NIPPON REIT
Investment Corporation

真面目に、地道に、堅実に
Serious Steady Solid



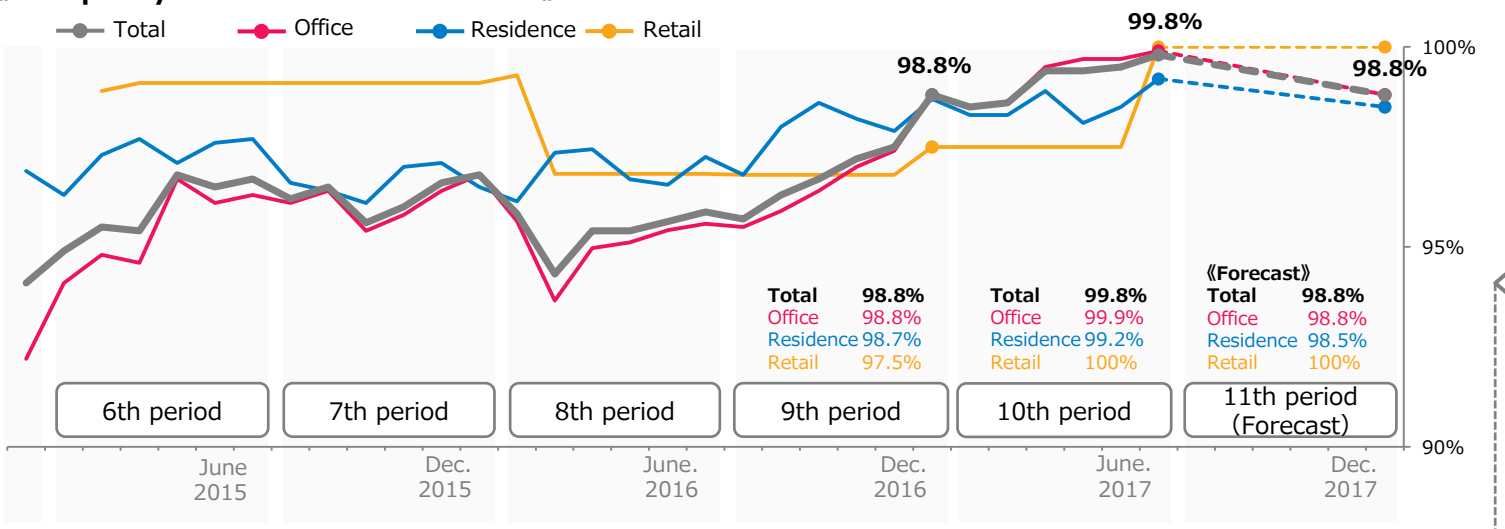
Performance Report
(April-June 2017)

August 17, 2017

Occupancy Rate and Move-out Ratio

NIPPON REIT Investment Corporation

《Occupancy Rate Trend and Forecast》



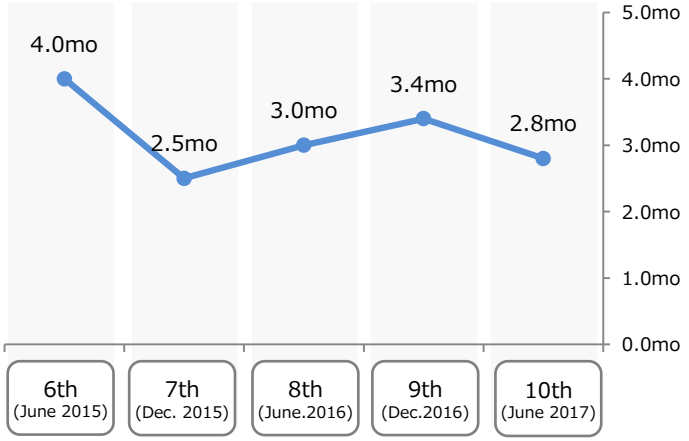
Maintain high occupancy rate

Occupancy rate as of the end of the 10th period stood at 99.8%, overachieved the result of 9th period, recorded the highest ever

