409	¥ 16,474,409	¥ –
Liabilities						
Long-term debt due within one year	¥ 21,600,000	¥ 21,600,000	¥ –	¥ 21,800,000	¥ 21,800,000	¥ –
Long-term debt	81,970,000	82,239,729	269,729	81,770,000	81,671,833	(98,166)
<b>Total</b>	¥ 103,570,000	¥ 103,839,729	¥ 269,729	¥ 103,570,000	¥ 103,471,833	¥ (98,166)
Derivatives						
	¥ 10,834	¥ 10,834	¥ –	¥ 34,726	¥ 34,726	¥ –

The financial instruments whose fair values are deemed extremely difficult to determine are excluded from the above table.

Methods used to estimate the fair value of financial instruments and derivative transactions are as follows:

##### Assets and Liabilities:

##### (1) Cash and deposits, cash and deposits in trust and consumption taxes refundable

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

##### (2) Long-term debt due within one year and long-term debt

For long-term debt with floating interest rates that reflects market interest rates within a short period of time, the book value is deemed a reasonable approximation of the fair value and there are no significant changes in NIPPON REIT's credit standing after borrowing; therefore, the book value is used as the fair value equivalent. However, for long-term debt with floating interest rates hedged by interest rate swaps applying the special treatment, the fair value is calculated based on the total amount of principle and interest which are processed as a single unit with the interest rate swaps discounted at the current interest rate applicable to similar borrowings. For long-term debt with fixed interest rates, the fair value is calculated based on the total amount of principle and interest discounted at the current interest rate applicable to similar borrowings.

##### Derivative Transactions:

There were no derivative transactions to which hedge accounting was not applied as of June 30, 2016 and December 31, 2016.

Derivative transactions to which hedge accounting was applied were as follows:

Hedge accounting method	Type of derivative transaction	Hedged item	As of June 30, 2016		
			Contracted amount	Due after one year	Fair value (Note 2)
			Total		
			(Yen in thousands)		
Deferral method	Interest rate swaps Receive floating/Pay fixed	Long-term debt	¥ 32,600,000	¥ 21,000,000	¥ 10,834
Special treatment for interest rate swaps	Interest rate swaps Receive floating/Pay fixed	Long-term debt	42,900,000	42,900,000	(Note 1)
<b>Total</b>			¥ 75,500,000	¥ 63,900,000	¥ 10,834



Hedge accounting method	Type of derivative transaction	Hedged item	As of December 31, 2016		
			Contracted amount		Fair value (Note 2)
			Total	Due after one year	
			(Yen in thousands)		
Deferral method	Interest rate swaps Receive floating/Pay fixed	Long-term debt	¥ 32,600,000	¥ 10,800,000	¥ 34,726
Special treatment for interest rate swaps	Interest rate swaps Receive floating/Pay fixed	Long-term debt	52,900,000	52,900,000	(Note 1)
<b>Total</b>			¥ 85,500,000	¥ 63,700,000	¥ 34,726

Notes:

1. As derivatives applying the special treatment of interest rate swaps are processed as a single unit with long-term debt that is designated as the hedged item, the fair value is included in the fair value of long-term debt in “(b) Fair Value of Financial Instruments” above.
2. The fair value is provided by financial institutions.

Financial instruments whose fair values are deemed extremely difficult to determine are as follows:

The fair value of tenant security deposits in trust is not disclosed because these deposits do not have a readily available market price, and it is difficult to estimate a period as to when these deposits will be returned. Although the tenant agreements stipulate a tenancy period, the historical analysis of actual tenancy periods do not indicate any pattern of tenancy period due to their unique nature as early termination or renewal/re-contract of tenancy agreements is possible, which makes it impracticable to reasonably estimate the future cash flows. The book values of tenant security deposits in trust are presented in the following table.

	As of			
	June 30, 2016		December 31, 2016	
	(Yen in thousands)			
<b>Book value:</b>				
Tenant security deposits in trust	¥	7,481,160	¥	7,880,370

The fair value of investment securities is not disclosed because these securities do not have available market price, and it is difficult to estimate fair values. The book values of investment securities are presented in the following table.

	As of			
	June 30, 2016		December 31, 2016	
	(Yen in thousands)			
<b>Book value:</b>				
Godo Kaisha Nicolas Capital 6 Equity interest in silent partnership (Note 1)	¥	228,384	¥	227,767
Godo Kaisha Nicolas Capital 9 Equity interest in silent partnership (Note 2)		102,048		99,291
Godo Kaisha Nicolas Capital 8 Equity interest in silent partnership (Note 3)		505,182		521,116
Total	¥	835,615	¥	848,175

Notes:

1. The assets under management include trust beneficiary interests in real estate of Homat Horizon Building, Splendid Namba and Sannomiya First Building.
2. The assets under management include trust beneficiary interests in real estate of Yusen Higashi-Nihombashi Ekimae Building, Residence Edogawabashi and ZEPHYROS Minami-horie.
3. The assets under management include trust beneficiary interests in real estate of SC Sakaisujihonmachi Building, Alte Building Higobashi, DIA Building Meieki and Hiroo ON Building.

