NIPPON REIT
Investment Corporation

真面目に、地道に、堅実に
Serious Steady Solid



NIPPON REIT Investment Corporation

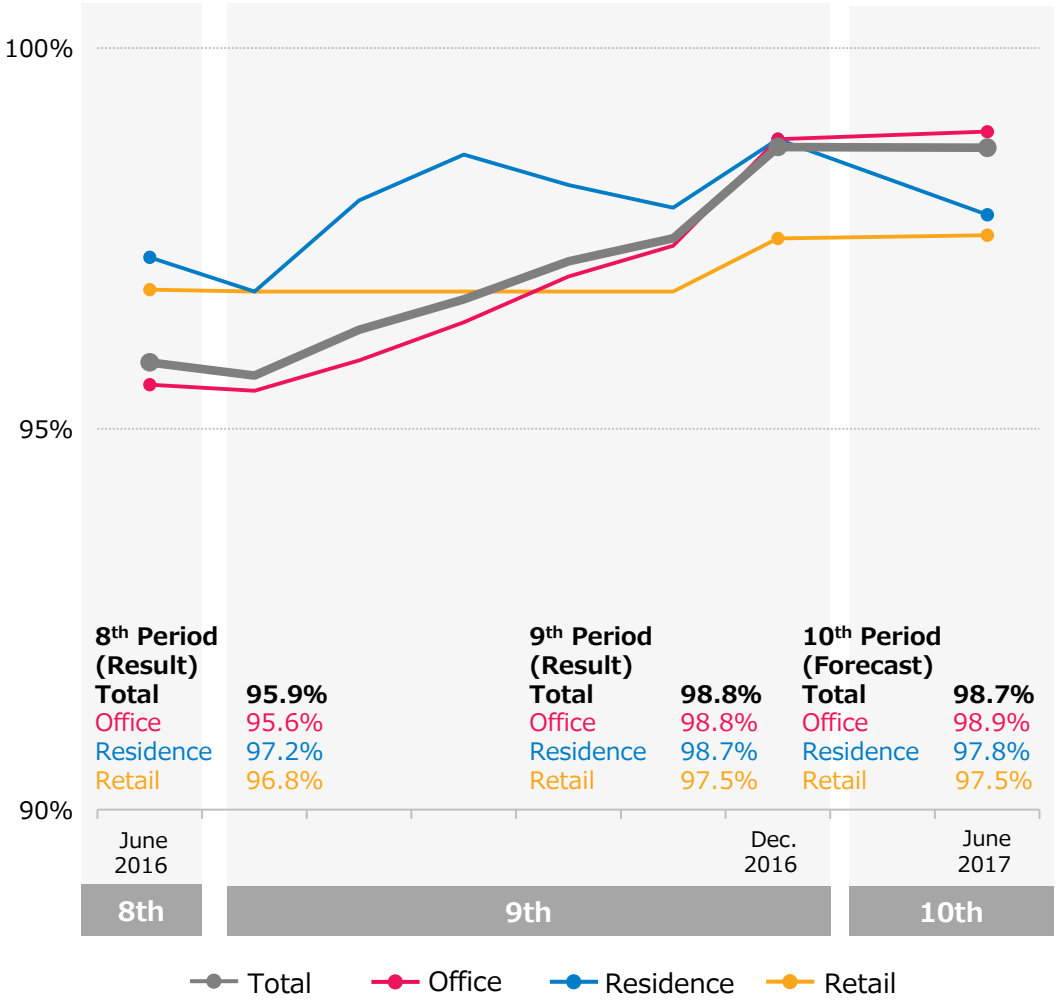
Performance Report (Oct-Dec. 2016)

February 16, 2017

Occupancy Rate Trends

Office : Reached to 98.8% by enhancement of competitiveness and improvement of tenant satisfaction through engineering management etc..
Residence : Occupancy rate has shown favorable movement and exceeded 98%.
Retail : Occupancy rate has recovered to 97.5% by active and effective leasing activities.