Further compressed downtime and free rent period

Downtime and free rent period has further compressed during the 10th Period, occupancy rent (based on cash flow) increased as well

《Average Free Rent Period (1) Trend》



《Major occupancy rate changing factors》

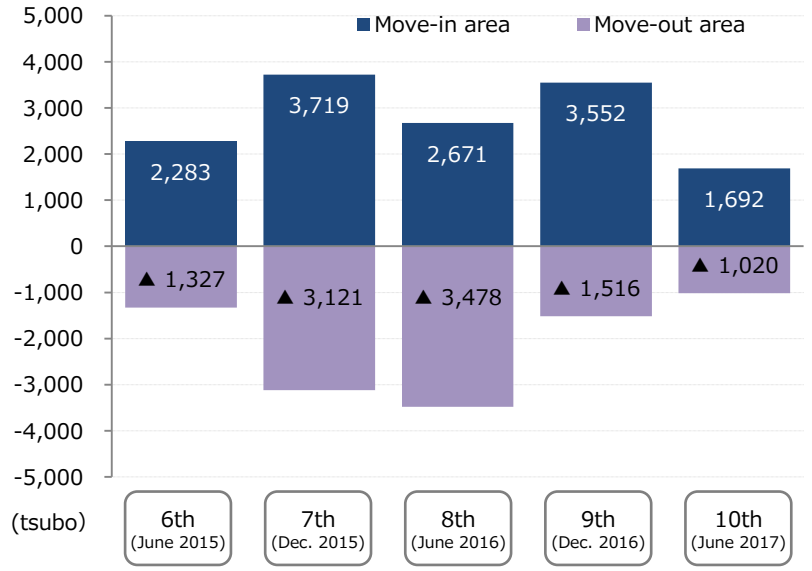
Property name	Occupancy rate 9th	Occupancy rate 10th	Change in leased area (tsubo)
FORECAST Waseda FIRST	85.2%	100%	+194
GreenOak Kayabacho	86.4%	100%	+123
Itohpia Kiyosubashidori Building	86.0%	100%	+112
Toranomon Sakura Building	89.5%	100%	+96
FORECAST Shin-Tokiwabashi	85.3%	100%	+80

Note
1.“Average free rent period” is calculated for end tenants conducted new lease contract during respective period as “total loss from free-rent / total contracted rent without freerent”.