The redemption schedule for monetary claims was as follows:

As of June 30, 2016	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
	(Yen in thousands)					
Cash and deposits	¥ 3,735,973	¥ —	¥ —	¥ —	¥ —	¥ —
Cash and deposits in trust	11,906,745	—	—	—	—	—
<b>Total</b>	¥ 15,642,719	¥ —	¥ —	¥ —	¥ —	¥ —

As of December 31, 2016	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
	(Yen in thousands)					
Cash and deposits	¥ 4,269,839	¥ —	¥ —	¥ —	¥ —	¥ —
Cash and deposits in trust	12,204,569	—	—	—	—	—
<b>Total</b>	¥ 16,474,409	¥ —	¥ —	¥ —	¥ —	¥ —

The redemption schedule for long-term debt was as follows:

As of June 30, 2016	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
	(Yen in thousands)					
Long-term debt	¥ 21,600,000	¥ 19,700,000	¥ 21,770,000	¥ 20,500,000	¥ 19,500,000	¥ 500,000
<b>Total</b>	¥ 21,600,000	¥ 19,700,000	¥ 21,770,000	¥ 20,500,000	¥ 19,500,000	¥ 500,000

As of December 31, 2016	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
(Yen in thousands)						
Long-term debt	¥ 21,800,000	¥ 20,300,000	¥ 21,970,000	¥ 20,500,000	¥ 18,500,000	¥ 500,000
<b>Total</b>	¥ 21,800,000	¥ 20,300,000	¥ 21,970,000	¥ 20,500,000	¥ 18,500,000	¥ 500,000

## Note 5 – Investment Properties

Investment properties consisted of the following:

	As of June 30, 2016			As of December 31, 2016		
	(Yen in thousands)					
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land in trust	¥147,626,696	¥ —	¥ 147,626,696	¥147,626,696	¥ —	¥ 147,626,696
Buildings in trust	47,963,163	(3,356,559)	44,606,603	48,349,873	(4,100,611)	44,249,261
Structures in trust	148,697	(24,249)	124,447	155,644	(28,886)	126,758
Machinery and equipment in trust	20,277	(2,023)	18,254	74,342	(3,527)	70,815
Tools, furniture and fixtures in trust	33,979	(4,351)	29,628	50,572	(7,590)	42,982
Construction in progress in trust	—	—	—	3,146	—	3,146
Leasehold rights in trust	15,806,402	—	15,806,402	15,806,402	—	15,806,402
<b>Total</b>	<b>¥211,599,216</b>	<b>¥(3,387,183)</b>	<b>¥ 208,212,032</b>	<b>¥212,066,679</b>	<b>¥(4,140,616)</b>	<b>¥ 207,926,062</b>

## Note 6 – Fair Value of Investment Properties

The book value, net changes in the book value and the fair value of the investment properties including office properties, residential properties and commercial properties were as follows:

	For the six-month periods ended			
	June 30, 2016		December 31, 2016	
	(Yen in thousands)			
<b>Book value:</b>				
Balance at beginning of period	¥	208,681,494	¥	208,212,032
Change during period		(469,461)		(289,116)
Balance at end of period	¥	208,212,032	¥	207,922,916
<b>Fair value</b>	¥	217,243,000	¥	220,087,000

Notes:

1. The fair value is determined based on appraisal values provided by external real estate appraisers.
2. The book value includes leasehold rights in trust, but excludes construction in progress in trust.
3. For the six-month period ended June 30, 2016, the increase was primarily due to capital expenditures and the offsetting decrease was due to depreciation.
4. For the six-month period ended December 31, 2016, the increase was primarily due to capital expenditures and the offsetting decrease was due to depreciation.

## Note 7 – Rental Revenues and Expenses

Rental revenues and expenses were as follows:

	For the six-month periods ended			
	June 30, 2016		December 31, 2016	
	(Yen in thousands)			
<b>Revenues from property leasing:</b>				
Rental revenues:				
Base rents	¥	4,791,335	¥	4,937,931
Common area charges		976,457		951,841
Parking space rental revenues		210,470		220,404
Total rental revenues		5,978,263		6,110,177
Other revenues related to property leasing:				
Utilities charge reimbursements		517,826		577,592
Others		104,872		116,358
Total other revenues related to property leasing		622,699		693,951
Total revenues from property leasing		6,600,962		6,804,128
<b>Property-related expenses:</b>				
Property management fees		502,692		505,020
Utility expenses		490,760		482,195
Insurance expenses		6,951		7,175
Repair expenses		117,424		86,342
Taxes and dues		499,659		499,639
Depreciation		743,048		753,613
Loss on retirement of investment properties		938		1,849
Trust fees		23,550		22,750
Other		246,903		248,155
Total property-related expenses		2,631,928		2,606,741
<b>Income from property leasing</b>	¥	3,969,034	¥	4,197,387

## Note 8 – Subsidy Income

Subsidy income of ¥53,077 thousand for the six-month period ended June 30, 2016 represents income received from Energy Use Rationalization Business Support Program 2015.

## Note 9 – Loss on Reduction of Investment Properties

Loss on reduction of investment properties represents the amount directly deducted from acquisition costs for the investment properties due to government subsidies received. The details were as follows:

	For the six-month periods ended			
	June 30, 2016		December 31, 2016	
	(Yen in thousands)			
Building in trust	¥	52,776	¥	—

## Note 10 – Net Assets

NIPPON REIT issues non-par value investment units in accordance with the Investment Trust Act and all of the amounts issued are designated as stated capital. NIPPON REIT maintains at least ¥50,000 thousand as the minimum net assets as required by the Investment Trust Act.

## Note 11 – Long-Term Debt

Long-term debt consisted of the following:

	As of	
	June 30, 2016	December 31, 2016
	(Yen in thousands)	
<b>Long-term debt:</b>		
0.31% unsecured loans due 2016 (Note 2)	¥ 10,000,000	¥ –
0.25% unsecured loans due 2017 (Notes 2 and 3)	11,600,000	11,600,000
0.24% unsecured loans due 2017 (Notes 2 and 3)	10,200,000	10,200,000
0.80% unsecured loans due 2018 (Note 2)	7,000,000	7,000,000
0.44% unsecured loans due 2018 (Notes 2 and 3)	2,500,000	2,500,000
0.22% unsecured loans due 2018 (Note 2 and 3)	10,800,000	10,800,000
0.91% unsecured loan due 2019 (Note 2)	1,070,000	1,070,000
0.51% unsecured loans due 2019 (Notes 2 and 3)	9,900,000	9,900,000
0.54% unsecured loans due 2019 (Notes 2 and 3)	11,000,000	11,000,000
0.85% unsecured loans due 2020 (Note 2)	6,000,000	6,000,000
0.84% unsecured loan due 2020 (Note 2)	3,500,000	3,500,000
0.65% unsecured loans due 2020 (Notes 2 and 3)	11,000,000	11,000,000
0.36% unsecured loans due 2021 (Notes 2 and 3)	8,500,000	8,500,000
0.38% unsecured loans due 2021 (Notes 2 and 3)	–	10,000,000
1.24% unsecured loan due 2023 (Note 2)	500,000	500,000
<b>Total long-term debt</b>	<b>¥ 103,570,000</b>	<b>¥ 103,570,000</b>

