

December 16, 2014

For Immediate Release

Real Estate Investment Trust Securities
Issuer:

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Notice Concerning Acquisition and Leasing of Asset

NIPPON REIT Investment Corporation ("NIPPON REIT") announces that Sojitz REIT Advisors K.K. ("SRA"), which is entrusted to manage the assets of NIPPON REIT, today decided on the following acquisition and leasing of an asset (the "Acquisition and Leasing").

1. Overview of acquisition

(1) To-be-acquired asset:	Trust beneficiary right placing real estate in trust
(2) Asset name:	Central Daikanyama (the "Property")
(3) Scheduled acquisition price :	3,510 million yen
(4) Agreement conclusion date:	December 19, 2014 (scheduled)
(5) Acquisition date:	December 19, 2014 (scheduled)
(6) Seller	Not disclosed (Note 1)
(7) Acquisition financing:	Borrowings (Note 2)
(8) Payment date	December 19, 2014 (scheduled)

(Note 1) Not disclosed because consent has not been obtained from the seller

(Note 2) Please refer to the "Notice Concerning Borrowing of funds" dated today for loan details.

2. Reason for the Acquisition and Leasing

SRA decided on the Acquisition and Leasing with an aim to develop a portfolio that achieves growth of asset size and secure stable revenue through investing in the Property in accordance with the asset management targets and policy set forth in the articles of incorporation of NIPPON REIT.

Furthermore, the following points of the Property were favorably rated upon the Acquisition and Leasing.

The tenants comply with the tenant screening criteria described in the Report on the Management Structure and System of the Issuer of Real Estate Investment Trust Units and Related Parties dated September 30, 2014.

① Location

The Property is a 5-minute walk or so from Daikanyama Station on the Tokyu Toyoko Line, located along the popular Hachiman-Dori Street, and the surrounding area is lined with many unique shops of varying size including a landmark complex of Daikanyama.

Although concentration of office buildings in Daikanyama area is small, insistent demand is

observed from such business categories as apparel, IT and advertisement that set a high value on the atmosphere and fashion-consciousness, etc. of the area. Accordingly, Office buildings at good location such as near from the Daikanyama Station feature a high scarcity value.

② Building

The building is considered to have a competitive advantage in light of size and age over office buildings in the neighbouring area and equipped with specifications to meet tenant needs. The building also features a high-grade impression appropriate to the location, as seen in the highly-visible design with glass-covered appearance.

3. Overview of the Acquisition and Leasing

Name of property		Central Daikanyama
Type of specified asset		Real estate trust beneficiary right
Scheduled acquisition price		3,510 million yen
Trustee		Mitsubishi UFJ Trust and Banking Corporation
Trust establishment date		December 19, 2014 (scheduled)
Trust expiration date		January 31, 2025 (scheduled)
Location (indication of residential address)		14-23 Daikanyamacho, Shibuya-ku, Tokyo
Land	Parcel number	101-5 Daikanyamacho, Shibuyaku, Tokyo (and 1 other parcel)
	Building coverage ratio / Floor area ratio	70% (Note 1) / 400%
	Use district	Category 2 residential district
	Site area	515.10 m ²
	Type of ownership	Ownership
Building	Construction completion	August 1991
	Structure / Floors	Steel-framed reinforced concrete with stainless steel sheet B1 / 8F
	Use	Office, Shop
	Total floor space	1994.95 m ² (Note 2)
	Type of ownership	Unit ownership(Note 3)
Master lease company		Yugen Kaisha Forecast Leasing (scheduled)
Type of master lease		Pass-through
Appraisal value		3,510 million yen
Real estate appraiser		Japan Real Estate Institute
PML		7.1%
Collateral after acquisition		None
Status of leasing		
	Leasable floor space	1,897.67 m ²
	Leased floor space	1,541.73 m ²
	Ratio of total leasable floor area in portfolio	1.7% (Note 4)
	Representative tenant	Not disclosed (Note 5)
	Occupancy rate	81.2%
	Total number of tenants	5
	Total rent income (annual)	136 million yen
	Deposits, etc.	64 million yen
Special notations		Not applicable

(Note 1) The building coverage ratio is essentially 60%, but it is 70% due to relaxation for fire-proof structures within fire prevention districts.