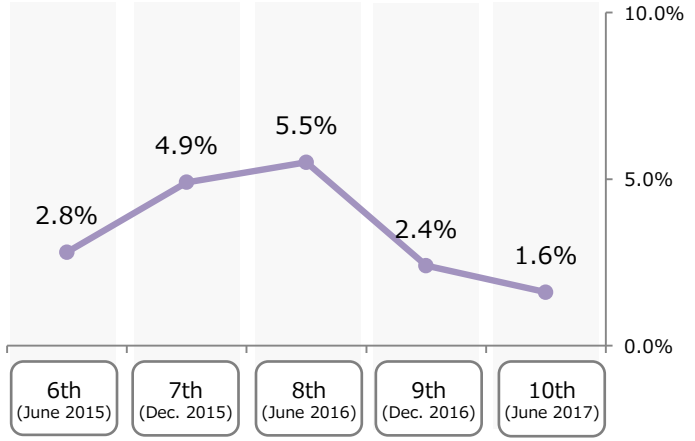
Status of Tenant Move-in and Move-out

《Tenant Move-in and Move-out》

※Total leasable area as of the end of 10th period (office):63,092tsubo



《Average Move-out ratio (1) Trend》



《Status of Termination Notices》

Property name	Occupancy rate	Termination notices section	Assumed occupancy rate
FORECAST Nishisinjuku	100%	Termination notice :1floor (64tsubo)	100% (Aug. 2017)
FORECAST Shinjuku AVENUE	100%	Termination notice :2floors (281tsubo)	100% (Aug. 2017)
FORECAST Ningyocho PLACE	100%	Termination notice :1floor (72tsubo)	100% (Aug. 2017)
FORECAST Ningyocho	100%	Termination notice :1floor (72tsubo)	100% (Sep. 2017)
Sumitomo Mitsui Bank Koraibashi Building	100%	Termination notice :1floor (17tsubo)	100% (Oct. 2017)
Towa Higashi-Gotanda Building	100%	Termination notice :1floor (79tsubo)	100% (Nov. 2017)
Toshin Higashi-Ikebukuro Building	100%	Termination notice :1floor (76tsubo)	100% (Nov. 2017)
Nishi-Gotanda 8-chome Building	100%	Termination notice :2floors (159tsubo)	100% (Dec. 2017)
Omiya Center Building	100%	Termination notice :1section (34tsubo)	99.2% (Jan. 2018)
FORECAST Kayabacho	100%	Termination notice :1section (15tsubo)	98.7% (Jan. 2018)
FORECAST Iidabashi	100%	Termination notice :1section (42tsubo)	96.6% (Jan. 2018)
FORECAST Shinjuku SOUTH	100%	Termination notice :2floors (172tsubo)	96.2% (Dec. 2017)
Marunouchi Sanchome Building	100%	Termination notice :2sections (85tsubo)	93.3% (Jan. 2018)
GreenOak Takanawadai	100%	Termination notice :1floor (58tsubo)	92.7% (Nov. 2017)
FORECAST Shin-Tokiwabashi	100%	Termination notice :1floor (46tsubo)	91.4% (Dec. 2017)
Higashi Ikebukuro Center Building	100%	Termination notice :1floor (115tsubo)	90.9% (Feb. 2018)
NORE Fushimi	100%	Termination notice :1floor (120tsubo)	89.7% (Feb. 2018)
NORE Meieki	94.7%	Left already:2sections (137tsubo)	89.4% (July 2017)
Kanda Ocean Building	100%	Termination notice :4sections (72tsubo)	83.6% (Mar. 2018)
FORECAST Ichigaya	100%	Termination notice :2floors (235tsubo)	77.6% (Feb. 2018)
Kudankita 325 Building	100%	Termination notice :2floors (145tsubo)	76.0% (Dec. 2017)
FORECAST Sakurabashi	100%	Termination notice :2floors (594tsubo)	70.1% (Dec. 2017)

Properties of which occupancy rate is expected to be 100% because new lease contracts have been concluded for subject area

Low move-out ratio due to tight market

As well as background of Grade B office market which supply-demand balance is tight, improvement of tenant satisfaction succeed, Move-out ratio declined to 1.6% during the 10th period