Notes:

1. The interest rates presented are weighted average interest rates.
2. Funds were used for acquisition of investment properties, repayment of outstanding borrowings and payment of any other associated expenses as deemed reasonable.
3. As interest rates on these loans are substantively fixed by the interest rate swaps, the interest rates after reflecting the effect of the interest rate swaps are stated.

## Note 12 – Leases

The future minimum rental revenues under existing non-cancelable operating leases were as follows:

	As of	
	June 30, 2016	December 31, 2016
	(Yen in thousands)	
Due within one year	¥ 416,365	¥ 467,772
Due after one year	244,493	478,601
<b>Total</b>	<b>¥ 660,858</b>	<b>¥ 946,374</b>

## Note 13 – Income Taxes

NIPPON REIT is subject to Japanese corporate income taxes on all of its taxable income. However, NIPPON REIT may deduct the amount distributed to its unitholders from its taxable income when certain requirements, including a requirement to distribute in excess of 90% of distributable profit for the fiscal period, are met under the Special Taxation Measure Act of Japan. If NIPPON REIT does not satisfy all of the requirements as specified in the Act, the entire taxable income of NIPPON REIT will be subject to regular corporate income taxes in Japan.

NIPPON REIT has made distribution in excess of 90% of its distributable profit for the six-month periods ended June 30, 2016 and December 31, 2016 in order to be able to deduct such amount from taxable income.

The following table summarizes the significant difference between the statutory tax rate and NIPPON REIT's effective tax rate.

	For the six-month periods ended	
	June 30, 2016	December 31, 2016
Statutory tax rate	32.31%	31.74%
Deductible cash distributions	(32.32)	(31.74)
Per capita inhabitant taxes	0.02	0.02
Others	0.01	0.00
Effective tax rate	0.02%	0.02%

The significant components of deferred tax assets and liabilities were as follows:

	As of	
	June 30, 2016	December 31, 2016
	(Yen in thousands)	
<b>Deferred tax assets:</b>		
Accrued enterprise tax	¥ 1	¥ 1
Allowance for doubtful accounts	0	0
<b>Total deferred tax assets</b>	<b>1</b>	<b>1</b>
<b>Deferred tax liabilities:</b>		
Deferred gains on hedges	3,438	10,964
<b>Total deferred tax liabilities</b>	<b>3,438</b>	<b>10,964</b>
<b>Net deferred tax liabilities</b>	<b>¥ (3,437)</b>	<b>¥ (10,962)</b>

#### Note 14 – Per Unit Information

Information about earnings per unit and net assets per unit was as follows:

	For the six-month periods ended			
	June 30, 2016		December 31, 2016	
	(Yen)			
Earnings per unit:				
Net income per unit	¥	7,515	¥	7,797
Weighted average number of units outstanding (units)		391,760		391,760
	As of			
	June 30, 2016		December 31, 2016	
	(Yen)			
Net assets per unit	¥	286,562	¥	286,883

The computation of earnings per unit is based on the weighted average number of units outstanding during the period. The computation of net assets per unit is based on the number of units outstanding at each period end as stated on the balance sheets.

#### Note 15 – Distribution Information

Pursuant to the terms of the distribution policy set forth in Article 35 paragraph (1) item (2) of NIPPON REIT's Articles of Incorporation, the amount of distributions is defined to be in excess of an amount equivalent to 90% of NIPPON REIT's distributable profit as defined in Article 67-15 of the Special Taxation Measure Act of Japan, but not in excess of an amount of profit set forth in the Articles of Incorporation.

Cash distributions are declared by the board of directors after the end of each period. Such distributions are payable to unitholders of record at the end of each period. Information of cash distributions per unit and the board of directors meeting dates when the distributions were proposed and approved were as follows:

	For the six-month periods ended			
	June 30, 2016		December 31, 2016	
	(Yen)			
Cash distributions per unit	¥	7,519	¥	7,800
Board of directors meeting dates	August 16, 2016		February 16, 2017	

Retained earnings brought forward after the cash distributions were as follows:

	For the six-month periods ended			
	June 30, 2016		December 31, 2016	
	(Yen)			
Unappropriated retained earnings	¥	2,971,047,942	¥	3,080,273,361
Cash distributions declared		2,945,643,440		3,055,728,000
Retained earnings brought forward	¥	25,404,502	¥	24,545,361

#### Note 16 – Related-Party Transactions

Related-party transactions for the six-month period ended June 30, 2016 were as follows:

Classification	Name	Location	Capital stock (Yen in thousands)	Occupation	Ratio of voting rights	Nature of transaction	Amount of transaction (Note 3) (Yen in thousands)	Account	Balance at the end of period (Note 3) (Yen in thousands)
Directors and their relatives	Hisao Ishikawa	–	–	Executive Officer of NIPPON REIT and President, Director & CEO of Sojitz REIT Advisors K.K. (Note 1)	–	Payment of asset management fees to Sojitz REIT Advisors K.K. (Note 2)	¥ 518,623	Accrued expenses	¥ 130,600

Notes:

- Hisao Ishikawa resigned President, Director & CEO of Sojitz REIT Advisors K.K on June 30, 2016.
- This was executed by Hisao Ishikawa as a representative director of a third party (Sojitz REIT Advisors K.K.) and terms and conditions of related-party transactions are based on those stipulated in NIPPON REIT's Article of Incorporation for asset management fees.
- Consumption taxes are not included in transaction amounts and are included in the balance at the end of the period.

