NIPPON REIT
Investment Corporation

Performance Report

(Jan.-Mar. 2016)

April 28, 2016



Summary of the Bridge Fund

NIPPON REIT additionally invested in the bridge fund on Jan. 28, 2016 and was granted the right of first negotiation for a property (Sannomiya First Building) in addition to existing 2 properties.

Fund name	Godo Kaisha Nicolas Capital 6	**Total appraisal value of the properties**	¥11,700 mm
Agreement conclusion date(4)	Dec. 16, 2015 (Agreement modification date : Jan. 27, 2016)	**Deadline of the right of first negotiation**	End of Feb. 2018
Equity investment amount	¥220 mm	**Total price upon fist negotiation**	¥11,597 mm

Summary of the Properties



Office



Property name	Homat Horizon Building
Location	6-2 Gobancho, Chiyoda-ku, Tokyo
Total floor space	8,143.02 ㎡
Construction completion	September 1987
Appraisal value	¥6,710mm
First negotiation price	¥6,705mm



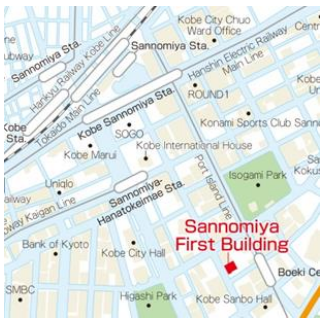
Residence



Property name	Splendid Namba
Location	2-1-23 Inari, Naniwa-ku, Osaka, Osaka
Total floor space	8,031.78 ㎡
Construction completion	January 2015
Appraisal value	¥3,520mm
First negotiation price	¥3,502mm



Office



Property name	Sannomiya First Building
Location	3-2-11, Isobedori, Chuo-ku, Kobe, Hyogo
Total floor space	5,019.79㎡
Construction completion	November 1993
Appraisal value	¥1,470mm
First negotiation price	¥1,390mm

Summary of the New Bridge Fund

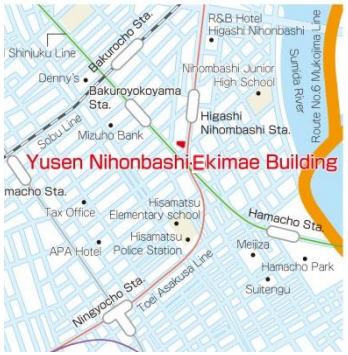
NIPPON REIT invested in the new bridge fund on Mar. 30, 2016 and was granted the right of first negotiation for 3 properties.

Fund name	Godo Kaisha Nicolas Capital 9	**Total appraisal value of the real-estate backed properties**	¥ 4,090 mm
Agreement conclusion date	March 29, 2016	**Deadline of the right of first negotiation**	End of February 2018
Equity investment amount	¥ 100 mm		

Summary of the Properties



Office





Residence





Residence



Property name	Yusen Higashi-Nihombashi Ekimae Building
Location	3-7-19 Higashi-Nihombashi, Chuo-ku, Tokyo
Total floor space	1,879.72 ㎡
Construction completion	February 2001
Appraisal value	¥1,200 mm

Property name	(Tentative) Residence Edogawabashi (1)
Location	4-22 Suidocho, Shinjuku-ku, Tokyo
Total floor space	1,323.15 ㎡
Construction completion	March 2000
Appraisal value	¥1,250 mm