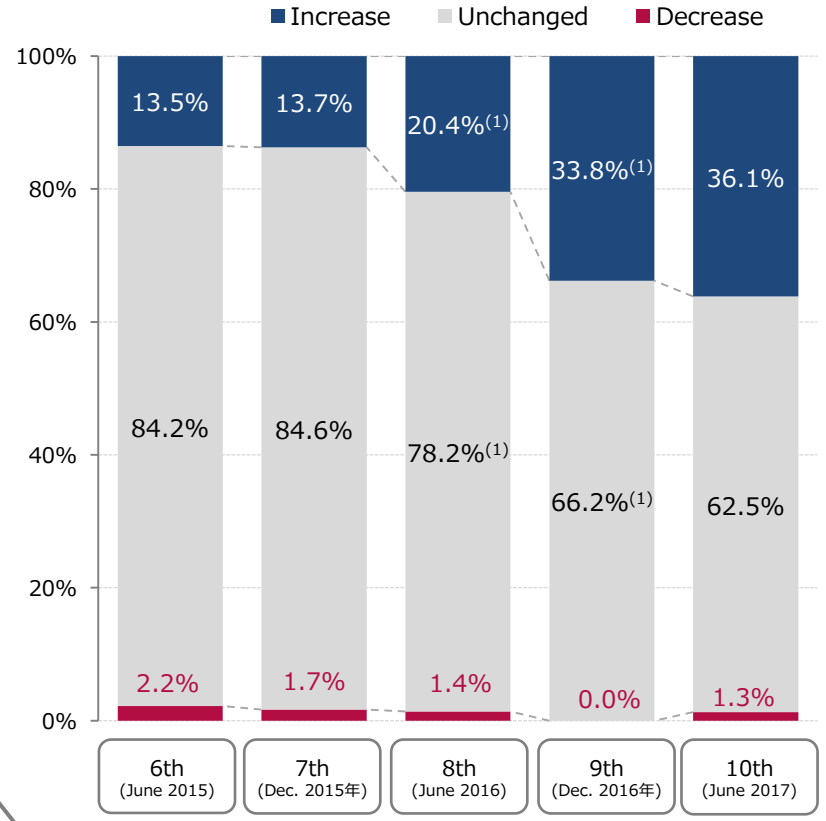
Note

1. “Move-out ratio” is calculated as “total move-out area during respective period / total leasable area as of the end of the respective period”. Furthermore, the area of tenant that move-out on the end of respective month is counted as the move-out area of next month from this material onward.

Track Record of Rent Renewals

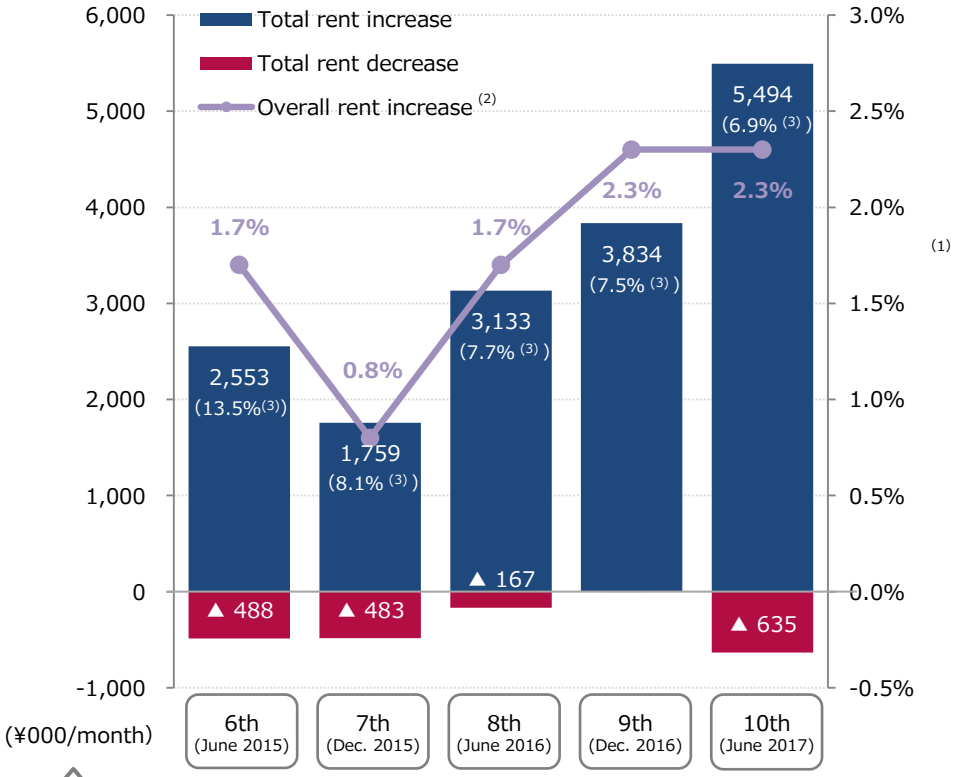
NIPPON REIT Investment Corporation

《Track Record of Rent Renewals》



《Status of rent increase(decrease) upon contract renewals》

(office /monthly rent)



Rent increase has been expanding due to success of measure to improve tenant satisfaction

Achieved rent increase for 36.1% of area subject to renewal ,46 tenants (5,494 tsubo)out of 120 tenants (15,217 tsubo), during 10th period

Achieved the largest rent increase ever by rent renewal (¥5,494 thousand yen/month)

《Trend of Total Increase-decrease (Total rent increase-Total rent decrease) 》

6th	7th	8th	9th	**10th**
2,065 Thousand yen	1,276 Thousand yen	2,966 Thousand yen	3,834 Thousand yen	**4,858** Thousand yen