There were no related-party transactions for the six-month period ended December 31, 2016.



## Note 17 – Segment Information

### Segment Information

Segment information is omitted as NIPPON REIT has one segment, which is property leasing business.

### Related Information

#### Information about Products and Services

Disclosure of this information is omitted as operating revenues to external customers for a single product/service category account for more than 90% of the operating revenues on the statements of income and retained earnings.

#### Information by Geographic Areas

##### (1) Operating revenues

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

##### (2) Investment properties

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

#### Information on Major Tenants

Disclosure of this information is omitted as there is no tenant that accounts for 10% or more of the operating revenues recorded in the statements of income and retained earnings.



### Independent Auditor's Report

To the Board of Directors of  
NIPPON REIT Investment Corporation:

We have audited the accompanying financial statements of NIPPON REIT Investment Corporation, which comprise the balance sheets as at December 31, 2016 and June 30, 2016, and the statements of income and retained earnings, statements of changes in net assets and statements of cash flows for each of the six-month periods ended December 31, 2016 and June 30, 2016, and a summary of significant accounting policies and other explanatory information.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of NIPPON REIT Investment Corporation as at December 31, 2016 and June 30, 2016, and their financial performance and cash flows for each of the six-month periods ended December 31, 2016 and June 30, 2016 in accordance with accounting principles generally accepted in Japan.

KPMG AZSA LLC

March 23, 2017  
Tokyo, Japan

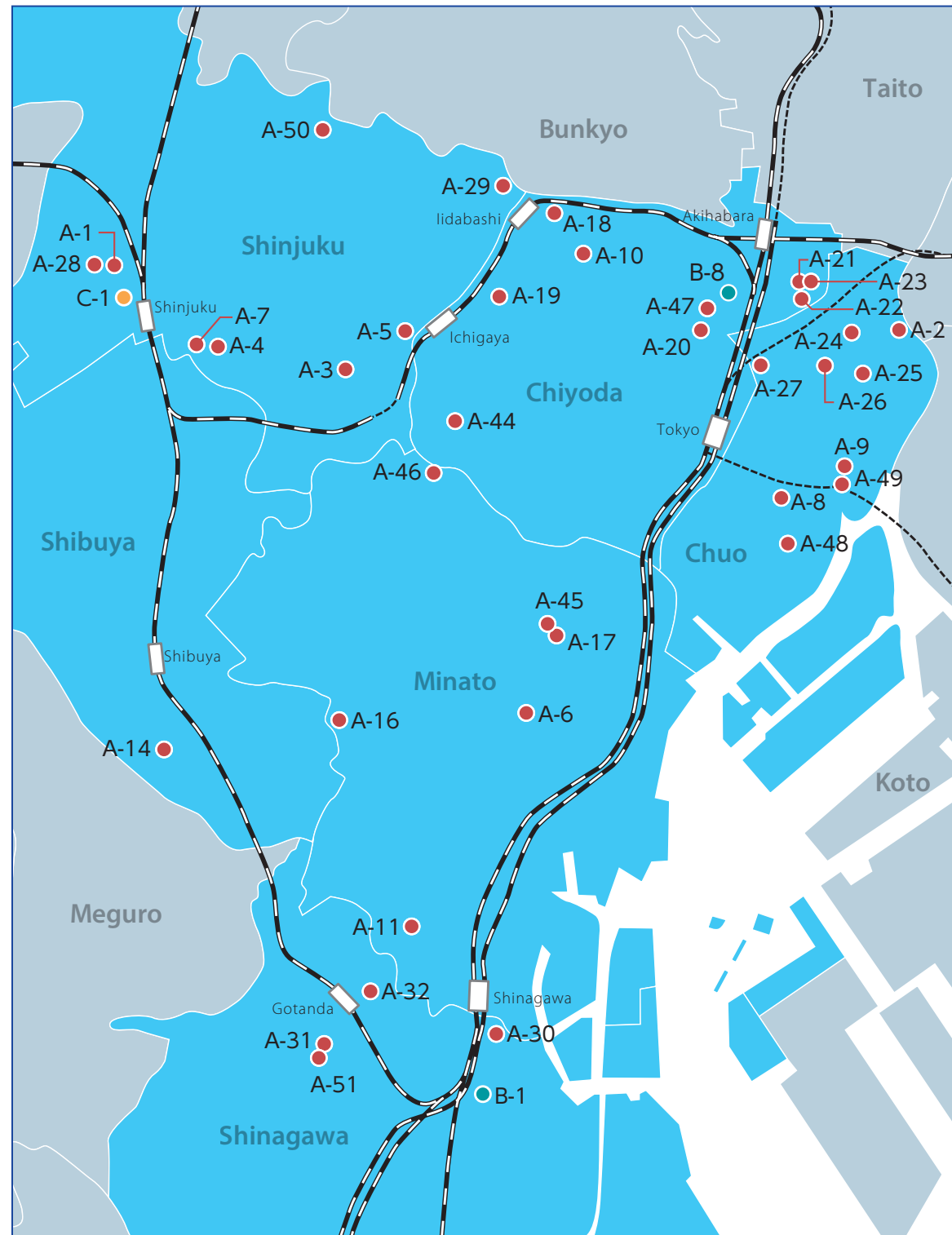
KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