(Note 2) The Property has the following annex, which is not included in the total floor space as above: the storage shed of a one-story concrete block building with zinc-coated steel plate roof; total floor area: 4.03 m²

(Note 3) The Investment Corporation acquires all of the unit ownership of this building.

(Note 4) Total leasable floor area of NIPPON REIT's portfolio as of December 19, 2014 (scheduled)
: 91,736.70 m²

(Note 5) Not disclosed because consent has not been obtained from the end tenant.

Summary of the appraisal report

Property name	Central Daikanyama	
Appraisal value	3,510,000,000 yen	
Real estate appraiser	Japan Real Estate Institute	
Effective date	December 1, 2014	
	Details	Outline
Appraisal Value by capitalization method	3,510,000,000 yen	Calculated by associating value based on the direct capitalization method and that based on the DCF method, both of which are considered to have the same level of canonicity
Appraisal value using the direct capitalization method	3,570,000,000 yen	
Operating income	181,874,000 yen	
Potential gross income	187,273,000 yen	Recorded based on the assessed unit price of rent, etc. which can be received over a mid- and long-term
Total of vacancy losses, etc.	5,399,000 yen	Recorded based on the assessed level of occupancy rate which is stable over a mid- and long-term
Operating expenses	30,326,000 yen	
Building management fees	4,000,000 yen	Recorded in consideration of the individuality of the target property, by reference to the scheduled building management fees, building management fees of similar properties, and the actual amount of the past years
Utilities	11,000,000 yen	Recorded in consideration of utilities of similar properties and the individuality of the target property, by reference to the actual amount of the past years
Repairs and maintenance costs	1,396,000 yen	Recorded, in consideration of the actual amount of the past years, a level of such costs of similar properties and an annual average of repairs, maintenance and renewal costs in the engineering report, in addition to costs for restoring to original state, which are based on usual costs per room at a replacement of tenants, a ratio of costs incurred by tenants, average timing of cost burden and a degree of restoration to original state
Property management fees	2,513,000 yen	Recorded in consideration of the rate of fees for similar properties and the individuality of the target property, by reference to rates based on the existing terms and conditions
Leasing expenses	940,000 yen	Recorded based on the assessed advertising fees based on new one month's rent revenue and the actual amount of the past years by reference to the existing terms and conditions as well as lease terms for similar properties in the neighbourhood, also in consideration of an annual average of tenant replacement rate and occupancy rate

	Taxes	10,245,000 yen	Assessed based on the standard taxable value for the year 2014
	Insurance	232,000 yen	Recorded in consideration of premiums paid for scheduled insurance money, and insurance rates of similar properties, etc.
	Others	0 yen	No specific cost to be recorded
	Net operating income	151,548,000 yen	
	Non-operating income	1,704,000 yen	Assessed by multiplying the number of mid- and long-term stable months for deposits based on the existing leasing terms and the number of deposited months at the new execution of leasing agreements with multiplied by the occupancy rate, by the management yield. A level of management yield considered to be appropriate is 2.0% in consideration of both levels of interest rates for management and financing
	Capital expenditure	3,139,000 yen	Assessed in consideration of a level of capital expenditure by similar properties, age of the building and an annual average of repairs, maintenance and renewal costs in the engineering report, based on an assumption that expected expenditure is accumulated every term on average
	Net income	150,113,000 yen	
	Capitalization rate	4.2%	Assessed by adding or reducing a spread derived from the locational, building and other conditions of the target property, also in consideration of future uncertainties and transaction yields of similar properties, etc.
	Appraisal value using the discount cashflow method	3,440,000,000 yen	
	Discount rate	4.0%	Assessed in consideration of the individuality of the target property comprehensively, by reference to investment yields of similar properties
	Terminal rate	4.4%	Assessed in consideration of future trends of investment yields, risks in the target property as an investment target and general forecasts for economic growth and trends in property prices and rents, etc. comprehensively, by reference to investment yields of similar properties
	Appraisal value by cost method	2,320,000,000 yen	
	Proportion of land	92.4%	
	Proportion of building	7.6%	