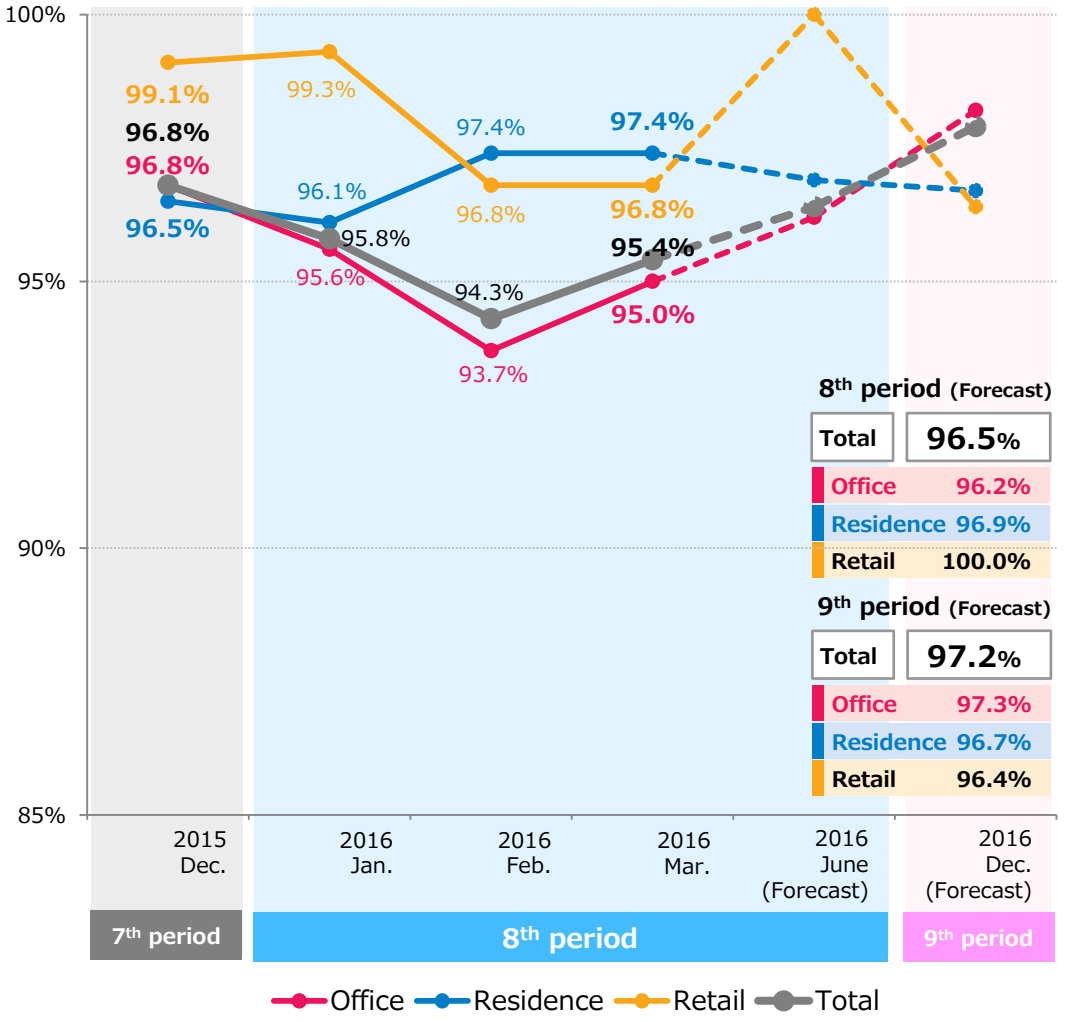
Property name	ZEPHYROS Minami-Horie
Location	1-16-16, Minami-Horie, Nishi-ku, Osaka, Osaka
Total floor space	3,114.33 ㎡
Construction completion	March 2002
Appraisal value	¥1,640mm

Note
1. The operator of the silent partnership (Godo Kaisha Nicolas Capital 9) intends to change the name of the property. The new name after intended change is shown as "(Tentative)".

Occupancy Rate Trends

Office : Although the occupancy rate as of the end of February fell to 93.7% due to vacancy by tenants, it has recovered to 95.0% as of the end of March mainly due to the full occupancy of Mitsui Woody Building.
Residence : Improved to 97.4% due to seasonal increase in rental housing demand.
Retail : Dropped to 96.8% due to leave by 2 tenants in Komyoike Act.