List of Properties

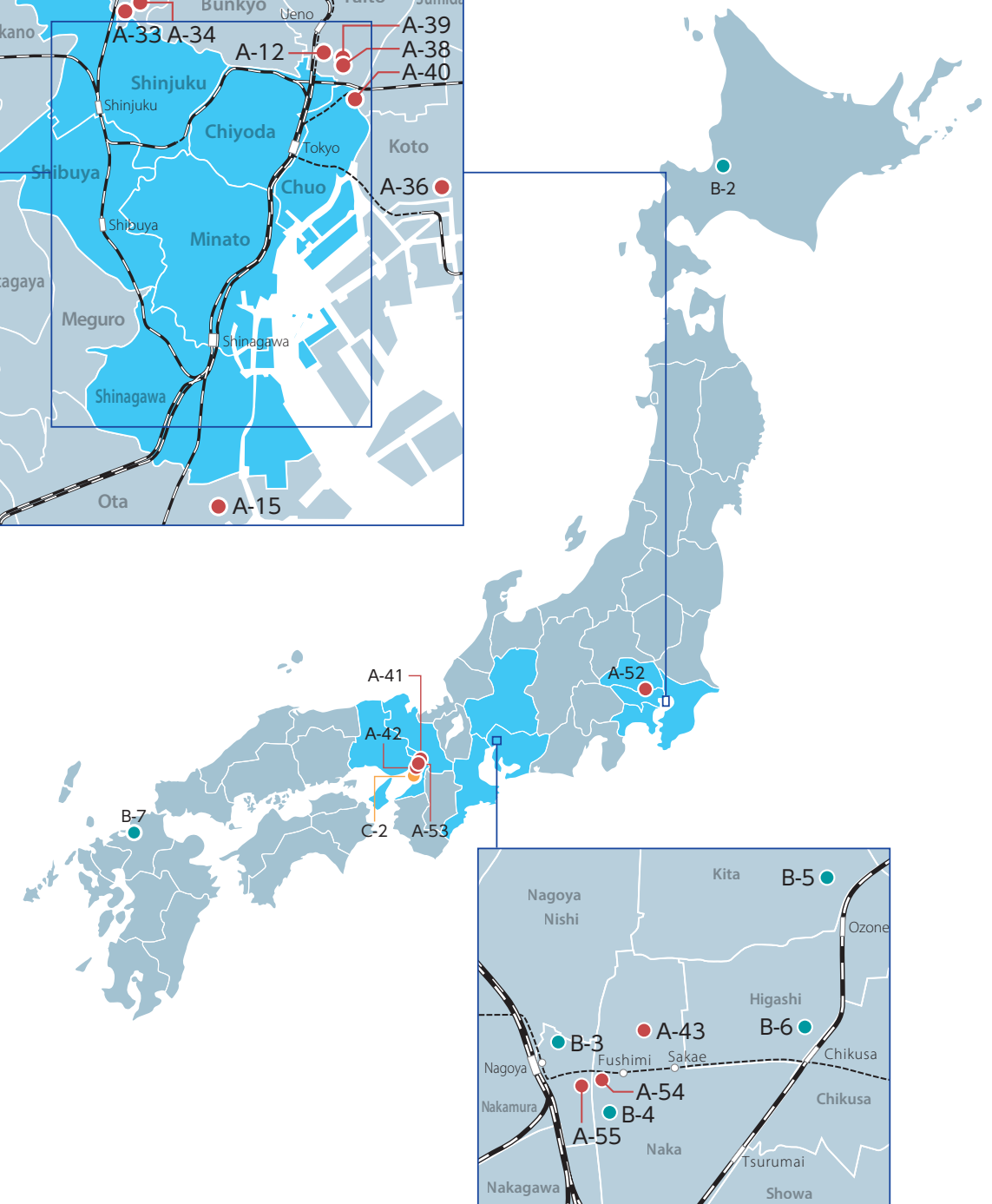
Area	Property no.	Property name	Asset type	Location	Acquisition price (yen in millions)	Appraisal value (yen in millions)	Investment ratio (%)	Appraisal NOI yield (%)	Occupancy Rate (%)	Completion	PML (%)
Central	A-1	FORECAST Nishishinjuku	Office	Shinjuku Ward, Tokyo	2,260	2,830	1.1	5.5	100.0	February 2009	2.7
Central	A-2	Nihonbashi Playa Building	Office	Chuo Ward, Tokyo,	2,130	2,330	1.0	5.2	100.0	February 2009	3.7
Central	A-3	FORECAST Yotsuya	Office	Shinjuku Ward, Tokyo	1,430	1,770	0.7	5.4	100.0	January 2009	3.6
Central	A-4	FORECAST Shinjuku AVENUE	Office	Shinjuku Ward, Tokyo	6,500	7,150	3.2	4.5	100.0	September 2008	2.1
Central	A-5	FORECAST Ichigaya	Office	Shinjuku Ward, Tokyo	4,800	5,550	2.3	4.6	97.5	August 2009	2.9
Central	A-6	FORECAST Mita	Office	Minato Ward, Tokyo	1,800	2,090	0.9	4.9	100.0	September 2009	2.9
Central	A-7	FORECAST Shinjuku SOUTH	Office	Shinjuku Ward, Tokyo	13,990	15,900	6.8	4.6	100.0	November 1980	7.0
Central	A-8	FORECAST Sakurabashi	Office	Chuo Ward, Tokyo,	5,760	6,160	2.8	5.1	100.0	April 1985	4.2
Central	A-9	GreenOak Kayabacho	Office	Chuo Ward, Tokyo,	2,860	3,110	1.4	5.0	86.4	March 1990	2.6
Central	A-10	GreenOak Kudan	Office	Chiyoda Ward, Tokyo	2,780	3,100	1.4	4.8	100.0	December 1987	5.1
Central	A-11	GreenOak Takanawadai	Office	Minato Ward, Tokyo	2,260	2,430	1.1	4.9	100.0	January 2010	3.6
Metropolitan	A-12	GreenOak Okachimachi	Office	Taito Ward, Tokyo	3,330	3,000	1.6	4.5	100.0	January 1977	7.7
Metropolitan	A-13	Higashi Ikebukuro Center Building	Office	Toshima Ward, Tokyo	2,520	2,730	1.2	5.7	100.0	November 1991	4.5
Central	A-14	Central Daikanyama	Office	Shibuya Ward, Tokyo,	3,510	3,490	1.7	4.0	100.0	August 1991	7.1
Metropolitan	A-15	JS Progres Building	Office	Ota Ward, Tokyo	5,325	5,240	2.6	5.6	100.0	April 1993	6.9
Central	A-16	Hiroo Reeplex B's	Office	Minato Ward, Tokyo	2,827	2,990	1.4	4.7	100.0	May 1987	4.4
Central	A-17	Shibakoen Sanhome Building	Office	Minato Ward, Tokyo	7,396	9,400	3.6	5.0	100.0	June 1981	11.3
Central	A-18	FORECAST Iidabashi	Office	Chiyoda Ward, Tokyo	5,230	5,440	2.6	4.4	100.0	November 1978	7.1
Central	A-19	Kudankita 325 Building	Office	Chiyoda Ward, Tokyo	1,850	1,950	0.9	4.5	100.0	August 1987	4.5
Central	A-20	FORECAST Uchikanda	Office	Chiyoda Ward, Tokyo	1,240	1,260	0.6	4.8	100.0	December 1976	9.9
Central	A-21	Itohpia Iwamotocho 2-chome Building	Office	Chiyoda Ward, Tokyo	2,810	2,960	1.4	5.0	100.0	February 1991	4.1
Central	A-22	Itohpia Iwamotocho 1-chome Building	Office	Chiyoda Ward, Tokyo	2,640	2,690	1.3	4.8	100.0	January 1991	9.0
Central	A-23	Itohpia Iwamotocho ANNEX Building	Office	Chiyoda Ward, Tokyo	2,100	2,320	1.0	5.2	100.0	November 1991	4.1
Central	A-24	Hisamatsucho Reeplex B's	Office	Chuo Ward, Tokyo,	2,837	2,890	1.4	4.8	100.0	August 1989	5.6
Central	A-25	FORECAST Ningyocho	Office	Chuo Ward, Tokyo,	2,070	2,070	1.0	4.8	100.0	November 1990	11.1
Central	A-26	FORECAST Ningyocho PLACE	Office	Chuo Ward, Tokyo,	1,650	1,760	0.8	5.0	100.0	February 1984	7.1
Central	A-27	FORECAST Shin- Tokiwabashi	Office	Chuo Ward, Tokyo,	2,030	2,030	1.0	4.6	85.3	August 1991	4.1
Central	A-28	Nishi-Shinjuku Sanko Building	Office	Shinjuku Ward, Tokyo	2,207	2,270	1.1	4.9	100.0	September 1987	12.7
Central	A-29	Iidabashi Reeplex B's	Office	Shinjuku Ward, Tokyo	1,249	1,360	0.6	4.6	100.0	June 1992	4.4
Central	A-30	FORECAST Shinagawa	Office	Shinagawa Ward, Tokyo	2,300	2,300	1.1	4.6	100.0	February 1989	11.6
Central	A-31	Nishi-Gotanda 8-chome Building	Office	Shinagawa Ward, Tokyo	2,210	2,240	1.1	4.7	100.0	December 1993	3.9
Central	A-32	Towa Higashi-Gotanda Building	Office	Shinagawa Ward, Tokyo	2,033	2,120	1.0	5.2	100.0	September 1985	5.1
Metropolitan	A-33	FORECAST Takadanobaba	Office	Toshima Ward, Tokyo	5,550	5,570	2.7	4.9	100.0	January 1986	12.4
Metropolitan	A-34	Mejiro NT Building	Office	Toshima Ward, Tokyo	3,094	3,240	1.5	5.3	100.0	July 1990	6.6
Metropolitan	A-35	Toshin Higashi-Ikebukuro Building	Office	Toshima Ward, Tokyo	979	1,030	0.5	5.6	100.0	November 1989	3.6
Metropolitan	A-36	Mitsui Woody Building	Office	Koto Ward, Tokyo	2,475	2,640	1.2	5.7	100.0	March 1990	11.9