Occupancy rate trend and Forecast



Major Factors Affecting Occupancy Rate

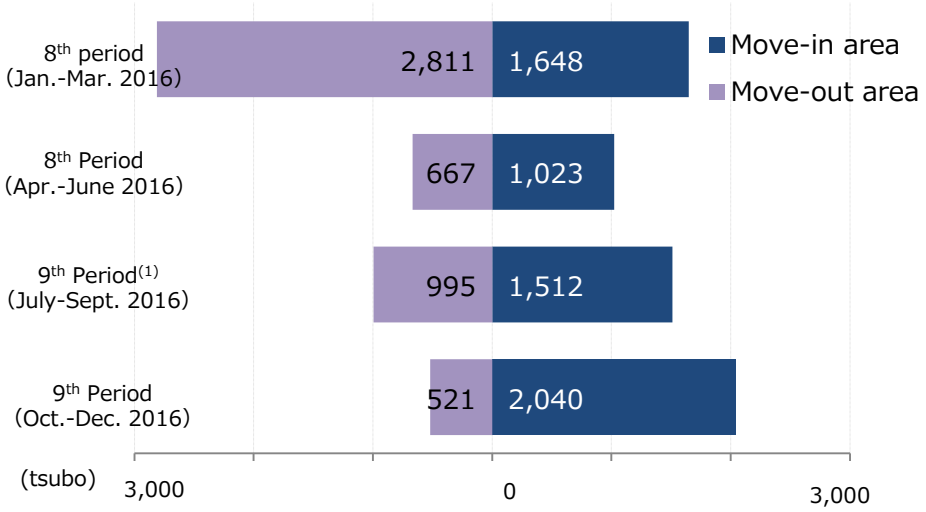
Property name	As of the end of the 8th period	Sep 2016	As of the end of the 9th period	Change in leased area during 9th period (tsubo)
JS Progres Building EM	70.4%	80.6%	100.0%	↗ 1,073
New River Building	69.5%	90.1%	90.1%	↗ 242
Itohpia Iwamotocho 2-chome Building	79.2%	79.2%	100.0%	↗ 216
FORECAST Shinagawa EM	69.8%	100.0%	100.0%	↗ 217
ANTEX24 Building EM	73.5%	73.5%	100.0%	↗ 181
Toranomon Sakura Building EM	72.5%	68.8%	89.5%	↗ 157
MK Kojimachi Building	74.0%	100.0%	100.0%	↗ 137
FORECAST Nishishinjuku	89.0%	100.0%	100.0%	↗ 64
GreenOak Kayabacho	86.4%	86.4%	86.4%	0
FORECAST Shin-Tokiwabashi	85.3%	85.3%	85.3%	0
Itohpia Kiyosubashidori Building	100.0%	100.0%	86.0%	↘ 112
FORECAST Waseda FIRST	100.0%	79.4%	85.2%	↘ 194

EM Properties of which occupancy rate has recovered through enhancement of competitiveness and improvement of tenant satisfaction with effective Engineering Management.

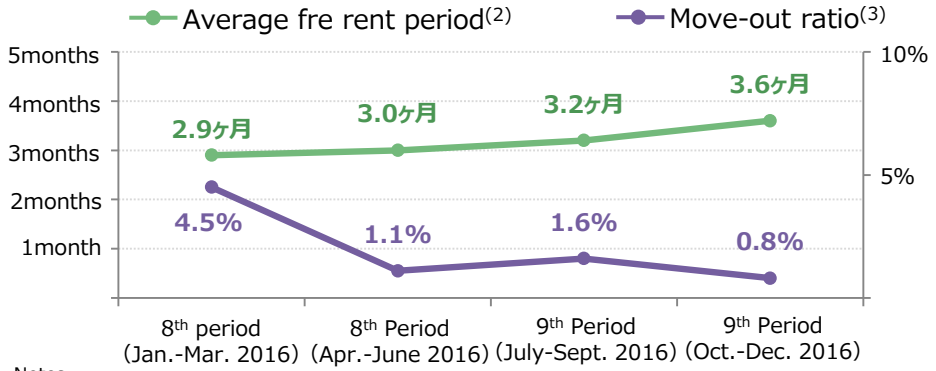
Status of Tenant Move-in and Move-out, and Properties Under Leasing Initiative

Tenant Move-in and Move-out

※Total leasable area (office) as of the end of the 9th period: 63,090 tsubo



Average Free Rent Period and Move-out Ratio



Major Properties Under Leasing Initiative(4)

Property name	Occupancy rate (Dec 2016)	Vacant floors / Sections	Vacant area (tsubo)	Status of leasing activities	Assumed occupancy rates(2)
FORECAST Waseda FIRST	85.2%	2floors/ 2sections	195	Tenancy application : 1 area	95.5% (Apr.2017)
GreenOak Kayabacho	86.4%	1floor	123	Tenancy application : 1 floors	100% (Apr.2017)
Itohpia Kiyosubashidori Building	86.0%	1floor	112	Lease contract : 1 floors	100% (Mar.2017)
Toranomon Sakura Building	89.5%	2floors/ 3sections	97	Lease contract : 3 areas	100% (Feb.2017)
FORECAST Shin-Tokiwabashi	85.3%	1floor	80	Tenancy application : 1 floors	100% (Mar.2017)