Occupancy Rate Results and Forecast



Major Factors Affecting Occupancy Rate

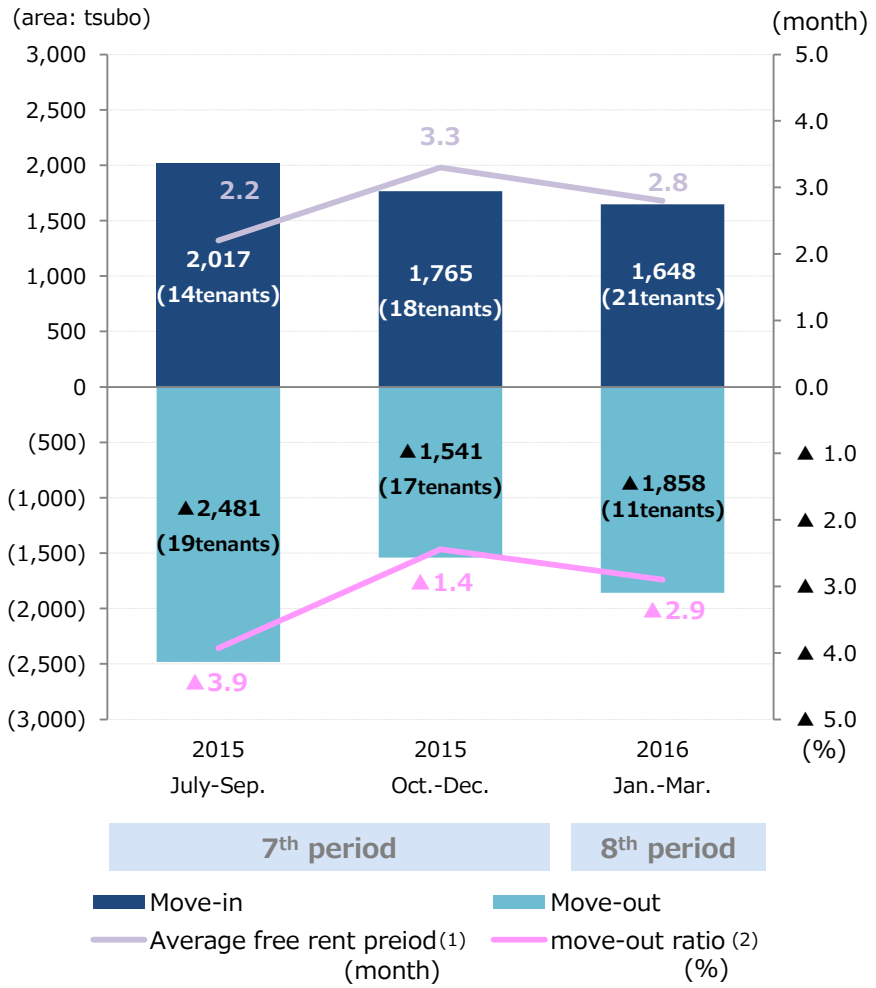
Property name	Occupancy rate		Change in leased area (tsubo)
	As of end of Dec.	As of end of Mer.	
Mitsui Woody Building EM	79.2% ↗	100%	252
Toranomon Sakura Building	48.5% ↗	56.8%	76
Itohpia Iwamotocho ANNEX Building	87.2% ↗	100%	118
JS Progres Building	90.3% ↘	70.4%	▲721
FORECAST Shinagawa	100% ↘	66.7%	▲251
New River Building	100% ↘	69.5%	▲358
Sumitomo Mitsui Bank Koraibashi Building	98.6% ↘	87.2%	▲176
Itohpia Iwamotocho 2-Chome Building	100% ↘	86.4%	▲142
FORECAST Yotsuya	100% ↘	89.7%	▲52

EM : Properties of which occupancy rate has recovered to 100% through enhancement of competitiveness and improvement of tenant satisfaction with effective Engineering Management

Status of Tenant Move-in and Move-out, and Properties Under Leasing Initiative

Tenant Move-in and Move-out

※Total leasable area as of the end of March (Office) : 63,122 tsubo



Major Properties Under Leasing Initiative(3)

Property name	Occupancy Rate (Mar.2016)	Vacant Floors/ Sections	Vacant Area (tsubo)	Status of leasing activities and assumed occupancy rate (4)
JS Progres Building	70.4%	4 floors	1,073	Leased : 1 floor Recovered occupancy rate (Feb. 60.7%→Mar. 70.4%)
Toranomon Sakura Building	56.8%	3 floors/ 4 sections	398	Tenancy application : 3 sections Assumed occupancy rate : 81.7% (June 2016)
FORECAST Shinagawa	66.7%	2 floors	251	
New River Building	69.5%	3 floors	242	
Sumitomo Mitsui Bank Koraibashi Building	87.2%	3 floors/ 3 sections	197	Lease contract : 1 section Tenancy application : 2 sections Termination notice : 2 sections Assumed occupancy rate : 97.5% (Oct. 2016)
ANTEX24 Building	73.5%	2 floors	181	
FORECAST Ichigaya	87.2%	1 floor	158	Termination notice : 1 floor Lease contract : 2 floors Assumed occupancy rate : 100% (June 2016)
Itohpia Iwamotocho 2-chome Building	86.4%	1 floor	142	Termination notice : 1 floor Assumed occupancy rate : 79.2% (Aug. 2016)
La Verite AKASAKA	73.7%	2 floors	135	Tenancy application : 1 floor Assumed occupancy rate : 86.9% (Apr. 2016)