Area	Property no.	Property name	Asset type	Location	Acquisition price (yen in millions)	Appraisal value (yen in millions)	Investment ratio (%)	Appraisal NOI yield (%)	Occupancy Rate (%)	Completion	PML (%)
Metropolitan	A-37	Itabashi Honcho Building	Office	Itabashi Ward, Tokyo	3,146	3,220	1.5	5.6	100.0	January 1993	7.8
Metropolitan	A-38	ANTEX24 Building	Office	Taito Ward, Tokyo	1,691	1,730	0.8	5.2	100.0	February 1988	3.7
Metropolitan	A-39	Itohpia Kiyosubashidori Building	Office	Taito Ward, Tokyo	1,550	1,720	0.8	5.8	86.0	March 1988	3.6
Metropolitan	A-40	East Side Building	Office	Taito Ward, Tokyo	1,372	1,470	0.7	5.5	100.0	May 1988	3.6
Metropolitan	A-41	I-S Minamimorimachi Building	Office	Osaka, Osaka	2,258	2,410	1.1	5.5	100.0	August 1993	9.6
Metropolitan	A-42	Sunworld Building	Office	Osaka, Osaka	1,200	1,230	0.6	5.5	100.0	March 1993	12.0
Metropolitan	A-43	Marunouchi Sanhome Building	Office	Nagoya, Aichi	1,626	1,790	0.8	5.8	100.0	July 1988	7.1
Central	A-44	MK Kojimachi Building	Office	Chiyoda Ward, Tokyo	1,781	1,960	0.9	4.6	100.0	March 1997	4.3
Central	A-45	Toranomon Sakura Building	Office	Minato Ward, Tokyo	4,120	4,270	2.0	3.9	89.5	July 1983	8.2
Central	A-46	La Verite Akasaka	Office	Minato Ward, Tokyo	2,000	2,080	1.0	4.3	100.0	December 1986	4.5
Central	A-47	Kanda Ocean Building	Office	Chiyoda Ward, Tokyo	1,440	1,520	0.7	4.7	100.0	January 1990	9.3
Central	A-48	Shinto GINZA EAST	Office	Chuo Ward, Tokyo,	1,352	1,400	0.7	4.5	100.0	September 1990	5.3
Central	A-49	New River Building	Office	Chuo Ward, Tokyo,	3,000	2,960	1.5	4.6	90.1	January 1990	5.2
Central	A-50	FORECAST Waseda FIRST	Office	Shinjuku Ward, Tokyo	4,775	4,900	2.3	4.7	85.2	July 1986	3.5
Central	A-51	FORECAST Gotanda WEST	Office	Shinagawa Ward, Tokyo	6,520	6,790	3.2	4.5	100.0	September 1989	2.3
Metropolitan	A-52	Omiya Center Building	Office	Saitama, Saitama	15,585	17,100	7.6	5.2	100.0	March 1993	2.0
Metropolitan	A-53	Sumitomo Mitsui Bank Korabashi Building	Office	Osaka, Osaka	2,850	2,900	1.4	5.1	100.0	March 1994	7.6
Metropolitan	A-54	NORE Fushimi	Office	Nagoya, Aichi	2,840	3,020	1.4	5.1	100.0	November 2006	4.5
Metropolitan	A-55	NORE Meieki	Office	Nagoya, Aichi	2,520	2,830	1.2	5.5	100.0	January 2007	4.2
Central	B-1	Tower Court Kitashinagawa	Residential	Shinagawa Ward, Tokyo	11,880	13,200	5.8	5.1	98.0	February 2009	2.6
ODC, etc.	B-2	Sky Hills N11	Residential	Sapporo, Hokkaido	1,570	1,700	0.8	6.6	100.0	March 2001	1.3
Metropolitan	B-3	my atria Meieki	Residential	Nagoya, Aichi	1,280	1,450	0.6	5.7	96.9	March 2006	4.4
Metropolitan	B-4	my atria Sakae	Residential	Nagoya, Aichi	1,110	1,190	0.5	5.7	100.0	March 2007	4.1
Metropolitan	B-5	Mac Village Heian	Residential	Nagoya, Aichi	785	849	0.4	6.0	100.0	September 2006	3.2
Metropolitan	B-6	Seam Dwell Tsutsui	Residential	Nagoya, Aichi	695	768	0.3	5.9	100.0	February 2007	5.0
ODC, etc.	B-7	Ciel Yakuin	Residential	Fukuoka, Fukuoka	640	690	0.3	5.5	95.5	March 2005	5.4
Central	B-8	Kanda Reeplex R's	Residential	Chiyoda Ward, Tokyo	1,813	1,890	0.9	4.7	100.0	January 2006	4.4
Central	C-1	Otakibashi Pacifica Building	Retail	Shinjuku Ward, Tokyo	3,350	3,470	1.6	4.2	100.0	October 2008	4.6
Metropolitan	C-2	Komyoike Act	Retail	Sakai, Osaka	2,063	2,170	1.0	6.4	97.0	April 1988	12.7
Total: 65 properties					204,852	220,087	100.0	4.9	98.8	—	4.0

