

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

February 18, 2021

NIPPON VISION

Serious, Steady, Solid



NIPPON REIT
Investment Corporation

Overview and Effects of the Assets Replacement

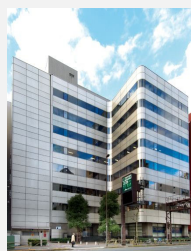
Return to unitholders through 3 times asset replacement in these 2 years on the background of high liquidity of small-to-middle sized office

《Properties Subject to be Transferred / Acquired》

Transfer

4 properties ¥8 bn

Offices located in the peripheral of 6 central wards of Tokyo and FORECAST Uchikanda of which building age is 44 years old



● Higashi Ikebukuro Center Building



● FORECAST Uchikanda



● Marunouchi Sanhome Building



● Toshin Higashi-Ikebukuro Building

Asset replacement

Acquisition

6 properties ¥5 bn

Highly stable properties including 2 years old office building located in 6 central wards of Tokyo



● TENSJO OFFICE SHINBASHI 5



● MAISON Dino



● Meister house Kawasaki



● LIESSE Tsurumai



● Komatsubara Yamamoto Mansion



● Belleza Kanayama

- Offices (6 central ward of Tokyo)
- Offices (3 major metropolitan areas)
- Residence (6 central ward of Tokyo)
- Residence (3 major metropolitan areas)
- Residence (ordinance-designated cities)
- Additional acquisitions
- Acquisition from the pipeline
- Bridge fund
- Sponsor warehousing

《Effects on Portfolio》

	16th fiscal term (Jun., 2020) As of the end	17th fiscal period (Dec., 2020) As of the end	After 4th Asset Replacement
Number of properties	90 properties	100 properties	102 properties
Asset size (acquisition price)	¥249.2 bn	¥255.4 bn	¥254.1 bn
Total appraisal value	¥297.1 bn	¥303.6 bn	¥301.2 bn
NOI yield (before depreciation)	5.2%	5.1%	5.1%
NOI yield (after depreciation)	4.4%	4.3%	4.3%
Average building age	25.9 years	25.7 years	25.2 years
Diversification by type			
Office	77.1%	75.1%	73.5%
Residence	18.8%	21.7%	23.3%
Retail	4.1%	3.2%	3.2%
Diversification by area (Offices)			
6 central wards of Tokyo	69.2%	71.5%	73.5%
23 wards of Tokyo (excluding 6 central wards)	13.6%	10.8%	9.2%
3 major metropolitan areas (excluding 23 wards of Tokyo)	17.1%	17.7%	17.3%
Distribution by area (Residence)			
6 central wards of Tokyo	52.8%	44.7%	41.8%
23 wards of Tokyo (excluding 6 central)	12.0%	12.5%	12.9%
3 major metropolitan areas (excluding 23 wards of Tokyo)	30.5%	37.1%	38.9%
Ordinance-designated cities	4.7%	5.6%	6.4%

《Return to unitholders》

- Realization of unrealized gains in a timely manner
 - Plan to distribute gain on the transfer during 2 fiscal periods
- The 18th period : 911 million yen The 19th period : 267 million yen

(Note)

1. "6 central wards of Tokyo" refers to Chiyoda, Chuo, Minato, Shinjuku, Shibuya and Shinagawa Wards. "Three major metropolitan area" refers to the three Major Metropolitan Areas (i.e. Greater Tokyo area (Tokyo, Kanagawa, Chiba and Saitama), Osaka economic bloc (Osaka, Kyoto and Hyogo) and Nagoya economic bloc (Aichi, Gifu and Mie)). "Certain ordinance-designated and other cities" refers to the ordinance-designated cities located in areas other than "Three major metropolitan areas" (i.e. Sapporo, Sendai, Niigata, Shizuoka, Hamamatsu, Okayama, Hiroshima, Fukuoka, Kitakyushu and Kumamoto) and prefectural capitals. The same applies hereafter.

《Aims of Asset Replacement and Future Policy》

1st asset replacement In the 11th fiscal period (ended Dec. 2017) (Transfer) 2 properties/ ¥10bn (Acquisition) 3 properties/ ¥11.5bn <ul style="list-style-type: none">Improvement of profitabilityLower average building age and improvement of liquidityStabilization of cash flowReturn to investorsMedium-to long-term unitholder value enhancement	2nd asset replacement In the 14th fiscal period (ended Jun. 2019) (Transfer) 2 properties/ ¥7.2bn (Acquisition) 5 properties/ ¥7.7bn <ul style="list-style-type: none">Improvement of profitabilityLower average building age and improvement of liquidityStabilization of cash flowReturn to investorsFuture external growth opportunity expansion	3rd asset replacement In the 17th fiscal period (ended Dec. 2020) (Transfer) 3 properties/ ¥9.3bn (Acquisition) 13 properties/ ¥13.7bn <ul style="list-style-type: none">Increase the ratio of offices in 6 central wards of Tokyo and residenceLower average building age and improvement of liquidityStabilization of cash flowReturn to investorsRealization of unrealized gains in a timely manner
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4th asset replacement
In the 18th fiscal period (ending Jun. 2021) and the 19th fiscal period (ending Dec. 2021)

(Transfer) 4 properties/ ¥8.0bn (Acquisition) 6 properties/ ¥5.0bn

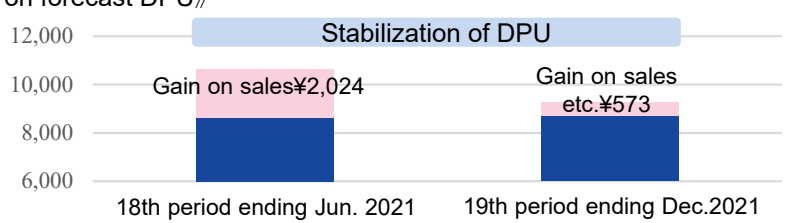
◆ Improvement of portfolio quality

- Increase the ratio of offices in 6 central wards of Tokyo and the ratio of residence**
Strengthening competitiveness and defensiveness of the portfolio
- Lower average building age and improvement of liquidity**
Make the portfolio younger with enhanced liquidity of the portfolio by exchanging properties 29-44 years old building and younger properties
- Stabilization of cash flow /Expansion of future growth potential**

◆ Returns to unitholders

- Stabilization of DPU through distribution of gain on transfer over 2 fiscal periods**
Plan to distribute ¥911mn and ¥267mn of gain on the transfer in the fiscal period ending Jun. 2021 and Dec. 2021 respectively

《Effects on forecast DPU》



Period	Base DPU (approx.)	Gain on sales	Total DPU (approx.)
18th period ending Jun. 2021	8,000	¥2,024	10,024
19th period ending Dec. 2021	8,000	¥573	8,573

Future asset replacement policy

- ◆ Aim to improve competitiveness and defensiveness of the portfolio through continuous asset replacement
- ◆ Return to unitholders by realizing unrealized gains in a timely manner
- ◆ As we will capture “time to sell” of the property, we may advance the sale of the targeted asset for the sake of the future of “time to buy”

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