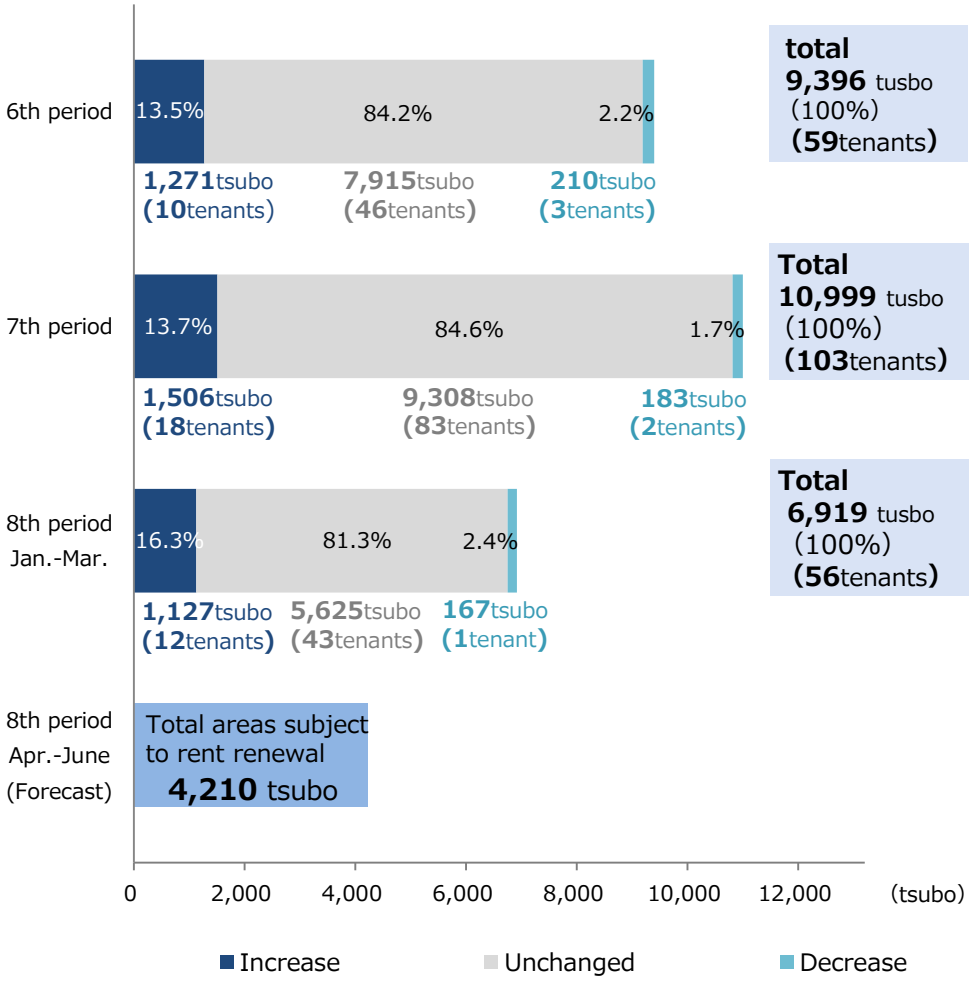
Property name	Occupancy Rate (Mar.2016)	Status of termination notice and assumed occupancy rate(4)
FORECAST Waseda FIRST	100%	Termination notice : 2 floors Assumed occupancy rate : 71.0% (Sep. 2016)
Omiya Center Building	97.2%	Termination notice : 1 floor Assumed occupancy rate : 89.7% (Sep. 2016)

Notes
1. Calculated for tenants concluded new lease contract during respective period.
2. Move-out ratio is calculated by following formula ; total move-out area during respective period / total leasable area as of the end of the respective period.
3. Among properties 90% or below in occupancy rate as of the end of March 2016, properties that has larger vacant area are stated.
4. Assumed occupancy rate refers to the occupancy rate after the realization of all tenancy applications and termination notices.