(Note 1) The investment ratio is the acquisition value of each acquired asset, divided by the total acquisition value of assets acquired. The ratio is rounded off to the first decimal place.  
(Note 2) Occupancy rates are as of the end of December 2016.  
(Note 3) The PML value for the overall portfolio is based on the May 2015 65-property seismic risk survey portfolio analysis report prepared by Tokio Marine & Nichido Risk Consulting Co., Ltd.



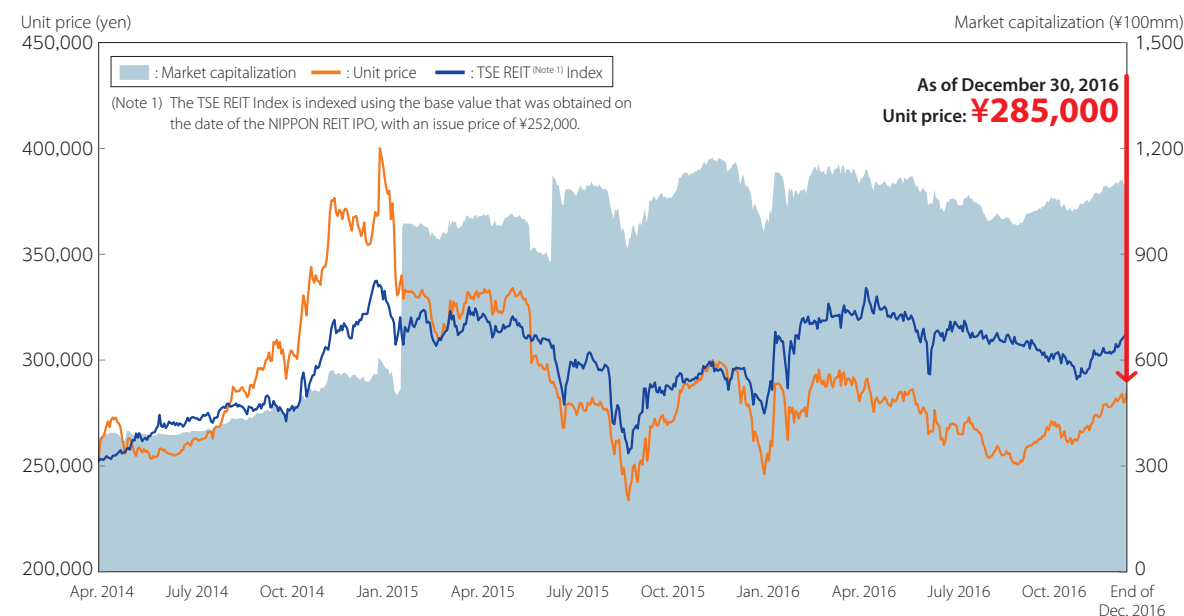
- Office Properties
- Residential Properties
- Retail Properties