Status of Termination Notices

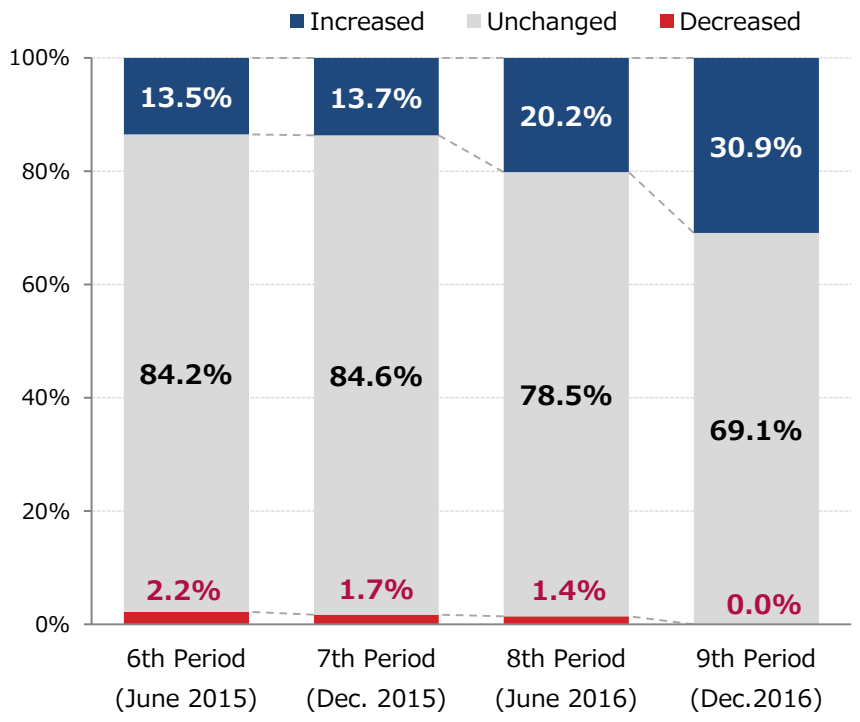
Property name	Occupancy rate (Dec 2016)	Status of termination notices	Assumed occupancy rates(5)
FORECAST Shinjuku AVENUE	100%	Termination notice 2 floors (282tsubo)	78.5% (Aug.2017)
Mejiro NT Building	100%	Termination notice 1 floor (171tsubo)	87.5% (Jan.2017)
NORE Meieki	100%	Termination notice 2 sections (137tsubo)	89.4% (July 2017)
GreenOak Takanawadai	100%	Termination notice 1 floor (112tsubo)	85.8% (July 2017)
Kanda Ocean Building	100%	Termination notice 2 sections (33tsubo)	92.6% (Sep.2017)
Marunouchi Sanchome Building	100%	Termination notice 1 section (33tsubo)	97.4% (June 2017)
FORECAST Iidabashi	100%	Termination notice 1 section (31tsubo)	97.4% (July 2017)
Sumitomo Mitsui Bank Koraibashi Building	100%	Termination notice 1 section (26tsubo)	98.3% (Feb.2017)

Notes
1. We announced that the move-in area for the period was 1,350 tsubo on the "performance report (July-Sep. 2016)" released on October 28, 2016, after re-totaling a failure in totaling for a area (161.72 tsubo) was recognized, therefore the move-in area was revised to 1,512 tsubo.
2. Calculated for tenants concluded new lease contract during respective period.
3. 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.
4. Properties 90% or below in occupancy rate as of the end of December 2016.
5. Assumed occupancy rate refers to the occupancy rate after the realization of all tenancy applications and termination notices.