Notes

1. The figures were changed from the data released on Feb. 16, 2017 due to following tenants which agreed rent increase after contract updating with unchanged condition in the respective period
   8th period: 574.77 tsubo (3 tenants) 9th period : 1,051.05tsubo (10 tenants)
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.
3. 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

Major Track Record of Engineering Management （Apr. - June 2017）

NIPPON REIT Investment Corporation

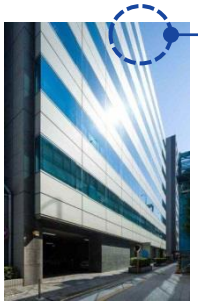
Profitability enhancement | Cost reduction | tenant satisfaction | Environmental Consideration

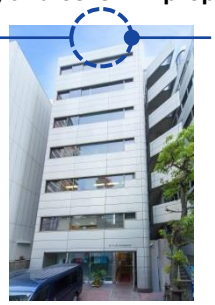
Create new revenue sources

Try to create new revenue sources

Achievement in 10th

《La verite AKASAKA, and other 12 properties 》





Installment of antennas for mobile at rooftop

Installed antennas for mobile phone etc. at roof top of 13 properties, ¥2.64mn NOI increase p.a. is expected



Profitability enhancement | Cost reduction | tenant satisfaction | Environmental Consideration

Improvement of tenant satisfaction by renewal works

Aim to minimize tenant vacancy risk by improvement of tenant satisfaction through effective renewal works based on questionnaire

Achievement in 10th

《Pigeon Building, FORECAST KAYABACHO》

Improvement of tenant satisfaction by renewal works at rest room









Aim to enhance convenience by design changing including rearrangement of layout

Profitability enhancement | Cost reduction | tenant satisfaction | Environmental Consideration

Enhancement of competitiveness power through renovation

Aim to shorten downtime, enhance profitability such as rent increase, and improve tenant satisfaction through efficient renewal works which reflect trends

Achievement in 10th

《Tower Court Kitashinagawa》

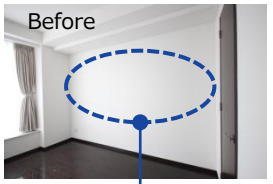
Shorten downtime by improvement of specification on the high-rent units on the upper floors

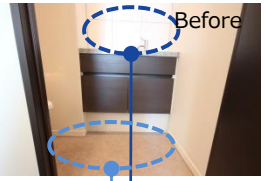


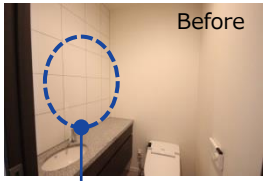


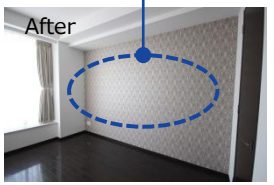
Changed to modern atmosphere with accent tiles

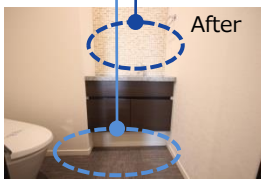
Profitability enhancement through changing to popular layout (removal works of part of wall and storage)

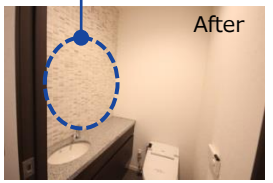












Drastically improvement of specification by changing materials on walls and floors effectively, while saving construction cost

Major Track Record of Engineering Management （Apr. - June 2017）

NIPPON REIT Investment Corporation

Profitability enhancement | Cost reduction | tenant satisfaction | Environmental Consideration

NOI increase through management cost reduction and changing condition

Aim to increase in NOI by cost reduction through installation high energy efficiency equipment, revision of building management service specification etc.