# Investment Units

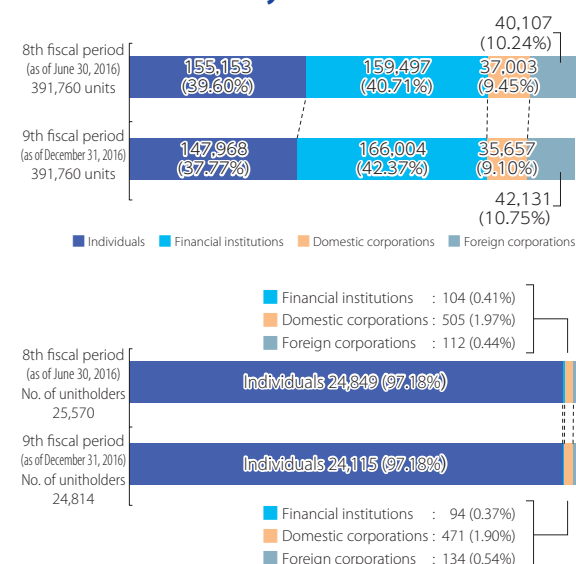
## Historical Unit Price

The following shows trends for trading prices (closing prices) and volume for NIPPON REIT, which is traded on the Tokyo Stock Exchange, for the period from April 24, 2014 to December 30, 2016 (the final trading day of the ninth fiscal period).



# Unitholders

## Breakdown of Investment Unitholdings and Number of Unitholders by Investor



## Major Unitholders (As of the end of the ninth fiscal period)

	Name	No. of units	Ratio
1	Japan Trustee Services Bank, Ltd. (Trust account)	70,635	18.03%
2	Trust & Custody Service Bank, Ltd. (Securities investment trust account)	28,449	7.26%
3	The Master Trust Bank of Japan, Ltd. (Trust account)	20,452	5.22%
4	The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	15,503	3.96%
5	Sojitz Corporation	15,500	3.96%
6	STATE STREET BANK AND TRUST COMPANY 505001	4,362	1.11%
7	BARCLAYS CAPITAL SECURITIES LIMITED	3,700	0.94%
8	Shikoku Railway Company	3,342	0.85%
9	NOMURA BANK (LUXEMBOURG) S.A.	2,520	0.64%
10	Japan Trustee Services Bank, Ltd. (Trust account)	2,507	0.64%
	<b>Total</b>	<b>166,970</b>	<b>42.62%</b>

# Unitholder Information

## Investor Memo

Book-closing dates for fiscal periods	June 30 and December 31 of each year
The General Meeting of Unitholders	Held more than once every two years
Unitholder record date for exercising voting rights	Date stipulated in Article 16 of the Articles of Incorporation
Registration deadline for cash distribution payments	June 30 and December 31 of each year (Cash distributions are paid within a three-month period from the registration deadline.)
Listed on the following stock exchange	Real Estate Investment Trust Section, Tokyo Stock Exchange (TSE) (Stock code: 3296)
Notification published in the following newspaper	Nihon Keizai Shimbun
Transfer agent	Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo, Japan
Contact: (Postal mail and phone inquiries)	Stock Transfer Agency Services, Mitsubishi UFJ Trust and Banking Corporation 7-10-11 Higashisuna, Koto-ku, Tokyo 137-8081, Japan 0120-232-711 (toll-free number) 9:00-17:00 (excluding Saturday, Sunday, national holidays, and the year-end/New Year's holiday)

### Procedures for Notification of Address or Other Changes

Investors should inform their securities company of any changes to pertinent personal information, including address, name, and official seal for carrying out banking transactions.

### Cash Distributions

Unitholders can receive cash distributions by bringing their cash distribution receipt to the nearest Japan Post Bank or post office (banking agent). To receive the cash distributions after the receipt period, designate the method for receipt on the back of the cash distribution receipt and mail it to the Stock Transfer Agency Services, Mitsubishi UFJ Trust and Banking Corporation or go to the head office or a branch office. (Please refer to the investor memo above for contact information.)

In addition, for future cash distributions, unitholders should contact their securities company to specify a bank account for cash distribution deposits, or for desired procedures, including filing to opt for separate taxation at the source.

Note that NIPPON REIT is not obliged to pay any cash distributions unclaimed for a period of three years after the first day of payment. Unitholders should make arrangements to receive their cash distributions as soon as possible.

### Statement of Cash Distribution

The statement of cash distribution we send for cash distribution payments also serves as Notice of Dividend Payment, in accordance with provisions under the Special Taxation Measure Act of Japan. This document can be an attachment to tax forms when filing income taxes. Note that the statement of cash distribution is enclosed and sent along with the cash distribution receipt, which unitholders exchange for dividends. Unitholders who file income taxes should carefully store this document away to prevent loss. However, unitholders who opt for allocation in proportion to the number of investment units should contact their securities company for details.

## "My Number System" for Investment Equity

The number in the notification from the municipality is required for investment equity tax procedures. For this reason, investors must notify their securities company of their individual number.

### Use of "My Number System" in Investment Equity Services

As stipulated by law, we print the investor's individual number on payment records and submit them to the tax office.

Payment records \* Distribution payment record

### Inquiries Concerning Notification of Individual Number

Investors who have an account with a securities company  
➡ Inquire with your securities company.

Investors that do not have a securities company  
➡ Use the toll-free number below.  
Mitsubishi UFJ Trust and Banking Corporation Stock Transfer Agency Services  
☎ 0120-232-711 (toll-free number)