Track Record of Rent Renewals

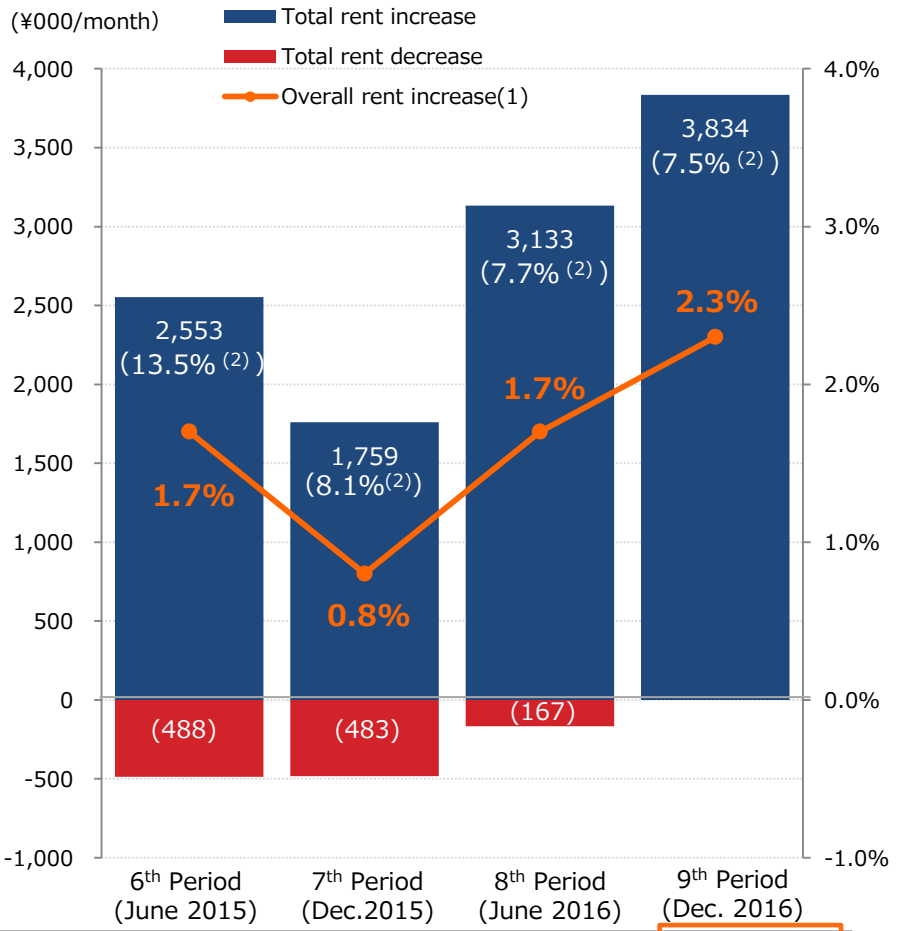
Achieved rent increase for 30.9% of area subject to renewal ,31 tenants (3,791 tsubo)out of 98 tenants (12,268 tsbo), during 9th period

Track Record and Schedule of Rent Renewals



	6th Period (June 2015)	7th Period (Dec. 2015)	8th Period (June 2016)	9th Period (Dec.2016)
Increased	1,271tsubo (10 tenants)	1,506tsubo (18 tenants)	2,476tsubo (23 tenants)	3,791tsubo (31 tenants)
Unchanged	7,915tsubo (46 tenants)	9,308tsubo (83 tenants)	9,626tsubo (90 tenants)	8,476tsubo (67 tenants)
Decreased	210tsubo (3 tenants)	183tsubo (2 tenants)	167tsubo (1 tenant)	0tsubo (0 tenant)
Total	9,396tsubo (59tenants)	10,999tsubo (103tenants)	12,270tsubo (114tenants)	12,268tsubo (98tenants)

Status of Rent Increase(decrease) upon Contract Renewals (office /monthly rent)



	6th Period (June 2015)	7th Period (Dec.2015)	8th Period (June 2016)	9th Period (Dec. 2016)
Total increase-decrease	2,065 Thousand yen	1,276 Thousand yen	2,966 Thousand yen	3,834 Thousand yen

Note
1 Increase ratio of total rent increase for the respective period to total rent before renewal of all tenants which accepted rent increase in respective period
2 "Overall rent increase" is percentage of total increase-decrease in rent for the respective period to total rent of all tenants which renewed contracts in the respective period. The "rent increase target" and "contribution to DPU" stated do not guarantee increase of DPU for respective period.

Major Track Record of Engineering Management (Oct.-Dec. 2016)

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ANTEX24 Building *Profitability enhancement*
Creating new leasable area

Converted an extra space on the 1st floor to for-lease storeroom responding to current tenants' needs. We aim to improve tenant satisfaction through improvement of convenience, and enhance profitability of the property (expect to increase ¥0.42mn p.a. in revenue).



16 office properties *Cost reduction*
Building management cost reduction

With an aim to reduce building management cost, changed building manager and revise service specifications of 16 office properties. We expect to reduce approx. ¥9.46mn p.a. (or 6.4%) of management cost by choosing a manager with the most favorable terms through bidding process and revising service specification in consideration of building specification and tenants' needs.