Other matters to which the appraiser paid attention in appraisal	(a) Locational conditions: the target property is a 5-minute walk or so from Daikanyama Station on the Tokyu Toyoko Line, which is an area with advantages in both commercial and residential terms. The area surrounding the target property has developed as a commercial area with fashionable boutiques, cafes and restaurants and select shops attracting the highly-sensitive younger generation,
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	<p>while being highly popular as a residential district.</p> <p>(b) Building conditions: the target property is a mid-sized building used for shops and offices built in 1991. Although equipped with specifications to tenant needs which are expected to office buildings of the same size built in the same year, the target property is less competitive in terms of size and specifications, etc. in comparison to newly-built or newer office buildings or large-sized office buildings.</p> <p>(c) Other conditions: the current rent of office portions of the target property is at a discounted level compared to new rents, while the assessed rent from a mid- and long-term viewpoint is higher than the current rent. However, there is only a limited impact on the cap rate, in consideration of a gap between those two rents</p>
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4. Overview of the seller

The seller of the Property is a Japanese tokutei mokuteki kaisha; however, details are not described in this press release because no consent has been obtained from the seller to disclose its name, etc. There is no capital relationship, personnel relationship or business relationship to be stated between NIPPON REIT or SRA and the seller. The seller does not fall under the category of related party of NIPPON REIT or SRA. In addition, the seller does not fall under the category of any interested party or sponsor-related party, as of today.

5. Acquirer's profile

The seller of the Property does not fall under the category of a special related party of the asset management company.

6. Overview of brokerage

(1) Overview of the broker

Name	WIN corporation
Location	1-7-13, Motoakasaka, Minato-ku, Tokyo
Title and name of representative	Katsuyoshi Sawamoto, President
Line of Business	Domestic and overseas building lots and buildings transaction business. Financial instruments transaction business. Management of restaurants and cafe. Planning, design, construction and subcontracting of building and civil work. Specified worker dispatchment undertaking business. Domestic sale, import and export of daily commodities. Other businesses related to the preceding items.
Capital	10,000 thousand yen
Date of establishment	March 11, 2003
Relationship with NIPPON REIT or SRA	
Capital relationship Personnel relationship Business relationship	There is no capital relationship, personnel relationship or business relationship to be stated between NIPPON REIT or SRA and the concerned company. In addition, there is no capital relationship, personnel relationship or business relationship to be specially noted between associated persons and associated companies of NIPPON REIT or SRA and associated persons and associated companies of the concerned company.
Related-party status	The concerned company does not fall under the category of related party of NIPPON REIT or SRA. In addition, associated persons and associated companies of the concerned company do not fall under the category of a related party of NIPPON REIT or SRA.

(2) Breakdown and value of the brokerage commission

Not disclosed because consent has not been obtained from the broker.

7. Settlement method

Settlement shall be in a lump sum at the time of the Acquisition and Leasing using debt financing.

8. Schedule of acquisition

December 16, 2014	Decision on acquisition
December 19, 2014	Concludes an agreement to purchase the real estate trust beneficiary right. (scheduled)
	Acquisition of the trust beneficiary right and settlement of the payment. (scheduled)

9. Future outlook

There will be only 13 business days from the date of acquisition of the to-be-acquired asset and the scheduled date of starting leasing thereof to the end of the 5th fiscal period ending December 2014 (from July 1, 2014 to December 31, 2014). Therefore, the forecast of the management status for the fiscal period ending December 2014 remains unchanged because the impact will be minimal.