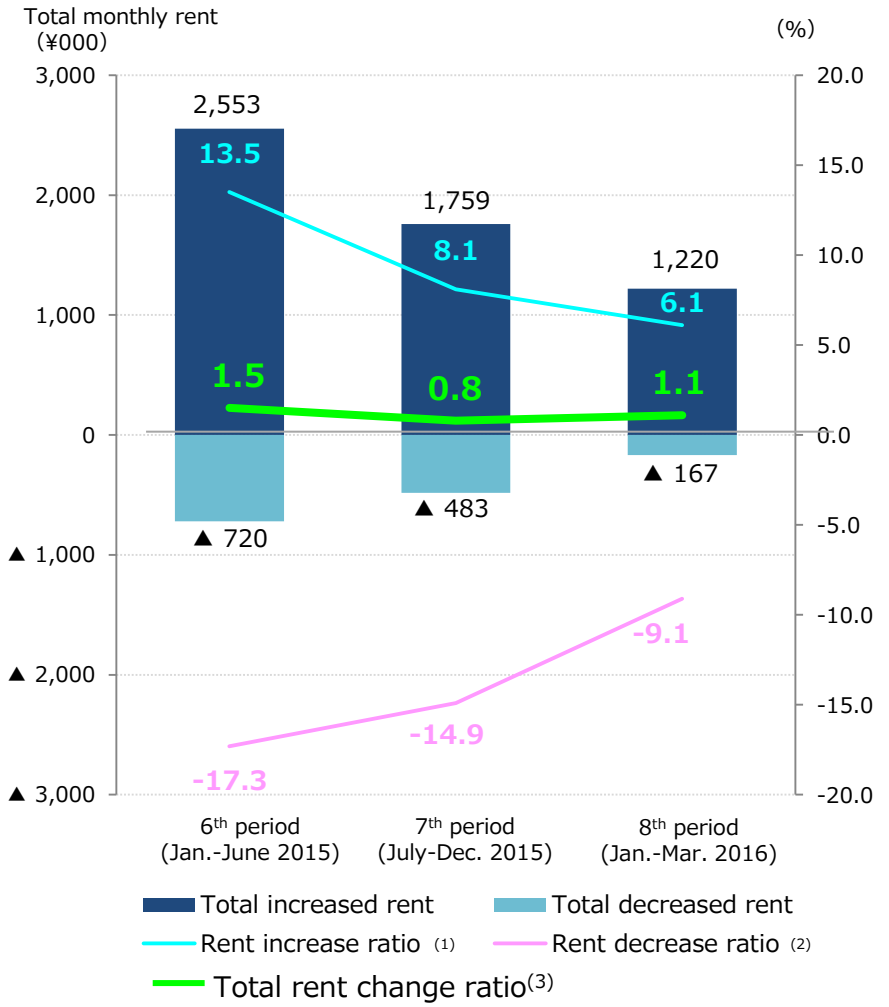
Track Record of Rent Renewals

Achieved 6.1% increase in rent for 12 tenants (1,127 tsubo) out of 56 tenants (6,919 tsubo) subject to renewal from January to March 2016.

Rent Renewals in Office Properties (Leased area)



Rent Renewals in Office Properties (Rent)



Note
1. Rent increase ratio refers to the increase ratio of total rent for tenants who accepted a rent increase after renewal to the total rent before renewal.
2. Rent decrease ratio refers to the decrease ratio of total rent for tenants who had their rent reduced after renewal to the total rent before renewal.
3. Total rent change ratio refers to the increase (decrease) ratio of total rent for all tenants after rent renewal to the total rent before renewal.

Major Track Record of Engineering Management (Jan.- Mar. 2016)

NIPPON REIT Investment Corporation

Omiya Center Building

Establish area for catering wagons

Profitability enhancement

Started to utilize a part of building site as an area for lunch catering service providers. Aim to improve tenant satisfaction and expect to expand commission revenue (approx. ¥960 thousand p.a.) by having lunches sold from catering wagons.



Toranomon Sakura Building

Renovation of elevator hall

Tenant satisfaction

Implemented elevator hall renovation. Created a unified design in common areas from the entrance to the leased area, linked to the design of the already renovated entrance area. In this way, improved the image further while saving on costs.



Mitsui Woody Building

Renovation of restrooms and common areas

Tenant satisfaction

Renovated the restrooms including installation of additional stalls in the women's restroom with the aim of improving the workplace environment for women. Also, renovated common areas, including the elevator hall, by updating the interior materials and changing to warm lighting.





La Verite Akasaka

Renonvation of restrooms and common areas

Tenant satisfaction

Renovated the restrooms including installation of additional stalls in the women's restroom with the aim of improving the workplace environment for women.