New River Building/Komyoike Act *Cost reduction*
Air conditioning system renewal and LED lights installation utilizing subsidy

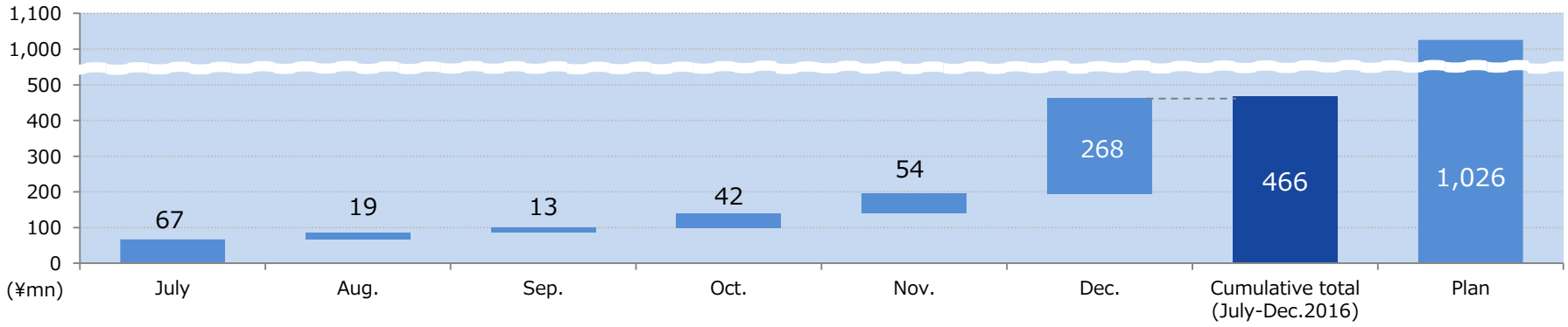
Improved energy saving performance by renewal of air conditioning system and installation of LED lights, we improve cost effectiveness through cost reduction by utilizing subsidies.
※New River Building:cost:¥99,670,100,
subsidy:42,681,802(estimate)
※Komyoike Act:cost:¥12,500,000,
subsidy:¥2,152,866(estimate)
Furthermore we expect to increase approx. ¥2.76mn p.a. in revenue by installation LED at common area.

Sumitomo Mitsui Bank Koraibashi Building *Tenant satisfaction*
Restaurant zone entrance renovation

Implemented to renovate the entrance of the restaurant zone on the basement level along the main street. We expect to improve tenant satisfaction and promote leasing activity through the renovation, as it should improve the customer attraction ability and impression of the building.



Status of Engineering Management Implementation



Major Plan of Engineering Management (Jan. 2017-)

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New River Building
Profitability enhancement
Common area (entrance, restroom) renovation

With an aim to promote leasing activities by improving impression of the building , we plan to change plants at the entrance and renew restroom at the 6th floor which is vacant now.

《Renewal image 》





FORECAST Waseda FIRST
Profitability enhancement
Common area renovation

On the 4th floor, which is vacant now, visibility of entrance of leasable area is low because that common aisle connected to stair hall is gloomy. With an aim to promote leasing activities by improving impression and visibility, we plan to renew lights, carpet and wallpaper etc.

《Renewal image 》




13 office properties
Cost reduction
Energy cost reduction

With an aim to reduce energy (electricity) cost , plan to change electricity provider for 13 office properties. We expect to reduce by 15.56% (approx. ¥29mn p.a.) of energy cost by choosing a provider with the most favorable terms through bidding process.(scheduled to contract in Mar. 2017)

Tower Court Kitashinagawa
Profitability enhancement
Renewal works on the high-rent units on the upper floors



The high-rent units on the top floors of this property have larger floor space and suffer from longer vacancy periods. It was found after the marketing activities that high-rent units on upper floors tend to attract residents focusing on sophisticated designs. We plan to renew those unites to improve design as changing wall materials into design walls and installation high quality materials on floors etc. , and aim to shorten downtime.

《Renewal image》





《Reference》 Renewal implemented in Nov. 2016

All the more because the unit is located at the top floor, a brighter space is needed. Glass blocks are installed in the front door of the entrance, which otherwise is tend to be a closed space, for the purpose of getting sunlight, while design wall materials are installed in the living room where family members gather to create a warm and bright atmosphere.








Glossy-tiled kitchen


Living room with design wall materials installed


Entrance admitting light through glass blocks

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