Achievement in 10th

《Tower Court Kitashinagawa, Kudankita 325 Buiding》

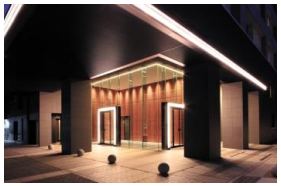




Cost reduction by installment of LED light

¥6.27mn p.a. cost reduction is expected by installation of LED light, as well as improvement of tenant satisfaction and profitability enhancement





Building management cost reduction

¥6.11mn p.a. cost reduction is expected by improvement of efficiency while keeping management quality such as introduction of automatic controller and revision of building management service specification





Increase in income of parking by changing leasing conditions

¥3.26mn p.a. increase in income is expected by revision of the leasing conditions for parking lots



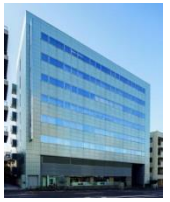
Profitability enhancement | Cost reduction | tenant satisfaction | Environmental Consideration

Profitability enhancement by revolutionary leasing activity

"Select Office" project which aim beneficent tenant replacement for both of lessee and lessor has been commenced as one of leasing promotion activities

Achievement in 10th

《 FORECAST Waseda FIRST 》



Achieved both of shortening downtime and higher rent by "Select Office" project

We replaced tenant quickly with better condition which the rent approx. ¥1.42mn p.a. higher than market rent

《Outline of "Select Office" project》

WIN Advantage for Tenant

- Low initial cost
  (NRT set wall and floor for the tenant)
- Easy to realize dream office
  (By choosing material of wall and floor, layout)

WIN Advantage for NRT

- Win higher rent
- Shorten downtime
- Effective improvement of tenant satisfaction





Implementation Status and Major plans of Engineering Management

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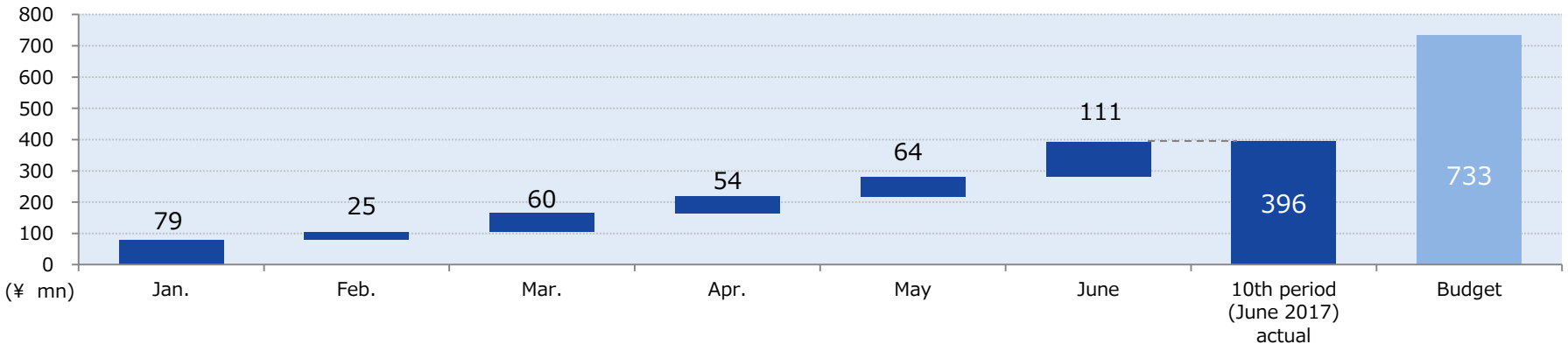
《Status of Engineering Management Implementation》



《Implementation Status and Major plans of Engineering Management (July 2017-)》

Profitability enhancement | Cost reduction | tenant satisfaction | Environmental Consideration

Create new revenue sources

Plan




《 FORECAST Shinjuku SOUTH and 12 others 》

Increase in revenue by creating new leasable area

¥2.4mn p.a. increase in income is expected by converting an extra space to leasable area responding to current tenants' needs.



《 JS Progres Building》

Increase in rent by setting up new parking(changing layout)

¥4.32mn p.a. increase in income is expected by changing parking layout with low cost.

Profitability enhancement | Cost reduction | tenant satisfaction | Environmental Consideration

Management cost efficiency

Plan



《 Mejiro NT Building,Mitsui Woody Building 》

Building management cost reduction

¥3.53mn p.a. cost reduction is expected by revising service specifications while maintaining management quality.



《 21 properties 》

Energy cost reduction

¥17.93mn p.a. cost reduction is expected by choosing a electricity provider with the most favorable terms.

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