Energy cost reduction

Cost reduction

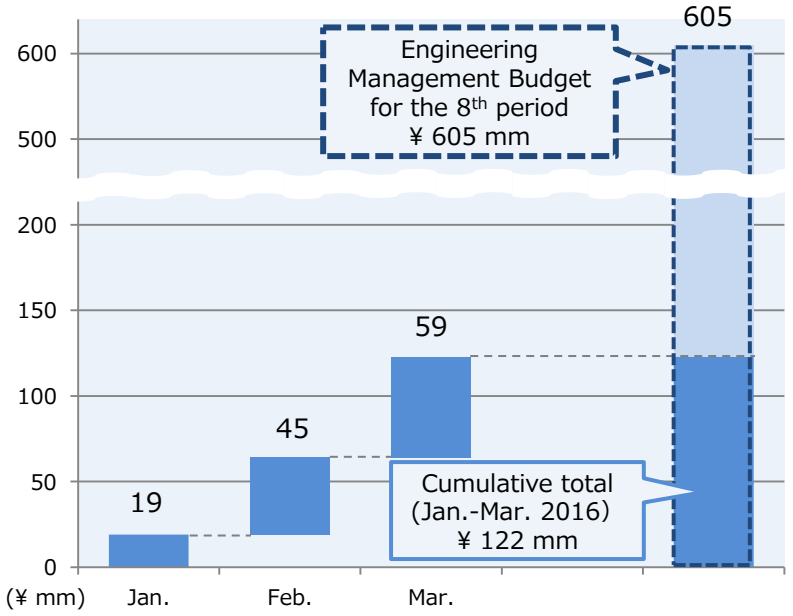
■ **Reduce electricity charges by using new power companies**

With an aim to reduce electricity charges, switched a current power company to PPS (Power Producer and Supplier) at 40 properties. Expect to save approx. 10.9% p.a.(approx. ¥60mm) on a trial basis.

■ **Reduce water charges by installing water-saving toilets**

With an aim to reduce water charges, installed water-saving toilets at 8 properties. Expect to save approx. ¥3.7 mm p.a. on water charges on a trial basis. Also, the installation of hand-motion sensors expects to expand the value by improving convenience.

Status of Engineering Management Implementation



Major Engineering Management Plans (Apr. 2016-)

Implementation of measures to increase revenue from parking lots

Profitability enhancement

By reviewing the sublessee parking operators throughout the portfolio and concluding agreements under more favorable terms at 19 properties (approx. 300 parking lots). Aim for approx. a ¥2 mm per month revenue increase.

JS Progres Building

Construct new parking spaces

Profitability enhancement

Planning to boost the number of parking spaces by changing layouts with aims of promoting leasing activity and increasing revenue.

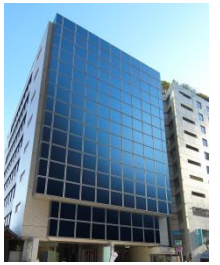
FORECAST Shinjuku SOUTH

Air conditioning renewal and LED lights installation utilizing subsidies

Cost reduction

With an aim to enhance property competitiveness, planning to renew the air conditioning and install LED lights to implement energy saving while utilizing subsidies to reduce cost.
*Please note that NIPPON REIT may not receive regulatory approval for subsidies as a result of examination.





FORECAST Shinagawa

Renovation of restrooms and establishment of smoking area

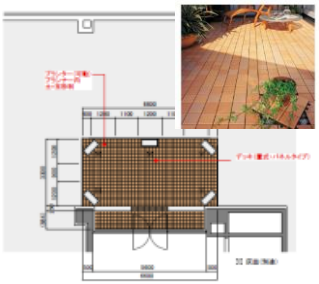
Tenant satisfaction

With aims of enhancing property competitiveness and improving the workplace environment, planning to renovate the restrooms including installation of additional stalls in the men's and women's restrooms. Also, planning to establish a new smoking area on the rooftop under the guidance of Japan Tobacco Inc.









ANTEX24

Renovation of restrooms

Tenant satisfaction

With aims of enhancing property competitiveness and improving the workplace environment for women, planning to renovate the restrooms including installation of additional stalls in the women's restroom.









Toranomon Sakura Building

Floor split with establishment of a hallway

Tenant satisfaction

In establishing a hallway accompany with the floor split work, using glass for the partition wall to deliver the natural light to the space after the split with aims of creating brightness and reducing the cramped image.
Also, expecting to create a warm tone in the hallway by replacing the blind and lighting.







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