[Explanation of matters stated in table 3. Overview of the Acquisition and Leasing]

- Y “Location (indication of residential address)” is the indication of residential address of the real estate that is the trust property. In addition, if there is no indication of residential address, the building location in the registry (if several, then one of the locations) is stated.
- Y “Building coverage ratio” and “Floor area ratio” of land are, in principle, the figures provided in accordance with related laws and regulations, such as the Building Standards Act and the City Planning Act, and rounded to the nearest whole number. Depending on the real estate that is the trust property, there are cases where “Building coverage ratio” and “Floor area ratio” are subject to certain relaxation measures or restriction measures. In addition, where there are several floor area ratios that apply to a site, the floor area ratio is stated by converting to one that applies to the entire site.
- Y “Use district” of land is the type of use district listed in Article 8, Paragraph 1, Item 1 of the City Planning Act.
- Y “Site area” of land is based on that stated in the registry and may differ from the present state.
- Y “Type of ownership” of land is the type of rights held by the trustee of the real estate trust for the real estate that is the trust property.
- Y “Construction completion” of building is the date of new construction in the registry. In addition, the date of extension, reconstruction, etc. are also stated, if any.
- Y “Structure / Floors” of building is based on that stated in the registry.
- Y “Use” of building is the major type of building in the registry.
- Y “Total floor space” of building is based on that stated in the registry, and annex buildings are separately stated, if any.
- Y “Type of ownership” of building is the type of rights held by the trustee of the real estate trust for the trust beneficiary right above.
- Y “Master lease company” is the company that has concluded or the company that is scheduled to conclude a master lease agreement that is valid as of today for the real estate that is the trust property.
- Y “Type of master lease” is the main type of master lease agreement concluded or scheduled to be concluded as of today, where “Pass-through” is a master lease agreement in which the master lease company shall pay the same amount of rent as the rent payable by end tenants to the master lease company and “Rent guaranteed” is a master lease agreement in which the master lease company shall pay a fixed amount of rent.
- Y “Appraisal value” is the appraisal value stated in the appraisal report prepared by Japan Real Estate Institute. with December 1, 2014 as the effective date of appraisal as requested as part of due diligence upon acquisition of the Property by the Issuer, and rounded down to the nearest million yen.
- Y “PML” is the PML (Probable Maximum Loss) calculated in the evaluation of seismic risk analysis conducted by Tokio Marine & Nichido Risk Consulting Co., Ltd. as requested as part of due diligence upon acquisition of the Property by the Issuer. Furthermore, “Probable Maximum Loss” means the probable maximum loss that may result from an earthquake and, herein, refers to the extent of damage that may be suffered due to an earthquake of the assumed maximum scale (earthquake with a probability of occurring once in 475 years = earthquake with a 10% probability of occurrence in 50 years) in the assumed scheduled use period (50 years = useful life of a general building), expressed as the estimated cost of restoring such damage as a percentage (%) of the replacement cost.
- Y “Collateral after acquisition” is whether or not collateral is scheduled to be established after acquisition of the real estate trust beneficiary right.
- Y “Status of leasing” is based on the figures and information provided by the previous owner or previous trust beneficiary, etc. of the real estate that is the trust property regarding the content, etc. of the lease agreement, etc. that is valid as of October 31, 2014, unless otherwise stated.
- Y “Leasable floor space” is the floor space regarded as being available for leasing based on the lease agreement or building drawing, etc. of the building of each asset as of October 31, 2014 for the real estate that is the trust property.
- Y “Leased floor space” is the sum total of the leased floor space indicated in each lease contract or each provisional lease contract for the real estate that is the trust property as of October 31, 2014. However, in cases where a pass-through type master lease agreement

is scheduled to be concluded, the sum total of the leased floor space of end tenants indicated in each sublease contract or each provisional sublease contract for the real estate that is the trust property as of October 31, 2014. Furthermore, because there are cases where leased floor space indicated in lease contracts, etc. includes the portion not included in total floor space, there are cases where total leased floor space may exceed total floor space.

- Y “Occupancy rate” is the ratio of the leased floor space to the leasable floor space for the real estate that is the trust property as of October 31, 2014, and rounded to one decimal place.
- Y “Total number of tenants” is the sum total of the number of tenants (Note 1) in the lease agreement of the real estate that is the trust property indicated in each lease agreement for the real estate that is the trust property as of October 31, 2014. Furthermore, in cases where a pass-through type master lease agreement is scheduled to be concluded for the concerned asset, the total number of end tenants (Note 1) is stated. However, even in the case of a pass-through type master lease agreement, in cases where the sublessee subleasing the entire property from the master lease company has been entrusted with property management and shall pay fixed rent to the master lease company, the total number of tenants is stated as 1.
- Y “Total rent income (annual)” is the annual rent, or the amount annualized by multiplying the monthly rent by 12, for the building indicated in each lease contract or each provisional lease contract for the real estate that is the trust property as of October 31, 2014 (Note 2), and rounded down to the nearest million yen. However, in cases where a pass-through type master lease agreement is scheduled to be concluded between the master lease company and the lessor, etc. in which, in principle, the rent, etc. from end tenants is received as is, the annual rent, or the amount annualized by multiplying the monthly rent by 12, indicated in each sublease contract or each provisional sublease contract with end tenants for the real estate that is the trust property as of October 31, 2014 (Note 2), and rounded down to the nearest million yen is stated.
- Y “Deposits, etc.” is the sum total amount of tenant leasehold and security deposits required based on each lease agreement for the real estate that is the trust property as of October 31, 2014 (limited to the tenant leasehold and security deposits based on the lease agreement for the leasing space occupied as of October 31, 2014), and rounded down to the nearest million yen. In cases where a master lease agreement is scheduled to be concluded for the concerned asset, the sum total amount of tenant leasehold and security deposits required based on the lease agreement concluded with end tenants, and rounded down to the nearest million yen is stated.

(Note 1) Excluding warehouse, signboard, parking lot, etc.

(Note 2) For the real estate that is the trust property under several lease agreements, the sum total amount thereof. In addition, common area maintenance charges are included, but storage shed, signboard, parking lot, etc. usage fees are not included, and free-rent is not taken into account (excluding consumption taxes).

<Attachment>

Portfolio summary

Photo of exterior of real estate that is the Property

Map of Specified real estate that is the Property

*This material is distributed to the press club of the Tokyo Stock Exchange (Kabuto Club), the press club of the Ministry of Land, Infrastructure, Transport and Tourism, and the press club for construction trade publications of the Ministry of Land, Infrastructure, Transport and Tourism.

*NIPPON REIT Investment Corporation website: <http://www.nippon-reit.com/>

This notice is the English translation of the original Japanese document and is provided solely for information purposes. There is no assurance as to the accuracy of the English translation. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

(Attachment)
Portfolio summary

As of Dec.19, 2014 (Scheduled)

[by Asset type]

Asset type	No. of properties	Acquisition price (Scheduled)	
		Acquisition price (million yen)	Ratio
Office	14	55,930	75.7%
Residence	7	17,960	24.3%
Total	21	73,890	100.0%

[by Area]

Area	No. of properties	Acquisition price (Scheduled)	
		Acquisition price (million yen)	Ratio
Central 6 wards of Tokyo	13	61,960	83.9%
3 Major Metropolitan Areas	6	9,720	13.2%
Ordinance-designated Cities, etc.	2	2,210	3.0%
Total	21	73,890	100.0%

- ① Photo of exterior of real estate that is the trust Property



- ② Map of real estate that is the trust Property

